

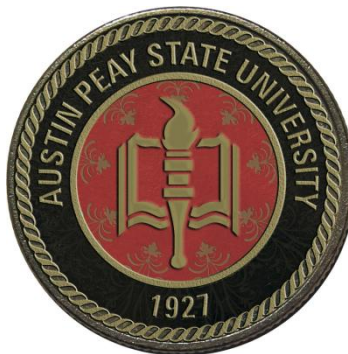
AUSTIN PEAY STATE UNIVERSITY

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# FINANCIAL REPORT

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For The Year Ended June 30, 2013







September 2, 2013

**Office of the President**

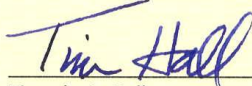
Chancellor John Morgan  
Tennessee Board of Regents  
1415 Murfreesboro Road, Suite 350  
Nashville, TN 37217

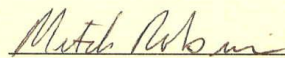
Dear Chancellor Morgan:

We are providing this letter in connection with the transmittal of the financial statements for Austin Peay State University. The financial statements for fiscal year 2013 consist of: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; the Statement of Cash Flows; and Notes to the Statements (the "Financial Statements"). We believe that the Financial Statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Institution in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation in the Financial Statements of financial position, results of operations, and cash flows in conformity with generally accepted accounting principles.

We represent to you that to the best of our knowledge and belief as of the date of this transmittal:

1. The Financial Statements are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. There are no material transactions that have not been properly recorded in the accounting records underlying the Financial Statements.
3. The financial statements of component units of the Institution have been accurately and appropriately incorporated into the Institution's Financial Statements.
4. The Notes are internally consistent with and conform to the Financial Statements as presented.

  
\_\_\_\_\_  
Timothy L. Hall

  
\_\_\_\_\_  
Mitch Robinson

cc. Vice Chancellor for Business and Finance

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

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



# Austin Peay State University

## Financial Report

For Year ended June 30, 2013

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## **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, 2013, with comparative information presented for the fiscal years ended June 30, 2012. 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.

The University has one discretely presented component unit, the Austin Peay State University Foundation. More detailed information about the foundation is presented in Note 19 to the financial statements. This discussion and analysis focuses on the University and does not include the foundation.

### **Overview of the Financial Statements**

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The financial statements are presented on a consolidated basis to focus on the University as a whole. The full scope of the University's activities is considered to be a single business-type activity, and accordingly, is reported within a single column in the basic financial statements.

The University's financial report includes the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. Notes to the financial statements are also presented to provide additional information that is essential to a full understanding of the financial statements.

### **The Statement of Net Position**

The Statement of Net Position is a point in time financial statement. The Statement of Net Position presents the financial position of the University at the end of the fiscal year. To aid the reader in determining the University's ability to meet immediate and future obligations, the statement includes all assets, liabilities, deferred outflows/inflows, and net position of the University and segregates the assets and liabilities into current and noncurrent components. Current assets are those that are available to satisfy current liabilities, inclusive of assets that will be converted to cash within one year. Current liabilities are those that will be paid within one year. The Statement of Net Position is prepared under the accrual basis of accounting; assets and liabilities are recognized when goods or services are provided or received despite when cash is actually exchanged.

From the data presented, readers of the statement are able to determine the assets available to continue the operations of the University. They are also able to determine how much the University owes vendors, lenders, and others. Net position represents the difference between the University's assets and liabilities, along with the difference between deferred outflows and deferred inflows, and is one indicator of the University's current financial condition.

The Statement of Net Position also indicates the availability of net position for expenditure by the University. Net position is divided into three major categories. The first category, net investment in capital assets, represents the University's total investment in property, plant, and equipment, net of outstanding debt obligations related to these capital assets. To the extent debt or deferred inflows of resources has been incurred but not yet expended for capital assets, such amounts are not included. The next category is restricted net position, which is sub-divided into two categories, nonexpendable and expendable. Nonexpendable restricted net position includes endowment and similar resources whose use is limited by donors or other outside sources and as a condition of the gift, the principal is to be maintained in perpetuity. Expendable restricted net position is 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 resources. The final category is unrestricted net position. Unrestricted net position is available to the University for any lawful purpose of the University.

The following table summarizes the University's assets, liabilities, deferred outflows/inflows, and net position at June 30, 2013, and June 30, 2012.

**Statement of Net Position (in thousands of dollars)**

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Current assets	\$ 26,491	\$ 27,356
Capital assets, net	187,935	161,594
Other assets	<u>47,777</u>	<u>50,432</u>
<b>Total Assets</b>	<b><u>\$ 262,203</u></b>	<b><u>\$ 239,382</u></b>
<b>Total Deferred Outflows</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>Liabilities</b>		
Current liabilities	\$ 14,435	\$ 14,117
Noncurrent liabilities	<u>91,339</u>	<u>72,124</u>
<b>Total Liabilities</b>	<b><u>\$ 105,774</u></b>	<b><u>\$ 86,241</u></b>
<b>Deferred Inflows of Resources</b>		
Deferred gain on debt refunding	<u>\$ 466</u>	<u>\$ -</u>
<b>Total Deferred Outflows</b>	<b><u>\$ 466</u></b>	<b><u>\$ -</u></b>
<b>Net Position</b>		
Net investment in capital assets	\$ 101,822	\$ 94,216
Restricted - nonexpendable	7,727	6,818
Restricted - expendable	4,657	4,737
Unrestricted	<u>41,757</u>	<u>47,370</u>
<b>Total Net Position</b>	<b><u>\$ 155,963</u></b>	<b><u>\$ 153,141</u></b>

- Capital assets increased due to major projects in progress, and building improvements. The university's continued expansion of new residential student housing with the August 2013 opening of a new 400 bed residence hall. Additionally, a new Mathematics and Information Technology building that will be completed in the fall of 2013.
- Other assets decreased due to a decrease in cash with the completion of planned projects and a write-off of accounts receivable that were returned uncollectable from collection agencies.
- Noncurrent liabilities increased approximately \$18 million because of new debt issued for projects such as the new residential housing.
- Net investments in capital assets increased due to numerous projects related to infrastructure and building improvements. Completed projects include window replacements, foundation repairs, fire sprinkler systems, and new parking lots, underground and electrical upgrades.
- The unrestricted net funds decreased as a result of the completion of capital projects funded by the university, a decrease in student enrollment during the 2013 academic year.



- On August 1, 2012, the State issued \$10.9 million in revenue bonds with an average interest rate of 4.21 percent to advance refund \$11.5 million of outstanding 2004 Series bonds with an average interest rate of 4.42 percent. The net proceeds were deposited with an escrow agent to provide for all future debt service payments on the 2004 Series bonds. As a result, the 2004 Series bonds are considered to be defeased and the liability for those bonds has been removed from the university's long-term liabilities.

### The Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the results of operations for the fiscal year. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received. The statement indicates whether the University's financial condition has improved or deteriorated during the fiscal year. The statement presents the revenues received by the University, both operating and nonoperating, and the expenses paid by the University, operating and nonoperating, and any other revenues, expenses, gains, or losses received or spent by the University.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided directly to the payor. Although Austin Peay State University is dependent upon state appropriations and gifts to fund educational and general operations, under GASB standards these funding sources are reported as nonoperating revenues, as is investment income. As a result, the University has historically reported an excess of operating expenses over operating revenues, resulting in an operating loss. Therefore, the "increase in net position" is more indicative of overall financial results for the year.

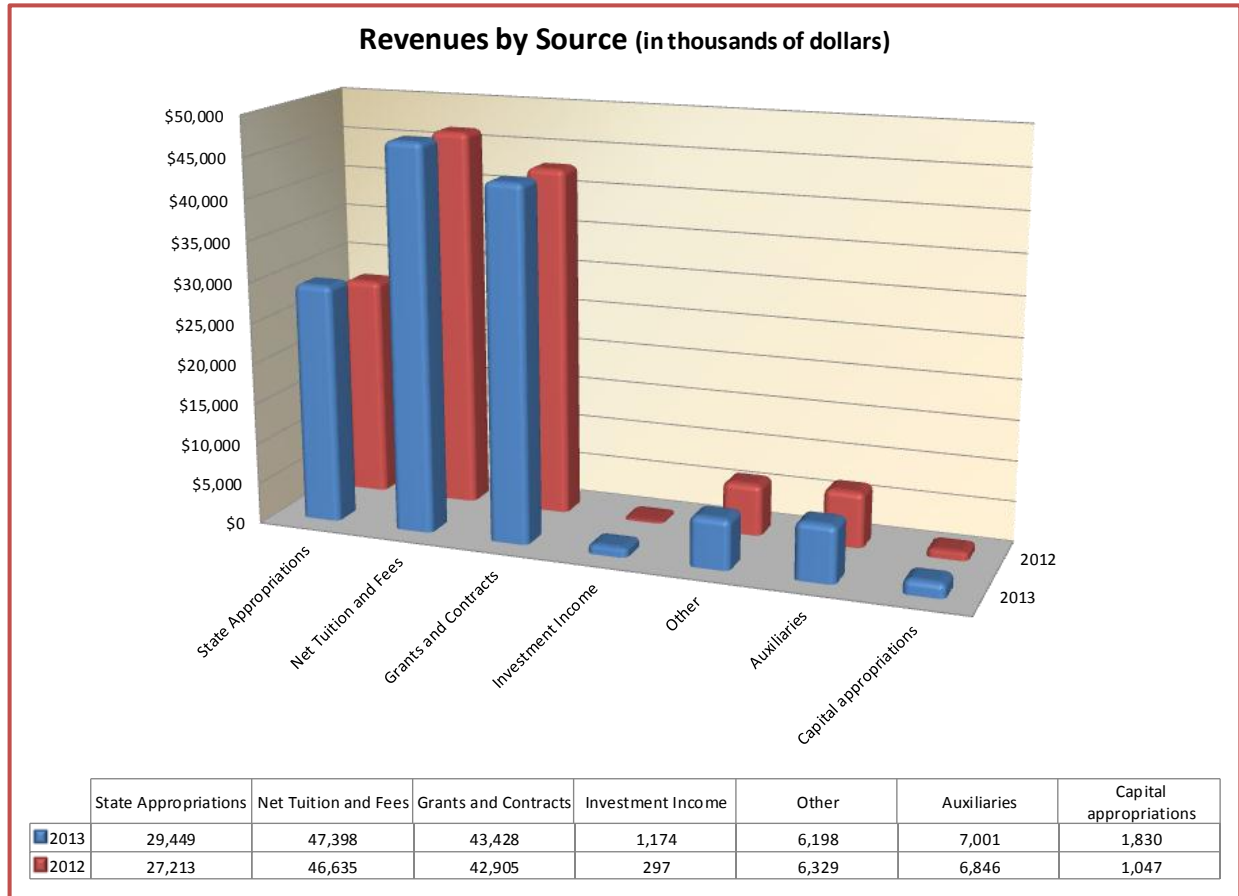
A summary of the University's revenues, expenses, and changes in net position for the year ended June 30, 2013, and June 30, 2012, follows.

#### Statement of Revenues, Expenses, and Changes in Net Position (in thousands of dollars)

	<u>2013</u>	<u>2012</u>
Operating revenues	\$ 65,224	\$ 63,790
Operating expenses	<u>131,567</u>	<u>133,333</u>
<b>Operating loss</b>	<b>\$ (66,343)</b>	<b>\$ (69,543)</b>
<b>Nonoperating revenues and expenses</b>	<b>\$ 66,184</b>	<b>\$ 64,583</b>
<b>Loss before other revenues, expenses, gains, or losses</b>	<b>\$ (159)</b>	<b>\$ (4,960)</b>
<b>Other revenues, expenses, gains, or losses:</b>	<b>\$ 1,980</b>	<b>\$ 1,159</b>
<b>Increase (decrease) in net position</b>	<b>\$ 1,821</b>	<b>\$ (3,801)</b>
Net position at beginning of year	\$ 153,141	\$ 158,179
Prior period adjustment	<u>1,001</u>	<u>(1,237)</u>
<b>Net position at end of year</b>	<b><u>\$ 155,963</u></b>	<b><u>\$ 153,141</u></b>

## Operating Revenues

The following summarizes the operating revenues by source that were used to fund operating activities for the last two fiscal years:

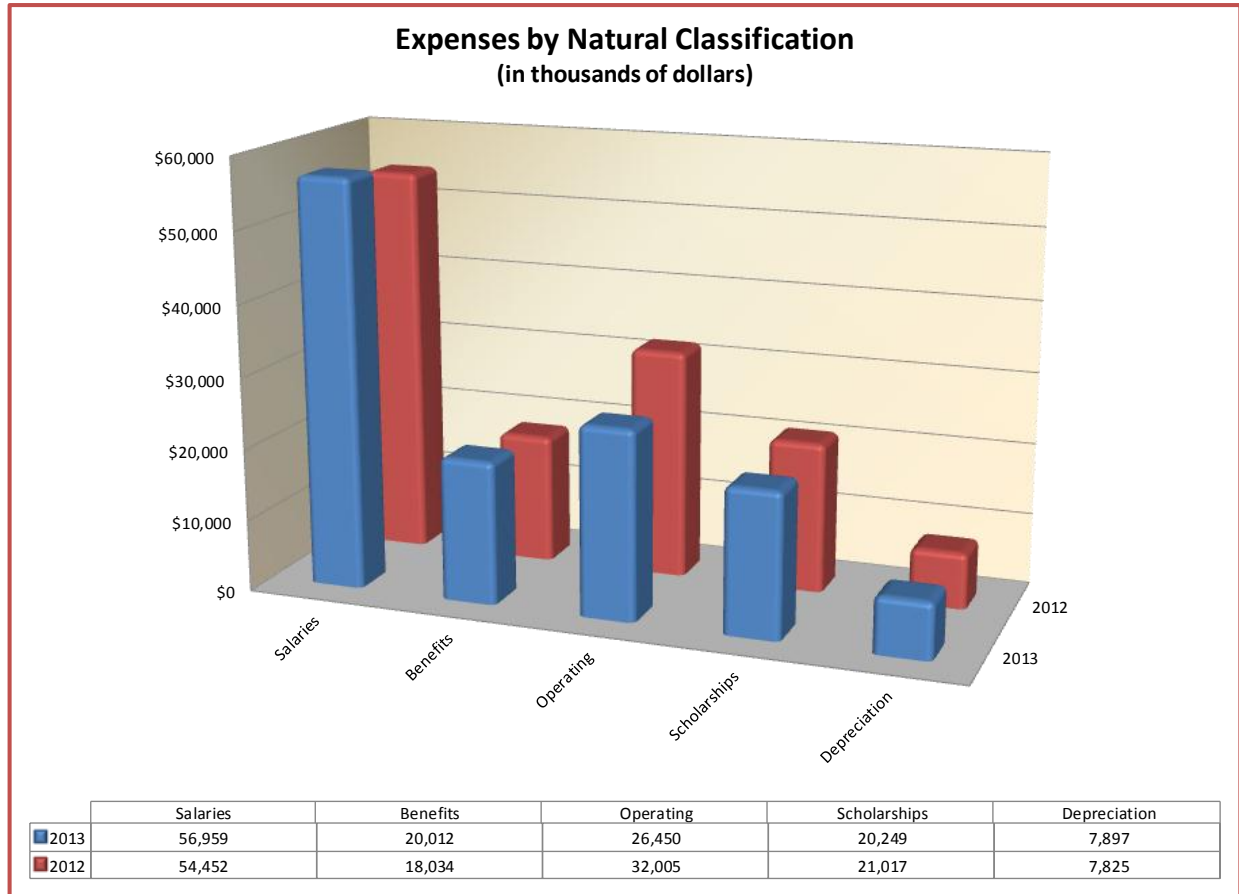


## Comparison of FY 2013 to FY 2012

- Operating revenues, which includes net tuition and fees, certain grants and contracts, Auxiliaries, and sales and services of other activities increased because of increased funding in federal and state contracts as well as an increase in net tuition and fees as a result of a fee increase for 2013 of 3.7%
- Due to a classification error in the prior year operating expenses were charged for capital items, which resulted in increased expenses in 2012. See Note 17 for additional information.
- Nonoperating revenues increased due to an increase in state funding based on performance increases of student retention and graduation, and aggressive market returns on investments.
- Other revenues increased due to increases in state appropriations for capital projects.

## Operating Expenses

Operating expenses may be reported by nature or function. The University has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position and has displayed the functional classification in the notes to the financial statements. The following summarizes the operating expenses by natural classifications for the last two fiscal years:

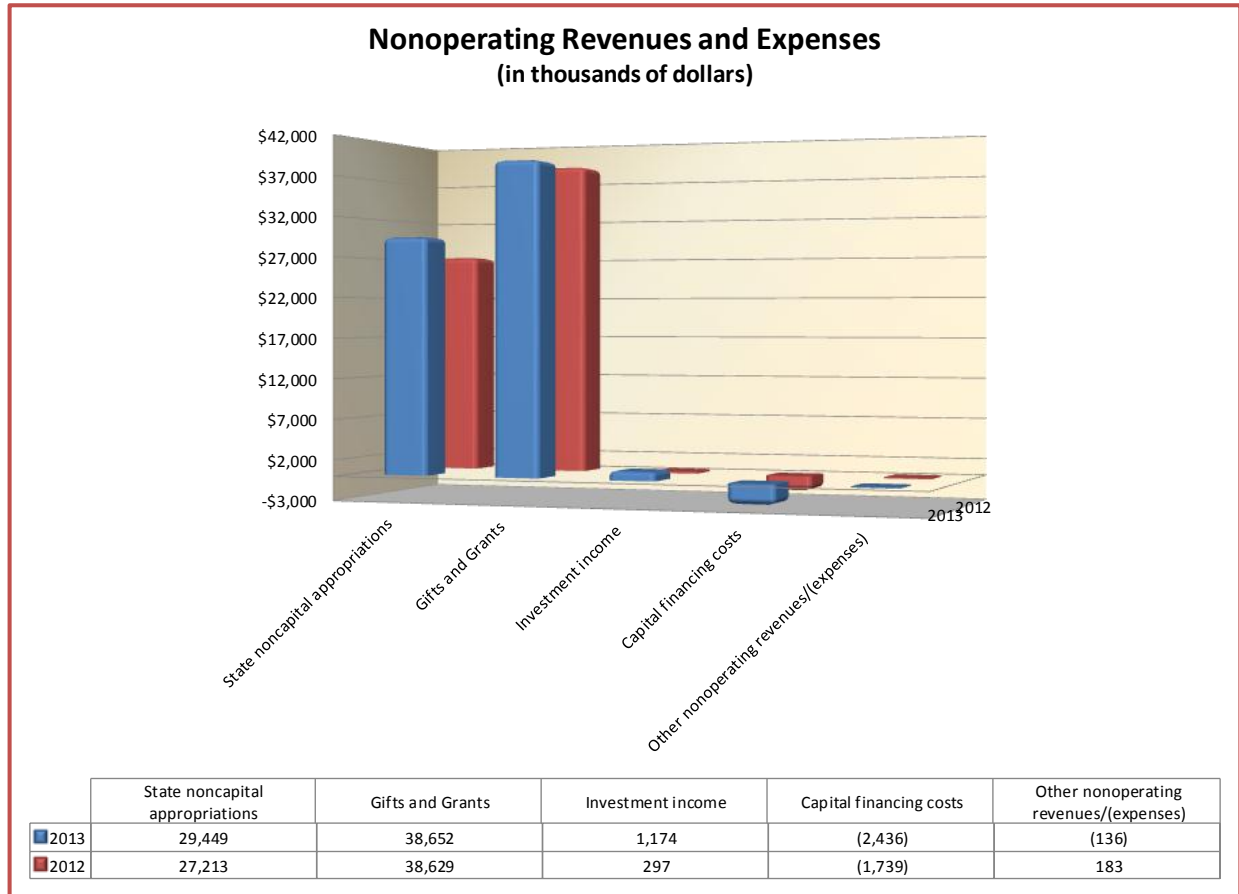


## Comparison of FY 2013 to FY 2012

- Salaries increased between the 2013 and 2012 fiscal years due to a state funded across the board increase of 1.5% and a matching increase funded by the University of 1.5% for a total across the board increase of 3.0%. Additionally, the university was allowed to fund equity salary increases to the lowest paid faculty and staff.
- Benefits increased as a result of salary increases, and a reclassification of expenses previously reported as scholarship expenses to benefits for Graduate Assistants that receive stipends and scholarships as recommended by state audit.
- As previously discussed an error in operating expenses inflated the 2012 amount classified as an operating expense and other maintenance projects completed in the prior year caused a decrease in the current year.

## Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including state noncapital appropriations, certain gifts and grants, and investment income, are defined by the GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the last two fiscal years:

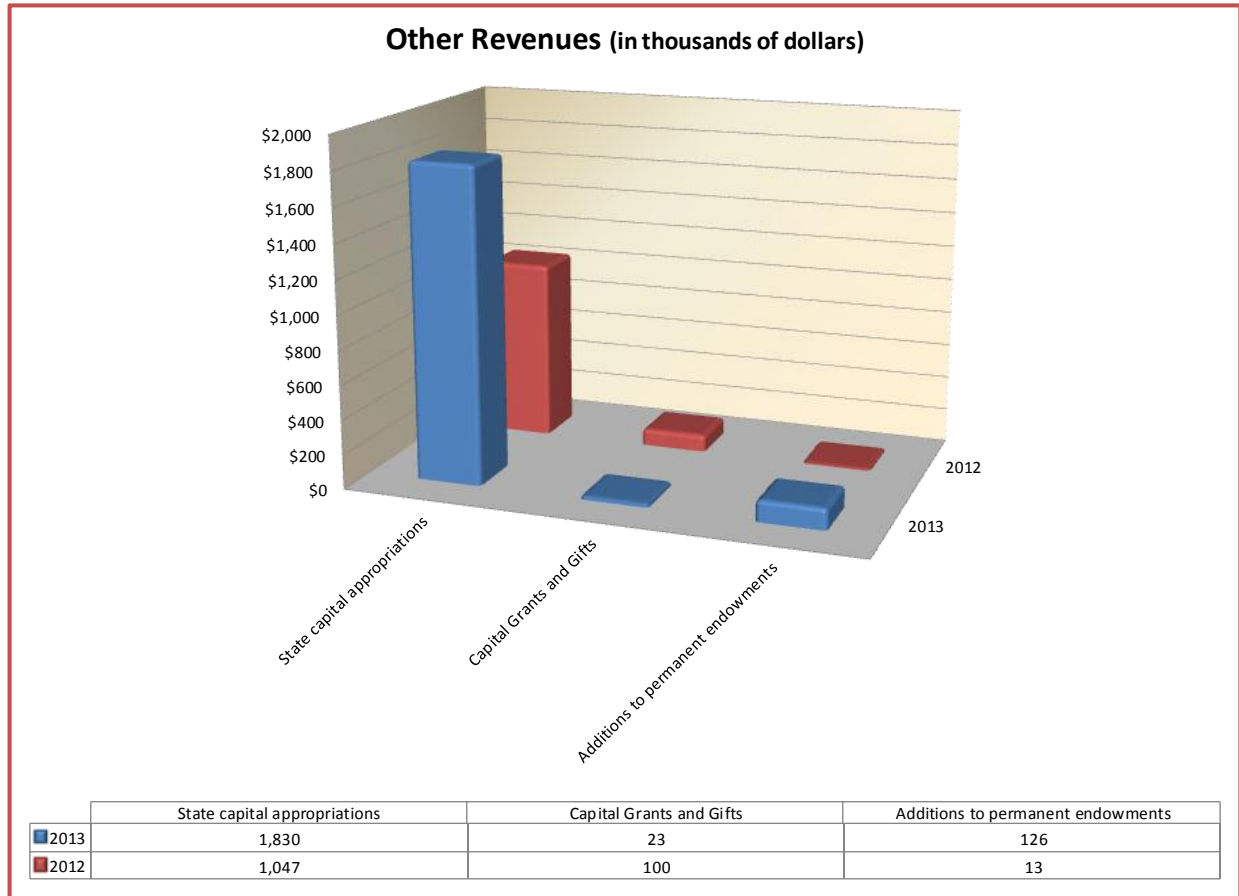


### Comparison of FY 2013 to FY 2012

- State appropriations increased due to the new funding formula in Tennessee that funds performance as measured by student retention and graduation where Austin Peay realized significant increases.
- Investment income increased due to market recoveries and increased amount of endowment funds invested.
- Financing costs increased due principally to the increased amount of financing for capital projects such as the new student residential housing.
- Other nonoperating revenues/expenses decreased due to several equipment disposals including a telephone switch that exceeded \$1 million in cost.

**Other Revenues**

This category is composed of State appropriations for capital purposes, capital grants and gifts, and additions to permanent endowments. These amounts were as follows for the last two fiscal years:



**Comparison of FY 2013 to FY 2012**

- The University received additional state capital appropriations, but received less in capital gifts for approved capital projects.
- University Advancement continues to create and foster outside endowment giving. This amount naturally fluctuates, but as expected increases during better economic years.

**Capital Assets and Debt Administration**

**Capital Assets**

Austin Peay State University had \$281.7 million invested in capital assets, net of accumulated depreciation of \$93.7 million at June 30, 2013; and \$249 million invested in capital assets, net of accumulated depreciation of \$87.4 million at June 30, 2012. Depreciation charges totaled \$7.9 million and \$7.8 million for the years ended June 30, 2013, and June 30, 2012, respectively.

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

	<u>2013</u>	<u>2012</u>
Land	\$ 9,424	\$ 9,241
Land improvements and infrastructure	24,401	20,245
Buildings	115,939	116,301
Equipment	6,183	6,994
Library holdings	1,180	1,378
Intangible assets	511	767
Projects in progress	<u>30,297</u>	<u>6,668</u>
<b>Total</b>	<b><u>\$ 187,935</u></b>	<b><u>\$ 161,594</u></b>

Significant additions to capital assets occurred in fiscal year 2013. These additions were from land improvements and infrastructure, new buildings and improvements, and projects in progress. Infrastructure improvements increased \$5.8 million due to new parking lots and underground electrical upgrades. Buildings and improvements increased \$4.0 million caused by projects such as window replacements, foundation repairs, addition of fire sprinkler systems, and new buildings. Projects in progress increased \$23.7 as a result of the new residential housing project and the Maynard Mathematics and Information Technology building.

At June 30, 2013, outstanding commitments under construction contracts totaled \$14.3 million for various renovations and repairs of buildings and infrastructure. Future state capital outlay appropriations will fund \$434 thousand of these costs.

More detailed information about the University's capital assets is presented in Note 5 to the financial statements.

**Debt**

The University had \$85.6 million and \$67.3 million in debt outstanding at June 30, 2013, and June 30, 2012, respectively. The table below summarizes these amounts by type of debt instrument.

**Schedule of Outstanding Debt (in thousands of dollars)**

	<u>2013</u>	<u>2012</u>
TSSBA Bonds	\$ 60,839	\$ 35,651
TSSBA Commercial Paper	<u>24,809</u>	<u>31,727</u>
<b>Total Debt</b>	<b><u>\$ 85,648</u></b>	<b><u>\$ 67,378</u></b>

The TSSBA issued bonds with interest rates ranging from 0.18% to 5.00% due serially until May 2042 on behalf of Austin Peay State University. The University is responsible for the debt service of these bonds. The current portion of the \$60.8 million outstanding at June 30, 2013, is \$1.6 million.

The TSSBA issued commercial paper on behalf of Austin Peay State University. The University is responsible for the debt service of these obligations. The outstanding amount at June 30, 2013, is \$24.8 million.

The ratings on debt issued by the Tennessee State School Bond Authority at June 30, 2013, were as follows:

Fitch	AA+
Moody's Investor Service	Aa1
Standard & Poor's	AA

More information about the University's/College's long-term liabilities is presented in Note 8 to the financial statements.

### **Economic Factors That Will Affect the Future**

For the fiscal year 2014, the Tennessee Board of Regents authorized an individual campus fee increase of 3.0% that is expected to generate approximately \$1.4 million in new funding, net of related scholarships, with no increase in enrollment. The state of Tennessee legislator's approved the Governor's budget, which included an increase of new state funding allocated to higher education. Austin Peay's share of the new funding net of hold harmless phase in will be \$1.4 million of new funds. The capital markets remain unstable, which will affect the university's investment income.





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# BASIC FINANCIAL STATEMENTS

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**AUSTIN PEAY STATE UNIVERSITY**  
**Unaudited Statement of Net Position**  
**June 30, 2013**

	<b>University</b>	<b>Component Unit</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents (Notes 2 and 19)	\$ 19,439,154.81	\$ 135,463.22
Short-term investments (Note 19)	734,410.79	\$ 88,429.73
Accounts, notes, and grants receivable (net) (Note 4)	5,716,846.92	19,477.00
Due from primary government		927.88
Pledges receivable (net) (Note 19)		22,684.22
Inventories (at lower of cost or market)	297,197.85	
Prepaid expenses	192,344.87	
Accrued interest receivable	110,772.76	22,083.84
Total current assets	26,490,728.00	289,065.89
Noncurrent assets:		
Cash and cash equivalents (Notes 2 and 19)	39,686,248.10	5,932,957.15
Investments (Notes 3 and 19)	7,136,920.54	15,750,873.60
Accounts, notes, and grants receivable (net) (Note 4)	953,788.28	173,700.26
Pledges receivable (net) (Note 19)	-	946,348.19
Capital assets (net) (Notes 5 and 19)	187,935,440.83	1,773,154.70
Total noncurrent assets	235,712,397.75	24,577,033.90
Total assets	<b>\$ 262,203,125.75</b>	<b>\$ 24,866,099.79</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable (Note 6)	3,391,070.19	2,161.39
Accrued liabilities	2,817,872.03	
Due to component unit	927.88	
Student deposits	180,770.00	
Unearned revenue	4,290,559.27	
Compensated absences (Note 7)	430,486.11	
Accrued interest payable	491,606.93	
Long-term liabilities, current portion (Note 7)	1,648,951.74	
Deposits held in custody for others	1,182,964.78	
Total current liabilities	14,435,208.93	2,161.39
Noncurrent liabilities:		
Net OPEB obligation (Note 11)	4,507,708.28	
Compensated absences (Note 7)	2,150,038.30	
Long-term liabilities (Note 7)	83,999,133.83	
Due to grantors (Note 7)	682,228.79	
Total noncurrent liabilities	91,339,109.20	
Total liabilities	<b>\$ 105,774,318.13</b>	<b>\$ 2,161.39</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred gain on debt refunding	465,824.09	
Total deferred inflows of resources	<b>\$ 465,824.09</b>	<b>\$ -</b>
<b>NET POSITION</b>		
Net investment in capital assets	101,821,531.17	1,773,154.70
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	7,611,084.40	10,800,391.08
Research		60,207.60
Instructional department uses	4,565.81	73,513.93
Other	111,327.97	288,838.74
Expendable:		
Scholarships and fellowships	1,478,175.96	7,130,221.78
Research	722,295.43	28,315.53
Instructional department uses	320,249.63	800,025.34
Loans	37,459.94	
Other	2,098,996.54	3,379,534.97
Unrestricted	41,757,296.68	529,734.73
Total net position	<b>\$ 155,962,983.53</b>	<b>\$ 24,863,938.40</b>

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 Position**  
**For the Year Ended June 30, 2013**

	<b>University</b>	<b>Component Unit</b>
<b>REVENUES</b>		
Operating revenues:		
Student tuition and fees (net of scholarship allowances of \$23,698,810.90)	\$ 47,397,620.59	
Gifts and contributions		\$ 2,197,083.56
Endowment income (per spending plan)		\$ 266,711.32
Governmental grants and contracts	6,011,420.28	
Non-governmental grants and contracts	37,517.00	
Sales and services of other activities	4,385,465.48	
Auxiliary enterprises:		
Residential life (net of scholarship allowances of \$2,585,406.42 all residential life revenues are used as security for revenue bonds, see Note 9)	5,170,805.07	
Bookstore (all bookstore revenues are used as security for revenue bonds, see Note 9)	489,977.97	
Food service (all food service revenues are used as security for revenue bonds, see Note 9)	613,524.15	
Wellness facility (net of scholarship allowances of \$266,839.94 all wellness facility revenues are used as security for revenue bonds, see Note 9)	543,509.07	
Other auxiliaries	183,656.81	
Interest earned on loans to students	30,890.13	
Other operating revenues	359,565.37	168,076.66
Total operating revenues	\$ 65,223,951.92	\$ 2,631,871.54
<b>EXPENSES</b>		
Operating Expenses		
Salaries and wages	\$ 56,959,290.95	
Benefits	20,011,713.73	
Utilities, supplies, and other services	26,458,212.45	\$ 415,571.04
Scholarships and fellowships	20,241,181.05	739,125.25
Depreciation expense	7,896,677.71	2,711.40
Payments to or on behalf of Austin Peay State University		740,603.01
Total operating expenses	\$ 131,567,075.89	\$ 1,898,010.70
Operating loss	\$ (66,343,123.97)	\$ 733,860.84
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	\$ 29,449,221.50	
Gifts, including \$740,603.01 from component unit	1,272,127.41	
Grants and contracts	37,379,490.89	
Investment income (net of investment expense of \$20,226.69 for the university and \$54,801.08 for the component unit)	1,173,894.06	\$ 1,368,857.35
Interest on capital asset-related debt	(2,832,978.25)	
Bond issuance costs	(121,908.09)	
Other non-operating revenues	(135,672.95)	
Net nonoperating revenues	\$ 66,184,174.57	\$ 1,368,857.35
Income before other revenues, expenses, gains, or losses	\$ (158,949.40)	\$ 2,102,718.19
Capital appropriations	1,829,674.59	
Capital grants and gifts	23,482.00	\$ 350,000.00
Additions to permanent endowments	126,119.27	\$ 945,292.35
Total other revenues	\$ 1,979,275.86	\$ 1,295,292.35
Increase (decrease) in net assets	\$ 1,820,326.46	\$ 3,398,010.54
<b>NET POSITION</b>		
Net position - beginning of year	\$ 153,141,098.10	\$ 21,465,927.86
Prior period adjustment (Note 17)	\$ 1,001,558.97	
<b>Net position - end of year</b>	<b>\$ 155,962,983.53</b>	<b>\$ 24,863,938.40</b>

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, 2013**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and fees	\$ 48,753,194.19
Grants and contracts	6,639,334.14
Sales and services of other activities	4,425,168.98
Payments to suppliers and vendors	(26,251,423.99)
Payments to employees	(56,931,217.99)
Payments for benefits	(19,101,843.55)
Payments for scholarships and fellow ships	(20,241,181.05)
Interest earned on loans to students	20,314.36
Auxiliary enterprise charges:	
Residence halls	5,229,700.09
Bookstore	426,975.51
Food services	653,223.10
Wellness facility	543,509.07
Other auxiliaries	183,656.81
Net cash used by operating activities	<u>\$ (55,650,590.33)</u>

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

State appropriations	\$ 29,506,600.00
Gifts and grants received for other than capital or endowment purposes, including \$714,551.83 from APSU - Foundation to the institution	37,885,846.38
Private gifts for endowment purposes	126,119.27
Federal student loan receipts	57,459,690.31
Federal student loan disbursements	(56,095,519.00)
Changes in deposits held for others	(1,282,409.94)
Net cash provided by non-capital financing activities	<u>\$ 67,600,327.02</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Proceeds from capital debt	\$ 51,319,341.31
Capital - state appropriation	1,829,674.59
Purchase of capital assets and construction	(32,611,072.03)
Principal paid on capital debt and lease	(33,049,389.78)
Interest paid on capital debt and lease	(2,240,484.57)
Bond issue costs paid on new debt issue	(121,908.09)
Net cash used by capital and related financing activities	<u>\$ (14,873,838.57)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from sales and maturities of investments	\$ 1,151,962.26
Income on investments	274,225.11
Purchase of investments	(1,033,021.21)
Net cash provided by investing activities	<u>\$ 393,166.16</u>

Net decrease in cash and cash equivalents	(2,530,935.72)
Cash and cash equivalents - beginning of year	61,656,338.63
Cash and cash equivalents - end of year (Note 2)	<u>\$ 59,125,402.91</u>

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

Operating loss	\$ (66,343,123.97)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation expense	7,896,677.71
Gifts in-kind	532,188.49
Other adjustments	(742,841.52)
Change in assets and liabilities:	
Receivables, net	2,340,144.34
Inventories	(6,673.97)
Prepaid/deferred items	8,283.41
Other assets	(10,575.77)
Accounts payable	(343,097.89)
Accrued liabilities	604,211.95
Unearned revenues	298,783.39
Deposits	(107,300.00)
Compensated absences	257,516.19
Due to grantors	(34,782.69)
Net cash used by operating activities	<u>\$ (55,650,590.33)</u>

**Non-cash transactions**

Gifts in-kind - capital	\$ 23,482.00
Unrealized gains on investments	\$ 712,213.00
Loss on disposal of capital assets	\$ (499,901.40)

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



# Austin Peay State University

Standard Notes to the Financial Statements  
June 30, 2013

## 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 is 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.

The university has classified its revenues and expenses as either operating or nonoperating according to the following criteria: Operating revenues and expenses are those that have the characteristics of exchange transactions. Operating revenues include 1) tuition and fees, net of scholarship discounts and allowances, 2) most federal, state, local and private grants and contracts, 3) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, and 4) interest on institutional loans. Operating expenses include 1) salaries and wages, 2) employee benefits, 3) scholarships and fellowships, 4) depreciation, and 5) utilities, supplies, and other services.

Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other activities that are defined as nonoperating by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, and GASB Statement 34, such as state appropriations and investment income.

When both restricted and unrestricted resources are available for use, it is the university's policy to determine whether to use restricted resources first depending upon existing facts and circumstances.

#### 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 and sick leave at varying rates, depending upon length of service or classification. Some employees also earn compensatory time. The amount of the liabilities for annual leave and compensatory time and their related benefits are reported in the Statement of Net Position. There is no liability for unpaid accumulated sick leave since the university's policy is to pay this only if the employee is sick or upon death.

#### CAPITAL ASSETS

Capital assets, which include property, plant, equipment, library holdings, and intangible assets, are reported in the Statement of Net Position 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 POSITION

The university's net position is classified as follows:

**NET INVESTMENT IN CAPITAL ASSETS:** 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 POSITION – NONEXPENDABLE:** Nonexpendable restricted net position consists 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 POSITION – EXPENDABLE:** Restricted expendable net position includes resources in which the university is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

**UNRESTRICTED NET POSITION:** Unrestricted net position represents 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 position. 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.

## EARLY IMPLEMENTATION OF ACCOUNTING PRONOUNCEMENT

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The university has elected to early implement the provisions of this statement for fiscal year 2013.

### 2. Cash

This classification includes demand deposits and petty cash on hand. At June 30, 2013, cash consists of \$4,757,549.50 in bank accounts, \$14,364 of petty cash on hand, \$51,218,993.28 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer, and \$3,134,496.13 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 31 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, 2013, the university had the following investments and maturities.

Investment Type	Fair Value	Investment Maturities (In Years)				
		Less than 1	1 to 5	6 to 10	More than 10	No Maturity Date
US Treasury	\$ 183,826.48	\$ -	\$ 98,286.50	\$ 61,672.41	\$ 23,867.57	
US Agencies	147,373.72	-	33,294.40	15,999.65	98,079.67	
Corporate Stocks	1,895,415.73					\$ 1,895,415.73
Corporate Bonds	343,170.50	32,854.82	133,660.63	76,589.83	24,968.77	75,096.45
Mutual Bond Funds	1,303,896.90				1,303,896.90	
Mutual Equity Funds	3,296,092.03					3,296,092.03
Certificates of Deposit	594,596.22	594,596.22				
Money Market	106,959.75	106,959.75				
<b>Total</b>	<b>\$ 7,871,331.33</b>	<b>\$ 734,410.79</b>	<b>\$ 265,241.53</b>	<b>\$ 154,261.89</b>	<b>\$ 1,450,812.91</b>	<b>\$ 5,266,604.21</b>

**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, 2013, the university's investments were rated as follows:

Investment Type	Fair Value	Credit Quality Rating				Unrated
		AAA	AA	A	BBB	
Local Government Investment Pool (LGIP)	\$ 54,353,489.41					\$ 54,353,489.41
US Agencies	147,373.72	\$ 29,171.61	\$ 33,294.40			84,907.71
Corporate Bonds	343,170.50	10,732.26	52,039.93	\$177,789.65	\$ 27,512.21	75,096.45
Mutual Bond Funds	1,303,896.90	\$ 704,104.32	39,116.91	130,389.69	182,545.57	247,740.41
<b>Total</b>	<b>\$56,147,930.53</b>	<b>\$744,008.19</b>	<b>\$124,451.24</b>	<b>\$308,179.34</b>	<b>\$210,057.78</b>	<b>\$54,761,233.98</b>

**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, 2013, the university had \$2,676,746.18 of uninsured and unregistered investments for which the securities are held by the counterparty and \$4,599,988.93 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.** Concentration of credit risk is the risk of loss attributed to the magnitude of the university's investment in a single issuer. 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	\$ 29,754.71
Regions Investment Account	2,676,746.18
The Common Fund	4,599,988.93
<b>Total</b>	<b>\$ 7,306,489.82</b>

The Certificate of Deposit and 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, 2013, there were a total of 14,110.028 units in the Multi-Strategy Equity Fund, each unit had a fair value of \$233.60, and a total of 88,907.442 units in the Multi-Strategy Bond Fund, each unit had a fair value of \$14.67.

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

	Pooled Assets		Net Gains (Losses)	Fair Value per Unit
	Market	Cost		
Common Fund:				
<i>Multi-Strategy Equity Fund</i>				
June 30, 2013	\$ 3,296,092.03	\$ 1,110,000.00	\$ 2,186,092.03	233.60
July 1, 2012	\$ 2,750,443.66	\$ 1,110,000.00	1,640,443.66	194.15
			<b>\$ 545,648.37</b>	
<i>Multi-Strategy Bond Fund</i>				
June 30, 2013	\$ 1,303,896.90	\$ 1,748,000.00	\$ (444,103.10)	14.67
July 1, 2012	\$ 1,308,111.18	\$ 1,748,000.00	(439,888.82)	14.67
			<b>\$ (4,214.28)</b>	
<b>Total net gains (losses)</b>			<b>\$ 541,434.09</b>	

The average annual earnings per unit were \$38.671 per unit for the Multi-Strategy Equity Fund and \$(0.047) per unit for the Multi-Strategy Bond Fund for the year ended June 30, 2013.

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

Accounts receivable included the following:

	June 30, 2013
Student accounts receivable	\$ 5,094,150.55
Grants receivable	1,110,842.05
Notes receivable	12,542.34
Other receivables	845,219.00
<b>Subtotal</b>	<b>\$ 7,062,753.94</b>
Less allowance for doubtful accounts	(1,345,907.02)
<b>Total</b>	<b>\$ 5,716,846.92</b>

Federal Perkins Loan Program funds include the following:

	June 30, 2013
Perkins loans receivable	\$ 1,290,645.58
Less allowance for doubtful accounts	(336,857.30)
<b>Total</b>	<b>\$ 953,788.28</b>

5. **Capital Assets**

Capital asset activity for the year ended June 30, 2013, was as follows:

	Beg Balance	Additions	Transfers	Reductions	End Balance
Land	\$ 9,240,439.89	\$ 211,193.48		\$ 28,020.00	\$ 9,423,613.37
Land improve & Infrastructure	29,292,339.89	4,146,543.64	\$ 1,665,589.79		35,104,473.32
Buildings	181,173,204.69	3,669,490.22	353,420.28		185,196,115.19
Equipment	16,330,483.19	969,056.20		1,740,070.46	15,559,468.93
Library holdings	3,883,107.33	172,245.46		359,960.48	3,695,392.31
Intangible assets	2,389,851.44				2,389,851.44
Projects in progress	6,668,231.71	25,688,221.00	(2,019,010.07)	40,603.77	30,296,838.87
<b>Total</b>	<b>\$ 248,977,658.14</b>	<b>\$34,856,750.00</b>	<b>\$ -</b>	<b>\$ 2,168,654.71</b>	<b>\$ 281,665,753.43</b>
Less accumulated depreciation/amortization:					
Land improve & infrastructure	\$ 9,047,053.83	\$ 1,659,929.23			\$ 10,706,983.06
Buildings	64,872,192.30	4,384,681.57			69,256,873.87
Equipment	9,335,628.41	1,345,765.62		\$ 1,308,792.83	9,372,601.20
Library holdings	2,505,112.86	369,539.22		359,960.48	2,514,691.60
Intangible assets	1,623,818.58	255,344.29			1,879,162.87
<b>Total</b>	<b>\$ 87,383,805.98</b>	<b>\$ 8,015,259.93</b>		<b>\$ 1,668,753.31</b>	<b>\$ 93,730,312.60</b>
<b>Capital assets, net</b>	<b>\$ 161,593,852.16</b>	<b>\$ 26,841,490.07</b>	<b>\$ -</b>	<b>\$ 499,901.40</b>	<b>\$ 187,935,440.83</b>

6. **Accounts Payable**

Accounts payable included the following:

	June 30, 2013
Vendors payable	\$ 3,381,342.54
Unapplied student payments	9,727.65
Other payables	-
<b>Total</b>	<b>\$ 3,391,070.19</b>

## 7. Long-term Liabilities

Long term liability activity for the year ended June 30, 2013, was as follows:

	Beg Balance	Additions	Reductions	End Balance	Curr Portion
Payables:					
TSSBA debt:					
Bonds	\$ 34,503,633.13	\$ 27,476,908.09	\$ 5,395,543.48	\$ 56,584,997.74	\$ 1,648,951.74
Unamortized bond premium/discount	1,147,297.13	3,485,487.49	378,212.53	4,254,572.09	
Commercial Paper	31,727,203.78	20,356,945.73	27,275,633.77	24,808,515.74	
<b>Subtotal</b>	<b>\$ 67,378,134.04</b>	<b>\$ 51,319,341.31</b>	<b>\$ 33,049,389.78</b>	<b>\$ 85,648,085.57</b>	<b>\$ 1,648,951.74</b>
Other Liabilities					
Compensated Absences	\$ 2,323,008.22	\$ 2,517,570.68	\$ 2,260,054.49	\$ 2,580,524.41	\$ 430,486.11
Due to grantor	717,011.48		34,782.69	682,228.79	
<b>Subtotal</b>	<b>\$ 3,040,019.70</b>	<b>\$ 2,517,570.68</b>	<b>\$ 2,294,837.18</b>	<b>\$ 3,262,753.20</b>	<b>\$ 430,486.11</b>
<b>Total long-term liabilities</b>	<b>\$ 70,418,153.74</b>	<b>\$ 53,836,911.99</b>	<b>\$ 35,344,226.96</b>	<b>\$ 88,910,838.77</b>	<b>\$ 2,079,437.85</b>

### TSSBA Debt - Bonds Payable

Bonds, with interest rates ranging from 0.18% to 5%, were issued by the Tennessee State School Bond Authority. The bonds are due serially until May 2042 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 9 for further details. The bonded indebtedness with the Tennessee State School Bond Authority included in long-term liabilities on the Statement of Net Position 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, 2013. Unexpended debt proceeds were \$15,794.96 at June 30, 2013.

Debt service requirements to maturity for the university's portion of TSSBA bonds at June 30, 2013, are as follows:

For the Year(s) Ending June 30	Principal	Interest	Total
2014	\$ 1,648,951.74	\$ 2,529,519.93	\$ 4,178,471.67
2015	1,664,710.96	2,467,159.45	4,131,870.41
2016	1,602,861.25	2,388,792.37	3,991,653.62
2017	1,681,156.11	2,310,014.81	3,991,170.92
2018	1,719,407.12	2,230,187.95	3,949,595.07
2019 – 2023	9,849,856.62	9,846,043.81	19,695,900.43
2024 -2028	12,412,949.34	7,332,200.89	19,745,150.23
2029 - 2033	12,881,515.56	4,291,980.34	17,173,495.90
2034 -2038	7,683,490.00	1,959,933.43	9,643,423.43
2039 -2043	5,440,099.04	511,984.00	5,952,083.04
<b>Total</b>	<b>\$ 56,584,997.74</b>	<b>\$ 35,867,816.98</b>	<b>\$ 92,452,814.72</b>

### 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 \$24,808,515.74 at June 30, 2013.

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>.

#### Refunding of Debt

On August 1, 2012, the State issued \$10,904,169 in revenue bonds with an average interest rate of 4.21 percent to advance refund \$11,458,387.99 of outstanding 2004 Series bonds with an average interest rate of 4.42 percent. The net proceeds of \$11,717,632.25 (after payment of \$37,139.42 in underwriter's fees and issuance costs) were deposited with an escrow agent to provide for all future debt service payments on the 2004 Series bonds. As a result, the 2004 Series bonds are considered to be defeased and the liability for those bonds has been removed from the university's long-term liabilities.

Although the advance refunding resulted in the recognition of a deferred gain of \$488,006.19 to be amortized over the next 22 years, the university in effect reduced its aggregate debt service payments by \$2,114,571.85 over the next 22 years and obtained an economic gain of \$2,114,571.85.

### 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, 2013, net appreciation of \$146,608.05 is available to be spent, of which \$146,608.05 is included in restricted net position expendable for scholarships and fellowships.

### 9. Pledged Revenues

The university has pledged certain revenues and fees, including state appropriations, to repay \$56,584,997.74 in revenue bonds issued from June 2005 to August 2012. Proceeds from the bonds provided financing for Dorm Renovation (4 buildings), University Center with equipment, Recreation Center, Hand Village residence hall, Emerald Hills married student apartments, Fort Campbell classroom building, Marion Street Apartments, Housing Sprinkler System, and Castle Heights residence hall. The bonds are payable through 2042. Annual principal and interest payments on the bonds are expected to require 3.54% of available revenues. The total principal and interest remaining to be paid on the bonds is \$92,452,814.72. Principal and interest paid for the current year and total available revenues were \$4,567,695.61 and \$114,458,243.60, respectively. The amount of principal and interest paid for the current year does not include debt of \$11,458,387.99 defeased through a bond refunding in the current year.

## 10. 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 15.03% 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, 2013, 2012, and 2011 were \$3,397,023.53, \$3,143,730.87, and \$2,766,516.99, 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, 2013, was \$2,716,710.48 and for the year ended June 30, 2012, was \$2,592,539.89. Contributions met the requirements for each year.

## 11. 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) 8-27-201 for the state plan and TCA 8-27-701 for the Medicare Supplement Plan. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in the Medicare Supplement Plan. That plan 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. Administrative costs of the plan are allocated to plan participants. Retired employees who have not reached the age of 65 pay the same base premium as active employees in the plan adjusted for years of service. Retirees with 30 years of service are subsidized 80 percent; 20 but less than 30 years, 70 percent; and less than 20 years, 60 percent. Retired employees who are 65 years of age or older have flat rate premium subsidies based on years of service. Retirees with 30 years of service receive \$50 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25. Contributions for the State Employee Group Plan for the year ended June 30, 2013, were \$8,991,683.11, which consisted of \$7,294,696.61 from the university and \$1,696,986.50 from the employees.

**Annual OPEB Cost and Net OPEB Obligation**

Annual Required Contribution (ARC)	\$ 1,325,000.00
Interest on the net OPEB obligation	164,068.58
Adjustment to the ARC	(174,155.68)
Annual OPEB cost	1,314,912.90
Amount of contribution	(908,919.20)
<b>Increase/decrease in net OPEB obligation</b>	<b>\$ 405,993.70</b>
Net OPEB Obligation – beginning of year	\$ 4,101,714.58
<b>Net OPEB Obligation – end of year</b>	<b>\$ 4,507,708.28</b>

Year-end	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year-end
06/30/13	State Employee Group Plan	\$ 1,314,912.90	69.1%	\$ 4,507,708.28
06/30/12	State Employee Group Plan	\$ 1,303,771.47	73.2%	\$ 4,101,714.58
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 July 1, 2011, was as follows:

Actuarial valuation date	July 1, 2011
Actuarial accrued liability (AAL)	\$ 9,831,000.00
Actuarial value of plan assets	0.00
Unfunded actuarial accrued liability (UAAL)	\$ 9,831,000.00
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 42,481,355.51
UAAL as percentage of covered payroll	23.14%

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, 2011, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25 percent initially, decreased to 8.75 percent in fiscal year 2013 and then reduced by decrements to an ultimate rate of 5 percent in fiscal year 2021. All rates include a 2.5 percent inflation assumption, which also represents the projected salary increase. 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.

12. **Chairs of Excellence**

The university had \$11,112,458.74 on deposit at June 30, 2013, 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.

13. **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, 2012, and June 30, 2011, 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, 20XX, was not available.

At June 30, 2013, the scheduled coverage for the university was \$428,278,600 for buildings and \$70,579,900 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.

**14. 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 \$16,186,625.58 at June 30, 2013.

**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 \$32,745.33, for the year ended June 30, 2013. All operating leases are cancelable at the lessee's option.

**CONSTRUCTION IN PROGRESS** - At June 30, 2013, outstanding commitments under construction contracts totaled \$14,188,099.76 for Mathematics and Computer Science Building, New Student Housing, Meacham Apartment Foundation Repairs, and Stadium Renovation of which \$290,854.29 will be funded by future state capital outlay appropriations.

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

**15. 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 \$106,832 from these funds during the fiscal year ended June 30, 2013.

**16. Natural Classifications with Functional Classifications**

The university's operating expenses by functional classification for the year ended June 30, 2013, are as follows:

Functional Classification	Natural Classification					Total
	Salaries	Benefits	Other Operating	Scholarship	Depreciation	
Instruction	\$ 32,563,937.69	\$ 10,279,348.06	\$ 6,492,057.19			\$ 49,335,342.94
Research	1,013,937.14	355,033.74	549,309.47			1,918,280.35
Public Service	769,971.02	239,813.69	269,545.83			1,279,330.54
Academic Support	5,445,879.93	2,042,893.17	442,611.14			7,931,384.24
Student Services	7,067,160.26	3,034,107.16	6,368,413.16			16,469,680.58
Institutional Support	6,097,944.07	2,455,804.55	2,917,733.15			11,471,481.77
Maintenance & Operations	2,628,331.61	1,193,019.89	5,849,856.50			9,671,208.00
Scholarships & Fellowships				\$ 20,241,181.05		20,241,181.05
Auxiliary	1,372,129.23	411,693.47	3,568,686.01			5,352,508.71
Depreciation					\$ 7,896,677.71	7,896,677.71
<b>Total Expenses</b>	<b>\$ 56,959,290.95</b>	<b>\$ 20,011,713.73</b>	<b>\$ 26,458,212.45</b>	<b>\$ 20,241,181.05</b>	<b>\$ 7,896,677.71</b>	<b>\$ 131,567,075.89</b>

Expenses initially incurred by the academic support function as a result of providing internal services to the other functional classifications were allocated to the other functional areas by reducing the academic support function's operating expenses by the total amount of salaries, benefits, and operating expenses incurred in the provision of these services, and allocating this amount to the other functional areas' operating expenses on the basis of usage. As a result of this

process, expenses totaling \$2,595,672.84 were reallocated from academic support to the other functional areas.

**17. Prior Period Adjustment(s)**

A prior period adjustment of \$801,163.10 was made to increase the Allowance for Doubtful Accounts for balances in the over 365 days category.

Prior period adjustments netting \$1,802,722.07 were made to record capital assets which were expensed in the previous year and to record depreciation on the associated capital items.

**18. On-Behalf Payments**

During the year ended June 30, 2013, the State of Tennessee made payments of \$58,321.50 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 11. 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, 2013, the Foundation made distributions of \$740,603.01 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, PO Box 4635, Clarksville, TN 37044.

The Foundation is a nonprofit organization that reports under FASB standards. 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, 2013:

	Total Fair Value at June 30, 2013	Quoted Prices: Level 1	Significant Other Inputs: Level 2	Significant Unobservable Inputs: Level 3
Assets:				
Money Market Funds	\$ 419,461.51	\$ 419,461.51		
Certificates of deposit	100,429.73		\$100,429.73	
Marketable debt securities	-			
Marketable equity securities	4,844,147.45	4,844,147.45		
Mutual Funds	10,384,814.78	10,384,814.78		
Hedge Funds	-			
Life Insurance	90,449.86		90,449.86	
<b>Total Assets</b>	<b>\$ 15,839,303.33</b>	<b>\$ 15,648,423.74</b>	<b>\$ 190,879.59</b>	<b>\$ -</b>

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, 2013, 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, 2013	
	Cost	Market Value
US Treasury		
US Agencies		
Certificates of deposit	\$ 100,429.73	\$ 100,429.73
Corporate stock	4,211,684.73	4,844,147.45
Corporate bonds		
Mutual bond funds	3,034,733.28	3,167,847.26
Mutual equity funds	4,229,739.10	6,510,357.32
Money market funds	419,435.09	419,461.51
Land and other real estate		
Life insurance		90,449.86
Annuity		
Other (List):		
Mixed Asset Mutual Funds	735,994.15	706,610.20
<b>Total</b>	<b>\$ 12,732,016.08</b>	<b>\$ 15,839,303.33</b>

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

	June 30, 2013
Current pledges	\$ 25,007.25
Pledges due in one to five years	814,680.63
Pledges due after five years	228,600.00
<b>Subtotal</b>	<b>\$ 1,068,287.88</b>
Less discounts to net present value	(99,255.47)
<b>Total pledges receivable, net</b>	<b>\$ 969,032.41</b>

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

	June 30, 2013
Land	\$ 1,769,787.50
Equipment	16,363.00
<b>Total</b>	<b>\$ 1,786,150.50</b>
Less accumulated depreciation/amortization:	
Equipment	12,995.80
<b>Total</b>	<b>\$ 12,995.80</b>
<b>Capital assets, net</b>	<b>\$ 1,773,154.70</b>

ENDOWMENTS - The Austin Peay State University Foundation's endowment consists of 169 individual funds established for a variety of purposes. As required by GAAP, net position 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 APSU Foundation. As a result of this interpretation, the APSU Foundation classifies as permanently restricted net position (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 position is classified as temporarily restricted net position 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, 2013				
	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Donor-restricted endowment funds	\$ 11,222,951.35	\$ 3,460,167.42	\$ (5,654.89)	\$ 14,677,463.88
Board-designated endowment funds				
<b>Total funds</b>	<b>\$ 11,222,951.35</b>	<b>\$ 3,460,167.42</b>	<b>\$ (5,654.89)</b>	<b>\$ 14,677,463.88</b>

Changes in Endowment Net Assets				
As of June 30, 2013				
	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Endowment net assets, beginning of year	\$ 9,781,229.29	\$ 2,396,297.07	\$ (29,311.01)	\$ 12,148,215.35
Net asset reclassification based on change in law				0.00
	\$ 9,781,229.29	\$ 2,396,297.07	\$ (29,311.01)	\$ 12,148,215.35
Investment return:				
Investment income		258,493.24		258,493.24
Net appreciation (realized and unrealized)		1,084,776.43	23,656.12	1,108,432.55
<b>Total investment return</b>	<b>\$ -</b>	<b>\$ 1,343,269.67</b>	<b>\$ 23,656.12</b>	<b>\$ 1,366,925.79</b>
Contributions	966,811.70			966,811.70
Difference in Pledges				-
Appropriation of endowment assets for expenditure		(266,711.32)		(266,711.32)
Other changes:				
Transfers	496,429.71	(12,688.00)		483,741.71
Land sale	(21,519.35)			(21,519.35)
<b>Endowment net assets, end of year</b>	<b>\$ 11,222,951.35</b>	<b>\$ 3,460,167.42</b>	<b>\$ (5,654.89)</b>	<b>\$ 14,677,463.88</b>

FUNDS WITH DEFICIENCIES - From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the foundation is required to retain in a fund of perpetual duration. In accordance with U.S. generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net position. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and/or continued appropriation for fees and previously approved budgeted expenditures. At June 30, 2013, deficiencies of this nature totaled \$5,654.89.

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 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 endowment. 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.





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# SUPPLEMENTARY INFORMATION

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**AUSTIN PEAY STATE UNIVERSITY - FOUNDATION**  
**Supplementary Information**  
**Unaudited Statement of Cash Flows - Component Unit**  
**for the Year Ended June 30, 2013**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Gifts and contributions	\$	2,204,413.82
Payments to suppliers and vendors		(125,482.79)
Payments for scholarships and fellowships		(739,125.25)
Payments to Austin Peay State University		(714,551.83)
Other receipts		168,076.66
Net cash provided by operating activities	\$	<u>793,330.61</u>

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

Private gifts for endowment purposes	\$	919,676.02
Net cash provided by non-capital financing activities	\$	<u>919,676.02</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Proceeds from sale of capital assets	\$	288,341.93
Purchase of capital assets and construction		(15,300.00)
Net cash provided by capital and related financing activities	\$	<u>273,041.93</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from sales and maturities of investments	\$	3,247,783.04
Income on investments		338,323.59
Purchase of investments		(5,013,726.78)
Other investing receipts		1,127,912.48
Net cash used by investing activities	\$	<u>(299,707.67)</u>
Net increase in cash and cash equivalents		1,686,340.89
Cash and cash equivalents - beginning of year		4,382,079.48
Cash and cash equivalents - end of year (Note 19)	\$	<u><u>6,068,420.37</u></u>

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

Operating income	\$	733,860.84
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation expense		2,711.40
Endowment income per spending plan		(266,711.32)
Other adjustments		318,261.78
Change in assets and liabilities:		
Receivables, net		23,783.51
Accounts payable		(18,575.60)
Net cash provided by operating activities	\$	<u><u>793,330.61</u></u>

**Non-cash transactions**

Gifts in-kind - capital	\$	350,000.00
Unrealized gains on investments	\$	1,116,167.14
Loss on disposal of capital assets	\$	(61,658.07)

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

<b>Actuarial Valuation Date</b>	<b>Plan</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
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%
July 1, 2011	State Plan	\$ -	\$ 9,831,000	\$ 9,831,000	0%	\$42,481,356	23.14%

The amount reported here for covered payroll relates to the fiscal year in which the valuations were performed, with the exception of the July 1, 2010 actuarial valuation. The covered payroll date for the July 1, 2010 actuarial valuation is July 1, 2009.