

AUSTIN PEAY STATE UNIVERSITY

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# FINANCIAL REPORT

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For The Year Ended June 30, 2016





Office of the President

November 10, 2016

Chancellor David Gregory  
Tennessee Board of Regents  
1415 Murfreesboro Road, Suite 350  
Nashville, TN 37217

Dear Chancellor Gregory:

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 2016 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.

Alisa White

Mitch Robinson

cc. Vice Chancellor for Business and Finance

# Austin Peay State University

## Financial Report

For Year ended June 30, 2016

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2016, with comparative information presented for the fiscal years ended June 30, 2015. 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 21 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, 2016, and June 30, 2015.

Statement of Net Position (in thousands of dollars)		
	<u>2016</u>	<u>2015</u>
<b>Assets:</b>		
Current assets	26,909	23,054
Capital assets, net	220,921	214,740
Other assets	39,592	39,254
<b>Total Assets</b>	<b>287,422</b>	<b>277,048</b>
<b>Deferred Outflows of Resources</b>		
Deferred loss on debt refunding	897	969
Deferred outflows related to pensions	9,857	3,669
<b>Total Deferred Outflows</b>	<b>10,754</b>	<b>4,638</b>
<b>Liabilities:</b>		
Current liabilities	18,340	14,095
Noncurrent liabilities	118,581	110,154
<b>Total Liabilities</b>	<b>136,921</b>	<b>124,249</b>
<b>Deferred Inflows of Resources</b>		
Deferred inflows related to pensions	6,906	8,676
<b>Total Deferred Inflows</b>	<b>6,906</b>	<b>8,676</b>
<b>Net Position:</b>		
Net investment in capital assets	119,844	116,976
Restricted – nonexpendable	8,557	8,688
Restricted – expendable	4,348	3,755
Unrestricted	21,601	19,342
<b>Total Net Position</b>	<b>154,349</b>	<b>148,761</b>

- Current assets In the 2016 fiscal year, the university purchased significant properties adjacent to campus. As a result, more cash was required to be held as current in order to purchase and renovate the properties for the university's use.
- 
- Non-Current Assets increased because of the investment in the property mentioned above.
- Deferred Outflows of Resources increased because the university implemented the Governmental Accounting Standards Board (GASB) 68, *Accounting and Financial Reporting for Pensions* in the fiscal year ended June 30, 2015. This GASB required the university to reflect a proportional share of the state pension liability. The amount of the deferred outflow for Pensions equals the amount of funds the university provided to the Tennessee Consolidated Retirement System (TCRS) related to the actuarially determined percentages of gross wages for the fiscal year 2016, which historically were reported as expense. This outflow will be amortized over a period of 5 years. Additionally, the Tennessee State School Bond Authority (TSSBA) refinanced certain debt reducing the annual payment obligation of the university. See the debt section in this discussion and analysis and the notes accompanying the financial statements for additional information.
- Current and Non Current liabilities increase is due to a change that resulted in an accrual of salaries and benefits at year end that was not accrued in the prior year. Additionally, the net pension liability increased significantly.
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- Unrestricted net position as noted above the implementation of GASB 68 and the resulting amortization of the expense caused a decrease in the Unrestricted Net Position. However, the purchase of the property noted above limited the decrease. See the notes accompanying the financial statements for additional information.

## 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.

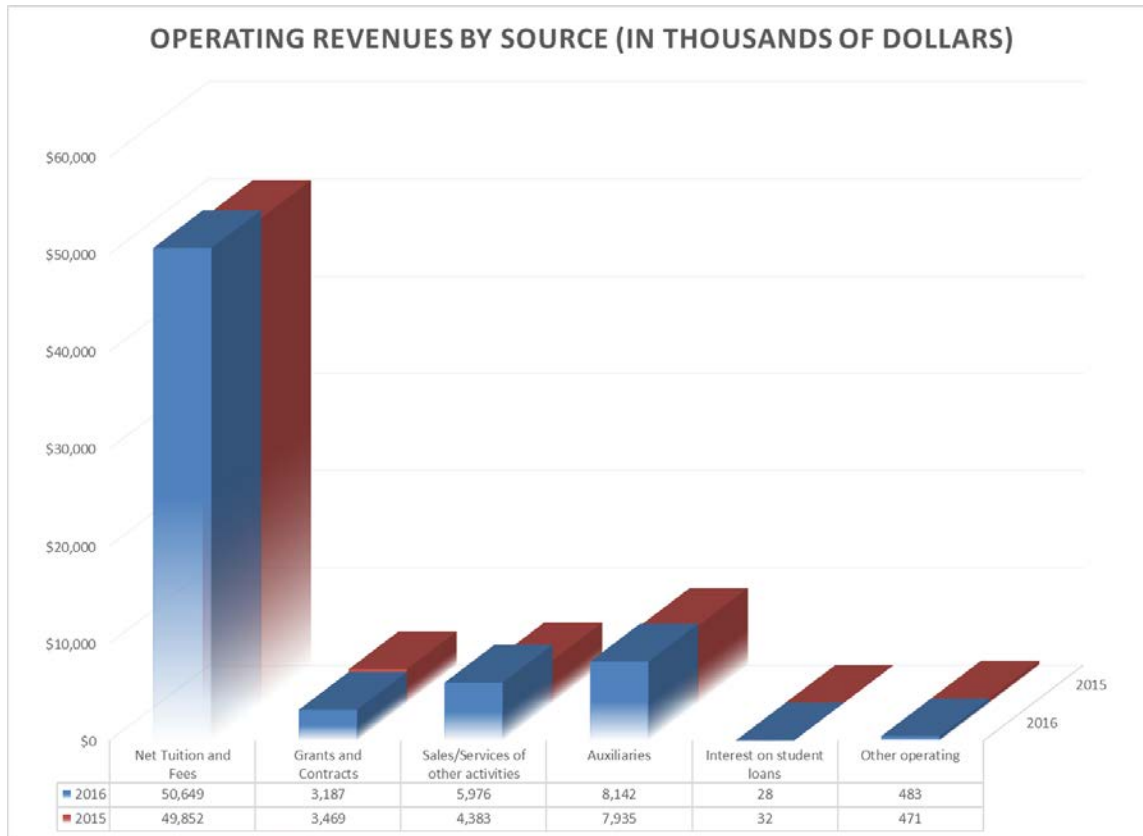
A summary of the University's revenues, expenses, and changes in net position for the year ended June 30, 2016, and June 30, 2015, follows.

Statement of Revenues, Expenses, and Changes in Net Position (in thousands of dollars)		
	<u>2016</u>	<u>2015</u>
Operating revenues	<b>68,465</b>	66,092
Operating expenses	136,915	132,887
Operating loss	<b>(68,450)</b>	<b>(66,795)</b>
Nonoperating revenues and expenses	<b>72,163</b>	<b>69,244</b>
Income (loss) before other revenues, expenses, gains, or losses	3,714	2,448
Other revenues, expenses, gains, or losses	<b>1,875</b>	<b>4,006</b>
Increase (decrease) in net position	<b>5,589</b>	<b>6,454</b>
Net position at beginning of year	<b>148,761</b>	<b>156,107</b>
Prior period adjustment		<b>(13,800)</b>
Net Position-Beginning of year restated		<b>142,307</b>
Net position at end of year	<b>154,349</b>	<b>148,761</b>



## Operating Revenues

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

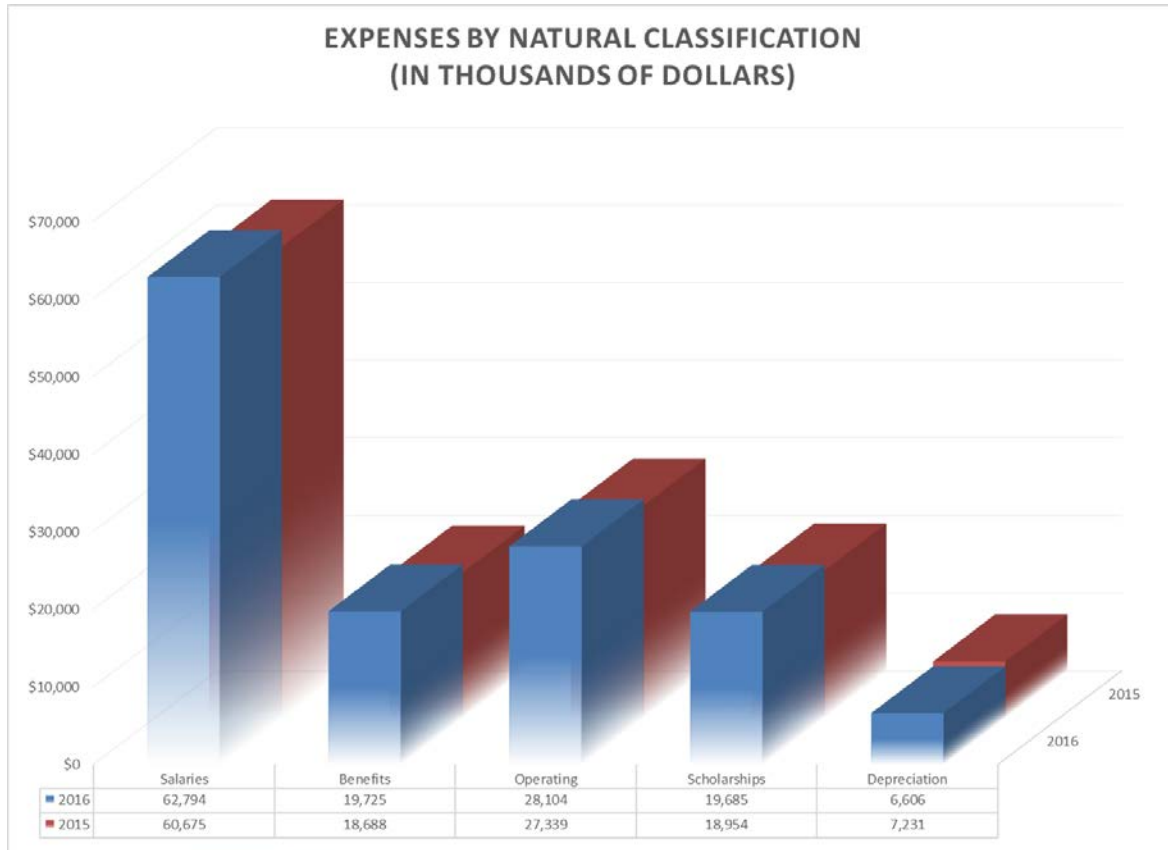


### Comparison of FY 2016 to FY 2015

- Net Tuition and Fees Enrollment remained relatively steady from FY 2015 to FY 2016, the Tennessee Board of Regents approved a 2.0 percent in state tuition fee increase at Austin Peay for the 2016 fiscal year.
- Sales/Services of Other Activities Athletics Revenue increased in FY 2016. This increase was due to several factors including an increase in game guarantee revenue in FY 2016. Additionally, student athletic fee revenue increased due to an approved student athletic fee increase for athletics.

## 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:

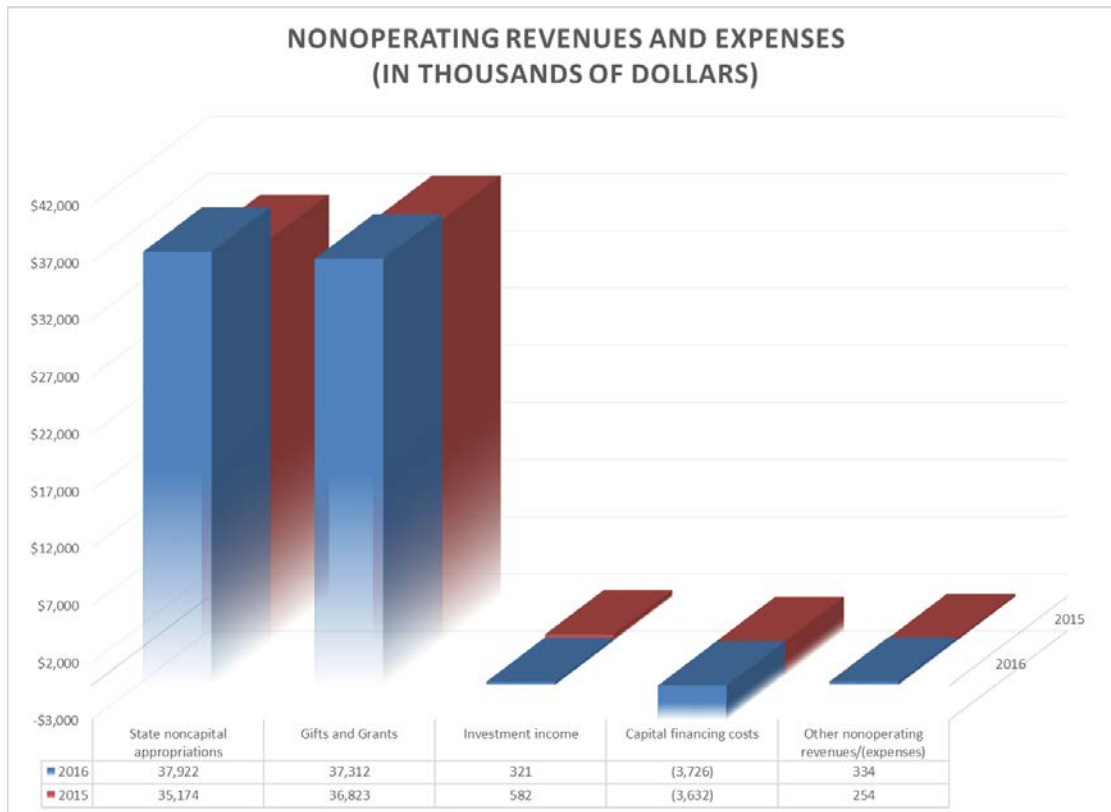


### Comparison of FY 2016 to FY 2015

- Salaries and Benefits expense in the 2016 fiscal, year, is a continuation of the adoption of the Governmental Accounting Standards Board (GASB) 68, Accounting and Financial Reporting for Pensions. Additionally, the University is committed to increasing both personnel and salaries. As a result, the University implemented a salary increase in FY 16 which increased both salaries and benefits. Additionally, the university offered a voluntary buyout program which a number of employees took advantage of. For more detailed information and explanation, please see the accompanying notes to the financial statements.

## 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:

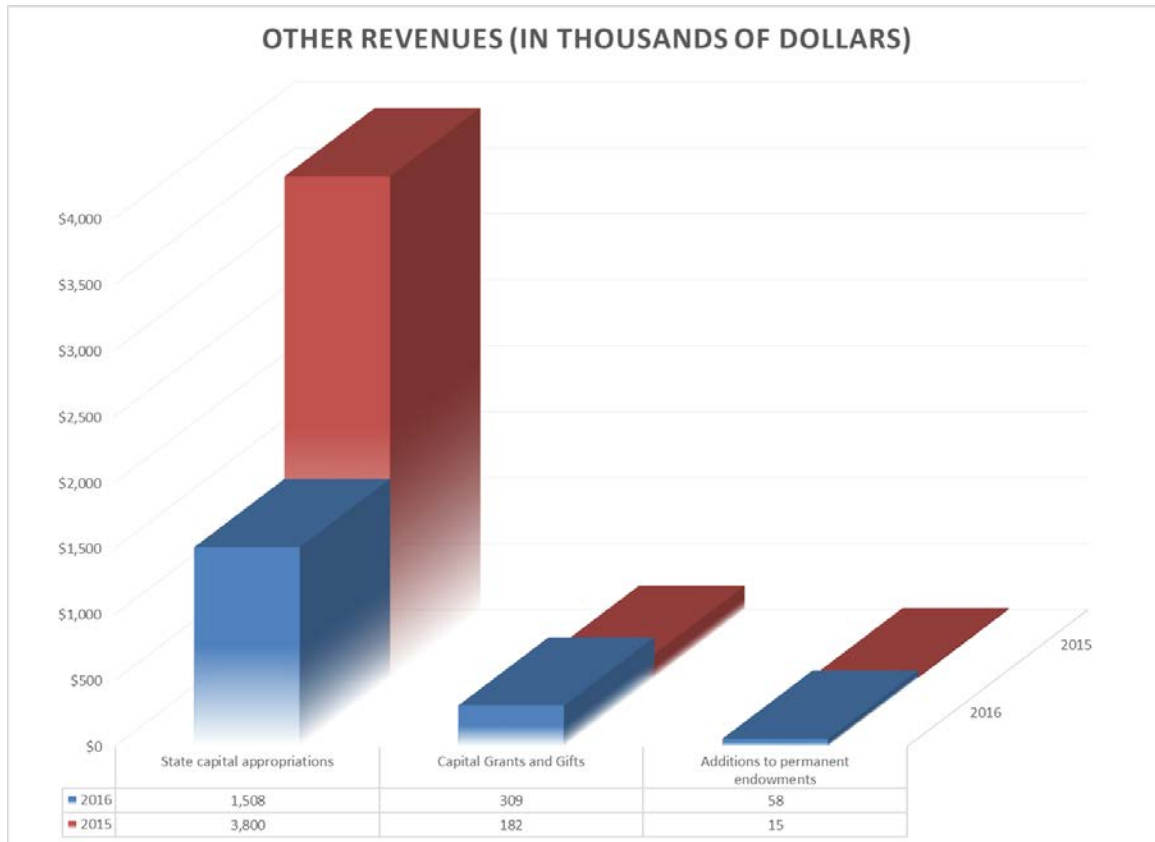


### Comparison of FY 2016 to FY 2015

- State noncapital appropriations increased due to an increase in funding for higher education in general. Additionally, the University received an increased allocation from the Tennessee Outcomes Based Funding Formula. The formula rewards institutions for outcomes success as measured against TBR peer institutions.
- Investment income decreased because of market performance at June 30, 2016.
- Capital financing costs increased from 2015 to 2016 primarily due to the new debt acquired in the construction and maintenance of capital projects and the acquisition of significant properties adjacent to the University. For additional information see the Capital assets and debt sections in this discussion and analysis.

## 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 2016 to FY 2015

- State capital appropriations decreased due to completion or near completion of several FY 2015 capital projects and maintenance. Two significant projects in FY 2015, the Library Mechanical upgrade and the Underground electrical upgrade were completed or near completion, respectively. A major capital maintenance project, Music Mass Communication Building HVAC upgrade, was deferred until FY 2017 in order to secure additional state funding to cover estimated costs. Two significant projects in FY 2016 are the Fine Arts Improvements and Claxton HVAC replacement. See the Capital assets section for additional information.
- Capital Grants and Gifts each year gifts will vary based on particular projects and desires of donors. The university received significant gifts in 2016 toward several capital projects.

## Capital Assets and Debt Administration

### Capital Assets

Austin Peay State University had \$220.9 million invested in capital assets, net of accumulated depreciation of \$112.6 million at June 30, 2016; and \$214.7 million invested in capital assets, net of accumulated depreciation of \$107.8 million at June 30, 2015. Depreciation charges totaled \$6.606 million and \$7.231 million for the years ended June 30, 2016, and June 30, 2015, respectively.

Schedule of Capital Assets, Net of Depreciation (in thousands of dollars)		
	<u>2016</u>	<u>2015</u>
Land	16,382	10,596
Land improvements & infrastructure	22,948	24,552
Buildings	168,846	170,813
Equipment	5,019	5,760
Library holdings	769	863
Intangible assets		
Projects in progress	6,957	2,156
<b>Total</b>	<b>220,921</b>	<b>214,740</b>

Significant additions to capital assets occurred in fiscal year 2016. These additions were due to the purchase of significant property adjacent to campus which increased both land and projects in progress significantly.

At June 30, 2016, outstanding commitments under construction contracts totaled \$17,525,533 for various renovations and repairs of buildings and infrastructure. Future state capital outlay appropriations will fund \$10,246,363 of these costs.

More detailed information about the University's capital assets is presented in Note 15 to the financial statements.

### Debt

The University had \$101.9 and \$98.7 million in debt outstanding at June 30, 2016, and June 30, 2015, respectively. The table below summarizes these amounts by type of debt instrument.

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

	<u>2016</u>	<u>2015</u>
TSSBA Bonds	\$ 96,268	\$ 98,733
TSSBA Short-term paper	5,705	-
<b>Total Debt</b>	<b>\$ 101,973</b>	<b>\$ 98,733</b>

The TSSBA issued bonds with interest rates ranging from 0.35% to 5.0% due serially until 2046 on behalf of Austin Peay State University. The University is responsible for the debt service of

these bonds. The current portion of the \$89,533,972 outstanding at June 30, 2016, is \$ 2,443,529.47.

The TSSBA issued Short term paper on behalf of the University. The University is responsible for the debt service of these obligations. The outstanding amount at June 30, 2016 is 5,705,211.

The ratings on debt issued by the Tennessee State School Bond Authority at June 30, 2016, were as follows:

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

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

**Economic Factors That Will Affect the Future**

For the fiscal year 2017, the Tennessee Board of Regents authorized an in state fee increase for both undergraduate and graduate of 2.8%. The capital markets remain unstable, which will affect the university's investment income.

In FY 2015, the State of Tennessee General Assembly authorized and Governor Haslam signed the Focus on College and University Success (FOCUS) Act which took effect July 1, 2016. The University is in the transition period during FY 2017. As a result of this legislation, the University will no longer be under the Tennessee Board of Regents and will have its own local governing board which will have control over institutional operations, such as setting tuition and fee rates. The Tennessee Higher Education Commission will continue to administer the Outcomes Based Funding Formula.

Effective December 1, 2016, the new Fair Labor Standards Act will affect some positions that are currently exempt administrative. A number of these positions will be considered non-exempt under the new legislation and may have a significant impact on the University's budget.

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# BASIC FINANCIAL STATEMENTS

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**Austin Peay State University**  
**Unaudited Statement of Net Position**  
**June 30, 2016**

	<u>Institution</u>	<u>Component Unit</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents (Notes 2 and 21 )	\$ 19,891,892.68	\$ 1,662,715.47
Short-term investments (Note 21 )	-	12,000.00
Accounts, notes, and grants receivable (net) (Note 5 )	5,745,202.93	-
Due from primary government	22,992.45	-
Due from component unit	586,829.94	-
Pledges receivable (net) (Note 21)	-	33,662.16
Inventories (at lower of cost or market)	323,471.86	-
Prepaid expenses	185,505.40	-
Accrued interest receivable	152,680.59	32,901.04
Total current assets	<u>26,908,575.85</u>	<u>1,741,278.67</u>
Noncurrent assets:		
Cash and cash equivalents (Notes 2 and 21 )	29,344,183.50	6,635,593.45
Investments (Notes 3 and 21 )	9,281,068.67	20,109,627.70
Accounts, notes, and grants receivable (net) (Note 5 )	942,451.03	-
Net pension asset (Note 11)	25,377.00	-
Pledges receivable (net) (Notes 21 )	-	5,880,050.39
Capital assets (net) (Note 6 )	220,920,767.84	1,854,928.53
Total noncurrent assets	<u>260,513,848.04</u>	<u>34,480,200.07</u>
Total assets	<u>\$ 287,422,423.89</u>	<u>\$ 36,221,478.74</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred loss on debt refunding	896,725.75	-
Deferred outflows related to pensions	9,857,009.15	-
Total deferred outflows of resources	<u>\$ 10,753,734.90</u>	<u>\$ -</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable (Note 7 )	\$ 2,069,713.65	\$ 41,968.34
Accrued liabilities	6,603,868.33	-
Due to primary government	-	586,829.94
Student deposits	136,770.00	-
Unearned revenue	4,455,349.87	-
Compensated absences (Note 8 )	802,691.39	-
Accrued interest payable	656,031.98	-
Long-term liabilities, current portion (Note 8 )	2,443,529.47	-
Deposits held in custody for others	1,171,888.68	-
Total current liabilities	<u>18,339,843.37</u>	<u>628,798.28</u>
Noncurrent liabilities:		
Net OPEB obligation (Note 12 )	5,065,225.73	-
Net pension liability (Note 11 )	11,925,125.00	-
Compensated absences (Note 8 )	1,784,245.53	-
Long-term liabilities (Note 8 )	99,529,590.34	-
Due to grantors (Note 8 )	277,084.53	-
Total noncurrent liabilities	<u>118,581,271.13</u>	<u>-</u>
Total liabilities	<u>\$ 136,921,114.50</u>	<u>\$ 628,798.28</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pensions	6,905,646.00	-
Total deferred inflows of resources	<u>\$ 6,905,646.00</u>	<u>\$ -</u>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 119,844,373.78	\$ 1,854,928.53
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	8,399,199.60	17,667,594.44
Research	-	60,207.60
Instructional department uses	8,187.28	74,642.32
Other	149,212.36	289,456.82
Expendable:		
Scholarships and fellowships	1,341,789.46	9,725,060.68
Research	742,817.23	41,183.38
Instructional department uses	336,281.04	850,085.42
Loans	304,259.85	-
Other	1,622,385.33	3,461,837.63
Unrestricted	21,600,892.36	1,567,683.64
Total net position	<u>\$ 154,349,398.29</u>	<u>\$ 35,592,680.46</u>

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, 2016**

	<u>Institution</u>	<u>Component Unit</u>
<b>REVENUES</b>		
Operating revenues:		
Student tuition and fees ( net of scholarship allowances of \$24,908,246.29	\$ 50,648,659.06	\$ -
Gifts and contributions	-	4,197,810.63
Endowment Income (per spending plan)	-	520,500.00
Governmental grants and contracts	3,023,688.22	-
Non-governmental grants and contracts (Including from component units)	163,032.48	-
Sales and services of other activities	5,975,506.06	-
Auxiliary enterprises:		
Residential life ( net of scholarship allowances of \$2,952,274.18, all residential life revenues are used as security for revenue bonds, see Note 10 )	6,118,752.49	-
Bookstore (all bookstore revenues are used as security for revenue bonds, see Note 10 )	417,162.76	-
Food service ( all food service revenues are used as security for revenue bonds, see Note 10 )	605,339.88	-
Wellness facility (net of scholarship allowances of \$384,648.40. All wellness facility revenues are used as security for revenue bonds, see Note 10 )	795,082.54	-
Other auxiliaries	206,041.87	-
Interest earned on loans to students	27,992.86	-
Other operating revenues	483,367.78	254,831.06
Total operating revenues	<u>68,464,626.00</u>	<u>4,973,141.69</u>
<b>EXPENSES</b>		
Operating Expenses (Note 17)		
Salaries and wages	62,793,821.89	542,691.94
Benefits	19,725,245.65	188,767.37
Utilities, supplies, and other services	28,104,658.69	894,642.05
Scholarships and fellowships	19,684,808.92	1,281,483.70
Depreciation expense	6,606,059.77	1,187.61
Payments to or on behalf of Austin Peay State University (Note 21)	-	2,118,322.03
Total operating expenses	<u>136,914,594.92</u>	<u>5,027,094.70</u>
Operating income (loss)	<u>(68,449,968.92)</u>	<u>(53,953.01)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	37,922,175.00	-
Gifts, including \$2,118,322.03 from component unit	1,465,356.73	-
Grants and contracts	35,847,203.24	-
Investment income (net of investment expense of \$42,321.58 for the institution and \$117,146.38 for the component unit(s))	320,944.84	(775,669.98)
Interest on capital asset-related debt	(3,726,390.19)	-
University/College support (Note 21)	-	1,386,168.16
Other non-operating revenues/(expenses)	333,991.74	-
Net nonoperating revenues	<u>72,163,281.36</u>	<u>610,498.18</u>
Income before other revenues, expenses gains, or losses	<u>3,713,312.44</u>	<u>556,545.17</u>
Capital appropriations	1,508,841.40	-
Capital grants and gifts, including from component unit(s)	308,540.90	-
Additions to permanent endowments	57,896.00	875,699.89
Other capital	-	-
Total other revenues	<u>1,875,278.30</u>	<u>875,699.89</u>
Increase (decrease) in net position	<u>5,588,590.74</u>	<u>1,432,245.06</u>
<b>NET POSITION</b>		
Net position -beginning of year	148,760,807.55	34,160,435.40
Net position - end of year	<u>\$ 154,349,398.29</u>	<u>\$ 35,592,680.46</u>

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, 2016**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and fees	\$ 51,080,604.26
Gifts and contributions	
Grants and contracts	3,153,448.11
Sales and services of other activities	5,957,523.39
Payments to suppliers and vendors	(27,977,774.15)
Payments to employees	(61,044,016.48)
Payments for benefits	(19,648,818.76)
Payments for scholarships and fellowships	(19,684,808.92)
Interest earned on loans to students	134,526.61
Auxiliary enterprise charges:	
Residence halls	6,201,182.37
Bookstore	263,776.76
Food services	657,604.65
Wellness facility	795,082.54
Other auxiliaries	206,041.87
Net cash provided (used) by operating activities	<u>\$ (59,905,627.75)</u>

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

State appropriations	\$ 37,853,600.00
Gifts and grants received for other than capital or endowment purposes, including \$2,112,323.03 from APSU - Foundation to the institution	37,302,469.07
Private gifts for endowment purposes	57,896.00
Federal/state student loan receipts	53,462,671.70
Federal/state student loan disbursements	(53,450,147.00)
Changes in deposits held for others	(306,311.47)
Other non-capital financing receipts (payments)	333,991.74
Net cash provided (used) by non-capital financing activities	<u>\$ 75,254,170.04</u>

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

Proceeds from capital debt	\$ 6,585,359.47
Capital - state appropriation	1,485,848.95
Capital grants and gifts received, including from (component unit)	308,540.90
Purchase of capital assets and construction	(12,885,947.49)
Principal paid on capital debt and lease	(3,345,287.75)
Interest paid on capital debt and lease	(3,659,275.98)
Net cash provided (used) by capital and related financing activities	<u>\$ (11,510,761.90)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from sales and maturities of investments	\$ 690,461.37
Income on investments	335,475.79
Purchase of investments	(584,273.95)
Net cash provided (used) by investing activities	<u>\$ 441,663.21</u>
Net increase (decrease) in cash and cash equivalents	4,279,443.60
Cash and cash equivalents - beginning of year	44,956,632.58
Cash and cash equivalents - end of year (Note 2 )	<u>\$ 49,236,076.18</u>

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

Operating income/(loss)	\$ (68,449,968.92)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation expense	6,606,059.77
Gifts in-kind	10,090.90
Pension expense	5,878,420.00
Other adjustments	68,575.00
Change in assets, liabilities, and deferrals:	
Receivables, net	358,310.36
Inventories	(37,008.09)
Prepaid items	(97,032.70)
Other assets	106,533.75
Deferred outflows	(6,188,459.71)
Accounts payable	(137,334.06)
Accrued liabilities	3,946,213.83
Unearned revenues	46,037.70
Deposits	27,255.00
Compensated absences	(130,634.19)
Due to grantors	(142,532.39)
Deferred inflows	(1,770,154.00)
Net cash provided (used) by operating activities	<u>\$ (59,905,627.75)</u>

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

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# NOTES TO THE FINANCIAL STATEMENTS

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TENNESSEE BOARD OF REGENTS  
Austin Peay State University

Standard Notes to the Financial Statements  
June 30, 2016

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 21 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 internal activity has 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 and exchange-like 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 or unrestricted 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, works of art, historical treasures/collections, and intangible assets, are reported in the Statement of Net Position at historical cost or at acquisition 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. The capitalization threshold for art, historical treasures/collections, and similar assets is set at \$5,000.

These assets, with the exception of works of art and historical treasures/collections deemed inexhaustible and land, are depreciated/amortized using the straight-line method over the estimated useful lives of the assets, which range from 5 to 60 years.

## PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Closed State and Higher Education Employee Pension Plan and the State and Higher Education Employee Retirement Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plan's fiduciary net positions have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Closed State and Higher Education Employee Pension Plan and the State and Higher Education Employee Retirement Plan. Investments are reported at fair value.

## 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 accumulated depreciation and net of outstanding debt obligations and deferred outflows/inflows of resources 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 net investment in capital assets.

**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, sales and services of educational departments, sales and services of other, 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.

#### 2. Cash

This classification includes demand deposits and petty cash on hand. At June 30, 2016, cash consists of \$3,483,784.07 in bank accounts, \$14,436.61 of petty cash on hand, \$102,024.67 in money market funds, \$44,542,479.91 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer, and \$1,093,350.92 in the 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.

The Local Government Investment Pool (LGIP) is administered by the State Treasurer. The LGIP is part of the State Pooled Investment Fund. There are no minimum or maximum limitations on withdrawals with the exception of a 24-hour notification period for withdrawals of \$5 million or more. The fund's required risks disclosures are presented in the *State of Tennessee's Treasurer's Report*. That report is available on the state's website at <http://www.tn.gov/treasury> or by calling (615) 741-2956.

3. Investments

In accordance with GASB Statement 31, as amended, investments are reported at fair value, including those with a maturity date of one year or less at the time of purchase, unless otherwise noted.

As of June 30, 2016, the university had the following investments and maturities.

Investment Type	Fair Value	Investment Maturities (In Years)				No Maturity Date
		Less than 1	1 to 5	6 to 10	More than 10	
US Treasury	\$ 208,173.84	\$ 9,001.53	\$ 157,659.26	\$ 41,513.05	\$ -	\$ -
US Agencies	125,215.89	-	538.71	18,329.54	106,347.64	-
Corporate Bonds	452,764.77	26,520.32	142,038.89	35,424.51	248,781.05	-
Mutual Bond Funds	1,691,813.75	-	-	1,691,813.75	-	-
<b>Total Debt Instruments</b>	<b>\$ 2,477,968.25</b>	<b>\$ 35,521.85</b>	<b>\$ 300,236.86</b>	<b>\$ 1,787,080.85</b>	<b>\$ 355,128.69</b>	<b>\$ -</b>
<b>Non-Fixed Income Inv</b>						
Corporate Stocks	\$ 2,185,411.10	\$ -	\$ -	\$ -	\$ -	\$ 2,185,411.10
Mutual Equity Funds	4,012,769.48	-	-	-	-	4,012,769.48
Certificates of Deposit	604,919.84	-	604,919.84	-	-	-
<b>Total</b>	<b>\$ 9,281,068.67</b>	<b>\$ 35,521.85</b>	<b>\$ 905,156.70</b>	<b>\$ 1,787,080.85</b>	<b>\$ 355,128.69</b>	<b>\$ 6,198,180.58</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, 2016, the university's investments were rated as follows:

Investment Type	Fair Value	Credit Quality Rating				
		AAA	AA	A	BBB	Unrated
Local Government Investment Pool (LGIP)	\$45,635,830.83					\$ 45,635,830.83
US Agencies	\$ 125,215.89	\$ -	\$ -	\$ -	\$ -	125,215.89
Corporate Bonds	\$ 452,764.77	35,439.65	84,838.78	193,242.51	137,850.66	1,393.17
Mutual Bond Funds	\$ 1,691,813.75	-	-	1,691,813.75	-	-
<b>Total</b>	<b>\$47,905,625.24</b>	<b>\$ 35,439.65</b>	<b>\$ 84,838.78</b>	<b>\$ 1,885,056.26</b>	<b>\$137,850.66</b>	<b>\$ 45,762,439.89</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, 2016, the university had \$ 3,073,590.27 of uninsured and unregistered investments for which the securities are held by the counterparty and \$ 5,704,583.23 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.

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

	Carrying Value
<b>Certificates of Deposit</b>	<b>\$ 30,529.29</b>
<b>Regions Investment Account</b>	
US Treasury	\$ 208,173.84
US Agencies	125,215.89
Corporate Stocks	2,185,411.10
Corporate Bonds	452,764.77
Money Market Account	102,024.67
<b>Total Regions Investment Account</b>	<b>\$ 3,073,590.27</b>
<b>The Commonfund</b>	
Mutual Bond Funds	\$ 1,691,813.75
Mutual Equity Funds	4,012,769.48
<b>Total Common Fund</b>	<b>\$ 5,704,583.23</b>
<b>Total</b>	<b>\$ 8,778,173.50</b>

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, 2016, there were a total of 13,905.682 units in the Multi-Strategy Equity Fund, each having a fair value of \$288.57 and 112,948.316 units in the Multi Strategy Bond fund, each having a fair value of 14.98.



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, 2016	\$4,012,769.48	\$1,847,705.83	\$2,165,063.65	288.57
July 1, 2015	\$4,249,649.32	\$1,883,837.88	2,365,811.44	299.74
			<b>\$ (200,747.79)</b>	
<i>Multi-Strategy Bond Fund</i>				
June 30, 2016	\$1,691,813.75	\$1,485,002.82	\$ 206,810.93	14.98
July 1, 2015	\$1,700,659.00	1,513,473.97	187,185.03	14.77
			<b>\$ 19,625.90</b>	
<b>Total Net Gains (Losses)</b>			<b>\$ (181,121.89)</b>	

The average annual earnings per unit, exclusive of net gains, were \$3.9746 for the Multi-Strategy Equity Fund and \$0.4862 for the Multi-Strategy Bond Fund for the year ended June 30, 2016.

#### 4. Fair Value Measurement

The university categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The university has the following recurring fair value measurements as of June 30, 2016:

	June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at the Net Asset Value (NAV)
Assets by Fair Level Value					
<b>Debt Securities</b>					
US Treasury	\$ 208,173.84	\$ 208,173.84			\$ -
US Agencies	125,215.89	125,215.89			
Corporate bonds	452,764.77	452,764.77			
Mutual bond funds	1,691,813.75				1,691,813.75
<b>Total debt securities</b>	<b>\$ 2,477,968.25</b>	<b>\$ 786,154.50</b>			<b>\$ 1,691,813.75</b>
<b>Equity Securities</b>					
Corporate stock	\$ 2,185,411.10	\$ 2,185,411.10			\$ -
Mutual equity funds	4,012,769.48				4,012,769.48
<b>Total equity securities</b>	<b>\$ 6,198,180.58</b>	<b>\$ 2,185,411.10</b>			<b>4,012,769.48</b>
<b>Total Assets at Fair Value</b>	<b>\$ 8,676,148.83</b>	<b>\$ 2,971,565.60</b>			<b>\$ 5,704,583.23</b>

Assets and liabilities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

The valuation method for assets and liabilities measured at the net asset value per share (or its equivalent) is presented on the following table.

Assets measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
The Commonfund-Multi-Strategy Bond Fund	\$1,691,813.75	N/A	Monthly	5 Business days excl of trans date
The Commonfund-Multi-Strategy Equity Fund	\$4,012,769.48	N/A	Monthly	5 Business days excl of trans date

The assets of the Multi-Strategy Equity Fund are allocated among strategies in proportions that Commonfund Asset Management Company considers beneficial for a fully diversified public equity portion of an educational endowment. The assets of the Multi-Strategy Bond Fund are allocated among strategies in proportions that Commonfund Asset Management Company considers beneficial for a fully diversified fixed income portion of an educational endowment. There are currently no redemption restrictions on the Multi-Strategy Equity and Bond Funds, although they could be put in place in extraordinary circumstances, such as any period during which the New York Stock Exchange is closed other than customary weekend or holiday closings, or during which trading thereon is restricted or there exists any emergency affecting the practicability of disposal of portfolio securities of the Fund or the practicability of determining net asset value. It is not probable that the

	June 30, 2016
Student accounts receivable	\$ 5,773,086.68
Grants receivable	855,125.18
Notes receivable	12,542.34
Other receivables	629,635.46
<b>Subtotal</b>	<b>\$ 7,270,389.66</b>
Less allowance for doubtful accounts	(1,525,186.73)
<b>Total</b>	<b>\$ 5,745,202.93</b>

university will sell an investment for an amount different from the NAV per share.

5. Accounts, Notes, and Grants Receivable

Accounts receivable included the following:

Federal Perkins Loan Program funds include the following:

	June 30, 2016
Perkins loans receivable	\$ 1,246,740.45
Less allowance for doubtful accounts	(304,289.42)
<b>Total</b>	<b>\$ 942,451.03</b>

6. Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beg Balance	Additions	Transfers	Reductions	Ending Balance
Land	\$ 10,596,071.51	\$ 5,786,108.30	\$ -	\$ -	\$ 16,382,179.81
Land Improv & Infrastructure	38,759,190.40	-	-	128,119.43	38,631,070.97
Buildings	248,936,313.75	673,682.10	900,088.25		250,510,084.10
Equipment	16,747,751.07	545,138.52		1,003,003.41	16,289,886.18
Library Holdings	2,914,239.97	142,972.25		682,663.39	2,374,548.83
Intangible Assets	2,389,851.44				2,389,851.44
Projects in Progress	2,155,481.77	5,701,553.56	(900,088.25)		6,956,947.08
<b>Total</b>	<b>\$322,498,899.91</b>	<b>\$12,849,454.73</b>	<b>\$ -</b>	<b>\$1,813,786.23</b>	<b>\$333,534,568.41</b>
Less Accumulated Depreciation/Amortization:					
Land Improv & Infrastructure	\$ 14,207,843.03	\$ 1,603,011.64		\$ 128,119.43	\$ 15,682,735.24
Buildings	78,123,210.94	3,541,006.88			\$ 81,664,217.82
Equipment	10,987,575.76	1,224,579.98		940,862.33	\$ 11,271,293.41
Library Holdings	2,050,904.78	237,461.27		682,663.39	\$ 1,605,702.66
Intangible Assets	2,389,851.44				\$ 2,389,851.44
<b>Total</b>	<b>\$107,759,385.95</b>	<b>\$ 6,606,059.77</b>	<b>\$ -</b>	<b>\$1,751,645.15</b>	<b>\$112,613,800.57</b>
<b>Capital Assets, Net</b>	<b>\$ 214,739,513.96</b>	<b>\$ 6,243,394.96</b>	<b>\$ -</b>	<b>\$ 62,141.08</b>	<b>\$ 220,920,767.84</b>

7. Accounts Payable

Accounts payable included the following:

	June 30, 2016
Vendors payable	\$2,068,388.07
Unapplied student payments	1,325.58
Other payables	-
<b>Total</b>	<b>\$2,069,713.65</b>

8. Long-term Liabilities

Long term liability activity for the year ended June 30, 2016, was as follows:

	Beg Balance	Additions	Reductions	End Balance	Curr Portion
Payables:					
TSSBA debt:					
Bonds	\$ 91,679,259.28	\$ -	\$ 2,145,287.75	\$ 89,533,971.53	\$2,443,529.47
Unamortized bond premium/discount	7,053,788.81	0.00	319,851.28	6,733,937.53	
Commercial Paper	-		-	-	
Revolving credit facility	-	6,905,210.75	1,200,000.00	5,705,210.75	
<b>Subtotal</b>	<b>\$ 98,733,048.09</b>	<b>\$ 6,905,210.75</b>	<b>\$ 3,665,139.03</b>	<b>\$101,973,119.81</b>	<b>\$2,443,529.47</b>
Other Liabilities					
Compensated Absences	\$ 2,717,571.11	\$ 2,158,459.82	\$ 2,289,094.01	\$ 2,586,936.92	\$ 802,691.39
Due to grantor	419,616.92		142,532.39	277,084.53	
<b>Subtotal</b>	<b>\$ 3,137,188.03</b>	<b>\$ 2,158,459.82</b>	<b>\$ 2,431,626.40</b>	<b>\$ 2,864,021.45</b>	<b>\$ 802,691.39</b>
<b>Total long-term liabilities</b>	<b>\$ 101,870,236.12</b>	<b>\$ 9,063,670.57</b>	<b>\$ 6,096,765.43</b>	<b>\$104,837,141.26</b>	<b>\$3,246,220.86</b>

#### TSSBA Debt - Bonds Payable

Bonds, with interest rates ranging from 0.35% to 5.0%, were issued by the Tennessee State School Bond Authority. The bonds are due serially until 2045 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 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 \$187,813.68 at June 30, 2016. Unexpended debt proceeds were \$ .00 at June 30, 2016.

Debt service requirements to maturity for the university's portion of TSSBA bonds at June 30, 2016, are as follows:

For the Year(s) Ending June 30	Principal	Interest	Total
2017	\$ 2,443,529.47	\$ 3,885,774.21	\$ 6,329,303.68
2018	2,498,217.22	3,804,105.33	6,302,322.55
2019	2,410,613.83	3,691,508.19	6,102,122.02
2020	2,666,889.20	3,581,481.17	6,248,370.37
2021	2,773,171.06	3,474,496.96	6,247,668.02
2022-2026	15,714,858.85	15,584,969.80	31,299,828.65
2027-2031	18,994,096.37	11,793,853.36	30,787,949.73
2032-2036	17,463,044.58	7,527,112.78	24,990,157.36
2037-2041	15,511,338.49	3,978,913.48	19,490,251.97
2042-2046	9,058,212.46	686,405.32	9,744,617.78
			-
<b>Total</b>	<b>\$ 89,533,971.53</b>	<b>\$ 58,008,620.60</b>	<b>\$ 147,542,592.13</b>

#### TSSBA Debt – Revolving Credit Facility

The Tennessee State School Bond Authority receives loans from the revolving credit facility to finance the costs of various capital projects during the construction phase. When projects are placed in service, TSSBA issues long-term, fixed-rate debt to finance the project over its useful payback period and repays the revolving credit facility debt. The total outstanding loans from the revolving credit facility was \$5,705,210.75 at June 30, 2016.

More detailed information regarding the bonds and the revolving credit facility 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 <https://www.comptroller.tn.gov/tssba/cafr.asp>.

9. 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 its 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, 2016, net appreciation of \$260,200 is available to be spent, of which \$260,200 is included in restricted net position expendable for scholarships and fellowships.

10. Pledged Revenues

The university has pledged certain revenues and fees, including state appropriations, to repay \$89,533,971.53 in revenue bonds issued from June 2007 to April 2015. Proceeds from the bonds provided financing for Dorm Renovations, University Center with equipment, Recreation Center, Hand Village, Emerald Hills Apartments No. 4, Fort Campbell Classroom Building, Marion Street Apartments, Castle Heights Student Apartments, New Student Apartments, and Stadium Renovation projects. The bonds are payable through 2045. Annual principal and interest payments on the bonds are expected to require 4.84% of available revenues. The total principal and interest remaining to be paid on the bonds is \$147,542,592.13. Principal and interest paid for the current year and total available revenues were \$5,871,677.94 and \$130,682,897.98, respectively.

11. Pension Plans

Defined Benefit Plan

**Closed State and Higher Education Employee Pension Plan**

*General Information about the Pension Plan*

Plan Description - State employees and higher education employees with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, are provided with pensions through the Closed State and Higher Education Employee Pension Plan. This plan is a component of the Public Employee Retirement Plan, an agent, multiple-employer defined benefit pension plan. The Closed State and Higher Education Employee Pension Plan stopped accepting new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, a new agent defined benefit retirement plan, the State and Higher Education Employee Retirement Plan, became effective for state employees and higher education employees hired on or after July 1, 2014.

The TCRS was created by state statute under Title 8, Chapters 34-37, Tennessee Code Annotated. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

Benefits Provided - Title 8, Chapters 34-37, Tennessee Code Annotated, establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Closed State and Higher Education

Employee Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined using the following formula:

$$\begin{array}{cccc} \text{Average of member's} & & & \\ \text{highest compensation for 5} & & & \\ \text{consecutive years (up to} & \times 1.50\% \times & \text{Years of Service} & \times 105\% \\ \text{Social Security integration} & & \text{Credit} & \\ \text{level)} & & & \end{array}$$

Plus:

$$\begin{array}{cccc} \text{Average of member's} & & & \\ \text{highest compensation for} & & & \\ \text{5 consecutive years (over} & \times 1.75\% \times & \text{Years of Service} & \times 105\% \\ \text{the Social Security} & & \text{Credit} & \\ \text{integration level)} & & & \end{array}$$

A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for non-service-related disability eligibility. The service-related and non-service-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost-of-living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw employee contributions, plus any accumulated interest.

Contributions - Contributions for state employees and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. The university's employees are non-contributory, as are most members in the Closed State and Higher Education Employee Pension Plan. State and higher education agencies make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Closed State and Higher Education Employee Pension Plan are required to be paid. Employer contributions by the university for the year ended June 30, 2016, to the Closed State and Higher Education Employee Pension Plan were \$ 3,476,570.13, which is 15.03% of covered payroll. The employer rate is expected to finance the costs of benefits earned by members during the year and the cost of administration, as well as an amortized portion of any unfunded liability.

*Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

Pension liability – At June 30, 2016, the university reported a liability of \$11,925,125 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The university's proportion of the net pension liability was based on a projection of the university's contributions during the year ended June 30, 2015, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2015, measurement date, the university's proportion was 0.924943 percent. The proportion measured as of June 30, 2014 was 0.872721 percent.

Pension expense – For the year ended June 30, 2016, the university recognized a pension expense of \$ 1,458,192. Allocated pension expense of \$ 1,282,304 was increased \$175,888 due to a change in proportionate share.

Deferred outflows of resources and deferred inflows of resources – For the year ended June 30, 2016, the university reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,261,873	\$ 1,032,521
Net difference between projected and actual earnings on pension plan investments	4,330,675	5,863,683
Changes in proportion of Net pension Liability (Asset)	703,553	
Contributions subsequent to the measurement date of June 30, 2015	3,476,570.13	(not applicable)
Total	\$ 9,772,671.13	\$ 6,896,204

Deferred outflows of resources, resulting from the university's employer contributions of \$3,476,570.13 subsequent to the measurement date will be recognized as a decrease in net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30:</b>	
2017	\$ (724,709)
2018	(724,709)
2019	(724,709)
2020	(1,574,025)
2021	
Thereafter	

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial assumptions - The total pension liability as of June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>	<b>Target Allocation</b>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all state and higher education agencies will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability (asset) to changes in the discount rate - The following presents the university's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent,



as well as what the university's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
University's net pension liability (asset)	\$ 27,942,386	\$ 11,925,125	\$ 1,574,342

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Payable to the Pension Plan*

At June 30, 2016, the university/college reported a payable of \$ 0.00 for the outstanding amount of legally required contributions to the pension plan required for the year ended June 30, 2016.

**State and Higher Education Employee Retirement Plan**

*General Information about the Pension Plan*

Plan description – State employees and higher education employees with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, are provided with pensions through the Closed State and Higher Education Employee Pension Plan, an agent plan within the Public Employee Retirement Plan administered by the TCRS. TCRS is a multiple employer pension plan. The Closed State and Higher Education Pension Plan was closed effective June 30, 2014, and covers employees hired before July 1, 2014. Employees hired after June 30, 2014, are provided with pensions through a legally separate plan referred to as the State and Higher Education Employee Retirement Plan, an agent plan within the Public Employee Retirement Plan administered by the TCRS.

The TCRS was created by state statute under Title 8, Chapters 34-37, Tennessee Code Annotated. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

Benefits provided – Title 8, Chapters 34-37, Tennessee Code Annotated establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the State and Higher Education Employee Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation multiplied by the member's years of service credit. A reduced early retirement benefit is available at age 60 with 5 years of service credit or pursuant to the rule of 80 in which the member's age and service credit total 80. Service-related disability benefits are provided regardless of length of service. Five years of service is required for non-service-related disability eligibility. The service-related and non-service-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost-of-living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to July 2 of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than 0.5%. A

1% COLA is granted if the CPI change is between 0.5% and 1%. A member who leaves employment may withdraw employee contributions, plus any accumulated interest.

Contributions – Contributions for state and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. University employees contribute 5% of salary to the State and Higher Education Employee Retirement Plan. State and higher education agencies make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the State and Higher Education Employee Retirement Plan are required to be paid. Employer contributions by the university for the year ended June 30, 2016, to the State and Higher Education Employee Retirement Plan were \$82,866.02, which is 3.87% of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year and the cost of administration, as well as an amortized portion of any unfunded liability.

*Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

Pension Liability/Asset – At June 30, 2016, the university reported an asset of \$ 25,377 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The university’s proportion of the net pension asset was based on a projection of the university’s contributions during the year ended June 30, 2015, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2015, measurement date, the university’s proportion was 0.912527 percent.

Pension expense – For the year ended June 30, 2016, the university recognized a pension expense of \$ 21,049.

Deferred outflows of resources and deferred inflows of resources – For the year ended June 30, 2016, the university reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$ 9,442
Net difference between projected and actual earnings on pension plan investments	\$ 1,472	
Contributions subsequent to the measurement date of June 30, 2015	\$ 82,866.02	
Total	\$ 84,338.02	\$ 9,442

Deferred outflows of resources, resulting from the university’s employer contributions of \$ 82,866.02 subsequent to the measurement date will be recognized as a decrease in net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30

2017	\$ (812)
2018	(812)
2019	(812)
2020	(812)
2021	(1,180)
Thereafter	(3,541)

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial assumptions – The total pension liability as of the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>	<b>Target Allocation</b>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all state and higher education agencies will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability (asset) to changes in the discount rate - The following presents the university's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the university's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>

University's net pension liability (asset)	\$ (9,970)	\$ (25,377)	\$ (36,908)
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Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Payable to the Pension Plan*

At June 30, 2016, the university/college reported a payable of \$ 0.00 for the outstanding amount of legally required contributions to the pension plan required for the year ended June 30, 2016.

Defined Contribution Plans

**Optional Retirement Plan**

Plan Description – The university contributes to the Optional Retirement Plan (ORP). The ORP, administered by the Tennessee Treasury Department, is a defined contribution plan. The ORP was established by state statute in Title 8, Chapter 35, Part 4 of the TCA. This statute also sets out the plan provisions. The plan provisions are amended by the Tennessee General Assembly. The ORP was designed to provide benefits at retirement to faculty and staff who are exempt from the overtime provision of the Fair Labor Standards Act and who waive membership in the TCRS. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

Funding Policy - For employees employed prior to July 1, 2014, plan members are noncontributory. The university contributes 10 percent of the employee's base salary up to the social security wage base and 11 percent above the social security wage base. For employees hired after June 30, 2014, plan members will contribute 5 percent to the ORP and the university will contribute 9 percent of the employee's base salary. The required contributions made to the ORP were \$2,692,190.97 for the year ended June 30, 2016, and \$ 2,864,415.92 for the year ended June 30, 2015. Contributions met the requirements for each year.

Members are immediately 100 percent vested in the employer contributions made pursuant to the ORP. The Treasury Department has selected three investment vendors who offer a variety of investment products in which members are responsible for selecting how the contributions are invested. Each member makes the decision when to reallocate future contributions or when to transfer funds from one investment product to another. Funds are held by the investment vendor in the name of the member, not in the name of the State of Tennessee. The State of Tennessee has no discretion over these funds other than to make the initial contributions. Accordingly, the State of Tennessee is not acting in a trustee capacity nor does it have a fiduciary responsibility for the funds held by the investment vendors.

**Deferred Compensation Plans**

Employees are offered three deferred compensation plans. The university, through the State of Tennessee, provides two plans, one established pursuant to IRC, Section 457, and the other pursuant to IRC, Section 401(k). The third plan is administered by the university and was established in accordance with IRC, Section 403(b). All costs of administering and funding these programs, with the exclusion of the \$50 monthly employer match for the Section 401(k) plan, are the responsibility of plan participants. Section 401(k), Section 403(b), and Section 457 plan assets remain the property of the contributing employees; therefore, they are not presented in the accompanying financial statements. IRC Sections 401(k), 403(b) and 457 establish participation, contribution, and withdrawal provisions for the plans. Employees hired after June 30, 2014, are automatically enrolled to contribute 2% of their salary to the state's 401(k) plan with the employer contributing an additional 5% to the plan. Employees will vest immediately to both the employee and employer contributions. During the year ended June 30, 2016, contributions totaling \$1,323,581.92 were made by employees participating in the plan, with a related match of \$ 399,545.84 made by the university. During the year ended June 30, 2015, contributions totaling \$1,216,426.22 were made by employees participating in the plan, with a related match of \$ 399,726.05 made by the university.

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) 8-27-201 for the state plan and 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. Employees hired on or after July 1, 2015, are not eligible to continue insurance coverage at retirement in either the Employee Group plan or the Medicare Supplement plan. 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://www.tn.gov/finance/act/cafr.shtml>.

Special Funding Situation. The State of Tennessee is legally responsible for contributions to the Medicare Supplement Plan, which covers the retirees of other governmental entities, including the university. The state is the sole contributor for the university retirees who participate in the Medicare Supplement Plan.

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, 2016, were \$ 10,301,606.70, which consisted of \$ 8,380,881.81 from the university and \$ 1,920,724.89 from the employees.

Annual OPEB Cost and Net OPEB Obligation

Annual Required Contribution (ARC)	\$1,206,000.00
Interest on the net OPEB obligation	182,309.85
Adjustment to the ARC	(183,042.02)
Annual OPEB cost	1,205,267.83
Amount of contribution	(1,001,638.03)
Increase/decrease in net OPEB obligation	203,629.80
Net OPEB Obligation – beginning of year	4,861,595.93
Net OPEB Obligation – end of year	5,065,225.73

Year-end	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year-end
6/30/2016	State Employee Group Plan	\$1,205,267.83	84.5%	\$5,065,225.73
6/30/2015	State Employee Group Plan	\$1,189,850.93	87.1%	\$4,861,595.93
6/30/2014	State Employee Group Plan	\$1,147,644.55	82.5%	\$4,708,007.55

Funded Status and Funding Progress. The funded status of the plan as of July 1, 2015, was as follows:

Actuarial valuation date	July 1, 2015
Actuarial accrued liability (AAL)	\$8,925,000.00
Actuarial value of plan assets	0
Unfunded actuarial accrued liability (UAAL)	\$8,925,000.00
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$52,857,792.35
UAAL as percentage of covered payroll	16.88%

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, 2015, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 3.75 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6.5 percent initially, decreased to 6.0 percent in fiscal year 2016 and then reduced by decrements to an ultimate rate of 4.7 percent in fiscal year 2050. All rates include a 2.5 percent inflation assumption. Premium subsidies in the Medicare Supplement plan are projected to remain unchanged and, consequently, trend rates are not applicable. 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. Payroll is assumed to grow at a rate of 3.0 percent.

13. Chairs of Excellence

The university had \$12,873,924.05 on deposit at June 30, 2016, 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 associated with casualty losses for general liability, automobile liability, professional medical malpractice liability, 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 (RMF). The state purchases commercial insurance for real property, builder's risk (for construction projects starting prior to July 1, 2012), and crime and fidelity coverage on the state's officials and employees. The contractor is responsible for acquiring builder's risk insurance for all construction projects after June 30, 2012, thus builder's risk is no longer covered by the RMF. For property coverage, the deductible for an individual state agency is the first \$25,000 of losses. The RMF is responsible for property losses for the annual aggregate deductible of \$10 million for perils other than earthquake and flood. Purchased insurance coverage is responsible for losses exceeding the \$10 million annual aggregate deductible. For earthquake and flood, there is a deductible of \$10 million per occurrence. The maximum insurance coverage is \$750 million per year for perils other than earthquake and flood. The maximum flood insurance coverage is \$50 million per occurrence, except there is only \$25 million of coverage in flood zones A and V. The maximum earthquake insurance coverage is \$50 million per occurrence. The amounts of settlements have not exceeded insurance coverage for each of the past three fiscal years.

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, 2016, is presented in the Tennessee Comprehensive Annual Financial Report. The CAFR is available on the state's website at <http://www.tn.gov/finance/act/cafr.shtml>. 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, 2016, was not available.

At June 30, 2016, the scheduled coverage for the university was \$ 474,695,900 for buildings and \$ 69,710,100 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 \$18,383,703.67 at June 30, 2016.

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 and personal property were \$ 21,600 for the year ended June 30, 2016. All operating leases are cancelable at the lessee's option.

Construction in Progress - At June 30, 2016, outstanding commitments under construction contracts totaled \$ 17,525,532.66 for Browning Building Legal Office Update, Kimbrough Trading Room Renovations, Browning Building HVAC Replacement, Sevier Hall HVCA Replacement, Claxton Building HVAC Replacement, Music Mass Communications Building HVAC replacement, Library Water Heater Addition, Fine Arts Improvements, Ard Student Health and Counseling Center Renovations, the Animal Science Center, and Fortera Stadium Renovations, of which \$ 10,246,363.40 will be funded by future state capital outlay appropriations.

Litigation - The university is not involved in any lawsuits.

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 \$149,292 from these funds during the fiscal year ended June 30, 2016.



17. Natural Classifications with Functional Classifications

The university's operating expenses by functional classification for the year ended June 30, 2016, are as follows:

Functional Classification	Natural Classification					Total
	Salaries	Benefits	Other Operating	Scholarship	Depreciation	
Instruction	\$ 35,869,589.66	\$ 10,788,043.61	\$ 6,942,511.12			\$ 53,600,144.39
Research	806,937.45	281,701.41	685,528.49			1,774,167.35
Public Service	535,563.57	142,852.24	238,053.55			916,469.36
Academic Support	5,812,626.16	1,876,272.18	85,097.49			7,773,995.83
Student Services	8,678,924.65	2,860,744.44	6,619,770.19			18,159,439.28
Institutional Support	5,568,794.30	1,781,384.57	2,276,555.02			9,626,733.89
Maintenance & Operations	4,051,843.21	1,616,267.20	6,740,061.31			12,408,171.72
Scholarships & Fellowships				\$19,684,808.92		19,684,808.92
Auxiliary	1,469,542.89	377,980.00	4,517,081.52			6,364,604.41
Depreciation					\$6,606,059.77	6,606,059.77
<b>Total Expenses</b>	<b>\$ 62,793,821.89</b>	<b>\$ 19,725,245.65</b>	<b>\$ 28,104,658.69</b>	<b>\$ 19,684,808.92</b>	<b>\$ 6,606,059.77</b>	<b>\$ 136,914,594.92</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 \$3,180,105.97 were reallocated from academic support to the other functional areas.

18. On-Behalf Payments

During the year ended June 30, 2016, the State of Tennessee made payments of \$ 68,575.00 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://www.tn.gov/finance/act/cafr.shtml>.

19. Voluntary Buyout Program

Austin Peay State University implemented a Voluntary Buyout Plan in fiscal year 2016 as a strategy to assist the university in addressing budgetary constraints due to several years of state appropriation reductions and potential budget reductions in the forthcoming fiscal years. The university had 15 employees participate in the Voluntary Buyout Plan with 13 terminating by June 30, 2016, and 2 terminating by December 31, 2016.

Severance pay included 2 options, either \$500 for each full year of State of Tennessee service as of the voluntary separation date to a maximum of 30 years, or 3 times the current monthly salary of the employee as of the voluntary separation date (for faculty members this was 25% of the budgeted academic year salary). In addition, participants received an amount equivalent to the 2016 longevity payment based on their years of creditable State of Tennessee service if longevity had not yet been paid, and an amount equivalent to the University's cost (80% of the premium) of twelve (12) months of health insurance at the employee's premium rate in effect at the date of separation. This was paid in one payment. No additional benefits or incentives were paid beyond the lump sum payment other than normal retirement benefits for those employees who applied for retirement.

As of June 30, 2016, expenditures for payout of accrued annual leave, compensatory time, or worked holidays for the Voluntary Buyout Plan and Post-Retirement Service were \$39,370.72. Accrued expenses for severance pay were \$ 0.00 at June 30, 2016.

20. Subsequent Event

The Focus on College and University Success (FOCUS) Act became effective July 1, 2016. This Act removes the six universities from the governance of the Tennessee Board of Regents. The universities will remain part of the State University and Community College System of Tennessee, but each will have their own local boards that will provide governance, approve policies, set tuition and fee rates, and hire presidents. The Act also enhances the role of the Tennessee Higher Education Commission (THEC) by requiring THEC to provide greater coordination across the state, including capital project management, institutional mission approval, and higher education finance. During the period of transition (July 1, 2016 until the local board is convened), the six universities will continue under the governance of the Tennessee Board of Regents. Each university will submit proposals to the Southern Association of Colleges and Schools Council On Colleges (SACSCOC) for substantive change of governance during Fall 2016. The SACSCOC will meet during December 2016 to consider those proposals.

21. Component Unit

Austin Peay State University Foundation (The 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 142-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, 2016, the Foundation made distributions of \$2,118,322.03 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, Accounting Services, 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, 2016:

	Total Fair Value at June 30, 2016	Quoted Prices: Level 1	Significant Other Inputs: Level 2	Significant Unobservable Inputs: Level 3
Assets:				
Cash Equivalents	1,468,630.32	1,468,630.32		
Certificates of deposit	100,436.97		100,436.97	
Marketable equity securities	6,472,104.98	6,472,104.98		
Mutual Funds	13,458,416.98	13,458,416.98		
Life Insurance	90,668.77	90,668.77		
<b>Total Assets</b>	<b>\$ 21,590,258.02</b>	<b>\$ 21,489,821.05</b>	<b>\$ 100,436.97</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. Uninsured bank balances at June 30, 2016 totaled \$4,582,692.17.

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, 2016	
	Cost	Market Value
Certificates of Deposit	\$ 100,436.97	\$ 100,436.97
Corporate Stock	5,240,328.44	6,472,104.98
Mutual Bond Funds	4,458,265.03	4,746,125.08
Mutual Equity Funds	5,685,803.57	8,365,626.87
Life Insurance		90,668.77
Mixed Asset Mutual Funds	347,095.85	346,665.03
<b>Total</b>	<b>\$ 15,831,929.86</b>	<b>\$ 20,121,627.70</b>

Investment Return

The following schedule summarizes the total investment return and its classification in the foundation's statement of revenues, expenses, and changes in net position.

	June 30, 2016
Dividends and interest (net of expenses of \$117,146.38)	\$ 289,450.48
Net-realized and unrealized gains	(544,620.46)
<b>Total return on investments</b>	<b>\$ (255,169.98)</b>
Endowment income per spending plan	520,500.00
<b>Investment return reduced by the portion of cumulative net appreciation designated for current operations</b>	<b>\$ (775,669.98)</b>

Operating return

The board of trustees designates only a portion of the university's cumulative investment return for support of current operations; the remainder is retained to support operations of future years and to offset potential market declines. The amount computed under the endowment spending policy of the investment pool is used to support current operations.

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

	June 30, 2016
Current pledges	\$ 33,662.16
Pledges due in one to five years	302,567.50
Pledges due after five years	9,098,640.00
<b>Subtotal</b>	<b>\$ 9,434,869.66</b>
Less discounts to net present value	(3,521,157.11)
<b>Total pledges receivable, net</b>	<b>\$ 5,913,712.55</b>

Capital Assets - Capital assets at year-end were as follows:

	<b>June 30, 2016</b>
Land	\$ 1,848,546.88
Equipment	22,627.08
<b>Total</b>	<b>\$ 1,871,173.96</b>
Less accumulated depreciation/amortization:	
Equipment	16,245.43
<b>Total</b>	<b>\$ 16,245.43</b>
<b>Capital assets, net</b>	<b>\$ 1,854,928.53</b>

Endowments - The Foundation's endowment consists of approximately 194 individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by GAAP, net position associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the 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 recordkeeping of the Foundation. As a result of this interpretation, the 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, (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, 2016				
	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Donor-restricted endowment funds	\$ 18,091,901.18	\$ 4,779,782.80	\$(57,365.57)	\$ 22,814,318.41
Board-designated endowment funds				
<b>Total funds</b>	<b>\$ 18,091,901.18</b>	<b>\$ 4,779,782.80</b>	<b>\$(57,365.57)</b>	<b>\$ 22,814,318.41</b>

Changes in Endowment Net Assets				
As of June 30, 2016				
	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Endowment net assets, beginning of year	\$ 17,168,840.63	\$ 5,505,230.00	\$(33,183.26)	\$ 22,640,887.37
Investment return:				
Investment income		221,157.50		221,157.50
Net appreciation (realized and unrealized)		(404,054.70)	(24,182.31)	(428,237.01)
<b>Total investment return</b>		<b>\$ (182,897.20)</b>	<b>\$(24,182.31)</b>	<b>\$ (207,079.51)</b>
Contributions	875,699.89	1,250.00		876,949.89
Appropriation of endowment assets for expenditure		(520,500.00)		(520,500.00)
Other changes:				
Transfers	47,360.66	(23,300.00)		24,060.66
<b>Endowment net assets, end of year</b>	<b>\$ 18,091,901.18</b>	<b>\$ 4,779,782.80</b>	<b>\$(57,365.57)</b>	<b>\$ 22,814,318.41</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, 2016, deficiencies of this nature totaled \$57,365.57.

#### 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 historical dollar value 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 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 historical dollar value 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.

Support from Austin Peay State University – During fiscal year 2016, the University paid certain payroll and administrative overhead costs amounting to \$1,386,168.16 for university personnel who also performed services supporting the foundation. These support costs paid by the university are reflected in the statement of revenues, expenses, and changes in net position as University Support, with a like amount included in expenses. The university provides office space and the use of certain common facilities and services to the foundation at no cost. These costs have not been recorded as University Support because they are not considered to be significant to the operations of the Foundation.

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# SUPPLEMENTARY INFORMATION

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
July 1, 2011	-	9,831,000.00	9,831,000.00	0	42,481,356.00	23.14%
July 1, 2013	-	8,615,000.00	8,615,000.00	0	50,022,447.00	17.22%
July 1, 2015	-	8,925,000.00	8,925,000.00	0	52,857,792.35	16.88%

The amount reported here for covered payroll relates to the fiscal year in which the valuations were performed.



**REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of Austin Peay State University's Proportionate Share of the Net Pension Liability**  
Fiscal Year Ending June 30

	<b>Closed State and Higher Education Employee Pension Plan within TCRS</b>		<b>State and Higher Education Employee Retirement Plan</b>
	<u>2016</u>	<u>2015</u>	<u>2016</u>
Institution's proportion of the net pension liability	0.924943%	0.872721%	0.912527%
Institution's proportionate share of the net pension liability	\$ 11,925,125.00	\$ 6,021,329.00	\$ (25,377.00)
Institution's covered-employee payroll	\$ 24,152,304.00	\$ 23,842,038.00	\$ 993,707.00
Institution's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	49.37%	25.26%	-2.55%
Plan fiduciary net position as a percentage of the total pension liability	91.26%	95.11%	142.55%

(1) This is a ten year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until ten years of information is available.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedule of Austin Peay State University's Contributions**  
**Fiscal Year Ended June 30**

	<b>Closed State and Higher Education Employee Pension Plan within TCRS</b>			<b>State and Higher Education Employee Retirement Plan</b>	
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2016</u>	<u>2015</u>
Contractually determined contribution	\$ 3,476,570.13	\$ 3,630,092.77	\$ 3,583,459.00	\$ 42,824.07	\$ 19,874.00
Contributions in relation to the actuarially determined contribution	<u>3,476,570.13</u>	<u>3,630,092.77</u>	<u>3,583,459.00</u>	<u>82,864.58</u>	<u>38,457.00</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (40,040.51)</u>	<u>\$ (18,583.00)</u>
Covered-employee payroll	\$ 23,130,872.46	\$ 24,152,304.00	\$ 23,842,038.33	\$ 2,141,203.62	\$ 993,707.00
Contributions as a percentage of covered-employee payroll	15.03%	15.03%	15.03%	3.87%	3.87%

(1) This is a ten year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until ten years of information is available.

**Supplementary Information**  
**Supplementary Schedule of Cash Flows - Component Unit**  
**for the Year Ended June 30, 2016**

	<b>Component Unit</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Gifts and contributions	4,319,033.64
Payments to suppliers and vendors	202,589.75
Payments for scholarships and fellowships	(1,281,483.70)
Payments to Austin Peay State University	(2,112,323.03)
Other receipts (payments)	254,831.06
Net cash provided (used) by operating activities	\$ 1,382,647.72
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Private gifts for endowment purposes	480,937.38
Net cash provided (used) by non-capital financing activities	\$ 480,937.38
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Net cash provided (used) by capital and related financing activities	\$ -
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sales and maturities of investments	\$ 9,540,609.89
Income on investments	(922,000.82)
Purchase of investments	(10,451,992.15)
Other investing receipts (payments)	1,072,097.07
Net cash provided (used) by investing activities	\$ (761,286.01)
Net increase (decrease) in cash and cash equivalents	1,102,299.09
Cash and cash equivalents - beginning of year	7,196,009.83
Cash and cash equivalents - end of year (Note _ )	\$ 8,298,308.92
<b>RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income/(loss)	\$ (53,953.01)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation expense	1,187.61
Gifts in-kind	1,386,168.16
Endowment income per spending plan	(520,500.00)
Other adjustments	197,102.17
Change in assets, liabilities, and deferrals:	
Receivables, net	173,367.14
Accounts payable	199,275.65
Net cash provided (used) by operating activities	\$ 1,382,647.72
<b>Non-cash investing, capital, and financing transactions</b>	
Unrealized gains/(losses) on investments	(707,545.56)

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