

**Tennessee Board of Regents  
Austin Peay State University**

**For the Year Ended  
June 30, 2000**

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**

State Capitol  
Nashville, Tennessee 37243-0260  
(615) 741-2501

**John G. Morgan**  
Comptroller

March 2, 2001

The Honorable Don Sundquist, Governor  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243  
and

The Honorable Charles W. Manning, Chancellor  
Tennessee Board of Regents  
1415 Murfreesboro Road, Suite 350  
Nashville, Tennessee 37217  
and

Dr. Sherry Hoppe, President  
Austin Peay State University  
Clarksville, Tennessee 37044

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Board of Regents, Austin Peay State University, for the year ended June 30, 2000. You will note from the independent auditor's report that an unqualified opinion was given on the fairness of the presentation of the financial statements.

Consideration of internal control over financial reporting and tests of compliance disclosed a certain deficiency, which is detailed in the Results of the Audit section of this report. The university's administration has responded to the audit finding; the response is included following the finding. The Division of State Audit will follow up the audit to examine the application of the procedures instituted because of the audit finding.

Sincerely,

John G. Morgan  
Comptroller of the Treasury

JGM/cj  
01/009

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit  
**Austin Peay State University**  
For the Year Ended June 30, 2000

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## AUDIT OBJECTIVES

The objectives of the audit were to consider the university's internal control over financial reporting; to determine compliance with certain provisions of laws, regulations, contracts, and grants; to determine the fairness of the presentation of the financial statements; and to recommend appropriate actions to correct any deficiencies.

## COMPLIANCE FINDING

### **Differences Between University Records and NSLDS Not Resolved**

Loan information recorded on the university's records did not always agree with information reported on the National Student Loan Data System (page 7).

## OPINION ON THE FINANCIAL STATEMENTS

The opinion on the financial statements is unqualified.

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"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

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**Audit Report**  
**Tennessee Board of Regents**  
**Austin Peay State University**  
**For the Year Ended June 30, 2000**

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**Tennessee Board of Regents  
Austin Peay State University  
For the Year Ended June 30, 2000**

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**INTRODUCTION**

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**POST-AUDIT AUTHORITY**

This is a report on the financial and compliance audit of the Tennessee Board of Regents, Austin Peay State University. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any state governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

**BACKGROUND**

Austin Peay State University began as a two-year junior college and teacher-training institution. Created by an act of the General Assembly in 1927, the institution was named Austin Peay Normal School in honor of Governor Austin Peay. On February 4, 1943, the General Assembly changed the name to Austin Peay State College. In 1967, the State Board of Education conferred university status on the college.

The university grants the degrees of Associate of Applied Science, Associate of Science, Bachelor of Arts, Bachelor of Business Administration, Bachelor of Fine Arts, Bachelor of Science, Bachelor of Science in Education, Bachelor of Science in Nursing, Master of Arts, Master of Music, Master of Arts in Education, and Education Specialist.

**ORGANIZATION**

The governance of Austin Peay State University is vested in the Tennessee Board of Regents. The Governor, the Commissioner of Education, the Commissioner of Agriculture, and the Director of the Tennessee Higher Education Commission serve *ex officio* on this board. The chief administrative officer of the university is the president, who is assisted and advised by members of the faculty and administrative staff.

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## AUDIT SCOPE

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The audit was limited to the period July 1, 1999, through June 30, 2000, and was conducted in accordance with generally accepted government auditing standards. Financial statements are presented for the year ended June 30, 2000, and for comparative purposes, the year ended June 30, 1999. Austin Peay State University is an institution of the Tennessee Board of Regents, which is an integral part of state government. As such, the Tennessee Board of Regents has been included as a component unit in the *Tennessee Comprehensive Annual Financial Report*.

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## OBJECTIVES OF THE AUDIT

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The objectives of the audit were

1. to consider the university's internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements;
2. to determine compliance with certain provisions of laws, regulations, contracts, and grants;
3. to determine the fairness of the presentation of the financial statements; and
4. to recommend appropriate actions to correct any deficiencies.

**Although this audit was not intended to serve as an organization-wide audit as described in the Single Audit Act, as amended by the Single Audit Act Amendments of 1996, and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, it included tests of compliance with applicable federal laws and regulations and consideration of internal control used in administering federal financial assistance programs. This audit is a segment of the organization-wide audit of the State of Tennessee, which is conducted in accordance with the Single Audit Act.**

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## **PRIOR AUDIT FINDINGS**

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There were no findings in the prior audit report.

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## **OBSERVATIONS AND COMMENTS**

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### **INCORRECT BUDGET REQUESTS**

Each year the Tennessee Higher Education Commission submits a budget request to the legislature for the institutions of higher education governed by the Board of Regents and University of Tennessee systems. The commission's budget request apportions the requested appropriation among state institutions in accordance with a formula that is based in part on detailed information submitted by each of the institutions. Erroneous amounts in the formula would cause improper apportionment of the budget request.

Austin Peay State University improperly reported enrollment in a military training program at the Fort Campbell Center, the Primary Leadership Development Course, to the Tennessee Higher Education Commission. Enrollment for the courses in this program was improperly reported for funding purposes and, as a result, Austin Peay State University received excessive state appropriations of \$517,000 in fiscal year 1999-2000 and \$309,500 in fiscal year 1998-99. Since there is a finite amount of money to be apportioned among all institutions, the others received smaller appropriations than they should have. The commission discovered the errors when soldiers at the Fort Campbell Center raised questions about the course.

The Tennessee Higher Education Commission has instructed the university to discontinue reporting enrollment from the course for funding purposes.

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## **RESULTS OF THE AUDIT**

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### **AUDIT CONCLUSIONS**

#### Internal Control

As part of the audit of the university's financial statements for the year ended June 30, 2000, we considered internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements, as required by generally

accepted government auditing standards. Consideration of internal control over financial reporting disclosed no material weaknesses.

#### Compliance

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. Immaterial instances of noncompliance, along with recommendations and management's responses, are included in the finding and recommendation.

#### Fairness of Financial Statement Presentation

The Division of State Audit has rendered an unqualified opinion on the university's financial statements.



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**Report on Compliance and on Internal Control  
Over Financial Reporting Based on an Audit of  
Financial Statements Performed in Accordance With  
*Government Auditing Standards***

October 31, 2000

The Honorable John G. Morgan  
Comptroller of the Treasury  
State Capitol  
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the financial statements of Austin Peay State University, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, as of and for the year ended June 30, 2000, and have issued our report thereon dated October 31, 2000. We conducted our audit in accordance with generally accepted government auditing standards.

Compliance

As part of obtaining reasonable assurance about whether the university's financial statements are free of material misstatement, we performed tests of the university's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The Honorable John G. Morgan  
October 31, 2000  
Page Two

We did, however, note a certain immaterial instance of noncompliance that we have included in the Finding and Recommendation section of this report. We also noted certain other less significant instances of noncompliance, which we have reported to the university's management in a separate letter.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the university's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the General Assembly of the State of Tennessee and management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.

Sincerely,

A handwritten signature in black ink that reads "Arthur A. Hayes, Jr." with a stylized flourish at the end.

Arthur A. Hayes, Jr., CPA, Director  
Division of State Audit

AAH/cj

## **FINDING AND RECOMMENDATION**

### **Differences between university records and NSLDS have not been resolved**

#### **Finding**

Loan information recorded on the university's records did not always agree with information reported on the National Student Loan Data System (NSLDS). NSLDS is a national database of recipients; enrollment data; and loan, Federal Pell Grant, and overpayment information on student aid disbursed under Title IV of the Higher Education Act of 1965, as amended. Information in NSLDS is provided by schools, guaranty agencies, and federal Department of Education agencies. The NSLDS reported loans totaling \$4,847 awarded by Austin Peay State University for 5 of 44 students tested (11.4%). Although the students were awarded these funds, university records indicated that the students did not receive the funds. The university returned these funds to the lenders, but NSLDS was not updated. University records indicated that an additional 7 of 44 students tested (15.9%) received loans totaling \$31,049 that were not reported on NSLDS.

*The Student Financial Aid Handbook*, Student Eligibility, page 64, states that “a school is responsible for reconciling all information it receives about a student before disbursing aid . . . schools must resolve any conflicts between the NSLDS information and information received from the student.”

Because Financial Aid Administrators nationwide rely on NSLDS information to determine a student's status regarding loan limits, incorrect information could result in an overaward or an underaward of financial aid funds.

#### **Recommendation**

Financial Aid personnel should ensure that university records for students applying for financial aid are compared with information provided on NSLDS. Any differences should be corrected before aid is disbursed.

#### **Management's Comment**

We concur with the finding and recommendation. A step has been added to our certification process to check that the NSLDS information is in agreement with APSU data. Any differences found will be corrected.



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PHONE (615) 741-3697  
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**Independent Auditor's Report**

October 31, 2000

The Honorable John G. Morgan  
Comptroller of the Treasury  
State Capitol  
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the accompanying balance sheets of Austin Peay State University, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, as of June 30, 2000, and June 30, 1999, and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the years then ended. These financial statements are the responsibility of the university's management. Our responsibility is to express an opinion on these financial statements, based on our audits.

We conducted our audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Board of Regents, Austin Peay State University, as of June 30, 2000, and June 30, 1999, and the changes in fund balances and the current funds revenues, expenditures, and other changes for the years then ended in conformity with generally accepted accounting principles.

The Honorable John G. Morgan  
October 31, 2000  
Page Two

As discussed in Note 15, the university changed the threshold for capitalizing equipment.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2000, on our consideration of the university's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Sincerely,

A handwritten signature in black ink that reads "Arthur A. Hayes, Jr." The signature is written in a cursive style with a large initial "A" and a distinct "H".

Arthur A. Hayes, Jr., CPA, Director  
Division of State Audit

AAH/cj

TENNESSEE BOARD OF REGENTS  
 AUSTIN PEAY STATE UNIVERSITY  
 BALANCE SHEETS  
 JUNE 30, 2000, AND JUNE 30, 1999

<u>ASSETS</u>	<u>June 30, 2000</u>	<u>June 30, 1999</u>	<u>LIABILITIES AND FUND BALANCES</u>	<u>June 30, 2000</u>	<u>June 30, 1999</u>
Current funds:			Current funds:		
Unrestricted:			Unrestricted:		
General:			General:		
Cash (Notes 2 and 3)	\$ 3,823,939.21	\$ 4,038,394.15	Liabilities:		
Investments (Note 4)	1,000,000.00	1,000,000.00	Accounts payable	\$ 596,667.90	\$ 717,727.61
Accrued interest receivable	38,794.51	35,199.22	Accrued liabilities	1,464,529.90	1,395,009.21
Accounts receivable (net of allowance of \$202,539.18 at June 30, 2000, and \$223,601.01 at June 30, 1999)	1,529,586.03	898,744.84	Student deposits	17,030.00	16,300.00
Inventories	181,552.24	167,869.98	Deferred revenue	1,681,332.44	1,631,182.35
Prepaid expenses and deferred charges	583,100.49	557,879.74	Compensated absences	1,310,193.00	1,274,418.56
Due from agency funds	-	127,732.04	Other liabilities	8,711.29	7,375.11
	-----	-----	Total liabilities	-----	-----
				5,078,464.53	5,042,012.84
				-----	-----
			Fund balances:		
			Nondiscretionary allocations:		
			Allocation for working capital	1,392,761.20	910,847.71
			Allocation for encumbrances	447,219.06	905,811.63
			Allocation for stipulation settlement	594,020.86	25,528.31
			Discretionary allocations:		
			Allocation for subsequent budget	948,510.00	920,000.00
			Athletic revenue contingency	-	45,294.35
			Technology access fee carryforward	-	153,575.92
			Allocation for compensated absences	(1,310,193.00)	(1,274,418.56)
			Unallocated	6,189.83	97,167.77
				-----	-----
			Total fund balances	2,078,507.95	1,783,807.13
				-----	-----
Total general	7,156,972.48	6,825,819.97	Total general	7,156,972.48	6,825,819.97
	-----	-----		-----	-----

TENNESSEE BOARD OF REGENTS  
 AUSTIN PEAY STATE UNIVERSITY  
 BALANCE SHEETS  
 JUNE 30, 2000, AND JUNE 30, 1999

<u>ASSETS</u>	<u>June 30, 2000</u>	<u>June 30, 1999</u>	<u>LIABILITIES AND FUND BALANCES</u>	<u>June 30, 2000</u>	<u>June 30, 1999</u>
Auxiliary enterprises:			Auxiliary enterprises:		
Cash (Notes 2 and 3)	729,251.19	557,814.70	Liabilities:		
Accounts receivable (net of allowance of \$52,441.01 at June 30, 2000, and \$171,782.03 at June 30, 1999)	236,799.05	232,552.67	Accounts payable	77,829.71	67,925.99
Inventories	869,644.04	1,017,699.92	Accrued liabilities	17,242.44	14,176.80
Other assets	-	17,584.51	Student deposits	113,700.00	111,200.00
	-----	-----	Deferred revenues	15,300.00	27,213.34
			Long term obligations	-	17,324.51
			Compensated absences	45,745.76	41,638.09
				-----	-----
			Total liabilities	269,817.91	279,478.73
				-----	-----
			Fund balances:		
			Nondiscretionary allocations:		
			Allocation for working capital	1,110,513.09	1,254,322.59
			Allocation for encumbrances	1,305.59	545.45
			Discretionary allocation:		
			Allocation for contingencies	243,161.48	238,447.15
			Allocation for compensated absences	(45,745.76)	(41,638.09)
			Unallocated	256,641.97	94,495.97
				-----	-----
			Total fund balances	1,565,876.37	1,546,173.07
				-----	-----
Total auxiliary enterprises	1,835,694.28	1,825,651.80	Total auxiliary enterprises	1,835,694.28	1,825,651.80
	-----	-----		-----	-----
Total unrestricted	8,992,666.76	8,651,471.77	Total unrestricted	8,992,666.76	8,651,471.77
	-----	-----		-----	-----
Restricted:			Restricted:		
Cash (Notes 2 and 3)	634,908.76	612,980.13	Liabilities:		
Accrued interest receivable	38,718.08	-	Accounts payable	55,619.08	41,449.66
Accounts and grants receivable	740,941.68	669,373.03	Accrued liabilities	37,703.74	31,794.13
	-----	-----	Deferred revenues	7,329.00	7,212.00
				-----	-----
			Total liabilities	100,651.82	80,455.79
				-----	-----
			Fund balance	1,313,916.70	1,201,897.37
				-----	-----
Total restricted	1,414,568.52	1,282,353.16	Total restricted	1,414,568.52	1,282,353.16
	-----	-----		-----	-----
Total current funds	\$ 10,407,235.28	\$ 9,933,824.93	Total current funds	\$ 10,407,235.28	\$ 9,933,824.93
	=====	=====		=====	=====

TENNESSEE BOARD OF REGENTS  
 AUSTIN PEAY STATE UNIVERSITY  
 BALANCE SHEETS  
 JUNE 30, 2000, AND JUNE 30, 1999

<u>ASSETS</u>	<u>June 30, 2000</u>	<u>June 30, 1999</u>	<u>LIABILITIES AND FUND BALANCES</u>	<u>June 30, 2000</u>	<u>June 30, 1999</u>
Loan funds:			Loan funds:		
Cash (Notes 2 and 3)	\$ 75,345.76	\$ 30,231.65	Liabilities:		
Notes receivable (net of allowance of \$453,931.61 at June 30, 2000 and \$454,051.79 at June 30, 1999)	1,475,310.34	1,518,630.86	Accounts payable	\$ 886.69	\$ -
Accrued interest receivable	123,277.93	112,816.74	Total liabilities	886.69	-
	-----	-----		-----	-----
			Fund balances:		
			U.S. government grants refundable	1,256,711.14	1,284,163.21
			Institutional funds:		
			Restricted - matching	148,035.19	150,340.03
			Restricted - other	52,507.91	52,507.91
			Unrestricted	215,793.10	174,668.10
			Total fund balance	1,673,047.34	1,661,679.25
	-----	-----		-----	-----
Total loan funds	\$ 1,673,934.03	\$ 1,661,679.25	Total loan funds	\$ 1,673,934.03	\$ 1,661,679.25
	=====	=====		=====	=====
Endowment and similar funds:			Endowment and similar funds:		
Cash (Notes 2 and 3)	\$ 567,942.55	\$ 841,275.06	Fund balances:		
Investments (Note 4)	2,321,083.26	2,220,667.54	Endowment	\$ 2,746,090.30	\$ 2,553,986.05
Accrued interest receivable	6,154.14	15,916.16	Quasi endowment - restricted	149,089.65	523,872.71
	-----	-----		-----	-----
Total endowment and similar funds	\$ 2,895,179.95	\$ 3,077,858.76	Total endowment and similar funds	\$ 2,895,179.95	\$ 3,077,858.76
	=====	=====		=====	=====
Plant funds:			Plant funds:		
Unexpended plant:			Unexpended plant:		
Cash (Notes 2 and 3)	\$ 476,797.15	\$ 2,254,981.95	Liabilities:		
Accounts receivable	2,500.00	1,094.27	Accounts payable	\$ 110.07	\$ 13,424.70
L.GIP deposit - capital projects	2,628,015.01	41,479.91		-----	-----
Other assets	2,250.00	1,050.00	Fund balance:		
	-----	-----	Unrestricted	3,109,452.09	2,285,181.43
				-----	-----
Total unexpended plant	3,109,562.16	2,298,606.13	Total unexpended plant	3,109,562.16	2,298,606.13
	-----	-----		-----	-----

TENNESSEE BOARD OF REGENTS  
 AUSTIN PEAY STATE UNIVERSITY  
 BALANCE SHEETS  
 JUNE 30, 2000, AND JUNE 30, 1999

<u>ASSETS</u>	<u>June 30, 2000</u>	<u>June 30, 1999</u>	<u>LIABILITIES AND FUND BALANCES</u>	<u>June 30, 2000</u>	<u>June 30, 1999</u>
Renewals and replacements:			Renewals and replacements:		
Cash (Notes 2 and 3)	3,017,611.05	1,911,074.90	Accounts payable	-	6,774.33
	-----	-----	Fund balance:		
			Unrestricted	3,017,611.05	1,904,300.57
Total renewals and replacements	3,017,611.05	1,911,074.90	Total renewals and replacements	3,017,611.05	1,911,074.90
	-----	-----		-----	-----
Retirement of indebtedness:			Retirement of indebtedness:		
Cash (Notes 2 and 3)	1,822,980.11	1,312,888.88	Accrued interest payable	68,907.18	50,522.91
Accrued interest receivable	2,795.66	3,952.95	Fund balance:		
Other assets	4,000.00	4,000.00	Unrestricted	1,760,868.59	1,270,318.92
	-----	-----	Total fund balance	1,760,868.59	1,270,318.92
Total retirement of indebtedness	1,829,775.77	1,320,841.83	Total retirement of indebtedness	1,829,775.77	1,320,841.83
	-----	-----		-----	-----
Investment in plant:			Investment in plant:		
Land	2,752,654.83	2,679,944.13	Liabilities:		
Buildings	52,047,250.96	48,368,297.45	Notes payable (Note 6)	211,390.70	248,097.34
Improvements other than buildings	4,361,396.25	4,361,396.25	Commercial paper payable (Note 6)	-	2,704,196.77
Equipment	6,671,121.72	13,488,561.78	Long-term obligations	-	39,508.19
Library books	15,486,048.00	15,228,096.00	TSSBA indebtedness (Note 6)	8,324,437.60	4,142,869.85
Livestock	32,160.00	23,125.00		-----	-----
Construction in progress	38,310,371.27	16,341,980.37	Total liabilities	8,535,828.30	7,134,672.15
Other library holdings	3,101,639.00	2,701,068.00		-----	-----
	-----	-----	Net investment in plant	114,226,813.73	96,057,796.83
Total investment in plant	122,762,642.03	103,192,468.98	Total investment in plant	122,762,642.03	103,192,468.98
	-----	-----		-----	-----
Total plant funds	\$ 130,719,591.01	\$ 108,722,991.84	Total plant funds	\$ 130,719,591.01	\$ 108,722,991.84
	=====	=====		=====	=====
Agency funds:			Agency funds:		
Nonfoundation funds:			Nonfoundation funds:		
Cash (Notes 2 and 3)	\$ 418,090.40	\$ -	Accounts payable	\$ 2,312.97	\$ 1,148.00
Accounts receivable	71.92	369,979.22	Other liabilities	114,593.12	-
	-----	-----	Due to current unrestricted funds	-	127,732.04
			Deposits held in custody for others	301,256.23	241,099.18
Total nonfoundation funds	418,162.32	369,979.22	Total nonfoundation funds	418,162.32	369,979.22
	-----	-----		-----	-----

TENNESSEE BOARD OF REGENTS  
 AUSTIN PEAY STATE UNIVERSITY  
 BALANCE SHEETS  
 JUNE 30, 2000, AND JUNE 30, 1999

<u>ASSETS</u>	<u>June 30, 2000</u>	<u>June 30, 1999</u>	<u>LIABILITIES AND FUND BALANCES</u>	<u>June 30, 2000</u>	<u>June 30, 1999</u>
Foundation funds:			Foundation funds:		
Cash (Notes 2 and 3)	733,447.76	982,556.48	Liabilities:		
Investments (Note 4)	3,265,220.66	2,883,615.34	Accounts payable	14,512.93	975.00
Accrued interest receivable	26,815.03	22,617.12	Deposits held in custody for others	4,062,914.94	3,934,695.27
Accounts and notes receivable	2,181.63	895.00		-----	-----
Cash value of life insurance policies	49,762.79	45,986.33			
	-----	-----			
Total foundation funds	4,077,427.87	3,935,670.27	Total foundation funds	4,077,427.87	3,935,670.27
	-----	-----		-----	-----
Total agency funds	\$ 4,495,590.19	\$ 4,305,649.49	Total agency funds	\$ 4,495,590.19	\$ 4,305,649.49
	=====	=====		=====	=====

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

TENNESSEE BOARD OF REGENTS  
AUSTIN PEAY STATE UNIVERSITY  
STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2000

	Current Funds				Plant Funds			
	Unrestricted	Restricted	Loan Funds	Endowment and Similar Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant
<b>REVENUES AND OTHER ADDITIONS</b>								
Current fund revenues	\$ 47,425,391.24	\$ 47,318.60	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprise revenues	4,863,229.54	-	-	-	-	-	-	-
State appropriations	-	747,100.00	-	-	31,823,844.69	-	-	-
Federal grants and contracts	-	6,419,693.86	11,181.00	-	-	-	-	-
State grants and contracts	-	841,952.05	-	-	-	-	-	-
Local grants and contracts	-	4,330.77	-	-	-	-	-	-
Private gifts, grants, and contracts	-	898,634.98	-	52,745.22	429,627.72	-	-	-
Investment income	-	53,452.61	4,142.20	30,124.26	14,100.11	54,576.84	65,581.73	-
Net increase in the fair value of investments	-	-	-	100,415.72	-	-	-	-
Interest on loans receivable	-	-	49,178.74	-	-	-	-	-
Reduction in doubtful accounts	-	-	120.18	-	-	-	-	-
Endowment income	-	267,346.27	-	-	-	-	-	-
TN State School Bond Authority	-	-	-	-	1,890,078.51	-	-	-
Student debt service fees	-	-	-	-	-	-	-	-
Equipment use charges	-	-	-	-	-	1,046,903.45	-	-
Expended for plant facilities (including \$712,069.10 charged to current fund expenditures)	-	-	-	-	-	-	-	26,504,685.72
Retirement of indebtedness	-	-	-	-	-	-	-	449,414.17
Library holding revaluation	-	-	-	-	-	-	-	152,206.32
Other (Note 10)	-	117,705.64	40,851.89	-	-	14,523.00	-	54,968.19
<b>Total revenues and other additions</b>	<b>52,288,620.78</b>	<b>9,397,534.78</b>	<b>105,474.01</b>	<b>183,285.20</b>	<b>34,157,651.03</b>	<b>1,116,003.29</b>	<b>65,581.73</b>	<b>27,161,274.40</b>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>								
Educational and general expenditures	45,792,156.19	9,088,314.50	-	-	-	-	-	-
Auxiliary enterprise expenditures	3,907,024.15	4,939.16	-	-	-	-	-	-
Indirect costs recovered	-	142,027.45	-	-	-	-	-	-
Refunded to grantors	-	17,000.89	-	-	-	-	-	-
Loan cancellations and write-offs	-	-	44,299.75	-	-	-	-	-
Administrative and collection costs	-	-	53,533.17	-	-	-	-	-
Provision for doubtful accounts	-	-	-	-	-	-	-	-
Expended for plant facilities (including noncapitalized expenditures of \$8,952,558.87)	-	-	-	-	34,499,577.83	245,597.66	-	-
Retirement of indebtedness	-	-	-	-	-	-	449,414.17	-
Interest on indebtedness	-	-	-	-	-	-	386,561.06	-
Disposal of plant assets	-	-	-	-	-	-	-	11,603.51
Increase in indebtedness	-	-	-	-	-	-	-	1,890,078.51
Other (Note 10)	-	-	-	-	-	-	461.30	-
<b>Total expenditures and other deductions</b>	<b>49,699,180.34</b>	<b>9,252,282.00</b>	<b>97,832.92</b>	<b>-</b>	<b>34,499,577.83</b>	<b>245,597.66</b>	<b>836,436.53</b>	<b>1,901,682.02</b>

TENNESSEE BOARD OF REGENTS  
 AUSTIN PEAY STATE UNIVERSITY  
 STATEMENT OF CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2000

	Current Funds				Plant Funds			
	Unrestricted	Restricted	Loan Funds	Endowment and Similar Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant
<u>TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS)</u>								
Mandatory:								
Principal and interest	(673,055.80)	-	-	-	-	-	673,055.80	-
Loan fund matching grant	(3,727.00)	-	3,727.00	-	-	-	-	-
Nonmandatory:								
Unrestricted current funds	(200,000.00)	-	-	-	-	-	-	-
Auxiliaries	200,000.00	-	-	-	-	-	-	-
Endowment and similar funds	-	(33,233.45)	-	33,233.45	-	-	-	-
Unexpended plant	(363,000.00)	-	-	(399,197.46)	1,166,197.46	(4,000.00)	(400,000.00)	-
Renewals and replacements	(246,904.85)	-	-	-	-	246,904.85	-	-
Retirement of indebtedness	(988,348.67)	-	-	-	-	-	988,348.67	-
Total transfers	(2,275,036.32)	(33,233.45)	3,727.00	(365,964.01)	1,166,197.46	242,904.85	1,261,404.47	-
Net increase (decrease) for the year	314,404.12	112,019.33	11,368.09	(182,678.81)	824,270.66	1,113,310.48	490,549.67	25,259,592.38
Fund balances at beginning of the year	3,329,980.20	1,201,897.37	1,661,679.25	3,077,858.76	2,285,181.43	1,904,300.57	1,270,318.92	96,057,796.83
Cumulative effect of a change in accounting principle (Note 15)	-	-	-	-	-	-	-	(7,090,575.48)
Fund balance at end of year	\$ 3,644,384.32	\$ 1,313,916.70	\$ 1,673,047.34	\$ 2,895,179.95	\$ 3,109,452.09	\$ 3,017,611.05	\$ 1,760,868.59	\$ 114,226,813.73

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

TENNESSEE BOARD OF REGENTS  
AUSTIN PEAY STATE UNIVERSITY  
STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 1999

	Current Funds				Plant Funds			
	Unrestricted	Restricted	Loan Funds	Endowment and Similar Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant
<b>REVENUES AND OTHER ADDITIONS</b>								
Current fund revenues	\$ 45,786,720.06	\$ 47,419.40	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprise revenues	4,768,943.02	-	-	-	-	-	-	-
State appropriations	-	744,900.00	-	-	15,013,599.08	-	-	-
Federal grants and contracts	-	6,313,699.19	15,261.00	-	-	-	-	-
State grants and contracts	-	769,421.11	-	-	-	-	-	-
Local grants and contracts	-	142,500.00	-	-	-	-	-	-
Private gifts, grants, and contracts	-	551,809.06	-	55,780.89	-	-	-	-
Investment income	-	37,518.55	525.72	29,049.85	128.26	44,018.65	52,814.71	-
Net increase in the fair value of investments	-	-	-	134,615.99	-	-	-	-
Interest on loans receivable	-	-	50,035.50	-	-	-	-	-
Reduction in doubtful accounts	-	-	23,351.37	-	-	-	-	-
Endowment income	-	175,758.57	-	-	-	-	-	-
TN State School Bond Authority	-	-	-	-	2,468,998.13	-	1,099,307.15	-
Student debt service fees	-	-	-	-	-	-	-	-
Equipment use charges	-	-	-	-	-	509,320.00	-	-
Expended for plant facilities (including \$1,463,428.59 charged to current fund expenditures)	-	-	-	-	-	-	-	16,971,874.99
Retirement of indebtedness	-	-	-	-	-	-	-	1,547,717.59
Other (Note 10)	-	77,145.55	18,930.45	-	59,080.52	154.00	-	118,701.51
<b>Total revenues and other additions</b>	<b>50,555,663.08</b>	<b>8,860,171.43</b>	<b>108,104.04</b>	<b>219,446.73</b>	<b>17,541,805.99</b>	<b>553,492.65</b>	<b>1,152,121.86</b>	<b>18,638,294.09</b>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>								
Educational and general expenditures	44,086,752.57	8,840,970.84	-	-	-	-	-	-
Auxiliary enterprise expenditures	3,900,357.29	308.99	-	-	-	-	-	-
Indirect costs recovered	-	123,815.41	-	-	-	-	-	-
Refunded to grantors	-	14,710.90	-	-	-	-	-	-
Loan cancellations and write-offs	-	-	53,143.72	-	-	-	-	-
Administrative and collection costs	-	-	35,262.69	-	-	-	-	-
Provision for doubtful accounts	-	-	-	-	-	-	-	-
Expended for plant facilities (including noncapitalized expenditures of \$ 3,441,087.31)	-	-	-	-	18,349,615.54	599,918.17	-	-
Retirement of indebtedness	-	-	-	-	-	-	1,547,717.59	-
Interest on indebtedness	-	-	-	-	-	-	307,173.68	-
Disposal of plant assets	-	-	-	-	-	-	-	739,994.60
Library holding revaluation	-	-	-	-	-	-	-	296,988.62
Increase in indebtedness	-	-	-	-	-	-	-	3,568,198.08
Other (Note 10)	-	19,834.73	-	4.13	-	-	91.44	1,455.00
<b>Total expenditures and other deductions</b>	<b>47,987,109.86</b>	<b>8,999,640.87</b>	<b>88,406.41</b>	<b>4.13</b>	<b>18,349,615.54</b>	<b>599,918.17</b>	<b>1,854,982.71</b>	<b>4,606,636.30</b>

TENNESSEE BOARD OF REGENTS  
AUSTIN PEAY STATE UNIVERSITY  
STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 1999

	Current Funds				Plant Funds			
	Unrestricted	Restricted	Loan Funds	Endowment and Similar Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant
<b>TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS)</b>								
Mandatory:								
Principal and interest	(681,037.06)	-	-	-	-	-	681,037.06	-
Loan fund matching grant	(5,087.00)	-	5,087.00	-	-	-	-	-
Nonmandatory:								
Unrestricted current funds	(50,000.00)	-	-	-	-	-	-	-
Auxiliaries	50,000.00	-	-	-	-	-	-	-
Endowment and similar funds	-	(15,320.93)	-	15,320.93	-	-	-	-
Unexpended plant	(135,800.00)	-	-	(179,679.60)	1,007,037.64	(91,558.04)	(600,000.00)	-
Renewals and replacements	(186,575.01)	-	-	-	-	186,575.01	-	-
Retirement of indebtedness	(987,272.05)	-	-	-	-	-	987,272.05	-
Total transfers	(1,995,771.12)	(15,320.93)	5,087.00	(164,358.67)	1,007,037.64	95,016.97	1,068,309.11	-
Net increase (decrease) for the year	572,782.10	(154,790.37)	24,784.63	55,083.93	199,228.09	48,591.45	365,448.26	14,031,657.79
Fund balances at beginning of the year	2,757,198.10	1,356,687.74	1,636,894.62	3,022,774.83	2,085,953.34	1,855,709.12	904,870.66	82,026,139.04
Fund balance at end of year	\$ 3,329,980.20	\$ 1,201,897.37	\$ 1,661,679.25	\$ 3,077,858.76	\$ 2,285,181.43	\$ 1,904,300.57	\$ 1,270,318.92	\$ 96,057,796.83

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

TENNESSEE BOARD OF REGENTS  
AUSTIN PEAY STATE UNIVERSITY  
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES  
FOR THE YEAR ENDED JUNE 30, 2000

	Unrestricted	Restricted	Total
<b>REVENUES</b>			
Tuition and fees	\$ 17,744,699.91	\$ 46,769.56	\$ 17,791,469.47
State appropriations	28,000,900.00	747,100.00	28,748,000.00
Federal grants and contracts	163,240.95	6,288,163.94	6,451,404.89
State grants and contracts	712.58	830,255.29	830,967.87
Local grants and contracts	-	187,635.25	187,635.25
Private gifts, grants, and contracts	24,150.21	690,959.49	715,109.70
Sales and services of educational activities	614,702.27	-	614,702.27
Sales and services of auxiliary enterprises	4,863,229.54	4,939.16	4,868,168.70
Endowment income	-	297,430.97	297,430.97
Other sources	876,985.32	-	876,985.32
Total current revenues	52,288,620.78	9,093,253.66	61,381,874.44
<b>EXPENDITURES AND TRANSFERS</b>			
Educational and general expenditures:			
Instruction	22,969,918.92	357,015.73	23,326,934.65
Research	584,176.50	1,229,014.23	1,813,190.73
Public service	622,216.91	1,105,429.66	1,727,646.57
Academic support	4,357,801.99	192,102.89	4,549,904.88
Student services	7,268,790.04	721,679.24	7,990,469.28
Institutional support	4,893,078.66	23,700.13	4,916,778.79
Operation and maintenance of plant	4,180,325.41	17,418.66	4,197,744.07
Scholarships and fellowships	915,847.76	5,441,953.96	6,357,801.72
Total educational and general expenditures	45,792,156.19	9,088,314.50	54,880,470.69
Mandatory transfers:			
Loan fund matching grant	3,727.00	-	3,727.00
Principal and interest	129,212.18	-	129,212.18
Nonmandatory transfers:			
Unexpended plant	363,000.00	-	363,000.00
Renewals and replacements	50,000.00	-	50,000.00
From auxiliary enterprises	(200,000.00)	-	(200,000.00)
Principal and interest	988,348.67	-	988,348.67
Total educational and general expenditures and transfers	47,126,444.04	9,088,314.50	56,214,758.54
Auxiliary enterprises:			
Expenditures	3,907,024.15	4,939.16	3,911,963.31
Mandatory transfer:			
Principal and interest	543,843.62	-	543,843.62
Nonmandatory transfers:			
Renewals and replacements	196,904.85	-	196,904.85
To educational and general	200,000.00	-	200,000.00
Total auxiliary enterprises	4,847,772.62	4,939.16	4,852,711.78
Total expenditures and transfers	51,974,216.66	9,093,253.66	61,067,470.32
<b>OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)</b>			
Excess of restricted receipts over			
transfers to revenues	-	304,281.12	304,281.12
Refunds to grantors	-	(17,000.89)	(17,000.89)
Indirect costs recovered	-	(142,027.45)	(142,027.45)
Transfers to endowment and similar funds	-	(33,233.45)	(33,233.45)
Net increase (decrease) in fund balance	\$ 314,404.12	\$ 112,019.33	\$ 426,423.45

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

TENNESSEE BOARD OF REGENTS  
AUSTIN PEAY STATE UNIVERSITY  
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES  
FOR THE YEAR ENDED JUNE 30, 1999

	Unrestricted	Restricted	Total
<b>REVENUES</b>			
Tuition and fees	\$ 16,772,395.02	\$ 38,065.60	\$ 16,810,460.62
State appropriations	27,443,600.00	744,900.00	28,188,500.00
Federal grants and contracts	153,885.15	6,197,055.71	6,350,940.86
State grants and contracts	1,436.65	767,854.87	769,291.52
Local grants and contracts	-	117,690.66	117,690.66
Private gifts, grants, and contracts	19,001.78	791,535.36	810,537.14
Sales and services of educational activities	684,991.62	-	684,991.62
Sales and services of auxiliary enterprises	4,768,943.02	308.99	4,769,252.01
Endowment income	-	183,868.64	183,868.64
Other sources	711,409.84	-	711,409.84
Total current revenues	50,555,663.08	8,841,279.83	59,396,942.91
<b>EXPENDITURES AND TRANSFERS</b>			
Educational and general expenditures:			
Instruction	22,187,297.65	303,737.53	22,491,035.18
Research	527,136.44	1,174,692.88	1,701,829.32
Public service	753,067.30	970,986.62	1,724,053.92
Academic support	3,916,738.48	209,113.02	4,125,851.50
Student services	7,043,207.82	763,482.75	7,806,690.57
Institutional support	4,675,240.18	52,763.72	4,728,003.90
Operation and maintenance of plant	4,100,474.79	40,278.48	4,140,753.27
Scholarships and fellowships	883,589.91	5,325,915.84	6,209,505.75
Total educational and general expenditures	44,086,752.57	8,840,970.84	52,927,723.41
Mandatory transfers:			
Loan fund matching grant	5,087.00	-	5,087.00
Principal and interest	130,000.00	-	130,000.00
Nonmandatory transfers:			
Unexpended plant	135,800.00	-	135,800.00
Renewals and replacements	50,000.00	-	50,000.00
From auxiliary enterprises	(50,000.00)	-	(50,000.00)
Principal and interest	987,272.05	-	987,272.05
Total educational and general expenditures and transfers	45,344,911.62	8,840,970.84	54,185,882.46
Auxiliary enterprises:			
Expenditures	3,900,357.29	308.99	3,900,666.28
Mandatory transfer:			
Principal and interest	551,037.06	-	551,037.06
Nonmandatory transfers:			
Renewals and replacements	136,575.01	-	136,575.01
To educational and general	50,000.00	-	50,000.00
Total auxiliary enterprises	4,637,969.36	308.99	4,638,278.35
Total expenditures and transfers	49,982,880.98	8,841,279.83	58,824,160.81
<b>OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)</b>			
Excess of restricted receipts over			
transfers to revenues	-	18,891.60	18,891.60
Refunds to grantors	-	(14,710.90)	(14,710.90)
Indirect costs recovered	-	(123,815.41)	(123,815.41)
Transfers to endowment and similar funds	-	(15,320.93)	(15,320.93)
Other deductions	-	(19,834.73)	(19,834.73)
Net increase (decrease) in fund balance	\$ 572,782.10	\$ (154,790.37)	\$ 417,991.73

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

**Tennessee Board of Regents  
Austin Peay State University  
Notes to the Financial Statements  
June 30, 2000, and June 30, 1999**

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**NOTE 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 financial support; the system is discretely presented in the *Tennessee Comprehensive Annual Financial Report*.

**Basis of Presentation**

The financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The university uses the AICPA College Guide model for accounting and financial reporting.

**Basis of Accounting**

The financial statements have been prepared on the accrual basis, except that depreciation on plant assets is not recorded and revenues and expenditures of an academic term encompassing more than one fiscal year are reported solely in the fiscal year in which the term is predominantly conducted. All restricted resources are recorded as additions to the fund balances of the appropriate fund groups. Restricted current resources are then recorded as revenues during the period in which they are expended. The statement of current funds revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period, as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the funds are accounted for as (1) expenditures, for normal replacement of movable equipment and library holdings; (2) mandatory transfers, for required debt amortization and interest and equipment renewal and replacement; and (3) nonmandatory transfers, for all other cases.

**Tennessee Board of Regents  
Austin Peay State University  
Notes to the Financial Statements (Cont.)  
June 30, 2000, and June 30, 1999**

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**Fund Accounting**

To ensure observance of limitations and restrictions placed on the use of the resources available, the university maintains accounts in accordance with the principles of fund accounting. With this procedure, resources for various purposes are classified for accounting and reporting purposes into funds for specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds with similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds which are allocated to specific purposes by the governing board. Externally restricted funds may be used only in accordance with the purposes established by the source of such funds and contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund that owned such assets. Ordinary income derived from investments, receivables, and the like is accounted for in the fund owning such assets, except for income derived from investments of endowment and similar funds. This income is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds. All other unrestricted revenue is accounted for in the unrestricted current funds. Restricted gifts, grants, appropriations, endowment income, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

Current Funds

Unrestricted current funds consist of those funds over which the university retains full control for use in achieving its authorized institutional purposes. Auxiliary enterprises activities are included in unrestricted current funds and include housing, bookstore, food service, post office, and telephone service resale operations. Restricted current funds are externally restricted and may be used only in accordance with the purposes established by their source.

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Loan Funds

Loan funds consist of resources made available for student loans.

Endowment and Similar Funds

Endowment funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and only the income be used. Term endowment funds are similar to endowment funds, except that after a stated period of time or a particular event, all or part of the principal may be expended. Although quasi-endowment funds have been established by the governing board for the same purposes as endowment funds, any portion of quasi-endowment funds may be expended.

Plant Funds

The plant funds group consists of (1) funds set aside for the acquisition of physical properties for institutional purposes; (2) funds set aside for the renewal and replacement of institutional properties; (3) funds set aside for debt service charges and for the retirement of the indebtedness on institutional properties; and (4) funds expended for, and thus invested in, institutional properties.

Agency Funds

In handling these funds, the university acts solely as an agent; consequently, transactions of these funds do not affect the university's operating statements.

**LGIP Deposit – 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 expenditures 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 any remaining funds are released by the Tennessee Board of Regents.

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**Inventories**

Inventories are valued at the lower of cost or market. Textbooks included in the inventory are recorded on a first-in, first-out basis. All other items are maintained on an average cost or first-in, first-out basis.

**Compensated Absences**

The university's employees accrue annual leave at varying rates, depending on length of service or classification. Some employees also earn compensatory time. The amount of these liabilities and their related benefits are recorded in the current funds. Since the liability is expected to be funded primarily from future unrestricted revenue sources, a related allocation has been made to the current fund balances so that these fund balances reflect current available funds.

**Allocation for Working Capital**

The unrestricted fund balance is allocated for the amount of working capital. "Working capital" is defined as the total of all petty cash, accounts receivable, inventories, and prepaid expenses in the unrestricted fund at the balance sheet date, except for student receivables credited to deferred revenue, accrued interest, and amounts due on federal letters of credit, less the accrued benefits on accrued faculty salaries.

**Plant Assets**

The physical plant and equipment are stated at cost at date of purchase or at fair value at date of donation. Library books are valued at \$48 per volume, and other library holdings are valued at various standardized values, which approximate current costs. Livestock is valued at estimated market value. Depreciation on the physical plant and equipment is not recorded.

In the case of service departments, the university charges renewal and replacement of plant assets to current expenditures; these charges are also reported as additions to funds for renewals and replacements.

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**Interest Costs**

The university has adopted a policy of capitalizing all interest costs for capital projects funded by Tennessee State School Bond Authority indebtedness. All other interest costs are expensed.

**Austin Peay State University Foundation**

The university is the sole beneficiary of the Austin Peay State University Foundation. This private, nonprofit foundation is controlled by a board independent of the university. The financial records, investments, and other financial transactions are handled by the university, and the assets and liabilities of the foundation are included in the agency funds on the university's balance sheet.

**NOTE 2. CASH**

This classification includes demand deposits and petty cash on hand. At June 30, 2000, cash consisted of \$443,500.69 in bank accounts, \$15,500.00 of petty cash on hand, and \$11,841,313.25 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer. At June 30, 1999, cash consisted of \$35,962.23 in bank accounts, \$15,500.00 of petty cash on hand, and \$12,490,735.67 in the State of Tennessee Local Government Investment Pool.

**NOTE 3. DEPOSITS**

The bank balances of certain deposits including accrued interest as of the balance sheet dates were entirely insured or collateralized with securities held by the university's agent in the university's name.

The laws of the State of Tennessee require that collateral be pledged to secure all uninsured deposits. Tennessee Board of Regents policies require that the market value of collateral pledged equal 100% of the uninsured deposits at financial institutions participating in the collateral pool and 105% of the uninsured deposits at all other financial institutions.

The university's remaining deposits are in financial institutions which participate in the bank collateral pool administered by the State Treasurer. The securities pledged to

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protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

The university also has deposits in the Local Government Investment Pool (LGIP) administered by the State Treasurer. The LGIP is part of the Pooled Investment Fund. The fund's investment policy and custodial credit risk are presented in the *Tennessee Comprehensive Annual Financial Report*.

**NOTE 4. INVESTMENTS**

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 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; bankers' 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. The Austin Peay State University Foundation is authorized to invest funds in accordance with its board of directors' policies. All investments permitted to be reported at fair value under GASB Statement 31 are reported at fair value, including those with a maturity date of one year or less at the time of purchase. Certificates of deposit have been included with other deposits in Note 3 to determine the adequacy of collateral security pledged.

The university's/foundation's investments are categorized below to indicate the level of risk assumed by the university/foundation at year-end. Category 1 consists of insured or registered investments or investments for which the securities are held by the university/foundation or its agent in the university's/foundation's name. Category 2 consists of uninsured and unregistered investments for which the securities are held by the counterparty's/counterparties' trust department or agent in the university's/foundation's name. Category 3 consists of uninsured and unregistered investments for

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which the securities are held by the counterparty or by its trust department or agent but not in the university's/foundation's name.

<u>June 30, 2000</u>	<u>Fair Value</u>
Investments not susceptible to credit risk categorization:	
Mutual funds	\$5,473,213.83
Certificates of deposit classified as investments	1,112,896.03
Equity Investment	<u>194.06</u>
Total investments on the balance sheet	<u>\$6,586,303.92</u>

<u>June 30, 1999</u>	<u>Fair Value</u>
Investments not susceptible to credit risk categorization:	
Mutual funds	\$4,992,230.37
Certificates of deposit classified as investments	<u>1,112,052.51</u>
Total investments on the balance sheet	<u>\$6,104,282.88</u>

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

	Carrying Value	
	<u>FY 2000</u>	<u>FY 1999</u>
Mutual funds	<u>\$2,303,083.26</u>	<u>\$2,202,667.54</u>

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 fair value per unit at the beginning of the calendar quarter within which the transaction takes place. Of the total units at June 30, 2000, each having a fair value of \$3,183.70, all of the units were owned by endowment funds. Of the total units at June 30, 1999, each having a fair value of \$3,044.89, all of the units were owned by endowment funds. None of the units were owned by quasi-endowment funds.

The following tabulations summarize changes in relationships between cost and fair values of the pooled assets:

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<u>FY 2000</u>	Pooled Assets		Net Gains	Fair
	<u>Fair</u>	<u>Cost</u>	<u>(Losses)</u>	<u>Value</u>
				<u>Per Unit</u>
End of year	\$2,303,083.26	\$1,800,000.00	\$503,083.26	\$3,183.70
Beginning of year	\$2,202,667.54	\$1,800,000.00	402,667.54	3,044.89
Unrealized net gains			100,415.72	138.81
Realized net gains			-	-
Total net gains			\$100,415.72	\$138.81

The average annual earnings per unit, exclusive of net gains, were \$695.45 for the year.

<u>FY 1999</u>	Pooled Assets		Net Gains	Fair
	<u>Fair</u>	<u>Cost</u>	<u>(Losses)</u>	<u>Value</u>
				<u>Per Unit</u>
End of year	\$2,202,667.54	\$1,800,000.00	\$402,667.54	\$3,044.89
Beginning of year	\$2,068,051.55	\$1,800,000.00	268,051.55	2,858.80
Unrealized net gains			134,615.99	186.09
Realized net gains			-	-
Total net gains			\$134,615.99	\$186.09

The average annual earnings per unit, exclusive of net gains, were \$556.63 for the year.

**NOTE 5. PLANT FUND ENCUMBRANCES**

Plant fund encumbrances outstanding at June 30, 2000, amounted to \$62,723.63 for unexpended plant and \$23,181.67 for renewals and replacements. Plant fund encumbrances outstanding at June 30, 1999, amounted to \$116,340.62 for unexpended plant and \$4,230.87 for renewals and replacements.

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**NOTE 6. NOTES PAYABLE, AND TSSBA INDEBTEDNESS**

The Tennessee Board of Regents, on behalf of the university, borrowed funds to purchase Two Rivers Apartments. The note bears an annually adjusted interest rate of no less than 3.5% or greater than 7.5%, a face amount of \$420,977.00, a minimum annual debt service of \$48,000.00, and a due date of August 1, 2005. The balance owed by the university was \$211,390.70 at June 30, 2000, and \$248,097.34 at June 30, 1999.

Bond issues, with interest rates ranging from 4% to 6.75% for revenue bonds for Tennessee State School Bond Authority bonds, are due serially to May 2015 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. The bonded indebtedness with the Tennessee State School Bond Authority reported on the balance sheet is shown net of assets held by the authority in the debt service reserve. The reserve amount was \$481,012.70 at June 30, 2000, and \$481,012.70 at June 30, 1999.

The university's debt service requirements to maturity for all bonds payable at June 30, 2000, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$467,093.72	\$232,172.56	\$699,266.28
2002	489,007.75	208,739.23	697,746.98
2003	398,598.39	183,843.08	582,441.47
2004	417,597.03	162,628.82	580,225.85
2005	379,443.36	139,098.94	518,542.30
2006-2015	<u>2,270,825.47</u>	<u>609,021.70</u>	<u>2,879,847.17</u>
	<u>\$4,422,565.72</u>	<u>\$1,535,504.33</u>	<u>\$5,958,070.05</u>

The Tennessee State School Bond Authority also authorized the issuance of commercial paper to finance the costs of various capital projects. The amount issued for projects at the university was \$4,594,275.28 at June 30, 2000, and \$2,704,196.77 at June 30, 1999.

For the commercial paper program, the Tennessee State School Bond Authority maintains an interest rate reserve fund. The university contributes amounts to the

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reserve fund based on the amounts drawn. The principal of the reserve will be contributed to pay off notes or credited back to the university when the notes are converted to bonds. The interest earned on the reserve is used to pay interest due during the month.

**NOTE 7. PENSION PLANS**

**A. Defined Benefit Plans**

**1. Tennessee Consolidated Retirement System**

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for SETHEEPP. That report may be obtained by writing to the Tennessee Department of the Treasury, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230, or by calling (615) 741-8202.

Funding Policy - Plan members are noncontributory. The university is required to contribute an actuarially determined rate. The current rate is 5.43% of annual covered payroll. Contribution requirements for the university are established and may be amended by the TCRS' Board of Trustees.

The university's contributions to TCRS for the years ended June 30, 2000, 1999, and 1998, were \$718,843.03, \$730,834.56, and \$456,369.75. Contributions met the requirements for each year.

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**B. Defined Contribution Plans**

**Optional Retirement Plans (ORP)**

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

Funding Policy - Plan members are noncontributory. The university contributes an amount equal to 10% of the employee's base salary up to the social security wage base and 11% above the social security wage base. Contribution requirements are established and amended by state statute. The contribution made by the university to the plans was \$1,406,854.16 for the year ended June 30, 2000, and \$1,331,405.40 for the year ended June 30, 1999. Contributions met the requirements for each year.

**NOTE 8. OTHER POST-EMPLOYMENT BENEFITS**

The State of Tennessee administers a group health insurance program which provides post-employment health insurance benefits to eligible university retirees. This benefit is provided and administered by the State of Tennessee. The university assumes no liability for retiree health care programs. Information related to this plan is available at the statewide level in the *Tennessee Comprehensive Annual Financial Report*.

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**NOTE 9. CHAIRS OF EXCELLENCE**

The university had \$7,951,404.98 on deposit at June 30, 2000, and \$7,648,348.07 on deposit at June 30, 1999, with the State Treasurer for the university's Chairs of Excellence program. These funds are held in trust by the state and are not included in the financial statements.

**NOTE 10. OTHER ADDITIONS AND DEDUCTIONS**

Other additions on the Statement of Changes in Fund Balances for the year ended June 30, 2000, include \$117,221.16 in restricted funds for cost reimbursements which exceeded current year expenditures in restricted activities; \$40,851.89 in loan funds for federal reimbursement of loan cancellations; \$14,523.00 in renewals and replacements for insurance reimbursements for tornado damage repairs; and \$54,968.19 in investment in plant for decrease in liability under terms of food service contract, equipment trade-ins, and livestock revaluations.

Other additions on the Statement of Changes in Fund Balances for the year ended June 30, 1999, include \$77,145.55 in restricted funds for cost reimbursements which exceeded current year expenditures in restricted activities; \$17,509.00 in loan funds for federal reimbursement of loan cancellations; \$59,080.52 in unexpended plant for insurance reimbursements for tornado damage repairs; \$79,271.00 in investment in plant for equipment trade-ins; and another \$39,450.51 in investment in plant for decrease in liability under terms of food service contract.

Other deductions on the Statement of Changes in Fund Balances for the year ended June 30, 1999, include \$18,245.51 in restricted funds for excess Chair of Excellence funds returned to the grantor.

**NOTE 11. INSURANCE-RELATED ACTIVITIES**

The state purchases commercial insurance for real property losses above \$5 million per year and surety bond coverage on the state's officials and employees. During the year ended June 30, 1999, the state incurred losses in Clarksville and Jackson due to damage from tornadoes. Final settlement has not been made but is expected to be approximately \$6 million. In the prior two fiscal years, the state had not had any

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claims filed with the commercial insurer. A designation for casualty losses in the amount of \$8.219 million was established in the state's general fund to provide for any property losses not covered by the commercial insurance.

At June 30, 2000, the scheduled coverage for the university was \$138,041,100 for buildings and \$37,542,600 for contents. At June 30, 1999, the scheduled coverage was \$138,439,900 for buildings and \$32,182,686 for contents.

The state has set aside assets for claim settlement in an internal service fund, the Claims Award Fund. This fund services all claims for risk of loss to which the state is exposed, including general liability, automobile liability, professional malpractice, and workers' compensation. The university participates in the Claims Award 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. Since the university participates in the Claims Award 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 Claims Award Fund.

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 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.

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**NOTE 12. 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 \$9,810,598.51 at June 30, 2000, and \$9,379,888.24 at June 30, 1999.

Operating Leases - The university has entered into three operating leases for buildings. The leases will probably continue to be required. Expenditures under operating leases for real property were \$46,302.52 for the year ended June 30, 2000, and \$16,935.48 for the year ended June 30, 1999.

Construction in Progress - At June 30, 2000, outstanding commitments under construction contracts totaled \$5,085,738.96 for the Science Building, Infrastructure Improvements, University Center, ADA Improvements, and Tornado Damage Repair Projects, of which \$2,471,824.06 will be funded by future state capital outlay appropriations.

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

**NOTE 13. PLEDGES**

At June 30, 2000, unrecorded pledges totaled \$56,864.03 and were restricted to donor specified uses. The amount pledged for 2000-2001 is \$42,973.99; 2001-2002 is \$1,899.96; 2002-2003 is \$1,674.96; 2003-2004 is \$1,674.96; and for years beyond 2003-2004 is \$8,640.16. It is not practicable to estimate the net realizable value of such pledges; therefore, they are not reflected in the accompanying financial statements.

**NOTE 14. FUNDS HELD IN TRUST BY OTHERS**

The university is a beneficiary under the Gracey Trust. The underlying assets are not considered assets of the university and are not included in the university's financial

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statements. The university received \$86,438.88 from these funds during the year ended June 30, 2000, and \$68,361.82 during the year ended June 30, 1999.

**NOTE 15. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE**

During the year ended June 30, 2000, the threshold for capitalizing equipment increased from \$1,000 to \$5,000. As a result of the change, equipment decreased by \$7,090,575.48.

**NOTE 16. PRIOR-YEAR RESTATEMENT**

NACUBO guidelines and Tennessee Board of Regents guideline B-060 state that “Revenues from tuition and student fees of an academic term that encompasses two fiscal years – for example, a summer session – should be reported totally within the fiscal year in which the program is predominately conducted.” At Austin Peay State University, the majority of the full summer term is in the fiscal year beginning in July of that summer. It has been the practice at Austin Peay that courses in the short six-week term at the beginning of the summer term be recorded in the prior fiscal year since the majority of instruction occurs in that year. To be in complete compliance with the guidelines and to be consistent with other TBR institutions, the university is now reporting the entire summer term in the fiscal year that it predominately occurs. Since this results in significant changes in some account balances, the statements for 1998-1999 have been restated for comparison purposes.

The change in method of reporting summer school also affected the carryforward amounts for the Technology Access Fee and the Student Activity Fee. Those fees collected in summer school are recorded in Deferred Revenue rather than as a component of the allocation for carryforwards.

<u>Fund</u>	<u>Account</u>	<u>Amount</u>
Exhibit A		
Current unrestricted	Cash	\$ 61,497.75
Current unrestricted	Prepaid expenses and deferred charges	\$ 514,232.40
Current unrestricted	Deferred revenues	\$ 900,193.25

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Current unrestricted	Student activity fee carryforward	\$ (101,171.62)
Current unrestricted	Technology access fee carryforward	\$ (63,752.50)
Current unrestricted	Unallocated fund balance	\$ (159,538.98)
Current restricted	Deferred revenues	\$ 7,212.00
Current restricted	Fund balance	\$ (7,212.00)
Retirement of indebtedness	Cash	\$ (61,497.75)
Retirement of indebtedness	Unrestricted fund balance	\$ (61,497.75)
 Exhibit C		
Current unrestricted	Current fund revenues	\$ (76,129.30)
Current unrestricted	Educational and general expenditures	\$ 34,505.80
Current unrestricted	Nonmandatory transfers-principal and interest	\$ 1,030.24
Current unrestricted	Fund balance at beginning of the year	\$(212,797.76)
Current unrestricted	Fund balance at end of the year	\$(324,463.10)
Current restricted	Current fund revenues	\$ 318.00
Current restricted	Fund balance at beginning of the year	\$ (7,530.00)
Current restricted	Fund balance at end of the year	\$ (7,212.00)
Retirement of indebtedness	Nonmandatory transfers-principal and interest	\$ 1,030.24
Retirement of indebtedness	Fund balance at beginning of the year	\$ (62,527.99)
Retirement of indebtedness	Fund balance at end of the year	\$ (61,497.75)
 Exhibit E		
Current unrestricted	Revenues-tuition and fees	\$ (76,129.30)
Current unrestricted	Expenditures-instruction	\$ 34,505.80
Current unrestricted	Nonmandatory transfers-principal and interest	\$ 1,030.24
Current restricted	Excess of receipts over transfers to revenues	\$ 318.00