

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

**For the Year Ended  
June 30, 2001**

**Arthur A. Hayes, Jr., CPA, JD, CFE**  
Director

**Charles K. Bridges, CPA**  
Assistant Director

**Debra D. Bloomingburg, CPA**  
Audit Manager

**Patricia L. Wakefield, CPA**  
In-Charge Auditor

**Ike Boone**  
**Rafael Marrero-Ruiz**  
**Brock E. Martin**  
Staff Auditors

**Gerry Boaz, CPA**  
Technical Analyst

**Amy Brack**  
Editor

Comptroller of the Treasury, Division of State Audit  
1500 James K. Polk Building, Nashville, TN 37243-0264  
(615) 401-7897

Financial/compliance audits of colleges and universities are available on-line at  
[www.comptroller.state.tn.us/sa/reports/index.html](http://www.comptroller.state.tn.us/sa/reports/index.html).  
For more information about the Comptroller of the Treasury, please visit our Web site at  
[www.comptroller.state.tn.us](http://www.comptroller.state.tn.us).



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
State Capitol  
Nashville, Tennessee 37243-0260  
(615) 741-2501

**John G. Morgan**  
Comptroller

January 17, 2002

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 L. 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, 2001. 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 resulted in no audit findings.

Sincerely,

John G. Morgan  
Comptroller of the Treasury

JGM/sc  
01/127

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, 2001

---

## 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.

## AUDIT FINDINGS

The audit report contains no findings.

## OPINION ON THE FINANCIAL STATEMENTS

The opinion on the financial statements is unqualified.

---

"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

Comptroller of the Treasury, Division of State Audit  
1500 James K. Polk Building, Nashville, TN 37243-0264  
(615) 401-7897

Financial/compliance audits of colleges and universities are available on-line at  
[www.comptroller.state.tn.us/sa/reports/index.html](http://www.comptroller.state.tn.us/sa/reports/index.html).  
For more information about the Comptroller of the Treasury, please visit our Web site at  
[www.comptroller.state.tn.us](http://www.comptroller.state.tn.us).

---

**Audit Report**  
**Tennessee Board of Regents**  
**Austin Peay State University**  
**For the Year Ended June 30, 2001**

---

**TABLE OF CONTENTS**

---

	<u>Exhibit</u>	<u>Page</u>
<b>INTRODUCTION</b>		1
Post-Audit Authority		1
Background		1
Organization		1
<b>AUDIT SCOPE</b>		2
<b>OBJECTIVES OF THE AUDIT</b>		2
<b>PRIOR AUDIT FINDINGS</b>		3
Resolved Audit Finding		3
<b>RESULTS OF THE AUDIT</b>		3
Audit Conclusions		3
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		4
<b>FINANCIAL SECTION</b>		
Independent Auditor's Report		6
Financial Statements		
Balance Sheets	A	8
Statement of Changes in Fund Balances for the Year Ended June 30, 2001	B	13
Statement of Changes in Fund Balances for the Year Ended June 30, 2000	C	14

---

**TABLE OF CONTENTS (CONT.)**

---

	<u>Exhibit</u>	<u>Page</u>
Statement of Current Funds Revenues, Expenditures, and Other Changes for the Year Ended June 30, 2001	D	15
Statement of Current Funds Revenues, Expenditures, and Other Changes for the Year Ended June 30, 2000	E	16
Notes to the Financial Statements		17

**Tennessee Board of Regents  
Austin Peay State University  
For the Year Ended June 30, 2001**

---

**INTRODUCTION**

---

**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 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.

---

## AUDIT SCOPE

---

The audit was limited to the period July 1, 2000, through June 30, 2001, and was conducted in accordance with government auditing standards generally accepted in the United States of America. Financial statements are presented for the year ended June 30, 2001, and for comparative purposes, the year ended June 30, 2000. 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*.

---

## OBJECTIVES OF THE AUDIT

---

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.**

---

## PRIOR AUDIT FINDINGS

---

Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The university filed its report with the Department of Audit on March 29, 2001. A follow-up of the prior audit finding was conducted as part of the current audit.

### RESOLVED AUDIT FINDING

The current audit disclosed that the university has corrected the previous audit finding concerning differences between loan information recorded on the university's records and information reported on the National Student Loan Data System.

---

## RESULTS OF THE AUDIT

---

### AUDIT CONCLUSIONS

#### Internal Control

As part of the audit of the university's financial statements for the year ended June 30, 2001, 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 government auditing standards generally accepted in the United States of America.

#### Compliance

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

#### Fairness of Financial Statement Presentation

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



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF STATE AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0264  
PHONE (615) 401-7897  
FAX (615) 532-2765**

**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 18, 2001

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, 2001, and have issued our report thereon dated October 18, 2001. As discussed in Note 11, the university changed the threshold for capitalizing equipment. Also, as discussed in Note 17, the university implemented GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions*. We conducted our audit in accordance with government auditing standards generally accepted in the United States of America.

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*.

We noted certain less significant instances of noncompliance, which we have reported to the university's management in a separate letter.

The Honorable John G. Morgan  
October 18, 2001  
Page Two

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.

However, we noted certain matters involving the internal control over financial reporting, which we have reported to the university's management in a separate letter.

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." The signature is written in a cursive style with a large initial "A" and "H".

Arthur A. Hayes, Jr., CPA,  
Director

AAH/sc



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF STATE AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0264  
PHONE (615) 401-7897  
FAX (615) 532-2765**

**Independent Auditor's Report**

October 18, 2001

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, 2001, and June 30, 2000, 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 government auditing standards generally accepted in the United States of America. 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.

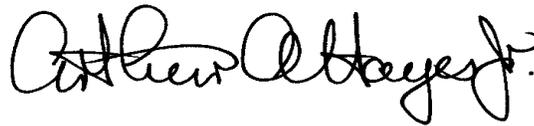
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Board of Regents, Austin Peay State University, as of June 30, 2001, and June 30, 2000, and the changes in fund balances and the current funds revenues, expenditures, and other changes for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Honorable John G. Morgan  
October 18, 2001  
Page Two

As discussed in Note 11, the university changed the threshold for capitalizing equipment. Also, as discussed in Note 17, the university implemented GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2001, 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 prominent initial "A" and a trailing flourish.

Arthur A. Hayes, Jr., CPA,  
Director

AAH/sc

TENNESSEE BOARD OF REGENTS  
AUSTIN PEAY STATE UNIVERSITY  
BALANCE SHEETS  
JUNE 30, 2001, AND JUNE 30, 2000

<u>ASSETS</u>	<u>June 30, 2001</u>	<u>June 30, 2000</u>	<u>LIABILITIES AND FUND BALANCES</u>	<u>June 30, 2001</u>	<u>June 30, 2000</u>
Current funds:			Current funds:		
Unrestricted:			Unrestricted:		
General:			General:		
Cash (Notes 2 and 3)	\$ 5,600,458.39	\$ 3,823,939.21	Liabilities:		
Investments (Note 4)	1,008,075.34	1,000,000.00	Accounts payable	\$ 851,579.44	\$ 596,667.90
Accrued interest receivable	35,144.31	38,794.51	Accrued liabilities	1,485,686.00	1,464,529.90
Accounts receivable (net of allowance			Student deposits	17,610.00	17,030.00
of \$272,619.67 at June 30, 2001, and			Deferred revenue	1,928,768.96	1,681,332.44
of \$202,539.18 at June 30, 2000)	1,606,131.84	1,529,586.03	Compensated absences	1,304,316.14	1,310,193.00
Inventories	176,279.91	181,552.24	Other liabilities	10,301.52	8,711.29
Prepaid expenses and deferred charges	672,699.05	583,100.49	Total liabilities	<u>5,598,262.06</u>	<u>5,078,464.53</u>
			Fund balances:		
			Nondiscretionary allocations:		
			Allocation for working capital	1,511,370.19	1,392,761.20
			Allocation for encumbrances	1,066,204.11	447,219.06
			Allocation for stipulation settlement	-	594,020.86
			Allocation for designated appropriations	17,289.75	-
			Allocation for designated fees	484,631.87	-
			Discretionary allocations:		
			Allocation for subsequent budget	983,900.00	948,510.00
			Allocation for compensated absences	(1,304,316.14)	(1,310,193.00)
			Unallocated	741,447.00	6,189.83
			Total fund balances	<u>3,500,526.78</u>	<u>2,078,507.95</u>
Total general	<u>9,098,788.84</u>	<u>7,156,972.48</u>	Total general	<u>9,098,788.84</u>	<u>7,156,972.48</u>
Auxiliary enterprises:			Auxiliary enterprises:		
Cash (Notes 2 and 3)	696,180.63	729,251.19	Liabilities:		
Accounts receivable (net of allowance			Accounts payable	99,713.14	77,829.71
of \$46,765.91 at June 30, 2001, and			Accrued liabilities	15,447.92	17,242.44
of \$52,441.01 at June 30, 2000)	241,068.53	236,799.05	Student deposits	112,800.00	113,700.00
Inventories	925,589.76	869,644.04	Deferred revenues	23,000.00	15,300.00
Prepaid expenses and deferred charges	20,000.00	-	Long-term obligations	20,000.00	-
			Compensated absences	45,973.04	45,745.76
			Total liabilities	<u>316,934.10</u>	<u>269,817.91</u>

TENNESSEE BOARD OF REGENTS  
AUSTIN PEAY STATE UNIVERSITY  
BALANCE SHEETS  
JUNE 30, 2001, AND JUNE 30, 2000

<u>ASSETS</u>	<u>June 30, 2001</u>	<u>June 30, 2000</u>	<u>LIABILITIES AND FUND BALANCES</u>	<u>June 30, 2001</u>	<u>June 30, 2000</u>
			Fund balances:		
			Nondiscretionary allocations:		
			Allocation for working capital	1,170,728.29	1,110,513.09
			Allocation for encumbrances	1,237.80	1,305.59
			Discretionary allocations:		
			Allocation for contingencies	251,539.00	243,161.48
			Allocation for compensated absences	(45,973.04)	(45,745.76)
			Unallocated	<u>188,372.77</u>	<u>256,641.97</u>
			Total fund balances	<u>1,565,904.82</u>	<u>1,565,876.37</u>
Total auxiliary enterprises	<u>1,882,838.92</u>	<u>1,835,694.28</u>	Total auxiliary enterprises	<u>1,882,838.92</u>	<u>1,835,694.28</u>
Total unrestricted	<u>10,981,627.76</u>	<u>8,992,666.76</u>	Total unrestricted	<u>10,981,627.76</u>	<u>8,992,666.76</u>
Restricted:			Restricted:		
Cash (Notes 2 and 3)	118,582.68	634,908.76	Liabilities:		
Accrued interest receivable	23,756.10	38,718.08	Accounts payable	23,361.37	55,619.08
Accounts and grants receivable	1,375,771.50	740,941.68	Accrued liabilities	41,345.55	28,971.44
Prepaid expenses and deferred charges	<u>570.00</u>	<u>-</u>	Compensated absences	9,860.79	8,732.30
			Deferred revenues	<u>7,865.00</u>	<u>7,329.00</u>
			Total liabilities	<u>82,432.71</u>	<u>100,651.82</u>
			Total fund balances	<u>1,436,247.57</u>	<u>1,313,916.70</u>
Total restricted	<u>1,518,680.28</u>	<u>1,414,568.52</u>	Total restricted	<u>1,518,680.28</u>	<u>1,414,568.52</u>
Total current funds	<u>\$ 12,500,308.04</u>	<u>\$ 10,407,235.28</u>	Total current funds	<u>\$ 12,500,308.04</u>	<u>\$ 10,407,235.28</u>
Loan funds:			Loan funds:		
Cash (Notes 2 and 3)	\$ 134,745.20	\$ 75,345.76	Liabilities:		
Notes receivable (net of allowance of \$398,964.05 at June 30, 2001, and \$453,931.61 at June 30, 2000)	1,475,640.04	1,475,310.34	Accounts payable	<u>\$ 6,400.97</u>	<u>\$ 886.69</u>
Accrued interest receivable	<u>130,705.64</u>	<u>123,277.93</u>			

TENNESSEE BOARD OF REGENTS  
AUSTIN PEAY STATE UNIVERSITY  
BALANCE SHEETS  
JUNE 30, 2001, AND JUNE 30, 2000

<u>ASSETS</u>	<u>June 30, 2001</u>	<u>June 30, 2000</u>	<u>LIABILITIES AND FUND BALANCES</u>	<u>June 30, 2001</u>	<u>June 30, 2000</u>
			Fund balances:		
			U.S. government grants refundable	1,272,058.38	1,256,711.14
			University funds:		
			Restricted - matching	151,249.52	148,035.19
			Restricted - other	52,507.91	52,507.91
			Unrestricted	<u>258,874.10</u>	<u>215,793.10</u>
			Total fund balance	<u>1,734,689.91</u>	<u>1,673,047.34</u>
Total loan funds	\$ <u>1,741,090.88</u>	\$ <u>1,673,934.03</u>	Total loan funds	\$ <u>1,741,090.88</u>	\$ <u>1,673,934.03</u>
Endowment and similar funds:			Endowment and similar funds:		
Cash (Notes 2 and 3)	\$ 630,996.42	\$ 567,942.55	Fund balances:		
Investments (Note 4)	2,211,342.24	2,321,083.26	Endowment	\$ 2,697,910.11	\$ 2,746,090.30
Accrued interest receivable	944.78	6,154.14	Quasi-endowment - restricted	<u>158,333.33</u>	<u>149,089.65</u>
Accounts and notes receivable	<u>12,960.00</u>	<u>-</u>			
Total endowment and similar funds	\$ <u>2,856,243.44</u>	\$ <u>2,895,179.95</u>	Total endowment and similar funds	\$ <u>2,856,243.44</u>	\$ <u>2,895,179.95</u>
Plant funds:			Plant funds:		
Unexpended plant:			Unexpended plant:		
Cash (Notes 2 and 3)	\$ 785,098.40	\$ 476,797.15	Liabilities:		
Accounts receivable	-	2,500.00	Accounts payable	\$ <u>-</u>	\$ <u>110.07</u>
LGIP deposit - capital projects	2,616,187.16	2,628,015.01			
Other assets	<u>3,400.00</u>	<u>2,250.00</u>	Fund balance:		
Total unexpended plant	<u>3,404,685.56</u>	<u>3,109,562.16</u>	Unrestricted (Note 6)	<u>3,404,685.56</u>	<u>3,109,452.09</u>
Renewals and replacements:			Total unexpended plant	<u>3,404,685.56</u>	<u>3,109,562.16</u>
Cash (Notes 2 and 3)	<u>3,948,796.13</u>	<u>3,017,611.05</u>	Renewals and replacements:		
			Liabilities:		
			Accounts payable	<u>6,305.00</u>	<u>-</u>
			Fund balance:		
			Unrestricted (Note 6)	<u>3,942,491.13</u>	<u>3,017,611.05</u>
Total renewals and replacements	<u>3,948,796.13</u>	<u>3,017,611.05</u>	Total renewals and replacements	<u>3,948,796.13</u>	<u>3,017,611.05</u>

TENNESSEE BOARD OF REGENTS  
AUSTIN PEAY STATE UNIVERSITY  
BALANCE SHEETS  
JUNE 30, 2001, AND JUNE 30, 2000

<u>ASSETS</u>	<u>June 30, 2001</u>	<u>June 30, 2000</u>	<u>LIABILITIES AND FUND BALANCES</u>	<u>June 30, 2001</u>	<u>June 30, 2000</u>
Retirement of indebtedness:			Retirement of indebtedness:		
Cash (Notes 2 and 3)	2,416,615.07	1,822,980.11	Liabilities:		
Accrued interest receivable	3,818.19	2,795.66	Accrued interest payable	124,900.62	68,907.18
Other assets	4,000.00	4,000.00	Fund balance:		
			Unrestricted	2,299,532.64	1,760,868.59
Total retirement of indebtedness	<u>2,424,433.26</u>	<u>1,829,775.77</u>	Total retirement of indebtedness	<u>2,424,433.26</u>	<u>1,829,775.77</u>
Investment in plant:			Investment in plant:		
Land	2,756,256.17	2,752,654.83	Liabilities:		
Buildings	52,086,880.96	52,047,250.96	Notes payable (Note 7)	174,305.86	211,390.70
Improvements other than buildings	4,501,245.65	4,361,396.25	TSSBA indebtedness (Note 7)	15,720,904.17	8,324,437.60
Equipment	7,357,430.90	6,671,121.72	Total liabilities	<u>15,895,210.03</u>	<u>8,535,828.30</u>
Library books	15,769,104.00	15,486,048.00	Fund balance:		
Livestock	37,848.00	32,160.00	Net investment in plant	121,040,733.73	114,226,813.73
Construction in progress	51,158,788.08	38,310,371.27	Total investment in plant	<u>136,935,943.76</u>	<u>122,762,642.03</u>
Other library holdings	3,268,390.00	3,101,639.00	Total plant funds	<u>\$ 146,713,858.71</u>	<u>\$ 130,719,591.01</u>
Total investment in plant	<u>136,935,943.76</u>	<u>122,762,642.03</u>			
Total plant funds	<u>\$ 146,713,858.71</u>	<u>\$ 130,719,591.01</u>			
Agency funds:			Agency funds:		
Nonfoundation funds:			Nonfoundation funds:		
Cash (Notes 2 and 3)	\$ 587,305.73	\$ 418,090.40	Liabilities:		
Accounts receivable	-	71.92	Accounts payable	\$ 925.85	\$ 2,312.97
			Other liabilities	98,225.63	114,593.12
			Deposits held in custody for others	488,154.25	301,256.23
Total nonfoundation funds	<u>587,305.73</u>	<u>418,162.32</u>	Total nonfoundation funds	<u>587,305.73</u>	<u>418,162.32</u>

TENNESSEE BOARD OF REGENTS  
AUSTIN PEAY STATE UNIVERSITY  
BALANCE SHEETS  
JUNE 30, 2001, AND JUNE 30, 2000

<u>ASSETS</u>	<u>June 30, 2001</u>	<u>June 30, 2000</u>	<u>LIABILITIES AND FUND BALANCES</u>	<u>June 30, 2001</u>	<u>June 30, 2000</u>
Foundation funds:			Foundation funds:		
Cash (Notes 2 and 3)	1,007,723.17	733,447.76	Liabilities:		
Investments (Note 4)	3,073,031.72	3,265,220.66	Accounts payable	1,140.00	14,512.93
Accrued interest receivable	22,123.28	26,815.03	Deposits held in custody for foundation	4,156,205.25	4,062,914.94
Accounts and notes receivable	1,000.00	2,181.63			
Other assets	53,467.08	49,762.79			
Total foundation funds	4,157,345.25	4,077,427.87	Total foundation funds	4,157,345.25	4,077,427.87
Total agency funds	\$ 4,744,650.98	\$ 4,495,590.19	Total agency funds	\$ 4,744,650.98	\$ 4,495,590.19

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, 2001

	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	\$ 49,575,235.80	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprise revenues	5,030,770.46	-	-	-	-	-	-	-
Tuition and fees	-	47,855.00	-	-	-	-	-	-
State appropriations	-	768,200.00	-	-	6,080,545.53	-	-	-
Federal grants and contracts	-	6,929,192.27	16,957.00	-	-	-	-	-
State grants and contracts	-	997,145.48	-	-	-	-	-	-
Local grants and contracts	-	213,750.00	-	-	-	-	-	-
Private gifts, grants, and contracts	-	923,781.81	-	61,997.57	-	-	-	-
Investment income	-	51,472.20	4,352.90	13,234.44	8,213.73	91,943.04	38,029.96	-
Interest on loans receivable	-	-	43,656.84	-	-	-	-	-
Reduction in doubtful accounts	-	-	54,967.56	-	-	-	-	-
Endowment income	-	203,699.73	-	-	-	-	-	-
Tennessee State School Bond Authority	-	-	-	-	7,877,897.05	-	-	-
Equipment use charges	-	-	-	-	-	1,126,229.68	-	-
Expended for plant facilities (including \$951,464.97 charged to current fund expenditures)	-	-	-	-	-	-	-	14,400,584.61
Retirement of indebtedness	-	-	-	-	-	-	-	467,093.75
Other (Note 10)	-	-	44,392.86	-	250,000.00	-	-	5,688.00
<b>Total revenues and other additions</b>	<b>54,606,006.26</b>	<b>10,135,096.49</b>	<b>164,327.16</b>	<b>75,232.01</b>	<b>14,216,656.31</b>	<b>1,218,172.72</b>	<b>38,029.96</b>	<b>14,873,366.36</b>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>								
Educational and general expenditures	46,838,506.90	9,864,334.15	-	-	-	-	-	-
Auxiliary enterprise expenditures	4,089,628.86	4,362.73	-	-	-	-	-	-
Indirect costs recovered	-	143,525.71	-	-	-	-	-	-
Refunded to grantor	-	5,782.28	-	-	-	-	-	-
Loan cancellations and write-offs	-	-	49,054.39	-	-	-	-	-
Administrative and collection costs	-	-	55,042.95	-	-	-	-	-
Net decrease in the fair value of investments	-	-	-	113,168.52	-	-	-	-
Expended for plant facilities	-	-	-	-	12,994,447.55	454,672.09	-	-
Expended for noncapital items	-	-	-	-	1,062,881.61	296,200.65	-	-
Retirement of indebtedness	-	-	-	-	-	-	467,093.75	-
Interest on indebtedness	-	-	-	-	-	-	688,956.96	-
Disposal of plant facilities	-	-	-	-	-	-	-	127,532.34
Library holding revaluation	-	-	-	-	-	-	-	105,438.54
Increase in indebtedness	-	-	-	-	-	-	-	7,825,774.67
Other (Note 10)	-	-	-	-	-	-	-	700.81
<b>Total expenditures and other deductions</b>	<b>50,928,135.76</b>	<b>10,018,004.87</b>	<b>104,097.34</b>	<b>113,168.52</b>	<b>14,057,329.16</b>	<b>750,872.74</b>	<b>1,156,050.71</b>	<b>8,059,446.36</b>
<b>TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS)</b>								
Mandatory:								
Principal and interest	(661,692.55)	-	-	-	-	-	661,692.55	-
Loan fund matching grant	(5,652.00)	-	5,652.00	-	-	-	-	-
Nonmandatory:								
Unrestricted current funds	14,093.68	-	-	-	(14,093.68)	-	-	-
Restricted current funds	-	5,239.25	(4,239.25)	(1,000.00)	-	-	-	-
Unexpended plant	(150,000.00)	-	-	-	150,000.00	-	-	-
Renewals and replacements	(457,580.10)	-	-	-	-	457,580.10	-	-
Retirement of indebtedness	(994,992.25)	-	-	-	-	-	994,992.25	-
<b>Total transfers</b>	<b>(2,255,823.22)</b>	<b>5,239.25</b>	<b>1,412.75</b>	<b>(1,000.00)</b>	<b>135,906.32</b>	<b>457,580.10</b>	<b>1,656,684.80</b>	<b>-</b>
<b>Net increase (decrease) for the year</b>	<b>1,422,047.28</b>	<b>122,330.87</b>	<b>61,642.57</b>	<b>(38,936.51)</b>	<b>295,233.47</b>	<b>924,880.08</b>	<b>538,664.05</b>	<b>6,813,920.00</b>
Fund balances at beginning 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
Fund balances at end of year	\$ 5,066,431.60	\$ 1,436,247.57	\$ 1,734,689.91	\$ 2,856,243.44	\$ 3,404,685.56	\$ 3,942,491.13	\$ 2,299,532.64	\$ 121,040,733.73

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, 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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprise revenues	4,863,229.54	-	-	-	-	-	-	-
Tuition and fees	-	47,318.60	-	-	-	-	-	-
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	-	-	-	-	-	-
Tennessee State School Bond Authority	-	-	-	-	1,890,078.51	-	-	-
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 grantor	-	17,000.89	-	-	-	-	-	-
Loan cancellations and write-offs	-	-	44,299.75	-	-	-	-	-
Administrative and collection costs	-	-	53,533.17	-	-	-	-	-
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 facilities	-	-	-	-	-	-	-	11,603.51
Increase in indebtedness	-	-	-	-	-	-	-	1,890,078.51
Other	-	-	-	-	-	-	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>
<b>TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS)</b>								
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	-
<b>Total transfers</b>	<b>(2,275,036.32)</b>	<b>(33,233.45)</b>	<b>3,727.00</b>	<b>(365,964.01)</b>	<b>1,166,197.46</b>	<b>242,904.85</b>	<b>1,261,404.47</b>	<b>-</b>
<b>Net increase (decrease) for the year</b>	<b>314,404.12</b>	<b>112,019.33</b>	<b>11,368.09</b>	<b>(182,678.81)</b>	<b>824,270.66</b>	<b>1,113,310.48</b>	<b>490,549.67</b>	<b>25,259,592.38</b>
Fund balances at beginning 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
Cumulative effect of a change in accounting principle (Note 11)	-	-	-	-	-	-	-	(7,090,575.48)
<b>Fund balances at end of year</b>	<b>\$ 3,644,384.32</b>	<b>\$ 1,313,916.70</b>	<b>\$ 1,673,047.34</b>	<b>\$ 2,895,179.95</b>	<b>\$ 3,109,452.09</b>	<b>\$ 3,017,611.05</b>	<b>\$ 1,760,868.59</b>	<b>\$ 114,226,813.73</b>

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, 2001

	Unrestricted	Restricted	Total
<b>REVENUES</b>			
Tuition and fees	\$ 18,894,205.85	\$ 47,855.00	\$ 18,942,060.85
State appropriations	28,051,300.00	768,200.00	28,819,500.00
Federal grants and contracts	171,513.49	6,921,095.90	7,092,609.39
State grants and contracts	5,371.66	1,005,681.91	1,011,053.57
Local grants and contracts	23,772.55	202,507.11	226,279.66
Private gifts, grants, and contracts	-	912,764.28	912,764.28
Sales and services of educational activities	830,375.09	-	830,375.09
Sales and services of auxiliary enterprises	5,030,770.46	-	5,030,770.46
Endowment income	-	203,699.73	203,699.73
Other sources	1,598,697.16	51,472.20	1,650,169.36
Total current revenues	<u>54,606,006.26</u>	<u>10,113,276.13</u>	<u>64,719,282.39</u>
<b>EXPENDITURES AND TRANSFERS</b>			
Educational and general expenditures:			
Instruction	23,731,029.75	244,129.41	23,975,159.16
Research	574,408.84	1,262,026.79	1,836,435.63
Public service	504,398.43	1,241,999.92	1,746,398.35
Academic support	4,189,166.26	217,073.95	4,406,240.21
Student services	7,007,878.15	920,526.49	7,928,404.64
Institutional support	5,028,340.27	51,609.32	5,079,949.59
Operation and maintenance of plant	5,152,262.23	10,994.58	5,163,256.81
Scholarships and fellowships	651,022.97	5,915,973.69	6,566,996.66
Total educational and general expenditures	<u>46,838,506.90</u>	<u>9,864,334.15</u>	<u>56,702,841.05</u>
Mandatory transfers:			
Loan fund matching grant	5,652.00	-	5,652.00
Principal and interest	128,159.50	-	128,159.50
Nonmandatory transfers:			
Unexpended plant	135,906.32	-	135,906.32
Renewals and replacements	50,000.00	-	50,000.00
Principal and interest	994,992.25	-	994,992.25
Total educational and general	<u>48,153,216.97</u>	<u>9,864,334.15</u>	<u>58,017,551.12</u>
Auxiliary enterprises:			
Expenditures	4,089,628.86	4,362.73	4,093,991.59
Mandatory transfer:			
Principal and interest	533,533.05	-	533,533.05
Nonmandatory transfer:			
Renewals and replacements	407,580.10	-	407,580.10
Total auxiliary enterprises	<u>5,030,742.01</u>	<u>4,362.73</u>	<u>5,035,104.74</u>
Total expenditures and transfers	<u>53,183,958.98</u>	<u>9,868,696.88</u>	<u>63,052,655.86</u>
<b>OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)</b>			
Excess of restricted receipts over transfers to revenue	-	21,820.36	21,820.36
Refunds to grantors	-	(5,782.28)	(5,782.28)
Indirect costs recovered	-	(143,525.71)	(143,525.71)
Transfer from loan funds	-	4,239.25	4,239.25
Transfer from endowment and similar funds	-	1,000.00	1,000.00
Net increase in fund balance	<u>\$ 1,422,047.28</u>	<u>\$ 122,330.87</u>	<u>\$ 1,544,378.15</u>

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	\$ 47,318.60	\$ 17,792,018.51
State appropriations	28,000,900.00	747,100.00	28,748,000.00
Federal grants and contracts	163,240.95	6,397,292.16	6,560,533.11
State grants and contracts	712.58	829,496.34	830,208.92
Local grants and contracts	-	218,615.25	218,615.25
Private gifts, grants, and contracts	24,150.21	764,369.35	788,519.56
Sales and services of educational activities	614,702.27	-	614,702.27
Sales and services of auxiliary enterprises	4,863,229.54	-	4,863,229.54
Endowment income	-	267,346.27	267,346.27
Other sources	876,985.32	53,452.61	930,437.93
<b>Total current revenues</b>	<b>52,288,620.78</b>	<b>9,324,990.58</b>	<b>61,613,611.36</b>
<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
<b>Total educational and general expenditures</b>	<b>45,792,156.19</b>	<b>9,088,314.50</b>	<b>54,880,470.69</b>
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
<b>Total educational and general expenditures and transfers</b>	<b>47,126,444.04</b>	<b>9,088,314.50</b>	<b>56,214,758.54</b>
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
<b>Total auxiliary enterprises</b>	<b>4,847,772.62</b>	<b>4,939.16</b>	<b>4,852,711.78</b>
<b>Total expenditures and transfers</b>	<b>51,974,216.66</b>	<b>9,093,253.66</b>	<b>61,067,470.32</b>
<b>OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)</b>			
Excess of restricted receipts over transfers to revenue	-	72,544.20	72,544.20
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)
<b>Net increase in fund balance</b>	<b>\$ 314,404.12</b>	<b>\$ 112,019.33</b>	<b>\$ 426,423.45</b>

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, 2001, and June 30, 2000**

---

**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 accounting principles generally accepted in the United States of America 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 or all eligibility requirements have been met. 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, 2001, and June 30, 2000**

---

**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 when expended or all eligibility requirements have been met 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.

**Tennessee Board of Regents  
Austin Peay State University  
Notes to the Financial Statements (Cont.)  
June 30, 2001, and June 30, 2000**

---

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.

**Tennessee Board of Regents  
Austin Peay State University  
Notes to the Financial Statements (Cont.)  
June 30, 2001, and June 30, 2000**

---

**Inventories**

Inventories are valued at historical cost. Textbooks included in the inventory are maintained on an average cost basis. All other items are recorded on a 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 and restricted 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.

**Tennessee Board of Regents  
Austin Peay State University  
Notes to the Financial Statements (Cont.)  
June 30, 2001, and June 30, 2000**

---

**Interest Costs**

The university has adopted a policy of capitalizing all construction-related 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, 2001, cash consisted of \$2,198,538.75 in bank accounts, \$15,535.00 of petty cash on hand, and \$13,712,428.07 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer. 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.

**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 115%, 100%, or 90% of the uninsured deposits at financial institutions participating in the collateral pool and 105% of the uninsured deposits at all other financial institutions. The pledge level for financial institutions participating in the collateral pool is based on financial criteria set by the Collateral Pool Board with the financially strongest institutions being eligible for the lowest pledge level.

**Tennessee Board of Regents  
Austin Peay State University  
Notes to the Financial Statements (Cont.)  
June 30, 2001, and June 30, 2000**

---

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 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 which the

**Tennessee Board of Regents  
Austin Peay State University  
Notes to the Financial Statements (Cont.)  
June 30, 2001, and June 30, 2000**

---

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, 2001</u>	<u>Fair Value</u>
Investments not susceptible to credit risk categorization:	
Mutual funds	\$5,165,214.33
Certificates of deposit classified as investments	1,113,634.97
Equity investment	13,600.00
	\$6,292,449.30
Total investments on the balance sheet	\$6,292,449.30

<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	194.06
	\$6,586,303.92
Total investments on the balance sheet	\$6,586,303.92

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

	Carrying Value	
	<u>FY 2001</u>	<u>FY 2000</u>
Mutual funds	\$2,189,914.74	\$2,303,083.26

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, 2001, each having a fair value of \$3,027.257, all units were owned by endowment funds. Of the total units at June 30, 2000, each having a fair value of \$3,183.70, all units were owned by endowment funds.

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

**Tennessee Board of Regents  
Austin Peay State University  
Notes to the Financial Statements (Cont.)  
June 30, 2001, and June 30, 2000**

<u>FY 2001</u>	<u>Pooled Assets</u>		<u>Net Gains (Losses)</u>	<u>Fair Value Per Unit</u>
	<u>Fair</u>	<u>Cost</u>		
End of year	\$2,189,914.74	\$1,800,000	\$389,914.74	\$3,027.26
Beginning of year	\$2,303,083.26	\$1,800,000	503,083.26	3,183.70
Unrealized net gains			(113,168.52)	(156.44)
Realized net gains			-	-
Total net gains			<u>\$(113,168.52)</u>	<u>\$(156.44)</u>

The average annual earnings per unit, exclusive of net gains, were \$(723.40) for the year.

<u>FY 2000</u>	<u>Pooled Assets</u>		<u>Net Gains (Losses)</u>	<u>Fair Value Per Unit</u>
	<u>Fair</u>	<u>Cost</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			<u>\$100,415.72</u>	<u>\$138.81</u>

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

**NOTE 5. PLEDGES**

For the year ended June 30, 2001, promises of private donations of \$38,756 have been reported as accounts receivable and revenue in the current restricted fund, net of the estimated uncollectible allowance of \$10,560.03.

For the year ended June 30, 2001, promises of private donations of \$12,960 have been reported as accounts receivable and revenue in the endowment fund, net of the estimated uncollectible allowance of \$12,100.

**Tennessee Board of Regents  
Austin Peay State University  
Notes to the Financial Statements (Cont.)  
June 30, 2001, and June 30, 2000**

---

**NOTE 6. PLANT FUND ENCUMBRANCES**

Plant fund encumbrances outstanding at June 30, 2001, amounted to \$28,492.30 for unexpended plant and \$98,153.96 for renewals and replacements. Plant fund encumbrances outstanding at June 30, 2000, amounted to \$62,723.63 for unexpended plant and \$23,181.67 for renewals and replacements.

**NOTE 7. 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 \$174,305.86 at June 30, 2001, and \$211,390.70 at June 30, 2000.

Bond issues, with interest rates ranging from 4% to 6.75% for Tennessee State School Bond Authority bonds (\$15,720,904.17), 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 and unexpended debt proceeds. The reserve amount was \$480,311.89 at June 30, 2001, and \$481,012.70 at June 30, 2000.

The university's debt service requirements to maturity for all bonds payable at June 30, 2001, are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$374,860.23	\$207,378.18	\$582,238.40
2003	399,676.13	182,765.34	582,441.47
2004	418,357.55	161,868.30	580,225.85
2005	379,597.64	138,692.40	518,290.04
2006	221,675.58	118,500.30	340,175.88

**Tennessee Board of Regents  
Austin Peay State University  
Notes to the Financial Statements (Cont.)  
June 30, 2001, and June 30, 2000**

---

2007-2015	<u>1,680,992.95</u>	<u>490,505.72</u>	<u>2,171,498.67</u>
	<u>\$3,475,160.08</u>	<u>\$1,299,710.23</u>	<u>\$4,774,870.31</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 \$12,472,172.33 at June 30, 2001, and \$4,594,275.28 at June 30, 2000.

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

**NOTE 8. 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 6.19% of annual

**Tennessee Board of Regents  
Austin Peay State University  
Notes to the Financial Statements (Cont.)  
June 30, 2001, and June 30, 2000**

---

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, 2001, 2000, and 1999, were \$799,095.06, \$718,843.03, and \$730,834.56. Contributions met the requirements for each year.

**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 \$1,417,533.49 for the year ended June 30, 2001, and \$1,406,854.16 for the year ended June 30, 2000. Contributions met the requirements for each year.

**NOTE 9. 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*.

**Tennessee Board of Regents  
Austin Peay State University  
Notes to the Financial Statements (Cont.)  
June 30, 2001, and June 30, 2000**

---

**NOTE 10. OTHER ADDITIONS AND DEDUCTIONS**

The following amounts are included as “other additions” and “other deductions” on the Statements of Changes in Fund Balances:

	<u>Year Ended June 30, 2001</u>	<u>Year Ended June 30, 2000</u>
<b>Other Additions</b>		
<u>Restricted current funds</u>		
Reimbursements exceeding current year expenditures	-	\$117,221.16
<u>Loan funds</u>		
Federal reimbursement of loan cancellations	\$44,392.86	\$40,851.89
<u>Unexpended plant</u>		
Reimbursement from capital project	\$250,000.00	-
<u>Renewals and replacements</u>		
Insurance reimbursement	-	\$14,523.00
<u>Investment in plant</u>		
Decrease in liability under terms of food service contract	-	\$39,508.19
Equipment trade-in	-	\$6,425.00
Livestock revaluation	\$5,688.00	\$9,035.00
<b>Other Deductions</b>		
<u>Investment in Plant</u>		
Change in debt service reserve	\$700.81	-

**Tennessee Board of Regents  
Austin Peay State University  
Notes to the Financial Statements (Cont.)  
June 30, 2001, and June 30, 2000**

---

**NOTE 11. CUMULATIVE EFFECT OF A 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 12. 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. The final settlement of \$8.96 million for the tornado damage in Clarksville was made during the year ended June 30, 2001. In the years ended June 30, 2000, and June 30, 1998, the state did not have any claims filed with the commercial insurer. A designation for casualty losses in the amount of \$5 million at June 30, 2001, and \$7.256 million at June 30, 2000, was established in the state's general fund to provide for any property losses not covered by the commercial insurance.

At June 30, 2001, the scheduled coverage for the university was \$146,789,100 for buildings and \$44,045,200 for contents. At June 30, 2000, the scheduled coverage was \$138,041,100 for buildings and \$37,542,600 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

**Tennessee Board of Regents  
Austin Peay State University  
Notes to the Financial Statements (Cont.)  
June 30, 2001, and June 30, 2000**

---

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.

**NOTE 13. FEDERAL STUDENT FINANCIAL ASSISTANCE**

The restricted expenditure function scholarships and fellowships includes \$4,808,149.85 of federal financial assistance for students. These programs include, but are not limited to, Federal Pell Grants and Federal Supplemental Educational Opportunity Grants.

**NOTE 14. COMMITMENTS AND CONTINGENCIES**

Sick Leave - The university records the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee dies or is absent because of illness, injury, or related family death, there is no liability for sick leave at June 30. The dollar amount of unused sick leave was \$10,539,464.69 at June 30, 2001, and \$9,810,598.51 at June 30, 2000.

Operating Leases - The university has entered into various operating leases for buildings and equipment. Such leases will probably continue to be required. Expenditures under operating leases for real property were \$47,475.00 for the year ended June 30, 2001. Comparative amounts for the year ended June 30, 2000, were \$46,302.52. All operating leases are cancelable at the lessee's option.

Construction in Progress - At June 30, 2001, outstanding commitments under construction contracts totaled \$4,067,249.16 for Science Building, Infrastructure Improvements, University Center, Emerald Hills Renovation, Roof Repairs, Tornado Damage Repairs,

**Tennessee Board of Regents  
Austin Peay State University  
Notes to the Financial Statements (Cont.)  
June 30, 2001, and June 30, 2000**

---

McCord Building Renovation, and Dunn Center Roof Replacement, of which \$2,909,363.48 will be funded by future state capital outlay appropriations.

Litigation - The university is involved in two lawsuits, neither of which is expected to have a material effect on the accompanying financial statements.

**NOTE 15. CHAIRS OF EXCELLENCE**

The university had \$7,479,210.50 on deposit at June 30, 2001, and \$7,951,404.98 on deposit at June 30, 2000, 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 16. 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 statements. The university received \$94,591.55 from these funds during the year ended June 30, 2001, and \$86,438.88 during the year ended June 30, 2000.

**NOTE 17. PRIOR-YEAR RESTATEMENT**

During the year ended June 30, 2001, the university implemented GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions*. As a result, prior-year amounts were restated as noted below:

<u>Fund</u>	<u>Account</u>	<u>Amount</u>
Exhibit E		
Restricted	Tuition and fees	\$549.04
Restricted	Federal grants and contracts	\$109,128.22
Restricted	State grants and contracts	\$(758.95)
Restricted	Local grants and contracts	\$30,980.00
Restricted	Private gifts, grants, and contracts	\$73,409.86
Restricted	Sales and services of auxiliary enterprises	\$(4,939.16)
Restricted	Endowment income	\$(30,084.70)
Restricted	Other sources	\$53,452.61

**Tennessee Board of Regents  
Austin Peay State University  
Notes to the Financial Statements (Cont.)  
June 30, 2001, and June 30, 2000**

---

Restricted	Excess of restricted receipts over transfers to revenues	\$(231,736.92)
------------	---	----------------

**NOTE 18. NEW ACCOUNTING PRONOUNCEMENTS**

In November 1999, the Governmental Accounting Standards Board (GASB) issued Statement 35, *Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities an amendment of GASB Statement No. 34*. As originally issued, Statement 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for States and Local Governments* was not applicable to public institutions. Rather than issuing separate standards, GASB decided to provide financial reporting guidance for public institutions by amending Statement 34 to extend its applicability to them. Statement 35 supersedes GASB Statement 15, which currently allows public institutions to choose one of two models when preparing their financial statements—the AICPA College Guide model or the governmental model. As component units of a state government, most public institutions will implement GASB Statement 35 at the same time as the state government implements GASB Statement 34.

Under the provisions of the GASB standards, the university is permitted to report as a special purpose government engaged only in business-type activities (BTA). BTA reporting will require the university to present only the basic financial statements and required supplementary information (RSI) for an enterprise fund that includes management’s discussion and analysis; a statement of net assets or a balance sheet; a statement of revenues, expenses, and changes in net assets; a statement of cash flows; notes to the financial statements; and other applicable RSI. The required basic financial statements described above are prepared using the economic resources measurement focus and the accrual basis of accounting. Fund financial statements are not required for BTA reporting.

Statement 34 will also require the university to retroactively and prospectively report all capital assets, net of accumulated depreciation, including infrastructure assets (long-lived capital assets such as roads and bridges) in the statement of net assets and report depreciation expense in the statement of revenues, expenses, and changes in net assets. Retroactive reporting of capital assets will require a prior period adjustment to net assets. Management has not yet determined the effect of the implementation of this statement on the university’s financial statements.