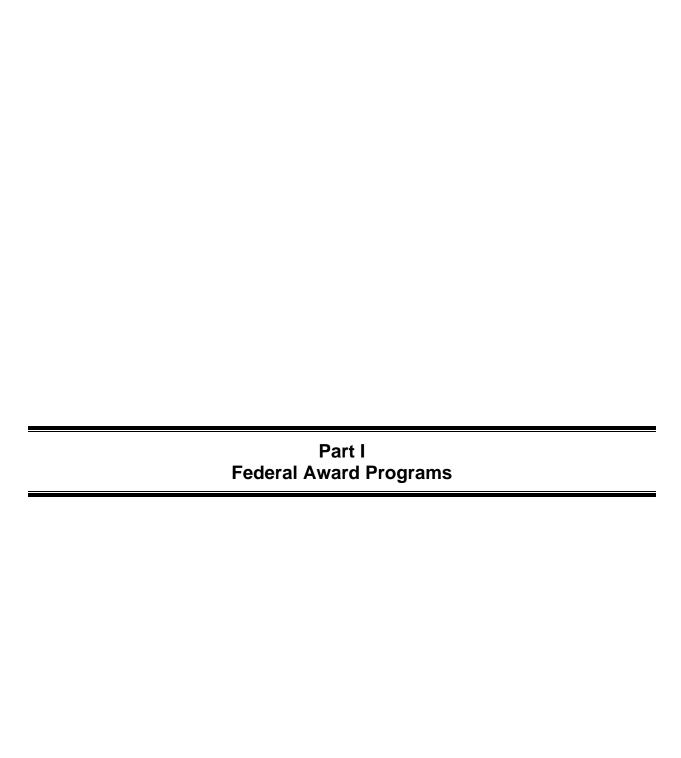
Auburn University
Report on Federal Awards in Accordance with **OMB Circular A-133** For the Year Ended September 30, 2007

EIN: 63-6000724

# Auburn University Report on Federal Awards in Accordance with OMB Circular A-133 Index September 30, 2007

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Report of Independent Auditors on Inernal Control over Financial Reporting and on Compliance and Other Matters Based on an audit of Financial Statements

Performed in Accordance with Government Auditing Standards

To the Board of Trustees of Auburn University and the President of Auburn University:

We have audited the financial statements of Auburn University (the "University"), which is a component unit of the State of Alabama, and its discretely presented component units as of and for the year ended September 30, 2007, and have issued our report thereon dated January 21, 2008. We did not audit the financial statements of the Auburn Alumni Association (the "Association") and Auburn University Foundation (the "Foundation"). Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Association and the Foundation, is based on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the University 's discretely presented component units were not audited in accordance with *Government Auditing Standards*.

As discussed in Note 11 to the financial statements, on October 1, 2006, the University adopted Governmental Auditing Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Pensions*. GASB Statement No. 45 requires the University to recognize and match other postemployment benefit costs with related services received and disclose additional information.

The management's discussion and analysis and required supplemental information on pages 12 through 21 and pages 66 through 69 of the comprehensive annual financial report are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplement information. However, we did not audit the information and express no opinion on it.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that

there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 and the reports of other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the University in a separate letter dated January 21, 2008.

This report is intended solely for the information and use of the University's audit committee, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

January 21, 2008

Pricewaterhouse Coopers LLP



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Report of Independent Auditors on Compliance With Requirements

Applicable to Each Major Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133

To the Board of Trustees of Auburn University and the President of Auburn University:

## Compliance

We have audited the compliance of Auburn University (the "University") with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007, except as described in the second paragraph of this report. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We did not audit the University's compliance with the requirements governing maintaining repayment records, monitoring the timing and amount of collections and the performance of due diligence related to campus-based student loans, compliance requirements specified by the Federal Perkins and Health Professional Student Loan Programs and described in the OMB *Circular A-133 Compliance Supplement*. Compliance with these requirements was audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the University's compliance with those requirements, is based solely on the report of the other auditors.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University's compliance with those requirements.

In our opinion, based on our audit and the report of other auditors, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and guestioned costs as items 2007-1, 2007-2, 2007-3 and 2007-4.

## Internal Control over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, except as noted in the following paragraph, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major program in order to in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as described below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

We did not consider internal control over compliance with the requirements governing maintaining repayment records, monitoring the timing and amount of collections and the performance of due diligence related to campus-based student loans, which are specified by the Federal Perkins and Health Professional Student Loan Programs and described in the OMB Circular A-133 *Compliance Supplement*. Internal control over these compliance requirements was considered by the other auditors referred to above; and our report, insofar as it relates to the University's internal control over those compliance requirements, is based solely upon the report of the other auditors.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-1 and 2007-3 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

## Schedules of Expenditures of Federal Awards

We have audited the basic financial statements of the University as of and for the year ended September 30, 2007, and have issued our report thereon dated January 21, 2008. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards and the summary schedule of expenditures of federal awards by agency are presented for purposes of additional analysis as required by OMB Circular A-133 and are not a required part of the basic financial statements. Such information has been subjected

to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The University's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the University's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the University's audit committee, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Pricewaterhause Coopers LLP

June 25, 2008, except for the Schedule of Expenditures of Federal Awards, which is dated January 21, 2008

Description	Pass-through Entity/Pass-through Number	CFDA	Federal Expenditures
RESEARCH & DEVELOPMENT CLUSTER			
National Science Foundation (NSF)			
NSF Direct			
Engineering Grants		47.041	\$ 1,135,890
Mathematical and Physical Sciences		47.049	720,666
Geosciences		47.050	348,868
Computer and Information Science and Engineering		47.070	699,552
Biological Sciences Social, Behavioral, and Economic Sciences		47.074 47.075	811,241 487,306
Education and Human Resources		47.075	409,639
Polar Programs		47.078	150,384
International Science and Engineering (OISE)		47.079	29,662
NSF Direct Subtotal			4,793,208
NSF Pass-through			
Engineering Grants	AMI-ASHURST/NSF-IIP-0638251	47.041	33,112
Biological Sciences	KUCR-FY2007-011	47.074	5,502
Social, Behavioral, and Economic Sciences	CRDF-UZE2/2682-TA-05	47.075	2,960
Engineering Grants	NIRT-BENIGN MIX	47.041	79,385
Mathematical and Physical Sciences	TU/NSF34-2153003862112	47.049	71,435
Computer and Information Science and Engineering	RUTGERS/PO S543039	47.070	66,557
Computer and Information Science and Engineering	UNC/2975-05-0520	47.070	77,213
Biological Sciences Biological Sciences	UN AZ/Y772780 UN FL/UF03054	47.074 47.074	(22,816) 84,888
Education and Human Resources	ASCC/NSF-DUE0402625	47.074 47.076	04,000 179,394
Education and Human Resources	UAT-NSF-EPSCOR/05026	47.076	596,979
Education and Human Resources	UVI-EPSCOR /2006-01	47.076	6,653
Education and Human Resources	UAB-LSAMP/PHASE IV	47.076	102,361
Engineering Grants	MEMSense LLC/NSF-IIP0712339	47.041	16,385
Social, Behavioral, and Economic Sciences	NA-COBASE/NSF-INT0002341	47.075	2,696
NSF Pass-through Subtotal			1,302,704
National Science Foundation Total			6,095,912
National Aeronautics and Space Administration (NASA)			
NASA Direct			
NASA-NNG04		43.001	401,051
NASA-NCC8-237-ADMIN		43	618,175
NASA-NCC8-247N		43	283,722
NASA-NNX07AN46G		43	64,412
NASA-NNM07AA04A		43	57,248
NASA-NAG5-12899 NASA-NNL05AA04H		43	188,213
NASA Direct Subtotal		43	55,217 1,668,038
			1,000,000
NASA Pass-through	OF WOOD THE STATE OF THE STATE		
NASA NNC05CA84C	SEMISOUTH LABS-1009	43	(812)
NASA-07-060287	RADIANCE-07S-0548	43	249,441
NAS5-96020 NCC5-580 Control of Composite Rotor Syst	SWRI-NO. 83813-PE UAH-SUB2002-034	43 43	25,448 (3,537)
Configurable Laminate Core Material	JPL-1250345	43 43	(3,537) (207)
Extreme Environ Electronics Packaging	JPL-1262429	43	4,407
NNG05GE80H	UAH-SUB2005-149	43	43,982
			-,

Description	Pass-through Entity/Pass-through Number	CFDA	Federal Expenditures
RESEARCH & DEVELOPMENT CLUSTER			
NASA-NNL05AA37C	GT-E-21-6WT-S1C	43	(1,763)
NASA-NNL06AA29C	GT-R7183-S1-C	43	513,996
NASA-NNC06GA29G	UAH-2007-005	43	212,390
NASA-NCC3-994	UF-EIES-0702003-AUB	43	34,445
NASA-TO NM0710824	JPL-1306937	43	12,024
NASA-NNX07AG09G	UAH-2007-297	43	14,356
NCC9-200	UAH-SUB2003-054	43	(3,372)
NNM05AA22A NCC5-580 Investigation of Wet Target Crafters on Mars	UAH-SUB2005-296-A1 UAH-SUB2006-204	43 43	3,771 13,657
NASA-NNG05GE80H	UAH-SUB2005-148-N	43	86,401
NCC07ZA11A	OAI-R-700-257011-40118	43	7,010
Theoretical Calculations of Electron IMP	UT-B-4000038262	43	20,490
NCC-1-02043	NIA-C05-2000-AU	43	(234)
NASA Pass-through Subtotal			1,231,893
NASA Total			2,899,931
ED Direct			
Fund for the Improvement of Postsecondary Education		84.116	44,830
Graduate Assistance in Areas of National Need		84.200	109,380
ED Direct Subtotal			154,210
ED Pass-through			
Fund for the Improvement of Postsecondary Ed.  ED Pass-through Subtotal	U III - Chic/PAF #03-4-7431SB	84.116	47,228 47,228
Department of Education Total			201,438
2 Spannion 6: 200000011000			251,100
DHHS Direct		02.000	452.405
Compassion Capital Fund Healthy Marriage Promotion and Responsible Fatherhood Grants		93.009 93.086	452,195 1,283,728
Environmental Health		93.000	(2,618)
Mental Health Research Grants		93.242	293,047
National Institutes of Health		93.306	12,884
Cancer Treatment Research		93.395	336,479
Social Services Research and Demonstration		93.647	202,704
Blood Diseases and Resources Research Extramural Research Programs in the Neurosciences		93.839	322,795
and Neurological Disorders		93.853	292,490
Allergy, Immunology and Transplantation Research		93.855	1,327,563
Microbiology and Infectious Diseases Research		93.856	(7,243) 296
Biomedical Research and Research Training Child Health and Human Development Extramural Research		93.859 93.865	461,297
CDC-200-2003-02695A		93.003	(1,524,756)
DHHS Direct Subtotal			3,450,861
DHHS Pass-through			
Child Care and Development Block Grant	AL DHR/832-07	93.575	1,355,724
Child Support Enforcement	CTF-OCSE/SIP 2007-301	93.563	21,813

Description	Pass-through Entity/Pass-through Number	CFDA	Federal Expenditures
RESEARCH & DEVELOPMENT CLUSTER			
Ctr. for Disease Control and Prevention Invest. and Tech. Assist.	ADPH/BCD-EPI-09-03	93.283	31,726
Assessment of AL Medicaid's Patient 1st Program	AMA-06-54	93	13,801
Healthy Marriage Promotion and Responsible Fatherhood Grants Diabetes, Endocrinology and Metabolism Research	ABT ASSOC/ODC-DHHS-233-02-0088 NACELLE THERA/IMMUN-CHANNEL FORMING	93.086	1,673
Diabetes, Endocrinology and inetabolism Research	PEPTIDES	93.847	915
Extramural Research Programs in the Neurosciences	12111320	00.011	010
and Neurological Disorders	FMI-SUB1-00112	93.853	2,518
Microbiology and Infectious Diseases Research	VAXIN INC-TORO/NIHR43AI068285	93.856	24,074
Microbiology and Infectious Diseases Research	eMETAGEN CORP/NIH1-R41 A0I-56791	93.856	475
Mental Health Research Grants	CENT MI UNIV-07/GROUP TRMT-PRESCHOOLERS		10,602
Mental Health Research Grants	UTHSC/00005456A	93.242	46,135
Occupational Safety and Health Program	UAB/OSHERC-OIPRT-07	93.262	136,949
Drug Abuse and Addiction Research Programs	DUKE/04-SC-NUH-1016	93.279	38,702
Ctr. for Disease Control and Prevention Invest. and Tech. Assist.  Discovery and Applied Research for Technological Innovations	UAB WEST NILE/NIH-5 RO1 Cl00026-03	93.283	228,413
to Improve Human Health	UAB MRI/NIH-1 R33 EB-003292-04	93.286	188,127
Cancer Treatment Research	UAB CANINE/5R01CA093796	93.395	24,697
Heart and Vascular Diseases Research	UAB CARDIAC/1P50HL077100-01	93.837	344,518
Blood Diseases and Resources Research	MED COL WISC/PLATELET SPECIFIC INTEG	93.839	14,585
Extramural Research Programs in the Neurosciences			
and Neurological Disorders	UWISC/P858292;P860333	93.853	19,488
Allergy, Immunology and Transplantation Research	UAB-ENCEPHAL/ECOLOGY OF ENECPH VIRUS	93.855	270,219
DHHS 233-02-0056 Curriculum Dev & Piloting Proj	MSU-61-5665B	93	(567)
DHHS Pass-through Subtotal			2,774,587
DHHS Total			6,225,448
United States Department of Agriculture (USDA)			
USDA Direct			
Agricultural Research Basic and Applied Research		10.001	46,957
Agricultural Research Basic and Applied Research (non-LOC)		10.001	1,152,462
Wildlife Services		10.028	236
Grants for Agricultural Research, Special Research Grants		10.200	2,151,161
Grants for Agricultural Research Competitive Research Grants		10.206	874,037
Agricultural and Rural Economic Research		10.250	(445)
Hatch		10.203	2,863,556
Regional Animal Health		10.203 10.207	862,382 49,293
McIntire Stennis		10.207	939,790
Animal Health		10.202	34,351
Higher Education Challenge Grants		10.217	97,471
Integrated Programs		10.303	248,016
Organic Agriculture Research and Extension Initiative		10.307	155,836
Cooperative Extension Program		10.500	4,946
Forestry Research		10.652	237,058
Cooperative Forestry Assistance		10.664	21,122
Urban and Community Forestry Program		10.675	10,033
Forest Legacy Program		10.676	952
Forest Health Protection		10.680	47,275
Technical Agricultural Assistance		10.960	17,102
Scientific Cooperation and Research USDA-58-6420-7-117		10.961 10	6,373 406 137
USDA-38-0420-7-117 USDA Direct Subtotal		10	406,137 10,226,101
			. 5,==5, . 5 1

Description	Pass-through Entity/Pass-through Number	CFDA	Federal Expenditures
RESEARCH & DEVELOPMENT CLUSTER			
USDA Pass-through Dev of Satsuma Mandarin Industry-Equip Small Business Innovation Research Molecular Responses of Pigs to Endotoxemi Old-Growth Longleaf Pine on Horn Mtn Al Agricultural Research Basic and Applied Research Wildlife Services Grants for Agricultural Research, Special Research Grants Grants for Agricultural Research, Special Research Grants	ADAI-MANDARIN/DEV SATSUMA INDUSTRY HSF-050602A-05B BRDC-RPD-7-561 NFWF-2006-0094-009 PURDUE/596-0823-01 MSU/080300-330571-10 FSU-00668/CLIMATE VARIABILITY UCR/PO 2229950	10 10.212 10 10 10.001 10.028 10.200 10.200	10,848 17 12,918 3,370 29,624 3,733 197,784 (946)
Grants for Agricultural Research, Special Research Grants Grants for Agricultural Research, Special Research Grants Grants for Agricultural Research, Special Research Grants Grants for Agricultural Research Competitive Research Grants	UGA/RD309040 CORNELL/GENERIC COMMODITY PROMO SRAC/IMPROV REPRODUCTIVE EFFIC UKRF/4-72514-05-396 UN MD/Z507216 UA/AES 2003-106 UN MARYLAND/Z507215	10.200 10.200 10.200 10.206 10.206 10.206 10.206	83,518 13,725 136,504 25,174 44,536 (13,343) 27,223
1890 Institution Capacity Building Grants 1890 Institution Capacity Building Grants Agricultural and Rural Economic Research Integrated Programs Integrated Programs Crop Insurance IR-4 Eval of Methyl Bromide Alternatives for Turf & Veg USDA Pass-through Subtotal	TUSKEGEE/36-12091202-76190 FVSU/CANFVSU-06-011 UC DAVIS/SUB0600093 NCSU/#2003-1486-25 FTVS/CANFVSU-06-001 UF/RISK REDUCTION-SPECIALTY CROPS RUTGERS PO 34011B	10.216 10.216 10.250 10.303 10.303 10.450	31,664 11,170 20,454 29,233 5,269 148,285 (439) 820,321
USDA Total			11,046,422
Department of Commerce - National Oceanic and Atmospheric Administ	tration (NOAA)		
NOAA Direct Sea Grant Support Marine Fisheries Initiative NOAA Direct Subtotal		11.417 11.433	51,662 82,523 134,185
NOAA Pass-through Sea Grant Support Sea Grant Support	SCDNR-SHRIMP FARMING/ NOAA-NA06-OAR41703235 USM/GR01167-RAT6;GR0116;GR2638;GR01166	11.417 11.417	26,074 252,505
Undersea Research Habitat Conservation NOAA Pass-through Subtotal	UAF 05-0143 USA-05050370	11.430 11.463	24,241 38,328 341,148
NOAA Total			475,333
Department of Commerce (DOC)			
DOC Direct ITA Special Projects Measurement and Engineering Research and Standards DOC Direct Subtotal		11.113 11.609	844,715 5,000 849,715
DOC Pass-through ITA Special Projects DOC Pass-through Subtotal	CLEMSON/Nat'l Textile Ctr	11.113	1,046,898 1,046,898
DOC Total			1,896,613

Description	Pass-through Entity/Pass-through Number	CFDA	Federal Expenditures
RESEARCH & DEVELOPMENT CLUSTER			
Department of Defense (DOD)			
DOD National Security Agency Direct			
HDTRA1-07-C-0063		12	5,001
USMC-M67854-06-15007		12	45,288
HDTRA1-07-1-0014		12	97,057
NSA-H98230-07-1-0224-BASIC		12	311,443
DOD National Security Agency Direct Subtotal			458,789
DOD National Security Agency Pass-through			
DARPA W31P4Q-05-C-0307	GPD OPTOELECTRONICS2	12	159,761
MDA904-03-G-0004	CTC-060400164	12	371,586
MDA972-03-C-0010	MRC-MOR-03-0001	12	4,564
DOD National Security Agency Pass-through Subtotal			535,911
DOD National Security Agency Total			994,700
DOD Army Direct			
ARMY-W911NF-07-1-0015		12.431	649,847
ARMY-W9113M-05-10014		12.630	25,513
DASG60-00-C0070-P		12	579,435
ARMY-W911QY-05-C0067		12	544,206
ARMY-W56HZV-05-C0686		12	1,328,480
ARMY-W912DY-06-20102		12	65,650
ARMY-W9132T-06-2-0023		12	19,723
ARMY-W31P4Q05CR1384AD FT BENNING-MIRP0770320002		12 12	1,009,907
ARMY-W911NF-07-2-0046		12	182,060 7,198
FT BENNING-MIPR0763320002		12	81,404
DOD Army Direct Subtotal		12	4,493,423
DOD Army Doos through			
DOD Army Pass-through Free Piston Stirling Engine Demo	GTS-PO# 03-1-157	12	(1)
W9113M-04-C-0082	KTI-PARK-ARMY	12	33,509
DAAB0703DC2130014	ALION SUB1170933RB-3	12	8,799
Air Warrior Protective Sys	S&ES INC-THOMAS/AIR WARRIOR PROTECT	12	13,649
W9113M-05-C-0204	SEMISOUTH LABS-1012	12	90,359
W9113M-05-C-0205	KYMA TECH/ARMY-W9113M-05-0205	12	129
USASMDC-W9113-06-C-0169	RADIANCE-06S-1575	12	27,085
W56HZV-05-C-0724	SAIC-4400123691	12	510,926
DAAE30-01-9-0800	BATTELLE-210457	12	24,443
W31P4Q-06-C-0055	ASI-MICRO GYROSCOPE-07B	12	27,829
W56HZV-04-C-0745	DCS CORP-20900-S22-TO# 2090X1	12	4,849
Military Medical Research and Development	TEES-5975KK1	12.420	(247)
W56HZV-06-C-0228	PURDUE-531-0827-01	12	31,927
W58RGZ-05-C-0001	MEMSense LLC-PO#959929	12	24,588
DOD Army Pass-through Subtotal			797,844
DOD Army Total			5,291,267

Description	Pass-through Entity/Pass-through Number	CFDA	Federal Expenditures
RESEARCH & DEVELOPMENT CLUSTER			
DOD Navy Direct Basic and Applied Scientific Research NAVY-N41756-01C7445B DOD Navy Direct Subtotal		12.300 12	503,706 (47,765) 455,941
DOD Navy Pass-through N00164-03-D-0013 Basic and Applied Scientific Research N00014-05-C-0412 DOD Navy Pass-through Subtotal DOD Navy Total	EG&G-PO# A15020201022 PURDUE-531-0590-01 GT-A-7916-S2	12 12.300 12	17,092 151,480 53,769 222,341 678,282
DOD Air Force Direct Air Force Defense Research Sciences Program AF-F08637-02-C-7020 DOD Air Force Direct Subtotal		12.800 12	195,674 57,915 253,589
DOD Air Force Pass-through F33615-02-D2299 Activated Thunder Cntrl Surface for Miniaturized Munitions Community Economic Adjustment DOD Air Force Pass-through Subtotal	UTC-04-S530-002401C2 QORTEK-BARRETT UMBC-CG0620	12 12 12.600	54,690 102 79,110 133,902
DOD Air Force Total			387,491
Department of Defense Total			7,351,740
United States Department of Interior (DOI)			
DOI Direct Fish and Wildlife Management Assistance Cooperative Endangered Species Conservation Fund Conservation Grants Private Stewardship for Imperiled Species State Wildlife Grants Assistance to State Water Resources Research Institutes Earthquake Hazards Reduction Program U.S. Geological Survey_ Research and Data Collection National Cooperative Geologic Mapping Program Cooperative Research Units Program National Park Service BLM-GDA040025 USDA-687482239-MOD 28 DOI Direct Subtotal		15.608 15.615 15.632 15.634 15.805 15.807 15.808 15.810 15.812 15	4,919 7,547 14,342 895 58,726 1,181 234,887 11,116 205,773 54,204 61,282 3,991 658,863
DOI Pass-through Sport Fish Restoration  Wildlife Restoration  Cooperative Endangered Species Conservation Fund Landowner Incentive State Wildlife Grants AL Coop Fisheries Unit Sport Fish Restoration Wildlife Restoration	ADCNR/CFISH-WILSON;BASS-MOBILE; BASS-SMITH;CFISH,SPORTFISH ADCNR/HUNTING SURVEY ADCNR/CRYSTAL DARTER ADCNRRH SALAMANDER;EAST GULF COAST ADCNR/VETEBRATES;WOODPECKER;HERPET FADCNR Fisheries Operation TWRA/GRIZZLE;FISH DISEASE GA DNR-SUNFISH	15.605 15.611 15.615 15.633 15.634 15 15.605 15.611	415,502 8,000 4,842 152,316 291,057 33,472 3,594 22,551

Description	Pass-through Entity/Pass-through Number	CFDA	Federal Expenditures
RESEARCH & DEVELOPMENT CLUSTER			
Cooperative Endangered Species Conservation Fund State Wildlife Grants State Wildlife Grants Fish and Wildlife Management Assistance Fish, Wildlife, and Parks Programs on Indian Lands DOI Pass-through Subtotal	TEDEC/HARPERS UMBRELLA KY Dept of Fish & Wildlife/EGCPJV TNC ALCO/11/01/06-01;10/01/05-02 NFWF/2006-0106-014;2004-0162-000FED POARCH INDIANS-RECOVERY PROJ	15.615 15.634 15.634 15.608 15.039	6,216 30,764 43,522 21,781 51,298 1,084,915
DOI Total			1,743,778
Department of Justice (DOJ)			
DOJ Direct Edward Byrne Memorial Formula Grant Program DOJ Direct Subtotal		16.579	(5,346) (5,346)
DOJ Pass-through Dept of Justice	National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	128,739
DOJ Pass-through Subtotal			128,739
DOJ Total			123,393
Department of the State (STATE) STATE Pass-through Program for Study of Eastern Europe and the Independent States of the Former Soviet Union STATE Subtotal	William Davidson Institute	19.300	2,598 2,598
STATE Total			2,598
United States Department of Transportation (USDOT)			
USDOT Direct Aviation Research Grants Air Transportation Centers of Excellence Highway Planning and Construction DTFH61-05-P-00317 FAA COE 04-C-ACE-AU7 DTFH61-01-X00057-351 USDOT Direct Subtotal		20.108 20.109 20.205 20 20	1,169,697 18,061 26,554 254,618 1,842,249 511,574 3,822,753
USDOT Pass-through Pavement Test Track Multi-State Pooled Fund Repair Cracked Prestressed Concrete Girders Use of SCC in Prestressed Concrete Girders Gen Agrmt 02-312 Gen Agrmt 02-313 Temporary Traffic Control Courses Eval Horiz Cracking in Bridge Decks Stone Skeleton Mix Phase II & III Gen Agrmt 06-0636 EFA Testing of Cohesive Soils & Scour Est. Reviews & Eval of ALDOT's Liquidated Damages Prov Eval Benefits of AL Service & Assist Patrol	AL DOT-930-595 AL DOT-930-601 AL DOT-930-602 AL DOT 930-615P AL DOT-930-622 AL DOT-774 TEMP TRAF AL DOT-930-645 AL DOT-930-631 AL DOT-930-637P TPF-5(124)-OP AL DOT-930-644 AL DOT-930-646 AL DOT-930-635	20 20 20 20 20 20 20 20 20 20 20 20	(19,312) 23,931 107,758 10,220 2,584 (26) 70,312 4,663 2,068,475 39,444 29,230 45,585

Description	Pass-through Entity/Pass-through Number	CFDA	Federal Expenditures
RESEARCH & DEVELOPMENT CLUSTER			
Managing Environmental Prob at Construction Sites Stability of Highway Bridge Subject to Scour-Phase III Phase III Test Track Construction Hurricane Surge Wave Forces on Bridge Superstructure Guidance for M-E Pavement Design Implementation Optimal Virgin Binder Selection for RAP Mixes Eval Concrete on BB Comer Bridge Veg Mgmt for ALA Highway Right of Way National Motor Carrier Safety Effectiveness of Anti-Strip Agents in HMA Mix Aviation Research Grants Nat'l Academy of Sciences	AL DOT-930-655 AL DOT-930-674 AL DOT-Test Track Const AL DOT-930-687 AL DOT-930-685 AL DOT-KVASNAK AL DOT-930-688S AL DOT-930-678 AI Dept of Public Safety/AERODYNAMIC DRAFT Georgia Dept of Trans/2037;2035;06-21;06-23 BURNS COOLEY DENNIS/06-AAPT-208105 ARA-ERES-16138	20 20 20 20 20 20 20 20 20 20 20 20,218 20 20,108	57,503 99,784 2,277,947 56,076 8,693 1,048 52,728 13,394 7,688 131,311 12,790 8,855
Neutron Time  Local Calibration Guide for M-E Design of Pavement Struct Instrumentation Data Services Advanced Quality Systems Hot Mix Asphalt Construct Trng University Transportation Centers Program Highway Training and Education University Transportation Centers Tracking performance of HMA in Texas Manual-Emulsion Based Chip Seals Pavement Preservation Improve Lateral Resistance of Pile Fdn DOT-6200-099 Mixing & Compaction Temp Asphalt FAA USDOT Pass-through Subtotal	TENSOR TECH-NEUTRON/ TSA-HSTS-04-C-RED956 ARA-PROJECT #16843 ARA-PROJ #17207 ARA-PROJ# 17214 ARA PROJ# 15612-TV-TRAV USRA-3484-1 UN TX-UTA04-025 UA-SA0708209 UN TX-UTA06-035 CSU-G-1099-1 BYU-06-0201 NAS-HR 09-38 NAS-HR-09-39 Aviation Research Grants	20 20 20 20 20 20.701 20.215 20.760 20 20 20 20 20 20 20	22,451 (8) 22,761 3,841 38,259 (3,158) 41,889 9,946 19,752 32,175 34,515 143,809 161,690 192,710 5,831,313
Appalachian Regional Commission (ARC)			
ARC Direct Appalachian Regional Development ARC Subtotal	ARC-AL-14638C3-06	23.001	74,574 74,574
ARC Total			74,574
Securities and Exchange Commission (SEA)			
SEA Direct US Securities and Exchange Board SEA Subtotal	IPA MCCLELLAND	58	(21,716) (21,716)
SEA Total			(21,716)
Environmental Protection Agency (EPA)  EPA Direct Surveys, Studies, Investigations, Demonstrations and Special			
Purpose Activities Relating to the Clean Air Act Office of Water Regional Wetland Program Development Grants Assessment and Watershed Protection Program Grants Science To Achieve Results (STAR) Research Program Science To Achieve Results (STAR) Fellowship Program		66.034 66.215 66.461 66.480 66.509 66.514	64,473 69,219 73,867 4,521 67,738 14,712

Description	Pass-through Entity/Pass-through Number	CFDA	Federal Expenditures
RESEARCH & DEVELOPMENT CLUSTER			
Greater Opportunities: Research Program Surveys, Studies, Investigations, Training Demonstrations and		66.515	86,590
Educational Outreach EPA Direct Subtotal		66.716	61,900 443,020
EPA Pass-through Water Pollution Control State, Interstate, and Tribal Prog. Support Nonpoint Source Implementation Grants	ADEM/C70591009 ADEM/C70591022;C60590025;C50599038	66.419 66.460	3,643 115,809
Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act Science To Achieve Results (STAR) Research Program EPA Pass-through Subtotal	UN MN/R3969069101 GA TECH/G-35-C36G1	66.034 66.509	4,003 52,062 175,517
EPA Total			618,537
United States Agency for International Development (USAID)			
USAID Direct AID-617-A00050000300 UDAID Direct Subtotal		98	604,068 604,068
USAID Pass-through Pond Soil Characteristics & Dynamics CRSP Peanut CRSP USAID Pass-through Subtotal	OSU-RD010A-07 UGA-RC710013/4092074	98 98	149,339 145,860 295,199
USAID Total			899,267
Tennessee Valley Authority			
Tennessee Valley Authority Direct TVA-TV-92179V Tennessee Valley Authority Direct Subtotal		62.RD	12,256 12,256
Tennessee Valley Authority Total			12,256
United States Department of Energy (DOE)			
DOE Direct Office of Science Financial Assistance Program University Coal Research Renewable Energy Research and Development DE FG02-00ER54610 DOE Direct Subtotal		81.049 81.057 81.087 81	1,158,007 25,328 304,793 484,056 1,972,184
DOE Pass-through State Energy Program State Energy Program Special Projects Renewable Energy Research and Development DE-AC09-99SR18950 Numerical Error in Turbulence Simulations Novel Soil Amendments Strategies	ADECA/1STR07 TX 01 ADECA/1SSEB06BIOFUELS PUREVISION TECH/BIOREFINERIES WACKENHUT-A1872 SANDIA-PECASE-ROY UT-B-4000010718-B	81.041 81.119 81.087 81 81	1,715 7,500 (1,840) (59,494) 35,366 289,197

Description	Pass-through Entity/Pass-through Number	CFDA	Federal Expenditures
RESEARCH & DEVELOPMENT CLUSTER			
Office of Science Financial Assistance Program Office of Science Financial Assistance Program Office of Science Financial Assistance Program Renewable Energy Research and Development Fossil Energy Research and Development US DOE W-31-109-ENG38 DEAC3699G010337 DEAC05-000R22725  DOE Pass-through Subtotal	AWWARF/PFA 4057;3076 UAT/04-054-BP2 DUKE UN/07-SC-NICCR1016 DARTMOUTH/500572.5000 UKRF/46630-03-130;469001-05-502 UN CHCGO- ANL-5F00528 NREL-ACO-5-44048-01;ADZ1-31084-01 UT-B-4000059060-BS;400038262-DOE; 400059060-FWS	81.049 81.049 81.049 81.087 81.089 81 81	112,978 (14,405) 57,111 78,133 228,502 60,000 1,735 70,952 867,450
DOE Total			
DOE Total  Department of Homeland Security (DHS)  DHS Pass-through  HSTS04-05-C-RED391  Canine Standards Coordination  DHS Subtotal	TENSOR TECH-WILLIAMS/CONTRABAND DETECTION UT-B-4000062844	97 97	2,839,634 14,267 172 14,439
DHS Total			14,439
RESEARCH AND DEVELOPMENT CLUSTER TOTAL			52,153,663
			52,155,065
STUDENT FINANCIAL AID CLUSTER  United States Department of Education (ED)  ED Direct Federal Supplemental Educational Opport Grants Federal Work-Study Program Federal Pell Grant Program Academic Competitiveness Grants		84.007 84.033 84.063 84.375	1,284,155 1,145,344 11,389,503 430,081
Science and Mathematics Access to Retain Talent (SMART) Grants ED Direct Subtotal		84.376	554,051 14,803,134
STUDENT FINANCIAL AID CLUSTER TOTAL			14,803,134
COOPERATIVE EXTENSION PROGRAM			
US DEPARTMENT of AGRICULTURE Cooperative Extension Program		10.500	10,950,246
COOPERATIVE EXTENSION PROGRAM TOTAL			10,950,246
TRANSPORTATION TECHNOLOGY BUILDING CONSTRUCTION			
DEPARTMENT of TRANSPORTATION FHWA-AUCTT(1)	Highway Planning and Construction	20.205	13,339,458
TRANSPORTATION TECHNOLOGY BUILDING CONSTRUCTION TOT	AL		13,339,458
OTHER PROGRAMS			
National Science Foundation (NSF)			
NSF Direct Engineering Grants Mathematical and Physical Sciences		47.041 47.049	51,425 2,089,765

Description	Pass-through Entity/Pass-through Number	CFDA	Federal Expenditures
OTHER PROGRAMS			
Biological Sciences		47.074	1,544
Social, Behavioral, and Economic Sciences		47.075	158,295
NSF - Mathematical and Physical Sciences		47.049	(100)
Education and Human Resources NSF Direct Subtotal		47.076	744,097 3,045,026
NSF Pass-through			
Education and Human Resources	UAB-LSAMP/NSF HRD06032359	47.076	23,290
NSF Pass-through Subtotal			23,290
NSF Total			3,068,316
National Aeronautics and Space Administration (NASA) NASA Pass-through			
SE Reg Technology Trans Ctr	GA TECH-N-20-633-S10	43	336
NASA Pass-through Subtotal			336
NASA Total			336
National Endowment for the Humanities (NEH)			
NEH Pass-through			
Promotion of the Arts Grants to Organizations and Individuals	ASCA/FY2005-0300;FY2006	45.004	2 225
Promotion of the Arts Partnership Agreements	-13923FY2007-15152;14606; FY06-13961 ASCA/FY2007-14629;14517;14521;14719	45.024 45.025	9,365 30,301
Grants to States	APLS/07-12-2;07-12-3;06-12-2	45.310	20,111
Promotion of the Humanities Federal/State Partnership	AHF/0306-1800PD;0606-1804MN;0906-1817PD; 0307-1845PD	45.129	12 072
NEH Pass-through Subtotal	0507-1045PD	45.129	13,873 73,650
NEH Total			73,650
United States Department of Education (ED)			
ED Direct TRIO Student Support Services		84.042	106,385
Rehabilitation Long-Term Training		84.129	638,130
Business and International Education Projects		84.153	2,124
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities		84.325	321,889
Special Education Technical Assistance and Dissemination to		84.326	1,262,900
Improve Services and Results for Children with Disabilities National Bioterrorism Hospital Preparedness Program		93.889	64,420
ED Direct Subtotal			2,395,848
ED Pass-through			
Leveraging Educational Assistance Partnership National Institute on Disability and Rehabilitation Research	AL Commission of Higher Ed/LEAP 2007	84.069 84.133	48,000
Special Education Grants to States	Georgia Institute of Tech./K-10-827-G29 AL DOE/C5U0112;C5U0113;C6U0124;C700072; C700071	84.027	13 8,097
Vocational Ed-Basic Grant to States	AL DOE/U600120;U700152	84.048	3,798
Twenty-First Century Community Learning Centers	AL DOE/C7U0176;C6000324;HELPING HAND	84.287	348,174
Special Education - State Personnel Development	AL DOE/C600179	84.323	7,772
Reading First State Grants	AL DOE/READING COACH	84.357	58,227
Mathematics and Science Partnerships	AL DOE/U700202	84.366	336,663
Improving Teacher Quality State Grants Safe and Drug-Free Schools and Communities State Grants	AL DOE/LEARN ADECA/04-GV-CB-022;05-GV-CB-015	84.367 84.186	52,104 (1,365)
Said and Drag 1100 Donools and Communities State Chants	1.5251007 GV GD 022,00-0V-0D-010	07.100	(1,303)

Description	Pass-through Entity/Pass-through Number	CFDA	Federal Expenditures
OTHER PROGRAMS			
Improving Teacher Quality State Grants Rehabilitation Services Vocational Rehabilitation Grants to States Twenty-First Century Community Learning Centers Research in Special Education Conduct Nat Writing Proj - UC Berkley Fund for the Improvement of Postsecondary Education Fund for the Improvement of Postsecondary Education Twenty-First Century Community Learning Centers	AL Comm. On Higher Ed/NCLB AL DRS-AE5087UN01 WILCOX CO BD ED-DR CLARKE CO BD OF ED FAYETTE CO BD ED CHOCTAW CO-SOUTHERN BREWTON CITY SCH Auburn City Schools/LTP-07 NWPC-92-AL02 UGA-RH769-0038920787 IU-PO# 10509-0141 UAT/06-064;05-056	84.367 84.126 84.287 84.287 84.287 84.287 84.324 84 84.116 84.116 84.287	44,324 185 4,889 43,518 7,574 9,996 65,415 28,328 45,810 11,186 57,746 25,473
ED Pass-through Subtotal			1,205,927
ED Total			3,601,775
Department of Health and Human Services (DHHS)  DHHS Pass-through Substance Abuse and Mental Health Services Projects of Regional			
and National Significance Substance Abuse and Mental Health Services Projects of Regional	ADECA-03-SG-PV-003	93.243	(131,737)
and National Significance Developmental Disabilities Basic Support and Advocacy Grants	ADMHMR-INCENTIVE GRANT/06;07 ADMHMR-SIMPSON/FUN W FRIENDS	93.243 93.630	297,062 710
Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities Child Support Enforcement Demonstrations and Special Projects Healthy Marriage Promotion and Responsible Fatherhood Grants Abstinence Education Program	AL DMHMR/AB-DD PROG;G7433338 Children's Trust Fund/CBCAP2006-101 Children's Trust Fund/HMI-FRC07-101 ADPH/C60114039;C7011940;C50113058; C60114040:C70119041	93.768 93.601 93.086	69,732 (3,426) 68,321 155,470
Universal Newborn Hearing Screening Foster Care Title IV-E Assistance Programs for Chronic Disease Prevention and Control NIH-N02C001241 DHHS NYSPF AT AUBURN Head Start Native American Programs DHHS Pass-through Subtotal	Al Dept of Public Health/C60114135 UAT-06-022 UAB/COMMUNITY HEALTH UKRF/4-63347-04-227 NYSPF/05-1009 EACAC-SERVICE AGREEMENT POARCH INDIANS-STRATEGIC PLAN	93.251 93.658 93.945 93 93 93.600 93.612	8,148 4,748 7,743 (263) 4,462 3,279 24,186 508,435
DHHS Total			508,435
United States Department of Agriculture (USDA)			
USDA Direct Agricultural Research Basic and Applied Research Plant and Animal Disease, Pest Control, and Animal Care Agricultural and Rural Economic Research Higher Education Challenge Grants Integrated Programs Forestry Research Cooperative Forestry Assistance Rural Business Enterprise Grants Cooperative Forestry Assistance Scientific Cooperation and Research		10.001 10.025 10.250 10.217 10.303 10.652 10.664 10.769 10.961 10.962	2,356 46,187 (40) 39,436 (10,711) 36,248 402,084 (1,313) 38,893 13,625

Description	Pass-through Entity/Pass-through Number	CFDA	Federal Expenditures
OTHER PROGRAMS			
FS-05-DG11083150020A USDA-53-6395-3-C004 Summer Food Service Program for Children USDA Direct Subtotal		10 12 10.559	781,753 (159) (2,164) 1,346,195
USDA Pass-through State Administrative Expenses for Child Nutrition State Administrative Matching Grants for Food Stamp Program Plant and Animal Disease, Pest Control, and Animal Care 4H Outdoor Classroom Project Integrated Programs Commodity Partnership for Risk Mgmt Ed Cooperative Extension Program	AL DOE/U6U0367 AL DHR/FOOD STAMP PROG ADAI-SOYBEAN RUST-ED WINSTON COUNTY COMMIS UGA/RE353-1687605484 CU/97475572072095025 CU/87275572152004449 TX A&M/TCE 450006;TCE 622132 PSU/3137-AU-NCSU0457 TX A&M/TCE 622142 UGA/RE675-114-3505248 UF-IFAS /00064379 UN NE/26-63650001306;25-6365-0020-146; 26-6365-0001-320 NCSU/2006-0457-15;-14;2007-0376-03 NATL 4H COUNCILSET PROG	10.560 10.561 10.025 10 10.303 10.457 10.500 10.500 10.500 10.500 10.500 10.500 10.500 10.500	51 2,223,907 (463) 2,126 (196) 9,205 (67) 46,535 (390) 7,697 14,998 66,027
Market Access Program USDA Pass-through Subtotal USDA Total	USSEC/F06GX35514;F06GX15503	10.601	8,416 2,550,407 3,896,602
Department of Commerce (DOC)			
DOC Direct Congressionally Identified Awards and Projects DOC Direct Subtotal		11.469	76,159 76,159
DOC Pass-through Coastal Zone Management Administration Awards  Sea Grant Support Environmental Sciences, Applications, Data, and Education Economic Development Technical Assistance Manufacturing Extension Partnership Investments for Public Works and Economic Development Facilities DOC Pass-through Subtotal	ADCNR/AUMERCCZM306051; AUMERCCZM306071 USM/GR02638;GR02639 UAH/2007-010 EDA/04-66-05254-02;04-66-05759; ATN/MANUFACT. EXTENS PROJ UAT-07-013/RECOVERY FROM KATRINA	11.419 11.417 11.440 11.303 11.611 11.300	5,382 125,907 97,236 154,833 201,371 18,988 603,717
DOC Total			679,876
Department of Defense (DOD)			
DOD National Security Agency Direct HHM402-07-P-0035 DOD National Security Agency Direct Subtotal National Security Agency Subtotal		12	205,563 205,563 205,563

Description	Pass-through Entity/Pass-through Number	CFDA	Federal Expenditures
OTHER PROGRAMS			
DOD Army Direct FT RUCKER-FAM PROG07 Army Direct Subtotal		12	255,989 255,989
Army Subtotal			255,989
DOD US Marine Corp Pass-through USMC-M00264-04-D-0005-0002 DOD US Marine Corp Pass-through Subtotal	PIPS/IMPROVISED EXPLOSIVE DETECT DEVICE	12	827,422 827,422
DOD US Marine Corp Subtotal			827,422
DOD Air Force Direct AWC-IPA-SEROKA-08 DOD Air Force Direct Subtotal		12	88,214 88,214
DOD Air Force Pass-through Air Force Defense Research Sciences Program DOD Air Force Pass-through Subtotal	HQ SSG/AQ	12.800	65 65
DOD Air Force Subtotal			88,279
DOD Total			1,377,253
United States Department of the Interior (DOI)			
DOI Direct Fish and Wildlife Management Assistance Conservation Grants Private Stewardship for Imperiled Species DOI Direct Subtotal		15.608 15.632	57,606 19,507 77,113
DOI Pass-through State Wildlife Grants U.S. Geological Survey_ Research and Data Collection DOI Pass-through Subtotal	ALSWC-LONGLEAF AVI/AV03-AL01	15.634 15.808	13,117 79,052 92,169
DOI Total			169,282
Department of Justice (DOJ) DOJ Pass-through Juvenile Accountability Incentive Block Grants Edward Byrne Memorial Formula Grant Program DOJ Subtotal	UAT/06-042;07-018;05-041 ADECA/03DB-04-002;05-DJ-03-001	16.523 16.579	58,722 77,395 136,117
DOJ Total			136,117
Department of the State (STATE) STATE Pass-through International Education Training and Research STATE Subtotal	VIETNAM-TRAXLER	19.430	19,144 19,144
STATE Total			19,144

Description	Pass-through Entity/Pass-through Number	CFDA	Federal Expenditures
OTHER PROGRAMS			
United States Department of Transportation (DOT) DOT Direct Public Transportation Research DOT Direct Subtotal		20.514	109,210 109,210
DOT Pass-through Tech Transfer for Local Transportation Agc in Al Airport Improvement Program Runway Construction Recreational Trails Program DOT Pass-through Subtotal	AL DOT 930-677 AL DOT/SITE PREP-APRON & TAXIWAY AL DOT/RUNWAY 36 ADECA-LR20-06	20 20.106 20 20.219	256,427 909,540 17,000 35,147 1,218,114
DOT Total			1,327,324
Appalachian Regional Commission (ARC) ARC Direct ARC-AL-14702-C1-06 ARC Direct Subtotal		23.000	159,763 159,763
ARC Pass-through Appalachian Area Development ARC Subtotal	Alabama Development Office/GM351004	23.009	1,950 1,950
ARC Total			161,713
Library of Congress (LC) LC Pass-through NDIIPP:Metaarchive- So Cul LC Subtotal	EMORY-NDIIPP529915C1	42	4,770
LC Total			4,770
Small Business Administration (SBA)			
SBA Pass-through SBAHQ-06-I-0144 Small Business Development Center SBA Pass-through Subtotal	AHF-ENCYCLOPEDIA OF AL UAB/SBA2006-2007	59.000 59.037	221,521 69,947 291,468
SBA Total			291,468
Environmental Protection Agency (EPA)			
EPA Direct Regional Wetland Program Development Grants Science To Achieve Results (STAR) Fellowship Program Surveys, Studies, Investigations, Training Demos and Ed. Outreach EPA Direct Subtotal		66.461 66.514 66.716	11,467 8,528 29,056 49,051

Description	Pass-through Entity/Pass-through Number	CFDA	Federal Expenditures
OTHER PROGRAMS			
EPA Pass-through			
Nonpoint Source Implementation Grants	ADEM/C40598060	66.460	4,664
State Indoor Radon Grants	ADPH/C50113007;C60114022;C70119082	66.032	237,196
Lead Compliance Assistance	UGA/RE353144/5055647;RE353131-2002497; RE353144:5055647	66	37,794
EPA Pass-through Subtotal	NE333144,0033047	00	279,654
EPA Total			328,705
United States Department of Energy (DOE)			
DOE Pass-through			
State Energy Program	ADECA/1SEP06DOE02;1EXSEP07 03;02	81.041	64,759
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Tech Analysis/Assist.	ADECA/1DOE06 OMNI 01	81.117	(630)
DE-AC05-76L01830	BATTELLE/23213	81	(4,549)
DE-AC09-99ST18950	WACKENHUT/PO 42088	81	30,050
DOE Pass-through Subtotal			89,630
DOE Total			89,630
Department of Homeland Security (DHS)			
DHS Pass-through			
State and Local Homeland Security Exercise Support	Calhoun County EMA	97.006	51,364
DHS Subtotal			51,364
DHS Total			51,364
OTHER PROGRAMS TOTAL			15,785,760
TOTAL EXPENDITURES OF FEDERAL AWARDS			107,032,261

			ch and		Student Financial		Cooperative Extension		ansportation Technology		Other				
Federal Agency	Direct	Development  Direct Pass-through		h	Aid Direct		Program Direct		Building Direct		Programs Direct Pass-thro			Total	
A gang of an International															
Agency for International  Development	\$ 604.0	68	\$ 295,19	۵									\$	899,267	
Agriculture: Appropriations	4,749,3		ψ 295,13	3		\$	8,489,534						Ψ	13,238,906	
Specific Awards	5,476,7		820,32	1		Ψ	2,460,712			Ф	1,346,195	\$ 2,550,407		12,654,364	
Appalachian Regional	3,470,7	23	020,32	1			2,400,712			Ψ	1,540,135	φ 2,330,407		12,034,304	
Commission	74,5	7/									159,763	1,950		236,287	
Department of Commerce	983.9		1,388,04	6							76,159	603,717		3,051,822	
Department of Defense	5,661,7		1,689,99								549,766	827,487		8,728,993	
Department of Education	154,2		47,22		\$ 14,803,134						2,395,848	1,205,927		18,606,347	
Department of Energy	1,972,1		867,45		Ψ 14,000,104						2,000,040	89,630		2,929,264	
Environ. Protection Agency	443,0		175,51								49,051	279,654		947,242	
Department of Health	443,0	20	173,31	,							49,001	219,004		347,242	
& Human Services	3,450,8	61	2,774,58	7								508,435		6,733,883	
Department of Homeland	3,430,0	01	2,774,50	'								500,455		0,733,003	
Security Admin			14,43	a								51,364		65,803	
Department of Interior	658,8	63	1,084,91								77,113	92,169		1,913,060	
Department of Justice	(5,3		128,73								77,110	136,117		259,510	
Library of Congress	(0,0	10)	120,70	3								4,770		4,770	
National Aeronautic and Space												4,110		4,770	
Administration	1,668,0	38	1,231,89	3								336		2,900,267	
National Endowment for Humanities	1,000,0	00	1,201,00	J								73,650		73,650	
National Science Foundation	4,793,2	na na	1,302,70	4							3,045,026	23,290		9,164,228	
Securities & Exchange Commission	(21,7		1,002,70	•							0,010,020	20,200		(21,716)	
Small Business Administration	(21,7	.0)										291,468		291,468	
Department of State			2,59	8								19,144		21,742	
Tennessee Valley Authority	12,2	56	2,00	•								10,144		12,256	
Department of Transportation	3,822,7		5,831,31	3				\$	13,339,458		109,210	1,218,114		24,320,848	
Total	\$ 34,498,7		\$ 17,654,94		\$ 14,803,134	\$	10,950,246	\$	13,339,458	\$	7,808,131	\$ 7,977,629	\$	107,032,261	

## 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and Schedule of Expenditures of Federal Awards by Agency (the Schedules) summarize the federal expenditures of Auburn University (the University) under programs of the federal government for the year ended September 30, 2007. The amounts reported as federal expenditures were obtained from the University's general ledger. Because the Schedules present only a selected portion of the operations of the University, they are not intended to and do not present the financial position, changes in net assets, and cash flows of the University.

For purposes of the Schedules, federal awards include all grants, contracts, and similar agreements entered into directly between the University and agencies and departments of the federal government, federal appropriations to land grant universities and all subawards made to the University by nonfederal organizations pursuant to federal grants, contracts, and similar agreements. The University's program categories include the following:

## A. Research and Development

The research and development cluster includes awards for research and development work primarily under grants with agencies and divisions of the Department of Agriculture, the Department of Defense, the National Aeronautics and Space Administration, the Department of Health and Human Services, Department of Transportation, Department of Energy, and the National Science Foundation.

## B. Student Financial Aid

The student financial aid cluster includes certain awards to provide financial assistance to students, primarily under the Federal Work-Study (FWS), Federal Pell Grant (Pell), and Federal Supplemental Educational Opportunity Grant (FSEOG) programs of the Department of Education. The University receives awards to make loans to eligible students under certain federal student loan programs, and federally guaranteed loans are issued to students of the University by various financial institutions.

## C. Other Programs

Other major programs include grants and contracts with the Department of Transportation (Transportation Technology Building), Cooperative Extension Program, and other programs from various agencies.

The University has obtained Catalog of Federal Domestic Assistance (CFDA) numbers when available. CFDA numbers for applicable programs have been appropriately listed by those programs. Certain contracts and grants are not assigned CFDA numbers and, therefore, CFDA numbers are not listed by these programs. Pass through entity numbers have also been included for pass through awards when available.

Negative expenditures represent adjustments to prior year reported expenditures for the University to reconcile and close the federal awards programs.

# **Subrecipients**

Certain funds are passed through to subrecipient organizations by the University. Expenditures incurred by the subrecipients and reimbursed by the University are included in the Schedules. The University provided \$9,564,351 of federal awards to subrecipients during the year ended September 30, 2007 as follows:

	Programs						
Agency	Cooperative R&D Extension		I	Non-Major	 Total		
Department of Agriculture Department of Commerce	\$	2,122,123 205,578	\$	10,978	\$	1,450,580	\$ 3,583,681 205,578
Department of Defense		520,872				45,884	566,756
Department of the Interior National Aeronautics and Space Administration		1,874,598 246,191				12,446	1,887,044 246,191
National Science Foundation Environmental Protection Agency		911,586 21,042					911,586 21,042
Department of Energy Department of Education		63,419 18.864				108.826	63,419 127.690
Department of Health and Human Services		1,810,702				(716)	1,809,986
Department of Homeland Security United States Agency for International Development		96,257				45,121	 45,121 96,257
	\$	7,891,232	\$	10,978	\$	1,662,141	\$ 9,564,351

## 2. Summary of Significant Accounting Policies

For purposes of the Schedules, expenditures for federal award programs are recognized on the accrual basis of accounting. Expenditures for federal student financial aid programs include Federal Pell program grants to students, the federal share of students' FSEOG program grants, and FWS program earnings and administrative cost allowances where applicable.

## 3. Facilities and Administrative Costs (F&A Costs)

The University operates under predetermined indirect cost rates, which were effective beginning October 1, 2004. The predetermined rates were based on fiscal year 2003 financial information. The base rate for on-campus research is 46%. Base rates for other indirect cost recoveries range from 40% to 50%.

# 4. Federal Student Loan Programs

#### **Direct Loan Programs**

The Federal Perkins Loan Program (Perkins) and the Health Professional Student Loan Program (HPSL) are administered directly by the University and balances and transactions relating to these programs are included in the University's basic financial statements.

The balances of loans outstanding at September 30, 2007, and funds advanced by the University to eligible students during the year ended September 30, 2007, under the Federal student loan programs can be summarized as follows:

	(CI	Perkins FDA #84.038)	HPSL (CFDA #93.342)		
Funds advanced to students during fiscal 2007	\$	3,611,202	\$	267,506	
Total loan balance outstanding, September 30, 2007	\$	16,111,744	\$	1,578,388	

## 5. Stafford Loans

The University is responsible only for the performance of certain administrative duties with respect to the Federal Stafford Loan program and, accordingly, balances and transactions relating to this loan program are not included in the University's basic financial statements. Therefore, it is not practical to determine the balance of these loans outstanding to students of the University at September 30, 2007.

During the year ended September 30, 2007, the University processed the following amount of new first year student loans under the Federal Stafford Loan Program:

CFDA#	Total 2007
Federal Stafford Loans 84.032	\$5,097,529

## 6. Administrative Cost Allowance

During the program year ended June 30, 2007, Auburn University charged \$10,590 to Federal Work-Study for administrative cost allowance. No administrative cost allowance was charged to the Federal Perkins Loan Program or FSEOG.

During the program year ended June 30, 2007, Auburn University at Montgomery charged \$32,278 and \$27,840 to the Federal Perkins Loan Program and Federal Work-Study, respectively, for administrative cost allowance.

Part II
Findings and Questioned Costs

# Section 1 - Summary of Auditors' Results

No matters were noted.

Financial Statements			
Type of auditors' report issued:		Unqualifie	d
Internal control over financial reporting:			
Material weakness(es) identified?		yes	X no
	ot considered to be material weaknesses?	yes	X none reported
Noncompliance material to financial s	tatements noted?	yes	X no
Federal Awards			
Internal control over major programs:			
Material weakness(es) identified?		yes	<b>X</b> no
Significant deficiency(ies) identified no	ot considered to be material weaknesses?	X yes	none reported
Type of auditors' report issued on comp Unqualified	oliance for major programs:		
Any audit findings disclosed that are rec	quired to be reported in accordance		
with Circular A-133, Section .510(a)?		X yes	no
Identification of major programs:			
CFDA Number(s)	Name of Federal Program or Cluster		
Various	Research and Development Cluster		
Various	Student Financial Aid Cluster		
10.500	Cooperative Extension Program		
20.205	USDOT - Transportation Technology Building		
Threshold used to determine Type A a	and Type B Programs:	\$ 3,000,	000
Auditee qualified as low-risk auditee?		<u>X</u> yes	no
Section II - Financial Statement Findi	ngs		

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2007

# Finding 2007-1: Equipment and Real Property Management

Federal Agency: a. Various

b. United States Department of Agriculture

Program: a. Research and Development Cluster

b. Cooperative Extension Program

CFDA#: a. Various

b. 10.500

Award #: a. Various

b. Various

Award year a. Various

b. Various

Pass-through: a. Various

b. None

#### Criteria

OMB Circular A-110, Section\_\_.34(f)(1) states that equipment records shall be maintained accurately and shall include the following information:

- a. A description of the equipment.
- b. Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number.
- c. Source of the equipment, including the award number.
- d. Whether title vests in the recipient or the Federal Government.
- e. Acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost.
- f. Information from which one can calculate the percentage of Federal participation in the cost of the equipment (not applicable to equipment furnished by the Federal Government).
- g. Location and condition of the equipment and the date the information was reported.
- h. Unit acquisition cost.
- Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the Federal awarding agency for its share.

OMB Circular A-110, Section\_\_.34(f)(3) states that a physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.

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OMB Circular A-110, Section\_\_.34(f)(4) states that a control system shall be in effect to ensure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented; if the equipment was owned by the Federal Government, the recipient shall promptly notify the Federal awarding agency.

OMB Circular A-21, Section J(14)(g) states that charges for use allowances or depreciation must be supported by adequate property records, and physical inventories must be taken at least once every two years to ensure that the assets exist and are usable, used and needed.

#### Condition

As a result of a software conversion, the University is unable to provide a complete listing of all equipment purchased with federal funds. The funding source of existing equipment was not maintained when data was converted to the Banner accounting system ("Banner"). Currently, Banner only has the capability of identifying converted assets that are wholly-owned by a federal agency.

Per A-110, Section\_\_\_.34(f)(3), assets purchased with federal funds are required to be inventoried at least every two years. In order to meet this requirement, the University provides inventory count sheets to various departments on a quarterly basis to ensure that all equipment, both federal and non-federal, is inventoried at least once every two years. However, the due date for receipt of final counts is not enforced and discrepancies identified are not timely reconciled. In addition, individuals within the departments are responsible for performing the inventory and are not supervised by Property Services at the time of the counts.

We noted that evidence of performance of inventory procedures could not be provided for 6 of the 20 assets selected from the Banner detail of federally-owned equipment. This was the result of four departments that, as of April 2008, had not completed inventories for the two-year period ended September 30, 2007.

OMB Circular A-110, Section\_\_.34(f)(4) states that a control system shall be in effect to ensure adequate safeguards to prevent loss, damage, or theft of the equipment. Based on discussions with management, discrepancies identified during the inventory process are not reconciled timely. Property Services' policy is to allow equipment identified as missing, lost, stolen, damaged, etc. to remain on the general ledger for two consecutive inventories, or a full four years, before removal.

The cost of the six assets selected that were not inventoried was \$36,153. Due to the inability to identify all federally purchased equipment, we were unable to determine the federal awards impact; however, current year equipment expenditures per the Schedule are \$2,484,068.

#### Cause

Equipment purchased prior to the Banner accounting system was not properly converted during implementation to readily allow for identification of all equipment purchased with federal funds.

The current inventory policies and procedures make it difficult for the University to ensure that a complete inventory is performed once every two years.

## **Effect**

The lack of a complete listing of all federally funded equipment as of September 30, 2007, coupled with the current inventory procedures, makes it difficult to ensure appropriate safeguarding is in place or that federal agencies are promptly notified of any loss, damage, or theft of an asset. The inability to identify the funding source could result in specific agency requirements being overlooked.

In addition, both the inability to identify assets and current procedures make it difficult to ensure that proof of compliance with inventory requirements could be provided upon agency inquiry.

#### Recommendation

We recommend that the University implement processes and controls to ensure that they are reconciling the required information over all equipment, as stated in OMB A-110, Section \_\_\_.34(f)(1) and that these assets can be readily identified in the accounting system.

We also recommend that the University enhance its controls and monitoring surrounding the inventory process.

## Views of Responsible Officials/Management Response

We concur with the recommendations and we acknowledge that select inventory verifications were not completed in the scheduled two year cycle. Of the four departments identified by the auditors that were not inventoried timely, one was granted an exception by the previous director of Property Services because the department was moving into a new building. The four delinquent verifications were submitted to Property Services on June 23, 2008. The total net book value of the federally purchased equipment for these 4 departments was \$840,048 or 11% of the \$7,394,537 net book value of all University equipment purchased with federal funds. Total cost of all federally purchased equipment is \$26,018,661.

At the time of the audit we were unable to produce a complete listing of all federal purchased movable equipment due to implementation of our new finance system. We did have a complete list of Federal owned equipment. We have since been able to complete our analysis and the data update of federal agency attributes so we are now able to produce a report of all federal purchased equipment by agency.

Effective October 1, 2007, the responsibility for the department of Property Services was moved from Auxiliary Services to the Controller's Office, and a new director has been hired. Currently there are numerous changes going on in this area of reporting moveable equipment, and we are developing additional reports and implementing additional controls to meet the federal equipment reporting requirements in A-110.

# Finding 2007-2: Reporting

Federal Agency: United States Agency for International Development

Program: Research and Development

CFDA #: 98

Award #: 2/AID-617-A-000f0000300-SAF

Award Year: 5/16/05 - 9/16/08

## Criteria

22 CFR 145.52(a)(1)(iv) states that, "the Department shall require recipients to submit the SF-269 (an original and no more than two copies) no later than 30 days after the end of the specified reporting period for quarterly and semi-annual reports;" this is also reiterated in OMB Circular A-110, Subpart C, paragraph 51(b).

The grant agreement states that a Financial Status Report is to be submitted 30 days following the end of each quarter. This report should be completed using the form SF-269 and should include in detail both the financial status of the grant and expenditures using grant funds.

#### Condition

During our testing we noted 1 report out of a sample of 30 was not submitted timely. The SF-269 Financial Status Report for the Uganda Fisheries Investment for Sustainable Harvest Grant for quarter ended June 30, 2007 was submitted on October 22, 2007, which is beyond the 30-day deadline. Total expenditures as of September 30, 2007 for Uganda Fisheries Investment for Sustainable Harvest Grant per the Schedule were \$546,060.

#### **Questioned Costs**

None.

#### Cause

Based on discussions with Contracts and Grants Accounting, this report was drafted prior to the due date, but was inadvertently not submitted. At the time of preparing the following quarters' report, this was caught by Contracts and Grants Accounting and both reports were submitted simultaneously.

#### Effect

Filing reports beyond required deadlines hinders the ability of the Federal awarding agency to perform a timely review of the financial status and progress of awards.

#### Recommendation:

We recommend that the University implement controls procedures to ensure that reporting requirements are addressed on a timely basis.

## Views of Responsible Officials/Management Response

We acknowledge that one SF 269 report was not submitted within the prescribed timeframe. This was an oversight by one of our accountants. We have now established a secondary tickler file to note the dates of each report submission, so this late filing will not happen in the future.

# Finding 2007-3: Activities Allowed/Allowable Costs/Cost Principles - Payroll

Federal Agency: United States Department of Agriculture

Program: Cooperative Extension Program

CFDA #: 10.500 Award #: Various Award Year: Various

#### Criteria

OMB Circular A-21, Section J requires institutions of higher education to maintain activity reports that reflect the distribution of activity expended by each employee covered by the system. The reports reflect an after-the-fact reporting of the percentage of activity for each employee. Each report will account for 100% of the activity for which the employee is compensated. The report will reasonably reflect the percentage of activity applicable to each sponsored agreement, each indirect cost category, and each major function of the institution. The effort reporting system should be reconciled to the general ledger. After-the-fact effort reporting requires semi-annual certification; however, the University has established quarterly certification requirements.

Circular A-21 J .10 states that reports should reasonably reflect the activities for which employees are compensated by the institution. To confirm that the distribution of activity represents a reasonable estimate of the work performed by the employee during the period, the reports will be signed by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed.

University procedure is that effort reporting will be performed every quarter on an after-the-fact basis through the completion of Personnel Activity Reports ("PARs") and that Principle Investigators or an individual with first-hand knowledge of the work performed should certify the effort report with their signature, and return the certified reports to Alabama Cooperative Extension System Administrative Office.

#### Condition

During our testing we noted that PARs were not completed for 10 out of a sample of 55 employees selected for testing. University management informed PwC that an accounting system conversion error resulted in certain Cooperative Extension Program employees being omitted from PAR reports created for the first three quarters of the fiscal year. As part of the Banner software implementation, and during the first quarter of fiscal year 2007, a new fund type was created to account for Cooperative Extension federal appropriations. Inadvertently, this new fund type was not added to the criteria of the program responsible for generating quarterly PARs. As such, any employees who solely charged time to the newly established fund type did not receive a PAR. This system error was not corrected until the fourth quarter of the fiscal year. The impact by quarter of this error is as follows:

FY 2007 Quarter	Total Fund Type Payroll	PARs Originally Omitted	Employees Effected
October - December	\$831,189	\$530,421	118
January - March	\$841,650	\$658,537	127
April - June	\$1,316,526	\$949,402	182

Total payroll charges associated with this error were \$2,138,360. A total of 427 PARs were not generated over the three quarters. Upon learning of this error, in April 2007, management began the programming process necessary to initiate the PAR forms for each of the 427 employees that did not

#### Auburn University Schedule of Findings and Questioned Costs Year Ended September 30, 2007

certify effort during the first three quarters of fiscal 2007. As of the date of our Report of Independent Auditors on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133, 415 of the 427 PARs have been appropriately certified. Management continues to pursue the certification for the remaining 14 employees. Total expenditures, as reported on the Schedule, for the Cooperative Extension Program were \$10,950,246.

#### Cause

A system implementation error resulted in the omission of employees from the quarterly effort certification reports.

#### **Effect**

The University did not fully comply with federal laws and regulations or its own procedures regarding certification of effort. The lack of timely completion of effort reporting does not allow for necessary adjustments to be made to the general ledger or accurate reporting to federal agencies. Without an approval signature certifying effort, there is no evidence to validate either the time spent on the Program or the salary disbursements made from the Program.

#### Recommendation

We recommend that the University perform reviews each quarter to ensure PARs are generated for all employees with effort charged to federal awards. Additionally, we recommend that management ensure that established University policies and procedures are enforced in order to comply with the effort reporting and compensation requirements of OMB Circular A-21 and to meet the accountability requirements as established in federal regulations. This would include ensuring that all effort certifications are completed timely, are signed by the employee or by a responsible official having first-hand knowledge of the work performed, and are appropriately maintained in accordance with record retention requirements. The University should continue work to obtain the remaining 14 outstanding PARs and ensure that the impact on effort certification be considered when making future system changes.

#### **Views of Responsible Officials/Management Response**

We concur with the recommendations. Although this error occurred during system implementation and we do not believe it will be repeated, we consider it is imperative to ensure all personnel required to certify their effort receive their Personnel Activity Report (PAR) and appropriately certify their time. Therefore, we are in the process of implementing additional compensating controls. During fiscal year 2007, the Program Director of one of the programs funded by the federal appropriations noted the missing PARs. Upon notification, the central business office began our review to correct the problem. Of the 427 missing PARs, only 14 remain unverified as of June 24, 2008. We anticipate 100% verification by June 30, 2008.

In addition, the Alabama Cooperative Extension System has developed an email system to disburse the forms and have them completed and returned via email. This process creates a log file of all personnel who were sent a PAR. This log file is then used to document receipt and provides an efficient means of follow up on unverified PARs. This new system has shown a significant increase in the number of timely responses in 2008. We are testing this process in Alabama Cooperative Extension System and will work to implement it for University-wide PAR recipients later this year.

#### Auburn University Schedule of Findings and Questioned Costs Year Ended September 30, 2007

#### Finding 2007-4: Administrative Capability

Federal Agency: Department of Education Program: Student Financial Aid

CFDA #: 84.038, 93.342

Award #: Various Award Year: Various

#### Criteria

34 CFR 668.25(e)(1)(i)(A) states that, "an institution that participates in a Title IV, HEA program shall notify the Secretary within 10 days of the date that the institution enters into a new contract or significantly modifies an existing contract with a third-party servicer to administer any aspect of that program." This is also reiterated in Volume 2 of the Student Financial Aid Handbook.

#### Condition

The University entered into an agreement with Campus Partners on June 28, 2006. Effective October 1, 2006, Campus Partners is the third-party servicer of the University's Federal Perkins and Health Professional Student Loan Programs. The required letter of notification was submitted on April 24, 2008, which is beyond the ten-day deadline.

Federal Perkins Loans advanced to students during the 2006-07 award year were \$2,497,785, as reported in the Fiscal Operations Report and Application to Participate (FISAP).

#### **Questioned Costs**

None.

#### Cause

The University believed that it was the responsibility of Campus Partners to submit the notification to the Department of Education. Follow-up to ensure that Campus Partners complied with this compliance requirement was not performed.

#### **Effect**

Failure to notify the Department of Education could result in further inquiry of the University's agreement with Campus Partners.

#### Recommendation

We recommend that the University perform procedures to ensure that all requirements are addressed on a timely basis.

#### Views of Responsible Officials/Management Response

We concur with the recommendation. The complete reporting package was signed by our President on April 24, 2008, and mailed on April 25<sup>th</sup>. The Department of Education has since notified us of receipt of this information.

Status of Prior Year Findings and Questioned Costs For the Year Ended September 30, 2006

#### Auburn University Schedule of Findings and Questioned Costs Year Ended September 30, 2006

Reference	Program	Questioned Cost
06-1	Main Campus	NA
	Office of Sponsored Programs	
	Subrecipient Monitoring	

#### Condition

During testing of subrecipient monitoring, PwC noted two instances out of a sample of thirty in which the University could not evidence it had performed a required review of subrecipient single audits over federal awards. For each such occurrence, the applicable year's single audit report was not on file. As a result, PwC was unable to obtain evidence that the University had adequately monitored certain pass-through entities' ability to maintain compliance with regulations. Pass-through funds associated with these two entities were determined to be \$409,069.

#### Reference

OMB Circular A-133 (§\_\_\_.400 (d) (4)), OMB Circular A-110 (§\_\_\_.51 (a)).

#### Cause/Effect

Failure to determine that a subrecipient met audit requirements could result in pass-through of funds to an unqualified institution.

#### Recommendation

The University should monitor subrecipient activity to provide reasonable assurance that subrecipients administer federal awards in compliance with federal requirements. The University should ensure that its subrecipients obtain all required federal award audits and implement procedures to ensure that its subrecipients take prompt corrective action on any audit findings. Additionally, we recommend that the University maintain adequate documentation to support its review of subrecipient activity.

#### Management Response

We concur. We are changing our procedures to ensure that we utilize a tickler system to help us monitor and acquire the required documentation to meet federal guidelines.

#### **Corrective Action Plan Contact**

Martha M. Taylor, Assistant Vice President for Research Office of Sponsored Programs

#### Status

In 2007 a tickler system was used to help monitor subrecipient information. There was no repeat finding noted in 2007.

#### Auburn University Schedule of Findings and Questioned Costs Year Ended September 30, 2006

Reference Program Questioned Cost

06-2 Main Campus NA

Direct Costs - Service Centers

#### Condition

Established policies and procedures state that the Service Center Review Committee (the "Committee") must perform an annual review and approval of service center rates and also approve requests for rate changes during the year. The Committee consists of the Business Office, Office of Sponsored Programs and the applicable Dean's Office. PwC noted that the Office of Sponsored Programs does not perform an annual review or approve service center rates. PwC also noted that one of the five service centers selected for testing changed its recharge rates during the year and did not obtain Service Center Review Committee approval.

#### Reference

OMB Circular A-21, Part J (47)

#### Cause/Effect

Failure to obtain approval of direct cost rates can result in incorrect charges applied to federal awards.

#### Recommendation

PwC recommended that the University follow the established policies to ensure that all service centers obtain proper approval of direct charge rates on an annual or as needed basis.

#### **Management Response**

We concur. In the future, service center rate development worksheets will be signed and dated by each committee/office representative who is responsible for approving the new rate or for approving any rate changes that occur during the year. These approvals will be kept on file with the service center documents in the Controller's Office.

#### **Corrective Action Plan Contact**

Linda Pearce, Controller

#### **Status**

During 2007, all service center rate development worksheets were reviewed by the office of sponsored programs and their signature was obtained as verification of the review. Also in 2006, it was noted that one service center had changed its rate without notification to the central committee for approval. Both of these actions were corrected during 2007, and we did not have a repeat finding.



# AUBURN

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## 2007 Financial Report









Comprehensive Annual Financial Report For the year ended September 30, 2007

## AUBURN

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## 2007 Financial Report









# AUBURN UNIVERSITY

## 2007 Financial Report

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UNIVERSITY

## 2007 Financial Report

INTRODUCTORY SECTION



OFFICE OF THE PRESIDENT



January 21, 2008

Dear Members of the Auburn Community and Alabama Citizens:

This Annual Financial Report presented on the following pages briefly summarizes the University's financial position at September 30, 2007, and financial activity for the year then ended. I am pleased to note that the University has again finished the year in strong financial condition as the various information in the report demonstrates and is further supported by a recent bond rating upgrade by Standard and Poor's.

I have had the honor and pleasure of serving as President of Auburn University since July 2007. While only a short period of time and one that has been spent visiting our various colleges, departments, and offices throughout the State of Alabama, it has been adequate time to grow increasingly impressed with the quality of the institution and its great potential for the future.

Some of my observations include:

- Auburn University has been ranked in the top 50 public institutions for the past 15 years and is among the top 15 percent of colleges ranked by the Princeton Review.
- In recent surveys, more than 90 percent of our students and more than 95 percent of our alumni say that if they could start college over again, they would choose Auburn.
- A 2005 Harvard survey ranked Auburn University as one of the top six colleges and universities in the country as a place for young faculty to work, which has a lot to do with actively engaging students.
- Auburn University Draughon Library is the largest library in the state, with 2.9 million volumes. The library subscribes to 19,000 journals and 256 electronic databases.
- Our scholarship offerings are increasing significantly and will continue to be a high priority in the future.
- Our international presence is growing with increased study abroad programs with more than 800 students from around the world attending Auburn University and with 388 international faculty and scholars representing more than 40 nations.
- Our campus construction and building improvements have been substantial in recent years laying the foundation for serving our students and faculty for many years to come.

There are many examples of Auburn University's proud accomplishments. I believe, however, the future is even brighter. I am also pleased to share that we have a broad-based constituency helping to provide input and develop our strategic plan to guide the University in the upcoming years.

As we look to the future, we remain committed to moving the University to even greater heights and to serving the State of Alabama and its citizens by promoting economic growth by way of our quality programs and emphasis on access and diversity.

Sincerely,

Jay Gogue

107 Samford Hall, Auburn, Alabama 36849; Telephone: 334-844-4650; FAX: 334-844-6179

OFFICE OF THE PRESIDENT



January 21, 2008

The Comprehensive Annual Financial Report for Auburn University for 2007 provides comparative financial statements for the years ended September 30, 2007 and September 30, 2006. Governmental Accounting Standards Board (GASB) Statement No. 14 provides criteria for determining which related organizations should be reported as component units. GASB Statement No. 39 clarifies financial reporting requirements for those organizations as amendments to GASB Statement No. 14. Consequently, the Statements of Financial Position and Statements of Activities and Changes in Net Assets are presented for Auburn University Foundation, Auburn Alumni Association, and Tigers Unlimited Foundation. Management's Discussion and Analysis and the Notes to Financial Statements provide additional discussion and detail regarding the inclusion of these component units. The Auburn Research and Technology Foundation's and the Auburn Spirit Foundation for Scholarships' financial statements are not required to be disclosed, due to immateriality.

Management of Auburn University is responsible for the integrity and objectivity of the financial statements. Management believes that the University's highly developed system of internal accounting controls provides reasonable assurance that assets are protected and that transactions and events are properly recorded. The system of internal controls is maintained by establishment and communication of fiscal policies and procedures, careful selection of qualified financial staff, and an extensive program of internal audits and management reviews.

Sincerely,

Donald L. Large, Jr.

**Executive Vice President** 

Donald L. Loyel





UNIVERSITY

## 2007 Financial Report

FINANCIAL SECTION







PricewaterhouseCoopers LLP 1901 6th Ave. North Suite 1600 Birmingham AL 35203 Telephone (205) 252 8400 Facsimile (205) 252 7776

#### **Report of Independent Auditors**

To the Board of Trustees of Auburn University and the President of Auburn University:

In our opinion, based upon our audits and the reports of other auditors, the financial statements listed in the accompanying table of contents, which collectively comprise the financial statements of Auburn University (the "University"), a component unit of the State of Alabama, present fairly, in all material respects, the respective financial position of the University and its discretely presented component units at September 30, 2007 and 2006 (June 30, 2007 and 2006 for Tigers Unlimited Foundation), and the respective changes in financial position and cash flows (as applicable), of the University and its component units for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Auburn Alumni Association (the "Association") at September 30, 2007 and 2006 and for the years then ended. We did not audit the financial statements of the Auburn University Foundation (the "Foundation") at September 30, 2007 and for the year then ended. Each of those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, expressed herein, insofar as it relates to the amounts included for the Association and the Foundation, is based solely on the reports of other auditors. We conducted our audits of these statements in accordance with the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinions. The financial statements of the University's discretely presented component units were not audited in accordance with Government Auditing Standards.

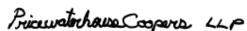
As discussed in Note 11 to the financial statements, on October 1, 2006, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 requires the University to recognize and match other postemployment benefit costs with related services received and disclose additional information.

The management's discussion and analysis and required supplemental information on pages 12 through 21 and pages 66 through 69 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The University has not presented the management's discussion and analysis for the year ended September 30, 2006, that accounting principles generally accepted in the United States of America require to supplement, although not to be part of, the basic financial statements.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The supplemental divisional financial statements as set forth on pages 56 through 63 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental divisional financial statements have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2008 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, for the year ended September 30, 2007. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.



# Auburn University

#### MANAGEMENT'S DISCUSSION AND ANALYSIS-

The following discussion and analysis provides an overview of the financial position and activities of Auburn University (the University) for the year ended September 30, 2007, with a comparison to the year ended September 30, 2006. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section. The financial statements, footnotes and this discussion are the responsibility of University management.

The University is a land grant institution and is classified by the Carnegie Foundation as "Doctoral/Research-Extensive," while Auburn University Montgomery (AUM) is classified as "Master's I." Fall 2007 enrollment included 29,261 total students at the main campus at Auburn and at AUM. The University offers a diverse range of degree programs in 12 colleges and schools and has approximately 5,117 full-time employees, including approximately 1,322 faculty members, who contribute to the University's mission of serving the citizens of the State of Alabama through its instructional, research and outreach programs.

#### **Using the Annual Report**

The University's financial report includes three financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities. GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that financial statements be presented on an entity-wide basis to focus on the University as a whole. All references to "2007," "2006," or another year refer to the fiscal year ended September 30, unless otherwise noted.

The University's financial statements are summarized as follows:

The Statement of Net Assets presents entity-wide assets, liabilities and net assets (assets minus liabilities) on the last day of the fiscal year. Distinctions are made in current and noncurrent assets and liabilities. Net assets are segregated into unrestricted, restricted (expendable and nonexpendable), and invested in capital, net of related debt. The University's net assets are one indicator of the University's financial health. An increase or decrease in net assets is an indicator of whether the overall financial condition has improved or worsened during the year.

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. GASB requires state appropriations, gifts and investment earnings to be classified as nonoperating revenues. As a result, the University will typically realize a significant operating loss. The utilization of capital assets is reflected in the Statement of Revenues, Expenses and Changes in Net Assets as depreciation expense, which reflects the amortization of the cost of an asset over its expected useful life.

The Statement of Cash Flows reports the major sources and uses of cash and reveals further information for assessing the University's ability to meet financial obligations as they become due. Inflows and outflows of cash are summarized by operating, noncapital financing, capital and related financing, and investing activities.

In addition to the University's financial statements, related component units' Statements of Financial Position and Statements of Activities and Changes in Net Assets have been included in this annual report. GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, provides criteria for determining which related organizations should be reported as component units based on the nature and significance of their relationship with the primary government, which is the University. GASB Statement No. 39 also clarifies financial reporting requirements for those organizations as amendments to GASB Statement No. 14, *The Financial Reporting Entity*. The University has identified these significant related organizations that are required to be reported as component units. The three component units of the University reported herein are:

- (1) Auburn University Foundation (AUF) AUF was organized on February 9, 1960, and is the fundraising foundation for the University. As of September 30, 2007, AUF holds approximately \$232 million in endowments and distributes earnings from those endowments to the University. AUF is incorporated as a legally separate, tax-exempt nonprofit organization established to solicit individual and corporate donations for the direct benefit of the University. AUF financial statements are presented according to the Financial Accounting Standards Board (FASB) Statement No. 117, Financial Statements of Not-for-Profit Organizations. FASB Statement No. 117 requires three classes of net assets to be reported: unrestricted, temporarily restricted and permanently restricted.
- (2) Tigers Unlimited Foundation (TUF) TUF is a legally separate nonprofit organization incorporated in December 2002, which began operations on April 21, 2004. TUF was organized exclusively for charitable purposes, pursuant to Sections 501(a) and 501(c)(3) of the Internal Revenue Code to support athletic fundraising and athletic programs. TUF presents its financial statements in accordance with FASB Statement No. 117 with a June 30 fiscal year end. TUF provides economic resources to the University for athletic scholarships, athletic building maintenance or new construction, and for athletic department programs.

(3) Auburn Alumni Association (the Association) - The Association is a nonprofit corporation organized on April 14, 1945, to promote mutually beneficial relationships between the University and its alumni, to encourage loyalty among alumni, and to undertake various other actions for the benefit of the University, its alumni and the State of Alabama. Membership is comprised of alumni, friends and students of the University. The Association's financial statements are presented in accordance with FASB Statement No. 117. The Association provides monetary support to the University in the form of faculty awards and student scholarships.

The University has two other related foundations: The Auburn Research and Technology Foundation and the Auburn Spirit Foundation for Scholarships. Due to immateriality, their statements are not presented as component units in these financial statements.

#### FINANCIAL HIGHLIGHTS

#### **Statement of Net Assets**

The University's financial position is strong at September 30, 2007 and 2006, with assets of \$1.6 billion and liabilities of \$526 million and assets of \$1.3 billion and liabilities of \$458 million, all respectively. The University experienced an increase in net assets of 18% in 2007. A summary of assets, liabilities and net assets as of September 30, 2007 and 2006, is as follows:

	2007	2006
Assets		
Current assets	\$ 208,111,161	\$ 164,376,716
Capital assets	757,360,225	688,311,759
Other noncurrent assets	595,779,272	481,736,433
Total assets	1,561,250,658	1,334,424,908
Liabilities		
Current liabilities	195,013,081	176,886,922
Noncurrent liabilities	330,697,951	281,081,129
Total liabilities	<u>525,711,032</u>	<u>457,968,051</u>
Net assets		
Invested in capital assets,		
net of related debt	476,479,089	438,559,234
Restricted-Nonexpendable	22,949,706	22,927,448
Restricted-Expendable	134,691,617	90,984,289
Unrestricted	401,419,214	323,985,886
Total net assets	\$ 1,035,539,626	\$ 876,456,857
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#### The University's Assets

Current assets consist of cash and cash equivalents, operating investments (those investments that are expected to be liquidated during the course of normal operations), net accounts receivable (primarily amounts due from the federal and state governments and other agencies as reimbursements for sponsored programs), net student accounts receivable (including amounts due from third parties on behalf of the students), current portion of loans receivable, accrued interest receivable, inventories, and prepaid expenses. These assets increased \$44 million from 2006 to 2007. This change was due in part to the need to hold more cash in readily available investment vehicles to meet current cash flow needs. The increase in liquidity is evidenced by an increase in the current ratio (current assets to current liabilities) from 93% in 2006 to 107% in 2007. The University had increases in accounts receivables due to pledges the University expects to receive cash payments for in fiscal years 2008 and 2009 as well as increases in contracts and grants receivables related to new projects during fiscal year 2007.

Capital assets generally represent the historical cost of land improvements, buildings, construction in progress, infrastructure, equipment, library books, livestock, less any accumulated depreciation, with buildings constituting over 65% of the total capital asset value. Capital assets, net of depreciation, shown as investment in plant, net on the Statement of Net Assets increased 10% from 2006 to 2007. The increase was mainly due to the completion and capitalization of the following construction projects in fiscal year 2007 totaling \$59 million:

Shelby Transportation Technology Center Phase 1	\$ 43.9 million
Chilled Water Plant	\$ 4.1 million
Golf Teaching Facility	\$ 1.8 million
Jordan-Hare Stadium Concourse	\$ 1.8 million
Small Projects Total	\$ 7.4 million

#### The University's Liabilities

Current liabilities consist of accounts payable, the current portion of compensation related liabilities, advances, accrued interest payable, student and other deposits (including Perkins and Health Professions loan liability,) deferred revenues, the current portion of noncurrent liabilities, and

other accrued liabilities. Current liabilities increased by \$18.1 million from 2006 to 2007. This increase was primarily due to additional payables accrued as of September 30, 2007, but paid subsequent to year end. The University's deferred revenue increased based on increases in fall 2007 tuition, which the University defers 60% as of September 30.

Noncurrent liabilities include principal amounts due on University bonds payable, accrued compensated absences and other compensation-related liabilities that are payable beyond September 30, 2008. Noncurrent liabilities increased 18% from 2006 to 2007, primarily due to the issuance of general fee revenue bonds in 2007, and the accrual of other postemployment benefits in accordance with GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions (refer to Note 11).

During 2007, the University issued \$60,000,000 in General Fee Revenue bonds. Proceeds from the bonds are to be used for financing costs of certain capital improvements to the Auburn campus and paying the costs of the issuance of the 2006-A General Fee Revenue bonds. The capital improvements include a new student center and furnishings for the center, construction of pedestrian and vehicular roads and accesses, renovations to Haley Center, relocating the Speech and Hearing Clinic to Cary Hall, relocation of the natural history collections, renovations to the east plaza of Jordan Hare Stadium, additional parking facilities, and general infrastructure additions and improvements.

#### The University's Net Assets

The three major net asset categories are discussed below:

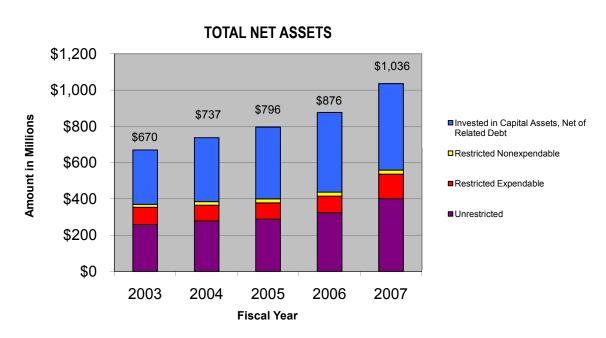
Net assets invested in capital, net of related debt represent the University's capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. These net assets increased 9% from September 30, 2006 to September 30, 2007. This increase is primarily due to capitalization of assets as described previously.

Restricted Net Assets are divided into two categories: Nonexpendable and Expendable.

Restricted-nonexpendable net assets are subject to external restrictions governing their use and primarily include the University's permanent endowment funds. These net assets increased \$22,300 from September 30, 2006 to September 30, 2007, primarily due to investment earnings added back to permanent endowments.

Restricted-expendable net assets are also subject to external restrictions governing their use. Such net assets include gifts, and contracts and grants restricted by federal, state, or local governments and private sources, which are restricted for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. Restricted funds functioning as endowments, restricted funds available for student loans and funds restricted for construction purposes are also included in this category. These net assets increased by 48% from September 30, 2006 to September 30, 2007. The majority of the increase is due to new restricted gift funds that are unspent at year end.

Unrestricted net assets are the third major class of net assets and they are not subject to externally imposed stipulations; however, the majority of the University's unrestricted net assets have been internally designated for various mission-related purposes. These assets include funds for general operations of the University, for auxiliary operations (including athletics, housing, and the bookstore), for unrestricted quasi-endowments and for capital projects. Unrestricted net assets increased 24% from September 30, 2006 to September 30, 2007. The increase in unrestricted net assets is mainly due to holding unrestricted funds for future mission-related priorities, proration reserve, and deferred maintenance needs.



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

Changes in total net assets are the result of activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of this statement is to present the revenues earned by the University, both operating and nonoperating, and the expenses incurred by the University, operating and nonoperating, and any other revenues, expenses, gains, losses, and changes in net assets.

A condensed statement is provided below:

A condensed statement is provided below.			
	2007	2006	
Operating revenues	\$ 460,939,754	\$ 421,955,733	
Operating expenses	707,318,186	644,377,002	
Operating loss	(246,378,432)	(222,421,269)	
Net nonoperating revenues and			
other changes in net assets	405,461,201	302,708,015	
Increase in net assets	159,082,769	80,286,746	
Net assets:			
Beginning of year	876,456,857	796,170,111	
End of year	\$1,035,539,626	\$876,456,857	

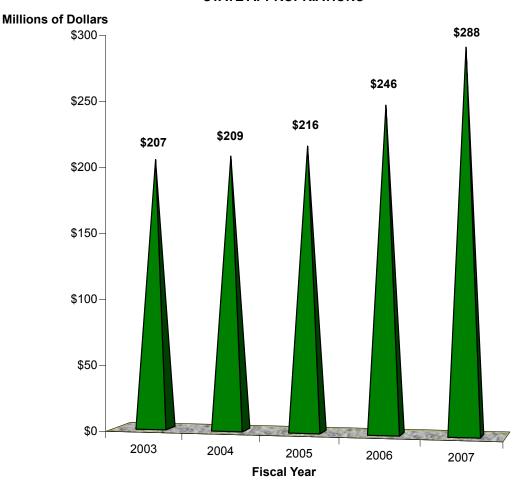
The 2007 Statement of Revenues, Expenses and Changes in Net Assets reflects an increase in net assets during fiscal year 2007 of \$159 million. Operating revenues increased 9.2% when comparing operating revenues from 2006 to 2007. Student tuition and fee revenue, net of discounts, increased \$15 million, which is primarily the result of Board-approved tuition increases of 5% and 4% in the 2006-2007 and 2005-2006 academic years, respectively, for the main campus and AUM. Because the University's fiscal year crosses fall semester, tuition revenues in the fiscal year ending September 30, 2007, include 60% of fall semester of 2006, spring semester of 2007, and summer term of 2007, as well as 40% of fall semester of 2007.

Operating expenses increased 9.8% from 2006 to 2007. Expenses for compensation and employee benefits increased \$29 million, which was primarily attributable to the 2007 compensation increases of approximately 7%. Other Supplies and Services increased approximately \$29 million. This increase is due to an increase in repair and maintenance expenses of 22% as well as an increase in expenditures on new and expanded contract & grant and appropriated projects. This is consistent with the increase shown in federal appropriation and federal, state & other contract and grant revenue, which increased 20%. Depreciation expense increased \$2.9 million, mainly due to depreciation being recorded beginning in fiscal year 2007 on new projects completed in 2006.

Net nonoperating revenues increased \$88.7 million from 2006 to 2007, and this increase is attributable to an increase in state appropriated funding, gifts received, and investment income. State appropriations increased approximately \$43 million or 17.3% from 2006 to 2007 due to the University receiving record breaking appropriations from the State of Alabama. Gifts increased \$32 million in 2007 compared to 2006. In 2007, gifts of approximately \$18 million were pledged to or received by the University from a single donor. In addition, net investment income increased \$16 million, as a result of high market rates at year end.

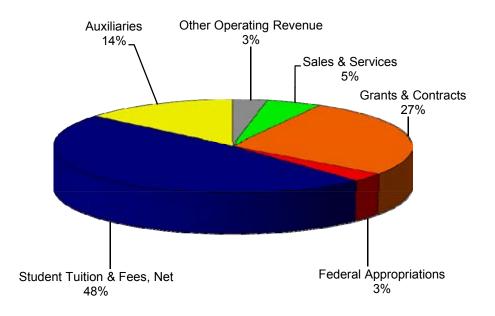
Capital appropriations, capital gifts and grants, and additions to permanent endowments increased \$14 million when comparing \$22.7 million recognized in 2007 to \$8.7 million recognized in 2006. This increase is due to approximately \$13 million of gifts given in support of the Shelby Transportation Technology Center. The University received capital appropriations of \$108,000 in 2007, as compared to \$1.2 million in 2006. Capital appropriations decreased due to the completion of many projects funded with State Agricultural Development Bonds and Alabama Public School and College Authority (APSCA) dollars in 2006.

#### **STATE APPROPRIATIONS**



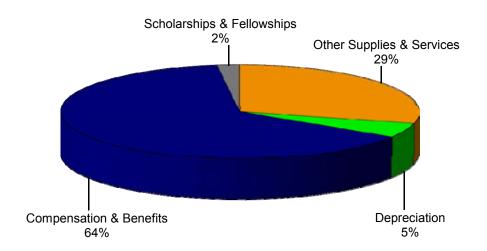
#### **OPERATING REVENUES SUPPORTING CORE ACTIVITIES**

For the year ended September 30, 2007



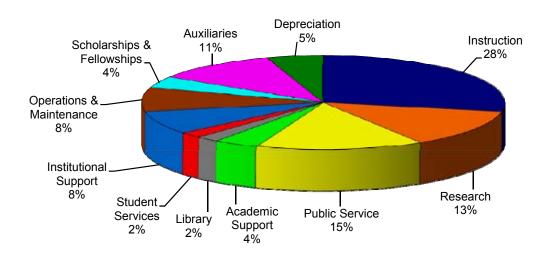
#### **OPERATING EXPENSES BY NATURAL CLASSIFICATION**

For the year ended September 30, 2007



#### **OPERATING EXPENSES BY FUNCTION**

For the year ended September 30, 2007



#### Statement of Cash Flows

The Statement of Cash Flows presents information about changes in the University's cash position using the direct method of reporting sources and uses of cash. The direct method reports all major gross cash inflows and outflows, differentiating these activities into operating activities; noncapital financing, such as nonexchange grants and contributions; capital and related financing, including bond proceeds from debt issued to purchase or construct buildings; and investing activities.

The University's cash flows are summarized below:

casii ilows are summanzed below.				
	2007		2006	
Cash (used in) provided by:				
Operating activities	\$ (203,255,9	57) \$	(187,289,390)	
Net noncapital financing activities	334,697,6	88	244,174,655	
Net capital and related				
financing activities	(43,351,5	38)	(113,158,455)	
Net investing activities	(71,488,8	29)	55,341,532	
Net increase (decrease) in cash	16,601,3	64	(931,658)	
Cash and cash equivalents				
beginning of year	22,482,7	<u>15</u> _	23,414,373	
Cash and cash equivalents				
end of year	\$39,084,0	<u>79</u> \$_	22,482,715	

The University had an increase of 8.5% in cash used in operating activities from 2006 to 2007. However, the increase used in operating activities was offset by an increase of 37% provided by noncapital financing activities. Most of the increase from noncapital financing activities was the result of an increase in state appropriations and gifts.

Cash used in capital and related financing activities decreased 62% from 2006 to 2007, which was primarily due to proceeds received from issuing new bonds by the University. It was also attributable to an increase in capital grants and gifts received.

Cash used in investing activities was \$71 million in 2007, which was an increase of \$126 million over 2006. This increase is attributable to an increase in purchases of investments and slightly offset by an increase in investment proceeds.

#### Economic factors that will affect the future

Looking toward the future, management believes that the University is well positioned to continue its strong financial condition and level of excellence in service to students, sponsors, the State of Alabama and other constituents. The University's strong financial position and internal financial planning process provide the University some protection against adverse economic conditions. Nonetheless, as a labor intensive organization, the University faces competitive pressures related to attracting and retaining faculty and staff. The rising cost of health care remains a concern, particularly in light of the postretirement health care benefits offered to retirees. The cost assessed to the University for retiree health care has experienced a significant increase and, in addition, the University will continue to recognize, in accordance with GASB Statement No. 45, the cost of the future benefit provided to those present and future retirees who are participants in the self-funded University health insurance plan, Retiree Medical Plan.

The University continues to address aging facilities with significant new construction, as well as modernization and renovation of existing facilities. Although funding of these projects through gifts, federal and state funds, and deferred maintenance budget allocations continues, the costs of operating the new and renovated facilities will continue to place additional resource demands on the operating budget of the institution.

The University has recently taken steps to enhance student recruitment, both in marketing efforts and in providing additional scholarship funding. Demand and increased enrollment will require proactive management to ensure that the University can serve the needs of all accepted students, given the expected level of funding from state appropriations. The University must continue to maintain internal and external efforts to minimize the volatile nature of state funding on the University's budget. Neither external nor internal efforts, however, are intended to eliminate the effects of future prorations or decreases in state funding.

The University will continue to employ its long-term investment strategy to maximize total returns at an appropriate level of risk, while utilizing a spending rate policy to insulate the University's operations from temporary market volatility. Preservation of capital is regarded as the highest priority in the investing of the cash pool. Diversification through asset allocation is utilized as a fundamental risk strategy for endowed funds.

#### Cautionary note regarding forward-looking statements

Certain information provided by the University, including written, as outlined above, or oral statements made by its representatives, may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, which address activities, events or developments that the University expects or anticipates will or may occur in the future, contain forward-looking information.

In reviewing such information, it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information. This forward-looking information is based upon various factors and was derived using various assumptions.

#### UNDERGRADUATE TUITION FOR THE ACADEMIC YEAR

	2007-08	2006-07	2005-06	2004-05	2003-04
Auburn Main Campus/ Auburn University Montgomery					
Full-Time Students: In-State	\$ 5,594/5,010	\$ 5,256/4,760	\$ 5,038/4,410	\$ 4,828/4,230	\$ 4,426/3,390
Out-of-State	\$ 16,094/14,490	\$ 15,256/13,760	\$ 14,638/13,230	\$ 14,048/12,690	\$ 12,866/11,170

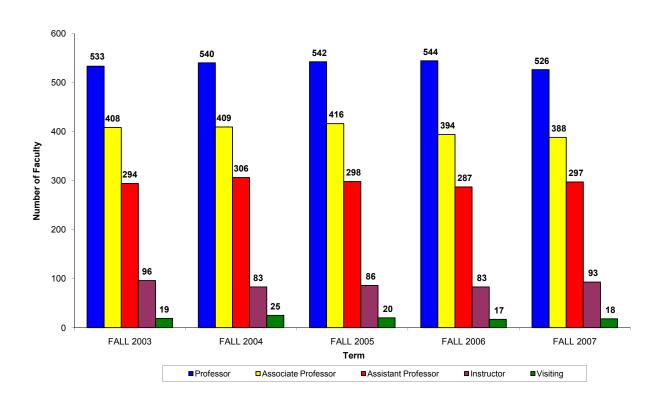
#### **FALL STUDENT ENROLLMENT**

	2007	2006	2005	2004	2003
Auburn Main Campus and Auburn University Montgomery					
Undergraduate/Professional	25,115	24,602	24,464	24,120	24,540
Graduate	4,146	4,024	3,997	3,931	3,910

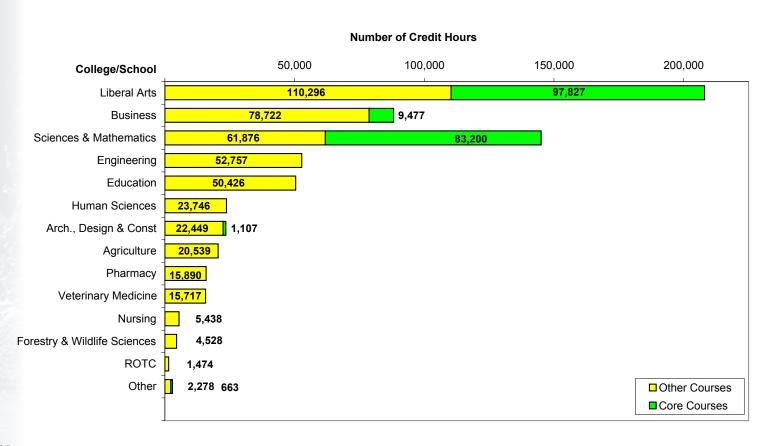
#### **DEGREES AWARDED FOR THE ACADEMIC YEAR**

Auburn Main Campus and Auburn University Montgomery	2006-07	2005-06	2004-05	2003-04	2002-03
Bachelor	4,373	4,658	4,538	4,525	4,304
Advanced	1,465	1,493	1,394	1,359	1,271

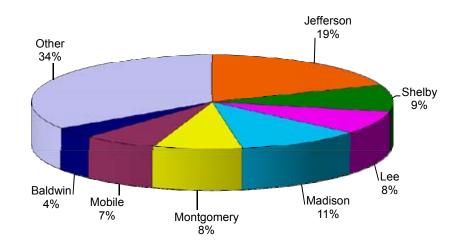
## AUBURN UNIVERSITY MAIN CAMPUS AND AUBURN UNIVERSITY MONTGOMERY FULL-TIME FACULTY BY RANK



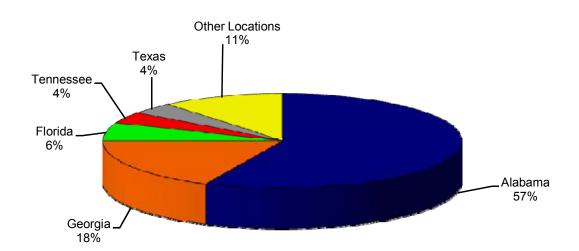
## AUBURN UNIVERSITY MAIN CAMPUS TOTAL STUDENT CREDIT HOURS BY COLLEGE/SCHOOL 2006-07



# AUBURN UNIVERSITY MAIN CAMPUS FRESHMEN ENROLLMENT BY ALABAMA COUNTIES SUMMER/FALL TERMS 2007



## SOURCES OF ENTERING FRESHMEN BY STATE MAIN CAMPUS SUMMER/FALL TERMS 2007



# AUBURN UNIVERSITY STATEMENTS OF NET ASSETS SEPTEMBER 30, 2007 AND 2006

	2007	2006
ASSETS		
Current assets		
Cash and cash equivalents	\$ 39,084,079	\$ 22,482,715
Operating investments	73,037,007	65,363,502
Accounts receivable, net	52,043,718	37,927,582
Student accounts receivable, net	27,887,624	24,801,906
Loans receivable, net	3,520,016	2,931,909
Accrued interest receivable	5,176,113	3,783,205
Inventories	3,784,486	3,861,584
Prepaid expenses	3,578,118	3,224,313
Total current assets	208,111,161	164,376,716
Noncurrent assets		
Investments	578,946,923	464,900,568
Loans receivable, net	16,832,349	16,835,865
Investment in plant, net	757,360,225	688,311,759
Total noncurrent assets	1,353,139,497	1,170,048,192
Total assets	1,561,250,658	1,334,424,908
LIABILITIES		
Current liabilities		
Accounts payable	40,006,766	28,559,121
Accrued salaries and wages	3,871,528	3,346,922
Accrued compensated absences	15,230,778	17,450,410
Accrued interest payable	5,151,637	4,157,113
Other accrued liabilities	2,799,700	2,138,300
Student deposits	760,624	1,063,975
Deposits held in custody	20,142,609	19,617,816
Deferred revenues	92,235,802	87,595,756
Noncurrent liabilities-current portion	14,813,637	12,957,509
Total current liabilities	<u>195,013,081</u>	176,886,922
Noncurrent liabilities		
Accrued compensated absences	1,739,701	5,985,312
Bonds and notes payable	311,080,199	263,002,388
Lease obligations	2,470,627	1,450,871
Other noncurrent liabilities	15,407,424	10,642,558
Total noncurrent liabilities	330,697,951	281,081,129
Total liabilities	525,711,032	457,968,051
NET ASSETS		
Invested in capital assets, net of related debt	476,479,089	438,559,234
Restricted		
Nonexpendable	22,949,706	22,927,448
Expendable:		
Scholarships, research, instruction, other	126,031,608	85,194,116
Loans	5,199,804	5,049,996
Capital projects	3,460,205	740,177
Unrestricted	401,419,214	323,985,886
Total net assets	\$ 1,035,539,626	\$ 876,456,857
		<del></del>

### AUBURN UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	2007	2006
OPERATING REVENUES		
Tuition & fees, net of scholarship allowances of \$39,740,632		
and \$36,784,106, respectively	\$ 219,527,520	\$ 204,501,267
Federal appropriations	12,980,725	10,224,608
Federal grants & contracts	89,231,359	73,535,070
State & local grants & contracts	27,490,738	22,167,518
Nongovernmental grants & contracts	10,475,227	10,739,860
Sales & services of educational departments	21,856,102	23,381,047
Auxiliary revenue, net of scholarship allowances of \$1,892,749		
and \$1,833,799, respectively	65,342,459	64,123,811
Other operating revenues	14,035,624	13,282,552
Total operating revenues	460,939,754	421,955,733
OPERATING EXPENSES		
Compensation & benefits	447,666,281	419,134,595
Scholarships & fellowships	16,250,173	14,207,166
Other supplies & services	206,266,946	176,848,884
Depreciation	37,134,786	34,186,357
Total operating expenses	707,318,186	644,377,002
Operating loss	(246,378,432)	(222,421,269)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	288,250,909	245,740,695
Gifts	54,813,663	22,547,034
Net investment income	51,623,939	35,671,671
Interest expense on capital debt	(11,962,218)	(9,967,957)
Nonoperating revenues, net	382,726,293	293,991,443
Income before other changes in net assets	136,347,861	71,570,174
OTHER CHANGES IN NET ASSETS		
Capital appropriations	108,492	1,151,334
Capital gifts & grants	22,414,383	7,415,133
Additions to permanent endowments	212,033	150,105
Net increase in net assets	159,082,769	80,286,746
Net assets - beginning of year	876,456,857	796,170,111
Net assets - end of year	\$ <u>1,035,539,626</u>	\$876,456,857

# AUBURN UNIVERSITY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition & fees	\$ 221,555,587	\$ 206,711,561
Federal appropriations	12,980,725	10,224,608
Grants & contracts	120,168,422	100,467,971
Sales & services of educational departments	21,182,886	23,194,348
Auxiliary enterprises	65,807,302	66,136,944
Other operating revenues	14,910,846	13,693,776
Payments to suppliers	(193,061,796)	(175,903,328)
Payments for employee compensation & benefits	(449,746,166)	(417,194,462)
Payments for scholarships & fellowships	(16,250,173)	(14,207,166)
Student loans issued	(4,271,414)	(3,956,432)
Student loans collected	3,467,824	3,542,790
Net cash used in operating activities	(203,255,957)	(187,289,390)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	288,250,909	245,740,695
Gifts for other than capital purposes	46,396,382	22,697,139
Federal Family Education Loan receipts	113,056,491	
Federal Family Education Loan disbursements	(113,006,094)	_
Decrease in outstanding checks in excess	(110,000,001)	
of bank balance	_	(24,263,179)
Net cash provided by noncapital financing activities	334,697,688	<u>(24,203,173)</u> 244,174,655
CASH FLOWS FROM CAPITAL AND RELATED		
INANCING ACTIVITIES		
Proceeds from capital debt, net of issuance cost	61,708,401	-
Capital appropriations	108,492	1,151,334
Capital grants & gifts received	18,116,759	5,472,990
Purchases of capital assets	(101,249,905)	(97,441,498)
Proceeds received from sale of capital assets	30,533	87,562
Principal paid on debt & capital leases	(12,608,457)	(12,293,196)
Interest paid on debt & capital leases	(9,457,361)	(10,135,647)
Net cash used in capital and		
related financing activities	(43,351,538)	_ (113,158,455)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments		
and reinvestments	382,982,789	204,477,529
Investment income	28,225,458	23,604,155
Purchases of investments	(482,697,076)	(172,740,152)
Net cash (used in) provided by investing activities	(71,488,829)	55,341,532
That again (used in) provided by investing activities	(11,400,023)	
Net increase (decrease) in cash and cash equivalents	16,601,364	(931,658)
Cash and cash equivalents, beginning of year	22,482,715	23,414,373
Cash and cash equivalents, end of year	\$ 39,084,079	\$ 22,482,715

# AUBURN UNIVERSITY STATEMENTS OF CASH FLOWS (CONTINUED) FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	2007	2006
RECONCILIATION OF OPERATING LOSS TO NET		
CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (246,378,432)	\$ (222,421,269)
Adjustments to reconcile operating loss to net cash	, , , ,	, , , ,
used in operating activities:		
Depreciation and amortization	37,375,672	33,794,341
Write-off of loans receivable	218,999	402,094
Loss (gain) on sale of net assets	1,451,217	(24,415)
Capitalization of prior year expenses	164,230	(155,109)
Changes in assets and liabilities:		
Accounts receivable, net	(4,742,687)	(14,645,587)
Student accounts receivable, net	(3,085,717)	2,193,674
Advances	-	(84,776)
Inventories	77,098	(143,865)
Deferred revenue	4,640,045	11,217,792
Accounts payable	10,001,738	(1,201,217)
Prepaid expenses	(353,805)	96,780
Accrued salaries, wages and compensated absences	(5,940,637)	2,757,893
Student deposits and deposits held in custody	203,979	1,420,537
Loans to students, net	(803,590)	(413,642)
Other accrued liabilities	661,400	527,467
Other noncurrent liabilities	<u>3,254,533</u>	(610,088)
Net cash used in operating activities	\$ <u>(203,255,957)</u>	\$ <u>(187,289,390)</u>
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION		
Capital assets acquired with a liability at year-end	\$ 9,104,773	\$ 7,691,800
Gifts of capital assets	3,553,487	1,502,510
Capital assets acquired through capital leases	1,612,865	146,116
Capitalized interest, net	4,509,366	2,388,088
See accompanying notes to financial statements.		

# AUBURN UNIVERSITY COMPONENT UNITS STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2007 AND 2006

	Auburn Haise	ersity Foundation	Aubura Alii	mni Association
	Auburn Unive	ersity Foundation 2006	Auburn Alu 2007	mni Association 2006
	2001	2000	2001	2000
ASSETS				
Cash and cash equivalents	\$ 338,815	\$ 331,046	\$ 36,336	\$ 6,539
Investments	275,129,050	230,858,833	3,460,585	3,411,970
Investment in Auburn University Foundation				
securities pool		-	7,901,993	6,932,602
Accrued interest receivable	754,071	1,048,615	48,030	71,971
Contributions receivable, net	37,340,959	22,490,579	504,120	467,567
Notes receivable	679,129	953,029	-	-
Other receivables	31,043	24,094	8,491	-
Other assets	42,613	51,857	-	-
Investment in real estate	927,096	579,683	674,799	674,799
Cash surrender value of life insurance	2,383,608	2,205,374	-	-
Beneficial interest in outside trusts	2,173,947	-	-	-
Property and equipment, net	1,896,869	815,421	2,147,140	2,221,364
Prepaid rent	-	-	32	33
Due from Auburn University Foundation	<u> </u>	<u> </u>	92,754	80,178
Total assets	321,697,200	259,358,531	14,874,280	13,867,023
LIABILITIES				
Accounts payable and accrued liabilities	222,140	241,634	73,662	76,961
Notes payable	-	165,927	-	-
Annuities payable	8,217,588	7,844,186	-	-
Due to Auburn University	2,447,146	2,048,815	33,438	101,365
Due to Auburn University Foundation	-	-	7,500	-
Due to Auburn Alumni Association	7,987,747	7,012,780	-	-
Due to Tigers Unlimited Foundation	7,343,095	5,536,258	-	-
Deferred revenue	-	_	7,095,633	6,881,973
Total liabilities	26,217,716	22,849,600	7,210,233	7,060,299
NET ASSETS				
Unrestricted	21,118,838	18,965,935	7,664,047	6,806,724
Temporarily restricted	80,425,590	58,810,699	-	-
Permanently restricted	193,935,056	158,732,297	<u>-</u>	-
Total net assets	295,479,484	236,508,931	7,664,047	6,806,724
Total liabilities and net assets	\$ 321,697,200	\$ 259,358,531	\$ <u>14,874,280</u>	\$ 13,867,023

# AUBURN UNIVERSITY COMPONENT UNITS STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

		Auburn Univers	sity F	oundation 2006	ŀ	Auburn Alumn 2007	i Asso	ociation 2006
REVENUES AND OTHER SUPPORT								
Public support - contributions	\$	55,776,334	\$	38,256,307	\$	1,448,666	\$	1,007,809
Investment income		4,303,794		3,948,112		471,584		385,755
Other revenues	_	499,082	-	264,182	_	744,744	_	1,628,338
Total operating revenues	_	60,579,210	-	42,468,601	_	2,664,994	_	3,021,902
EXPENSES AND LOSSES								
Program services								
Contributions to and support								
for Auburn University		22,549,954		19,285,134		<u>-</u>		-
Other program services	_	1,575,626	-	1,762,785		852,683		742,265
Total program services	_	24,125,580	-	21,047,919	_	852,683		742,265
Support services								
General and administrative		1,723,299		1,723,627		1,470,792		1,756,493
Fund raising		3,622,093		4,261,841		235,281		203,398
Total support services	_	5,345,392	-	5,985,468		1,706,073		1,959,891
Total expenses		29,470,972	-	27,033,387		2,558,756		2,702,156
Unrealized gains on investments		(11,899,726)		(10,675,625)		(751,085)		(336,962)
Realized gains on investments		(15,467,881)		(3,639,990)		-		-
Change in valuation of		,		,				
split-interest agreements		(494,708)		618,820		-		-
Total expenses, (gains) and losses	_	1,608,657	-	13,336,592		1,807,671		2,365,194
*Change in net assets		58,970,553		29,132,009		857,323		656,708
NET ASSETS								
Beginning of the year	_	236,508,931	-	207,376,922		6,806,724		6,150,016
End of the year	\$_	295,479,484	\$_	236,508,931	\$	7,664,047	\$	6,806,724
*Change in net assets								
Unrestricted	\$	2,152,903	\$	(291,056)	\$	857,323	\$	656,708
Temporarily restricted		21,614,891		15,758,693		-		-
Permanently restricted	_	35,202,759	_	13,664,372				<u>-</u>
Total change in net assets	\$_	58,970,553	\$	29,132,009	\$	857,323	\$	656,708

# AUBURN UNIVERSITY COMPONENT UNITS STATEMENTS OF FINANCIAL POSITION JUNE 30, 2007 AND 2006

	Tigers Unlimited Foundation		
	2007	2006	
ASSETS			
Cash and cash equivalents	\$ 1,657,596	\$ 3,238,419	
Investments	24,722,043	19,960,653	
Investment in Auburn University Foundation securities pool	7,122,426	5,693,296	
Accrued interest receivable	247,907	183,108	
Contributions receivable, net	13,000,714	11,689,596	
Other receivables	17,500	31,138	
Other assets	1,638,250	486,648	
Property and equipment, net	4,556	2,349	
Due from Auburn University	-	37,105	
Due from Auburn University Foundation	100,000	105,048	
Total assets	48,510,992	41,427,360	
LIABILITIES			
Accounts payable and accrued liabilities	473,690	465,878	
Deposits payable	1,232,771	1,212,378	
Due to Auburn University	1,900,495	2,393,037	
Total liabilities	3,606,956	4,071,293	
Total habilities		4,071,293	
NET ASSETS			
Unrestricted	20,933,749	17,702,485	
Temporarily restricted	16,533,149	14,164,508	
Permanently restricted	7,437,138	5,489,074	
Total net assets	44,904,036	37,356,067	
Total liabilities and net assets	\$ 48,510,992	\$ 41,427,360	

# AUBURN UNIVERSITY COMPONENT UNITS STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	Tigers Unlimited Foundation		
	2007 2006		
REVENUES AND OTHER SUPPORT		2000	
Public support - contributions	\$ 27,371,132	\$ 26,339,459	
Investment income	1,331,986	764,880	
Other revenues	3,679,222	843,192	
Total operating revenues	32,382,340	27,947,531	
EXPENSES AND LOSSES			
Program services			
Contributions to and support			
for Auburn University	12,712,078	6,933,649	
Other program services	<u>5,943,580</u>	5,792,455	
Total program services	18,655,658	12,726,104	
Support services			
General and administrative	1,139,017	1,088,104	
Fund raising	5,841,680	1,578,820	
Total support services	6,980,697	2,666,924	
Total expenses	25,636,355	15,393,028	
Unrealized gains on investments	(802,058)	(91,802)	
Realized (gains) losses on investments	(504)	13,777	
Loss on write-off	578	2,403,914	
Total expenses, (gains) and losses	24,834,371	17,718,917	
*Change in net assets	7,547,969	10,228,614	
NET ASSETS			
Beginning of the year	37,356,067	27,127,453	
End of the year	\$ <u>44,904,036</u>	\$37,356,067	
*Change in net assets			
Unrestricted	\$ 3,231,264	\$ 9,240,947	
Temporarily restricted	2,368,641	420,541	
Permanently restricted	1,948,064	567,126	
Total change in net assets	\$7,547,969	\$ <u>10,228,614</u>	



### NOTES TO FINANCIAL STATEMENTS

#### (1) NATURE OF OPERATIONS

Auburn University (the University) is a land grant university originally chartered on February 1, 1856, as the East Alabama Male College. The Federal Land Grant Act of 1862, by which the University was established as a land grant university, donated public lands to several states and territories with the intent that the states would use these properties for the benefit of agriculture and the mechanical arts. Several pertinent laws dictate specific purposes for which the land may be used. In 1960, the Alabama State Legislature officially changed the name of the University to Auburn University. The University has two campuses, Auburn and Montgomery, with a combined enrollment of 29,261 students for fall semester 2007. It serves the State of Alabama, the nation and international business communities through instruction of students and the advancement of research and outreach programs. By statutory laws of the State of Alabama, the University is governed by the Board of Trustees (the Board) appointed by the Governor, a committee consisting of two trustees and two Auburn Alumni Association board members and approved by the Alabama State Senate.

The accompanying financial statements of the University have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB) and all Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989, unless FASB pronouncements conflicts with GASB pronouncements. The accompanying financial statements include the following four divisions of the University:

Auburn University Main Campus Auburn University Montgomery Alabama Agricultural Experiment Station Alabama Cooperative Extension System

#### Reporting Entity

The University, a publicly supported, state funded institution, is a component unit of the State of Alabama and is included in the Comprehensive Annual Financial Report of the state. However, the University is considered a separate reporting entity for financial statement purposes.

The University, as a public corporation and instrumentality of the State of Alabama, is exempt from federal income taxes under Section 115 of the Internal Revenue Code. Certain transactions may be taxable as unrelated business income under Internal Revenue Code Sections 511 to 514.

The Auburn University Foundation and the Auburn Alumni Association are exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. Tigers Unlimited Foundation is exempt from federal taxes under section 501(a) as an organization described in section 501(c) (3). Therefore, no provision has been made for income taxes in their respective financial statements.

The Auburn Research and Technology Foundation and the Auburn Spirit Foundation for Scholarships, newly created organizations in 2004 and 2006, respectively, were organized under Internal Revenue Code 509(a)(3) and Internal Revenue Code 509(a)(2), respectively. They are exempt from Federal income taxes under section 501(c)(3) of the Internal Revenue Code.

Contributions intended for the University's benefit are primarily received through Auburn University Foundation, Tigers Unlimited Foundation, Auburn Research and Technology Foundation or Auburn Spirit Foundation for Scholarships and are deductible by donors as provided under Section 170 of the Internal Revenue Code, consistent with the provisions under Section 501(c)(3) and corresponding state law.

#### **Component Units**

The University adheres to GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This statement clarifies GASB Statement No. 14, *The Financial Reporting Entity*, which provides criteria for determining whether such organizations for which a government is not financially accountable should be reported as component units. Due to the fact that the exclusion of such organizations would render the entity's financial statements misleading or incomplete, the University has included statements for Auburn University Foundation, the Tigers Unlimited Foundation and the Auburn Alumni Association in these financial statements. These three affiliated organizations' financial statements are presented following the University's statements. The component units are not GASB entities, therefore, their respective financial statements adhere to FASB accounting principles.

Due to the immateriality of the Auburn Research and Technical Foundation and the Auburn Spirit Foundation for Scholarships, disclosure of their statements are not included.

Auburn University Foundation (AUF) is a qualified charitable organization established in 1960, existing solely for the purpose of receiving and administering funds for the use and benefit of the University. AUF's activities are governed by its own Board of Directors.

Tigers Unlimited Foundation (TUF) is an independent corporation that began operations on April 21, 2004. It was formed for the sole purpose of obtaining and disbursing funds for the use and benefit of the University's Intercollegiate Athletics Department. TUF's activities are governed by its own Board of Directors with transactions being maintained using a June 30 fiscal year end date.

The Auburn Alumni Association (the Association) is an independent corporation organized on April 14, 1945, to promote mutually beneficial relationships between the University and its alumni, to encourage loyalty among alumni, and to undertake various other actions for the benefit of the University, its alumni and the State of Alabama. Membership is comprised of alumni, friends and students of the University. The Association's activities are governed by its own Board of Directors.

The Auburn Research and Technology Foundation (ARTF) is an independent corporation organized on August 24, 2004, to facilitate the acquisition, construction and equipping of a technology and research park on the Auburn University campus. ARTF activities are governed by its own Board of Directors.

The Auburn Spirit Foundation for Scholarships (ASFS) is a qualified charitable organization established on September, 29, 2006, organized exclusively to assist Auburn University with the attraction and funding of student scholarships. The ASFS activities are governed by its own Board of Directors.

Financial statements for AUF, TUF, the Association, ARTF and ASFS may be obtained by writing the applicable entity at 317 South College Street, Auburn, Alabama 36849.

#### **Financial Statement Presentation**

For financial reporting purposes, the University adheres to the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.* These statements establish standards for external financial reporting for public colleges and universities on an entity-wide perspective and require that resources be classified in three net asset categories.

- Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- · Restricted net assets:

**Nonexpendable** – Net assets subject to externally imposed stipulations that they be maintained permanently by the University. Such assets include the University's permanent endowment funds.

- **Expendable** Net assets whose use by the University are subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations, or that expire by the passage of time.
- Unrestricted net assets: Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board. Substantially all unrestricted net assets are designated for academic and research programs and initiatives, capital programs, and auxiliary units.

GASB Statement No. 35 also requires three statements: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows.

#### **Basis of Accounting**

The financial statements of the University have been prepared on the accrual basis of accounting and in accordance with accounting standards of the United States of America and all significant, interdivisional transactions between auxiliary units and other funds have been eliminated. The University reports as a Business Type Activity (BTA) as defined by GASB Statement No. 35. BTAs are those institutions that are financed in whole or in part by fees charged to external parties for goods or services. Under BTA reporting, it is required that statements be prepared using the economic resources measurement focus.

GASB Statement No. 35 requires the recording of depreciation on capital assets, accrual or deferral of revenue associated with certain grants and contracts, accrual of interest expense, accounting for certain scholarship allowances as a reduction of revenue, classification of federal refundable loans as a liability, and capitalization and depreciation of equipment with a sponsor reversionary interest. The basis of accounting and presentation, as well as other significant accounting policies of AUF, TUF and the Association, are discussed in Note 2.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### (2) SIGNIFICANT ACCOUNTING POLICIES OF AUBURN UNIVERSITY

#### Cash & Cash Equivalents

Cash and cash equivalents are defined as highly liquid debt instruments readily convertible into cash and with maturities at date of acquisition of three months or less, whose use is not restricted for long-term purposes.

#### Investments

Investments in equity securities, mutual funds, common trust funds, business trust funds, cash value of life insurance and debt securities are reported at fair value in the Statement of Net Assets, with all net realized and unrealized gains and losses reflected in the Statement of Revenues, Expenses and Changes in Net Assets. Fair value of these investments is based on quoted market prices or dealer quotes, where available.

Under GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, the University records its initial investment and subsequent contributions in limited partnerships at cost with no adjustments for its share of income/appreciation, losses/depreciation and distributions received from the investment (see Note 4).

Under GASB Statement No. 40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3, common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk are addressed. Deposit and investment policies related to the risks identified in this statement are also required to be disclosed.

The University employs a custodian to hold, and external investment managers to administer, the majority of its investments and reflects transactions related to these investments based upon their records.

Operating investments consist of cash and investments designated for current operations. Investments for capital and student loan activities represent funds that are intended to be used for the related specific activities. Investments recorded as endowment and life income represent funds that are considered by management to be of long duration. Investments received by gift are recorded at fair market value or appraised value on the date of receipt. Investments in real estate are stated at cost, except those received by gift, which are stated at appraised value on date of receipt. Investment income is recorded on the accrual basis of accounting.

#### **Inventories**

Units currently holding inventories include Facilities, Chemistry Supply Store, Animal Clinic Pharmacy, Alabama Agricultural Experiment Station, Bookstores, Campus Mall, Copycat Duplicating Service, and Ralph Draughon and AUM Libraries. All inventories are valued at the lower of cost or market, on the first-in, first-out basis, and are considered to be current assets.

#### **Capital Assets**

Capital expenditures for and gifts of land, buildings and equipment are carried at cost at date of acquisition or, in the case of gifts, at fair market value at the date of donation. Depreciation is computed on a straight line basis over the estimated useful lives of buildings and building improvements (40 years), land improvements and infrastructure (10 – 40 years), library collection and software costs (10 years) and inventoried equipment (5 – 18 years). Land and construction in progress are not depreciated. The threshold for capitalizing buildings, land improvements and infrastructure is \$25,000. Expenditures for maintenance, repairs and minor renewals and replacements are expensed as incurred; major renewals and replacements are capitalized if they meet the \$25,000 threshold. Equipment is capitalized if the cost exceeds \$2,500 and has a useful life of more than one year. All buildings are insured through the State of Alabama Property Insurance Fund.

Art collections, historical treasures and livestock are capitalized and valued at cost or fair market value at the date of purchase or gift, respectively, but not depreciated. These collections are preserved and held for public exhibition, education and research.

In accordance with GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, the University continues to evaluate prominent events or changes in circumstance to determine whether an impairment loss should be recorded and whether any insurance recoveries should be offset against the impairment loss. The University did not incur any costs related to asset impairment during fiscal years 2007 or 2006.

#### **Deferred Revenues**

Deferred revenues include funds received in advance of an event, such as tuition and fees and advance ticket sales for athletic events. Net student tuition and fee revenues and housing revenues for the fall semester are recognized in the fiscal year in which the related revenues are earned. Ticket sale revenues for athletic events are recognized as the related games are played. Deferred revenues also consist of amounts received from grant and contract sponsors that have not yet been earned under the terms of the agreements. All deferred revenue is classified as a current liability (see Note 12).

#### Classification of Revenues

The University has classified its revenues as either operating or nonoperating according to the following criteria:

- Operating Revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state and local, private grants and contracts and federal appropriations, and (4) interest on institutional student loans.
- Nonoperating Revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues. In accordance with GASB Statement No. 35, certain significant revenues on which the University relies to support its operational mission are required by the GASB to be recorded as nonoperating revenues. These revenues include state appropriations and private gifts and investment income, including realized and unrealized gains and losses on investments.

Student tuition and fee revenues, and certain other revenues from students are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Assets. Scholarship discounts and allowances represent the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf.

#### **Auxiliary Enterprises Revenues**

Sales and services of auxiliary enterprises primarily consist of revenues generated by Athletics, Bookstore, Housing, Printing and Telecommunications, which are substantially self supporting activities that provide services to students, faculty, administrative and professional and staff.

#### **Compensated Absences**

The University reports employees' accrued annual leave and sick leave at varying rates depending upon employee classification and length of service, subject to maximum limitations. Upon termination of employment, employees are paid all unused accrued vacation at their regular rates of pay up to a designated maximum number of days. GASB Statement No. 35 requires the amount of compensated absences that are due within one year of the fiscal year end to be classified as a current liability. Since this amount cannot be known reliably in advance, the current liability is estimated, based on a three year average cost of annual and sick leave taken by eligible employees.

#### Pledged Revenue

The University normally does not receive gift pledges. Pledged revenue representing unconditional promises to give is normally received by AUF or TUF and later disbursed in accordance with the donors' wishes for the benefit of the University. In accordance with GASB Statement No. 33, the University recorded two such pledges in fiscal year 2007, totaling \$8.6 million.

### (3) CASH AND CASH EQUIVALENTS

Cash consists of petty cash funds and demand deposits held in the name of the University. The Board approves all banks or other institutions as depositories for University funds. Effective January 1, 2001, any depository of University funds must provide annual evidence of its continuing designation as a qualified public depository under the Security for Alabama Fund Enhancement Act (SAFE). The enactment of the SAFE program changed the way all Alabama public deposits are collateralized. In the past, the bank pledged collateral directly to each individual public entity. Under the mandatory SAFE program, each qualified public depository (QPD) is required to hold collateral for all its public deposits on a pooled basis in a custody account established for the State Treasurer as SAFE administrator. In the unlikely event a public entity should suffer a loss due to QPD insolvency or default, a claim form would be filed with the State Treasurer who would use the SAFE pool collateral or other means to reimburse the loss. As a result, the University believes its custodial risk related to cash and cash equivalents is remote.

Cash equivalents may consist of commercial paper, repurchase agreements, banker's acceptance, and money market accounts purchased with maturities at date of acquisition of three months or less.

#### (4) INVESTMENTS

The Board is authorized to invest all available cash and is responsible for the management of the University's investments. The endowment funds and the cash pool assets are invested in accordance with policies established by the Board. The Board has delegated the authority for investment of the endowment funds' assets to professional investment managers while maintaining centralized management of the cash pool.

Preservation of capital is regarded as the highest priority in the investing of the cash pool. It is assumed that all investments will be suitable to be held to maturity. The University's investment portfolio is structured in such a manner to help ensure sufficient liquidity to pay obligations as they become due. The portfolio strives to provide a stable return consistent with investment policy. The Cash Pool Investment Policy authorizes investments in the following: money market accounts, repurchase and reverse repurchase agreements, bankers' acceptances, commercial paper, certificates of deposit, municipals, U. S. Treasury obligations, U. S. Agency securities and mortgage-backed securities.

Bond proceeds are invested in accordance with the underlying bond agreements. The University's bond agreements generally permit bond proceeds and debt service funds to be invested in obligations in accordance with University policy in terms maturing on or before the date funds are expected to be required for expenditures or withdrawal. Certain bond indentures require the University to invest amounts held in certain construction funds, redemption funds and bond funds in federal securities or state and local government series (SLGS) securities.

Diversification through asset allocation is utilized as a fundamental risk strategy for endowed funds. These strategic allocations represent a blend of assets best suited, over the long term, to achieve maximum returns without violating the risk parameters established by the Board. The Endowment Investment Policy approved November 10, 2006, authorizes the investment of the endowment portfolio to include the following: cash and cash equivalents; fixed income; equity securities, both domestic and foreign; private capital; hedge funds/absolute return; and real assets, collectively referred to as the endowment pool.

Earnings distributions are made annually from endowed funds. Consistent with the Uniform Management of Institutional Funds Act, which was enacted by the Legislature of the State of Alabama and signed into law effective August 31, 1993, the Board has adopted the total return concept that allows for the expenditure of "net appreciation, realized and unrealized, in the fair value of the assets of endowment funds over the historical dollar value of the funds." In order to conform to the standards for fiduciary management of investments, the Board has also adopted a spending plan whose long term objective is to maintain the purchasing power of each endowment and provide a predictable and sustainable level of income to support current

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operations. Under this policy, spending for a given year equals 80% of spending in the previous year, adjusted for inflation (Consumer Price Index (CPI) within a range of 1% and 6%), plus 20% of the long-term spending rate (4.5%) applied to the twelve month rolling average of the market values. Under the previous spending policy, the distribution rate approved by the Board for the year ended September 30, 2006, was 3.90%. Accumulated net realized and unrealized gains on endowments and funds functioning as endowments total \$53,491,089 and \$42,765,435 at September 30, 2007 and 2006, respectively, and are recorded as restricted expendable net assets.

The components of the accumulated net gains in fair value of investments for the years ended September 30, 2007 and 2006 are as follows:

	2007	2006
Accumulated Realized gains on sale of investments Accumulated Unrealized gains	\$ 39,605,771 13,885,318	\$ 23,580,597 19,184,838
Net gains in fair value of investments	\$53,491,089	\$42,765,435

#### **Investment Risks**

Investments are subject to certain types of risks, including interest rate risk, custodial credit risk, credit quality risk, concentration of credit risk, and foreign currency risk. The following describes those risks:

•Interest Rate Risk – Interest rate or market risk is the potential for changes in the value of financial instruments due to interest rate changes in the market. Certain fixed maturity investments contain call provisions that could result in shorter maturity periods. As previously stated, it is the University's intent to hold all investments in the Cash Pool until maturity. The Board understands that in order to achieve its objectives, investments can experience fluctuations in fair value. Both the Endowment Investment Policy and the Non-Endowment Cash Pool Investment Policy set forth allowable investments and allocations.

The following segmented time distribution tables provide information as of September 30, 2007 and 2006, and presents the fair value of investments by investment type and related maturity:

Auburn University Investments Investment Maturities at Fair Value (in Years) September 30, 2007	

Type of Investments		< 1 year	1-5 years		6-10 years		> 10 years	To	tal Fair Value
Fixed Maturity		<u> </u>							
Repurchase Agreements	\$	2,100,000	\$ -	\$	-	\$	-	\$	2,100,000
Commercial Paper		9,881,240	-		-		-		9,881,240
Certificates of Deposit		1,000,000	621,436		-		-		1,621,436
U. S. Treasury Obligations		36,087,001	24,271,323		-		2,369,305		62,727,629
U. S. Agency Securities		62,322,678	189,203,590		103,483,638		10,740,678		365,750,584
Mortgage Backed Securities		-	97,347		1,503,438		24,822,479		26,423,264
Asset Backed Securities		-	4,001,499		1,285,235		-		5,286,734
Corporate Bonds		362,599	5,065,323		1,621,354		1,175,539		8,224,815
Non U. S. Government Securiti	es	-	698,567		-		-		698,567
Municipals	_	100,332	<u>-</u>	_	<u>-</u>	_	<u>-</u>		100,332
	\$	111,853,850	\$ 223,959,085	\$	107,893,665	\$	39,108,001	\$	482,814,601
Domestic Equities									980,146
Alternative Investments (Limited Pa	artne	rships) - at cost							
Hedge Funds									35,500,000
Private Capital									2,977,821
Real Assets									15,869,640
Real Estate - at cost									740,750
Mutual Funds									101,852,701
Other									3,679,381
Money Market									44,550,130
Total Investments									688,965,170
Less cash equivalents held in o	ash ı	oool							(36,981,240)
Operating and noncurrent investme								\$	651,983,930
. 3								.=	

#### **Auburn University Investments Investment Maturities at Fair Value (in Years)** September 30, 2006

Type of Investments		< 1 year		1-5 years	6	6-10 years		> 10 years	То	tal Fair Value
Fixed Maturity										
Repurchase Agreements	\$	1,200,000	\$	-	\$	-	\$	-	\$	1,200,000
Commercial Paper		13,956,336		-		-		-		13,956,336
Certificates of Deposit		-		1,590,255		-		-		1,590,255
U. S. Treasury Obligations		40,131,185		18,939,193		3,633,393		1,348,018		64,051,789
U. S. Agency Securities		44,802,498		133,427,201		80,991,403		10,588,835		269,809,937
Mortgage Backed Securities		2,650,917		-		1,911,403		20,961,199		25,523,519
Asset Backed Securities		-		2,210,838		100,516		-		2,311,354
Corporate Bonds		-		2,868,304		· -		-		2,868,304
Non U. S. Government Securitie	es	189,893		654,484		_		-		844,377
Municipals		-		, -		_		685,980		685,980
·	\$	102,930,829	\$	159,690,275	\$	86,636,715	\$	33,584,032	\$	382,841,851
Domestic Equities	•	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	•	,,	•	, ,	,	, ,	•	919,502
Alternative Investments (Limited Pa	artnei	rships) - at cost								,
Hedge Funds		1 /								15,000,000
Private Capital										713,727
Real Assets										12,716,668
Real Estate - at cost										740,750
Mutual Funds										108,013,265
Other										3,408,067
Money Market										23,130,896
Total Investments									_	547,484,726
Less cash equivalents held in cash	nool									(17,220,656)
Operating and noncurrent inves	•								\$	530,264,070
Operating and noncurrent inves	ou i i Ci	110							Ψ=	330,204,070

- Custodial Credit Risk GASB Statement No. 40 defines investment custodial risk as "the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party." Although no formal policy has been adopted, the University requires its safekeeping agents to hold all securities in the University's name for both the Cash Pool and the Endowment Pool. Certain limited partnership investments represent ownership interests that do not exist in physical or book-entry form. As a result, custodial credit risk is remote.
- Credit Quality Risk GASB Statement No. 40 defines credit risk as "the risk that an issuer or other counterparty to an investment will not fulfill its obligations as they become due." The University Non-Endowment Cash Pool Investment Policy stipulates that commercial paper be rated P1 by Moody's or A1 by Standard & Poors or a comparable rating by another nationally recognized rating agency; bankers' acceptances should hold a long term debt rating of at least AA or short term debt rating of AAA (or comparable ratings) as provided by one of the nationally recognized rating agencies.

The following table provides information as of September 30, 2007 and 2006, concerning credit quality risk:

Auburn University Investments Ratings of Fixed Maturities									
Moody's Rating		Fair Value		Fair Value as a % of Total Fixed Maturity Fair Value		Fair Value		Fair Value as a % of Total Fixed Maturity Fair Value	
			2007				2006		
US Treasury	\$	62,727,629		12.99%	\$	64,051,791		16.73%	
Aaa		399,144,564		82.67%		299,516,710		78.23%	
Aa		3,549,881		0.74%		1,636,367		0.43%	
Α		3,477,526		0.72%		890,392		0.23%	
Baa		312,325		0.06%		-		-	
P1		9,881,240		2.05%		13,956,336		3.65%	
Not Rated*		3,721,436		0.77%		2,790,255		0.73%	
	\$	482,814,601		100.00%	\$	382,841,851		100.00%	

<sup>\*</sup>Certificates of Deposit and Repurchase Agreements are included in the "Not Rated" Category.

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• Concentration of Credit Risk – GASB Statement No. 40 defines concentration of credit risk as "the risk of loss attributed to the magnitude of a government's investment in a single issuer." The University Non-Endowment Cash Pool Investment Policy does not limit the aggregate amounts that can be invested in U. S. Treasury securities with the explicit guarantee of the U. S. Government or U. S. Agency securities that carry the implicit guarantee of the U. S. Government. As of September 30, 2007 and 2006, the University Cash Pool and the University Endowment Pool were in compliance with their respective policies.

The University Endowment Investment Policy provides for diversification by identifying asset allocation classes and ranges to provide reasonable assurance that no single security, or class of securities, will have a disproportionate impact on the performance of the total Endowment Pool.

• Foreign Currency Risk – GASB Statement No. 40 defines foreign currency risk as "the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit." No formal University policy has been adopted addressing foreign currency risk. As of September 30, 2007 and 2006, the University held no investments that are directly impacted by fluctuations in foreign currency exchange rates.

#### **Securities Lending Program**

The University's investment policies allow participation in securities lending such as Reverse Repurchase Agreements and as authorized by the State Street Index Fund held by the University Endowment Pool. As of September 30, 2007 and 2006, there was no participation in any securities lending program.

#### **Interest Sensitive Securities**

As of September 30, 2007 and 2006, the University held \$26,423,264 and \$25,523,519, representing 3.84% and 4.66%, respectively, of its total investments in mortgage-backed securities. As of September 30, 2007 and 2006, the University held \$5,286,724 and \$2,311,354, representing 0.77% and 0.42%, respectively, of its total investments in asset-backed securities. The mortgage-backed and asset-backed investments have embedded prepayment options that are expected to fluctuate with interest rate changes. Generally, this variance presents itself in variable repayment amounts, uncertain early or extended payments, or the possibility of no repayments. The University's investment policies do not restrict the purchase of mortgage-backed securities, asset-backed securities, or bonds with call provisions.

Certain fixed maturity investments have call provisions that could result in shorter maturity periods. However, it is the intent that the University's Cash Pool fixed maturity investments be held to maturity; therefore, the fixed maturity investments are classified in the above table as if they were held to maturity. As of September 30, 2007 and 2006, the University Cash Pool held \$48,686,187 and \$28,651,962, representing 7.07% and 5.23%, respectively, of total investments in continuously callable fixed maturity investments.

The University owns shares in eight mutual funds, four common trust funds and two business trust funds. These funds are invested in domestic marketable securities, international marketable securities, commodities and debt securities. The University owns limited partnership interests in several non-registered investment partnerships. The goal of the limited partnerships is to invest in readily marketable securities, privately held companies and properties within different industry sectors. At investment inception, the University enters into a separate subscription agreement with a capital commitment to each limited partnership.

As of September 30, 2007, the University had entered into subscription agreements with fourteen limited partnership investments. As of September 30, 2007, the aggregate amount of capital committed to these investment partnerships was \$54,000,000 of which capital contributions of \$39,847,460 have been made. Of these fourteen commitments, six subscriptions relate to private equity funds, five subscriptions relate to hedge funds and three subscriptions relate to real asset funds. The private equity fund commitments are investments in privately held companies in various industries, including alternative fuel technology. The hedge funds are primarily invested in long term/short term equities, fixed income arbitrage, merger arbitrage and other event driven strategies through various investment managers, investment partnerships and offshore funds. The real assets funds include investments in commercial real estate, residential real estate, and oil and gas production.

As of September 30, 2007 and 2006, the University's limited partnership investments are carried at cost. As required by GASB Statement No. 31, no adjustment was recorded to recognize net unrealized gains and losses. Limited partnership investments are made in accordance with the University's investment policy, which approves the allocation of funds to various asset classes (i.e., domestic equity, international equity, private capital, hedge funds, real assets, fixed income and cash) in order to ensure the proper level of diversification within the endowment pool. The limited partnerships (private equity, hedge funds, and real assets) enhance diversification and provide reductions in overall portfolio volatility.

A Swap Policy was adopted by the Board on September 22, 2006. In October 2006, the University entered into a Constant Maturity Swap (CMS) Agreement with Deutsche Bank AG as the counterparty for the purpose of reducing the net interest paid on the University's Series 2001A and 2004 General Fee Revenue Bonds. It is expected that positive cash flows will lower the associated bonds' interest expense and that this will occur as the yield curve reverts to the upward sloping curve. The terms of the Swap Agreements are listed below. The bonds associated with the notional value of the swaps are as follows:

2001 A General Fee Bonds	2004 General Fee Bonds
\$ 74,750,000	\$72,105,000
September 19, 2006	September 19, 2006
October 3, 2006	October 3, 2006
March 1, 2008	March 1, 2008
June 1, 2026	June 1, 2034
	\$ <u>74,750,000</u> September 19, 2006 October 3, 2006 March 1, 2008

The Swap Agreement uses the International Swap Dealers Association (ISDA) Master Agreement. In the CMS, the University agrees to pay a short term floating rate in exchange for receiving a variable interest rate which is associated with a longer-term spot on the yield curve. According to the agreement, the University will pay the one month London Interbank Offered Rate (LIBOR) and receive 90.62% of the ten year LIBOR with settlement in June and December to coincide with the associated bond payment schedules. On September 28, 2007 and December 19, 2006, the Swap Agreements were valued at \$650,615 and (\$573,337), respectively, by Deutsche Bank and the Investment Management Advisory Group, Inc.

The table entitled, "Auburn University Investments, Investment Maturities at Fair Value (in Years)," includes funds held for pending capital expenditures at September 30, 2007: \$20,484,512, 2004 General Fee Bond Proceeds; \$41,956,162, 2006 General Fee Bond Proceeds and \$24,363,771, Deferred Maintenance Building Fund. The General Liability Account holds investments of \$5,599,826.

At September 30, 2006, funds held for capital expenditures were as follows: \$36,177,405, 2004 General Fee Bond Proceeds; \$976,612, 2004 Athletic Bond Proceeds and \$20,205,105, Deferred Maintenance Building Fund. The General Liability Account held investments of \$6,005,439.

#### AUF investments at September 30, 2007 and 2006 include the following:

		2007			2006	
	Fair Value		Cost	Fair Value		Cost
Cash and pooled investments Government bonds, notes and	\$ 9,365,907	\$	9,356,562	\$ 3,393,167	\$	3,393,167
other securities	22,244,323		22,135,264	24,748,468		24,723,171
Corporate bonds and debentures	15,749,070		15,679,386	7,261,183		7,176,824
Corporate stocks	1,907,392		1,269,611	3,690,906		3,968,092
Mutual funds and common trust funds	142,188,115		117,279,328	138,288,318		117,473,513
Hedge funds	45,670,042		36,875,000	33,870,686		30,500,000
Private equity funds	8,298,120		8,104,929	2,059,489		2,104,408
Real asset investment funds	 29,706,081		25,109,743	 17,546,616		16,035,854
Total investments	\$ 275,129,050	\$	235,809,823	\$ 230,858,833	\$	205,375,029

The Foundation owns shares in five mutual funds, two business trust funds and four common trust funds. These funds are invested in domestic marketable securities, international marketable securities, commodities, and debt securities. The Foundation owns limited partnership interests of which the goal is to invest in readily marketable securities, privately held companies and properties within different industry sectors. At investment inception, the Foundation enters into a separate subscription agreement with a capital commitment to each limited partnership.

As of September 30, 2007, the Foundation had entered into subscription agreements with seventeen limited partnership investments. The aggregate amount of capital committed to these investment partnerships is \$86,975,000 of which capital contributions of \$64,089,672 have been invested. A net realized gain of \$12,627,540 has been recorded on these investments on the Consolidated Statements of Activities and Changes in Net Assets. Of these seventeen commitments, five subscriptions relate to hedge funds, eight subscriptions relate to private equity funds, and four subscriptions relate to real asset funds. The hedge funds are primarily invested in long/short equities, fixed-income arbitrage, merger arbitrage and other event driven strategies through various investment managers, investment partnerships and offshore funds. The private equity fund commitments are for investments in privately held companies in various industries, including alternative fuel technology. The real asset funds include an investment in commercial real estate, residential real estate, and oil and gas production.

The Foundation believes that the carrying amount of its limited partnership investments is a reasonable estimate of fair value as of September 30, 2007. Because limited partnership investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed and such difference could be material. Limited partnership investments are made in accordance with the Foundation's investment policy that approves the allocation of funds to various asset classes (i.e., domestic equity, international equity, private capital, hedge funds, real assets, fixed income and cash) in order to ensure the proper level of diversification within the endowment pool. Investments in limited partnerships (private equity, hedge funds, and real assets) are designed to enhance diversification and provide reductions in overall portfolio volatility. These fair values are estimated by the general partner of each limited partnership using various valuation techniques.

Investment income, realized gains and losses, unrealized gains and losses, and changes in values of split-interest agreements are reported on the Consolidated Statements of Activities and Changes in Net Assets net of investment expenses. Investment income is shown net of estimated investment expenses of \$2,302,000 and \$1,760,000, for the fiscal years ended September 30, 2007 and 2006, respectively.

#### (5) FUNDS HELD IN TRUST

In addition to permanently restricted net assets carried on the University's financial statements, the University is the beneficiary of income earned on a number of AUF endowments. The cost of these funds was \$196,528,951 and \$166,947,757, and the market value was \$232,070,597 and \$191,569,739, at September 30, 2007 and 2006, respectively. The portion of endowment income received by the University from these funds was \$7,177,362 and \$6,024,214 for the fiscal years ended September 30, 2007 and 2006, respectively. Endowment earnings are distributed annually in January, based on the AUF endowment distribution spending rate.

In addition, the University has been named as a beneficiary of a foundation with investments having a cost of \$2,800,376 and \$2,763,416, and a market value of \$3,145,829 and \$2,998,038, at September 30, 2007 and 2006, respectively.

The University is the beneficiary of the income earned on two additional trusts. The cost of investments held by these trusts was \$753,000 as of September 30, 2007 and 2006. The income received from the two trusts was \$91,915 and \$20,280 for the years ended September 30, 2007 and 2006, respectively.

#### (6) ACCOUNTS RECEIVABLE

Accounts receivable and the allowances for doubtful accounts at September 30, 2007 and 2006, are summarized as follows:

		2007	2006
NON - STUDENT ACCOUNTS RECEIVABLE			
Federal, state & local government, and other restricted expendable	\$	35,763,673	\$ 29,452,140
Less allowance for doubtful accounts		(1,764,000)	(825,000)
Pledged Receivables		8,629,314	-
General		6,847,311	6,215,816
Less allowance for doubtful accounts		(6,251,148)	(4,728,719)
Auxiliary		6,732,651	6,471,565
Capital	_	2,085,917	 1,341,780
Total	\$_	52,043,718	\$ 37,927,582
		2007	2006
TUDENT ACCOUNTS RECEIVABLE			
Inrestricted general	\$	28,710,315	\$ 24,121,036
Less allowance for doubtful accounts		(1,950,730)	(889,758)
nrestricted auxiliary		1,208,717	1,631,795
Less allowance for doubtful accounts	_	(80,678)	 (61,167)
Total	\$_	27,887,624	\$ 24,801,906

#### (7) CAPITAL ASSETS

Capital assets at September 30, 2007 and 2006, are summarized as follows (dollars in thousands):

	•				_	<b>.</b>	•	00 000=
	Se	ot. 30, 2006	F	Additions		Deletions	Sept	. 30, 2007
Capital assets not being depreciated Land Art & collectibles Construction in progress	\$	15,890 6,603 42,246	\$	1,260 454 84,233	\$	(73,937)	\$	17,150 7,057 52,542
Livestock		1,210		123		(56)		1,277
Total capital assets not being depreciated		65,949		86,070		(73,993)		78,026
Capital assets being depreciated								
Land improvements		39,113		4,297		(2,134)		41,276
Buildings		689,924		78,529		(4,150)		764,303
Equipment		156,816		16,226		(4,097)		168,945
Infrastructure		122,111		5,684		(16,393)		111,402
Library books		124,766		6,844		(394)		131,216
Banner implementation		6,401		2,700				9,101
Total capital assets being								
depreciated		1,139,131		114,280		(27,168)		1,226,243
Less accumulated depreciation for								
Land improvements		10,913		2,198		-		13,111
Buildings		264,307		14,377		(2,784)		275,900
Equipment		109,237		11,475		(3,816)		116,896
Infrastructure		30,189		3,146		-		33,335
Library books		101,482		5,029		(394)		106,117
Banner implementation		640		910		-		1,550
Total accumulated depreciation Total capital assets being		516,768		37,135		(6,994)		546,909
depreciated, net		622,363		77,145		(20,174)		679,334
Capital assets, net	\$	688,312	\$	163,215	\$	(94,167)	\$	757,360

#### Capital assets at September 30, 2006 and 2005, are summarized as follows (dollars in thousands):

	Sep	t. 30, 2005	Additions	Deletions		Sep	ot. 30, 2006
Capital assets not being depreciated						•	
Land	\$	15,194	\$ 699	\$	(3)	\$	15,890
Art & collectibles		6,221	382		-		6,603
Construction in progress		70,726	86,881		(115,361)		42,246
Livestock		1,251	 104		(145)		1,210
Total capital assets not being							
depreciated		93,392	 88,066		(115,509)		65,949
Capital assets being depreciated							
Land improvements		27,709	11,404		-		39,113
Buildings		636,744	55,221		(2,041)		689,924
Equipment		150,980	9,549		(3,713)		156,816
Infrastructure		79,474	42,637		-		122,111
Library books		119,406	6,053		(693)		124,766
Banner implementation		3,649	 2,752		<del>-</del>		6,401
Total capital assets being							
depreciated		1,017,962	 127,616		(6,447)		1,139,131
Less accumulated depreciation for							
Land improvements		9,125	1,788		-		10,913
Buildings		253,545	13,001		(2,239)		264,307
Equipment		101,300	11,402		(3,465)		109,237
Infrastructure		27,632	2,557		-		30,189
Library books		97,377	4,798		(693)		101,482
Banner implementation		<u>-</u>	 640		<u>-</u>		640
Total accumulated depreciation		488,979	34,186		(6,397)		516,768
Total capital assets being			 				
depreciated, net		528,983	 93,430		(50)		622,363
Capital assets, net	\$	622,375	\$ 181,496	\$	(115,559)	\$	688,312

During the fiscal years ended September 30, 2007 and 2006, the University received approximately \$108,000 and \$1.2 million, respectively, from the State of Alabama to fund construction. These revenues are classified as capital appropriations on the Statement of Revenues, Expenses and Changes in Net Assets.

(8) LONG-TERM DEBT
Bonds, notes and lease obligations are collateralized by certain real estate, equipment and pledged revenues (see Note 9).

Bonds, notes and lease obligations are collateral	· ·		revenues (see Note 9).	Dolomos of			
Bonds payable	Balance at September 30, 2006	Principal New Debt	Repayment	Balance at September 30, 2007			
1978 Auburn University at Montgomery Dormitory Revenue bonds, \$3,279,000 face value, 3.0%, due annually through 2018, a reserve of \$193,929 and a \$138,990 contingency fund.	\$ 1,555,000	\$ -	\$ (100,000)	\$ 1,455,000			
2001 General Fee Revenue bonds, \$19,460,000 face value, 3.25% to 5.0%, due annually through 2011.	10,930,000	-	(1,975,000)	8,955,000			
2001A General Fee Revenue bonds, \$74,750,000 face value, 5.0% to 6.0%, due annually from 2012 through 2026.	74,750,000	-	-	74,750,000			
2001A Athletic Revenue bonds, \$24,412,607 face value, 2.125% to 5.49%, due annually through 2021.	22,519,429	-	(362,903)	22,156,526			
2003 General Fee Revenue bonds, \$49,460,000 face value, 1.45% to 5.25%, due annually through 2016.	41,110,000	-	(3,575,000)	37,535,000			
2003 Athletic Revenue bonds, \$21,900,000 face value, 2.25% to 5.0%, due annually through 2010.	11,625,000	-	(2,775,000)	8,850,000			
2003 Housing and Dining Revenue bonds, \$15,645,000 face value, 1.4% to 5.0%, due annually through 2012.	10,400,000	-	(1,600,000)	8,800,000			
2004 General Fee Revenue bonds, \$76,875,000 face value, 3.0% to 5.25%, due annually through 2034.	73,465,000	-	(1,360,000)	72,105,000			
2004A Athletic Revenue bonds, \$24,860,000 face value, 2.0% to 5.0%, due annually from 2006 through 2021 and annually from 2025 through 2034.	24,330,000	-	(540,000)	23,790,000			
2004B Athletic Revenue bonds, \$3,050,000 face value, 5.75%, due annually from 2022 through 2024.	3,050,000	-	-	3,050,000			
2006A General Fee Revenue bonds, \$60,000,000 face value, 3.5% to 5.0%, due annually from 2008 through 2037.	<del>-</del>	60,000,000		60,000,000			
Total bonds payable	273,734,429	60,000,000	(12,287,903)	321,446,526			
Plus unamortized bond premium	4,223,425	2,456,590	(873,616)	5,806,399			
Less unamortized bond discount	(1,203,285)	-	76,187	(1,127,098)			
Less unamortized loss on refunding	(1,097,276)	<del>-</del>	290,127	(807,149)			
Less: current portion Bonds payable Unamortized bond premium Unamortized bond discount Unamortized loss on refunding	275,657,293 (12,287,903) (733,317) 76,186 290,129	62,456,590	(12,795,205)	325,318,678 (13,737,440) (807,402) 76,186 230,177			
Total noncurrent bonds payable	\$263,002,388			\$311,080,199			

	Balance at	Principal		Balance at
Bonds payable	September 30, 2005	New Debt	Repayment	September 30, 2006
1978 Auburn University at Montgomery Dormitory Revenue bonds, \$3,279,000 face value, 3.0%, due annually through 2018, a reserve of \$184,895 and a \$132,495 contingency fund.	\$ 1,650,000	\$ -	\$ (95,000)	\$ 1,555,000
2001 General Fee Revenue bonds, \$19,460,000 face value, 3.25% to 5.0%, due annually through 2011.	12,815,000	-	(1,885,000)	10,930,000
2001A General Fee Revenue bonds, \$74,750,000 face value, 5.0% to 6.0%, due annually from 2012 through 2026.	74,750,000	-	-	74,750,000
2001A Athletic Revenue bonds, \$24,412,607 face value, 2.125% to 5.49%, due annually through 2021.	22,901,371	-	(381,942)	22,519,429
2003 General Fee Revenue bonds, \$49,460,000 face value, 1.45% to 5.25%, due annually through 2016.	44,635,000	-	(3,525,000)	41,110,000
2003 Athletic Revenue bonds, \$21,900,000 face value, 2.25% to 5.0%, due annually through 2010.	14,280,000	-	(2,655,000)	11,625,000
2003 Housing and Dining Revenue bonds, \$15,645,000 face value, 1.4% to 5.0%, due annually through 2012.	11,955,000	-	(1,555,000)	10,400,000
2004 General Fee Revenue bonds, \$76,875,000 face value, 3.0% to 5.25%, due annually through 2034.	74,775,000	-	(1,310,000)	73,465,000
2004A Athletic Revenue bonds, \$24,860,000 face value, 2.0% to 5.0%, due annually from 2006 through 2021 and annually from 2025 through 2034.	24,860,000	-	(530,000)	24,330,000
2004B Athletic Revenue bonds, \$3,050,000 face value, 5.75%, due annually from 2022 through 2024.	3,050,000	 <u>-</u>	<del>-</del>	3,050,000
Total bonds payable	285,671,371	 <del>_</del>	(11,936,942)	273,734,429
Plus unamortized bond premium	5,056,635	-	(833,210)	4,223,425
Less unamortized bond discount	(1,281,555)	-	78,270	(1,203,285)
Less unamortized loss on refunding	(1,460,202) 287,986,249	 <del>-</del>	362,926 (12,328,956)	(1,097,276) 275,657,293
Less: current portion Bonds payable Unamortized bond premium Unamortized bond discount Unamortized loss on refunding	(11,936,942) (833,210) 78,270 362,926			(12,287,903) (733,317) 76,186 
Total noncurrent bonds payable	\$275,657,293			\$263,002,388

#### **Future Debt Service**

Future debt service payments for each of the five fiscal years subsequent to September 30, 2007, and thereafter, are as follows:

Year Ending September 30	Bonds Payable Principal	Interest	
2008	\$ 13,737,440	\$ 14,554,965	
2009	14,183,294	14,046,058	
2010	14,757,020	13,538,883	
2011	14,299,610	14,079,998	
2012	14,669,833	13,716,555	
2013-2017	64,413,468	62,254,209	
2018-2022	58,385,861	49,090,999	
2023-2027	58,645,000	25,081,481	
2028-2032	39,285,000	13,086,343	
2033-2037	29,070,000	3,302,400	
Total future debt service	\$321,446,526	\$ 222,751,891	

#### **Capital Lease Obligations**

AUM is acquiring a building under a capital lease agreement that provides for the University to purchase the building over a period of 25 years. The University also leases certain items of equipment that are classified as capital leases.

Lease Obligations	Balance at Sept. 30, 2006	New Obligations	Principal Repayment	Balance at Sept. 30, 2007
Building	\$ 1,525,000	\$ -	\$ (145,000)	\$ 1,380,000
Equipment	228,475	1,612,864	(175,554)	1,665,785
Total lease obligations	\$1,753,475	\$1,612,864	\$(320,554)	\$3,045,785

Minimum lease payments under capital leases together with the present value of the net minimum lease payments are shown in the table below:

	Βι	ilding	Equipment	Total	
2007-2008	\$	211,450	\$ 463,887	\$ 675,337	
2008-2009		214,780	387,481	602,261	
2009-2010		212,572	368,897	581,469	
2010-2011		210,053	349,542	559,595	
2011-2012		212,215	332,242	544,457	
2012-2016		638,565	-	638,565	
Minimum lease payments		1,699,635	 1,902,049	 3,601,684	
Less interest		(319,635)	(236, 264)	(555,899)	
Present value of minimum		,	 	 	
lease payments		1,380,000	1,665,785	3,045,785	
Less current portion		(145,000)	 (430,158)	 (575,158)	
Noncurrent obligations	\$	1,235,000	\$ 1,235,627	\$ 2,470,627	

The University has entered into various operating leases for equipment. It is expected that, in the normal course of business, such leases will continue to be required. Net expenditures for rentals under operating leases for the years ended September 30, 2007 and 2006, amounted to approximately \$3.9 million and \$3.3 million, respectively.

#### (9) PLEDGED REVENUES

Pledged revenue for 2007 and 2006 as defined by the Series 2001, 2001A, 2003, and 2004 and 2006A General Fee Revenue Trust Indentures is as follows:

0110.			
	2007		2006
Student fees collected	\$ 231,220,338	\$	214,779,768
Less AUM fees	(20,673,604)		(20,874,563)
Less fees pledged for specific purposes:	·		,
Athletic fees (\$96 per student per semester)	(4,960,876)		(944,244)
Transit fees (\$89 and \$53 per student per semester	,		,
for 2007 and 2006, respectively)	(3,114,312)		(2,659,430)
Student activities fees (\$15 per student per semester)	 (790,306)	_	(784,061)
Total general fees pledged	\$ 201,681,240	\$	189,517,470

	2	2006
Jordan Hare and Other Revenues:		
Television and broadcast revenues	\$ 4,1	50,000 \$ 4,090,000
Conference and NCAA distributions	12,1	59,634 12,628,646
Sales and services revenues	24,6	53,339 19,153,188
Student fees	4,9	60,876 944,244
Game settlements		- 1,225,480
Other income	3,6	21,856 935,746
Tatal Attlatic accounts all days	<b>.</b> 40.5	45.705
Total Athletic revenues pledged	\$ <u>49,5</u>	45,705 \$ 38,977,304

Pledged revenue for 2007 and 2006 as defined by the Series 2003 Housing and Dining Revenue Trust Indenture is as follows:

	2007		2006
Housing Revenues:	0.047.445	•	0.704.400
Room rental Other income	\$ 9,317,145 750,618	\$	9,764,483 612,979
Other income			012,313
Total Housing revenues pledged	\$10,067,763	\$	10,377,462

The Auburn University dormitory occupancy rate for fall semester 2007 and fall semester 2006 was 98.6% and 99.4%, respectively (unaudited).

	2007	2006
Food Services Revenues: Other income	\$ <u>509,430</u>	\$ 550,000
Total Food Services revenues pledged	\$509,430	\$550,000

Pledged revenues and related expenses for 2007 and 2006 as defined by the **1978 Auburn University at Montgomery Trust Indenture** are as follows:

The following summary shows the revenues, expenses and transfers from operations of the dormitories of AUM for the years ended September 30, 2007 and 2006.

	;	2007		2006
Revenues:				
Room rental	\$ 8	351,046	\$	576,317
Other income		36,054		270,331
Total revenues	8	387,100		846,648
Expenses and Transfers:				
Personnel cost	į	65,544		455,001
Operating expenses	į	531,186		583,915
Transfers		148,445		143,520
Total expenses and transfers	1,2	<u> 245,175</u>	1,	182,436
Deficit of revenues over expenses and transfers	(;	358,075)	(	335,788)
AUM Student Housing net deficit at beginning of year	(9	964,169)	(	628,381)
AUM Student Housing net deficit at end of year	\$(1,3	322,244)	\$(	964,169)

The AUM dormitory occupancy rate for fall semester 2007 and fall semester 2006 was 97.36% and 97.00%, respectively (unaudited).

#### (10) RETIREMENT PROGRAMS

The employees of the University are participants in two defined benefit plans, a 403(b) defined contribution plan and a 457(b) deferred compensation plan as follows:

#### A. Teachers' Retirement System of Alabama

The University contributes to the Teachers' Retirement System of Alabama (TRS), a cost sharing, multiple-employer, public employee retirement system for the various state-supported educational agencies and institutions. This plan is administered by the Retirement Systems of Alabama.

Substantially all non-student employees are members of the Teachers' Retirement System. Membership is mandatory for eligible employees. Benefits vest after ten years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by the formula method by which retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits are provided to plan members.

The Teachers' Retirement System was established as of October 1, 1941, under the provisions of Act Number 419, of the Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The responsibility for general administration and operation of the Teachers' Retirement System is vested in the Board of Control (currently 14 members). Benefit provisions are established by the *Code of Alabama* 1975, Sections 16-25-1 through 16-25-113, as amended, and Sections 36-27B-1 through 36-27B-6, as amended.

The ten year historical trend information showing TRS's progress in accumulating sufficient assets to pay benefits when due and the significant actuarial assumptions used to compute the pension benefit obligation, including the discount rate, projected salary increases and post-retirement benefit increases, are presented in the September 30, 2006, annual financial report of the Teachers' Retirement System of Alabama. The Retirement System of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Teachers' Retirement System of Alabama. That report may be obtained by writing to the Retirement System of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

#### **Funding Policy**

Employees are required by statute to contribute five percent of their salary to the Teachers' Retirement System. The University is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the Teachers' Retirement System recommends to the Alabama State Legislature the contribution rate for the following fiscal year, with the Alabama State Legislature setting this rate in the annual appropriations bill. The percentages of the contributions and the amount of contributions made by the University and the University's employees equal the required contributions for each year as follows:

Fiscal year ended September 30,	20	07	2006
Total percentage of covered payroll Contributions:	1	14.36%	13.17%
Percentage contributed by the employer Percentage contributed by the employees		9.36% 5.00%	8.17% 5.00%
Contributed by the employer Contributed by the employees		514,629 \$ 701,877	22,235,640 13,812,039
Total contributions	\$42,2	216,506 \$_	36,047,679

#### B. Employees' Retirement System of Alabama

Federally appointed employees of the Alabama Cooperative Extension System are covered by the Employees' Retirement System of Alabama (ERS). This program is a multi-employer defined benefit plan. Benefits of the ERS plan are similar to those of the TRS plan with the exception that they are based on half of the employee's average final salary. Upon retirement these employees will also receive pension benefits under the Federal Civil Service Retirement System. ERS is part of the Retirement Systems of Alabama

#### **Funding Policy**

Employees are required by statute to contribute 2.5% of their salary to the Employees' Retirement System. The University is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the Employees' Retirement System recommends to the Legislature the contribution rate for the following fiscal year, with the Legislature setting this rate in the annual appropriation bill. The percentages of the contributions and the amount of contributions made by the University and the University's employees equal the required contributions for each year as follows:

Fiscal year ended September 30,	2007	2006
Total percentage of covered payroll Contributions:	27.11%	25.57%
Percentage contributed by the employer Percentage contributed by the employees Contributed by the employer Contributed by the employees	24.61% 2.50% \$ 1,626,391 165,224	23.07% 2.50% \$ 1,489,525 161,413
Total contributions	\$1,791,615	\$1,650,938

#### C. Tax Deferred Annuity Plan

This plan is a defined contribution plan under section 403(b) of the Internal Revenue Code. Accordingly, benefits depend solely on amounts contributed to the plan plus investment earnings. This is provided as a supplement to the aforementioned programs. All full-time regular or probationary employees are eligible to participate. Full-time temporary employees are also eligible if their employment period is for a minimum of one year. The University will match up to \$1,500 per year of a qualifying employee's contribution. This equates to five percent of gross salary with a maximum covered salary of \$30,000 per year. An employee enrolling in one of the University's tax deferred annuity plans will not vest in the University's matching portion until he/ she has completed five years of full-time continuous service. Upon the employee's completion of the five year requirement, the University's matching contribution and interest earned will be vested to the participant. Nonparticipating employees with continuous service will be given credit toward the five year requirement upon joining the tax deferred annuity program. The total investment in the annuities is determined by Section 403(b). There are several investment options including fixed and variable annuities and mutual funds. The University-approved investment firms employees may select are VALIC, TIAA-CREF, Vanguard Fidelity Investments, Lincoln Financial and Merrill Lynch. At September 30, 2007 and 2006, 3,276 employees and 3,187 employees, respectively, participated in the tax deferred annuity program. The contribution for 2007 was \$15,996,510, which includes \$4,195,025 from the University and \$11,801,485 from its employees. The contribution for 2006 was \$15,074,792, which includes \$3,776,198 from the University and \$11,298,594 from its employees. Total salaries and wages during the fiscal year for covered employees participating in the plan were approximately \$200,725,000 and \$202,758,000 for the fiscal years ended September 30, 2007 and 2006, respectively.

#### **D. Deferred Compensation Plans**

The University follows the provisions of GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457(b) Deferred Compensation Plan. As of September 30, 2007 and 2006, 213 and 211 employees, respectively, participated in the plans. Contributions of \$2,181,213 and \$2,134,057 for fiscal years 2007 and 2006, respectively, were funded by employees and no employer contribution was funded. The 457(b) plans include VALIC, TIAA-CREF, Vanguard, Fidelity Investments, Lincoln Financial, and Merrill Lynch.

#### (11) OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The University offers postemployment health care benefits to all employees who officially retire from the University. Health care benefits are offered through the State of Alabama Public Education Employees Health Insurance Plan (PEEHIP) with TRS or Auburn University's self insured Retiree Medical Plan (the Plan), which is available for select employees who are not eligible for PEEHIP or those who were grandfathered in as Civil Service employees. Eligibility for benefits for either option begins at age 60 with at least 10 years of service or at any age with 25 years of service. Retirees must have been enrolled in the active employees' health care plan for the last six of those years in order to be eligible for coverage under the plan.

Eligible retired employees participating in PEEHIP pay their premiums directly to TRS. Auburn University paid the employer portion of premiums directly to TRS in the amount of \$8,623,680 and \$7,686,668 for fiscal years 2007 and 2006, respectively.

The University adopted GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions during fiscal year 2007. This statement requires governmental entities to recognize and match other postretirement benefit costs with related services received and also to provide information regarding the actuarially calculated liability and funding level of the benefits associated with past services.

The Plan is considered a single-employer plan and consists of hospital benefits, major medical benefits, a prescription drug program and a preferred care program. The health care benefits cover medical and hospitalization costs for retirees and their dependents. If the retiree is eligible for Medicare, University coverage is secondary. The authority under which the Plan's benefit provisions are established or amended is the University President. Recommendations for modifications are brought to the President by the Insurance and Benefits Committee. Any amendments to the obligations of the plan members or employer(s) to contribute to the plan are brought forth by the Insurance and Benefits Committee and approved by the President.

Employees included in the actuarial valuation include retirees and survivors, active Civil Service employees who are eligible to participate in the Plan upon retirement, and those employees the University pays a subsidy for who elected the PEEHIP plan on or prior to 10/1/1997. Expenditures for postretirement health care benefits are recognized monthly and financed on a pay-as-you-go basis. The University funds approximately 60% of the postretirement healthcare premiums, which totaled \$996.645 and \$1,040,488 for fiscal years ended September 30, 2007 and 2006, respectively. The retirees are responsible for funding approximately 40% of the healthcare premiums.

As part of the transition provisions of GASB Statement No. 45, the University accrued an additional \$2,737,700 in retiree healthcare expense during fiscal year 2007.

The Plan does not issue a stand-alone financial report. For inquiries relating to the Plan, please contact Auburn University Payroll and Employee Benefits, 212 Ingram Hall, Auburn University 36849.

The required schedule of funding progress contained in the Required Supplemental Information immediately following the divisional financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

#### Determination of Annual Required Contribution (ARC) and End of Year CAFR Accrual

Cost Element	Fiscal Year E Amount	Ending Sept. 30, 2007 Percent of Payroll <sup>2</sup>
<ol> <li>Unfunded actuarial accrued liability at Oct. 1, 2006</li> </ol>	\$ 57,878,500	890.9%
Annual Required Contribution (ARC)  2. Normal cost  3. Amortization of the unfunded actuarial accrued liability over 15 years using level dollar amortization	\$ 189,200 5,205,700	
<ol> <li>Annual Required Contribution (ARC = 2 + 3)</li> </ol>	\$ 5,394,900	83.0%
Annual OPEB Cost (Expense) 5. ARC 6. Interest on beginning of year CAFR accrual <sup>1</sup> 7. Amortization of beginning of year CAFR accrual <sup>1</sup>	\$ 5,394,900 - -	
8. Fiscal 2007 OPEB cost (5 + 6 – 7)	\$ 5,394,900	83.0%
<ul> <li>End of Year CAFR Accrual (Net OPEB Obligation) <sup>3</sup></li> <li>9. Beginning of year CAFR accrual<sup>1</sup></li> <li>10. Annual OPEB cost</li> <li>11. Employer contribution (benefit payments) <sup>3</sup></li> </ul>	\$ - 5,394,900 2,657,200	
12. End of year CAFR accrual (9 + 10 – 11) <sup>3</sup>	\$ 2,737,700	42.1%

<sup>&</sup>lt;sup>1</sup> No accrual is required at the adoption of the GASB Statement

#### **Schedule of Employer Contributions**

Fiscal Year	Annual Required Contributions	Actual	Percentage
Ended		Contributions⁴	Contributed
September 30, 2007	\$ 5,394,900	\$ 2,657,200	49.3%

<sup>&</sup>lt;sup>4</sup> Since there is no funding, these are actual PPO benefit payments of \$2,875,765 plus expected subsidy payments of \$405,038 less retiree contributions of \$623,625.

#### **Schedule of Funding Progress**

The schedule of funding progress presents multi-year trend information comparing the actuarial value of plan assets to the actuarial accrued liability.

Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll⁵ (c)	UAAL as a Percentage Of Covered Payroll⁵ [(b)-(a)/ (c)]
September 30, 2007	\$ -	\$ 57,878,500	\$ 57,878,500	- %	\$ 6,496,800	890.9%

<sup>&</sup>lt;sup>5</sup> Estimated payroll as of October 1, 2006 includes only plan participants.

Note: The annual required contribution (ARC) of \$5.39 million for fiscal year 2007 and CAFR accrual of \$2.74 million as of September 30, 2007, are based on the assumption of no funding in a segregated GASB qualified trust.

<sup>&</sup>lt;sup>2</sup> Annual payroll for the 87 plan participants as of October 1, 2006 estimated at \$6,496,800 based on actual payroll of \$6,515,400 as of November 1, 2006.

<sup>&</sup>lt;sup>3</sup> Actual contributions and administrative fees paid in fiscal year 2008 for the PPO of \$2,875,765 plus expected subsidy payments of \$405,038 less participant contributions of \$623,625 (the sum of retiree premiums of \$452,908 and survivor premiums of \$170,717). Employer contributed 49.3% of annual OPEB cost during fiscal year 2007.

#### Three Year Schedule of Percentage of OPEB Cost Contributed

Fiscal Year	Annual OPEB	Percentage of OPEB Cost Contributed	Net OPEB
Ended	Cost		Obligation
September 30, 2007	\$ 5,394,900	49.3%	\$ 2,737,700

#### **Summary of Key Actuarial Methods and Assumptions**

October 1, 2006 - September 30, 2007 Valuation year

Actuarial cost method Unit Credit, level dollar

15 years, level dollar open amortization<sup>6</sup> Amortization method

N/A Asset valuation method

#### Actuarial assumptions:

Discount rate Projected payroll growth rate Heath care cost trend rate for 4.0% 3.5%

medical and prescription drugs

9% in fiscal year 2007 and fiscal year 2008, decreasing by one-half percentage point per year to an

ultimate of 5.0% in fiscal year 2016 and after.

#### **General Overview of the Valuation Methodology**

The estimation of the retiree healthcare benefit obligation is generally based on per capita costs developed from recent periods for which claims experience is available. The University provided calendar year claims information for fiscal years 2001 through 2006. Averaging over 200 pre-65 plan participants per year and over 500 post-65 plan participants per year, the experience was used to develop the initial average pre-65 and post-65 baseline costs for fiscal year 2007. These costs were then age-adjusted using a combination of retiree demographics and information from a retiree health claim database which reflect the benefits available to Plan participants. The resulting per capita costs by age and dependent status were projected into the future to estimate future benefit and expense payments for each plan participant, using assumptions to estimate the effect of future trends and population changes.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Calculations are based on the types of benefits provided under the terms of the Plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective. Actuarial methods and assumptions used include techniques that are designed to reduce shortterm volatility in actuarial accrued liabilities and the actuarial value of assets. Sample per capita costs are provided below.

Valuation Year October 1, 2006 - September 30, 2007

**Date of Census Data** November 1, 2006

**Actuarial Cost Method** Unit Credit actuarial cost method; unfunded Actuarial Liability (AL) amortized on a level dollar basis over 15 years

**Medical Per Capita Costs** Sample Costs for Fiscal Year Beginning 10/1/2006

			LTD Retired	<u>e &amp; Spouse</u>
<u>Age</u>	<u>Retiree</u>	<u>Spouse</u>	<u>Retiree</u>	<u>Spouse</u>
55	\$6,657	\$ 6,771	\$ 5,825	\$ 6,771
60	7,985	7,953	6,987	7,953
65	3,239	3,390	3,239	3,390
70	3,594	3,704	3,594	3,704
75	3,828	3,864	3,828	3,864
80	3,909	3,896	3,909	3,896
85	3,853	3,833	3,853	3,833

Note: 75% Pre-65 LTD participants are assumed to receive Medicare.

<sup>&</sup>lt;sup>6</sup> Open amortization means a fresh-start each year for the cumulative unrecognized amount.

Grandfathered retirees who elected PEEHIP on or before 10/1/1997 receive a monthly subsidy of:

Pre-65: \$27 for single coverage; \$77 for family

Post-65: \$0 for single coverage; \$39.64 if both over age 65 and \$85 if one over age 65 and one under age 65.

**Retiree Premiums** 

Retirees contribute 40% and surviving spouses pay 100% of the monthly premiums shown below:

	As of 1/1/06	As of 1/1/07
Pre-65 Single	\$ 350	\$ 368
Pre-65 Family	725	761
Post-65 Single	103	108
Post-65 Family	241	253

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Note: There are several other categories of premiums.

Administrative Expenses

The per capita costs for 2007 include \$18.75 per contract per month. This will increase to \$20.50 in fiscal years 2008 and 2009.

**Annual Health Care Trend Rate** 

	Medical and
Fiscal	Rx Combined
<u>Year</u>	<u>Rate</u>
2007	9.0%
2008	9.0
2009	8.5
2010	8.0
2011	7.5
2012	7.0
2013	6.5
2014	6.0
2015	5.5
2016+	5.0

**Discount Rate** 4.00% per annum

**Salary Increase** 3.50% applicable only for amortization on a level percentage of pay basis.

**Spouse Age Difference** Husbands are assumed to be three years older than wives for current and future retirees who are married.

Mortality RP-2000 Combined Mortality Table (unprojected, combined active and retiree, gender distinct tables)

Participation Rates 100% of active employees are assumed to elect postretirement health insurance coverage upon retirement.

For future retirees, 60% of males and 40% of females are assumed to cover a spouse at time of retirement.

**Retirement Rates** 

Employees are assumed to retire according to the following schedule:

Age 45 or less 46 - 49 50 - 51 52 - 54 55 56 - 59 60	Retirement Rate  0%  1%  2%  3%  10%  8%  20%
61	15%
62	25%
63 - 64	20%
65	40%
66 - 69	30%
70 - 74	75%
75+	100%

Withdrawal Rates

None assumed since all are long service Civil Service employees.

#### Percent assumed to terminate within one year

<u>Age</u>	<u>Male</u>	<u>Female</u>
25	0.06%	0.09%
30	0.08%	0.12%
35	0.17%	0.24%
40	0.30%	0.41%
45	0.54%	0.65%
50	0.98%	0.98%
55	1.50%	1.50%

#### (12) SELF INSURANCE PROGRAMS AND OTHER LIABILITIES

#### **Self Insurance**

An actuarially determined rate is used to provide funding for retained risk in the University's self-insurance program. The self-insurance reserves, liabilities and related assets are included in the accompanying financial statements. The estimated liability for general liability and on-the-job injury self-insurance is actuarially determined. These self-insured programs are supplemented with commercial excess insurance.

The Comprehensive General Liability Trust Fund is a self-insured retention program that protects the University, its faculty, staff and volunteers against claims brought by third parties arising from bodily injury, property damage and personal liability (libel, slander, etc.) Funds are held in a separate trust account with Compass Bank to be used to pay claims for which the University may become legally liable. The liability at September 30, 2007 and 2006, was \$457,402 and \$472,379, respectively.

The On-The-Job-Injury program provides benefits for job-related injuries or death related from work at the University. This program is designed to cover out-of-pocket expenses of any employee who is not covered by insurance. The program will also pay for medically evidenced disability claims and provide death benefits arising from a job-related death of an employee. This self-funded program is provided to employees since the University is not subject to the worker's compensation laws of the State of Alabama. The liability at September 30, 2007 and 2006, was \$1,827,275 and \$1,611,061, respectively.

The University self-insures its health insurance program for all eligible employees. Assets have been set aside to fund the related claims of this program. Should the assets be insufficient to pay the insurance claims, the University would be liable for such claims. The accompanying Statement of Net Assets includes a self-insurance reserve for health insurance as of September 30, 2007 and 2006 of \$2,799,700 and \$791,519, respectively.

#### **Other Liabilities**

Other liabilities include compensated absences, deposits held in custody and deferred revenues. The University allows employees to accrue and carryover annual and sick leave up to certain maximum amounts depending on years of service. Employees will be compensated for accrued annual leave at time of separation from University employment (termination or retirement) up to a maximum of one month's additional compensation. All eligible employees hired before October 1, 1990, may be compensated for unused sick leave at the rate of 25% of their respective balances, subject to a maximum of one month's additional compensation. The liability for compensated absences was \$16,970,479 and \$23,435,722 at September 30, 2007 and 2006, respectively.

Deposits held in custody include the portion of the Federal Perkins Student Loan Funds and Health Professional Student Loans, which would be refunded in the event the University's operations ceased. The refundable amounts were \$15,358,148 and \$15,168,601, at September 30, 2007 and 2006, respectively. Also included in deposits held in custody of others are the agency funds. These amounts totaled \$4,777,302 and \$4,440,891 for September 30, 2007 and 2006, respectively.

Deferred revenue includes tuition revenue related to the portion of fall semester subsequent to September 30, funding received for contracts and grants that has not been expended as of September 30, as well as athletic revenue related to games played subsequent to September 30.

Deferred revenues at September 30, 2007 and 2006 are as follows:

	2007	2006
Tuition and fees	\$ 66,161,923	\$ 61,065,103
Federal, state & local government	10,331,866	12,044,946
Auxiliary	15,122,894	14,485,707
Loan	1,843	· · · · -
Plant	617,276	-
Total deferred revenue	\$ 92,235,802	\$ 87,595,756

#### (13) CONTRACTS AND GRANTS

The University has been awarded approximately \$5,085,000 (unaudited) and approximately \$5,500,000 (unaudited) in contracts and grants that have not been received or expended as of September 30, 2007 and 2006, respectively. These awards, which represent commitments of sponsors to provide funds for research and training projects, have not been reflected in the financial statements.

#### (14) RECOVERY OF FACILITIES AND ADMINISTRATIVE COST FOR SPONSORED PROGRAMS

The portion of revenue recognized for all grants and contracts that represents facilities and administrative cost recovery is recognized on the Statement of Revenues, Expenses and Changes in Net Assets with contract and grant operating revenues. The University recognized \$15,806,919 and \$12,798,675 in facilities and administrative cost recovery for the years ended September 30, 2007 and 2006, respectively.

#### (15) CONSTRUCTION COMMITMENTS AND FINANCING

The University has entered into projects for the construction and renovation of various facilities that are estimated to cost approximately \$346,000,000 (unaudited). At September 30, 2007, the estimated remaining cost to complete the projects is approximately \$73,000,000 (unaudited) which will be funded from University funds and bond proceeds.

#### (16) OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the years ended September 30, 2007 and 2006, are listed below. In preparing the financial statements, all significant transactions and balances between auxiliary units and other funds have been eliminated.

September 30, 2007								
	ensation and Benefits		cholarships Fellowships		her Supplies nd Services		Depreciation	Total
	Delicitis	anu	i ellowsilips	ai	id dei vices		Depreciation	iotai
Instruction	\$ 170,573,889	\$	1,202,722	\$	23,156,844	\$	-	\$ 194,933,455
Research	61,852,121		755,050		32,060,190		-	94,667,361
Public Service	55,753,466		-		50,514,387		-	106,267,853
Academic Support	24,755,244		-		4,372,542		-	29,127,786
Library	6,981,110		-		6,218,348		-	13,199,458
Student Services	10,400,130		-		5,897,597		-	16,297,727
Institutional Support	55,404,174		-		117,576		-	55,521,750
Operation and Maintenance	21,963,798		-		35,948,170		-	57,911,968
Scholarships and Fellowships	11,675,895		14,104,079		471,784		-	26,251,758
Auxiliaries	28,306,454		188,322		47,509,508		-	76,004,284
Depreciation	 <del>_</del>		<u>-</u>		<del>_</del>	_	37,134,786	 37,134,786
	\$ 447,666,281	\$	16,250,173	\$	206,266,946	\$_	37,134,786	\$ 707,318,186

September 30, 2006										
	Com	pensation and Benefits		holarships Fellowships		er Supplies d Services		Depreciation		Total
		Dononto	unu	· onomonipo	<b>u</b>	.a		Doproolation		iotai
Instruction	\$	161,235,971	\$	1,045,280	\$	19,280,646	\$	-	\$	181,561,897
Research		55,320,152		623,710		24,983,391		-		80,927,253
Public Service		48,379,398		-		35,712,545		-		84,091,943
Academic Support		25,337,436		-		7,864,945		-		33,202,381
Library		6,931,032		-		6,797,301		-		13,728,333
Student Services		10,118,528		-		5,548,942		-		15,667,470
Institutional Support		51,727,927		-		-		-		51,727,927
Operation and Maintenance		21,382,658		-		28,218,974		-		49,601,632
Scholarships and Fellowships		10,758,400		12,231,141		-		-		22,989,541
Auxiliaries		27,943,093		307,035		48,442,140		-		76,692,268
Depreciation	_	<del>-</del>					_	34,186,357	_	34,186,357
	\$_	419,134,595	\$	14,207,166	\$	176,848,884	\$ _	34,186,357	\$_	644,377,002

#### (17) CONTINGENT LIABILITIES

The University is a party in various legal actions and administrative proceedings arising in the normal course of its operations. Management does not believe that the outcome of these actions will have a material adverse effect on the University's financial position.

#### (18) RELATED PARTY TRANSACTIONS

#### **Auburn University Foundation**

The majority of funds that the AUF raises are restricted for specific schools, colleges or programs of the University. These may be transferred to the University for its use; expended for the benefit of University schools, colleges or programs; or in the case of endowments, invested with only the earnings transferred to the University or expended on behalf of the University. Amounts transferred to the University or expended on behalf of its programs totaled \$24,125,580 and \$21,047,919 during the years ended September 30, 2007 and 2006, respectively. Of the \$2,447,146 and \$2,048,815 due to the University at September 30, 2007 and 2006, respectively, cumulative undistributed earnings on endowed funds were \$2,183,596 and \$1,851,819 at September 30, 2007 and 2006, respectively. In addition to the net undistributed grants due to the University, other net amounts due to the University were \$263,550 and \$196,996 at September 30, 2007 and 2006, respectively.

The President of the University serves as an ex officio member of AUF's Board of Directors with full voting powers. The University is the primary recipient of AUF expenditures and maintains AUF's accounting records as a subsystem within the University's accounting system.

AUF and the University entered into an Operating Agreement (the Agreement), which contemplates the general and administrative and development financial relationships between these two entities. In summary, the Agreement states that in return for raising and administering gifts for the benefit of the University, the University will provide certain services and facilities to AUF, which primarily consist of personnel and other administrative support and that AUF will make a quarterly determination of their allocable share of these costs and transfer funds as necessary. AUF and the University are to review the agreement annually and to provide an estimate of the maximum consideration to be paid for the upcoming year for approval by the respective boards. The actual reimbursement is determined based on the actual costs incurred and is as follows:

- For the years ended September 30, 2007 and 2006, all personnel costs were incurred by the University and AUF reimbursed the University \$1,837,833 and \$1,440,998, respectively, for its share of these central development services in accordance with the Agreement.
- Nonsalary development costs were incurred and paid primarily by AUF. The University provided for its share of development nonpersonnel
  operating costs by establishing budgets within the University's budgetary system whereby it paid a portion of the costs, and reimbursed AUF
  for the balance. The amount directly incurred by the University or reimbursed to AUF was \$1,648,760 and \$1,266,012 for the years ended
  September 30, 2007 and 2006, respectively.
- Constituency development operations, which are fundraising programs restricted to one school, college or program of the University, are funded
  jointly by AUF and the University unit involved. While essentially all of the non-salary expenses are paid by AUF from restricted funds, the
  salaries are incurred by the University and reimbursed by AUF upon request by the head of the related university unit. During the years ended
  September 30, 2007 and 2006, the constituency salaries reimbursed to the University totaled \$182,711 and \$977,057, respectively.

The amount due from AUF to the Association consists of funds from the Association's Life Membership program, which are invested with AUF's pooled endowment. AUF remits income from the investments directly to the Association on an annual basis. For the years ended September 30, 2007 and 2006, AUF was committed to the Association for \$7,987,747 and \$7,012,780, respectively. Of the amount for the year ended September 30, 2007, \$7,500 related to a receivable from the Association to AUF for a gift to the Auburn Alumni Association Scholarship Endowment.

The amount due from AUF to TUF consists of funds that are invested with AUF's pooled endowment. AUF remits income from the investments, which are designated by donor restriction for spending directly to the University on behalf of TUF on an annual basis. AUF remits income from investments, which are designated by donor restriction for additions to endowment corpus directly to the TUF on an annual basis. As of September 30, 2007 and 2006, AUF was committed to TUF for \$7,343,095 and \$5,536,258, respectively. Of these amounts for both fiscal years, \$100,000 relates to a payable by AUF to TUF upon the termination of a trust.

#### **Tigers Unlimited Foundation**

The funds that TUF raises are restricted for Athletic-related programs of the University. These may be transferred to the University for its use, expended for the benefit of athletic programs or, in the case of endowments, invested according to donor restriction and the earnings transferred to, or expended for, the University's benefit. Amounts transferred to the University, or expended on behalf of its programs, totaled \$18,655,658 and \$12,726,104 during the years ended June 30, 2007 and 2006, respectively.

During the years ended June 30, 2007 and 2006, the University contributed \$490,875 and \$420,750, respectively, to TUF for the use of executive suites at University athletic events. This amount is recorded as public support-contribution revenue on the Statements of Activities and Changes in Net Assets.

During the years ended June 30, 2007 and 2006, TUF paid the University for normal, recurring expense transactions including, but not limited to, purchasing athletic event tickets, reimbursing athletic staff salaries, sponsoring student scholarships, and funding the debt, repair, maintenance and operations of athletic facilities. TUF and the University have an Operating Agreement similar to the Agreement between AUF and the University. Consistent with the other component units, facilities, personnel and other assets are utilized jointly. All personnel are employees of the University. At June 30, 2007 and 2006, obligations of \$1,900,495 and \$2,393,037 related to these transactions, respectively, were outstanding. These obligations were paid during the subsequent fiscal year.

Auburn University

As of June 30, 2007 and 2006, amounts payable from AUF to TUF were \$100,000 and \$105,048, respectively. At June 30, 2006, \$37,105 was payable from the University to TUF.

#### **Auburn Alumni Association**

The Association, AUF, Auburn University Offices of Alumni and Development and their related support units jointly utilize operational facilities, personnel and other assets in order to effectively and efficiently carry out their required activities. All personnel are employed by the University and their services are provided to the other organizations under contractual agreements. Other operational costs are paid from budgets of each organization. The combined expenditures are analyzed periodically and, based on each entity's utilization of the facilities, supplies and services, any necessary reimbursements are made among the organizations. In the Statements of Activities and Changes in Net Assets, amounts received by the Operating Fund from other organizations are used to offset the related expenses. The Executive Director of the Association is an employee of the University, providing services to the Association under a services and facilities contract. She also serves as the Vice President for Alumni Affairs for the University. A portion of the Association's investments have been pooled with AUF investments and are invested and managed by AUF. Cash receipts and disbursements records of the Association are maintained within the University accounting system. During the years ended September 30, 2007 and 2006, the Association had a salary reimbursement expense of \$775,245 and \$706,297, respectively, to the University under the service and facilities agreement. Of this amount, \$741,807 and \$604,932 had been paid and \$33,438 and \$101,365 was accrued as an amount payable at September 30, 2007 and 2006, all respectively.

Rental income recorded by the Association from the University and AUF totaled \$199,385 and \$103,770, respectively, for the year ended September 30, 2007, and \$192,622 and \$100,178, respectively, for the year ended September 30, 2006.

During the year ended September 30, 2007, the University provided for its share of alumni affairs activities costs by establishing a budget within the University's budgetary system; whereby, they paid a portion of the costs, and reimbursed the Association for the balance. The alumni affairs activities costs for the years ended September 30, 2007 and 2006, were \$738,823 and \$327,815, respectively.

During the years ended September 30, 2007 and 2006, the Association contributed \$473,424 and \$669,213, respectively, to the Auburn Alumni Association endowment for Scholarships held with the AUF.

During the year ended September 30, 2006, the Association made a \$200,000 transfer to TUF for its share of the Auburn Spirit Card royalty. The Auburn Spirit Card contract expired on September 30, 2006, and was not renewed with the Association, which resulted in a termination of the TUF royalty transfer for the year ended September 30, 2007.

#### (19) THE FEDERAL FAMILY EDUCATION LOAN PROGRAM (FFELP)

The Federal Family Education Loan Program (FFELP) was established under the Higher Education Act of 1965, as amended in the Student Loan Reform Act of 1993. The FFELP enables an eligible student or parent to obtain a loan directly through FFELP lenders. Alabama's designated state guarantor for FFELP loans is the Kentucky Higher Education Assistance Authority (KHEAA). KHEAA is responsible for handling the complete loan process, including funds management as well as promissory note functions. The FFELP lenders, and not the University, are responsible for the collection of these loans. The University's Main Campus disbursed approximately \$94,600,000 under the FFELP during the fiscal year ended September 30, 2007. AUM disbursed approximately \$18,400,000 under the FFELP during the fiscal year ended September 30, 2007.

#### (20) SUBSEQUENT EVENTS

On November 1, 2007, the University issued \$162,530,000 of Auburn University General Fee Revenue Bonds, series 2007-A and \$14,465,000 of Auburn University General Fee Revenue Bonds, series 2007-B (Taxable). The 2007-A and 2007-B (Taxable) Bonds were issued to provide funds (1) to finance the construction and related costs of new student housing village and dining facilities, as well as construction of pedestrian and vehicular road and access projects, general infrastructure facility additions and improvements and (2) to pay the costs of issuing the Series 2007-A and 2007-B (Taxable) Bonds. The 2007-A Bonds will mature, subject to mandatory and optional redemption, from June 1, 2009 to June 1, 2038. The 2007-B (Taxable) Bonds will mature, subject to mandatory and optional redemption, from June 1, 2010 to June 1, 2014. The 2007-A Bonds have an interest rate range of 3.6% to 5%. The 2007-B (Taxable) Bonds have an interest rate range of 4.625% to 5.125%.

#### (21) IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, was issued by the GASB in June 2004. This statement requires governmental entities to recognize and match other post retirement benefit costs, for example health and life insurance expense, with related services received and also to provide information regarding the actuarial accrued liability and funding level of the benefits associated with past services. The University adopted GASB Statement No. 45 during fiscal year 2007, and its impact is disclosed in Note 11.

In September 2006, the GASB issued GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* effecting financial statement periods beginning after December 15, 2006. GASB Statement No. 48 details criteria used to determine whether certain revenue generating transactions should be classified as a sale or a collateralized borrowing. The University does not believe GASB Statement No. 48 will have a material impact on the financial statements.

Huburn University

GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, was issued by the GASB in November 2006. This statement will require that governments provide more detailed information regarding the effect of environmental cleanups and will be effective for financial periods beginning after December 15, 2007. The impact GASB Statement No. 49 will have on the University's financial statements is currently being evaluated.

GASB Statement No. 50, *Pension Disclosures-an amendment of GASB Statements No. 25 and No. 27*, was issued by the GASB in May 2007. This statement enhances pension information disclosed in financial statements or presented as required supplementary information. This statement is effective for periods beginning after June 15, 2007. The University is currently evaluating the impact GASB Statement No. 50 will have on the financial statements.

In June 2007, the GASB issued GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for the University's fiscal year beginning October 1, 2009. This statement requires capitalization of identifiable intangible assets in the Statement of Net Assets and provides guidance for amortization of intangible assets unless they are considered to have an indefinite useful life. The University is currently evaluating the impact GASB Statement No. 51 will have on the financial statements.

The GASB issued GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This new accounting standard aims to improve the quality of financial reporting by requiring state and local government endowments to report their land and other real estate investments at fair value, with changes in fair value reported in investment income. Previously, such endowments were required to report land and other real estate investments at historical cost. The GASB believes that reporting these types of investments at fair value will provide more decision-useful information about their composition, current value, and recent changes in value. GASB Statement No. 52 is effective for periods beginning after June 15, 2008. Once implemented, some state and local government endowments may experience greater volatility in income from period to period due to fluctuations in the fair value of their real estate investments. The University is currently evaluating the impact GASB Statement No. 52 will have on the financial statements.



AUBURN
UNIVERSITY

# 2007 Financial Report

UNAUDITED DIVISIONAL FINANCIAL STATEMENTS



## AUBURN UNIVERSITY MAIN CAMPUS

### STATEMENTS OF NET ASSETS SEPTEMBER 30, 2007 AND 2006 (UNAUDITED)

	2007	2006
ASSETS		
Current assets		
Cash and cash equivalents	\$ 36,516,004	\$ 20,687,655
Operating investments	67,154,458	60,144,765
Accounts receivable, net	33,843,320	28,014,622
Student accounts receivable, net	25,258,302	22,042,369
Loans receivable, net	2,951,605	2,418,233
Accrued interest receivable	5,176,113	3,781,874
Inventories	3,073,959	3,267,509
Prepaid expenses	3,575,952	3,220,827
Due from other funds	411,244	356,869
Total current assets	177,960,957	143,934,723
Noncurrent assets		
Investments	532,317,366	427,523,126
Loans receivable, net	14,326,517	14,346,763
Investment in plant, net	719,963,417	649,764,266
Due from other funds	275,690	815,730
Total noncurrent assets	1,266,882,990	1,092,449,885
		1,236,384,608
Total assets	1,444,843,947	1,230,364,608
LIABILITIES  Output Habilities		
Current liabilities	24.050.442	05 776 447
Accounts payable	34,952,413	25,776,447
Accrued salaries and wages	2,828,834	2,428,902
Accrued compensated absences	10,473,651	13,792,804
Accrued interest payable	5,137,612	4,142,063
Other accrued liabilities	2,799,700	2,138,300
Student deposits	757,373	1,063,975
Deposits held in custody	16,983,402	16,311,422
Deferred revenues	83,181,230	77,773,469
Noncurrent liabilities-current portion	14,563,637	12,712,509
Total current liabilities	171,677,852	<u> 156,139,891</u>
Noncurrent liabilities		1-00 100
Accrued compensated absences	1,196,328	4,730,180
Bonds and notes payable	309,730,199	261,547,388
Lease obligations	1,235,627	70,871
Other noncurrent liabilities	12,669,724	10,642,558
Due to other funds	21,414,284	11,089,983
Total noncurrent liabilities	<u>346,246,162</u>	288,080,980
Total liabilities	517,924,014	444,220,871
NET ASSETS		
Invested in capital assets, net of related debt	441,675,751	402,864,367
Restricted		
Nonexpendable	18,121,550	17,756,104
Expendable:		
Scholarships, research, instruction, other	96,566,392	75,640,207
Loans	4,842,445	4,686,922
Capital projects	3,294,807	594,591
Unrestricted	362,418,988	290,621,546
Total net assets	\$ 926,919,933	\$ 792,163,737

# AUBURN UNIVERSITY MAIN CAMPUS STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006 (UNAUDITED)

	2007	2006
OPERATING REVENUES	2007	2000
Tuition and fees, net of scholarship allowances of \$35,951,098		
and \$33,465,222, respectively	\$ 202,643,450	\$ 186,945,588
Federal appropriations	39,277	110,959
Federal grants & contracts, net	61,341,233	45,897,273
State & local grants & contracts, net	5,560,484	3,119,604
Nongovernmental grants & contracts, net	8,011,001	7,590,681
Sales & services of educational departments	18,343,601	19,551,497
Auxiliary revenue, net of scholarship allowances of \$1,520,121		10,001,101
and \$1,465,035, respectively	60,988,458	59,733,046
Other operating revenues	8,659,182	8,974,072
Total operating revenues	365,586,686	331,922,720
OPERATING EXPENSES		
Compensation & benefits	331,894,244	312,611,690
Scholarships & fellowships	13,676,503	11,601,912
Other supplies & services	134,763,878	116,588,616
Depreciation	34,460,577	31,714,554
Total operating expenses	514,795,202	472,516,772
Operating loss	_ (149,208,516)	(140,594,052)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	188,794,357	162,042,781
Gifts	35,265,763	21,123,437
Net investment income	49,159,407	33,600,894
Interest expense on capital debt	(11,916,872)	(9,921,332)
Nonoperating revenues, net	261,302,655	206,845,780
Income before other changes in net assets	112,094,139	66,251,728
OTHER CHANGES IN NET ASSETS		
Capital appropriations	108,492	1,150,467
Capital gifts & grants	22,366,052	7,371,235
Additions to permanent endowments	187,513	111,954
Net increase in net assets	134,756,196	74,885,384
Net assets - beginning of year	792,163,737	717,278,353
Net assets - end of year	\$ 926,919,933	\$ 792,163,737

# AUBURN UNIVERSITY MONTGOMERY STATEMENTS OF NET ASSETS SEPTEMBER 30, 2007 AND 2006 (UNAUDITED)

Current assets			2007	2006
Cash and cash equivalents	ASSETS			
Depreting investments	Current assets			
Depreting investments	Cash and cash equivalents		\$ 558,776	\$ 302,989
Student accounts receivable, net   2,629,322   2,759,537   1,513   1576   1,331   1,513   1,			1,039,309	880,872
Loans receivable, net	Accounts receivable, net		12,761,994	3,517,248
Accrued interest receivable	Student accounts receivable, net		2,629,322	2,759,537
Inventories	Loans receivable, net		568,411	513,676
Prepaid expenses	Accrued interest receivable		-	1,331
Total current assets   8,278,505   8,573,214	Inventories		710,527	594,075
Total current assets   8,278,505   8,573,214	Prepaid expenses		2,166	3,486
Investments			18,270,505	8,573,214
Investments	Nanaurrant accets			
Loans receivable, net			0 220 251	6 524 109
Investment in plant, net				
Due from other funds				
Total noncurrent assets	· · · · · · · · · · · · · · · · · · ·			
Total assets   87,825,783   67,223,990				
Current liabilities				
Current liabilities         2,835,463         1,703,565           Accounts payable         2,835,463         1,703,565           Accrued salaries and wages         414,812         368,638           Accrued compensated absences         1,188,679         1,492,010           Accrued interest payable         14,025         15,050           Student deposits         3,251         -           Deposits held in custody         3,159,207         3,306,394           Deferred revenues         6,315,289         6,167,383           Noncurrent liabilities-current portion         250,000         245,000           Due to other funds         28,388         54,162           Total current liabilities         14,209,114         13,352,202           Noncurrent liabilities         14,209,114         13,352,202           Noncurrent liabilities         135,775         512,784           Bonds and notes payable         1,350,000         1,455,000           Lease obligations         1,235,000         1,380,000           Total noncurrent liabilities         2,720,775         3,347,784           Total ilabilities         2,720,775         3,347,784           Total inabilities         4,828,156         5,171,344           Expendable:	lotal assets		87,825,783	67,223,990
Accounts payable       2,835,463       1,703,565         Accrued salaries and wages       414,812       368,638         Accrued compensated absences       1,188,679       1,492,010         Accrued interest payable       14,025       15,050         Student deposits       3,251       -         Deposits held in custody       3,159,207       3,306,394         Deferred revenues       6,315,289       6,167,383         Noncurrent liabilities-current portion       250,000       245,000         Due to other funds       28,388       54,162         Total current liabilities       14,209,114       13,352,202         Noncurrent liabilities       1,350,000       1,455,000         Lease obligations       1,235,000       1,380,000         Total noncurrent liabilities       2,720,775       3,347,784         Total liabilities       2,720,775       3,347,784         Total liabilities       34,803,338       35,694,867         Restricted       Nonexpendable       4,828,156       5,171,344         Expendable:       24,099,021       5,079,126         Loans       357,359       363,074         Capital projects       141,142       134,553         Unrestricted       6,6	LIABILITIES			
Accrued salaries and wages       414,812       368,638         Accrued compensated absences       1,188,679       1,492,010         Accrued interest payable       14,025       15,050         Student deposits       3,251       -         Deposits held in custody       3,159,207       3,306,394         Deferred revenues       6,315,289       6,167,383         Noncurrent liabilities-current portion       250,000       245,000         Due to other funds       28,388       54,162         Total current liabilities       14,209,114       13,352,202         Noncurrent liabilities       135,775       512,784         Bonds and notes payable       1,350,000       1,455,000         Lease obligations       1,235,000       1,380,000         Total noncurrent liabilities       2,720,775       3,347,784         Total liabilities       16,929,889       16,699,986         NET ASSETS         Invested in capital assets, net of related debt       34,803,338       35,694,867         Restricted       Nonexpendable       4,828,156       5,171,344         Expendable:       Scholarships, research, instruction, other       24,099,021       5,079,126         Loans       357,359       363,074	Current liabilities			
Accrued compensated absences       1,188,679       1,492,010         Accrued interest payable       14,025       15,050         Student deposits       3,251       -         Deposits held in custody       3,159,207       3,306,394         Deferred revenues       6,315,289       6,167,383         Noncurrent liabilities-current portion       250,000       245,000         Due to other funds       28,388       54,162         Total current liabilities       14,209,114       13,352,202         Noncurrent liabilities       135,775       512,784         Bonds and notes payable       1,350,000       1,455,000         Lease obligations       1,235,000       1,380,000         Total noncurrent liabilities       2,720,775       3,347,784         Total liabilities       16,929,889       16,699,986         NET ASSETS         Invested in capital assets, net of related debt       34,803,338       35,694,867         Restricted       Nonexpendable       4,828,156       5,171,344         Expendable:       Scholarships, research, instruction, other       24,099,021       5,079,126         Loans       357,359       363,074         Capital projects       141,142       134,553	Accounts payable		2,835,463	1,703,565
Accrued interest payable       14,025       15,050         Student deposits       3,251       -         Deposits held in custody       3,159,207       3,306,394         Deferred revenues       6,315,289       6,167,383         Noncurrent liabilities-current portion       250,000       245,000         Due to other funds       28,388       54,162         Total current liabilities       14,209,114       13,352,202         Noncurrent liabilities       2       4         Accrued compensated absences       135,775       512,784         Bonds and notes payable       1,350,000       1,455,000         Lease obligations       1,235,000       1,380,000         Total noncurrent liabilities       2,720,775       3,347,784         Total liabilities       16,329,889       16,699,986         NET ASSETS         Invested in capital assets, net of related debt       34,803,338       35,694,867         Restricted         Nonexpendable       4,828,156       5,171,344         Expendable:       5       5,079,126         Loans       357,359       363,074         Capital projects       141,142       134,553         Unrestricted       6,666,878       4,081,040 </td <td>Accrued salaries and wages</td> <td></td> <td>414,812</td> <td>368,638</td>	Accrued salaries and wages		414,812	368,638
Student deposits         3,251           Deposits held in custody         3,159,207         3,306,394           Deferred revenues         6,315,289         6,167,383           Noncurrent liabilities-current portion         250,000         245,000           Due to other funds         28,388         54,162           Total current liabilities         14,209,114         13,352,202           Noncurrent liabilities         2         135,775         512,784           Accrued compensated absences         1,350,000         1,455,000           Lease obligations         1,235,000         1,380,000           Total noncurrent liabilities         2,720,775         3,347,784           Total liabilities         16,929,889         16,699,986           NET ASSETS           Invested in capital assets, net of related debt         34,803,338         35,694,867           Restricted           Nonexpendable         4,828,156         5,171,344           Expendable:         5         5,079,126           Scholarships, research, instruction, other         24,099,021         5,079,126           Loans         357,359         363,074           Capital projects         141,142         134,553           Unrestricted         6,6	Accrued compensated absences		1,188,679	1,492,010
Deposits held in custody         3,159,207         3,306,394           Deferred revenues         6,315,289         6,167,383           Noncurrent liabilities-current portion         250,000         245,000           Due to other funds         28,388         54,162           Total current liabilities         14,209,114         13,352,202           Noncurrent liabilities         2         135,775         512,784           Bonds and notes payable         1,350,000         1,455,000           Lease obligations         1,235,000         1,380,000           Total noncurrent liabilities         2,720,775         3,347,784           Total liabilities         16,929,889         16,699,986           NET ASSETS           Invested in capital assets, net of related debt         34,803,338         35,694,867           Restricted           Nonexpendable         4,828,156         5,171,344           Expendable:           Scholarships, research, instruction, other         24,099,021         5,079,126           Loans         357,359         363,074           Capital projects         141,142         134,553           Unrestricted         6,666,878         4,081,040	Accrued interest payable		14,025	15,050
Deferred revenues         6,315,289         6,167,383           Noncurrent liabilities-current portion         250,000         245,000           Due to other funds         28,388         54,162           Total current liabilities         14,209,114         13,352,202           Noncurrent liabilities         28,388         54,162           Accrued compensated absences         135,775         512,784           Bonds and notes payable         1,350,000         1,455,000           Lease obligations         1,235,000         1,380,000           Total noncurrent liabilities         2,720,775         3,347,784           Total liabilities         16,929,889         16,699,986           NET ASSETS         Invested in capital assets, net of related debt         34,803,338         35,694,867           Restricted         4,828,156         5,171,344           Expendable:         5         5,179,126           Scholarships, research, instruction, other         24,099,021         5,079,126           Loans         357,359         363,074           Capital projects         141,142         134,553           Unrestricted         6,666,878         4,081,040	Student deposits		3,251	-
Noncurrent liabilities-current portion         250,000         245,000           Due to other funds         28,388         54,162           Total current liabilities         14,209,114         13,352,202           Noncurrent liabilities         28,388         54,162           Noncurrent liabilities         135,775         512,784           Accrued compensated absences         1,350,000         1,455,000           Lease obligations         1,235,000         1,380,000           Total noncurrent liabilities         2,720,775         3,347,784           Total liabilities         16,929,889         16,699,986           NET ASSETS           Invested in capital assets, net of related debt         34,803,338         35,694,867           Restricted         4,828,156         5,171,344           Expendable:         Scholarships, research, instruction, other         24,099,021         5,079,126           Loans         357,359         363,074           Capital projects         141,142         134,553           Unrestricted         6,666,878         4,081,040	Deposits held in custody		3,159,207	3,306,394
Due to other funds         28,388         54,162           Total current liabilities         14,209,114         13,352,202           Noncurrent liabilities         315,775         512,784           Accrued compensated absences         1,350,000         1,455,000           Lease obligations         1,235,000         1,380,000           Total noncurrent liabilities         2,720,775         3,347,784           Total liabilities         16,929,889         16,699,986           NET ASSETS         Invested in capital assets, net of related debt         34,803,338         35,694,867           Restricted         Nonexpendable         4,828,156         5,171,344           Expendable:         Scholarships, research, instruction, other         24,099,021         5,079,126           Loans         357,359         363,074           Capital projects         141,142         134,553           Unrestricted         6,666,878         4,081,040			6,315,289	6,167,383
Total current liabilities         14,209,114         13,352,202           Noncurrent liabilities         2,720,775         512,784           Bonds and notes payable soligations         1,350,000         1,455,000           Lease obligations         1,235,000         1,380,000           Total noncurrent liabilities         2,720,775         3,347,784           Total liabilities         16,929,889         16,699,986           NET ASSETS         Invested in capital assets, net of related debt         34,803,338         35,694,867           Restricted         Nonexpendable         4,828,156         5,171,344           Expendable:         Scholarships, research, instruction, other         24,099,021         5,079,126           Loans         357,359         363,074           Capital projects         141,142         134,553           Unrestricted         6,666,878         4,081,040	Noncurrent liabilities-current portion		250,000	245,000
Noncurrent liabilities	Due to other funds		28,388	54,162
Accrued compensated absences       135,775       512,784         Bonds and notes payable       1,350,000       1,455,000         Lease obligations       1,235,000       1,380,000         Total noncurrent liabilities       2,720,775       3,347,784         Total liabilities       16,929,889       16,699,986         NET ASSETS         Invested in capital assets, net of related debt       34,803,338       35,694,867         Restricted       Nonexpendable       4,828,156       5,171,344         Expendable:       Scholarships, research, instruction, other       24,099,021       5,079,126         Loans       357,359       363,074         Capital projects       141,142       134,553         Unrestricted       6,666,878       4,081,040	Total current liabilities		14,209,114	13,352,202
Accrued compensated absences       135,775       512,784         Bonds and notes payable       1,350,000       1,455,000         Lease obligations       1,235,000       1,380,000         Total noncurrent liabilities       2,720,775       3,347,784         Total liabilities       16,929,889       16,699,986         NET ASSETS         Invested in capital assets, net of related debt       34,803,338       35,694,867         Restricted       Nonexpendable       4,828,156       5,171,344         Expendable:       Scholarships, research, instruction, other       24,099,021       5,079,126         Loans       357,359       363,074         Capital projects       141,142       134,553         Unrestricted       6,666,878       4,081,040	Noncurrent liabilities			
Bonds and notes payable       1,350,000       1,455,000         Lease obligations       1,235,000       1,380,000         Total noncurrent liabilities       2,720,775       3,347,784         Total liabilities       16,699,889       16,699,986         NET ASSETS         Invested in capital assets, net of related debt       34,803,338       35,694,867         Restricted       Nonexpendable       4,828,156       5,171,344         Expendable:       24,099,021       5,079,126         Loans       357,359       363,074         Capital projects       141,142       134,553         Unrestricted       6,666,878       4,081,040	Accrued compensated absences		135,775	512,784
Lease obligations       1,235,000       1,380,000         Total noncurrent liabilities       2,720,775       3,347,784         Total liabilities       16,929,889       16,699,986         NET ASSETS         Invested in capital assets, net of related debt       34,803,338       35,694,867         Restricted       Nonexpendable       5,171,344         Expendable:       24,099,021       5,079,126         Scholarships, research, instruction, other       24,099,021       5,079,126         Loans       357,359       363,074         Capital projects       141,142       134,553         Unrestricted       6,666,878       4,081,040				
Total noncurrent liabilities         2,720,775         3,347,784           Total liabilities         16,929,889         16,699,986           NET ASSETS         Invested in capital assets, net of related debt         34,803,338         35,694,867           Restricted         Nonexpendable         4,828,156         5,171,344           Expendable:         Scholarships, research, instruction, other         24,099,021         5,079,126           Loans         357,359         363,074           Capital projects         141,142         134,553           Unrestricted         6,666,878         4,081,040				
Total liabilities         16,929,889         16,699,986           NET ASSETS         Invested in capital assets, net of related debt         34,803,338         35,694,867           Restricted         Nonexpendable         4,828,156         5,171,344           Expendable:         Scholarships, research, instruction, other         24,099,021         5,079,126           Loans         357,359         363,074           Capital projects         141,142         134,553           Unrestricted         6,666,878         4,081,040	-			
NET ASSETS         Invested in capital assets, net of related debt       34,803,338       35,694,867         Restricted       4,828,156       5,171,344         Expendable:       24,099,021       5,079,126         Loans       357,359       363,074         Capital projects       141,142       134,553         Unrestricted       6,666,878       4,081,040				
Invested in capital assets, net of related debt       34,803,338       35,694,867         Restricted       4,828,156       5,171,344         Expendable:       24,099,021       5,079,126         Loans       357,359       363,074         Capital projects       141,142       134,553         Unrestricted       6,666,878       4,081,040	Total Hashings			
Restricted       4,828,156       5,171,344         Expendable:       24,099,021       5,079,126         Scholarships, research, instruction, other       24,099,021       5,079,126         Loans       357,359       363,074         Capital projects       141,142       134,553         Unrestricted       6,666,878       4,081,040	NET ASSETS			
Nonexpendable       4,828,156       5,171,344         Expendable:       24,099,021       5,079,126         Scholarships, research, instruction, other       24,099,021       5,079,126         Loans       357,359       363,074         Capital projects       141,142       134,553         Unrestricted       6,666,878       4,081,040	Invested in capital assets, net of related	d debt	34,803,338	35,694,867
Expendable:       24,099,021       5,079,126         Scholarships, research, instruction, other       24,099,021       5,079,126         Loans       357,359       363,074         Capital projects       141,142       134,553         Unrestricted       6,666,878       4,081,040	Restricted			
Scholarships, research, instruction, other       24,099,021       5,079,126         Loans       357,359       363,074         Capital projects       141,142       134,553         Unrestricted       6,666,878       4,081,040			4,828,156	5,171,344
Loans       357,359       363,074         Capital projects       141,142       134,553         Unrestricted       6,666,878       4,081,040	Expendable:			
Capital projects       141,142       134,553         Unrestricted       6,666,878       4,081,040	Scholarships, research, instruction	on, other		
Unrestricted <u>6,666,878</u> <u>4,081,040</u>				
Total net assets \$	Unrestricted		6,666,878	4,081,040
	Total net assets		\$70,895,894	\$50,524,004

# AUBURN UNIVERSITY MONTGOMERY STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006 (UNAUDITED)

	2007	2006
OPERATING REVENUES	2001	2000
Tuition and fees, net of scholarship allowances of \$3,789,534		
and \$3,318,884, respectively	\$ 16,884,070	\$ 17,555,679
Federal grants & contracts, net	5,875,332	6,340,823
State & local grants & contracts, net	17,886,179	15,260,220
Nongovernmental grants & contracts, net	340,032	537,257
Sales & services of educational departments	1,422,470	1,650,023
Auxiliary revenue, net of scholarship allowances of \$372,628	1,422,470	1,030,023
and \$368,764, respectively	4,354,001	4,390,765
Other operating revenues	2,614,127	1,969,258
· ·		47,704,025
Total operating revenues	49,376,211	47,704,025
OPERATING EXPENSES		
Compensation & benefits	39,534,316	38,778,906
Scholarships & fellowships	2,572,665	2,604,757
Other supplies & services	31,645,227	29,876,306
Depreciation	2,674,209	2,471,803
Total operating expenses	76,426,417	73,731,772
Operating loss	(27,050,206)	(26,027,747)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	27,210,846	23,140,350
Gifts	18,703,898	738,607
Net investment income	1,486,749	1,134,516
Interest expense on capital debt	(45,346)	(46,625)
Nonoperating revenues, net	47,356,147	24,966,848
Nonoperating revenues, net	47,330,147	24,900,040
Income (loss) before other changes in net assets	20,305,941	(1,060,899)
OTHER CHANGES IN NET ASSETS		
Capital appropriations	-	867
Capital gifts & grants	41,429	43,898
Additions to permanent endowments	24,520	38,151
Net increase (decrease) in net assets	20,371,890	(977,983)
Net assets - beginning of year	50,524,004	51,501,987
Net assets - end of year	\$70,895,894	\$50,524,004

## ALABAMA AGRICULTURAL EXPERIMENT STATION-STATEMENTS OF NET ASSETS SEPTEMBER 30, 2007 AND 2006 (UNAUDITED)

	2007	2006
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,831,513	\$ 758,348
Operating investments	2,350,770	2,204,728
Accounts receivable, net	3,048,358	4,508,037
Total current assets	7,230,641	7,471,113
Noncurrent assets		
Investments	18,633,991	15,681,218
Total noncurrent assets	18,633,991	15,681,218
Total assets	25,864,632	23,152,331
LIABILITIES		
Current liabilities		
Accounts payable	954,900	599,294
Accrued salaries and wages	272,515	227,566
Accrued compensated absences	1,629,910	1,088,906
Deferred revenues	2,199,824	2,165,923
Due to other funds	<u>382,856</u>	302,707
Total current liabilities	5,440,005	4,384,396
Noncurrent liabilities		
Accrued compensated absences	186,173	372,688
Due to other funds	275,690	815,730
Total noncurrent liabilities	461,863	1,188,418
Total liabilities	5,901,868	5,572,814
NET ASSETS		
Restricted		
Expendable:		
Scholarships, research, instruction, other	839,251	82,938
Unrestricted	19,123,513	17,496,579
Total net assets	\$ <u>19,962,764</u>	\$ <u>17,579,517</u>

# ALABAMA AGRICULTURAL EXPERIMENT STATION STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006 (UNAUDITED)

	2007	2006
OPERATING REVENUES	2001	2000
	\$ 4,608,717	\$ 4,411,953
Federal appropriations		The state of the s
Federal grants & contracts	13,341,460	14,292,842
State & local grants & contracts	1,134,451	1,175,802
Nongovernmental grants & contracts	1,728,395	1,809,305
Sales & services of educational departments	2,032,945	2,116,146
Other operating revenues	<u>917,387</u>	451,030
Total operating revenues	23,763,355	24,257,078
OPERATING EXPENSES		
Compensation & benefits	35,257,225	32,432,411
Scholarships & fellowships	1,005	308
Other supplies & services	21,985,169	16,774,175
Total operating expenses	57,243,399	49,206,894
Operating loss	(33,480,044)	(24,949,816)
NONOPERATING REVENUES		
State appropriations	34,730,026	29,081,460
Gifts	698,356	524,490
Net investment income	434,909	401,458
Nonoperating revenues, net	35,863,291	30,007,408
Net increase in net assets	2,383,247	5,057,592
Net assets - beginning of year	17,579,517	12,521,925
Net assets - end of year	\$19,962,764	\$ <u>17,579,517</u>

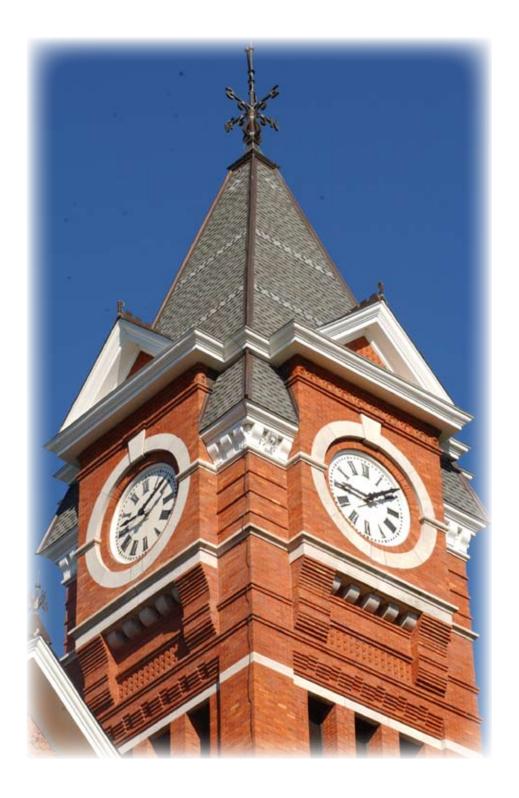
## ALABAMA COOPERATIVE EXTENSION SYSTEM-

## STATEMENTS OF NET ASSETS SEPTEMBER 30, 2007 AND 2006 (UNAUDITED)

	2007	2006
ASSETS		
Current assets		
Cash and cash equivalents	\$ 177,786	\$ 733,723
Operating investments	2,492,470	2,133,137
Accounts receivable, net	2,390,046	1,887,675
Total current assets	5,060,302	4,754,535
Noncurrent assets		
Investments	19,757,212	15,172,026
Total noncurrent assets	19,757,212	15,172,026
Total assets	24,817,514	19,926,561
LIABILITIES		
Current liabilities		
Accounts payable	1,263,990	479,815
Accrued salaries and wages	355,367	321,816
Accrued compensated absences	1,938,538	1,076,690
Deferred revenues	539,459	1,488,981
Total current liabilities	4,097,354	<u>3,367,302</u>
Noncurrent liabilities		
Accrued compensated absences	221,425	369,660
Other noncurrent liabilities	2,737,700	<del></del>
Total noncurrent liabilities	<u>2,959,125</u>	369,660
Total liabilities	7,056,479	<u>3,736,962</u>
NET ASSETS		
Restricted		
Expendable:		
Scholarships, research, instruction, other	4,526,944	4,391,845
Capital Projects	24,256	11,033
Unrestricted	13,209,835	11,786,721
Total net assets	\$ <u>17,761,035</u>	\$16,189,599

# ALABAMA COOPERATIVE EXTENSION SYSTEM STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006 (UNAUDITED)

	2007	2006
OPERATING REVENUES		_,,
Federal appropriations	\$ 8,332,731	\$ 5,701,696
Federal grants & contracts	8,673,334	τ,004,132
State & local grants & contracts	2,909,624	2,611,892
Nongovernmental grants & contracts	395,799	802,617
Sales & services of educational departments	57,086	63,381
Other operating revenues	1,844,928	1,888,192
Total operating revenues	22,213,502	18,071,910
OPERATING EXPENSES		
Compensation & benefits	40,980,496	35,311,588
Scholarships & fellowships	<del>-</del>	189
Other supplies & services	17,872,672	13,609,787
Total operating expenses	58,853,168	48,921,564
Operating loss	(36,639,666)	(30,849,654)
NONOPERATING REVENUES		
State appropriations	37,515,680	31,476,104
Gifts	145,646	160,500
Net investment income	542,874	534,803
Nonoperating revenues, net	38,204,200	32,171,407
Income before other changes in net assets	1,564,534	1,321,753
OTHER CHANGES IN NET ASSETS		
Capital gifts and grants	6,902	<u> </u>
Net increase in net assets	1,571,436	1,321,753
Net assets - beginning of year	16,189,599	14,867,846
Net assets - end of year	\$17,761,035	\$16,189,599



# AUBURN UNIVERSITY

# 2007 Financial Report

REQUIRED SUPPLEMENTAL INFORMATION-



# REQUIRED SUPPLEMENTAL INFORMATION

#### OTHER POSTEMPLOYMENT BENEFITS

Determination of Annual Required Contribution (ARC) and End of Year CAFR Accrual

(	Cost Element	Fiscal Year E Amount	Ending Sept. 30, 2007 Percent of Payroll <sup>2</sup>	
1	. Unfunded actuarial accrued liability at Oct. 1, 2006	\$ 57,878,500	890.9%	
<u>A</u> 2		\$ 189,200		
Δ	15 years using level dollar amortization  Annual Required Contribution	 5,205,700		
	(ARC = 2 + 3)	\$ 5,394,900	83.0%	
5 6 7	i. Interest on beginning of year CAFR accrual <sup>1</sup> i. Amortization of beginning of year CAFR accrual <sup>1</sup>	\$  5,394,900 - - 5,394,900	83.0%	
Ē	End of Year CAFR Accrual (Net OPEB Obligation) 3			
1	<ol> <li>Beginning of year CAFR accrual<sup>1</sup></li> <li>Annual OPEB cost</li> <li>Employer contribution (benefit payments)<sup>3</sup></li> <li>End of year CAFR accrual (9 + 10 – 11)<sup>3</sup></li> </ol>	\$  5,394,900 2,657,200 2,737,700	42.1%	

<sup>&</sup>lt;sup>1</sup> No accrual is required at the adoption of the GASB Statement

#### **Schedule of Employer Contributions**

Fiscal Year	Annual Required Contributions	Actual	Percentage
Ended		Contributions⁴	Contributed
September 30, 2007	\$ 5,394,900	\$ 2,657,200	49.3%

Since there is no funding, these are actual PPO benefit payments of \$2,875,765 plus expected subsidy payments of \$405,038 less retiree contributions of \$623,625.

#### Schedule of Funding Progress

The schedule of funding progress presents multi-year trend information comparing the actuarial value of plan assets to the actuarial accrued liability.

Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll⁵ (c)	UAAL as a Percentage Of Covered Payroll <sup>5</sup> [(b)-(a)/ (c)]
September 30, 2007	\$ -	\$ 57,878,500	\$ 57,878,500	- %	\$ 6,496,800	890.9%

<sup>&</sup>lt;sup>5</sup> Estimated payroll as of October 1, 2006 includes only plan participants.

Note: The annual required contribution (ARC) of \$5.39 million for fiscal year 2007 and CAFR accrual of \$2.74 million as of September 30, 2007, are based on the assumption of no funding in a segregated GASB qualified trust.

<sup>&</sup>lt;sup>2</sup> Annual payroll for the 87 plan participants as of October 1, 2006 estimated at \$6,496,800 based on actual payroll of \$6,515,400 as of November 1, 2006.

<sup>&</sup>lt;sup>3</sup> Actual contributions and administrative fees paid in fiscal year 2008 for the PPO of \$2,875,765 plus expected subsidy payments of \$405,038 less participant contributions of \$623,625 (the sum of retiree premiums of \$452,908 and survivor premiums of \$170,717). Employer contributed 49.3% of annual OPEB cost during fiscal year 2007.

#### Three Year Schedule of Percentage of OPEB Cost Contributed

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
September 30, 2007	\$ 5,394,900	49.3%	\$ 2,737,700

#### **Summary of Key Actuarial Methods and Assumptions**

Valuation year October 1, 2006 – September 30, 2007

Actuarial cost method Unit Credit, level dollar

**Amortization method** 15 years, level dollar open amortization<sup>6</sup>

Asset valuation method N/A

#### **Actuarial assumptions:**

Discount rate
Projected payroll growth rate

4.0% 3.5%

Heath care cost trend rate for

medical and prescription drugs 9% in fiscal year 2007 and fiscal year 2008, decreasing by one-half percentage point per year to an

ultimate of 5.0% in fiscal year 2016 and after.

#### **General Overview of the Valuation Methodology**

The estimation of the retiree healthcare benefit obligation is generally based on per capita costs developed from recent periods for which claims experience is available. The University provided calendar year claims information for fiscal years 2001 through 2006. Averaging over 200 pre-65 plan participants per year and over 500 post-65 plan participants per year, the experience was used to develop the initial average pre-65 and post-65 baseline costs for fiscal year 2007. These costs were then age-adjusted using a combination of retiree demographics and information from a retiree health claim database which reflect the benefits available to Plan participants. The resulting per capita costs by age and dependent status were projected into the future to estimate future benefit and expense payments for each plan participant, using assumptions to estimate the effect of future trends and population changes.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Calculations are based on the types of benefits provided under the terms of the Plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective. Actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Sample per capita costs are provided below.

Valuation Year October 1, 2006 – September 30, 2007

Date of Census Data November 1, 2006

Actuarial Cost Method Unit Credit actuarial cost method; unfunded Actuarial Liability (AL) amortized on a level dollar basis over 15 years.

Medical Per Capita Costs Sample Costs for Fiscal Year Beginning 10/1/2006

		LTD Retired	<u>e &amp; Spouse</u>
<u>Retiree</u>	<u>Spouse</u>	<u>Retiree</u>	<u>Spouse</u>
\$6,657	\$ 6,771	\$ 5,825	\$ 6,771
7,985	7,953	6,987	7,953
3,239	3,390	3,239	3,390
3,594	3,704	3,594	3,704
3,828	3,864	3,828	3,864
3,909	3,896	3,909	3,896
3,853	3,833	3,853	3,833
	\$ 6,657 7,985 3,239 3,594 3,828 3,909	\$6,657 \$6,771 7,985 7,953 3,239 3,390 3,594 3,704 3,828 3,864 3,909 3,896	Retiree         Spouse         Retiree           \$6,657         \$6,771         \$5,825           7,985         7,953         6,987           3,239         3,390         3,239           3,594         3,704         3,594           3,828         3,864         3,828           3,909         3,896         3,909

Note: 75% Pre-65 LTD participants are assumed to receive Medicare.

<sup>&</sup>lt;sup>6</sup> Open amortization means a fresh-start each year for the cumulative unrecognized amount.

Grandfathered retirees who elected PEEHIP on or before 10/1/1997 receive a monthly subsidy of:

Pre-65: \$27 for single coverage; \$77 for family

Post-65: \$0 for single coverage; \$39.64 if both over age 65 and \$85 if one over age 65 and one under age 65.

#### **Retiree Premiums**

Retirees contribute 40% and surviving spouses pay 100% of the monthly premiums shown below:

	As of 1/1/06	As of 1/1/07
Pre-65 Single	\$ 350	\$ 368
Pre-65 Family	725	761
Post-65 Single	103	108
Post-65 Family	241	253

Note: There are several other categories of premiums.

#### **Administrative Expenses**

The per capita costs for 2007 include \$18.75 per contract per month. This will increase to \$20.50 in fiscal years 2008 and 2009.

#### **Annual Health Care Trend Rate**

	Medical and	
Fiscal	Rx Combined	
<u>Year</u>	<u>Rate</u>	
2007	9.0%	
2008	9.0	
2009	8.5	
2010	8.0	
2011	7.5	
2012	7.0	
2013	6.5	
2014	6.0	
2015	5.5	
2016+	5.0	

**Discount Rate** 

4.00% per annum

Salary Increase

3.50% applicable only for amortization on a level percentage of pay basis.

**Spouse Age Difference** 

Husbands are assumed to be three years older than wives for current and future retirees who are married.

Mortality

RP-2000 Combined Mortality Table (unprojected, combined active and retiree, gender distinct tables)

**Participation Rates** 

100% of active employees are assumed to elect postretirement health insurance coverage upon retirement.

For future retirees, 60% of males and 40% of females are assumed to cover a spouse at time of retirement.

#### **Retirement Rates**

Employees are assumed to retire according to the following schedule:

<u>Age</u>	Retirement Rate
45 or less	0%
46 - 49	1%
50 - 51	2%
52 - 54	3%
55	10%
56 - 59	8%
60	20%
61	15%
62	25%
63 - 64	20%
65	40%
66 - 69	30%
70 - 74	75%
75+	100%

Detiroment Date

#### Withdrawal Rates

None assumed since all are long service Civil Service employees.

### **Disability Rates**

Sample rates are shown below

#### Percent assumed to terminate within one year

<u>Age</u>	<u>Male</u>	<u>Female</u>
25	0.06%	0.09%
30	0.08%	0.12%
35	0.17%	0.24%
40	0.30%	0.41%
45	0.54%	0.65%
50	0.98%	0.98%
55	1.50%	1.50%

# AUBURN UNIVERSITY BOARD OF TRUSTEES

Auburn University is governed by a Board of Trustees consisting of one member from each congressional district, as these districts were constituted on January 1, 1961, one member from Lee County, three at-large members, all of whom shall be residents of the continental United States, and the Governor, who is ex-officio. The Governor is the President of the Board of Trustees. Prior to 2003, trustees were appointed by the Governor, by and with the consent of the State Senate, for a term of 12 years. Any new trustees will be appointed by a committee, by and with the consent of the State Senate, for a term of seven years and may serve no more than two full seven year terms. A member may continue to serve until a successor is confirmed, but in no case for more than one year after the completion of a term. Members of the board receive no compensation. By executive order of the Governor in 1971, two nonvoting student representatives selected by the student body serve as members ex-officio, one from the Auburn campus and one from the Montgomery campus.



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June 27, 2008

Ms. Marcie Smith Auburn University 127 Ingram Hall Auburn University, Alabama 36849-5102

Dear Ms. Smith:

Enclosed are 13 copies (12 bound; 1 unbound) of the Report on Federal Awards in Accordance with OMB Circular A-133 for Auburn University for the year ended September 30, 2007

Please contact us if you have any comments or questions concerning the above.

Very truly yours,

KJK:wpd BWC

Encs.