

# **Auburn University**

**Report on Federal Awards in Accordance with OMB  
Circular A-133**

**For the Year Ended September 30, 2011**

**EIN: 63-6000724**

**Auburn University**  
**Report on Federal Awards in Accordance with OMB Circular A-133**  
**Index**  
**September 30, 2011**

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**Part I**  
**Financial Statements**

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## 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, 2011 and 2010 (June 30, 2011 and 2010 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 an opinion on these financial statements based on our audits. We did not audit the financial statements of Auburn Alumni Association (the "Association") and the Auburn University Foundation (the "Foundation"), two of the University's discretely presented component units, as of September 30, 2011 and 2010 and for the years then ended. 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 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*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 reports of other auditors, provide a reasonable basis for our opinion.

The management's discussion and analysis on pages 3 through 10 and the required supplemental information on pages 48 through 51 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, 2010 that accounting principles generally accepted in the United States of America require us to supplement, although not to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2012 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, 2011. 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 audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards as of September 30, 2011 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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.

*PricewaterhouseCoopers LLP*

January 26, 2012

# MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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, 2011, with a comparison to the year ended September 30, 2010. 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 at Montgomery (AUM) is classified as "Master's I." Fall 2011 enrollment included 30,774 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 5,137 full-time employees, including 1,379 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 "2011," "2010," 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. From the data presented, readers of the Statement of Net Assets have the information to determine the assets available to continue the operation of the University. They may also determine how much the University owes vendors, investors and lending institutions. Finally, the Statement of Net Assets outlines the net assets available to the University.

**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. Governmental accounting standards require 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 unit 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 component units report financial results under principles prescribed by the Financial Accounting Standards Board (FASB) and are subject to standards under the *Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* and present net assets in three classes: unrestricted, temporarily restricted, and permanently restricted. The four 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, 2011, AUF holds 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. The Auburn University Real Estate Foundation, Inc. (AUREFI) has been consolidated into AUF's financial statements.

**(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 fund raising and athletic programs. TUF has 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 provides monetary support to the University in the form of faculty awards and student scholarships.

**(4) Auburn Research and Technology Foundation (ARTF)** - ARTF was organized on August 24, 2004, as a separate nonprofit organization to develop and operate the Auburn Research Park and to assist the University with the attraction, development, and commercialization of technology. The vision of ARTF is to establish

an entrepreneurial atmosphere for businesses to foster economic diversification and vitality of the local community, state, and region.

The University has one other related foundation. Due to immateriality, the statements for the Auburn Spirit Foundation for Scholarships (ASFS) are not presented as a component unit in these financial statements.

## Financial Highlights

### Statement of Net Assets

A summary of assets, liabilities, and net assets as of September 30, 2011 and 2010, is as follows:

	2011	2010
<b>Assets</b>		
Current assets	\$ 268,709,046	\$ 281,838,560
Capital assets	1,241,577,442	1,133,914,138
Other noncurrent assets	<u>971,757,052</u>	<u>737,279,980</u>
<b>Total assets</b>	<u>2,482,043,540</u>	<u>2,153,032,678</u>
<b>Liabilities</b>		
Current liabilities	273,193,917	258,987,925
Noncurrent liabilities	<u>773,429,383</u>	<u>558,174,508</u>
<b>Total liabilities</b>	<u>1,046,623,300</u>	<u>817,162,433</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	677,203,700	616,209,983
Restricted-nonexpendable	25,407,409	24,051,577
Restricted-expendable	176,298,403	169,449,292
Unrestricted	<u>556,510,728</u>	<u>526,159,393</u>
<b>Total net assets</b>	<u>\$ 1,435,420,240</u>	<u>\$ 1,335,870,245</u>

### 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. The University's current assets decreased \$13.1 million from 2010 to 2011. The most significant decrease is shown in the University's cash and cash equivalents and operating investments, which decreased by \$21.1 million. These funds were utilized for the University's normal operating expenditures. This net decrease of \$21.1 million was offset by the increases in the University's total receivables of \$2.7 million and prepaid expenses of \$5.5 million. Most of the increase in receivables is attributable to student accounts receivable growing \$1.7 million or 5.4%, which approximates the increase in tuition and fees, approved by University's Board of Trustees (the Board). The University issued 2011A General Fee Bonds and incurred "Cost of Issuance" of \$1.8 million. The remainder of the increase in prepaid expenses is attributable to the deferral of 60% of scholarship expense.

The University's long-term investments increased \$234.4 million. These funds were received from the 2011A General Fee bond issuance and will be used for future capital projects. The University saw increases in capital assets, net of depreciation, shown as "Investment in plant, net" on the Statement of Net Assets, of 9.5% from 2010 to 2011. Capital assets generally represent the historical cost of land improvements, buildings, construction in progress, infrastructure, equipment, library books and livestock, less any accumulated depreciation, with buildings comprising approximately 70% of the total capital asset value. The increase, offset by disposal activity, depreciation and transfers, was the result of \$164.4 million, net of new additions to property, plant and

equipment. In addition to the following construction projects totaling \$115.2 million, which were completed and placed into service during 2011, the University experienced a growth of projects under construction of \$154.1 million.

Federal Highway Admin Center for Technology Phase II	\$ 46.4 million
Office of Information Technology Building	\$ 25.2 million
Multi-Sport Indoor Practice Facility	\$ 17.7 million
Student Village Housing	\$ 4.4 million
Aquatics Resource Center	\$ 8.4 million
New Basketball Arena	\$ 3.7 million
Housing Costs Assessment & Programming	\$ 5.0 million
Mary Martin Hall Roofing	\$ 1.2 million
Other Small Projects	\$ 3.2 million

### The University's Liabilities

Current liabilities consist of accounts payable, the current portion of compensation-related liabilities, 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 \$14.2 million from 2010 to 2011. The majority is due to the increase in deferred revenue, which increased approximately \$13.8 million and accrued interest payable, which increased \$3.9 million. Deferred revenue is comprised of deferred tuition revenue and contracts and grants funding received prior to expenditures. For Fall 2011, the Board approved a 4.1% and 12.0% tuition increase for AU and AUM, respectively. Sixty percent of Fall tuition is reported as deferred revenue due to the fiscal year end of September 30. Accounts payable and accrued salaries and wages decreased approximately \$6.0 million; however, the University did not see decreased expenses. The reduction in the liability at year-end was due to the timing of payments associated with accounts payables and accrued salary and wages.

Noncurrent liabilities include principal amounts due on University bonds payable, accrued compensated absences and other compensation-related liabilities that are payable beyond September 30, 2012.

Noncurrent liabilities increased \$215.3 million from 2010 to 2011, primarily due to the issuance of the 2011A General Fee bonds. The bonds were issued with a face value of \$226,035,000.

### The University's Net Assets

The three major net asset categories are discussed below:

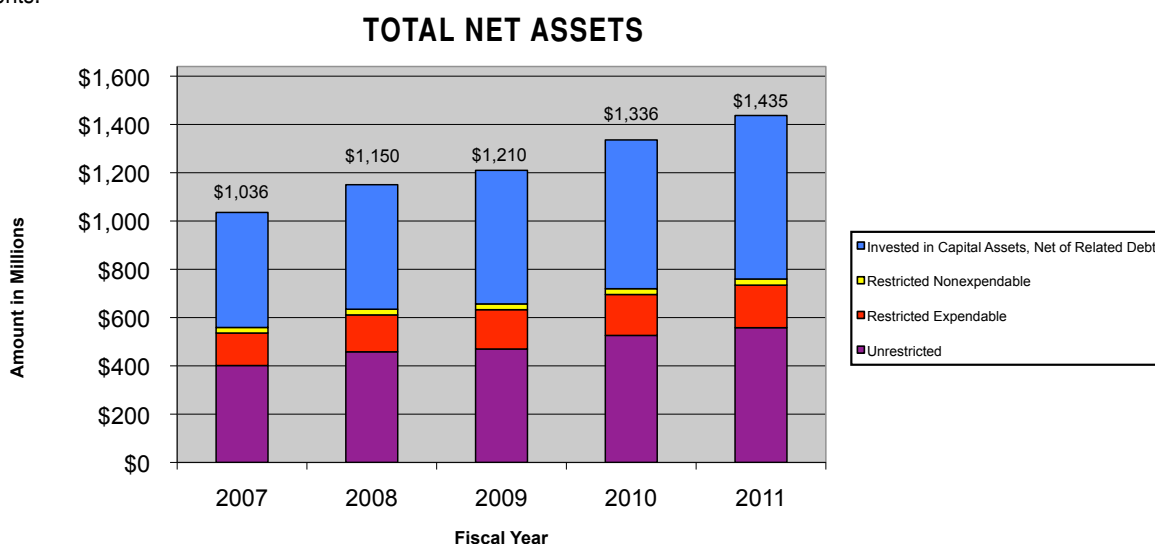
Net assets invested in capital, net of related debt, represent unexpended capital debt proceeds, the University's capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. These net assets increased 9.9% from 2010 to 2011. This increase is due to capitalization of assets as previously described.

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

Restricted-nonexpendable net assets are subject to external restrictions governing their use and consist of the University's permanent endowment funds. These net assets increased 5.6% from 2010 to 2011. This increase is the result of additional gifts to permanently endowed funds as well as investment earnings that were added back to current permanent endowments.

Restricted-expendable net assets are also subject to external restrictions governing their use. Such net assets include gifts, contracts, and grants restricted by federal, state, local governments, or private sources 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. Restricted-expendable net assets increased \$6.8 million. Most of the increase was due to amounts received that are restricted for capital projects. There was also a 2.6% increase in restricted scholarships and gifts.

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, auxiliary operations (including athletics, housing, and the bookstore), unrestricted quasi-endowments, and capital projects. Unrestricted net assets increased \$30.4 million from 2010 to 2011. The increase in unrestricted net assets is mainly due to holding unrestricted funds for future mission-related priorities and deferred maintenance needs during this uncertain economic time.



### 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:

	2011	2010
Operating revenues	\$ 574,629,881	\$ 525,563,352
Operating expenses	<u>851,820,633</u>	<u>786,242,073</u>
Operating loss	(277,190,752)	(260,678,721)
Net nonoperating revenues and other changes in net assets	<u>376,740,747</u>	<u>375,869,793</u>
Increase in net assets	99,549,995	115,191,072
Net assets - beginning of year	<u>1,335,870,245</u>	<u>1,220,679,173</u>
Net assets - end of year	<u>\$ 1,435,420,240</u>	<u>\$ 1,335,870,245</u>



The 2011 Statement of Revenues, Expenses and Changes in Net Assets reflects an increase in net assets at the end of the year of \$99.5 million. Operating revenues increased 9.3% when comparing operating revenues from 2010 to 2011. Approximately 37.8% of this increase is attributable to the increase in student tuition and fee revenue, net of discounts, which increased \$18.5 million. The University recognized an increase in federal appropriations and federal, state and nongovernmental contract and grant revenues of \$8.0 million, which is the result of an increase in spending of federal funds appropriated and awarded for research. Auxiliary revenue increased approximately \$18.7 million. Approximately 83.3% of the increase is from additional royalty, radio, television and athletic ticket sale revenues. The University bookstore brought in an additional \$1.3 million and housing revenue increased \$1.9 million or 9.4%.

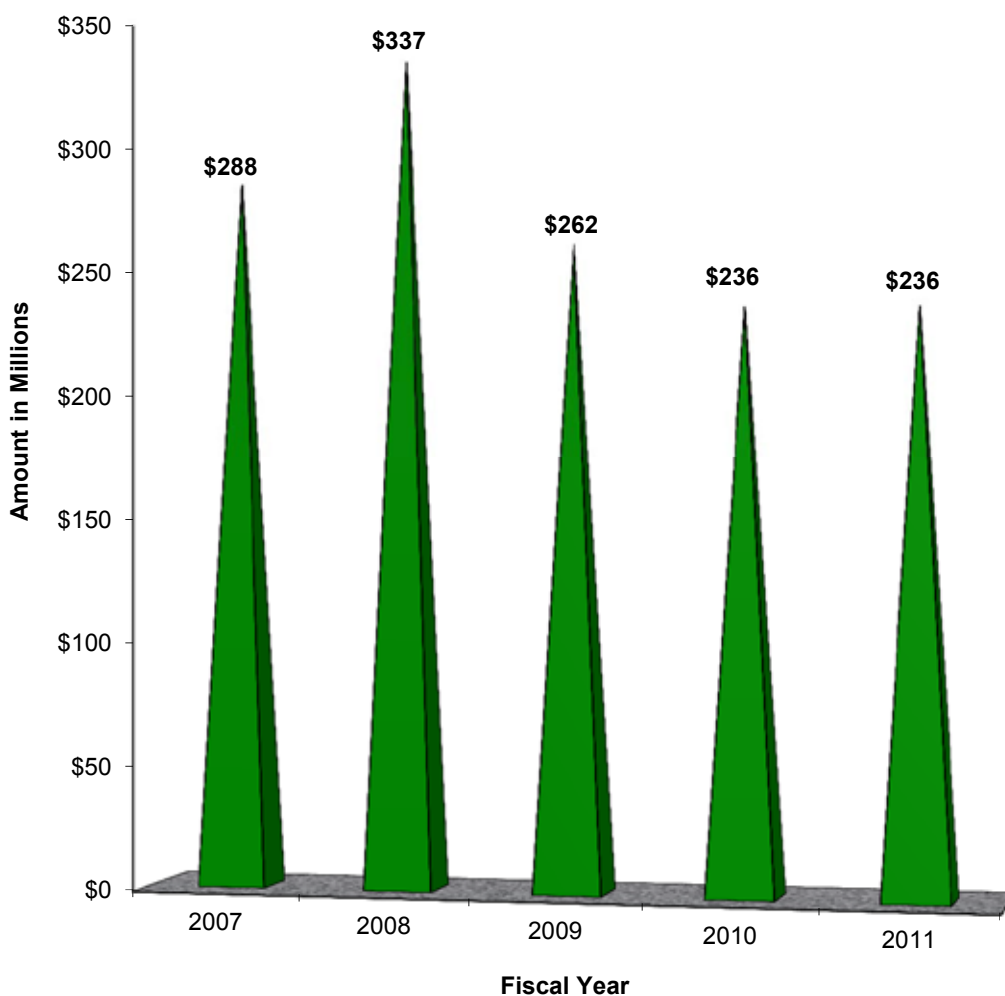
Operating expenses increased \$65.6 million from 2010 to 2011, which included an increase of \$25.6 million in the University's compensation and employee benefit costs. Approximately 60% of this increase is due to the one-time supplement payment. The remainder of the increase is due to additional benefit costs the University incurred on behalf of its employees. Other supplies and services expenses increased \$35.5 million. The largest increases include additional repairs and maintenance and administrative costs as well as additional purchases of supplies and noncapital equipment totaling \$12.2 million. The University expended an additional \$8.8 million on temporary employee, subcontracts and other services. Travel and game expenses increased

\$4.9 million, and \$4.8 million can be attributed to pollution remediation obligations (see Note 13). Depreciation expense increased \$4.5 million, as a result of recording depreciation beginning in fiscal year 2011 on new projects completed in 2010. The buildings completed include the basketball arena, airport terminal and hanger, west campus dining facility, and the Federal Highway Administration Center for Technology.

Net nonoperating revenues presented a minimal decrease from 2010 to 2011. In the current fiscal year, the University recognized additional revenues relating to ARRA State Fiscal Stabilization Funds of \$3.2 million and Pell grants of \$1.6 million, which were awarded to students in fiscal year 2011. This additional revenue was offset by a decrease in investment income of \$5.4 million. The University recognized revenue relating to endowment, interest and realized gains of \$26.4 million, compared to \$17.2 million in fiscal year 2010. However, in fiscal year 2011, the University experienced unrealized losses of \$6.7 million, whereas, in fiscal year 2010, the University recognized unrealized gains of \$7.9 million. Although the University's 2011 state appropriation remained relatively consistent with the 2010 appropriation, over the last five years, state appropriations have decreased over \$52.5 million.

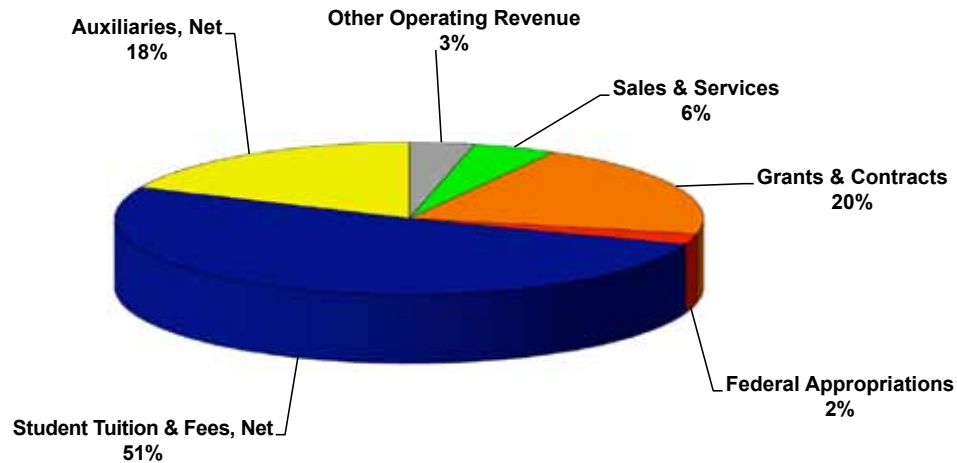
Other Changes in Net Assets increased \$1.8 million in fiscal year 2011 from fiscal year 2010. The majority of this increase is attributable to additions to permanent endowments; capital appropriations as well as capital gifts & grants also increased slightly.

### STATE APPROPRIATIONS



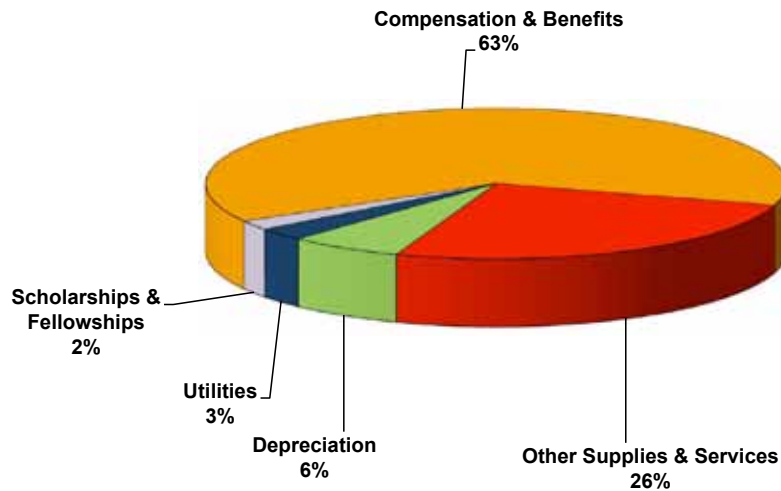
## OPERATING REVENUES SUPPORTING CORE ACTIVITIES

For the year ended September 30, 2011



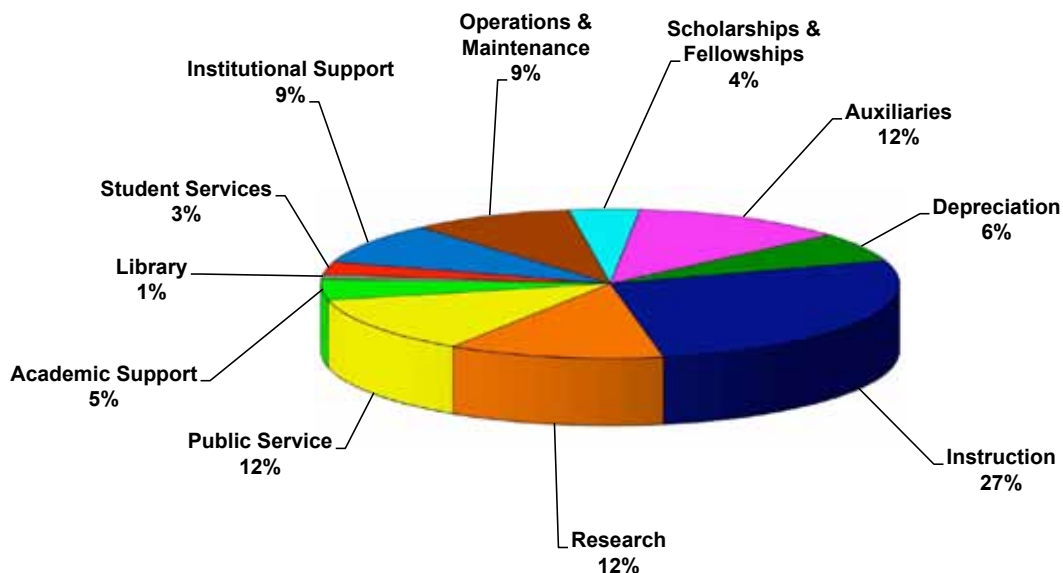
## OPERATING EXPENSES BY NATURAL CLASSIFICATION

For the year ended September 30, 2011



## OPERATING EXPENSES BY FUNCTION

For the year ended September 30, 2011



## 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. Operating activity uses of cash significantly exceed operating activity sources of cash due to classification of state appropriations and gifts as noncapital financing activities.

The University's cash flows are summarized below:

	2011	2010
Cash provided by (used in):		
Operating activities	\$ (216,643,418)	\$ (202,713,646)
Net noncapital financing activities	317,653,417	311,952,474
Net capital and related financing activities	92,755,052	(132,745,160)
Net investing activities	<u>(180,809,559)</u>	<u>36,085,922</u>
Net increase in cash	12,955,492	12,579,590
Cash and cash equivalents beginning of year	<u>69,676,195</u>	<u>57,096,605</u>
Cash and cash equivalents end of year	<u>\$ 82,631,687</u>	<u>\$ 69,676,195</u>

The cash used for operating activities increased from 2010 to 2011 by 6.9%. This increase was the result of the University's additional payments to suppliers and employees for compensation and benefits of \$66.5 million. These additional payments were offset by receiving additional funds from tuition and fees, contract and grants, and auxiliary enterprises in the amount of \$52.6 million.

Cash provided by noncapital financing activities increased \$5.7 million. During fiscal year 2011, the University received additional ARRA State Fiscal Stabilization Funds and additional gifts and grants for noncapital projects. The remaining difference was due to timing differences in the receipt and disbursement of loan funds issued to students in the Direct Loan Program.

Net cash provided by capital and related financing activities increased \$225.5 million from 2010 to 2011, which is primarily attributable to the 2011A General Fee bond issuance.

Net cash used in investing activities increased \$216.9 million. The University chose to invest the proceeds from the 2011A General Fee bond issuance, until funds will be utilized for Board-approved construction projects.

### Economic factors that will affect the future

While the University is impacted by the general economic conditions, management believes the University will continue its high 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 provides the University some protection against the funding reductions and adverse economic conditions. Nonetheless, a continuation of the economic downturn and future reductions in state support must be anticipated and managed carefully to maintain excellence. Neither external nor internal efforts to mitigate the impact, however, are intended to eliminate the effects of future proration or decreases in state funding. 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 post-retirement health care benefits offered to retirees.

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 continues to take steps to enhance student recruitment, both in marketing efforts and in providing additional scholarship funding. Applications, acceptances and retention are monitored closely to assess the potential impact of general economic conditions on future enrollment. We are cautiously optimistic that demand will remain strong.

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**

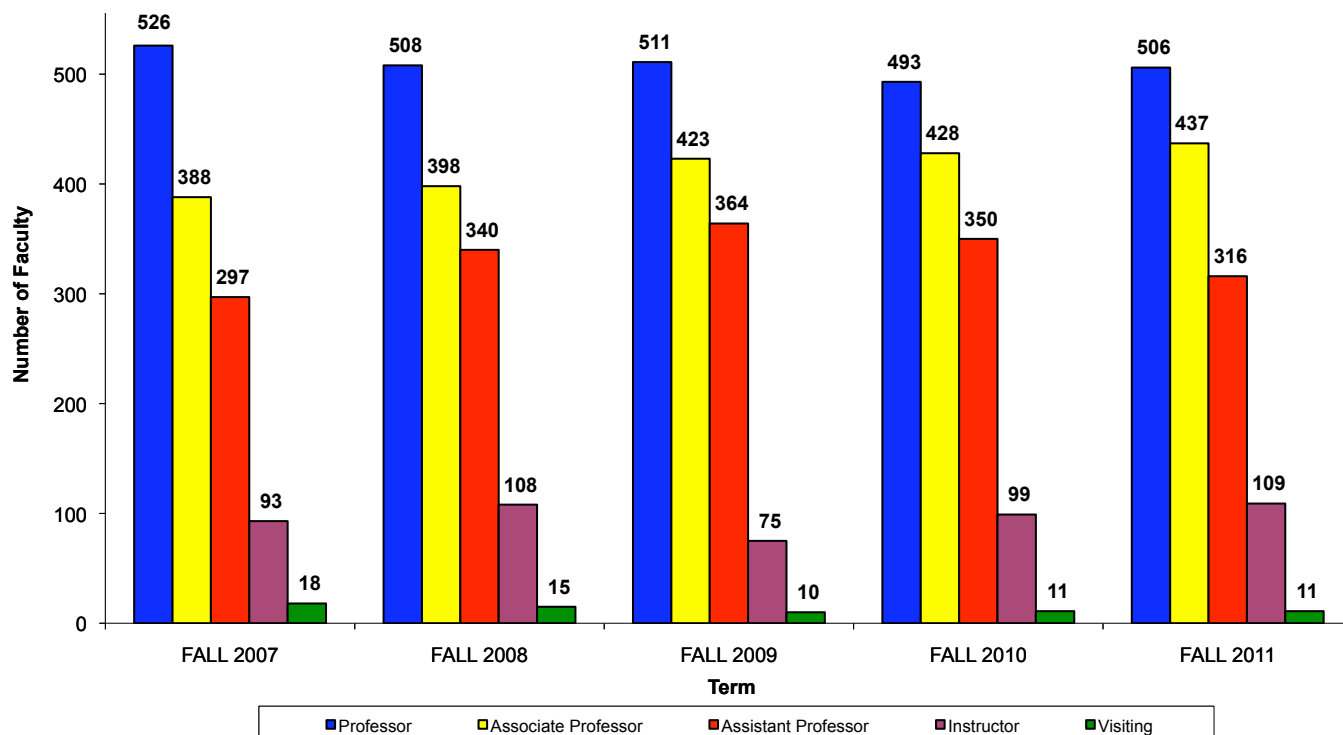
	2007-08	2008-09	2009-10	2010-11	2011-12
Auburn Main Campus/ Auburn University at Montgomery					
Full Time Students:					
In-State	\$5,834/\$5,010	\$6,500/\$5,580	\$6,972/\$5,970	\$7,900/\$6,730	\$8,698/\$6,930
Out-of-State	\$16,334/\$14,490	\$18,260/\$16,200	\$19,452/\$17,250	\$21,916/\$19,090	\$23,290/\$20,790

**FALL STUDENT ENROLLMENT**

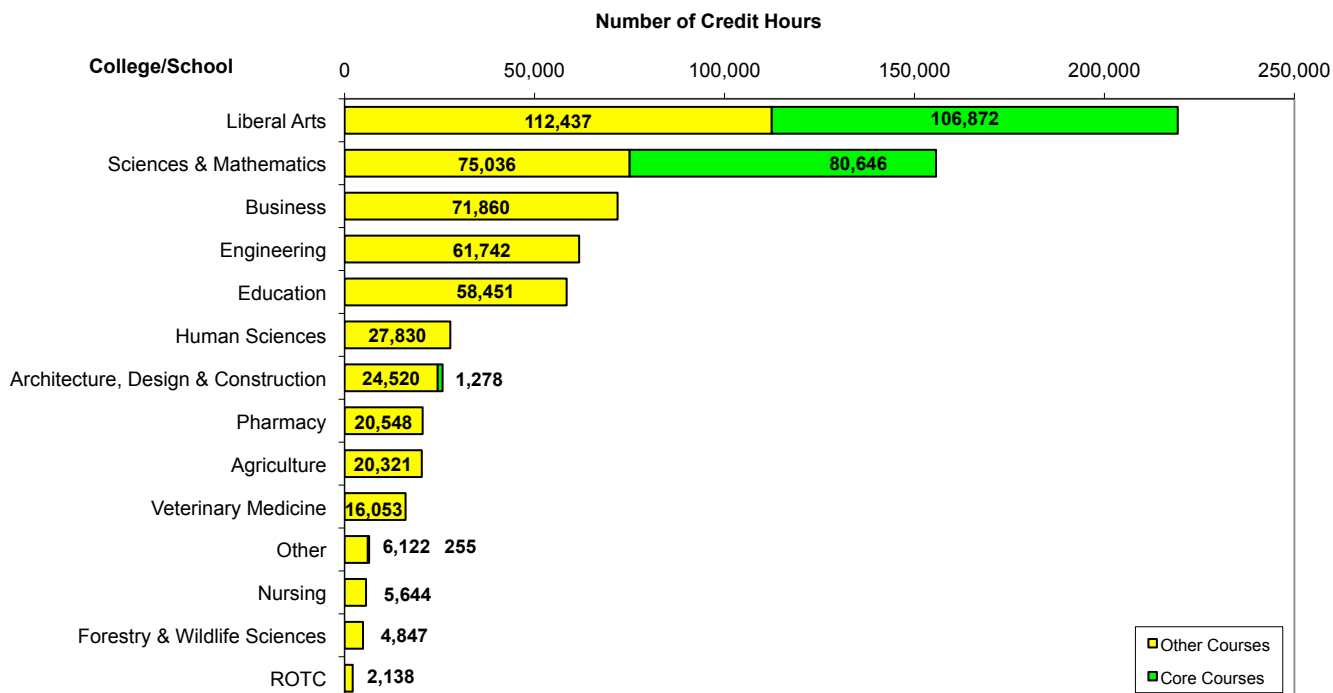
	2007	2008	2009	2010	2011
Auburn Main Campus and Auburn University at Montgomery					
Undergraduate and Professional	25,115	25,471	25,599	26,025	25,868
Graduate	4,146	4,346	4,558	4,864	4,906

**DEGREES AWARDED FOR THE ACADEMIC YEAR**

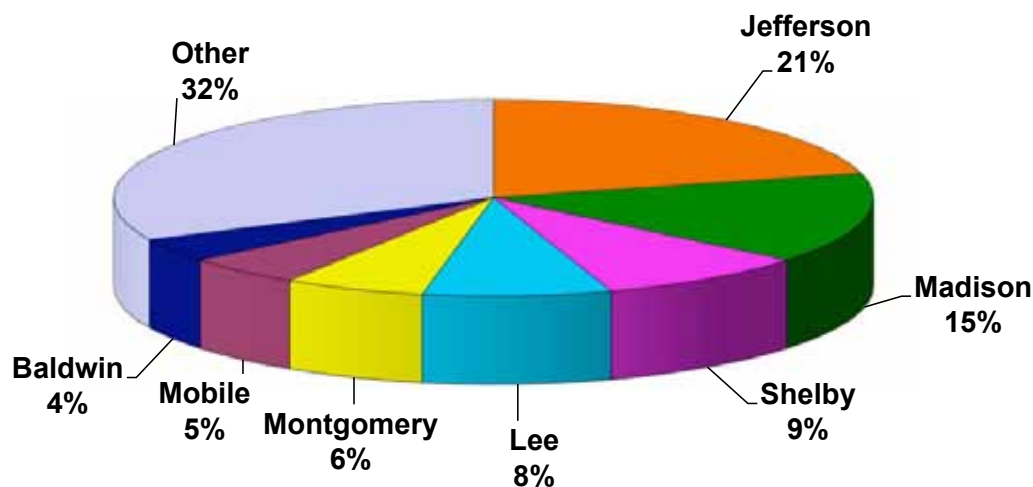
	2006-07	2007-08	2008-09	2009-10	2010-11
Auburn Main Campus and Auburn University at Montgomery					
Bachelor	4,373	4,441	4,593	4,700	4,800
Advanced	1,465	1,520	1,561	1,670	1,809

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

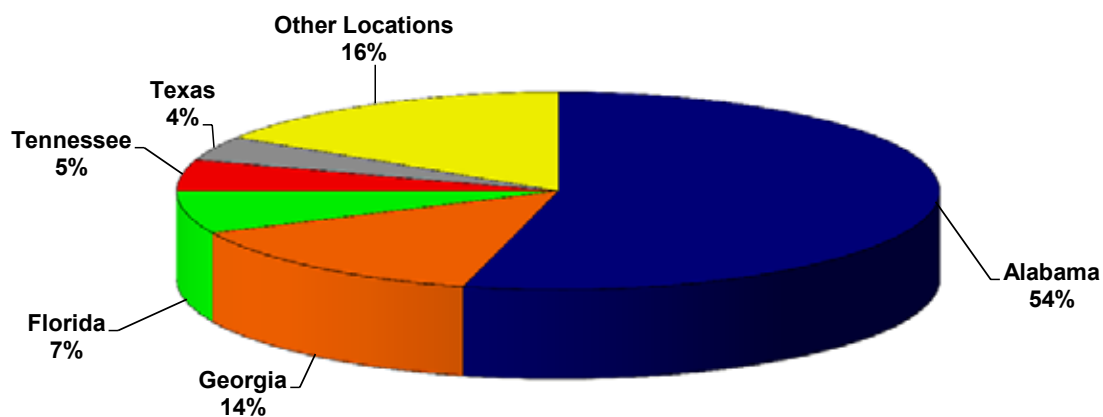
**AUBURN UNIVERSITY MAIN CAMPUS  
TOTAL STUDENT CREDIT HOURS BY COLLEGE/SCHOOL 2010-11**



**AUBURN UNIVERSITY MAIN CAMPUS FRESHMEN  
ENROLLMENT BY ALABAMA COUNTIES  
SUMMER/FALL TERMS 2011**



**SOURCES OF ENTERING FRESHMEN BY STATE  
MAIN CAMPUS SUMMER/FALL TERMS 2011**



**AUBURN UNIVERSITY**  
**STATEMENTS OF NET ASSETS**  
**SEPTEMBER 30, 2011 AND 2010**

	2011	2010
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 82,631,687	\$ 69,676,195
Operating investments	56,063,476	90,101,995
Accounts receivable, net	50,333,462	49,160,303
Student accounts receivable, net	33,476,102	31,774,743
Loans receivable, net	2,436,436	2,744,742
Accrued interest receivable	2,495,526	2,335,669
Inventories	3,781,634	4,006,169
Prepaid expenses	37,490,723	32,038,744
Total current assets	<u>268,709,046</u>	<u>281,838,560</u>
Noncurrent assets		
Investments	954,153,351	719,777,359
Loans receivable, net	17,603,701	17,502,621
Investment in plant, net	1,241,577,442	1,133,914,138
Total noncurrent assets	<u>2,213,334,494</u>	<u>1,871,194,118</u>
<b>Total assets</b>	<u>2,482,043,540</u>	<u>2,153,032,678</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	39,603,875	41,853,443
Accrued salaries and wages	1,711,941	5,441,206
Accrued compensated absences	17,714,570	17,466,534
Accrued interest payable	12,998,481	9,123,945
Other accrued liabilities	4,548,958	3,109,966
Student deposits	488,236	198,702
Deposits held in custody	17,206,619	19,097,263
Deferred revenues	156,853,480	143,054,717
Noncurrent liabilities-current portion	22,067,757	19,642,149
Total current liabilities	<u>273,193,917</u>	<u>258,987,925</u>
Noncurrent liabilities		
Bonds and notes payable	740,408,161	530,768,053
Lease obligations	678,965	1,235,379
Other noncurrent liabilities	32,342,257	26,171,076
Total noncurrent liabilities	<u>773,429,383</u>	<u>558,174,508</u>
<b>Total liabilities</b>	<u>1,046,623,300</u>	<u>817,162,433</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	677,203,700	616,209,983
Restricted		
Nonexpendable	25,407,409	24,051,577
Expendable:		
Scholarships, research, instruction, other	151,231,848	147,428,796
Loans	5,083,520	5,116,931
Capital projects	19,983,035	16,903,565
Unrestricted	556,510,728	526,159,393
<b>Total net assets</b>	<u>\$ 1,435,420,240</u>	<u>\$ 1,335,870,245</u>

*See accompanying notes to financial statements.*

**AUBURN UNIVERSITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

	2011	2010
<b>OPERATING REVENUES</b>		
Tuition & fees, net of scholarship allowances of \$98,233,496 and \$77,728,585, respectively	\$ 294,726,600	\$ 276,230,557
Federal appropriations	14,324,010	9,026,000
Federal grants & contracts, net	82,288,355	77,953,387
State & local grants & contracts, net	18,675,902	19,873,107
Nongovernmental grants & contracts, net	10,854,763	11,297,084
Sales & services of educational departments	32,165,275	30,308,344
Auxiliary revenue, net of scholarship allowances of \$6,024,982 and \$5,247,667, respectively	106,170,330	87,468,987
Other operating revenues	<u>15,424,646</u>	<u>13,405,886</u>
Total operating revenues	<u>574,629,881</u>	<u>525,563,352</u>
<b>OPERATING EXPENSES</b>		
Compensation & benefits	536,562,158	510,919,404
Scholarships & fellowships	17,327,167	17,810,837
Utilities	23,353,732	22,899,217
Other supplies & services	220,750,931	185,283,804
Depreciation	<u>53,826,645</u>	<u>49,328,811</u>
Total operating expenses	<u>851,820,633</u>	<u>786,242,073</u>
Operating loss	<u>(277,190,752)</u>	<u>(260,678,721)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	235,724,142	236,212,711
ARRA state fiscal stabilization funds	24,429,089	21,236,839
Gifts	32,334,055	31,537,641
Grants	24,829,086	23,204,820
Net investment income	19,687,771	25,088,863
Interest expense on capital debt	<u>(9,803,075)</u>	<u>(9,174,150)</u>
Nonoperating revenues, net	<u>327,201,068</u>	<u>328,106,724</u>
Income before other changes in net assets	50,010,316	67,428,003
<b>OTHER CHANGES IN NET ASSETS</b>		
Capital appropriations	18,663,689	18,224,230
Capital gifts & grants	29,520,158	29,373,311
Additions to permanent endowments	<u>1,355,832</u>	<u>165,528</u>
Net increase in net assets	99,549,995	115,191,072
<b>Net assets - beginning of year</b>	<u>1,335,870,245</u>	<u>1,220,679,173</u>
<b>Net assets - end of year</b>	<u>\$ 1,435,420,240</u>	<u>\$ 1,335,870,245</u>

*See accompanying notes to financial statements.*



**AUBURN UNIVERSITY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition & fees	\$ 306,310,350	\$ 278,480,153
Federal appropriations	13,760,249	8,870,750
Grants & contracts	109,972,801	104,103,309
Sales & services of educational departments	31,045,066	28,875,686
Auxiliary enterprises	107,582,914	91,729,342
Other operating revenues	13,587,249	13,998,139
Payments to suppliers	(217,648,567)	(178,861,390)
Payments for utilities	(23,353,732)	(22,899,217)
Payments for employee compensation & benefits	(536,234,185)	(508,477,336)
Payments for scholarships & fellowships	(21,453,271)	(17,782,527)
Student loans issued	(2,720,614)	(2,973,616)
Student loans collected	2,508,322	2,223,061
Net cash used in operating activities	<u>(216,643,418)</u>	<u>(202,713,646)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	235,724,142	236,212,711
ARRA state fiscal stabilization funds	25,230,325	19,289,939
Gifts and grants for other than capital purposes	59,068,303	57,472,835
Direct loan receipts	161,829,745	158,192,455
Direct loan disbursements	<u>(164,199,098)</u>	<u>(159,215,466)</u>
Net cash provided by noncapital financing activities	<u>317,653,417</u>	<u>311,952,474</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from capital debt, net of issuance cost	231,837,816	-
Proceeds from advanced refunding of debt, net of issuance cost	-	84,946,185
Capital appropriations	18,663,689	18,224,230
Capital grants & gifts received	30,602,867	21,889,138
Purchases of capital assets	(163,423,358)	(146,662,988)
Proceeds received from sale of capital assets	104,846	57,270
Principal paid on debt & capital leases	(19,133,816)	(18,057,271)
Interest paid on debt & capital leases	(5,896,992)	(8,245,820)
Payment to escrow on advanced refunding of debt	-	(84,895,904)
Net cash provided by (used in) capital and related financing activities	<u>92,755,052</u>	<u>(132,745,160)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments and reinvestments	954,611,542	795,600,868
Investment income	19,459,109	17,357,295
Purchases of investments	<u>(1,154,880,210)</u>	<u>(776,872,241)</u>
Net cash (used in) provided by investing activities	<u>(180,809,559)</u>	<u>36,085,922</u>
Net increase in cash and cash equivalents	12,955,492	12,579,590
Cash and cash equivalents, beginning of year	<u>69,676,195</u>	<u>57,096,605</u>
Cash and cash equivalents, end of year	<u>\$ 82,631,687</u>	<u>\$ 69,676,195</u>

See accompanying notes to financial statements.



**AUBURN UNIVERSITY**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

	2011	2010
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Operating loss	\$ (277,190,752)	\$ (260,678,721)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	54,208,416	48,780,030
Write-off of loans receivable	419,518	427,359
Loss on sale of capital assets	1,271,353	120,032
Changes in assets and liabilities:		
Accounts receivable	(4,703,493)	(3,467,032)
Student accounts receivable	(1,701,359)	(3,139,261)
Inventories	224,535	(410,789)
Deferred revenue	13,798,763	16,091,708
Accounts payable	(2,171,768)	5,074,297
Prepaid expenses	(5,451,979)	(6,802,990)
Accrued salaries, wages and compensated absences	(3,481,229)	109,270
Student deposits and deposits held in custody	768,243	(345,474)
Loans to students	(212,292)	(750,555)
Other accrued liabilities	1,438,992	295,795
Other noncurrent liabilities	6,139,634	1,982,685
Net cash used in operating activities	<u>\$ (216,643,418)</u>	<u>\$ (202,713,646)</u>

**SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION**

Capital assets acquired with a liability at year-end	\$ 10,325,889	\$ 10,403,689
Gifts of capital assets	1,097,060	1,300,093
Capital assets acquired through capital leases	-	354,135
Capitalized interest	20,196,845	17,418,054

*See accompanying notes to financial statements.*

**AUBURN UNIVERSITY COMPONENT UNITS**  
**STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2011 AND 2010**

	<b>Auburn University Foundation</b>		<b>Auburn Alumni Association</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,225,367	\$ 1,887,622	\$ 24,961	\$ 20,501
Investments	289,461,346	285,789,683	4,467,186	4,012,591
Investment in Auburn University Foundation Securities Pool	-	-	7,048,602	7,021,266
Accrued interest receivable	227,849	338,476	14,442	26,375
Contributions receivable, net	22,844,436	23,454,237	697,664	576,963
Other assets	241,467	146,725	268	-
Investment in real estate	2,587,883	2,939,847	674,799	674,799
Cash surrender value of life insurance	3,982,012	3,476,136	-	-
Beneficial interest in outside trusts	4,170,297	1,353,116	-	-
Property and equipment, net	264,492	297,014	1,973,401	2,030,490
Prepaid rent	-	-	28	29
Due from Auburn University	150,000	-	6,669	-
Due from Auburn University Foundation	-	-	3,499	3,847
<b>Total assets</b>	<b>\$ 325,155,149</b>	<b>\$ 319,682,856</b>	<b>\$ 14,911,519</b>	<b>\$ 14,366,861</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 519,053	\$ 290,576	\$ 96,120	\$ 45,784
Annuities payable	6,610,399	8,096,784	-	-
Due to Auburn University	45,867	9,115	257,473	231,907
Due to Auburn University Foundation	-	-	219,697	-
Due to Auburn Alumni Association	7,052,102	7,021,866	-	-
Due to Tigers Unlimited Foundation	6,541,338	6,394,967	-	-
Deferred revenue	67,000	122,369	8,180,129	7,729,229
<b>Total liabilities</b>	<b>20,835,759</b>	<b>21,935,677</b>	<b>8,753,419</b>	<b>8,006,920</b>
<b>NET ASSETS</b>				
Unrestricted	8,484,815	10,661,255	6,158,100	6,359,941
Temporarily restricted	53,129,553	48,779,831	-	-
Permanently restricted	242,705,022	238,306,093	-	-
<b>Total net assets</b>	<b>304,319,390</b>	<b>297,747,179</b>	<b>6,158,100</b>	<b>6,359,941</b>
<b>Total liabilities and net assets</b>	<b>\$ 325,155,149</b>	<b>\$ 319,682,856</b>	<b>\$ 14,911,519</b>	<b>\$ 14,366,861</b>

*See accompanying notes to financial statements.*

**AUBURN UNIVERSITY COMPONENT UNITS**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

	<b>Auburn University Foundation</b>		<b>Auburn Alumni Association</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>REVENUES AND OTHER SUPPORT</b>				
Public support - contributions	\$ 34,602,140	\$ 26,234,797	\$ 1,497,565	\$ 1,397,553
Investment income	2,357,626	2,905,022	345,218	277,322
Other revenues	<u>2,168,273</u>	<u>2,276,151</u>	<u>872,485</u>	<u>707,475</u>
Total operating revenues	<u>39,128,039</u>	<u>31,415,970</u>	<u>2,715,268</u>	<u>2,382,350</u>
<b>EXPENSES, (GAINS) AND LOSSES</b>				
Program services				
Contributions to and support for Auburn University	27,649,313	20,452,280	-	-
Other program services	<u>2,673,661</u>	<u>2,163,967</u>	<u>795,695</u>	<u>767,848</u>
Total program services	<u>30,322,974</u>	<u>22,616,247</u>	<u>795,695</u>	<u>767,848</u>
Support services				
General and administrative	1,662,567	1,370,980	1,715,286	1,369,342
Fund raising	<u>2,660,131</u>	<u>2,837,848</u>	<u>170,326</u>	<u>250,730</u>
Total support services	<u>4,322,698</u>	<u>4,208,828</u>	<u>1,885,612</u>	<u>1,620,072</u>
Total expenses	34,645,672	26,825,075	2,681,307	2,387,920
Unrealized (gains) losses on investments	6,370,434	(21,003,014)	235,802	(482,220)
Realized (gains) losses on investments	(7,763,538)	1,598,562	-	-
Change in valuation of split-interest agreements	(973,365)	(1,116,279)	-	-
Impairment in real estate	<u>276,625</u>	<u>37,488</u>	<u>-</u>	<u>-</u>
Total expenses, (gains) and losses	<u>32,555,828</u>	<u>6,341,832</u>	<u>2,917,109</u>	<u>1,905,700</u>
 *Change in net assets	 6,572,211	 25,074,138	 (201,841)	 476,650
<b>Net assets - beginning of year</b>	<u>297,747,179</u>	<u>272,673,041</u>	<u>6,359,941</u>	<u>5,883,291</u>
<b>Net assets - end of year</b>	<u>\$ 304,319,390</u>	<u>\$ 297,747,179</u>	<u>\$ 6,158,100</u>	<u>\$ 6,359,941</u>
 *Change in net assets				
Unrestricted	\$ (2,176,440)	\$ 7,981,980	\$ (201,841)	\$ 476,650
Temporarily restricted	4,349,722	6,791,294	-	-
Permanently restricted	<u>4,398,929</u>	<u>10,300,864</u>	<u>-</u>	<u>-</u>
Total change in net assets	<u>\$ 6,572,211</u>	<u>\$ 25,074,138</u>	<u>\$ (201,841)</u>	<u>\$ 476,650</u>

See accompanying notes to financial statements.

**AUBURN UNIVERSITY COMPONENT UNITS**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2011 AND 2010**

**Tigers Unlimited Foundation**  
**2011**                      **2010**

**ASSETS**

Cash and cash equivalents	\$ 763,219	\$ 662,931
Investments	39,521,045	32,618,872
Investment in Auburn University Foundation Securities Pool	7,111,461	5,838,464
Accrued interest receivable	130,672	119,700
Contributions receivable, net	7,599,305	8,820,602
Notes receivable	609,935	833,602
Other assets	199,114	458,907
Property and equipment, net	12,594	16,365
Due from Auburn University Foundation	-	100,000
<b>Total assets</b>	<b>\$ 55,947,345</b>	<b>\$ 49,469,443</b>

**LIABILITIES**

Accounts payable and accrued liabilities	\$ 957,251	\$ 129,561
Deferred revenue	1,306,469	1,239,908
Due to Auburn University	2,772,900	2,445,460
<b>Total liabilities</b>	<b>5,036,620</b>	<b>3,814,929</b>

**NET ASSETS**

Unrestricted	32,265,819	27,975,657
Temporarily restricted	11,713,785	10,787,583
Permanently restricted	6,931,121	6,891,274
<b>Total net assets</b>	<b>50,910,725</b>	<b>45,654,514</b>
<b>Total liabilities and net assets</b>	<b>\$ 55,947,345</b>	<b>\$ 49,469,443</b>

*See accompanying notes to financial statements.*

**AUBURN UNIVERSITY COMPONENT UNITS**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

**Tigers Unlimited Foundation**

**2011**

**2010**

**REVENUES AND OTHER SUPPORT**

Public support - contributions	\$ 29,470,802	\$ 24,729,864
Investment income	855,538	744,120
Other revenues	<u>5,009,586</u>	<u>4,530,971</u>
Total operating revenues	<u>35,335,926</u>	<u>30,004,955</u>

**EXPENSES, (GAINS) AND LOSSES**

Program services		
Contributions to and support for Auburn University	10,784,213	12,367,507
Other program services	<u>9,562,912</u>	<u>8,471,741</u>
Total program services	<u>20,347,125</u>	<u>20,839,248</u>

Support services		
General and administrative	1,206,662	1,277,728
Fund raising	<u>6,409,893</u>	<u>5,382,829</u>
Total support services	<u>7,616,555</u>	<u>6,660,557</u>
Total expenses	27,963,680	27,499,805

Unrealized gains on investments	(547,044)	(817,042)
Realized losses on investments	2,435	601
Loss on write-off of contributions receivable	<u>2,660,644</u>	<u>5,553,054</u>
Total expenses, (gains) and losses	<u>30,079,715</u>	<u>32,236,418</u>

*Change in net assets	5,256,211	(2,231,463)
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<b>Net assets - beginning of year</b>	<u>45,654,514</u>	<u>47,885,977</u>
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<b>Net assets - end of year</b>	<u>\$ 50,910,725</u>	<u>\$ 45,654,514</u>
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*Change in net assets		
Unrestricted	\$ 4,290,162	\$ 3,226,843
Temporarily restricted	926,202	(4,821,063)
Permanently restricted	<u>39,847</u>	<u>(637,243)</u>
Total change in net assets	<u>\$ 5,256,211</u>	<u>\$ (2,231,463)</u>

*See accompanying notes to financial statements.*

**AUBURN UNIVERSITY COMPONENT UNITS**  
**STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2011 AND 2010**

**Auburn Research and Technology Foundation**

	2011	2010
<b>ASSETS</b>		
Cash and cash equivalents	\$ 621,929	\$ 444,259
Deposits	28,810	24,125
Other assets	18,879	17,147
Accounts receivable	53,664	326,320
Receivable from Auburn University	-	171,313
Contributions receivable, net	377,159	209,646
Property and equipment, net	<u>9,051,320</u>	<u>9,218,027</u>
<b>Total assets</b>	<u><u>\$ 10,151,761</u></u>	<u><u>\$ 10,410,837</u></u>
<b>LIABILITIES</b>		
Accounts payable	\$ 77,014	\$ 264,246
Deferred revenue	77,459	16,001
Deposits held in custody	28,810	24,125
Interest payable	40,640	51,658
Loan payable to Industrial Development Board	-	1,097,139
Loan payable to Auburn University	977,650	-
Other payable to Auburn University	<u>109,967</u>	<u>118,129</u>
<b>Total liabilities</b>	<u><u>1,311,540</u></u>	<u><u>1,571,298</u></u>
<b>NET ASSETS</b>		
Unrestricted	8,463,021	8,629,852
Temporarily restricted	<u>377,200</u>	<u>209,687</u>
<b>Total net assets</b>	<u><u>8,840,221</u></u>	<u><u>8,839,539</u></u>
<b>Total liabilities and net assets</b>	<u><u>\$ 10,151,761</u></u>	<u><u>\$ 10,410,837</u></u>

*See accompanying notes to financial statements.*

**AUBURN UNIVERSITY COMPONENT UNITS**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

**Auburn Research and Technology Foundation**

**2011**

**2010**

**REVENUES AND OTHER SUPPORT**

Rental income	\$ 610,575	\$ 484,267
State contracts	66,983	763,686
Other contracts	103,892	-
Contributions	<u>210,865</u>	<u>21,922</u>
Total operating revenues	<u>992,315</u>	<u>1,269,875</u>

**EXPENSES**

Support services		
General and administrative	679,289	397,784
Amortization	22,214	31,100
Depreciation	249,170	229,250
Interest	<u>40,960</u>	<u>8,181</u>
Total support services	<u>991,633</u>	<u>666,315</u>
Total expenses	991,633	666,315

*Change in net assets	682	603,560
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<b>Net assets - beginning of year</b>	<u>8,839,539</u>	<u>8,235,979</u>
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<b>Net assets - end of year</b>	<u>\$ 8,840,221</u>	<u>\$ 8,839,539</u>
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*Change in net assets		
Unrestricted	\$ (166,831)	\$ 627,286
Temporarily restricted	<u>167,513</u>	<u>(23,726)</u>
Total change in net assets	<u>\$ 682</u>	<u>\$ 603,560</u>

*See accompanying notes to financial statements.*

# 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 to Auburn University. The University has two campuses, Auburn and Montgomery, with a combined enrollment of 30,774 students for Fall Semester 2011. 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) who are appointed by the Governor, a committee consisting of two trustees and two 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). The accompanying financial statements include the following four divisions of the University:

- Auburn University Main Campus
- Auburn University at 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, created 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.

The Auburn University Real Estate Foundation, Inc. was organized in 2005 under Internal Revenue Code 170(b)(1)(A)(vi). This real estate holding corporation is a tax-exempt organization 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, Auburn Spirit Foundation for Scholarships or Auburn University Real Estate Foundation, Inc. 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-an amendment of GASB Statement No. 14*. 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, the Auburn Alumni Association and the Auburn Research and Technology Foundation in these financial statements. The Auburn University Real Estate Foundation, Inc. has been consolidated into the Auburn University Foundation's financial statements, as an affiliated supporting organization. The University's component units' financial statements are presented following the University's statements. Due to the immateriality of the Auburn Spirit Foundation for Scholarships, presentation and disclosure of its statements is not included. The component units are not GASB entities; therefore, their respective financial statements adhere to accounting principles under the FASB Accounting Standards Codification.

Auburn University Foundation (AUF) is a qualified charitable organization established in 1960, existing solely for the purpose of receiving and administering funds for the 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 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, which was created 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's 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 the University with the attraction and funding of student scholarships. The ASFS's activities are governed by its own Board of Directors.

The Auburn University Real Estate Foundation, Inc. (AUREFI) is a qualified charitable organization created on July 5, 2005, which is owned and controlled by the AUF solely for the purpose of receiving and administering real estate gifts. The AUREFI's activities are governed by its own Board of Directors.

The component units are not-for-profit organizations that report financial results under principles prescribed by the FASB. In June 2009, the FASB issued FASB Statement No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*. FASB Statement No. 168 establishes the FASB Accounting Standards Codification (ASC) as the single authoritative source for GAAP. The Codification is effective for financial statements that cover interim and annual periods ending after September 15, 2009. Authoritative accounting guidance for the Foundations' transactions is found under the ASC topic 958 Not-for-Profit Entities with more specific areas covered under subtopics 20 Financially Interrelated Entities, 30 Split Interest Agreements, 205 Presentation, 210 Balance Sheet, 225 Income Statement, 230 Cash Flow Statement, 310 Receivables and 605 Revenue Recognition.

The financial statements of the component units have been prepared on the accrual basis of accounting. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the component units and changes therein are classified and reported as unrestricted, temporarily restricted or permanently restricted.

Investments in debt securities, equity securities and mutual funds with readily determinable market values are reported at their fair market values based on published market prices.

Contributions received, including unconditional promises to give, are recognized as revenues at their fair values in the period received. For financial reporting purposes, the component units distinguish between contributions of unrestricted assets, temporarily restricted assets and permanently restricted assets. Contributions for which donors have imposed restrictions, which limit the use of the donated assets, are reported as restricted support if the restrictions are not met in the same reporting period. When such donor-imposed restrictions are met in subsequent reporting periods, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions when the purpose or time restrictions are met. Contributions of assets which donors have stipulated must be maintained permanently, with only the income earned thereon available for current use, are classified as permanently restricted net assets. Contributions for which donors have not stipulated restrictions are reported as unrestricted support.

Financial statements for AUF, the Association and ASFS may be obtained by writing to the applicable entity at 317 South College Street, Auburn University, Alabama 36849. Financial statements for TUF may be obtained by writing to Athletic Complex, 392 South Donahue Drive, Auburn University, Alabama 36849. Financial statements for ARTF may be obtained by writing to 570 Devall Drive, Suite 101, Auburn, Alabama 36832.

## 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-an amendment of GASB Statement No. 34*. 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:**  
Unexpended debt proceeds, 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 projects, 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.

## 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) REVISION OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

During 2011, the University determined that it had not been consistently deferring certain scholarship and fellowship expenses in prior years.

The following tables set forth the effects of the revision adjustments on the University's financial statements as of and for the year ended September 30, 2010:

Statement of Net Assets			
	As Previously Reported	Revision Adjustment	As Revised
Prepaid expenses	\$ 4,690,560	\$ 27,348,184	\$ 32,038,744
<b>Total assets</b>	<u>\$ 2,125,684,494</u>	<u>\$ 27,348,184</u>	<u>\$ 2,153,032,678</u>
Deferred revenues	\$ 131,089,174	\$ 11,965,543	\$ 143,054,717
<b>Total liabilities</b>	<u>\$ 805,196,890</u>	<u>\$ 11,965,543</u>	<u>\$ 817,162,433</u>
Beginning net assets			
Restricted expendable			
Scholarships, research, instruction, other	\$ 139,000,957	\$ 4,626,463	\$ 143,627,420
Unrestricted	\$ 469,870,247	\$ 6,140,518	\$ 476,010,765
<b>Total beginning net assets</b>	<u>\$ 1,209,912,192</u>	<u>\$ 10,766,981</u>	<u>\$ 1,220,679,173</u>
Ending net assets			
Restricted expendable			
Scholarships, research, instruction, other	\$ 141,718,010	\$ 5,710,786	\$ 147,428,796
Unrestricted	\$ 516,487,538	\$ 9,671,855	\$ 526,159,393
<b>Total ending net assets</b>	<u>\$ 1,320,487,604</u>	<u>\$ 15,382,641</u>	<u>\$ 1,335,870,245</u>

Statement of Revenues, Expenses and Changes in Net Assets			
	As Previously Reported	Revision Adjustment	As Revised
Tuition and fees	\$ 353,959,142	\$ -	\$ 353,959,142
Scholarship allowance	(78,469,688)	741,103	(77,728,585)
Tuition and fees, net	<u>\$ 275,489,454</u>	<u>\$ 741,103</u>	<u>\$ 276,230,557</u>
Auxiliary revenue	\$ 92,716,654	\$ -	\$ 92,716,654
Scholarship allowance	(5,002,042)	(245,625)	(5,247,667)
Auxiliary revenue, net	<u>\$ 87,714,612</u>	<u>\$ (245,625)</u>	<u>\$ 87,468,987</u>
Scholarship expense	\$ 21,931,019	\$ (4,120,182)	\$ 17,810,837
Net increase in net assets	\$ 110,575,412	\$ 4,615,660	\$ 115,191,072

## (3) 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,

Additionally, the University identified an error in the calculation for tuition discounting. These errors resulted in an understatement of prepaid expenses, deferred revenues, and total net assets at September 30, 2010, and a corresponding understatement of total operating revenue and an overstatement of scholarships & fellowships expense for the year then ended. Although the University does not believe the previously issued financial statements were materially misstated, the 2010 financial statements have been revised to correct these errors.

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 nonreadily marketable investments at cost with no adjustments for its share of income/appreciation and losses/depreciation received from the investment (see Note 5). The University performs periodic evaluations in which these investments are monitored for impairment.

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. This Statement defines custodial risk for deposits as “the risk that, in the event of a failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.” As an element of interest rate risk, this statement requires certain disclosures of investments that have fair values which are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this statement are also required to be disclosed (see Note 5).

The University employs a custodian to hold, and external investment managers to administer, the majority of its endowed investments and reflects transactions related to these investments based upon the University's review of 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 recorded at fair value. For investments other than non-readily marketable investments, 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, Museum Gift Shop, 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 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 \$5,000 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. 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 material losses related to asset impairment during fiscal year 2011 or 2010.

### **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 13).

### **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, 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, private gifts, federal pell grants and investment income, including realized and unrealized gains and losses on investments.

### **Student Tuition, Fees and Scholarship Discounts and Allowances**

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. Scholarship allowance to students is reported using the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). The alternative method is an algorithm that computes scholarship allowance on a university-wide basis rather than on an individual student basis.

### **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 primarily provide services to students, faculty, administrative and professional employees 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 precisely 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. Pledges are recorded at their gross, undiscounted amounts. In accordance with the recognition criteria of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the University recorded pledges of approximately \$80,000 and \$233,000 in fiscal years 2011 and 2010, respectively.

## (4) 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. GASB Statement No. 40, *Deposit and Investment Risk Disclosures-an amendment of GASB Statement No. 3*, defines custodial risk for deposits as "the risk that, in the event of a failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover securities which are in the possession of an outside party."

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 is remote. In addition, all funds in non-interest bearing accounts are fully guaranteed by the Federal Deposit Insurance Corporation (FDIC) through December 31, 2012, regardless of the amount.

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

## (5) 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 engaged professional investment managers to manage the investment of the endowment funds' assets while maintaining centralized management of the cash pool. The University periodically monitors these investments.

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, local and 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 June 17, 2011, authorizes investment of the endowment portfolio to include the following: cash and cash equivalents; global fixed income; global equity securities; global private capital; absolute return/hedge funds; and real estate assets, collectively referred to as the endowment pool.

The Alabama Uniform Prudent Management of Institutional Funds Act (UPMIFA) has been enacted by the Legislature of the State of Alabama and signed into law effective January 1, 2009. Among its changes, UPMIFA prescribes new guidelines for expenditure of a donor-restricted endowment fund (in the absence of overriding, explicit donor stipulations). Its predecessor, the Uniform Management of Institutional Funds Act (UMIFA), focused on the prudent spending of the net appreciation of the fund. UPMIFA, instead, focuses on the entirety of a donor-restricted endowment fund, that is, both the original gift amount(s) and net appreciation. UPMIFA eliminates UMIFA's historic dollar-value threshold, an amount below which an organization could not spend from the fund, in favor of a more robust set of guidelines about what constitutes prudent spending, explicitly requiring consideration of the duration and preservation of the fund.

The earnings distributions are appropriated for expenditure by the Board in a manner consistent with the standard of prudence prescribed by UPMIFA. In order to conform to the standards for prudent fiduciary management of investments, the Board has 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 operations. In the policy approved on June 17, 2011, spending for a given year equals 80% of spending in the previous year, adjusted for inflation (Consumer Price Index (CPI) within a range of 0% and 6%), plus 20% of the long-term spending rate (4.0%) applied to the twelve month rolling average of the market values. Under previous approved policies, spending was calculated using different formulas. Accumulated net realized and unrealized gains on endowments and funds functioning as endowments total \$21,376,978 and \$28,396,131 at September 30, 2011 and 2010, 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, 2011 and 2010, are as follows:

	2011	2010
Accumulated net realized gains on sale of investments	\$ 19,223,511	\$ 21,443,994
Accumulated net unrealized gains	2,153,467	6,952,137
Net gains in fair value of investments	<u>\$ 21,376,978</u>	<u>\$ 28,396,131</u>

#### 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, 2011 and 2010, covering the fair value of investments by investment type and related maturity:

Auburn University Investments Investment Maturities at Fair Value (in Years) September 30, 2011					
Type of Investments	< 1 year	1-5 years	6-10 years	> 10 years	Total Fair Value
Fixed Maturity					
Commercial Paper	\$ 50,979,576	\$ -	\$ -	\$ -	\$ 50,979,576
Certificates of Deposit	3,000,000	726,213	-	-	3,726,213
U. S. Treasury Obligations	34,475,462	27,024,025	-	-	61,499,487
U. S. Agency Securities	7,922,705	296,141,698	217,563,823	126,553,713	648,181,939
Mortgage Backed Securities	-	1,372,355	10,580,655	35,314,251	47,267,261
Municipals	4,174,293	-	-	-	4,174,293
	<u>\$ 100,552,036</u>	<u>\$ 325,264,291</u>	<u>\$ 228,144,478</u>	<u>\$ 161,867,964</u>	<u>\$ 815,828,769</u>
Domestic Equities					807,216
Alternative Investments – at cost:					
Hedge Funds					53,351,971
Private Capital					12,245,958
Real Assets					28,298,082
Mutual Funds					62,010,518
Other					3,846,299
Money Market					111,468,013
Total investments					<u>1,087,856,826</u>
Less cash equivalents held in cash pool					(77,639,999)
Operating and noncurrent investments					<u>\$ 1,010,216,827</u>

**Auburn University Investments**  
**Investment Maturities at Fair Value (in Years)**  
**September 30, 2010**

Type of Investments	< 1 year	1-5 years	6-10 years	> 10 years	Total Fair Value
Fixed Maturity					
Commercial Paper	\$ 47,476,865	\$ -	\$ -	\$ -	\$ 47,476,865
Certificates of Deposit	-	3,733,321	-	-	3,733,321
U. S. Treasury Obligations	53,049,927	35,921,583	-	-	88,971,510
U. S. Agency Securities	55,437,118	234,259,973	141,666,245	55,805,291	487,168,627
Mortgage Backed Securities	-	5,187,358	12,258,216	26,921,695	44,367,269
Municipals	-	1,029,580	-	-	1,029,580
	<u>\$ 155,963,910</u>	<u>\$ 280,131,815</u>	<u>\$ 153,924,461</u>	<u>\$ 82,726,986</u>	<u>\$ 672,747,172</u>
Domestic Equities					822,964
Alternative Investments – at cost:					
Hedge Funds					46,987,120
Private Capital					12,254,701
Real Assets					23,225,432
Mutual Funds					79,086,220
Other					3,888,868
Money Market					34,243,741
Total investments					<u>873,256,218</u>
Less cash equivalents held in cash pool					<u>(63,376,864)</u>
Operating and noncurrent investments					<u>\$ 809,879,354</u>

- 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 quality risk as “the risk that an issuer or other counterparty to an investment will not fulfill its obligations” as they become due. The University’s Non-Endowment Cash Pool Investment Policy stipulates that commercial paper be rated P1 by Moody’s or A1 by Standard & Poor’s 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, 2011 and 2010, 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
	2011		2010	
US Treasury	\$ 61,499,487	7.54%	\$ 88,971,510	13.23%
Aaa	695,449,200	85.24%	531,535,896	79.01%
Aa	4,174,293	0.51%	1,029,580	0.15%
P1	50,979,576	6.25%	47,476,865	7.06%
Not rated*	3,726,213	0.46%	3,733,321	0.55%
	<u>\$ 815,828,769</u>	<u>100.00%</u>	<u>\$ 672,747,172</u>	<u>100.00%</u>

\*Certificates of deposit and repurchase agreements are included in the “Not rated” category.

- **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, 2011 and 2010, 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, 2011 and 2010, the University held no investments in foreign currency.

#### Securities Lending Program

The University’s investment policies allow participation in securities lending, such as Reverse Repurchase Agreements, as authorized by the State Street Index Fund held by the University Endowment Pool. Effective June 2008, the State Street Index Fund held by the Endowment Pool terminated participation in securities lending. As of September 30, 2011 and 2010, there was no participation in any securities lending program.

#### Interest Sensitive Securities

As of September 30, 2011 and 2010, the University held \$47,267,261 and \$44,367,269, representing 4.34% and 5.08%, respectively, of its total investments in mortgage-backed securities. As of September 30, 2011 and 2010, the University held no 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.

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, 2011 and 2010, the University Cash Pool held \$26,998,500 and \$4,000,000, representing 2.48% and 0.46%, respectively, of total investments in continuously callable fixed maturity investments. The University investment policies do not restrict the purchase of mortgage-backed securities, asset-backed securities, or bonds with call provisions.

The University owns shares in ten mutual funds, three common trust funds and three business trust funds. These funds are invested in global marketable securities, commodities and global debt securities. The University owns an interest in a corporation and limited partnership interests in several non-registered investment partnerships. The goal of the corporation and 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 corporation or limited partnership.

The University has entered into separate subscription agreements with a capital commitment to each alternative investment that expire periodically in the future. The following information pertains to alternative investment capital commitments at September 30, 2011 and 2010:

2011								
Unfunded Commitment by Commitment Expiration								
Type of Alternative Investment	Number of Commitments	Original Commitments	Capital Contributions	< 1 Year	1-5 years	6-10 years	>10 years	Total Unfunded Commitment
Hedge Funds	11	\$ 54,351,972	\$ 54,351,972	\$ -	\$ -	\$ -	\$ -	\$ -
Private Capital	8	17,250,000	12,245,958	-	3,047,985	1,956,058	-	5,004,043
Real Assets	11	39,550,000	31,492,366	-	1,319,451	1,534,540	5,203,643	8,057,634
	<u>30</u>	<u>\$ 111,151,972</u>	<u>\$ 98,090,296</u>	<u>\$ -</u>	<u>\$ 4,367,436</u>	<u>\$ 3,490,598</u>	<u>\$ 5,203,643</u>	<u>\$ 13,061,677</u>

2010								
Unfunded Commitment by Commitment Expiration								
Type of Alternative Investment	Number of Commitments	Original Commitments	Capital Contributions	< 1 Year	1-5 years	6-10 years	>10 years	Total Unfunded Commitment
Hedge Funds	11	\$ 47,987,120	\$ 47,987,120	\$ -	\$ -	\$ -	\$ -	\$ -
Private Capital	8	17,250,000	12,254,701	-	1,842,795	3,152,504	-	4,995,299
Real Assets	11	33,300,000	26,363,908	-	-	4,726,594	2,209,498	6,936,092
	<u>30</u>	<u>\$ 98,537,120</u>	<u>\$ 86,605,729</u>	<u>\$ -</u>	<u>\$ 1,842,795</u>	<u>\$ 7,879,098</u>	<u>\$ 2,209,498</u>	<u>\$ 11,931,391</u>



Unfunded commitments presented in the tables above are intended to reflect the time of expiration of the commitment, not the timing of future capital calls by the investment. The hedge funds are primarily invested in long/short term equities, fixed income arbitrage, merger arbitrage and other event driven strategies through various investment managers, investment partnerships and offshore funds. The private capital fund commitments are investments in privately held companies in various industries, including alternative fuel technology. The real asset funds include investments in commercial real estate, residential real estate and oil and gas production.

As of September 30, 2011 and 2010, 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 assets classes (i.e., global equity, private capital, hedge funds, real assets, global 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.

The table entitled, "Auburn University Investments, Investment Maturities at Fair Value (in Years)", includes funds held for pending capital expenditures at September 30, 2011 and 2010 totaling \$277,685,082 and \$101,513,459, respectively. The General Liability Account held investments of \$5,721,824 and \$5,697,020 as of September 30, 2011 and 2010, respectively.

**AUF investments at September 30, 2011 and 2010, include the following:**

2011				2010			
Fair Value		Cost		Fair Value		Cost	
Cash and pooled investments	\$ 13,851,677	\$ 13,851,677	\$ 8,679,335	\$ 8,679,335			
Government bonds, notes and other securities	22,499,101	20,249,991	25,278,210	23,404,790			
Municipal bonds	-	-	14,750	14,104			
Corporate bonds and debentures	-	-	12,949,996	9,575,051			
Corporate stocks	796,186	488,808	1,173,383	805,189			
Mutual funds, business trust funds and common trust funds	94,028,316	95,093,756	102,339,501	96,457,747			
Hedge funds	94,936,193	84,875,000	80,589,831	70,675,000			
Private equity funds	22,586,372	20,822,766	20,181,980	20,268,117			
Real asset investment funds	40,763,501	47,530,119	34,582,697	41,667,276			
Total investments	\$ 289,461,346	\$ 282,912,117	\$ 285,789,683	\$ 271,546,609			

AUF owns shares in eight mutual funds, three business trust funds and three common trust funds. These funds are invested in global marketable securities, commodities and global debt securities. AUF owns an interest in a corporation and 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 AUF enters into a separate subscription agreement with a capital commitment to each corporation or limited partnership.

As of September 30, 2011, AUF had entered into subscription agreements with one corporate and thirty-one limited partnership investments. The aggregate amount of capital committed to these investments is \$163,175,000 of which capital contributions of \$141,484,029 have been invested. A net unrealized gain of \$5,021,644 has been recorded on these investments. Of these thirty-one commitments, eleven subscriptions relate to hedge funds, ten subscriptions relate to private equity funds, and ten subscriptions relate to real estate 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 assets funds include investments in commercial real estate, residential real estate, and oil and gas production.

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 estimated investment expenses of \$2,887,000 and \$2,791,000 for the fiscal years ended September 30, 2011 and 2010, respectively.

AUF carries its limited partnership investments at fair value. This differs from how the University carries these investments, which is at cost, in accordance with GASB requirements. AUF believes that the carrying amount of its limited partnership investments is a reasonable estimate of fair value as of September 30, 2011. 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 AUF's investment policy that approves the allocation of funds to various asset classes (i.e., global equity, private capital, hedge funds, real assets, global 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 and corporation using various valuation techniques. The fair values of these investments at September 30, 2011 and 2010, were \$153,545,186 and \$130,260,083, respectively.



## (6) 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 \$251,827,591 and \$235,635,688 and the market value was \$259,796,337 and \$248,182,214 at September 30, 2011 and 2010, respectively. The portion of endowment income received by the University from these funds was \$6,967,932 and \$5,509,017 for the fiscal years ended September 30, 2011 and 2010, respectively.

Endowment earnings are distributed annually in January, based on the AUF endowment distribution spending rate. These amounts are reported as investment income on the Statement of Revenues, Expenses and Changes in Net Assets.

In addition, the University has been named as a beneficiary of a foundation with investments having a cost of \$2,387,283 and \$2,418,022 and a market value of \$2,600,092 and \$2,722,358 at September 30, 2011 and 2010, 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, 2011 and 2010. The income received from the two trusts was \$84,012 and \$59,965 for the fiscal years ended September 30, 2011 and 2010, respectively.

## (7) ACCOUNTS RECEIVABLE

Accounts receivable and the allowances for doubtful accounts at September 30, 2011 and 2010, are summarized as follows:

	2011	2010
<b>NONSTUDENT ACCOUNTS RECEIVABLE</b>		
Federal, state & local government, and other restricted expendable	\$ 31,714,990	\$ 32,586,193
Less allowance for doubtful accounts	(2,678,738)	(2,321,015)
Pledged receivables	1,361,431	1,990,657
General	14,001,841	10,121,993
Less allowance for doubtful accounts	(11,250,092)	(9,994,252)
Auxiliary	11,368,405	8,867,052
Capital gifts and grants	<u>5,815,625</u>	<u>7,909,675</u>
Total nonstudent accounts receivable	<u>\$ 50,333,462</u>	<u>\$ 49,160,303</u>
	2011	2010
<b>STUDENT ACCOUNTS RECEIVABLE</b>		
Unrestricted general	\$ 32,436,188	\$ 30,426,608
Less allowance for doubtful accounts	(722,995)	(579,161)
Unrestricted auxiliary	2,001,994	2,150,449
Less allowance for doubtful accounts	<u>(239,085)</u>	<u>(223,153)</u>
Total student accounts receivable	<u>\$ 33,476,102</u>	<u>\$ 31,774,743</u>

**(8) CAPITAL ASSETS**

Capital assets at September 30, 2011 and 2010 are summarized as follows (dollars in thousands):

	September 30, 2010	Additions/Transfers	Deletions/Transfers	September 30, 2011
Capital assets not being depreciated				
Land	\$ 16,239	\$ 75	\$ -	\$ 16,314
Art & collectibles	8,006	357	-	8,363
Construction in progress	76,503	154,141	(148,116)	82,528
Livestock	1,832	226	(237)	1,821
Total capital assets not being depreciated	102,580	154,799	(148,353)	109,026
Capital assets being depreciated				
Land improvements	71,366	11,415	(37)	82,744
Buildings	1,098,819	115,187	(4,706)	1,209,300
Equipment	194,019	17,197	(3,365)	207,851
Infrastructure	158,105	5,999	(64)	164,040
Library books	150,359	7,185	(54)	157,490
Software system implementation	12,737	775	-	13,512
Total capital assets being depreciated	1,685,405	157,758	(8,226)	1,834,937
Less accumulated depreciation for				
Land improvements	21,491	4,780	(14)	26,257
Buildings	329,621	24,277	(4,047)	349,851
Equipment	129,438	11,776	(1,397)	139,817
Infrastructure	45,968	5,616	(32)	51,552
Library books	122,465	6,027	(22)	128,470
Software system implementation	5,088	1,351	-	6,439
Total accumulated depreciation	654,071	53,827	(5,512)	702,386
Total capital assets being depreciated, net	1,031,334	103,931	(2,714)	1,132,551
Capital assets, net	\$ 1,133,914	\$ 258,730	\$ (151,067)	\$ 1,241,577

Capital assets at September 30, 2010 and 2009 are summarized as follows (dollars in thousands):

	September 30, 2009	Additions/Transfers	Deletions/Transfers	September 30, 2010
Capital assets not being depreciated				
Land	\$ 15,890	\$ 349	\$ -	\$ 16,239
Art & collectibles	7,738	329	(61)	8,006
Construction in progress	115,174	131,914	(170,585)	76,503
Livestock	1,230	858	(256)	1,832
Total capital assets not being depreciated	<u>140,032</u>	<u>133,450</u>	<u>(170,902)</u>	<u>102,580</u>
Capital assets being depreciated				
Land improvements	45,926	25,440	-	71,366
Buildings	979,447	119,372	-	1,098,819
Equipment	191,410	9,394	(6,785)	194,019
Infrastructure	143,294	14,811	-	158,105
Library books	144,613	5,796	(50)	150,359
Software system implementation	11,431	1,306	-	12,737
Total capital assets being depreciated	<u>1,516,121</u>	<u>176,119</u>	<u>(6,835)</u>	<u>1,685,405</u>
Less accumulated depreciation for				
Land improvements	18,554	2,942	(5)	21,491
Buildings	308,137	21,487	(3)	329,621
Equipment	123,353	13,022	(6,937)	129,438
Infrastructure	41,074	4,894	-	45,968
Library books	116,786	5,710	(31)	122,465
Software system implementation	3,814	1,274	-	5,088
Total accumulated depreciation	<u>611,718</u>	<u>49,329</u>	<u>(6,976)</u>	<u>654,071</u>
Total capital assets being depreciated, net	<u>904,403</u>	<u>126,790</u>	<u>141</u>	<u>1,031,334</u>
Capital assets, net	<u>\$ 1,044,435</u>	<u>\$ 260,240</u>	<u>\$ (170,761)</u>	<u>\$ 1,133,914</u>

During the fiscal years ended September 30, 2011 and 2010, approximately \$18.7 million and \$18.2 million, respectively, was received 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.

## (9) LONG-TERM DEBT

Bonds, notes and lease obligations are collateralized by certain real estate, equipment and pledged revenues (see Note 10).

Bonds and notes payable	Balance at September 30, 2010	Principal New Debt	Repayment	Balance at September 30, 2011
1978 Auburn University at Montgomery Dormitory Revenue Bonds, \$3,279,000 face value, 3.0%, due annually through 2018, a reserve of \$146,443 and a \$138,299 contingency fund.	\$ 1,135,000	\$ -	\$ (110,000)	\$ 1,025,000
2001A Athletic Revenue Bonds, \$24,412,607 face value, 2.125% to 5.49%, due annually through 2021.	20,963,772	-	(2,534,610)	18,429,162
2003 General Fee Revenue Bonds, \$49,460,000 face value, 1.45% to 5.25%, due annually through 2016.	26,100,000	-	(4,125,000)	21,975,000
2003 Housing and Dining Revenue Bonds, \$15,645,000 face value, 1.4% to 5.0%, due annually through 2012.	3,685,000	-	(1,810,000)	1,875,000
2004 General Fee Revenue Bonds, \$76,875,000 face value, 3.0% to 5.25%, due annually through 2034.	67,705,000	-	(1,585,000)	66,120,000
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.	22,070,000	-	(610,000)	21,460,000
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.	56,895,000	-	(1,110,000)	55,785,000
2007A General Fee Revenue Bonds, \$162,530,000 face value, 3.6% to 5.0% due annually from 2009 through 2038.	161,240,000	-	(650,000)	160,590,000
2007B General Fee Revenue Bonds, \$14,465,000 face value, 4.625% to 5.125%, due annually from 2010 through 2014.	11,865,000	-	(2,775,000)	9,090,000
2008 General Fee Revenue Bonds, \$92,500,000 face value, 3.0% to 5.0%, due annually from 2010 through 2038.	90,780,000	-	(1,770,000)	89,010,000
2009 General Fee Revenue Bonds, \$79,500,000 face value, 2.0% to 5.0%, due annually from 2011 through 2026.	79,500,000	-	(1,515,000)	77,985,000
2011A General Fee Revenue Bonds, \$226,035,000 face value, 4.0% to 5.0%, due annually from 2015 through 2041.	-	226,035,000	-	226,035,000
Total bonds and notes payable	544,988,772	226,035,000	(18,594,610)	752,429,162
Plus unamortized bond premium	10,838,886	5,802,815	(2,020,808)	14,620,893
Less unamortized bond discount	(275,306)	-	29,676	(245,630)
Less unamortized loss on refunding	(5,681,638)	-	796,717	(4,884,921)
	549,870,714	\$ 231,837,815	\$ (19,789,025)	761,919,504
Less: current portion				
Bonds payable	(18,594,610)			(20,314,832)
Unamortized bond premium	(1,334,446)			(1,937,261)
Unamortized bond discount	29,676			25,788
Unamortized loss on refunding	796,719			714,962
Total noncurrent bonds and notes payable	\$ 530,768,053			\$ 740,408,161

Bonds and notes payable	Balance at September 30, 2009	Principal New Debt	Repayment	Balance at September 30, 2010
1978 Auburn University at Montgomery Dormitory Revenue Bonds, \$3,279,000 face value, 3.0%, due annually through 2018, a reserve of \$146,283 and a \$138,148 contingency fund.	\$ 1,245,000	\$ -	\$ (110,000)	\$ 1,135,000
2001 General Fee Revenue Bonds, \$19,460,000 face value, 3.25% to 5.0%, due annually through 2011.	4,700,000	-	(4,700,000)	-
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.	21,375,792	-	(412,020)	20,963,772
2003 General Fee Revenue Bonds, \$49,460,000 face value, 1.45% to 5.25%, due annually through 2016.	30,050,000	-	(3,950,000)	26,100,000
2003 Athletic Revenue Bonds, \$21,900,000 face value, 2.25% to 5.0%, due annually through 2010.	3,060,000	-	(3,060,000)	-
2003 Housing and Dining Revenue Bonds, \$15,645,000 face value, 1.4% to 5.0%, due annually through 2012.	5,445,000	-	(1,760,000)	3,685,000
2004 General Fee Revenue Bonds, \$76,875,000 face value, 3.0% to 5.25%, due annually through 2034.	69,220,000	-	(1,515,000)	67,705,000
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.	22,660,000	-	(590,000)	22,070,000
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.	57,970,000	-	(1,075,000)	56,895,000
2007A General Fee Revenue Bonds, \$162,530,000 face value, 3.6% to 5.0%, due annually from 2009 through 2038.	161,910,000	-	(670,000)	161,240,000
2007B General Fee Revenue Bonds, \$14,465,000 face value, 4.625% to 5.125%, due annually from 2010 through 2014.	14,465,000	-	(2,600,000)	11,865,000
2008 General Fee Revenue Bonds, \$92,500,000 face value, 3.0% to 5.0%, due annually from 2010 through 2038.	92,500,000	-	(1,720,000)	90,780,000
2009 General Fee Revenue Bonds, \$79,500,000 face value, 2.0% to 5.0%, due annually from 2011 through 2026.	-	79,500,000	-	79,500,000
Notes payable	2,618,544	-	(2,618,544)	-
Total bonds and notes payable	565,019,336	79,500,000	(99,530,564)	544,988,772
Plus unamortized bond premium	6,819,951	6,166,315	(2,147,380)	10,838,886
Less unamortized bond discount	(990,814)	-	715,508	(275,306)
Less unamortized loss on refunding	(398,413)	(6,121,267)	838,042	(5,681,638)
	570,450,060	\$ 79,545,048	\$ (100,124,394)	549,870,714
Less: current portion				
Bonds payable	(19,747,020)			(18,594,610)
Unamortized bond premium	(832,798)			(1,334,446)
Unamortized bond discount	76,988			29,676
Unamortized loss on refunding	133,237			796,719
Total noncurrent bonds and notes payable	\$ 550,080,467			\$ 530,768,053

On December 29, 2009, \$79,500,000 in General Fee bonds with interest rates ranging from 2.0% to 5.0% were issued to advance refund \$79,450,000 of outstanding bonds with interest rates ranging from 4.45% to 6.0%. The net proceeds of the new bond issue were deposited in an irrevocable trust with an escrow agent and were used to purchase U.S. Government securities which will provide sufficient funds to pay all future debt service payments on the previously outstanding bonds. As a result, the previously outstanding bonds are considered to be defeased and the liability for those bonds has been removed from

the University's financial statements. This refunding resulted in the University recognizing a loss of \$6,121,267 for the difference between the acquisition price of the new debt and the net carrying amount of the old debt. Although the University recognized an accounting loss, the refunding decreases the University's total debt service payments over the next 16 years by \$4,508,214 and resulted in an economic gain (the difference between the present values of the debt service payments on the old and new bonds) for the University of \$4,352,046.

### Future Debt Service

Future debt service payments for each of the five fiscal years subsequent to September 30, 2011, and thereafter, are as follows:

Year Ending September 30	Bonds Payable	
	Principal	Interest
2012	\$ 20,314,832	\$ 37,648,502
2013	19,090,538	36,150,531
2014	19,437,349	35,527,970
2015	23,963,361	34,886,589
2016	24,848,719	34,002,492
2017-2021	117,839,362	156,869,399
2022-2026	138,200,000	116,987,056
2027-2031	131,815,000	84,199,544
2032-2036	154,380,000	48,295,731
2037-2041	<u>102,540,000</u>	<u>12,920,688</u>
Total future debt service	\$ <u>752,429,161</u>	\$ <u>597,488,502</u>

The University has not issued any variable interest rate demand bonds.

### Capital Lease Obligations

AUM acquired a building under a capital lease agreement which provides for the University to purchase the building over a period of 25

years. The University also leases certain items of equipment which are classified as capital leases.

Lease Obligations	Balance at September 30, 2010	New Debt	Principal Repayment	Balance at September 30, 2011
Building	\$ 920,000	\$ -	\$ (165,000)	\$ 755,000
Equipment	<u>854,585</u>	<u>-</u>	<u>(374,206)</u>	<u>480,379</u>
Total lease obligations	\$ <u>1,774,585</u>	\$ <u>-</u>	\$ <u>(539,206)</u>	\$ <u>1,235,379</u>

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

	Building	Equipment	Total
2011-2012	\$ 212,215	\$ 412,517	\$ 624,732
2012-2013	213,815	58,829	272,644
2013-2014	214,750	48,105	262,855
2014-2015	<u>210,000</u>	<u>-</u>	<u>210,000</u>
Minimum lease payments	850,780	519,451	1,370,231
Less interest	<u>(95,780)</u>	<u>(39,072)</u>	<u>(134,852)</u>
Present value of minimum lease payments	755,000	480,379	1,235,379
Less current portion	<u>(175,000)</u>	<u>(381,414)</u>	<u>(556,414)</u>
Noncurrent obligations	\$ <u>580,000</u>	\$ <u>98,965</u>	\$ <u>678,965</u>

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, 2011 and 2010, amounted to approximately \$4.0 million and \$4.4 million, respectively.

**(10) PLEDGED REVENUES**

Pledged revenue for 2011 and 2010 as defined by the **Series 2003, 2004, 2006A, 2007A, 2007B, 2008, 2009 and 2011A General Fee Revenue Trust Indentures** is as follows:

	2011	2010
Student fees collected	\$ 341,461,300	\$ 310,388,794
Less AUM fees	-	(31,844,543)
Less fees pledged for specific purposes:		
Athletic fees (\$96 per student per semester)	(4,400,394)	(5,001,404)
Transit fees (\$119/\$114 as of Fall 2011/2010 per student per semester)	(3,297,593)	(5,945,222)
Student activities fees (\$15 per student per semester)	(688,166)	(775,833)
Total general fees pledged	<u>\$ 333,075,147</u>	<u>\$ 266,821,792</u>

The Series 2011A Bond Indenture expands the definition of pledged revenues. "General Fees" pledged to secure the Series 2011A Bonds and all other Parity Bonds now or hereafter outstanding under the General Fee Revenue Indenture will include the general fees levied against the University's students at both the Auburn Main Campus and the Auburn University at Montgomery Campus. In addition, "Housing Revenues" pledged to secure the Series 2011A Bonds and all other Parity Bonds now or hereafter outstanding under the General Fee Revenue Indenture will include the University's housing and dining revenues from the operation of housing and dining facilities on both the Auburn Main Campus and the Auburn University at Montgomery Campus.

The pledge of housing and dining revenues under the General Fee Revenue Indenture is subordinate in all respects to the University's prior pledge of certain dormitory revenues on the Auburn University at Montgomery campus to secure payment of the 1978 Dormitory Revenue Bonds and the University's prior pledge of the housing and dining revenues under the Housing and Dining Revenue Indenture to secure the University's Housing and Dining Revenue Bonds, Series 2003 and any other bonds hereafter issued on a parity basis with such Series 2003 Bonds under the terms and conditions of the Housing and Dining Revenue Indenture.

See section on Series 2003 Housing and Dining Revenue Trust Indenture below for information on main campus housing and dining revenues.

AUM housing and dining revenue pledged for 2011 subordinate to student fees as defined by the **Series 2011A General Fee Revenue Trust Indenture** is as follows:

AUM housing revenues	
Room rental	\$ 2,967,364
Other income	180,776
Total housing	<u>3,148,140</u>
AUM dining revenue	<u>1,127,293</u>
Total AUM housing and dining revenues pledged	<u>\$ 4,275,433</u>

The pledge of Athletic program revenues was added to the General Fee Trust Indenture contemporaneously with the issuance of the Series 2008 bonds and collateralizes, on a parity basis, all bonds now or hereafter issued under the General Fee Revenue Indenture. Athletic

program revenues pledged to the 2008 General Fee Revenue bonds are subordinate to the Athletic program revenues previously pledged to the Athletic revenue bonds as described below.

Pledged revenue for 2011 and 2010 as defined by the **Series 2001A and 2004 Athletic A & B Revenue Trust Indentures** is as follows:

	2011	2010
Jordan Hare and other revenues:		
Television and broadcast revenues	\$ 5,520,000	\$ 4,637,605
Conference and NCAA distributions	22,930,400	19,096,693
Sales and services revenues	30,837,395	25,600,475
Student fees	4,400,394	5,001,308
Royalties, advertisements and sponsorships	5,154,986	3,188,793
Other income	3,246,371	2,269,895
Total athletic revenues pledged	<u>\$ 72,089,546</u>	<u>\$ 59,794,769</u>

The Series 2004 Athletic Revenue bonds and Series 2001A Athletic Revenue bonds are collateralized by a first-priority pledge of the Athletic program revenues that is senior to, and has priority in all respects over, the subordinate pledge of the Athletic program revenues that was added to the General Fee Trust Indenture concurrently with the issuance of the Series 2008 bonds.

The pledge of housing and dining revenues was added to the General Fee Trust Indenture, contemporaneously with the issuance of the University's General Fee Revenue bonds, Series 2007A and 2007B (taxable) and collateralizes, on a parity basis now or hereafter issued under the General Fee Revenue Indenture.

Pledged revenue for 2011 and 2010 as defined by the **Series 2003 Housing and Dining Revenue Trust Indenture** is as follows:

	2011	2010
Housing revenues:		
Room rental	\$ 20,537,474	\$ 18,440,714
Other income	1,667,474	919,177
Total housing revenues pledged	22,204,948	19,359,891
Food services commission revenue	392,479	-
Total housing and food services revenues pledged	\$ 22,597,427	\$ 19,359,891

The Housing and Dining Revenue Bonds, Series 2003 are collateralized by a pledge of the University's housing and dining revenues. The Housing and Dining Revenue Indenture permits the University to issue additional bonds collateralized by the housing and dining revenues on a parity basis with the Housing and Dining Revenue Bonds Series 2003.

The Auburn University dormitory occupancy rate for Fall Semester 2011 and Fall Semester 2010 was 99.4% and 98.7% respectively (unaudited).

Pledged revenues and related expenses for 2011 and 2010 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 West Dormitories of AUM for the years ended September 30, 2011 and 2010.

	2011	2010
Revenues:		
Room rental	\$ 1,242,773	\$ 1,141,122
Other income	76,628	73,652
Total revenues	1,319,401	1,214,774
Expenses and transfers:		
Personnel costs	323,119	516,175
Operating expenses	359,093	298,912
Transfers	145,417	148,784
Total expenses and transfers	827,629	963,871
Surplus of revenues over expenses and transfers	491,772	250,903
AUM Student Housing net deficit at beginning of year	(1,301,070)	(1,551,973)
AUM Student Housing net deficit at end of year	\$ (809,298)	\$ (1,301,070)

The AUM dormitory occupancy rate for Fall Semester 2011 and Fall Semester 2010 was 94.96% and 99.56% respectively (unaudited).

## (11) RETIREMENT PROGRAMS

The employees of the University are participants in two 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 with 10 years of service or at any age 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, 2010, 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,	2011	2010	2009
Total percentage of covered payroll	17.51%	17.51%	17.07%
Contributions:			
Percentage contributed by the employer	12.51%	12.51%	12.07%
Percentage contributed by the employees	5.00%	5.00%	5.00%
Contributed by the employer	\$ 41,773,908	\$ 39,951,632	\$ 38,697,899
Contributed by the employees	16,703,108	15,973,406	16,036,739
Total contributions	<u>\$ 58,477,016</u>	<u>\$ 55,925,038</u>	<u>\$ 54,734,638</u>

### 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 percent 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,	2011	2010	2009
Total percentage of covered payroll	40.38%	37.54%	38.48%
Contributions:			
Percentage contributed by the employer	37.88%	35.04%	35.98%
Percentage contributed by the employees	2.50%	2.50%	2.50%
Contributed by the employer	\$ 1,863,377	\$ 1,910,078	\$ 2,216,747
Contributed by the employees	122,963	136,278	154,026
Total contributions	<u>\$ 1,986,340</u>	<u>\$ 2,046,356</u>	<u>\$ 2,370,773</u>

### C. Tax Deferred Annuity Plans

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 \$1,650 per year of a qualifying employee's contribution. This equates to five percent of gross

salary with a maximum covered salary of \$33,000 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, Fidelity Investments and Lincoln Financial. At September 30, 2011 and 2010, 3,160 and 3,236 employees, respectively, participated in the tax deferred annuity program. The contribution for 2011 was \$14,585,773, which includes \$4,664,998 from the University and \$9,920,775 from its employees. The contribution for 2010 was \$16,206,000, which includes \$4,705,987 from the University and \$11,500,013 from its employees. Total salaries and wages during the fiscal year for covered employees participating in the plan were approximately \$207,601,418 and \$207,744,900 for the fiscal years ended September 30, 2011 and 2010, 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 Deferred Compensation Plans-a rescission of GASB Statement No. 2 and an amendment of GASB Statement No. 31*. As of September 30, 2011 and 2010, 201 and 206 employees, respectively, participated in the plans. Contributions of \$1,963,272 and \$2,051,796 for fiscal years 2011 and 2010, respectively, were funded by employees and no employer contribution was funded. The 457(b) plans include Valic, TIAA-CREF and Fidelity Investments.

#### **(12) 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.

The University applies GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other than Pensions*. 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.

#### **A. State of Alabama Public Education Employees Health Insurance Plan (PEEHIP)**

Alabama Retired Education Employees' Health Care Trust is a cost-sharing multiple-employer defined benefit health care plan administered by the Public Education Employee Health Insurance Board (PEEHIB). PEEHIP offers a basic hospital/medical plan that provides basic medical coverage for up to 365 days of care during each hospital confinement. The basic hospital/medical plan also provides for physicians' benefits, outpatient care, prescription drugs, and mental health benefits.

The *Code of Alabama 1975*, Section 16-25A-4 provides the PEEHIB with the authority to amend the benefit provisions for the plan, and Section 16-25A-8 provides the authority to set the contribution for retirees and employers.

The required contribution rate of the employer was \$420 and \$382 per employee per month in the years ended September 30, 2011 and 2010, respectively. The University paid \$10,273,162 and \$8,999,920 for 2,062 and 2,001 retirees for the years ended September 30, 2011 and 2010, respectively. The required contribution rate is determined by PEEHIP in accordance with state statute.

The required monthly contribution rates for fiscal year 2011 are as follows:

##### **Retired Member Rates**

- Individual Coverage/Non-Medicare Eligible - \$146.00
- Family Coverage/Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) - \$381.00
- Family Coverage/Non-Medicare Eligible Retired Member and Dependent Medicare Eligible - \$245.00
- Individual Coverage/Medicare Eligible Retired Member - \$10.00
- Family Coverage/Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) - \$245.00
- Family Coverage/Medicare Eligible Retired Member and Dependent Medicare Eligible - \$109.00
- For employees that retire other than for disability, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent of the employer premium.
- Tobacco surcharge - \$27.00 per month
- PEEHIP Supplemental Plan - \$0
- Optional Plans (Hospital Indemnity, Cancer, Dental, Vision) - up to two optional plans can be taken by retirees at no cost if the retiree is not also taking one of the Hospital Medical Plans. The combining allocation program is being phased out over three years beginning October, 1, 2010. While a couple combines allocations, they are required to use both allocations to pay for the PEEHIP Hospital Medical Plan and cannot use one of the allocations towards the Optional Plans. They can purchase the Optional Plans at the normal monthly rate of \$38.00 or \$45.00 for family dental.

##### **Surviving Spouse Rates**

- Surviving Spouse Non-Medicare Eligible - \$701.00
- Surviving Spouse Non-Medicare Eligible and Dependent Non-Medicare Eligible - \$890.00
- Surviving Spouse Non-Medicare Eligible and Dependent Medicare Eligible - \$859.00
- Surviving Spouse Medicare Eligible - \$369.00
- Surviving Spouse Medicare Eligible and Dependent Non-Medicare Eligible - \$558.00
- Surviving Spouse Medicare Eligible and Dependent Medicare Eligible - \$527.00

The complete financial report for PEEHIP can be obtained on the PEEHIP website at <http://www.rsa-al.gov/PEEHIP/peehip.html> under the Trust Fund Financials tab.

#### **B. Retiree Medical Plan (the Plan)**

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 October 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 \$941,842 and \$861,096 for fiscal years ended September 30, 2011 and 2010, respectively. The retirees are responsible for funding approximately 40% of the healthcare premiums.

In compliance with the provisions of GASB Statement No. 45, the University accrued an additional \$2,086,541 and \$2,220,437 in retiree healthcare expense during fiscal years 2011 and 2010, respectively. 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, Alabama 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 Accrual

Cost Element	Fiscal Year Ended September 30, 2011	
	Amount	Percent of Payroll <sup>1</sup>
1. Unfunded actuarial accrued liability at Oct. 1, 2010	\$ 67,279,639	1,371.7%
<u>Annual Required Contribution (ARC)</u>		
2. Normal cost	\$ 102,995	
3. Amortization of the unfunded actuarial accrued liability over 15 years using level dollar amortization	<u>5,177,207</u>	
4. Annual Required Contribution (ARC = 2 + 3)	<u>\$ 5,280,202</u>	107.7%
<u>Annual OPEB Cost (Expense)</u>		
5. ARC	\$ 5,280,202	
6. Interest on beginning of year accrual	191,613	
7. Adjustment to ARC	<u>730,998</u>	
8. Fiscal year 2011 OPEB cost (5 + 6 - 7)	<u>\$ 4,740,817</u>	96.7%
<b>End of Year Accrual (Net OPEB Obligation)<sup>2</sup></b>		
9. Beginning of year accrual <sup>1</sup>	\$ 9,580,641	
10. Annual OPEB cost	4,740,817	
11. Employer contribution (benefit payments) <sup>2</sup>	<u>2,654,276</u>	
12. End of year CAFR accrual (9 + 10 - 11) <sup>2</sup>	<u>\$ 11,667,182</u>	237.9%

<sup>1</sup> Annual payroll for 60 participants as of October 1, 2010, \$4,904,844.

<sup>2</sup> Actual amounts paid in fiscal year 2011 include claim costs, administrative fees, and PEEHIP subsidy less participant contributions.

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed <sup>3</sup>	Net OPEB Obligation
September 30, 2009	\$ 5,162,091	49.4%	\$ 7,360,204
September 30, 2010	\$ 4,850,454	54.2%	\$ 9,580,641
September 30, 2011	\$ 4,740,817	56.0%	\$ 11,667,182

<sup>3</sup> Cost Contributed is shown in the "Determination of Annual Required contribution and End of Year Accrual."

## Summary of Key Actuarial Methods and Assumptions

<b>Valuation year</b>	October 1, 2010 – September 30, 2011
<b>Actuarial cost method</b>	Unit Credit, Actuarial Cost Method
<b>Amortization method</b>	15 years, level dollar open amortization <sup>4</sup>
<b>Asset valuation method</b>	Not applicable
<b>Discount rate</b>	2.0%
<b>Projected payroll growth rate</b>	Not applicable

<sup>4</sup> Open amortization means a fresh-start each year for the cumulative unrecognized amount.

**Health care cost trend rate for medical and prescription drugs** 9.0% in fiscal year 2012, decreasing by one-half percentage point per year to an ultimate of 5.0% in fiscal year 2020 and later.

**Valuation Date** October 1, 2010

### Monthly Per Capita Claim Costs

<u>Age</u>	<u>Medical</u>
55	\$666
60	\$799
65	\$324
70	\$359
75	\$383

Claim costs were increased by 6% over last year. Future claim costs are increased by health care cost trend.

### Retiree Premiums

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

	<u>As of 1/1/11</u>	<u>As of 1/1/10</u>
Pre-65 Single	\$458	\$432
Pre-65 Family	\$947	\$893
Post-65 Single	\$139	\$131
Post-65 Family	\$638	\$601

Note: There are several other categories of premiums.

**Administrative Expenses** Included in claim cost.

### Annual Health Care Trend Rate

<u>Fiscal Year</u>	<u>Medical and Rx Combined Rate</u>
2012	9.0%
2013	8.5%
2014	8.0%
2015	7.5%
2016	7.0%
2017	6.5%
2018	6.0%
2019	5.5%
2020+	5.0%

**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 Projected to 2015 using Projection Scale AA.

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

**Retirement Rates** Employees are assumed to retire according to the following schedule:

<u>Age</u>	<u>Retirement Rate</u>
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%

**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%

### **(13) 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 a financial institution to be used to pay claims for which the University may become legally liable. The liability at September 30, 2011 and 2010, was \$472,999 and \$592,550, 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 workers' compensation laws of the

State of Alabama. The liability at September 30, 2011 and 2010, was \$2,004,163 and \$1,720,415, 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, 2011 and 2010, of \$4,630,339 and \$2,641,157, 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 \$17,714,570 and \$17,466,534 at September 30, 2011 and 2010, 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 \$16,116,648 and \$16,187,022 at September 30, 2011 and 2010, respectively. Also included in deposits held in custody of others are the agency funds. These amounts totaled \$1,084,871 and \$2,909,441 for September 30, 2011 and 2010, respectively. The remaining difference relates to immaterial rental deposits.

Deferred revenues at September 30, 2011 and 2010 are as follows:

	2011	2010
Tuition and fees, net	\$ 117,694,205	\$ 104,904,751
Federal, state and local government grants and contracts	8,638,640	11,363,742
Auxiliary, net	29,966,669	26,216,430
Plant	553,966	569,794
Total deferred revenue	<u>\$ 156,853,480</u>	<u>\$ 143,054,717</u>

#### **Pollution Remediation Obligations**

The University follows GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which requires recognition of liabilities, recoveries, and related disclosures, as appropriate.

The University conducts groundwater monitoring, monitored natural attenuation and clean-up in accordance with the Resource Conservation and Recovery Act (RCRA) and the Toxic Substances and Control Act. Additionally, asbestos abatement is necessary as older buildings on campus are demolished or renovated. During fiscal year 2011, the University, with the assistance of an outside consultant, prepared a 30-year Post Closure Cost Estimate related to all active and inactive solid waste management units managed through the University's RCRA Facility permit.

As of September 30, 2011, the total estimated pollution remediation liability (estimated using the expected cash-flow technique) is \$4,804,510. The current portion of this amount (\$875,338) is included in other accrued liabilities and the long-term portion (\$3,929,172) is included in other noncurrent liabilities in the accompanying Statement of Net Assets. This estimate may change in future periods as additional information is obtained. The University does not expect to recover any funds from insurance or other third parties related to these obligations. In previous years, estimated pollution remediation costs have been immaterial to the financial statements and as a result were not accrued as a liability.

#### **(14) CONTRACTS AND GRANTS**

The University has been awarded approximately \$3,358,569 (unaudited) and \$12,734,000 (unaudited) in contracts and grants that have not been received or expended as of September 30, 2011 and 2010, respectively. These awards, which represent commitments of sponsors to provide funds for research and training projects, have not been reflected in the financial statements.

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

The portion of revenue recognized for all grants and contracts that

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

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 \$17,733,310 and \$16,227,246 in facilities and administrative cost recovery for the years ended September 30, 2011 and 2010, respectively.

#### **(16) CONSTRUCTION COMMITMENTS AND FINANCING**

The University has entered into projects for the construction and renovation of various facilities that are estimated to cost approximately \$751.0 million (unaudited). At September 30, 2011, the estimated remaining cost to complete the projects is approximately \$321.4 million (unaudited) which will be funded from University funds and bond proceeds.

#### **(17) OPERATING EXPENSES BY FUNCTION**

Operating expenses by functional classification for the years ended September 30, 2011 and 2010, are listed below. In preparing the financial statements, all significant transactions and balances between auxiliary units and other funds have been eliminated. Some scholarships and fellowships are provided by the instruction or research function and are broken out in the charts below. In addition, the graduate waivers are shown as compensation; however, they are shown functionally as scholarship and fellowship expense. The University is able to capture auxiliary utility expenditures; therefore, those expenditures are shown separately by function.

**September 30, 2011**

	Compensation and Benefits	Scholarships and Fellowships	Utilities	Other Supplies and Services	Depreciation	Total
Instruction	\$ 200,497,888	\$ 1,086,204	\$ -	\$ 28,822,650	\$ -	\$ 230,406,742
Research	68,691,802	832,023	34,173	33,259,767	-	102,817,765
Public Service	61,356,294	13,658	300,577	44,361,278	-	106,031,807
Academic Support	33,529,021	-	-	5,314,220	-	38,843,241
Library	7,056,651	-	-	1,194,681	-	8,251,332
Student Services	16,405,399	-	-	7,214,463	-	23,619,862
Institutional Support	64,434,910	-	-	9,645,032	-	74,079,942
Operation and Maintenance	26,013,430	-	18,339,338	33,408,595	-	77,761,363
Scholarships and Fellowships	18,078,359	15,169,688	-	401,945	-	33,649,992
Auxiliaries	40,498,404	225,594	4,679,644	57,128,300	-	102,531,942
Depreciation	-	-	-	-	53,826,645	53,826,645
	<u>\$ 536,562,158</u>	<u>\$ 17,327,167</u>	<u>\$ 23,353,732</u>	<u>\$ 220,750,931</u>	<u>\$ 53,826,645</u>	<u>\$ 851,820,633</u>

**September 30, 2010**

	Compensation and Benefits	Scholarships and Fellowships	Utilities	Other Supplies and Services	Depreciation	Total
Instruction	\$ 193,058,323	\$ 1,206,446	\$ -	\$ 26,375,288	\$ -	\$ 220,640,057
Research	69,223,115	619,250	7,378	27,626,196	-	97,475,939
Public Service	60,215,408	25,239	69,508	38,895,071	-	99,205,226
Academic Support	32,666,269	-	-	4,862,053	-	37,528,322
Library	7,370,765	-	-	2,836,500	-	10,207,265
Student Services	14,885,762	-	-	6,963,947	-	21,849,709
Institutional Support	54,605,061	-	-	4,153,090	-	58,758,151
Operation and Maintenance	24,571,807	-	18,134,800	27,359,855	-	70,066,462
Scholarships and Fellowships	15,890,453	15,754,152	-	201,187	-	31,845,792
Auxiliaries	38,432,441	205,750	4,687,531	46,010,617	-	89,336,339
Depreciation	-	-	-	-	49,328,811	49,328,811
	<u>\$ 510,919,404</u>	<u>\$ 17,810,837</u>	<u>\$ 22,899,217</u>	<u>\$ 185,283,804</u>	<u>\$ 49,328,811</u>	<u>\$ 786,242,073</u>

**(18) 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.

**(19) RELATED PARTY TRANSACTIONS**
**Auburn University Foundation**

The majority of funds that AUF raises are donor restricted for specific schools, colleges or programs of the University. These may be transferred to the University for its use, expended by AUF for the benefit of University schools, colleges or programs, or in the case of endowments, invested with only the earnings transferred to or expended on behalf of the University. Amounts transferred to the University or expended on behalf of its programs totaled \$30,322,974 and \$22,616,247 during the years ended September 30, 2011 and 2010, respectively. Net undistributed grants to the University totaled \$45,867 and \$9,115 at September 30, 2011 and 2010, respectively.

The President of the University serves as an ex officio non-voting member of AUF's Board of Directors. The University is the primary recipient of AUF's 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 addresses 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 the relative allocable share of these costs and transfer funds as necessary. AUF and the University review the agreement annually and 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, 2011 and 2010, all personnel costs were incurred by the University, and AUF reimbursed the University \$1,496,046 and \$1,360,120, 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. The amount directly incurred by the University or reimbursed to AUF totaled \$1,893,455 and \$1,714,302 for the years ended September 30, 2011 and 2010, respectively.
- Constituency development operations, which are fund raising 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 nonsalary 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, 2011 and 2010, the constituency salaries reimbursed to the University totaled \$1,536,035 and \$56,250, respectively.

During 2011 and 2010, AUF granted AUREFI \$226,335 and \$1,913,371, respectively, for operations and projects. AUREFI reimbursed AUF \$11,591 and \$14,548 for operating expenses paid on behalf of AUREFI during 2011 and 2010, respectively. Of these expenses, the amount due to AUF at September 30, 2011 was \$4,208 and is reported on the Consolidated Statements of Financial Position. During the year 2011, AUF received \$49,744 as a grant from the Real Estate Foundation designated for endowing scholarships for University freshmen who graduated from Wetumpka High School. These inter-entity transactions are eliminated in consolidation.

AUREFI entered into an agreement with the University to provide certain services and facilities. AUREFI reimbursed the University \$149,735 during the year 2011 for agreement-related services and facilities, of which \$37,434 was outstanding at September 30, 2011. AUREFI reimbursed \$153,743 during the year ended 2010 for agreement-related services and facilities and \$2,500 for other miscellaneous services. Both reimbursements are accrued and reflected in the payable due to the University on the Consolidated Statements of Financial Position.

AUREFI granted real estate to the University valued at \$740,000 for a center dedicated to the Women's Philanthropy initiative of the College of Human Science during the year 2011. AUREFI also granted real estate to the University valued at \$349,500 for an archaeological preserve for the College of Liberal Arts and \$1,260,000 for the perpetual management and use of the School of Forestry and Wildlife Science in the year 2010.

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, 2011 and 2010, AUF was committed to the Association for \$7,052,102 and \$7,021,866, respectively. Of the amount for the year ended September 30, 2011 and 2010, \$3,499 and \$600 relates to payables and receivables between the Association and AUF for reimbursement of miscellaneous general and administrative expenses, respectively.

The amount due from AUF to TUF consists of funds which 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 TUF on an annual basis. As of September 30, 2011 and 2010, AUF was committed to TUF for \$6,541,338 and \$6,394,967, respectively. Of these amounts for 2010, \$100,000 relates to a payable by AUF to TUF upon the termination of a trust. During 2011, the trust was terminated and the liability was settled in full.

### **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 \$20,347,125 and \$20,839,248 during the years ended June 30, 2011 and 2010, respectively.

Effective July 1, 2007, TUF and the University entered into an operating agreement (the Agreement), which addresses the general and administrative and development financial relationships between these two entities. In summary, the Agreement states that the University will provide certain services and facilities to TUF, which primarily consist of personnel and other administrative support. TUF will pay to the University an amount equal to the compensation of Auburn University employees for services performed and reimbursement for space and property utilized by such employees, in an amount to be specifically approved by TUF's Board of Directors each year. The Agreement commenced on July 1, 2007, and expired on July 1, 2008, but remains in force in subsequent years unless cancelled in writing by one of the parties.

For the years ended June 30, 2011 and 2010, TUF reimbursed the University \$295,054 and \$293,207, respectively, for TUF personnel costs incurred by the University.

During the years ended June 30, 2011 and 2010, the University contributed \$499,125 each year 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, 2011 and 2010, 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. At June 30, 2011 and 2010, obligations of \$2,772,900 and \$2,445,460 related to these transactions, respectively, were outstanding. TUF paid the 2010 obligation during fiscal 2011, and it intends to pay the 2011 obligation during fiscal year 2012.

At June 30, 2011 and 2010, amounts payable from AUF to TUF were \$0 and \$100,000, respectively.



As indicated, the above TUF balances are as of June 30, 2011 and 2010; however, the University believes these figures are not materially different than September 30, 2011 and 2010, respectively.

#### **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. The Executive Director 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, 2011 and 2010, the Association had a salary reimbursement expense of \$1,044,068 and \$956,909, respectively, to the University under the service and facilities agreement. Of this amount, \$795,072 and \$725,002 had been paid and \$248,996 and \$231,907 was accrued as an amount payable at September 30, 2011 and 2010, respectively.

Rental income recorded by the Association from the University totaled \$219,268 and \$213,116, respectively, for the years ended September 30, 2011 and 2010. Rental income recorded by the Association from AUF totaled \$112,626 and \$112,114 for the years ended September 30, 2011 and 2010, respectively.

During the year ended September 30, 2011, the University provided for its share of alumni affairs activities costs by establishing a budget within the University's budgetary system; whereby, the University pays a portion of the costs, and reimburses the Association for the balance. The alumni affairs activities costs were \$640,000 for both of the years ended September 30, 2011 and 2010, respectively.

During the year ended September 30, 2011, the Association contributed \$353,956 to the Auburn Alumni Association Endowment for Scholarships held with the AUF. Of this amount, \$138,956 had been paid and \$215,000 was accrued as an amount payable at September 30, 2011. During the year ended September 30, 2010, the Association contributed \$129,607 to the Auburn Alumni Association Endowment for Scholarships held with the AUF.

#### **Auburn Research and Technology Foundation**

ARTF's mission is to facilitate the acquisition, construction and equipping of a technology and research park on the University's campus in order to create new academic and entrepreneurial opportunities

for the University's faculty and students. Consideration received by the University from ARTF includes the traditional benefits enjoyed by a University from an affiliated research park, including but not limited to increased exposure for development and commercialization of the University's intellectual property and technologies, increased research opportunities for the University's students and professors, and heightened exposure within the commercial world of the technological campus offerings.

The Vice President for Research of the University serves as the President of ARTF and is a member of the ARTF Board of Directors with full voting powers. Contributed services in the amount of approximately \$15,000 were recognized by ARTF during fiscal 2011 and 2010, related to services provided by the Vice President for Research serving as the President of ARTF. Additionally, ARTF's accounting records are maintained as a subsystem within the University's accounting system.

ARTF and the University entered into an Operating Agreement (the Agreement), which governs the general and administrative and development financial relationships between these two entities. In summary, the Agreement states that in return for certain services and facilities that are within the capability and control of the University, ARTF will reimburse and compensate the University for the cost of such services and facilities. ARTF will make an annual determination of its allocable share of these costs and transfer the associated funds. ARTF and the University are to review the Agreement annually and 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.

In accordance with the Agreement for fiscal 2011 and 2010, personnel costs incurred by the University and charged to ARTF were \$45,804 and \$33,302, respectively. These amounts are included in other payables to the University at September 30, 2011 and 2010.

ARTF entered into lease agreements with three University departments and one University department in fiscal 2011 and 2010, respectively, whereby the departments lease office space from ARTF. As leasing tenants, the University departments remit a monthly rental fee to ARTF in accordance with their lease agreements.

During fiscal 2010, it was determined that \$171,313 in legal costs originally funded by ARTF was deemed to be for the primary benefit of the University. This amount is reflected as a receivable from the University at September 30, 2010. The loan executed on October 8, 2010, by ARTF and payable to the University was reduced by the amount of the receivable from the University related to legal costs.

ARTF entered into a contract with the University during fiscal 2011 to develop and manage a full service business incubator. Revenues of \$103,892 related to this contract were recognized at September 30, 2011. The remaining \$46,108 is shown as deferred revenue and will be recognized when the expenditures are incurred.

#### **(20) DIRECT LOAN PROGRAMS**

The Federal Direct Loan Program (DL) enables an eligible student or parent to obtain a loan directly through the Department of Education. Main campus returned to DL from the Federal Family Education Loan Program (FFELP) in the summer of 2009. All schools were required to process loans through DL effective July 1, 2010, which is when AUM

returned to DL. Under DL, files are transmitted via the Federal Common Originator and Disbursement System (COD). Funds are received via G5, a federal website. The Department of Education is responsible for the collection of these loans.

FFELP was established under the Higher Education Act of 1965, as amended in the Student Loan Reform Act of 1993. The FFELP enabled an eligible student or parent to obtain a loan directly through FFELP lenders. Alabama's designated state guarantor for FFELP loans was Kentucky Higher Education Assistance Authority (KHEAA). KHEAA was responsible for handling the complete loan process, including funds management as well as promissory note functions. Other guarantors are also involved in the process depending on the lender's guarantor of choice. Files are transmitted via the ELM-Electronic Loan Maintenance System which routed loan information to the appropriate lender or guarantor and then routed the response files back to the University. The FFELP lenders, and not the University, are responsible for the collection of these loans.

The University's Main Campus disbursed approximately \$133.6 million and \$131.3 million under these programs during the fiscal years ended September 30, 2011 and 2010, respectively. AUM disbursed approximately \$30.6 million and \$27.9 million under these programs during the fiscal years ended September 30, 2011 and 2010, respectively.

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

Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, was issued in December 2009. Statement No. 57 amends Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, to permit an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method. It also amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* to permit the actuarial valuation requirement to be satisfied for an agent multiple-employer other postemployment benefit (OPEB) plan by reporting an aggregation of individual-employer valuations or measurements from the alternative measurement method where eligible. Additionally, it clarifies timing and frequency guidelines for agent employers participating in multiple-employer OPEB plans. The provisions applying to the alternative measurement method are effective for valuations first used to report on periods beginning after June 15, 2011. The University does not believe this Statement will impact the University's financial statements, since all University plans have over 100 total plan members.

Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* was issued November 2010. This Statement addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This Statement requires disclosures about an SCA including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be adopted for all periods presented. The University is currently evaluating the financial statement impact of the adoption of this Statement.

Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34* was issued in November 2010. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. It amends the requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2012. The University is currently evaluating the financial statement impact of the adoption of this Statement.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* was issued in December 2010. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for periods beginning after December 15, 2011. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The University is currently evaluating the financial statement impact of the adoption of this Statement.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, was issued in June 2011. This Statement modifies the presentation of deferred inflows and deferred outflows in the financial statements. The University is currently evaluating the financial statement impact of the adoption of this Statement. The provisions of this Statement are effective for periods beginning after December 15, 2011.

Statement No. 64, *Derivative Instruments Application of Hedge Accounting Termination Provisions* was issued in June 2011. This Statement clarifies the existing requirements for the termination of hedge accounting. The provisions of this Statement are effective for periods beginning after June 15, 2011. The University is currently evaluating the financial statement impact of the adoption of this Statement.



AUBURN UNIVERSITY

# 2011 Financial Report

## Required Supplemental Information

# REQUIRED SUPPLEMENTAL INFORMATION

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

Cost Element	Fiscal Year Ended September 30, 2011	
	Amount	Percent of Payroll <sup>1</sup>
1. Unfunded actuarial accrued liability at Oct. 1, 2010	\$ 67,279,639	1,371.7%
<u>Annual Required Contribution (ARC)</u>		
2. Normal cost	\$ 102,995	
3. Amortization of the unfunded actuarial accrued liability over 15 years using level dollar amortization	5,177,207	
4. Annual Required Contribution (ARC = 2 + 3)	\$ 5,280,202	107.7%
<u>Annual OPEB Cost (Expense)</u>		
5. ARC	\$ 5,280,202	
6. Interest on beginning of year accrual	191,613	
7. Adjustment to ARC	730,998	
8. Fiscal year 2011 OPEB cost (5 + 6 - 7)	\$ 4,740,817	96.7%
<u>End of Year Accrual (Net OPEB Obligation)<sup>2</sup></u>		
9. Beginning of year accrual <sup>1</sup>	\$ 9,580,641	
10. Annual OPEB cost	4,740,817	
11. Employer contribution (benefit payments) <sup>2</sup>	2,654,276	
12. End of year CAFR accrual (9 + 10 - 11) <sup>2</sup>	\$ 11,667,182	237.9%

<sup>1</sup> Annual payroll for 60 participants as of October 1, 2010, \$4,904,844.

<sup>2</sup> Actual amounts paid in fiscal year 2011 include claim costs, administrative fees, and PEEHIP subsidy less participant contributions.

## Three Year Schedule of Percentage of OPEB Cost Contributed

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed <sup>3</sup>	Net OPEB Obligation
September 30, 2009	\$ 5,162,091	49.4%	\$ 7,360,204
September 30, 2010	\$ 4,850,454	54.2%	\$ 9,580,641
September 30, 2011	\$ 4,740,817	56.0%	\$ 11,667,182

<sup>3</sup> Cost Contributed is shown in the "Determination of Annual Required contribution and End of Year Accrual."

## Summary of Key Actuarial Methods and Assumptions

Valuation year	October 1, 2010 – September 30, 2011
Actuarial cost method	Unit Credit, Actuarial Cost Method
Amortization method	15 years, level dollar open amortization <sup>4</sup>
Asset valuation method	Not applicable
Discount rate	2.0%
Projected payroll growth rate	Not applicable

<sup>4</sup> Open amortization means a fresh-start each year for the cumulative unrecognized amount.

**Health care cost trend rate for medical and prescription drugs** 9.0% in fiscal year 2012, decreasing by one-half percentage point per year to an ultimate of 5.0% in fiscal year 2020 and later.

**Valuation Date** October 1, 2010

**Monthly Per Capita Claim Costs**

<u>Age</u>	<u>Medical</u>
55	\$666
60	\$799
65	\$324
70	\$359
75	\$383

Claim costs were increased by 6% over last year. Future claim costs are increased by health care cost trend.

**Retiree Premiums**

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

	<u>As of 1/1/11</u>	<u>As of 1/1/10</u>
Pre-65 Single	\$458	\$432
Pre-65 Family	\$947	\$893
Post-65 Single	\$139	\$131
Post-65 Family	\$638	\$601

Note: There are several other categories of premiums.

**Administrative Expenses**

Included in claim cost.

**Annual Health Care Trend Rate**

<u>Fiscal Year</u>	<u>Medical and Rx Combined Rate</u>
2012	9.0%
2013	8.5%
2014	8.0%
2015	7.5%
2016	7.0%
2017	6.5%
2018	6.0%
2019	5.5%
2020+	5.0%

**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 Projected to 2015 using Projection Scale AA.

**Participation Rates**

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

**Retirement Rates**

Employees are assumed to retire according to the following schedule:

<u>Age</u>	<u>Retirement Rate</u>
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%

**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 non-voting student representatives selected by the student body serve as members ex-officio, one from the Auburn campus and one from the Montgomery campus.



**Robert Bentley**  
Governor of Alabama  
President, Montgomery



**Raymond J. Harbert**  
At-Large Member  
President Pro Tempore



**Robert E. Lowder**  
Montgomery, Second  
Congressional District



**James W. Rane**  
Abbeville, Third  
Congressional District



**Virginia N. Thompson**  
Opelika, Third  
Congressional District



**Dwight L. Carlisle**  
Tallapoosa, Fourth  
Congressional District



**D. Gaines Lanier**  
Lanett, Fifth  
Congressional District



**Sarah B. Newton**  
Fayette, Seventh  
Congressional District



**John G. Blackwell**  
Huntsville, Eighth  
Congressional District



**Byron P. Franklin, Sr.**  
Birmingham, Ninth  
Congressional District



**Samuel L. Ginn**  
At-Large Member



**Charles D. McCrary**  
At-Large Member

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**Part II**  
**Schedule of Expenditures of Federal Awards**

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**Auburn University**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2011**

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Federal Grantor/Program/Cluster Title	Pass through Entity/Pass through Number	Federal CFDA Number	Federal Expenditures
<b><u>RESEARCH AND DEVELOPMENT CLUSTER</u></b>			
National Science Foundation Direct			
Engineering Grants		47.041	\$ 1,361,335
Mathematical and Physical Sciences		47.049	1,138,507
Geosciences		47.050	649,611
Computer and Information Science and Engineering		47.070	1,048,592
Biological Sciences		47.074	1,322,182
Social, Behavioral, and Economic Sciences		47.075	258,627
Education and Human Resources		47.076	758,091
Polar Programs		47.078	592
International Science and Engineering (OISE)		47.079	70,193
Office of Cyberinfrastructure		47.080	71,623
ARRA-Trans-NSF Recovery Act Research Support - NSF-BCS-0921271		47.082	127,227
ARRA-Trans-NSF Recovery Act Research Support - NSF-CBET-0854010		47.082	5,478
ARRA-Trans-NSF Recovery Act Research Support - NSF-CBET-0934860		47.082	71,135
ARRA-Trans-NSF Recovery Act Research Support - NSF-CNS-0855182		47.082	106,291
ARRA-Trans-NSF Recovery Act Research Support - NSF-DMS-0905818		47.082	37,051
ARRA-Trans-NSF Recovery Act Research Support - NSF-DMS-0907752		47.082	81,839
ARRA-Trans-NSF Recovery Act Research Support - NSF-DMS-0915045		47.082	64,764
ARRA-Trans-NSF Recovery Act Research Support - NSF-EAR-0929991		47.082	2,461
ARRA-Trans-NSF Recovery Act Research Support - NSF-ECCS-0947832		47.082	9,383
ARRA-Trans-NSF Recovery Act Research Support - NSF-EEC-0934800		47.082	105,166
National Science Foundation Direct Total			<u>7,290,148</u>

The accompanying notes are an integral part of this schedule.

**Auburn University**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2011**

Federal Grantor/Program/Cluster Title	Pass through Entity/Pass through Number	Federal CFDA Number	Federal Expenditures
<b>RESEARCH AND DEVELOPMENT CLUSTER</b>			
National Science Foundation Pass through			
Engineering Grants	INTEGRATED SURFACE TECHNOLOGIES-10-26571	47.041	87,240
Engineering Grants	LUCIGEN-CHANNEL CATFISH-13	47.041	65,832
Engineering Grants	NEW JERSEY INSTITUTE OF TECHNOLOGY-BENIGN MIXING	47.041	(170)
Engineering Grants	ST. OLAF COLLEGE-10-54614	47.041	5,568
Engineering Grants	UNIV OF ARKANSAS-S1107010	47.041	43,173
Mathematical and Physical Sciences	VANDERBILT UNIV-20726-S1	47.049	68,826
Geosciences	UNIV OF ALABAMA-10-055	47.050	(171)
Computer and Information Science and Engineering	CLEMSON UNIV-1354-206-2097476	47.070	83,177
Computer and Information Science and Engineering	CLEMSON UNIV-1420-206-2007786	47.070	26,056
Computer and Information Science and Engineering	UNIV OF COLORADO-1545867	47.070	(1,343)
Computer and Information Science and Engineering	UNIV OF NORTH CAROLINA AT CHARLOTTE-2975-05-0520	47.070	(932)
Computer and Information Science and Engineering	UNIV OF NORTH CAROLINA AT CHARLOTTE-2975-07-0580	47.070	30,014
Social, Behavioral, and Economic Sciences	MIAMI UNIV-NSF JOHNSON G01652	47.075	56,490
Education and Human Resources	ALABAMA SOUTHERN COMMUNITY COLLEGE-ATE0902811	47.076	81,520
Education and Human Resources	TUSKEGEE UNIV-34 21530 075	47.076	(7,734)
Education and Human Resources	UNIV OF ALABAMA AT BHAM-AGEP-2004	47.076	(4,522)
Office of Cyberinfrastructure	ALABAMA A&M UNIV-SUB 2008-EPS-0814103-AU	47.080	19,880
Office of Cyberinfrastructure	TUSKEGEE UNIV-39-21530-081	47.080	(3,340)
National Science Foundation Pass through Total			549,564
National Science Foundation TOTAL			7,839,712

The accompanying notes are an integral part of this schedule.

**Auburn University**  
**Schedule of Expenditures of Federal Awards**  
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Federal Grantor/Program/Cluster Title	Pass through Entity/Pass through Number	Federal CFDA Number	Federal Expenditures
<b><u>RESEARCH AND DEVELOPMENT CLUSTER</u></b>			
National Aeronautics and Space Administration			
Direct			
Science		43.001	661,621
Aeronautics		43.002	79,838
Education		43.008	28,224
Cross Agency Support		43.009	12,110
NASA-NNX10AR53G		43	<u>38,438</u>
National Aeronautics and Space Administration Direct			
Total			<u>820,231</u>
National Aeronautics and Space Administration Pass			
through			
Science	OHIO AEROSPACE INSTITUTE-R-700-257011-40118	43.001	31,013
Science	PRINCETON UNIV-S007683-F	43.001	739
Science	SOUTHWEST RESEARCH INSTITUTE-A99172JD	43.001	29,811
Science	SOUTHWEST RESEARCH INSTITUTE-B99036LM	43.001	246
Science	UNIV OF ALABAMA IN HUNTSVILLE-SUB2005-148	43.001	(16,484)
Science	UNIV OF ALABAMA IN HUNTSVILLE-SUB2005-149	43.001	(5,155)
Science	UNIV OF ALABAMA IN HUNTSVILLE-SUB2010-175	43.001	101,769
Science	UNIV OF SOUTHERN MISS-GR04146-002	43.001	63,937
Science	VIRGINIA INST OF MARINE SCIENCE-715673-712683	43.001	38,518
ARRA-Science	SIENNA TECHNOLOGIES, INC-PO 3648	43.001	57,767
NASA-NNX07AL52A	UNIV OF ALABAMA IN HUNTSVILLE-SUB2011-057	43	4,816
NASA-NNX10AJ80H	UNIV OF ALABAMA IN HUNTSVILLE-SUB2011-001	43	32,709
NASA-NNX10AN26A	UNIV OF SOUTH ALABAMA-11-100113-01	43	10,289
NASA-NNX11CE28P	GENESIC SEMICONDUCTOR	43	<u>3,537</u>
National Aeronautics and Space Administration Pass			
through Total			<u>353,512</u>
National Aeronautics and Space Administration TOTAL			<u>1,173,743</u>

The accompanying notes are an integral part of this schedule.

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Federal Grantor/Program/Cluster Title	Pass through Entity/Pass through Number	Federal CFDA Number	Federal Expenditures
<b><u>RESEARCH AND DEVELOPMENT CLUSTER</u></b>			
Department of Education Direct			
Graduate Assistance in Areas of National Need		84.200	235,182
Department of Education Direct Total			<u>235,182</u>
Department of Education Pass through			
Special Education_Grants to States	ALA DEPT OF EDUCATION-U000441	84.027	2,052
Special Education_Grants to States	ALA DEPT OF EDUCATION-U100420	84.027	4,505
Fund for the Improvement of Postsecondary Education	TEXAS ENGINEERING EXPERIMENT STATION-37861	84.116	12,559
Fund for the Improvement of Postsecondary Education	UNIV ILLINOIS-CHICAGO-PAF# 03-4-7431SB	84.116	(16,863)
Education Research, Development and Dissemination	UNIV OF WISCONSIN MADISON-086K354	84.305	51,465
Special Education_Technology and Media Services for Individuals with Disabilities	AM INSTS RESCH-00566-02411 005	84.327	20,000
Department of Education Pass through Total			<u>73,718</u>
Department of Education TOTAL			<u>308,900</u>
Department of Health and Human Services Direct			
Healthy Marriage Promotion and Responsible Fatherhood Grants		93.086	1,703,665
Environmental Health		93.113	111,369
Research Related to Deafness and Communication Disorders		93.173	21,010
Mental Health Research Grants		93.242	31,057
Cancer Treatment Research		93.395	595,604
Welfare Reform Research, Evaluations and National Studies		93.595	19,421
Cardiovascular Diseases Research		93.837	1,021,005
Diabetes, Digestive, and Kidney Diseases Extramural Research		93.847	136,279

The accompanying notes are an integral part of this schedule.

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<b>Federal Grantor/Program/Cluster Title</b>	<b>Pass through Entity/Pass through Number</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b><u>RESEARCH AND DEVELOPMENT CLUSTER</u></b>			
Extramural Research Programs in the Neurosciences and Neurological Disorders		93.853	212,381
Allergy, Immunology and Transplantation Research		93.855	101,691
Microbiology and Infectious Diseases Research		93.856	(10,591)
Child Health and Human Development Extramural Research		93.865	60,760
ARRA-Trans-NIH Recovery Act Research Support- NIH-1R03AI078154-01		93.701	1,114
ARRA-Trans-NIH Recovery Act Research Support- NIH-1R21AI076893-01A1		93.701	196,249
ARRA-Trans-NIH Recovery Act Research Support- NIH-1R21AI083852-01		93.701	73,244
ARRA-Trans-NIH Recovery Act Research Support- NIH-1RC1AA019293		93.701	415,981
ARRA-Trans-NIH Recovery Act Research Support- NIH-3R15ES015886-01A2S1		93.701	6,295
Department of Health and Human Services Direct Total			<u>4,696,534</u>
Department of Health and Human Services Pass through			
Affordable Care Act (ACA) Personal Responsibility Education Program	ALA DEPT OF PUBLIC HEALTH-C10114241	93.092	14,785
Environmental Health	MEHARRY MED COL-100415DBH087	93.113	44,284
Environmental Health	MICHIGAN STATE UNIV-61-0825AU	93.113	234,115
Environmental Health	MICHIGAN STATE UNIV- RC060825SUPP2AU	93.113	17,930
Research and Training in Complementary and Alternative Medicine	PALMER COLLEGE OF CHIROPRACTIC- RAJU	93.213	13,692
Mental Health Research Grants	UNIV OF TEXAS HLTH SCIENCE CTR AT HOUSTON-0005456A	93.242	36,233
Occupational Safety and Health Program	UNIV OF ALABAMA AT BHAM-000286477	93.262	7,125
Occupational Safety and Health Program	UNIV OF ALABAMA AT BHAM-OHSERC- OIPRT	93.262	128,761
Occupational Safety and Health Program	UNIV OF ALABAMA AT BHAM-OHSERC-OSE	93.262	240,041
Occupational Safety and Health Program	UNIV OF KENTUCKY RESEARCH FOUNDATION-3048107663-11-210	93.262	18,561
Occupational Safety and Health Program	UNIV OF UTAH-10002211-AUBURN	93.262	13,420

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Federal Grantor/Program/Cluster Title	Pass through Entity/Pass through Number	Federal CFDA Number	Federal Expenditures
<b><u>RESEARCH AND DEVELOPMENT CLUSTER</u></b>			
National Center for Research Resources	UNIV OF SOUTH ALABAMA-10-090476-01	93.389	46,496
Cancer Cause and Prevention Research	NORTHEASTERN UNIV-500174	93.393	283,498
Cancer Biology Research	PURDUE UNIV-4102-38311	93.396	73,979
Cancer Biology Research	REGENTS OF THE UNIV OF CALIFORNIA, DAVIS-07-000813-1 AU	93.396	30,146
Child Care and Development Block Grant	ALA DEPT OF HUMAN RESOURCES-832	93.575	1,181,912
ARRA-Child Care and Development Block Grant	ALA DEPT OF HUMAN RESOURCES-832	93.575	23,179
ARRA-Trans-NIH Recovery Act Research Support	BRIGHAM AND WOMEN'S HOSPITAL, INC.- 104867	93.701	42,588
ARRA-Trans-NIH Recovery Act Research Support	NATIONAL UNIV OF HEALTH SCIENCES- CAVITATION	93.701	1,441
Cardiovascular Diseases Research	UNIV OF ALABAMA AT BHAM-00037490-001	93.837	81,683
Cardiovascular Diseases Research	UNIV OF ALABAMA AT BHAM-CARDIAC DISEASE	93.837	48,994
Cardiovascular Diseases Research	UNIV OF ALABAMA AT BHAM-REMODELING	93.837	13,043
Blood Diseases and Resources Research	MEDICAL COLLEGE OF WISCONSIN- BOUDREAUX	93.839	48,762
Arthritis, Musculoskeletal and Skin Diseases Research	UNIV OF MISSOURI-C00017738-1	93.846	46,499
Arthritis, Musculoskeletal and Skin Diseases Research	UNIV OF MISSOURI-C00020719-1	93.846	2,269
Extramural Research Programs in the Neurosciences and Neurological Disorders	UNIV MASSACHUSETTS AT WORCESTER- 6114506/RFS900184	93.853	4,962
Extramural Research Programs in the Neurosciences and Neurological Disorders	UNIV MASSACHUSETTS AT WORCESTER- 6127751/RFS2011165	93.853	564,119
Allergy, Immunology and Transplantation Research	LUCIGEN CORP-SOIL METAGENOMES	93.855	6,125
Allergy, Immunology and Transplantation Research	MICROBIOTIX, INC.-SCHNELLER	93.855	43,877
Allergy, Immunology and Transplantation Research	UNIV OF SOUTH FLORIDA-6408-1013-01-A	93.855	74,286
Allergy, Immunology and Transplantation Research	VAXIN INC-TORO	93.855	135,962
Child Health and Human Development Extramural Research	UNIV MASSACHUSETTS AT WORCESTER- 6118839/RFS900298	93.865	284,719

The accompanying notes are an integral part of this schedule.

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Federal Grantor/Program/Cluster Title	Pass through Entity/Pass through Number	Federal CFDA Number	Federal Expenditures
<b><u>RESEARCH AND DEVELOPMENT CLUSTER</u></b>			
Child Health and Human Development Extramural Research	UNIV OF ILLINOIS-VAUGHN	93.865	2,221
Child Health and Human Development Extramural Research	UNIV OF KENTUCKY RESEARCH FOUNDATION-3048107325-11-110	93.865	35,163
Aging Research	UNIV OF KENTUCKY RESEARCH FOUNDATION-3048105150-09-177	93.866	(4,887)
Comparative Effectiveness of 2nd-Gen Antidepressants in Treatment of Adult Depression	UNIV OF NORTH CAROLINA-ACCT NO. 5-43837	93	<u>19,918</u>
Department of Health and Human Services Pass through Total			<u>3,859,901</u>
Department of Health and Human Services TOTAL			<u>8,556,435</u>
Department of Agriculture Direct			
Agricultural Research_Basic and Applied Research		10.001	1,498,282
Plant and Animal Disease, Pest Control, and Animal Care		10.025	7,481
Wildlife Services		10.028	118,154
Grants for Agricultural Research, Special Research Grants		10.200	2,033,128
Cooperative Forestry Research		10.202	333,675
Payments to Agricultural Experiment Stations Under the Hatch Act		10.203	4,735,504
Grants for Agricultural Research_Competitive Research Grants		10.206	430,470
Animal Health and Disease Research		10.207	(72,253)
Higher Education Challenge Grants		10.217	79,873
Biotechnology Risk Assessment Research		10.219	66,858
Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants		10.226	3,946
Agricultural and Rural Economic Research		10.250	5,200
International Science and Education Grants		10.305	56,216

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Federal Grantor/Program/Cluster Title	Pass through Entity/Pass through Number	Federal CFDA Number	Federal Expenditures
<b><u>RESEARCH AND DEVELOPMENT CLUSTER</u></b>			
Organic Agriculture Research and Extension Initiative		10.307	9,300
Specialty Crop Research Initiative		10.309	118,361
Agriculture and Food Research Initiative (AFRI)		10.310	292,819
Cooperative Extension Service		10.500	2,006
Forestry Research		10.652	207,414
Cooperative Forestry Assistance		10.664	10,681
Forest Health Protection		10.680	37,491
ARRA- Recovery Act of 2009: Capital Improvement and Maintenance- FS-10-JV-11260489-083		10.687	21,746
Community Facilities Loans and Grants		10.766	44,219
ARRA-Rural Business Enterprise Grants- USDA-Rural Development		10.769	(778)
Soil Survey		10.903	7,768
Environmental Quality Incentives Program		10.912	47,292
Technical Agricultural Assistance		10.960	2,432
Scientific Cooperation and Research		10.961	31,920
Cochran Fellowship Program-International Training- Foreign Participant		10.962	(939)
FS-09-JV-11111122-158		10	(1,732)
FS-09-JV-11242305-090		10	(63)
FS-10-JV-11330140-077		10	51,251
FS-10-JV-11330144-147		10	15,850
FS-PNW 09-JV-11261935-001		10	(231)
USDA-12-25-A-5471		10	1,259
USDA-43-4463-4-0023		10	(90)
USDA-687482239		10	(117)
USDA-AG-4463-P-11-0002		10	20,000
USDA-PINE BARK		10	47,082
USDA-RED CEDAR		10	6,781
Department of Agriculture Direct Total			<u>10,268,256</u>

The accompanying notes are an integral part of this schedule.



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Federal Grantor/Program/Cluster Title	Pass through Entity/Pass through Number	Federal CFDA Number	Federal Expenditures
<b>RESEARCH AND DEVELOPMENT CLUSTER</b>			
Department of Agriculture Pass through			
Agricultural Research_Basic and Applied Research	MISSISSIPPI STATE UNIV-015900-321862-01	10.001	(9,509)
Federal-State Marketing Improvement Program	MISSISSIPPI DEPT OF AGRICULTURE & COMMERCE-FRESHWATER PRAWN	10.156	16,514
Specialty Crop Block Grant Program	ALA DEPT OF AGRICULT & INDUSTRIES-PROJ 3	10.169	4,807
Specialty Crop Block Grant Program	ALA DEPT OF AGRICULT & INDUSTRIES-PROJ 4	10.169	19,273
Specialty Crop Block Grant Program - Farm Bill	ALA DEPT OF AGRICULT & INDUSTRIES-PROJECT 10	10.170	1,859
Specialty Crop Block Grant Program - Farm Bill	ALA DEPT OF AGRICULT & INDUSTRIES-PROJECT 13	10.170	22,417
Grants for Agricultural Research, Special Research Grants	FLORIDA STATE UNIV-R01220	10.200	26,262
Grants for Agricultural Research, Special Research Grants	FLORIDA STATE UNIV-R01318	10.200	116,968
Grants for Agricultural Research, Special Research Grants	MISSISSIPPI STATE UNIV-SRAC-CARBON EMISSION	10.200	24,534
Grants for Agricultural Research, Special Research Grants	MISSISSIPPI STATE UNIV-SRAC-CULTURED FINFISH	10.200	7,588
Grants for Agricultural Research, Special Research Grants	MISSISSIPPI STATE UNIV-SRAC-DIAGNOSING FISH KILLS	10.200	2,000
Grants for Agricultural Research, Special Research Grants	MISSISSIPPI STATE UNIV-SRAC-MARKET TRENDS	10.200	20,993
Grants for Agricultural Research, Special Research Grants	MISSISSIPPI STATE UNIV-SRAC-MKTG STRUCTURES	10.200	1,169
Grants for Agricultural Research, Special Research Grants	MISSISSIPPI STATE UNIV-SRAC-PUBLICATIONS PROJ	10.200	(1)
Grants for Agricultural Research, Special Research Grants	TEXAS A&M UNIV-570601	10.200	45,355
Grants for Agricultural Research, Special Research Grants	TEXAS A&M UNIV-570675	10.200	45,421

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Federal Grantor/Program/Cluster Title	Pass through Entity/Pass through Number	Federal CFDA Number	Federal Expenditures
<b><u>RESEARCH AND DEVELOPMENT CLUSTER</u></b>			
Grants for Agricultural Research, Special Research Grants	TEXAS A&M UNIV-S100074	10.200	36,936
Grants for Agricultural Research, Special Research Grants	UNIV OF FLORIDA-PO 1000018193	10.200	(1,903)
Grants for Agricultural Research, Special Research Grants	UNIV OF FLORIDA-PO 1000019155	10.200	9,639
Grants for Agricultural Research, Special Research Grants	UNIV OF FLORIDA-PO 1000036272	10.200	(64)
Grants for Agricultural Research, Special Research Grants	UNIV OF FLORIDA-PO 1200139955	10.200	648
Grants for Agricultural Research, Special Research Grants	UNIV OF FLORIDA-UF11061	10.200	13,420
Grants for Agricultural Research, Special Research Grants	UNIV OF GEORGIA-RD318-215/4689718	10.200	(4,082)
Grants for Agricultural Research_Competitive Research Grants	UNIV OF MARYLAND-Z507216	10.206	(158)
Grants for Agricultural Research_Competitive Research Grants	UNIV OF MARYLAND-Z521913	10.206	32,821
Sustainable Agriculture Research and Education	TUSKEGEE UNIV-39-22091-266	10.215	2,967
Sustainable Agriculture Research and Education	UNIV OF GEORGIA-RD309-101/3842748	10.215	23,380
Sustainable Agriculture Research and Education	UNIV OF GEORGIA-RD309-105/4690148	10.215	78,740
1890 Institution Capacity Building Grants	FORT VALLEY STATE UNIV-SCUTELLARIA	10.216	122
1890 Institution Capacity Building Grants	TUSKEGEE UNIV-36-22091-255	10.216	1,329
1994 Institutions Research Program	BLACKFEET COMMUNITY COLLEGE-2010-792	10.227	19,965
Integrated Programs	FORT VALLEY STATE UNIV-CANFVSU-06-001	10.303	(137)
Integrated Programs	FORT VALLEY STATE UNIV-CANFVSU-08-014	10.303	(4,591)

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<b><u>RESEARCH AND DEVELOPMENT CLUSTER</u></b>			
Integrated Programs	NORTH CAROLINA STATE UNIV-2007-1634-02	10.303	22,156
Integrated Programs	UNIV OF FLORIDA-UF10174	10.303	5,845
Integrated Programs	UNIV OF GEORGIA-RR188-221/3504808	10.303	3,383
Specialty Crop Research Initiative	UNIV OF FLORIDA-UF09153	10.309	56,460
Specialty Crop Research Initiative	UNIV OF GEORGIA RESEARCH FOUNDATION-RF327-193/4692308	10.309	15,526
Agriculture and Food Research Initiative (AFRI)	UNIV OF FLORIDA-UF11036	10.310	31,838
Agriculture and Food Research Initiative (AFRI)	UNIV OF FLORIDA-UF11101	10.310	8,499
Agriculture and Food Research Initiative (AFRI)	UNIV OF MARYLAND-Z541312	10.310	11,658
ARRA-Trade Adjustment Assistance for Farmers Training- Coordination Program (TAAF)	UNIV OF MINNESOTA-H001344205	10.315	18,670
Cooperative Extension Service	NORTH CAROLINA STATE UNIV-2008-0590-01	10.500	(6,115)
Cooperative Extension Service	NORTH CAROLINA STATE UNIV-2008-1004-01	10.500	(2,108)
Forestry Research	VIRGINIA TECH-422149-19158	10.652	16,239
Urban and Community Forestry Program	WEST VIRGINIA UNIV RESEARCH CORPORATION-07-286-AU	10.675	4,561
Environmental Quality Incentives Program	TUSKEGEE UNIV-39-22091-262	10.912	1,615
USDA-RFA-0180	UNIV OF FLORIDA-UF09206	10	(8,568)
Department of Agriculture Pass through Total			<u>734,341</u>
Department of Agriculture TOTAL			<u>11,002,597</u>

The accompanying notes are an integral part of this schedule.

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Federal Grantor/Program/Cluster Title	Pass through Entity/Pass through Number	Federal CFDA Number	Federal Expenditures
<b><u>RESEARCH AND DEVELOPMENT CLUSTER</u></b>			
Department of Commerce Direct			
ITA Special Projects		11.113	251,330
Economic Adjustment Assistance		11.307	179,338
Sea Grant Support		11.417	(1,033)
Coastal Zone Management Estuarine Research Reserves		11.420	12,914
Climate and Atmospheric Research		11.431	39,029
Unallied Science Program		11.472	327,021
Department of Commerce Direct Total			<u>808,599</u>
Department of Commerce Pass through			
ITA Special Projects	NATIONAL TEXTILE CENTER	11.113	(5,976)
Sea Grant Support	LOUISIANA STATE UNIV-33354	11.417	64,468
Sea Grant Support	LOUISIANA STATE UNIV-51962	11.417	13,317
Sea Grant Support	MOTE MARINE LABORATORY-MML 185-470	11.417	42,077
Sea Grant Support	MOTE MARINE LABORATORY-MML 185-566	11.417	3,868
Sea Grant Support	UNIV OF PUERTO RICO-MAYAGUEZ-R-101- 1-08	11.417	6,345
Sea Grant Support	UNIV OF SOUTHERN MISS- GR02638/OMNIBUS-R/CCD-14	11.417	7,256
Sea Grant Support	UNIV OF SOUTHERN MISS- GR02638/OMNIBUS-R/SP-20	11.417	37,495
Sea Grant Support	UNIV OF SOUTHERN MISS- GR02639/OMNIBUS-R/CCD-11	11.417	4,625
Sea Grant Support	UNIV OF SOUTHERN MISS- GR03924OMNIBUS-AUBURN-RCC	11.417	90,788
Sea Grant Support	UNIV OF SOUTHERN MISS-GR04080-B10	11.417	29,587
Sea Grant Support	UNIV OF SOUTHERN MISS- GR04118/OMNIBUS-AUBURN-R/AT-10	11.417	28,876
Coastal Zone Management Administration Awards	DISL-2411RC-AU-01	11.419	6,089

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<b><u>RESEARCH AND DEVELOPMENT CLUSTER</u></b>			
Climate and Atmospheric Research	UNIV OF FLORIDA-UF11009	11.431	46,907
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	UNIV OF MIAMI-PO P151841	11.432	9,851
Department of Commerce Pass through Total			385,573
Department of Commerce TOTAL			1,194,172
Department of Defense Direct			
Basic and Applied Scientific Research		12.300	803,716
Basic Scientific Research - Combating Weapons of Mass Destruction		12.351	497,060
Basic Scientific Research		12.431	428,346
Air Force Defense Research Sciences Program		12.800	302,363
Information Security Grant Program		12.902	(17,251)
Research and Technology Development		12.910	(90)
DARPA-HR0011-10-C-0023		12	811,288
DOD-H98230-08-C-0795		12	176,785
DOD-H98230-09-C-0774		12	1,146
DOD-H98230-10-C-1055		12	2,807,839
HDTRA1-07-1-0014		12	10,192
HDTRA1-07-C-0063		12	22,441
HHM402-09-C-0059		12	(1,392)
HHM402-10-C-0017		12	24,634
HHM402-10-P-0155		12	41,965
HHM402-11-P-0086		12	9,420
HHM402-11-P-0115		12	924
HHM402-11-P-0194		12	23,371
MDA-HQ0147-09-C-0011		12	298,110
MDA-HQ0147-11-C-6008		12	96,369
ARMY-IPA-CAHILL		12	182,250
ARMY-W31P4Q05CR1385		12	(11,788)
ARMY-W31P4Q05CR1386		12	(12,718)
ARMY-W56HZV-05-C0686		12	1,805,100
ARMY-W911NF-07-2-0046		12	97,562

The accompanying notes are an integral part of this schedule.

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Federal Grantor/Program/Cluster Title	Pass through Entity/Pass through Number	Federal CFDA Number	Federal Expenditures
<b><u>RESEARCH AND DEVELOPMENT CLUSTER</u></b>			
ARMY-W912DY-06-20102		12	364
ARMY-W912DY-08-2-0038		12	19,615
ARMY-W912HQ-11-C-0008		12	174,169
ARMY-W912HZ-10-C-0023		12	66,267
DASG60-00-C0070		12	(33,277)
Ft Benning - MIPR 088 137 0001		12	73,409
Ft Benning - MIPR5000547987		12	(168)
NAVY-N00014-10-C-0190		12	124,770
NELO-N41756-11-C-3805		12	3,704,774
Department of Defense Direct Total			<u>12,527,565</u>
Department of Defense Pass through			
Basic Scientific Research - Combating Weapons of Mass Destruction	PENNSYLVANIA STATE UNIV-4107-AU-DTRA- 0004	12.351	40,642
Air Force Defense Research Sciences Program	FLORIDA A&M UNIV-SUB C-2367	12.800	36,588
Air Force Defense Research Sciences Program	FLORIDA A&M UNIV-SUB C-2742	12.800	5,539
Self Healing Mixed-Signal Integrated Circuits	BAE SYSTEMS, INC.-LS NO 660637	12	78,596
DARPA-HR0011-09-C-0036	LOCKHEED MARTIN CORP-LC 8100002872	12	72,645
DARPA-W31P4Q-10-C-0030	STREAMLINE AUTOMATION LLC-1064-SC-03- R0	12	6,621
DOD-H98230-08-D-0171	STEVENS INST OF TECH-RESCH TOPIC 0019	12	143,482
DOD-H98230-08-D-0171	STEVENS INST OF TECH-SECURITY ENGINEERING	12	1,035
DOD-H98230-08-D-0171	STEVENS INST OF TECH-SOFTWARE DESIGN	12	125,005
CONTINUE DRTK SUPPORT-LINE 002	GENERAL DYNAMICS ROBOTIC SYSTS-S- 80001JR	12	1,372
FREE PISTON STIRLING ENGINE CONTROLLER	RADIANCE TECHNOLOGIES, INC-08S-0783	12	(1,396)

The accompanying notes are an integral part of this schedule.

**Auburn University**  
**Schedule of Expenditures of Federal Awards**  
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Federal Grantor/Program/Cluster Title	Pass through Entity/Pass through Number	Federal CFDA Number	Federal Expenditures
<b><u>RESEARCH AND DEVELOPMENT CLUSTER</u></b>			
Roadside Explosive Hazard Indicator & Deterrent System	CONCURRENT TECHNOLOGIES CORP-091200030	12	811
ARMY-DAAD19-01-C-0066	GENERAL DYNAMICS ROBOTIC SYSTS-90022J	12	3,607
ARMY-HQ0034-10-C-0031	OMNIVOX LLC INC	12	478,160
ARMY-W31P4Q-10-D-0009	ERC, INCORPORATED-PO NO MSM100104	12	18,371
ARMY-W56HZV-04-C-0745	LOCKHEED MARTIN CORP-PO 4300338218	12	(1,211)
ARMY-W56HZV-07-C-0055	GLOBAL TECH CONNECTION, INC-UGV-0002	12	(5,494)
ARMY-W56HZV-07-C-0721	UNIV OF KENTUCKY RESEARCH FOUNDATION-3048103876-08-161	12	185,964
ARMY-W56HZV-09-C-0635	FRONTIER TECH, INC.-AU-09-207665-036	12	43,885
ARMY-W56HZV-10-C-0480	FRONTIER TECH, INC.-AU-10-207775-053	12	20,000
ARMY-W9113M-10-C-0007	LAMAR UNIV-DAVIS	12	243,323
ARMY-W911NR-07-D-0001	BATTELLE MEMORIAL INSTITUTE-TCN 08062	12	830
ARMY-W91CRB-04-D-0015 DO 0019	SCIENCE APPLICATION INTERNATIONAL CORP-4400118038	12	44,515
US ARMY Aviation & Missile-W31P4Q-07-D-0001	DYNETICS-PO CH003820	12	82,625
US ARMY-W31P4Q-11-C-0289	TORCH TECHNOLOGIES INC-T11S047	12	1,276
NAVY-N65540-08-D-0011	MATERIALS SCIENCE CORP-PO# 4369-AB51-101-69	12	12,447
AF-FA8650-07-D-5800	UNIVERSAL TECH CORP-09-S587-044-01-C1	12	34,581
AF-FA8650-09-D-5223/3	UNIV DAYTON RESCH INSTITUTE-RSC10038	12	50,075
AF-FA8650-11-D-5800	UNIVERSAL TECH CORP-11-S7401-01-C1	12	28,914
Department of Defense Pass through Total			<u>1,752,808</u>
Department of Defense TOTAL			<u>14,280,373</u>

The accompanying notes are an integral part of this schedule.

**Auburn University**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2011**

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Federal Grantor/Program/Cluster Title	Pass through Entity/Pass through Number	Federal CFDA Number	Federal Expenditures
<b><u>RESEARCH AND DEVELOPMENT CLUSTER</u></b>			
Department of Interior Direct			
Fish, Wildlife and Plant Conservation Resource Management		15.231	(419)
Coastal Program		15.630	38,257
Conservation Grants Private Stewardship for Imperiled Species		15.632	9,074
ARRA-Recovery Act Funds - Habitat Enhancement, Restoration and Improvement- FWS-40181AJ015		15.656	68,531
ARRA-Recovery Act Funds - Habitat Enhancement, Restoration and Improvement- FWS-40181AJ046		15.656	15,271
ARRA-Recovery Act Funds - Habitat Enhancement, Restoration and Improvement- USFWS-40181AJ025		15.656	34,575
Endangered Species Conservation – Recovery Implementation Funds		15.657	23,264
Endangered Species - Candidate Conservation Action Funds		15.660	16,889
Assistance to State Water Resources Research Institutes		15.805	80,210
Earthquake Hazards Reduction Program		15.807	18,204
U.S. Geological Survey_ Research and Data Collection		15.808	106,411
National Cooperative Geologic Mapping Program		15.810	14,267
Cooperative Research Units Program		15.812	161,988
FWS-4242-05-M-166		15	(3,727)
NPS-J5297-10-0088		15	74,449
Department of the Interior Direct Total			<u>657,244</u>
Department of the Interior Pass through			
Sport Fish Restoration Program	AL DEPT CONSERVATION & NAT RESRS- STRIPED BASS	15.605	87,933

The accompanying notes are an integral part of this schedule.



**Auburn University**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2011**

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Federal Grantor/Program/Cluster Title	Pass through Entity/Pass through Number	Federal CFDA Number	Federal Expenditures
<b><u>RESEARCH AND DEVELOPMENT CLUSTER</u></b>			
Sport Fish Restoration Program	AL DEPT CONSERVATION & NAT RESRS-YELLOW PERCH	15.605	73,502
Sport Fish Restoration Program	AL DEPT CONSERVATION & NAT RESRS-DROUGHT EFFECTS-FISHES	15.605	15,966
Sport Fish Restoration Program	AL DEPT CONSERVATION & NAT RESRS-SPORT FISH	15.605	82,024
Sport Fish Restoration Program	AL DEPT CONSERVATION & NAT RESRS-STRIPED BASS HABITAT	15.605	14,526
Sport Fish Restoration Program	ALA DEPT OF CONS & NAT RES-AGING CATFISH	15.605	(1,062)
Sport Fish Restoration Program	ALA DEPT OF CONS & NAT RES-ARTIFICIAL REEFS	15.605	20,392
Sport Fish Restoration Program	ALA DEPT OF CONS & NAT RES-BANKHEAD DARTER	15.605	18,555
Sport Fish Restoration Program	ALA DEPT OF CONS & NAT RES-CATONOTUS DARTERS	15.605	(2,041)
Sport Fish Restoration Program	ALA DEPT OF CONS & NAT RES-FISH ASSEMBLAGE	15.605	(1,329)
Sport Fish Restoration Program	ALA DEPT OF CONS & NAT RES-SPORT FISH	15.605	(261)
Sport Fish Restoration Program	ALA DEPT OF CONS & NAT RES-STRIPED BASS	15.605	380
Sport Fish Restoration Program	ALA DEPT OF CONS & NAT RES-STRIPED BASS HABITAT	15.605	3,401
Sport Fish Restoration Program	ALA DEPT OF CONS & NAT RES-YELLOW PERCH	15.605	(827)
Wildlife Restoration and Basic Hunter Education	AL DEPT CONSERVATION & NAT RESRS-HUNTING SURVEY	15.611	20,585
Restoration of Montane Longleaf Forest	NATIONAL FISH AND WILDLIFE FOUNDATION-2007-0011-000-FED	15	(818)
Cooperative Endangered Species Conservation Fund	AL DEPT CONSERVATION & NAT RESRS-RH SALAMANDER	15.615	22,098
Cooperative Endangered Species Conservation Fund	AL DEPT CONSERVATION & NAT RESRS-RED BELLIED TURTLE	15.615	24,001

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**Schedule of Expenditures of Federal Awards**  
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Federal Grantor/Program/Cluster Title	Pass through Entity/Pass through Number	Federal CFDA Number	Federal Expenditures
<b><u>RESEARCH AND DEVELOPMENT CLUSTER</u></b>			
Cooperative Endangered Species Conservation Fund	AL DEPT CONSERVATION&NAT RESRS- WOODPECKER	15.615	17,561
Cooperative Endangered Species Conservation Fund	ALA DEPT OF CONS&NAT RES-RED BELLIED TURTLE	15.615	(997)
Cooperative Endangered Species Conservation Fund	ALA DEPT OF CONS&NAT RES- WOODPECKER	15.615	200
North American Wetlands Conservation Fund	NORTH CAROLINA STATE UNIV-2007-2093-01	15.623	82,952
Conservation Grants Private Stewardship for Imperiled Species	ALA DEPT OF CONS&NAT RES-MUSSEL ATLAS	15.632	(23)
State Wildlife Grants	ALA DEPT OF CONS&NAT RES-FAUNAL RECOLONIZATION	15.634	(463)
State Wildlife Grants	ALA DEPT OF CONS&NAT RES-GOPHER TORTOISE	15.634	46,814
State Wildlife Grants	ALA DEPT OF CONS&NAT RES-INDIGO SNAKE	15.634	40,598
State Wildlife Grants	ALA DEPT OF CONS&NAT RES-INV & CONS PLAN	15.634	134,290
Research Grants (Generic)	ALA DEPT OF CONS&NAT RES-AL RIVER FISH	15.650	9,070
Visitor Facility Enhancements - Refuges and Wildlife	AL DEPT CONSERVATION &NAT RESRS-INV & CONS PLAN	15.654	135,521
ALA COOP FISHERY UNIT	ALA DEPT OF CONS&NAT RES-FAA OPERATION	15	27,955
Fine Scale Movement Patterns of Red Snapper Around Artificial Reefs in NE Gulf of Mexico	AL DEPT CONSERVATION&NAT RESRS-RED SNAPPER	15	59,658
Vascular Plant Survey	CANE RIVER NATIONAL AREA COMM-2009- 003 001	15	17,047
Vascular Plant Survey	CANE RIVER NATIONAL AREA COMM-PLANT SURVEY	15	10,504
Department of the Interior Pass through Total			957,712
Department of the Interior TOTAL			1,614,956

The accompanying notes are an integral part of this schedule.

**Auburn University**  
**Schedule of Expenditures of Federal Awards**  
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Federal Grantor/Program/Cluster Title	Pass through Entity/Pass through Number	Federal CFDA Number	Federal Expenditures
<b><u>RESEARCH AND DEVELOPMENT CLUSTER</u></b>			
Department of Transportation Direct			
Aviation Research Grants		20.108	321,375
Air Transportation Centers of Excellence		20.109	622,417
Highway Research and Development Program		20.200	320,926
Highway Training and Education		20.215	27,884
Department of Transportation Direct Total			<u>1,292,602</u>
Department of Transportation Pass through			
Highway Research and Development Program	PURDUE UNIV-4108-30884	20.200	22,534
Highway Planning and Construction	ALA DEPT OF TRANSPORTATION-930-688S	20.205	91,058
Highway Planning and Construction	ALA DEPT OF TRANSPORTATION-930-745S	20.205	27,709
Highway Planning and Construction	APPLIED RESEARCH ASSOC, INC.- L00028.09003	20.205	15,544
Highway Planning and Construction	NATIONAL ACADEMY OF SCIENCES-HR 04- 35	20.205	15,913
Highway Planning and Construction	NATIONAL ACADEMY OF SCIENCES-HR 09- 46	20.205	41,054
Highway Planning and Construction	NATIONAL ACADEMY OF SCIENCES-HR 09- 47A	20.205	481,387
Highway Planning and Construction	NATIONAL ACADEMY OF SCIENCES-SHRP R-06(D)	20.205	392,937
State Planning and Research	ALA DEPT OF TRANSPORTATION-761	20.515	115,859
State Planning and Research	ALA DEPT OF TRANSPORTATION-930-655	20.515	141,620
State Planning and Research	ALA DEPT OF TRANSPORTATION-930-678	20.515	26,894
State Planning and Research	ALA DEPT OF TRANSPORTATION-930-718	20.515	72,190
State Planning and Research	ALA DEPT OF TRANSPORTATION-930-725	20.515	35,777
State Planning and Research	ALA DEPT OF TRANSPORTATION-930-726	20.515	5,579
State Planning and Research	ALA DEPT OF TRANSPORTATION-930-737	20.515	58,772
State Planning and Research	ALA DEPT OF TRANSPORTATION-930-738	20.515	110,914
State Planning and Research	ALA DEPT OF TRANSPORTATION-930-749	20.515	52,060
State Planning and Research	ALA DEPT OF TRANSPORTATION-930-751	20.515	(658)
State Planning and Research	ALA DEPT OF TRANSPORTATION-930-754P	20.515	1,639,117
State Planning and Research	ALA DEPT OF TRANSPORTATION-930-755-1	20.515	7,828

The accompanying notes are an integral part of this schedule.

**Auburn University**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2011**

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Federal Grantor/Program/Cluster Title	Pass through Entity/Pass through Number	Federal CFDA Number	Federal Expenditures
<b><u>RESEARCH AND DEVELOPMENT CLUSTER</u></b>			
State Planning and Research	ALA DEPT OF TRANSPORTATION-930-762	20.515	263,719
State Planning and Research	ALA DEPT OF TRANSPORTATION-930-764	20.515	43,864
State Planning and Research	ALA DEPT OF TRANSPORTATION-930-766	20.515	23,422
State Planning and Research	ALA DEPT OF TRANSPORTATION-930-767	20.515	67,578
State Planning and Research	ALA DEPT OF TRANSPORTATION-930-776	20.515	45,576
State Planning and Research	ALA DEPT OF TRANSPORTATION-930-777	20.515	136,709
State Planning and Research	ALA DEPT OF TRANSPORTATION-930-784	20.515	21,485
State Planning and Research	ALA DEPT OF TRANSPORTATION-930-786	20.515	95,619
State Planning and Research	ALA DEPT OF TRANSPORTATION-930-789	20.515	81,657
State Planning and Research	ALA DEPT OF TRANSPORTATION-930-790	20.515	43,406
State Planning and Research	ALA DEPT OF TRANSPORTATION-930-791	20.515	33,182
State Planning and Research	ALA DEPT OF TRANSPORTATION-930-792	20.515	5,264
State Planning and Research	ALA DEPT OF TRANSPORTATION-930-793	20.515	31,700
State Planning and Research	ALA DEPT OF TRANSPORTATION-930-794	20.515	46,911
State Planning and Research	ALA DEPT OF TRANSPORTATION-930-795	20.515	25,813
State Planning and Research	ALA DEPT OF TRANSPORTATION-930-799	20.515	62,639
State Planning and Research	ALA DEPT OF TRANSPORTATION-930-802	20.515	2,906
State Planning and Research	ALA DEPT OF TRANSPORTATION-930-804	20.515	22,309
State Planning and Research	ALA DEPT OF TRANSPORTATION-930-805	20.515	8,346
State Planning and Research	GEORGIA DEPT OF TRANSPORTATION-PROJ# 06-23	20.515	34,127
Biobased Transportation Research	UNIV OF TENNESSEE-8500014159	20.761	95,021
Biobased Transportation Research	UNIV OF TENNESSEE-8500014160	20.761	59,013
Biobased Transportation Research	UNIV OF TENNESSEE-SUB 101565	20.761	73,969
Friction Testing for the Natl Transportation Research Center	NATL TRANSP RESEARCH CTR INC-15783470- P05-27-002	20	7,819
Update of Bridge Design Standards for Aashto Lrfd Seismic Design Requirements	ALA DEPT OF TRANSPORTATION-930-803	20	5,203
Vehicle Stability & Dynamics: Electronic Stability Control	NATL TRANSP RESEARCH CTR INC- DTRT06G0043-04-U31-27-003	20	10,361
Vehicle Stability & Dynamics: Longer Combination Vehicles	NATL TRANSP RESEARCH CTR INC- DTRT06G0043-04-U32-27-004	20	89,718

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**Auburn University**  
**Schedule of Expenditures of Federal Awards**  
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Federal Grantor/Program/Cluster Title	Pass through Entity/Pass through Number	Federal CFDA Number	Federal Expenditures
<b><u>RESEARCH AND DEVELOPMENT CLUSTER</u></b>			
DTFH61-06-D-00038	APPLIED RESEARCH ASSOC, INC.- L00028.11001	20	2,421
US DOT DTRT06-G-0043	NATL TRANSP RESEARCH CTR INC-DTRT-06- G-0043-04-U29-27-001	20	128,086
Department of Transportation Pass through Total			4,921,931
Department of Transportation TOTAL			6,214,533
Environmental Protection Agency Direct			
Gulf of Mexico Program		66.475	200,197
Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies		66.716	30,540
Environmental Protection Agency Direct Total			230,737
Environmental Protection Agency Pass through			
Water Pollution Control State, Interstate, and Tribal Program Support	ALA DEPT OF ENVIRON MGMT-C10595050	66.419	65,071
Water Pollution Control State, Interstate, and Tribal Program Support	ALA DEPT OF ENVIRON MGMT-C70591009	66.419	30
National Estuary Program	MARINE ENVIRONMENTAL SCIENCES CONSORTIUM-MBNEP-WTRSHED PLAN	66.456	(2,108)
Capitalization Grants for Clean Water State Revolving Funds	ALA DEPT OF ENVIRON MGMT-C00594038	66.458	17,472
Capitalization Grants for Clean Water State Revolving Funds	ALA DEPT OF ENVIRON MGMT-C00594040	66.458	678
Capitalization Grants for Clean Water State Revolving Funds	ALA DEPT OF ENVIRON MGMT-C10595083	66.458	8,397
ARRA-Capitalization Grants for Clean Water State Revolving Funds	ALA DEPT OF ENVIRON MGMT-C00594051	66.458	39,778
Nonpoint Source Implementation Grants	ALA DEPT OF ENVIRON MGMT-C00594025	66.460	151,896
Nonpoint Source Implementation Grants	ALA DEPT OF ENVIRON MGMT-C80592035	66.460	145

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**Schedule of Expenditures of Federal Awards**  
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Federal Grantor/Program/Cluster Title	Pass through Entity/Pass through Number	Federal CFDA Number	Federal Expenditures
<b><u>RESEARCH AND DEVELOPMENT CLUSTER</u></b>			
Nonpoint Source Implementation Grants	ALA DEPT OF ENVIRON MGMT-C90593028	66.460	11,572
Nonpoint Source Implementation Grants	ALA DEPT OF ENVIRON MGMT-C90593061	66.460	28,766
Regional Agricultural IPM Grants	ALA DEPT OF AGRICULT & INDUSTRIES-IPM PRACTICES	66.714	583
Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies	IPM INSTITUTE OF NORTH AMERICA, INC.	66.716	18,495
Environmental Protection Agency Pass through Total			340,775
Environmental Protection Agency TOTAL			571,512
Agency for International Development Pass through			
USAID Foreign Assistance for Programs Overseas	OREGON STATE UNIV-RD011G-G	98.001	358,129
Cooperative Development Program (CDP)	INTNL FERTILIZER DVLMT CTR-COTTON IMPRVMT	98.002	(2,830)
USAID Development Partnerships for University Cooperation and Development	UNIV OF GEORGIA-RC710-025/3842028	98.012	86,840
USAID-442-C-11-00001	FINTRAC-2011-HARVEST-02-BSE	98	19,241
USAID-442-C-11-00001	FINTRAC-2011-HARVEST-02-ICAE	98	105,797
Agency for International Development Pass through Total			567,177
Agency for International Development TOTAL			567,177
Department of Energy Direct			
Office of Science Financial Assistance Program		81.049	1,905,146
ARRA-Recovery Act Funds - Office of Science Financial Assistance Program- DE-FG02-00ER54577-ARRA		81.049	92,642
ARRA-Recovery Act Funds - Office of Science Financial Assistance Program- DE-FG02-00ER54610-ARRA		81.049	28,825
Renewable Energy Research and Development		81.087	802,195
Electricity Delivery and Energy Reliability, Research, Development and Analysis		81.122	724,400
Department of Energy Direct Total			3,553,208

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Federal Grantor/Program/Cluster Title	Pass through Entity/Pass through Number	Federal CFDA Number	Federal Expenditures
<b><u>RESEARCH AND DEVELOPMENT CLUSTER</u></b>			
Department of Energy Pass through			
Office of Science Financial Assistance Program	ADV THERMAL TECHNOLOGIES LLC-AU0004703	81.049	69,078
Office of Science Financial Assistance Program	CHEMAT TECHNOLOGY, INC.-PO#-57-01	81.049	(274)
Office of Science Financial Assistance Program	DUKE UNIV-07-SC-NICCR-1016	81.049	(1,503)
Office of Science Financial Assistance Program	UNIV OF ALABAMA-EPSCOR-09-075	81.049	433,209
Office of Science Financial Assistance Program	WEST VIRGINIA UNIV RESEARCH CORPORATION-10-692-AU	81.049	168,270
Regional Biomass Energy Programs	SOUTH DAKOTA STATE UNIV-3TC154	81.079	36,022
Renewable Energy Research and Development	GE HEALTHCARE SYSTEM-PO 400005926	81.087	27,558
ARRA-Renewable Energy Research and Development	GE HEALTHCARE SYSTEM-PO 400041371	81.087	39,422
Fossil Energy Research and Development	UNIV OF KENTUCKY RESEARCH FOUNDATION-469001-05-502	81.089	235,555
SIC Packaging	SANDIA NATL LABORATORIES-PO 1056653	81	9,065
ARRA-DE-AC04-94AL85000	SANDIA NATL LABORATORIES-PO 1113355	81	1,497
DE-AC05-00OR22725	UT-BATTELLE LLC-B-4000054640	81	7,318
DE-AC05-00OR22725	UT-BATTELLE LLC-B-4000076336	81	14,710
DE-AC05-00OR22725	UT-BATTELLE LLC-B-4000087151	81	36,715
DE-AC05-00OR22725	UT-BATTELLE LLC-B-4000103043	81	38,555
DE-AC05-00OR22726	UT-BATTELLE LLC-B-4000086682	81	3,647
DE-AC09-08SR22470	SAVANNAH RIVER NUCLEAR SOLUTIONS, LLC-AC 70067 O	81	117,218
DE-AC36-08GO28308	ALLIANCE FOR SUSTAINABLE ENERGY, LLC-LGC-9-99147-01	81	2,697
DE-AC36-08GO28308	ALLIANCE FOR SUSTAINABLE ENERGY, LLC-XCO-9-99343-01	81	103,403
Department of Energy Pass through Total			1,342,162
Department of Energy TOTAL			4,895,370

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Federal Grantor/Program/Cluster Title	Pass through Entity/Pass through Number	Federal CFDA Number	Federal Expenditures
<b><u>RESEARCH AND DEVELOPMENT CLUSTER</u></b>			
Department of Justice Direct			
National Institute of Justice Research, Evaluation, and Development Project Grants		16.560	14,562
Department of Justice Direct Total			14,562
Department of Justice TOTAL			14,562
Appalachian Regional Commission Direct			
Appalachian Regional Development - ARC-AL-14638-C6- 2009		23.001	5,541
Appalachian Regional Development - ARC-AL-14638-C7- 2010		23.001	42,417
Appalachian Regional Development - ARC-AL-16578-C6- 2010		23.001	18,971
Appalachian Regional Commission Direct Total			66,929
Appalachian Regional Commission TOTAL			66,929
Department of Homeland Security Direct			
Aviation Research Grants		97.069	120,405
Department of Homeland Security Direct Total			120,405
Department of Homeland Security TOTAL			120,405
<b>RESEARCH AND DEVELOPMENT CLUSTER TOTAL</b>			<b>58,421,376</b>
<b><u>STUDENT FINANCIAL AID CLUSTER</u></b>			
Department of Education Direct			
Federal Supplemental Educational Opportunity Grants		84.007	582,898
Federal Work-Study Program		84.033	883,833
Federal Pell Grant Program		84.063	25,038,352
Academic Competitiveness Grants		84.375	352,052
National Science and Mathematics Access to Retain Talent (SMART) Grants		84.376	614,028
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)		84.379	218,000
Department of Education Direct Total			27,689,163
Department of Education TOTAL			27,689,163
<b>STUDENT FINANCIAL AID CLUSTER TOTAL</b>			<b>27,689,163</b>

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**Schedule of Expenditures of Federal Awards**  
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Federal Grantor/Program/Cluster Title	Pass through Entity/Pass through Number	Federal CFDA Number	Federal Expenditures
<b><u>OTHER PROGRAMS</u></b>			
COOPERATIVE EXTENSION SERVICE			
Department of Agriculture			
Cooperative Extension Service		10.500	9,205,993
COOPERATIVE EXTENSION SERVICE TOTAL			<u>9,205,993</u>
DEPARTMENT OF TRANSPORTATION CONSTRUCTION			
Department of Transportation			
Highway Planning and Construction		20.205	11,718,701
FTA-AL-04-0031-00		20	3,248,714
DEPARTMENT OF TRANSPORTATION CONSTRUCTION TOTAL			<u>14,967,415</u>
DEPARTMENT OF COMMERCE CONSTRUCTION			
Department of Commerce			
Congressionally Identified Awards and Projects		11.469	6,326,926
DEPARTMENT OF COMMERCE CONSTRUCTION TOTAL			<u>6,326,926</u>
STATE FISCAL STABILIZATION FUNDS			
ARRA- State Fiscal Stabilization Fund (SFSF) - Education State Grants		84.394	26,442,681
RECOVERY ACT-EDUCATION STATE GRANTS			<u>26,442,681</u>
National Science Foundation Direct			
Engineering Grants		47.041	245,188
Mathematical and Physical Sciences		47.049	155,021
Biological Sciences		47.074	83,677
Education and Human Resources		47.076	560,044
ARRA-Trans-NSF Recovery Act Research Support- NSF- DUE-0934821		47.082	256,481
ARRA-Trans-NSF Recovery Act Research Support- NSF- OIA-0963407		47.082	31,834
ARRA-Trans-NSF Recovery Act Research Support- Total			<u>288,315</u>
NSF-CBET-1152046		47	30,739
National Science Foundation Direct Total			<u>1,362,984</u>

The accompanying notes are an integral part of this schedule.

**Auburn University**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2011**

<b>Federal Grantor/Program/Cluster Title</b>	<b>Pass through Entity/Pass through Number</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b><u>OTHER PROGRAMS</u></b>			
National Science Foundation Pass through			
Education and Human Resources	UNIV OF ALABAMA AT BHAM-000398033	47.076	8,750
Education and Human Resources	UNIV OF ALABAMA AT BHAM-LSAMP-PHASE IV	47.076	25,976
Education and Human Resources	UNIV OF ALABAMA AT BHAM-SUBAWARD 000332659	47.076	53,372
National Science Foundation Pass through Total			88,098
National Science Foundation TOTAL			1,451,082
National Aeronautics and Space Administration Direct			
Science		43.001	305,040
National Aeronautics and Space Administration Direct Total			305,040
National Aeronautics and Space Administration Pass through			
Science	UNIV OF ALABAMA IN HUNTSVILLE-SUB2005-148	43.001	(693)
Education	WILL TECHNOLOGY INC-SUMMER OF INNOVATION	43.008	12,933
National Aeronautics and Space Administration Pass through Total			12,240
National Aeronautics and Space Administration TOTAL			317,280
National Endowments for the Arts Direct			
Promotion of the Arts_Grants to Organizations and Individuals		45.024	24,731
ARRA-Promotion of the Arts_Grants to Organizations and Individuals- NEA-09-4188-7113		45.024	7,050
National Endowments for the Arts Direct Total			31,781
National Endowment for the Arts Pass through			
Promotion of the Arts_Partnership Agreements	ALABAMA STATE COUNCIL ON THE ARTS-2009-16362	45.025	(600)
Promotion of the Arts_Partnership Agreements	ALABAMA STATE COUNCIL ON THE ARTS-2010-16702	45.025	5,000
Promotion of the Arts_Partnership Agreements Subtotal			4,400

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Federal Grantor/Program/Cluster Title	Pass through Entity/Pass through Number	Federal CFDA Number	Federal Expenditures
<b><u>OTHER PROGRAMS</u></b>			
Promotion of the Humanities_Federal/State Partnership	ALA HUMANITIES FDN-LIBERAL ARTS CONF	45.129	2,500
Promotion of the Humanities_Federal/State Partnership	ALA HUMANITIES FOUNDATION-0209-1916 PD	45.129	(79)
Promotion of the Humanities_Federal/State Partnership	ALA HUMANITIES FOUNDATION-0310-1976 PD	45.129	6,735
Promotion of the Humanities_Federal/State Partnership	ALA HUMANITIES FOUNDATION-0710-1987 MH	45.129	1,097
Promotion of the Humanities_Federal/State Partnership	ALA HUMANITIES FOUNDATION-0909-1940 PD	45.129	<u>1,530</u>
Promotion of the Humanities_Federal/State Partnership Subtotal			11,783
Tradition & Innovation	ALABAMA STATE COUNCIL ON THE ARTS-2010-16949	45	<u>(234)</u>
National Endow for the Arts Pass through Total			<u>15,949</u>
National Endowment for the Arts TOTAL			<u>47,730</u>
Department of Education Direct			
Rehabilitation Long-Term Training		84.129	626,052
Business and International Education Projects		84.153	(337)
Safe and Drug-Free Schools and Communities_National Programs		84.184	234,115
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities		84.325	379,184
Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities		84.326	<u>1,030,085</u>
Department of Education Direct Total			2,269,099
Department of Education Pass through			
Special Education_Grants to States	ALA DEPT OF EDUCATION-AL Positive Behavior Support	84.027	34,420
Special Education_Grants to States	ALA DEPT OF EDUCATION-C0U0083	84.027	1,387

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<b><u>OTHER PROGRAMS</u></b>			
Special Education_Grants to States	ALA DEPT OF EDUCATION-C1U0083	84.027	118,165
Special Education_Grants to States	ALA DEPT OF EDUCATION-C1U0084	84.027	51,865
Special Education_Grants to States	ALA DEPT OF EDUCATION-C1U0085	84.027	103,997
Special Education_Grants to States	ALA DEPT OF EDUCATION-C1U0086	84.027	46,434
Special Education_Grants to States	ALA DEPT OF EDUCATION-C1U0087	84.027	61,792
Special Education_Grants to States	ALA DEPT OF EDUCATION-C1U0089	84.027	24,997
Special Education_Grants to States	ALA DEPT OF EDUCATION-SECONDARY SP ED: PREP HIGHLY QUALIFIED TEACHERS	84.027	11,202
Special Education_Grants to States	ALA DEPT OF EDUCATION-U000495	84.027	6,281
Special Education_Grants to States	ALA DEPT OF EDUCATION-U000498	84.027	4,940
ARRA-Special Education_Grants to States	OPELIKA CITY SCHOOLS-PSY	84.027	17,380
Special Education_Grants to States Subtotal			482,860
Career and Technical Education -- Basic Grants to States	ALA DEPT OF EDUCATION-U000166	84.048	661
Career and Technical Education -- Basic Grants to States	ALA DEPT OF EDUCATION-U100144	84.048	1,699
Career and Technical Education -- Basic Grants to States Subtotal			2,360
Leveraging Educational Assistance Partnership	ALA COMM OF HIGHER ED-STATE STUDENT INCENTIVE GRANT	84.069	119,437
Fund for the Improvement of Postsecondary Education	INDIANA UNIV-BL-4240318-AU	84.116	45,944
Rehabilitation Services_Vocational Rehabilitation Grants to States	ALA DEPT OF REHAB SERVICES-AE0087UN01	84.126	24
Rehabilitation Services_Vocational Rehabilitation Grants to States	ALA DEPT OF REHAB SERVICES-AE1087UN01	84.126	123
Rehabilitation Services_Vocational Rehabilitation Grants to States	ALA DEPT OF REHAB SERVICES-C10870035	84.126	33,782
Rehabilitation Services_Vocational Rehabilitation Grants to States	ALA DEPT OF REHAB SERVICES-STRATEGIC PLAN EXECUTION	84.126	256
Rehabilitation Services_Vocational Rehabilitation Grants to States Subtotal			34,185
Special Education_Preschool Grants	ALA DEPT OF EDUCATION-C1U0088	84.173	70,423
Safe and Drug-Free Schools and Communities_National Programs	MONTG PUBLIC SCHOOLS-HEALTHY STUDENTS GRANT EVALUATIONS	84.184	88,824

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**Schedule of Expenditures of Federal Awards**  
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Federal Grantor/Program/Cluster Title	Pass through Entity/Pass through Number	Federal CFDA Number	Federal Expenditures
<b><u>OTHER PROGRAMS</u></b>			
Fund for the Improvement of Education	LEE CO BD OF ED-TAH-1	84.215	211,642
Twenty-First Century Community Learning Centers	BREWTON CITY SCHOOLS-21ST	84.287	55,516
Twenty-First Century Community Learning Centers	COFFEE CO BD OF ED	84.287	762
Twenty-First Century Community Learning Centers	CRENSHAW CO BD OF ED-21ST CCLC	84.287	(491)
Twenty-First Century Community Learning Centers	ELBA CITY SCHOOLS-21ST	84.287	(1)
Twenty-First Century Community Learning Centers	WINSTON CO SCH-21ST-11	84.287	10,251
Twenty-First Century Community Learning Centers Subtotal			66,037
Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	UNIV OF KENTUCKY-SERRC	84.326	8,429
Mathematics and Science Partnerships	ALA DEPT OF EDUCATION-U000700	84.366	221,573
Mathematics and Science Partnerships	ALA DEPT OF EDUCATION-X900640	84.366	78,524
Mathematics and Science Partnerships Subtotal			300,097
Improving Teacher Quality State Grants	ALA COMM OF HIGHER ED-TIPS IN READING	84.367	43,624
College Access Challenge Grant Program	ALA DEPT OF EDUCATION-AUMazing Race: Reality College	84.378	3,101
College Access Challenge Grant Program	ALA DEPT OF EDUCATION-COLLEGE ACCESS GRANT EVALUATION	84.378	17,142
College Access Challenge Grant Program	ALA DEPT OF EDUCATION-Exreme Makeover: College Edition	84.378	10,288
College Access Challenge Grant Program Subtotal			30,531

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Federal Grantor/Program/Cluster Title	Pass through Entity/Pass through Number	Federal CFDA Number	Federal Expenditures
<b><u>OTHER PROGRAMS</u></b>			
ARRA-Rehabilitation Services-Vocational Rehabilitation Grants to States	ALA DEPT OF REHAB SERVICES-2011 STRATEGIC PLAN EXECUTION	84.390	51,364
ARRA-Rehabilitation Services-Vocational Rehabilitation Grants to States	ALA DEPT OF REHAB SERVICES-BLIND SERVICES STRATEGIC PLANNING	84.390	12,658
ARRA-Rehabilitation Services-Vocational Rehabilitation Grants to States	ALA DEPT OF REHAB SERVICES-AE0087MS24	84.390	22,605
ARRA-Rehabilitation Services-Vocational Rehabilitation Grants to States	ALA DEPT OF REHAB SERVICES-AE1087MS24	84.390	30,150
ARRA-Rehabilitation Services-Vocational Rehabilitation Grants to States	ALA DEPT OF REHAB SERVICES-C00870035	84.390	(36,696)
ARRA-Rehabilitation Services-Vocational Rehabilitation Grants to States	ALA DEPT OF REHAB SERVICES-C10870035-ARRA	84.390	<u>275,516</u>
ARRA-Rehabilitation Services-Vocational Rehabilitation Grants to States Subtotal			<u>355,597</u>
Conduct Natl Writing Project	NATIONAL WRITING PROJECT CORP-92-AL02	84.928	<u>430</u>
Department of Education Pass through Total			<u>1,860,420</u>
Department of Education TOTAL			<u>4,129,519</u>
Department of Health and Human Services Direct			
Healthy Marriage Promotion and Responsible Fatherhood Grants		93.086	90,891
Advanced Nursing Education Traineeships		93.358	2,368
ARRA-State Grants to Promote Health Information Technology- Medicaid Transformation Initiative		93.719	21,289
CDC-IPA-SMIDT		93	<u>91,453</u>
Department of Health and Human Services Direct Total			206,001
Department of Health and Human Services Pass through			
Innovations in Applied Public Health Research	IOWA ST UNIV-PRTNRSHPS PREVENTION SCI INST-PROSPER	93.061	289,866
Food and Drug Administration_Research	INTST SHELLFISH SANITATION CONF-SHELLSHOCK OYSTERS	93.103	1,335

The accompanying notes are an integral part of this schedule.

**Auburn University**  
**Schedule of Expenditures of Federal Awards**  
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Federal Grantor/Program/Cluster Title	Pass through Entity/Pass through Number	Federal CFDA Number	Federal Expenditures
<b><u>OTHER PROGRAMS</u></b>			
Centers for Research and Demonstration for Health Promotion and Disease Prevention	ALA DEPT OF PUBLIC HEALTH-C00113155	93.135	9,388
Centers for Research and Demonstration for Health Promotion and Disease Prevention	ALA DEPT OF PUBLIC HEALTH-C00113274	93.135	66,281
Disabilities Prevention	CHRISTOPHER & DANA REEVE FOUNDATION-QUAL OF LIFE	93.184	2,890
Affordable Care Act (ACA) Abstinence Education Program	ALA DEPT OF PUBLIC HEALTH-GC 11-278 C10114229	93.235	211,160
Universal Newborn Hearing Screening	ALA DEPT OF PUBLIC HEALTH-C00113131	93.251	9,486
Occupational Safety and Health Program	UNIV OF KENTUCKY RESEARCH FOUNDATION-3048107663-11-212	93.262	10,633
Centers for Disease Control and Prevention_Investigations and Technical Assistance	ALA DEPT OF PUBLIC HEALTH-C10114219	93.283	8,325
Community-Based Child Abuse Prevention Grants	CHILDREN'S TRUST FUND OF ALA-CBCAP 2010-101	93.590	(948)
Community-Based Child Abuse Prevention Grants	CHILDREN'S TRUST FUND OF ALA-CBCAP 2011-101	93.590	34,876
Community-Based Child Abuse Prevention Grants Subtotal			33,928
Grants to States for Access and Visitation Programs	AL ADMIN OFFICE COURTS	93.597	6,693
Head Start	MONTGOMERY COMMUNITY ACTION COMMITTEE, INC.-HEAD START	93.600	(10,400)
Developmental Disabilities Basic Support and Advocacy Grants	ALA DEPT MENT HLTH-MARTIN	93.630	7,216
ARRA-Strengthening Communities Fund	CITY OF MONTGOMERY-CAPACITY BUILDING	93.711	91,213
ARRA-Health Information Technology Regional Extension Centers Program	UNIV OF SOUTH ALABAMA-10-100146-05	93.718	3,097
Rural Health Care Services Outreach, Rural Health Network Development and			
Small Health Care Provider Quality Improvement Program	CAHABA CTR MENT HEALTH & MENTAL RETARDATION-DRAP 2010	93.912	8,683
Department of Health and Human Services Pass through Total			749,794
Department of Health and Human Services TOTAL			955,795

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**Schedule of Expenditures of Federal Awards**  
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Federal Grantor/Program/Cluster Title	Pass through Entity/Pass through Number	Federal CFDA Number	Federal Expenditures
<b><u>OTHER PROGRAMS</u></b>			
Department of Agriculture Direct			
Plant and Animal Disease, Pest Control, and Animal Care		10.025	79,627
Higher Education Multicultural Scholars Program		10.220	24,000
Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants		10.226	13,853
Integrated Programs		10.303	(1)
Agriculture and Food Research Initiative (AFRI)		10.310	172,473
Forestry Research		10.652	8,940
Cooperative Forestry Assistance		10.664	18
Environmental Quality Incentives Program		10.912	18,555
Cochran Fellowship Program-International Training- Foreign Participant		10.962	4,756
Department of Agriculture Direct Total			322,221
Department of Agriculture Pass through			
Specialty Crop Block Grant Program	ALA DEPT OF AGRICULT & INDUSTRIES- PROJ 10	10.169	10,027
Specialty Crop Block Grant Program - Farm Bill	ALA DEPT OF AGRICULT & INDUSTRIES- PROJECT 9	10.170	8,746
1890 Institution Capacity Building Grants	SOUTHERN UNIV AGR RESCH & EXT CTR- 2011-02-0011	10.216	7,421
1890 Institution Capacity Building Grants	TUSKEGEE UNIV-35-31244-095-62112	10.216	33,569
1890 Institution Capacity Building Grants	TUSKEGEE UNIV-35-31244-097-62112	10.216	1,177
1890 Institution Capacity Building Grants Subtotal			42,167
Higher Education Challenge Grants	UNIV OF GEORGIA-RH150-127/3840038	10.217	247
Integrated Programs	TEXAS A&M UNIV-TCE 450006	10.303	(11,011)
Integrated Programs	TEXAS COOPERATIVE EXTENSION-451001	10.303	70,147
Integrated Programs Subtotal			59,136
Homeland Security_Agricultural	PURDUE UNIV-8000028464AG	10.304	7,872
Homeland Security_Agricultural	PURDUE UNIV-8000037046-AG	10.304	43,383
Homeland Security_Agricultural	UNIV OF FLORIDA-IFAS 00069553	10.304	28,869
Homeland Security_Agricultural Subtotal			80,124

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Federal Grantor/Program/Cluster Title	Pass through Entity/Pass through Number	Federal CFDA Number	Federal Expenditures
<b><u>OTHER PROGRAMS</u></b>			
Specialty Crop Research Initiative	LOUISIANA STATE UNIV-42958	10.309	19,271
Beginning Farmer and Rancher Development Program	TUSKEGEE UNIV-39 21244-102-62112	10.311	10,714
Trade Adjustment Assistance for Farmers Training ARRA-Coordination Program (TAAF)	UNIV OF MINNESOTA-H001344217	10.315	30,323
Cooperative Extension Service	KANSAS STATE UNIV-MILITARY KIDS	10.500	(44)
Cooperative Extension Service	KANSAS STATE UNIV-S08096	10.500	(154)
Cooperative Extension Service	KANSAS STATE UNIV-S10089	10.500	439
Cooperative Extension Service	KANSAS STATE UNIV-S10143	10.500	7,913
Cooperative Extension Service	KANSAS STATE UNIV-S11094	10.500	20,779
Cooperative Extension Service	KANSAS STATE UNIV-S11200	10.500	13,779
Cooperative Extension Service	LOUISIANA STATE UNIV-49212	10.500	20,470
Cooperative Extension Service	MICHIGAN STATE UNIV-RC100253ACEC	10.500	2,039
Cooperative Extension Service	MISSISSIPPI STATE UNIV-018000-340362-07	10.500	98
Cooperative Extension Service	TUSKEGEE UNIV-35-31243-044-62112	10.500	34,972
Cooperative Extension Service	TUSKEGEE UNIV-39-21244-096-66122	10.500	154
Cooperative Extension Service	UNIV OF ARKANSAS AT PINE BLUFF- AQUACULTURE COP	10.500	4,983
Cooperative Extension Service	UNIV OF GEORGIA-RE684-167/4786706	10.500	6,500
Cooperative Extension Service	UNIV OF NEBRASKA-25-6365-0023-101	10.500	13,789
Cooperative Extension Service	UNIV OF NEBRASKA-25-6365-0023-250	10.500	16,090
Cooperative Extension Service	UNIV OF NEBRASKA-25-6365-0023-252	10.500	14,793
Cooperative Extension Service	UNIV OF NEBRASKA-25-6365-0023-352	10.500	15,716
Cooperative Extension Service	UNIV OF NEBRASKA-25-6365-0023-452	10.500	12,360
Cooperative Extension Service	UNIV OF NEBRASKA-25-6365-0023-455	10.500	8,878
Cooperative Extension Service	UNIV OF NEBRASKA-25-6365-0030-017	10.500	136,620
Cooperative Extension Service	WV ST UNIV RESCH&DEVELOPMENT CORP- CE-0704-0001	10.500	2,047
Cooperative Extension Service Subtotal			332,221

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Federal Grantor/Program/Cluster Title	Pass through Entity/Pass through Number	Federal CFDA Number	Federal Expenditures
<b><u>OTHER PROGRAMS</u></b>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	ALA DEPT OF HUMAN RESOURCES- AGREEMENT NO 4153	10.561	2,524,189
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	ALA DEPT OF HUMAN RESOURCES-FOOD STAMP	10.561	315,322
			<u>2,839,511</u>
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program Subtotal			
ARRA-Trade Adjustment Assistance	UNIV OF MINNESOTA-H001344217	10.609	13,385
USDA-2010-JU-FX-0016	Alabama A&M Univ-2010-JU-FX-0016-AU	10	113
Department of Agriculture Pass through Total			<u>3,445,985</u>
Department of Agriculture TOTAL			<u>3,768,206</u>
Department of Commerce Direct			
Economic Development_Technical Assistance		11.303	141,191
ARRA-Broadband Technology Opportunities Program (BTOP)- NIST-01-42-B10580		11.557	2,805,949
ARRA-National Institute of Standards and Technology Construction Grant Program- NIST-60NANB9D9140		11.618	813,711
Department of Commerce Direct Total			<u>3,760,851</u>
Department of Commerce Pass through			
Sea Grant Support	UNIV OF MISSISSIPPI-11-02-063-NOAA	11.417	3,792
Sea Grant Support	UNIV OF MISSISSIPPI-11-02-063-ST MS	11.417	773
Sea Grant Support	UNIV OF SOUTHERN MISS-GR02638/OMNIBUS-AUBURN-O	11.417	(8,052)
Sea Grant Support	UNIV OF SOUTHERN MISS-GR03924/OMNIBUS-A/O-32	11.417	109,228
Sea Grant Support	UNIV OF SOUTHERN MISS-GR04072/OMNIBUS-NSI-A/O-34	11.417	76,192
Sea Grant Support	UNIV OF SOUTHERN MISS-GR04114/OMNIBUS-CSP II-A/O-33-B	11.417	16,371
Sea Grant Support Subtotal			<u>198,304</u>

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<b><u>OTHER PROGRAMS</u></b>			
Environmental Sciences, Applications, Data, and Education	UNIV OF ALABAMA IN HUNTSVILLE-2009-005	11.440	91,193
Fisheries Disaster Relief	GSMFC-MM-925-050-2011-AL/SG	11.477	7,290
ARRA-Broadband Technology Opportunities Program (BTOP)	ALA DEPT OF ECON&COMM AFFAIRS-BB-SBA-002-10	11.557	66,907
Manufacturing Extension Partnership	ALA TECH NETWORK-2010-MEP-SDCC-01-STATE	11.611	20,867
Manufacturing Extension Partnership	ALA TECH NETWORK-MEP-NIST-09-10	11.611	34,624
Manufacturing Extension Partnership	ALA TECH NETWORK-MEP-NIST-10-11	11.611	226,596
Manufacturing Extension Partnership Subtotal			282,087
Department of Commerce Pass through Total			645,781
Department of Commerce TOTAL			4,406,632
Department of Defense Direct			
ARMY-W911SF-09-C-0024		12	362,062
FT RUCKER-FAM PROG		12	913
ACSC-IPA-NORTON		12	225
AWC-IPA-SEROKA		12	62,464
Department of Defense Direct Total			425,664
Department of Defense Pass through			
Aggregating Ecological EOs	NATURESERVE-TO AL-025-FY11	12	950
Department of Defense Pass through Total			950
Department of Defense TOTAL			426,614
Department of the Interior Direct			
NRCS-GCCESU-68-7482-8-423		15	(11)
NPS-Creek War		15	1,866
Partners for Fish and Wildlife		15.631	1,500
Department of the Interior Direct Total			3,355

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<b><u>OTHER PROGRAMS</u></b>			
Department of the Interior Pass through			
National Land Remote Sensing_Education Outreach and Research	AMERICAVIEW INC-AV08-AL01-003	15.815	21,655
National Land Remote Sensing_Education Outreach and Research	AMERICAVIEW INC-AV08-AL01-005	15.815	13,571
Department of the Interior Pass through Total			35,226
Department of the Interior TOTAL			38,581
Department of Transportation Direct			
Public Transportation Research		20.514	25,817
FAA-DTFAWA-11-A-80000-A1		20	21,673
Department of Transportation Direct Total			47,490
Department of Transportation Pass through			
Airport Improvement Program	ALA DEPT OF TRANSPORTATION-APRON PHASE IV-FED	20.106	117,251
Airport Improvement Program	ALA DEPT OF TRANSPORTATION-HANGAR TAXIWAY-FED	20.106	341,521
Airport Improvement Program	ALA DEPT OF TRANSPORTATION-UTILITY SERVICES-FED	20.106	124,500
Airport Improvement Program Subtotal			583,272
Highway Training and Education	ALA DEPT OF TRANSPORTATION-LTAP-930-765	20.215	(103)
Highway Training and Education	ALA DEPT OF TRANSPORTATION-LTAP-930-818	20.215	232,126
Highway Training and Education	ALA DEPT OF TRANSPORTATION-RTAP-2011	20.215	32,180
Highway Training and Education Subtotal			264,203
Recreational Trails Program	ALA DEPT OF ECON & COMM RTP 2010	20.219	983
ARRA-Formula Grants for Other Than Urbanized Areas	ALA DEPT OF TRANSPORTATION-K-10-0118	20.509	(32,864)
ARRA-Formula Grants for Other Than Urbanized Areas	ALA DEPT OF TRANSPORTATION-K-11-0307	20.509	31,346

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<b><u>OTHER PROGRAMS</u></b>			
ARRA-Formula Grants for Other Than Urbanized Areas	ALA DEPT OF TRANSPORTATION-RTAP-ARRA-2011	20.509	51,975
ARRA-Formula Grants for Other Than Urbanized Areas Subtotal			50,457
State Planning and Research	ALA DEPT OF TRANSPORTATION-LTAP-930-781	20.515	228,560
State Planning and Research	ALA DEPT OF TRANSPORTATION-RTAP 2010	20.515	20,356
State Planning and Research Subtotal			248,916
Local Technical Assistance Program - AL Technology Transfer Program	ALA DEPT OF TRANSPORTATION-930-748	20	(260)
Wire Rd Bicycle Facilities	ALA DEPT OF TRANSPORTATION-STPTE-TE08(925)	20	555,359
Department of Transportation Pass through Total			1,702,930
Department of Transportation TOTAL			1,750,420
Environmental Protection Agency Direct			
Regional Wetland Program Development Grants		66.461	123,612
Environmental Protection Agency Direct Total			123,612
Environmental Protection Agency Pass through			
State Indoor Radon Grants	ALA DEPT OF PUBLIC HEALTH-C00113146	66.032	228,652
State Indoor Radon Grants	ALA DEPT OF PUBLIC HEALTH-C90118037	66.032	(22)
State Indoor Radon Grants Subtotal			228,630
Targeted Watersheds Grants	UNIV OF NORTH CAROLINA-ACCT NO. 5-35202	66.439	721
Nonpoint Source Implementation Grants	ALA DEPT OF ENVIRON MGMT-C80592037	66.460	54,847
Nonpoint Source Implementation Grants	ALA DEPT OF ENVIRON MGMT-C90593025	66.460	45,257
Nonpoint Source Implementation Grants	FLINT CREEK WATERSHED PROJECT-21-01	66.460	837
Nonpoint Source Implementation Grants Subtotal			100,941
EPA-EP-W-07-080	NATURESERVE-EPA0C019	66	5,161
Environmental Protection Agency Pass through Total			335,453
Environmental Protection Agency TOTAL			459,065

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<b><u>OTHER PROGRAMS</u></b>			
Department of Energy Direct			
Renewable Energy Research and Development		81.087	1,917,521
ARRA-Office of Science Financial Assistance Program- DE-FG02-00ER54610		81.049	73,239
Department of Energy Direct Total			1,990,760
Department of Energy TOTAL			1,990,760
Small Business Administration Pass through			
Small Business Development Centers	UNIV OF ALABAMA-AU-11-048	59.037	10,795
Small Business Development Centers	UNIV OF ALABAMA-SBA-AU-09-045	59.037	(1,500)
Small Business Development Centers	UNIV OF ALABAMA-SBA-AU-10-022	59.037	(1,604)
Small Business Development Centers	UNIV OF ALABAMA-SBA-AU-11-ANT	59.037	57,595
Small Business Development Centers Pass through Total			65,286
Small Business Administration TOTAL			65,286
Appalachian Regional Commission Direct			
Appalachian Local Development District Assistance		23.009	29,145
Appalachian Regional Commission Direct Total			29,145
Appalachian Regional Commission Pass through			
Appalachian Research, Technical Assistance, and Demonstration Projects	E TENN STATE UNIV-220010-16	23.011	4,000
Appalachian Regional Commission Pass through Total			4,000
Appalachian Regional Commission TOTAL			33,145
Department of Justice Direct			
Congressionally Recommended Awards		16.753	868,419
Department of Justice Direct Total			868,419

The accompanying notes are an integral part of this schedule.

**Auburn University**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2011**

<b>Federal Grantor/Program/Cluster Title</b>	<b>Pass through Entity/Pass through Number</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
Department of Justice Pass through			
Juvenile Justice and Delinquency Prevention_Allocation to States	ALA DEPT OF ECON & COMM AFF-08-JF-CM-001	16.540	86,309
Juvenile Justice and Delinquency Prevention_Allocation to States	ALA DEPT OF ECON & COMM AFF-JF-CM-001	16.540	(1,500)
Juvenile Justice and Delinquency Prevention_Allocation to States Subtotal			84,809
Public Safety Partnership and Community Policing Grants	ALA DEPT OF ECON & COMM AFF-06-CK-TR-0003	16.710	(1,000)
Public Safety Partnership and Community Policing Grants	ALA DEPT OF ECON & COMM AFF-06-CK-TR-0004	16.710	19,674
Public Safety Partnership and Community Policing Grants	ALA DEPT OF ECON & COMM AFF-09-DJ-ST-005	16.710	144,468
Public Safety Partnership and Community Policing Grants Subtotal			163,142
Criminal and Juvenile Justice and Mental Health Collaboration Program	MONTG COUNTY COMM-JUSTICE & MENTAL HEALTH PHASE II	16.745	42,811
Department of Justice Pass through Total			290,762
Department of Justice TOTAL			1,159,181
Department of Labor Pass through			
Veterans' Employment Program	ALA DEPT OF IND RELATIONS-ALIVE XIV	17.802	335
DOL-24003R	GEORGIA INSTITUTE OF TECH-R9712-S1	17	18,179
Department of Labor Pass through Total			18,514
Department of Labor TOTAL			18,514
Department of State Pass through			
US DEPT STATE-S-LMAQM-10-CA-384	UNIV OF FLORIDA-UF10265	19	24,527
Department of State Pass through Total			24,527
Department of State TOTAL			24,527
Department of Veterans Affairs Direct			
VAMC-SMITH		64	32
Department of Veterans Affairs Direct Total			32
Department of Veterans Affairs TOTAL			32
<b>OTHER PROGRAMS TOTAL</b>			<b>21,042,369</b>
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TOTAL</b>			<b>164,095,923</b>

The accompanying notes are an integral part of this schedule.

# Auburn University

## Notes to Schedules of Expenditures of Federal Awards

### Year Ended September 30, 2011

#### 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal expenditures of Auburn University (the "University") under programs of the federal government for the year ended September 30, 2011. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget ("OMB") Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements of the University. Negative amounts represent adjustments or credits to amounts reported as expenditures in prior years. This results in accurate reporting on a cumulative basis over multiple periods. Catalog of Federal Domestic Assistance ("CFDA") numbers and pass-through numbers are provided when available.

For purposes of the Schedule, 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 has obtained "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.

#### 2. Subrecipients

Certain funds are passed through to subrecipient organizations by the University. Expenditures incurred by the subrecipient and reimbursed by the University are included in the Schedule. The University provided \$7,522,227 of federal awards to subrecipients during the year ended September 30, 2011, as follows:

Agency	Programs			Total
	R&D	Comperative Extension	Other Programs	
Appalachian Regional Commission	\$ -	\$ -	\$ 19,000	\$ 19,000
Department of Health and Human Services	989,324	-	-	989,324
Environmental Protection Agency	-	-	24,000	24,000
National Aeronautics and Space Administration (NASA)	52,627	-	-	52,627
National Institutes of Health	17,556	-	-	17,556
National Science Foundation	190,641	-	22,590	213,231
Office of Naval Research	288,394	-	-	288,394
Army	744,453	-	-	744,453
Department of Agriculture	342,310	1,000,886	7,796	1,350,992
Department of Agriculture- FAS	7,500	-	-	7,500
Department of Commerce	35,292	-	40,878	76,170
Department of Defense	1,268,710	-	-	1,268,710
Department of Energy	474,893	-	1,713,041	2,187,934
Department of Justice	-	-	8,948	8,948
Department of Transportation	238,566	-	-	238,566
Geological Survey	34,822	-	-	34,822
	<u>\$ 4,685,088</u>	<u>\$ 1,000,886</u>	<u>\$ 1,836,253</u>	<u>\$ 7,522,227</u>



# Auburn University

## Notes to Schedules of Expenditures of Federal Awards

### Year Ended September 30, 2011

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#### 3. Summary of Significant Accounting Policies

For purposes of the Schedule, expenditures for federal award programs are recognized on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-21, Cost Principles for Educational Institutions, wherein certain types of expenditures are not allowable or are limited to reimbursement. Expenditures for federal student financial aid programs include Federal Pell program grants to students, the federal share of students' federal supplemental educational opportunity grants ("FSEOG"), and federal work-study ("FWS") program earnings and administrative cost allowances where applicable.

#### 4. Facilities and Administrative Costs

The University operates under predetermined facilities and administrative cost rates, which were effective beginning October 1, 2010. The base rate for on-campus research is 47%. Base rates for other facilities and administrative cost recoveries range from 40% to 51%.

#### 5. Federal Student 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, 2011, and funds advanced by the University to eligible students during the year ended September 30, 2011, under the Federal student loan programs are summarized as follows:

	Perkins (CFDA#84.038)	HPSL (CFDA#93.342)
Funds advanced to students during fiscal year 2011	\$ 1,999,651	\$ 365,500
Loan balances outstanding, September 30, 2011	15,471,547	1,951,626

#### 6. Federal Direct Loans (CFDA #84.268)

The Federal Direct Student Loan Program ("FDSLP") was established under the Higher Education Act of 1965, as amended in the Student Loan Reform Act of 1993. The FDSLP enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly through the University rather than through private lenders. The University began participation in the FDSLP on June 1, 2009, except for Auburn University at Montgomery ("AUM"), which began participating in the program July 1, 2010. As a university qualified to originate loans, the University is responsible for handling the complete loan origination process, including funds management and promissory note functions. The University is not responsible for collection of these loans.

During the year ended September 30, 2011, the University processed the following amount of student loans under FDSLP:

	CFDA#	Total 2011
Federal Direct Loans	84.268	\$ 145,433,377

**Auburn University**  
**Notes to Schedules of Expenditures of Federal Awards**  
**Year Ended September 30, 2011**

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**7. Administrative Cost Allowance**

During the program year ended June 30, 2011, the University and AUM charged \$63,614 to the Federal Work-Study program for administrative cost allowance. In addition, the University charged \$19,240 to the Federal Perkins Loan Program. No administrative cost allowance was charged to the FSEOG.

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**Part III**  
**Reports on Internal Control and Compliance**

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**Report of Independent Auditors on Internal 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 Auburn Research and Technology Foundation, its discretely presented component unit, as of and for the year ended September 30, 2011, and the financial statements of Tigers Unlimited Foundation, the University's discretely presented component unit, as of June 30, 2011, and have issued our report thereon dated January 26, 2012. Our report was modified to include an additional paragraph regarding the lack of certain required supplemental information. We did not audit the financial statements of Auburn Alumni Association (the "Association") and Auburn University Foundation (the "Foundation"), two of the University's discretely presented component units, as of September 30, 2011 and for the year then ended. 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 solely 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*.

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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*PricewaterhouseCoopers LLP*

January 26, 2012



**Report of Independent Auditors on Compliance with Requirements  
That Could Have a Direct and Material Effect on 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"), a component unit of the State of Alabama, with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011, 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, which are 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 could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.



#### Internal Control over Compliance

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 the requirements that could have a direct and material effect on a major program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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 compliance requirements 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration and the other auditor's consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. Also, the report of the other auditors did not identify any deficiencies in internal control over compliance that they consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the University's Board of Trustees, Audit Committee, 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.

*PricewaterhouseCoopers LLP*

June 28, 2012

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**Part IV**  
**Schedule of Findings and Questioned Costs**

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**Auburn University**  
**Schedule of Findings and Questioned Costs**  
**Year Ended September 30, 2011**

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**I - Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

***Federal Awards***

Internal control over major programs:

Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of OMB Circular A-133?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
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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 Service
11.469, 11.557 and 11.618	Department of Commerce Grants
20	Federal Transit Authority Construction Grant
84.394	State Fiscal Stabilization Funds

Dollar threshold used to distinguish between type A and type B programs?	\$ 3,000,000
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Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
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**Auburn University**  
**Schedule of Findings and Questioned Costs**  
**Year Ended September 30, 2011**

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**II – Financial Statements Findings**

No matters were noted.

**Auburn University**  
**Schedule of Findings and Questioned Costs**  
**Year Ended September 30, 2011**

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**III – Federal Awards Findings and Questioned Costs**

No matters were noted.

**Auburn University**  
**Schedule of Findings and Questioned Costs**  
**Year Ended September 30, 2011**

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**III – Schedule of Prior Year Findings and Questioned Costs**

There are no findings from prior years which require an update in this report.