AUBURN

UNIVERSITY

Financial Report 2015

Comprehensive Annual Financial Report for the year ended September 30, 2015

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Financial Report 2015

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AUBURN UNIVERSITY

OFFICE OF THE PRESIDENT

January 20, 2016

Dear Members of the Auburn Community and Alabama Citizens:

It's a good time to be an Auburn Tiger. Here are a few highlights:

Top ranking

The Business Journals examined universities across the country to determine who offers the best educational experience. Auburn came out on top in the state based on such criteria as retention and graduation rates, reputation, admissions, and housing.

Leader in global skills & engagement

Auburn is fast becoming a thought leader in global engagement. In addition to augmenting opportunities for study abroad and international skills development, in the past year we've held two standing-room-only forums where government and military leaders have addressed current world issues. Learn more at #AUWorldAffairs.

Record number of prestigious scholarships

Auburn helps students reach their fullest potential, and for some that means competing for prestigious scholarships to further their intellectual development. In just one example, four spring graduates won Fulbright Scholarships, bringing the total to a record 14 in the past six years. Fulbright is the flagship international exchange program, and these students serve as excellent ambassadors for Auburn and the U.S.

First UAS flight school

Unmanned aerial systems offer tremendous economic potential in fields as diverse as agriculture and construction. Auburn is one of the nation's oldest aviation programs, and it's now the youngest UAS flight school after earning the federal government's first certification to train commercial drone pilots.

This report summarizes our financial position and activity for the fiscal year ending September 30, 2015. We invite you to learn more at www.auburn.edu.

Sincerely,

Jay Gogue
President

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

www.auburn.edu

AUBURN
UNIVERSITY

Financial Report 2015

Financial Section

Independent Auditor's Report

To the Board of Trustees of Auburn University:

We have audited the accompanying financial statements of Auburn University (the "University"), a component unit of the State of Alabama, as of and for the years ended September 30, 2015 and 2014, and the related notes to the financial statements, which consist of the statements of net position and the related statements of revenues, expenses and changes in net position and statements of cash flows of Auburn University and the statements of financial position and of activities and changes in net assets of the University's discretely presented component units. We have audited the statements of financial position and of activities and changes in net assets, for Auburn Research and Technology Foundation ("ARTF"), one of the University's discreetly presented component units, as of and for the year ended September 30, 2015 and 2014.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the financial statements based on our audits. 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 and for the years ended September 30, 2015 and 2014. We did not audit the financial statements of Tigers Unlimited Foundation ("TUF"), one of the University's discretely presented component units, as of and for the years ended June 30, 2015 and 2014. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above mentioned discretely presented component units of the University, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the

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overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the University and its discretely presented component units at September 30, 2015 and 2014, or at June 30, 2015 and 2014, as applicable, and the changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 and 11 to the basic financial statements, in the year ended September 30, 2015, the University adopted new accounting guidance related to the manner in which it accounts for pensions. As described within the notes to the financial statements, the University adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68,* effective October 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

The accompanying management's discussion and analysis and the required supplemental information for the year ended September 30, 2015 on pages 12 through 21 and 75 through 80, respectively, are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The University has omitted the management's discussion and analysis for the year ended September 30, 2014 that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

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Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The introductory information on pages 5 to 6 and the supplemental divisional financial statements on pages 66 to 73 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements by us or other auditors, and accordingly, we express no opinion nor provide any assurance on them.

PricewaterhouseCoopers LLP

January 20, 2016

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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, 2015, with a comparison to the year ended September 30, 2014. 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 with two campuses, Auburn (main campus) and Montgomery (AUM). Main campus is classified by the Carnegie Foundation as "Doctoral/Research-Extensive," while AUM is classified as "Master's I." Fall 2015 enrollment totaled 32,206 students at main campus and AUM. The University offers a diverse range of degree programs in 12 colleges and schools and has 5,406 full-time employees, including 1,397 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 statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities. The financial report includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. All references to "2015," "2014," 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 Position presents entity-wide assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) on the last day of the fiscal year. Distinctions are made in current and noncurrent assets and liabilities. Net position is segregated into unrestricted, restricted (expendable and nonexpendable), and net investment in capital assets. The University's net position is one indicator of the University's financial health. From the data presented, readers of the Statement of Net Position have the information to determine the assets available to continue the operations of the University. They may also determine how much the University owes vendors, investors, and lending institutions. Finally, the Statement of Net Position outlines the net resources available to the University.

The Statement of Revenues, Expenses and Changes in Net Position 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 Position 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-an amendment of GASB Statement No. 14,* 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 also evaluated GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34* to ensure proper disclosure. 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 as follows:

(1) **Auburn University Foundation (AUF)** - AUF was organized on February 9, 1960, and is the fundraising foundation for the University. As of September 30, 2015, 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) **Auburn Alumni Association (the Association)** - The Association is a nonprofit 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 provides monetary support to the University in the form of faculty awards and student scholarships.

(3) **Tigers Unlimited Foundation (TUF)** - TUF is a legally separate nonprofit organization incorporated in December 2002, which began operations on April 21, 2004. TUF was organized exclusively for charitable purposes, pursuant to Sections 501(a) and 501(c)(3) of the Internal Revenue Code to support athletic fundraising and athletic programs. TUF 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.

(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.

During the year, the University implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* GASB Statement No. 68 revises existing standards for employer financial statements and requires the recognition of a liability equal to the net pension obligation for pension plans provided by the University to its employees. The net pension obligation is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. This Statement requires that most changes in the net pension liability be included in pension expense in the period of the change. GASB Statement No. 71 is a clarification to GASB Statement No. 68 requiring recognition of a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. These statements also enhance accountability and transparency through revised note disclosures and required supplementary information (RSI). September 30, 2014 amounts have not been restated to reflect the impact of GASB Statement No. 68 because the information is not available to calculate the impact on pension expense for the fiscal year ending September 30, 2014. In accordance with the Statement, the University has reported a net pension liability (net of deferred outflows of resources) in the amount of $558,573,898 as a change in accounting principle adjustment to unrestricted net position as of October 1, 2014.

Financial Highlights

Statement of Net Position

A summary of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of September 30, 2015 and 2014, is as follows:

	2015	2014
Assets		
Current assets	$ 236,697,624	$ 301,408,817
Capital assets	1,560,193,650	1,550,144,298
Other noncurrent assets	995,824,011	861,390,142
Total assets	2,792,715,285	2,712,943,257
Deferred Outflows of Resources	80,183,723	14,442,185
Liabilities		
Current liabilities	345,166,861	333,782,202
Noncurrent liabilities	1,309,624,581	751,013,602
Total liabilities	1,654,791,442	1,084,795,804
Deferred Inflows of Resources	39,513,489	435,203
Net Position		
Net investment in capital assets	855,698,812	821,520,355
Restricted-nonexpendable	28,537,859	28,176,521
Restricted-expendable	177,483,201	162,165,880
Unrestricted	116,874,205	630,291,679
Total net position	$ 1,178,594,077	$ 1,642,154,435

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 $64.7 million from 2014 to 2015. Of this decrease, cash and cash equivalents and operating investments decreased by $78.4 million. During the year, the University decreased the amount of deposits on hold with banks based on revised federal bank regulations. These funds were invested in longer term maturities. Accounts receivable (including loans receivable and interest receivable) increased $8.7 million. The majority of the accounts receivable increase was due to increased spending prior to year end on federal, state and other sponsored projects, which generated receivables. Student accounts receivable increased $3.9 million, which was due to the tuition increase approved by the Board of Trustees and changes in enrollment and scholarship strategies. The remaining changes were due to increases in inventories and prepaid expenses of $1.1 million.

The University's long-term investments, shown in other noncurrent assets, increased by $134.5 million from 2014 to 2015. As discussed above, this was due partially to changes in federal bank regulations as well as investing the University's increases in net position in longer term maturities. The University saw increases in capital assets, net of depreciation, shown as "Investment in plant, net" on the Statement of Net Position, of $10.0 million from 2014 to 2015. Capital assets generally represent the historical cost of land, land improvements, buildings, construction in progress, infrastructure, equipment, library books, art and collectibles, software system implementation, and livestock, less applicable accumulated depreciation, with buildings comprising approximately 76.8% of the total net capital asset value. The increase, offset by disposal activity, depreciation, and transfers, was the result of $86.8 million of new additions to property, plant, and equipment, net of construction in progress transfers. The University expended $69.5 million in new construction during fiscal year 2015.

The following building construction projects totaling $37.5 million were either completed and placed into service or additional work was performed on a previously completed project during the current fiscal year:

Jordan Hare Stadium New Score and Video Board System	$ 13.2 million
Cambridge Apartments	$ 5.2 million
East Glenn Administrative Support Facility	$ 3.4 million
Bailey Small Animal Teaching Hospital	$ 2.6 million
Dudley Envelope and Windows	$ 2.0 million
South Donahue Residence Halls	$ 1.5 million
Lowder East Hall Courtyard Student Lounge	$ 1.3 million
War Hawk Residence Hall	$ 1.3 million
Pathological Waste Incinerator and Building Improvements	$ 1.2 million
Jordan Hare Stadium Power System Improvement	$ 1.1 million
Other Small Projects	$ 4.7 million

The University's Deferred Outflows of Resources
Deferred outflows of resources are a consumption of net assets that are applicable to a future reporting period. In 2010, 2012, 2014, and 2015, the University defeased certain outstanding bonds. These refundings resulted in losses (the difference between the acquisition price of the new debt and the net carrying amount of the old debt). In accordance with GASB Statements No. 63 and No. 65, these losses are presented as deferred outflows of resources. In 2015, the University implemented GASB Statement No. 68 which required the reporting of deferred outflows of resources relating to the accounting and reporting of pensions.

Deferred outflows of resources increased $65.7 million, which is made up of loss on refunding of bonds and pension activity. During the year, the University partially defeased certain bonds and issued 2015A and 2015B General Fee Bonds. The losses on refunding of these defeasances, which totaled $15.7 million, were amortized with prior years' losses. The amortized amount of $3.2 million netted with the current year losses to account for $12.5 million of the increase. The loss on refunding is amortized over the life of the old or new bonds, whichever is shorter. The University is amortizing over the life of the defeased bonds (see Note 8). In addition, deferred outflows of resources increased $53.2 million relating to pension activity in accordance with the implementation of GASB Statement No. 68 (see Note 11).

The University's Liabilities
Current liabilities consist of accounts payable, accrued salaries and wages, the current portion of compensation-related liabilities, accrued interest payable, other accrued liabilities, student and other deposits (including Perkins and Health Professions loan liability), unearned revenues, and the current portion of noncurrent liabilities. Current liabilities increased $11.4 million from 2014 to 2015. While the University accrued $3.0 million less in payables at year end, unearned revenues increased $15.2 million. Unearned revenue is comprised of tuition, room and board revenue that relates to fiscal year 2016, contracts and grants funding received prior to expenditure as well as athletic revenue related to games played subsequent to September 30. For Fall 2015, the Board of Trustees approved approximately a 2.5% and 3.2% tuition increase for main campus and AUM, respectively. Sixty percent of fall tuition is reported as unearned revenue due to the fiscal year end of September 30. The remaining changes were due to a decrease in the pollution remediation liability of $2.9 million, which was determined to be due subsequent to fiscal year 2016 and an increase of $1.4 million in the University's current portion of long term liabilities. This increase was the result of the University's debt repayment strategies. Bonds issued in 2012 were structured to begin principal repayments in 2016, aligning payments with generation of corresponding pledged revenue.

Noncurrent liabilities include principal amounts due on University bonds payable, accrued compensated absences and other compensation-related liabilities that are payable beyond September 30, 2016. Noncurrent liabilities increased $558.6 million from 2014 to 2015. The majority of the increase was due to the implementation of GASB Statement No. 68 which requires the recognition of a liability equal to the net pension obligation for pension plans provided by the University to its employees. Based on actuarial data, the University's pension obligation was $570.4 million. An additional $1.8 million was accrued for the University's post-employment medical plan, in accordance with GASB Statement No. 45. These increases were offset with debt payments and amortization of bond premium and discounts in the amount of $16.3 million. The remaining increase was due to the University's pollution remediation liability, which did not change significantly in total from 2014; however, it is now determined it will be due subsequent to fiscal year 2016.

The University's Deferred Inflows of Resources
Deferred inflows of resources are an acquisition of net assets that are applicable to a future reporting period. The University engages in certain voluntary nonexchange transactions (grants). Grant funds received for which all eligibility requirements have been met, other than time requirements, are presented as deferred inflows of resources in accordance with GASB Statements No. 63 and No. 65. In 2015, the University implemented GASB Statement No. 68 which required the reporting of deferred inflows of resources relating to the accounting and reporting of pensions.

The University's deferred inflows of resources had an increase of $39.1 million from 2014 to 2015. This increase was the result of the accounting and reporting of pension activity, in accordance with GASB Statement No. 68 (see Note 11).

The University's Net Position
The three major net position categories are discussed below:

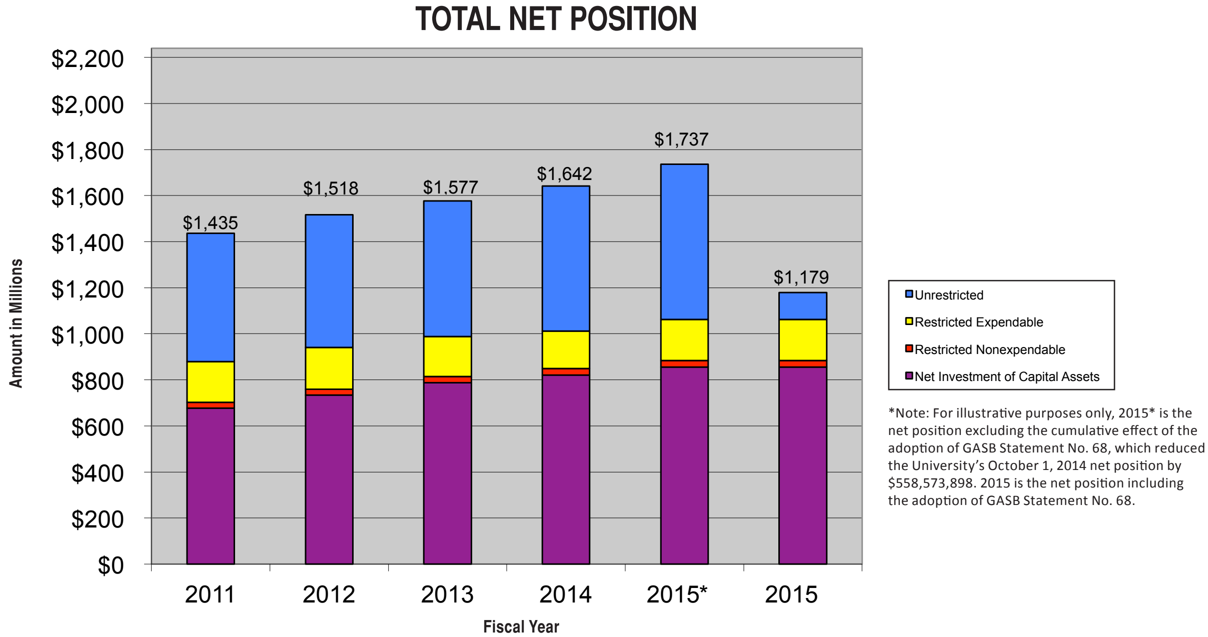
Net investment in capital assets represents the University's capital assets, net of accumulated depreciation and outstanding principal balances of debt as well as any deferred inflows or outflows of resources, attributable to the acquisition, construction, or improvement of those assets. Net investment in capital assets increased 4.2% from 2014 to 2015. This increase was due to capitalization of assets as previously described and payments made on outstanding debt.

Restricted (nonexpendable and expendable) net position:

Restricted-nonexpendable net position is subject to external restrictions governing its use and consists of the University's permanent endowment funds. This net position increased 1.3% from 2014 to 2015. This increase was 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 position is also subject to external restrictions governing its use. Items of this nature 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 position increased 9.4% from 2014 to 2015. This majority of the increase was due to additional gift receipts in fiscal year 2015.

Unrestricted net position is the third major class of net position, and it is not subject to externally imposed stipulations; however, the majority of the University's unrestricted net position has been internally designated for various mission-related purposes. This category includes funds for general operations of the University, auxiliary operations (including athletics, housing, and the bookstores), unrestricted quasi-endowments, and capital projects. Unrestricted net position decreased 81.5% from 2014 to 2015. The decrease in unrestricted net position was due to the implementation of GASB Statement No. 68. Otherwise, the University would have shown an increase in unrestricted net position of $45.2 million.



Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position are the result of activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of this statement is to present operating and nonoperating revenues, operating and nonoperating expenses, other revenues, expenses, gains, losses, and changes in net position.

A condensed statement is provided below:

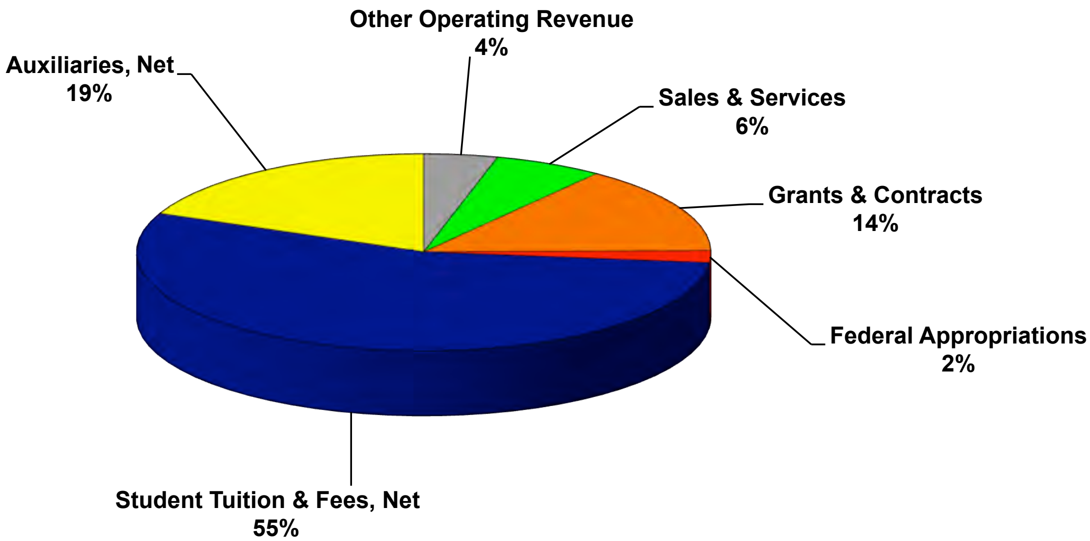
	2015	2014
Operating revenues	$ 718,514,949	$ 663,909,152
Operating expenses	949,522,278	928,297,437
Operating loss	(231,007,329)	(264,388,285)
Net nonoperating revenues and other changes in net position	326,020,869	329,276,547
Increase in net position	95,013,540	64,888,262
Net position - beginning of year	1,642,154,435	1,577,266,173
Cumulative effect of change in accounting principle	(558,573,898)	
Net position, October 1, 2014, as restated	1,083,580,537	
Net position - end of year	$ 1,178,594,077	$ 1,642,154,435

The 2015 Statement of Revenues, Expenses, and Changes in Net Position reflects an increase in net position at the end of the year of $95.0 million. Operating revenues increased 8.2% from 2014 to 2015. The majority of this increase is attributable to the increase in student tuition and fee revenue, net of discounts. The $29.7 million tuition and fee increase over 2014 was the result of the Board-approved increase in tuition for both main campus and AUM and changes to the University's enrollment and scholarship strategies. The University also saw increases in other operating revenue of $6.8 million. The majority of the increase was due to revenue recognized on a fixed price contract, of which the revenue was previously deferred. The University saw a net increase in federal appropriations, federal, state, and nongovernmental contract and grant revenues of $2.9 million, which was primarily the result of an increase in spending of federal grant funds appropriated and awarded for research. Auxiliary revenue increased $12.9 million. The majority of this increase was due to increased athletic ticket sales, radio and television revenues. In addition, the University saw increases in housing revenue at main campus and at AUM.

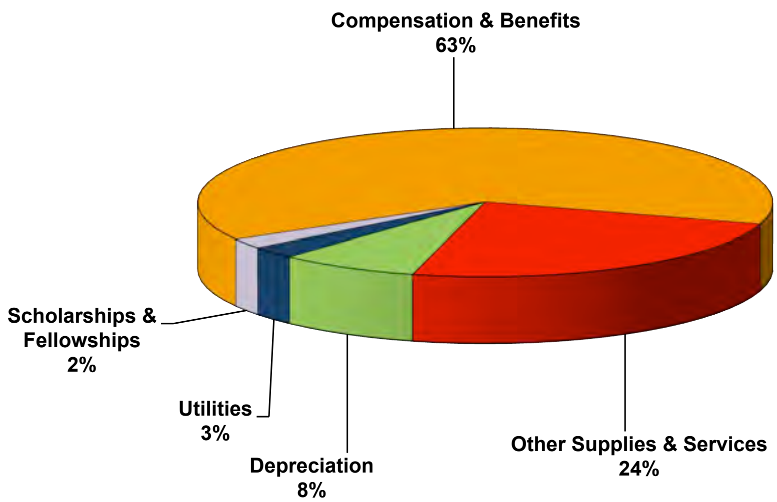
Operating expenses increased $21.2 million from 2014 to 2015. Multiple factors contributed to this net increase. Compensation and benefit costs increased 3.5%. This was the result of Board-approved salary increases and one-time supplement payments. Scholarship and fellowship expense decreased $1.9 million, while other supplies and services expenses had a modest increase of $2.0 million. Depreciation expense increased 3.5% in 2015. This increase was the result of recording depreciation beginning in fiscal year 2015 on projects completed in 2014. The biggest addition in fiscal year 2014 was the Bailey Small Animal Teaching Hospital.

Net nonoperating revenues and other changes in net position decreased $3.3 million from 2014 to 2015. The University's net investment income decreased from $38.8 million in fiscal year 2014 to $27.4 million in fiscal year 2015. During fiscal year 2015, there were several factors that contributed to this decrease. The University experienced one-year losses of (4.0)%, compared to one-year returns of 10.8% in 2014; this caused a decrease in unrealized gains/losses of $7.2 million. During fiscal year 2014, the University recognized a gain of approximately $5.0 million which did not occur in fiscal year 2015. Therefore, the realized gain/losses on investments decreased $4.0 million. In addition, the University's interest expense increased $3.2 million. These changes were offset by an increase in appropriations from the State of Alabama of $2.5 million, additional revenue recognized on Pell grants awarded to students in fiscal year 2015 of $0.5 million or 2.6%, and an increase in gifts and capital gifts and grants of $8.3 million.

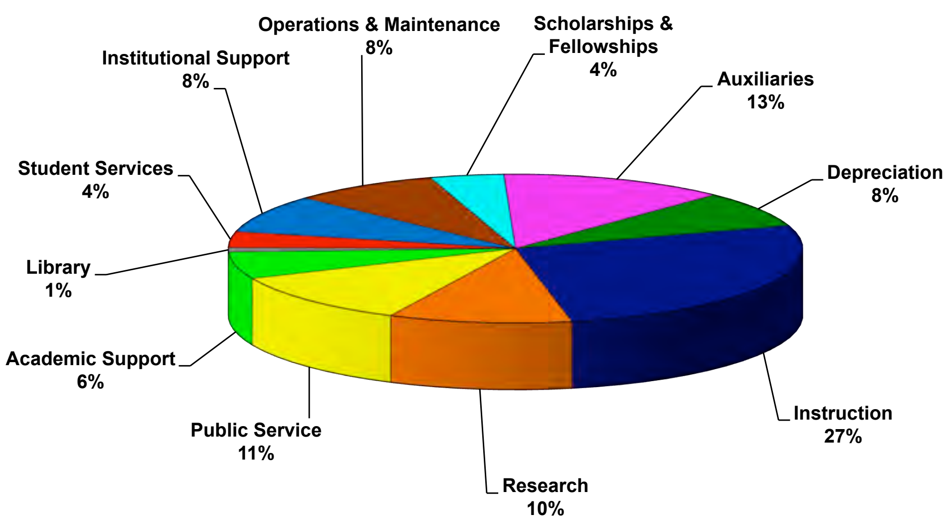
OPERATING REVENUES SUPPORTING CORE ACTIVITIES
For the year ended September 30, 2015



OPERATING EXPENSES BY NATURAL CLASSIFICATION
For the year ended September 30, 2015



OPERATING EXPENSES BY FUNCTION
For the year ended September 30, 2015



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:

	2015	2014
Net cash provided by (used in):		
Operating activities	$ (156,592,736)	$ (167,488,580)
Noncapital financing activities	313,173,218	301,397,720
Capital and related financing activities	(127,591,944)	(125,797,480)
Investing activities	(91,707,514)	57,846,593
Net (decrease) increase in cash	(62,718,976)	65,958,253
Cash and cash equivalents - beginning of year	137,388,965	71,430,712
Cash and cash equivalents - end of year	$ 74,669,989	$ 137,388,965

Net cash used in operating activities decreased from 2014 to 2015 by 6.5%. The majority of this decrease was the result of additional cash provided from tuition and fees of $28.0 million, auxiliary enterprises of $23.3 million, other operating revenues of $7.0 million, and federal appropriations of $1.6 million. These increases in cash were offset by payments for employee compensation and benefits of an additional $21.9 million, as a result of Board-approved salary increases and one-time supplement payments, and additional payments to suppliers of $11.0 million. Although the University received fewer funds from grants and contracts of $19.3 million, payments for utilities and scholarship & fellowships decreased $1.5 million and $1.2 million, respectively.

Net cash provided by noncapital financing activities increased $11.8 million. This was primarily due to additional gifts of $7.7 million and additional allocation of state appropriations of $2.5 million over the allocation in fiscal year 2014. The remaining increase of $1.6 million was the difference between direct and other loan receipts and disbursements in fiscal year 2015.

The University saw an increase in net cash used in capital and related financing activities of $1.8 million. During fiscal year 2015, the University received $2.1 million less than in fiscal year 2014 related to capital gifts and grants. The University completed several projects funded by bond issuances, which caused funds expended related to those issuances to decrease by $10.4 million. During the fiscal year, the University partially refunded two bond issuances causing a net increase in cash flows provided by capital and related financing activity of $8.8 million. In contrast, payments for interest expense increased $13.9 million. This increase was a direct result of the completion of the previously mentioned construction projects. In prior years, some payments relating to interest expense were capitalized. These same costs are now shown as interest expense. In addition, the University increased the principal payments on debt by $5.3 million. This increase was the result of the University's debt repayment strategies. Bonds issued in 2012 were structured to begin principal repayments in 2016, aligning payments with generation of corresponding pledged revenue.

Net cash used in investing activities increased by $149.6 million. Although the University received an additional $237.5 million from the proceeds from the sale and maturities of investments, the University utilized $388.6 million in the purchasing of new investments. The remaining increase of $1.5 million was attributable to investment income receipts.

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 planning processes provide the University some protection against funding reductions and adverse economic conditions. Nonetheless, 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 decrease 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. Management is 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

	2011-12	2012-13	2013-14	2014-15	2015-16
Auburn Main Campus/ Auburn University at Montgomery					
Full Time Students:					
In-State	$8,698/$7,580	$9,446/$8,115	$9,852/$8,750	$10,200/$9,080	$10,424/$9,350
Out-of-State	$23,290/$21,440	$25,190/$23,115	$26,364/$24,950	$27,384/$19,640	$28,040/$20,210

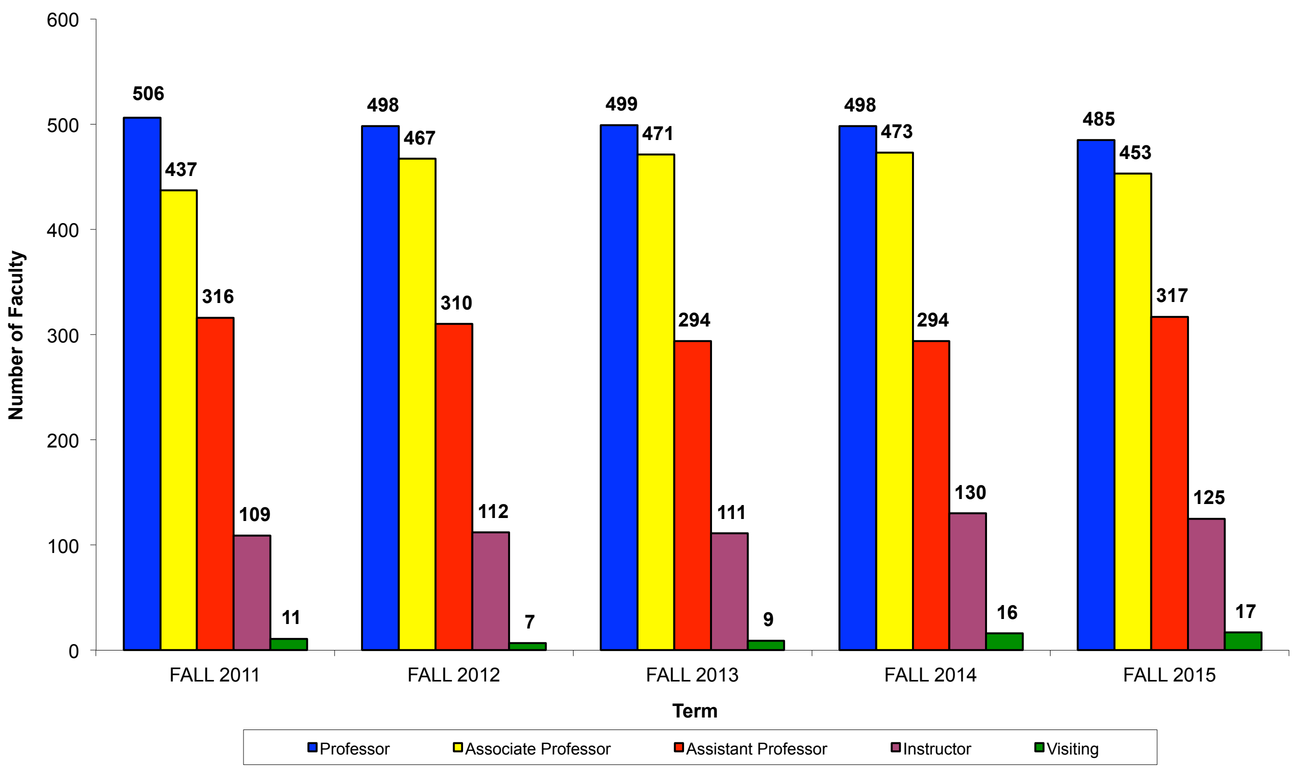
FALL STUDENT ENROLLMENT

	2011	2012	2013	2014	2015
Auburn Main Campus and Auburn University at Montgomery					
Undergraduate and Professional	24,849	24,400	24,133	25,006	26,043
Graduate	5,925	5,723	5,827	5,963	6,163

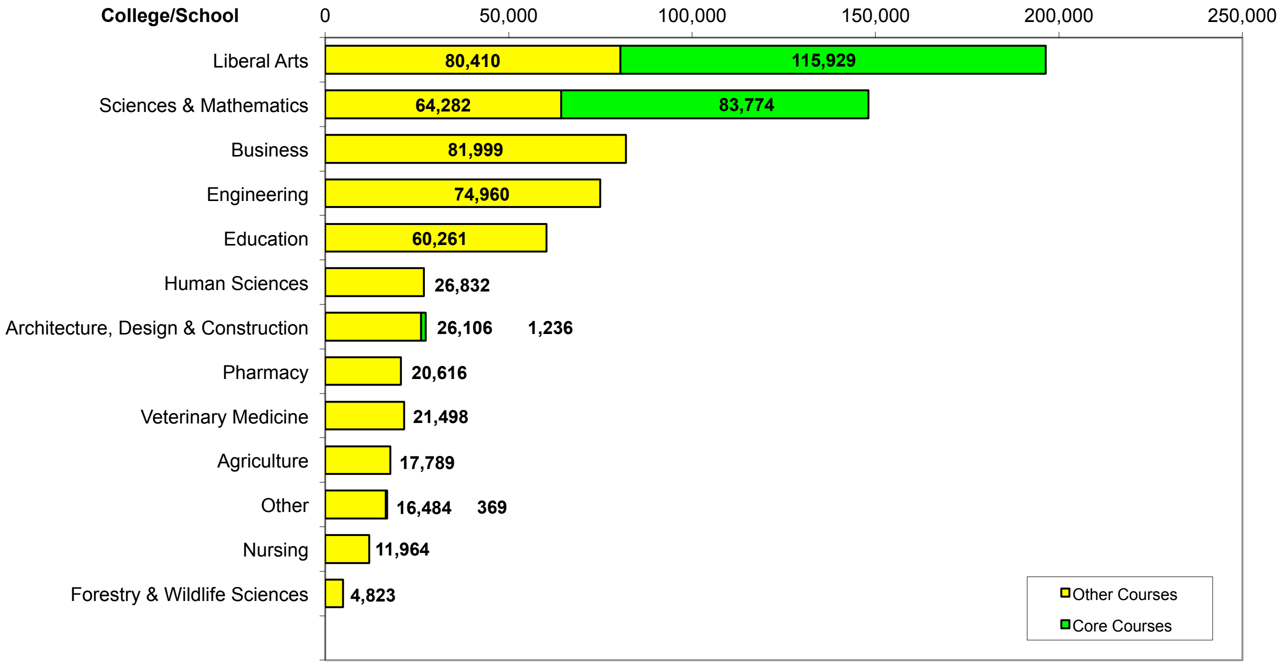
DEGREES AWARDED FOR THE ACADEMIC YEAR

	2010-11	2011-12	2012-13	2013-14	2014-15
Auburn Main Campus and Auburn University at Montgomery					
Bachelor	4,800	4,833	4,834	5,090	5,115
Advanced	1,809	1,922	1,835	1,869	1,905

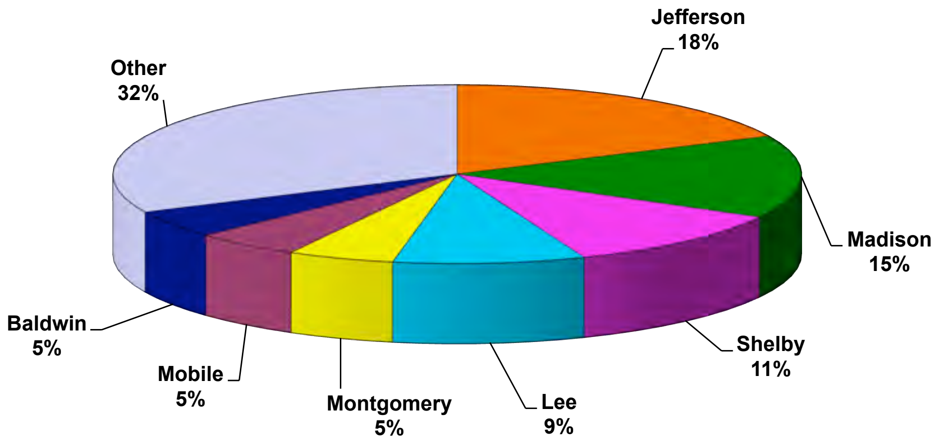
AUBURN UNIVERSITY MAIN CAMPUS AND AUBURN UNIVERSITY AT MONTGOMERY FULL-TIME FACULTY BY RANK



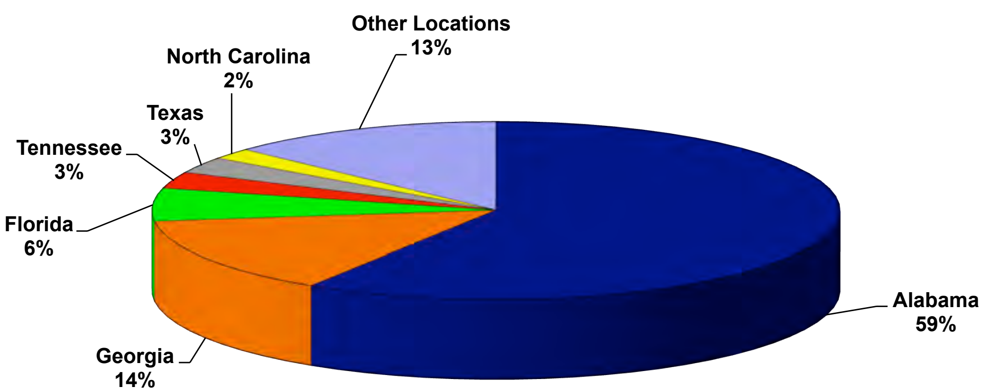
AUBURN UNIVERSITY MAIN CAMPUS TOTAL STUDENT CREDIT HOURS BY COLLEGE/SCHOOL 2014-15



AUBURN UNIVERSITY MAIN CAMPUS FRESHMEN ENROLLMENT BY ALABAMA COUNTIES SUMMER/FALL TERMS 2015



SOURCES OF ENTERING FRESHMEN BY STATE MAIN CAMPUS SUMMER/FALL TERMS 2015



AUBURN UNIVERSITY
FIVE YEAR HIGHLIGHTS (MILLIONS OF DOLLARS)
FOR THE FISCAL YEARS ENDED SEPTEMBER 30

	2011	2012	2013	2014	2015
Revenues by Source					
Tuition and fees	$ 294.7	$ 323.1	$ 349.2	$ 365.9	$ 395.6
Federal appropriations	38.8*	11.8	13.0	12.9	14.3
State appropriations	235.7	247.8	238.6	243.0	245.5
Grants and contracts, net	136.6	134.5	121.1	118.4	120.5
Gifts	32.3	36.6	35.4	36.6	43.9
Capital gifts and grants	48.2	17.2	28.2	3.8	4.8
Sales and services, investments and other income, net of interest expense	58.8	72.8	60.7	89.2	83.6
Sales and services of auxiliary enterprises	106.2	101.5	104.8	123.4	136.3
Total Revenues by Source	$ 951.3	$ 945.3	$ 951.0	$ 993.2	$ 1,044.5
Expenditures by Function					
Instruction	$ 230.4	$ 239.5	$ 242.6	$ 249.0	$ 254.6
Research	102.8	102.6	97.4	99.2	97.3
Public service	106.0	107.4	104.7	102.5	106.7
Academic support	38.8	38.8	43.7	53.3	55.4
Library	8.3	10.1	8.3	9.7	9.0
Student services	23.6	24.9	27.6	30.2	33.0
Institutional support	74.1	73.3	70.0	70.5	78.5
Operation and maintenance	77.8	66.3	84.5	78.8	78.8
Scholarships and fellowships	33.7	35.0	39.5	40.2	39.3
Auxiliary enterprises	102.5	99.1	106.9	123.1	122.6
Depreciation	53.8	61.1	66.1	71.8	74.3
Total Expenditures by Function	$ 851.8	$ 858.1	$ 891.3	$ 928.3	$ 949.5
Expenditures by Natural Classification					
Compensation & benefits	$ 536.6	$ 539.2	$ 558.0	$ 578.2	$ 598.4
Scholarships & fellowships	17.3	18.4	21.6	22.7	20.7
Utilities	23.3	23.2	22.8	26.0	24.5
Other supplies and services	220.8	216.2	222.8	229.6	231.6
Depreciation	53.8	61.1	66.1	71.8	74.3
Total Expenditures by Natural Classification	$ 851.8	$ 858.1	$ 891.3	$ 928.3	$ 949.5

*Includes appropriation from The American Recovery and Reinvestment Act of 2009.

AUBURN UNIVERSITY
FINANCIAL RATIOS**
FOR THE FISCAL YEARS ENDED SEPTEMBER 30

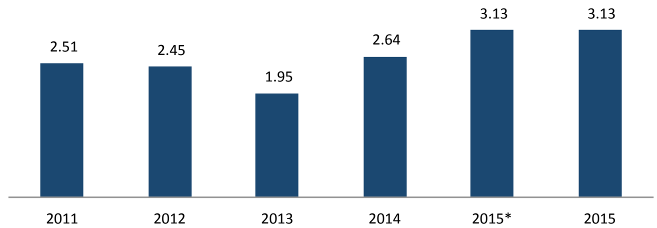
Financial Ratios

NOTE: For illustrative purposes only, 2015* uses the net position excluding the cumulative effect of the adoption of GASB Statement No. 68, which reduced the University's October 1, 2014 net position by $558,573,898. In contrast, 2015 uses the net position including the adoption of GASB Statement No. 68.

Debt Service Coverage Ratio

The debt service coverage ratio measures the ability to cover annual debt service obligations from current year operating cash flows. A ratio of at least 1.0 is desirable.

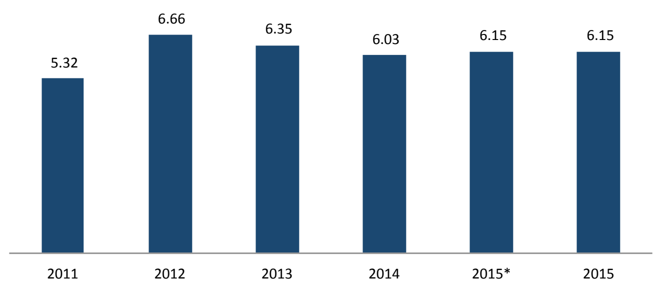
From 2011 through 2013, the University's debt service coverage ratio decreased due to new debt issuances. The ratio began rebounding as the University paid down portions of the outstanding amounts. The ratio remains sufficiently above the desired 1.0 in all years presented and was not affected by the implemention of GASB Statement No. 68.



Debt Service Burden

This ratio measures the percentage of annual operating expenses devoted to debt service. A ratio below 7% is desirable.

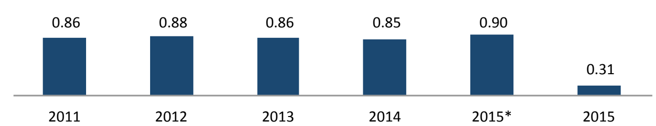
The University's debt service burden increased due to new debt issuances in 2011 and 2012. However, in 2013 and 2014, debt service remained relatively consistent, while operating expenses increased. The ratio increased slightly in fiscal year 2015, as debt service increased. Management strategically planned for debt service to increase as certain projects funded by the debt became revenue-generating. The ratio was not affected by the implementation of GASB Statement No. 68.



Primary Reserve Ratio

The Primary Reserve Ratio measures the financial strength of the institution by indicating how many years it could operate using expendable net position without relying on additional revenue. It is generally recommended that the ratio be at least 0.40.

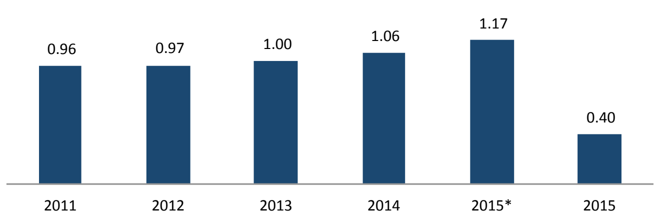
Although the primary reserve ratio is significantly impacted by the implementation of GASB Statement No. 68, management believes the University has sufficient expendable net position to continue to operate.



Viability Ratio

This ratio measures the availability of expendable net position to cover debt obligations should the institution be required to settle them immediately. A ratio of 1.0 indicates that the institution could pay off all debts.

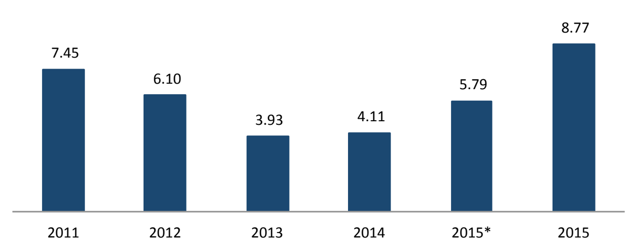
While new debt issuances in 2011 dropped the ratio below 1.0%, the ratio has since rebounded with an increase in the subsequent three years. The viability ratio is significantly impacted by the implementation of GASB Statement No. 68. However, management believes the University has sufficient expendable net position to cover debt obligations.



Return on Net Position Ratio

This ratio measures total economic return and can be used to indicate whether the institution is financially stronger or weaker over time. It is generally recommended that the goal be a 3% - 4% return over the long-term.

The University's return on net position ratio remains strong. The implementation of GASB Statement No. 68 lowered the beginning net position, which resulted in a higher ratio for 2015.



**These financial ratios are presented for purposes of additional analysis and are not a required part of the basic financial statements. These ratios include only the University's financial statements and may not be comparable to other institutions.

AUBURN UNIVERSITY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2015 AND 2014

	2015	2014
ASSETS		
Current assets		
Cash and cash equivalents	$ 74,669,989	$ 137,388,965
Operating investments	29,488,110	45,171,928
Accounts receivable, net	45,263,204	37,295,056
Student accounts receivable, net	41,267,044	37,346,662
Loans receivable, net	2,969,077	2,555,991
Accrued interest receivable	2,138,158	1,814,348
Inventories	4,861,123	4,599,906
Prepaid expenses	36,040,919	35,235,961
Total current assets	236,697,624	301,408,817
Noncurrent assets		
Investments	978,782,993	844,273,591
Loans receivable, net	17,041,018	17,116,551
Investment in plant, net	1,560,193,650	1,550,144,298
Total noncurrent assets	2,556,017,661	2,411,534,440
Total assets	2,792,715,285	2,712,943,257
DEFERRED OUTFLOWS OF RESOURCES		
Loss on refunding of bonds	26,953,797	14,442,185
Pension	53,229,926	-
Total deferred outflows	80,183,723	14,442,185
LIABILITIES		
Current liabilities		
Accounts payable	52,709,497	55,670,506
Accrued salaries and wages	3,501,872	3,025,472
Accrued compensated absences	19,023,576	18,347,365
Accrued interest payable	11,677,978	12,298,575
Other accrued liabilities	5,449,261	8,344,327
Student deposits	2,866,239	3,068,492
Deposits held in custody	20,133,089	19,900,249
Unearned revenues	199,551,845	184,309,364
Noncurrent liabilities-current portion	30,253,504	28,817,852
Total current liabilities	345,166,861	333,782,202
Noncurrent liabilities		
Bonds and notes payable	699,839,916	716,188,582
Pension and OPEB	588,439,539	16,232,518
Other noncurrent liabilities	21,345,126	18,592,502
Total noncurrent liabilities	1,309,624,581	751,013,602
Total liabilities	1,654,791,442	1,084,795,804
DEFERRED INFLOWS OF RESOURCES		
Nonexchange transactions	206,159	435,203
Pension	39,307,330	-
Total deferred inflows	39,513,489	435,203
NET POSITION		
Net investment in capital assets	855,698,812	821,520,355
Restricted		
Nonexpendable	28,537,859	28,176,521
Expendable:		
Scholarships, research, instruction, other	167,933,215	151,931,724
Loans	5,171,064	5,013,550
Capital projects	4,378,922	5,220,606
Unrestricted	116,874,205	630,291,679
Total net position	$ 1,178,594,077	$ 1,642,154,435

See accompanying notes to financial statements.

AUBURN UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
OPERATING REVENUES		
Tuition & fees, net of scholarship allowances of $104,855,468 and $107,695,483, respectively	$ 395,612,498	$ 365,946,812
Federal appropriations	14,304,014	12,888,064
Federal grants & contracts, net	65,197,789	65,480,729
State & local grants & contracts, net	18,137,344	16,025,884
Nongovernmental grants & contracts, net	14,533,400	14,871,312
Sales & services of educational departments	44,393,576	42,072,042
Auxiliary revenue, net of scholarship allowances of $8,113,771 and $7,041,111, respectively	136,309,769	123,401,308
Other operating revenues	30,026,559	23,223,001
Total operating revenues	718,514,949	663,909,152
OPERATING EXPENSES		
Compensation & benefits	598,404,935	578,242,854
Scholarships & fellowships	20,739,919	22,651,077
Utilities	24,520,336	26,003,836
Other supplies & services	231,559,648	229,604,057
Depreciation	74,297,440	71,795,613
Total operating expenses	949,522,278	928,297,437
Operating loss	(231,007,329)	(264,388,285)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	245,502,175	242,982,031
Gifts	43,862,924	36,622,346
Grants	22,620,365	22,037,644
Net investment income	27,441,880	38,843,549
Interest expense on capital debt	(18,597,132)	(15,435,498)
Nonoperating revenues, net	320,830,212	325,050,072
Income before other changes in net position	89,822,883	60,661,787
OTHER CHANGES IN NET POSITION		
Capital appropriations	-	16,585
Capital gifts & grants	4,829,319	3,729,932
Additions to permanent endowments	361,338	479,958
Net increase in net position	95,013,540	64,888,262
Net position - beginning of year	1,642,154,435	1,577,266,173
Cumulative effect of accounting change	(558,573,898)	
Net position October 1, 2014, as restated	1,083,580,537	
Net position - end of year	$ 1,178,594,077	$ 1,642,154,435

See accompanying notes to financial statements.

AUBURN UNIVERSITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition & fees	$ 401,863,262	$ 373,885,655
Federal appropriations	13,398,839	11,822,841
Grants & contracts	88,102,237	107,445,031
Sales & services of educational departments	42,390,578	41,765,348
Auxiliary revenue	144,934,497	119,881,121
Other operating revenues	30,698,728	23,686,105
Payments to suppliers	(234,889,869)	(222,067,887)
Payments for utilities	(24,520,336)	(26,003,836)
Payments for employee compensation & benefits	(596,775,639)	(574,905,901)
Payments for scholarships & fellowships	(21,286,355)	(22,507,092)
Student loans issued	(3,872,655)	(3,397,962)
Student loans collected	3,363,977	2,907,997
Net cash used in operating activities	(156,592,736)	(167,488,580)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	245,502,175	242,982,031
Gifts and grants for other than capital purposes	66,738,081	59,170,269
Direct and other loan receipts	198,010,171	177,467,924
Direct and other loan disbursements	(197,077,209)	(178,222,504)
Net cash provided by noncapital financing activities	313,173,218	301,397,720
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from advanced refunding of debt, net of issuance cost	171,240,220	75,346,556
Capital appropriations	-	16,585
Capital grants & gifts received	2,544,239	4,611,200
Purchases of capital assets	(82,628,205)	(93,052,995)
Proceeds received from sale of capital assets	308,735	81,250
Principal paid on debt & capital leases	(24,863,361)	(19,596,314)
Interest paid on debt & capital leases	(39,373,572)	(25,503,762)
Payment to escrow on advanced refunding of debt	(154,820,000)	(67,700,000)
Net cash used in capital and related financing activities	(127,591,944)	(125,797,480)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments and reinvestments	600,620,269	363,116,309
Investment income	20,924,830	19,419,490
Purchases of investments	(713,252,613)	(324,689,206)
Net cash (used in) provided by investing activities	(91,707,514)	57,846,593
Net (decrease) increase in cash and cash equivalents	(62,718,976)	65,958,253
Cash and cash equivalents - beginning of year	137,388,965	71,430,712
Cash and cash equivalents - end of year	$ 74,669,989	$ 137,388,965

See accompanying notes to financial statements.

AUBURN UNIVERSITY
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

		2015		2014
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:				
Operating loss	$	(231,007,329)	$	(264,388,285)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation and amortization		74,297,440		71,795,613
Reserve for recovery of loans receivable		171,125		224,464
Loss on sale of capital assets		2,160,182		1,894,750
Changes in assets and liabilities:				
Accounts receivable		(8,326,852)		6,747,315
Student accounts receivable		(3,920,382)		(2,986,486)
Inventories		(261,217)		(82,414)
Unearned revenues		15,242,481		10,445,588
Accounts payable		(4,400,835)		4,791,721
Prepaid expenses		(804,958)		17,492
Accrued salaries, wages and compensated absences		1,152,611		1,203,266
Student deposits and deposits held in custody		(902,375)		24,548
Loans to students		(508,678)		(489,965)
Other accrued liabilities		(2,895,066)		644,363
Nonexchange transactions		(229,044)		88,209
Pension obligation		(2,062,054)		-
Other noncurrent liabilities		5,702,215		2,581,241
Net cash used in operating activities	$	(156,592,736)	$	(167,488,580)
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION				
Capital assets acquired with a liability at year-end	$	4,674,497	$	3,234,671
Gifts of capital assets		2,750,330		2,385,618
Capitalized interest		12,535,730		18,485,556

See accompanying notes to financial statements.

AUBURN UNIVERSITY COMPONENT UNITS
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2015 AND 2014

	Auburn University Foundation		Auburn Alumni Association	
	2015	2014	2015	2014
ASSETS				
Cash and cash equivalents	$ 10,226,894	$ 3,349,824	$ 20,729	$ 72,071
Investments	421,516,863	418,046,081	4,357,167	4,776,518
Investment in Auburn University Foundation Securities Pool	-	-	8,210,325	8,989,525
Accrued interest receivable	107,808	79,593	17,423	20,431
Contributions receivable, net	105,082,407	68,585,013	297,820	357,720
Other assets	27,773	6,467	-	34
Investment in real estate	3,200,304	4,074,251	674,799	674,799
Cash surrender value of life insurance	5,588,166	5,082,046	-	-
Beneficial interest in outside trusts	5,205,119	5,405,637	-	-
Property and equipment, net	189,941	218,706	1,885,632	1,943,453
Prepaid items	-	-	270	5,025
Due from Auburn University	545,454	260,860	-	-
Due from Auburn University Foundation	-	-	379	-
Due from Auburn Alumni Association	639,500	-	-	-
Total assets	$ 552,330,229	$ 505,108,478	$ 15,464,544	$ 16,839,576
LIABILITIES				
Accounts payable and accrued liabilities	$ 500,357	$ 423,320	$ 63,839	$ 102,396
Annuities payable	9,424,128	8,637,277	-	-
Due to Auburn University	109,533	168,834	75,559	-
Due to Auburn University Foundation	-	-	641,043	452,369
Due to Auburn Alumni Association	8,210,325	8,989,525	-	-
Due to Tigers Unlimited Foundation	8,047,688	8,606,643	-	-
Deferred revenue	94,151	1,126	8,476,549	8,391,185
Total liabilities	26,386,182	26,826,725	9,256,990	8,945,950
NET ASSETS				
Unrestricted	19,619,387	23,015,641	6,207,554	7,893,626
Temporarily restricted	144,144,939	123,459,727	-	-
Permanently restricted	362,179,721	331,806,385	-	-
Total net assets	525,944,047	478,281,753	6,207,554	7,893,626
Total liabilities and net assets	$ 552,330,229	$ 505,108,478	$ 15,464,544	$ 16,839,576

See accompanying notes to financial statements.

AUBURN UNIVERSITY COMPONENT UNITS
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	Auburn University Foundation		Auburn Alumni Association	
	2015	2014	2015	2014
REVENUES AND OTHER SUPPORT				
Public support - contributions	$ 108,542,846	$ 65,670,616	$ 1,578,527	$ 2,374,133
Investment income	1,768,469	2,511,539	369,014	352,191
Other revenues	2,345,413	2,037,897	897,123	881,262
Total operating revenues	112,656,728	70,220,052	2,844,664	3,607,586
EXPENSES AND LOSSES				
Program services				
Contributions to and support for Auburn University	36,885,661	31,503,530	-	-
Other program services	3,264,551	3,403,546	2,140,300	1,778,184
Total program services	40,150,212	34,907,076	2,140,300	1,778,184
Support services				
General and administrative	1,675,940	1,505,924	1,466,443	1,439,651
Fund raising	3,291,330	2,890,611	202,302	259,264
Total support services	4,967,270	4,396,535	1,668,745	1,698,915
Total expenses	45,117,482	39,303,611	3,809,045	3,477,099
Unrealized losses (gains) on investments	23,590,805	(17,822,794)	721,691	(568,822)
Realized gains on investments	(5,481,835)	(16,003,747)	-	-
Change in valuation of split-interest agreements	1,742,862	(1,602,085)	-	-
Impairment in real estate	25,120	23,234	-	-
Total expenses, (gains) and losses	64,994,434	3,898,219	4,530,736	2,908,277
*Change in net assets	47,662,294	66,321,833	(1,686,072)	699,309
Net assets - beginning of year	478,281,753	411,959,920	7,893,626	7,194,317
Net assets - end of year	$ 525,944,047	$ 478,281,753	$ 6,207,554	$ 7,893,626
*Change in net assets				
Unrestricted	$ (3,396,254)	$ 2,491,520	$ (1,686,072)	$ 699,309
Temporarily restricted	20,685,212	29,700,243	-	-
Permanently restricted	30,373,336	34,130,070	-	-
Total change in net assets	$ 47,662,294	$ 66,321,833	$ (1,686,072)	$ 699,309

See accompanying notes to financial statements.

AUBURN UNIVERSITY COMPONENT UNITS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	Tigers Unlimited Foundation	
	2015	2014
ASSETS		
Cash and cash equivalents	$ 1,412,961	$ 756,174
Investments	39,440,159	36,013,989
Investment in Auburn University Foundation Securities Pool	8,542,039	8,629,832
Due from Auburn University	36,800	-
Accrued interest receivable	105,043	95,311
Contributions receivable, net	10,833,485	10,726,457
Other receivables	412,063	614,125
Other assets	195,459	175,967
Property and equipment, net	17,617	91,129
Total assets	$ 60,995,626	$ 57,102,984
LIABILITIES		
Accounts payable and accrued liabilities	$ 462,449	$ 665,088
Contracts payable, net	5,467,368	6,719,759
Deferred revenue	2,379,824	1,872,870
Due to Auburn University	5,693,143	2,943,300
Due to Auburn University Foundation	165,000	-
Total liabilities	14,167,784	12,201,017
NET ASSETS		
Unrestricted	23,614,005	22,862,847
Temporarily restricted	16,060,965	14,919,083
Permanently restricted	7,152,872	7,120,037
Total net assets	46,827,842	44,901,967
Total liabilities and net assets	$ 60,995,626	$ 57,102,984

See accompanying notes to financial statements.

AUBURN UNIVERSITY COMPONENT UNITS
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	Tigers Unlimited Foundation	
	2015	2014
REVENUES AND OTHER SUPPORT		
Public support - contributions	$ 40,117,708	$ 37,870,989
Investment income	765,225	714,044
Other revenues	6,080,997	5,823,499
Total operating revenues	46,963,930	44,408,532
EXPENSES AND LOSSES		
Program services		
Contributions to and support for Auburn University	16,756,982	17,217,019
Other program services	17,644,565	17,531,732
Total program services	34,401,547	34,748,751
Support services		
General and administrative	1,645,433	1,235,573
Fund raising	8,064,233	7,847,297
Total support services	9,709,666	9,082,870
Total expenses	44,111,213	43,831,621
Unrealized gains on investments, net	(109,901)	(1,319,406)
Realized losses on investments, net	641	228
Loss on write-off of contribution receivable	1,036,102	1,969,702
Total expenses, (gains) and losses	45,038,055	44,482,145
*Change in net assets	1,925,875	(73,613)
Net assets - beginning of year	44,901,967	44,975,580
Net assets - end of year	$ 46,827,842	$ 44,901,967
*Change in net assets		
Unrestricted	$ 751,158	$ (151,084)
Temporarily restricted	1,141,882	(70,480)
Permanently restricted	32,835	147,951
Total change in net assets	$ 1,925,875	$ (73,613)

See accompanying notes to financial statements.

AUBURN UNIVERSITY COMPONENT UNITS
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2015 AND 2014

	Auburn Research and Technology Foundation	
	2015	2014
ASSETS		
Cash and cash equivalents	$ 898,777	$ 731,782
Deposits	40,836	42,143
Other assets	22,051	26,886
Accounts receivable	788,789	349,836
Contributions receivable, net	1,015,948	1,070,336
Property and equipment, net	8,242,346	8,549,672
Total assets	$ 11,008,747	$ 10,770,655
LIABILITIES		
Accounts payable	$ 134,590	$ 68,353
Deferred revenue	201,375	184,955
Deposits held in custody	40,836	42,143
Interest payable	34,972	36,478
Loan payable to Auburn University	841,305	877,548
Other payable to Auburn University	225,705	110,102
Total liabilities	1,478,783	1,319,579
NET ASSETS		
Unrestricted	8,513,975	8,380,699
Temporarily restricted	1,015,989	1,070,377
Total net assets	9,529,964	9,451,076
Total liabilities and net assets	$ 11,008,747	$ 10,770,655

See accompanying notes to financial statements.

AUBURN UNIVERSITY COMPONENT UNITS
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	Auburn Research and Technology Foundation	
	2015	**2014**
REVENUES AND OTHER SUPPORT		
Rental income	$ 1,044,682	$ 982,030
Interest income	20,855	-
Other contracts	536,735	266,654
Contributions	27,639	24,702
Total operating revenues	1,629,911	1,273,386
EXPENSES		
Support services		
General and administrative	1,133,438	838,562
Amortization	65,026	65,026
Depreciation	316,769	317,894
Interest	35,790	37,328
Total support services	1,551,023	1,258,810
Total expenses	1,551,023	1,258,810
*Change in net assets	78,888	14,576
Net assets - beginning of year	9,451,076	9,436,500
Net assets - end of year	$ 9,529,964	$ 9,451,076
*Change in net assets		
Unrestricted	$ 133,276	$ 71,683
Temporarily restricted	(54,388)	(57,107)
Total change in net assets	$ 78,888	$ 14,576

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 32,206 students for Fall semester 2015. The University 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 of Alabama, 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

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.

Contributions intended for the University's benefit are primarily received through the University's component units 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. In accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus –an Amendment of GASB Statements No. 14 and No. 34,* the University has included statements for Auburn University Foundation, Auburn Alumni Association, Tigers Unlimited Foundation and Auburn Research and Technology Foundation in these financial statements, as exclusion of such organizations would render the entity's financial statements misleading or incomplete. Auburn University Real Estate Foundation, Inc. has been consolidated into 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. The component units are not GASB entities; therefore, their respective financial statements adhere to accounting principles under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

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 is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision has been made for income taxes in their respective financial statements. AUF's activities are governed by its own Board of Directors.

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 is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision has been made for income taxes in their respective financial statements. The Association'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 is exempt from federal income 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. TUF's activities are governed by its own Board of Directors with transactions being maintained using a June 30 fiscal year end date.

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 University's campus. ARTF was organized under Internal Revenue Code 501(a)(3). ARTF is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. ARTF's activities are governed by its own Board of Directors.

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

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 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 assets. Contributions for which donors have not stipulated restrictions are reported as unrestricted support.

Financial statements for AUF and the Association 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*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported and Assets and Liabilities*. 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 position categories.

- **Net investment in capital assets:**
  This category is defined as capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred inflows and outflows of resources attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position. Unexpended related debt proceeds and the related debt attributable to the unspent amount as well as deferred inflows of resources, if applicable, are not reported in net investment in capital assets, but in restricted or unrestricted net position.

- **Restricted net position:**
  The restricted component of net position consists of Nonexpendable and Expendable elements.
  Nonexpendable – Nonexpendable restricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources subject to externally imposed stipulations that they be maintained permanently by the University. This element includes the University's permanent endowment funds.
  Expendable – Expendable restricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 position:**
  This category is defined as the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not subject to externally imposed stipulations or included in the determination of net investment in capital assets. Unrestricted net position may be designated for specific purposes by action of management or the Board. Substantially all unrestricted net position is designated for academic and research programs and initiatives, capital projects, and auxiliary units.

GASB Statements No. 35 and No. 63 also require three statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

During fiscal year 2015, the University implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* GASB Statement No. 68 revises existing standards for employer financial statements and requires the recognition of a liability equal to the net pension obligation for pension plans provided by the University to its employees. The net pension obligation is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. This Statement requires that most changes in the net pension liability be included in pension expense in the period of the change.

GASB Statement No. 71 is a clarification to GASB Statement No. 68 requiring recognition of a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. These statements also enhance accountability and transparency through revised note disclosures and required supplementary information (RSI). September 30, 2014 amounts have not been restated to reflect the impact of GASB Statement No. 68 because the information is not available to calculate the impact on pension expense for the fiscal year ending September 30, 2014. In accordance with the Statement, the University has reported a net pension liability (net of deferred outflows of resources) in the amount of $558,573,898 as a change in accounting principle adjustment to unrestricted net position as of October 1, 2014.

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.

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

(2) SIGNIFICANT ACCOUNTING POLICIES OF AUBURN UNIVERSITY

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

Investments
Investments in equity securities, mutual funds, common trust funds, business trust funds, cash value of life insurance and debt securities are reported at fair value in the Statement of Net Position, with all net realized and unrealized gains and losses reflected in the Statement of Revenues, Expenses and Changes in Net Position. 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 non-readily marketable investments at cost with no adjustments for its share of income/appreciation and losses/depreciation received from the investment (see Note 4). The University performs periodic evaluations in which these investments are monitored for impairment. The University did not record any significant losses related to investment impairment during fiscal years 2015 or 2014.

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 4).

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 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. For non-readily marketable investments, investment income is recorded as received.

Inventories
Units currently holding inventories include Facilities, Scientific Supply Store, Chemistry Glass Shop, 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 and gifts of land, buildings and equipment are carried at cost at date of acquisition or, in the case of gifts, at fair 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. Construction in progress expense is capitalized as incurred. Interest expense related to construction is capitalized net of interest income earned on bond proceeds. 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 and historical treasures are capitalized and valued at cost or fair value at the date of purchase or gift, respectively, but not depreciated. Collections are preserved and held for public exhibition, education and research.

Livestock is capitalized and valued at cost or fair value at the date of purchase or gift, respectively, but not depreciated. Annually, livestock inventories are adjusted to actual livestock counts, valued in various manners depending on the type and purpose of the livestock.

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 record any losses related to asset impairment during fiscal year 2015 or 2014.

Unearned Revenues
Unearned 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. Unearned revenues also consist of amounts received from grant and contract sponsors that have not yet been earned under the terms of the agreements. Amounts received from grant sponsors for which the only unmet term of the agreement is timing (i.e. funds may not be spent until a certain date) are classified as deferred inflows of resources in accordance with GASB Statement No. 65. All other unearned 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 student tuition and fees, net of scholarship discounts and allowances, sales and services of auxiliary enterprises, net of scholarship discounts and allowances, most federal, state, local, private grants and contracts and federal appropriations, and 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 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 Position. 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 Revenues
Sales and services of auxiliary enterprises primarily consist of revenues generated by athletics, bookstore, housing, dining, printing and telecommunications, which are substantially self supporting activities that primarily provide services to students, faculty, administrative and professional employees and staff.

Grants and Contracts Revenues
The University receives sponsored funding from governmental and private sources. Revenues from these projects are recognized in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, based on the terms of the individual grant or contract. Pell grants are recorded as nonoperating revenues in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

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.

Donor Pledges
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.

(3) CASH AND CASH EQUIVALENTS
Cash consists of petty cash funds and demand deposits held in the name of the University. The Board approves all banks or other institutions as depositories for University funds. 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, the standard Federal Deposit Insurance Corporation (FDIC) is $250,000 per depositor, per insured bank, for each account ownership category.

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

(4) INVESTMENTS
The Board is authorized to invest all available cash and is responsible for the management of the University's investments. The endowment funds and the cash pool assets are invested in accordance with policies established by the Board. The Board has engaged a custodian and professional investment managers to manage the investment of the endowment funds while maintaining centralized management

of the cash pool. The University monitors these investments through an on-going review of investment strategy, performance, valuation, risk management practices and operational activities.

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, banker's 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 April 17, 2015, 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) was 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 April 17, 2015, spending for a given year equals 80% of spending in the previous year, adjusted for inflation (Consumer Price Index (CPI) within a range of 0.0% and 6.0%), plus 20% of the long-term spending rate (4.0%) applied to the twelve month rolling average of the market values. The net appreciation on endowments and funds functioning as endowments available for authorization for expenditure by the Board amounted to $16,529,670 and $30,497,147 at September 30, 2015 and 2014, respectively, and are recorded as restricted expendable net position.

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, 2015 and 2014, covering the fair value of investments by investment type and related maturity, with the exception of alternative investments, which are carried at cost:

Auburn University Investments
Investment Maturities at Fair Value (in Years)
September 30, 2015

Type of Investments	< 1 year	1-5 years	6-10 years	> 10 years	Total Fair Value
Fixed Maturity					
Certificates of Deposit	$ -	$ 676,922	$ -	$ -	$ 676,922
U.S. Treasury Obligations	21,345,204	76,639,713	5,457,723	-	103,442,640
U.S. Agency Securities	2,763,674	588,864,160	76,936,985	32,214,317	700,779,136
Mortgage Backed Securities	-	-	1,972,528	4,882,546	6,855,074
Municipals	-	1,447,001	976,490	-	2,423,491
	$ 24,108,878	$ 667,627,796	$ 85,343,726	$ 37,096,863	$ 814,177,263
Domestic Equities					1,055,388
Alternative Investments – at cost:					
Hedge Funds					48,827,879
Private Capital					15,533,227
Real Assets					16,812,936
Real Estate					740,750
Mutual Funds					99,799,131
Other					679,358
Money Market					70,844,695
Total investments					1,068,470,627
Less cash equivalents held in cash pool					(60,199,524)
Operating and noncurrent investments					$ 1,008,271,103

Auburn University Investments
Investment Maturities at Fair Value (in Years)
September 30, 2014

Type of Investments	< 1 year	1-5 years	6-10 years	> 10 years	Total Fair Value
Fixed Maturity					
Certificates of Deposit	$ -	$ 701,842	$ -	$ -	$ 701,842
U.S. Treasury Obligations	29,440,652	86,260,207	11,751,838	-	127,452,697
U.S. Agency Securities	3,733,652	376,343,093	104,917,904	44,688,481	529,683,130
Mortgage Backed Securities	-	1,719,046	7,300,256	14,220,481	23,239,783
Municipals	-	402,568	1,017,969	-	1,420,537
	$ 33,174,304	$ 465,426,756	$ 124,987,967	$ 58,908,962	$ 682,497,989
Domestic Equities					1,319,513
Alternative Investments – at cost:					
Hedge Funds					49,289,826
Private Capital					14,188,576
Real Assets					22,256,369
Real Estate					740,750
Mutual Funds					106,083,788
Other					4,214,711
Money Market					146,603,997
Total investments					1,027,195,519
Less cash equivalents held in cash pool					(137,750,000)
Operating and noncurrent investments					$ 889,445,519

- **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 in Private Capital and Real Assets 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 at least P1 by Moody's or A1 by Standard & Poor's or a comparable rating by another nationally recognized rating agency. Banker's 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, 2015 and 2014, concerning credit quality risk:

Auburn University Investments
Ratings of Fixed Maturities

Moody's Rating	Fair Value 2015	Fair Value as a % of Total Fixed Maturity Fair Value 2015	Fair Value 2014	Fair value as a % of Total Fixed Maturity Fair Value 2014
US Treasury	$ 103,442,640	12.71%	$ 127,452,697	18.68%
Aaa	707,634,210	86.91%	552,922,913	81.01%
Aa	2,423,491	0.30%	1,420,537	0.21%
Not rated*	676,922	0.08%	701,842	0.10%
	$ 814,177,263	100.00%	$ 682,497,989	100.00%

*Certificates of deposit 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, 2015 and 2014, 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, 2015 and 2014, the University held no investments in foreign currency.

Securities Lending Program
As of September 30, 2015 and 2014, there was no participation in any securities lending program.

Interest Sensitive Securities
As of September 30, 2015 and 2014, the University held $6,855,074 and $23,239,783, representing 0.6% and 2.3%, respectively, of its total investments in mortgage-backed securities. As of September 30, 2015 and 2014, 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.

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, 2015 and 2014, the University Cash Pool held $52,483,818 and $36,336,000, representing 4.9% and 3.5%, 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 eight mutual funds, one common trust fund, and four 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, 2015 and 2014:

2015

				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	10	$ 50,250,000	$ 50,250,000	$ -	$ -	$ -	$ -	$ -
Private Capital	18	41,550,000	27,391,955	97,960	1,129,979	5,576,565	7,353,541	14,158,045
Real Assets	13	31,175,000	22,019,985	-	1,811,477	7,343,538	-	9,155,015
	41	$ 122,975,000	$ 99,661,940	$ 97,960	$ 2,941,456	$ 12,920,103	$ 7,353,541	$ 23,313,060

2014

				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	10	$ 49,250,000	$ 49,250,000	$ -	$ -	$ -	$ -	$ -
Private Capital	14	33,050,000	24,500,571	65,385	1,543,453	2,284,837	4,655,754	8,549,429
Real Assets	13	42,975,000	36,512,574	-	2,190,378	2,744,988	1,527,060	6,462,426
	37	$ 125,275,000	$ 110,263,145	$ 65,385	$ 3,733,831	$ 5,029,825	$ 6,182,814	$ 15,011,855

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, 2015 and 2014, 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.

On September 30, 2015 and 2014, the University was not a party in any swap or other derivative contracts.

The table entitled, "Auburn University Investments, Investment Maturities at Fair Value (in Years)", includes funds held for pending capital expenditures at September 30, 2015, as follows: $3,751,967, 2011 General Fee Bond proceeds, and $26,810,876, Deferred Maintenance Building Fund. The General Liability Account holds investments of $5,749,582.

At September 30, 2014, funds held for pending capital expenditures were as follows: $4,392,146, 2006 General Fee Bond proceeds; $5,287,720, 2011 General Fee Bond proceeds; $300,000, 2012A General Fee Bond proceeds; and $28,023,166, Deferred Maintenance Building Fund. The General Liability Account held investments of $5,735,301.

AUF holds endowments and distributes earnings from those endowments to the University. AUF investments at September 30, 2015 and 2014, include the following:

	2015		2014	
	Fair Value	Cost	Fair Value	Cost
Cash and pooled investments	$ 4,446,913	$ 4,446,913	$ 6,678,108	$ 6,678,108
Government bonds, notes and other securities	33,028,474	30,759,053	29,375,822	25,933,035
Corporate stocks	1,178,973	278,417	1,887,652	1,006,000
Mutual funds, business trust funds and common trust funds	187,386,931	176,220,120	183,034,720	152,982,542
Hedge funds	124,792,151	89,697,649	122,277,034	83,476,191
Private equity funds	31,951,732	27,755,905	34,106,675	26,055,081
Real asset investment funds	38,731,689	34,662,675	40,686,070	37,934,948
Total investments	$ 421,516,863	$ 363,820,732	$ 418,046,081	$ 334,065,905

AUF owns shares in five mutual funds, four business trust funds, one common trust fund and two family limited partnerships. 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, AUF enters into a separate subscription agreement with a capital commitment to each corporation or limited partnership.

As of September 30, 2015, AUF had entered into subscription agreements with one corporate and forty-five limited partnership investments. The aggregate amount of capital committed to these investments is $209,962,200 of which capital contributions of $172,037,511 have been invested. A cumulative net unrealized gain of $43,388,660 has been recorded on these investments. Of these forty-five commitments, twelve subscriptions relate to hedge funds, twenty subscriptions relate to private equity funds, and thirteen 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 AUF's Consolidated Statements of Activities and Changes in Net Assets net of estimated investment expenses of $4,384,000 and $3,993,000 for the fiscal years ended September 30, 2015 and 2014, 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, 2015. 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 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. Investments in limited partnerships (private equity, hedge funds, and real assets) are designed to enhance diversification and provide reductions in overall portfolio volatility. These fair values are estimated by the general partner of each limited partnership using various valuation techniques. The fair values of these investments at September 30, 2015 and 2014, were $196,410,031 and $197,069,779, respectively.

(5) FUNDS HELD IN TRUST

In addition to permanently restricted endowments 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 $327,177,712 and $298,979,591 and the market value was $382,439,328 and $378,993,254 at September 30, 2015 and 2014, respectively. The portion of endowment income received by the University from these funds was $11,939,752 and $10,607,752 for the fiscal years ended September 30, 2015 and 2014, respectively.

Endowment earnings are distributed annually in March, 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 Position.

In addition, the University has been named as a beneficiary of a foundation with investments having a cost of $2,582,437 and $2,409,462 and a market value of $3,400,476 and $3,555,272 at September 30, 2015 and 2014, 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, 2015 and 2014. The income received from the two trusts was $70,542 and $69,373 for the fiscal years ended September 30, 2015 and 2014, respectively.

(6) ACCOUNTS RECEIVABLE

Accounts receivable and the allowances for doubtful accounts at September 30, 2015 and 2014, are summarized as follows:

	2015	2014
NONSTUDENT ACCOUNTS RECEIVABLE		
Federal, state & local government, and other restricted expendable	$ 28,262,990	$ 23,135,440
Less allowance for doubtful accounts	(1,303,687)	(2,218,796)
Pledged receivables	534,056	575,934
General	14,707,046	16,049,290
Less allowance for doubtful accounts	(13,257,468)	(13,764,142)
Auxiliary	14,458,432	11,190,244
Capital gifts and grants	1,861,835	2,327,086
Total nonstudent accounts receivable	$ 45,263,204	$ 37,295,056

	2015	2014
STUDENT ACCOUNTS RECEIVABLE		
Unrestricted general	$ 39,903,223	$ 35,196,598
Less allowance for doubtful accounts	(1,179,619)	(873,161)
Unrestricted auxiliary	2,600,817	3,079,458
Less allowance for doubtful accounts	(57,377)	(56,233)
Total student accounts receivable	$ 41,267,044	$ 37,346,662

(7) CAPITAL ASSETS

Capital assets at September 30, 2015 and 2014, are summarized as follows (dollars in thousands):

	September 30, 2014	Additions/Transfers	Deletions/Transfers	September 30, 2015
Capital assets not being depreciated				
Land	$ 18,185	$ 1,275	$ -	$ 19,460
Art & collectibles	9,938	725	-	10,663
Construction in progress	18,716	69,531	(55,257)	32,990
Livestock	2,245	941	(591)	2,595
Total capital assets not being depreciated	49,084	72,472	(55,848)	65,708
Capital assets being depreciated				
Land improvements	109,634	2,738	-	112,372
Buildings	1,632,084	37,462	(400)	1,669,146
Equipment	238,762	15,261	(31,967)	222,056
Infrastructure	204,481	6,277	-	210,758
Library books	176,127	7,516	(1,373)	182,270
Software system implementation	14,448	348	-	14,796
Total capital assets being depreciated	2,375,536	69,602	(33,740)	2,411,398
Less accumulated depreciation for				
Land improvements	45,213	6,797	-	52,010
Buildings	434,573	37,378	(396)	471,555
Equipment	166,980	15,564	(30,093)	152,451
Infrastructure	71,113	7,660	-	78,773
Library books	145,821	5,783	(1,372)	150,232
Software system implementation	10,776	1,115	-	11,891
Total accumulated depreciation	874,476	74,297	(31,861)	916,912
Total capital assets being depreciated, net	1,501,060	(4,695)	(1,879)	1,494,486
Capital assets, net	$ 1,550,144	$ 67,777	$ (57,727)	$ 1,560,194

Capital assets at September 30, 2014 and 2013, are summarized as follows (dollars in thousands):

	September 30, 2013	Additions/Transfers	Deletions/Transfers	September 30, 2014
Capital assets not being depreciated				
Land	$ 18,243	$ 280	$ (338)	$ 18,185
Art & collectibles	9,334	656	(52)	9,938
Construction in progress	84,631	79,923	(145,838)	18,716
Livestock	1,937	443	(135)	2,245
Total capital assets not being depreciated	114,145	81,302	(146,363)	49,084
Capital assets being depreciated				
Land improvements	107,095	2,539	-	109,634
Buildings	1,515,023	117,061	-	1,632,084
Equipment	240,506	14,603	(16,347)	238,762
Infrastructure	192,527	11,954	-	204,481
Library books	169,646	7,056	(575)	176,127
Software system implementation	14,448	-	-	14,448
Total capital assets being depreciated	2,239,245	153,213	(16,922)	2,375,536
Less accumulated depreciation for				
Land improvements	38,234	6,979	-	45,213
Buildings	399,892	34,681	-	434,573
Equipment	166,739	15,138	(14,897)	166,980
Infrastructure	63,949	7,164	-	71,113
Library books	140,006	6,389	(574)	145,821
Software system implementation	9,331	1,445	-	10,776
Total accumulated depreciation	818,151	71,796	(15,471)	874,476
Total capital assets being depreciated, net	1,421,094	81,417	(1,451)	1,501,060
Capital assets, net	$ 1,535,239	$ 162,719	$ (147,814)	$ 1,550,144

During the fiscal years ended September 30, 2015 and 2014, approximately $0 and $17,000, respectively, was received from the State of Alabama to fund construction. These revenues are classified as capital appropriations on the Statements of Revenues, Expenses and Changes in Net Position.

(8) DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources are a consumption of net assets that is applicable to a future reporting period. In 2010, 2012, 2014 and 2015, the University defeased certain outstanding bonds. These refundings resulted in a loss (the difference between the acquisition price of the new debt and the net carrying amount of the old debt). In accordance with GASB Statements No. 63 and No. 65, this loss is presented as a deferred outflow of resources that is amortized over the life of the old or new bonds, whichever is shorter. The University is amortizing each of the deferred losses presented below over the life of the defeased bonds. Additionally, in accordance with GASB Statement No. 68, which the University adopted in fiscal year 2015, the University's proportionate share of the net difference between projected and actual earnings on pension plan investments is presented as a deferred outflow of resources. The components of deferred outflows of resources are summarized below.

	September 30, 2015	September 30, 2014
Loss on refunding		
2009 General Fee refunding	$ 2,317,000	$ 2,775,220
2012A General Fee refunding	5,165,323	6,150,409
2012B General Fee refunding	288,300	331,212
2014A General Fee refunding	4,694,370	5,185,344
2015A General Fee refunding	10,287,870	-
2015B General Fee refunding	4,200,934	-
Pension	53,229,926	-
Total deferred outflows of resources	$ 80,183,723	$ 14,442,185

(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, 2014	Principal New Debt	Repayment	Balance at September 30, 2015
1978 Auburn University at Montgomery Dormitory Revenue Bonds, $3,279,000 face value, 3.0%, due annually through 2018, a reserve of $146,563 and a $138,501 contingency fund.	$ 665,000	$ -	$ (125,000)	$ 540,000
2001A Athletic Revenue Bonds, $24,412,607 face value, 2.125% to 5.49%, due annually through 2021.	11,671,442	-	(1,993,361)	9,678,081
2006A General Fee Revenue Bonds, $60,000,000 face value, 3.5% to 5.0%, due annually through 2037.	13,450,000	-	(4,960,000)	8,490,000
2007A General Fee Revenue Bonds, $162,530,000 face value, 3.6% to 5.0%, due annually from 2015 through 2022 and annually from 2028 through 2038.	129,445,000	-	(117,180,000)	12,265,000
2008 General Fee Revenue Bonds, $92,500,000 face value, 3.0% to 5.0%, due annually through 2038.	83,345,000	-	(39,750,000)	43,595,000
2009 General Fee Revenue Bonds, $79,500,000 face value, 2.0% to 5.0%, due annually through 2026.	69,970,000	-	(4,140,000)	65,830,000
2011A General Fee Revenue Bonds, $226,035,000 face value, 4.0% to 5.0%, due annually through 2041.	226,035,000	-	(4,255,000)	221,780,000
2012A General Fee Revenue Bonds, $120,135,000 face value, 2.0% to 5.0%, due annually through 2042.	110,850,000	-	(6,465,000)	104,385,000
2012B General Fee Revenue Bonds, $3,505,000 face value, 2.9%, due annually through 2024.	3,385,000	-	(60,000)	3,325,000
2014A General Fee Revenue Bonds, $66,415,000 face value, 2.0% to 5.0%, due annually through 2035.	66,415,000	-	(555,000)	65,860,000
2015A General Fee Revenue Bonds, $116,190,000 face value, 2.0% to 5.0%, due annually from 2016 through 2038.	-	116,190,000	-	116,190,000
2015B General Fee Revenue Bonds, $38,700,000 face value, 2.0% to 5.0%, due annually from 2016 through 2035.	-	38,700,000	-	38,700,000
Total bonds payable	715,231,442	154,890,000	(179,483,361)	690,638,081
Plus unamortized bond premium	29,572,341	16,350,220	(6,467,222)	39,455,339
	744,803,783	$ 171,240,220	$ (185,950,583)	730,093,420
Less: current portion				
Bonds payable	(24,663,361)			(25,403,719)
Unamortized bond premium	(3,951,840)			(4,849,785)
Total noncurrent bonds and notes payable	$ 716,188,582			$ 699,839,916

Bonds and notes payable	Balance at September 30, 2013	Principal New Debt	Repayment	Balance at September 30, 2014
1978 Auburn University at Montgomery Dormitory Revenue Bonds, $3,279,000 face value, 3.0%, due annually through 2018, a reserve of $146,563 and a $138,501 contingency fund.	$ 790,000	$ -	$ (125,000)	$ 665,000
2001A Athletic Revenue Bonds, $24,412,607 face value, 2.125% to 5.49%, due annually through 2021.	13,788,791	-	(2,117,349)	11,671,442
2004 General Fee Revenue Bonds, $76,875,000 face value, 3.0% to 5.25%, due annually through 2014.	1,800,000	-	(1,800,000)	-
2004A Athletic Revenue Bonds, $24,860,000 face value, 2.0% to 5.0%, due annually through 2014.	670,000	-	(670,000)	-
2006A General Fee Revenue Bonds, $60,000,000 face value, 3.5% to 5.0%, due annually through 2037.	53,435,000	-	(39,985,000)	13,450,000
2007A General Fee Revenue Bonds, $162,530,000 face value, 3.6% to 5.0%, due annually from 2015 through 2022 and annually from 2028 through 2038.	159,170,000	-	(29,725,000)	129,445,000
2007B General Fee Revenue Bonds, $14,465,000 face value, 4.625% to 5.125%, due annually through 2014.	3,175,000	-	(3,175,000)	-
2008 General Fee Revenue Bonds, $92,500,000 face value, 3.0% to 5.0%, due annually through 2038.	85,310,000	-	(1,965,000)	83,345,000
2009 General Fee Revenue Bonds, $79,500,000 face value, 2.0% to 5.0%, due annually through 2026.	72,790,000	-	(2,820,000)	69,970,000
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
2012A General Fee Revenue Bonds, $120,135,000 face value, 2.0% to 5.0%, due annually from through 2042.	115,410,000	-	(4,560,000)	110,850,000
2012B General Fee Revenue Bonds, $3,505,000 face value, 2.9%, due annually through 2024.	3,445,000	-	(60,000)	3,385,000
2014A General Fee Revenue Bonds, $66,415,000 face value, 2.0% to 5.0%, due annually from 2015 through 2035.	-	66,415,000	-	66,415,000
Total bonds payable	735,818,791	66,415,000	(87,002,349)	715,231,442
Plus unamortized bond premium	26,124,255	8,931,556	(5,483,470)	29,572,341
Less unamortized bond discount	(8,169)	-	8,169	-
	761,934,877	$ 75,346,556	$ (92,477,650)	744,803,783
Less: current portion				
Bonds payable	(19,302,349)			(24,663,361)
Unamortized bond premium	(3,385,117)			(3,951,840)
Unamortized bond discount	8,169			-
Total noncurrent bonds and notes payable	$ 739,255,580			$ 716,188,582

On March 18, 2015, the University issued the 2015A General Fee bonds with a par value of $116,190,000 and interest rates ranging from 2.0% to 5.0% to advance refund $117,095,000 of outstanding 2006A General Fee and 2007A General Fee Bonds with interest rates ranging from 4.25% to 5.0%. The portion of the net proceeds of this new bond issue to be used for refunding was deposited in an irrevocable trust with an escrow agent and was 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 deferred outflow of resources of $11,126,551 for the difference between the acquisition price of the new debt and the net carrying amount of the old debt. The refunding decreases the University's total debt service payments over the next 23 years by $14,782,269 and resulted in an economic gain (the difference between the present value of the debt service payments on the old and new bonds) for the University of $10,918,145.

On September 10, 2015, the University issued the 2015B General Fee bonds with a par value of $38,700,000 and interest rates ranging from 2.0% to 5.0% to advance refund $37,725,000 of outstanding 2008 General Fee Bonds with an interest rate of 5.0%. The portion of the net proceeds of this new bond issue to be used for refunding was deposited in an irrevocable trust with an escrow agent and was 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 deferred outflow of resources of $4,539,080 for the difference between the acquisition price of the new debt and the net carrying amount of the old debt. The refunding decreases the University's total debt service payments over the next 20 years by $4,605,961 and resulted in an economic gain (the difference between the present value of the debt service payments on the old and new bonds) for the University of $3,394,409.

These losses on refunding, combined with previous losses, have been classified as deferred outflows of resources on the Statements of Net Position. The University recognized $3,154,019 and $2,145,607 of interest and cost associated with the amortization of these deferred outflows in 2015 and 2014, respectively.

Future Debt Service

Future debt service payments for each of the five fiscal years subsequent to September 30, 2015, and thereafter, are as follows:

Year Ending September 30	Bonds Payable Principal	Bonds Payable Interest
2016	$ 25,403,719	$ 33,440,811
2017	22,398,501	32,957,408
2018	23,612,554	32,154,600
2019	24,159,123	31,320,796
2020	24,972,709	30,364,280
2021-2025	136,526,475	124,265,745
2026-2030	136,185,000	88,814,735
2031-2035	155,960,000	55,090,162
2036-2040	123,385,000	19,948,381
2041-2044	18,035,000	988,000
Total future debt service	$ 690,638,081	$ 449,344,918

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.

Lease Obligations	Balance at September 30, 2014	New Lease Obligations	Principal Repayment	Balance at September 30, 2015
Building	$ 200,000	$ -	$ (200,000)	$ -
Total lease obligations	$ 200,000	$ -	$ (200,000)	$ -

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, 2015 and 2014, amounted to approximately $3.8 million and $4.1 million, respectively.

(10) PLEDGED REVENUES

Pledged revenue for 2015 and 2014 as defined by the **Series 2004, 2006A, 2007A, 2007B, 2008, 2009, 2011A, 2012A, 2012B, 2014A, 2015A and 2015B General Fee Revenue Trust Indentures** is as follows:

	2015	2014
Student fees collected	$ 445,535,019	$ 415,790,651
Less fees pledged for specific purposes:		
Athletic fees ($96 per student per semester)	(4,799,903)	(4,470,048)
Transit fees ($145/$141 per semester)	(7,007,982)	(6,565,383)
Student activities fees ($15 per student per semester)	(747,404)	(878,139)
Total general fees pledged	$ 432,979,730	$ 403,877,081

The Series 2011A Bonds 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 main campus and AUM. “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 main campus and AUM.

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 at AUM to secure payment of the 1978 Dormitory Revenue Bonds.

AUM housing and dining revenue pledged for 2015 and 2014 subordinate to prior pledges of such revenues as defined by the **Series 2011A General Fee Revenue Trust Indenture** is as follows:

	2015	2014
AUM housing revenues		
Room rental	$ 5,071,716	$ 4,712,317
Other income	329,796	369,670
Total housing	5,401,512	5,081,987
AUM dining revenue	2,048,293	1,798,862
Total AUM housing and dining revenues pledged	$ 7,449,805	$ 6,880,849

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 Bonds as described below.

Pledged revenue for 2015 and 2014 as defined by the **Series 2001A and 2004 Athletic A & B Revenue Trust Indentures** is as follows:

	2015	2014
Jordan-Hare and other revenues:		
Television and broadcast revenues	$ 24,945,871	$ 7,909,714
Conference and NCAA distributions	16,493,869	23,410,336
Sales and services revenues	27,506,023	34,164,211
Student fees	4,799,903	4,470,048
Royalties, advertisements and sponsorships	6,062,826	5,275,554
Other income	8,545,966	2,873,051
Total athletic revenues pledged	$ 88,354,458	$ 78,102,914

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.

The following summary shows the pledged revenues and related expenses and transfers from operations of the West Dormitories of AUM for the years ended September 30, 2015 and 2014, as defined by the **1978 Auburn University at Montgomery Trust Indenture**:

	2015	2014
Revenues:		
Room rental	$ 1,241,852	$ 1,074,631
Other income	54,506	70,611
Total revenues	1,296,358	1,145,242
Expenses and transfers:		
Personnel costs	306,897	392,743
Operating expenses	345,133	578,262
Transfers	146,787	599,697
Total expenses and transfers	798,817	1,570,702
Surplus (deficit) of revenues over expenses and transfers	497,541	(425,460)
AUM student housing net (deficit) surplus at beginning of year	(327,522)	97,938
AUM student housing net surplus (deficit) at end of year	$ 170,019	$ (327,522)

The AUM dormitory occupancy rate for Fall semester 2015 and Fall semester 2014 was 99.2% and 97.7%, respectively (unaudited).

(11) RETIREMENT PROGRAMS

The employees of the University are participants in three benefit plans; a 401(a) defined benefit plan, 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 TRS. Membership is mandatory for eligible employees. During the 2012 regular session of the Alabama Legislature, Act 2012-377 created a new defined benefit plan tier for employees hired on or after January 1, 2013, with no previous creditable service ("Tier 2"). Employees hired or with creditable service prior to that date are "Tier 1" participants.

Benefits vest after ten years of creditable service. Vested Tier 1 employees may retire with full benefits at age 60 with ten years of service or at any age with 25 years of service. Retirement benefits for Tier 1 employees are calculated by the formula method by which retirees are allowed 2.0125% of their final salary (average of the highest three of the last ten years) for each year of service. Vested Tier 2 employees may retire with full benefits at age 62 with 10 years of service. For Tier 2 employees, the percentage is 1.65% of their final salary (average of the highest five of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner for both Tier 1 and Tier 2 employees. Pre-retirement death benefits are provided to plan members.

TRS was established September 15, 1939, 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 TRS is vested in the Board of Control (currently 15 trustees). 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 Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for TRS. The TRS financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenue when earned, pursuant to plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the GASB. Under these requirements, the TRS plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report. That report may be obtained by writing to the Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150 or at www.rsa-al.gov.

Funding Policy

Tier 1 employees are required by statute to contribute 7.5% of their salary to TRS. Tier 2 employees contribute 6.0% of their salary. 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 TRS 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, for both Tier 1 and Tier 2 employees, respectively, equal the required contributions for each year as follows:

Fiscal year ended September 30,	2015	2014	2013
Total percentage of covered payroll	19.21%/17.05%	19.21%/17.08%	17.58%/15.44%
Contributions:			
Percentage contributed by the employer	11.71%/11.05%	11.71%/11.08%	10.08%/9.44%
Percentage contributed by the employees	7.50%/6.00%	7.50%/6.00%	7.50%/6.00%
Contributed by the employer	$ 43,894,444	$ 42,684,405	$ 35,742,024
Contributed by the employees	27,572,040	27,016,081	26,543,214
Total contributions	$ 71,466,484	$ 69,700,486	$ 62,285,238

At September 30, 2015, the University reported a liability of $523,080,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013. The University's proportion of the collective net pension liability was based on employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2014, the University's proportion was 5.757899%, which was an increase of 0.081384% from its proportion measured as of September 30, 2013.

For the year ended September 30, 2015, the University recognized pension expense of $41,089,000. At September 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	39,219,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	6,543,000	-
Employer contributions subsequent to the measurement date	42,535,000	-
Total	$ 49,078,000	$ 39,219,000

$42,535,000 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in compensation and benefits expense as follows:

Year Ending September 30:	
2016	$ (8,283,000)
2017	(8,283,000)
2018	(8,283,000)
2019	(8,283,000)
2020	456,000
Thereafter	-

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions	
Inflation	3.00%
Investment rate of return*	8.00%
Projected salary increases	3.50-8.25%

*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2013, were based on the results of an investigation of economic and demographic experience for the TRS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

Mortality rates for TRS were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for morality improvements based on Scale AA projected to 2015 and set back one year for females.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stocks	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	100.00%	

*Includes assumed rate of inflation of 2.50%

Discount Rate
The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the System's proportionate share of the net pension liability to changes in the discount rate
The following table presents the University's proportionate share of the net pension liability calculated using the discount rate of 8.00% as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%) or one percentage point higher (9.00%) than the current rate:

	1.00% Decrease (7.00%)	Current Discount Rate (8.00%)	1.00% Increase (9.00%)
Employers' proportionate share of the collective net pension liability	$ 712,597,000	$ 523,080,000	$ 362,451,000

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.

ERS was established October 1, 1945, under the provisions of Act 515 of the Legislature of 1945 for the purpose of providing retirement allowances and other specified benefits for state employees. The responsibility for the general administration and operation of ERS is vested in its Board of Control (currently 13 trustees).

The ERS financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenue when earned, pursuant to plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the GASB. Under these requirements, the ERS plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report. The Plan issues a publically available report that can be obtained at www.rsa-al.gov.

Funding Policy
Tier 1 employees are required by statute to contribute 3.75% of their salary to the ERS. Tier 2 employees contribute 3.00% of their salary. 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 ERS recommends to the Legislature the contribution rate

for the following fiscal year, with the 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, for Tier 1 and Tier 2 employees, respectively, equal the required contributions for each year as follows:

Fiscal year ended September 30,	2015	2014	2013
Total percentage of covered payroll	153.70%/152.88%	57.52%/56.73%	50.59%/49.80%
Contributions:			
Percentage contributed by the employer	149.95%/149.88%	53.77%/53.73%	46.84%/46.80%
Percentage contributed by the employees	3.75%/3.00%	3.75%/3.00%	3.75%/3.00%
Contributed by the employer	$ 4,162,196	$ 1,796,181	$ 1,807,654
Contributed by the employees	104,090	125,541	144,705
Total contributions	$ 4,266,286	$ 1,921,722	$ 1,952,359

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2015, the University's active employee contribution rate was 149.95% of covered employee payroll, and the University's average contribution rate to fund the normal and accrued liability costs was 149.85%.

The University's contractually required contribution rate for the year ended September 30, 2015, was 149.76% of pensionable pay. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the University were $4,151,926 for the year ended September 30, 2015.

Net Pension Liability

The University's net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013 and rolled forward to September 30, 2014, using standard roll-forward techniques as shown in the following table:

Total Pension Liability	
Total Pension Liability as of September 30, 2013 (a)	$ 50,168,786
Entry Age Normal Cost for the period October 1, 2013 - September 30, 2014 (b)	$ 104,069
Actual Benefit Payments and Refunds for the period October 1, 2013 - September 30, 2014 (c)	$ (5,334,993)
Total Pension Liability as of September 30, 2013 [(a)*(1.08)]+(b)-[(c)*(1.04)]	$ 48,737,965

The total pension liability in the September 30, 2013, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions	
Inflation	3.00%
Salary increases	3.75-7.25%
Investment rate of return*	8.00%

*Net of pension plan investment expense

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with a Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the actuarial valuation as of September 30, 2013, were based on the results of an investigation of economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stocks	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	100.00%	

*Includes assumed rate of inflation of 2.50%

Discount Rate

The discount rate used to measure the total pension liability was the long term rate of return, 8.00%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at September 30, 2013	$ 50,168,786	$ 4,471,552	$ 45,697,234
Changes for the year:			
Service cost	104,069	-	104,069
Interest	3,800,103	-	3,800,103
Differences between expected and actual experience			
Contributions - employer	-	1,790,336	(1,790,336)
Contributions - employees	-	125,268	(125,268)
Net Investment Income	-	331,362	(331,362)
Benefit payments, including refunds of employee contributions	(5,334,993)	(5,334,993)	-
Administrative expense	-	-	-
Transfers among employers	-	-	-
Net changes	(1,430,821)	(3,088,027)	1,657,206
Balance at September 30, 2014	$ 48,737,965	$ 1,383,525	$ 47,354,440

Sensitivity of the System's proportionate share of the net pension liability to changes in the discount rate

The following table presents the University's proportionate share of the net pension liability calculated using the discount rate of 8.00% as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%) or one percentage point higher (9.00%) than the current rate:

	1.00% Decrease (7.00%)	Current Discount Rate (8.00%)	1.00% Increase (9.00%)
Employers' proportionate share of the collective net pension liability	$ 50,503,719	$ 47,354,440	$ 44,584,277

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2014. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2014. The auditor's report dated June 3, 2015, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

For the year ended September 30, 2015, the University recognized pension expense of $3,535,872. At September 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	88,330
Employer contributions subsequent to the measurement date	4,151,926	-
Total	$ 4,151,926	$ 88,330

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in compensation and benefits expense as follows:

Year Ending September 30:	
2016	$ 22,083
2017	22,083
2018	22,083
2019	22,081
2020	-
Thereafter	-

Pension Expense

	Deferred Inflows of Resources
Service Cost	$ 104,069
Interest on the total pension liability	3,800,103
Current-period benefit changes	-
Expensed portion of current-period difference between expected and actual experience in total pension liability	-
Expense portion of current-period changes of assumptions	-
Member contributions	(125,268)
Projected earnings on plan investments	(220,949)
Expensed portion of current-period differences between actual and projected earnings on plan investments	(22,083)
Transfers among employers	-
Recognition of beginning deferred outflows of resources as pension expense	-
Recognition of beginning deferred inflows of resources as pension expense	-
Pension Expense (Income)	$ 3,535,872

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 100.0% of elective deferral contributions up to 5.0% of the employee's plan compensation. The matching contributions cannot exceed $1,650 for any plan year (calendar 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, 2015 and 2014, 3,381 and 3,299 employees, respectively, participated in the tax deferred annuity program. The contribution for 2015 was $20,314,942 which includes $5,002,639 from the University and $15,312,303 from its employees. The contribution for 2014 was $19,334,331, which includes $4,845,278 from the University and $14,489,053 from its employees.

Total salaries and wages during the fiscal year for covered employees participating in the plan were $251,370,027 and $240,856,614 for the fiscal years ended September 30, 2015 and 2014, 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 recission of GASB Statement No. 2 and an amendment of GASB Statement No. 31.* As of September 30, 2015 and 2014, 218 and 212 employees, respectively, participated in the plans. Contributions of $2,695,269 and $2,645,296 for fiscal years 2015 and 2014, respectively, were funded by employees and no employer contribution was funded. The University approved investment firms for 457(b) 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 the 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 Tier 1 employees begins at age 60 with at least ten years of service or at any age with 25 years of service. For Tier 2 employees, eligibility begins at age 62 with at least ten 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 post-retirement 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 Employees' 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 $370 and $356 per employee per month in the years ended September 30, 2015 and 2014, respectively. The University paid $10,088,354 and $9,457,590 for 2,255 and 2,201 retirees for the years ended September 30, 2015 and 2014, respectively. 100% of the required contributions were paid to PEEHIP. The required contribution rate is determined by PEEHIP in accordance with state statute.

The required monthly contribution rates for fiscal year 2015 are as follows:

Retired Member Rates

- Individual Coverage/Non-Medicare Eligible - $151.00
- Family Coverage/Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) - $391.00
- Family Coverage/Non-Medicare Eligible Retired Member and Dependent Medicare Eligible - $250.00
- Individual Coverage/Medicare Eligible Retired Member - $10.00
- Family Coverage/Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) - $250.00
- Family Coverage/Medicare Eligible Retired Member and Dependent Medicare Eligible - $109.00
- Tobacco surcharge - $28.00 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 enrolled in one of the Hospital Medical Plans. Otherwise, they can purchase the Optional Plans at the normal monthly rate of $38.00 or $45.00 for family dental.

Members who retired on or after October 1, 2005, and before January 1, 2012, pay two percent of the employer premium for each year under 25 years of service, and for each year over 25 years of service, the retiree premium is reduced by two percent.

Employees who retire on or after January 1, 2012, with less than 25 years of service, are required to pay 4% for each year under 25 years of service. Additionally, non-Medicare eligible employees who retire on or after January 1, 2012, are required to pay 1% more for each year less than 65 (age premium) and to pay the net difference between the active employee subsidy and the non-Medicare eligible retiree subsidy (subsidy premium). When the retiree becomes Medicare eligible, the age and subsidy premium will no longer apply. However, the years of service premium (if applicable to the retiree) will continue to be applied throughout retirement. These changes are being phased in over a five year period.

Surviving Spouse Rates

- Surviving Spouse Non-Medicare Eligible - $700.00
- Surviving Spouse Non-Medicare Eligible and Dependent Non-Medicare Eligible - $934.00
- Surviving Spouse Non-Medicare Eligible and Dependent Medicare Eligible - $907.00
- Surviving Spouse Medicare Eligible - $354.00
- Surviving Spouse Medicare Eligible and Dependent Non-Medicare Eligible - $595.00
- Surviving Spouse Medicare Eligible and Dependent Medicare Eligible $568.00

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 and will be available at the end of January 2016.

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 eligible Civil Service employees and those retirees who elected the PEEHIP plan on or prior to October 1, 1997 for whom the University pays a subsidy. 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 $863,203 and $877,718 for fiscal years ended September 30, 2015 and 2014, 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 $1,772,580 and $1,668,406 in retiree healthcare expense during fiscal years 2015 and 2014, 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, 1550 East Glenn Avenue, Auburn University, Alabama 36849.

The required schedule of funding progress, contained in the Required Supplemental Information immediately following the divisional financial statements (see page 80), 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 for Retiree Medical Plan

Cost Element		Fiscal Year Ended September 30, 2015	
		Amount	Percent of Payroll[1]
1. Unfunded actuarial accrued liability at October 1, 2014	$	68,027,346	3,102.8%
Annual Required Contribution (ARC)			
2. Normal cost	$	-	
3. Amortization of the unfunded actuarial accrued liability over 15 years using level dollar amortization		5,229,775	
4. Annual Required Contribution (ARC = 2 + 3)	$	5,229,775	238.5%
Annual OPEB Cost (Expense)			
5. ARC	$	5,229,775	
6. Interest on beginning of year accrual		324,650	
7. Adjustment to ARC		(1,238,533)	
8. Fiscal year 2015 OPEB cost (5 + 6 + 7)	$	4,315,892	196.9%
End of Year Accrual (Net OPEB Obligation)[2]			
9. Beginning of year accrual [1]	$	16,232,518	
10. Annual OPEB cost		4,315,892	
11. Employer contribution (benefit payments)[2]		(2,543,312)	
12. End of year CAFR accrual (9 + 10 + 11)[2]	$	18,005,098	821.2%

[1] Annual payroll for 24 participants as of September 30, 2015, was $2,192,470.

[2] Actual amounts paid in fiscal year 2015 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[3]	Net OPEB Obligation
September 30, 2013	$ 3,810,309	65.1%	$ 14,564,112
September 30, 2014	$ 4,172,525	60.0%	$ 16,232,518
September 30, 2015	$ 4,315,892	58.9%	$ 18,005,098

[3] 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, 2014 – September 30, 2015
Actuarial cost method	Unit Credit, Actuarial Cost Method
Amortization method	15 years, level dollar open amortization[4]
Asset valuation method	Not applicable
Discount rate	2.0%
Projected payroll growth rate	Not applicable
Health care cost trend rate for medical and prescription drugs	9.0% in fiscal year 2016, decreasing by one-half percentage point per year to an ultimate of 5.0% in fiscal year 2024 and later.
Valuation Date	October 1, 2014

[4] Open amortization means a fresh-start each year for the cumulative unrecognized amount.

Valuation Date October 1, 2014

Monthly Per Capita Claim Costs

Age	Medical
55	$734
60	$880
65	$357
70	$396
75	$422

Claim costs remained unchanged from last year based on a weighted average of benefit plan premiums. Future claim costs are increased by health care cost trend.

Retiree Premiums Non-smoking retirees contribute 40%, surviving spouses and retires who decline to participate pay 100%, and smokers pay an additional $20 of the monthly premiums shown below:

	As of 1/1/15	As of 1/1/14
Pre-65 Single	$481	$472
Pre-65 Family	$1,083	$1,062
Post-65 Single	$156	$142
Post-65 Family	$757	$742

Note: There are several other categories of premiums.

Administrative Expenses Included in claim cost.

Assumed Health Care Trend Rate

Fiscal Year	Medical and Rx Combined Rate
2016	9.0%
2017	8.5%
2018	8.0%
2019	7.5%
2020	7.0%
2021	6.5%
2022	6.0%
2023	5.5%
2024+	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-2014 Combined Mortality Fully Generational Projected using Projection Scale MP=2014.

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:

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

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:

Age	Male	Female
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%

Impact of Healthcare Reform The provisions of Healthcare Reform are expected to increase costs by 4.3% on a discounted basis. The unlimited lifetime maximum, removal of limitations on preventive care and coverage of eligible dependents to age 26 are reflected in the claim costs. The Cadillac Plan excise tax is expected to increase costs by $5.5 million. There is not any cost impact for retirees who have elected PEEHIP.

(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, 2015 and 2014, was $430,623 and $476,765, respectively. These amounts are included in other noncurrent liabilities on the Statement of Net Position.

The On-The-Job-Injury program provides benefits for job-related injuries or death resulting 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, 2015 and 2014, was $3,041,613 and $2,021,882, respectively. These amounts are included in other noncurrent liabilities on the Statement of Net Position.

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 Statements of Net Position include a self-insurance liability for health insurance as of September 30, 2015 and 2014, of $7,923,758 and $11,394,610, respectively. These amounts are included in accounts payable and other accrued liabilities on the Statement of Net Position.

Other Liabilities

Other liabilities include compensated absences, deposits held in custody and unearned 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 $19,023,576 and $18,347,365 at September 30, 2015 and 2014, respectively.

Deposits held in custody include the portion of the Federal Perkins Student Loan funds and Health Professions Student Loans which would be refunded in the event the University ceased operations. The refundable amounts were $16,077,804 and $15,920,432 at September 30, 2015 and 2014, respectively. Also included in deposits held in custody of others are the agency funds. These amounts totaled $4,026,721 and $3,937,118 for September 30, 2015 and 2014, respectively. The remaining difference relates to immaterial rental deposits.

Unearned 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. Unearned revenues at September 30, 2015 and 2014, are as follows:

	2015	2014
Tuition and fees, net	$ 144,787,084	$ 136,497,793
Federal, state and local government grants and contracts	8,818,782	13,440,678
Auxiliary, net	45,455,323	33,864,410
Plant	490,656	506,483
Total unearned revenue	$ 199,551,845	$ 184,309,364

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 RCRA Facility permit.

As of September 30, 2015 and 2014, the total estimated pollution remediation liability (estimated using the expected cash-flow technique) is $7,003,258 and $6,972,856, respectively. The current portion of this amount ($348,948 and $3,306,421, respectively) is included in other accrued liabilities and the long-term portion ($6,654,310 and $3,666,435, respectively) is included in other noncurrent liabilities in the accompanying Statements of Net Position. 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.

(14) DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources are an acquisition of net assets that are applicable to a future reporting period. The University engages in certain voluntary nonexchange transactions (grants). Grant funds received for which all eligibility requirements have been met, other than time requirements, are presented as deferred inflows of resources in accordance with the adoption of GASB Statements No. 63 and No. 65. Additionally, in accordance with GASB Statement No. 68, which the University adopted in fiscal year 2015, the University's proportionate share of the net difference between projected and actual earnings on pension plan investments is presented as a deferred inflow of resources. Deferred inflows of resources are summarized below:

	September 30, 2015	September 30, 2014
Nonexchange transactions	$ 206,159	$ 435,203
Pension	39,307,330	-
Total deferred inflows	$ 39,513,489	$ 435,203

(15) CONTRACTS AND GRANTS

The University has been awarded approximately $14.3 million and $6.4 million in contracts and grants that have not been received or expended as of September 30, 2015 and 2014, respectively. These awards, which represent commitments of sponsors to provide funds for research and training projects, have not been reflected in the financial statements.

(16) RECOVERY OF FACILITIES AND ADMINISTRATIVE COST FOR SPONSORED PROGRAMS

The portion of revenue recognized for all grants and contracts that represent facilities and administrative cost recovery is recognized on the Statements of Revenues, Expenses and Changes in Net Position within contract and grant operating revenues. The University recognized $17,276,028 and $16,220,174 in facilities and administrative cost recovery for the years ended September 30, 2015 and 2014, respectively.

(17) CONSTRUCTION COMMITMENTS AND FINANCING

The University has entered into projects for the construction and renovation of various facilities that are estimated to cost approximately $366.5 million. At September 30, 2015, the estimated remaining cost to complete the projects is approximately $94.8 million which will be funded from University funds and bond proceeds.

(18) OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the years ended September 30, 2015 and 2014, 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, 2015

	Compensation and Benefits	Scholarships and Fellowships	Utilities	Other Supplies and Services	Depreciation	Total
Instruction	$ 220,518,958	$ 863,777	$ -	$ 33,209,524	$ -	$ 254,592,259
Research	67,122,765	1,691,480	4,056	28,550,286	-	97,368,587
Public Service	64,969,808	73,926	49,845	41,614,055	-	106,707,634
Academic Support	45,905,858	-	-	9,501,380	-	55,407,238
Library	7,585,076	-	-	1,442,618	-	9,027,694
Student Services	22,923,422	995	-	10,037,135	-	32,961,552
Institutional Support	65,194,561	-	-	13,340,757	-	78,535,318
Operation and Maintenance	28,117,641	-	19,295,455	31,343,993	-	78,757,089
Scholarships and Fellowships	21,544,265	17,165,759	-	600,555	-	39,310,579
Auxiliaries	54,522,581	943,982	5,170,980	61,919,345	-	122,556,888
Depreciation	-	-	-	-	74,297,440	74,297,440
	$ 598,404,935	$ 20,739,919	$ 24,520,336	$ 231,559,648	$ 74,297,440	$ 949,522,278

September 30, 2014

	Compensation and Benefits	Scholarships and Fellowships	Utilities	Other Supplies and Services	Depreciation	Total
Instruction	$ 213,531,303	$ 1,102,162	$ -	$ 34,327,058	$ -	$ 248,960,523
Research	66,800,529	1,404,987	635	31,006,628	-	99,212,779
Public Service	63,480,429	2,465	74,791	38,918,058	-	102,475,743
Academic Support	43,548,796	-	-	9,778,431	-	53,327,227
Library	7,304,223	-	-	2,401,629	-	9,705,852
Student Services	21,337,008	-	-	8,847,034	-	30,184,042
Institutional Support	61,999,767	-	-	8,541,053	-	70,540,820
Operation and Maintenance	27,312,590	-	21,019,977	30,432,719	-	78,765,286
Scholarships and Fellowships	20,006,300	19,977,514	-	226,335	-	40,210,149
Auxiliaries	52,921,909	163,949	4,908,433	65,125,112	-	123,119,403
Depreciation	-	-	-	-	71,795,613	71,795,613
	$ 578,242,854	$ 22,651,077	$ 26,003,836	$ 229,604,057	$ 71,795,613	$ 928,297,437

(19) 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.

(20) RELATED PARTY TRANSACTIONS

Auburn University Foundation

AUF exists to raise and administer private gifts for the benefit of the University. The majority of funds that AUF raises are restricted by the donor for specific schools, colleges or programs of the University. These may be immediately transferred to the University or one of its institutionally-related foundations for its use, held within the Foundation's temporarily restricted funds to be either transferred to the University or 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 for the University's behalf. Amounts transferred to the University or expended on behalf of its programs totaled $40,150,212 and $34,907,076 during the years ended September 30, 2015 and 2014, respectively.

The University Trustees have entered into an agreement whereby AUF Investment Committee manages the University's endowments. AUF is compensated by a management fee. This fee was approximately $1.9 million and $1.8 million for the years ended 2015 and 2014, respectively.

The President of the University serves as an ex-officio non-voting member of AUF's Board. The University's Vice President for Development serves as the President of the Foundation, and the

Director of the Endowment Management Office and the Director of Development Accounting serve as AUF's Assistant Treasurers. The University maintains AUF's financial records as a subsystem within the University's accounting system and AUF has elected to use University employees for its other personnel functions for which it reimburses the University under a Services and Facilities agreement.

AUF and the University operate pursuant to a Services and Facilities Agreement (the AUF Agreement), which addresses the financial relationships between these two entities. The AUF Agreement states that in return for administering gifts for the benefit of the University, the University will provide to AUF certain services and facilities which primarily consist of personnel and other administrative support, and that AUF will make a periodic determination of the allocable shares of these costs and transfer funds as necessary. AUF and the University review the services and facilities at least annually. An estimate of the consideration to be paid for the upcoming year is approved annually by the respective Boards.

For the years ended September 30, 2015 and 2014, all personnel costs plus a limited amount of operational expenses were incurred by the University. AUF incurred and paid the majority of the operational expenses. AUF's share of the combined costs allocated in accordance with the Agreement totaled $2,989,178 and $2,200,405, respectively. The actual payments by AUF totaled $5,067,895 and $2,069,917 for the two years. Costs were analyzed monthly and the net balances due were transferred between the two organizations to settle. For the year, the sum of these transfers resulted in the University reimbursing AUF a net of $2,078,717 for fiscal year 2015 and AUF reimbursing the University a net of $130,489 for fiscal year 2014.

Constituency development operations, which raise funds restricted to a school, college, or program of the University, are funded jointly by the University unit involved and may use AUF gifts restricted to that unit. These costs are the responsibility of the respective constituency unit.

AUREFI and the University entered into an agreement to provide certain services and facilities. AUREFI reimbursed the University $71,863 and $56,455 during the years ended September 30, 2015 and 2014, respectively, for agreement-related services and facilities. AUREFI provided a real property grant to the University of $3,500 during fiscal year 2014. AUREFI did not provide a real property grant to the University in 2015.

The amount due from AUF to the Association consists primarily of funds from the Association's Life Membership program which are invested with AUF's pooled endowments. AUF annually distributes to the Association from the Life Membership investments based on the spending policy. AUF distributed directly to the Association $311,970 and $298,677 during the years ended September 30, 2015 and 2014, respectively.

The Association does not maintain its own endowments but instead establishes endowments in AUF which are administered in the endowment pool. The Association made a campaign commitment of matching funds for scholarship endowments established with certain specific guidelines. Donors have been identified and approved for matches totaling the full amount and the Association makes grants at the end of each quarter for payments received by AUF on these endowments. At September 30, 2015, $639,500 remains unpaid by the Association and is carried as a receivable to AUF from the Association. There was not an outstanding balance at September 30, 2014. Grants from the Association for matching and other endowments were $1,702,647 and $240,583 during the years ended September 30, 2015 and 2014, respectively.

The amount due from AUF to TUF primarily consists of TUF's endowment funds, which are invested with AUF's pooled endowments. AUF annually distributes TUF endowment earnings either to TUF or directly to the University on behalf of TUF based on the spending policy. AUF distributed $298,464 and $287,076 for TUF endowments during the years 2015 and 2014, respectively.

AUF participates in the Tigers Unlimited athletic priority system each year in order to obtain tickets and suites for the cultivation, solicitation and stewardship of contributions. Included in fund raising costs are payments to TUF in the amounts of $384,926 and $436,737 during the years 2015 and 2014, respectively. Actual ticket purchases paid to the AU Athletic Office totaled $125,390 and $100,800 for fiscal years 2015 and 2014, 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.

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, 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's accounting system.

During the years ended September 30, 2015 and 2014, the Association had a salary reimbursement expense of $1,135,273 and $1,042,275, respectively, to the University under the service and facilities agreement. These amounts were fully paid at September 30, 2015 and September 30, 2014, respectively.

Rental income recorded by the Association from the University totaled $374,361 and $362,961, respectively, for the years ended September 30, 2015 and 2014. Rental income recorded by the Association from AUF totaled $1,150 and $3,160 for the years ended September 30, 2015 and 2014, respectively. The University and AUF also paid the Association $62,008 and $4,994, respectively for shared alumni center building expenses for the fiscal year ended September 30, 2015. For the fiscal year ended September 30, 2014, these amounts were $61,385 and $6,065, respectively.

During the years ended September 30, 2015 and 2014, 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 and $680,190 for the years ended September 30, 2015 and 2014, respectively.

During the year ended September 30, 2015, the Association paid the University $19,301 for Alumni Accounting office space at the East Glenn Administrative Complex. During the year ended September 30, 2014, the Association paid the University $20,108 for Alumni Accounting office space rental at Eagle Crossing.

During the years ended September 30, 2015 and 2014, the Association contributed $166,920 and $177,071, respectively, to the Auburn Alumni Association Endowment for Scholarships held with AUF. The Association also contributed $1,124,810 and $304,626 to various AUF scholarship funds and $104,840 and $29,907 to various University scholarship funds during fiscal years 2015 and 2014, respectively.

During the year ended September 30, 2015, the Alumni Association Board approved a fundraising program called the Million Dollar Match program in effort to increase new alumni donor scholarship endowments. As a result of the program, the Association matched dollar for dollar endowment contributions of $460,500 toward qualifying endowments and accrued $639,500 as a payable to AUF.

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 with the earnings thereon transferred to or expended for the University's benefit. Amounts transferred to the University or expended on behalf of its programs totaled $34,401,547 and $34,748,751 during the years ended June 30, 2015 and 2014, respectively. Included in these amounts are current year accruals of severance payments due to terminated employees totaling $3,144,565 and $2,620,161, respectively.

TUF and the University operate pursuant to an operating agreement (the TUF Agreement), which addresses the financial relationships between these two entities. In summary, the TUF Agreement states that the University will provide certain services and facilities to TUF, which primarily consist of personnel and other administrative support. TUF shall 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 TUF 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.

During the years ended June 30, 2015 and 2014, the University incurred obligations of $533,945 and $504,245, respectively, to TUF for the use of executive suites at University athletic events. Of this amount, $528,825 and $499,125, respectively, is recorded as public support-contributions revenue and $5,120 is recorded as other revenue on the Statements of Activities and Changes in Net Assets.

During the years ended June 30, 2015 and 2014, AUF incurred obligations of $140,261 and $157,374, respectively, to TUF for amenities related to the use of the executive suites at University athletic events. This amount is recorded as other revenue on the Statements of Activities and Changes in Net Assets.

During the years ended June 30, 2015 and 2014, 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, 2015 and 2014, obligations of $5,693,143 and $2,943,300 related to these transactions, respectively, were outstanding. TUF paid the 2014 obligation during fiscal year 2015, and it intends to pay the 2015 obligation during fiscal year 2016.

As indicated, the above TUF balances are as of June 30, 2015 and 2014; however, the University believes these figures are not materially different than September 30, 2015 and 2014, respectively.

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. ARTF's Board of Directors include a member of the University's Board of Trustees as well as other University employees.

The Vice President for Research and Economic Development 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 $17,000 were recognized by ARTF during fiscal years 2015 and 2014, related to services provided by the Vice President for Research and Economic Development 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 ARTF Agreement), which governs the general and administrative and development financial relationships between these two entities. In summary, the ARTF 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 review the ARTF 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 ARTF Agreement for fiscal years 2015 and 2014, personnel costs incurred by the University and charged to ARTF were $65,063 and $61,091, respectively. ARTF entered into an agreement with the University to market the University's Certification for Aquaculture Professionals (CAP) program. As of September 30, 2015 and September 30, 2014, ARTF owed the University $6,000 and $15,000, respectively, related to this agreement. ARTF entered into subcontacts with the University to provide services to fulfil ARTF's sponsored project agreements. As of September 30, 2015 and September 30, 2014, ARTF owed the University $58,593 and $24,588, respectively. ARTF and the University enter into licensing agreements for certain intellectual property. Under the licensing agreements, ARTF owed the University $90,149 and $1,185 at September 30, 2015 and 2014, respectively. The University provides certain operating services to ARTF. As of September 30, 2015 and September 30, 2014, ARTF owed the University $5,293 and $7,588, respectively, related to these services. All above amounts owed to the University are shown in "Other payables to Auburn University" on the Statements of Financial Position.

The amounts due from the University to ARTF of $16,000 and $2,957 at September 30, 2015 and 2014, respectively, relate to operating transactions. These amounts are included in "Accounts receivable" on ARTF's Statements of Financial Position.

ARTF held lease agreements with three University departments in fiscal years 2015 and 2014, 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. The University paid approximately $138,000 and $135,000 in lease costs during the fiscal years ended September 30, 2015 and 2014, respectively.

ARTF entered into a contract with the University during fiscal year 2011 to develop and manage a full service business incubator. Revenues of $134,755 and $142,577 related to this contract were recognized for the years ended September 30, 2015 and 2014, respectively. The remaining amounts of $15,245 and $7,423 are shown as deferred revenue at September 30, 2015 and 2014, respectively, and will be recognized when the expenditures are incurred.

(21) DIRECT LOAN PROGRAM

The Federal Direct Loan Program (DL) enables an eligible student or parent to obtain a loan directly through the Department of Education. 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.

The University's Main Campus disbursed approximately $149 million and $131.7 million under these programs during the fiscal years ended September 30, 2015 and 2014, respectively. AUM disbursed approximately $25.5 million and $26.7 million under these programs during the fiscal years ended September 30, 2015 and 2014, respectively.

(22) IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

Statement No. 72, *Fair Value Measurement and Application* was issued in February 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements, and generally requires investments to be measured at fair value. Acquisition value will be required for some types of assets that were previously reported at fair value. It also requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. This Statement is effective for periods beginning after June 15, 2015. Earlier application is encouraged. The University is currently evaluating the financial statement impact of this Statement.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* was issued in June 2015. This Statement extends the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary. It also requires similar disclosures as Statement No. 68, as well as clarifying certain provisions of Statements No. 67 and No. 68. Various provisions of this Statement are effective for fiscal years beginning after June 15, 2016 and fiscal years beginning after June 15, 2015. Earlier application is encouraged. The University is currently evaluating the financial statement impact of this Statement.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* was issued in June 2015. This Statement improves financial reporting through enhanced note disclosures and schedules of required supplementary information that will be presented by other postemployment benefit (OPEB) plans that are administered through trusts that meet the specified criteria. It is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The University does not believe the adoption of this Statement will have an effect on the University's financial statements.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* was issued in June 2015. This Statement addresses accounting and financial reporting for other postemployment benefits (OPEB) that is provided to the employees of state and local governmental employers. It establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The University is currently evaluating the financial statement impact of this Statement, but expects it will record a material liability and a material reduction of its unrestricted net position upon adoption.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was issued in June 2015. This Statement identifies the hierarchy of generally accepted accounting principles (GAAP) in the context of the current governmental financial reporting environment. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted. The University does not believe the adoption of this Statement will have an effect on the University's financial statements.

Statement No. 77, *Tax Abatement Disclosures*, was issued in August 2015. This Statement requires governments that enter into tax abatement agreements to disclose information about a reporting government's own tax abatement agreements and those that are entered into by other governments that reduce the reporting government's tax revenues. This Statement is effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The University does not believe the adoption of this Statement will have an effect on the University's financial statements.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* was issued in December 2015. This Statement addresses the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*, regarding pensions provided through certain multiple-employer defined benefit pension plans and to state and local governmental employers whose employees are provided with such pensions. This Statement amends the scope of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that meets certain criteria. This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that qualify. This Statement is effective for periods beginning after December 15, 2015. Earlier application is encouraged. The University is currently evaluating the financial statement impact of this Statement.

Statement No. 79, *Certain External Investment Pools and Pool Participants* was issued in December 2015. This Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for periods beginning after June 15, 2015, except for certain provisions which are effective for periods beginning after December 15, 2015. Earlier application is encouraged. The University is currently evaluating the financial statement impact of this Statement.

AUBURN

UNIVERSITY

Financial Report
2015

Unaudited Divisional Financial Statements

AUBURN UNIVERSITY MAIN CAMPUS
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2015 AND 2014
(UNAUDITED)

	2015	2014
ASSETS		
Current assets		
Cash and cash equivalents	$ 68,821,235	$ 125,604,475
Operating investments	27,178,364	41,297,322
Accounts receivable, net	32,055,211	27,242,291
Student accounts receivable, net	36,467,532	33,145,907
Loans receivable, net	2,572,573	2,211,440
Accrued interest receivable	1,938,842	1,630,504
Inventories	4,213,700	4,097,851
Prepaid expenses	34,064,117	33,795,828
Due from other funds	2,406,951	2,235,269
Total current assets	209,718,525	271,260,887
Noncurrent assets		
Investments	902,116,832	771,856,321
Loans receivable, net	14,692,389	14,592,344
Investment in plant, net	1,463,430,749	1,453,016,865
Due from other funds	82,442,895	85,445,167
Total noncurrent assets	2,462,682,865	2,324,910,697
Total assets	2,672,401,390	2,596,171,584
DEFERRED OUTFLOWS OF RESOURCES		
Loss on refunding of bonds	26,953,797	14,442,185
Pension	38,653,673	-
Total deferred outflows	65,607,470	14,442,185
LIABILITIES		
Current liabilities		
Accounts payable	47,578,448	52,149,329
Accrued salaries and wages	2,797,001	2,392,583
Accrued compensated absences	14,307,037	13,524,987
Accrued interest payable	11,673,228	12,292,550
Other accrued liabilities	5,449,261	8,344,327
Student deposits	2,861,091	3,055,404
Deposits held in custody	17,756,095	17,072,353
Unearned revenues	183,535,075	164,678,248
Noncurrent liabilities-current portion	30,123,504	28,490,201
Total current liabilities	316,080,740	301,999,982
Noncurrent liabilities		
Bonds and notes payable	699,429,916	715,648,582
Pension and OPEB	413,958,118	1,516,687
Other noncurrent liabilities	21,345,126	18,592,502
Due to other funds	30,141,027	29,686,099
Total noncurrent liabilities	1,164,874,187	765,443,870
Total liabilities	1,480,954,927	1,067,443,852
DEFERRED INFLOWS OF RESOURCES		
Nonexchange transactions	206,159	435,203
Pension	30,598,950	-
Total deferred inflows	30,805,109	435,203
NET POSITION		
Net investment in capital assets	841,292,331	809,019,729
Restricted		
Nonexpendable	23,358,934	23,033,149
Expendable:		
Scholarships, research, instruction, other	134,927,075	120,114,872
Loans	4,816,755	4,656,696
Capital projects	4,189,871	5,044,973
Unrestricted	217,663,858	580,865,295
Total net position	$ 1,226,248,824	$ 1,542,734,714

AUBURN UNIVERSITY MAIN CAMPUS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(UNAUDITED)

	2015	2014
OPERATING REVENUES		
Tuition and fees, net of scholarship allowances of $94,987,834 and $97,464,758, respectively	$ 363,014,113	$ 332,881,008
Federal appropriations	11,862	32,530
Federal grants & contracts, net	39,330,538	40,087,116
State & local grants & contracts, net	5,851,882	6,179,301
Nongovernmental grants & contracts, net	7,167,885	7,766,178
Sales & services of educational departments	38,603,615	35,819,007
Auxiliary revenue, net of scholarship allowances of $6,831,990 and $6,113,436, respectively	127,982,301	115,517,549
Other operating revenues	21,394,650	19,754,148
Total operating revenues	603,356,846	558,036,837
OPERATING EXPENSES		
Compensation & benefits	467,516,874	449,353,647
Scholarships & fellowships	17,475,015	19,255,298
Utilities	20,293,775	20,937,454
Other supplies & services	168,970,789	172,352,784
Depreciation	69,467,894	66,983,139
Total operating expenses	743,724,347	728,882,322
Operating loss	(140,367,501)	(170,845,485)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	160,159,715	158,179,798
Gifts	40,677,175	32,617,505
Grants	14,489,928	14,032,340
Net investment income	25,034,984	36,544,858
Interest expense on capital debt	(16,230,536)	(13,074,828)
Nonoperating revenues, net	224,131,266	228,299,673
Income before other changes in net position	83,763,765	57,454,188
OTHER CHANGES IN NET POSITION		
Capital appropriations	-	16,585
Capital gifts & grants	4,816,181	3,722,074
Additions to permanent endowments	325,785	453,849
Net increase in net position	88,905,731	61,646,696
Net position - beginning of year	1,542,734,714	1,481,088,018
Cumulative effect of accounting change	(405,391,621)	
Net position October 1, 2014, as restated	1,137,343,093	
Net position - end of year	$ 1,226,248,824	$ 1,542,734,714

AUBURN UNIVERSITY AT MONTGOMERY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2015 AND 2014
(UNAUDITED)

	2015	2014
ASSETS		
Current assets		
Cash and cash equivalents	$ 900,252	$ 2,486,082
Operating investments	355,521	817,395
Accounts receivable, net	2,735,684	1,684,642
Student accounts receivable, net	4,799,512	4,200,755
Loans receivable, net	396,504	344,551
Accrued interest receivable	199,316	183,844
Inventories	647,423	502,055
Prepaid expenses	1,976,802	1,440,133
Total current assets	12,011,014	11,659,457
Noncurrent assets		
Investments	11,800,614	15,277,306
Loans receivable, net	2,348,629	2,524,207
Investment in plant, net	96,762,901	97,127,433
Due from other funds	30,141,027	29,686,099
Total noncurrent assets	141,053,171	144,615,045
Total assets	153,064,185	156,274,502
DEFERRED OUTFLOWS OF RESOURCES		
Pension	4,500,039	-
Total deferred outflows	4,500,039	-
LIABILITIES		
Current liabilities		
Accounts payable	3,397,149	1,799,074
Accrued salaries and wages	274,375	251,070
Accrued compensated absences	1,429,342	1,543,202
Accrued interest payable	4,750	6,025
Student deposits	5,148	13,088
Deposits held in custody	2,366,694	2,820,596
Unearned revenues	13,473,898	12,480,486
Noncurrent liabilities-current portion	130,000	327,651
Due to other funds	2,406,951	2,235,269
Total current liabilities	23,488,307	21,476,461
Noncurrent liabilities		
Bonds and notes payable	410,000	540,000
Pension and OPEB	48,341,795	275,500
Due to other funds	82,442,895	85,445,167
Total noncurrent liabilities	131,194,690	86,260,667
Total liabilities	154,682,997	107,737,128
DEFERRED INFLOWS OF RESOURCES		
Pension	3,531,767	-
Total deferred inflows	3,531,767	-
NET POSITION		
Net investment in capital assets	14,406,481	12,500,626
Restricted		
Nonexpendable	5,178,925	5,143,372
Expendable:		
Scholarships, research, instruction, other	25,695,622	25,326,481
Loans	354,309	356,854
Capital projects	165,500	138,500
Unrestricted	(46,451,377)	5,071,541
Total net position	$ (650,540)	$ 48,537,374

AUBURN UNIVERSITY AT MONTGOMERY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(UNAUDITED)

	2015	2014
OPERATING REVENUES		
Tuition and fees, net of scholarship allowances of $9,867,634 and $10,230,725 respectively	$ 32,598,385	$ 33,065,804
Federal grants & contracts, net	1,313,539	2,149,692
State & local grants & contracts, net	8,379,124	6,460,315
Nongovernmental grants & contracts, net	829,794	672,311
Sales & services of educational departments	2,459,819	2,620,387
Auxiliary revenue, net of scholarship allowances of $1,281,781 and $927,675, respectively	8,327,468	7,883,759
Other operating revenues	1,760,537	1,190,159
Total operating revenues	55,668,666	54,042,427
OPERATING EXPENSES		
Compensation & benefits	52,183,458	51,802,596
Scholarships & fellowships	3,165,279	3,319,104
Utilities	3,011,480	3,884,201
Other supplies & services	25,406,056	22,175,617
Depreciation	4,829,546	4,812,474
Total operating expenses	88,595,819	85,993,992
Operating loss	(32,927,153)	(31,951,565)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	22,663,801	22,557,727
Gifts	771,808	838,122
Grants	8,130,437	8,005,304
Net investment income	1,689,236	1,626,894
Interest expense on capital debt	(2,366,596)	(2,360,670)
Nonoperating revenues, net	30,888,686	30,667,377
Loss before other changes in net position	(2,038,467)	(1,284,188)
OTHER CHANGES IN NET POSITION		
Capital gifts & grants	13,138	7,858
Additions to permanent endowments	35,553	26,109
Net decrease in net position	(1,989,776)	(1,250,221)
Net position - beginning of year	48,537,374	49,787,595
Cumulative effect of accounting change	(47,198,138)	
Net position October 1, 2014, as restated	1,339,236	
Net position - end of year	$ (650,540)	$ 48,537,374

ALABAMA AGRICULTURAL EXPERIMENT STATION
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2015 AND 2014
(UNAUDITED)

	2015	2014
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,783,724	$ 5,165,128
Operating investments	1,099,327	1,698,235
Accounts receivable, net	6,877,079	5,615,828
Total current assets	10,760,130	12,479,191
Noncurrent assets		
Investments	36,489,381	31,740,403
Total noncurrent assets	36,489,381	31,740,403
Total assets	47,249,511	44,219,594
DEFERRED OUTFLOWS OF RESOURCES		
Pension	2,986,519	-
Total deferred outflows	2,986,519	-
LIABILITIES		
Current liabilities		
Accounts payable	1,130,076	1,081,597
Accrued salaries and wages	190,318	169,738
Accrued compensated absences	1,387,732	1,383,110
Deposits held in custody	10,300	7,300
Unearned revenues	1,996,448	6,774,223
Total current liabilities	4,714,874	9,415,968
Noncurrent liabilities		
Pension and OPEB	31,962,450	99,616
Total noncurrent liabilities	31,962,450	99,616
Total liabilities	36,677,324	9,515,584
DEFERRED INFLOWS OF RESOURCES		
Pension	2,353,883	-
Total deferred inflows	2,353,883	-
NET POSITION		
Restricted		
Expendable:		
Scholarships, research, instruction, other	2,295,759	1,721,874
Unrestricted	8,909,064	32,982,136
Total net position	$ 11,204,823	$ 34,704,010

ALABAMA AGRICULTURAL EXPERIMENT STATION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(UNAUDITED)

	2015	2014
OPERATING REVENUES		
Federal appropriations	$ 5,769,974	$ 5,421,381
Federal grants & contracts	18,243,737	17,014,302
State & local grants & contracts	1,356,817	1,009,437
Nongovernmental grants & contracts	5,720,837	5,844,017
Sales & services of educational departments	2,818,882	3,223,980
Other operating revenues	5,321,229	709,004
Total operating revenues	39,231,476	33,222,121
OPERATING EXPENSES		
Compensation & benefits	37,440,277	37,292,011
Scholarships & fellowships	99,504	76,675
Utilities	1,054,253	1,023,094
Other supplies & services	26,061,086	24,510,519
Total operating expenses	64,655,120	62,902,299
Operating loss	(25,423,644)	(29,680,178)
NONOPERATING REVENUES		
State appropriations	30,634,258	30,422,954
Gifts	2,280,836	3,095,561
Net investment income	328,432	278,707
Nonoperating revenues, net	33,243,526	33,797,222
Net increase in net position	7,819,882	4,117,044
Net position - beginning of year	34,704,010	30,586,966
Cumulative effect of accounting change	(31,319,069)	
Net position October 1, 2014, as restated	3,384,941	
Net position - end of year	$ 11,204,823	$ 34,704,010

ALABAMA COOPERATIVE EXTENSION SYSTEM
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2015 AND 2014
(UNAUDITED)

	2015	2014
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,164,778	$ 4,133,280
Operating investments	854,898	1,358,976
Accounts receivable, net	3,595,230	2,752,295
Total current assets	6,614,906	8,244,551
Noncurrent assets		
Investments	28,376,166	25,399,561
Total noncurrent assets	28,376,166	25,399,561
Total assets	34,991,072	33,644,112
DEFERRED OUTFLOWS OF RESOURCES		
Pension	7,089,695	-
Total deferred outflows	7,089,695	-
LIABILITIES		
Current liabilities		
Accounts payable	603,824	640,506
Accrued salaries and wages	240,178	212,081
Accrued compensated absences	1,899,465	1,896,066
Unearned revenues	546,424	376,407
Total current liabilities	3,289,891	3,125,060
Noncurrent liabilities		
Pension and OPEB	94,177,176	14,340,715
Total noncurrent liabilities	94,177,176	14,340,715
Total liabilities	97,467,067	17,465,775
DEFERRED INFLOWS OF RESOURCES		
Pension	2,822,730	-
Total deferred inflows	2,822,730	-
NET POSITION		
Restricted		
Expendable:		
Scholarships, research, instruction, other	5,014,759	4,768,497
Capital projects	23,551	37,133
Unrestricted	(63,247,340)	11,372,707
Total net position	$ (58,209,030)	$ 16,178,337

ALABAMA COOPERATIVE EXTENSION SYSTEM

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(UNAUDITED)

	2015	2014
OPERATING REVENUES		
Federal appropriations	$ 8,522,178	$ 7,434,153
Federal grants & contracts	6,309,975	6,229,619
State & local grants & contracts	2,549,521	2,376,831
Nongovernmental grants & contracts	814,884	588,806
Sales & services of educational departments	511,260	408,668
Other operating revenue	1,550,143	1,569,690
Total operating revenues	20,257,961	18,607,767
OPERATING EXPENSES		
Compensation & benefits	41,264,326	39,794,600
Scholarships & fellowships	121	-
Utilities	160,828	159,087
Other supplies & services	11,121,717	10,565,137
Total operating expenses	52,546,992	50,518,824
Operating loss	(32,289,031)	(31,911,057)
NONOPERATING REVENUES		
State appropriations	32,044,401	31,821,552
Gifts	133,105	71,158
Net investment income	389,228	393,090
Nonoperating revenues, net	32,566,734	32,285,800
Net increase in net position	277,703	374,743
Net position - beginning of year	16,178,337	15,803,594
Cumulative effect of accounting change	(74,665,070)	
Net position October 1, 2014, as restated	(58,486,733)	
Net position - end of year	$ (58,209,030)	$ 16,178,337

AUBURN

UNIVERSITY

Financial Report
2015

Required Supplemental Information

REQUIRED SUPPLEMENTAL INFORMATION:

Teachers' Retirement System Schedule of Proportionate Share of Collective Net Pension Liability

		2015
University's proportion of the collective net pension liability		5.757899%
University's proportionate share of the collective net pension liability	$	523,080,000
University's covered-employee payroll during the measurement period*	$	368,745,049
University's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll		141.85%
Plan fiduciary net position as a percentage of the total collective pension liability		71.01%

*University's covered-employee payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For fiscal year 2015, the measurement period is October 1, 2013 - September 30, 2014.

Teachers' Retirement System Schedule of System Contributions

		2015
Contractually Required Contribution	$	42,534,706
Contributions in relation to the contractually required contribution		42,534,706
Contribution deficiency (excess)	$	-
System covered-employee payroll	$	380,477,086
Contributions as a percentage of covered-employee payroll		11.18%

Employees' Retirement System Schedule of System Contributions

		2014
Total pension liability		
Service cost	$	104,069
Interest		3,800,103
Changes of benefit terms		-
Differences between expected and actual experience		-
Changes of assumptions		-
Benefit payments, including refunds of employee contributions		(5,334,993)
Net change in total pension liability	$	(1,430,821)
Total pension liability - beginning		50,168,786
Total pension liability - ending (a)	$	48,737,965
Plan fiduciary net position		
Contributions - employer	$	1,790,336
Contributions - member		125,268
Net investment income		331,362
Benefits payments, including refunds of employee contributions		(5,334,993)
Transfers among employers		-
Net change in plan fiduciary net position	$	(3,088,027)
Plan net position - beginning		4,471,552
Plan net position - ending (b)	$	1,383,525
Net pension liability - ending (a)-(b)	$	47,354,440
Plan fiduciary net position as a percentage of total pension liability		2.84%
Covered-employee payroll*	$	3,341,010
Net pension liability as a percentage of covered-employee payroll		1,417.37%

*Employer's covered-payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For fiscal year 2014, the measurement period is October 1, 2013 - September 30, 2014.

Employees' Retirement System Schedule of Employer Contributions

Actuarially determined contribution*	$	4,151,926
Contributions in relation to the actuarially determined contribution		4,151,926
Contribution deficiency (excess)	$	-
Covered-employee payroll**	$	2,775,630
Contributions as a percentage of covered-employee payroll		149.85%

*Amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. For fiscal year 2015, the fiscal year is the twelve month period beginning after June 15, 2014 (October 1, 2014 - September 30, 2015).

**Employer's covered-payroll during fiscal year is the total payroll paid to covered employees (not just pensionable payroll). For fiscal year 2015, the fiscal year is the twelve month period beginning after June 15, 2014 (October 1, 2014 - September 30, 2015).

Notes to Schedule
Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2015 were based on the September 30, 2012 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry Age

Amortization method: Level percent closed

Remaining amortization period: 10 years

Asset valuation method: Five year smooth market

Inflation: 3.00%

Salary increases: 3.75-7.25%, including inflation

Investment rate of return: 8.00%, net of pension plan investment expense, including inflation

Other Postemployment Benefits

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

Cost Element		Fiscal Year Ended September 30, 2015	
		Amount	Percent of Payroll[1]
1. Unfunded actuarial accrued liability at October 1, 2014	$	68,027,346	3,102.8%
Annual Required Contribution (ARC)			
2. Normal cost	$	-	
3. Amortization of the unfunded actuarial accrued liability over 15 years using level dollar amortization		5,229,775	
4. Annual Required Contribution (ARC = 2 + 3)	$	5,229,775	238.5%
Annual OPEB Cost (Expense)			
5. ARC	$	5,229,775	
6. Interest on beginning of year accrual		324,650	
7. Adjustment to ARC		(1,238,533)	
8. Fiscal year 2015 OPEB cost (5 + 6 + 7)	$	4,315,892	196.9%
End of Year Accrual (Net OPEB Obligation)[2]			
9. Beginning of year accrual [1]	$	16,232,518	
10. Annual OPEB cost		4,315,892	
11. Employer contribution (benefit payments)[2]		(2,543,312)	
12. End of year CAFR accrual (9 + 10 + 11)[2]	$	18,005,098	821.2%

[1] Annual payroll for 24 participants as of September 30, 2015, was $2,192,470.

[2] Actual amounts paid in fiscal year 2015 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[3]	Net OPEB Obligation
September 30, 2013	$ 3,810,309	65.1%	$ 14,564,112
September 30, 2014	$ 4,172,525	60.0%	$ 16,232,518
September 30, 2015	$ 4,315,892	58.9%	$ 18,005,098

[3] 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, 2014 – September 30, 2015
Actuarial cost method	Unit Credit, Actuarial Cost Method
Amortization method	15 years, level dollar open amortization[4]
Asset valuation method	Not applicable
Discount rate	2.0%
Projected payroll growth rate	Not applicable
Health care cost trend rate for medical and prescription drugs	9.0% in fiscal year 2016, decreasing by one-half percentage point per year to an ultimate of 5.0% in fiscal year 2024 and later.

[4] Open amortization means a fresh-start each year for the cumulative unrecognized amount.

Valuation Date October 1, 2014

Monthly Per Capita Claim Costs

Age	Medical
55	$734
60	$880
65	$357
70	$396
75	$422

Claim costs remained unchanged from last year based on a weighted average of benefit plan premiums. Future claim costs are increased by health care cost trend.

Retiree Premiums Non-smoking retirees contribute 40%, surviving spouses and retires who decline to participate pay 100%, and smokers pay an additional $20 of the monthly premiums shown below:

	As of 1/1/15	As of 1/1/14
Pre-65 Single	$481	$472
Pre-65 Family	$1,083	$1,062
Post-65 Single	$156	$142
Post-65 Family	$757	$742

Note: There are several other categories of premiums.

Administrative Expenses Included in claim cost.

Assumed Health Care Trend Rate

Fiscal Year	Medical and Rx Combined Rate
2016	9.0%
2017	8.5%
2018	8.0%
2019	7.5%
2020	7.0%
2021	6.5%
2022	6.0%
2023	5.5%
2024+	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-2014 Combined Mortality Fully Generational Projected using Projection Scale MP=2014.

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:

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

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:

Age	Male	Female
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%

Impact of Healthcare Reform The provisions of Healthcare Reform are expected to increase costs by 4.3% on a discounted basis. The unlimited lifetime maximum, removal of limitations on preventive care and coverage of eligible dependents to age 26 are reflected in the claim costs. The Cadillac Plan excise tax is expected to increase costs by $5.5 million. There is not any cost impact for retirees who have elected PEEHIP.

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Employer Contribution	Percentage Contributed
September 30, 2013	$ 4,555,416	$ 2,480,884	54.5%
September 30, 2014	$ 4,992,477	$ 2,504,119	50.2%
September 30, 2015	$ 5,229,775	$ 2,543,312	48.6%

Schedule of Funding Progress

Fiscal Year Ended	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)(b)	Unfunded (Overfunded) AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)/(c)]
September 30, 2013	-	$ 58,200,833	$ 58,200,833	0.0%	$ 3,942,432	1476.3%
September 30, 2014	-	$ 64,259,009	$ 64,259,009	0.0%	$ 3,061,830	2098.7%
September 30, 2015	-	$ 68,027,346	$ 68,027,346	0.0%	$ 2,192,470	3102.8%

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.

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