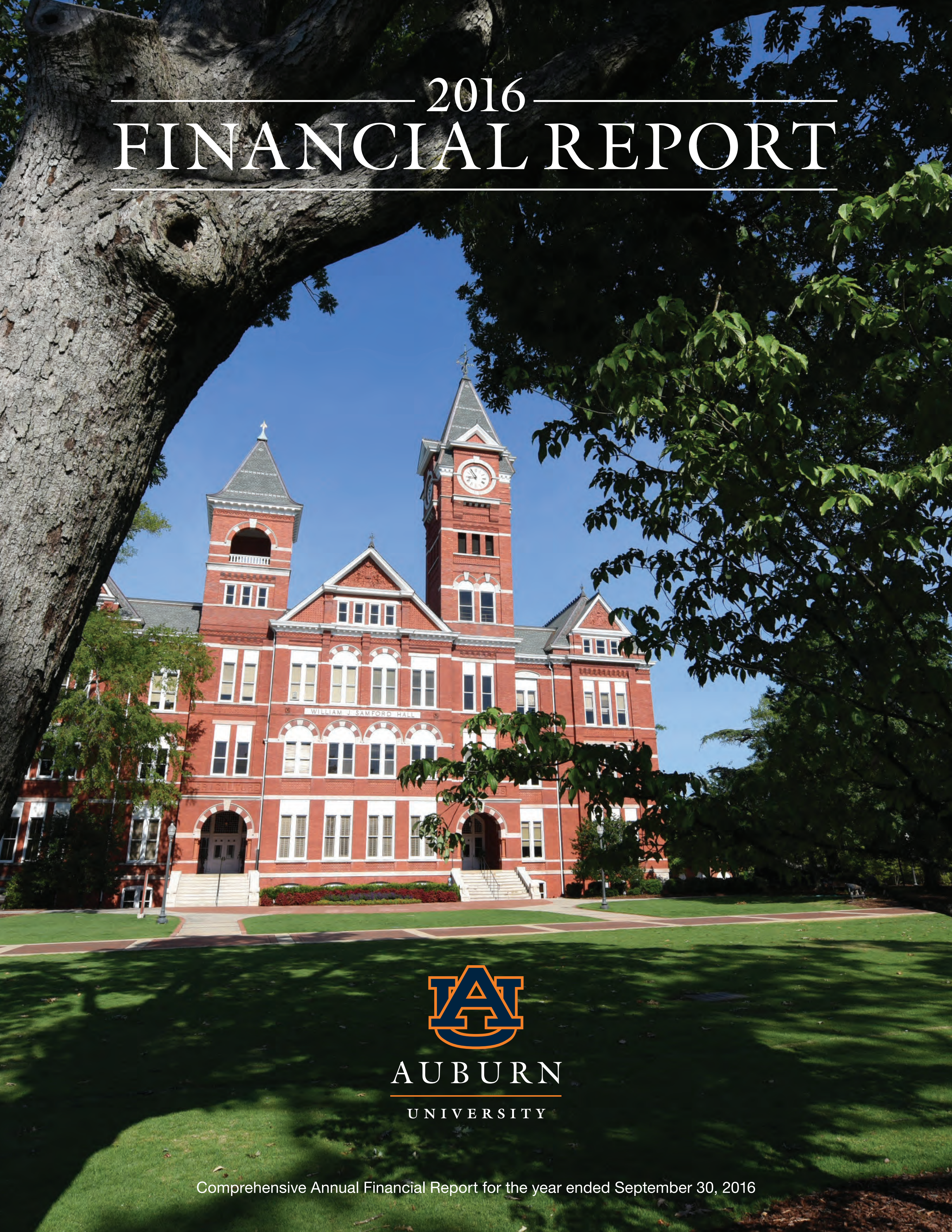
2016
FINANCIAL REPORT



AUBURN
UNIVERSITY

Comprehensive Annual Financial Report for the year ended September 30, 2016

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AUBURN UNIVERSITY

OFFICE OF THE PRESIDENT

January 24, 2017

Dear Members of the Auburn Community and Alabama Citizens:

The most recent fiscal year has been a good one for Auburn University. Following are a few notable highlights.

Growing Demand for the Auburn Experience

While some colleges and universities struggle with enrollment, the demand for the Auburn experience is strong and growing. Prospective students have many choices, but they place significant value on a university delivering real-world impact and an education that leads to a solid career. Prospective students also see national rankings that promote Auburn and its academics. For example, in fiscal 2016, Money and Forbes each ranked Auburn as the State's top university. In another, a digital outlet that helps families pick schools said Auburn has the State's smartest student population.

Campaign Passes $1 Billion Goal

Private fundraising is critical to Auburn's success. Because This is Auburn, a campaign for Auburn University, surpassed its ambitious $1 billion goal in 2016 — more than 16 months ahead of schedule — thanks to great leadership and overwhelming support from the Auburn family and friends. Gifts to the campaign benefit Auburn students, faculty, programs, facilities, research, outreach and more.

Students Win Prestigious Scholarships & Awards

More and more Auburn students are earning prestigious scholarships to further their education in the U.S. and around the world. In just one example, a record seven students earned the prestigious National Science Foundation Fellowship to continue their studies in science, technology, engineering or mathematics. They bring great credit to Auburn, and we're proud of their accomplishments.

This report summarizes our financial position and activity for the fiscal year ending September 30, 2016. 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

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Financial Report
2016

Financial Section

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Report of Independent Auditors

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, 2016 and 2015, 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.

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, 2016 and 2015. 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, 2016 and 2015. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion expressed herein, 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 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.

PricewaterhouseCoopers LLP, 569 Brookwood Village, Suite 851, Birmingham, AL 35209
T: (205) 414 4000, F: (205) 414 4001, www.pwc.com/us

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 respective financial position of the University and its discretely presented component units at September 30, 2016 and 2015, or at June 30, 2016 and 2015, as applicable, and the respective 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 4 to the basic financial statements, in the year ended September 30, 2016, the University adopted new accounting guidance related to the manner in which it values its investments. As described within the notes to the financial statements, the University adopted Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application,* effective October 1, 2015. Our opinion is not modified with respect to this matter.

Other Matters

The accompanying management's discussion and analysis and the required supplemental information on pages 12 through 25 and 81 through 86, 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 an appropriate operational, economic, or historical context. We have 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 audits 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, 2015 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 an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

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 and 6 and the supplemental divisional financial statements on pages 71 to 79 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 do not express an opinion or provide any assurance on them.

PricewaterhouseCoopers LLP

January 24, 2017

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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, 2016, with a comparison to the year ended September 30, 2015. 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 2016 enrollment totaled 33,168 students at main campus and AUM. The University offers a diverse range of degree programs in 12 colleges and schools and has approximately 5,200 full-time employees, including approximately 1,500 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 "2016," "2015," 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 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 presentation and 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. 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 fiscal year 2016, the University adopted GASB Statement No. 72, *Fair Value Measurement and Application*. With the adoption of this Statement, the University expanded disclosures to present cash equivalents and investments across the hierarchy of valuation inputs. In accordance with the Statement, the University has reported an increase in net position in the amount of $32,922,843 as a change in accounting principle adjustment 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, 2016 and 2015, is as follows:

	2016	2015
Assets		
Current assets	$ 268,441,791	$ 236,697,624
Capital assets	1,609,592,167	1,560,193,650
Other noncurrent assets	1,058,132,170	1,024,681,829
Total assets	2,936,166,128	2,821,573,103
Deferred Outflows of Resources		
Loss on refunding of bonds	55,805,159	26,953,797
Pension	114,158,400	53,229,926
Total deferred outflows of resources	169,963,559	80,183,723
Liabilities		
Current liabilities	350,511,471	345,166,861
Noncurrent liabilities	1,414,483,340	1,309,624,581
Total liabilities	1,764,994,811	1,654,791,442
Deferred Inflows of Resources		
Nonexchange transactions	281,953	206,159
Pensions	3,407,593	39,307,330
Total deferred inflows of resources	3,689,546	39,513,489
Net Position		
Net investment in capital assets	923,568,302	855,698,812
Restricted-nonexpendable	28,723,093	28,537,859
Restricted-expendable	203,813,861	177,483,201
Unrestricted	181,340,074	145,732,023
Total net position	$ 1,337,445,330	$ 1,207,451,895

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 increased $31.7 million from 2015 to 2016. Of this increase, cash and cash equivalents and operating investments increased by $31.6 million. The University also saw its long-term investments, shown in other noncurrent assets, increase by $33.5 million from 2015 to 2016. In accordance with the Board's direction, the University invests all available cash. The University anticipates market changes and diversifies its investments, based on current yield rates to obtain the best return on its investment.

The University saw increases in capital assets, net of depreciation, shown as "Investment in plant, net" on the Statement of Net Position, of $49.4 million from 2015 to 2016. Capital assets generally represent the historical cost of land, land improvements, buildings, construction in progress, infrastructure, equipment, library books, art and collectibles, software implementation, and livestock, less any accumulated depreciation, with buildings comprising approximately 74.3% of the total net capital asset value. The increase, offset by disposal activity, depreciation, and transfers, was the result of $129.5 million of new additions to property, plant, and equipment, net of construction in progress transfers. The University expended $96.9 million in new construction during fiscal year 2016.

The following building construction projects totaling $35.2 million were either completed and placed into service or additional work was performed on a previously completed project during the current fiscal year:

AUM P40 Residence Hall	$ 14.5	million
Dudley Envelope and Windows	2.6	million
Pebble Hill Addition	2.3	million
Foy Convert Loading Dock to Dining Facility	2.0	million
AU Regional Airport Hangers	1.9	million
Samford Hall Roof	1.7	million
South Donahue Residence Hall	1.5	million
Off Site Library Archiving Facility	1.2	million
Martin Hall First Floor Renovations	1.0	million
AUM Research Building	1.0	million
North Auburn New Poultry Housing Facility	0.8	million
Other Small Projects	4.7	million
	$ 35.2	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, 2015, and 2016, 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 $89.8 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 2016A General Fee Bonds. The losses on refunding of these defeasances, which totaled $34.3 million, were amortized with prior years' losses. The amortized amount of $5.4 million netted with the current year losses to account for $28.9 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 $60.9 million relating to current year pension activity in accordance with 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 $5.3 million from 2015 to 2016. At year end, the University accrued an additional $2.6 million in accounts payable, $1.1 million in health insurance liabilities, and had an additional $2.7 million in deposits held for the custody of others. Due to the refunding of certain bonds in 2016 as well as anticipated repayment of other debts, the University's accrued interest payable decreased $1.4 million. In addition, the University's unearned revenue decreased $2.2 million. Unearned revenue is comprised of tuition, room and board revenue that relates to fiscal year 2017, contracts and grants funding received prior to expenditure as well as athletic revenue related to games played subsequent to September 30. For Fall 2016, the Board of Trustees approved approximately a 3.0% and 2.0% 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 decrease in unearned revenue relates to athletic ticket revenue. During the 2016 football season, the University played four home games prior to September 30, compared to only two home games prior to September 30 during the 2015 football season. Therefore, additional amounts were recognized in fiscal year 2016, which were deferred as of September 30, 2015. The remaining differences are due to an increase in compensation-related liabilities of $1.4 million and an increase of $1.1 million in the University's current portion of noncurrent liabilities.

Noncurrent liabilities include principal amounts due on University bonds payable, pension, other post-employment benefit obligations, pollution remediation, and self-insured liabilities that are payable beyond September 30, 2017. Noncurrent liabilities increased $104.9 million from 2015 to 2016. The majority of the increase was due to the increase in the net pension obligation for pension plans provided by the University to its employees, in accordance with GASB Statement No. 68. Based on actuarial data, the University's pension obligation increased $101.0 million. An additional $1.3 million was accrued for the University's post-employment medical plan, in accordance with GASB Statement No. 45. The remaining increase is due to a $3.1 million note payable for land purchased during 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 addition, in accordance with GASB Statement No. 68, the University reports deferred inflows of resources relating to the accounting and reporting of pensions.

The University's deferred inflows of resources decreased $35.8 million from 2015 to 2016. This decrease was the result of the accounting and reporting of current year 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:

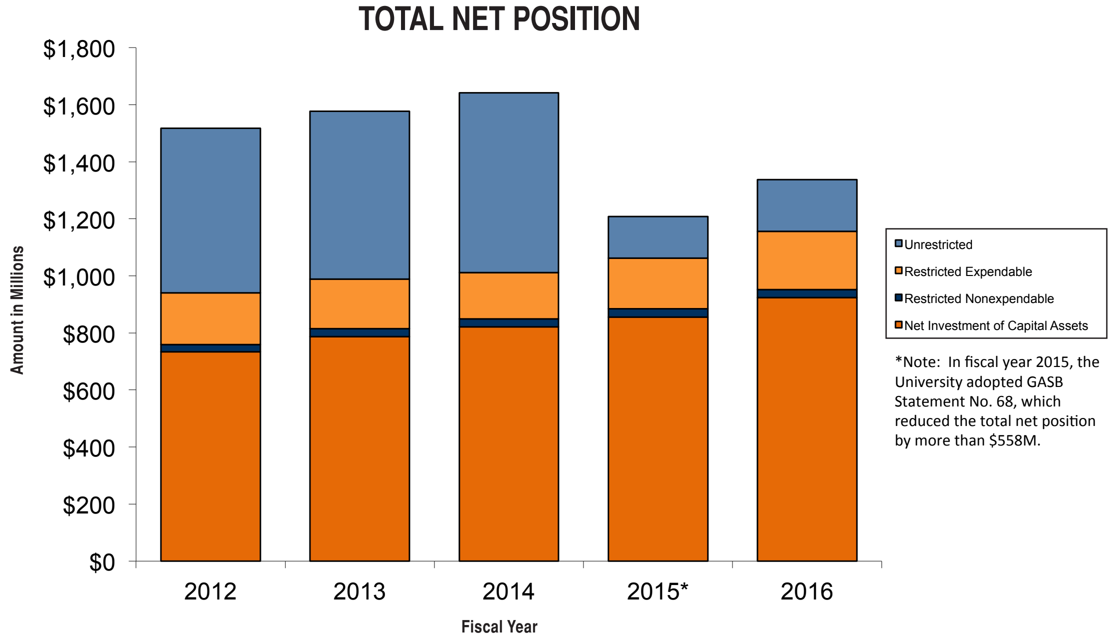
Net investment in capital assets represents the University's capital assets, net of accumulated depreciation and outstanding principal balances of debt as well as any deferred inflows or outflows of resources, attributable to the acquisition, construction, or improvement of those assets. Net investment in capital assets increased 7.9% from 2015 to 2016. 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 0.6% from 2015 to 2016. 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 14.8% from 2015 to 2016. The majority of the increase was due to additional gift receipts in fiscal year 2016.

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 increased 24.4% from 2015 to 2016. The increase in unrestricted net position was mainly due to holding unrestricted funds for future mission-related priorities and deferred maintenance needs.



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 the operating and nonoperating revenues, operating and nonoperating expenses, other revenues, expenses, gains, losses, and changes in net position.
A condensed statement for the years ended September 30, 2016 and 2015 is provided below:

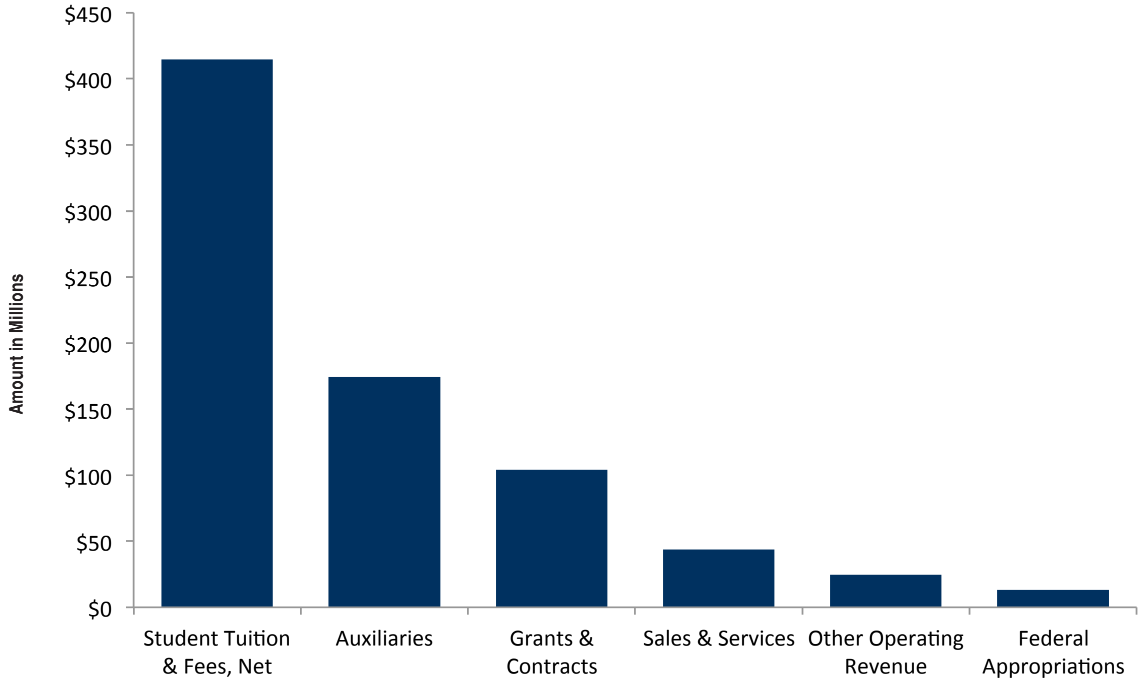
	2016	2015
Operating revenues	$ 775,067,471	$ 718,514,949
Operating expenses	1,009,079,696	949,522,278
Operating loss	(234,012,225)	(231,007,329)
Net nonoperating revenues and other changes in net position	364,005,660	321,955,844
Increase in net position	129,993,435	90,948,515
Net position - beginning of year	1,207,451,895	1,083,580,537
Cumulative effect of change in accounting principle		(32,922,843)
Net position, October 1, 2014, as restated		1,116,503,380
Net position - end of year	$ 1,337,445,330	$ 1,207,451,895

The 2016 Statement of Revenues, Expenses, and Changes in Net Position reflects an increase in net position at the end of the year of $130.0 million. Operating revenues increased 7.9% from 2015 to 2016. The majority of this increase is attributable to the increase in student tuition and fee revenue, net of discounts. The $19.2 million tuition and fee increase over 2015 was the result of the Board-approved increase in tuition for both main campus and AUM, along with a modest increase in enrollment. The University saw a net increase in federal appropriations, federal, state, and nongovernmental contract and grant revenues of $5.3 million, which was primarily the result of an increase in spending of federal grant funds appropriated and awarded for research. Auxiliary revenue increased approximately $38.0 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. The University saw a decrease in other operating revenue of $5.2 million. The majority of the decrease was due to revenue recognized in 2015 on a fixed price contract, which did not occur in fiscal year 2016.

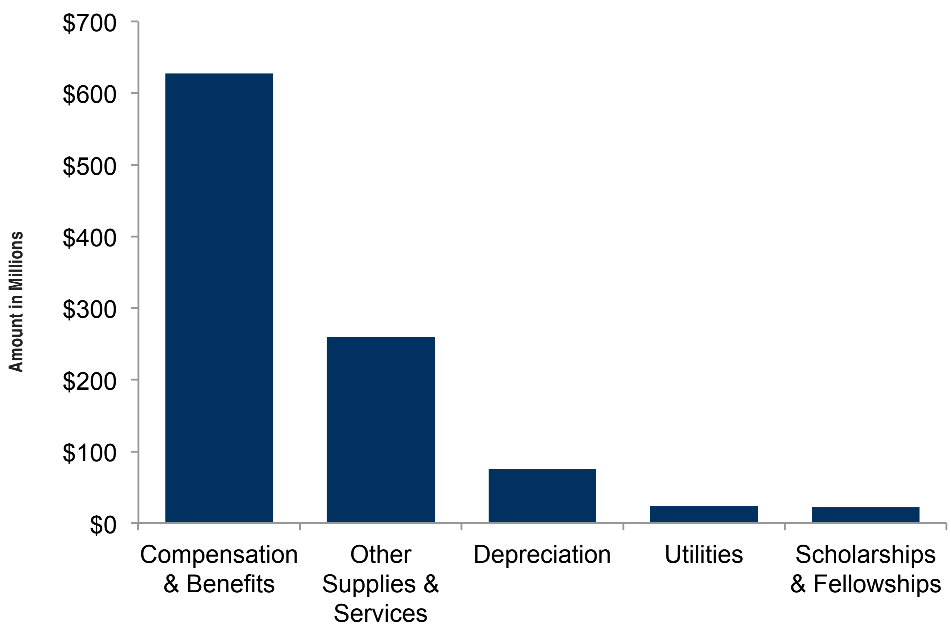
Operating expenses increased 6.3% from 2015 to 2016. Multiple factors contributed to this net increase. Compensation and benefit costs increased $28.8 million, or 4.8%. This was the result of Board-approved salary increases and one-time supplement payments. Scholarship and fellowship expense increased 7.9%, while other supplies and services expenses has an increase of 12.1%. Depreciation expense increased 1.9% in 2016. This increase was the result of recording depreciation beginning in fiscal year 2016 on projects completed in 2015. The largest addition in fiscal year 2015 was the Jordan Hare Stadium Score and Video Board System.

Net nonoperating revenues and other changes in net position increased $42.1 million from 2015 to 2016. The University's net investment income increased from $23.4 million in fiscal year 2015 to $43.0 million in fiscal year 2016. This was the result of increases in market values of investments of $18.1 million at September 30. The remaining $1.5 million increase was the result of interest and dividend income received from the cash and endowment pools. Additional gifts from the University's comprehensive gift campaign attributed to an increase in gifts of $24.7 million. The University also saw a modest increase in appropriations from the State of Alabama of $2.6 million. Changes in the revenue recognized on Pell grants awarded to students in fiscal year 2016 were minimal. These increases in revenue are offset by the increase in interest expense of $4.6 million.

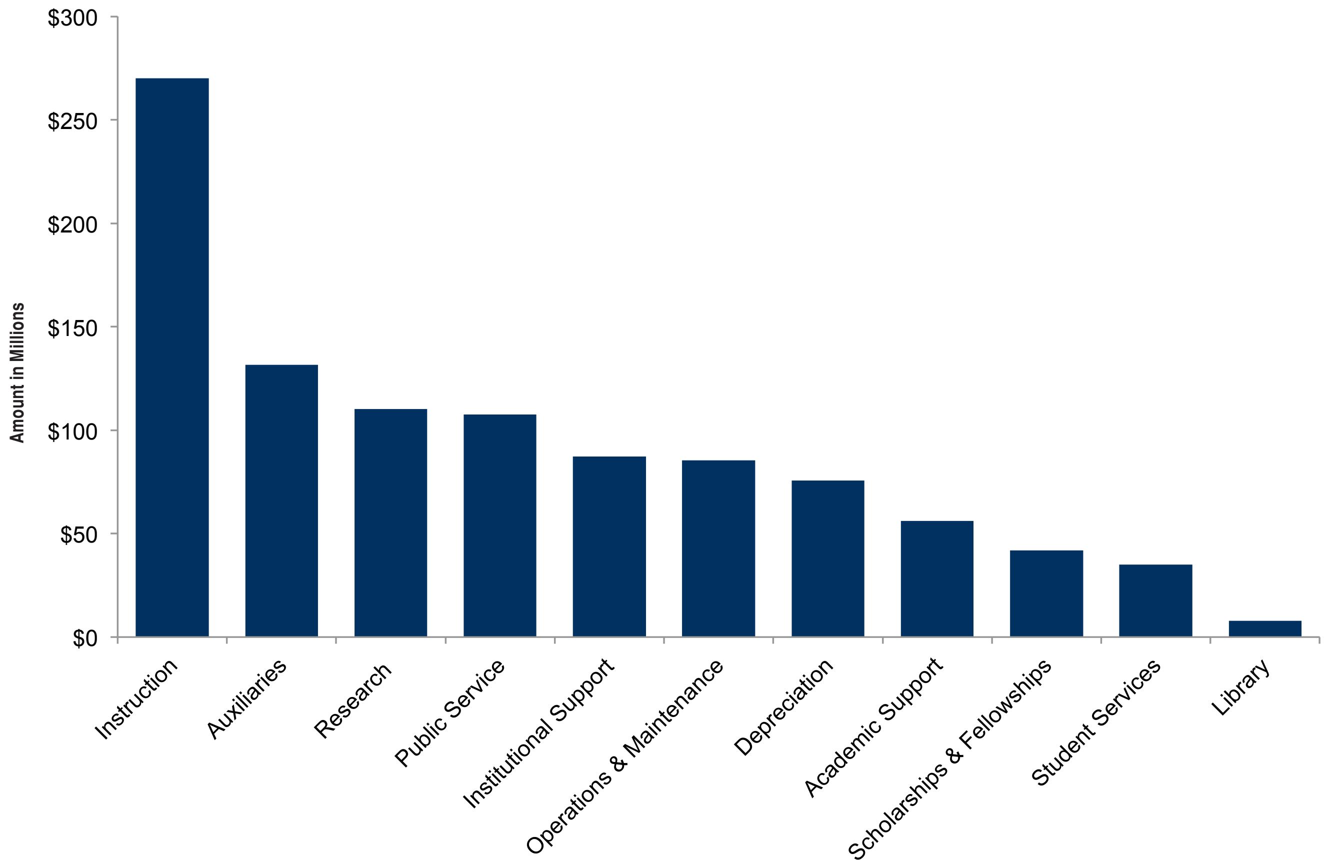
OPERATING REVENUES SUPPORTING CORE ACTIVITIES
For the year ended September 30, 2016



OPERATING EXPENSES BY NATURAL CLASSIFICATION
For the year ended September 30, 2016



OPERATING EXPENSES BY FUNCTION
For the year ended September 30, 2016



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 for the years ended September 30, 2016 and 2015 are summarized below:

	2016	2015
Net cash provided by (used in):		
Operating activities	$ (143,440,787)	$ (156,592,736)
Noncapital financing activities	319,359,943	313,173,218
Capital and related financing activities	(153,772,101)	(127,591,944)
Investing activities	(29,912,628)	(91,707,514)
Net decrease in cash	(7,765,573)	(62,718,976)
Cash and cash equivalents - beginning of year	74,669,989	137,388,965
Cash and cash equivalents - end of year	$ 66,904,416	$ 74,669,989

Net cash used in operating activities decreased from 2015 to 2016 by 8.4%. The majority of this decrease was the result of additional cash provided from tuition and fees of $23.7 million, grants and contracts of $18.5 million, auxiliary enterprises of $17.6 million, and federal appropriations of $1.1 million. These increases in cash were offset by payments for employee compensation and benefits of an additional $22.1 million, as a result of Board-approved salary increases and one-time supplement payments, additional payments to suppliers of $13.9 million, and payments for scholarships & fellowships increased $3.1 million. In addition, the University received $9.3 million less funds from other operating revenues than in 2015.

Net cash provided by noncapital financing activities increased $6.2 million. This was primarily due to additional gifts of $7.2 million and additional allocation of state appropriations of $2.5 million over the allocation in fiscal year 2015. The remaining decrease of $3.5 million was the difference between direct and other loan receipts and disbursements in fiscal year 2016.

The University saw an increase in net cash used in capital and related financing activities of $26.2 million. This was primarily the result of the University expending $35.3 million more for capital assets in 2016 than in 2015. This increase in use of cash was offset by $12.2 million more of capital gifts and grants funding. In addition to entering into a note payable for a land purchase, the University partially refunded several bond issuances causing a net increase in cash flows provided by capital and related financing activity of $4.3 million.

Net cash used in investing activities decreased by $61.8 million. The University received an additional $198.3 million from the proceeds from the sale and maturities of investments and utilized $139.0 million purchasing new investments. The remaining difference of $2.5 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. We are cautiously optimistic that demand will remain strong.

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

Cautionary note regarding forward-looking statements

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

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

UNDERGRADUATE TUITION FOR THE ACADEMIC YEAR

	2012-13	2013-14	2014-15	2015-16	2016-17
Auburn Main Campus/ Auburn University at Montgomery					
Full Time Students:					
In-State	$9,446/$8,115	$9,852/$8,750	$10,200/$9,080	$10,424/$9,350	$10,696/$9,640
Out-of-State	$25,190/$23,115	$26,364/$24,950	$27,384/$19,640	$28,040/$20,210	$28,840/$20,710

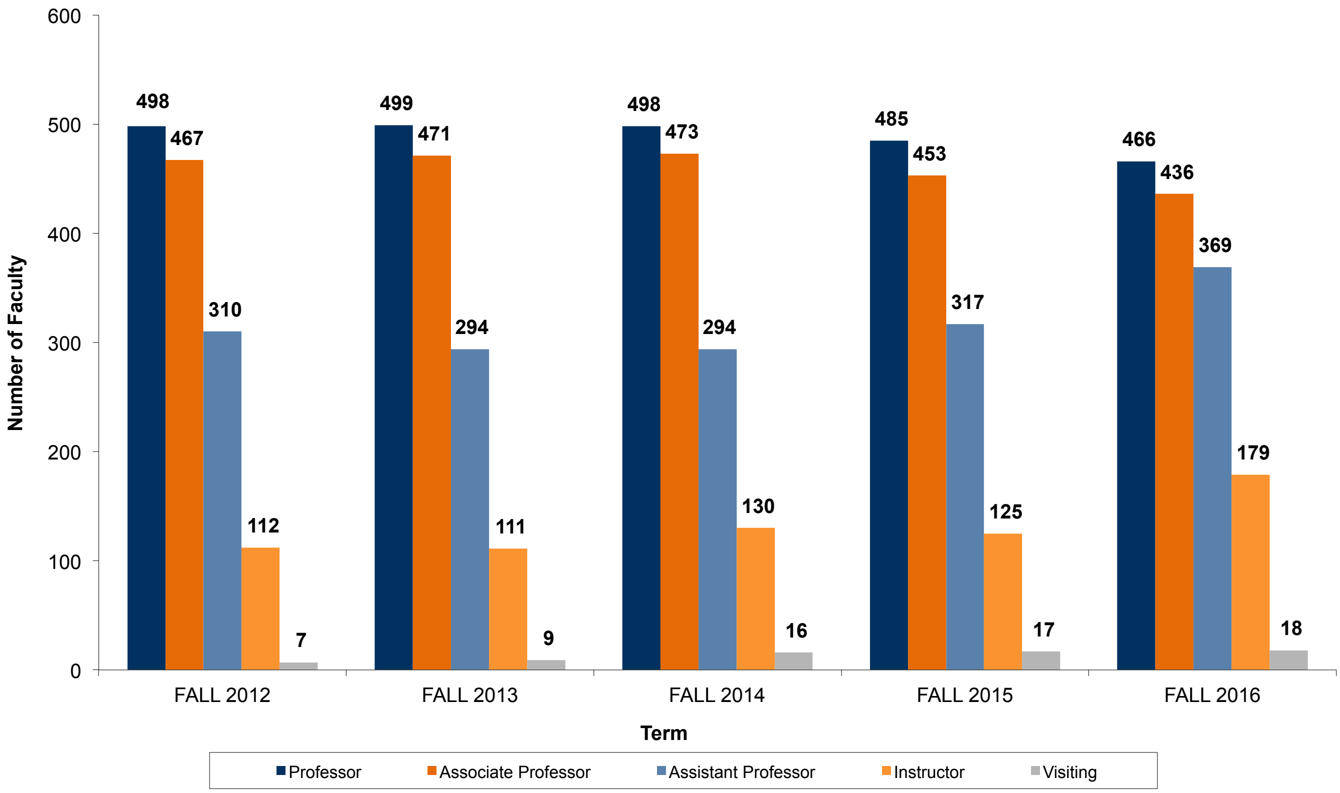
FALL STUDENT ENROLLMENT

	2012	2013	2014	2015	2016
Auburn Main Campus and Auburn University at Montgomery					
Undergraduate	24,400	24,133	25,006	26,043	26,931
Graduate and Professional	5,723	5,827	5,963	6,163	6,237

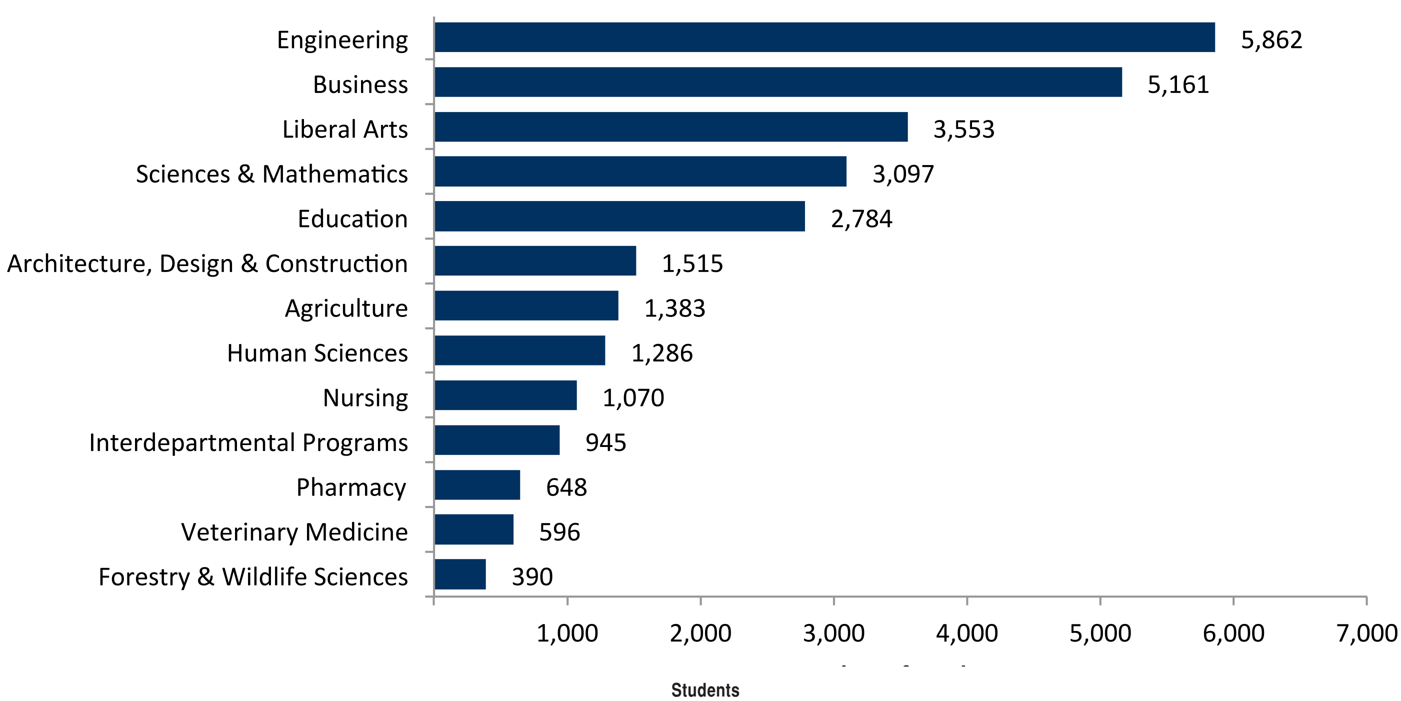
DEGREES AWARDED FOR THE ACADEMIC YEAR

	2011-12	2012-13	2013-14	2014-15	2015-16
Auburn Main Campus and Auburn University at Montgomery					
Bachelor	4,833	4,834	5,090	5,115	5,019
Advanced	1,922	1,835	1,869	1,905	2,007

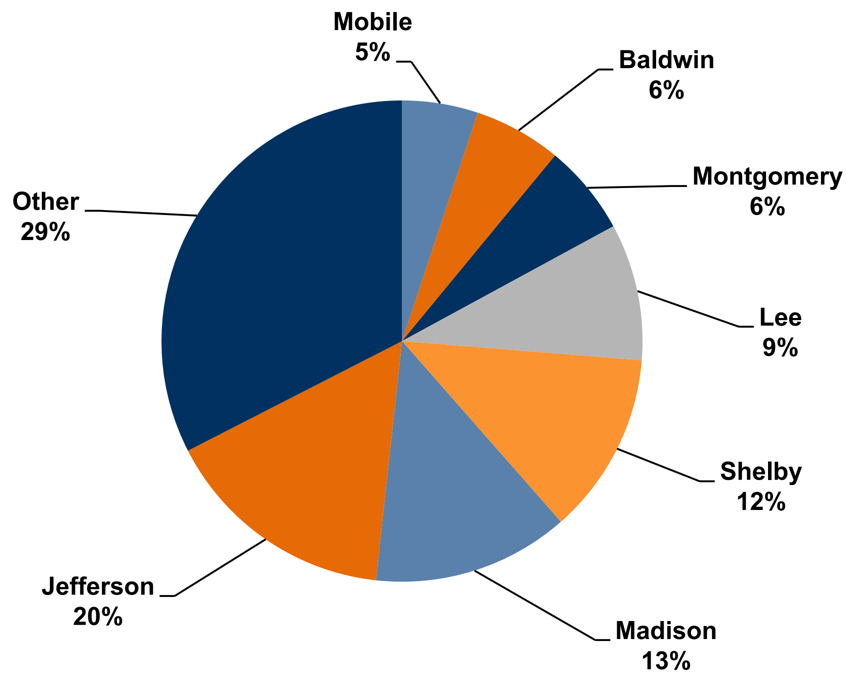
AUBURN UNIVERSITY MAIN CAMPUS AND AUBURN UNIVERSITY AT MONTGOMERY
FULL-TIME FACULTY BY RANK



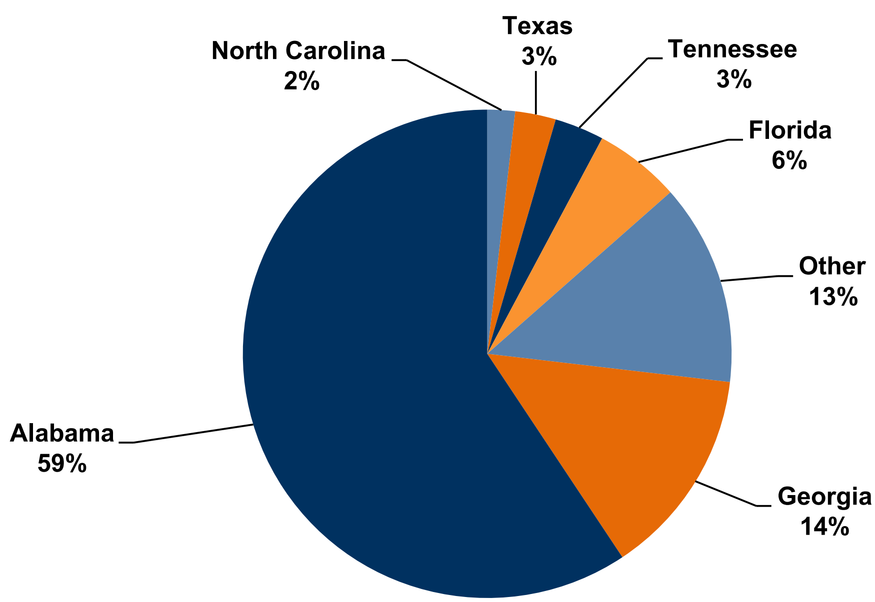
AUBURN UNIVERSITY MAIN CAMPUS
ENROLLMENT BY COLLEGE/SCHOOL FALL 2016



AUBURN UNIVERSITY MAIN CAMPUS FRESHMEN ENROLLMENT BY ALABAMA COUNTIES SUMMER/FALL TERMS 2016



AUBURN UNIVERSITY MAIN CAMPUS FRESHMEN ENROLLMENT BY STATE SUMMER/FALL TERMS 2016



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

	2007	2008	2009
Revenues by Source			
Tuition and fees	$ 219.5	$ 235.3	$ 257.6
Federal appropriations	13.0	15.7	10.9
State appropriations	288.3	336.9	261.7
Grants and contracts, net	127.2	118.8	115.6
Gifts	54.8	28.5	29.9
Capital gifts and grants	22.5	23.5	18.4
Sales and services, investments and other income, net of interest expense	75.8	47.2	68.6
Sales and services of auxiliary enterprises	65.3	75.5	80.8
Total Revenues by Source	$ 866.4	$ 881.4	$ 843.5
Expenditures by Function			
Instruction	$ 194.9	$ 212.6	$ 215.3
Research	94.7	101.1	99.6
Public service	106.3	108.0	101.3
Academic support	29.1	32.0	34.5
Library	7.2	9.4	8.6
Student services	16.3	19.4	20.4
Institutional support	61.5	62.2	71.8
Operation and maintenance	57.9	70.9	74.6
Scholarships and fellowships	26.3	30.9	31.2
Auxiliary enterprises	76.0	78.8	82.5
Depreciation	37.1	41.3	44.2
Total Expenditures by Function	$ 707.3	$ 766.6	$ 784.0
Expenditures by Natural Classification			
Compensation	$ 447.7	$ 489.6	$ 507.9
Scholarships & fellowships	16.2	18.9	17.9
Utilities	20.5	22.9	23.7
Other supplies and services	185.8	193.9	190.3
Depreciation	37.1	41.3	44.2
Total Expenditures by Natural Classification	$ 707.3	$ 766.6	$ 784.0

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

2010	2011	2012	2013	2014	2015	2016
$ 276.2	$ 294.7	$ 323.1	$ 349.2	$ 365.9	$ 395.6	$ 414.8
30.3*	38.8*	11.8	13.0	12.9	14.3	13.2
236.2	235.7	247.8	238.6	243.0	245.5	248.1
132.3	136.6	134.5	121.1	118.4	120.5	126.8
31.5	32.3	36.6	35.4	36.6	43.9	50.6
47.6	48.2	17.2	28.2	3.8	4.8	22.8
59.8	58.8	72.8	60.7	89.2	79.6	88.4
87.5	106.2	101.5	104.8	123.4	136.3	174.3
$ $901.4	$ 951.3	$ 945.3	$ 951.0	$ 993.2	$ 1,040.5	$ 1,139.0
$ 220.6	$ 230.4	$ 239.5	$ 242.6	$ 249.0	$ 254.6	$ 270.1
97.5	102.8	102.6	97.4	99.2	97.3	110.1
99.2	106.0	107.4	104.7	102.5	106.7	107.6
37.5	38.8	38.8	43.7	53.3	55.4	56.2
10.2	8.3	10.1	8.3	9.7	9.0	7.9
21.9	23.6	24.9	27.6	30.2	33.0	35.0
58.8	74.1	73.3	70.0	70.5	78.5	87.3
70.1	77.8	66.3	84.5	78.8	78.8	85.4
31.8	33.7	35.0	39.5	40.2	39.3	42.0
89.3	102.5	99.1	106.9	123.1	122.6	131.8
49.3	53.8	61.1	66.1	71.8	74.3	75.7
$ 786.2	$ 851.8	$ 858.1	$ 891.3	$ 928.3	$ 949.5	$ 1,009.1
$ 510.9	$ 536.6	$ 539.2	$ 558.0	$ 578.2	$ 598.4	$ $627.2
17.8	17.3	18.4	21.6	22.7	20.7	22.4
22.9	23.3	23.2	22.8	26.0	24.5	24.1
185.3	220.8	216.2	222.8	229.6	231.6	259.6
49.3	53.8	61.1	66.1	71.8	74.3	75.8
$ 786.2	$ 851.8	$ 858.1	$ 891.3	$ 928.3	$ 949.5	$ 1,009.1

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

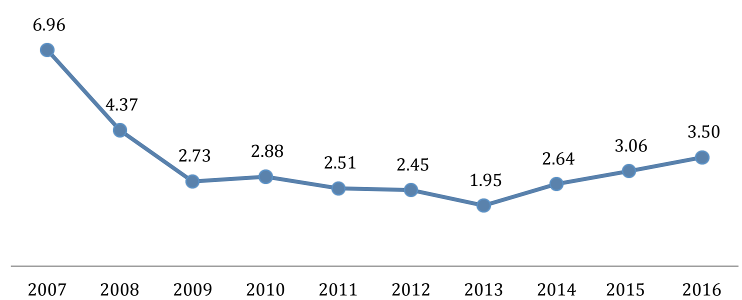
AUBURN UNIVERSITY
FINANCIAL RATIOS**
FOR THE FISCAL YEARS ENDED SEPTEMBER 30

Financial Ratios

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.

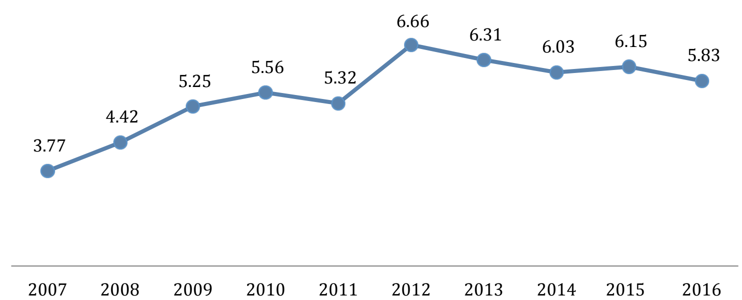
From 2011 through 2013, the University's debt service coverage ratio decreased due to new debt issuances. The ratio began rebounding as the University paid down portions of the outstanding amounts. The ratio remains sufficiently above the desired 1.0 in all years presented and was not affected by the implementation 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.

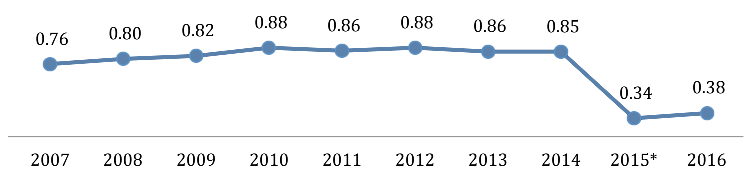
The University's debt service burden increased due to new debt issuances in 2011 and 2012. However, in 2013 and 2014, debt service remained relatively consistent, while operating expenses increased. The ratio increased slightly in fiscal year 2015, as debt service increased. Management strategically 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.

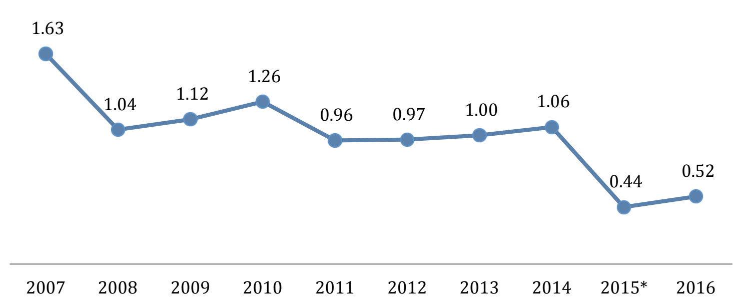
The primary reserve ratio was significantly impacted by the implementation of GASB Statement No. 68 in fiscal year 2015. Management believes the University has sufficient expendable net position to continue to operate.



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 rebounded with an increase in the subsequent three years. The viability ratio was significantly impacted by the implementation of GASB Statement No. 68 in fiscal year 2015. However, management believes the University has sufficient expendable net position to cover debt obligations.



*In fiscal year 2015, the University adopted GASB Statement No. 68, which reduced the total net position by more than $558 million.

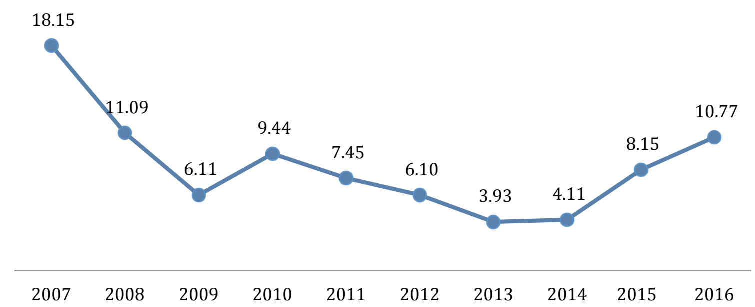
**These financial ratios are presented for purposes of additional analysis and are not a required part of the basic financial statements. These ratios include only the University's financial statements and may not be comparable to other institutions.

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

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.

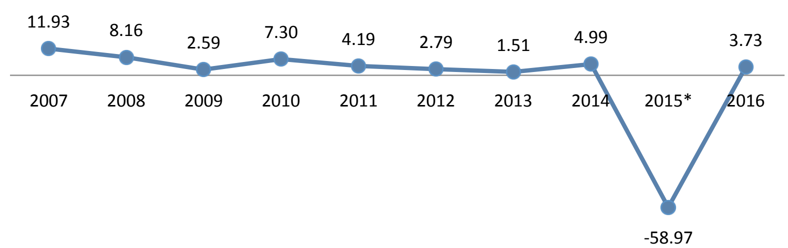
The University's return on net position ratio remains strong. The implementation of GASB Statement No. 68 lowered the beginning net position, which resulted in a higher ratio for 2015.



Net Income Ratio

This ratio measures the success of financial operations for a given year. It is generally recommended that the goal be 2%-4% return over the long-term.

The University's net income ratio was significantly impacted by the implementation of GASB Statement No. 68 in fiscal year 2015. However, it rebounded to the recommended levels in the current year and management believes the University will continue to operate successfully within available resources.



AUBURN UNIVERSITY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2016 AND 2015

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 66,904,416	$ 74,669,989
Operating investments	68,807,582	29,488,110
Accounts receivable, net	44,610,933	45,263,204
Student accounts receivable, net	38,758,068	41,267,044
Loans receivable, net	3,098,475	2,969,077
Accrued interest receivable	2,142,114	2,138,158
Inventories	5,186,914	4,861,123
Prepaid expenses	38,933,289	36,040,919
Total current assets	268,441,791	236,697,624
Noncurrent assets		
Investments	1,041,185,914	1,007,640,811
Loans receivable, net	16,946,256	17,041,018
Investment in plant, net	1,609,592,167	1,560,193,650
Total noncurrent assets	2,667,724,337	2,584,875,479
Total assets	2,936,166,128	2,821,573,103
DEFERRED OUTFLOWS OF RESOURCES		
Loss on refunding of bonds	55,805,159	26,953,797
Pension	114,158,400	53,229,926
Total deferred outflows of resources	169,963,559	80,183,723
LIABILITIES		
Current liabilities		
Accounts payable	55,351,039	52,709,497
Accrued salaries and wages	4,342,829	3,501,872
Accrued compensated absences	19,552,096	19,023,576
Accrued interest payable	10,234,089	11,677,978
Other accrued liabilities	6,564,338	5,449,261
Student deposits	2,868,318	2,866,239
Deposits held in custody	22,875,943	20,133,089
Unearned revenues	197,364,536	199,551,845
Noncurrent liabilities-current portion	31,358,283	30,253,504
Total current liabilities	350,511,471	345,166,861
Noncurrent liabilities		
Bonds and notes payable	703,126,406	699,839,916
Lease obligation	231,563	-
Pension and OPEB	690,786,283	588,439,539
Other noncurrent liabilities	20,339,088	21,345,126
Total noncurrent liabilities	1,414,483,340	1,309,624,581
Total liabilities	1,764,994,811	1,654,791,442
DEFERRED INFLOWS OF RESOURCES		
Nonexchange transactions	281,953	206,159
Pension	3,407,593	39,307,330
Total deferred inflows of resources	3,689,546	39,513,489
NET POSITION		
Net investment in capital assets	923,568,302	855,698,812
Restricted		
Nonexpendable	28,723,093	28,537,859
Expendable:		
Scholarships, research, instruction, other	177,136,439	167,933,215
Loans	5,266,326	5,171,064
Capital projects	21,411,096	4,378,922
Unrestricted	181,340,074	145,732,023
Total net position	$ 1,337,445,330	$ 1,207,451,895

See accompanying notes to financial statements.

AUBURN UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
OPERATING REVENUES		
Tuition & fees, net of scholarship allowances of $108,877,663		
and $104,855,468, respectively	$ 414,838,476	$ 395,612,498
Federal appropriations	13,234,511	14,304,014
Federal grants & contracts, net	69,649,076	65,197,789
State & local grants & contracts, net	19,002,186	18,137,344
Nongovernmental grants & contracts, net	15,544,192	14,533,400
Sales & services of educational departments	43,662,091	44,393,576
Auxiliary revenue, net of scholarship allowances of $8,324,782		
and $8,113,771, respectively	174,285,849	136,309,769
Other operating revenues	24,851,090	30,026,559
Total operating revenues	775,067,471	718,514,949
OPERATING EXPENSES		
Compensation & benefits	627,243,338	598,404,935
Scholarships & fellowships	22,373,846	20,739,919
Utilities	24,147,541	24,520,336
Other supplies & services	259,577,884	231,559,648
Depreciation	75,737,087	74,297,440
Total operating expenses	1,009,079,696	949,522,278
Operating loss	(234,012,225)	(231,007,329)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	248,061,501	245,502,175
Gifts	50,643,047	43,862,924
Grants	22,601,056	22,620,365
Net investment income	42,955,903	23,376,855
Interest expense on capital debt	(23,232,182)	(18,597,132)
Nonoperating revenues, net	341,029,325	316,765,187
Income before other changes in net position	107,017,100	85,757,858
OTHER CHANGES IN NET POSITION		
Capital gifts & grants	22,791,101	4,829,319
Additions to permanent endowments	185,234	361,338
Net increase in net position	129,993,435	90,948,515
Net position - beginning of year	1,207,451,895	1,083,580,537
Cumulative effect of accounting change		32,922,843
Net position October 1, 2014, as restated		1,116,503,380
Net position - end of year	$ 1,337,445,330	$ 1,207,451,895

See accompanying notes to financial statements.

AUBURN UNIVERSITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition & fees	$ 425,540,480	$ 401,863,262
Federal appropriations	14,541,166	13,398,839
Grants & contracts	106,579,669	88,102,237
Sales & services of educational departments	42,489,354	42,390,578
Auxiliary enterprises	162,525,027	144,934,497
Other operating revenues	21,390,870	30,698,728
Payments to suppliers	(248,774,808)	(234,889,869)
Payments for utilities	(24,147,541)	(24,520,336)
Payments for employee compensation & benefits	(618,868,664)	(596,775,639)
Payments for scholarships & fellowships	(24,385,010)	(21,286,355)
Student loans issued	(3,302,474)	(3,872,655)
Student loans collected	2,971,144	3,363,977
Net cash used in operating activities	(143,440,787)	(156,592,736)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	248,005,685	245,502,175
Gifts and grants for other than capital purposes	73,889,325	66,738,081
Direct and other loan receipts	183,134,124	198,010,171
Direct and other loan disbursements	(185,669,191)	(197,077,209)
Net cash provided by noncapital financing activities	319,359,943	313,173,218
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from advanced refunding of debt, net of issuance cost	256,629,560	171,240,220
Capital gifts & grants received	14,733,304	2,544,239
Purchases of capital assets	(117,931,754)	(82,628,205)
Proceeds received from sale of capital assets	101,777	308,735
Principal paid on debt & capital leases	(25,403,719)	(24,863,361)
Interest paid on debt & capital leases	(29,591,987)	(39,373,572)
Payment to escrow on advanced refunding of debt	(252,309,282)	(154,820,000)
Net cash used in capital and related financing activities	(153,772,101)	(127,591,944)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments and reinvestments	798,915,967	600,620,269
Investment income	23,413,089	20,924,830
Purchases of investments	(852,241,684)	(713,252,613)
Net cash used in investing activities	(29,912,628)	(91,707,514)
Net decrease in cash and cash equivalents	(7,765,573)	(62,718,976)
Cash and cash equivalents - beginning of year	74,669,989	137,388,965
Cash and cash equivalents - end of year	$ 66,904,416	$ 74,669,989

See accompanying notes to financial statements.

AUBURN UNIVERSITY
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (234,012,225)	$ (231,007,329)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	75,737,087	74,297,440
Reserve for recovery of loans receivable	296,694	171,125
Loss on sale of capital assets	3,564,684	2,160,182
Changes in assets and liabilities:		
Accounts receivable	150,069	(8,326,852)
Student accounts receivable	2,508,976	(3,920,382)
Inventories	(325,791)	(261,217)
Unearned revenues	(2,187,309)	15,242,481
Accounts payable	519,914	(4,400,835)
Prepaid expenses	(2,895,772)	(804,958)
Accrued salaries, wages and compensated absences	1,369,477	1,152,611
Student deposits and deposits held in custody	5,021,221	(902,375)
Loans receivable	(331,330)	(508,678)
Other accrued liabilities	1,115,077	(2,895,066)
Nonexchange transactions	75,794	(229,044)
Pension obligation	5,518,533	(2,062,054)
Other noncurrent liabilities	434,114	5,702,215
Net cash used in operating activities	$ (143,440,787)	$ (156,592,736)

SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION

	2016	2015
Capital assets acquired with a liability at year-end	$ 6,796,125	$ 4,674,497
Gifts of capital assets	8,414,079	2,750,330
Capitalized interest	7,992,894	12,535,730

See accompanying notes to financial statements.

AUBURN UNIVERSITY COMPONENT UNITS
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2016 AND 2015

	Auburn University Foundation		Auburn Alumni Association	
	2016	**2015**	**2016**	**2015**
ASSETS				
Cash and cash equivalents	$ 7,160,121	$ 10,226,894	$ 100,124	$ 20,729
Investments	472,383,134	421,516,863	4,155,659	4,357,167
Investment in Auburn University Foundation Securities Pool	-	-	8,539,734	8,210,325
Accrued interest receivable	104,918	107,808	23,363	17,423
Contributions receivable, net	105,552,139	105,082,407	237,185	297,820
Other assets	12,281	27,773	14	-
Investment in real estate	4,289,617	3,200,304	674,799	674,799
Cash surrender value of life insurance	5,921,585	5,588,166	-	-
Beneficial interest in outside trusts	4,700,111	5,205,119	-	-
Property and equipment, net	268,618	189,941	1,799,962	1,885,632
Prepaid items	-	-	2,862	270
Due from Auburn University	305,156	545,454	-	-
Due from Auburn University Foundation	-	-	1,409	379
Due from Auburn Alumni Association	421,059	639,500	-	-
Total assets	$ 601,118,739	$ 552,330,229	$ 15,535,111	$ 15,464,544
LIABILITIES				
Accounts payable and accrued liabilities	$ 760,398	$ 500,357	$ 76,980	$ 63,839
Annuities payable	9,169,984	9,424,128	-	-
Due to Auburn University	-	109,533	33,517	75,559
Due to Auburn University Foundation	-	-	421,221	641,043
Due to Auburn Alumni Association	8,541,039	8,210,325	-	-
Due to Tigers Unlimited Foundation	8,398,825	8,047,688	-	-
Retained life commitment	559,539	-	-	-
Deferred revenue	85,374	94,151	8,415,919	8,476,549
Total liabilities	27,515,159	26,386,182	8,947,637	9,256,990
NET ASSETS				
Unrestricted	23,674,148	19,619,387	6,587,474	6,207,554
Temporarily restricted	164,551,138	144,144,939	-	-
Permanently restricted	385,378,294	362,179,721	-	-
Total net assets	573,603,580	525,944,047	6,587,474	6,207,554
Total liabilities and net assets	$ 601,118,739	$ 552,330,229	$ 15,535,111	$ 15,464,544

See accompanying notes to financial statements.

AUBURN UNIVERSITY COMPONENT UNITS
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	Auburn University Foundation		Auburn Alumni Association	
	2016	2015	2016	2015
REVENUES AND OTHER SUPPORT				
Public support - contributions	$ 75,675,200	$ 108,542,846	$ 1,769,980	$ 1,578,527
Investment income	1,825,926	1,768,469	376,807	369,014
Other revenues	2,436,699	2,345,413	831,217	897,123
Total revenues	79,937,825	112,656,728	2,978,004	2,844,664
EXPENSES AND LOSSES				
Program services				
Contributions to and support for Auburn University	57,821,107	36,885,661	-	-
Other program services	4,403,015	3,264,551	1,206,380	2,140,300
Total program services	62,224,122	40,150,212	1,206,380	2,140,300
Support services				
General and administrative	1,944,984	1,675,940	1,541,451	1,466,443
Fund raising	3,388,517	3,291,330	178,784	202,302
Total support services	5,333,501	4,967,270	1,720,235	1,668,745
Total expenses	67,557,623	45,117,482	2,926,615	3,809,045
Unrealized (gains) losses on investments	(30,796,527)	23,615,925	(328,531)	721,691
Realized gains on investments	(3,131,170)	(5,481,835)	-	-
Change in valuation of split-interest agreements	(1,351,634)	1,742,862	-	-
Total expenses, (gains) and losses	32,278,292	64,994,434	2,598,084	4,530,736
*Change in net assets	47,659,533	47,662,294	379,920	(1,686,072)
Net assets - beginning of year	525,944,047	478,281,753	6,207,554	7,893,626
Net assets - end of year	$ 573,603,580	$ 525,944,047	$ 6,587,474	$ 6,207,554

*Change in net assets				
Unrestricted	$ 4,054,761	$ (3,396,254)	$ 379,920	$ (1,686,072)
Temporarily restricted	20,406,199	20,685,212	-	-
Permanently restricted	23,198,573	30,373,336	-	-
Total change in net assets	$ 47,659,533	$ 47,662,294	$ 379,920	$ (1,686,072)

See accompanying notes to financial statements.

AUBURN UNIVERSITY COMPONENT UNITS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	Tigers Unlimited Foundation	
	2016	2015
ASSETS		
Cash and cash equivalents	$ 4,196,603	$ 1,412,961
Investments	35,056,130	39,440,159
Investment in Auburn University Foundation Securities Pool	8,020,846	8,542,039
Due from Auburn University	-	36,800
Due from Auburn University Foundation	147,325	-
Accrued interest receivable	79,008	105,043
Contributions receivable, net	11,295,674	10,833,485
Other receivables	447,976	412,063
Other assets	268,025	195,459
Property and equipment, net	18,782	17,617
Total assets	$ 59,530,369	$ 60,995,626
LIABILITIES		
Accounts payable and accrued liabilities	$ 521,595	$ 462,449
Contracts payable, net	2,135,610	5,467,368
Deferred revenue	2,144,240	2,379,824
Due to Auburn University	3,875,247	5,693,143
Due to Auburn University Foundation	250,000	165,000
Total liabilities	8,926,692	14,167,784
NET ASSETS		
Unrestricted	24,992,806	23,614,005
Temporarily restricted	18,443,211	16,060,965
Permanently restricted	7,167,660	7,152,872
Total net assets	50,603,677	46,827,842
Total liabilities and net assets	$ 59,530,369	$ 60,995,626

See accompanying notes to financial statements.

AUBURN UNIVERSITY COMPONENT UNITS
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	Tigers Unlimited Foundation	
	2016	**2015**
REVENUES AND OTHER SUPPORT		
Public support - contributions	$ 40,006,691	$ 40,117,708
Investment income	783,977	765,225
Other revenues	6,736,641	6,080,997
Total revenues	47,527,309	46,963,930
EXPENSES AND LOSSES		
Program services		
Contributions to and support for Auburn University	17,089,771	16,756,982
Other program services	15,866,112	17,644,565
Total program services	32,955,883	34,401,547
Support services		
General and administrative	1,699,522	1,645,433
Fund raising	8,136,809	8,064,233
Total support services	9,836,331	9,709,666
Total expenses	42,792,214	44,111,213
Unrealized losses (gains) on investments, net	368,394	(109,901)
Realized (gains) losses on investments, net	(38,348)	641
Loss on write-off of contribution receivable	629,214	1,036,102
Total expenses, (gains) and losses	43,751,474	45,038,055
*Change in net assets	3,775,835	1,925,875
Net assets - beginning of year	46,827,842	44,901,967
Net assets - end of year	$ 50,603,677	$ 46,827,842
*Change in net assets		
Unrestricted	$ 1,378,801	$ 751,158
Temporarily restricted	2,382,246	1,141,882
Permanently restricted	14,788	32,835
Total change in net assets	$ 3,775,835	$ 1,925,875

See accompanying notes to financial statements.

AUBURN UNIVERSITY COMPONENT UNITS
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2016 AND 2015

	Auburn Research and Technology Foundation	
	2016	2015
ASSETS		
Cash and cash equivalents	$ 673,338	$ 898,777
Deposits	35,285	40,836
Prepaid expenses and other assets	25,306	22,051
Accounts receivable	986,948	788,789
Contributions receivable, net	951,661	1,015,948
Property, plant, and equipment, net	8,034,696	8,242,346
Total assets	$ 10,707,234	$ 11,008,747
LIABILITIES		
Accounts payable	$ 103,434	$ 134,590
Deferred revenue	259,025	201,375
Deposits held in custody	35,285	40,836
Interest payable	33,401	34,972
Note payable to Auburn University	803,522	841,305
Other payable to Auburn University	288,361	225,705
Total liabilities	1,523,028	1,478,783
NET ASSETS		
Unrestricted	8,232,504	8,513,975
Temporarily restricted	951,702	1,015,989
Total net assets	9,184,206	9,529,964
Total liabilities and net assets	$ 10,707,234	$ 11,008,747

See accompanying notes to financial statements.

AUBURN UNIVERSITY COMPONENT UNITS
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	Auburn Research and Technology Foundation	
	2016	**2015**
REVENUES AND OTHER SUPPORT		
Rental income	$ 1,066,034	$ 1,044,682
Interest income	1,145	20,855
Other contracts	682,626	536,735
Royalty income	6,194	-
Contributions	17,880	27,639
Total revenues	1,773,879	1,629,911
EXPENSES		
Support services		
General and administrative	1,704,973	1,133,438
Amortization	64,055	65,026
Depreciation	316,424	316,769
Interest	34,185	35,790
Total support services	2,119,637	1,551,023
Total expenses	2,119,637	1,551,023
*Change in net assets	(345,758)	78,888
Net assets - beginning of year	9,529,964	9,451,076
Net assets - end of year	$ 9,184,206	$ 9,529,964
*Change in net assets		
Unrestricted	$ (281,471)	$ 133,276
Temporarily restricted	(64,287)	(54,388)
Total change in net assets	$ (345,758)	$ 78,888

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 33,168 students for Fall semester 2016. 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 its discretely presented component units, 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 509(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.

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 2016, the University adopted GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement changes certain accounting and financial reporting matters related to fair value measurements and generally requires investments to be measured at fair value. It also requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques (see Note 4). In accordance with this Statement, the University has reported an increase in net position in the amount of $32,922,843 as a change in accounting principle adjustment as of October 1, 2014.

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).

The amounts presented and disclosed in the financial statements as of September 30, 2016 related to pension activity in accordance with GASB Statement No. 68 were based upon the best available information at the valuation date. Subsequent to the valuation date, the Retirement Systems of Alabama completed experience studies for both the Teachers' Retirement System (TRS) and the Employees' Retirement System (ERS). As a result, certain assumptions (including the mortality rates and the discount rate) will likely change for future valuations of the pension liabilities. This could result in a significant increase in the pension liabilities recorded by the University in fiscal year 2017.

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

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.

GASB Statement No. 72 defines fair value and establishes a framework for measuring fair value that includes a three-tiered hierarchy of valuation inputs, placing a priority on those which are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the University's own assumptions about how market participants would value an asset or liability based on the best information available. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. The three levels of inputs, of which the first two are considered observable and the last unobservable, are as follows:

- Level 1 – Quoted prices for identical assets or liabilities in active markets that can be accessed at the measurement date
- Level 2 – Other significant observable inputs, either direct or indirect, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable; or market corroborated inputs
- Level 3 – Unobservable inputs

GASB Statement No. 72 allows for the use of net asset value (NAV) as a practical expedient for valuation purposes. Investments that use NAV in determining fair value are disclosed separately from the valuation hierarchy (see Note 4).

Investments in equity securities, mutual funds, 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. Investments in life insurance contracts are measured at cash surrender value.

The University uses NAV reported by the investment managers as a practical expedient to estimate fair value for certain investments. The NAV is applied to certain investments that do not have readily determinable fair values including business trust, common trust, hedge, private equity and real asset investment funds. As these 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. While these investments may contain varying degrees of risk, the University's risk with respect to such transactions is limited to its capital balance in each investment and the amounts of any unfunded commitments.

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).

Inventories

Units currently holding inventories include Facilities, Scientific Supply Store, Chemistry Glass Shop, Animal Clinic Pharmacy, Harrison School of Pharmacy, Alabama Agricultural Experiment Station, Bookstores, Museum Gift Shop, 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 of land, buildings and equipment are carried at cost at date of acquisition. Gifts of capital assets are recorded at acquisition 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. Capitalized interest of $8.0 million and $12.5 million was recorded as of September 30, 2016 and 2015, respectively. 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 acquisition 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 acquisition 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 2016 or 2015.

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. Annually, University employees utilize vacation and sick leave in an amount greater than the compensated absence liability at September 30; therefore, the entire accrual is considered to be a current liability.

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. 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. UPMIFA prescribes guidelines for expenditure of donor-restricted endowment funds (in the absence of overriding, explicit donor stipulations). UPMIFA focuses on the entirety of a donor-restricted endowment fund, that is, both the original gift amount(s) and net appreciation. UPMIFA includes a 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 $53,804,356 and $45,387,488 at September 30, 2016 and 2015, 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, 2016 and 2015, covering the fair value of investments by investment type and related maturity:

Auburn University Investments
Investment Maturities at Fair Value (in Years)
September 30, 2016

Type of Investments	< 1 year	1-5 years	6-10 years	> 10 years	Total Fair Value
Fixed Maturity					
Certificates of Deposit	$ -	$ 550,371	$ -	$ -	$ 550,371
U.S. Treasury Obligations	21,066,099	81,252,250	6,120,750	-	108,439,099
U.S. Agency Securities	42,437,704	679,697,053	35,706,838	-	757,841,595
Municipals	-	405,964	1,031,130	-	1,437,094
	$ 63,503,803	$ 761,905,638	$ 42,858,718	$ -	$ 868,268,159
Global Equities					1,285,208
Alternative Investments					
Hedge Funds					72,665,308
Private Capital					19,612,336
Real Assets					22,789,047
Real Estate					740,750
Mutual Funds, Common Trust Funds and Business Trust Funds					113,944,549
Funds Held in Trust					3,472,723
Cash Surrender Value-Life Insurance					701,318
Money Market, Cash and Pooled Investments					61,114,098
Total investments					1,164,593,496
Less cash equivalents held in cash pool					(54,600,000)
Operating and noncurrent investments					$ 1,109,993,496

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
Global Equities					1,055,388
Alternative Investments					
Hedge Funds					70,342,719
Private Capital					19,496,030
Real Assets					20,193,112
Real Estate					740,750
Mutual Funds, Common Trust Funds and Business Trust Funds					99,799,131
Funds Held in Trust					3,400,476
Cash Surrender Value-Life Insurance					679,357
Money Market, Cash and Pooled Investments					70,844,695
Total investments					1,100,728,921
Less cash equivalents held in cash pool					(63,600,000)
Operating and noncurrent investments					$ 1,037,128,921

- **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 acceptance 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, 2016 and 2015, concerning credit quality risk:

Auburn University Investments
Ratings of Fixed Maturities

Moody’s Rating	Fair Value 2016	Fair Value as a % of Total Fixed Maturity Fair Value 2016	Fair Value 2015	Fair value as a % of Total Fixed Maturity Fair Value 2015
US Treasury	$ 108,439,099	12.49%	$ 103,442,640	12.71%
Aaa	757,841,595	87.28%	707,634,210	86.91%
Aa	1,437,094	0.17%	2,423,491	0.30%
Not rated*	550,371	0.06%	676,922	0.08%
	$ 868,268,159	100.00%	$ 814,177,263	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, 2016 and 2015, 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, 2016 and 2015, the University held no investments in foreign currency.

Securities Lending Program
As of September 30, 2016 and 2015, there was no participation in any securities lending program.

Interest Sensitive Securities
As of September 30, 2016, the University held no investments in mortgage-backed securities. As of September 30, 2015, the University held $6,855,074, representing 0.6% of its total investments in mortgage-backed securities. As of September 30, 2016 and 2015, the University held no investments in asset-backed securities. The mortgage-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, 2016 and 2015, the University Cash Pool held $14,646,691 and $52,483,818, representing 1.3% and 4.9%, 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 seven mutual funds, two common trust funds, 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.

On September 30, 2016 and 2015, 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, 2016, as follows: $100,000, 2011 General

Fee Bond proceeds, and $18,759,871, Deferred Maintenance Building Fund. The General Liability Account holds investments of $5,759,695.

At September 30, 2015, funds held for pending capital expenditures were as follows: $3,751,967, 2011 General Fee Bond proceeds, and $26,810,876, Deferred Maintenance Building Fund. The General Liability Account held investments of $5,749,582.

The University previously carried its limited partnership investments at cost, with no adjustment recorded to recognize net unrealized gains and losses as required by GASB Statement No. 31. GASB Statement No. 72, implemented during fiscal year 2016, supersedes GASB Statement No. 31, and limited partnership investments are carried at fair value. The University records its initial investment and subsequent contributions at cost and adjusts for its share of income/appreciation, losses/depreciation, and distributions received from the investments. The University believes that the carrying amount of these investments (using NAV) is a reasonable estimate of fair value as of September 30, 2016 and 2015. Because these 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. These investments are made in accordance with the University's investment policy that approves the allocation of funds to various asset classes (i.e., global equity, private capital, hedge funds, real assets, global fixed income, and cash) in order to ensure the proper level of diversification within the endowment pool. Investments in limited partnerships (private equity, hedge funds, and real assets) and the corporation are designed to enhance diversification and provide reductions in overall portfolio volatility. These fair values are estimated by the general partner of each limited partnership and corporation using various valuation techniques.

GASB Statement No. 72 establishes a hierarchy that prioritizes inputs to valuation techniques used to measure fair value. At September 30, 2016 and 2015, the fair value of the University's investments based on the inputs used to value them is summarized in the tables below. Note that the Money Market, Cash Surrender Value of Life Insurance, and Investments measured using the Net Asset Value (NAV) are presented in these tables to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying Statements of Net Position.

Auburn University Investments
Investments at Fair Value
September 30, 2016

Type of Investments	Total Fair Value	Level 1	Level 2	Level 3
Cash and Pooled Investments	$ 4,123,173	$ 4,123,173	$ -	$ -
Fixed Maturity	868,268,159	-	868,268,159	-
Global Equities	1,285,208	1,285,208	-	-
Real Estate	740,750	-	-	740,750
Mutual Funds	58,162,263	58,162,263	-	-
Total investments in the fair value hierarchy	$ 932,579,553	$ 63,570,644	$ 868,268,159	$ 740,750
Investments measured at NAV	174,321,700			
Money Market	2,390,925			
Cash Surrender Value-Life Insurance	701,318			
Operating and noncurrent investments	$ 1,109,993,496			

Auburn University Investments
Investments at Fair Value
September 30, 2015

Type of Investments	Total Fair Value	Level 1	Level 2	Level 3
Cash and Pooled Investments	$ 2,411,754	$ 2,411,754	$ -	$ -
Fixed Maturity	814,177,263	-	814,177,263	-
Global Equities	1,055,388	1,055,388	-	-
Real Estate	740,750	-	-	740,750
Mutual Funds	50,950,742	50,950,742	-	-
Total investments in the fair value hierarchy	$ 869,335,897	$ 54,417,884	$ 814,177,263	$ 740,750
Investments measured at NAV	162,280,726			
Money Market	4,832,941			
Cash Surrender Value-Life Insurance	679,357			
Operating and noncurrent investments	$ 1,037,128,921			

Investments categorized as Level 1 are valued using prices quoted in active markets for those companies. Fixed income securities categorized as Level 2 represent investments valued using a matrix pricing technique from a pricing service, which values debt securities based on their relationship to a benchmark and the relative spread to that benchmark. Real estate categorized as Level 3 is valued from periodic valuations prepared by independent appraisers or property tax valuation.

Liquidity Disclosures for Investments Measured Using Net Asset Value as of September 30, 2016

Description	Fair Value	Unfunded Commitments	Remaining Life	Redemption Frequency (If Currently Eligible)	Redemption Notice Period	Remaining Restriction
Investments Measured Using Net Asset Value:						
Funds Held in Trust	$ 3,472,723	$ -	N/A	Daily	3 business days	N/A
Global Bond Fund	11,427,098	-	N/A	Monthly	10 business days	N/A
Business Trust Funds and Common Trust Funds	44,355,188	-	N/A	Monthly	6-10 business days	N/A
Global Equity Hedge Fund	24,234,110	-	N/A	Quarterly	60 days	N/A
Global Long/Short Hedge Funds	23,979,917	-	N/A	Quarterly, Annually	45 - 60 days	4 months
Absolute Return Hedge Funds	24,451,281	-	N/A	Quarterly, Annually	45 - 90 days	5 - 9 months
Private Equity Funds	19,612,336	14,099,663	1 mo. -14 yrs.	Illiquid	Illiquid	N/A
Real Asset Investment Funds	22,789,047	9,679,744	1-10 yrs.	Monthly or Illiquid	15 days, Illiquid	N/A
Total	$ 174,321,700	$ 23,779,407				
Investments Measured Using Level 3 inputs:						
Real Estate	$ 740,750	-	N/A	Illiquid	Illiquid	N/A

Liquidity Disclosures for Investments Measured Using Net Asset Value as of September 30, 2015

Description	Fair Value	Unfunded Commitments	Remaining Life	Redemption Frequency (If Currently Eligible)	Redemption Notice Period	Remaining Restriction
Investments Measured Using Net Asset Value:						
Funds Held in Trust	$ 3,400,476	$ -	N/A	Daily	3 business days	N/A
Global Bond Fund	10,315,131	-	N/A	Monthly	10 business days	N/A
Business Trust Funds and Common Trust Funds	38,533,258	-	N/A	Monthly	6-10 business days	N/A
Global Equity Hedge Fund	22,906,901	-	N/A	Quarterly	60 days	N/A
Global Long/Short Hedge Funds	22,937,802	-	N/A	Quarterly, Annually	45 - 60 days	6 -16 months
Absolute Return Hedge Funds	24,498,016	-	N/A	Quarterly, Annually	45 - 90 days	21 months
Private Equity Funds	19,496,030	14,158,045	1 - 15 years	Illiquid	Illiquid	N/A
Real Asset Investment Funds	20,193,112	9,155,015	2 - 10 years	Monthly or Illiquid	15 days, Illiquid	N/A
Total	$ 162,280,726	$ 23,313,060				
Investments Measured Using Level 3 inputs:						
Real Estate	$ 740,750	-	N/A	Illiquid	Illiquid	N/A

Funds held in trust represent a foundation with the University as the named beneficiary (see Note 5).

The global bond fund includes investments in a globally diversified portfolio of primarily debt or debt-like securities. The fund invests in government debt securities.

The business trust funds and common trust funds include investments in international and emerging markets equity securities, investment grade credit securities, mortgage-backed securities and government securities. Exposure by market is approximately: 5% domestic, 63% developed international, and 32% emerging markets.

The global equity hedge fund includes investments in long/short equities. Long exposure ranges from 140-170%, while short exposure ranges from 40-70%. Management of the hedge fund's stated process is a risk-controlled, industry-neutral, analyst-driven approach to large cap equity investing.

Global long/short hedge funds include investments primarily in U.S. equities, with some international exposure. These funds are invested in various sectors including consumer, healthcare, technology, media, telecom, financials, industrials, and materials.

Absolute return hedge funds include investments in multiple strategies to diversify risk and reduce volatility, including but not limited to event-driven, arbitrage, distressed debt, and special situations.

Private equity funds predominantly consist of limited partnership funds that invest in private equity, venture capital, distressed opportunities, natural resources and real estate.

Real asset investment funds include limited partnership and corporate investments in commercial and residential real estate and land, natural resources, and commodities.

Under the terms of these private equity and real asset investment agreements, the University is obligated to remit additional funding periodically as capital calls are exercised. Depending on market conditions, the ability or inability of a fund to execute its strategy and other factors, the fund may request an extension of terms beyond its originally anticipated existence or may liquidate the fund prematurely. The University cannot anticipate such changes, because they are based on unforeseen events. These investments cannot be redeemed at NAV; however, periodic distributions may be made to the University at the managers' discretion as underlying portfolio assets are liquidated.

Real estate includes land in Birmingham, Alabama and Washington, D.C. The land in Birmingham is an undeveloped lot that is listed for sale. The land in Washington, D.C. is subject to a building lease ending in 2145.

AUF holds endowments and distributes earnings from those endowments to the University. AUF investments at September 30, 2016 and 2015, include the following:

	2016		2015	
	Fair Value	Cost	Fair Value	Cost
Cash and pooled investments	$ 8,353,727	$ 8,353,727	$ 4,446,913	$ 4,446,913
Government bonds, notes and other securities	40,288,878	35,828,584	33,028,474	30,759,053
Corporate stocks	1,090,708	121,014	1,178,973	278,417
Mutual funds, business trust funds, common trust funds and family limited partnerships	211,917,785	181,992,266	187,386,931	176,220,120
Hedge funds	137,676,459	93,305,905	124,792,151	89,697,649
Private equity funds	33,339,398	28,225,454	31,951,732	27,755,905
Real asset investment funds	39,716,179	35,421,296	38,731,689	34,662,675
Total investments	$ 472,383,134	$ 383,248,246	$ 421,516,863	$ 363,820,732

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, 2016, AUF had entered into subscription agreements with one corporate and forty-eight limited partnership investments. The aggregate amount of capital committed to these investments is $233,462,200 of which capital contributions of $192,032,605 have been invested. A cumulative net unrealized gain of $53,809,303 has been recorded on these investments. Of these forty-eight commitments, thirteen subscriptions relate to hedge funds, twenty-one subscriptions relate to private equity funds, and fourteen subscriptions relate to real estate asset funds. The hedge funds are primarily invested in long/short equities, arbitrage, distressed debt, special situations and other event-driven strategies through various investment managers, investment partnerships and offshore funds. The private equity fund commitments are for investment in private equity, venture capital, distressed opportunities, natural resources and real estate. The real assets funds include limited partnership and corporate investments in commercial and residential real estate and land, natural resources, and commodities.

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 $4,765,000 and $4,384,000 for the fiscal years ended September 30, 2016 and 2015, respectively.

AUF carries its investments in limited partnership interests, including an ownership interest in two family limited partnerships and a corporation, at estimated fair value as determined by the fund manager or general partner. AUF records its initial investment and subsequent contributions at cost and adjusts for its share of income/appreciation, losses/depreciation, and distributions received from the investments. AUF believes that the carrying amount of these investments is a reasonable estimate of fair value as of September 30, 2016 and 2015. Because these 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. These investments are made in accordance with AUF's investment policy that approves the allocation of funds to various asset classes (i.e., global equity, private capital, hedge funds, real assets, global fixed income, and cash) in order to ensure the proper level of diversification within the endowment pool. Investments in limited partnerships (private equity, hedge funds, and real assets) and the corporation are designed to enhance diversification and provide reductions in overall portfolio volatility. These fair values are estimated by the general partner of each limited partnership and corporation using various valuation techniques. The fair values of these investments were $315,391,482 and $286,967,264 as of September 30, 2016 and 2015, 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 $344,957,463 and $327,177,712 and the market value was $430,823,694 and $382,439,328 at September 30, 2016 and 2015, respectively. The portion of endowment income received by the University from these funds was $12,838,007 and $11,939,752 for the fiscal years ended September 30, 2016 and 2015, 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 Statements 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 $2,493,689 and $2,582,437 and a market value of $3,472,723 and $3,400,476 at September 30, 2016 and 2015, 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, 2016 and 2015. The income received from the two trusts was $77,908 and $70,542 for the fiscal years ended September 30, 2016 and 2015, respectively.

(6) ACCOUNTS RECEIVABLE

Accounts receivable and the allowances for doubtful accounts at September 30, 2016 and 2015, are summarized as follows:

	2016	2015
NONSTUDENT ACCOUNTS RECEIVABLE		
Federal, state & local government, and other restricted expendable	$ 27,009,932	$ 28,262,990
Less allowance for doubtful accounts	(1,803,950)	(1,303,687)
Pledged receivables	195,825	534,056
General	18,588,712	14,707,046
Less allowance for doubtful accounts	(12,761,338)	(13,257,468)
Auxiliary	11,876,199	14,458,432
Capital gifts and grants	1,505,553	1,861,835
Total nonstudent accounts receivable	$ 44,610,933	$ 45,263,204

	2016	2015
STUDENT ACCOUNTS RECEIVABLE		
Unrestricted general	$ 38,270,306	$ 39,903,223
Less allowance for doubtful accounts	(1,910,412)	(1,179,619)
Unrestricted auxiliary	2,439,340	2,600,817
Less allowance for doubtful accounts	(41,166)	(57,377)
Total student accounts receivable	$ 38,758,068	$ 41,267,044

(7) CAPITAL ASSETS

Capital assets at September 30, 2016 and 2015, are summarized as follows (dollars in thousands):

	September 30, 2015	Additions/Transfers	Deletions/Transfers	September 30, 2016
Capital assets not being depreciated				
Land	$ 19,460	$ 12,455	$ (36)	$ 31,879
Art & collectibles	10,663	469	(3)	11,129
Construction in progress	32,990	96,906	(70,167)	59,729
Livestock	2,595	1,872	(1,730)	2,737
Total capital assets not being depreciated	65,708	111,702	(71,936)	105,474
Capital assets being depreciated				
Land improvements	112,372	9,667	-	122,039
Buildings	1,669,146	36,064	(847)	1,704,363
Equipment	222,056	26,711	(13,855)	234,912
Infrastructure	210,758	6,475	(695)	216,538
Library books	182,270	8,661	(492)	190,439
Software system implementation	14,796	382	-	15,178
Total capital assets being depreciated	2,411,398	87,960	(15,889)	2,483,469
Less accumulated depreciation for				
Land improvements	52,010	6,719	-	58,729
Buildings	471,555	37,410	(809)	508,156
Equipment	152,451	15,725	(11,997)	156,179
Infrastructure	78,773	7,814	-	86,587
Library books	150,232	7,191	(492)	156,931
Software system implementation	11,891	878	-	12,769
Total accumulated depreciation	916,912	75,737	(13,298)	979,351
Total capital assets being depreciated, net	1,494,486	12,223	(2,591)	1,504,118
Capital assets, net	$ 1,560,194	$ 123,925	$ (74,527)	$ 1,609,592

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

During the fiscal years ended September 30, 2016 and 2015, the University did not receive any construction funding from the State of Alabama.

(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, 2015, and 2016, 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, 2016	September 30, 2015
Loss on refunding		
2009 General Fee refunding	$ 1,908,740	$ 2,317,000
2012A General Fee refunding	4,313,003	5,165,323
2012B General Fee refunding	247,426	288,300
2014A General Fee refunding	4,227,112	4,694,370
2015A General Fee refunding	9,449,190	10,287,870
2015B General Fee refunding	3,862,788	4,200,934
2016A General Fee refunding	31,796,900	-
Pension	114,158,400	53,229,926
Total deferred outflows of resources	$ 169,963,559	$ 80,183,723

(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, 2015	Principal New Debt	Repayment	Balance at September 30, 2016
1978 Auburn University at Montgomery Dormitory Revenue Bonds, $3,279,000 face value, 3.0%, due annually through 2018, a reserve of $146,574 and a $138,511 contingency fund.	$ 540,000	$ -	$ (130,000)	$ 410,000
2001A Athletic Revenue Bonds, $24,412,607 face value, 2.125% to 5.49%, due annually through 2021.	9,678,081	-	(1,873,719)	7,804,362
2006A General Fee Revenue Bonds, $60,000,000 face value, 3.5% to 5.0%, due annually through 2037.	8,490,000	-	(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.	12,265,000	-	(8,185,000)	4,080,000
2008 General Fee Revenue Bonds, $92,500,000 face value, 3.0% to 5.0%, due annually through 2038.	43,595,000	-	(36,835,000)	6,760,000
2009 General Fee Revenue Bonds, $79,500,000 face value, 2.0% to 5.0%, due annually through 2026.	65,830,000	-	(4,340,000)	61,490,000
2011A General Fee Revenue Bonds, $226,035,000 face value, 4.0% to 5.0%, due annually through 2041.	221,780,000	-	(176,340,000)	45,440,000
2012A General Fee Revenue Bonds, $120,135,000 face value, 2.0% to 5.0%, due annually through 2042.	104,385,000	-	(6,735,000)	97,650,000
2012B General Fee Revenue Bonds, $3,505,000 face value, 2.9%, due annually through 2024.	3,325,000	-	(65,000)	3,260,000
2014A General Fee Revenue Bonds, $66,415,000 face value, 2.0% to 5.0%, due annually through 2035.	65,860,000	-	(125,000)	65,735,000
2015A General Fee Revenue Bonds, $116,190,000 face value, 2.0% to 5.0%, due annually from 2016 through 2038.	116,190,000	-	(200,000)	115,990,000
2015B General Fee Revenue Bonds, $38,700,000 face value, 2.0% to 5.0%, due annually from 2016 through 2035.	38,700,000	-	(120,000)	38,580,000
2016A General Fee Revenue Bonds, $217,930,000 face value, 1.5% to 5.0%, due annually from 2017 through 2041.	-	217,930,000	-	217,930,000
Notes payable	-	3,125,000	-	3,125,000
Total bonds and notes payable	690,638,081	221,055,000	(243,438,719)	668,254,362
Plus unamortized bond premium	39,455,339	35,574,560	(8,902,612)	66,127,287
	730,093,420	$ 256,629,560	$ (252,341,331)	734,381,649
Less: current portion				
Bonds payable	(25,403,719)			(24,873,501)
Unamortized bond premium	(4,849,785)			(6,381,742)
Total noncurrent bonds and notes payable	$ 699,839,916			$ 703,126,406

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 from 2015 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 from 2015 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

On August 17, 2016, $217,930,000 in General Fee bonds with interest rates ranging from 1.5% to 5.0% were issued to currently and advance refund $218,035,000 of outstanding bonds with interest rates ranging from 4.0% to 5.0%. The portion of the net proceeds of the new bond issue to be used for refunding were deposited in an irrevocable trust with an escrow agent and were used to purchase U.S. Government securities which will provide sufficient funds to pay all future debt service payments on the previously outstanding bonds. As a result, the previously outstanding bonds are considered to be defeased and the liability for those bonds has been removed from the University's financial statements. This refunding resulted in the University recognizing a loss of $34,274,282 for the difference between the acquisition price of the new debt and the carrying amount of the old debt. Although the University recognized an accounting loss, the refunding decreases the University's total debt service payments over the next 25 years by $32,922,610 and resulted in an economic gain (the difference between the present values of the debt service payments on the old and the new bonds) for the University of $21,485,561.

Future Debt Service

Future debt service payments for each of the five fiscal years subsequent to September 30, 2016, and thereafter, are as follows:

	Bonds Payable	
Year Ending September 30	Principal	Interest
2017	$ 24,873,501	$ 29,601,350
2018	24,072,554	30,717,854
2019	24,684,123	29,964,625
2020	25,222,709	28,992,359
2021	26,316,475	27,890,763
2022-2026	143,545,000	107,861,563
2027-2031	135,760,000	74,853,881
2032-2036	155,135,000	41,584,488
2037-2041	103,795,000	11,510,700
2042	1,725,000	86,250
Total future debt service	$ 665,129,362	$ 383,063,833

Capital Lease Obligations

The University leases certain pieces of equipment which are classified as capital leases.

Lease Obligations	Balance at September 30, 2015	New Lease Obligations	Principal Repayment	Balance at September 30, 2016
Equipment	$ -	$ 334,602	$ -	$ 334,602
Total lease obligations	$ -	$ 334,602	$ -	$ 334,602

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

	Equipment	Total
2016-2017	$ 106,458	$ 106,458
2017-2018	106,458	106,458
2018-2019	103,632	103,632
2019-2020	10,330	10,330
2020-2021	16,265	16,265
Minimum lease payments	343,143	343,143
Less interest	(8,541)	(8,541)
Present value of minimum lease payments	334,602	334,602
Less current portion	(103,040)	(103,040)
Noncurrent obligations	$ 231,562	$ 231,562

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 20, 2016 and 2015, amounted to approximately $4.2 million and $3.8 million, respectively.

(10) PLEDGED REVENUES

Pledged revenue for 2016 and 2015 as defined by the **Series 2006A, 2007A, 2008, 2009, 2011A, 2012A, 2012B, 2014A, 2015A, 2015B and 2016A General Fee Revenue Trust Indentures** is as follows:

	2016	2015
Student fees collected	$ 468,856,351	$ 445,535,019
Less fees pledged for specific purposes:		
Athletic fees ($96 per student per semester)	(3,479,255)	(4,799,903)
Transit fees ($149/$145 per semester)	(7,588,595)	(7,007,982)
Student activities fees ($15 per student per semester)	(544,128)	(747,404)
Total general fees pledged	$ 457,244,373	$ 432,979,730

The Series 2011A Bonds expanded 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 2016 and 2015 subordinate to prior pledges of such revenues as defined by the **Series 2011A General Fee Revenue Trust Indenture** is as follows:

	2016	2015
AUM housing revenues		
Room rental	$ 5,529,964	$ 5,071,716
Other income	251,207	329,796
Total housing	5,781,171	5,401,512
AUM dining revenue	1,937,348	2,048,293
Total AUM housing and dining revenues pledged	$ 7,718,519	$ 7,449,805

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 2016 and 2015 as defined by the **Series 2001A Athletic Revenue Trust Indenture** is as follows:

	2016	2015
Jordan-Hare and other revenues:		
Television and broadcast revenues	$ 34,244,461	$ 24,945,871
Conference and NCAA distributions	9,388,670	16,493,869
Sales and services revenues	46,915,884	27,506,023
Student fees	3,479,255	4,799,903
Royalties, advertisements and sponsorships	6,196,360	6,062,826
Other income	12,956,276	8,545,966
Total athletic revenues pledged	$ 113,180,906	$ 88,354,458

The 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 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, 2016 and 2015, as defined by the **1978 Auburn University at Montgomery Trust Indenture:**

	2016	2015
Revenues:		
Room rental	$ 1,289,528	$ 1,241,852
Other income	75,302	54,506
Total revenues	1,364,830	1,296,358
Expenses and transfers:		
Personnel costs	331,521	306,897
Operating expenses	607,886	345,133
Transfers	147,912	146,787
Total expenses and transfers	1,087,319	798,817
Surplus of revenues over expenses and transfers	277,511	497,541
AUM student housing net surplus (deficit) at beginning of year	170,019	(327,522)
AUM student housing net surplus at end of year	$ 447,530	$ 170,019

The AUM dormitory occupancy rate for Fall semester 2016 and Fall semester 2015 was 97.4% and 99.2%, respectively (unaudited).

(11) RETIREMENT PROGRAMS

The employees of the University are participants in three types of 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 referred to as "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,		2016		2015		2014
Total percentage of covered payroll		19.44%/16.84%		19.21%/17.05%		19.21%/17.08%
Contributions:						
Percentage contributed by the employer		11.94%/10.84%		11.71%/11.05%		11.71%/11.08%
Percentage contributed by the employees		7.50%/6.00%		7.50%/6.00%		7.50%/6.00%
Contributed by the employer	$	46,139,070	$	43,894,444	$	42,684,405
Contributed by the employees		28,390,415		27,572,040		27,016,081
Total contributions	$	74,529,485	$	71,466,484	$	69,700,486

The University reported a liability of $624,361,000 and $523,080,000 as of September 20, 2016 and 2015, respectively, for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014 and 2013, respectively. 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, 2015 and 2014, the University's proportion was 5.965792% and 5.757899%, respectively, which was an increase of 0.207893% and 0.081384% from its proportion measured as of September 30, 2014 and 2013, respectively.

For the years ended September 30, 2016 and 2015, the University recognized pension expense of $52,213,000 and $41,089,000, respectively. At September 30, 2016, 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	$	-	$	3,383,000
Changes of assumptions		-		-
Net difference between projected and actual earnings on pension plan investments		40,878,000		-
Changes in proportion and differences between Employer contributions and proportionate share of contributions		21,432,000		-
Employer contributions subsequent to the measurement date		46,139,000		-
Total	$	108,449,000	$	3,383,000

$46,139,000 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, 2017.

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:		
2017	$	14,803,000
2018		14,803,000
2019		14,803,000
2020		13,737,000
2021		781,000
Thereafter		-

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2014, 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, 2014, 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	$ 825,985,000	$ 624,361,000	$ 453,356,000

The amounts presented and disclosed in the financial statements as of September 30, 2016 related to pension activity in accordance with GASB Statement No. 68 were based upon the best available information at the valuation date. Subsequent to the valuation date, the Retirement Systems of Alabama completed experience studies for both the Teachers' Retirement System (TRS) and the Employees' Retirement System (ERS). As a result, certain assumptions (including the mortality rates and the discount rate) will likely change for future valuations of the pension liabilities. This could result in a significant increase in the pension liabilities recorded by the University in fiscal year 2017.

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,	2016	2015	2014
Total percentage of covered payroll	266.92%/265.93%	153.70%/152.88%	57.52%/56.73%
Contributions:			
Percentage contributed by the employer	263.17%/262.93%	149.95%/149.88%	53.77%/53.73%
Percentage contributed by the employees	3.75%/3.00%	3.75%/3.00%	3.75%/3.00%
Contributed by the employer	$ 5,629,191	$ 4,162,196	$ 1,796,181
Contributed by the employees	80,210	104,090	125,541
Total contributions	$ 5,709,401	$ 4,266,286	$ 1,921,722

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, 2016, the University's active employee contribution rate was 263.17% of covered employee payroll.

The University's contractually required contribution rate for the year ended September 30, 2016, was 263.17% of pensionable pay. These required contribution rates are based upon the actuarial valuation dated September 30, 2014, 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 $5,629,191 for the year ended September 30, 2016.

Net Pension Liability

The University's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014 and rolled forward to September 30, 2015, using standard roll-forward techniques as shown in the following table:

Total Pension Liability	Expected	Actual
(a) Total Pension Liability as of September 30, 2014	$ 48,737,965	$ 48,983,043
(b) Entry Age Normal Cost for the period October 1, 2014 - September 30, 2015	$ 46,380	$ 46,380
(c) Actual Benefit Payments and Refunds for the period October 1, 2014 - September 30, 2015	$ (5,501,945)	$ (5,501,945)
(d) Total Pension Liability as of September 30, 2015 [(a)*(1.08)]+(b)-[(c)*(1.04)]	$ 46,961,359	$ 47,226,044
(e) Difference between Expected and Actual Experience (Gain)/Loss		$ 264,685

The total pension liability in the September 30, 2014, 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 September 30, 2014 valuation 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, 2014	$ 48,737,965	$ 1,383,525	$ 47,354,440
Changes for the year:			
Service cost	46,380	-	46,380
Interest	3,678,959	-	3,678,959
Differences between expected and actual experience	264,685	-	264,685
Contributions - employer	-	4,159,117	(4,159,117)
Contributions - employees	-	104,131	(104,131)
Net Investment Income	-	9,066	(9,066)
Benefit payments, including refunds of employee contributions	(5,501,945)	(5,501,945)	-
Administrative expense	-	-	-
Transfers among employers	-	-	-
Net changes	(1,511,921)	(1,229,631)	(282,290)
Balance at September 30, 2015	$ 47,226,044	$ 153,894	$ 47,072,150

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	$ 50,033,419	$ 47,072,150	$ 44,462,681

The amounts presented and disclosed in the financial statements as of September 30, 2016 related to pension activity in accordance with GASB Statement No. 68 were based upon the best available information at the valuation date. Subsequent to the valuation date, the Retirement Systems of Alabama completed experience studies for both the Teachers' Retirement System (TRS) and the Employees' Retirement System (ERS). As a result, certain assumptions (including the mortality rates and the discount rate) will likely change for future valuations of the pension liabilities. This could result in a significant increase in the pension liabilities recorded by the University in fiscal year 2017.

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 years ended September 30, 2015 and 2014. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2015 and 2014. The auditor's report dated October 17, 2016, and June 3, 2015, respectively, 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, 2016 and 2015, the University recognized pension expense of $3,813,090 and $3,535,872, respectively. At September 30, 2016, 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	-	24,593
Employer contributions subsequent to the measurement date	5,709,400	-
Total	$ 5,709,400	$ 24,593

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:	
2017	$ (6,148)
2018	(6,148)
2019	(6,148)
2020	(6,149)
2021	-
Thereafter	-

	Pension Expense
Service Cost	$ 46,380
Interest on the total pension liability	3,678,959
Current-period benefit changes	-
Expensed portion of current-period difference between expected and actual experience in total pension liability	264,685
Expense portion of current-period changes of assumptions	-
Member contributions	(104,131)
Projected earnings on plan investments	(61,134)
Expensed portion of current-period differences between actual and projected earnings on plan investments	10,414
Transfers among employers	-
Recognition of beginning deferred outflows of resources as pension expense	-
Recognition of beginning deferred inflows of resources as pension expense	(22,083)
Pension Expense (Income)	$ 3,813,090

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, 2016 and 2015, 3,446 and 3,381 employees, respectively, participated in the tax deferred annuity program. The contribution for 2016 was $20,721,371 which includes $5,021,626 from the University and $15,699,745 from its employees. The contribution for 2015 was $20,314,942, which includes $5,002,639 from the University and $15,312,303 from its employees.

Total salaries and wages during the fiscal year for covered employees participating in the plan were $259,097,850 and $251,370,027 for the fiscal years ended September 30, 2016 and 2015, 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, 2016 and 2015, 228 and 218 employees, respectively, participated in the plans. Contributions of $2,770,515 and $2,695,269 for fiscal years 2016 and 2015, 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 $399 and $370 per employee per month in the years ended September 30, 2016 and 2015, respectively. The University paid $11,141,386 and $10,088,354 for 2,327 and 2,255 retirees for the years ended September 30, 2016 and 2015, 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 2016 are as follows:
Retired Member Rates
- Individual Coverage/Non-Medicare Eligible - $151.00
- Family Coverage/Non-Medicare Eligible Retired Member and Non-Medicare Eligible Non-spousal Dependent(s) - $391.00
- Family Coverage/Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) with Non-Medicare Eligible Spouse - $416.00
- Family Coverage/Non-Medicare Eligible Retired Member and Non-spousal Dependent Medicare Eligible - $250.00
- Family Coverage/Non-Medicare Eligible Retired Member and Spouse Dependent Medicare Eligible - $260.00
- Individual Coverage/Medicare Eligible Retired Member - $10.00
- Family Coverage/Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) - No Spouse - $250.00
- Family Coverage/Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) with Non-Medicare Eligible Spouse - $275.00
- Family Coverage/Medicare Eligible Retired Member and Non-spousal Dependent Medicare Eligible - $109.00
- Family Coverage/Medicare Eligible Retired Member and Spousal Dependent Medicare Eligible - $119.00
- Tobacco surcharge - $50.00 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 $50.00 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 - $740.00
- Surviving Spouse Non-Medicare Eligible and Dependent Non-Medicare Eligible - $987.00
- Surviving Spouse Non-Medicare Eligible and Dependent Medicare Eligible - $1,033.00
- Surviving Spouse Medicare Eligible - $425.00
- Surviving Spouse Medicare Eligible and Dependent Non-Medicare Eligible - $679.00
- Surviving Spouse Medicare Eligible and Dependent Medicare Eligible - $725.00

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 2017.

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 $858,332 and $863,203 for fiscal years ended September 30, 2016 and 2015, 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 $1,348,034 and $1,772,580 in retiree healthcare expense during fiscal years 2016 and 2015, 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 86), 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, 2016		
		Amount	Percent of Payroll[1]
1. Unfunded actuarial accrued liability at October 1, 2015	$	62,824,140	2,865.5%
Annual Required Contribution (ARC)			
2. Normal cost	$	-	
3. Amortization of the unfunded actuarial accrued liability over 15 years using level dollar amortization		4,827,477	
4. Annual Required Contribution (ARC = 2 + 3)	$	4,827,477	220.2%
Annual OPEB Cost (Expense)			
5. ARC	$	4,827,477	
6. Interest on beginning of year accrual		360,102	
7. Adjustment to ARC		(1,373,780)	
8. Fiscal year 2016 OPEB cost (5 + 6 + 7)	$	3,813,799	173.9%
End of Year Accrual (Net OPEB Obligation)[2]			
9. Beginning of year accrual [1]	$	18,005,098	
10. Annual OPEB cost		3,813,799	
11. Employer contribution (benefit payments)[2]		(2,465,765)	
12. End of year CAFR accrual (9 + 10 + 11)[2]	$	19,353,132	882.7%

[1] Annual payroll for 20 participants as of September 30, 2016, was $1,847,780.

[2] Actual amounts paid in fiscal year 2016 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, 2014	$ 4,172,525	60.0%	$ 16,232,518
September 30, 2015	$ 4,315,892	58.9%	$ 18,005,098
September 30, 2016	$ 3,813,799	64.7%	$ 19,353,132

[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, 2015 – September 30, 2016
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 2017, decreasing by one-half percentage point per year to an ultimate of 5.0% in fiscal year 2025 and later.
Valuation Date	October 1, 2015

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

Monthly Per Capita Claim Costs

Age	Medical
55	$748
60	$897
65	$364
70	$404
75	$430

Claim costs were increased by 1.99% over 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 not eligible to participate in PEEHIP 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 1/1/16	As of 1/1/15
Pre-65 Single	$491	$481
Pre-65 Family	$1,105	$1,083
Post-65 Single	$159	$156
Post-65 Family	$772	$757

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
2017	9.0%
2018	8.5%
2019	8.0%
2020	7.5%
2021	7.0%
2022	6.5%
2023	6.0%
2024	5.5%
2025+	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-2015.

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 2.42% 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 $4.5 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, 2016 and 2015, was $421,124 and $430,623, respectively. These amounts are included in other noncurrent liabilities on the Statements 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, 2016 and 2015, was $3,387,318 and $3,041,613, respectively. These amounts are included in other noncurrent liabilities on the Statements 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, 2016 and 2015, of $11,097,272 and $7,923,758, respectively. These amounts are included in accounts payable and other accrued liabilities on the Statements 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 $19,552,096 and $19,023,576 at September 30, 2016 and 2015, 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 $16,254,022 and $16,077,804 at September 30, 2016 and 2015, respectively. Also included in deposits held in custody of others are the agency funds. These amounts totaled $6,592,003 and $4,026,721 for September 30, 2016 and 2015, 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, 2016 and 2015, are as follows:

	2016	2015
Tuition and fees, net	$ 155,058,659	$ 144,787,084
Federal, state and local government grants and contracts, net	10,872,112	8,818,782
Auxiliary, net	30,958,937	45,455,323
Plant	474,828	490,656
Total unearned revenue	$ 197,364,536	$ 199,551,845

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, 2016 and 2015, the total estimated pollution remediation liability (estimated using the expected cash-flow technique) is $7,017,240 and $7,003,258, respectively. The current portion of this amount ($282,930 and $348,948, respectively) is included in other accrued liabilities and the long-term portion ($6,734,310 and $6,654,310, 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, 2016	September 30, 2015
Nonexchange transactions	$ 281,953	$ 206,159
Pension	3,407,593	39,307,330
Total deferred inflows	$ 3,689,546	$ 39,513,489

(15) CONTRACTS AND GRANTS
The University has been awarded approximately $4.3 million and $14.3 million in contracts and grants that have not been received or expended as of September 30, 2016 and 2015, 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 $16,566,978 and $17,276,028 in facilities and administrative cost recovery for the years ended September 30, 2016 and 2015, 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 $442.6 million. At September 30, 2016, the estimated remaining cost to complete the projects is approximately $221.9 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, 2016 and 2015, 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, 2016

	Compensation and Benefits	Scholarships and Fellowships	Utilities	Other Supplies and Services	Depreciation	Total
Instruction	$ 234,123,099	$ 577,083	$ -	$ 35,390,424	$ -	$ 270,090,606
Research	69,693,294	1,971,142	23,956	38,432,245	-	110,120,637
Public Service	66,276,994	75,769	25,838	41,241,582	-	107,620,183
Academic Support	46,274,401	-	-	9,879,132	-	56,153,533
Library	7,455,988	-	-	421,804	-	7,877,792
Student Services	25,333,543	-	-	9,695,720	-	35,029,263
Institutional Support	71,856,246	-	-	15,443,042	-	87,299,288
Operation and Maintenance	30,566,203	-	18,982,930	35,830,654	-	85,379,787
Scholarships and Fellowships	22,099,667	19,595,880	-	284,415	-	41,979,962
Auxiliaries	53,563,903	153,972	5,114,817	72,958,866	-	131,791,558
Depreciation	-	-	-	-	75,737,087	75,737,087
	$ 627,243,338	$ 22,373,846	$ 24,147,541	$ 259,577,884	$ 75,737,087	$ 1,009,079,696

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

(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, which 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 AUF'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 benefit. Amounts transferred to the University or expended on behalf of its programs are reported as "Total program services" in the Consolidated Statement of Activities and Changes in Net Assets.

AUF and the University jointly conduct development and related operations through the Office of the University's Vice President for Development pursuant to a Services and Facilities Agreement (the Agreement), which states that the University will provide to AUF services, which primarily consist of all personnel and certain other administrative support and facilities. During the year, actual costs may be paid by either AUF or the University. AUF periodically compares actual costs to allocable costs pursuant to the Agreement and settles any differences by a transfer between the organizations. AUF and the University review the agreement at least annually and an estimate of the consideration to be paid for the upcoming year is approved annually by the AUF Board.

The University has entered into an agreement whereby the AUF Investment Committee manages the University's endowment and is compensated by a management fee.

Constituency development operations, which raise funds directly on behalf of a school, college, or program of the University, are funded by the University unit involved and may use AUF gifts restricted to that unit. These costs are the responsibility of the respective constituency unit and are reflected in the accompanying consolidated financial statements to the extent restricted gifts are utilized.

AUF payments to/receipts from the University pursuant to these agreements for the years ended September 30, 2016 and 2015 are as follows:

	2016	2015
Services and facilities costs paid by AUF	$ 4,114,015	$ 5,067,895
AUF's allocable costs pursuant to the Agreement	2,994,830	2,989,178
Net settlement from the University	$ 1,119,185	$ 2,078,717
Endowment management fee received from the University	$ 1,970,143	$ 1,894,331
Payments to the University Athletic Ticket Office for ticket purchases	$ 124,425	$ 125,390

AUREFI has an agreement with the University to provide certain services and facilities. Related payments to the University for the years ended September 30, 2016 and 2015 are as follows:

	2016	2015
AUREFI costs pursuant to the Agreement	$ 80,409	$ 71,863

The Association does not maintain endowments, but instead establishes endowments in AUF, which are administered in the investment pool. AUF holds and invests funds from the Association's Life Membership program and annually makes distributions from these investments directly to the Association. In addition, the Association has a commitment to match funds for scholarship endowments previously established with certain specific guidelines. The Association makes grants quarterly to match payments received by AUF for these endowments. Information relating to the Association as of and for the years ended September 30, 2016 and 2015 is as follows:

	2016	2015
Pooled investments held by AUF (the Association Life Membership)	$ 8,541,039	$ 8,210,325
Amounts distributed from investments, net of administrative fee	$ 320,433	$ 311,970
Amounts due from the Association for scholarship matching program	$ 420,994	$ 639,500
Grants from the Association for scholarship matching and other endowments	$ 181,187	$ 1,702,647

AUF holds TUF endowment funds and invests these funds in AUF's pooled investments. AUF annually distributes TUF endowment earnings either to TUF or directly to the University on behalf of TUF based on the spending policy. In addition, AUF participates in the TUF athletic priority system each year in order to obtain tickets and suites for the cultivation, solicitation, and stewardship of contributors.

Information relating to TUF as of and for the years ended September 30, 2016 and 2015 is as follows:

	2016	2015
Pooled investments held by AUF	$ 8,398,825	$ 8,047,688
Amounts distributed from investments, net of administrative fee	$ 309,709	$ 298,464
Athletic priority system payments	$ 366,185	$ 384,926

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, 2016 and 2015, the Association had a salary reimbursement expense of $1,180,593 and $1,135,273, respectively, to the University under the service and facilities agreement. These amounts were fully paid at September 30, 2016 and September 30, 2015, respectively.

Rental income recorded by the Association from the University totaled $366,914 and $374,361, respectively, for the years ended September 30, 2016 and 2015. Rental income recorded by the Association from AUF totaled $1,370 and $1,150 for the years ended September 30, 2016 and 2015, respectively. The University and AUF also paid the Association $68,212 and $5,177, respectively for shared alumni center building expenses for the fiscal year ended September 30, 2016. For the fiscal year ended September 30, 2015, these amounts were $62,008 and $4,994, respectively.

During the years ended September 30, 2016 and 2015, the University provided for its share of alumni affairs activities costs by establishing a budget within the University's budgetary system. The alumni affairs activities costs were $801,910 and $640,000 for the years ended September 30, 2016 and 2015, respectively.

During the years ended September 30, 2016 and 2015, the Association paid the University $19,300 and $19,301 for Alumni Accounting office space at the East Glenn Administrative Complex.

During the years ended September 30, 2016 and 2015, the Association contributed $154,533 and $166,920, respectively, to the Auburn Alumni Association Endowment for Scholarships held with AUF. The Association also contributed $25,806 and $1,124,810 to various AUF scholarship funds and $58,463 and $104,840 to various University scholarship funds during fiscal years 2016 and 2015, respectively.

During the year ended September 30, 2015, the Alumni Association Board approved a fundraising program called the Million Dollar Match program in an effort to increase new alumni donor scholarship endowments. In the year ended September 30, 2016, the Association paid $218,506 toward qualifying endowments; leaving $420,994 as a payable to AUF. In fiscal year 2015, the Association paid $460,500 toward qualifying endowments; leaving $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 $32,955,883 and $34,401,547 during the years ended June 30, 2016 and 2015, respectively. Included in these amounts are current year accruals of severance payments due to terminated employees totaling $98,833 and $3,144,565, 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 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, 2016 and 2015, the University incurred obligations of $554,570 and $533,945, respectively, to TUF for the use of executive suites at University athletic events. Of this amount, $549,450 and $528,825, 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, 2016 and 2015, AUF incurred obligations of $147,325 and $140,261, 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. AUF paid the 2015 obligation during fiscal year 2015, and it intends to pay the 2016 obligation during fiscal year 2017.

During the years ended June 30, 2016 and 2015, 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, 2016 and 2015, obligations of $3,875,247 and $5,693,143 related to these transactions, respectively, were outstanding. TUF paid the 2015 obligation during fiscal year 2016, and it intends to pay the 2016 obligation during fiscal year 2017.

As indicated, the above TUF balances are as of June 30, 2016 and 2015; however, the University believes these figures are not materially different than September 30, 2016 and 2015, respectively.

Auburn Research and Technology Foundation
Although ARTF is separate and independent from the University, its mission is to facilitate the acquisition, construction and equipping of a technology and research park on the University's campus in order to create new academic and entrepreneurial opportunities for the University's faculty and students. Consideration received by the University from ARTF includes the traditional benefits enjoyed by a University from an affiliated research park, including but not limited to, increased exposure for development and commercialization of the University's intellectual property and technologies, increased research opportunities for the University's students and professors, and heightened exposure within the commercial world of the technological campus offerings. The Vice President for Research and Economic Development of the University serves as the President of ARTF and is a member of the ARTF Board with full voting powers. Contributed services in the amount of approximately $18,000 and $17,000 were recognized by ARTF during fiscal year 2016 and 2015, respectively, related to services provided by the Vice President for Research and Economic Development serving as the President of ARTF. ARTF has a consulting agreement with a University temporary employee to serve as the Executive Director of ARTF. Additionally, ARTF's accounting records are maintained as a subsystem within the University's accounting system.

ARTF's Board of Directors includes members who are also members of the VCOM Board of Directors, University Board of Trustees as well as other University employees. A banking relationship exists between ARTF and a financial institution whose President and CEO is a member of ARTF's Board of Directors who is also a member of the University's Board of Trustees.

ARTF and the University entered into an Operating Agreement (the Agreement), which governs the general and administrative and development financial relationships between these two entities. In summary, the Agreement states that in return for certain services and facilities that are within the capability and control of the University, ARTF will reimburse the University for the cost of such services and facilities. ARTF makes an annual determination of its allocable share of these costs and records the transaction. As discussed below, unpaid amounts at September 30 are included in "Other payable to Auburn University" on the ARTF Statements of Financial Position. ARTF and the University review the Agreement annually and provide an estimate of the maximum consideration to be paid for the upcoming year for approval by the respective boards. The actual reimbursement is determined based on the actual costs incurred. In accordance with the Agreement for fiscal year 2016 and 2015, personnel costs incurred by the University and charged to ARTF were $323,170 and $78,389, respectively, of these amounts $146,549 and $65,063, respectively was payable at September 30, 2016 and 2015.

ARTF entered into an agreement with the University to market the University's Certification for Aquaculture Professionals (CAP) program. As of September 30, 2016 and 2015, ARTF owed the University $57,929 and $6,000, respectively, related to this agreement. ARTF entered into subcontracts with the University to provide services to fulfil ARTF's sponsored project agreements. As of September 30, 2016 and 2015, ARTF owed the University $19,675 and $58,593, respectively, related to the subcontracts. ARTF and the University enter into licensing agreements for certain intellectual property. Under the licensing agreements, ARTF owed the University $40,416 and $90,149 at September 30, 2016 and 2015, respectively. The University provides certain operating services to ARTF. As of September 30, 2016 and 2015, ARTF owed the University $10,169 and $5,293, respectively, related to these services. Additionally, the Foundation shares miscellaneous costs related to office expenses and equipment leases with a University department. Payables to the University for these expenses were $13,623 and $607 as of September 30, 2016 and 2015, respectively. All amounts owed to the University are shown in "Other payables to Auburn University" on the ARTF Statements of Financial Position.

The amounts due from the University to ARTF of $3,361 and $16,000 at September 30, 2016 and 2015, respectively, related to operating transactions between the University and ARTF. This amount is included in "Accounts receivable" on the ARTF Statements of Financial Position.

ARTF held lease agreements with three University departments in fiscal year 2016 and 2015, whereby the departments leased 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 $140,000 and $138,000 in lease costs during fiscal year ended September 30, 2016 and 2015, respectively.

ARTF entered into a contract with the University during fiscal year 2011 to develop and manage a full service business incubator. Revenues of $154,443 and $134,755 related to this contract were recognized during fiscal year 2016 and 2015, respectively. As of September 30, 2016 and 2015, the remaining amounts of the contributions of $81,464 and $85,906, respectively, are shown in "Deferred revenue" on the ARTF Statements of Financial Position 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 $138.5 million and $149.0 million under these programs during the fiscal years ended September 30, 2016 and 2015, respectively. AUM disbursed approximately $24.6 million and $25.5 million under these programs during the fiscal years ended September 30, 2016 and 2015, respectively.

(22) IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

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. This Statement does not have an effect on the University's financial statements.

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 realize a material reduction of its unrestricted net position upon adoption.

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. This Statement does not have an effect on the University's financial statements.

Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14,* was issued in January 2016. This Statement amends the blending requirements for the financial statement presentation of all state and local governments to require blending of component units incorporated as not-for-profit corporations in which the primary government is the sole corporate member. This Statement is effective for periods beginning after June 15, 2016. Earlier application is encouraged. The University is currently evaluating the financial statement impact of this Statement.

Statement No. 81, *Irrevocable Split-Interest Agreements,* was issued in March 2016. This Statement requires that a government that receives resources as a result of an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Additionally, the government must recognize revenue when the resources become applicable to the reporting period. This Statement is effective for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged. Because most donations to the University are made to the Auburn University Foundation, and not directly to the University, the University does not believe the adoption of this Statement will have a material effect on the University's financial statements.

Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73,* was issued in March 2016. This Statement addresses certain issues that have been raised with regard to 1) the presentation of payroll-related measures in required supplementary information, 2) the selection of assumptions and the treatment of deviations from the guidance in Actuarial Standards of Practice, and 3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement is effective for periods beginning after June 15, 2016, for most circumstances and for the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017, if the measurement date is other than the most recent fiscal year-end. Earlier application is encouraged. The University is currently evaluating the financial statement impact of this Statement.

Statement No. 83, *Certain Asset Retirement Obligations,* was issued in November 2016. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs), which are legally enforceable liabilities associated with the retirement of a tangible capital asset. It requires that a liability and a corresponding deferred outflow of resources be recognized when the liability is both incurred and reasonably estimable. This estimate should include probability weighting of all potential outcomes when that information is available or can be obtained at reasonable cost; otherwise, the most likely amount should be used. This Statement also requires disclosure of certain information about AROs. This Statement is effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The University is currently evaluating the financial statement impact of this Statement.

AUBURN

UNIVERSITY

Financial Report
2016

Unaudited Divisional Financial Statements

AUBURN UNIVERSITY MAIN CAMPUS
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2016 AND 2015
(UNAUDITED)

	2016	2015*
ASSETS		
Current assets		
Cash and cash equivalents	$ 62,013,327	$ 68,821,235
Operating investments	63,554,193	27,178,364
Accounts receivable, net	32,992,198	32,055,211
Student accounts receivable, net	34,045,699	36,467,532
Loans receivable, net	2,691,716	2,572,573
Accrued interest receivable	1,930,599	1,938,842
Inventories	4,750,416	4,213,700
Prepaid expenses	37,032,895	34,064,117
Due from other funds	2,864,671	2,406,951
Total current assets	241,875,714	209,718,525
Noncurrent assets		
Investments	969,062,465	930,974,650
Loans receivable, net	14,613,767	14,692,389
Investment in plant, net	1,499,927,799	1,463,430,749
Due from other funds	94,603,014	82,442,895
Total noncurrent assets	2,578,207,045	2,491,540,683
Total assets	2,820,082,759	2,701,259,208
DEFERRED OUTFLOWS OF RESOURCES		
Loss on refunding of bonds	55,805,159	26,953,797
Pension	85,102,846	38,653,673
Total deferred outflows of resources	140,908,005	65,607,470
LIABILITIES		
Current liabilities		
Accounts payable	50,095,922	47,578,448
Accrued salaries and wages	3,519,185	2,797,001
Accrued compensated absences	14,727,710	14,307,037
Accrued interest payable	10,230,664	11,673,228
Other accrued liabilities	6,564,338	5,449,261
Student deposits	2,840,470	2,861,091
Deposits held in custody	19,847,964	17,756,095
Unearned revenues	179,748,742	183,535,075
Noncurrent liabilities-current portion	31,223,283	30,123,504
Total current liabilities	318,798,278	316,080,740
Noncurrent liabilities		
Bonds and notes payable	702,851,406	699,429,916
Lease obligation	231,563	-
Pension and OPEB	493,094,347	413,958,118
Other noncurrent liabilities	20,339,088	21,345,126
Due to other funds	42,416,793	40,514,937
Total noncurrent liabilities	1,258,933,197	1,175,248,097
Total liabilities	1,577,731,475	1,491,328,837
DEFERRED INFLOWS OF RESOURCES		
Nonexchange transactions	213,185	206,159
Pension	2,641,214	30,598,950
Total deferred inflows of resources	2,854,399	30,805,109
NET POSITION		
Net investment in capital assets	892,681,296	841,292,331
Restricted		
Nonexpendable	23,486,574	23,334,447
Expendable:		
Scholarships, research, instruction, other	143,798,139	134,927,075
Loans	4,914,130	4,816,755
Capital projects	21,209,370	4,189,871
Unrestricted	294,315,381	236,172,253
Total net position	$ 1,380,404,890	$ 1,244,732,732

AUBURN UNIVERSITY MAIN CAMPUS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(UNAUDITED)

	2016	2015*
OPERATING REVENUES		
Tuition and fees, net of scholarship allowances of $98,327,560 and $94,987,834, respectively	$ 382,336,340	$ 363,014,113
Federal appropriations	4,170	11,862
Federal grants & contracts, net	44,984,961	39,330,538
State & local grants & contracts, net	6,369,004	5,851,882
Nongovernmental grants & contracts, net	7,906,452	7,167,885
Sales & services of educational departments	38,145,357	38,603,615
Auxiliary revenue, net of scholarship allowances of $6,871,771 and $6,831,990, respectively	165,599,234	127,982,301
Other operating revenues	20,861,733	21,394,650
Total operating revenues	666,207,251	603,356,846
OPERATING EXPENSES		
Compensation & benefits	493,408,044	467,516,874
Scholarships & fellowships	19,557,177	17,475,015
Utilities	19,888,780	20,293,775
Other supplies & services	189,408,376	168,970,789
Depreciation	70,592,653	69,467,894
Total operating expenses	792,855,030	743,724,347
Operating loss	(126,647,779)	(140,367,501)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	162,194,149	160,159,715
Gifts	42,943,382	40,677,175
Grants	14,608,394	14,489,928
Net investment income	39,184,843	24,366,611
Interest expense on capital debt	(19,541,629)	(16,230,536)
Nonoperating revenues, net	239,389,139	223,462,893
Income before other changes in net position	112,741,360	83,095,392
OTHER CHANGES IN NET POSITION		
Capital gifts & grants	22,778,671	4,816,181
Additions to permanent endowments	152,127	325,785
Net increase in net position	135,672,158	88,237,358
Net position - beginning of year	1,244,732,732	1,132,932,221
Cumulative effect of accounting change and errors		23,563,153
Net position October 1, 2014, as restated		1,156,495,374
Net position - end of year	$ 1,380,404,890	$ 1,244,732,732

*As discussed in the notes to the financial statements, the University implemented GASB Statement No. 72 and retrospectively adjusted its 2015 Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position for this accounting change. Accordingly, the unaudited 2015 Auburn University Main Campus divisional statements have been restated as follows: Investments increased $28,857,818; Due to other funds increased $5,568,880; Unrestricted net position increased $23,288,938; Net investment income decreased 3,282,862; Cumulative effect of accounting change increased net position $26,571,800; and Net position - end of year increased $23,288,938. In addition, the 2015 unaudited divisional Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position, as previously presented, were revised to correct certain immaterial errors. Those errors related to allocations between and among the four primary divisions and did not impact the consolidated audited financial statements of the University. Management has revised the unaudited 2015 Auburn University Main Campus divisional financial statements to correct those errors as follows: Due to other funds increased $4,805,030; Restricted nonexpendable net position decreased $24,487; Unrestricted net position decreased $4,780,543 ; Net investment income increased $2,614,489; Net position - beginning of year decreased $4,410,872; Cumulative effect of accounting changed decreased $3,008,647; and Net position - end of year decreased $4,805,030.

AUBURN UNIVERSITY AT MONTGOMERY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2016 AND 2015
(UNAUDITED)

	2016	2015*
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,045,466	$ 900,252
Operating investments	1,122,907	355,521
Accounts receivable, net	2,515,242	2,735,684
Student accounts receivable, net	4,712,369	4,799,512
Loans receivable, net	406,759	396,504
Accrued interest receivable	211,515	199,316
Inventories	436,498	647,423
Prepaid expenses	1,900,394	1,976,802
Total current assets	12,351,150	12,011,014
Noncurrent assets		
Investments	10,941,927	11,800,614
Loans receivable, net	2,332,489	2,348,629
Investment in plant, net	109,664,368	96,762,901
Due from other funds	36,685,623	35,159,768
Total noncurrent assets	159,624,407	146,071,912
Total assets	171,975,557	158,082,926
DEFERRED OUTFLOWS OF RESOURCES		
Pension	9,875,188	4,500,039
Total deferred outflows of resources	9,875,188	4,500,039
LIABILITIES		
Current liabilities		
Accounts payable	3,464,203	3,397,149
Accrued salaries and wages	342,336	274,375
Accrued compensated absences	1,513,781	1,429,342
Accrued interest payable	3,425	4,750
Student deposits	27,848	5,148
Deposits held in custody	3,021,779	2,366,694
Unearned revenues	14,455,383	13,473,898
Noncurrent liabilities-current portion	135,000	130,000
Due to other funds	2,864,671	2,406,951
Total current liabilities	25,828,426	23,488,307
Noncurrent liabilities		
Bonds and notes payable	275,000	410,000
Pension and OPEB	57,472,794	48,341,795
Due to other funds	94,603,014	82,442,895
Total noncurrent liabilities	152,350,808	131,194,690
Total liabilities	178,179,234	154,682,997
DEFERRED INFLOWS OF RESOURCES		
Nonexchange transactions	68,768	-
Pension	305,492	3,531,767
Total deferred inflows of resources	374,260	3,531,767
NET POSITION		
Net investment in capital assets	30,887,006	14,406,481
Restricted		
Nonexpendable	5,212,032	5,178,925
Expendable:		
Scholarships, research, instruction, other	25,668,497	25,695,622
Loans	352,196	354,309
Capital projects	201,726	165,500
Unrestricted	(59,024,206)	(41,432,636)
Total net position	$ 3,297,251	$ 4,368,201

AUBURN UNIVERSITY AT MONTGOMERY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(UNAUDITED)

	2016	2015*
OPERATING REVENUES		
Tuition and fees, net of scholarship allowances of $10,550,103 and $9,867,634, respectively	$ 32,502,136	$ 32,598,385
Federal grants & contracts, net	1,286,139	1,313,539
State & local grants & contracts, net	8,802,357	8,379,124
Nongovernmental grants & contracts, net	625,191	829,794
Sales & services of educational departments	2,141,057	2,459,819
Auxiliary revenue, net of scholarship allowances of $1,453,011 and $1,281,781, respectively	8,686,615	8,327,468
Other operating revenues	2,001,524	1,760,537
Total operating revenues	56,045,019	55,668,666
OPERATING EXPENSES		
Compensation & benefits	53,161,156	52,183,458
Scholarships & fellowships	2,669,484	3,165,279
Utilities	3,083,195	3,011,480
Other supplies & services	26,504,741	25,406,056
Depreciation	5,144,434	4,829,546
Total operating expenses	90,563,010	88,595,819
Operating loss	(34,517,991)	(32,927,153)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	22,775,297	22,663,801
Gifts	3,688,415	771,808
Grants	7,992,662	8,130,437
Net investment income (loss)	2,635,683	(1,434,693)
Interest expense on capital debt	(3,690,553)	(2,366,596)
Nonoperating revenues, net	33,401,504	27,764,757
Loss before other changes in net position	(1,116,487)	(5,162,396)
OTHER CHANGES IN NET POSITION		
Capital gifts & grants	12,430	13,138
Additions to permanent endowments	33,107	35,553
Net decrease in net position	(1,070,950)	(5,113,705)
Net position - beginning of year	4,368,201	1,339,236
Cumulative effect of accounting change and errors		8,142,670
Net position October 1, 2014, as restated		9,481,906
Net position - end of year	$ 3,297,251	$ 4,368,201

*As discussed in the notes to the financial statements, the University implemented GASB Statement No. 72 and retrospectively adjusted its 2015 Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position for this accounting change. Accordingly, the unaudited 2015 Auburn University at Montgomery divisional statements have been restated as follows: Due from other funds increased $4,832,775; Unrestricted net position increased $4,832,775; Net investment income decreased $695,747; Cumulative effect of accounting change increased $5,528,522; and Net position - end of year increased $4,832,775. In addition, the 2015 unaudited divisional Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position, as previously presented, were revised to correct certain immaterial errors. Those errors related to allocations between and among the four primary divisions and did not impact the consolidated audited financial statements of the University. Management has revised the unaudited 2015 Auburn University at Montgomery divisional financial statements to correct those errors as follows: Due from other funds increased $185,966; Unrestricted net position increased $185,966; Net investment income decreased $2,428,182; Cumulative effect in accounting change increased $2,614,148; and Net position - end of year increased $185,966.

ALABAMA AGRICULTURAL EXPERIMENT STATION
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2016 AND 2015
(UNAUDITED)

	2016	2015*
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,213,067	$ 2,783,724
Operating investments	2,376,997	1,099,327
Accounts receivable, net	5,727,294	6,877,079
Total current assets	10,317,358	10,760,130
Noncurrent assets		
Investments	35,853,253	36,489,381
Due from other funds	1,084,450	1,013,471
Total noncurrent assets	36,937,703	37,502,852
Total assets	47,255,061	48,262,982
DEFERRED OUTFLOWS OF RESOURCES		
Pension	6,565,094	2,986,519
Total deferred outflows of resources	6,565,094	2,986,519
LIABILITIES		
Current liabilities		
Accounts payable	1,062,743	1,130,076
Accrued salaries and wages	201,463	190,318
Accrued compensated absences	1,408,924	1,387,732
Deposits held in custody	6,200	10,300
Unearned revenues	2,396,201	1,996,448
Total current liabilities	5,075,531	4,714,874
Noncurrent liabilities		
Pension and OPEB	38,038,096	31,962,450
Total noncurrent liabilities	38,038,096	31,962,450
Total liabilities	43,113,627	36,677,324
DEFERRED INFLOWS OF RESOURCES		
Pension	203,246	2,353,883
Total deferred inflows of resources	203,246	2,353,883
NET POSITION		
Restricted		
Expendable:		
Scholarships, research, instruction, other	2,576,076	2,295,759
Unrestricted	7,927,206	9,922,535
Total net position	$ 10,503,282	$ 12,218,294

ALABAMA AGRICULTURAL EXPERIMENT STATION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(UNAUDITED)

		2016		2015*
OPERATING REVENUES				
Federal appropriations	$	4,329,549	$	5,769,974
Federal grants & contracts, net		14,932,255		18,243,737
State & local grants & contracts, net		1,376,932		1,356,817
Nongovernmental grants & contracts, net		6,186,146		5,720,837
Sales & services of educational departments		2,976,607		2,818,882
Other operating revenues		442,646		5,321,229
Total operating revenues		30,244,135		39,231,476
OPERATING EXPENSES				
Compensation & benefits		37,920,339		37,440,277
Scholarships & fellowships		145,664		99,504
Utilities		1,025,721		1,054,253
Other supplies & services		28,097,478		26,061,086
Total operating expenses		67,189,202		64,655,120
Operating loss		(36,945,067)		(25,423,644)
NONOPERATING REVENUES				
State appropriations		30,887,430		30,634,258
Gifts		3,917,208		2,280,836
Net investment income		425,417		276,654
Nonoperating revenues, net		35,230,055		33,191,748
Net (decrease) increase in net position		(1,715,012)		7,768,104
Net position - beginning of year		12,218,294		4,354,290
Cumulative effect of accounting change and errors				95,900
Net position October 1, 2014				4,450,190
Net position - end of year	$	10,503,282	$	12,218,294

*As discussed in the notes to the financial statements, the University implemented GASB Statement No. 72 and retrospectively adjusted its 2015 Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position for this accounting change. Accordingly, the unaudited 2015 Alabama Agricultural Experiment Station divisional statements have been restated as follows: Due from other funds increased $139,309; Unrestricted net position increased $139,309; Net investment income decreased $16,378; Cumulative effect of accounting change increased $155,687; and Net position - end of year increased $139,309. In addition, the 2015 unaudited divisional Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position, as previously presented, were revised to correct certain immaterial errors. Those errors related to allocations between and among the four primary divisions and did not impact the consolidated audited financial statements of the University. Management has revised the unaudited 2015 Alabama Agricultural Experiment Station divisional financial statements to correct those errors as follows: Due from other funds increased $874,162; Unrestricted net position increased $874,162; Net investment income decreased $35,400; Net position - beginning of year increased $969,349; Cumulative effect of accounting change decreased $59,787 and Net position - end of year increased $874,162.

ALABAMA COOPERATIVE EXTENSION SYSTEM
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2016 AND 2015
(UNAUDITED)

	2016	2015*
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,632,556	$ 2,164,778
Operating investments	1,753,485	854,898
Accounts receivable, net	3,376,199	3,595,230
Total current assets	6,762,240	6,614,906
Noncurrent assets		
Investments	25,328,269	28,376,166
Due from other funds	4,646,720	4,341,698
Total noncurrent assets	29,974,989	32,717,864
Total assets	36,737,229	39,332,770
DEFERRED OUTFLOWS OF RESOURCES		
Pension	12,615,272	7,089,695
Total deferred outflows of resources	12,615,272	7,089,695
LIABILITIES		
Current liabilities		
Accounts payable	728,171	603,824
Accrued salaries and wages	279,845	240,178
Accrued compensated absences	1,901,681	1,899,465
Unearned revenues	764,210	546,424
Total current liabilities	3,673,907	3,289,891
Noncurrent liabilities		
Pension and OPEB	102,181,046	94,177,176
Total noncurrent liabilities	102,181,046	94,177,176
Total liabilities	105,854,953	97,467,067
DEFERRED INFLOWS OF RESOURCES		
Pension	257,641	2,822,730
Total deferred inflows of resources	257,641	2,822,730
NET POSITION		
Restricted		
Nonexpendable:	24,487	24,487
Expendable:		
Scholarships, research, instruction, other	5,093,727	5,014,759
Capital projects	-	23,551
Unrestricted	(61,878,307)	(58,930,129)
Total net position	$ (56,760,093)	$ (53,867,332)

ALABAMA COOPERATIVE EXTENSION SYSTEM

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(UNAUDITED)

	2016	2015*
OPERATING REVENUES		
Federal appropriations	$ 8,900,792	$ 8,522,178
Federal grants & contracts, net	8,445,721	6,309,975
State & local grants & contracts, net	2,453,893	2,549,521
Nongovernmental grants & contracts, net	826,403	814,884
Sales & services of educational departments	399,070	511,260
Other operating revenue	1,545,187	1,550,143
Total operating revenues	22,571,066	20,257,961
OPERATING EXPENSES		
Compensation & benefits	42,753,799	41,264,326
Scholarships & fellowships	1,521	121
Utilities	149,845	160,828
Other supplies & services	15,567,289	11,121,717
Total operating expenses	58,472,454	52,546,992
Operating loss	(35,901,388)	(32,289,031)
NONOPERATING REVENUES		
State appropriations	32,204,625	32,044,401
Gifts	94,042	133,105
Net investment income	709,960	168,283
Nonoperating revenues, net	33,008,627	32,345,789
Net (decrease) increase in net position	(2,892,761)	56,758
Net position - beginning of year	(53,867,332)	(55,045,210)
Cumulative effect of accounting change and errors		1,121,120
Net position October 1, 2014		(53,924,090)
Net position - end of year	$ (56,760,093)	$ (53,867,332)

*As discussed in the notes to the financial statements, the University implemented GASB Statement No. 72 and retrospectively adjusted its 2015 Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position for this accounting change. Accordingly, the unaudited 2015 Alabama Cooperative Extension System divisional statements have been restated as follows: Due from other funds increased $596,796; Unrestricted net position increased $596,796; Net investment income decreased $70,038; Cumulative effect of accounting change increased $666,834; and Net position - end of year increased $596,796. In addition, the 2015 unaudited divisional Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position, as previously presented, were revised to correct certain immaterial errors. Those errors related to allocations between and among the four primary divisions and did not impact the consolidated audited financial statements of the University. Management has revised the unaudited 2015 Alabama Cooperative Extension System divisional financial statements to correct those errors as follows: Due from other funds increased $3,744,902; Restricted-nonexpendable net position increased $24,487; Unrestricted net position increased $3,720,415; Net investment income decreased $150,907; Net position - beginning of year increased $3,441,523; Cumulative effect in accounting change increased $454,286; and Net position - end of year increased $3,744,902.

AUBURN

UNIVERSITY

Financial Report
2016

Required Supplemental Information

REQUIRED SUPPLEMENTAL INFORMATION:

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

	2016	2015
University's proportion of the collective net pension liability	5.965792%	5.757899%
University's proportionate share of the collective net pension liability	$ 624,361,000	$ 523,080,000
University's covered-employee payroll during the measurement period*	$ 380,477,086	$ 368,745,049
University's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	164.10%	141.85%
Plan fiduciary net position as a percentage of the total collective pension liability	67.51%	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 2016, the measurement period is October 1, 2014 - September 30, 2015. For fiscal year 2015, the measurement period is October 1, 2013 - September 30, 2014.

Teachers' Retirement System Schedule of System Contributions

	2016	2015
Contractually Required Contribution	$ 46,139,070	$ 42,534,706
Contributions in relation to the contractually required contribution	46,139,070	42,534,706
Contribution deficiency (excess)	$ -	$ -
System covered-employee payroll	$ 395,094,076	$ 380,477,086
Contributions as a percentage of covered-employee payroll	11.68%	11.18%

Employees' Retirement System Schedule of Changes in the Net Pension Liability

	2015	2014
Service cost	$ 46,380	$ 104,069
Interest	3,678,959	3,800,103
Changes of benefit terms		
Differences between expected and actual experience	264,685	-
Changes of assumptions		
Benefit payments, including refunds of employee contributions	(5,501,945)	(5,334,993)
Net change in total pension liability	$ (1,511,921)	$ (1,430,821)
Total pension liability - beginning	48,737,965	50,168,786
Total pension liability - ending (a)	$ 47,226,044	$ 48,737,965

Plan fiduciary net position

	2015	2014
Contributions - employer	$ 4,159,117	$ 1,790,336
Contributions - member	104,131	125,268
Net investment income	9,066	331,362
Benefits payments, including refunds of employee contributions	(5,501,945)	(5,334,993)
Transfers among employers	-	-
Net change in plan fiduciary net position	$ (1,229,631)	$ (3,088,027)
Plan net position - beginning	1,383,525	4,471,552
Plan net position - ending (b)	$ 153,894	$ 1,383,525
Net pension liability - ending (a)-(b)	$ 47,072,150	$ 47,354,540
Plan fiduciary net position as a percentage of total pension liability	0.33%	2.84%
Covered-employee payroll*	$ 2,775,630	$ 3,341,010
Net pension liability as a percentage of covered-employee payroll	1,695.91%	1,417.37%

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

Employees' Retirement System Schedule of Employer Contributions

		2016	2015
Actuarially determined contribution*	$	5,629,191	4,151,926
Contributions in relation to the actuarially determined contribution		5,629,191	4,151,926
Contribution deficiency (excess)	$	-	-
Covered-employee payroll**	$	2,138,954	2,775,630
Contributions as a percentage of covered-employee payroll		263.17%	149.58%

*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 2016, the fiscal year is the twelve month period beginning after June 15, 2015 (October 1, 2015 - September 30, 2016). 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 2016, the fiscal year is the twelve month period beginning after June 15, 2015 (October 1, 2015 - September 30, 2016). 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: 5 years

Asset valuation method: Five year smoothed 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, 2016	
	Amount	Percent of Payroll[1]
1. Unfunded actuarial accrued liability at October 1, 2015	$ 62,824,140	2,865.5%
Annual Required Contribution (ARC)		
2. Normal cost	$ -	
3. Amortization of the unfunded actuarial accrued liability over 15 years using level dollar amortization	4,827,477	
4. Annual Required Contribution (ARC = 2 + 3)	$ 4,827,477	220.2%
Annual OPEB Cost (Expense)		
5. ARC	$ 4,827,477	
6. Interest on beginning of year accrual	360,102	
7. Adjustment to ARC	(1,373,780)	
8. Fiscal year 2016 OPEB cost (5 + 6 + 7)	$ 3,813,799	173.9%
End of Year Accrual (Net OPEB Obligation)[2]		
9. Beginning of year accrual [1]	$ 18,005,098	
10. Annual OPEB cost	3,813,799	
11. Employer contribution (benefit payments)[2]	(2,465,765)	
12. End of year CAFR accrual (9 + 10 + 11)[2]	$ 19,353,132	882.7%

[1] Annual payroll for 20 participants as of September 30, 2015, was $1,847,780.
[2] Actual amounts paid in fiscal year 2016 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, 2014	$ 4,172,525	60.0%	$ 16,232,518
September 30, 2015	$ 4,315,892	58.9%	$ 18,005,098
September 30, 2016	$ 3,813,799	64.7%	$ 19,353,132

[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, 2015 – September 30, 2016
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 2017, decreasing by one-half percentage point per year to an ultimate of 5.0% in fiscal year 2025 and later.

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

Valuation Date October 1, 2015

Monthly Per Capita Claim Costs

Age	Medical
55	$748
60	$897
65	$364
70	$404
75	$430

Claim costs were increased by 1.99% over 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 not eligible to participate in PEEHIP 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 1/1/16	As of 1/1/15
Pre-65 Single	$491	$481
Pre-65 Family	$1,105	$1,083
Post-65 Single	$159	$156
Post-65 Family	$772	$757

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
2017	9.0%
2018	8.5%
2019	8.0%
2020	7.5%
2021	7.0%
2022	6.5%
2023	6.0%
2024	5.5%
2025+	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-2015.

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 2.42% 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 $4.5 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, 2012	$ 4,701,385	$ 2,477,024	52.7%
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%
September 30, 2016	$ 4,827,477	$ 2,465,765	51.1%

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, 2012	-	$ 59,795,647	$ 59,795,647	0.0%	$ 3,866,263	1,546.6%
September 30, 2013	-	$ 58,200,833	$ 58,200,833	0.0%	$ 3,942,432	1,476.3%
September 30, 2014	-	$ 64,259,009	$ 64,259,009	0.0%	$ 3,061,830	2,098.7%
September 30, 2015	-	$ 68,027,346	$ 68,027,346	0.0%	$ 2,192,470	3,102.8%
September 30, 2016	-	$ 62,824,140	$ 62,824,140	0.0%	$ 1,847,780	3,400.0%

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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