2018 FINANCIAL REPORT

Annual Financial Report for the year ended September 30, 2018

AUBURN UNIVERSITY

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January 2019

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AUBURN UNIVERSITY

OFFICE OF THE VICE PRESIDENT FOR
BUSINESS & FINANCE AND CFO

January 29, 2019

The management of Auburn University (the "University") is responsible for the preparation, integrity, and fair presentation of the consolidated financial statements. The financial statements, presented on pages 24 through 27, have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on judgments and estimates by management.

The consolidated financial statements have been audited by our independent auditor PricewaterhouseCoopers, LLP, which was given unconditional access to all financial records and related data, including minutes of all meetings of the Board of Trustees. The University believes that all representations made to the independent auditors during their audit were valid and appropriate. PricewaterhouseCoopers' audit opinion is presented on pages 8 and 9.

The University maintains a system of internal controls over financial reporting, which is designed to provide reasonable assurance to the University's management and Board of Trustees regarding the preparation of reliable published financial statements. Such controls are designed to identify internal control weaknesses in order to permit management to take appropriate corrective action on a timely basis. There are, however, inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention of controls.

The Board of Trustees, through its Audit and Compliance Committee, is responsible for engaging the independent auditors. The Audit and Compliance Committee provides oversight of the internal and external audit functions of the University. Both internal auditors and the independent auditors have full and free access to the Audit and Compliance Committee.

Based on the above, we certify that the information contained in the accompanying financial statements fairly presents, in all material respects, the financial condition, changes in net positon and cash flows of the University, which is a component of the State of Alabama, as of and for the years presented in this report.

Sincerely,

Kelli D. Shomaker

Kelli D. Shomaker, CPA
Vice President for Business and Finance and CFO

Amy K Douglas

Amy K. Douglas, CPA
Associate Vice President for Financial Services/Controller

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2018 FINANCIAL REPORT

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 the business-type activities and the aggregate discretely presented component units of Auburn University (the "University"), a component unit of the State of Alabama, which comprise the statements of net position as of September 30, 2018 and 2017, and the related statements of revenues, expenses and changes in net position and of cash flows (where applicable) for the years then ended, and the related notes to the financial statements, which collectively comprise the University's basic financial statements.

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.

Auditors' Responsibility

Our responsibility is to express opinions on the financial statements based on our audits. We did not audit the financial statements of Auburn University Foundation (the "Foundation") and Auburn Alumni Association (the "Association"), two of the University's discretely presented component units, as of and for the years ended September 30, 2018 and 2017. We also 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, 2018 and 2017. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above mentioned discretely presented component units of the University, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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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 business-type activities and the aggregate discretely presented component units of Auburn University as of September 30, 2018 and 2017, 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 Notes 1 and 12 to the basic financial statements, during the year ended September 30, 2018, the University adopted new accounting guidance related to the manner in which it accounts for other postemployment healthcare benefits. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

The accompanying management's discussion and analysis and the required supplemental information on pages 10 through 23 and 83 through 91, 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, 2017 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 the 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.

Other 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 73 to 81 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 audits 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 29, 2019

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, 2018, with a comparison to the year ended September 30, 2017. 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." Effective December 2018, the Carnegie Foundation reclassified main campus' status to "Very High Research Activities," commonly referred to as "R1." Fall 2018 enrollment totaled 35,651 students at main campus and AUM. The University offers a diverse range of degree programs in 12 colleges and schools and has approximately 5,900 full-time employees, including approximately 1,590 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 "2018," "2017," 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*, as well as GASB Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*, 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.

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, 2018 and 2017, is as follows:

	2018	2017
Assets		
Current assets	$ 593,000,975	$ 489,596,014
Investment in plant, net	1,809,863,232	1,695,125,478
Other noncurrent assets	1,034,969,389	877,916,301
Total assets	3,437,833,596	3,062,637,793
Deferred Outflows of Resources		
Loss on refunding of bonds	46,219,285	50,847,256
Pension and OPEB	195,093,459	141,570,011
Total deferred outflows of resources	241,312,744	192,417,267
Liabilities		
Current liabilities	441,115,959	385,367,091
Noncurrent liabilities	1,944,171,775	1,435,383,896
Total liabilities	2,385,287,734	1,820,750,987
Deferred Inflows of Resources		
Nonexchange transactions	170,534	383,344
Pension and OPEB	99,377,200	17,148,582
Total deferred inflows of resources	99,547,734	17,531,926
Net Position		
Net investment in capital assets	1,131,106,698)	1,023,902,946
Restricted-nonexpendable	29,405,300	28,918,454
Restricted-expendable	235,927,483	210,555,812
Unrestricted	(202,128,609	153,394,935
Total net position	$ 1,194,310,872	$ 1,416,772,147

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 $103.4 million from 2017 to 2018. Of this increase, cash and cash equivalents and operating investments increased $100.2 million. The majority of this increase was due to investing approximately 70% of the 2018A General Fee Bond proceeds in short-term items, such as money market instruments. The remaining bond proceeds were invested in long-term instruments such as federal bonds. Accrued interest receivable increased $1.7 million due to the investment of bond proceeds. The University's receivables increased $3.4 million, primarily due to an increase in auxiliary receivables of $6.7 million. The majority of this increase is from athletic television and radio distributions as well as a game settlement payment of $4.2 million from the Chick-fil-A Kickoff Game, which did not occur in fiscal year 2017. The University's prepaid expenses increased $3.3 million. This is a result of increased deferral of scholarship expenses which relates to the portion of Fall semester that occurs after September 30. Student accounts receivable decreased $5.1 million, mainly due to a reduction in the contract receivable from the Alabama GI Bill program, which changed its eligibility requirements during 2018, such that approximately $5.5 million funded under this program in fiscal year 2017 was not funded in fiscal year 2018. The Alabama GI Bill program became the "last payer;" therefore, students previously funded by this program paid their tuition from other sources, which occurred prior to September 30.

The University's capital assets, net of depreciation, shown as "Investment in plant, net," on the Statement of Net Position increased $114.7 million from 2017 to 2018. 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 72.4% of the total net capital asset value. The increase, offset by disposal activity, depreciation, and transfers, was the result of $202.1 million of new additions to property, plant, and equipment, net of construction in progress transfers. The University expended $206.3 million for new construction during fiscal year 2018.

The following building construction projects totaling $86.4 million were either completed and placed into service or additional work was performed on a previously completed project during the current fiscal year:

Jordan Hare Stadium Gameday Support Building & Press Box	$ 34.6	million
Gavin Engineering Research Lab	16.6	million
Event Center and renovations	15.9	million
Public Safety Building	4.5	million
New Poultry Science Administration Building	2.6	million
Nursing Building	2.3	million
Bailey Small Animal Teaching Hospital	2.2	million
Student Recreation and Wellness Center	1.4	million
Mell Central Classroom Building	1.2	million
Other Small Projects	5.1	million
	$ 86.4	million

The University's Deferred Outflows of Resources

Deferred outflows of resources are a consumption of net position that are applicable to a future reporting period. Deferred outflows of resources increased $48.9 million. 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. The loss on refunding is amortized over the life of the old or new bonds, whichever is shorter. The University amortizes the losses over the life of the defeased bonds (see Note 8). During fiscal year 2018, the amount amortized was $4.6 million.

In addition, in accordance with GASB Statement No. 68, deferred outflows of resources are a component of accounting and reporting of pensions (see Note 11). During fiscal year 2018, the deferred outflows of resources decreased $12.2 million relating to current year pension activity.

Similarly, GASB Statement No. 75 prescribes that deferred outflows of resources are a component of accounting and reporting of other post-employment benefits (OPEB) (see Note 12). Deferred outflows of resources increased $65.7 million relating to the implementation of GASB Statement No. 75 and current year OPEB activity.

The University's Liabilities

Current liabilities consist of accounts payable, 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 $55.7 million from 2017 to 2018.

At year end, the University accrued an additional $22.1 million in accounts payable, $4.8 million in other accrued liabilities, and recorded an additional $2.6 million in student deposits and deposits held for custody of others. Unearned revenues increased $18.7 million. Unearned revenue is comprised of tuition, room and board revenue that relates to fiscal year 2019, contracts and grants funding received prior to expenditure as well as athletic revenue related to games played subsequent to September 30. For Fall 2018, the Board of Trustees approved a 3.0% tuition increase for both main campus and AUM. Sixty percent of Fall tuition is reported as unearned revenue due to the fiscal year end of September 30. Along with the tuition increase, the University increased Fall enrollment by approximately 2.8%, and the percentage of out-of-state students increased slightly. There were also increases in unearned revenue for athletic ticket sales relating to football and basketball games played after September 30, 2018. The current portion of the noncurrent liabilities increased $7.0 million, due to the issuance of the 2018A General Fee Bonds (see Note 8). As a result of the bond issuance, the University's interest payable increased $2.5 million. These increases were slightly offset with a reduction in compensation-related liabilities of $2.0 million.

Noncurrent liabilities include principal amounts due on University bonds payable, capital lease obligations, pension, other post-employment benefit obligations, pollution remediation, and self-insured liabilities that are payable beyond September 30, 2019. Noncurrent liabilities increased $508.8 million from 2017 to 2018. During fiscal year 2018, the University issued 2018A General Fee Bonds (see Note 8), which increased the University's bonds and notes payable by $211.8 million. The University also implemented GASB Statement No. 75, which requires the University to recognize post-employment benefits provided by the University as well as its proportional share of post-employment benefits provided by the State of Alabama (see Note 12). The liability related to this implementation was $350.0 million at September 30, 2018. In contrast, the University's net pension obligation for pension plans provided to its employees, in accordance with GASB Statement No. 68, decreased $47.6 million from 2017 to 2018.

The University's Deferred Inflows of Resources
Deferred inflows of resources are an acquisition of net position 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. Similarly, GASB Statement No. 75 prescribes that deferred inflows of resources are a component of accounting and reporting of other post-employment benefits (OPEB).

The University's deferred inflows of resources increased $82.0 million from 2017 to 2018. This increase was primarily the result of the accounting and reporting of current year pension and OPEB activity, in accordance with GASB Statement No. 68 (see Note 11) and GASB Statement No. 75 (see Note 12).

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 10.5% from 2017 to 2018. This increase was due to capitalization of assets as previously described and payments made on outstanding debt.

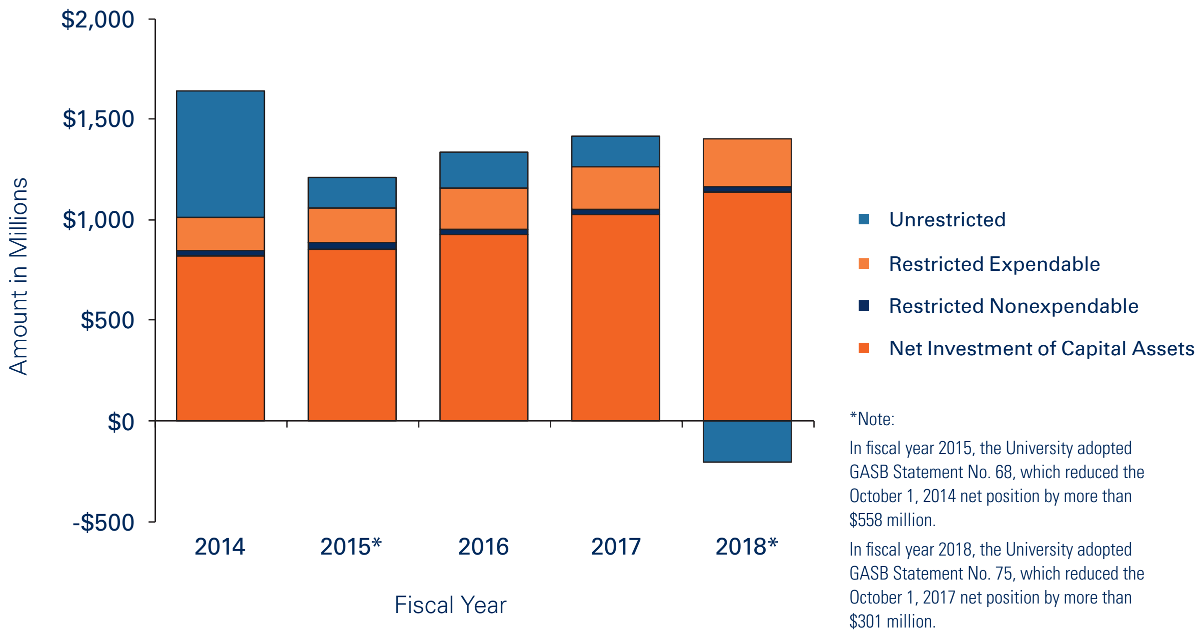
Restricted (nonexpendable and expendable) net position:

Restricted-nonexpendable net position is subject to external restrictions governing its use and consists of the University's permanent endowment funds. This net position increased 1.7% from 2017 to 2018. 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 12.0% from 2017 to 2018. The majority of the increase was due to additional gift receipts in fiscal year 2018.

Unrestricted net position is the third major class of net position, and it is not subject to externally imposed stipulations; however, the majority of the University's unrestricted net position has been internally designated for various mission-related purposes. This category includes funds for general operations of the University, auxiliary operations (including athletics, housing, and the bookstores), unrestricted quasi-endowments, and capital projects. Unrestricted net position decreased significantly from 2017 to 2018, as a result of the implementation of GASB Statement No. 75. The effect was a reduction of unrestricted net position of $321.3 million. In addition, the University's net pension obligation increased $11.1 million. The remaining reduction in unrestricted net position was the result of using funds for deferred maintenance needs.

TOTAL NET POSITION



*Note:

In fiscal year 2015, the University adopted GASB Statement No. 68, which reduced the October 1, 2014 net position by more than $558 million.

In fiscal year 2018, the University adopted GASB Statement No. 75, which reduced the October 1, 2017 net position by more than $301 million.

Statement of Revenues, Expenses and Changes in Net Position
Changes in total net position are the result of activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of this statement is to present 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, 2018 and 2017, is provided below:

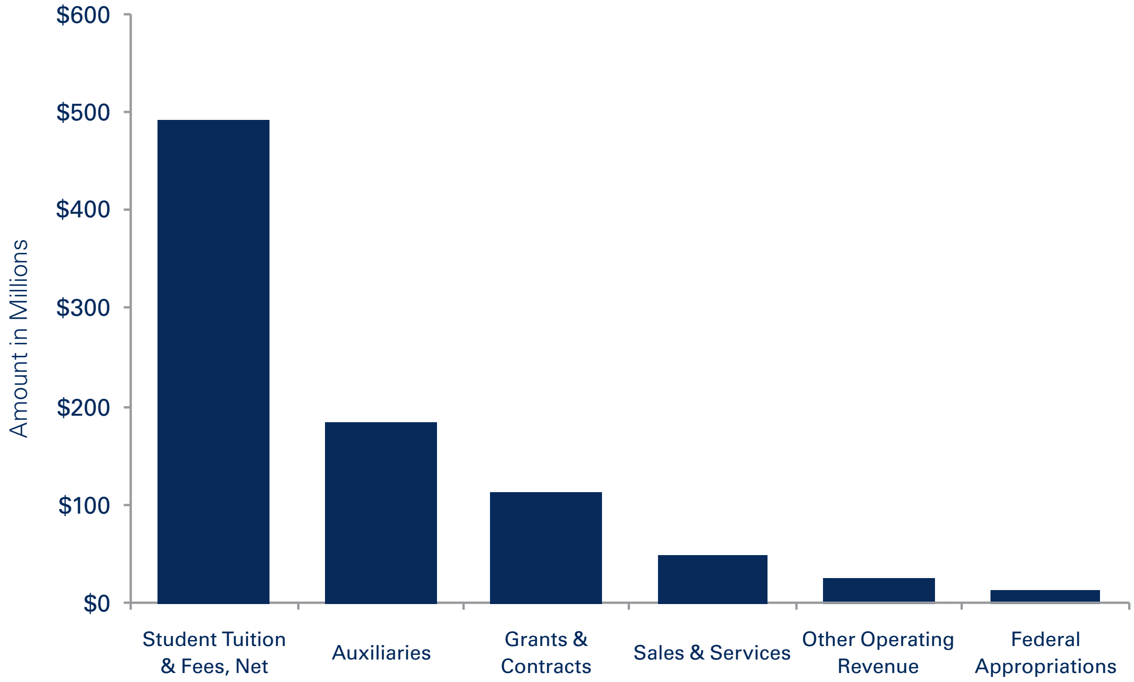
	2018	2017
Operating revenues	$ 876,139,045	$ 805,240,207
Operating expenses	1,162,524,686	1,093,184,229
Operating loss	(286,385,641)	(287,944,022)
Net nonoperating revenues and other changes in net position	365,314,331	367,270,839
Net increase in net position	78,928,690	79,326,817
Net position - beginning of year	1,416,772,147	1,337,445,330
Cumulative effect of accounting change	(301,389,965)	
Net position - October 1, 2017, as restated	1,115,382,182	
Net position - end of year	$ 1,194,310,872	$ 1,416,772,147

The 2018 Statement of Revenues, Expenses, and Changes in Net Position reflects an increase in net position at the end of the year of $78.9 million. Operating revenues increased 8.8% from 2017 to 2018. The majority of this increase is attributable to the increase in student tuition and fee revenue, net of discounts. The $40.5 million tuition and fee increase over 2017 was the result of the Board-approved increase in tuition for both main campus and AUM, an increase in enrollment, as well as an increase in out-of-state students. The University saw a net increase in federal appropriations, federal, state, and nongovernmental contract and grant revenues of $4.8 million, which was primarily the result of an increase in spending of sponsored funds appropriated and awarded for research. Auxiliary revenue increased $26.5 million. This is a result of increased athletic ticket sales, radio and television revenues, primarily from the football program.

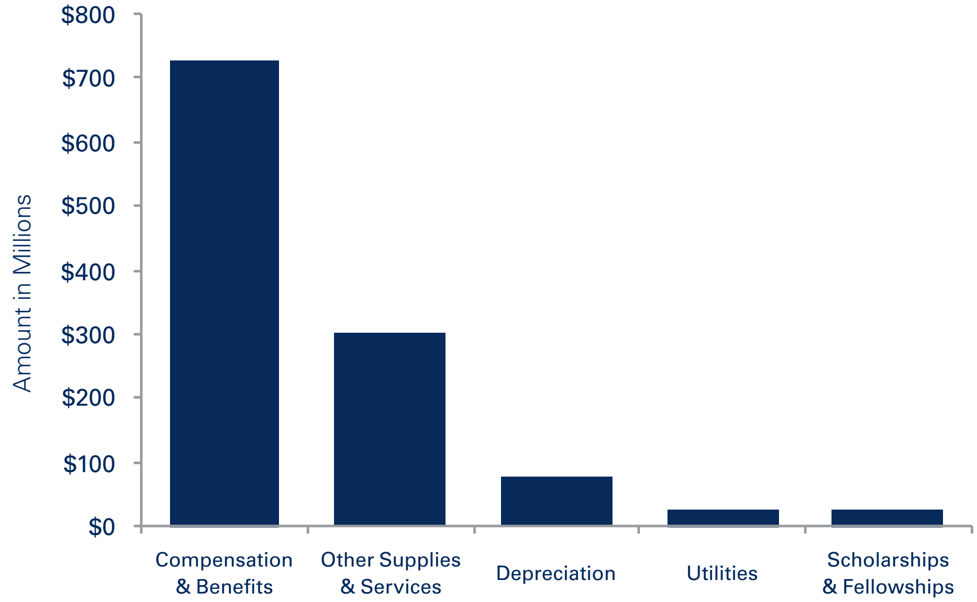
Operating expenses increased 6.3% from 2017 to 2018. Multiple factors contributed to this net increase. Compensation and benefit costs increased 5.7%. This was the result of Board-approved salary increases and one-time supplement payments as well as additional hires both for administrative and academic employees. Scholarship and fellowship expense increased 16.5%, which was a strategic goal to offer additional aid to foster diversity among the student population. Other supplies and services increased 8.9%. The majority of this increase was due to purchases of noncapital equipment and supplies for repaving the test track. Additionally, the University incurred increased costs relating to compliance matters. Depreciation expense increased 2.9% in 2018. This increase was the result of recording depreciation beginning in fiscal year 2018 on projects completed in 2017. The largest addition in fiscal year 2017 was the Mell Central Classroom Building.

Net nonoperating revenues and other changes in net position decreased $6.8 million from 2017 to 2018. The modest decrease was the result of a decrease in investment income of $8.8 million, due to a decline in market value of investments at September 30, 2018. Interest expense on capital debt increased by $5.5 million, as a result of the 2018A General Fee Bond issuance. The University recorded increases in revenues from appropriations from the State of Alabama of $1.9 million and revenue recognized on Pell grants awarded to students in fiscal year 2018 of $3.3 million. In addition, the University received an additional $2.3 million in gifts, despite the fact the comprehensive campaign ended December 31, 2017.

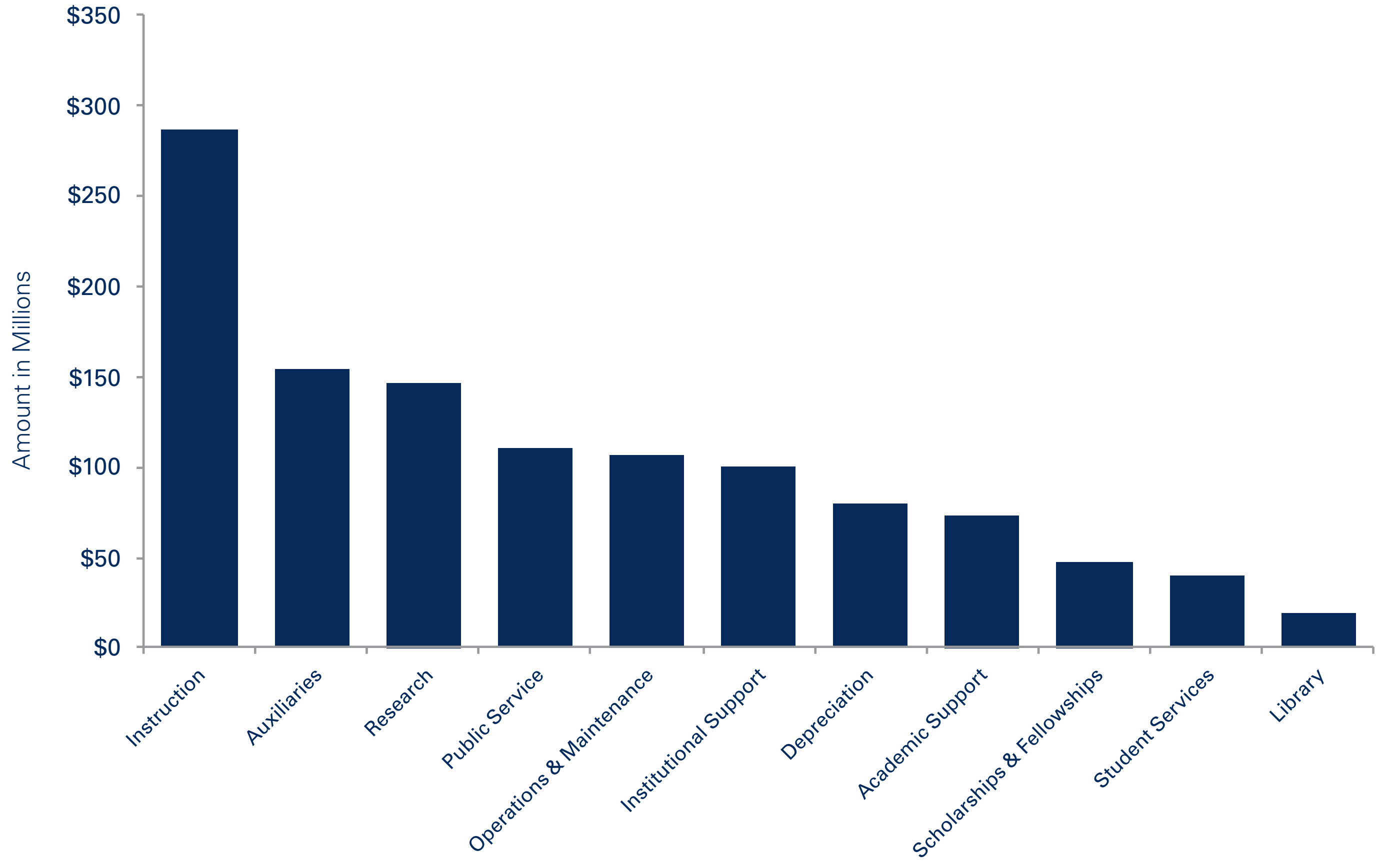
OPERATING REVENUES SUPPORTING CORE ACTIVITIES
For the year ended September 30, 2018



OPERATING EXPENSES BY NATURAL CLASSIFICATION
For the year ended September 30, 2018



OPERATING EXPENSES BY FUNCTION
For the year ended September 30, 2018



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, 2018 and 2017, are summarized below:

	2018	2017
Net cash provided by (used in):		
Operating activities	$ (129,445,578)	$ (181,160,474)
Noncapital financing activities	324,181,480	326,878,944
Capital and related financing activities	29,644,535	(179,981,251)
Investing activities	(75,974,900)	115,682,062
Net increase in cash and cash equivalents	148,405,537	81,419,281
Cash and cash equivalents - beginning of year	148,323,697	66,904,416
Cash and cash equivalents - end of year	$ 296,729,234	$ 148,323,697

Net cash used in operating activities decreased from 2017 to 2018 by 28.5%. The decrease was due to additional cash provided from tuition and fees of $47.5 million, auxiliary enterprises of $14.5 million, federal appropriations/grants and contracts of $13.9 million, sales and services of educational departments of $7.9 million, and other operating revenues of $6.0 million. The University reduced the payments to suppliers and utilities by $6.2 million and netted $0.7 million in student loans issued and collected. These inflows were offset by additional payments for employee compensation and benefits of $42.6 million, as a result of the Board-approved salary increases and one-time supplement payments as well as additional hires both for administrative and academic employees, as well as additional payments for scholarships and fellowships of $2.4 million.

Net cash provided by noncapital financing activities decreased $2.7 million. This decrease was a result of the University disbursing $9.2 million more in direct and other loan than receipts in fiscal year 2018. This outflow was offset by an increase in appropriations provided by the State of Alabama of 0.7% as well as an additional $6.8 million in gift and grants for other than capital purposes.

The University saw an increase in net cash provided by capital and related financing activities of $209.6 million. This was predominantly the result of the University issuing the 2018A General Fee Bonds. The receipt of $250.0 million was offset by expending $40.2 million more for capital assets as well as an additional $6.0 million in interest payments. Capital gifts and grants funding increased $4.1 million, and the remaining increases of $0.6 million were the result of the sale of capital assets and a reduction of debt payments.

Net cash used in investing activities was $76.0 million in fiscal year 2018 compared to providing $115.7 million in fiscal year 2017. During fiscal year 2018, the University received $427.6 million of proceeds from sales and maturities of investments/reinvestments and purchased $533.3 million of new investments. The remaining cash provided by investing activities came from investment income in the amount of $29.8 million.

Economic factors that will affect the future

While the University is impacted by 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

	2014–15	2015–16	2016–17	2017–18	2018–19
Auburn Main Campus/ Auburn University at Montgomery					
Full Time Students:					
In-State	$10,200 / $9,080	$10,424 / $9,350	$10,696 / $9,640	$10,968 / $9,910	$11,276 / $8,404*
Out-of-State	$27,384 / $19,640	$28,040 / $20,210	$28,840 / $20,710	$29,640 / $21,310	$30,524 / $17,812*

*For 2018–19, AUM's undergraduate tuition was calculated using 12 credit hours per semester. This is a change from previous years, when the calculation used 15 credit hours per semester.

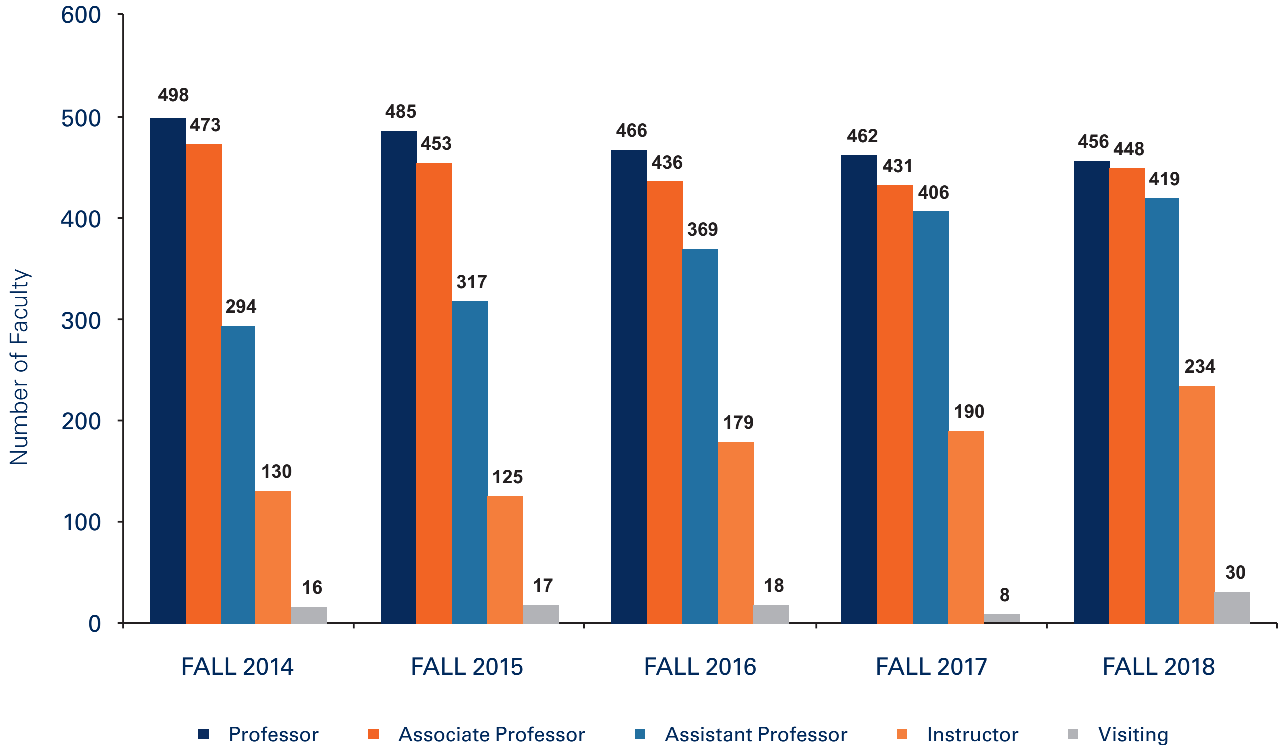
FALL STUDENT ENROLLMENT

	2014	2015	2016	2017	2018
Auburn Main Campus and Auburn University at Montgomery					
Undergraduate	25,006	26,043	26,931	28,277	29,260
Graduate and Professional	5,963	6,163	6,237	6,393	6,391

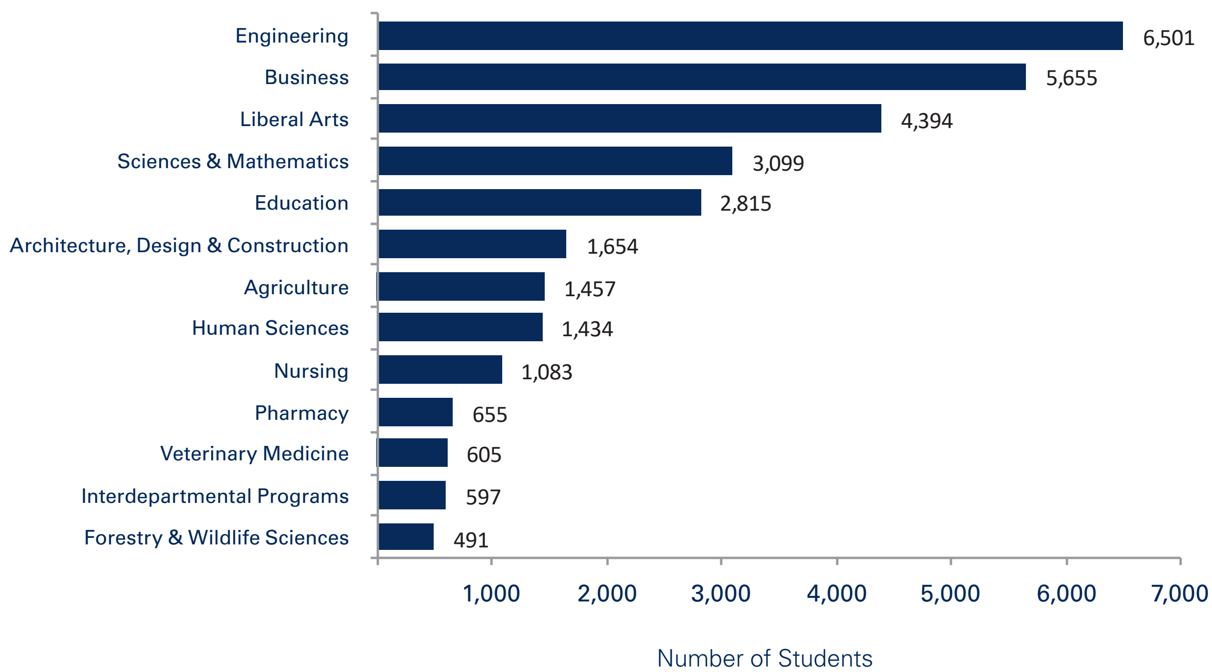
DEGREES AWARDED FOR THE ACADEMIC YEAR

	2013–14	2014–15	2015–16	2016–17	2017–18
Auburn Main Campus and Auburn University at Montgomery					
Bachelor	5,090	5,115	5,019	5,049	5,539
Advanced	1,869	1,905	2,007	2,061	2,134

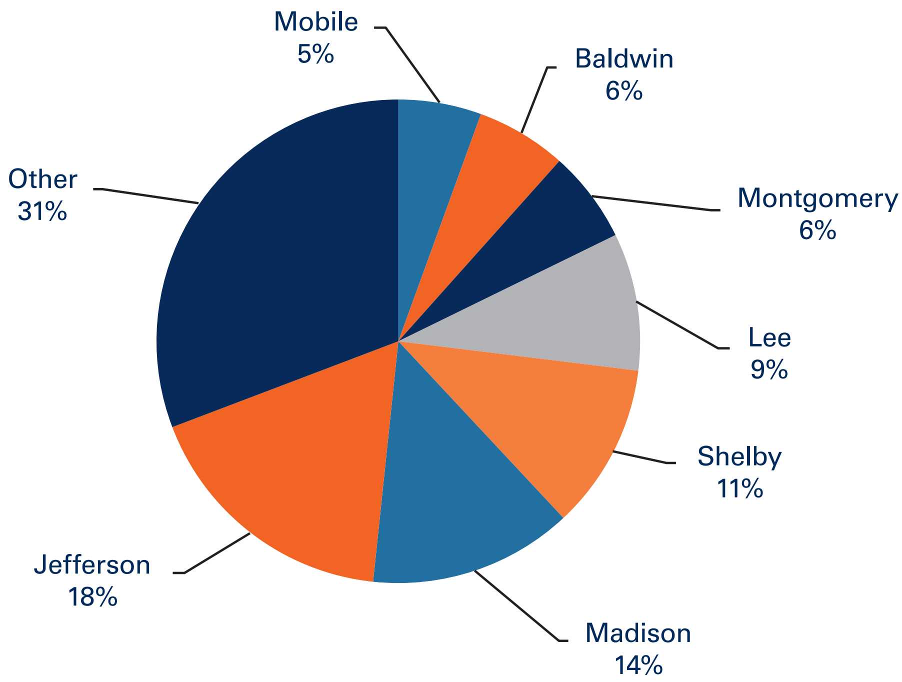
AUBURN UNIVERSITY MAIN CAMPUS AND AUBURN UNIVERSITY AT MONTGOMERY FULL-TIME FACULTY BY RANK



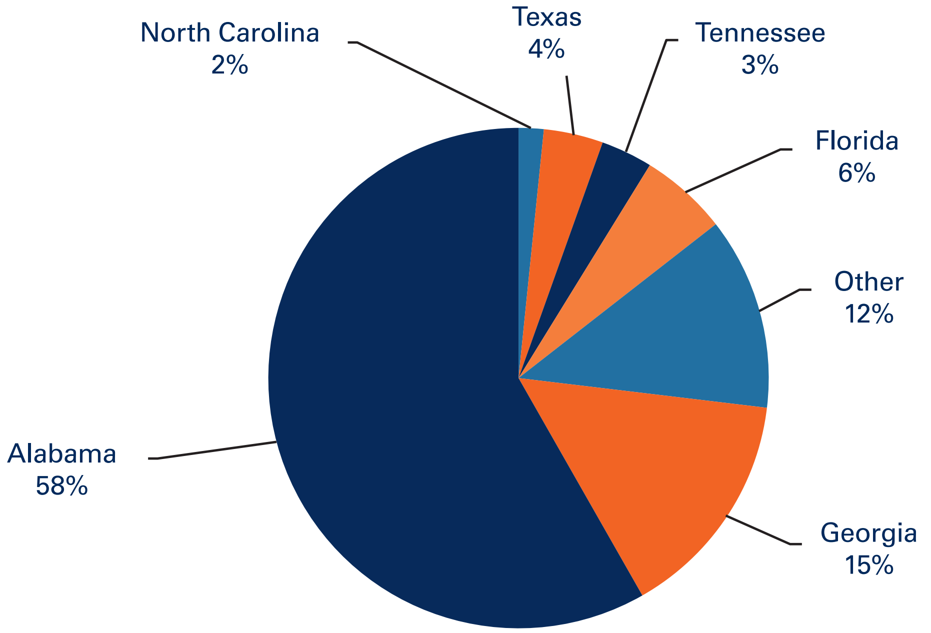
AUBURN UNIVERSITY MAIN CAMPUS ENROLLMENT BY COLLEGE/SCHOOL FALL 2018



AUBURN UNIVERSITY MAIN CAMPUS FRESHMEN ENROLLMENT BY ALABAMA COUNTIES SUMMER/FALL TERMS 2018



AUBURN UNIVERSITY MAIN CAMPUS FRESHMEN ENROLLMENT BY STATE SUMMER/FALL TERMS 2018



AUBURN UNIVERSITY

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

	2009	2010	2011
Revenues by Source			
Tuition and fees, net	$ 257.6	$ 276.2	$ 294.7
Federal appropriations	10.9	30.3*	38.8*
State appropriations	261.7	236.2	235.7
Grants and contracts	115.6	132.3	136.6
Gifts	29.9	31.5	32.3
Capital gifts and grants	18.4	47.6	48.2
Sales and services, investments and other income, net of interest expense	68.6	59.8	58.8
Auxiliary revenue, net	80.8	87.5	106.2
Total Revenues by Source	$ 843.5	$ 901.4	$ 951.3
Expenditures by Function			
Instruction	$ 215.3	$ 220.6	$ 230.4
Research	99.6	97.5	102.8
Public service	101.3	99.2	106.0
Academic support	34.5	37.5	38.8
Library	8.6	10.2	8.3
Student services	20.4	21.9	23.6
Institutional support	71.8	58.8	74.1
Operation and maintenance	74.6	70.1	77.8
Scholarships and fellowships	31.2	31.8	33.7
Auxiliaries	82.5	89.3	102.5
Depreciation	44.2	49.3	53.8
Total Expenditures by Function	$ 784.0	$ 786.2	$ 851.8
Expenditures by Natural Classification			
Compensation	$ 507.9	$ 510.9	$ 536.6
Scholarships and fellowships	17.9	17.8	17.3
Utilities	23.7	22.9	23.3
Other supplies and services	190.3	185.3	220.8
Depreciation	44.2	49.3	53.8
Total Expenditures by Natural Classification	$ 784.0	$ 786.2	$ 851.8

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

AUBURN UNIVERSITY

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

2012	2013	2014	2015	2016	2017	2018
$ 323.1	$ 349.2	$ 365.9	$ 395.6	$ 414.8	$ 451.7	$ 492.2
11.8	13.0	12.9	14.3	13.2	15.3	13.8
247.8	238.6	243.0	245.5	248.1	254.7	256.6
134.5	121.1	118.4	120.5	126.8	130.2	139.7
36.6	35.4	36.6	43.9	50.6	46.0	48.3
17.2	28.2	3.8	4.8	22.8	21.5	26.1
72.8	60.7	89.2	79.6	88.4	95.6	80.7
101.5	104.8	123.4	136.3	174.3	157.5	184.0
$ 945.3	$ 951.0	$ 993.2	$ 1,040.5	$ 1,139.0	$ 1,172.5	$ 1,241.4
$ 239.5	$ 242.6	$ 249.0	$ 254.6	$ 270.1	$ 295.0	$ 286.9
102.6	97.4	99.2	97.3	110.1	122.1	146.1
107.4	104.7	102.5	106.7	107.6	112.9	111.0
38.8	43.7	53.3	55.4	56.2	61.5	72.8
10.1	8.3	9.7	9.0	7.9	9.6	18.9
24.9	27.6	30.2	33.0	35.0	38.0	39.7
73.3	70.0	70.5	78.5	87.3	88.9	100.6
66.3	84.5	78.8	78.8	85.4	102.2	105.5
35.0	39.5	40.2	39.3	42.0	42.4	47.8
99.1	106.9	123.1	122.6	131.8	143.2	153.7
61.1	66.1	71.8	74.3	75.7	77.4	79.5
$ 858.1	$ 891.3	$ 928.3	$ 949.5	$ 1,009.1	$ 1,093.2	$ 1,162.5
$ 539.2	$ 558.0	$ 578.2	$ 598.4	$ 627.2	$ 688.8	$ 727.7
18.4	21.6	22.7	20.7	22.4	22.7	26.5
23.2	22.8	26.0	24.5	24.1	24.9	24.5
216.2	222.8	229.6	231.6	259.6	279.4	304.2
61.1	66.1	71.8	74.3	75.8	77.4	79.6
$ 858.1	$ 891.3	$ 928.3	$ 949.5	$ 1,009.1	$ 1,093.2	$ 1,162.5

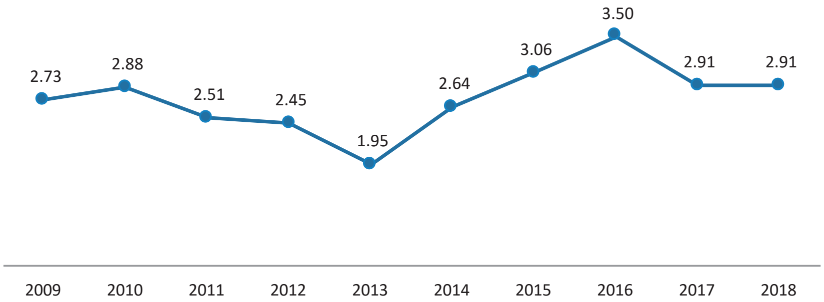
AUBURN UNIVERSITY

FINANCIAL RATIOS**
FOR THE FISCAL YEARS ENDED SEPTEMBER 30

Debt Service Coverage Ratio

The debt service coverage ratio measures the ability to cover annual debt service obligations from continuing operations. This ratio is calculated by dividing net operating income plus net nonoperating revenues, adjusted for interest and depreciation, by annual debt service. A ratio of at least 1.0 is desirable.

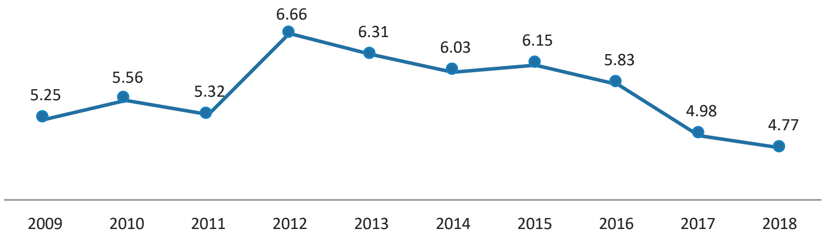
From 2011 through 2013, the University's debt service coverage ratio decreased due to new debt issuances. The ratio began rebounding as the University paid down portions of the outstanding amounts. The ratio remains sufficiently above the desired 1.0 in all years presented and was not affected by the implementation of GASB Statement No. 68 or Statement No. 75.



Debt Service Burden

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

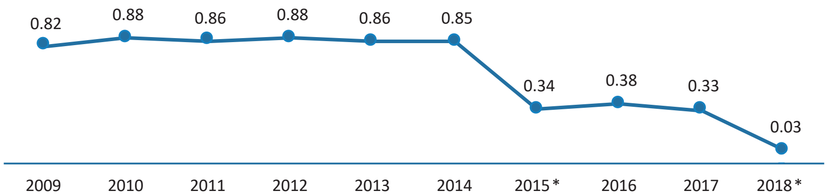
The University's debt service burden increased in fiscal year 2012 due to new debt issuances in 2011 and 2012. In 2013 and 2014, debt service remained relatively consistent, while operating expenses increased. The ratio increased slightly in fiscal year 2015, as debt service increased. Management strategically 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 or Statement No. 75 and continues to improve as debt service decreases.



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. This ratio is calculated by dividing expendable net position by total operating expenses. It is generally recommended that the ratio be at least 0.40.

Although the primary reserve ratio was significantly impacted by the implementation of GASB Statement No. 68 in 2015 and by the implementation of GASB Statement No. 75 in 2018, management believes the University has sufficient expendable net position to continue to operate.



*In fiscal year 2015, the University adopted GASB Statement No. 68, which reduced the October 1, 2014 net position by more than $558 million.
In fiscal year 2018, the University adopted GASB Statement No. 75, which reduced the October 1, 2017 net position by more than $301 million.

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

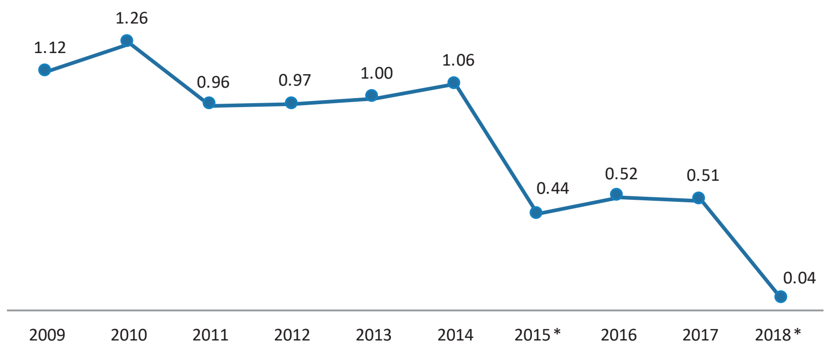
AUBURN UNIVERSITY

FINANCIAL RATIOS**
FOR THE FISCAL YEARS ENDED SEPTEMBER 30

Viability Ratio

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

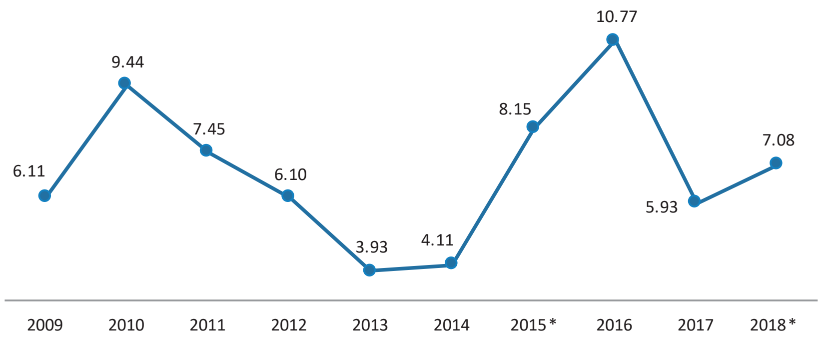
New debt issuances in 2011 dropped the ratio below 1.0%. The ratio rebounded in 2012 through 2014, and then was significantly impacted by the implementation of GASB Statement No. 68 in 2015 and by the implementation of GASB Statement No. 75 in 2018. Management believes the University has sufficient expendable net position to cover debt obligations.



Return on Net Position Ratio

This ratio measures total economic return and can be used to indicate whether the institution is financially stronger or weaker over time. It is calculated by dividing the change in net position by the total net position at the beginning of the year. It is generally recommended that the goal be a 3.0% - 4.0% return over the long-term.

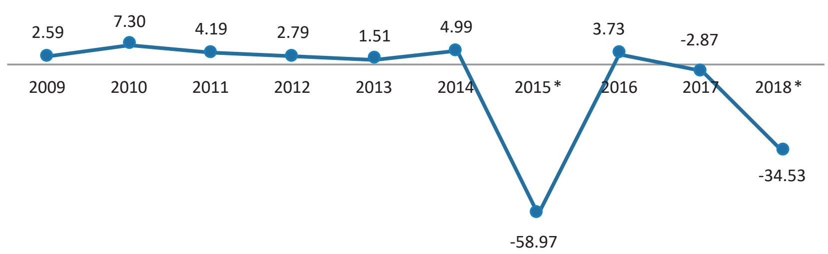
The University's return on net position ratio remains strong. The implementation of GASB Statement No. 68 lowered the beginning net position, which resulted in a higher ratio for 2015. In 2017, an increase in net pension obligations and the use of unrestricted net position for capital projects, such as the Mell Classroom Building and deferred maintenance needs, led to a 15.4% decrease in Unrestricted Net Position, which impacted this ratio. The implementation of GASB Statement No. 75 again lowered the beginning net position, which resulted in a higher ratio for 2018, well above the recommended level.



Net Income Ratio

This ratio measures the success of financial operations for a given year. It is calculated by dividing the total change in unrestricted net position by total unrestricted revenue. It is generally recommended that the goal be 2.0%–4.0% 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. It rebounded to the recommended levels in 2016. Like the Return on Net Position ratio, this ratio was impacted by the decrease in Unrestricted Net Position in 2017. The implementation of GASB Statement No. 75 in fiscal year 2018 significantly impacted this ratio. Management believes the University will continue to operate successfully within available resources.



*In fiscal year 2015, the University adopted GASB Statement No. 68, which reduced the October 1, 2014 net position by more than $558 million.
In fiscal year 2018, the University adopted GASB Statement No. 75, which reduced the October 1, 2017 net position by more than $301 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

STATEMENTS OF NET POSITION
SEPTEMBER 30, 2018 AND 2017

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 296,729,234	$ 148,323,697
Operating investments	129,112,112	177,333,728
Accounts receivable, net	64,290,291	60,915,472
Student accounts receivable, net	43,084,125	48,166,556
Loans receivable, net	3,026,036	3,223,098
Accrued interest receivable	4,018,921	2,283,313
Inventories	6,071,097	5,947,700
Prepaid expenses	46,669,159	43,402,450
Total current assets	593,000,975	489,596,014
Noncurrent assets		
Investments	1,018,411,609	860,774,752
Loans receivable, net	16,557,780	17,141,549
Investment in plant, net	1,809,863,232	1,695,125,478
Total noncurrent assets	2,844,832,621	2,573,041,779
Total assets	3,437,833,596	3,062,637,793
DEFERRED OUTFLOWS OF RESOURCES		
Loss on refunding of bonds	46,219,285	50,847,256
Pension and OPEB	195,093,459	141,570,011
Total deferred outflows of resources	241,312,744	192,417,267
LIABILITIES		
Current liabilities		
Accounts payable	85,816,831	63,761,889
Accrued salaries and wages	3,252,148	4,800,082
Accrued compensated absences	20,102,007	20,543,222
Accrued interest payable	13,189,035	10,688,108
Other accrued liabilities	12,329,100	7,557,603
Student deposits	4,146,966	3,715,077
Deposits held in custody	25,159,346	22,899,292
Unearned revenues	239,583,756	220,866,776
Noncurrent liabilities-current portion	37,536,770	30,535,042
Total current liabilities	441,115,959	385,367,091
Noncurrent liabilities		
Bonds and notes payable	884,698,533	672,946,675
Lease obligation	10,248,946	10,007,133
Pension and OPEB	1,035,886,516	733,508,860
Other noncurrent liabilities	13,337,780	18,921,228
Total noncurrent liabilities	1,944,171,775	1,435,383,896
Total liabilities	2,385,287,734	1,820,750,987
DEFERRED INFLOWS OF RESOURCES		
Nonexchange transactions	170,534	383,344
Pension and OPEB	99,377,200	17,148,582
Total deferred inflows of resources	99,547,734	17,531,926
NET POSITION		
Net investment in capital assets	1,131,106,698	1,023,902,946
Restricted		
Nonexpendable	29,405,300	28,918,454
Expendable:		
Scholarships, research, instruction, other	186,758,005	175,177,067
Loans	5,296,937	5,154,388
Capital projects	43,872,541	30,224,357
Unrestricted	(202,128,609)	153,394,935
Total net position	$ 1,194,310,872	$ 1,416,772,147

See accompanying notes to financial statements.

AUBURN UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
OPERATING REVENUES		
Tuition and fees, net of scholarship allowances of $129,455,514 and $118,742,409, respectively	$ 492,207,970	$ 451,678,570
Federal appropriations	13,845,715	15,282,047
Federal grants and contracts, net	76,848,678	72,394,812
State and local grants and contracts, net	19,149,702	18,410,311
Nongovernmental grants and contracts, net	16,013,849	14,987,923
Sales and services of educational departments	48,440,845	48,550,211
Auxiliary revenue, net of scholarship allowances of $9,124,570 and $8,592,089, respectively	184,004,826	157,472,983
Other operating revenues	25,627,460	26,463,350
Total operating revenues	876,139,045	805,240,207
OPERATING EXPENSES		
Compensation and benefits	727,733,183	688,796,153
Scholarships and fellowships	26,492,608	22,749,526
Utilities	24,543,059	24,915,549
Other supplies and services	304,162,935	279,365,253
Depreciation	79,592,901	77,357,748
Total operating expenses	1,162,524,686	1,093,184,229
Operating loss	(286,385,641)	(287,944,022)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	256,570,746	254,675,996
Gifts	48,307,506	46,023,481
Grants	27,677,243	24,377,403
Net investment income	35,175,949	43,938,247
Interest expense on capital debt	(29,008,545)	(23,457,640)
Nonoperating revenues, net	338,722,899	345,557,487
Income before other changes in net position	52,337,258	57,613,465
OTHER CHANGES IN NET POSITION		
Capital gifts and grants	26,104,586	21,517,991
Additions to permanent endowments	486,846	195,361
Net increase in net position	78,928,690	79,326,817
Net position - beginning of year	1,416,772,147	1,337,445,330
Cumulative effect of accounting change	(301,389,965)	
Net position October 1, 2017, as restated	1,115,382,182	
Net position - end of year	$ 1,194,310,872	$ 1,416,772,147

See accompanying notes to financial statements.

AUBURN UNIVERSITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 507,821,174	$ 460,319,165
Federal appropriations	13,666,879	15,380,041
Grants and contracts	114,295,116	98,678,249
Sales and services of educational departments	54,410,140	46,544,661
Auxiliary enterprises	179,502,340	164,967,867
Other operating revenues	27,579,329	21,570,371
Payments to suppliers	(274,272,753)	(280,075,232)
Payments for utilities	(24,543,059)	(24,915,549)
Payments for employee compensation and benefits	(699,539,194)	(656,982,671)
Payments for scholarships and fellowships	(28,723,184)	(26,350,945)
Student loans issued	(2,528,799)	(3,271,552)
Student loans collected	2,886,433	2,975,121
Net cash used in operating activities	(129,445,578)	(181,160,474)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	256,570,746	254,731,812
Gifts and grants for other than capital purposes	76,802,880	70,039,225
Direct and other loan receipts	196,835,824	199,323,512
Direct and other loan disbursements	(206,027,970)	(197,215,605)
Net cash provided by noncapital financing activities	324,181,480	326,878,944
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of debt, net of issuance costs	251,087,061	-
Capital gifts and grants received	22,808,239	18,676,991
Purchases of capital assets	(187,821,441)	(147,629,591)
Proceeds received from sale of capital assets	210,402	62,388
Principal paid on debt and capital leases	(24,527,084)	(24,976,541)
Interest paid on debt and capital leases	(32,112,642)	(26,114,498)
Net cash provided by (used in) capital and related financing activities	29,644,535	(179,981,251)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments and reinvestments	427,595,003	425,936,470
Investment income	29,753,271	24,982,838
Purchases of investments	(533,323,174)	(335,237,246)
Net cash (used in) provided by investing activities	(75,974,900)	115,682,062
Net increase in cash and cash equivalents	148,405,537	81,419,281
Cash and cash equivalents - beginning of year	148,323,697	66,904,416
Cash and cash equivalents - end of year	$ 296,729,234	$ 148,323,697

See accompanying notes to financial statements.

AUBURN UNIVERSITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (286,385,641)	$ (287,944,022)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	79,592,901	77,357,748
Write-off (recovery) of loans receivable	423,197	(23,485)
Loss on sale of capital assets	2,435,851	2,857,169
Changes in assets and liabilities:		
Accounts receivable	(2,418,657)	(15,571,886)
Student accounts receivable	5,082,431	(9,408,488)
Inventories	(123,397)	(760,786)
Unearned revenue	18,716,980	23,502,240
Accounts payable	16,825,590	3,159,427
Prepaid expenses	(3,269,003)	(4,472,747)
Accrued salaries, wages and compensated absences	(1,989,149)	1,448,379
Student deposits and deposits held in custody	10,714,272	(1,426,440)
Loans receivable	357,634	(296,431)
Other accrued liabilities	4,771,497	993,265
Nonexchange transactions	(212,810)	101,391
Pension and OPEB obligation	29,692,861	29,051,955
Other noncurrent liabilities	(3,660,135)	272,237
Net cash used in operating activities	$ (129,445,578)	$ (181,160,474)
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION		
Capital assets acquired with a liability at year-end	$ 17,276,901	$ 22,097,548
Gifts of capital assets	3,178,718	2,798,719
Capitalized interest	-	3,485,448

See accompanying notes to financial statements.

AUBURN UNIVERSITY COMPONENT UNITS

STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2018 AND 2017

	Auburn University Foundation		Auburn Alumni Association	
	2018	2017	2018	2017
ASSETS				
Cash and cash equivalents	$ 2,905,386	$ 3,950,818	$ 108,528	$ 136,816
Investments	569,606,442	531,374,575	3,851,907	3,795,608
Investment in Auburn University Foundation Securities Pool	-	-	9,283,340	9,100,435
Accrued interest receivable	206,916	133,047	12,994	20,350
Contributions receivable, net	82,824,718	110,453,942	169,424	197,764
Other assets	1,009	-	11,278	6
Investment in real estate	7,471,404	3,702,688	674,799	674,799
Cash surrender value of life insurance	7,027,384	6,631,482	-	-
Beneficial interest in outside trusts	4,652,052	4,517,688	-	-
Property and equipment, net	269,896	231,837	1,783,556	1,877,671
Prepaid items	-	-	9,294	50
Due from Auburn University	406,221	136,641	9,007	-
Due from Auburn University Foundation	-	-	-	45,402
Due from Auburn Alumni Association	142,953	247,164	-	-
Total assets	$ 675,514,381	$ 661,379,882	$ 15,914,127	$ 15,848,901
LIABILITIES				
Accounts payable and accrued liabilities	$ 1,181,169	$ 795,623	$ 135,463	$ 123,377
Annuities payable	10,764,111	9,814,639	-	-
Due to Auburn University	-	-	16,502	21,060
Due to Auburn University Foundation	-	-	152,377	247,952
Due to Auburn Alumni Association	9,283,340	9,145,539	-	-
Due to Tigers Unlimited Foundation	9,480,410	9,420,560	-	-
Retained life commitment	1,925,315	516,968	-	-
Deferred revenue	-	5,000	8,384,545	8,338,085
Total liabilities	32,634,345	29,698,329	8,688,887	8,730,474
NET ASSETS				
Unrestricted	29,764,024	26,474,960	7,225,240	7,118,427
Temporarily restricted	196,733,435	203,671,312	-	-
Permanently restricted	416,382,577	401,535,281	-	-
Total net assets	642,880,036	631,681,553	7,225,240	7,118,427
Total liabilities and net assets	$ 675,514,381	$ 661,379,882	$ 15,914,127	$ 15,848,901

See accompanying notes to financial statements.

AUBURN UNIVERSITY COMPONENT UNITS

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	Auburn University Foundation		Auburn Alumni Association	
	2018	2017	2018	2017
REVENUES AND OTHER SUPPORT				
Public support - contributions	$ 43,749,205	$ 66,951,403	$ 1,779,296	$ 1,817,890
Investment income	3,687,254	2,543,450	402,231	382,337
Other revenues	3,996,096	2,595,854	963,926	958,836
Total revenues	51,432,555	72,090,707	3,145,453	3,159,063
EXPENSES AND LOSSES				
Program services				
Contributions to and support for Auburn University	61,227,088	54,286,615	-	-
Other program services	3,823,399	5,179,175	1,373,591	1,400,289
Total program services	65,050,487	59,465,790	1,373,591	1,400,289
Support services				
General and administrative	2,114,675	1,622,738	1,543,588	1,556,176
Fund raising	3,660,023	3,519,418	257,256	192,600
Total support services	5,774,698	5,142,156	1,800,844	1,748,776
Total expenses	70,825,185	64,607,946	3,174,435	3,149,065
Unrealized gains on investments	(16,837,235)	(36,251,181)	(135,795)	(520,955)
Realized gains on investments	(12,671,139)	(12,727,282)	-	-
Change in valuation of split-interest agreements	(1,082,739)	(1,616,749)	-	-
Total expenses, (gains) and losses	40,234,072	14,012,734	3,038,640	2,628,110
*Change in net assets	11,198,483	58,077,973	106,813	530,953
Net assets - beginning of year	631,681,553	573,603,580	7,118,427	6,587,474
Net assets - end of year	$ 642,880,036	$ 631,681,553	$ 7,225,240	$ 7,118,427
*Change in net assets				
Unrestricted	$ 3,289,064	$ 2,800,812	$ 106,813	$ 530,953
Temporarily restricted	(6,937,877)	39,120,174	-	-
Permanently restricted	14,847,296	16,156,987	-	-
Total change in net assets	$ 11,198,483	$ 58,077,973	$ 106,813	$ 530,953

See accompanying notes to financial statements.

AUBURN UNIVERSITY COMPONENT UNITS

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	Tigers Unlimited Foundation	
	2018	**2017**
ASSETS		
Cash and cash equivalents	$ 1,228,712	$ 1,134,983
Investments	45,416,888	41,853,210
Investment in Auburn University Foundation Securities Pool	9,202,477	8,794,174
Due from Auburn University Foundation	-	10,120
Accrued interest receivable	246,591	143,949
Contributions receivable, net	19,973,335	17,206,467
Other receivables	156,150	493,837
Other assets	63,526	117,907
Property and equipment, net	210,386	26,875
Total assets	$ 76,498,065	$ 69,781,522
LIABILITIES		
Accounts payable and accrued liabilities	$ 550,492	$ 483,247
Deferred revenue	2,399,148	2,239,377
Due to Auburn University	3,950,954	3,967,990
Due to Auburn University Foundation	100,000	-
Total liabilities	7,000,594	6,690,614
NET ASSETS		
Unrestricted	22,991,271	25,529,759
Temporarily restricted	39,031,986	30,239,679
Permanently restricted	7,474,214	7,321,470
Total net assets	69,497,471	63,090,908
Total liabilities and net assets	$ 76,498,065	$ 69,781,522

See accompanying notes to financial statements.

AUBURN UNIVERSITY COMPONENT UNITS

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	Tigers Unlimited Foundation	
	2018	2017
REVENUES AND OTHER SUPPORT		
Public support - contributions	$ 49,125,489	$ 47,621,526
Investment income	920,435	780,274
Other revenues	6,667,559	7,173,526
Total revenues	56,713,483	55,575,326
EXPENSES AND LOSSES		
Program services		
Contributions to and support for Auburn University	19,622,635	16,034,228
Other program services	19,389,899	16,625,770
Total program services	39,012,534	32,659,998
Support services		
General and administrative	1,899,909	1,836,391
Fundraising	8,614,088	8,377,896
Total support services	10,513,997	10,214,287
Total expenses	49,526,531	42,874,285
Unrealized losses (gains) on investments, net	201,735	(294,445)
Realized (gains) losses on investments, net	(169)	516
Loss on write-off of contribution receivable	578,823	507,739
Total expenses, (gains) and losses	50,306,920	43,088,095
*Change in net assets	6,406,563	12,487,231
Net assets - beginning of year	63,090,908	50,603,677
Net assets - end of year	$ 69,497,471	$ 63,090,908
*Change in net assets		
Unrestricted	$ (2,538,488)	$ 536,953
Temporarily restricted	8,792,307	11,796,468
Permanently restricted	152,744	153,810
Total change in net assets	$ 6,406,563	$ 12,487,231

See accompanying notes to financial statements.

AUBURN UNIVERSITY COMPONENT UNITS

STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2018 AND 2017

	Auburn Research and Technology Foundation	
	2018	2017
ASSETS		
Cash and cash equivalents	$ 742,163	$ 519,980
Deposits	28,739	28,489
Prepaid expenses and other assets	56,653	25,638
Accounts receivable	1,328,496	1,180,882
Contributions receivable, net	1,263,821	904,250
Property, plant, and equipment, net	8,565,490	7,813,270
Total assets	$ 11,985,362	$ 10,472,509
LIABILITIES		
Accounts payable	$ 295,371	$ 101,582
Deferred revenue	577,195	270,273
Deposits held in custody	28,739	28,489
Interest payable	30,057	31,764
Capital lease obligation	47,605	72,050
Other payable to Auburn University	148,363	122,419
Note payable to Auburn University	723,070	764,133
Loan payable to River Bank and Trust	667,309	-
Total liabilities	2,517,709	1,390,710
NET ASSETS		
Unrestricted	8,203,790	8,177,508
Temporarily restricted	1,263,863	904,291
Total net assets	9,467,653	9,081,799
Total liabilities and net assets	$ 11,985,362	$ 10,472,509

See accompanying notes to financial statements.

AUBURN UNIVERSITY COMPONENT UNITS

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	Auburn Research and Technology Foundation	
	2018	2017
REVENUES AND OTHER SUPPORT		
Rental income	$ 1,092,218	$ 1,087,312
Royalty income	-	114
Other contracts	139,296	692,543
Other revenue	20,000	-
Contributions	449,611	35,662
Total revenues	1,701,125	1,815,631
EXPENSES AND LOSSES		
Support services		
General and administrative	891,245	1,473,890
Amortization on ground leases	71,101	64,055
Amortization on capital lease	23,210	23,210
Depreciation	289,458	320,811
Interest	40,257	36,072
Total support services	1,315,271	1,918,038
Total expenses	1,315,271	1,918,038
*Change in net assets	385,854	(102,407)
Net assets - beginning of year	9,081,799	9,184,206
Net assets - end of year	$ 9,467,653	$ 9,081,799
*Change in net assets		
Unrestricted	$ 26,282	$ (54,996)
Temporarily restricted	359,572	(47,411)
Total change in net assets	$ 385,854	$ (102,407)

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 35,651 students for Fall semester 2018. 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*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units–an amendment of GASB Statement No. 14*, 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*; 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 as Assets and Liabilities*. These statements establish standards for external financial reporting for public colleges and universities on an entity-wide perspective which 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. When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards unrestricted resources and then towards restricted resources.

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 2018, the University adopted the following Governmental Accounting Standards Board Pronouncements:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement addresses accounting and financial reporting for other postemployment benefits (OPEB) that are 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. As a result of this implementation, the University will now report its portion of the State of Alabama's postemployment plan benefits liability. Since the information for the restatement of beginning balances of deferred inflows of resources or deferred outflows of resources is not available for the earliest period presented, the cumulative effect of the Statement implementation will be shown as restatement to beginning net position as of October 1, 2017. The effect of this implementation is discussed in Note 12.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*. This statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources (other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole purpose of extinguishing debt. It also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The adoption of this standard had no effect on the University's financial statements in the current fiscal year.

GASB Statement No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. Historically, the University capitalized the portion of interest costs associated with construction. As a result of the adoption of this standard, beginning in fiscal year 2018, such interest costs are not capitalized as part of the historic cost of the capital asset. The standard is adopted prospectively beginning with this fiscal year and did not have a material effect on the University's financial statements.

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.

The University records depreciation on capital assets, accrues or defers revenue associated with certain grants and contracts, accrues interest expense, accounts for certain scholarship allowances as a reduction of revenue, classifies federal refundable loans as a liability, and capitalizes and depreciates 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 assets and 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, *Fair Value Measurement and Application*, 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. 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.

During fiscal year 2018, the University adopted GASB Statement No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. This standard is adopted prospectively, and as a result, beginning in fiscal year 2018, such interest costs are not capitalized as part of the historic cost of the capital asset.

Prior to the adoption of GASB Statement No. 89, interest expense related to construction was capitalized net of interest income earned on bond proceeds. Capitalized interest of $3.5 million was recorded during fiscal year 2017.

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 2018 or 2017.

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. In fiscal year 2018, the University signed a long-term multi-year contract for dining services. The associated revenue is being amortized over the ten-year life of the contract on a straight-line basis. Unearned revenue includes the amounts received but not earned from the contract (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 calculated 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 discounted 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 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 Non-Endowment 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 Fund Investment Policy, approved April 17, 2015, and reviewed annually, 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 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, and reviewed annually, 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 $78,831,184 and $71,630,402 at September 30, 2018 and 2017, 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 Fund 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, 2018 and 2017, covering the fair value of investments by investment type and related maturity:

Auburn University Investments
Investment Maturities at Fair Value (in Years)
September 30, 2018

Types of Investments	< 1 year	1–5 years	6–10 years	> 10 years	Total Fair Value
Fixed Maturity					
Certificates of Deposit	$ -	$ 513,165	$ -	$ -	$ 513,165
U.S. Treasury Obligations	29,456,967	10,164,419	-	-	39,621,386
U.S. Agency Securities	99,924,954	692,739,813	34,316,959	-	826,981,726
Mortgage Backed Securities	-	2,313,707	7,425,347	-	9,739,054
Municipals	-	968,740	-	-	968,740
	$ 129,381,921	$ 706,699,844	$ 41,742,306	$ -	$ 877,824,071
Global Equities					2,463,907
Alternative Investments					
Hedge Funds					92,128,914
Private Capital					20,207,621
Real Assets					25,123,903
Real Estate					740,750
Mutual Funds, Common Trust Funds and Business Trust Funds					128,575,916
Funds Held in Trust					3,678,153
Cash Surrender Value-Life Insurance					822,746
Money Market, Cash and Pooled Investments					287,384,884
Total investments					1,438,950,865
Less cash equivalents held in cash pool					(291,427,144)
Operating and noncurrent investments					$ 1,147,523,721

Auburn University Investments
Investment Maturities at Fair Value (in Years)
September 30, 2017

Types of Investments	< 1 year	1–5 years	6–10 years	> 10 years	Total Fair Value
Fixed Maturity					
Certificates of Deposit	$ -	$ 512,997	$ -	$ -	$ 512,997
U.S. Treasury Obligations	50,750,001	24,526,552	-	-	75,276,553
U.S. Agency Securities	129,145,528	508,925,277	56,366,658	-	694,437,463
Mortgage Backed Securities	-	-	6,503,646	-	6,503,646
Municipals	400,428	997,690	-	-	1,398,118
	$ 180,295,957	$ 534,962,516	$ 62,870,304	$ -	$ 778,128,777
Global Equities					1,843,960
Alternative Investments					
Hedge Funds					79,929,995
Private Capital					19,519,266
Real Assets					21,240,497
Real Estate					740,750
Mutual Funds, Common Trust Funds and Business Trust Funds					126,438,883
Funds Held in Trust					3,528,293
Cash Surrender Value-Life Insurance					757,597
Money Market, Cash and Pooled Investments					137,812,950
Total investments					1,169,940,968
Less cash equivalents held in cash pool					(131,832,488)
Operating and noncurrent investments					$ 1,038,108,480

- **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, 2018 and 2017, concerning credit quality risk:

Auburn University Investments
Ratings of Fixed Maturities

Moody's Rating	Fair Value	Fair Value as a % of Total Fixed Maturity Fair Value	Fair Value	Fair Value as a % of Total Fixed Maturity Fair Value
	2018		2017	
US Treasury	$ 38,469,912	4.38%	$ 78,238,720	10.05%
Aaa	837,872,254	95.45%	697,978,942	89.70%
Aa	968,740	0.11%	1,398,118	0.18%
Not rated*	513,165	0.06%	512,997	0.07%
	$ 877,824,071	100.00%	$ 778,128,777	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, 2018 and 2017, 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, 2018 and 2017, the University held no investments in foreign currency.

Securities Lending Program
As of September 30, 2018 and 2017, there was no participation in any securities lending program.

Interest Sensitive Securities
As of September 30, 2018, the University held investments totaling $9,739,054 in mortgage-backed securities. As of September 30, 2017, the University held investments in mortgage-backed securities totaling $6,503,646. As of September 30, 2018 and 2017, 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, 2018 and 2017, the University Cash Pool held $77,811,157 and $27,735,714, representing 5.4% and 2.7%, 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 six 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, 2018 and 2017, 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, 2018, as follows: $218,555,809, 2018A General Fee Bond proceeds, and $20,276,151, Deferred Maintenance Building Fund. The General Liability Account holds investments of $5,757,075.

At September 30, 2017, funds held for pending capital expenditures were as follows: $100,000, 2011 General Fee Bond proceeds, and $19,842,139, Deferred Maintenance Building Fund. The General Liability Account held investments of $5,759,695.

The University carries its limited partnership investments at estimated fair value as determined by the fund manager or general partner. 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, 2018 and 2017. 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, 2018 and 2017, 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 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, 2018

Types of Investments	Total Fair Value	Level 1	Level 2	Level 3
Cash and Pooled Investments	$ 1,517,386	$ 1,517,386	$ -	$ -
Fixed Maturity	877,824,071	513,165	877,310,906	-
Global Equities	2,463,907	2,463,907	-	-
Real Estate	740,750	-	-	740,750
Mutual Funds	63,851,332	63,851,332	-	-
Total investments in the fair value hierarchy	$ 946,397,446	$ 68,345,790	$ 877,310,906	$ 740,750
Investments measured at NAV	205,863,175			
Money Market	149,367,498			
Cash Surrender Value-Life Insurance	822,746			
Investments	$ 1,302,450,865			
Less cash equivalents held in cash pool	(154,927,144)			
Operating and noncurrent investments	$ 1,147,523,721			

Auburn University Investments
Investments at Fair Value
September 30, 2017

Types of Investments	Total Fair Value	Level 1	Level 2	Level 3
Cash and Pooled Investments	$ 10,176,942	$ 10,176,942	$ -	$ -
Fixed Maturity	778,128,777	512,998	777,615,779	-
Global Equities	1,843,960	1,843,960	-	-
Real Estate	740,750	-	-	740,750
Mutual Funds	61,323,409	61,323,409	-	-
Total investments in the fair value hierarchy	$ 852,213,838	$ 73,857,309	$ 777,615,779	$ 740,750
Investments measured at NAV	189,333,524			
Money Market	336,009			
Cash Surrender Value-Life Insurance	757,597			
Investments	$ 1,042,640,968			
Less cash equivalents held in cash pool	(4,532,488)			
Operating and noncurrent investments	$ 1,038,108,480			

Investments categorized as Level 1 are valued using prices quoted in active markets. 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, 2018

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	$ 3,678,153	$ -	N/A	Daily	3 business days	N/A
Global Bond Fund	11,633,644	-	N/A	Semi-Monthly	5 business days	N/A
Business Trust Funds and Common Trust Funds	53,090,940	-	N/A	Monthly	6–10 business days	N/A
Global Equity Hedge Fund	32,625,904	-	N/A	Quarterly	60 days	N/A
Global Long/Short Hedge Funds	30,488,444	-	N/A	Quarterly, Semi-Annually, Annually	30–60 days	N/A
Absolute Return Hedge Funds	29,014,566	-	N/A	Quarterly, Annually	45–90 days	N/A
Private Equity Funds	20,207,621	23,926,188	3 mos.–14yrs.	Illiquid	Illiquid	N/A
Real Asset Investment Funds	25,123,903	15,881,644	3 mos.–10yrs.	Monthly or Illiquid	15 days, Illiquid	N/A
Total	$ 205,863,175	$ 39,807,832				
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, 2017

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	$ 3,528,293	$ -	N/A	Daily	3 business days	N/A
Global Bond Fund	11,920,104	-	N/A	Semi-Monthly	5 business days	N/A
Business Trust Funds and Common Trust Funds	53,195,369	-	N/A	Monthly	6–10 business days	N/A
Global Equity Hedge Fund	28,831,912	-	N/A	Quarterly	60 days	N/A
Global Long/Short Hedge Funds	29,080,614	-	N/A	Quarterly, Annually	30–60 days	3 months
Absolute Return Hedge Funds	22,017,469	-	N/A	Quarterly, Annually	45–90 days	6–9 months
Private Equity Funds	19,519,266	15,580,475	1 mo.–14 yrs.	Illiquid	Illiquid	N/A
Real Asset Investment Funds	21,240,497	14,099,959	1–10 yrs.	Monthly or Illiquid	15 days, Illiquid	N/A
Total	$ 189,333,524	$ 29,680,434				
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: 7% domestic, 60% developed international, and 33% 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, 2018 and 2017, include the following:

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Cash and pooled investments	$ 7,844,209	$ 7,844,209	$ 21,650,773	$ 21,650,773
Government bonds, notes and other securities	43,057,282	40,182,345	36,252,773	31,978,523
Corporate stocks	1,473,987	121,020	1,362,633	121,020
Mutual funds, business trust funds, common trust funds and family limited partnerships	255,634,713	200,346,278	241,342,317	185,288,523
Deeded mineral rights	420,000	420,000	-	-
Hedge funds	176,873,763	104,180,546	154,562,622	97,215,455
Private equity funds	36,097,634	31,701,726	34,210,462	28,916,578
Real asset investment funds	48,204,854	45,003,093	41,992,995	39,513,558
Total investments	$ 569,606,442	$ 429,799,217	$ 531,374,575	$ 404,684,430

AUF owns shares in five mutual funds, four business trust funds, and one common trust fund. 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, 2018, AUF had entered into subscription agreements with one corporate and sixty limited partnership investments. The aggregate amount of capital committed to these investments is $299,424,860 of which capital contributions of $225,052,981 have been invested. A cumulative net unrealized gain of $80,290,886 has been recorded on these investments. Of these sixty commitments, fifteen subscriptions relate to hedge funds, twenty-seven subscriptions relate to private equity funds, and eighteen 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, 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 $5,554,000 and $5,265,000 for the fiscal years ended September 30, 2018 and 2017, respectively.

Corporation and limited partnership interests are reported 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. Deeded mineral rights are reported at estimated fair value based on industry practices. AUF believes that the carrying amount of these investments is a reasonable estimate of fair value as of September 30, 2018 and 2017. 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. The purpose of diversification is to provide reasonable assurance that no single asset, or asset class, will have a disproportionate impact on the performance of the total fund. 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 $387,805,247 and $353,664,695 as of September 30, 2018 and 2017, 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 endowments held by AUF. The cost of these funds was $387,557,857 and $368,137,343 and the market value was $522,980,287 and $490,587,557 at September 30, 2018 and 2017, respectively. The portion of endowment income received by the University from these funds was $15,767,739 and $14,057,620 for the fiscal years ended September 30, 2018 and 2017, respectively.

Endowment earnings are distributed annually, 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 $2,404,321 and $2,423,165 and a market value of $3,678,153 and $3,528,293 at September 30, 2018 and 2017, respectively.

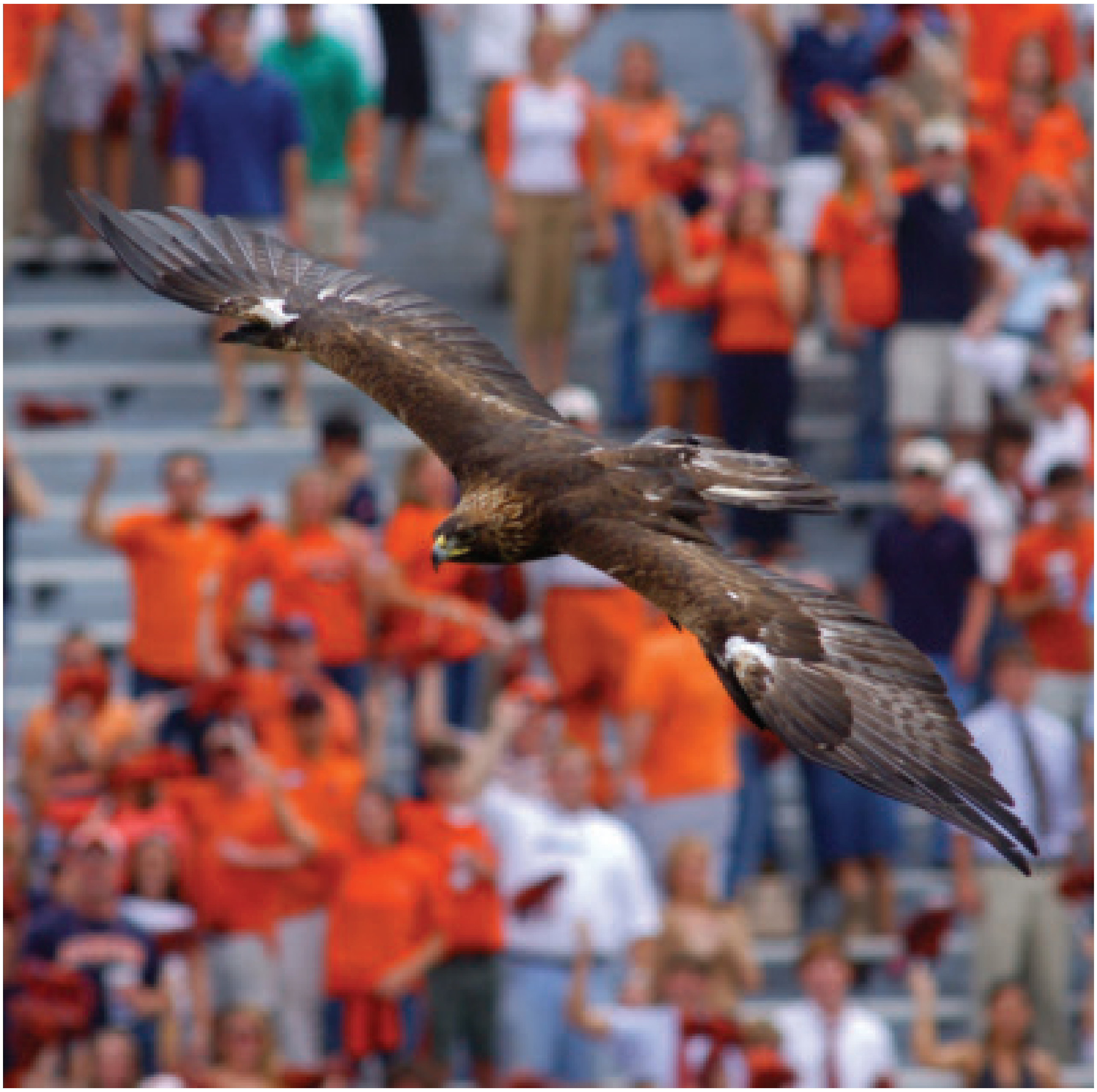
The University is the beneficiary of the income earned on two additional trusts. The cost of investments held by these trusts was $753,000 as of September 30, 2018 and 2017. The income received from the two trusts was $80,565 and $61,243 for the fiscal years ended September 30, 2018 and 2017, respectively.

(6) ACCOUNTS RECEIVABLE

Accounts receivable and the allowances for doubtful accounts at September 30, 2018 and 2017, are summarized as follows:

	2018	2017
NONSTUDENT ACCOUNTS RECEIVABLE		
Federal, state & local government, and other restricted expendable	$ 30,697,276	$ 33,318,628
Less allowance for doubtful accounts	(1,605,621)	(2,179,148)
Pledged receivables	404,448	654,688
General	22,640,836	23,761,023
Less allowance for doubtful accounts	(13,038,820)	(13,038,378)
Auxiliary	23,526,707	16,850,824
Capital gifts and grants	1,665,465	1,547,835
Total nonstudent accounts receivable	$ 64,290,291	$ 60,915,472

	2018	2017
STUDENT ACCOUNTS RECEIVABLE		
Unrestricted general	$ 41,009,687	$ 46,506,010
Less allowance for doubtful accounts	(1,639,652)	(1,201,742)
Unrestricted auxiliary	4,001,519	2,916,534
Less allowance for doubtful accounts	(287,429)	(54,246)
Total student accounts receivable	$ 43,084,125	$ 48,166,556



(7) CAPITAL ASSETS

Capital assets at September 30, 2018 and 2017, are summarized as follows (dollars in thousands):

	September 30, 2017	Additions/Transfers	Deletions/Transfers	September 30, 2018
Capital assets not being depreciated				
Land	$ 31,071	$ 7,980	$ -	$ 39,051
Art & collectibles	11,567	980	-	12,547
Construction in progress	66,348	206,306	(133,553)	139,101
Livestock	2,392	1,289	(1,068)	2,613
Other non-current assets	6,340	-	(5,131)	1,209
Total capital assets not being depreciated	117,718	216,555	(139,752)	194,521
Capital assets being depreciated				
Land improvements	128,007	4,055	-	132,062
Buildings	1,810,458	86,438	-	1,896,896
Equipment	241,717	20,789	(8,715)	253,791
Infrastructure	229,333	7,371	-	236,704
Library books	197,170	453	(44)	197,579
Software system implementation	15,709	-	-	15,709
Total capital assets being depreciated	2,622,394	119,106	(8,759)	2,732,741
Less accumulated depreciation for				
Land improvements	65,285	6,663	-	71,948
Buildings	545,684	41,341	-	587,025
Equipment	162,369	16,391	(7,137)	171,623
Infrastructure	94,669	8,750	-	103,419
Library books	163,550	5,998	(44)	169,504
Software system implementation	13,430	450	-	13,880
Total accumulated depreciation	1,044,987	79,593	(7,181)	1,117,399
Total capital assets being depreciated, net	1,577,407	39,513	(1,578)	1,615,342
Capital assets, net	$ 1,695,125	$ 256,068	$ (141,330)	$ 1,809,863

Capital assets at September 30, 2017 and 2016, are summarized as follows (dollars in thousands):

	September 30, 2016	Additions/Transfers	Deletions/Transfers	September 30, 2017
Capital assets not being depreciated				
Land	$ 31,879	$ 723	$ (1,531)	$ 31,071
Art & collectibles	11,129	438	-	11,567
Construction in progress	59,729	159,828	(153,209)	66,348
Livestock	2,737	1,073	(1,418)	2,392
Other non-current assets	-	6,340	-	6,340
Total capital assets not being depreciated	105,474	168,402	(156,158)	117,718
Capital assets being depreciated				
Land improvements	122,039	5,968	-	128,007
Buildings	1,704,363	107,277	(1,182)	1,810,458
Equipment	234,912	17,655	(10,850)	241,717
Infrastructure	216,538	12,980	(185)	229,333
Library books	190,439	6,767	(36)	197,170
Software system implementation	15,178	531	-	15,709
Total capital assets being depreciated	2,483,469	151,178	(12,253)	2,622,394
Less accumulated depreciation for				
Land improvements	58,729	6,556	-	65,285
Buildings	508,156	38,582	(1,054)	545,684
Equipment	156,179	16,700	(10,510)	162,369
Infrastructure	86,587	8,204	(122)	94,669
Library books	156,931	6,655	(36)	163,550
Software system implementation	12,769	661	-	13,430
Total accumulated depreciation	979,351	77,358	(11,722)	1,044,987
Total capital assets being depreciated, net	1,504,118	73,820	(531)	1,577,407
Capital assets, net	$ 1,609,592	$ 242,222	$ (156,689)	$ 1,695,125

During the fiscal years ended September 30, 2018 and 2017, 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 position 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 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 and GASB Statement No. 75, changes in assumptions, changes in the proportion of total net liabilities relative to other plan participants, differences between employer contributions and proportionate share of contributions, and employer contributions subsequent to the measurement date of the net pension liability but prior to the end of the fiscal year are presented as a deferred outflow of resources. The components of deferred outflows of resources are summarized below.

	September 30, 2018	September 30, 2017
Loss on refunding		
2009 General Fee refunding	$ 1,223,187	$ 1,545,373
2012A General Fee refunding	3,440,239	3,858,867
2012B General Fee refunding	170,683	208,318
2014A General Fee refunding	3,302,497	3,763,416
2015A General Fee refunding	7,838,702	8,620,085
2015B General Fee refunding	3,207,218	3,531,680
2016A General Fee refunding	27,036,759	29,319,517
Pension and OPEB	195,093,459	141,570,011
Total deferred outflows of resources	$ 241,312,744	$ 192,417,267

(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, 2017	Principal New Debt	Repayment	Balance at September 30, 2018
1978 Auburn University at Montgomery Dormitory Revenue Bonds, $3,279,000 face value, 3.0%, due annually through 2019, a reserve of $148,141 and a $139,992 contingency fund.	$ 275,000	$ -	$ (135,000)	$ 140,000
2001A Athletic Revenue Bonds, $24,412,607 face value, 2.125% to 5.49%, due annually through 2021.	6,045,861	-	(1,652,554)	4,393,307
2008 General Fee Revenue Bonds, $92,500,000 face value, 3.0% to 5.0%, due annually through 2019.	4,590,000	-	(2,250,000)	2,340,000
2009 General Fee Revenue Bonds, $79,500,000 face value, 2.0% to 5.0%, due annually through 2026.	56,940,000	-	(5,225,000)	51,715,000
2011A General Fee Revenue Bonds, $226,035,000 face value, 4.0% to 5.0%, due annually through 2025.	40,755,000	-	(4,835,000)	35,920,000
2012A General Fee Revenue Bonds, $120,135,000 face value, 2.0% to 5.0%, due annually through 2042.	94,490,000	-	(3,315,000)	91,175,000
2012B General Fee Revenue Bonds, $3,505,000 face value, 2.9%, due annually through 2024.	3,195,000	-	(65,000)	3,130,000
2014A General Fee Revenue Bonds, $66,415,000 face value, 2.0% to 5.0%, due annually through 2035.	65,605,000	-	(1,485,000)	64,120,000
2015A General Fee Revenue Bonds, $116,190,000 face value, 2.0% to 5.0%, due annually through 2038.	114,495,000	-	(200,000)	114,295,000
2015B General Fee Revenue Bonds, $38,700,000 face value, 2.0% to 5.0%, due annually through 2035.	38,410,000	-	(175,000)	38,235,000
2016A General Fee Revenue Bonds, $217,930,000 face value, 1.5% to 5.0%, due annually through 2041.	215,455,000	-	(4,735,000)	210,720,000
2018A General Fee Revenue Bonds, $216,865,000 face value, 2.0% to 5.0%, due annually from 2019 through 2048.	-	216,865,000	-	216,865,000
Notes payable	3,125,000	-	-	3,125,000
Total bonds and notes payable	643,380,861	216,865,000	(24,072,554)	836,173,307
Plus unamortized bond premium	59,745,544	34,222,061	(8,311,976)	85,655,629
	703,126,405	$ 251,087,061	$ (32,384,530)	921,828,936
Less: current portion				
Bonds payable	(24,072,554)			(29,074,123)
Unamortized bond premium	(6,107,176)			(8,056,280)
Total noncurrent bonds and notes payable	$ 672,946,675			$ 884,698,533

Bonds and notes payable	Balance at September 30, 2016	Principal New Debt	Repayment	Balance at September 30, 2017
1978 Auburn University at Montgomery Dormitory Revenue Bonds, $3,279,000 face value, 3.0%, due annually through 2019, a reserve of $146,782 and a $138,708 contingency fund.	$ 410,000	$ -	$ (135,000)	$ 275,000
2001A Athletic Revenue Bonds, $24,412,607 face value, 2.125% to 5.49%, due annually through 2021.	7,804,362	-	(1,758,501)	6,045,861
2007A General Fee Revenue Bonds, $162,530,000 face value, 3.6% to 5.0%, due annually through 2017.	4,080,000	-	(4,080,000)	-
2008 General Fee Revenue Bonds, $92,500,000 face value, 3.0% to 5.0%, due annually through 2019.	6,760,000	-	(2,170,000)	4,590,000
2009 General Fee Revenue Bonds, $79,500,000 face value, 2.0% to 5.0%, due annually through 2026.	61,490,000	-	(4,550,000)	56,940,000
2011A General Fee Revenue Bonds, $226,035,000 face value, 4.0% to 5.0%, due annually through 2025.	45,440,000	-	(4,685,000)	40,755,000
2012A General Fee Revenue Bonds, $120,135,000 face value, 2.0% to 5.0%, due annually through 2042.	97,650,000	-	(3,160,000)	94,490,000
2012B General Fee Revenue Bonds, $3,505,000 face value, 2.9%, due annually through 2024.	3,260,000	-	(65,000)	3,195,000
2014A General Fee Revenue Bonds, $66,415,000 face value, 2.0% to 5.0%, due annually through 2035.	65,735,000	-	(130,000)	65,605,000
2015A General Fee Revenue Bonds, $116,190,000 face value, 2.0% to 5.0%, due annually through 2038.	115,990,000	-	(1,495,000)	114,495,000
2015B General Fee Revenue Bonds, $38,700,000 face value, 2.0% to 5.0%, due annually through 2035.	38,580,000	-	(170,000)	38,410,000
2016A General Fee Revenue Bonds, $217,930,000 face value, 1.5% to 5.0%, due annually through 2041.	217,930,000	-	(2,475,000)	215,455,000
Notes payable	3,125,000	-	-	3,125,000
Total bonds and notes payable	668,254,362	-	(24,873,501)	643,380,861
Plus unamortized bond premium	66,127,287	-	(6,381,743)	59,745,544
	734,381,649	$ -	$ (31,255,244)	703,126,405
Less: current portion				
Bonds payable	(24,873,501)			(24,072,554)
Unamortized bond premium	(6,381,742)			(6,107,176)
Total noncurrent bonds and notes payable	$ 703,126,406			$ 672,946,675

On July 10, 2018, the University issued the 2018A General Fee Bonds with a par value of $216,865,000 and interest rates ranging from 2.0% to 5.0% to finance certain capital improvements on the University's main campus.

Future Debt Service

Future debt service payments for each of the five fiscal years subsequent to September 30, 2018 and thereafter, are as follows:

Year Ending September 30	Bonds Payable	
	Principal	Interest
2019	$ 29,074,123	$ 39,606,439
2020	28,657,709	39,586,109
2021	29,921,475	38,312,763
2022	29,960,000	34,382,363
2023	31,360,000	33,021,226
2024–2028	163,400,000	141,797,146
2029–2033	177,375,000	102,834,811
2034–2038	188,935,000	61,225,075
2039–2043	93,630,000	26,587,700
2044–2048	60,735,000	9,406,500
Total future debt service	$ 833,048,307	$ 526,760,132

Capital Lease Obligations

During August 2017, the University entered into a lease agreement for the Auburn University Educational Complex with the Public Educational Building Authority of the City of Gulf Shores, Alabama (PEBA) in which the University's annual payments are equal to the PEBA's annual bond payments. According to the terms of the agreement, the University will lease the property, currently owned by PEBA, until July 1, 2047, or such time as all of the Bonds and the fees and expenses of PEBA and the Trustee have been fully paid or provision made for such payments. The University will have the right to purchase the property from PEBA at any time during the term of the agreement after or simultaneously with payment or provision for payment in full of the principal of and the interest on the Bonds and all fees, charges and disbursements of the Trustee. The lease payments are paid from the General Fee Revenues of the University. The leased properties are recorded as capital assets and are being depreciated on a straight-line basis over a 40 year life. In addition, the University leases certain equipment under arrangements classified as capital leases.

Lease Obligations	Balance at September 30, 2017	New Lease Obligations	Principal Repayment	Balance at September 30, 2018
Equipment	$ 312,445	$ 247,617	$ (239,530)	$ 320,532
Auburn University Educational Complex	10,050,000	-	(215,000)	9,835,000
Total lease obligations	$ 10,362,445	$ 247,617	$ (454,530)	$ 10,155,532
Plus: Unamortized premium	-	592,284	(92,503)	499,781
	10,362,445	839,901	(547,033)	10,655,313
Less: Current portion				
Lease payable	(355,312)			(366,450)
Unamortized premium	-			(39,917)
Total noncurrent lease obligations	$ 10,007,133			$ 10,248,946

Lease Obligations	Balance at September 30, 2016	New Lease Obligations	Principal Repayment	Balance at September 30, 2017
Equipment	$ 334,602	$ 80,883	$ (103,040)	$ 312,445
Auburn University Educational Complex	-	10,050,000	-	10,050,000
Total lease obligations	$ 334,602	$ 10,130,883	$ (103,040)	$ 10,362,445
Less: Current portion	(103,040)			(355,312)
Total noncurrent lease obligations	$ 231,562			$ 10,007,133

Minimum lease payments under capital leases are shown in the table below:

Year Ending September 30	Principal	Interest	Total
2019	$ 366,450	$ 430,408	$ 796,858
2020	298,273	423,326	721,599
2021	220,809	416,857	637,666
2022	200,000	410,850	610,850
2023	205,000	404,850	609,850
2024–2028	1,140,000	1,903,750	3,043,750
2029–2033	1,435,000	1,604,500	3,039,500
2034–2038	1,810,000	1,230,300	3,040,300
2039–2043	2,270,000	768,750	3,038,750
2044–2047	2,210,000	225,400	2,435,400
Total future minimum lease payments	$ 10,155,532	$ 7,818,991	$ 17,974,523

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, 2018 and 2017, amounted to approximately $5.3 and $5.0 million, respectively.

(10) PLEDGED REVENUES

Pledged revenue for 2018 and 2017 as defined by the **Series 2006A, 2007A, 2008, 2009, 2011A, 2012A, 2012B, 2014A, 2015A, 2015B, 2016A, and 2018A General Fee Revenue Trust Indentures** is as follows:

	2018	2017
Student fees collected	$ 555,775,763	$ 510,764,136
Less fees pledged for specific purposes:		
Athletic fees ($96 per student per semester)	(5,839,447)	(5,338,349)
Transit fees ($158/$153 per semester)	(8,641,311)	(8,257,283)
Student activities fees ($15 per student per semester)	(830,595)	(830,796)
Total general fees pledged	$ 540,464,410	$ 496,337,708

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 2018 and 2017 subordinate to prior pledges of such revenues as defined by the **Series 2011A General Fee Revenue Trust Indenture** is as follows:

	2018	2017
AUM housing revenues		
Room rental	$ 6,683,263	$ 6,251,293
Other income	302,015	262,499
Total housing	6,985,278	6,513,792
AUM dining revenue	1,687,995	1,885,513
Total AUM housing and dining revenues pledged	$ 8,673,273	$ 8,399,305

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 in the following chart:

Pledged revenue for 2018 and 2017 as defined by the **Series 2001A Athletic Revenue Trust Indenture** is as follows:

	2018	2017
Jordan-Hare and other revenues:		
Television and broadcast revenues	$ 39,031,264	$ 45,735,449
Conference and NCAA distributions	16,580,030	9,975,219
Sales and services revenues	43,047,855	21,323,861
Student fees	5,839,447	5,338,349
Royalties, advertisements and sponsorships	9,630,402	8,824,420
Other income	10,771,980	10,593,643
Total athletic revenues pledged	$ 124,900,978	$ 101,790,941

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, 2018 and 2017, as defined by the **1978 Auburn University at Montgomery Trust Indenture**:

	2018	2017
Revenues:		
Room rental	$ 1,461,523	$ 1,357,917
Other income	82,661	77,630
Total revenues	1,544,184	1,435,547
Expenses and transfers:		
Personnel costs	338,961	335,672
Operating expenses	819,561	804,522
Transfers	144,837	144,720
Total expenses and transfers	1,303,359	1,284,914
Surplus of revenues over expenses and transfers	240,825	150,633
AUM student housing net surplus at beginning of year	598,163	447,530
AUM student housing net surplus at end of year	$ 838,988	$ 598,163

The AUM dormitory occupancy rate for Fall semester 2018 and Fall semester 2017 was 100% and 96.83%, 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	2018	2017	2016
Total percentage of covered payroll	19.74% / 17.01%	19.51% / 16.82%	19.44% / 16.84%
Contributions:			
Percentage contributed by the employer	12.24% / 11.01%	12.01% / 10.82%	11.94% / 10.84%
Percentage contributed by the employees	7.50% / 6.00%	7.50% / 6.00%	7.50% / 6.00%
Contributed by the employer	$ 51,809,686	$ 49,273,810	$ 46,139,070
Contributed by the employees	30,754,954	29,945,389	28,390,415
Total contributions	$ 82,564,640	$ 79,219,199	$ 74,529,485

The University reported a liability of $619,862,000 and $665,367,000 as of September 30, 2018 and 2017, respectively, for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016 and 2015, 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, 2017 and 2016, the University's proportion was 6.306790% and 6.146014%, respectively, which was an increase of 0.160776% and 0.180222% from its proportion measured as of September 30, 2016 and 2015, respectively.

For the years ended September 30, 2018 and 2017, the University recognized pension expense of $65,413,000 and $76,232,000, respectively. At September 30, 2018, 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	$ -	$ 26,575,000
Changes of assumptions	36,996,000	-
Net difference between projected and actual earnings on pension plan investments	-	37,061,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	34,836,000	-
Employer contributions subsequent to the measurement date	51,810,000	-
Total	$ 123,642,000	$ 63,636,000

$51,810,000 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, 2019.

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:	
2019	$ 6,194,000
2020	15,867,000
2021	(5,894,000)
2022	(7,966,000)
2023	(5,000)

Actuarial Assumptions

Changes of Assumptions

In 2016, rates of retirement, disability, withdrawal and mortality were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The total pension liability was determined by an actuarial valuation as of September 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions	
Inflation	2.75%
Investment rate of return*	7.75%
Projected salary increases	3.25-5.00%

*Net of pension plan investment expense

Post-Retirement mortality rates for service retirements and dependent beneficiaries were based on the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

The actuarial assumptions used in the September 30, 2016 valuation were based on the results of an actuarial experience study for the period October 1, 2010–September 30, 2015.

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	17.0%	4.4%
U.S. Large Stocks	32.0%	8.0%
U.S. Mid Stocks	9.0%	10.0%
U.S. Small Stocks	4.0%	11.0%
International Developed Market Stocks	12.0%	9.5%
International Emerging Market Stocks	3.0%	11.0%
Alternatives	10.0%	10.1%
Real Estate	10.0%	7.5%
Cash	3.0%	1.5%
Total	100.0%	

*Includes assumed rate of inflation of 2.50%

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. 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 7.75% 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 (6.75%) or one percentage point higher (8.75%) than the current rate:

	1.00% Decrease (6.75%)	Current Discount Rate (7.75%)	1.00% Increase (8.75%)
Employers' proportionate share of the collective net pension liability	$ 854,988,000	$ 619,862,000	$ 420,963,000

B. Employees' Retirement System of Alabama
Federally appointed employees of the Alabama Cooperative Extension System are covered by the Employees' Retirement System of Alabama (ERS). This program is a multi-employer defined benefit plan. Vesting and 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 publicly available report that can be obtained at www.rsa-al.gov.

Membership
As of the measurement date of September 30, 2017, the University had 286 retired members or their beneficiaries currently receiving benefits, three vested inactive members, five active members, and eleven post-Deferred Retirement Option Plan (DROP) retired members still in active service participating in the ERS.

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	2018	2017	2016
Total percentage of covered payroll	417.36% / 416.36%	266.92% / 265.93%	266.92% / 265.93%
Contributions:			
Percentage contributed by the employer	413.61% / 413.36%	263.17% / 262.93%	263.17% / 262.93%
Percentage contributed by the employees	3.75% / 3.00%	3.75% / 3.00%	3.75% / 3.00%
Contributed by the employer	$ 5,680,659	$ 5,321,011	$ 5,629,191
Contributed by the employees	63,376	65,846	80,210
Total contributions	$ 5,744,035	$ 5,386,857	$ 5,709,401

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, 2018, the University's active employee contribution rate was 413.61% of covered payroll.

The University's contractually required contribution rate for the year ended September 30, 2018, was 413.61% of pensionable pay. These required contribution rates are based upon the actuarial valuation dated September 30, 2015, 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 $5,680,659 for the year ended September 30, 2018.

Net Pension Liability

The University's net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016 and rolled forward to September 30, 2017, using standard roll-forward techniques as shown in the following table:

Total Pension Liability	Expected	Actual
(a) Total Pension Liability as of September 30, 2016	$ 47,690,461	$ 47,468,945
(b) Discount rate	7.75%	7.75%
(c) Entry Age Normal Cost for the period October 1, 2016–September 30, 2017	$ -	$ -
(d) Transfers Among Employers:	$ -	$ -
(e) Actual Benefit Payments and Refunds for the period October 1, 2016–September 30, 2017	$ (5,291,519)	$ (5,291,519)
(f) Total Pension Liability as of September 30, 2017 [(a)x(1+(b))]+(c)+(d)+[(e)x(1+.05*(b))]	$ 45,889,906	$ 45,651,223
(g) Difference between Expected and Actual:		$ (238,683)
(h) Less Liability Transferred for Immediate Recognition:		$ -
(i) Experience (Gain)/Loss= (g)-(h)		$ (238,683)

Actuarial Assumptions

Changes of Assumptions

In 2016, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016, the expectation of retired life mortality was changed to the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females at ages on and after age 78.

The total pension liability in the actuarial valuation prepared as of September 30, 2016 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions	
Inflation	2.75%
Salary increases	3.25-5.00%
Investment rate of return*	7.75%

*Net of pension plan investment expense

Mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% for all ages for males and 120% for females at ages on and after age 78. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the September 30, 2016 valuation were based on the results of an actuarial experience study for the period October 1, 2010–September 30, 2015.

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	17.0%	4.4%
U.S. Large Stocks	32.0%	8.0%
U.S. Mid Stocks	9.0%	10.0%
U.S. Small Stocks	4.0%	11.0%
International Developed Market Stocks	12.0%	9.5%
International Emerging Market Stocks	3.0%	11.0%
Alternatives	10.0%	10.1%
Real Estate	10.0%	7.5%
Cash	3.0%	1.5%
Total	100.0%	

*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, 7.75%. 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

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a)–(b)
Balance at September 30, 2016	$ 47,690,461	$ (74,693)	$ 47,765,154
Changes for the year:			
Service cost	-	-	-
Interest	3,490,964	-	3,490,964
Changes of assumptions	-	-	-
Differences between expected and actual experience	(238,683)	-	(238,683)
Contributions - employer	-	5,336,057	(5,336,057)
Contributions - employees	-	66,106	(66,106)
Net Investment Income	-	-	-
Benefit payments, including refunds of employee contributions	(5,291,519)	(5,291,519)	-
Administrative expense	-	-	-
Transfers among employers	-	-	-
Net changes	(2,039,238)	110,644	(2,149,882)
Balance at September 30, 2017	$ 45,651,223	$ 35,951	$ 45,615,272

Note: Change in Benefit terms was $0 and not included in details provided by RSA; therefore it is not listed on this table.

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 7.75% 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 (6.75%) or one percentage point higher (8.75%) than the current rate:

	1.00% Decrease (6.75%)	Current Discount Rate (7.75%)	1.00% Increase (8.75%)
Employers' proportionate share of the collective net pension liability	$ 48,515,616	$ 45,615,272	$ 43,060,342

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, 2017 and 2016. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2017 and 2016. The auditor's report dated September 18, 2018, and October 17, 2017, 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, 2018 and 2017, the University recognized pension expense of $3,174,342 and $6,327,913, respectively. At September 30, 2018, 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	-	1,749
Employer contributions subsequent to the measurement date	5,680,659	-
Total	$ 5,680,659	$ 1,749

$5,680,659 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 net pension liability in the year ended September 30, 2019. 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:	
2019	$ (11,831)
2020	10,248
2021	(166)

	Pension Expense
Service Cost	$ -
Interest on the total pension liability	3,490,964
Current-period benefit changes	-
Expensed portion of current-period difference between expected and actual experience in total pension liability	(238,683)
Expense portion of current-period changes of assumptions	-
Member contributions	(66,106)
Projected earnings on plan investments	
Expensed portion of current-period differences between actual and projected earnings on plan investments	-
Transfers among employers	-
Recognition of beginning deferred outflows of resources as pension expense	-
Recognition of beginning deferred inflows of resources as pension expense	(11,833)
Pension Expense (Income)	$ 3,174,342

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, 2018 and 2017, 3,667 and 3,511 employees, respectively, participated in the tax deferred annuity program. The contribution for 2018 was $22,658,580, which includes $5,362,656 from the University and $17,295,924 from its employees. The contribution for 2017 was $21,694,803, which includes $5,224,454 from the University and $16,470,349 from its employees.

Total salaries and wages during the fiscal year for covered employees participating in the plan were $288,990,279 and $272,852,517 for the fiscal years ended September 30, 2018 and 2017, respectively.

D. Deferred Compensation Plans

The University follows the provisions of GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-a rescission of GASB Statement No. 2 and an amendment of GASB Statement No. 31*. As of September 30, 2018 and 2017, 242 and 231 employees, respectively, participated in the plans. Contributions of $2,975,894 and $2,912,640 for fiscal years 2018 and 2017, 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.

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

Plan description

The Alabama Retired Education Employees' Health Care Trust (Trust) is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007, which authorized and directed the Public Education Employees' Health Insurance Board (PEEHIB) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in PEEHIP. Active and retiree health insurance benefits are paid through PEEHIP. In accordance with GASB Statement No. 75, the Trust is considered a component unit of the State of Alabama (State) and is included in the State's Comprehensive Annual Financial Report.

PEEHIP was established in 1983 pursuant to the provisions of the *Code of Alabama 1975, Title 16, Chapter 25A* (Act 83-455) to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions which provide instruction at any combination of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits related to the plan. The four-year universities participate in the plan with respect to their retired employees. Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the PEEHIB. PEEHIB is a corporate body for purposes of management of the health insurance plan. *The Code of Alabama 1975, Section 16-25A-4* provides PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of PEEHIP are held in trust for the payment of health insurance benefits. TRS has been appointed as the administrator of PEEHIP and, consequently, serves as the administrator of the Trust.

Benefits provided

PEEHIP offers a basic hospital medical plan to active members and non-Medicare eligible retirees. Benefits include inpatient hospitalization for a maximum of 365 days without a dollar limit, inpatient rehabilitation, outpatient care, physician services, and prescription drugs.

Active employees and non-Medicare eligible retirees who do not have Medicare eligible dependents can enroll in a health maintenance organization (HMO) in lieu of the basic hospital medical plan. The HMO includes hospital medical benefits, dental benefits, vision benefits, and an extensive formulary. However, participants in the HMO are required to receive care from a participating physician in the HMO plan.

PEEHIP offers four optional plans (Hospital Indemnity, Cancer, Dental, and Vision) that may be selected in addition to or in lieu of the basic hospital medical plan or HMO. The Hospital Indemnity Plan provides a per-day benefit for hospital confinement, maternity, intensive care, cancer, and convalescent care. The Cancer Plan covers cancer disease only and benefits are provided regardless of other insurance. Coverage includes a per-day benefit for each hospital confinement related to cancer. The Dental Plan covers diagnostic and preventative services, as well as basic and major dental services. Diagnostic and preventative services include oral examinations, teeth cleaning, x-rays, and emergency office visits. Basic and major services include fillings, general aesthetics, oral surgery not covered under a Group Medical Program, periodontics, endodontics, dentures, bridgework, and crowns. Dental services are subject to a maximum of $1,250 per year for individual coverage and $1,000 per person per year for family coverage. The Vision Plan covers annual eye examinations, eye glasses, and contact lens prescriptions.

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees' Insurance Board (SEIB).

Effective January 1, 2017, Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the United Healthcare Group Medicare Advantage plan for PEEHIP retirees. The MAPDP plan is fully insured by United Healthcare and members are able to have all of their Medicare Part A, Part B, and Part D (prescription drug coverage) in one convenient plan. With the United Healthcare plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

Contributions
The *Code of Alabama 1975, Section 16-25A-8* and the *Code of Alabama 1975, Section, 16-25A-8.1* provide PEEHIB with the authority to set the contribution requirements for plan members and the authority to set the employer contribution requirements for each required class, respectively. Additionally, PEEHIB is required to certify to the Governor and the Legislature, the amount, as a monthly premium per active employee, necessary to fund the coverage of active and retired member benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

For employees who retired after September 30, 2005, but before January 1, 2012, the employer contribution of the health insurance premium set forth by PEEHIB for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% percent for each year of service over 25 subject to adjustment by PEEHIB in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by PEEHIB for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by PEEHIB for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree. For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by PEEHIB for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by PEEHIB.

This reduction in the employer contribution ceases upon notification to PEEHIB of the attainment of Medicare coverage.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
In connection with the previously disclosed adoption of GASB Statement No. 75, at September 30, 2018, the University reported a liability of $327,120,973 for its proportionate share of the net OPEB liability, which includes an initial cumulative catch-up adoption liability recorded as of October 1, 2017, in the amount of $277,632,020. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016. The University's proportion of the net OPEB liability was based on a projection of the University's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2017, the University's proportion was 4.4%, which was an increase of .815% from its proportion measured as of September 30, 2016.

For the year ended September 30, 2018, the University recognized OPEB expense of $30,263,473, with no special funding situations. At September 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	-	33,964,941
Net difference between projected and actual earnings on OPEB plan investments	-	1,741,619
Changes in proportion and differences between Employer contributions and proportionate share of contributions	54,932,040	-
Employer contributions subsequent to the measurement date	10,838,760	-
Total	$ 65,770,800	$ 35,706,560

$10,838,760 reported as deferred outflows of resources related to OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2019.

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

Year Ending September 30	
2019	$3,573,600
2020	3,573,600
2021	3,573,600
2022	3,573,600
2023	4,009,005
Thereafter	922,075

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected Salary Increases[1]	3.25%–5.00%
Long-Term Investment Rate of Return[2]	7.25%
Municipal Bond Index Rate at the Measurement Date	3.57%
Municipal Bond Index Rate at the Prior Measurement Date	2.93%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2042
Single Equivalent Interest Rate at the Measurement Date	4.63%
Single Equivalent Interest Rate at the Prior Measurement Date	4.01%
Healthcare Cost Trend Rate	
Pre-Medicare Eligible	7.75%
Medicare Eligible	5.00%
Ultimate Trend Rate	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate Trend Rate	2022

[1]Includes 3.00% wage inflation.
[2]Compounded annually, net of investment expense, and includes inflation

Mortality rates for the period after service retirement are according to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

There were no ad hoc postemployment benefit changes, including ad hoc cost of living adjustments, during fiscal year 2017.

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the TRS Board on September 13, 2016.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2016 valuation were based on a review of recent plan experience done concurrently with the September 30, 2016 valuation.

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for TRS. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be 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 then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns.

The target asset allocation and best estimates of expected geometric real rates of return for each major asset class is summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Fixed Income	30.00%	4.40%
U.S. Large Stocks	38.00%	8.00%
U.S. Mid Stocks	8.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	15.00%	9.50%
Cash	5.00%	1.50%
Total	100.00%	

*Geometric mean, includes 2.5% inflation

Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB Statement No. 74) used to measure the total OPEB liability at September 30, 2017 was 4.63%. The discount rate used to measure the total OPEB liability at the prior measurement date was 4.01%. Premiums paid to PEEHIB for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Approximately 27.08% of the employer contributions were used to assist in funding retiree benefit payments in 2016 and it is assumed that the amount will increase by 3.00% per year and continue into the future. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. Therefore, the projected future benefit payments for all current plan members were projected through 2115. The long term rate of return is used until the assets are expected to be depleted in 2042, after which the municipal bond rate is used.

Sensitivity of the University's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates.

The following table presents the University's proportionate share of the net OPEB liability of the Trust calculated using the current healthcare trend rate, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.75% decreasing to 4% for pre-Medicare, 4% for Medicare Eligible, and 1% for Optional Plans)	Current Healthcare Trend Rate (7.75% decreasing to 5% for pre-Medicare, 5% for Medicare Eligible, and 2% for Optional Plans)	1% Increase (8.75% decreasing to 6% for pre-Medicare, 6% for Medicare Eligible, and 3% for Optional Plans)
Net OPEB Liability	$264,111,378	$327,120,973	$408,420,618

The following table presents the University's proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 4.63%, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (3.63%)	Current Discount Rate (4.63%)	1% Increase (5.63%)
Net OPEB Liability	$395,421,204	$327,120,973	$272,677,160

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is located in the Trust's financial statements for the fiscal year ended September 30, 2017. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2017. Additional financial and actuarial information is available at www.rsa-al.gov.

The Trust financial statements are prepared by using the economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Trust and additions to/deductions from the Trust's fiduciary net position. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to plan requirements. Benefits are recognized when due and payable in accordance with the terms of the plan. Subsequent events were evaluated by management through the date the financial statements were issued.

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. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision. 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 $888,240 and $769,189 for fiscal years ended September 30, 2018 and 2017, respectively. The retirees are responsible for funding approximately 40% of the healthcare premiums.

The Plan is also subject to GASB Statement No. 75. At September 30, 2018, the University reported the Plan liability of $43,288,271, which includes an initial cumulative catch-up adoption liability recorded as of October 1, 2017, in the amount of $23,757,945. The Plan liability was measured as of September 30, 2018, and the total Plan liability was determined by an actuarial valuation as of September 30, 2018.

For the year ended September 30, 2018, the University recognized expense of $1,379,248. At September 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 32,891
Changes of assumptions	-	-
Net difference between projected and actual earnings on the Plan investments	-	-
Total	$ -	$ 32,891

Amounts reported as deferred inflows of resources related to the Plan liability will be recognized in expense as follows:

Year Ended September 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	$ -	$ 32,891

The total Plan liability was determined by an actuarial valuation as of September 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Summary of Key Actuarial Methods and Assumptions

Valuation year October 1, 2017 – September 30, 2018

Actuarial cost method Entry age actuarial cost method

Funding Policy Pay-As-You-Go basis

Asset valuation method Not applicable

Valuation date September 30, 2018

Rate of return on 20 year AA Municipal Bonds 3.00%

Mortality RP-2014 Mortality Fully Generational using Projected Scale MP-2017

Annual Termination Rates None since all active employees are long service Civil Service employees

New Employees None

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%

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

Age	Retirement Rate
45 or less	0.0%
46 – 49	1.0%
50 – 51	2.0%
52 – 54	3.0%
55	10.0%
56 – 59	8.0%
60	20.0%
61	15.0%
62	25.0%
63 – 64	20.0%
65	40.0%
66 – 69	30.0%
70 – 74	75.0%
75 and over	100.0%

Salary increases 3.0% annually

Monthly Per Capita Claim Costs

Age	Medical
55	$824.99
60	$989.57
65	$401.40
70	$445.40
75	$474.40

Claim costs were increased by 4.98% over the prior valuation based on a weighted average of benefit plan premiums. Future claim costs are increased by health care cost trend.

Assumed rate of return on plan assets Not applicable

Summary of Key Actuarial Methods and Assumptions

Health Care Cost Trend	8.0% in 2019 and decreasing by 0.5% per year to an ultimate rate of 5.0% for 2025 and later
Administrative expenses	Included in claim cost
Attribution period	The attribution period is the portion of a participant's service to which the expected postretirement benefit obligation is assigned. The beginning of the attribution period is the date of hire and the end of the attribution period is the earliest eligibility date.
Eligibility requirements	Age 60 and 10 years of service or 25 years of service. The employee had to be covered under the University's active employee medical plan for at least the last 6 years.
Retiree Benefit	Lifetime medical and prescription drug benefits for retiree and spouse. Surviving spouse may remain on the plan. Grandfathered retirees who elected PEEHIP on or before 10/1/1997 receive a monthly subsidy.
Retiree Contribution	Non-smoking retirees not eligible to participate in PEEHIP pay 40% of the premium. Surviving spouses and those retirees who are eligible to participate in PEEHIP but have declined to do so pay 100% of the premium. Smokers pay an additional $20 per month.

Monthly Rate

	2018
Self Only, under age 65	$542.00
Self Only, over age 65, eligible for Medicare Part A	$175.00
Family, under age 65	$1,218.00
Family, over age 65, eligible for Medicare Part A	$852.00

Future rates are increased by health care cost trend.

Monthly Subsidy

	Retirees Electing PEEHIP
Pre-65	
Single	$27.00
Family	$77.00
Post-65	
Single	-
Both over 65	$39.64
One over, one under 65	$31.64

Plan participation of future retirees	100%
Percentage of retirees who are married	80%
Percentage of future retirees with coverage who elect coverage on spouse	60% of Male and 40% of Female retirees
Age difference in spouses	Husband is 3 years older
Percent of future retirees who are smokers	10%
Impact of heathcare reform	The provisions of Healthcare Reform are expected to increase costs by 2.55% 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 $3.1 million. There is not any cost impact for retirees who have elected PEEHIP.

The discount rate used to measure the Plan liability at September 30, 2018 was 3.00%.

The following table presents the Plan liability calculated using the current healthcare trend rate, as well as what the Plan liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

Sensitivity of the Net OPEB Liability

Healthcare Trend Rate Sensitivity	1% Decrease (7% for 2019 decreasing to 4%)	Healthcare Cost Trend Rates (8% for 2019 decreasing to 5%)	1% Increase (9% for 2019 decreasing to 6%)
Net OPEB Liability (Asset)	$38,753,894	$43,288,271	$48,686,491

The following table presents the Plan liability using the discount rate of 3.00%, as well as what the Plan liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

Sensitivity of the Net OPEB Liability

Discount Rate Sensitivity*	1% Decrease (2.0%)	Discount Rate (3.0%)	1% Increase (4.0%)
Net OPEB Liability (Asset)	$48,860,848	$43,288,271	$38,703,303

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.

(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, 2018 and 2017, was $712,862 and $465,161, 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, 2018 and 2017, was $3,414,712 and $3,574,126, 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, 2018 and 2017, of $12,408,021 and $7,846,400, 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 $20,102,007 and $20,543,222 at September 30, 2018 and 2017, 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 $17,410,629 and $16,762,401 at September 30, 2018 and 2017, respectively. Also included in deposits held in custody of others are the agency funds. These amounts totaled $7,717,852 and $6,082,589 for September 30, 2018 and 2017, 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, athletic revenue related to games played subsequent to September 30, as well as, funds received from the new dining services contract initiated in fiscal year 2018. These amounts are in auxiliaries and plant funds. Unearned revenues at September 30, 2018 and 2017 are as follows:

	2018	2017
Tuition and fees, net	$ 182,250,702	$ 166,926,916
Federal, state and local government grants and contracts, net	9,886,996	9,592,918
Auxiliary, net	40,390,341	43,887,898
Plant	7,055,717	459,044
Total unearned revenue	$ 239,583,756	$ 220,866,776

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, 2018 and 2017, the total estimated pollution remediation liability (estimated using the expected cash-flow technique) is $7,614,427 and $6,988,996, respectively. The current portion of this amount ($4,594,225 and $219,685, respectively) is included in other accrued liabilities and the long-term portion ($3,020,202 and $6,769,311, 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 position 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 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. Additionally, in accordance with GASB Statement No. 68 and GASB Statement No. 75, the differences between the expected and actual experience and the net difference between projected and actual earnings on investments are presented as a deferred inflow of resources. Deferred inflows of resources are summarized below:

	September 30, 2018	September 30, 2017
Nonexchange transactions	$ 170,534	$ 383,344
Pension and OPEB	99,377,200	17,148,582
Total deferred inflows	$ 99,547,734	$ 17,531,926

(15) CONTRACTS AND GRANTS

The University has been awarded approximately $60.8 million in contracts and grants that have not been received or expended as of September 30, 2018. These awards, which represent commitments of sponsors to provide funds for research and training projects, have not been reflected in the financial statements.

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

The portion of revenue recognized for all grants and contracts that represent facilities and administrative cost recovery is recognized on the Statements of Revenues, Expenses and Changes in Net Position within contract and grant operating revenues. The University recognized $17,969,102 and $16,725,076 in facilities and administrative cost recovery for the years ended September 30, 2018 and 2017, 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 $578.2 million. At September 30, 2018, the estimated remaining cost to complete the projects is approximately $254.9 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, 2018 and 2017, 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, 2018

	Compensation and Benefits	Scholarships and Fellowships	Utilities	Other Supplies and Services	Depreciation	Total
Instruction	$ 246,620,468	$ 702,436	$ -	$ 39,554,672	$ -	$ 286,877,576
Research	104,604,809	2,455,064	36,254	38,996,773	-	146,092,900
Public Service	70,365,155	281,520	28,054	40,322,776	-	110,997,505
Academic Support	59,604,337	-	-	13,154,061	-	72,758,398
Library	7,899,153	-	-	11,044,605	-	18,943,758
Student Services	29,405,848	-	-	10,319,293	-	39,725,141
Institutional Support	85,822,359	-	-	14,733,915	-	100,556,274
Operation and Maintenance	34,714,780	-	18,439,919	52,376,866	-	105,531,565
Scholarships and Fellowships	24,551,348	22,895,780	-	282,076	-	47,729,204
Auxiliaries	64,144,926	157,808	6,038,832	83,377,898	-	153,719,464
Depreciation	-	-	-	-	79,592,901	79,592,901
	$ 727,733,183	$ 26,492,608	$ 24,543,059	$ 304,162,935	$ 79,592,901	$ 1,162,524,686

September 30, 2017

	Compensation and Benefits	Scholarships and Fellowships	Utilities	Other Supplies and Services	Depreciation	Total
Instruction	$ 256,831,583	$ 560,597	$ -	$ 37,623,430	$ -	$ 295,015,610
Research	80,476,926	2,096,768	7,156	39,525,375	-	122,106,225
Public Service	71,302,938	125,552	25,884	41,514,025	-	112,968,399
Academic Support	50,287,648	-	-	11,242,853	-	61,530,501
Library	7,957,287	-	-	1,643,190	-	9,600,477
Student Services	28,283,139	-	-	9,685,687	-	37,968,826
Institutional Support	78,325,065	-	-	10,579,727	-	88,904,792
Operation and Maintenance	33,430,442	-	18,761,691	50,003,319	-	102,195,452
Scholarships and Fellowships	22,386,048	19,821,549	-	177,930	-	42,385,527
Auxiliaries	59,515,077	145,060	6,120,818	77,369,717	-	143,150,672
Depreciation	-	-	-	-	77,357,748	77,357,748
	$ 688,796,153	$ 22,749,526	$ 24,915,549	$ 279,365,253	$ 77,357,748	$ 1,093,184,229

(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. These costs are reported as general and administrative and as fundraising expenses on the Consolidated Statements of Activities and Changes in Net Assets.

The University has entered into an agreement whereby the AUF Investment Committee manages the University's endowment and AUF is compensated by a management fee, which is reported in other revenues on the Consolidated Statements of Activities and Changes in Net Assets.

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 reported as fundraising expenses on the Consolidated Statements of Activities and Changes in Net Assets to the extent restricted gifts are utilized.

AUF payments to or receipts from the University pursuant to these agreements for the years ended September 30, 2018 and 2017, are as follows:

	2018	2017
Services and facilities costs paid by AUF	$ 4,826,315	$ 4,015,619
AUF's allocable costs pursuant to the Agreement	2,951,313	2,825,272
Net settlement from the University	$ 1,875,002	$ 1,190,347

Other transactions between AUF and the University for the years ended September 30, 2018 and 2017, are as follows:

	2018	2017
Amounts due from the University reported in Other assets	$ 406,221	$ 136,641
Endowment management fee received from the University	$ 2,175,387	$ 2,051,205
Payments to the University Athletic Ticket Office for ticket purchases	$ 175,815	$ 82,372

AUREFI has an agreement with the University to provide certain services and facilities, which are reported as general and administrative expenses on AUF's Consolidated Statements of Activities and Changes in Net Assets. Related payments to the University for the years ended September 30, 2018 and 2017, are as follows:

	2018	2017
AUREFI costs pursuant to the Agreement	$ 100,318	$ 138,804

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, which are reported as other program services expense on AUF's Consolidated Statements of Activities and Changes in Net Assets. 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, 2018 and 2017, is as follows:

	2018	2017
Pooled investments held by AUF	$ 9,283,340	$ 9,100,434
Amounts due from the Association reported in Other assets	$ 142,953	$ 247,164
Amounts distributed from investments, net of administrative fee	$ 339,271	$ 328,072
Grants from the Association for scholarship matching and other endowments	$ 116,631	$ 160,544

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. These annual distributions are reported as other program services on AUF's Consolidated Statements of Activities and Changes in Net Assets. 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, 2018 and 2017, is as follows:

	2018		2017	
Pooled investments held by AUF	$	9,479,880	$	9,129,649
Amounts distributed from investments, net of administrative fee	$	331,701	$	318,095
Ticket priority payments	$	503,072	$	362,075

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, 2018 and 2017, the Association had a salary reimbursement expense of $1,225,726 and $1,173,016, respectively, to the University under the service and facilities agreement. These amounts were fully paid at September 30, 2018 and September 30, 2017, respectively.

Rental income recorded by the Association from the University totaled $384,848 and $368,204, respectively, for the years ended September 30, 2018 and 2017. Rental income recorded by the Association from AUF totaled $1,050 and $650 for the years ended September 30, 2018 and 2017, respectively. The University and AUF also paid the Association $74,298 and $4,848, respectively for shared alumni center building expenses for the fiscal year ended September 30, 2018. For the fiscal year ended September 30, 2017, these amounts were $73,057 and $4,720, respectively.

During the years ended September 30, 2018 and 2017, 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 $775,766 and $782,388 for the years ended September 30, 2018 and 2017, respectively.

During the years ended September 30, 2018 and 2017, the Association paid the University $0 and $14,475 for Alumni Accounting office space at the East Glenn Administrative Complex.

During the years ended September 30, 2018 and 2017, the Association contributed $21,192 and $120,913, respectively, to the Auburn Alumni Association Endowment for Scholarships held with AUF. The Association also contributed $103,287 and $40,669 to various AUF scholarship funds and $112,226 and $85,243 to various University scholarship funds during fiscal years 2018 and 2017, 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, 2018, the Association paid $104,211 toward qualifying endowments; leaving $142,903 as a payable to AUF. In fiscal year 2017, the Association paid $173,881 toward qualifying endowments; leaving $247,114 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 $39,012,534 and $32,659,998 during the years ended June 30, 2018 and 2017, respectively. Included in these amounts are current year accruals of severance payments due to terminated employees totaling $430,303 in the year ended June 30, 2017.

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 of 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, 2018 and 2017, AUF incurred obligations of $143,242 and $162,559, respectively, to TUF for amenities related to the use of the executive suites at University athletic events. This amount is recorded as other revenue on the Statements of Activities and Changes in Net Assets during those years.

During the years ended June 30, 2018 and 2017, 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, 2018 and 2017, obligations of $3,950,954 and $3,967,990 related to these transactions, respectively, were outstanding. TUF paid the 2017 obligation during fiscal year 2018, and it intends to pay the 2018 obligation during fiscal year 2019.

As indicated, the above TUF balances are as of June 30, 2018 and 2017; however, the University believes these figures are not materially different than September 30, 2018 and 2017, 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 served as the President of ARTF until August 2018, at which time the University Provost & Senior Vice President of Academic Affairs agreed to serve as President of ARTF. The President is a member of the ARTF Board of Directors with full voting powers. Contributed services in the amount of approximately $19,000 were recognized by ARTF during both fiscal years 2018 and 2017, related to services provided by the Vice President for Research and Economic Development and the Provost serving as the President 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 Edward Via College of Osteopathic Medicine (VCOM) Board of Directors, AUF 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 and the University's Board of Trustees. One Board member is also on the board of the institution where the line of credit and the construction loan were obtained, and another Board member has a business relationship with the same lending institution.

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 2018 and 2017, personnel costs incurred by the University and charged to ARTF were $238,450 and $344,497, respectively. At September 30, 2018 and 2017, $95,519 and $108,770 were payable, respectively.

ARTF entered into subcontracts with the University to provide services to fulfill ARTF's sponsored project agreements. As of September 30, 2018 and 2017, ARTF owed the University $18,856 and $0, respectively. The University provides certain operating services to ARTF. As of September 30, 2018 and 2017, ARTF owed the University $33,284 and $12,877, respectively, related to these services. Additionally, ARTF shares miscellaneous costs related to office expenses and equipment leases with a University department. Payables to the University for these expenses were $704 and $772 as of September 30, 2018 and 2017, respectively. All amounts owed to the University are shown in "Other payables to Auburn University" on the Statements of Financial Position.

The amounts due from the University to ARTF of $106,087 and $37,377 at September 30, 2018 and 2017, 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 2018 and 2017, 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 $224,000 in lease costs during both fiscal years ended September 30, 2018 and 2017. During fiscal year 2018, the University entered into an agreement to lease space in Building 5 and made a prepayment of $245,000. Upon commencement of the lease and occupancy of the facility by the University, for a period of ten years, $24,500 shall be credited and deducted annually from all rent otherwise payable by the University to ARTF for the lease of space (the "Rent Credit"). This Rent Credit shall serve as a declining credit account in favor of the University against the Prepayment Funds.

ARTF entered into a contract with the University during fiscal year 2011 to develop and manage a full service business incubator. Revenues of $118,366 and $150,077 related to this contract were recognized during fiscal year 2018 and 2017, respectively. As of September 30, 2018 and 2017, the remaining amounts of the contributions of $113,021 and $81,387, 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 $149.6 million and $144.6 million under these programs during the fiscal years ended September 30, 2018 and 2017, respectively. AUM disbursed approximately $25.5 million and $24.8 million under these programs during the fiscal years ended September 30, 2018 and 2017, respectively.

(22) IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

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.

Statement No. 84, *Fiduciary Activities*, was issued in January 2017. This Statement establishes criteria for identifying fiduciary activities of all state and local governments, and requires reporting those activities in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. Additionally, it provides for the recognition of a liability to the beneficiaries in a fiduciary fund under certain circumstances. This Statement is effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The University is currently evaluating the financial statement impact of this Statement.

Statement No. 87, *Leases*, was issued in June 2017. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The University is currently evaluating the financial statement impact of this Statement.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was issued in April 2018. This statement requires additional footnote disclosures related to debt, including unused lines of credit, assets pledged as collateral, and terms specified in debt agreements related to certain significant events and acceleration clauses. It also requires that information related to direct borrowing and direct placements of debt be presented separately from other debt. 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.

Statement No. 90, *Majority Equity Interests–an amendment of GASB Statements No. 14 and No. 61*, was issued in August 2018. This Statement requires that a majority equity interest in a legally separate organization should be reported as an investment if it meets the definition of an investment, and measured using the equity method unless held by certain special-purpose governments. For all other holdings of a majority equity interest in a legally separate organization, the government should report it as a component unit, and should report a related asset using the equity method. Additionally, it establishes certain reporting requirements for a component unit in which a government has 100 percent equity interest. This Statement is effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged, and most requirements should be applied retroactively. The University is currently evaluating the financial statement impact of this Statement.

2018

2018

2018 FINANCIAL REPORT

UNAUDITED DIVISIONAL FINANCIAL STATEMENTS

2018

AUBURN UNIVERSITY MAIN CAMPUS

STATEMENTS OF NET POSITION
SEPTEMBER 30, 2018 AND 2017
(UNAUDITED)

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 278,710,256	$ 138,590,758
Operating investments	121,397,740	165,717,059
Accounts receivable, net	52,115,141	47,013,665
Student accounts receivable, net	35,846,097	42,882,986
Loans receivable, net	2,667,594	2,803,255
Accrued interest receivable	3,747,303	2,051,788
Inventories	5,452,529	5,246,140
Prepaid expenses	44,269,816	41,282,176
Due from other funds	3,212,589	3,069,282
Total current assets	547,419,065	448,657,109
Noncurrent assets		
Investments	957,562,121	804,407,466
Loans receivable, net	14,245,071	14,764,944
Investment in plant, net	1,706,190,905	1,588,632,845
Due from other funds	86,019,350	91,078,305
Total noncurrent assets	2,764,017,447	2,498,883,560
Total assets	3,311,436,512	2,947,540,669
DEFERRED OUTFLOWS OF RESOURCES		
Loss on refunding of bonds	46,219,285	50,847,256
Pension and OPEB	151,045,304	107,308,891
Total deferred outflows of resources	197,264,589	158,156,147
LIABILITIES		
Current liabilities		
Accounts payable	80,383,305	59,441,658
Accrued salaries and wages	2,744,968	3,958,124
Accrued compensated absences	15,375,872	15,710,321
Accrued interest payable	13,188,335	10,686,033
Other accrued liabilities	12,329,100	7,557,603
Student deposits	4,144,396	3,676,416
Deposits held in custody	22,023,927	19,820,044
Unearned revenues	218,653,621	202,793,006
Noncurrent liabilities-current portion	37,315,647	30,400,042
Total current liabilities	406,159,171	354,043,247
Noncurrent liabilities		
Bonds and notes payable	884,698,533	672,806,675
Lease obligation	10,165,030	10,007,133
Pension and OPEB	756,985,906	526,080,203
Other noncurrent liabilities	13,337,780	18,921,228
Due to other funds	47,779,468	46,143,982
Total noncurrent liabilities	1,712,966,717	1,273,959,221
Total liabilities	2,119,125,888	1,628,002,468
DEFERRED INFLOWS OF RESOURCES		
Nonexchange transactions	170,534	231,542
Pension and OPEB	80,232,979	13,642,223
Total deferred inflows of resources	80,403,513	13,873,765
NET POSITION		
Net investment in capital assets	1,116,706,101	1,008,288,621
Restricted		
Nonexpendable	24,145,962	23,670,796
Expendable:		
Scholarships, research, instruction, other	152,483,271	139,978,889
Loans	4,943,098	4,800,660
Capital projects	42,001,902	29,940,365
Unrestricted	(31,108,634)	257,141,252
Total net position	$ 1,309,171,700	$ 1,463,820,583

AUBURN UNIVERSITY MAIN CAMPUS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017
(UNAUDITED)

	2018	2017
OPERATING REVENUES		
Tuition and fees, net of scholarship allowances of $116,589,276 and $107,736,594, respectively	$ 456,313,408	$ 417,441,869
Federal appropriations	22,375	11,650
Federal grants and contracts, net	49,975,665	44,410,552
State and local grants and contracts, net	9,218,159	7,058,250
Nongovernmental grants and contracts, net	12,233,650	9,483,702
Sales and services of educational departments	42,631,658	43,242,332
Auxiliary revenue, net of scholarship allowances of $7,245,106 and $6,981,780, respectively	174,992,328	148,212,946
Other operating revenues	22,183,194	23,791,569
Total operating revenues	767,570,437	693,652,870
OPERATING EXPENSES		
Compensation and benefits	591,338,881	548,148,650
Scholarships and fellowships	23,389,506	19,882,506
Utilities	19,719,113	19,852,313
Other supplies and services	244,960,218	211,772,142
Depreciation	74,586,207	72,337,518
Total operating expenses	953,993,925	871,993,129
Operating loss	(186,423,488)	(178,340,259)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	164,288,700	162,599,066
Gifts	45,336,583	42,916,011
Grants	17,424,738	15,730,999
Net investment income	31,327,896	38,359,169
Interest expense on capital debt	(25,150,257)	(19,541,029)
Nonoperating revenues, net	233,227,660	240,064,216
Income before other changes in net position	46,804,172	61,723,957
OTHER CHANGES IN NET POSITION		
Capital gifts and grants	26,097,996	21,508,764
Additions to permanent endowments	475,166	182,972
Net increase in net position	73,377,334	83,415,693
Net position - beginning of year	1,463,820,583	1,380,404,890
Cumulative effect of accounting change	(228,026,217)	
Net position October 1, 2017, as restated	1,235,794,366	
Net position - end of year	$ 1,309,171,700	$ 1,463,820,583

AUBURN UNIVERSITY AT MONTGOMERY

STATEMENTS OF NET POSITION
SEPTEMBER 30, 2018 AND 2017
(UNAUDITED)

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 3,760,348	$ 1,661,751
Operating investments	1,571,080	1,983,369
Accounts receivable, net	2,545,920	3,443,932
Student accounts receivable, net	7,238,028	5,283,570
Loans receivable, net	358,442	419,843
Accrued interest receivable	271,618	231,525
Inventories	618,568	701,560
Prepaid expenses	2,399,343	2,120,274
Total current assets	18,763,347	15,845,824
Noncurrent assets		
Investments	12,392,382	9,623,855
Loans receivable, net	2,312,709	2,376,605
Investment in plant, net	103,672,327	106,492,633
Due from other funds	41,062,466	39,787,853
Total noncurrent assets	159,439,884	158,280,946
Total assets	178,203,231	174,126,770
DEFERRED OUTFLOWS OF RESOURCES		
Pension and OPEB	16,304,832	12,090,420
Total deferred outflows of resources	16,304,832	12,090,420
LIABILITIES		
Current liabilities		
Accounts payable	1,677,570	1,776,572
Accrued salaries and wages	205,394	323,903
Accrued compensated absences	1,390,878	1,354,360
Accrued interest payable	700	2,075
Student deposits	2,570	38,661
Deposits held in custody	3,129,019	3,072,848
Unearned revenues	17,785,596	15,646,951
Noncurrent liabilities-current portion	221,123	135,000
Due to other funds	3,212,589	3,069,282
Total current liabilities	27,625,439	25,419,652
Noncurrent liabilities		
Bonds and notes payable	-	140,000
Lease obligation	83,916	-
Pension and OPEB	83,449,641	60,780,634
Due to other funds	86,019,350	91,078,305
Total noncurrent liabilities	169,552,907	151,998,939
Total liabilities	197,178,346	177,418,591
DEFERRED INFLOWS OF RESOURCES		
Nonexchange transactions	-	151,802
Pension and OPEB	7,982,050	1,405,272
Total deferred inflows of resources	7,982,050	1,557,074
NET POSITION		
Net investment in capital assets	14,400,597	15,614,325
Restricted		
Nonexpendable	5,234,851	5,223,171
Expendable:		
Scholarships, research, instruction, other	28,334,714	27,274,840
Loans	353,839	353,728
Capital projects	1,870,502	283,856
Unrestricted	(60,846,836)	(41,508,395)
Total net position	$ (10,652,333)	$ 7,241,525

AUBURN UNIVERSITY AT MONTGOMERY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017
(UNAUDITED)

	2018	2017
OPERATING REVENUES		
Tuition and fees, net of scholarship allowances of $12,866,238 and $11,005,815, respectively	$ 35,894,562	$ 34,236,701
Federal grants and contracts, net	1,182,518	1,595,103
State and local grants and contracts, net	5,811,927	7,302,935
Nongovernmental grants and contracts, net	419,761	575,465
Sales and services of educational departments	2,137,274	2,024,111
Auxiliary revenue, net of scholarship allowances of $1,879,464 and $1,610,309, respectively	9,012,498	9,260,037
Other operating revenues	1,734,745	972,659
Total operating revenues	56,193,285	55,967,011
OPERATING EXPENSES		
Compensation and benefits	53,247,498	53,333,380
Scholarships and fellowships	2,955,529	2,696,599
Utilities	3,556,641	3,893,452
Other supplies and services	20,643,917	20,017,064
Depreciation	5,006,694	5,020,230
Total operating expenses	85,410,279	84,960,725
Operating loss	(29,216,994)	(28,993,714)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	23,318,449	22,994,919
Gifts	1,214,403	838,905
Grants	10,252,505	8,646,404
Net investment income	2,764,643	4,352,755
Interest expense on capital debt	(3,858,288)	(3,916,611)
Nonoperating revenues, net	33,691,712	32,916,372
Income (loss) before other changes in net position	4,474,718	3,922,658
OTHER CHANGES IN NET POSITION		
Capital gifts and grants	6,590	9,227
Additions to permanent endowments	11,680	12,389
Net increase in net position	4,492,988	3,944,274
Net position - beginning of year	7,241,525	3,297,251
Cumulative effect of accounting change	(22,386,846)	
Net position October 1, 2017, as restated	(15,145,321)	
Net position - end of year	$ (10,652,333)	$ 7,241,525

ALABAMA AGRICULTURAL EXPERIMENT STATION

STATEMENTS OF NET POSITION
SEPTEMBER 30, 2018 AND 2017
(UNAUDITED)

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 9,115,641	$ 4,684,411
Operating investments	3,951,274	5,591,040
Accounts receivable, net	5,107,583	5,742,636
Total current assets	18,174,498	16,018,087
Noncurrent assets		
Investments	31,166,889	27,129,271
Due from other funds	1,270,619	1,202,522
Total noncurrent assets	32,437,508	28,331,793
Total assets	50,612,006	44,349,880
DEFERRED OUTFLOWS OF RESOURCES		
Pension and OPEB	10,374,624	8,228,210
Total deferred outflows of resources	10,374,624	8,228,210
LIABILITIES		
Current liabilities		
Accounts payable	920,210	857,924
Accrued salaries and wages	131,281	221,357
Accrued compensated absences	1,302,943	1,368,069
Deposits held in custody	6,400	6,400
Unearned revenues	2,744,804	1,871,282
Total current liabilities	5,105,638	4,325,032
Noncurrent liabilities		
Pension and OPEB	54,727,530	40,504,816
Total noncurrent liabilities	54,727,530	40,504,816
Total liabilities	59,833,168	44,829,848
DEFERRED INFLOWS OF RESOURCES		
Pension and OPEB	5,138,590	1,028,136
Total deferred inflows of resources	5,138,590	1,028,136
NET POSITION		
Restricted		
Expendable:		
Scholarships, research, instruction, other	2,675,384	2,624,070
Unrestricted	(6,660,512)	4,096,036
Total net position	$ (3,985,128)	$ 6,720,106

ALABAMA AGRICULTURAL EXPERIMENT STATION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017
(UNAUDITED)

	2018	2017
OPERATING REVENUES		
Federal appropriations	$ 5,725,661	$ 5,408,769
Federal grants and contracts, net	13,905,453	14,808,179
State and local grants and contracts, net	1,452,307	1,545,355
Nongovernmental grants and contracts, net	2,799,238	4,271,608
Sales and services of educational departments	3,093,208	2,756,965
Other operating revenues	543,841	457,988
Total operating revenues	27,519,708	29,248,864
OPERATING EXPENSES		
Compensation and benefits	38,388,906	39,591,207
Scholarships and fellowships	139,808	160,756
Utilities	1,100,737	1,009,924
Other supplies and services	18,318,795	26,728,348
Total operating expenses	57,948,246	67,490,235
Operating loss	(30,428,538)	(38,241,371)
NONOPERATING REVENUES		
State appropriations	31,524,294	32,071,576
Gifts	1,725,325	1,899,988
Net investment income	514,929	486,631
Nonoperating revenues, net	33,764,548	34,458,195
Net increase (decrease) in net position	3,336,010	(3,783,176)
Net position - beginning of year	6,720,106	10,503,282
Cumulative effect of accounting change	(14,041,244)	
Net position October 1, 2017, as restated	(7,321,138)	
Net position - end of year	$ (3,985,128)	$ 6,720,106

ALABAMA COOPERATIVE EXTENSION SYSTEM

STATEMENTS OF NET POSITION
SEPTEMBER 30, 2018 AND 2017
(UNAUDITED)

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 5,142,989	$ 3,386,777
Operating investments	2,192,018	4,042,260
Accounts receivable, net	4,521,647	4,715,239
Total current assets	11,856,654	12,144,276
Noncurrent assets		
Investments	17,290,217	19,614,160
Due from other funds	5,446,383	5,153,607
Total noncurrent assets	22,736,600	24,767,767
Total assets	34,593,254	36,912,043
DEFERRED OUTFLOWS OF RESOURCES		
Pension and OPEB	17,368,699	13,942,490
Total deferred outflows of resources	17,368,699	13,942,490
LIABILITIES		
Current liabilities		
Accounts payable	2,835,746	1,685,735
Accrued salaries and wages	170,505	296,698
Accrued compensated absences	2,032,314	2,110,472
Unearned revenues	399,735	555,537
Total current liabilities	5,438,300	4,648,442
Noncurrent liabilities		
Pension and OPEB	140,723,439	106,143,207
Total noncurrent liabilities	140,723,439	106,143,207
Total liabilities	146,161,739	110,791,649
DEFERRED INFLOWS OF RESOURCES		
Pension and OPEB	6,023,581	1,072,951
Total deferred inflows of resources	6,023,581	1,072,951
NET POSITION		
Restricted		
Nonexpendable:	24,487	24,487
Expendable:		
Scholarships, research, instruction, other	3,264,636	5,299,268
Capital projects	137	136
Unrestricted	(103,512,627)	(66,333,958)
Total net position	$ (100,223,367)	$ (61,010,067)

ALABAMA COOPERATIVE EXTENSION SYSTEM

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017 (UNAUDITED)

	2018	2017
OPERATING REVENUES		
Federal appropriations	$ 8,097,679	$ 9,861,628
Federal grants and contracts, net	11,785,042	11,580,978
State and local grants and contracts, net	2,667,309	2,503,771
Nongovernmental grants and contracts, net	561,200	657,148
Sales and services of educational departments	578,705	526,803
Other operating revenues	1,165,680	1,241,134
Total operating revenues	24,855,615	26,371,462
OPERATING EXPENSES		
Compensation and benefits	44,757,898	47,722,916
Scholarships and fellowships	7,765	9,665
Utilities	166,568	159,860
Other supplies and services	20,240,005	20,847,699
Total operating expenses	65,172,236	68,740,140
Operating loss	(40,316,621)	(42,368,678)
NONOPERATING REVENUES		
State appropriations	37,439,303	37,010,435
Gifts	31,195	368,577
Net investment income	568,481	739,692
Nonoperating revenues, net	38,038,979	38,118,704
Net decrease in net position	(2,277,642)	(4,249,974)
Net position - beginning of year	(61,010,067)	(56,760,093)
Cumulative effect of accounting change	(36,935,658)	
Net position October 1, 2017, as restated	(97,945,725)	
Net position - end of year	$ (100,223,367)	$ (61,010,067)

AUBURN
UNIVERSITY

2018 FINANCIAL REPORT

UNAUDITED REQUIRED SUPPLEMENTAL INFORMATION

REQUIRED SUPPLEMENTAL INFORMATION (UNAUDITED)

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

	2018	2017	2016	2015
University's proportion of the collective net pension liability	6.306790%	6.146014%	5.965792%	5.757899%
University's proportionate share of the collective net pension liability	$ 619,862,000	$ 665,367,000	$ 624,361,000	$ 523,080,000
University's covered payroll during the measurement period*	$ 422,375,257	$ 395,094,076	$ 380,477,086	$ 368,745,049
University's proportionate share of the collective net pension liability as a percentage of its covered payroll	146.76%	168.41%	164.10%	141.85%
Plan fiduciary net position as a percentage of the total collective pension liability	71.50%	67.93%	67.51%	71.01%

*University's covered payroll during the measurement period is the total payroll on which contributions to a pension plan are based. For fiscal year 2018, the measurement period is October 1, 2016–September 30, 2017. For fiscal year 2017, the measurement period is October 1, 2015–September 30, 2016.

Teachers' Retirement System Schedule of System Contributions

	2018	2017	2016	2015
Contractually Required Contribution	$ 51,809,686	$ 49,273,810	$ 46,139,070	$ 42,534,706
Contributions in relation to the contractually required contribution	51,809,686	49,273,810	46,139,070	42,534,706
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
System covered payroll	$ 440,124,441	$ 422,375,257	$ 395,094,076	$ 380,477,086
Contributions as a percentage of covered payroll	11.77%	11.67%	11.68%	11.18%

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

	2017	2016	2015	2014
Service cost	$ -	$ 21,595	$ 46,380	$ 104,069
Interest	3,490,964	3,539,730	3,678,959	3,800,103
Changes of benefit terms		-	-	-
Differences between expected and actual experience	(238,683)	590,134	264,685	-
Changes of assumptions	-	2,271,808	-	-
Benefit payments, including refunds of employee contributions	(5,291,519)	(5,958,850)	(5,501,945)	(5,334,993)
Net change in total pension liability	$ (2,039,238)	$ 464,417	$ (1,511,921)	$ (1,430,821)
Total pension liability - beginning	47,690,461	47,226,044	48,737,965	50,168,786
Total pension liability - ending (a)	$ 45,651,223	$ 47,690,461	$ 47,226,044	$ 48,737,965

Plan fiduciary net position

		2017		2016		2015		2014
Contributions - employer	$	5,336,057	$	5,645,920	$	4,159,117	$	1,790,336
Contributions - member		66,106		80,506		104,131		125,268
Net investment income		-		3,837		9,066		331,362
Benefits payments, including refunds of employee contributions		(5,291,519)		(5,958,850)		(5,501,945)		(5,334,993)
Transfers among employers		-		-		-		-
Net change in plan fiduciary net position	$	110,644	$	(228,587)	$	(1,229,631)	$	(3,088,027)
Plan net position - beginning		(74,693)		153,894		1,383,525		4,471,552
Plan net position - ending (b)	$	35,951	$	(74,693)	$	153,894	$	1,383,525
Net pension liability - ending (a)-(b)	$	45,615,272	$	47,765,154	$	47,072,150	$	47,354,440
Plan fiduciary net position as a percentage of total pension liability		0.08%		(0.16%)		0.33%		2.84%
Covered payroll*	$	1,755,903	$	2,138,954	$	2,775,630	$	3,341,010
Net pension liability as a percentage of covered payroll		2,597.82%		2,233.11%		1,695.91%		1,417.37%

*Employer's covered payroll during the measurement period is the total covered payroll. For fiscal year 2018, the measurement period is October 1, 2016-September 30, 2017.

Employees' Retirement System Schedule of Employer Contributions

		2018		2017		2016		2015
Actuarially determined contribution*	$	5,744,035	$	5,321,011	$	5,629,191	$	4,151,926
Contributions in relation to the actuarially determined contribution		5,744,035		5,321,011		5,629,191		4,151,926
Contribution deficiency (excess)	$	-	$	-	$	-	$	-
Covered payroll**	$	1,373,434	$	1,755,903	$	2,138,954	$	2,775,630
Contributions as a percentage of covered payroll		418.22%		303.04%		263.17%		149.58%

*The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the twelve month period of the underlying financial statement.

**Employer's covered payroll for fiscal year 2018 is the total covered payroll for the 12 month period of the underlying financial statements.

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2018 were based on the September 30, 2015 actuarial valuation.

Methods and assumptions used to determine contribution rates:			
Actuarial cost method:	Entry Age	**Inflation:**	3.00%
Amortization method:	Level percent closed	**Salary increases:**	3.75–7.25%, including inflation
Remaining amortization period:	5.7 years	**Investment rate of return:**	8.00%, net of pension plan investment expense, including inflation
Asset valuation method:	Five year smoothed market		

Schedule of Proportionate Share of the Net OPEB Liability Alabama Retired Education Employees' Health Care Trust
for the Fiscal Year Ended September 30

		2018
The University's proportion of the net OPEB liability		4.404229%
The University's proportionate share of the net OPEB liability	$	327,120,973
The University's covered-employee payroll during the measurement period*	$	395,094,076
The University's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll		82.80%
Plan fiduciary net position as a percentage of the total OPEB liability		15.37%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

*The University's covered payroll during the measurement period is the total covered payroll. For fiscal year 2018, the measurement period is October 1, 2016–September 30, 2017.

Schedule of Contributions Alabama Retired Education Employees' Health Care Trust
for the Fiscal Year Ended September 30

		2018
Contractually required contribution	$	10,838,760
Contributions in relation to the contractually required contribution	$	(10,838,760)
Contribution deficiency (excess)	$	-
The University's covered-employee payroll during the measurement period*	$	395,094,076
Contributions as a percentage of covered-employee payroll		2.74%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

*The University's covered payroll during the measurement period is the total covered payroll. For fiscal year 2018, the measurement period is October 1, 2016–September 30, 2017.

Notes to Alabama Retired Education Employee's Health Care Trust Required Supplementary Information for the Year Ended September 30, 2018

Changes in actuarial assumptions

In 2016, rates of withdrawal, retirement, disability, mortality, spouse coverage, and tobacco usage were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females.

Recent Plan Changes

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the MAPD plan.

The Health Plan was changed in 2017 to reflect the ACA maximum annual out-of-pocket amounts.

Method and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of September 30, 2014, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level percent of pay
Remaining Amortization Period	27 year, closed
Asset Valuation Method	Market Value of Assets
Inflation	3.00%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.50%
Medicare Eligible	5.75%
Ultimate Trend Rate:	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate Trend Rate	2019 for Pre-Medicare Eligible
	2017 for Medicare Eligible
Investment Rate of Return	5.00%, including inflation

AU Medical Plan

Plan Liability as of September 30,2018

	Total OPEB Liability (a)	Plan Fiduciary Position (b)	Net OPEB Liability (a)–(b)
Balances at September 30, 2017	$ 44,134,651	$ -	$ 44,134,651
Changes for the Year			
Service Cost	85,534	-	85,534
Interest	1,293,714	-	1,293,714
Changes to benefit terms	-	-	-
Differences between expected and actual experience	(32,891)	-	(32,891)
Changes of assumptions or other inputs	-	-	-
Contributions - employer	-	2,192,737	(2,192,737)
Net investment income	-	-	-
Benefits payments	(2,192,737)	(2,192,737)	-
Administrative expense	-	-	-
Net Changes	(846,380)	-	(846,380)
Balances at September 30, 2018	$ 43,288,271	$ -	$ 43,288,271

Historical Changes in the Net OPEB Liability

Year Ending September 30	2018
Total OPEB Liability	
Service Cost	$ 85,534
Interest	1,293,714
Changes to benefit terms	-
Differences between expected and actual experience	(32,891)
Changes of assumptions or other inputs	-
Benefit payments	(2,192,737)
Net Change in total OPEB liability	(846,380)
Total OPEB liability-beginning	44,134,651
Total OPEB liability-ending (a)	43,288,271
Plan fiduciary net position	
Contributions-employer	2,192,737
Net investment income	-
Benefit payments	(2,192,737)
Administrative expense	-
Net Change in plan fiduciary net position	-
Plan fiduciary net position-beginning	-
Plan fiduciary net position-ending (b)	-
Net OPEB liability-ending (a)-(b)	43,288,271
Plan fiduciary net position as a percentage of the total OPEB liability	-
Covered employee payroll	1,474,670
Net OPEB liability as a percentage of covered payroll	2,935.5%

Annual Contributions

Year Ending September 30		2018
Actuarially determined contribution	$	1,379,249
Contributions in relation to the actuarially determined contribution		2,192,737
Contribution deficiency (excess)		(813,488)
Covered employee payroll		1,474,670
Contribution as percentage of covered employee payroll		148.7%

AU Medical Plan

Notes to the Required Supplemental Schedules

Summary of Key Actuarial Methods and Assumptions

Valuation year October 1, 2017 – September 30, 2018

Actuarial cost method Entry age actuarial cost method

Funding policy Pay-As-You-Go basis

Asset valuation method Not applicable

Valuation date September 30, 2018

Rate of return on 20 year AA Municipal 3.00%

Mortality RP-2014 Mortality Fully Generational using Projection Scale MP-2017

Annual Termination rates None since all active employees are long service Civil Service employees

New employees None

Disability Rates

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%

Retirement Rates

Age	Retirement Rate
45 or less	0.0%
46 – 49	1.0%
50 – 51	2.0%
52 – 54	3.0%
55	10.0%
56 – 59	8.0%
60	20.0%
61	15.0%
62	25.0%
63 – 64	20.0%
65	40.0%
66 – 69	30.0%
70 – 74	75.0%
75 and over	100.0%

Salary increases 3.0% annually

Monthly Per Capita Claim Cost

Age	Medical
55	$824.99
60	$989.57
65	$401.40
70	$445.40
75	$474.40

Claim costs were increased by 4.98% over the prior valuation based on a weighted average of benefit plan premiums. Future claim costs are increased by health care trend.

Assumed rate of return on plan assets Not applicable

Health Care Cost Trend 8.0% in 2019 and decreasing by .5 per year to an ultimate rate of 5.0% for 2025 and later

Administrative expenses Included in claim cost

Attribution Period The attribution period is the portion of a participant's service to which the expected postretirement benefit obligation is assigned. The beginning of the attribution period is the date of hire and the end of the attribution period is the earliest eligibility date.

Eligibility requirements Age 60 and 10 years of service or 25 years of service. The employee had to be covered under the University's active employee medical plan for at least the last 6 years.

Retiree Benefit Lifetime medical and prescription drug benefits for retiree and spouse. Surviving spouse may remain on the plan. Grandfathered retirees who elected PEEHIP on or before 10/1/1997 receive a monthly subsidy.

Retiree Contribution Non-smoking retirees not eligible in PEEHIP pay 40% of the premium. Surviving spouses and those retirees who are eligible to participate in PEEHIP but have declined to do so pay 100% of the premium. Smokers pay an additional $20 per month.

Monthly Rate

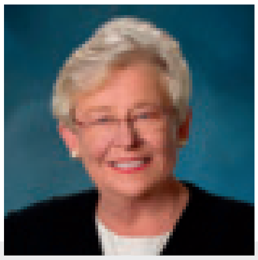
	2018
Self Only, under age 65	$542
Self Only, over age 65, eligible for Medicare Part A	$175
Family, under age 65	$1,218
Family, over age 65, eligible for Medicare Part A	$852

Future rates are increased by health care cost trend.

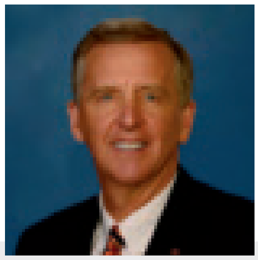
Summary of Key Actuarial Methods and Assumptions		
Monthly Subsidy	Retirees Electing PEEHIP	
	Pre-65	
	Single	$27.00
	Family	$77.00
	Post-65	
	Single	-
	Both over 65	$39.64
	One over, one under 65	$31.64
Plan participation of future retirees	100%	
Percentage of retirees who are married	80%	
Percentage of future retirees with coverage who elect coverage on spouse	60% of Male and 40% of Female retirees	
Age difference in spouses	Husband is 3 years older	
Percent of future retirees who are smokers	10%	
Impact of Healthcare Reform	The provisions of Healthcare Reform are expected to increase costs by 2.55% 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 $3.1 million. There is not any cost impact for retirees who have elected PEEHIP.	

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, five 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.



KAY IVEY
Governor of Alabama
President, Montgomery



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BOB DUMAS
Auburn, Third Congressional District

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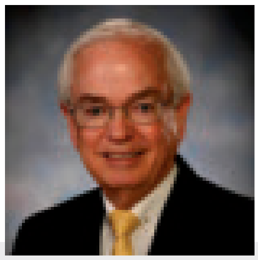

JIMMY SANFORD
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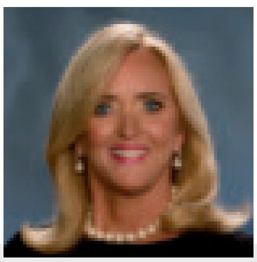

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