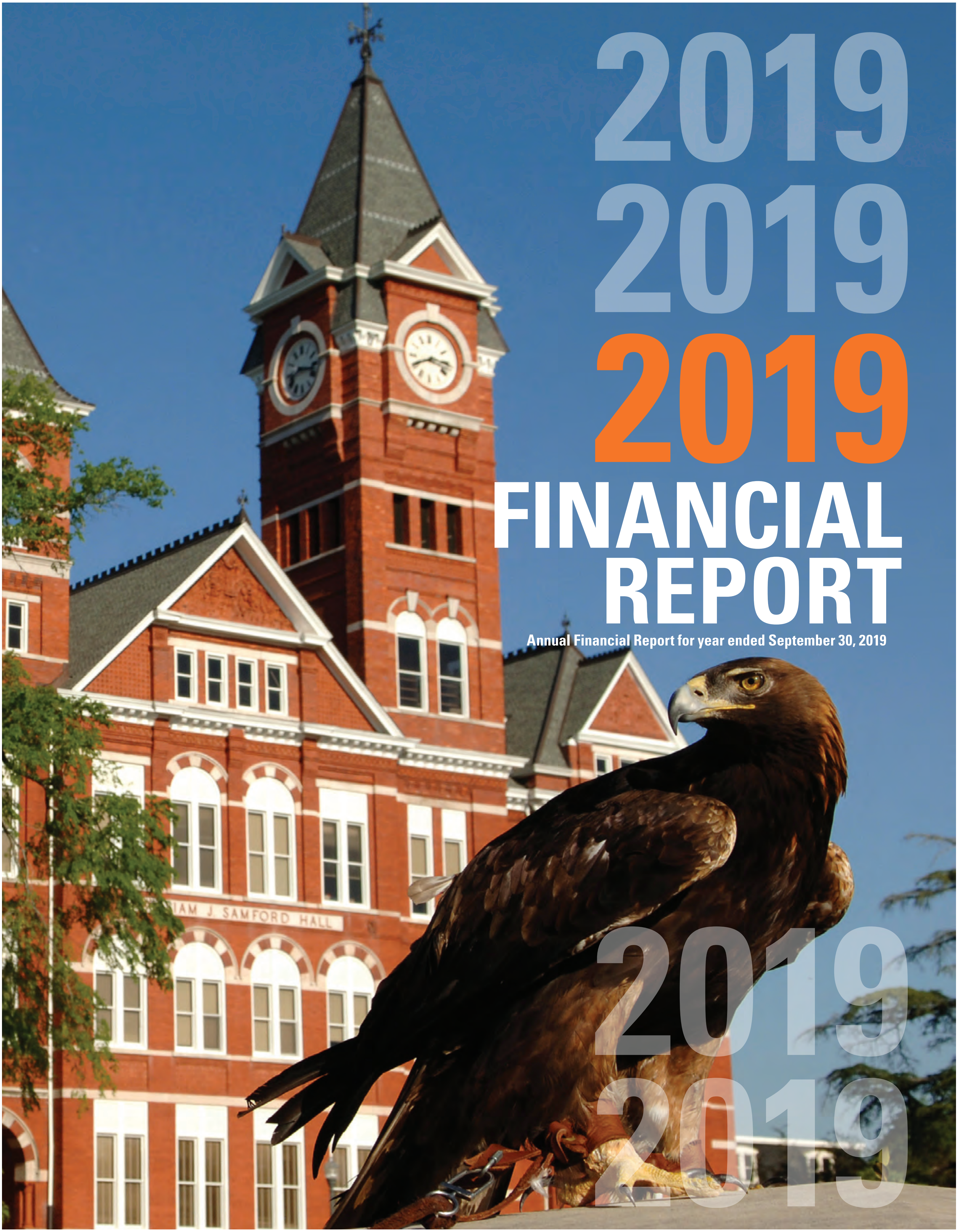

2019 FINANCIAL REPORT

Annual Financial Report for year ended September 30, 2019

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INTRODUCTORY SECTION

AUBURN UNIVERSITY

OFFICE OF THE PRESIDENT

January 29, 2020

Dear members of the Auburn community and Alabama citizens:

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

The demand for an Auburn education remains high

While some institutions are facing declining application and enrollment numbers, the demand for an Auburn education continues to rise. Prospective students have many options, but they ultimately place significant value on a university that delivers real-world impact and an education that leads to a successful career; therefore, Auburn remains the institution of choice for our state's students.

Students also consider national rankings, and Auburn continues to be a leader across the board among our state's higher education institutions. Over the past year, Auburn was named by Forbes, the Wall Street Journal and Money as the best value for our state's students. And because the Auburn experience is unparalleled, the Princeton Review proclaimed our students the happiest in the country.

Auburn continues to deliver real-world solutions

Our research endeavors not only enhance classroom learning, they enable Extension and Outreach, other integral parts of our mission, to deliver Auburn innovations into homes and communities both near and far. In just one example, Auburn scientists are behind a major breakthrough that is now in a clinical trial through the National Institutes of Health that has the potential to save the lives of children suffering from fatal genetic disease GM1 gangliosidosis.

Our impact makes our state's economy stronger

With a contribution of more than $5.6 billion to Alabama's economy, Auburn delivers an impressive 8.5-to-1 return on the state's investment, a figure that continues to rise. More of our state's students graduate from Auburn than any other institution, and we're cultivating and preparing a talented workforce to ensure Alabama's economy continues to grow.

This report summarizes our financial position and activity for the fiscal year ending September 30, 2019. We invite you to learn more at auburn.edu.

Sincerely,

Jay Gogue
Interim President

107 Samford Hall, Auburn, AL 36849-5113; Telephone: 334-844-4650; Fax: 334-844-6179

auburn.edu

AUBURN UNIVERSITY

OFFICE OF THE VICE PRESIDENT FOR BUSINESS & FINANCE AND CFO

January 29, 2020

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 28 through 31, 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 10 and 11.

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 position 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

107 Samford Hall, Auburn University, AL 36849-5113; Telephone: 334-844-5588; Fax: 334-844-4701

auburn.edu

2019 FINANCIAL REPORT

FINANCIAL SECTION

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, 2019 and 2018, 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, 2019 and 2018. 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, 2019 and 2018. 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.

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

Opinions

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of Auburn University as of September 30, 2019 and 2018, 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.

Other Matters

Required Supplementary Information

The accompanying management's discussion and analysis and the required supplemental information on pages 12 through 27 and 97 through 103, 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, 2018 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 6 through 7 and the supplemental divisional financial statements on pages 83 to 95 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, 2020

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, 2019, with a comparison to the year ended September 30, 2018. 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 "Very High Research Activities," commonly referred to as "R1", while AUM is classified as "Master's I." Fall 2019 enrollment totaled 35,648 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 1,400 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 "2019," "2018," 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 two classes: with donor restrictions and without donor restrictions. 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, 2019 and 2018, is as follows:

	2019	2018
Assets		
Current assets	$ 535,403,881	$ 444,000,975
Investment in plant, net	1,942,052,061	1,809,863,232
Other noncurrent assets	1,076,562,346	1,183,969,389
Total assets	3,554,018,288	3,437,833,596
Deferred Outflows of Resources		
Loss on refunding of bonds	41,950,072	46,219,285
Pension and OPEB	206,358,119	195,093,459
Total deferred outflows of resources	248,308,191	241,312,744
Liabilities		
Current liabilities	479,606,755	441,115,959
Noncurrent liabilities	1,940,020,143	1,944,171,775
Total liabilities	2,419,626,898	2,385,287,734
Deferred Inflows of Resources		
Nonexchange transactions	189,862	170,534
Pension and OPEB	109,235,612	99,377,200
Total deferred inflows of resources	109,425,474	99,547,734
Net Position		
Net investment in capital assets	1,289,198,648	1,131,106,698
Restricted-nonexpendable	29,862,295	29,405,300
Restricted-expendable	241,998,246	235,927,483
Unrestricted	(287,785,082)	(202,128,609)
Total net position	$ 1,273,274,107	$ 1,194,310,872

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 $91.4 million from 2018 to 2019. Of this increase, cash and cash equivalents and operating investments increased $87.0 million. The majority of this increase was due to investing an additional $71.3 million, net, in money market instruments, due to the increased investment returns versus the long-term market. The University received an additional $18.3 million on September 30, 2019, which was not invested at year-end. These funds are shown in cash and cash equivalents. The University's receivables increased $5.4 million, primarily due to an increase in student accounts receivable, net, of $5.7 million. Approximately $2.3 million of the increase was due to a timing difference in the Southern Regional Contract payment that occurred in October of 2019. In the prior years, the University received payment prior to year-end. The remaining increase was due to Board-approved tuition increases at main campus of 2.0% and at the AUM campus of 3.0%, as well as increases in enrollment at the AUM campus of 1.3%. The University's inventories increased approximately $0.5 million as a result of increases in new textbooks at the AUM bookstore. The University's prepaid expenses decreased $1.3 million. This decrease was due to recognizing expenditures during fiscal year 2019 that were prepaid as of September 30, 2018. Similar transactions in fiscal year 2019 did not occur.

The University's capital assets, net of depreciation, shown as "Investment in plant, net," on the Statement of Net Position increased $132.2 million from 2018 to 2019. 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 76.2% of the total net capital asset value. The increase, offset by disposal activity, depreciation, and transfers, was the result of $214.0 million of new additions to property, plant, and equipment, net of construction in progress transfers. The University expended $218.9 million for new construction during fiscal year 2019.

The following building construction projects, totaling $206.7 million, were either completed and placed into service or additional work was performed on a previously completed project during the current fiscal year:

Gogue Performing Arts Center	$ 65.7	million
Horton-Hardgrave Hall Graduate Business Education Building	41.2	million
Engineering Achievement Center	41.1	million
Leach Science Center Building Expansion & Renovation	22.4	million
AU Regional Airport Aviation Education Facility	8.7	million
Gulf Shores Complex	7.3	million
Equestrian Center New Support Building & Barn	4.7	million
Food Animal Research Facility	3.0	million
Jordan Hare Stadium Gameday Support Building & Press Box	2.3	million
North Auburn New Fisheries Biodiversity Research Lab	1.8	million
Linear Accelerator Lab Renovation	1.6	million
AU Airport South Ramp Hangar	1.6	million
Quad Center Building Envelope Restoration Phase 1	1.1	million
Other Small Projects	4.2	million
	$206.7	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 $7.0 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 2019, the amount amortized was $4.3 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 2019, the deferred outflows of resources increased $17.0 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). During fiscal year 2019, the deferred outflows of resources decreased $5.7 million relating to 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 $38.5 million from 2018 to 2019.

At year end, the University accrued an additional $17.5 million in accounts payable, $2.6 million in compensation-related liabilities, $1.5 million in other accrued liabilities, and $0.9 million in interest. The increase in other accrued liabilities is due to an increase in the University's pollution remediation reserve that is expected to be paid in fiscal year 2020. Unearned revenue increased $17.9 million. Unearned revenue is comprised of tuition, room and board revenue that relates to fiscal year 2020, contracts and grants funding received prior to expenditure as well as athletic revenue related to games played subsequent to September 30. For Fall 2019, the Board of Trustees approved a 2.0% tuition increase for main campus and a 3.0% increase for 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 AUM campus increased enrollment by approximately 1.3%. There were also increases in unearned revenue for athletic ticket sales relating to football and basketball games played after September 30, 2019. These increases were slightly offset with a reduction in student deposits and deposits held in custody of $1.8 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, 2020. Noncurrent liabilities decreased $4.2 million from 2018 to 2019. Although the University reduced the bonds and notes payable debt by paying $29.1 million in fiscal year 2019, the pension and OPEB liabilities increased $31.8 million. The University entered into new capital equipment leases increasing the lease obligation by $2.2 million. Other noncurrent liabilities decreased by $1.8 million, primarily due to the recognition of previously accrued interest on the capital appreciation bond. The remaining decrease of approximately $1.1 million relates to new premiums and related premium amortization.

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 $9.9 million from 2018 to 2019. 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:

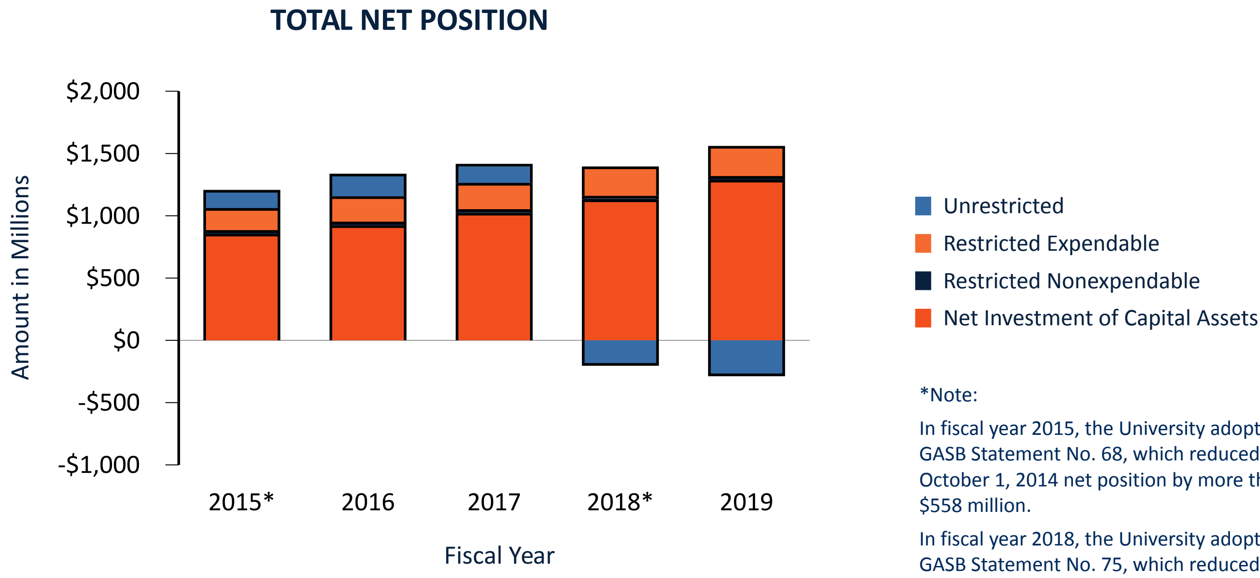
Net investment in capital assets represents the University's capital assets, net of accumulated depreciation and outstanding principal balances of debt as well as any deferred inflows or outflows of resources, attributable to the acquisition, construction, or improvement of those assets. Net investment in capital assets increased 14.0% from 2018 to 2019. 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 1.6% from 2018 to 2019. This increase was primarily the result of additional gifts to permanently endowed funds, as well as an increase in the cash value of life insurance.

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 2.6% from 2018 to 2019. The majority of the increase was due to additional gift receipts in fiscal year 2019.

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 42.4% from 2018 to 2019, or $85.7 million. Although the University used unrestricted reserves on deferred maintenance and to pre-fund new capital project expenditures, the University expects to receive approximately $65.5 million as reimbursement from gift pledges or other restricted sources. The deficit in unrestricted net position was primarily due to the net pension and other postemployment benefit obligations, which increased $31.8 million.



*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, 2019 and 2018, is provided below:

	2019	2018
Operating revenues	$ 897,535,623	$ 876,139,045
Operating expenses	1,209,593,678	1,162,524,686
Operating loss	(312,058,055)	(286,385,641)
Net nonoperating revenues and other changes in net position	391,021,290	365,314,331
Net increase in net position	78,963,235	78,928,690
Net position - beginning of year	1,194,310,872	1,416,772,147
Cumulative effect of accounting change		(301,389,965)
Net position - October 1, 2017, as restated		1,115,382,182
Net position - end of year	$ 1,273,274,107	$ 1,194,310,872

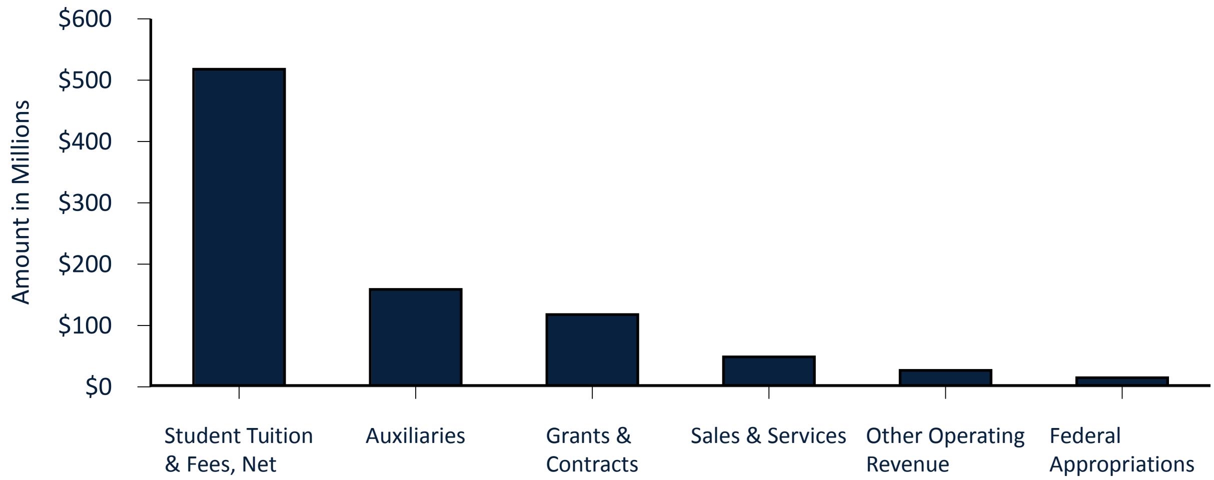
The 2019 Statement of Revenues, Expenses, and Changes in Net Position reflects an increase in net position at the end of the year of $79.0 million. Operating revenues increased 2.4% from 2018 to 2019. The majority of this increase is attributable to the increase in student tuition and fee revenue, net of discounts. The $27.8 million tuition and fee increase over 2018 was the result of the Board-approved increase in tuition for both main campus and AUM. The University saw a net increase in federal appropriations, federal, state, and nongovernmental contract and grant revenues of $10.7 million, which was primarily the result of an increase in spending of sponsored funds appropriated and awarded for research. These increases were offset by a decrease in auxiliary revenue of $22.8 million. During fiscal year 2018, auxiliary revenue included two larger SEC football games, while corresponding revenue for fiscal year 2019 was deferred at year end.

Operating expenses increased 4.0% from 2018 to 2019. Compensation and benefit costs increased 3.4% as a result of Board-approved salary increases and one-time supplement payments. Another major portion of this increase was attributable to the increase in other supplies and services expense of 6.8%. Multiple factors contributed to this increase. As previously discussed, the University had significant new construction and renovation activity in fiscal year 2019. Correspondingly, the University saw increases in repairs and maintenance spending and purchases of non-capital equipment. Other factors included increased computer expenses and temporary employee services.

Net nonoperating revenues and other changes in net position increased 7.0% from 2018 to 2019. This increase was the result of increased revenues from state appropriations of $16.4 million, as well as an increase in net investment income of $26.0 million. The majority of this increase was from an additional $21.9 million in realized and unrealized gains on investments, as well as a $3.3 million increase in interest income, related to increased investments in money market instruments to take advantage of better returns versus the long-term market. These increases were offset by additional interest expense on capital debt of $6.2 million, as a result of the University recording a full year of interest on the 2018A General Fee Bond issuance in fiscal year 2019 as compared to three months of interest in fiscal year 2018, and a decrease in capital gifts and grants of $11.0 million as the comprehensive campaign ended in fiscal year 2018.

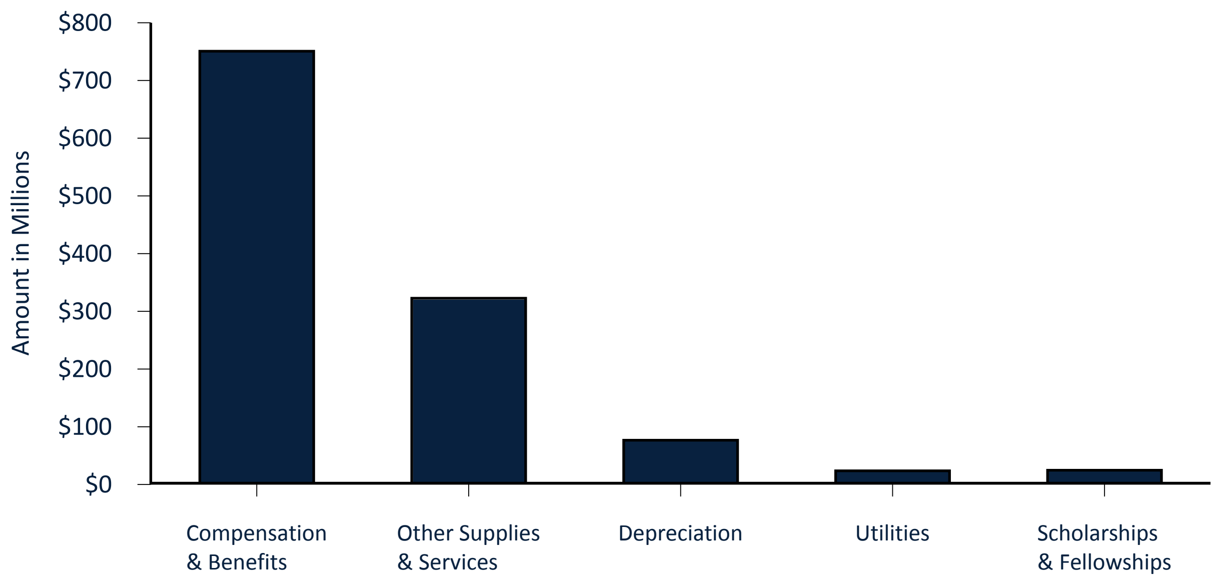
OPERATING REVENUES SUPPORTING CORE ACTIVITIES

For the year ended September 30, 2019



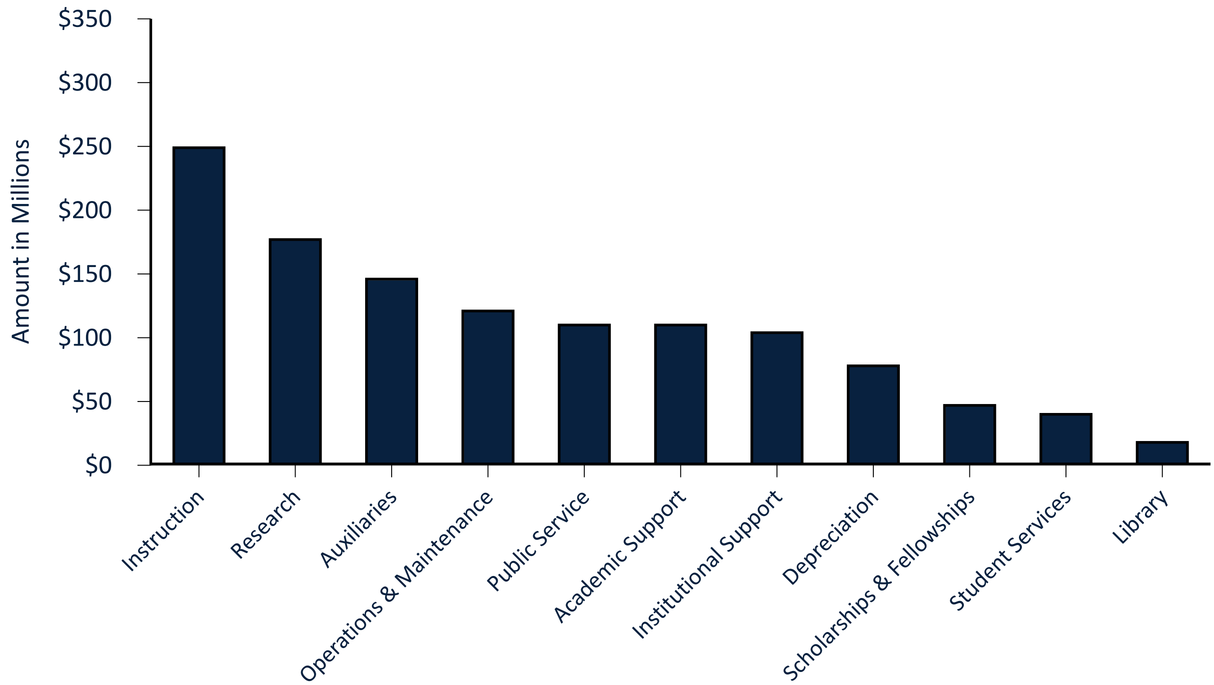
OPERATING EXPENSES BY NATURAL CLASSIFICATION

For the year ended September 30, 2019



OPERATING EXPENSES BY FUNCTION

For the year ended September 30, 2019



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, 2019 and 2018, are summarized below:

	2019	2018
Net cash provided by (used in):		
Operating activities	$ (159,821,235)	$ (129,445,578)
Noncapital financing activities	348,742,128	324,181,480
Capital and related financing activities	(268,465,034)	29,644,535
Investing activities	178,157,229	(224,974,900)
Net increase (decrease) in cash and cash equivalents	98,613,088	(594,463)
Cash and cash equivalents - beginning of year	147,729,234	148,323,697
Cash and cash equivalents - end of year	$ 246,342,322	$ 147,729,234

Net cash used in operating activities increased from 2018 to 2019 by 23.5%. The increase was due to additional cash paid to suppliers and utilities of $25.7 million and additional payments for employee compensation and benefits of $19.5 million as a result of the Board-approved salary increases and one-time supplement payments. Additionally, the University saw a reduction in cash inflows from auxiliary enterprises of $8.3 million and sales and services of educational departments of $0.7 million. These outflows were offset by additional cash provided from tuition and fees of $12.7 million, federal appropriations/grants and contracts of $7.5 million, other operating revenues of $0.3 million, and the net of student loans issued and collected of $1.7 million. A reduction in payments for scholarships and fellowships of $1.6 million further offset the increase in outflows related to operating activities.

The University saw an increase in net cash provided by noncapital financing activities of $24.6 million. This increase was primarily the result of an increase in state appropriations over fiscal year 2018 in the amount of $16.4 million. The remaining difference related to an increase in direct and other loan receipts of $12.5 million and an increase in gifts and grants for other than capital purposes of $0.6 million, offset by an increase in disbursements of $4.9 million.

Net cash used in capital and related financing activities was $268.5 million in 2019 compared to net cash provided by those activities in 2018 of $29.6 million. This was predominantly the result of the University issuing the 2018A General Fee Bonds in fiscal year 2018, which resulted in the receipt of $251.1 million in bond proceeds, net of issuance costs. The remaining difference includes increased expenditures for capital assets in 2019 of $23.4 million, a reduction in capital gifts and grants funding of $10.0 million as a result of the end of the comprehensive campaign, an increase in principal and interest paid on capital leases of $13.7 million, and an increase in proceeds from the sale of capital assets of $0.1 million.

Net cash provided by investing activities was $178.2 million in fiscal year 2019 compared to $225.0 million used in fiscal year 2018. During fiscal year 2019, the University received $644.3 million of proceeds from sales and maturities of investments/reinvestments and purchased $505.6 million of new investments. The remaining cash provided by investing activities came from investment income in the amount of $39.5 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

	2015-16	2016-17	2017-18	2018-19	2019-20
Auburn Main Campus/ Auburn University at Montgomery					
Full Time Students: In-State	$10,424/ $9,350	$10,696/ $9,640	$10,968/ $9,910	$11,276/ $8,404*	$11,492/ $8,620
Out-of-State	$28,040/ $20,210	$28,840/ $20,710	$29,640/ $21,310	$30,524/ $17,812*	$31,124/ $18,292

*Beginning in 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.

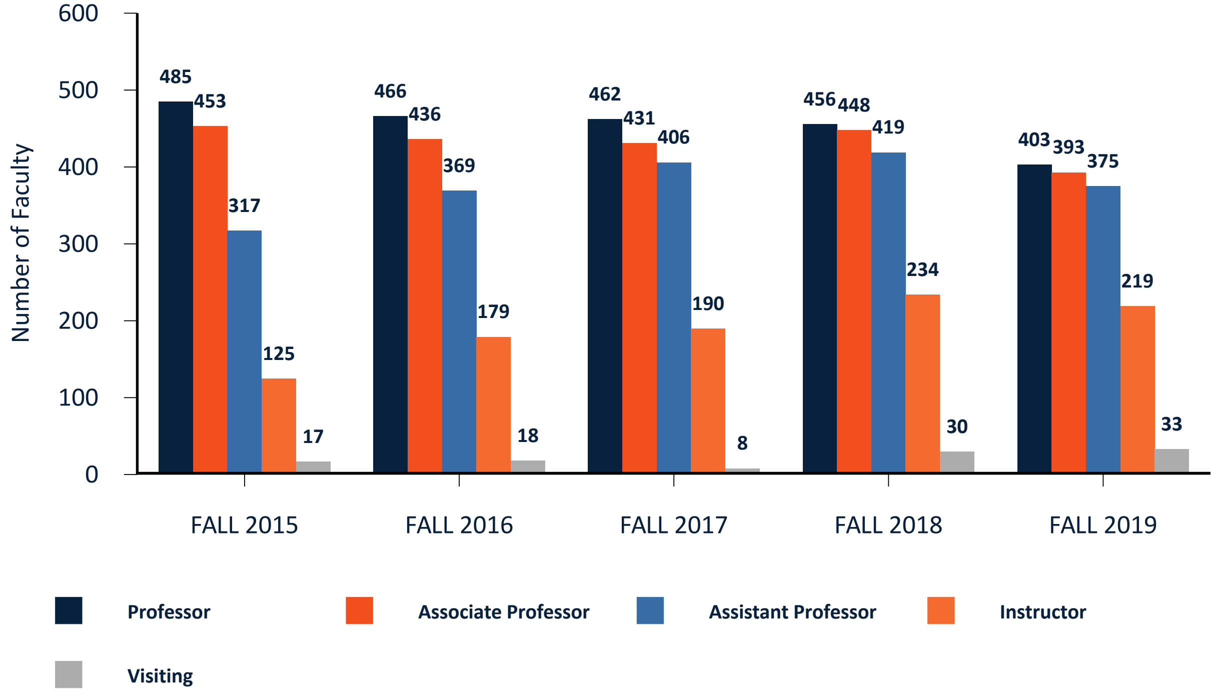
FALL STUDENT ENROLLMENT

	2015	2016	2017	2018	2019
Auburn Main Campus and Auburn University at Montgomery					
Undergraduate	26,043	26,931	28,277	29,260	29,117
Graduate and Professional	6,163	6,237	6,393	6,391	6,531

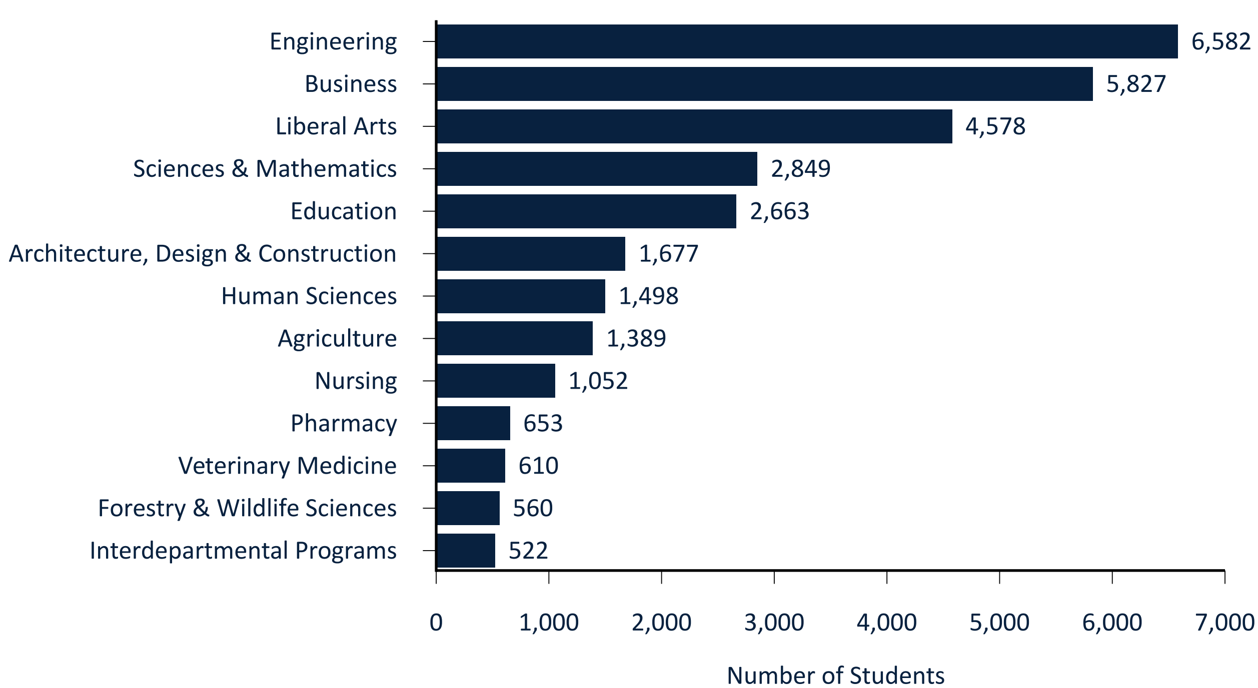
DEGREES AWARDED FOR THE ACADEMIC YEAR

	2014-15	2015-16	2016-17	2017-18	2018-19
Auburn Main Campus and Auburn University at Montgomery					
Bachelor	5,115	5,019	5,049	5,539	5,928
Advanced	1,905	2,007	2,061	2,134	2,121

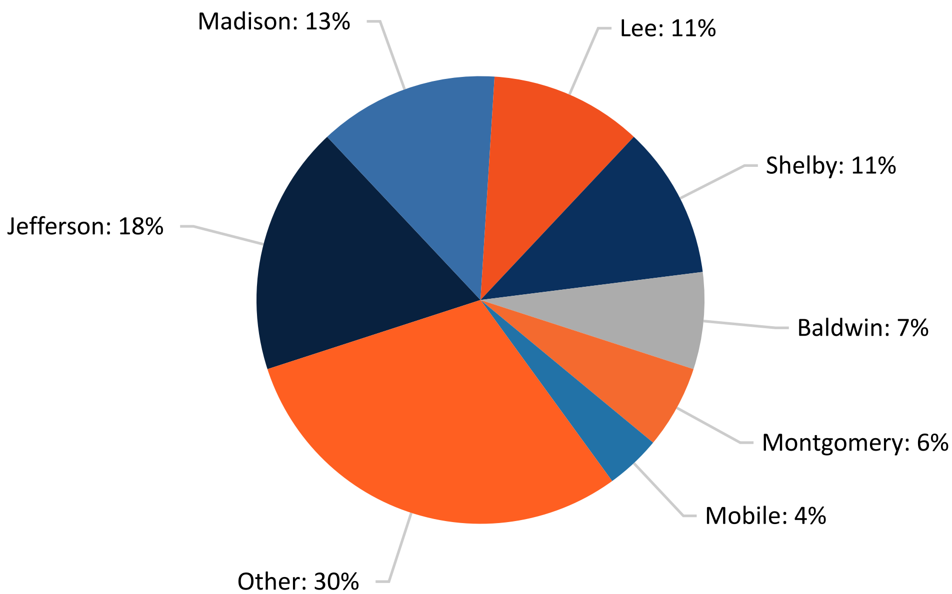
AUBURN UNIVERSITY MAIN CAMPUS AND AUBURN UNIVERSITY AT MONTGOMERY FULL-TIME FACULTY BY RANK



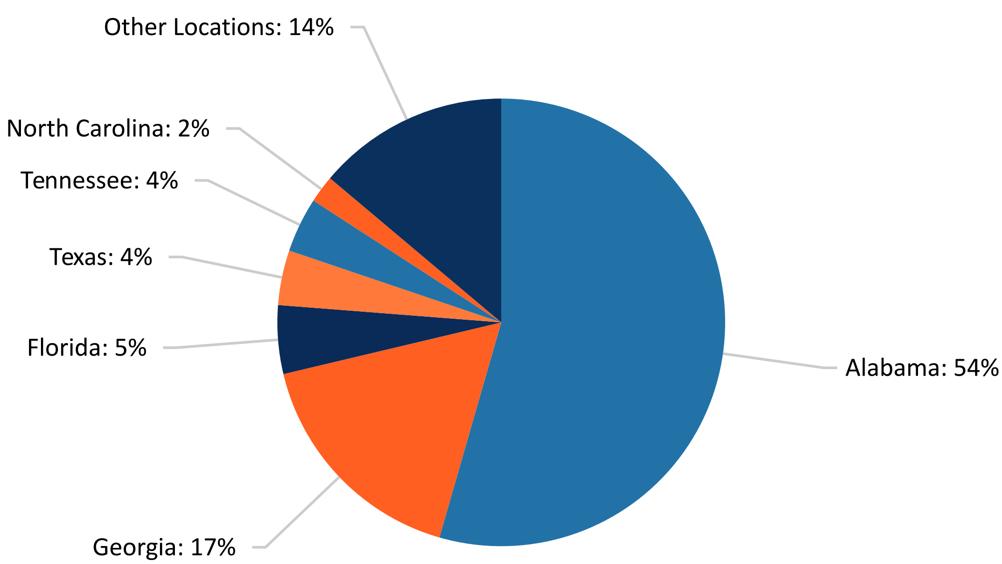
AUBURN UNIVERSITY MAIN CAMPUS ENROLLMENT BY COLLEGE/SCHOOL FALL 2019



AUBURN UNIVERSITY MAIN CAMPUS FRESHMEN ENROLLMENT BY ALABAMA COUNTIES SUMMER/FALL TERMS 2019



AUBURN UNIVERSITY MAIN CAMPUS FRESHMEN ENROLLMENT BY STATE SUMMER/FALL TERMS 2019



AUBURN UNIVERSITY

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

	2010	2011	2012
Revenues by Source			
Tuition and fees, net	$ 276.2	$ 294.7	$ 323.1
Federal appropriations	30.3 *	38.8 *	11.8
State appropriations	236.2	235.7	247.8
Grants and contracts	132.3	136.6	134.5
Gifts	31.5	32.3	36.6
Capital gifts and grants	47.6	48.2	17.2
Sales and services, investments and other income, net of interest expense	59.8	58.8	72.8
Auxiliary revenue, net	87.5	106.2	101.5
Total Revenues by Source	$ 901.4	$ 951.3	$ 945.3
Expenditures by Function			
Instruction	$ 220.6	$ 230.4	$ 239.5
Research	97.5	102.8	102.6
Public service	99.2	106.0	107.4
Academic support	37.5	38.8	38.8
Library	10.2	8.3	10.1
Student services	21.9	23.6	24.9
Institutional support	58.8	74.1	73.3
Operation and maintenance	70.1	77.8	66.3
Scholarships and fellowships	31.8	33.7	35.0
Auxiliaries	89.3	102.5	99.1
Depreciation	49.3	53.8	61.1
Total Expenditures by Function	$ 786.2	$ 851.8	$ 858.1
Expenditures by Natural Classification			
Compensation	$ 510.9	$ 536.6	$ 539.2
Scholarships and fellowships	17.8	17.3	18.4
Utilities	22.9	23.3	23.2
Other supplies and services	185.3	220.8	216.2
Depreciation	49.3	53.8	61.1
Total Expenditures by Natural Classification	$ 786.2	$ 851.8	$ 858.1

*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

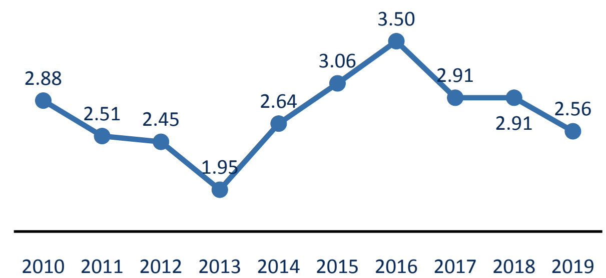
2013	2014	2015	2016	2017	2018	2019
$ 349.2	$ 365.9	$ 395.6	$ 414.8	$ 451.7	$ 492.2	$ 520.0
13.0	12.9	14.3	13.2	15.3	13.8	16.9
238.6	243.0	245.5	248.1	254.7	256.6	272.9
121.1	118.4	120.5	126.8	130.2	139.7	147.3
35.4	36.6	43.9	50.6	46.0	48.3	48.9
28.2	3.8	4.8	22.8	21.5	26.1	15.1
60.7	89.2	79.6	88.4	95.6	80.7	106.1
104.8	123.4	136.3	174.3	157.5	184.0	161.2
$ 951.0	$ 993.2	$ 1,040.5	$ 1,139.0	$ 1,172.5	$ 1,241.4	$ 1,288.4
$ 242.6	$ 249.0	$ 254.6	$ 270.1	$ 295.0	$ 286.9	$ 249.9
97.4	99.2	97.3	110.1	122.1	146.1	177.9
104.7	102.5	106.7	107.6	112.9	111.0	111.1
43.7	53.3	55.4	56.2	61.5	72.8	110.7
8.3	9.7	9.0	7.9	9.6	18.9	18.7
27.6	30.2	33.0	35.0	38.0	39.7	40.7
70.0	70.5	78.5	87.3	88.9	100.6	105.4
84.5	78.8	78.8	85.4	102.2	105.5	121.8
39.5	40.2	39.3	42.0	42.4	47.8	47.8
106.9	123.1	122.6	131.8	143.2	153.7	146.6
66.1	71.8	74.3	75.7	77.4	79.5	79.0
$ 891.3	$ 928.3	$ 949.5	$ 1,009.1	$ 1,093.2	$ 1,162.5	$ 1,209.6
$ 558.0	$ 578.2	$ 598.4	$ 627.2	$ 688.8	$ 727.7	$ 752.6
21.6	22.7	20.7	22.4	22.7	26.5	27.0
22.8	26.0	24.5	24.1	24.9	24.5	26.3
222.8	229.6	231.6	259.6	279.4	304.2	324.7
66.1	71.8	74.3	75.8	77.4	79.6	79.0
$ 891.3	$ 928.3	$ 949.5	$ 1,009.1	$ 1,093.2	$ 1,162.5	$ 1,209.6

AUBURN UNIVERSITY

FINANCIAL RATIOS**
FOR THE FISCAL YEARS ENDED SEPTEMBER 30

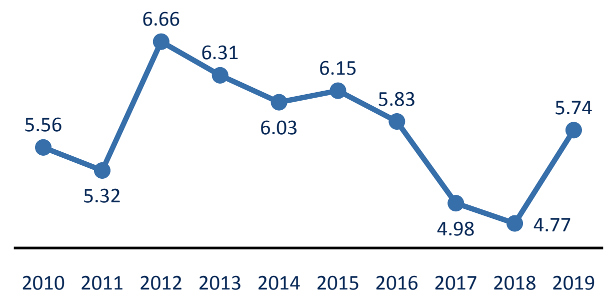
Debt Service Coverage Ratio
The debt service coverage ratio measures the ability to cover annual debt service obligations from continuing operations. This ratio is calculated by dividing net operating income plus net nonoperating revenues, adjusted for interest and depreciation, by annual debt service. 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.



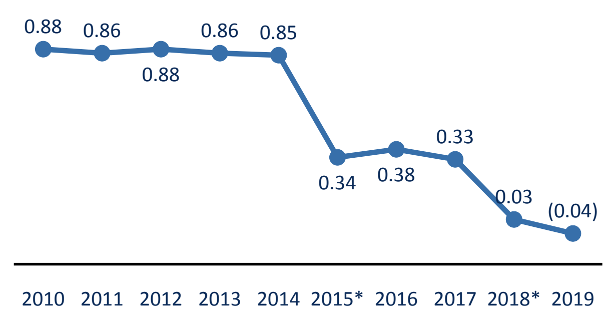
Debt Service Burden
This ratio measures the percentage of annual operating expenses devoted to debt service. It is calculated by dividing annual debt service by total operating expenses. A ratio below 7% is desirable.

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, but increased in fiscal year 2019 as the University began paying debt service on a new issuance in 2018.



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.



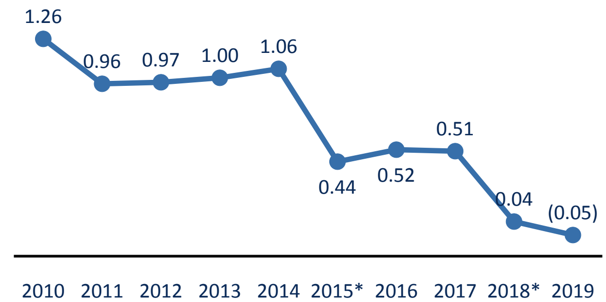
*In fiscal year 2015, the University adopted GASB Statement No. 68, which reduced the October 1, 2014 net position by more than $558 million. In fiscal year 2018, the University adopted GASB Statement No. 75, which reduced the October 1, 2017 net position by more than $301 million.
**These financial ratios are presented for purposes of additional analysis and are not a required part of the basic financial statements. These ratios include only the University's financial statements and may not be comparable to other institutions.

AUBURN UNIVERSITY

FINANCIAL RATIOS**
FOR THE FISCAL YEARS ENDED SEPTEMBER 30

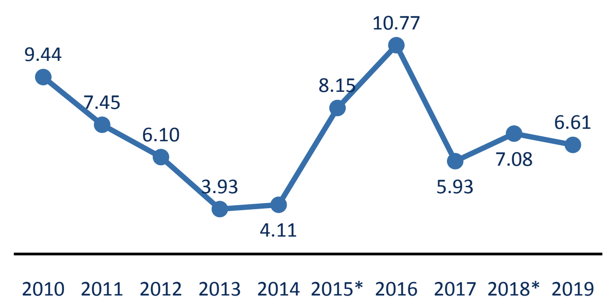
Viability Ratio
This ratio measures the availability of expendable net position to cover debt obligations. It is calculated by dividing expendable net position by total outstanding debt. A ratio of 1.0 indicates that the institution could pay off all debts.

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.



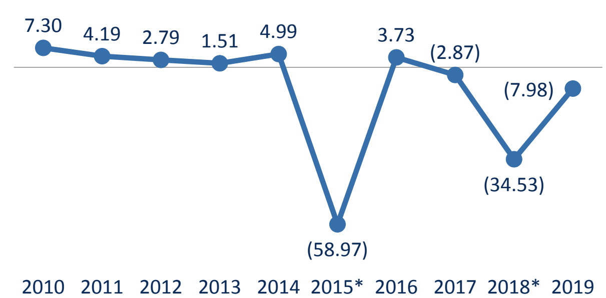
Return on Net Position Ratio
This ratio measures total economic return and can be used to indicate whether the institution is financially stronger or weaker over time. It is calculated by dividing the change in net position by the total net position at the beginning of the year. It is generally recommended 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, 2019 AND 2018

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 246,342,322	$ 147,729,234
Operating investments	117,467,546	129,112,112
Accounts receivable, net	64,047,965	64,290,291
Student accounts receivable, net	48,739,917	43,084,125
Loans receivable, net	3,059,064	3,026,036
Accrued interest receivable	3,826,416	4,018,921
Inventories	6,532,014	6,071,097
Prepaid expenses	45,388,637	46,669,159
Total current assets	535,403,881	444,000,975
Noncurrent assets		
Investments	1,062,267,000	1,167,411,609
Loans receivable, net	14,295,346	16,557,780
Investment in plant, net	1,942,052,061	1,809,863,232
Total noncurrent assets	3,018,614,407	2,993,832,621
Total assets	3,554,018,288	3,437,833,596
DEFERRED OUTFLOWS OF RESOURCES		
Loss on refunding of bonds	41,950,072	46,219,285
Pension and OPEB	206,358,119	195,093,459
Total deferred outflows of resources	248,308,191	241,312,744
LIABILITIES		
Current liabilities		
Accounts payable	103,313,744	85,816,831
Accrued salaries and wages	5,101,947	3,252,148
Accrued compensated absences	20,836,407	20,102,007
Accrued interest payable	14,101,944	13,189,035
Other accrued liabilities	13,815,288	12,329,100
Student deposits	3,952,819	4,146,966
Deposits held in custody	23,508,988	25,159,346
Unearned revenues	257,518,024	239,583,756
Noncurrent liabilities-current portion	37,457,594	37,536,770
Total current liabilities	479,606,755	441,115,959
Noncurrent liabilities		
Bonds and notes payable	848,385,408	884,698,533
Lease obligation	12,431,342	10,248,946
Pension and OPEB	1,067,656,451	1,035,886,516
Other noncurrent liabilities	11,546,942	13,337,780
Total noncurrent liabilities	1,940,020,143	1,944,171,775
Total liabilities	2,419,626,898	2,385,287,734
DEFERRED INFLOWS OF RESOURCES		
Nonexchange transactions	189,862	170,534
Pension and OPEB	109,235,612	99,377,200
Total deferred inflows of resources	109,425,474	99,547,734
NET POSITION		
Net investment in capital assets	1,289,198,648	1,131,106,698
Restricted		
Nonexpendable	29,862,295	29,405,300
Expendable:		
Scholarships, research, instruction, other	195,294,682	186,758,005
Loans	5,475,851	5,296,937
Capital projects	41,227,713	43,872,541
Unrestricted	(287,785,082)	(202,128,609)
Total net position	$ 1,273,274,107	$ 1,194,310,872

See accompanying notes to financial statements.

AUBURN UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
OPERATING REVENUES		
Tuition and fees, net of scholarship allowances of $136,806,904 and $129,455,514, respectively	$ 520,045,194	$ 492,207,970
Federal appropriations	16,853,970	13,845,715
Federal grants and contracts, net	82,718,181	76,848,678
State and local grants and contracts, net	19,480,365	19,149,702
Nongovernmental grants and contracts, net	17,547,732	16,013,849
Sales and services of educational departments	50,923,638	48,440,845
Auxiliary revenue, net of scholarship allowances of $9,403,338 and $9,124,570, respectively	161,189,992	184,004,826
Other operating revenues	28,776,551	25,627,460
Total operating revenues	$ 897,535,623	876,139,045
OPERATING EXPENSES		
Compensation and benefits	752,596,464	727,733,183
Scholarships and fellowships	26,983,778	26,492,608
Utilities	26,310,840	24,543,059
Other supplies and services	324,727,182	304,162,935
Depreciation	78,975,414	79,592,901
Total operating expenses	1,209,593,678	1,162,524,686
Operating loss	(312,058,055)	(286,385,641)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	272,928,855	256,570,746
Gifts	48,949,125	48,307,506
Grants	27,587,740	27,677,243
Net investment income	61,175,549	35,175,949
Interest expense on capital debt	(35,209,347)	(29,008,545)
Nonoperating revenues, net	375,431,922	338,722,899
Income before other changes in net position	63,373,867	52,337,258
OTHER CHANGES IN NET POSITION		
Capital gifts and grants	15,132,371	26,104,586
Additions to permanent endowments	456,997	486,846
Net increase in net position	78,963,235	78,928,690
Net position - beginning of year	1,194,310,872	1,416,772,147
Cumulative effect of accounting change		(301,389,965)
Net position October 1, 2017, as restated		1,115,382,182
Net position - end of year	$ 1,273,274,107	$ 1,194,310,872

See accompanying notes to financial statements.

AUBURN UNIVERSITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 520,531,270	$ 507,821,174
Federal appropriations	16,664,314	13,666,879
Grants and contracts	118,800,805	114,295,116
Sales and services of educational departments	53,697,376	54,410,140
Auxiliary enterprises	171,153,640	179,502,340
Other operating revenues	27,910,465	27,579,329
Payments to suppliers	(298,167,239)	(274,272,753)
Payments for utilities	(26,310,839)	(24,543,059)
Payments for employee compensation and benefits	(718,996,886)	(699,539,194)
Payments for scholarships and fellowships	(27,148,601)	(28,723,184)
Student loans issued	(1,038,658)	(2,528,799)
Student loans collected	3,083,118	2,886,433
Net cash used in operating activities	(159,821,235)	(129,445,578)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	272,928,855	256,570,746
Gifts and grants for other than capital purposes	77,422,854	76,802,880
Direct and other loan receipts	209,346,732	196,835,824
Direct and other loan disbursements	(210,956,313)	(206,027,970)
Net cash provided by noncapital financing activities	348,742,128	324,181,480
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	12,783,768	22,808,239
Purchases of capital assets	(211,260,157)	(187,821,441)
Proceeds received from sale of capital assets	395,125	210,402
Principal paid on debt and capital leases	(30,162,818)	(24,527,084)
Interest paid on debt and capital leases	(40,220,952)	(32,112,642)
Net cash (used in) provided by capital and related financing activities	(268,465,034)	29,644,535
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments and reinvestments	644,318,093	427,595,002
Investment income	39,480,781	29,753,271
Purchases of investments	(505,641,645)	(682,323,173)
Net cash provided by (used in) investing activities	178,157,229	(224,974,900)
Net increase (decrease) in cash and cash equivalents	98,613,088	(594,463)
Cash and cash equivalents - beginning of year	147,729,234	148,323,697
Cash and cash equivalents - end of year	$ 246,342,322	$ 147,729,234

See accompanying notes to financial statements.

AUBURN UNIVERSITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (312,058,055)	$ (286,385,641)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	78,975,414	79,592,901
Write-off of loans receivable	184,945	423,197
Loss on sale of capital assets	2,410,659	2,435,851
Changes in assets and liabilities:		
Accounts receivable	(579,904)	(2,418,657)
Student accounts receivable	(5,655,792)	5,082,431
Inventories	(460,917)	(123,397)
Unearned revenue	17,934,268	18,716,980
Accounts payable	21,629,546	16,825,590
Prepaid expenses	1,282,044	(3,269,003)
Accrued salaries, wages and compensated absences	2,584,199	(1,989,149)
Student deposits and deposits held in custody	(329,533)	10,714,272
Loans receivable	2,044,461	357,634
Other accrued liabilities	1,486,188	4,771,497
Nonexchange transactions	19,328	(212,810)
Pension and OPEB obligation	30,363,688	29,692,861
Other noncurrent liabilities	348,226	(3,660,135)
Net cash used in operating activities	$ (159,821,235)	$ (129,445,578)
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION		
Capital assets acquired with a liability at year-end	$ 13,144,268	$ 17,276,901
Gifts of capital assets	2,833,310	3,178,718

See accompanying notes to financial statements.

AUBURN UNIVERSITY COMPONENT UNITS

STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018

	Auburn University Foundation		Auburn Alumni Association	
	2019	2018	2019	2018
ASSETS				
Cash and cash equivalents	$ 5,522,693	$ 2,905,386	$ 112,151	$ 108,528
Investments	577,482,004	569,606,442	4,151,942	3,851,907
Investment in Auburn University Foundation Securities Pool	—	—	8,983,857	9,283,340
Accrued interest receivable	420,548	206,916	19,743	12,994
Contributions receivable, net	85,014,804	82,824,718	190,000	169,424
Other assets	9,212	1,009	31,747	11,278
Investment in real estate	6,918,921	7,471,404	674,799	674,799
Cash surrender value of life insurance	7,500,445	7,027,384	—	—
Beneficial interest in outside trusts	4,620,839	4,652,052	—	—
Property and equipment, net	214,538	269,896	1,774,801	1,783,556
Prepaid	—	—	48	9,294
Due from Auburn University	90,315	406,221	—	9,007
Due from Auburn University Foundation	—	—	636	—
Due from Auburn Alumni Association	51,698	142,953	—	—
Total assets	$ 687,846,017	$ 675,514,381	$ 15,939,724	$ 15,914,127
LIABILITIES				
Accounts payable and accrued liabilities	$ 517,347	$ 1,181,169	$ 145,938	$ 135,463
Annuities payable	11,183,870	10,764,111	—	—
Due to Auburn University	—	—	25,067	16,502
Due to Auburn University Foundation	—	—	230,030	152,377
Due to Auburn Alumni Association	8,983,857	9,283,340	—	—
Due to Tigers Unlimited Foundation	9,296,567	9,480,410	—	—
Due to outside beneficiaries	2,187,245	—	—	—
Retained life commitment	1,806,313	1,925,315	—	—
Deferred revenue	39,671	—	8,434,744	8,384,545
Total liabilities	34,014,870	32,634,345	8,835,779	8,688,887
NET ASSETS				
Without donor restrictions				
Undesignated	11,499,080	8,793,370	6,603,945	6,725,240
Designated by board, uncommitted	9,582,360	9,918,473	500,000	500,000
Designated by board, committed for programs	10,714,635	11,086,993	—	—
Total net assets without donor restrictions	31,796,075	29,798,836	7,103,945	7,225,240
With donor restrictions				
Perpetual in nature	440,761,774	416,382,577	—	—
Purpose and time restricted	181,303,654	196,733,435	—	—
Underwater endowments	(30,356)	(34,812)	—	—
Total net assets with donor restrictions	622,035,072	613,081,200	—	—
Total net assets	653,831,147	642,880,036	7,103,945	7,225,240
Total liabilities and net assets	$ 687,846,017	$ 675,514,381	$ 15,939,724	$ 15,914,127

See accompanying notes to financial statements.

AUBURN UNIVERSITY COMPONENT UNITS

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	Auburn University Foundation		Auburn Alumni Association	
	2019	2018	2019	2018
REVENUES AND OTHER SUPPORT				
Public support - contributions	$ 54,118,776	$ 43,749,205	$ 1,840,454	$ 1,779,296
Investment income	3,467,427	3,687,254	435,776	402,231
Other revenues	2,930,500	3,996,096	1,231,302	963,926
Total revenues	60,516,703	51,432,555	3,507,532	3,145,453
EXPENSES AND LOSSES				
Program services				
Grants to Auburn University	46,591,702	61,227,088	—	—
Other program services	3,830,642	3,823,399	1,529,722	1,373,591
Total program services	50,422,344	65,050,487	1,529,722	1,373,591
Support services				
General and administrative	2,537,000	2,114,675	1,631,183	1,543,588
Fund raising	3,359,339	3,660,023	238,427	257,256
Total support services	5,896,339	5,774,698	1,869,610	1,800,844
Total expenses	56,318,683	70,825,185	3,399,332	3,174,435
Unrealized losses (gains) on investments	2,065,287	(16,837,235)	229,495	(135,795)
Realized gains on investments	(8,826,536)	(12,671,139)	—	—
Change in valuation of split-interest agreements	8,158	(1,082,739)	—	—
Total expenses, (gains) and losses	49,565,592	40,234,072	3,628,827	3,038,640
*Change in net assets	10,951,111	11,198,483	(121,295)	106,813
Net assets - beginning of the year	642,880,036	631,681,553	7,225,240	7,118,427
Net assets - end of the year	$ 653,831,147	$ 642,880,036	$ 7,103,945	$ 7,225,240
*Change in net assets				
Without donor restrictions	$ 1,997,239	$ 3,311,467	$ (121,295)	$ 106,813
With donor restrictions	8,953,872	7,887,016	—	—
Total change in net assets	$ 10,951,111	$ 11,198,483	$ (121,295)	$ 106,813

See accompanying notes to financial statements.

AUBURN UNIVERSITY COMPONENT UNITS

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	Tigers Unlimited Foundation	
	2019	2018
ASSETS		
Cash and cash equivalents	$ 3,235,512	$ 1,228,712
Investments	41,670,903	45,416,888
Investment in Auburn University Foundation Securities Pool	9,254,067	9,202,477
Due from Auburn University	41,878	—
Due from Auburn University Foundation	58,150	—
Accrued interest receivable	200,299	246,591
Contributions receivable, net	28,870,615	19,973,335
Other receivables	—	156,150
Other assets	153,322	63,526
Property and equipment, net	38,445	210,386
Total assets	$ 83,523,191	$ 76,498,065
LIABILITIES		
Accounts payable and accrued liabilities	$ 582,388	$ 550,492
Deferred revenue	1,094,397	2,399,148
Due to Auburn University	2,339,647	3,950,954
Due to Auburn University Foundation	4,227,188	100,000
Total liabilities	8,243,620	7,000,594
NET ASSETS		
Without donor restrictions		
Undesignated	22,838,878	22,780,885
Designated by board, uncommitted	—	—
Designated by board, committed for programs	—	—
Investment in property and equipment, net	38,775	210,386
Total net assets without donor restrictions	22,877,653	22,991,271
With donor restrictions		
Perpetual in nature	7,555,847	7,475,638
Purpose and time restricted	44,847,883	39,031,986
Underwater endowments	(1,812)	(1,424)
Total net assets with donor restrictions	52,401,918	46,506,200
Total net assets	75,279,571	69,497,471
Total liabilities and net assets	$ 83,523,191	$ 76,498,065

See accompanying notes to financial statements.

AUBURN UNIVERSITY COMPONENT UNITS

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	Tigers Unlimited Foundation	
	2019	**2018**
REVENUES AND OTHER SUPPORT		
Public support - contributions	$ 53,585,282	$ 49,125,489
Investment income	1,021,083	920,435
Other revenues	6,703,768	6,667,559
Total revenues	61,310,133	56,713,483
EXPENSES AND LOSSES		
Program services		
Contribution to and support for Auburn University	21,836,394	19,622,635
Other program services	21,778,290	19,389,899
Total program services	43,614,684	39,012,534
Support services		
General and administrative	2,017,030	1,899,909
Fundraising	8,896,417	8,614,088
Total support services	10,913,447	10,513,997
Total expenses	54,528,131	49,526,531
Unrealized (gains) losses on investments, net	(511,647)	201,735
Realized gains on investments, net	(42,163)	(169)
Loss on write-off of contribution receivable	1,553,712	578,823
Total expenses, (gains) and losses	55,528,033	50,306,920
*Change in net assets	5,782,100	6,406,563
Net assets - beginning of the year	69,497,471	63,090,908
Net assets - end of the year	$ 75,279,571	$ 69,497,471
*Change in Net Assets		
Without donor restrictions	$ (113,618)	$ (2,538,488)
With donor restrictions	5,895,718	8,945,051
Total change in net assets	$ 5,782,100	$ 6,406,563

See accompanying notes to financial statements.

AUBURN UNIVERSITY COMPONENT UNITS

STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018

	Auburn Research and Technology Foundation	
	2019	**2018**
ASSETS		
Cash and cash equivalents	$ 474,289	$ 454,142
Restricted cash	5,603,327	288,021
Deposits	27,939	28,739
Prepaid expenses and other assets	54,722	28,945
Accounts receivable	1,415,580	1,328,496
Interest receivable	44,263	—
Contributions receivable, net	1,830,101	1,263,821
Property, plant and equipment, net	17,820,761	8,565,490
Total assets	$ 27,270,982	$ 11,957,654
LIABILITIES		
Accounts payable	$ 2,031,751	$ 295,371
Deferred revenue	648,290	577,195
Deposits held in custody	27,439	28,739
Interest payable	82,045	30,057
Capital lease obligation	26,025	47,605
Other payable to Auburn University	56,124	148,363
Note payable to Auburn University	680,262	723,070
Notes payable to River Bank and Trust	4,345,461	639,601
Notes payable - New Market Tax Credit	9,359,465	—
Total liabilities	17,256,862	2,490,001
NET ASSETS		
Without donor restrictions	8,183,978	8,203,790
With donor restrictions	1,830,142	1,263,863
Total net assets	10,014,120	9,467,653
Total liabilities and net assets	$ 27,270,982	$ 11,957,654

See accompanying notes to financial statements

AUBURN UNIVERSITY COMPONENT UNITS

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	Auburn Research and Technology Foundation	
	2019	**2018**
REVENUES AND OTHER SUPPORT		
Rental income	$ 1,252,127	$ 1,092,218
Royalty income	—	20,000
Other income	116	—
Other contracts	250,914	139,296
Contributions	1,107,170	449,611
Total revenues	2,610,327	1,701,125
EXPENSES AND LOSSES		
Support services		
General and administrative	1,461,295	891,245
Amortization on ground leases	112,087	71,101
Amortization on capital lease	23,210	23,210
Amortization on loan fee	31,705	—
Depreciation	288,762	289,458
Interest	146,801	40,257
Total support services	2,063,860	1,315,271
Total expenses	2,063,860	1,315,271
*Change in net assets	546,467	385,854
Net assets - beginning of the year	9,467,653	9,081,799
Net assets - end of the year	$ 10,014,120	$ 9,467,653
*Change in Net Assets		
Without donor restrictions	$ (19,812)	$ 26,282
With donor restrictions	566,279	359,572
Total change in net assets	$ 546,467	$ 385,854

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 35,648 students for Fall semester 2019. 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 is a public corporation and an instrumentality of the State of Alabama. As a governmental unit of the State of Alabama, the University is not subject to federal income tax. 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) of the Internal Revenue Code. 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.

Auburn Research Park I (ARPI) is an entity formed in June 2019 to take advantage of financing opportunities through the New Market Tax Credit program. ARPI is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The financial statements of ARTF include the consolidated financial position and activities of ARTF and ARPI as ARTF is deemed to control ARPI through a majority voting interest and ARTF is deemed to have an economic interest in ARPI.

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 with or without donor restrictions.

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 assets with donor restrictions and without donor restrictions. Contributions for which donors have imposed restrictions which limit the use of the donated assets, are reported as support with donor restrictions if the restrictions are not met in the same reporting period. When such donor-imposed restrictions are met in subsequent reporting periods, those net assets are reclassified to net assets without donor restrictions 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 assets with donor restrictions - perpetual in nature. Contributions for which donors have not stipulated restrictions are reported as support without donor restrictions.

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 2019, the University adopted the following Governmental Accounting Standards Board Pronouncements:

GASB Statement No. 83, *Certain Asset Retirement Obligations*. 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. The adoption of this standard had no material effect on the University's financial statements in the current fiscal year.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. 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. These disclosures have been included (see Note 9).

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 includes 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. Pursuant to this policy, the University reclassified $149,000,000 of bond proceeds from cash and cash equivalents to long term investments within the 2018 accompanying Statement of Net Position. This change is reflected as a purchase of investments in the investing activities section of the 2018 accompanying Statement of Cash Flows.

Investments

Operating investments consist of cash and investments designated for current operations, with maturities occurring within the next fiscal year. Accordingly, the University classifies debt service funds held by the Trustee for debt service payments as operating investments. These investments are not considered liquid or accessible, but they will be used within the next fiscal year for the December bond payment.

Long term investments consist of cash and investments with maturities greater than one year or whose use is restricted for long term purposes. Consistent with the reclassification noted above, investment of bond proceeds are restricted and are shown as long term investments. 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.

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 2019 or 2018.

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, whose use is not restricted for long-term purposes.

(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 12, 2019, 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 12, 2019, 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 $72,318,643 and $78,831,184 at September 30, 2019 and 2018, 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, 2019 and 2018, covering the fair value of investments by investment type and related maturity:

Auburn University Investments
Investment Maturities at Fair Value (in Years)
September 30, 2019

Types of Investments	< 1 year	1–5 years	6–10 years	> 10 years	Total Fair Value
Fixed Maturity					
Certificates of Deposit	$ —	$ 514,841	$ —	$ —	$ 514,841
U.S. Treasury Obligations	25,239,345	7,117,186	—	—	32,356,531
U.S. Agency Securities	92,571,990	519,944,977	108,436,460	—	720,953,427
Mortgage Backed Securities	—	1,539,211	8,805,586	—	10,344,797
Municipals	—	1,010,730	—	—	1,010,730
	$ 117,811,335	$ 530,126,945	$ 117,242,046	$ —	$ 765,180,326
Global Equities					2,744,504
Alternative Investments					
Hedge Funds					82,303,404
Private Capital					26,058,457
Real Assets					27,933,906
Real Estate					740,750
Mutual Funds, Common Trust Funds and Business Trust Funds					123,522,726
Funds Held in Trust					3,578,142
Cash Surrender Value-Life Insurance					875,275
Money Market, Cash and Pooled Investments					372,197,056
Total investments					1,405,134,546
Less cash equivalents held in cash pool					(225,400,000)
Operating and noncurrent investments					$1,179,734,546

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					(142,427,144)
Operating and noncurrent investments					$1,296,523,721

- **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, 2019 and 2018, 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
	2019		2018	
US Treasury	$ 32,356,531	4.23%	$ 38,469,912	4.38%
Aaa	731,298,224	95.57%	837,872,254	95.45%
Aa	1,010,730	0.13%	968,740	0.11%
Not rated*	514,841	0.07%	513,165	0.06%
	$ 765,180,326	100.00%	$ 877,824,071	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, 2019 and 2018 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, 2019 and 2018, the University held no investments in foreign currency.

Securities Lending Program

As of September 30, 2019 and 2018, there was no participation in any securities lending program.

Interest Sensitive Securities

As of September 30, 2019, the University held investments totaling $10,344,797 in mortgage-backed securities. As of September 30, 2018, the University held investments in mortgage-backed securities totaling $9,739,054. As of September 30, 2019 and 2018 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, 2019 and 2018, the University Cash Pool held $171,311,180 and $77,811,157, representing 12.2% and 5.4%, respectively, of total investments in continuously callable fixed maturity investments. The University investment policies do not restrict the purchase of mortgage-backed securities, asset-backed securities, or bonds with call provisions.

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

On September 30, 2019 and 2018, 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, 2019, as follows: $217,395,859, 2018A General Fee Bond proceeds, and $24,434,545, Deferred Maintenance Building Fund. The General Liability Account holds investments of $5,679,697.

At September 30, 2018, funds held for pending capital expenditures were as follows: $218,555,809, 2018A General Fee Bond proceeds, and $20,276,151, Deferred Maintenance Building Fund. The General Liability Account held investments of $5,757,075.

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, 2019 and 2018. 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) are designed to enhance diversification and provide reductions in overall portfolio volatility. These fair values are estimated by the general partner of each limited partnership using various valuation techniques.

GASB Statement No. 72 establishes a hierarchy that prioritizes inputs to valuation techniques used to measure fair value. At September 30, 2019 and 2018, 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, 2019				
Types of Investments	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Cash and Pooled Investments	$ 4,572,434	$ 4,572,434	$ —	$ —
Fixed Maturity	765,180,326	514,841	764,665,485	—
Global Equities	2,744,504	2,744,504	—	—
Real Estate	740,750	—	—	740,750
Mutual Funds	72,753,921	72,753,921	—	—
Total investments in the fair value hierarchy	$ 845,991,935	$ 80,585,700	$ 764,665,485	$ 740,750
Investments measured at NAV	190,642,714			
Money Market	142,224,622			
Cash Surrender Value-Life Insurance	875,275			
Operating and noncurrent investments	$ 1,179,734,546			

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	(5,927,144)			
Operating and noncurrent investments	$ 1,296,523,721			

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, 2019

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	$ 3,578,142	$ —	N/A	Daily	3 business days	N/A
Global Bond Fund	12,392,419	—	N/A	Semi-Monthly	5 business days	N/A
Business Trust Funds and Common Trust Funds	38,376,386	—	N/A	Monthly	6-10 business days	N/A
Global Equity Hedge Fund	34,388,641	—	N/A	Quarterly	60 days	N/A
Global Long/Short Hedge Funds	18,962,313	—	N/A	Quarterly, Semi-Annually	45 - 60 days	N/A
Absolute Return Hedge Funds	28,952,450	—	N/A	Quarterly, Annually	60 - 90 days	N/A
Private Equity Funds	26,058,457	29,188,067	8 mos.-13 yrs.	Illiquid	Illiquid	N/A
Real Asset Investment Funds	27,933,906	19,460,365	3-10 yrs.	Monthly or Illiquid	15 days, Illiquid	N/A
Total	$190,642,714	$ 48,648,432				
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, 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.-10 yrs.	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

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 66% developed international and 34% 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 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, 2019 and 2018, include the following:

	2019		2018	
	Fair Value	**Cost**	**Fair Value**	**Cost**
Cash and pooled investments	$ 12,158,083	$ 12,158,083	$ 7,844,209	$ 7,844,209
Government bonds, notes and other securities	46,388,708	41,245,356	43,057,282	40,182,345
Corporate stocks	—	—	1,473,987	121,020
Mutual funds, business trust funds, and common trust funds	257,556,297	210,205,633	255,634,713	200,346,278
Other investments	2,725,075	2,725,075	420,000	420,000
Hedge funds	160,256,730	88,147,671	176,873,763	104,180,546
Private equity funds	47,533,202	39,554,831	36,097,634	31,701,726
Real asset investment funds	50,863,909	46,540,050	48,204,854	45,003,093
Total investments	$ 577,482,004	$ 440,576,699	$ 569,606,442	$ 429,799,217

AUF owns shares in six mutual funds, three business trust funds, and one common trust fund. These funds are invested in global marketable securities, commodities and global debt securities. Other investments consist of deeded mineral rights, structured notes, and closely held stock with sale restrictions. AUF owns limited partnership interests of which the goal is to invest in readily marketable securities, privately held companies and properties within different industry sectors. At investment inception, AUF enters into a separate subscription agreement with a capital commitment to each limited partnership.

As of September 30, 2019, AUF had entered into subscription agreements with sixty-four limited partnership investments. The aggregate amount of capital committed to these investments is $319,133,504 of which capital contributions of $222,205,906 have been invested. A cumulative net unrealized gain of $84,411,289 has been recorded on these investments. Of these sixty-four commitments, fifteen subscriptions relate to hedge funds, thirty-one subscriptions relate to private equity funds, and twenty subscriptions relate to real 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 investments in commercial and residential real estate, natural resources, and commodities.

Limited partnership interests are reported at estimated fair value as determined by the 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. Structured notes are reported at estimated fair value based on the underlying securities. Closely held stock is reported at the value provided by the issuers' representatives. AUF believes that the carrying amount of these investments is a reasonable estimate of fair value as of September 30, 2019 and 2018. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed and such difference could be material. These investments are made in accordance with AUF's investment policy that approves the allocation of funds to various asset classes (i.e., global equity, private capital, hedge funds, real assets, global fixed income, and cash) in order to ensure the proper level of diversification within the endowment pool. Investments in limited partnerships (private equity, hedge funds, and real assets) are designed to enhance diversification and provide reductions in overall portfolio volatility. These fair values are estimated by the general partner of each limited partnership using various valuation techniques. The fair values of these investments were $361,197,953 and $387,805,247 as of September 30, 2019 and 2018, 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 $393,195,041 and $387,557,857 and the market value was $527,118,936 and $522,980,287 at September 30, 2019 and 2018, respectively. The portion of endowment income received by the University from these funds was $16,741,550 and $15,767,739 for the fiscal years ended September 30, 2019 and 2018, 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 $2,575,411 and $2,404,321 and a market value of $3,578,142 and $3,678,153 at September 30, 2019 and 2018, 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, 2019 and 2018. The income received from the two trusts was $61,020 and $80,565 for the fiscal years ended September 30, 2019 and 2018, respectively.

(6) ACCOUNTS RECEIVABLE

Accounts receivable and the allowances for doubtful accounts at September 30, 2019 and 2018, are summarized as follows:

	2019	2018
NONSTUDENT ACCOUNTS RECEIVABLE		
Federal, state & local government, and other restricted expendable	$ 32,706,731	$ 30,697,276
Less allowance for doubtful accounts	(1,820,302)	(1,605,621)
Pledged receivables	526,897	404,448
General	23,004,093	22,640,836
Less allowance for doubtful accounts	(12,929,942)	(13,038,820)
Auxiliary	21,379,732	23,526,707
Capital gifts and grants	1,180,756	1,665,465
Total nonstudent accounts receivable	$ 64,047,965	$ 64,290,291

	2019	2018
STUDENT ACCOUNTS RECEIVABLE		
Unrestricted general	$ 46,469,008	$ 41,009,687
Less allowance for doubtful accounts	(1,778,779)	(1,639,652)
Unrestricted auxiliary	4,423,499	4,001,519
Less allowance for doubtful accounts	(373,811)	(287,429)
Total student accounts receivable	$ 48,739,917	$ 43,084,125

(7) CAPITAL ASSETS

Capital assets at September 30, 2019 and 2018, are summarized as follows (dollars in thousands):

	September 30, 2018	Additions/Transfers	Deletions/Transfers	September 30, 2019
Capital assets not being depreciated				
Land	$ 39,051	$ 425	$ —	$ 39,476
Art & collectibles	12,547	1,049	(74)	13,522
Construction in progress	139,101	218,889	(289,618)	68,372
Livestock	2,613	1,044	(1,015)	2,642
Other non-current assets	1,209	73	(983)	299
Total capital assets not being depreciated	194,521	221,480	(291,690)	124,311
Capital assets being depreciated				
Land improvements	132,062	18,338	—	150,400
Buildings	1,896,896	211,079	(3,281)	2,104,694
Equipment	253,791	23,936	(6,340)	271,387
Infrastructure	236,704	28,314	(198)	264,820
Library books	197,579	440	(69)	197,950
Software system implementation	15,709	—	—	15,709
Total capital assets being depreciated	2,732,741	282,107	(9,888)	3,004,960
Less accumulated depreciation for				
Land improvements	71,948	6,507	—	78,455
Buildings	587,025	41,253	(3,168)	625,110
Equipment	171,623	16,803	(5,815)	182,611
Infrastructure	103,419	8,592	(102)	111,909
Library books	169,504	5,393	(69)	174,828
Software system implementation	13,880	426	—	14,306
Total accumulated depreciation	1,117,399	78,974	(9,154)	1,187,219
Total capital assets being depreciated, net	1,615,342	203,133	(734)	1,817,741
Capital assets, net	$ 1,809,863	$ 424,613	$ (292,424)	$ 1,942,052

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

During the fiscal years ended September 30, 2019 and 2018, 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, 2019	September 30, 2018
Loss on refunding		
2009 General Fee refunding	$ 943,037	$ 1,223,187
2012A General Fee refunding	3,053,541	3,440,239
2012B General Fee refunding	134,309	170,683
2014A General Fee refunding	2,866,962	3,302,497
2015A General Fee refunding	7,062,107	7,838,702
2015B General Fee refunding	2,887,887	3,207,218
2016A General Fee refunding	25,002,229	27,036,759
Pension and OPEB	206,358,119	195,093,459
Total deferred outflows of resources	$ 248,308,191	$ 241,312,744

(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, 2018	Principal New Debt	Repayment	Balance at September 30, 2019
1978 Auburn University at Montgomery Dormitory Revenue Bonds, $3,279,000 face value, 3.0%, due annually through 2019, a reserve of $0 and a $0 contingency fund.	$ 140,000	$ —	$ (140,000)	$ —
2001A Athletic Revenue Bonds, $24,412,607 face value, 2.125% to 5.49%, due annually through 2021.	4,393,307	—	(1,554,123)	2,839,184
2008 General Fee Revenue Bonds, $92,500,000 face value, 3.0% to 5.0%, due annually through 2019.	2,340,000	—	(2,340,000)	—
2009 General Fee Revenue Bonds, $79,500,000 face value, 2.0% to 5.0%, due annually through 2026.	51,715,000	—	(5,470,000)	46,245,000
2011A General Fee Revenue Bonds, $226,035,000 face value, 4.0% to 5.0%, due annually 2025.	35,920,000	—	(5,025,000)	30,895,000
2012A General Fee Revenue Bonds, $120,135,000 face value, 2.0% to 5.0%, due annually through 2042.	91,175,000	—	(3,485,000)	87,690,000
2012B General Fee Revenue Bonds, $3,505,000 face value, 2.9%, due annually through 2024.	3,130,000	—	(70,000)	3,060,000
2014A General Fee Revenue Bonds, $66,415,000 face value, 2.0% to 5.0%, due annually through 2035.	64,120,000	—	(1,540,000)	62,580,000
2015A General Fee Revenue Bonds, $116,190,000 face value, 2.0% to 5.0%, due annually through 2038.	114,295,000	—	(4,355,000)	109,940,000
2015B General Fee Revenue Bonds, $38,700,000 face value, 2.0% to 5.0%, due annually through 2035.	38,235,000	—	(180,000)	38,055,000
2016A General Fee Revenue Bonds, $217,930,000 face value, 1.5% to 5.0%, due annually through 2041.	210,720,000	—	(525,000)	210,195,000
2018A General Fee Revenue Bonds, $216,865,000 face value, 2.0% to 5.0%, due annually through 2048.	216,865,000	—	(4,390,000)	212,475,000
Notes payable	3,125,000	—	—	3,125,000
Total bonds and notes payable	836,173,307	—	(29,074,123)	807,099,184
Plus: unamortized bond premium	85,655,629	—	(8,056,279)	77,599,350
	921,828,936	$ —	$ (37,130,402)	884,698,534
Less: current portion				
Bonds payable	(29,074,123)			(28,657,709)
Unamortized bond premium	(8,056,280)			(7,655,417)
Total noncurrent bonds and notes payable	$ 884,698,533			$ 848,385,408

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 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

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.

The University has outstanding bonds payable and notes from direct borrowings totaling $803,974,184 and $3,125,000 and $833,048,307 and $3,125,000 at September 30, 2019 and 2018, respectively. The University's bonds have acceleration provisions in the event of default that the Bond Trustee may, by written notice to the University, declare the principal of and the interest accrued on all the Bonds due and payable immediately or the Trustee has the right of mandamus or other lawful remedy in court. The University's outstanding note from a direct borrowing contains a provision that in the event of default, the outstanding amount will become immediately due, and the interest rate of 0.54% annually will immediately escalate to the federal short-term rate.

On September 13, 2019, the Board authorized the University to issue revenue bonds for the purpose of refunding any or all of its outstanding bonds in an effort to manage the University's refunding opportunities in the most efficient manner possible, and to permit the University to take advantage of changing market conditions. As of September 30, 2019, no new bonds had yet been issued.

Future Debt Service

Future debt service payments for each of the five fiscal years subsequent to September 30, 2019 and thereafter, are as follows:

Year Ending September 30	Bonds Payable	
	Principal	Interest
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	32,955,000	31,589,091
2025-2029	162,815,000	133,967,646
2030-2034	185,610,000	94,623,120
2035-2039	171,125,000	52,999,325
2040-2044	81,825,000	22,302,300
2045-2048	49,745,000	6,369,750
Total future debt service	$ 803,974,184	$ 487,153,693

This table excludes the note payable of $3,125,000, as it becomes due upon an event trigger, and not a time certain.

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, 2018	New Lease Obligations	Principal Repayment	Balance at September 30, 2019
Equipment	$ 320,532	$ 3,799,044	$ (903,695)	$ 3,215,881
Auburn University Educational Complex	9,835,000	—	(185,000)	9,650,000
Total lease obligations	$ 10,155,532	$ 3,799,044	$ (1,088,695)	$ 12,865,881
Plus: Unamortized premium	499,781	414,577	(204,429)	709,929
	10,655,313	4,213,621	(1,293,124)	13,575,810
Less: Current portion				
Lease payable	(366,450)			(1,088,456)
Unamortized premium	(39,917)			(56,012)
Total noncurrent lease obligation	$ 10,248,946			$ 12,431,342

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 obligation	$ 10,007,133			$ 10,248,946

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

Year Ending September 30	Principal	Interest	Total
2020	$ 1,088,456	$ 485,004	$ 1,573,460
2021	1,029,598	459,927	1,489,525
2022	947,374	436,382	1,383,756
2023	935,453	417,537	1,352,990
2024	210,000	398,700	608,700
2025-2029	1,190,000	1,853,300	3,043,300
2030-2034	1,505,000	1,532,750	3,037,750
2035-2039	1,890,000	1,150,700	3,040,700
2040-2044	2,380,000	660,250	3,040,250
2045-2048	1,690,000	137,000	1,827,000
Total future minimum lease payments	$ 12,865,881	$ 7,531,550	$ 20,397,431

The University has entered into various operating leases for equipment. It is expected that, in the normal course of business, such leases will continue to be required. Net expenditures for rentals under operating leases for the years ended September 30, 2019 and 2018, amounted to approximately $5.9 million and $5.3 million, respectively.

(10) PLEDGED REVENUES

Pledged revenue for 2019 and 2018 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:

	2019	2018
Student fees collected	$ 589,344,065	$ 555,775,763
Less fees pledged for specific purposes:		
Athletic fees ($98/$96 per student per semester)	(5,909,507)	(5,839,447)
Transit fees ($161/$158 per semester)	(9,243,301)	(8,641,311)
Student center operations ($8/$15 per student per semester)	(773,152)	(830,595)
Total general fees pledged	$ 573,418,105	$ 540,464,410

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 2019 and 2018 subordinate to prior pledges of such revenues as defined by the **Series 2011A General Fee Revenue Trust Indenture** is as follows:

	2019	2018
AUM housing revenues		
Room rental	$ 7,161,870	$ 6,683,263
Other income	255,992	302,015
Total housing	7,417,862	6,985,278
AUM dining revenue	2,368,846	1,687,995
Total AUM housing and dining revenues pledged	$ 9,786,708	$ 8,673,273

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 2019 and 2018 as defined by the **Series 2001A Athletic Revenue Trust Indenture** is as follows:

	2019	2018
Jordan-Hare and other revenues:		
Television and broadcast revenues	$ 40,022,009	$ 39,031,264
Conference and NCAA distributions	12,808,859	16,580,030
Sales and services revenues	27,451,637	43,047,855
Student fees	5,909,507	5,839,447
Royalties, advertisements and sponsorships	9,667,679	9,630,402
Other income	13,275,560	10,771,980
Total athletic revenues pledged	$ 109,135,251	$ 124,900,978

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, all bonds 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, 2019 and 2018, as defined by the **1978 Auburn University at Montgomery Trust Indenture**:

	2019	2018
Revenues:		
Room rental	$ 1,496,591	$ 1,461,523
Other income	78,914	82,661
Total revenues	1,575,505	1,544,184
Expenses and transfers:		
Personnel costs	321,022	338,961
Operating expenses	1,018,852	819,561
Transfers	24,166	144,837
Total expenses and transfers	1,364,040	1,303,359
Surplus of revenues over expenses and transfers	211,465	240,825
AUM student housing net surplus at beginning of year	838,988	598,163
AUM student housing net surplus at end of year	$ 1,050,453	$ 838,988

The AUM dormitory occupancy rate for Fall semester 2019 and Fall semester 2018 was 99.19% and 100.00%, 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	2019	2018	2017
Total percentage of covered payroll	19.91% / 17.35%	19.74% / 17.01%	19.51% / 16.82%
Contributions:			
Percentage contributed by the employer	12.41% / 11.35%	12.24% / 11.01%	12.01% / 10.82%
Percentage contributed by the employees	7.50% / 6.00%	7.50% / 6.00%	7.50% / 6.00%
Contributed by the employer	$ 55,172,904	$ 51,809,686	$ 49,273,810
Contributed by the employees	31,950,378	30,754,954	29,945,389
Total contributions	$ 87,123,282	$ 82,564,640	$ 79,219,199

The University reported a liability of $643,808,000 and $619,862,000 as of September 30, 2019 and 2018, respectively, for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017 and 2016, 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, 2018 and 2017, the University's proportion was 6.475262% and 6.306790%, respectively, which was an increase of 0.168472% and 0.160776% from its proportion measured as of September 30, 2017 and 2016, respectively.

For the years ended September 30, 2019 and 2018, the University recognized pension expense of $67,057,000 and $65,413,000, respectively.

At September 30, 2019, 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	$ 13,893,000	$ 19,612,000
Changes of assumptions	35,786,000	—
Net difference between projected and actual earnings on pension plan investments	—	48,596,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	36,868,000	—
Employer contributions subsequent to the measurement date	55,173,000	—
Total	$ 141,720,000	$ 68,208,000

$55,173,000 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, 2020. 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:	
2020	$ 19,782,000
2021	(2,464,000)
2022	(4,508,000)
2023	3,760,000
2024	1,769,000

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions	
Inflation	2.75%
Investment rate of return*	7.70%
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 actuarial assumptions used in the September 30, 2017 valuation were based on the results of an actuarial investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016 which became effective at the beginning of fiscal year 2016.

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%	

*Includes assumed rate of inflation of 2.50%

Discount Rate

The discount rate used to measure the total pension liability was 7.70%. 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 7.70% 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 (6.70%) or one percentage point higher (8.70%) than the current rate:

	1.00% Decrease (6.70%)	Current Discount Rate (7.70%)	1.00% Increase (8.70%)
Employers' proportionate share of the collective net pension liability	$ 896,188,000	$ 643,808,000	$ 430,334,000

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2018. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2018. The auditor's report dated August 16, 2019, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2018, along with supporting schedules is also available. The additional financial and actuarial information is available at http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/.

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, 2018, the University had 276 retired members or their beneficiaries currently receiving benefits, one vested inactive member, five active members, and ten 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	2019	2018	2017
Total percentage of covered payroll Contributions:	392.75% / 392.00%	417.36% / 416.36%	266.92% / 265.93%
Percentage contributed by the employer	389.00% / 389.00%	413.61% / 413.36%	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	$ 4,617,318	$ 5,680,659	$ 5,321,011
Contributed by the employees	35,480	63,376	65,846
Total contributions	$ 4,652,798	$ 5,744,035	$ 5,386,857

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, 2019, the University's active employee contribution rate was 389.00% of covered payroll.

The University's contractually required contribution rate for the year ended September 30, 2019, was 389.00% of pensionable pay. These required contribution rates are based upon the actuarial valuation dated September 30, 2016, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the University were $4,617,318 for the year ended September 30, 2019.

Net Pension Liability

The University's net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017 and rolled forward to September 30, 2018, using standard roll-forward techniques as shown in the following table:

Total Pension Liability	Expected	Actual (7.75%)	Actual (7.70%)
(a) Total Pension Liability as of September 30,2016	$ 45,651,223	$ 46,196,648	$ 46,338,300
(b) Discount rate	7.75%	7.75%	7.7%
(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	$ (5,387,960)	$ (5,387,960)	$ (5,387,960)
(f) Total Pension Liability as of September 30, 2017 [(a)x(1+(b))]+(c)+(d)+[(e)x(1+.05*(b))]	$ 43,592,449	$ 44,180,144	$ 44,310,953
(g) Difference between Expected and Actual:		$ 587,695	
(h) Less Liability Transferred for Immediate Recognition:		$ —	
(i) Experience (Gain)/Loss= (g)-(h)		$ 587,695	
(j) Difference between Actual at 7.70% and actual at 7.75% [Assumption Change (Gain)/Loss]=			$ (130,809)

Actuarial Assumptions

The total pension liability in the actuarial valuation prepared as of September 30, 2017 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*	7.70%

*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, 2017 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

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	100.00%	

*Includes assumed rate of inflation of 2.75%

Discount Rate

The discount rate used to measure the total pension liability was the long term rate of return, 7.70%. 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, 2017	$ 45,651,223	$ 35,951	$ 45,615,272
Changes for the year:			
Service cost	—	—	—
Interest	3,329,186	—	3,329,186
Changes of assumptions	130,809	—	130,809
Differences between expected and actual experience	587,695	—	587,695
Contributions - employer	—	5,721,023	(5,721,023)
Contributions - employees	—	63,922	(63,922)
Net Investment Income	—	21,698	(21,698)
Benefit payments, including refunds of employee contributions	(5,387,960)	(5,387,960)	—
Administrative expense	—	—	—
Transfers among employers	—	—	—
Net changes	(1,340,270)	418,683	(1,758,953)
Balance at September 30, 2018	$ 44,310,953	$ 454,634	$ 43,856,319

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 7.70% 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 (6.70%) or one percentage point higher (8.70%) than the current rate:

	1.00% Decrease (6.70%)	Current Discount Rate (7.70%)	1.00% Increase (8.70%)
Employers' proportionate share of the collective net pension liability	$ 46,654,938	$ 43,856,319	$ 41,387,145

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, 2018 and 2017. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2018 and 2017. The auditor's report dated August 17, 2019, and August 31, 2018, 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, 2019 and 2018, the University recognized pension expense of $3,953,062 and $3,174,342, respectively. At September 30, 2019, 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	7,259	—
Employer contributions subsequent to the measurement	4,617,318	—
Total	$ 4,624,577	$ —

$4,617,318 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, 2020. 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:		
2020	$	9,542
2021		(872)
2022		(706)
2023		(706)

		Pension Expense
Service Cost	$	—
Interest on the total pension liability		3,329,186
Current-period benefit changes		—
Expensed portion of current-period difference between expected and actual experience in total pension liability		587,695
Expense portion of current-period changes of assumptions		130,809
Member contributions		(63,922)
Projected earnings on plan investments		(18,169)
Expensed portion of current-period differences between actual and projected earnings on plan investments		(706)
Transfers among employers		—
Recognition of beginning deferred outflows of resources as pension expense		—
Recognition of beginning deferred inflows of resources as pension expense		(11,831)
Pension Expense (Income)	$	3,953,062

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, 2019 and 2018, 3,768 and 3,667 employees, respectively, participated in the tax deferred annuity program. The contribution for 2019 was $23,485,595, which includes $5,508,108 from the University and $17,977,487 from its employees. The contribution for 2018 was $22,658,580, which includes $5,362,656 from the University and $17,295,924 from its employees.

Total salaries and wages during the fiscal year for covered employees participating in the plan were $299,925,759 and $288,990,279 for the fiscal years ended September 30, 2019 and 2018, 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, 2019 and 2018, 262 and 242 employees, respectively, participated in the plans. Contributions of $3,331,025 and $2,975,894 for fiscal years 2019 and 2018, 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, and are eligible and may elect to participate in the plan with respect to their active 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 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, 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

The University reported a liability of $334,674,593 and $327,120,973 as of September 30, 2019 and September 30, 2018, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was determined by an actuarial valuation as of September 30, 2018. 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, 2018, the University's proportion was 4.072098%, which was a decrease of 0.332131% from its proportion measured as of September 30, 2017.

The University recognized OPEB expense of $27,075,876 and $30,263,473 for the years ended September 30, 2019 and September 30, 2018, respectively, with no special funding situations. At September 30, 2019, 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	$ 6,300,899	$ —
Changes of assumptions	—	16,301,743
Net difference between projected and actual earnings on OPEB plan	—	1,793,185
Changes in proportion and differences between Employer contributions and	44,428,782	22,932,684
Employer contributions subsequent to the measurement	9,283,861	—
Total	$ 60,013,542	$ 41,027,612

$9,283,861 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, 2020.

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:	
2020	$2,498,084
2021	2,498,084
2022	2,498,084
2023	2,900,654
2024	(417,013)
Thereafter	(275,824)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2017, 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	4.18%
Municipal Bond Index Rate at the Prior Measurement Date	3.57%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2029
Single Equivalent Interest Rate at the Measurement Date	4.44%
Single Equivalent Interest Rate at the Prior Measurement Date	4.63%
Healthcare Cost Trend Rate	
Pre-Medicare Eligible	7.00%
Medicare Eligible	5% beginning in 2019
Ultimate Trend Rate	
Pre-Medicare Eligible	4.75% in 2026
Medicare Eligible	4.75% in 2024

[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.

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, 2017 valuation were based on a review of recent plan experience done concurrently with the September 30, 2017 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 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, 2018 was 4.44%. The discount rate used to measure the total OPEB liability at the prior measurement date was 4.63%. 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 20.307% of the employer contributions were used to assist in funding retiree benefit payments in 2018 and it is assumed that the amount will increase by 2.75% 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 2116. The long term rate of return is used until the assets are expected to be depleted in 2029, 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 (6.00% decreasing to 3.75% for pre-Medicare, 4.00% decreasing to 3.75% for Medicare Eligible)	Current Healthcare Trend Rate (7.00% decreasing to 4.75% for pre-Medicare, 5.00% decreasing to 4.75% for Medicare	1% Increase (8.00% decreasing to 5.75% for pre-Medicare, 6.00% decreasing to 5.75% for Medicare Eligible)
Net OPEB Liability	$ 275,110,137	$ 334,674,593	$ 410,508,459

The following table presents the University's proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 4.44%, 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 (3.44%)	Current Discount Rate (4.44%)	1% Increase (5.44%)
Net OPEB Liability	$ 399,794,113	$ 334,674,593	$ 282,146,340

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, 2018. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2018. 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. There were 374 and 421 total participants as of September 30, 2019 and 2018, respectively.

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 $751,738 and $888,240 for fiscal years ended September 30, 2019 and 2018, respectively. The retirees are responsible for funding approximately 40% of the healthcare premiums.

The University reported the Plan liability of $45,317,539 and $43,288,271 as of September 30, 2019 and 2018, respectively. The Plan liability was measured as of September 30, 2019, and the total Plan liability was determined by an actuarial valuation as of September 30, 2019.

The University recognized expense of $4,375,496 and $1,379,248 for fiscal years ended September 30, 2019 and 2018, respectively. At September 30, 2019, the University did not report deferred outflows of resources or deferred inflows of resources related to pensions.

The total Plan liability was determined by an actuarial valuation as of September 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement.

Summary of Key Actuarial Methods and Assumptions

Actuarial Cost Method	The actuarial cost method used to determine the actuarial accrued liability and the normal cost for financial reporting purposes is the Entry Age Actuarial Cost Method. The accrued liability and the normal cost are used to determine the University's financial disclosure requirement. Under this method, the cost of each individual's benefit is allocated on a level percent of payroll basis between the time employment starts (entry age) and the assumed retirement date. The normal cost is the amount allocated for a given year and actuarial liability is the accumulation of prior normal costs as of the determination date. The total actuarial liability for retirement benefits is the sum of the actuarial liability for all members.
Actuarial Valuation Frequency	An actuarial valuation is prepared biennially with a 'roll-forward' valuation in the interim year, provided no significant events have occurred during the interim year warranting a new measurement. This year's fiscal 2019 valuation was based on a full valuation.
Amortization Method	Level dollar amortization for differences between expected and actual experience with regard to economic or demographic factors and for changes in assumptions, the amounts will be amortized over a closed period equal to the average of the expected remaining service lives of all participants (including inactives) determined at the beginning of the measurement period. The differences between projected and actual earnings on OPEB plan investments will be recognized over a closed five-year period.
Valuation date	October 1, 2019
Measurement date	September 30, 2019
Measurement period	October 1, 2018 to September 30, 2019
Reporting date	September 30, 2019

	Fiscal 2019 Valuation	Fiscal 2018 Valuation
Interest rate		
Discount rate	2.66%	3.00%
Expected long term rate of return	NA	NA
Municipal bond rate	2.66%	3.00%

Inflation	2.50% per year
Salary increase	0.00% per year. The salary increase rate was set to 0% due to a very small number of actives.
Medicare Eligibility	All participants are assumed to be eligible for Medicare upon attainment of age 65.
Full Attribution Age	Age at which the participant first becomes benefit eligible.
Rates of disability	None. The disability rate was set to 0% due to a very small number of actives.
Rate of withdrawal	None
Collection date of census data	October 1, 2019

Summary of Key Actuarial Methods and Assumptions

Rates of retirement

Age	Rate
60	20.00%
61	15.00%
62	25.00%
63-64	20.00%
65	40.00%
66-69	30.00%
70-74	75.00%
75+	100.00%

Mortality table: Pub-2010 Public Retirement Plans General mortality table projected generationally with Scale MP-2019.

For the prior valuation, RP-2014 Combined Healthy mortality table backed off to 2006 and projected generationally with Scale MP-2017 was used.

Participation: 100.00%

Lapse rate: 0.00%

Health Care and Contribution Trend Rate

Fiscal Year End	Medical Rate
2019	8.00%
2020	7.50%
2021	7.00%
2022	6.50%
2023	6.00%
2024	5.50%
2025+	5.00%

Annual Medical Per Capita Costs

Age	Cost
55	$10,692
60	$12,825
64	$14,531
65	$5,202
70	$5,772
75+	$6,148

Spousal coverage: 0% of future retirees are assumed to be married and elect spousal coverage upon retirement. The spousal coverage rate was set to 0% due to a very small number of actives all currently with either single or no coverage.

ACA Excise Tax: Future ACA Excise Tax cost was estimated and deemed immaterial.

Changes in Key Actuarial Assumptions and Methods from Prior Valuation	
Interest rate	The discount rate was updated from 3.00% as of September 30, 2018 to 2.66% as of September 30, 2019.
Mortality table	The mortality table was updated from RP-2014 Combined Healthy mortality table backed off to 2006 and projected generationally with Scale MP-2017 to Pub-2010 Public Retirement Plans General mortality table projected generationally with Scale MP-2019.
Trend rates	The health care trend rate table was reset in fiscal 2019.
Excise tax	The impact of the ACA Excise Tax was measured and deemed immaterial.
Salary increase	The salary increase rate was set to 0% due to a very small number of actives.
Rates of disability	The disability rate was set to 0% due to a very small number of actives.
Spousal coverage	The spousal coverage rate was set to 0% due to a very small number of actives all currently with either single or no coverage.

The following table presents the changes in the net Plan liability.

Changes in the Net Plan Liability

	Total Plan Liability (a)	Plan Fiduciary Position (b)	Net Plan Liability (a)-(b)
Balances at September 30, 2018	$ 43,288,271	$ —	$ 43,288,271
Changes for the Year			
Service Cost	90,744	—	90,744
Interest	1,265,684	—	1,265,684
Differences between expected and actual experience	1,020,854	—	1,020,854
Changes of assumptions or other inputs	2,031,106	—	2,031,106
Contributions - employer	—	2,379,120	(2,379,120)
Net investment income	—	—	—
Benefits payments	(2,379,120)	(2,379,120)	—
Administrative expense	—	—	—
Net Changes	2,029,268	—	2,029,268
Balances at September 30, 2019	$ 45,317,539	$ —	$ 45,317,539

The discount rate used to measure the Plan liability at September 30, 2019 was 2.66%.

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 Plan 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)	$40,599,993	$45,317,539	$50,914,129

The following table presents the net Plan liability using the discount rate of 2.66%, 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 Plan Liability

Discount Rate Sensitivity	1% Decrease (1.66%)	Discount Rate (2.66%)	1% Increase (3.66%)
Net OPEB Liability	$51,399,981	$45,317,539	$40,319,163

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, 2019 and 2018, was $1,205,984 and $712,862, 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, 2019 and 2018, was $3,285,823 and $3,414,712, 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, 2019 and 2018, of $10,411,405 and $12,408,021, 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 $20,836,407 and $20,102,007 at September 30, 2019 and 2018, 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 $17,456,415 and $17,410,629 at September 30, 2019 and 2018, respectively. Also included in deposits held in custody of others are the agency funds. These amounts totaled $5,979,903 and $7,717,852 for September 30, 2019 and 2018, 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, 2019 and 2018, are as follows:

	2019	2018
Tuition and fees, net	$ 191,821,215	$ 182,250,702
Federal, state and local government grants and contracts, net	11,140,457	9,886,996
Auxiliary, net	49,694,240	40,390,341
Plant	4,862,112	7,055,717
Total unearned revenue	$ 257,518,024	$ 239,583,756

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, 2019 and 2018, the total estimated pollution remediation liability (estimated using the expected cash-flow technique) is $8,811,940 and $7,614,427, respectively. The current portion of this amount ($5,791,738 and $4,594,225, respectively) is included in other accrued liabilities and the long-term portion ($3,020,202 at September 30, 2019 and 2018) 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.

Long-Term Obligations

Changes in long-term obligations for the year ended September 30, 2019, are as follows:

Description	September 30, 2018	Additions	Reductions	September 30, 2019	Due Within One Year
Notes Payable, Bonds Payable and Capital Lease Obligations					
Facilities Revenue Bonds	$ 140,000	$ —	$ 140,000	$ —	$ —
General Revenue Bonds	828,515,000	—	27,380,000	801,135,000	27,195,000
Athletic Revenue Bonds	4,393,307	—	1,554,123	2,839,184	1,462,709
Subtotal Bonds Payable	833,048,307	—	29,074,123	803,974,184	28,657,709
Unamortized Bond Premium	85,655,629	—	8,056,279	77,599,350	7,655,417
Total Bonds Payable	918,703,936	—	37,130,402	881,573,534	36,313,126
Capital Leases Payable	10,155,532	3,799,044	1,088,695	12,865,881	1,088,456
Unamortized Lease Premium	499,781	414,577	204,429	709,929	56,012
Total Leases Payable	10,655,313	4,213,621	1,293,124	13,575,810	1,144,468
Notes Payable	3,125,000	—	—	3,125,000	—
Total Notes, Bonds, and Capital Leases Payable	$ 932,484,249	$ 4,213,621	$ 38,423,526	$ 898,274,344	$ 37,457,594
Other Liabilities					
Net Pension Liability	$ 665,477,272	$ 23,946,000	$ 1,758,953	$ 687,664,319	$ —
Leischuck Annuity Payable	199,097	—	17,782	181,315	—
Pollution Remediation Liability	3,020,202	—	—	3,020,202	—
Athletics Capital Bond Interest Payable	5,696,873	—	2,139,064	3,557,809	—
Self Insurance Liability	4,421,608	366,008	—	4,787,616	—
Net Postemployment Benefit Liability	370,409,244	9,582,888	—	379,992,132	—
Total Other Liabilities	1,049,224,296	33,894,896	3,915,799	1,079,203,393	—
Total Long-Term Liabilities	$ 1,981,708,545	$ 38,108,517	$ 42,339,325	$ 1,977,477,737	$ 37,457,594

Changes in long-term obligations for the year ended September 30, 2018, are as follows:

Description	September 30, 2017	Additions	Reductions	September 30, 2018	Due Within One Year
Notes Payable, Bonds Payable and Capital Lease Obligations					
Facilities Revenue Bonds	$ 275,000	$ —	$ 135,000	$ 140,000	$ 140,000
General Revenue Bonds	633,935,000	216,865,000	22,285,000	828,515,000	27,380,000
Athletic Revenue Bonds	6,045,861	—	1,652,554	4,393,307	1,554,123
Subtotal Bonds Payable	640,255,861	216,865,000	24,072,554	833,048,307	29,074,123
Unamortized Bond Premium	59,745,544	34,222,061	8,311,976	85,655,629	8,056,280
Total Bonds Payable	700,001,405	251,087,061	32,384,530	918,703,936	37,130,403
Capital Leases Payable	10,362,445	247,617	454,530	10,155,532	366,450
Unamortized Lease Premium	—	592,284	92,503	499,781	39,917
Total Leases Payable	10,362,445	839,901	547,033	10,655,313	406,367
Notes Payable	3,125,000	—	—	3,125,000	—
Total Notes, Bonds, and Capital Leases Payable	$ 713,488,850	$ 251,926,962	$ 32,931,563	$ 932,484,249	$ 37,536,770
Other Liabilities					
Net Pension Liability	$ 713,132,154	$ —	$ 47,654,882	$ 665,477,272	$ —
Leischuck Annuity Payable	204,143	—	5,046	199,097	—
Pollution Remediation Liability	6,769,311	—	3,749,109	3,020,202	—
Athletics Capital Bond Interest Payable	7,620,187	—	1,923,314	5,696,873	—
Self Insurance Liability	4,327,588	94,020	—	4,421,608	—
Net Postemployment Benefit Liability	20,376,706	371,255,624	21,223,086	370,409,244	—
Total Other Liabilities	752,430,089	371,349,644	74,555,437	1,049,224,296	—
Total Long-Term Liabilities	$ 1,465,918,939	$ 623,276,606	$ 107,487,000	$ 1,981,708,545	$ 37,536,770

(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 as follows:

	September 30, 2019	September 30, 2018
Nonexchange transactions	$ 189,862	$ 170,534
Pension and OPEB	109,235,612	99,377,200
Total deferred inflows	$ 109,425,474	$ 99,547,734

(15) CONTRACTS AND GRANTS

The University has been awarded approximately $83.9 million in contracts and grants that have not been received or expended as of September 30, 2019. 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 $20,030,751 and $17,969,102 in facilities and administrative cost recovery for the years ended September 30, 2019 and 2018, 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 $711.4 million. At September 30, 2019, the estimated remaining cost to complete the projects is approximately $327.3 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, 2019 and 2018, 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, 2019

	Compensation and Benefits	Scholarships and Fellowships	Utilities	Other Supplies and Services	Depreciation	Total
Instruction	$ 202,308,047	$ 757,988	$ —	$ 46,869,801	$ —	$ 249,935,836
Research	133,006,505	2,636,615	9,543	42,222,681	—	177,875,344
Public Service	74,701,856	262,282	27,895	36,102,186	—	111,094,219
Academic Support	93,868,089	—	—	16,784,005	—	110,652,094
Library	7,809,168	—	—	10,845,767	—	18,654,935
Student Services	30,127,638	—	—	10,602,582	—	40,730,220
Institutional Support	89,542,264	—	—	15,834,833	—	105,377,097
Operation and Maintenance	37,026,989	—	20,204,878	64,635,646	—	121,867,513
Scholarships and Fellowships	24,389,020	23,325,411	—	83,454	—	47,797,885
Auxiliaries	59,816,888	1,482	6,068,524	80,746,227	—	146,633,121
Depreciation	—	—	—	—	78,975,414	78,975,414
	$ 752,596,464	$ 26,983,778	$ 26,310,840	$ 324,727,182	$ 78,975,414	$1,209,593,678

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

(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 funds with donor restrictions 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 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 as 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, 2019 and 2018, are as follows:

	2019	2018
Services and facilities costs paid by AUF	$ 3,621,912	$ 4,826,315
AUF's allocable costs pursuant to the Agreement	2,710,996	2,951,313
Net settlement from the University	$ 910,916	$ 1,875,002

Other transactions between AUF and the University for the years ended September 30, 2019 and 2018, are as follows:

	2019	2018
Amounts due from the University	$ 90,315	$ 406,221
Endowment management fee received from the University	$ 2,294,746	$ 2,175,387
Payments to the University Athletic Ticket Office for event ticket purchases	$ 311,188	$ 175,815

AUREFI has an agreement with the University to provide certain services and facilities, which are reported as general and administrative expense on AUF's Consolidated Statements of Activities and Changes in Net Assets. Related payments to the University for the years ended September 30, 2019 and 2018, are as follows:

	2019	2018
AUREFI costs pursuant to the Agreement	$ 106,871	$ 100,318

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, 2019 and 2018, is as follows:

	2019	2018
Pooled investments held by AUF	$ 8,983,857	$ 9,283,340
Amounts due from the Association	$ 51,698	$ 142,952
Amounts distributed from investments, net of administrative fee	$ 349,127	$ 339,271
Grants from the Association for scholarship matching and other endowments	$ 110,905	$ 116,631

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, 2019 and 2018, is as follows:

	2019	2018
Pooled investments held by AUF	$ 9,274,993	$ 9,479,880
Amounts distributed from investments, net of administrative fee	$ 347,302	$ 331,701
Ticket priority payments	$ 426,337	$ 503,072

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, 2019 and 2018, the Association had a salary reimbursement expense of $1,278,781 and $1,225,726, respectively, to the University under the service and facilities agreement. These amounts were fully paid at September 30, 2019 and September 30, 2018, respectively.

Rental income recorded by the Association from the University totaled $390,275 and $384,848, respectively, for the years ended September 30, 2019 and 2018. Rental income recorded by the Association from AUF totaled $1,550 and $1,050 for the years ended September 30, 2019 and 2018, respectively. The University and AUF also paid the Association $74,298 and $5,528, respectively for shared alumni center building expenses for the fiscal year ended September 30, 2019. For the fiscal year ended September 30, 2018, these amounts were $74,298 and $4,848, respectively.

During the years ended September 30, 2019 and 2018, 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 $809,056 and $775,766 for the years ended September 30, 2019 and 2018, respectively.

During the years ended September 30, 2019 and 2018, the Association contributed $69,400 and $21,192, respectively, to the Auburn Alumni Association Endowment for Scholarships held with AUF. The Association also contributed $230,005 and $103,287 to various AUF scholarship funds and $78,223 and $112,226 to various University scholarship funds during fiscal years 2019 and 2018, 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, 2019, the Association paid $91,204 toward qualifying endowments; leaving $51,698 as a payable to AUF. In fiscal year 2018, the Association paid $104,211 toward qualifying endowments; leaving $142,903 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 $43,614,684 and $39,012,534 during the years ended June 30, 2019 and 2018, respectively. Included in these amounts are current year accruals of severance payments due to terminated employees totaling $1,094,397 in the year ended June 30, 2019.

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 canceled in writing by one of the parties.

During the years ended June 30, 2019 and 2018, AUF incurred obligations of $180,552 and $143,242, 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, 2019 and 2018, 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, 2019 and 2018, obligations of $4,227,188 and $3,950,954 related to these transactions, respectively, were outstanding. TUF paid the 2018 obligation during fiscal year 2019, and it intends to pay the 2019 obligation during fiscal year 2020.

As indicated, the above TUF balances are as of June 30, 2019 and 2018; however, the University believes these figures are not materially different than September 30, 2019 and 2018, 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. In August 2018, 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 $24,641 and $19,000 were recognized by ARTF during fiscal year 2019 and 2018, respectively, related to services provided by the Provost serving as the President of ARTF.

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/CEO is a member of ARTF's Board of Directors and the University's Board of Trustees. Additionally, the spouse of one Board member is also on the board of River Bank & Trust where the LOC and the construction loan were obtained, and another Board member is also a board member of that 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 2019 and 2018, personnel costs incurred by the University and charged to ARTF were $187,061 and $238,450, respectively. Also, personnel costs incurred by the University and not charged to ARTF were $404,130 in fiscal year 2019. At September 30, 2019 and 2018, $49,280 and $95,519 were payable.

ARTF entered into subcontracts with the University to provide services to fulfill ARTF's sponsored project agreements. As of September 30, 2019 and 2018, ARTF owed the University $0 and $18,856, respectively. The University provides certain operating services to ARTF. As of September 30, 2019 and 2018, ARTF owed the University $6,245 and $33,284, 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 $599 and $704 as of September 30, 2019 and 2018, 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 $64,087 and $106,087 at September 30, 2019 and 2018, 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 2019 and 2018, 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 $232,700 and $224,000 in lease costs during fiscal years ended September 30, 2019 and 2018, respectively.

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 $91,355 and $118,366 related to this contract were recognized during fiscal year 2019 and 2018, respectively. As of September 30, 2019 and 2018, the remaining amounts of the contributions of $171,666 and $113,021, 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 $151.5 million and $149.6 million under these programs during the fiscal years ended September 30, 2019 and 2018, respectively. AUM disbursed approximately $26.5 million and $25.5 million under these programs during the fiscal years ended September 30, 2019 and 2018, respectively.

(22) IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

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. 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.

Statement No. 91, *Conduit Debt Obligations*, was issued in May 2019. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement is effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The University is currently evaluating the financial statement impact of this Statement.

2019
FINANCIAL REPORT

UNAUDITED DIVISIONAL FINANCIAL STATEMENTS

The 2018 Divisional Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position, as previously presented, were revised to correct certain errors relating to the historical allocation of debt and the associated issuance premium and proceeds of the 2011A and 2012 Auburn University bond when the debts were originally issued in fiscal years 2011 and 2012. The original calculation overstated the transfer of 2012A premium from AU to AUM, and as a result the Due to/from other funds between AU and AUM was overstated and the subsequent amortization of the premiums were also overstated. Management also identified an overstatement of loan proceeds for the 2011A Bonds from AU. Although the transactions were eliminated for the consolidated statements, management elected to correct the errors by revising its previously issued 2018 divisional financial statements. In addition, as discussed in Note 2, the University reclassified $149,000,000 of bond proceeds from cash and cash equivalents to long term investments in connection with an accounting policy election. The impact on the previously reported 2018 financial statement amounts for the correction of the errors and the reclassification for the policy election are presented below and on the following pages:

AUBURN UNIVERSITY MAIN CAMPUS

	As Previously Presented	Adjustment	Cash Reclass	As Revised
STATEMENT OF NET POSITION				
Cash and cash equivalents	$ 278,710,256	$ 54,876	$ (139,724,317)	$ 139,040,815
Operating investments	121,397,740	363,076	(242,191)	121,518,625
Investments	957,562,121	1,223,847	139,966,508	1,098,752,476
Due to/from other funds	86,019,350	4,000	—	86,023,350
Total assets	3,311,436,512	1,645,799	—	3,313,082,311
Total liabilities	2,119,125,888	—	—	2,119,125,888
Net investment in capital assets	1,116,706,101	144,437	—	1,116,850,538
Capital projects	42,001,902	1,501,362	—	43,503,264
Total net position	1,309,171,700	1,645,799	—	1,310,817,499
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
Other supplies and services	$ 244,960,218	$ 259,824	$ —	$ 245,220,042
Net investment income	31,327,896	(76)	—	31,327,820
Interest expense on capital debt	(25,150,257)	204,188	—	(24,946,069)
Net increase in net position	73,377,334	(55,712)	—	73,321,622
Net position - beginning of year	1,463,820,583	1,701,511	—	1,465,522,094
Net position October 1, 2017 restated	1,235,794,366	1,701,511	—	1,237,495,877
Net position - end of year	1,309,171,700	1,645,799	—	1,310,817,499

AUBURN UNIVERSITY AT MONTGOMERY

	As Previously Presented	Adjustment	Cash Reclass	As Revised
STATEMENT OF NET POSITION				
Cash and cash equivalents	$ 3,760,348	$ (54,876)	$ (2,060,481)	$ 1,644,991
Operating investments	1,571,080	(363,076)	229,682	1,437,686
Investments	12,392,382	(1,223,847)	1,830,799	12,999,334
Due to/from other funds	86,019,350	4,000	—	86,023,350
Total assets	178,203,231	(1,641,799)	—	176,561,432
Total liabilities	197,178,346	4,000	—	197,182,346
Net investment in capital assets	14,400,597	(144,437)	—	14,256,160
Capital projects	1,870,502	(1,501,362)	—	369,140
Total net position	(10,652,333)	(1,645,799)	—	(12,298,132)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
Other supplies and services	$ 20,643,917	$ (259,824)	$ —	$ 20,384,093
Net investment income	2,764,643	76	—	2,764,719
Interest expense on capital debt	(3,858,288)	(204,188)	—	(4,062,476)
Net increase in net position	4,492,988	55,712	—	4,548,700
Net position - beginning of year	7,241,525	(1,701,511)	—	5,540,014
Net position October 1, 2017 restated	(15,145,321)	(1,701,511)	—	(16,846,832)
Net position - end of year	(10,652,333)	(1,645,799)	—	(12,298,132)

ALABAMA AGRICULTURAL EXPERIMENT STATION

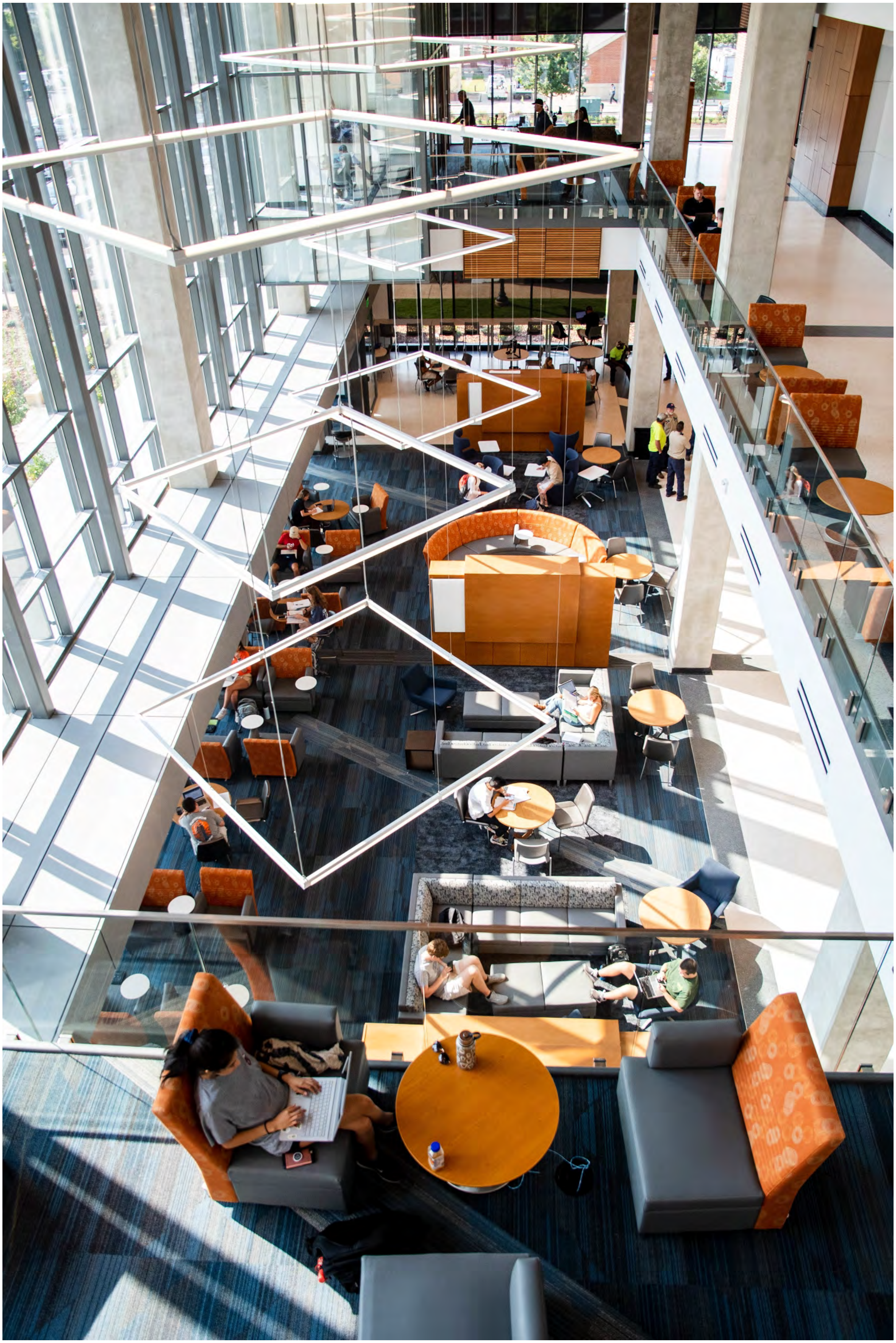
	As Previously Presented	Adjustment	Cash Reclass	As Revised
STATEMENT OF NET POSITION				
Cash and cash equivalents	$ 9,115,641	$ —	$ (4,591,069)	$ 4,524,572
Operating investments	3,951,274	—	3,102	3,954,376
Investments	31,166,889	—	4,587,967	35,754,856
Due to/from other funds	—	—	—	—
Total assets	50,612,006	—	—	50,612,006
Total liabilities	59,833,168	—	—	59,833,168
Net investment in capital assets	—	—	—	—
Capital projects	—	—	—	—
Total net position	(3,985,128)	—	—	(3,985,128)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
Other supplies and services	$ 18,318,795	$ —	$ —	$ 18,318,795
Net investment income	514,929	—	—	514,929
Interest expense on capital debt	—	—	—	—
Net increase in net position	3,336,010	—	—	3,336,010
Net position - beginning of year	6,720,106	—	—	6,720,106
Net position October 1, 2017 restated	(7,321,138)	—	—	(7,321,138)
Net position - end of year	(3,985,128)	—	—	(3,985,128)

ALABAMA COOPERATIVE EXTENSION SYSTEM

	As Previously Presented	Adjustment	Cash Reclass	As Revised
STATEMENT OF NET POSITION				
Cash and cash equivalents	$ 5,142,989	$ —	$ (2,624,133)	$ 2,518,856
Operating investments	2,192,018	—	9,407	2,201,425
Investments	17,290,217	—	2,614,726	19,904,943
Due to/from other funds	—	—	—	—
Total assets	34,593,254	—	—	34,593,254
Total liabilities	146,161,739	—	—	146,161,739
Net investment in capital assets	—	—	—	—
Capital projects	137	—	—	137
Total net position	(100,223,367)	—	—	(100,223,367)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
Other supplies and services	$ 20,240,005	$ —	$ —	$ 20,240,005
Net investment income	568,481	—	—	568,481
Interest expense on capital debt	—	—	—	—
Net decrease in net position	(2,277,642)	—	—	(2,277,642)
Net position - beginning of year	(61,010,067)	—	—	(61,010,067)
Net position October 1, 2017 restated	(97,945,725)	—	—	(97,945,725)
Net position - end of year	(100,223,367)	—	—	(100,223,367)

AUBURN UNIVERSITY (COMBINED)

	As Previously Presented	Adjustment	Cash Reclass	As Revised
STATEMENT OF NET POSITION				
Cash and cash equivalents	$ 296,729,234	$ —	$ (149,000,000)	$ 147,729,234
Operating investments	129,112,112	—	—	129,112,112
Investments	1,018,411,609	—	149,000,000	1,167,411,609
Due to/from other funds	—	—	—	—
Total assets	3,437,833,596	—	—	3,437,833,596
Total liabilities	2,385,287,734	—	—	2,385,287,734
Net investment in capital assets	1,131,106,698	—	—	1,131,106,698
Capital projects	43,872,541	—	—	43,872,541
Total net position	1,194,310,872	—	—	1,194,310,872
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
Other supplies and services	$ 304,162,935	$ —	$ —	$ 304,162,935
Net investment income	35,175,949	—	—	35,175,949
Interest expense on capital debt	(29,008,545)	—	—	(29,008,545)
Net increase in net position	78,928,690	—	—	78,928,690
Net position - beginning of year	1,416,772,147	—	—	1,416,772,147
Net position October 1, 2017 restated	1,115,382,182	—	—	1,115,382,182
Net position - end of year	1,194,310,872	—	—	1,194,310,872



AUBURN UNIVERSITY MAIN CAMPUS

STATEMENTS OF NET POSITION
SEPTEMBER 30, 2019 AND 2018
(UNAUDITED)

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 230,027,694	$ 139,040,815
Operating investments	109,687,958	121,518,625
Accounts receivable, net	52,678,975	52,115,141
Student accounts receivable, net	39,602,829	35,846,097
Loans receivable, net	2,731,074	2,667,594
Accrued interest receivable	3,525,404	3,747,303
Inventories	5,307,146	5,452,529
Prepaid expenses	42,696,832	44,269,816
Due from other funds	3,366,272	3,212,589
Total current assets	489,624,184	407,870,509
Noncurrent assets		
Investments	991,915,653	1,098,752,476
Loans receivable, net	12,326,818	14,245,071
Investment in plant, net	1,839,447,637	1,706,190,905
Due from other funds	82,521,533	86,023,350
Total noncurrent assets	2,926,211,641	2,905,211,802
Total assets	3,415,835,825	3,313,082,311
DEFERRED OUTFLOWS OF RESOURCES		
Loss on refunding of bonds	41,950,072	46,219,285
Pension and OPEB	161,856,985	151,045,304
Total deferred outflows of resources	203,807,057	197,264,589
LIABILITIES		
Current liabilities		
Accounts payable	96,259,419	80,383,305
Accrued salaries and wages	4,202,730	2,744,968
Accrued compensated absences	16,294,828	15,375,872
Accrued interest payable	14,101,944	13,188,335
Other accrued liabilities	13,815,288	12,329,100
Student deposits	3,903,074	4,144,396
Deposits held in custody	20,330,071	22,023,927
Unearned revenues	236,372,722	218,653,621
Noncurrent liabilities-current portion	37,277,185	37,315,647
Total current liabilities	442,557,261	406,159,171
Noncurrent liabilities		
Bonds and notes payable	848,385,408	884,698,533
Lease obligation	12,298,895	10,165,030
Pension and OPEB	781,836,068	756,985,906
Other noncurrent liabilities	11,546,942	13,337,780
Due to other funds	47,135,974	47,779,468
Total noncurrent liabilities	1,701,203,287	1,712,966,717
Total liabilities	2,143,760,548	2,119,125,888
DEFERRED INFLOWS OF RESOURCES		
Nonexchange transactions	189,862	170,534
Pension and OPEB	88,256,043	80,232,979
Total deferred inflows of resources	88,445,905	80,403,513
NET POSITION		
Net investment in capital assets	1,272,759,802	1,116,850,538
Restricted		
Nonexpendable	24,593,873	24,145,962
Expendable:		
Scholarships, research, instruction, other	157,810,220	152,483,271
Loans	5,118,993	4,943,098
Capital projects	41,080,279	43,503,264
Unrestricted	(113,926,738)	(31,108,634)
Total net position	$ 1,387,436,429	$ 1,310,817,499

AUBURN UNIVERSITY MAIN CAMPUS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(UNAUDITED)

	2019	2018
OPERATING REVENUES		
Tuition and fees, net of scholarship allowances of $122,580,580 and $116,589,276, respectively	$ 480,777,264	$ 456,313,408
Federal appropriations	43,056	22,375
Federal grants and contracts, net	61,094,702	49,975,665
State and local grants and contracts, net	12,189,613	9,218,159
Nongovernmental grants and contracts, net	14,410,508	12,233,650
Sales and services of educational departments	45,136,497	42,631,658
Auxiliary revenue, net of scholarship allowances of $7,377,462 and $7,245,106, respectively	151,420,556	174,992,328
Other operating revenues	25,791,607	22,183,194
Total operating revenues	790,863,803	767,570,437
OPERATING EXPENSES		
Compensation and benefits	616,826,235	591,338,881
Scholarships and fellowships	23,592,867	23,389,506
Utilities	21,456,910	19,719,113
Other supplies and services	260,558,783	245,220,042
Depreciation	73,940,389	74,586,207
Total operating expenses	996,375,184	954,253,749
Operating loss	(205,511,381)	(186,683,312)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	175,697,931	164,288,700
Gifts	46,227,372	45,336,583
Grants	16,750,081	17,424,738
Net investment income	59,112,411	31,327,820
Interest expense on capital debt	(31,231,115)	(24,946,069)
Nonoperating revenues, net	266,556,680	233,431,772
Income before other changes in net position	61,045,299	46,748,460
OTHER CHANGES IN NET POSITION		
Capital gifts and grants	15,125,719	26,097,996
Additions to permanent endowments	447,912	475,166
Net increase in net position	76,618,930	73,321,622
Net position - beginning of year	1,310,817,499	1,465,522,094
Cumulative effect of accounting change		(228,026,217)
Net position October 1, 2017, as restated		1,237,495,877
Net position - end of year	$ 1,387,436,429	$ 1,310,817,499

AUBURN UNIVERSITY AT MONTGOMERY

STATEMENTS OF NET POSITION
SEPTEMBER 30, 2019 AND 2018
(UNAUDITED)

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 3,505,183	$ 1,644,991
Operating investments	1,671,446	1,437,686
Accounts receivable, net	3,449,248	2,545,920
Student accounts receivable, net	9,137,088	7,238,028
Loans receivable, net	327,990	358,442
Accrued interest receivable	301,012	271,618
Inventories	1,224,868	618,568
Prepaid expenses	2,691,805	2,399,343
Total current assets	22,308,640	16,514,596
Noncurrent assets		
Investments	15,114,998	12,999,334
Loans receivable, net	1,968,528	2,312,709
Investment in plant, net	102,604,424	103,672,327
Due from other funds	40,367,049	41,062,466
Total noncurrent assets	160,054,999	160,046,836
Total assets	182,363,639	176,561,432
DEFERRED OUTFLOWS OF RESOURCES		
Pension and OPEB	16,275,519	16,304,832
Total deferred outflows of resources	16,275,519	16,304,832
LIABILITIES		
Current liabilities		
Accounts payable	3,613,062	1,677,570
Accrued salaries and wages	357,079	205,394
Accrued compensated absences	1,384,162	1,390,878
Accrued interest payable	—	700
Student deposits	49,745	2,570
Deposits held in custody	3,172,517	3,129,019
Unearned revenues	17,884,194	17,785,596
Noncurrent liabilities-current portion	180,409	221,123
Due to other funds	3,366,272	3,212,589
Total current liabilities	30,007,440	27,625,439
Noncurrent liabilities		
Lease obligation	132,447	83,916
Pension and OPEB	85,831,819	83,449,641
Due to other funds	82,521,533	86,023,350
Total noncurrent liabilities	168,485,799	169,556,907
Total liabilities	198,493,239	197,182,346
DEFERRED INFLOWS OF RESOURCES		
Pension and OPEB	8,759,309	7,982,050
Total deferred inflows of resources	8,759,309	7,982,050
NET POSITION		
Net investment in capital assets	16,438,846	14,256,160
Restricted		
Nonexpendable	5,243,935	5,234,851
Expendable:		
Scholarships, research, instruction, other	29,482,673	28,334,714
Loans	356,858	353,839
Capital projects	147,295	369,140
Unrestricted	(60,282,997)	(60,846,836)
Total net position	$ (8,613,390)	$ (12,298,132)

AUBURN UNIVERSITY AT MONTGOMERY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(UNAUDITED)

	2019	2018
OPERATING REVENUES		
Tuition and fees, net of scholarship allowances of $14,266,324 and $12,866,238, respectively	39,267,930	35,894,562
Federal grants and contracts, net	1,065,556	1,182,518
State and local grants and contracts, net	3,425,806	5,811,927
Nongovernmental grants and contracts, net	156,112	419,761
Sales and services of educational departments	2,151,550	2,137,274
Auxiliary revenue, net of scholarship allowances of $2,025,876 and $1,879,464, respectively	9,769,436	9,012,498
Other operating revenues	1,129,463	1,734,745
Total operating revenues	56,965,853	56,193,285
OPERATING EXPENSES		
Compensation and benefits	55,021,110	53,247,498
Scholarships and fellowships	3,153,617	2,955,529
Utilities	3,857,472	3,556,641
Other supplies and services	20,638,689	20,384,093
Depreciation	5,035,025	5,006,694
Total operating expenses	87,705,913	85,150,455
Operating loss	(30,740,060)	(28,957,170)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	25,598,839	23,318,449
Gifts	916,311	1,214,403
Grants	10,837,659	10,252,505
Net investment income	1,034,488	2,764,719
Interest expense on capital debt	(3,978,232)	(4,062,476)
Nonoperating revenues, net	34,409,065	33,487,600
Income before other changes in net position	3,669,005	4,530,430
OTHER CHANGES IN NET POSITION		
Capital gifts and grants	6,652	6,590
Additions to permanent endowments	9,085	11,680
Net increase in net position	3,684,742	4,548,700
Net position - beginning of year	(12,298,132)	5,540,014
Cumulative effect of accounting change		(22,386,846)
Net position October 1, 2017, as restated		(16,846,832)
Net position - end of year	$ (8,613,390)	$ (12,298,132)

ALABAMA AGRICULTURAL EXPERIMENT STATION

STATEMENTS OF NET POSITION
SEPTEMBER 30, 2019 AND 2018
(UNAUDITED)

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 7,978,572	$ 4,524,572
Operating investments	3,804,556	3,954,376
Accounts receivable, net	3,480,074	5,107,583
Total current assets	15,263,202	13,586,531
Noncurrent assets		
Investments	34,404,862	35,754,856
Due from other funds	1,280,256	1,270,619
Total noncurrent assets	35,685,118	37,025,475
Total assets	50,948,320	50,612,006
DEFERRED OUTFLOWS OF RESOURCES		
Pension and OPEB	10,956,911	10,374,624
Total deferred outflows of resources	10,956,911	10,374,624
LIABILITIES		
Current liabilities		
Accounts payable	2,215,277	920,210
Accrued salaries and wages	212,857	131,281
Accrued compensated absences	1,209,755	1,302,943
Deposits held in custody	6,400	6,400
Unearned revenues	2,825,372	2,744,804
Total current liabilities	6,469,661	5,105,638
Noncurrent liabilities		
Pension and OPEB	56,202,263	54,727,530
Total noncurrent liabilities	56,202,263	54,727,530
Total liabilities	62,671,924	59,833,168
DEFERRED INFLOWS OF RESOURCES		
Pension and OPEB	5,630,431	5,138,590
Total deferred inflows of resources	5,630,431	5,138,590
NET POSITION		
Restricted		
Expendable:		
Scholarships, research, instruction, other	2,570,956	2,675,384
Unrestricted	(8,968,080)	(6,660,512)
Total net position	$ (6,397,124)	$ (3,985,128)

ALABAMA AGRICULTURAL EXPERIMENT STATION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(UNAUDITED)

	2019	2018
OPERATING REVENUES		
Federal appropriations	$ 5,009,609	$ 5,725,661
Federal grants and contracts	10,644,089	13,905,453
State and local grants and contracts	1,178,310	1,452,307
Nongovernmental grants and contracts	2,274,284	2,799,238
Sales and services of educational departments	3,077,439	3,093,208
Other operating revenues	701,176	543,841
Total operating revenues	22,884,907	27,519,708
OPERATING EXPENSES		
Compensation and benefits	35,190,687	38,388,906
Scholarships and fellowships	233,018	139,808
Utilities	921,088	1,100,737
Other supplies and services	23,350,706	18,318,795
Total operating expenses	59,695,499	57,948,246
Operating loss	(36,810,592)	(30,428,538)
NONOPERATING REVENUES		
State appropriations	32,037,581	31,524,294
Gifts	1,732,361	1,725,325
Net investment income	628,654	514,929
Nonoperating revenues, net	34,398,596	33,764,548
Net decrease in net position	(2,411,996)	3,336,010
Net position - beginning of year	(3,985,128)	6,720,106
Cumulative effect of accounting change		(14,041,244)
Net position October 1, 2017, as restated		(7,321,138)
Net position - end of year	$ (6,397,124)	$ (3,985,128)

ALABAMA COOPERATIVE EXTENSION SYSTEM

STATEMENTS OF NET POSITION
SEPTEMBER 30, 2019 AND 2018
(UNAUDITED)

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 4,830,873	$ 2,518,856
Operating investments	2,303,586	2,201,425
Accounts receivable, net	4,439,668	4,521,647
Total current assets	11,574,127	9,241,928
Noncurrent assets		
Investments	20,831,487	19,904,943
Due from other funds	5,488,669	5,446,383
Total noncurrent assets	26,320,156	25,351,326
Total assets	37,894,283	34,593,254
DEFERRED OUTFLOWS OF RESOURCES		
Pension and OPEB	17,268,704	17,368,699
Total deferred outflows of resources	17,268,704	17,368,699
LIABILITIES		
Current liabilities		
Accounts payable	1,225,986	2,835,746
Accrued salaries and wages	329,281	170,505
Accrued compensated absences	1,947,662	2,032,314
Unearned revenues	435,736	399,735
Total current liabilities	3,938,665	5,438,300
Noncurrent liabilities		
Pension and OPEB	143,786,301	140,723,439
Total noncurrent liabilities	143,786,301	140,723,439
Total liabilities	147,724,966	146,161,739
DEFERRED INFLOWS OF RESOURCES		
Pension and OPEB	6,589,829	6,023,581
Total deferred inflows of resources	6,589,829	6,023,581
NET POSITION		
Restricted		
Nonexpendable:	24,487	24,487
Expendable:		
Scholarships, research, instruction, other	5,430,833	3,264,636
Capital projects	139	137
Unrestricted	(104,607,267)	(103,512,627)
Total net position	$ (99,151,808)	$ (100,223,367)

ALABAMA COOPERATIVE EXTENSION SYSTEM

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(UNAUDITED)

	2019	2018
OPERATING REVENUES		
Federal appropriations	$ 11,801,305	$ 8,097,679
Federal grants and contracts, net	9,913,834	11,785,042
State and local grants and contracts, net	2,686,636	2,667,309
Nongovernmental grants and contracts, net	706,828	561,200
Sales and services of educational departments	558,152	578,705
Other operating revenues	1,154,305	1,165,680
Total operating revenues	26,821,060	24,855,615
OPERATING EXPENSES		
Compensation and benefits	45,558,432	44,757,898
Scholarships and fellowships	4,276	7,765
Utilities	75,370	166,568
Other supplies and services	20,179,004	20,240,005
Total operating expenses	65,817,082	65,172,236
Operating loss	(38,996,022)	(40,316,621)
NONOPERATING REVENUES		
State appropriations	39,594,504	37,439,303
Gifts	73,081	31,195
Net investment income	399,996	568,481
Nonoperating revenues, net	40,067,581	38,038,979
Net increase (decrease) in net position	1,071,559	(2,277,642)
Net position - beginning of year	(100,223,367)	(61,010,067)
Cumulative effect of accounting change		(36,935,658)
Net position October 1, 2017, as restated		(97,945,725)
Net position - end of year	$ (99,151,808)	$ (100,223,367)

2019
FINANCIAL REPORT

UNAUDITED REQUIRED SUPPLEMENTAL INFORMATION

REQUIRED SUPPLEMENTAL INFORMATION (UNAUDITED)

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

	2019	2018	2017	2016	2015
University's proportion of the collective net pension liability	6.475262%	6.306790%	6.146014%	5.965792%	5.757899%
University's proportionate share of the collective net pension liability	$ 643,808,000	$ 619,862,000	$ 665,367,000	$ 624,361,000	$ 523,080,000
University's covered payroll during the measurement period*	$ 440,124,441	$ 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	146.28%	146.76%	168.41%	164.10%	141.85%
Plan fiduciary net position as a percentage of the total collective pension liability	72.29%	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 2019, the measurement period is October 1, 2017–September 30, 2018.

Teachers' Retirement System Schedule of System Contributions

	2019	2018	2017	2016	2015
Contractually Required Contribution	$ 55,172,904	$ 51,809,686	$ 49,273,810	$ 46,139,070	$ 42,534,706
Contributions in relation to the contractually required contribution	55,172,904	51,809,686	49,273,810	46,139,070	42,534,706
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
System covered payroll	$ 463,535,019	$ 440,124,441	$ 422,375,257	$ 395,094,076	$ 380,477,086
Contributions as a percentage of covered payroll	11.90%	11.77%	11.67%	11.68%	11.18%

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

	2018	2017	2016	2015	2014
Service cost	$ —	$ —	$ 21,595	$ 46,380	$ 104,069
Interest	3,329,186	3,490,964	3,539,730	3,678,959	3,800,103
Changes of benefit terms	—	—	—	—	—
Differences between expected and actual experience	587,695	(238,683)	590,134	264,685	—
Changes of assumptions	130,809	—	2,271,808	—	—
Benefit payments, including refunds of employee contributions	(5,387,960)	(5,291,519)	(5,958,850)	(5,501,945)	(5,334,993)
Net change in total pension liability	$ (1,340,270)	$ (2,039,238)	$ 464,417	$(1,511,921)	$ (1,430,821)
Total pension liability - beginning	45,651,223	47,690,461	47,226,044	48,737,965	50,168,786
Total pension liability - ending (a)	$ 44,310,953	$45,651,223	$47,690,461	$47,226,044	$48,737,965

Employee's Retirement System Plan Fiduciary Net Position

	2018	2017	2016	2015	2014
Contributions-employer	$ 5,721,023	$ 5,336,057	$ 5,645,920	$ 4,159,117	$ 1,790,336
Contributions-member	63,922	66,106	80,506	104,131	125,268
Net investment income	21,698	—	3,837	9,066	331,362
Benefits payments,including refunds of employee contributions	(5,387,960)	(5,291,519)	(5,958,850)	(5,501,945)	(5,334,993)
Transfers among employers	—	—	—	—	—
Net change in total pension liability	$ 418,683	$ 110,644	$ (228,587)	$ (1,229,631)	$ (3,088,027)
Plan net position - beginning	35,951	(74,693)	153,894	1,383,525	4,471,552
Plan net position - ending (b)	$ 454,634	$ 35,951	$ (74,693)	$ 153,894	$ 1,383,525
Net pension liability - ending (a)-(b)	$ 43,856,319	$ 45,615,272	$ 47,765,154	$ 47,072,150	$ 47,354,440
Plan fiduciary net position as a percentage of total pension liability	1.03%	0.08%	(0.16)%	0.33%	2.84%
Covered payroll*	$ 1,373,434	$ 1,755,903	$ 2,138,954	$ 2,775,630	$ 3,341,010
Net pension liability as a percentage of covered payroll	3,193.19%	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 2019, the measurement period is October 1, 2017-September 30, 2018

Employees' Retirement System Schedule of Employer Contributions

	2019	2018	2017	2016	2015
Actuarially determined contribution*	$ 4,617,318	$ 5,680,659	$ 5,321,011	$ 5,629,191	$ 4,151,926
Contributions in relation to the actuarially determined contribution	4,617,318	5,680,659	5,321,011	5,629,191	4,151,926
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
Covered payroll**	$ 1,186,971	$ 1,373,434	$ 1,755,903	$ 2,138,954	$ 2,775,630
Contributions as a percentage of covered payroll	389.00%	413.61%	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 2019 is the total covered payroll for the 12 month period of the underlying financial statements.

Employee's Retirement System 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 2019 were based on the September 30, 2016 actuarial valuation.

Methods and assumptions used to determine contribution rates			
Actuarial cost method:	Entry Age	**Inflation:**	2.875%
Amortization method:	Level percent closed	**Salary increases:**	3.375-5.125%, including inflation
Remaining amortization period:	5.3 years	**Investment rate of return:**	7.875%, net of pension plan investment expense, including inflation
Asset valuation method:	Five year smoothed market		

Alabama Public Education Employees Health Insurance Plan (PEEHIP)
Schedule of Proportionate Share of the Net OPEB Liability
for the Fiscal Year Ended September 30

	2019	2018
The University's proportion of the net OPEB liability	4.072098%	4.404229%
The University's proportionate share of the net OPEB liability	$334,674,593	$327,120,973
The University's covered-employee payroll during the measurement period*	$440,124,441	$422,375,257
The University's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	76.04%	77.45%
Plan fiduciary net position as a percentage of the total OPEB liability	14.81%	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 2019, the measurement period is October 1, 2017–September 30, 2018.

PEEHIP Schedule of Contributions
for the Fiscal Year Ended September 30

	2019	2018
Contractually required contribution	$ 9,283,861	$ 10,838,760
Contributions in relation to the contractually required contribution	$ 9,283,861	$ 10,838,760
Contribution deficiency (excess)	—	—
The University's covered-employee payroll during the measurement period	$463,535,019	$440,124,441
Contributions as a percentage of covered-employee payroll	2.00%	2.46%

PEEHIP Notes to Required Supplementary Information for the Year Ended September 30, 2019

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 UnitedHealthcare Medicare Advantage Plan with Prescription Drug Coverage (MAPD).

The Plan is changed periodically to reflect the Affordable Care Act (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, 2015, 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	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	26 year, closed
Asset Valuation Method	Market Value of Assets
Inflation	3.00%
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	2021 for Pre-Medicare Eligible 2018 for Medicare Eligible
Investment Rate of Return	5.00%, including inflation

AU Medical Plan

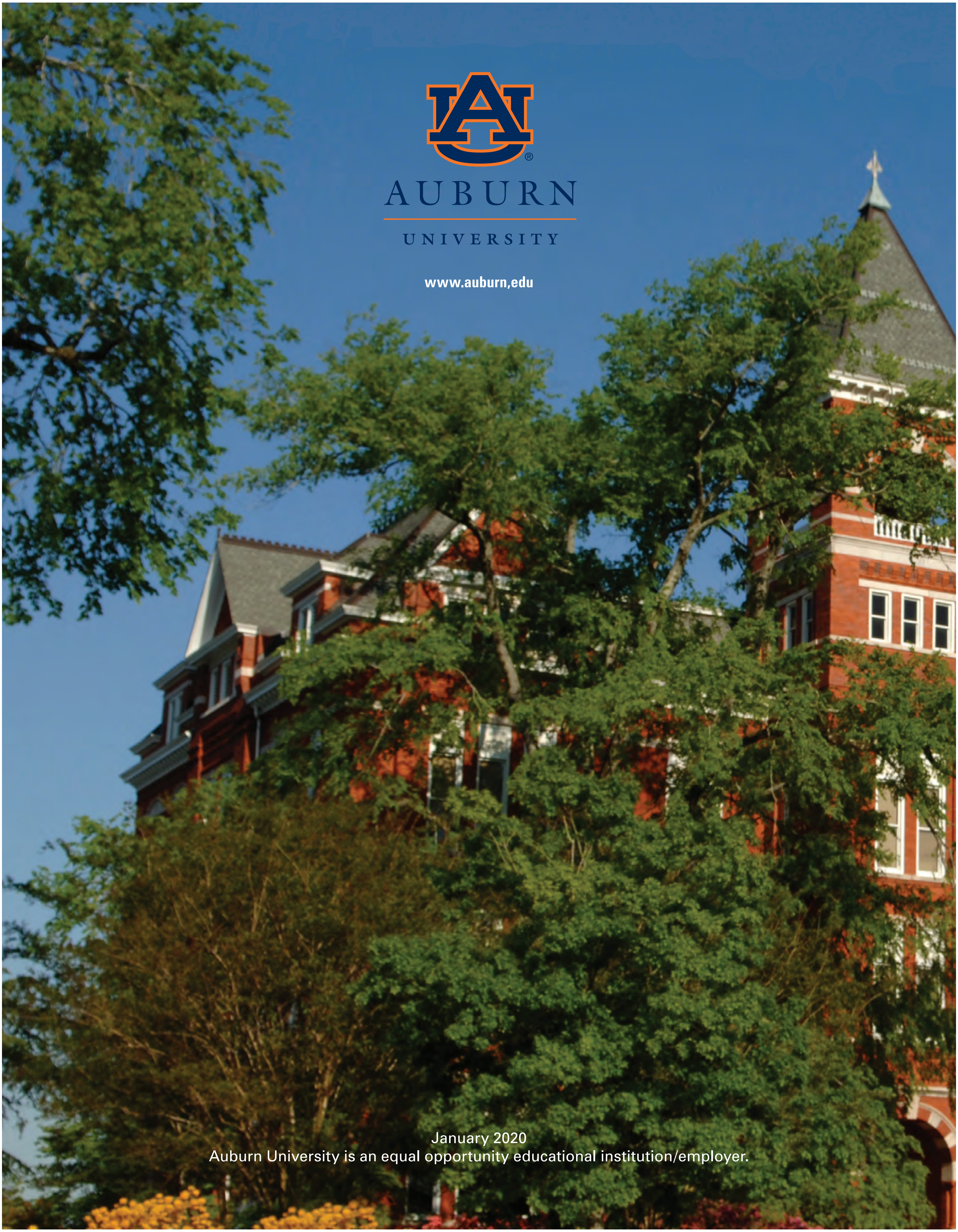
Historical Changes in the Net Plan Liability

Year Ending September 30	2019	2018
Total Plan Liability		
Service Cost	$ 90,744	$ 85,534
Interest	1,265,684	1,293,714
Changes to benefit terms	—	—
Differences between expected and actual experience	1,020,854	(32,891)
Changes of assumptions or other inputs	2,031,106	—
Benefit payments	(2,379,120)	(2,192,737)
Net Change in total Plan liability	2,029,268	(846,380)
Total Plan liability-beginning	43,288,271	44,134,651
Total Plan liability-ending (a)	$ 45,317,539	$ 43,288,271
Plan fiduciary net position		
Contributions-employer	2,379,120	2,192,737
Net investment income	—	—
Benefit payments	(2,379,120)	(2,192,737)
Administrative expense	—	—
Net Change in plan fiduciary net position	—	—
Plan fiduciary net position-beginning	—	—
Plan fiduciary net position-ending (b)	—	—
Net Plan liability-ending (a)-(b)	$ 45,317,539	$ 43,288,271
Plan fiduciary net position as a percentage of the total Plan liability	—	—
Covered employee payroll	$ 1,186,971	$ 1,373,434
Net Plan liability as a percentage of covered payroll	3,817.91%	3,151.83%

Changes in Key Actuarial Assumptions and Methods from Prior Valuation	
Interest rate	The discount rate was updated from 3.00% as of September 30, 2018 to 2.66% as of September 30, 2019.
Mortality table	The mortality table was updated from RP-2014 Combined Healthy mortality table backed off to 2006 and projected generationally with Scale MP-2017 to Pub-2010 Public Retirement Plans General mortality table projected generationally with Scale MP-2019.
Trend rates	The health care trend rate table was reset in fiscal 2019.
Excise tax	The impact of the ACA Excise Tax was measured and deemed immaterial.
Salary increase	The salary increase rate was set to 0% due to a very small number of actives.
Rates of disability	The disability rate was set to 0% due to a very small number of actives.
Spousal coverage	The spousal coverage rate was set to 0% due to a very small number of actives all currently with either single or no coverage.

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.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