STATE OF ILLINOIS

NORTHERN ILLINOIS UNIVERSITY

FINANCIAL AUDIT

For the Year Ended June 30, 2018

Performed as Special Assistant Auditors
for the Auditor General, State of Illinois

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STATE OF ILLINOIS

NORTHERN ILLINOIS UNIVERSITY

FINANCIAL AUDIT

For the Year Ended June 30, 2018

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STATE OF ILLINOIS

NORTHERN ILLINOIS UNIVERSITY

UNIVERSITY OFFICIALS

Acting President (July 1, 2017 through September 19, 2018) President (from September 20, 2018)	Dr. Lisa C. Freeman
Acting Executive Vice President and Provost	Christopher McCord
Vice President for Administration and Finance and Chief Financial Officer (from January 8, 2018)	Sarah McGill
Associate Vice President for Finance and Budget, and Acting Chief Financial Officer (through January 7, 2018) Associate Vice President for Finance and Budget (January 8, 2018 through April 27, 2018)	Lawrence Pinkelton
Vice President for Research and Innovation Partnerships	Gerald Blazey
Acting Vice President and General Counsel	Gregory A. Brady
Vice President for Enrollment Management, Marketing and Communications	Sol Jensen
Vice President for Outreach, Engagement and Regional Development	Anne C. Kaplan
Vice President for University Advancement	Catherine Squires
Director of Internal Audit	Danielle Schultz

Financial Staff

Controller (through April 30, 2018) Acting Associate Vice President for Finance and Treasury (May 1, 2018 – July 31, 2018) Associate Vice President for Finance and Treasury (from August 1, 2018)	Shyree Sanan
Deputy Controller (through April 30, 2018) Acting Controller (May 1, 2018 through July 27, 2018)	Raul Garcia
Financial Reporting Manager (from May 1, 2018)	Kathy Marshall

NIU Office is located at:

300 Altgeld Hall

DeKalb, Illinois 60115

Summary

The audit of the accompanying financial statements of Northern Illinois University (University) was performed by CliftonLarsonAllen LLP, as special assistant auditors to the Illinois Office of the Auditor General.

Based on their audit, the auditors expressed unmodified opinions on the University's basic financial statements.

INDEPENDENT AUDITORS' REPORT

Honorable Frank J. Mautino
Auditor General, State of Illinois
and
Board of Trustees
Northern Illinois University

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of Northern Illinois University (the University), a component unit of the State of Illinois, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 these financial statements based on our audit. We did not audit the financial statements of the University's aggregate discretely presented component units. 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 aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The financial statements of the Northern Illinois University Foundation and the Northern Illinois University Alumni Association (discretely presented component units) were not audited in accordance with *Government Auditing Standards*.

Honorable Frank J. Mautino
Auditor General, State of Illinois
and
Board of Trustees
Northern Illinois University

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, the auditor considers internal control relevant to the entity'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 entity'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.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Northern Illinois University and its aggregate discretely presented component units as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 23 to the financial statements, Public Act 100-0021, enacted on July 6, 2017, granted the University additional fiscal year 2017 appropriations for operational expenditures, totaling $42.7 million. These appropriations were recognized as nonoperating revenues in fiscal year 2018 because the appropriation did not occur until after June 30, 2017. Our opinions are not modified with respect to this matter.

As discussed in Note 24 to the financial statements, the University adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. As a result of the adoption of this standard, the University reported a restatement for the change in accounting principle. Our opinions are not modified with respect to this matter.

As discussed in Note 24 to the financial statements, the Northern Illinois University Foundation and the Northern Illinois University Alumni Association (discretely presented component units) changed their financial reporting framework from standards promulgated by the Governmental Accounting Standards Board to standards promulgated by the Financial Accounting Standards Board in accordance with accounting principles generally accepted in the United States of America. The University reported a restatement for the correction of an error. Our opinions are not modified with respect to this matter.

Honorable Frank J. Mautino
Auditor General, State of Illinois
and
Board of Trustees
Northern Illinois University

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplemental information such as the Management's Discussion and Analysis on pages 6-17, the Schedule of the University's Proportionate Share of the Net Pension Liability and the Schedule of University Contributions on page 60, the Schedule of the University's Proportionate Share of the Net OPEB Liability on page 61, and the related Notes to Required Supplementary Information on page 62 be presented 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 and other auditors 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued under separate cover our report dated February 13, 2019 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

CliftonLarsonAllen LLP

Oak Brook, Illinois
February 13, 2019

INTRODUCTION

Northern Illinois University (NIU, or the University) is a comprehensive public institution of higher learning with approximately 17,000 students as of Fall 2018. The University offers a wide range of academic programs through its colleges and schools; and through its research enterprise has Illinois, national, and global impacts. The following discussion and analysis provides an overview of the financial position and activities of NIU for the year ended June 30, 2018 with summarized comparative totals for the year ended June 30, 2017. This discussion is prepared by management and should be read in conjunction with the accompanying financial statements and the notes.

USING THE FINANCIAL STATEMENTS

The University's 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. The financial statements include the University and its discretely presented component units. The financial statements and notes, along with Management's Discussion and Analysis (MD&A), have been prepared in accordance with generally accepted accounting principles as defined by the Governmental Accounting Standards Board (GASB) for public colleges and universities. The University is a component unit of the State of Illinois and is included in the State's Comprehensive Annual Financial Report (CAFR).

The following MD&A presents condensed versions of the financial statements with comparative financial information for fiscal year 2017 in order to illustrate increases and decreases from fiscal year 2018 data. This MD&A focuses on the University, excluding the discretely presented component units. Information regarding the component units is summarized in Note 22 to the basic financial statements. The MD&A for the component units is included in their separately issued financial statements.

FINANCIAL HIGHLIGHTS

As a premier, student-centered, research-focused public university in the Midwest, revenues from tuition and fees, auxiliary enterprises, and sponsored programs represent approximately 88 percent of NIU's operating revenue; these are supplemented by sales and services of educational activities, investment income, and other non-operating revenues. NIU continues to gain global recognition as a major research university, with grants and contracts comprising 12 percent of University operating revenue sources in fiscal year 2018. The most significant fiscal year 2018 expense categories were those directly related to the University's academic, research and public service missions. In light of external economic factors including a two-year State budget impasse during fiscal years 2016 and 2017 and declining enrollment trends, the University's financial position as well as its continued strategic initiatives will allow it to operate well into the future.

The University has taken strategic measures through its Program Prioritization process to reallocate resources in a way that will provide the most benefit for current and future students. For example, the Division of Enrollment Management, Marketing and Communications is better aligned to improve recruitment; process re-engineering has occurred across multiple divisions to reduce costs; and staffing and space utilization modeling is ongoing, all in an effort to maximize financial resources. While the University remains cognizant of efforts to control costs in fiscal 2018, it is also continuing to invest in initiatives aimed at growing enrollment and promoting its brand.

STATEMENT OF NET POSITION

The Statement of Net Position presents the financial position of the University as of the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the University. The difference between total assets plus deferred outflows of resources, and total liabilities plus deferred inflows of resources—net position—is one indicator of the current financial condition of the University, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values.

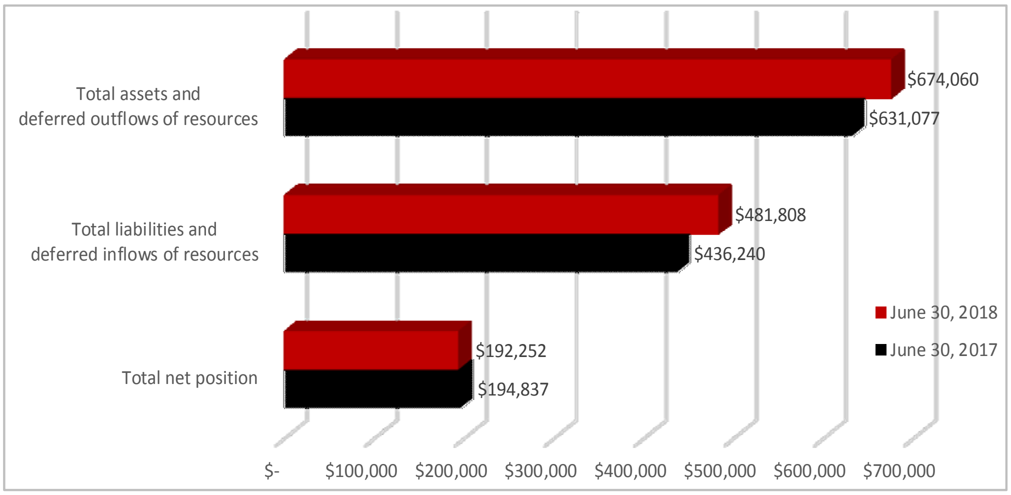
A summary comparison of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2018, and June 30, 2017 follows.

Condensed Summary of Statement of Net Position ($ In Thousands)

	June 30, 2018	June 30, 2017	$ Change	% Change
Current assets	$ 151,759	$ 73,270	$ 78,489	107.1%
Noncurrent assets:				
Cash and investments	-	2,991	(2,991)	-100.0%
Restricted cash and investments	63,880	92,888	(29,008)	-31.2%
Capital assets, net	434,872	447,926	(13,054)	-2.9%
Other	14,985	12,108	2,877	23.8%
Total assets	665,496	629,183	36,313	5.8%
Deferred outflows of resources	8,564	1,894	6,670	352.2%
Current liabilities	63,376	62,208	1,168	1.9%
Noncurrent liabilities	413,700	374,032	39,668	10.6%
Total liabilities	477,076	436,240	40,836	9.4%
Deferred inflows of resources	4,732	-	4,732	100.0%
Total net position	$ 192,252	$ 194,837	$ (2,585)	-1.3%

The following chart summarizes the University's Statement of Net Position as of June 30, 2018 and the previous fiscal year end:

Statement of Net Position ($ in thousands)



Fiscal Year 2018 Compared to 2017

The University's net position decreased $2.6 million (-1.3%) during fiscal year 2018, an improvement when compared to a $30.4 million decline the previous year. The current change represents a combination of a prior period adjustment related to the implementation of GASB Statement No. 75 *Postemployment Benefits Other than Pensions* (OPEB) decreasing beginning net position by $44.4 million offset by an increase to beginning net position by $3.1 million related to the restatement of amounts due from component units, plus an increase in net position from fiscal year 2018 operating and nonoperating sources of $38.7 million, resulting from a partial restoration in the State's general appropriations funding. Even though the State's general appropriations funding increased by $76.5 million in fiscal year 2018 to $124.8 million, $42.7 million of that amount related to the fiscal year 2017 appropriation, which was received and recognized as revenue in fiscal 2018, as explained in Note 23 to the financial statements. As a result, the true level of State funding in fiscal 2018 totaling $82.1 million represented about 90% of historical amounts seen before the State budget impasse when annual appropriations exceeded $90 million.

Current assets including cash and investments increased $78.5 million (107.1%) over prior year, and was due primarily to the timing of the State budget approval, which resulted in a cash infusion in July 2017.

Current liabilities increased $1.2 million (1.9%) at year-end due to higher accounts payable and accrued liabilities, offset by lower Agency liabilities. Non-current liabilities increased $39.7 million (10.6%) at year-end due primarily to the recording of an additional liability totaling $49.8 million for OPEB required under GASB Statement No. 75 effective for fiscal year 2018.

Capital Assets, Net and Debt Obligations

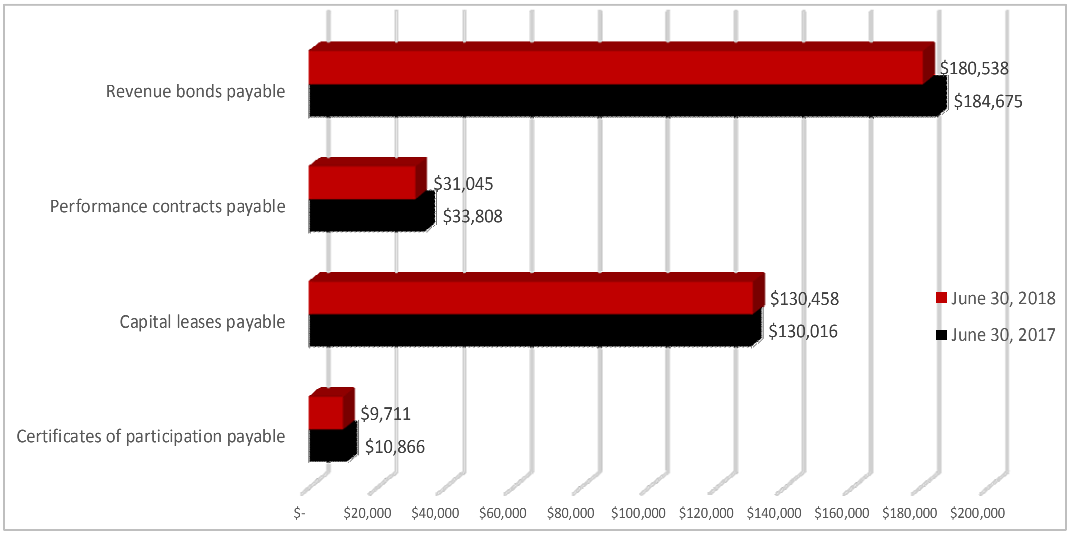
One of the critical factors in continuing the quality of the University's academic programs and student life is the development and renewal of its capital assets. Capital assets, net, represent the University's capital assets less accumulated depreciation; debt obligations represent outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

The decrease in capital assets, totaling $13.1 million (-2.9%), was a result of increased retirements in buildings and equipment, and current period depreciation. Capital asset additions totaled $16.4 million in 2018, and included renovation and new construction of academic, research and student service facilities, as well as new investments in equipment, including information technology. Current year capital asset additions were funded with capital appropriations, grants from the State of Illinois and federal government, debt proceeds, gifts, and unrestricted net position, which were designated for capital purposes.

The University's long-term debt obligations relate to the financing of capital asset additions. No new long-term bond debt was issued in fiscal year 2018. At June 30, 2018, bonds payable totaled $180.5 million, which mostly financed construction of new non-academic facilities and improvements. Capitalized leases payable, which are considered installment purchases, totaled $130.5 million, a slight increase over the prior year as a result of the capitalization of new software and electronic cloud storage leases totaling $2.5 million. The University also has five separate performance contracts outstanding, totaling $31.0 million, for the upgrading of lighting and heating/air conditioning affecting approximately 70 buildings on campus. Performance guarantees are in place for each contract. Certificates of participation payable totaled $9.7 million at year-end, and were used to finance the acquisition of academic and administrative facilities.

The following chart summarizes the University's bonds payable, capital leases payable, certificates of participation payable, and performance contracts payable outstanding as of June 30, 2018 and at the previous fiscal year end:

Current and Long-term Debt Obligations ($ in thousands)



STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The statement of revenue, expenses, and changes in net position presents the change in financial position of the University. A summary comparison of the University's activities for the year ended June 30, 2018, and June 30, 2017 follows:

Condensed Summary of Revenues, Expenses, and Changes in Net Position ($ In Thousands)

	2018	2017	$ Change	% Change
Operating revenues	$ 251,423	$ 275,568	$ (24,145)	-8.8%
Operating expenses	582,957	559,239	23,718	4.2%
Operating gain/(loss)	(331,534)	(283,671)	(47,863)	-16.9%
Nonoperating revenues/(expenses)	360,950	245,460	115,490	47.1%
Other revenues and changes in net position	9,297	7,810	1,487	19.0%
Increase/(decrease) in net position	$ 38,713	$ (30,401)	$ 69,114	227.3%

Summary of Revenues

The Summary of Revenues presents the University's results of operating, nonoperating, and other revenue earned during the fiscal year. NIU, and other public universities, depend on state appropriations, gifts, and financial aid grants, which are defined by GASB as nonoperating revenues to support core operations. A summary of the University's revenues for the fiscal year ended June 30, 2018, and changes with the previous fiscal year follows:

Summary of Revenues ($ In Thousands)

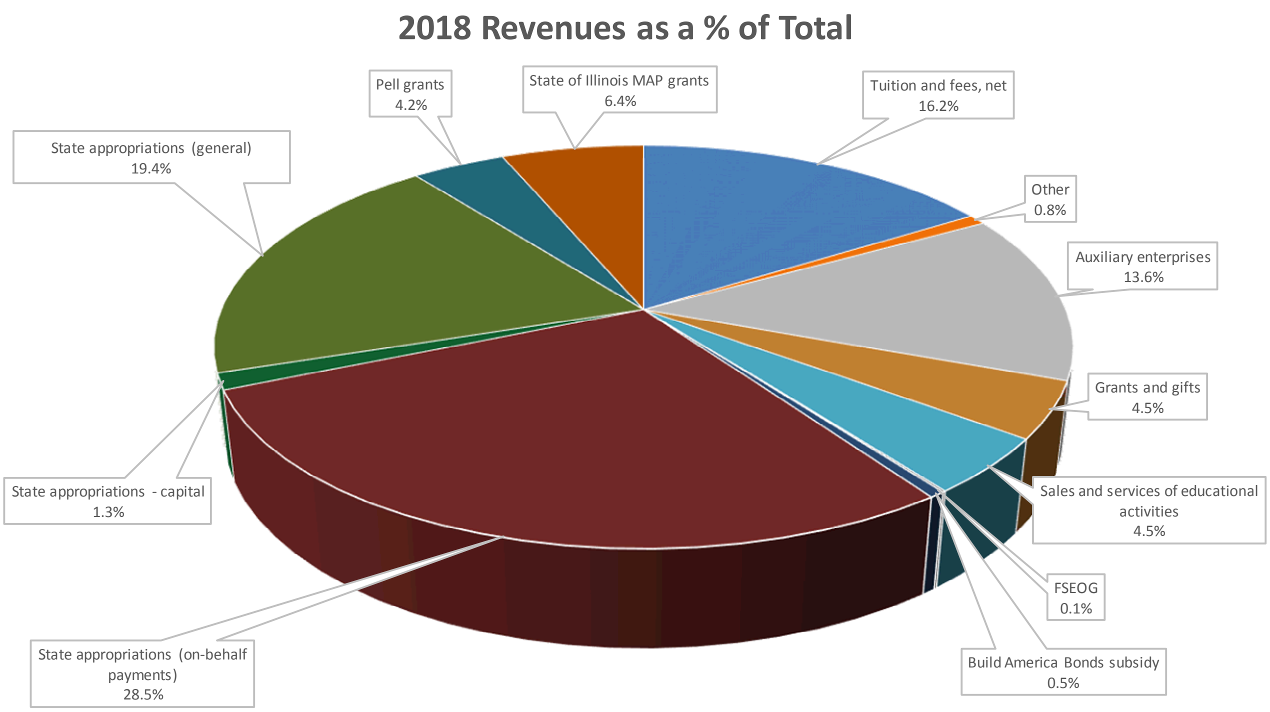
	2018	2017	$ Change	% Change
Operating revenues:				
Student tuition and fees, net	$ 104,152	$ 127,256	$ (23,104)	-18.2%
Auxiliary enterprises	87,487	87,173	314	0.4%
Sponsored programs	28,954	29,363	(409)	-1.4%
Other	30,830	31,776	(946)	-3.0%
Operating revenues	251,423	275,568	(24,145)	-8.8%
Nonoperating revenues:				
State appropriations:				
General	124,806	48,316	76,490	158.3%
Supplemental (on-behalf payments)	183,539	179,204	4,335	2.4%
Pell grants	27,174	26,536	638	2.4%
Illinois MAP Grants	41,479	8,660	32,819	379.0%
Build America bonds subsidy	3,303	3,235	68	2.1%
Federal Supplemental Educational Opportunity Grants	820	835	(15)	-1.8%
Net investment income	2,661	1,988	673	33.9%
Net nonoperating revenues	383,782	268,774	115,008	42.8%
Other revenues:				
State appropiations - capital	8,528	6,995	1,533	21.9%
Gifts and contributions	763	736	27	3.7%
Gain on disposal of capital assets	6	79	(73)	-92.4%
Other revenues	9,297	7,810	1,487	19.0%
Total revenues	$ 644,502	$ 552,152	$ 92,350	16.7%

Due to the required classification of these significant funding sources as nonoperating revenues, operating expenses will typically exceed operating revenues for public universities, resulting in an operating loss. Nonoperating revenue sources include State appropriations, Pell grants, State of Illinois Monetary Award Program (MAP) grants, Federal Supplemental Educational Opportunity Grants (FSEOG), gifts, and investment income.

Fiscal Year 2018 Compared to 2017

The University's total revenues increased by $92.4 million, or 16.7%, due primarily to the timing of the receipt of State appropriations for general, on-behalf payments, and capital projects in fiscal 2018 that also included a portion of fiscal 2017 State appropriations previously billed that could not be recorded as 2017 revenues under current accounting guidelines. Operating revenues decreased by $24.1 million, or -8.8%, due primarily to decline in student enrollment, and an increase of $15.1 million in scholarship allowance related to the timing of receipt of MAP appropriations.

The following is a graphic illustration of revenues by source (both operating and non-operating), as a percentage of total revenues, which are used to fund the University's operating activities for the year ended June 30, 2018:



Notable changes in operating revenues during fiscal year 2018 compared to 2017 included:

- Tuition and Fees, decreased $8.0 million in fiscal year 2018, or -5.1%, due to a 4.8% decline in student enrollment, and the related Scholarship Allowance increased $15.1 million, or 49.2%, due to passage of the State appropriation funding bill in July 2017, and subsequent receipt and recording of both 2017 and 2018 State of Illinois MAP funding in fiscal 2018.
- The University received $41.5 million in Illinois MAP grants, an increase of $32.8 million, or 379%, with 2017 grants required to be reported as 2018 revenues under current accounting guidelines.
- The largest component of other revenues, capital appropriations received from the State in 2018, totaled $8.5 million, an increase of $1.5 million from 2017, and funded specific capital projects at the University, primarily the ongoing work to renovate and expand the Stevens Building, which opened in Fall 2018.

- State appropriations increased $80.8 million, or 35.5%, during fiscal 2018 to $308.3 million. Included in this total is general appropriations which increased $76.5 million in fiscal year 2018 to $124.8 million, and supplemental State appropriations, or payments made on-behalf of the University to the Illinois Department of Central Management Services (DCMS) and the State Universities Retirement System (SURS), which increased $4.3 million, or 2.4%, in fiscal year 2018 to $183.5 million. The supplemental increase was due primarily to an increase in state funding for employer required contributions to State Employees Group Insurance Plan (SEGIP) and SURS. The University does not participate in the design, selection of vendors, or implementation of either the retirement or group insurance plans for employees. Accordingly, attempts to control the rising trend of national healthcare costs is dependent upon DCMS' annual negotiations with the State's American Federation of State, County and Municipal Employees (AFSCME) union on premiums and other costs.

Summary of Expenses

The Summary of Expenses presents the University's results of expenses incurred by functional classification during the fiscal year. In prior years, State contributions for DCMS and SURS were recorded as staff benefits and presented separately on this statement. Beginning in fiscal year 2017, staff benefits were instead allocated across the various functional expense categories shown below.

A comparative summary of the University's expenses (both operating and nonoperating) for the fiscal year ended June 30, 2018, and June 30, 2017 follows:

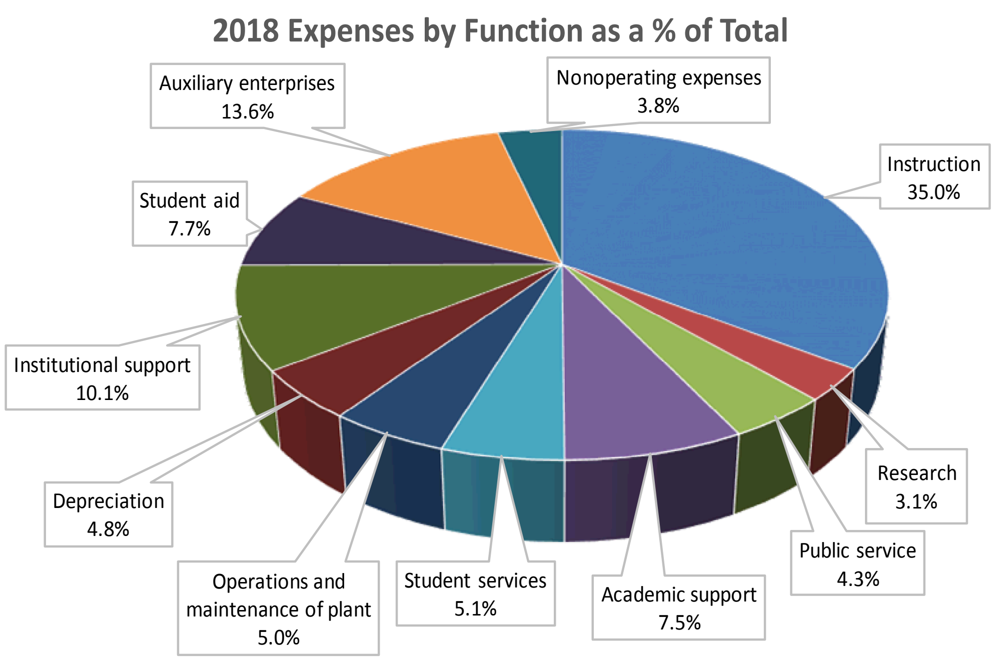
Summary of Expenses ($ In Thousands)

	2018	2017	$ Change	% Change
Operating expenses:				
Instruction	$ 211,652	$ 202,903	$ 8,749	4.3%
Research	18,956	18,198	758	4.2%
Public service	26,000	26,122	(122)	-0.5%
Academic support	45,331	42,486	2,845	6.7%
Student services	30,740	31,039	(299)	-1.0%
Operations and maintenance of plant	30,376	28,123	2,253	8.0%
Depreciation	29,238	25,052	4,186	16.7%
Institutional support	61,423	54,720	6,703	12.2%
Student aid	46,563	36,865	9,698	26.3%
Auxiliary enterprises	82,678	93,731	(11,053)	-11.8%
Operating expenses	582,957	559,239	23,718	4.2%
Nonoperating expenses:				
Interest expense	22,832	23,314	(482)	-2.1%
Total expenses	$ 605,789	$ 582,553	$ 23,236	4.0%

Fiscal Year 2018 Compared to 2017

The University's total operating expenses increased $23.7 million to $583.0 million during the year ended June 30, 2018, an increase of 4.2% over prior year. This total includes benefit expenses for the on-behalf payments made by the State for university employer contributions for SEGIP and SURS, which are recorded as both non-operating revenues from the State and operating expenditures for staff benefits. Additionally, OPEB expenses totaling $3.5 million became effective for the first time in fiscal 2018 as a result of the implementation of GASB Statement No. 75, and were allocated across various categories of functional expenses.

The following is a graphic illustration of functional expenses, as a percentage of total expenses, for the year ended June 30, 2018:



Notable changes in operating expenses during fiscal year 2018 compared to 2017 included:

- Instruction, which includes expenses for academic programs including community education, increased $8.7 million in total during fiscal 2018, or 4.3%, due primarily to an allocation of the 2018 OPEB expenses of $1.6 million, and changes in contribution levels for both SEGIP and SURS benefits over the prior year for a net increase of $4.8 million.
- Academic Support saw an increase in expenses of $2.8 million, or 6.7%, in areas which provide support services for the University's primary missions of instruction, research, and public service such as Research and Innovative Partnership, student computer labs, and Academic Diversity.

- Depreciation expense on capital assets increased $4.2 million in total during fiscal 2018, or 16.7%, related to an increase in depreciable assets.
- Institutional support, which includes expenses related to the management and long-range planning for the University, support services to faculty and staff, and community and alumni relations activities increased $6.7 million in total during fiscal 2018, or 12.2%, as a result of the following:
  - Software licensing, upgrades, and support fees which increased $2.5 million;
  - Allocation of the 2018 OPEB expenses and changes in contribution levels for both SEGIP and SURS benefits over the prior year for a net increase of $1.8 million;
- Student aid expenses, which includes scholarships and fellowships provided as financial aid, increased $9.7 million during fiscal 2018, or 26.3%, largely as a result of the net impacts of increased student tuition discounts related to reporting two years of State of Illinois MAP funding in fiscal.
- Auxiliary expenses decreased $11.1 million in total during fiscal year 2018, or 11.8% due primarily to a $5.0 million decrease in personal services, a $1.6 million decrease in the allocation of on-behalf expenses, and a $4.3 million decrease in contractual services.

STATEMENT OF CASH FLOWS

The statement of cash flows provides additional information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. A summary comparison of cash flows for the University's fiscal year 2018 and fiscal year 2017 activities follows:

Condensed Statement of Cash Flows ($ In Thousands)

	2018	2017	$ Change	% Change
Net cash used in operating activities	$ (94,060)	$ (82,341)	$ (11,719)	-14.2%
Net cash provided by noncapital financing activities	191,810	84,460	107,350	127.1%
Net cash used in capital and related financing activities	(34,217)	(40,588)	6,371	15.7%
Net cash (used in) provided by investing activities	(45,162)	45,370	(90,532)	-199.5%
Net increase in cash and cash equivalents	18,371	6,901	11,470	166.2%
Cash and cash equivalents, beginning of year	49,826	42,925	6,901	16.1%
Cash and cash equivalents, end of year	$ 68,197	$ 49,826	$ 18,371	36.9%

Fiscal Year 2018 Compared to 2017

Cash flows from operating activities present the net cash provided or used by the fiscal year activities of the University. Due to the categorization of operating and nonoperating revenues and expenses by GASB, cash flows from operating expenses are typically a net cash use. Major operating funding sources include student tuition and fees, governmental grants and contracts, and auxiliary enterprises revenues. Notable changes in cash flows during fiscal year 2018 compared to 2017 included:

- Net cash used in operating activities increased $11.7 million in fiscal 2018, or 14.2%, due primarily to an increase in payments for scholarships of $10.1 million.
- Net cash provided by noncapital financing activities increased $107.4 million in fiscal 2018, or 127.1%, due primarily to increased cash flows from State appropriations totaling $74.4 million, and increased cash flows from State MAP grants totaling $32.8 million.
- Net cash used in capital and related financing activities decreased $6.4 million in fiscal 2018, or 15.7%, as purchases of capital assets and principal payments on capital debt were both lower than in fiscal 2017.
- Net cash used in investing activities increased $90.5 million in fiscal 2018, or almost 200% over the previous year, as monies received from State appropriations for both fiscal 2017 and fiscal 2018 funded purchases in the investment portfolio.

THE UNIVERSITY'S ECONOMIC OUTLOOK

At the beginning of the fiscal year, the University's cash position strengthened significantly as monies were received for fiscal year 2017 State appropriations totaling $12.1 million, fiscal year 2017 Monetary Award Program (MAP) appropriations totaling $19.2 million, tuition and fees related to the Summer session and Fall semesters totaling $50.3 million, plus $12 million from fiscal year 2018 State appropriations. The University has an approved fiscal year 2019 general appropriation budget of $83.6 million, which represents a 2% increase from fiscal year 2018. In addition, Management has responded to a two-year State budget crisis in 2016 and 2017 and devoted substantial time and energy to stabilize the University. Steps taken during fiscal year 2018 include working to implement a business model that sustains financial health, funds appropriate levels of institutional student financial aid, enables investment in dedicated employees, provides sufficient flexibility to respond to the rapidly changing higher education landscape. In addition, the University worked to cultivate relationships into resources, forming several new partnerships in fiscal year 2018 that will allow for greater efficiency, effectiveness, and expertise, as well as enhance student experiences.

The University has successfully incorporated Program Prioritization, a robust framework for reengineering operations and allocating scarce resources, into a number of tools used to guide internal recommendations for continuous improvement. The University continues to see positive financial, structural, curricular and cultural outcomes from Program Prioritization, and it is expected that operations will grow and ultimately the University's dependency on State appropriations will decline.

Sponsored funds provide direct support for the University's research, artistry, service, and instructional programs and generates indirect revenue to maintain them. External funding is influenced by many factors including faculty funding cycles, competition for federal dollars, award spending schedules, and current funding portfolio. The University anticipates direct and indirect sponsored funding revenue to increase above the fiscal year 2018 levels, and strategic efforts across campus continue to increase direct funding and indirect recovery. The recent announcement of a $22.9 million world-class research center targeting food system, water resources, and environmental change to be built on NIU's campus is a result of these strategic efforts.

Private gifts are an important source of funding for University operations, capital acquisition and construction, and a significant factor in expanding academic units. With State support representing a diminishing percentage of the University's budget, private gifts are an important supplement to the University budget. With the help of the Northern Illinois University Foundation, the University continues to see growth in private support. The University is continuing to pursue supplemental sources of revenue to enhance its outstanding academic reputation. The University will be challenged, but the Board of Trustees and management will be unwavering in its commitment to the mission of instruction, research, and public service, its core values, and strengthening the financial position and future sustainability of Northern Illinois University.

STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY
STATEMENT OF NET POSITION
June 30, 2018 (In Thousands)

	University	Component Units
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,388	$ 4,400
Restricted cash and cash equivalents	45,402	57
Investments	74,414	-
Accrued interest receivable	957	-
Accounts receivable, net	22,925	528
Appropriations receivable from state	2,096	-
Inventories	1,748	-
Due from component units	798	-
Other assets	2,031	368
Total current assets	151,759	5,353
Noncurrent assets		
Restricted cash and cash equivalents	21,407	-
Investments	-	106,726
Restricted investments and marketable securities	42,473	1,374
Student loans receivable - net	7,062	-
Due from component units	6,542	-
Other	1,381	1,875
Capital assets, net of accumulated depreciation	434,872	23,887
Total noncurrent assets	513,737	133,862
TOTAL ASSETS	**665,496**	**139,215**
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on bond refunding	664	-
Other post-employment benefits	6,696	-
Federal, trust, grant, and other contributions - pensions	1,204	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**8,564**	**-**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	41,742	1,526
Accrued compensated absences	2,402	-
Students' deposits	316	-
Due to NIU	-	678
Due to component unit	120	-
Agency	5,238	-
Unearned tuition and fees	11,613	-
Unearned revenue and grants	1,945	-
Total current liabilities	63,376	2,204
Noncurrent liabilities		
Accounts payable and accrued liabilities	3,391	-
Other post-employment benefits	49,837	-
Due to NIU	-	6,542
Performance contracts payable	28,194	-
Accrued compensated absences	12,739	-
Government loan fund advances	6,650	-
Unearned revenue and grants	-	57
Revenue bonds payable	176,201	738
Leases payable	128,177	-
Notes and certificates of participation payable	8,511	22
Total noncurrent liabilities	413,700	7,359
TOTAL LIABILITIES	**477,076**	**9,563**
DEFERRED INFLOWS OF RESOURCES		
Other post-employment benefits	4,732	-
TOTAL DEFERRED INFLOWS OF RESOURCES	**4,732**	**-**
NET POSITION		
Net investment in capital assets	106,526	22,725
Restricted:		
Nonexpendable	1,389	52,449
Expendable	81,925	42,730
Unrestricted	2,412	11,748
TOTAL NET POSITION	**$ 192,252**	**$ 129,652**

See accompanying Notes to the Basic Financial Statements.

STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2018 (In Thousands)

	University	Component Units
REVENUES		
Operating revenues		
Tuition and fees, net	$ 104,152	$ -
Federal and state grants and other contracts	24,293	-
Private gifts, grants, and contracts	4,661	7,483
Sales and service of educational activities	28,995	54
Other sources	1,835	2,649
Auxiliary enterprises	87,487	-
Total operating revenues	251,423	10,186
EXPENSES		
Operating expenses		
Instruction	211,652	-
Research	18,956	-
Public service	26,000	-
Academic support	45,331	-
Student services	30,740	-
Operation and maintenance of plant	30,376	-
Depreciation	29,238	620
Institutional support	61,423	9,870
Student aid	46,563	3,450
Auxiliary enterprises	82,678	-
Total operating expenses	582,957	13,940
Net operating gain/(loss)	(331,534)	(3,754)
NONOPERATING REVENUES (EXPENSES)		
State appropriations - general	124,806	-
State appropriations - on-behalf payments	183,539	-
Build America Bonds subsidy	3,303	-
Federal and state grants and other contracts	-	218
Net Investment income	2,661	6,634
Expendable gifts and other	-	264
Pell grants	27,174	-
Federal Supplemental Educational		-
Opportunity Grant (FSEOG)	820	-
State of IL Monetary Award Program (MAP)	41,479	-
Interest expense	(22,832)	(3)
Net nonoperating revenues	360,950	7,113
Gain/(loss) before other revenues, gains, or losses	29,416	3,359
OTHER REVENUES AND GAINS (LOSSES)		
State appropriations - capital	8,528	-
Gifts and contributions	763	-
Gain on disposal of capital assets	6	-
Gifts to permanent endowments	-	2,424
(DECREASE) INCREASE IN NET POSITION	38,713	5,783
NET POSITION, BEGINNING OF YEAR	194,837	126,006
Change in accounting principle (Note 24)	(44,390)	-
Restatement for University & UROs (Note 24)	3,092	(2,137)
NET POSITION, BEGINNING OF YEAR, AS RESTATED	153,539	123,869
NET POSITION, END OF YEAR	$ 192,252	$ 129,652

See accompanying Notes to the Basic Financial Statements.

STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018 (In Thousands)

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees, net	$ 123,552
Federal and state grants and other contracts	23,395
Private gifts, grants, and contracts	4,195
Sales and service of educational activities	29,832
Auxiliary enterprises	88,010
Payment to suppliers	(90,486)
Payment to employees	(227,402)
Payments for scholarships	(47,136)
Loans to students and employees	(747)
Collection of loans to students and employees	637
Other receipts, net	2,090
Net cash used in operating activities	(94,060)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	122,732
Pell Grants	26,776
Federal Supplemental Educational Opportunity Grant (FSEOG)	823
State of IL Monetary Award Program (MAP)	41,479
Operating transfer - in/(out) to other state agencies	-
Net cash provided by noncapital financing activities	191,810
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(6,886)
Principal payments on capital debt	(7,519)
Interest payments on capital debt	(23,115)
Build America Bond Subsidy	3,303
Net cash used in capital and related financing activities	(34,217)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income on investments, net	2,495
Proceeds from sales and maturities of investments	32,921
Purchase of investments	(80,578)
Net cash used in provided by investing activities	(45,162)
NET INCREASE IN CASH AND CASH EQUIVALENTS	18,371
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	49,826
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 68,197

See accompanying Notes to the Basic Financial Statements.

STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY
STATEMENT OF CASH FLOWS (CONTINUED)
For the Year Ended June 30, 2018 (In Thousands)

		University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$	(331,534)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Depreciation expense - non-Auxiliary enterprises		13,891
Depreciation expense - Auxiliary enterprises		15,347
On behalf payments for fringe benefits		183,539
CHANGES IN ASSETS AND LIABILITIES		
Accounts receivable		20,383
Inventories		1,193
Student loans receivable		405
Other assets		(128)
Deferred outflows of resources		(5,431)
Due from/to component units		259
Accounts payable and accrued liabilities		390
Accrued compensated absences		(462)
Students' deposits		36
Agency		(1,412)
Unearned revenue and grants		836
Other post-employment benefits		4,206
Government loan fund advances		(310)
Deferred inflows of resources		4,732
Net cash used in operating activities	$	(94,060)
NONCASH INVESTING, CAPITAL, NONCAPITAL, AND FINANCING ACTIVITIES		
On-behalf payments for fringe benefits	$	183,539
Capital asset contribution		763
Other Post-employment Benefits Expenses - Employer portion		(3,483)
Unpaid state appropriation revenue		2,096
Capitalized interest		121
Cost of capital assets not being depreciated included in accounts payable		4,732
Unrealized gain		(50)
State expenses for capitalized CDB projects		8,528

See accompanying Notes to the Basic Financial Statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by Northern Illinois University (University, or NIU) are presented below to assist the reader in evaluating the financial statements and accompanying notes.

Financial Reporting Entity and Component Unit Disclosures

The University is a component unit of the State of Illinois for financial reporting purposes. These financial statements include all funds and departments over which the University exercises oversight responsibility. Oversight responsibility is defined as including the following considerations: selection of governing authority, ability to significantly influence operations, accountability for fiscal matters, the scope of public services, and/or a special financing relationship. The financial balances and activities included in these financial statements are included in the State's comprehensive annual financial report.

The Northern Illinois University Foundation (Foundation), the Northern Illinois University Alumni Association (Association), and the Northern Illinois Research Foundation (Research Foundation) are Illinois non-profit corporations. The Foundation was established to promote and serve the interests and welfare of the University. The Association was established to build relationships between alumni and the University. The Research Foundation was established to benefit and support the teaching, research and service missions of the University. The Foundation, the Association, and the Research Foundation are "University Related Organizations," as defined under the University guidelines adopted by the State of Illinois Legislative Audit Commission in 1982, as amended in 1997, and are component units of the University for financial reporting purposes because of the significance of their operational relationships with the University. These component units are discretely presented in a separate column to emphasize that they are Illinois non-profit corporations, legally separate from the University.

The Foundation and the Association follow Financial Accounting Standards Board (FASB) standards for financial statement preparation. Consequently, reclassifications have been made to reformat their financial statements to the GASB format for inclusion in the Component Unit's column of the financial statements and certain disclosures. The Research Foundation follows GASB standards for financial statement preparation.

Complete financial statements for the Foundation and the Association may be obtained by writing to the NIU Foundation Controller, Altgeld Hall 138, Northern Illinois University, DeKalb, Illinois 60115. Financial Statements for the Research Foundation may be obtained by writing to the Northern Illinois Research Foundation President, Lowden Hall 301, DeKalb, Illinois 60115.

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities, as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenue is recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

Restricted Cash and Investments

Restricted cash and investments are for capital projects and the auxiliary facilities system at the University, funded by an external debt issuance. The University accounts for its investments and marketable securities at fair value.

Accounts and Loans Receivable

The University provides allowances for uncollectible accounts and loans receivable based upon management's best estimate considering type, age, collection history of receivables, and any other factors as considered appropriate. Accounts and loans receivable are reported net of allowances at June 30, 2018.

Inventories

Inventories are carried at the lower of cost (determined by the first-in and first-out (FIFO) or average cost method depending on the nature of the inventory item) or market.

Capital Assets

Capital assets are recorded at cost when purchased or fair value at the date of donation. Depreciation is calculated on a straight-line basis over the estimated useful lives (noted below) of the respective assets. The University follows the State of Illinois policy for capitalization with thresholds as follows: Infrastructure - $250,000; Land - $100,000; Land improvements - $25,000; Site improvements - $25,000; Buildings - $100,000; Building improvements - $25,000; Equipment - $5,000; and Works of art, historical treasures - $5,000. The interest costs associated with construction projects are capitalized and included as part of the project. Capitalization of interest ceases when the project is substantially complete. Interest costs capitalized on construction projects were $121,000 in fiscal year 2018. The assets associated with long-term leases have been capitalized. Estimated Useful lives for capital assets are as follows:

	Useful life (in years)		Useful life (in years)
Site improvements	20	Equipment:	
Buildings	40	Computer and peripherals	5
Building improvements	20	Library books	7
Art work and historical treasures	20	Motor vehicles	5 - 10
Intangible assets	5	Furniture and machines	5 - 10
		Other equipment	5 - 10

Unearned Revenue

Unearned revenue includes amounts received for Summer tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. These revenues are recognized as revenues in the fiscal year earned. The portion of Summer session tuition and fees applicable to the following fiscal year are reported as unearned revenue and totals $11,613,000. Unearned revenue also includes amounts received from grant and contract sponsors that have not yet been earned or for which the University has not yet met the eligibility requirements.

Compensated Absences

It is the policy of the University to accrue vacation pay as earned. As of June 30, 2018, the accrued liability for this benefit was $12,885,000 and is included in accrued compensated absences on the statement of net position.

Accrued compensated absences includes employee earned but unused vacation and sick leave days. In accordance with Illinois Public Act 83-976, the University is required to compensate certain employees, generally civil service and administrative professionals, for sick leave benefits earned after January 1, 1984. Sick leave earned by these employees after this date will accumulate without limit and is payable upon termination of employment for one-half of the unused amount. As of January 1, 1998, per 30 ILCS 105/14a, sick leave benefits earned after that date are no longer compensable upon termination of employment. All prior earned benefits will still be paid. As of June 30, 2018, the accrued liability of this benefit was $2,256,000, and is included in accrued compensated absences on the statement of net position. The accrued compensated absences liability will be funded through future State of Illinois General Revenue Fund appropriations as the terminating employees leave the University.

Employment Contracts

Employment contracts for certain academic personnel provide for twelve monthly salary payments, although the contractual services are rendered during a nine-month period. The liability for those employees who have completed their contracted services, but have not yet received final payment, was $5,928,000 at June 30, 2018, and is recorded in the accompanying financial statements as accrued liabilities on the statement of net position. This amount will be paid from amounts specifically included in State appropriations to the University for fiscal year 2019 rather than the unrestricted net position available at June 30, 2018.

Premiums and Prepaid Insurance

Bond premiums and prepaid insurance costs are deferred and amortized over the life of the bonds using the straight-line method, which approximates the interest method.

On-Behalf Payments for Fringe Benefits

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the University and its component units reported a contribution of $183,539,000 made by the State of Illinois in fiscal year 2018 to the State Universities Retirement System (SURS) and Department of Central Management Services (DCMS) State Employees Group Insurance Plan (SEGIP) on behalf of the University and its component units.

The State contribution is reported as revenue from State appropriations with an equal and offsetting amount reported as staff benefit expenditures. The on-behalf payments to SURS and SEGIP were $101,815,000 and $81,724,000, respectively, for fiscal year 2018.

Post-Employment Benefits

Certain agencies and funds of the State of Illinois present financial statements in accordance with generally accepted accounting principles in the United States (U.S. GAAP) that those agencies and fund employers must recognize their proportionate share of the collective OPEB amounts for OPEB benefits provided to members through the SEGIP plan in order to present their financial statements in accordance with GAAP.

GASB Statement No. 75, paragraph 59, states that in determining the employer's proportion of the collective net OPEB liability, the basis should be consistent with the manner in which contributions to the OPEB plan (excluding those associated with separately financed specific liabilities of an individual employer to the OPEB plan) are determined.

Pensions

For purposes of measuring the net pension liability, deferred outflows and deferred inflows of resources related to pensions, and pension expense, information about the plan net position of the State Universities Retirement System (SURS, or System) and additions to / deductions from SURS' plan net position has been determined on the same basis as they are reported by SURS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For the purposes of financial reporting, the State of Illinois and participating employers are considered to be under a special funding situation. A special funding situation is defined as a circumstance in which a non-employer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities, and either (1) the amount of the contributions for which the non-employer entity is legally responsible is not dependent upon one or more events unrelated to pensions, or (2) the non-employer is the only entity with a legal obligation to make contributions directly to a pension plan. The State of Illinois is considered a non-employer contributing entity. Participating employers are considered employer contributing entities.

Classification of Revenue

The Statement of Revenues, Expenses, and Changes in Net Position classifies the University's fiscal year activity as operating and nonoperating. Operating revenues generally result from exchange transactions such as payments received for providing goods and services, including tuition and fees, net of scholarships and fellowships, certain grants and contracts, sales and services of educational activities, and auxiliary enterprise revenues (which are primarily comprised of student housing, the student union, intercollegiate athletics, recreational facilities, and parking operations).

Certain revenue sources that the University relies on to provide funding for operations including State appropriations, gifts, and investment income are defined by GASB Statement No. 35 as nonoperating. In addition, transactions related to capital and financing activities are components of nonoperating revenues. Appropriations made from the State of Illinois General Revenue and Education Assistance Funds for the benefit of the University are recognized as nonoperating revenues when eligibility requirements are satisfied.

Scholarship Discount and Allowances

Student tuition and fee revenues are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position using the National Association of College and University Business Officers' Advisory Report 2000-05's alternative method calculation. Stipends and other payments made directly to students are reported as scholarship and fellowship expense. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount paid by the students (and/or third parties on the students' behalf). Certain governmental grants and other Federal, State, or nongovernmental programs are recorded as either operating or nonoperating revenue in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees, the University has recorded a scholarship discount and allowance. In fiscal year 2018, a scholarship allowance of $42,664,000 is netted against student tuition and fees.

Use of Estimates in Preparing the Financial Statements

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 amount of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Perkins Loan Program

The Federal Perkins Loan Program, enacted under the Higher Education Act of 1965, ended on September 30, 2015, and was extended with the passing of the Higher Education Extension Act (H.R. 3594) by Congress on December 18, 2015. The act extends the program through September 30, 2017 and is designed to reduce the number of new loans by introducing new eligibility requirements and prohibiting the issuance of new loans determined to be the first disbursed after this date. The act includes options with respect to the Federal Perkins Revolving Loan fund administered by institutions of higher learning, such as NIU. The options include to either assign the loan portfolio and the revolving fund to the Department of Education, or to continue the management of the Perkins loan portfolio that excludes the act of issuing new loans. Management has vetted the options and made a determination to continue management of the loan portfolio.

The Perkins Loans represents an average of $1 million dollars (1%) of the annual financial assistance for the University's students that will not be available after the 2018-2019 academic year. However, management's continued commitment to the students is to identify pathways to make the cost of education affordable that is inclusive of tuition and fee pricing and other sources of student financial assistance funding.

New and Pending Accounting Pronouncements

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Other Than Pension Plans.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits (OPEB)). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The University has implemented this Statement with the June 30, 2018 financial statements. This Statement had a significant impact to the University's statement of net position. The University has restated net position as of July 1, 2017 and added note disclosures and RSI as part of this implementation.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The University does not have irrevocable split-interest agreements. This statement has been adopted, but did not have any impact on the University's June 30, 2018 financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

GASB Statement No. 83, *Certain Asset Retirement Obligations*. The objective of this Statement is to address accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The University has not yet determined the impact of this Statement. It is required to be adopted with the June 30, 2019 financial statements.

GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The University has not yet determined the impact of this Statement. It is required to be adopted with the June 30, 2020 financial statements.

GASB Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues relating to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The University has adopted this Statement, but it did not have any impact on the June 30, 2018 financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance. This Statement has been adopted, but did not have any impact on the University's June 30, 2018 financial statements.

GASB Statement No. 87, *Leases.* The objective of this Statement is to improve accounting and financial reporting for leases by governments. 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. The University has not yet determined the impact of this Statement. It is required to be adopted with the June 30, 2021 financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.* The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The University has not determined the impact of this Statement. It is required to be adopted with the June 30, 2019 financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The University has not determined the impact of this Statement. It is required to be adopted with the June 30, 2021 financial statements.

GASB Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The University has not determined the impact of this Statement. The University has not determined the impact of this Statement. It is required to be adopted with the June 30, 2020 financial statements.

2. CASH AND CASH EQUIVALENTS

The University considers highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents consist principally of cash deposits, U.S. government securities, money market accounts, and money market fund accounts (excluding Illinois Funds investment pool).

As of June 30, 2018, the University held cash deposits (consisting of demand deposits and selected money market accounts) with a bank balance of $50,010,000 and a carrying value of $46,855,000. Cash deposits in excess of Federal Deposit Insurance Corporation (FDIC) limits were insured or collateralized with securities held by the University, or its custodian in the name of the University.

As of June 30, 2018, the University held $21,342,000 in a money market mutual fund, the Goldman Sachs Financial Square Government Fund. The fund values its holdings at amortized cost (2a7 like pool). Interest income is declared daily and paid monthly. This money market fund account is not covered by FDIC insurance but is rated AAAm.

3. INVESTMENTS

Policy – Investments and the investment process are governed by 30 ILCS 235, *Public Funds Investment Act*. The Board of Trustees maintains a formal Statement of Investment Policy, which addresses the governing provisions of the state law, as well as specifies additional guidelines for the investment process. The allowable investments, per University policy, mirror those specified in State statute. In general terms, these investments include instruments issued by the U.S. Government, federal agencies, high-grade commercial paper, bank deposits, investment pools created under the State Treasurer's Act, and selected money market mutual funds.

The University prohibits foreign investments.

It is the policy of the University to manage the University's cash and investments for the use and benefit of the University in a manner that will:

A. Preserve and maintain the real purchasing power of the principal;
B. Assure an optimal flow of cash to meet university obligations; and
C. Produce a yield which, when compared to the current marketplace, would be described as acceptable by conservative investment managers, while maintaining consistency with applicable State statutes, and/or bond indentures.

Fair value of investments – The University categorizes its fair value measurements in accordance with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices for identical investments in active markets, Level 2 inputs are other observable inputs, and Level 3 inputs are unobservable. The University has only Level 2 investments which are valued primarily through a multi-dimensional relational model including standard inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. There have been no significant changes in valuation techniques.

As of June 30, 2018, the University had the following recurring fair value measurements for investments ($000s):

	Fair Value Measurements			
Investments by Level	Total	Level 1	Level 2	Level 3
U.S. Treasury Notes	$ 33,788	$ -	$ 33,788	$ -
U.S. Agency Notes	42,179	-	42,179	-
	$ 75,967	$ -	$ 75,967	$ -

The investments above exclude $40,920,000 held in the Illinois Public Treasurer's Investment Pool which are valued at amortized cost. The State Treasurer maintains the Illinois Public Treasurer's Investment Pool at amortized cost (2a7 like pool) through daily adjustment in the interest earnings. The State Treasurer also maintains the average duration of the pool at less than 25 days. The value of the University's investment in the funds is the same as the value of the pool shares.

The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. All funds deposited in the pool are classified as investments even though some could be withdrawn on a day's notice. The Illinois Funds does not have any limitations or restrictions on participant withdrawals. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provision of the Illinois Public Investment Act, 30 ILCS 235. The Illinois Funds are rated AAAm by Standard & Poor's.

The following details the carrying value of the University's cash and investments as of June 30, 2018 ($000s):

	Total	Bank and Custodian Demand Deposit Accounts	Fair Value	Net Asset Value
Cash and cash equivalents	$ 68,197	$ 46,855	$ -	$ 21,342
Investments	116,887	-	75,967	40,920

Custodial credit risk – Custodial credit risk is the risk that when, in the event a financial institution or counterparty fails, the University would not be able to recover the value of investments or collateral securities that are in the possession of an outside party. As of June 30, 2018, the University was not subject to custodial credit risk as all of the University's investments were held in its name.

Concentration of credit risk – Concentration risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer, other than the U.S. Government. The University is considered to have a concentration of credit risk if its investments in any one single issuer, other than securities explicitly guaranteed by the U.S. government, are greater than 5% of total investments. The University's investments in federal agencies not explicitly guaranteed by the U.S. government which comprise more than 5% of investments are ($000s):

Investment	Total
Federal Farm Credit Bank (FFCB)	$ 11,912
Federal Home Loan Bank (FHLB)	13,465
Federal Home Loan Mortgage Corporation (FHLMC)	13,375

Foreign currency risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The University does not have any investments with foreign currency risk exposure.

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Credit risk - Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligations. The University's policy is to invest in high-grade investments. The University's investments are summarized by current credit ratings below ($000s):

	Illinois Public Treasurer's Investment Pool	U.S. Treasury Notes	U.S. Agency Notes	Total
AAA	$ -	$ 33,788	$ -	$ 33,788
AA+	-	-	42,179	42,179
AAAm	40,920	-	-	40,920
Total	$ 40,920	$ 33,788	$ 42,179	$ 116,887

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The following table shows the University's investments categorized by maturity ($000s):

Segmented Time Distribution	Illinois Public Treasurer's Investment Pool	U.S. Treasury Notes	U.S. Agency Notes	Total
0 - 1 year	$ 40,920	$ 28,372	$ 25,378	$ 94,670
1 - 3 years	-	5,416	16,801	22,217
Total	$ 40,920	$ 33,788	$ 42,179	$ 116,887

URO – Foundation Investments

The Foundation's Board is responsible for the management of the Foundation's investments. The Investment Committee formulates an investment policy for funds and assets of the Foundation, provides that policy to the Board for approval, periodically recommends changes in policy as appropriate, interprets the policy to the Foundation's investment managers, and oversees implementation of that policy. Investment performance is reviewed regularly by the Investment Committee.

The policy indicates the intended use for funds determines how they will be invested. There are two primary investment strategies that are executed in different investment pools. Endowed funds and funds initially received as expendable but acting as endowment are invested with a long-term horizon. Based upon historical patterns of usage, expendable gift funds are invested with an intermediate-term strategy.

In fulfilling its responsibilities, the Board has contracted with an independent investment advisory firm and a number of investment management firms to execute the strategy it has established.

The Foundation's investments at June 30, 2018, consisted of the following:

U.S. Treasuries	$	942
Equity		
Domestic Equity - Lrg/Mid-Cap		17,258
Domestic Equity - Small-Cap		5,185
International Developed		20,157
Private Equity		5,290
Hedged Strategies		8,113
Public Fixed Income		26,037
Private Debt		496
Real Assets		6,234
Private Natual Resources		4,063
Private Real Estate		1,638
Diversifying Strategy Mutual Funds		11,293
Cash Surrender Value of Life Insurance		20
		106,726
Funds Held in Trust by Others		2,173
Total	$	108,899

The Foundation's investment return for fiscal year 2018 is comprised of the following:

Interest and dividend income	$	2,372
Net realized and unrealized gains/(losses) on investments reported at fair value		4,062
Net realized gains/(losses) on other investments		-
Investment fees		(312)
Total	$	6,122

The Foundation's permissible investment categories include:

1) Equities
2) Fixed income securities
3) Cash equivalents
4) Venture capital/private equity
5) Equity real estate
6) Hedge funds
7) Real assets

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Investments in certain entities measured at fair value using the net asset value per share as a practical expedient consist of the following ($000s):

Fair Value Estimated Using NAV (or its equivalent)

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Hedged/alternative investments (A)	$ 16,584	$ -	(A)	(A)
Private equity (B)	12,134	5,121	(B)	(B)
	$ 28,718	$ 5,121		

(A) The partnerships in this category consist of funds that invest in multiple limited partnerships with various investment strategies and long and short positions in equity securities of companies within the United States of America (USA) and outside of the USA. These funds can be redeemed daily, monthly, quarterly, annually, or bi-annually depending on the partnership agreement within redemption notice periods of one to four months.

(B) The partnerships in this category consist of funds that invest in the following types of investments in the USA and outside of the USA: venture capital partnerships, buy-out partnerships, mezzanine/subordinated debt partnerships, restructuring/distressed debt partnerships and special situation partnerships, and real estate. These investments cannot be redeemed during the life of the partnership, which can be up to 12 years; however, they can be transferred to another eligible investor. Distributions will be received as the underlying investments of the funds are liquidated over time. The fair value of this investment has been estimated using the NAV provided by the fund manager and an adjustment determined by management for the time period between the date of the last available NAV from the investment manager and June 30, 2018.

4. RECEIVABLES

Accounts Receivable

The University and its component units report accounts receivable net of the allowance for uncollectible accounts and includes the following as of June 30, 2018:

	Gross Receivables	Allowance for Uncollectible Accounts	Net Receivables
UNIVERSITY ($000s)			
Student accounts	$ 36,073	$ (23,859)	$ 12,214
Customer accounts	1,982	(603)	1,379
Grants receivable	9,332	-	9,332
	$ 47,387	$ (24,462)	$ 22,925
URO-FOUNDATION ($000s)			
Gift pledges receivable	$ 2,757	$ -	$ 2,757
Less: Allowance for doubtful pledges	-	(457)	(457)
Total gift pledges outstanding, net	$ 2,757	$ (457)	$ 2,300

University Student Loans Receivable

Student loans made through the Federal Perkins Loan Program comprise substantially all of student loans receivable as of June 30, 2018 totaling $7,098,000 and are reported net of an allowance for uncollectible accounts of $36,000.

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018 is summarized as follows:

University ($000s)	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 19,281	$ -	$ -	$ -	$ 19,281
Construction in progress	50,381	12,630	(239)	(13,961)	48,811
Total capital assets not being depreciated	69,662	12,630	(239)	(13,961)	68,092
Capital assets being depreciated:					
Land improvements	83,651	-	-	4,631	88,282
Leasehold improvements	431	-	-	-	431
Buildings	668,889	34	-	9,330	678,253
Equipment	190,998	3,701	(1,321)	-	193,378
Other assets	3,820	-	-	-	3,820
Total capital assets being depreciated:	947,789	3,735	(1,321)	13,961	964,164
Less: accumulated depreciation	(569,525)	(29,238)	1,379	-	(597,384)
Total capital assets being depreciated, net	378,264	(25,503)	58	13,961	366,780
Total capital assets, net	$ 447,926	$ (12,873)	$ (181)	$ -	$ 434,872

URO-Foundation ($000s)	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 3,861	$ -	$ -	$ -	$ 3,861
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	3,861	-	-	-	3,861
Capital assets being depreciated:					
Buildings	24,598	-	-	-	24,598
Equipment	93	-	-	-	93
Total capital assets being depreciated:	24,691	-	-	-	24,691
Less: accumulated depreciation	(4,159)	(620)	-	-	(4,779)
Total capital assets being depreciated, net	20,532	(620)	-	-	19,912
Total capital assets, net	$ 24,393	$ (620)	$ -	$ -	$ 23,773

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2018 are as follows ($000s):

	University	URO - Foundation
Payable to vendors/suppliers	$ 17,742	$ 406
Accrued payroll	7,236	-
Current portion of noncurrent liabilities:		
Accrued interest	5,953	-
Performance contracts payable	2,851	-
Revenue bonds payable	4,337	360
Leases payable	2,281	-
Notes and certificates of participation payable	1,200	-
Other liabilities	142	-
Total current accounts payable and accrued liabilities	41,742	766
Noncurrent accounts payable and accrued liabilities	3,391	-
Total accounts payable and accrued liabilities	$ 45,133	$ 766

7. PERFORMANCE CONTRACTS PAYABLE

The University has entered into multiple performance contracts, in accordance with Public Act 90-0486, passed by the State Legislature in 1997. This Public Act allows State universities to negotiate multi-year contracts for the evaluation, design and implementation of facility improvement measures that will pay for themselves via guaranteed energy and/or operational savings over the life of the contract. The University is guaranteed by the provider that the annual energy and/or operational savings realized as a result of the implementation and servicing of the energy conservation measures will equal or exceed the annual expenditures for the term of the financed installation. Sufficient bonding must be posted by the provider to further protect the long-term interests of the University. The underlying expenditure in the performance contracts have been capitalized in accordance with the University capitalization policy.

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Performance contracts payable activity and outstanding balances as of and for the year ended June 30, 2018 are as follows ($000s):

Performance Contract	Beginning Balance	Issued	Retired	Ending Balance	Current Portion
Energy Infrastructure Improvement - Phase 10B	$ 8,271	$ -	$ (687)	$ 7,584	$ 715
Energy Infrastructure Improvements - Refinance	13,032	-	(1,309)	11,723	1,342
Energy Infrastructure Improvements - Phase 11	7,184	-	(463)	6,721	480
Energy Infrastructure Improvements - Phase 11A	5,321	-	(304)	5,017	314
Total	$ 33,808	$ -	$ (2,763)	$ 31,045	$ 2,851

Future minimum payments on these performance contracts payable are ($000s):

Year Ending June 30,	Principal	Interest	Total
2019	$ 2,851	$ 986	$ 3,837
2020	2,942	895	3,837
2021	3,035	801	3,836
2022	3,132	704	3,836
2023	3,233	604	3,837
2024-2028	13,453	1,468	14,921
2029-2031	2,399	118	2,517
Total	$ 31,045	$ 5,576	$ 36,621

Interest rates range from 2.48% to 4.16%. The guaranteed savings will be recognized as a reduction of expense over the life of the contract as expenditures are made.

8. ACCRUED COMPENSATED ABSENCES

Accrued compensated absences includes employee earned but unused vacation and sick leave days. The changes in balances as of and for the year ended June 30, 2018 are as follows ($000s):

Balance, beginning of year	$ 15,603
Additions/(Deductions)	(462)
Balance, end of year	15,141
Less: current portion	(2,402)
Balance, end of year, noncurrent portion	$ 12,739

Amounts reported as current are based upon historical trends. The employer portion of Medicare taxes related to accrued compensated absences is $215,000.

9. UNEARNED REVENUE AND GRANTS

Unearned revenue and grants represents funds received in advance on grants not yet expended. The change in balances as of and for the year ended June 30, 2018 are as follows ($000s):

Balance, beginning of year	$ 1,856
Additions/(Deductions)	89
Balance, end of year	$ 1,945

10. GOVERNMENT LOAN FUND ADVANCES

Government loan fund advances represents money received from the federal government for student loan programs. The change in balances as of and for the year ended June 30, 2018 are as follows ($000s):

Balance, beginning of year	$ 6,960
Additions/(Deductions)	(310)
Balance, end of year	$ 6,650

11. REVENUE BONDS PAYABLE

Revenue bonds activity and outstanding as of and for the year ended June 30, 2018 are as follows ($000s):

Issue	Beginning Balance	Issued/ Accreted	Retired/ Defeased	Ending Balance	Current Portion	Future Revenues Pledged	Debt Service to Pledged Revenue (Current Year)
Series 2010	$ 126,025	$ -	$ -	$ 126,025	$ -	$ 305,272	6.13%
Series 2011	57,855	-	(4,065)	53,790	4,265	70,475	4.29%
	183,880	-	(4,065)	179,815	4,265	375,747	
Unamortized Premium	795	-	(72)	723	72	N/A	
Total	$ 184,675	$ -	$ (4,137)	$ 180,538	$ 4,337	$ 375,747	
URO-Foundation	$ 1,697	$ -	$ (599)	$ 1,098	$ 360	$ -	

In December 2010, the University issued $126,025,000 of taxable Auxiliary Facilities Systems Revenue Bonds (Series 2010) under the Build America Program. Taxable interest rates range from 7.75% to 8.15%, with the University receiving an amount up to 35% of the interest expense back from the U.S. Treasury. The bonds mature at varying amounts from 2028 through 2041. Interest payments are due semi-annually.

In January 2011, the University issued $67,135,000 of Auxiliary Facilities System Revenue Bonds (Series 2011). Stated interest rates range from 3.0% to 5.50%. The bonds mature at varying amounts from 2012 through 2028. Interest payments are due semi-annually.

The Series 2010 and Series 2011 bonds are also payable from and secured by the net revenues of the System and pledged fees. The Series 2010 and Series 2011 bonds are further secured by a pledge of and lien on pledged tuition, which equaled $132,190,000 in the current year. All bond series are also secured by non-cancelable policies of municipal bond insurance.

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Aggregate payments required on the bonds for the next five years and in later years are as follows ($000s):

University

Year Ending June 30,	Principal	Interest	Total
2019	$ 4,265	$ 12,926	$ 17,191
2020	4,480	12,713	17,193
2021	4,705	12,488	17,193
2022	4,960	12,230	17,190
2023	5,210	11,982	17,192
2024-2028	30,400	55,562	85,962
2029-2033	39,205	44,699	83,904
2034-2038	50,440	27,416	77,856
2039-2041	36,150	5,916	42,066
Total	$ 179,815	$ 195,932	$ 375,747

URO-Foundation

Year Ending June 30,	Principal	Interest	Total
2019	$ 360	$ 17	$ 377
2020	366	12	378
2021	372	6	378
Total	$ 1,098	$ 35	$ 1,133

As a requirement of issuing certain revenue bonds, the University is subject to specific covenants. The University monitors its compliance with these covenants.

12. CAPITALIZED LEASES

Certain leases, in which the University's governing board is the lessee, are considered to be equivalent to installment purchases for accounting presentation. The assets recorded under these leases have been capitalized at the present value of future lease payments, measured at lease inception date. These assets totaled $111,805,000, net of accumulated depreciation of $22,645,000, at June 30, 2018.

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Capital leases activity and outstanding principal balances as of and for the year ended June 30, 2018 are as follows ($000s):

	Beginning Balance	Additions	Payments	Ending Balance	Current Portion
IASBO Building	$ 406	$ -	$ (50)	$ 356	$ 53
CHF - DeKalb Northern View	18,693	-	(213)	18,480	255
CHF - DeKalb First Year Residence	110,917	-	(1,267)	109,650	1,515
Dell Equipment and Software	-	2,527	(555)	1,972	458
Net Present Value	$ 130,016	$ 2,527	$ (2,085)	$ 130,458	$ 2,281

Future minimum lease payments for the above assets under capital leases at June 30, 2018 on originally scheduled minimum payments and estimated interest are ($000s):

Year Ending June 30,	Principal	Interest	Total
2019	$ 2,281	$ 8,716	$ 10,997
2020	2,701	8,600	11,301
2021	2,838	8,462	11,300
2022	2,986	8,318	11,304
2023	2,595	8,150	10,745
2024-2028	15,342	38,093	53,435
2029-2033	21,160	32,212	53,372
2034-2038	29,475	23,907	53,382
2039-2044	51,080	12,970	64,050
Total	$ 130,458	$ 149,428	$ 279,886

During fiscal year 2007, the University entered an agreement with CHF – DeKalb, L.L.C. to develop, finance, design, construct, equip, and operate an approximately 240 bed student housing facility. The Northern View Community opened in the Fall of 2007, replacing the existing University Family Apartments. The facility is owned by CHF, but managed by NIU Housing and Residential Services. The agreement required no capital outlay from the University but generally accepted accounting principles require the University to report the transaction as a capital lease. The facility and offsetting capital lease were recorded at $19,400,000. In fiscal year 2011, the University entered into another agreement with CHF, with two separate components. The first was to refinance the existing Northern View capital lease. The second was to build and equip New Residence Hall, an approximately 1,008 bed student housing facility consisting of two five-story residential buildings and a community center and dining hall. New Residence Hall was recorded as an asset and as a capital lease upon its substantial completion during fiscal year 2012, with future payments beginning in fiscal year 2014. The total capital lease was recorded at $132,225,000.

13. CERTIFICATES OF PARTICIPATION PAYABLE

Certificates of participation and outstanding principal balances as of June 30, 2018 are as follows ($000s):

Issue	Beginning Balance	Issued	Retired	Ending Balance	Current Portion
Certificates of Participation:					
Series 2014 - Capital Improvement Project	$ 10,010	$ -	$ (1,060)	$ 8,950	$ 1,105
	10,010	-	(1,060)	8,950	1,105
Unamortized Debt Premium	856	-	(95)	761	95
Total	$ 10,866	$ -	$ (1,155)	$ 9,711	$ 1,200

Series 2014 – Capital Improvement Project: On April 22, 2014, the University issued a Certificate of Participation (COP) in the amount of $11,975,000 at a premium of $1,140,000. The proceeds were used to refinance a 113,000 square foot facility located on the campus of and for use of Northern Illinois University by redeeming all of the Illinois Development Finance Authority Lease Revenue Bonds (Northern Illinois Naperville Project) Series 1999 in the amount of $11,630,000 and prepaying an Installment Payment Contract between the Board and Energy Systems Group, LLC in the amount of $1,182,000. This resulted in approximate savings of $916,000 in future debt service payments on the old debt. The Series 2014 COP is payable through installments commencing in 2015, for a period of eleven years. The interest rate is 4%-5%.

Future minimum payments on these certificates of participation payable are ($000s):

Year Ending June 30,	Principal	Interest	Total
2019	$ 1,105	$ 402	$ 1,507
2020	1,150	357	1,507
2021	1,200	304	1,504
2022	1,260	243	1,503
2023	1,325	178	1,503
2024-2026	2,910	150	3,060
Total	$ 8,950	$ 1,634	$ 10,584

14. NET POSITION

The University's net position is classified for accounting and reporting purposes into one of three categories according to the nature of the restrictions, if any, imposed on usage. University policy is to apply restricted resources first when an expense or outlay is incurred for purposes for which both restricted and unrestricted resources are available. The following tables include detail of the net position balances for the University and the URO-Foundation:

University ($000s)

Net investment in capital assets	$	106,526
Restricted:		
Nonexpendable		1,389
Expendable:		
Auxiliary Facilities System		79,478
Endowments		2,447
Unrestricted		2,412
Total	$	192,252

URO-Foundation ($000s)

Net investment in capital assets	$	22,675
Restricted:		
Nonexpendable		52,370
Expendable		42,244
Unrestricted		9,289
Total	$	126,578

Net investment in capital assets represent the University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted-nonexpendable net position represents endowment funds, where the donor has provided a gift for which the principal must remain invested in perpetuity and only the income may be utilized to support the restricted purpose the donor indicated. It also includes the University's capital contributions to the Perkins Loan Program fund.

Restricted-expendable net position represents resources with legal or contractual obligations to spend in accordance with restrictions imposed by external third parties.

The unrestricted classification is not subject to externally imposed stipulations; however, substantially all of the University's unrestricted funds have been designated for various academic, research and public service programs and initiatives, as well as capital projects. Additionally, legislative restrictions exist on these funds as outlined in the University Guidelines 1982, as amended in 1997.

15. TRANSACTIONS WITH COMPONENT UNITS

During fiscal year 2018, the University engaged the Foundation, under contract, to provide fundraising services. As provided by the contract agreement, the University paid $630,000 for fundraising services. Additionally, the University provided services to the Foundation valued at $591,000. As required by the contract, the Foundation fully repaid the University for the services provided, using funds considered unrestricted. The University engaged the Research Foundation, under contract, to provide services to aid the University in its economic development, public service, research, and educational missions. As provided by the contract, the Research Foundation provided $248,000 of services during fiscal year 2018, of which $43,000 was payable from the University at year-end.

The University entered into a ten-year lease with the Foundation for the rental of space in the Jeffrey and Kimberly Yordon Center in 2007. The Yordor Center lease has been extended through March 2023. The building houses state of the art strength and conditioning facilities, academic and tutoring support, coaches' offices, locker rooms, and medical treatment and rehabilitation services. The lease calls for the University to be responsible for insurance and maintenance of the building. The lease amount is included in the Operating Leases disclosure (Footnote 16).

The University entered into an 89-month lease with the Foundation for the rental of space in the Kenneth and Ellen Chessick Practice Center in 2013. The center features an artificial turf field with full NCAA football playing field dimensions, a four-lane sprint track, batting cages, and long jump pits. The facility serves 16 intercollegiate teams and a variety of intramural sports at NIU. The lease calls for the University to be responsible for insurance and maintenance of the building. The lease amount is included in the Operating Leases disclosure (Footnote 16).

The University, with its discretely presented component units, are presented within the State's Comprehensive Annual Financial Report (CAFR) as a consolidated discretely presented component unit. As the transactions and balances between the University and its UROs are not eliminated as presented in the statement of net position and statement of revenues, expenses, and changes in net position, additional disclosure identifying the eliminating entries necessary for presentation in the State's CAFR follows.

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

As of and for the year ended June 30, 2018, the University and its Foundations had the following inter-entity transactions ($000s):

Northern Illinois University	NIU Foundation					Alumni Association	Research Foundation	
	Operating Revenue	Operating Expense	Current Assets	Current Liabilities	Noncurrent Liabilities		Operating Revenue	Current Assets
Operating revenues	$ -	$ 3,532	$ -	$ -	$ -	$ -	$ -	$ -
Operating expenses	832	-	-	-	-	-	248	-
Other nonoperating revenues	-	813	-	-	-	-	-	-
Current assets	-	-	-	678	-	-	-	-
Noncurrent assets	-	-	-	-	6,542	-	-	-
Current liabilities	-	-	-	-	-	-	-	43

16. OPERATING LEASES

The University leases various buildings under operating lease agreements. Total rental expense under these agreements for the year ended June 30, 2018 was $779,000.

Future minimum lease payments are ($000s):

Year Ending June 30,	Amount
2019	$ 701
2020	697
2021	608
2022	51
Total	$ 2,057

17. RETIREMENT PLAN

General Information about the Pension Plan

Plan Description. The University contributes to the State Universities Retirement System of Illinois (SURS), a cost-sharing multiple-employer defined benefit plan with a special funding situation whereby the State of Illinois (the State) makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941 to provide retirement annuities and other benefits for staff members and employees of state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the state's financial reports as a pension trust fund. SURS is governed by Chapter 40, Act 5, Article 15 of the Illinois Compiled Statutes. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.SURS.org.

Benefits Provided. A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed 6 months after their date of hire to make an irrevocable election. A summary of the benefit provisions as of June 30, 2017 can be found in the System's comprehensive annual financial report (CAFR), Notes to the Financial Statements.

Contributions. The State of Illinois is primarily responsible for funding the System on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a Statutory Funding Plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members of the System to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from "trust, federal, and other funds" are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for fiscal year 2017 and 2018 respectively, was 12.53% and 12.46% of employee payroll. The normal cost is equal to the value of current year's pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

Participating employers make contributions toward separately financed specific liabilities under Section 15-139.5(e) of the Illinois Pension Code (relating to contributions payable due to the employment of "affected annuitants" or specific return to work annuitants) and Section 15-155(g) (relating to contributions payable due to earning increases exceeding 6% during the final rate of earnings period).

Pension Liabilities, Expense, and Deferred Inflows and Outflows of Resources Related to Pensions

Net Pension Liability. The net pension liability (NPL) was measured as of June 30, 2017. At June 30, 2017, SURS reported a net pension liability (NPL) of $25,481,105,995.

University's Proportionate Share of Net Pension Liability. The amount of the proportionate share of the net pension liability to be recognized for the University is $0. The proportionate share of the State's net pension liability associated with the University is $1,075,200,749 or 4.2196%. This amount should not be recognized in the financial statement. The net pension liability and total pension liability as of June 30, 2018 was determined based on the June 30, 2016 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS during fiscal year 2017.

Pension Expense. At June 30, 2017, SURS reported a collective net pension expense of $2,412,918,129.

University's Proportionate Share of Pension Expense. The University's proportionate share of collective pension expense should be recognized similarly to on- behalf payments as both revenue and matching expenditure in the financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported pensionable contributions made to SURS during fiscal year 2017. As a result, the University recognized on-behalf revenue and pension expense of $101,815,493 for the fiscal year ended June 30, 2018.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. Deferred outflows of resources are the consumption of net position by the system that is applicable to future reporting periods.

SURS Collective Deferred Outflows of Resources and Deferred Inflows of Resources by sources ($000s):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 139,193	$ 1,171
Change in assumptions	205,004	259,658
Net difference between projected and actual earnings on pension plan investments	94,621	-
Total	$ 438,818	$ 260,829

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Year to be Recognized in Future Pension Expenses ($000s):

Year Ending June 30,	Net Deferred Outflows /(Deferred Inflows) of Resources
2018	$ 55,590
2019	187,874
2020	90,476
2021	(155,950)
Total	$ 177,990

University Deferral of Fiscal Year 2018 Pension Expense

The University paid $1,204,000 in federal, trust or grant contributions for the fiscal year ended June 30, 2018. These contributions were made subsequent to the pension liability date of June 30, 2017, and are recognized as Deferred Outflows of Resources as of June 30, 2018.

Assumptions and Other Inputs

Actuarial assumptions. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period June 30, 2010 – 2014. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.75 to 15.00 percent, including inflation
Investment rate of return	7.25 percent beginning with the actuarial valuation as of June 30, 2014

Mortality rates were based on the RP2014 Combined Mortality Table with projected generational mortality and a separate mortality assumption for disabled participants.

The long-term expected rate of return on pension plan investments was determined using a building-block method 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. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary(s). For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2017, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	23 %	6.08 %
Private Equity	6	8.73
Non-U.S. Equity	19	7.34
Global Equity	8	6.85
Fixed Income	19	1.38
Treasury-Inflation Protected Securities	4	1.17
Emerging Market Debt	3	4.14
Real Estate REITS	4	5.75
Direct Real Estate	6	4.62
Commodities	2	4.23
Hedged Strategies	5	3.95
Opportunity Fund	1	6.71
Total	100 %	5.20
Inflation		2.75
Expected Arithmetic Return		7.95 %

Discount Rate. A single discount rate of 7.09% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.56% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under the SURS's funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2073. As a result, the long- term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2073, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the System's Net Pension Liability to Changes in the Discount Rate. Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.09%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1- percentage-point higher:

1% Decrease 6.09%	**Current Single Discount Rate Assumpton 7.09%**	**1% Increase 8.09%**
$30,885,146,279	$25,481,105,995	$20,997,457,586

Additional information regarding the SURS basic financial statements including the Plan Net Position can be found in the SURS comprehensive annual financial report by accessing the website at www.SURS.org.

18. POSTEMPLOYMENT BENEFITS

*Plan description***.** The State Employees Group Insurance Act of 1971 (Act), as amended, authorizes the Illinois State Employees Group Insurance Program (SEGIP) to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all of the Department's full-time employees are members of SEGIP. Members receiving monthly benefits from the General Assembly Retirement System (GARS), Judges Retirement System (JRS), State Employees' Retirement System of Illinois (SERS), Teachers' Retirement System (TRS), and State Universities Retirement System of Illinois (SURS) are eligible for these other post-employment benefits (OPEB).

The Department of Central Management Services administers these benefits for annuitants with the assistance of the public retirement systems sponsored by the State (GARS, JRS, SERS, TRS and SURS). The State recognizes SEGIP OPEB benefits as a single-employer defined benefit plan. The plan does not issue a stand-alone financial report.

Benefits provided. The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and the various unions representing the State's and the university component units' employees in accordance with limitations established in the Act. Therefore, the benefits provided and contribution amounts are subject to periodic change. Coverage through SEGIP becomes secondary to Medicare after Medicare eligibility has been reached. Members must enroll in Medicare Parts A and B to receive the subsidized SEGIP premium available to Medicare eligible participants. The Act requires the State to provide life insurance benefits for annuitants equal to their annual salary as of the last day of employment until age 60, at which time, the benefit amount becomes $5,000.

Funding policy and annual other postemployment benefit cost. OPEB offered through SEGIP are financed through a combination of retiree premiums, State contributions and Federal government subsidies from the Medicare Part D program. Contributions are deposited in the Health Insurance Reserve Fund, which covers both active State employees and retirement members. Annuitants may be required to contribute towards health and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute toward health and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health and vision benefits. All annuitants are required to pay for dental benefits regardless of retirement date.

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Funding policy and annual other postemployment benefit cost. The Director of Central Management Services shall, on an annual basis, determine the amount the State shall contribute toward the basic program of group health benefits. State contributions are made primarily from the General Revenue Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree health insurance benefit and a separate trust has not been established for the funding of OPEB.

For fiscal year 2018, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $10,926 ($6,146 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and $14,939 ($5,165 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

Total OPEB liability, deferred outflows of resources, deferred inflows of resources and expense related to OPEB. The total OPEB liability, as reported at June 30, 2018, was measured as of June 30, 2017, with an actuarial valuation as of June 30, 2016. As of June 30, 2018, the University recorded a liability of $49,836,574 for its proportionate share of the State's total OPEB liability. The University's portion of the OPEB liability was based on the University's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2017. As of the current year measurement date of June 30, 2017, the University's proportion was 0.1206%, which was an increase from its proportion measurement of 0.1049% as of the prior year measurement date of June 30, 2016.

The University recognized OPEB expense for the year ended June 30, 2018, of $3,751,884. At June 30, 2018, the University reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2017, from the following sources ($000s):

Deferred outflows of resources	
Differences between expected and actual experience	$ 16
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,576
State contributions subsequent to the measurement date (a)	1,104
Total deferred outflows of resources	$ 6,696
Deferred inflows of resources	
Changes of assumptions	$ 4,732
Changes in proportion and differences between employer contributions and proportionate share of contributions	-
Total deferred inflows of resources	$ 4,732

(a) amount to be provided by IOC on an annual basis on current year employer contributions as calculated by the actuary and CMS.

The amounts reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (amounts expressed in thousands):

Year Ending June 30,	
2019	$ 193
2020	193
2021	193
2022	193
2023	87
Total	$ 859

*Actuarial methods and assumptions***.** The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified. The actuarial valuation for the SEGIP was based on GARS, JRS, SERS, TRS, and SURS active, inactive, and retiree data as of June 30, 2016, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2016.

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.75%
Projected Salary Increases*	3.00% - 15.00%
Discount Rate	3.56%
Healthcare Cost Trend Rate:	
Medical (Pre-Medicare)	8.0% grading down 0.5% in the first year to 7.5%, then grading down 0.01% in the second year to 7.49%, followed by grading down of 0.5% per year over 5 years to 4.99% in year 7
Medical (Post-Medicare)	9.0% grading down 0.5% per year over 9 years to 4.5%
Dental	7.5% grading down 0.5% per year over 6 years to 4.5%
Vision	3.00%
Retirees' Share of Benefit-Related Costs	Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5 percent for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100 percent of the required dependent premium. Premium for plan year 2017 and 2018 are based on actual premiums. Premiums after 2018 were projected based on the same healthcare cost trend rates applied to per capita claim costs but excluding the additional trend rate that estimates the impact of the Excise Tax.

*Dependent upon service and participation in the respective retirement systems. Includes inflation rate listed.

Additionally, the demographic assumptions used in the OPEB valuation are identical to those used in the June 30, 2016 valuations for GARS, JRS, SERS, TRS, and SURS as follows:

	Retirement age experience study^	Mortality^^
GARS	July 2012 - June 2015	RP-2014 White Collar Total Healthy Annuitant mortality table, sex distinct, set forward 1 year for males and set back 1 year for females and generational mortality improvements using MP-2014 two-dimensional mortality improvement scales
JRS	July 2012 - June 2015	RP-2014 White Collar Total Healthy Annuitant mortality table, sex distinct, set forward 1 year for males and set back 1 year for females and generational mortality improvements using MP-2014 two-dimensional mortality improvement scales
SERS	July 2009 - June 2013	105 percent of the RP-2014 Healthy Annuitant mortality table, sex distinct, with rates projected to 2015; generational mortality improvement factors were added
TRS	July 2011 - June 2014	RP-2014 with future mortality improvements on a fully generational basis using projection table MP-2014
SURS	July 2010 - June 2014	RP-2014 White Collar, gender distinct, projected using MP-2014 two-dimensional mortality improvement scale, set forward one year for male and female annuitants

^ The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined. A modified experience review was completed for SERS for the 3-year period ending June 30, 2015. Changes were made to the assumptions regarding investment rate of return, projected salary increases, inflation rate, and mortality based on this review. All other assumptions remained unchanged.

^^ Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plan Experience Committee.

Discount rate. Retirees contribute a percentage of the premium rate based on service at retirement. The State contributes additional amounts to cover claims and expenses in excess of retiree contributions. Because plan benefits are financed on a pay-as-you-go basis, the single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. A single discount rate of 2.85% at June 30, 2016, and 3.56% at June 30, 2017, was used to measure the total OPEB liability.

Sensitivity of total OPEB liability to changes in the single discount rate. The following presents the University's proportionate share of the total OPEB liability, calculated using a Single Discount Rate of 3.56%, as well as what the University's total OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (4.56%) or lower (2.56%) than the current rate (amounts expressed in thousands):

	1% Decrease (2.56%)	Current Single Discount Rate Assumption (3.56%)	1% Increase (4.56%)
Total OPEB liability	56,539	49,837	43,172

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The following presents the University's proportionate share of the total OPEB liability, calculated using the healthcare cost trend rates, as well as what the University's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or lower, than the current healthcare cost trend rates (amounts in table expressed in thousands). The key trend rates are 8.0% in 2018 decreasing to an ultimate trend rate of 4.99% in 2025, for non-Medicare coverage, and 9.0% decreasing to an ultimate trend rate of 4.5% in 2027 for Medicare coverage.

	1% Decrease	Current Single Discount Rate Assumption	1% Increase
Total OPEB liability	42,585	49,837	55,823

19. OPERATING EXPENSES BY NATURAL CLASSIFICATION

Operating expenses by natural classification for the year ended June 30, 2018 are summarized as follows ($000s):

	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
University					
Instruction	$ 197,317	$ 14,335	$ -	$ -	$ 211,652
Research	15,350	3,606	-	-	18,956
Public service	20,557	5,443	-	-	26,000
Academic support	36,748	8,583	-	-	45,331
Student services	22,827	7,913	-	-	30,740
O&M	10,878	19,498	-	-	30,376
Depreciation	-	-	-	29,238	29,238
Inst. support	45,537	15,886	-	-	61,423
Student aid	-	-	46,563	-	46,563
Auxiliary enterprises	76,255	6,423	-	-	82,678
Total	$ 425,469	$ 81,687	$ 46,563	$ 29,238	$ 582,957

20. INSURANCE

The University participates in an insurance cooperative known as the Illinois Public Higher Education Cooperative (IPHEC). Through IPHEC, the University has contracted with commercial carriers to provide various excess liability insurance coverages, including educators' legal and other general liability insurance. The University's liability coverages have a general $350,000 deductible per occurrence, which may be partially funded by a self-insurance fund authorized by the NIU Board of Trustees. Additionally, the University purchases property insurance coverage for replacement value of University real property and, in certain instances, contents. Settled claims have not exceeded commercial coverages in any of the three preceding years.

The University is afforded coverage by the State for general liability, automobile liability, workers' compensation, employers' liability, and employee indemnity by a number of State of Illinois Self-Insured Plans administered by the Illinois Department of Central Management Services. Contract and tort claims are also subject to the Illinois Court of Claims Act, under which proven claims may be satisfied by appropriations by the General Assembly to the Secretary of State.

21. COMMITMENTS AND CONTINGENCIES

At June 30, 2018, the University had commitments on various services, products, grants, projects, and contracts for repairs and renovations of facilities of approximately $11.9 million.

Grants and Contracts

The University receives monies from federal and state government agencies under grants and contracts for research and other activities. The costs, both direct and indirect, charged to these grants and contracts are subject to audit and disallowance by the granting agency. The University administration believes that any disallowance or adjustment would not have a material effect on the University's financial position.

Legal Actions

Although the University is a defendant in various lawsuits, most of the actions are personnel or administrative in nature, and the University's legal exposure is either limited or virtually non-existent. University officials are of the opinion, based upon the advice of legal counsel, that any ultimate liability which could result from such litigation would not have a material adverse effect on the University's financial position or its future operations.

22. UNIVERSITY RELATED ORGANIZATIONS

The University's financial statements include the activity of the University Related Organizations (UROs) which represent the University's discretely presented component units. Below are condensed financial statements by organization as of and for the year ended June 30, 2018 ($000s):

	Foundation	Alumni Association	Northern IL Research Foundation	Eliminations	Combined Totals
Condensed Statement of Net Position					
ASSETS:					
Current assets					
Cash and cash equivalents	$ 4,086	$ 280	$ 371	$ (280)	$ 4,457
Accounts receivable	425	-	103	-	528
Due from Foundation	-	-	-	-	-
Other current assets	206	37	125	-	368
Noncurrent assets					
Capital assets, net of accumulated depreciation	23,773	-	114	-	23,887
Investments administered by NIU Foundation	108,100	2,883	-	(2,883)	108,100
Other noncurrent assets	1,875	-	-	-	1,875
TOTAL ASSETS	$ 138,465	$ 3,200	$ 713	$ (3,163)	$ 139,215
LIABILITIES:					
Current liabilities					
Accounts payable and accrued liabilities	$ 766	$ 595	$ 165	$ -	$ 1,526
Due to NIU	678	-	-	-	678
Noncurrent liabilities					
Deposits held for NIU Alumni Association	3,163	-	-	(3,163)	-
Unearned revenue	-	-	57	-	57
Accounts payable and accrued liabilities	-	-	-	-	-
Deposits held for NIU	6,542	-	-	-	6,542
Bonds and notes payable	738	-	22	-	760
TOTAL LIABILITIES	11,887	595	244	(3,163)	9,563
Deferred Inflows	-	-	-	-	-
TOTAL LIABILITES & DEFERRED INFLOWS	11,887	595	244	(3,163)	9,563
NET POSITION:					
Invested in capital assets	$ 22,675	$ -	$ 50	$ -	$ 22,725
Restricted					
Nonexpendable	52,370	119	-	-	52,489
Expendable	42,244	283	163	-	42,690
Unrestricted	9,289	2,203	256	-	11,748
Total net position	126,578	2,605	469	-	129,652
TOTAL LIABILITIES AND NET POSITION	$ 138,465	$ 3,200	$ 713	$ (3,163)	$ 139,215
Condensed Statement of Revenues, Expenses, and Changes in Net Position					
Operating revenues	$ 8,630	$ 981	$ 575	$ -	$ 10,186
Operating expenses	11,671	1,438	831	-	13,940
Operating gain (loss)	(3,041)	(457)	(256)	-	(3,754)
Nonoperating revenue	8,858	464	215	-	9,537
Increase (decrease) in net position	5,817	7	(41)	-	5,783
Net position, beginning of year, as restated	120,761	2,598	510	-	123,869
Net position, end of year	$ 126,578	$ 2,605	$ 469	$ -	$ 129,652

23. BUDGET IMPASSE

Article 8 of Public Act 100-0021, enacted July 6, 2017, authorized additional fiscal year 2018 appropriations for operational expenditures, totaling $42.7 million. This appropriation is recognized as revenue in fiscal year 2018 because the appropriation did not exist as of the June 30, 2017 fiscal year-end, as required by GASB Statement No. 33, Paragraph 74. As of June 30, 2018, the State Comptroller had disbursed the entire $42.7 million appropriation to the University.

24. RESTATEMENT

University

A specific change to the University's financial statements relates to the recognition of the University's OPEB Liabilities and related Deferred Inflows of Resources and Deferred Outflows of Resources with a net value of $49,836,574 that was not previously reported on the financial statements. Due to the requirements of GASB Statement No. 75, these amounts are now required to be included on the University's financial statements and thus were added to the financial statements as an adjustment to net position. Additionally, as a result of the Foundation's restatement related to a reclassification of donor funds managed for NIU, the University restated net position to reflect the University's ownership of these funds. A reconciliation for net position from the 2017 financial statements to beginning net position as reported on the 2018 financial statements is as follows ($000s):

NET POSITION, JUNE 30, 2017		
AS PREVIOUSLY REPORTED	$	194,837
PRIOR PERIOD ADJUSTMENTS		
To adjust beginning deferred outflows related to OPEB		1,241
To adjust beginning Net OPEB liability		(45,631)
Change in accounting principle to agree to SNP		(44,390)
To adjust beginning Due from component units - correction of error		3,092
NET POSITION, JULY 1, 2017		
AS RESTATED	$	153,539

UROs

During 2018, the Foundation and the Association determined that they met the criteria to report their statements of financial position, activities and cash flows on the basis of the Financial Accounting Standards Board's (FASB) financial accounting standards. As a result, the July 1, 2017 net assets were converted to the FASB financial accounting standards from the GASB financial accounting standards.

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

This conversion included the following adjustments to net assets for the Foundation ($000s):

URO- Foundation		
NET ASSETS, JUNE 30, 2017		
AS PREVIOUSLY REPORTED	$	122,898
Pledges receivable		955
Reclassification of donor funds managed for NIU		(3,092)
NET ASSETS, JULY 1, 2017		
AS RESTATED	$	120,761

Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the University's Proportionate Share of the Net Pension Liability

State Universities Retirement System

Last 10 Fiscal Years* ($000s)

	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
(a) Proportion percentage of the collective net pension liability	0.00%	0.00%	0.00%	0.00%
(b) Proportion amount of the collective net pension liability	$ -	$ -	$ -	$ -
(c) Portion of nonemployer contributing entities' total proportion of collective net pension liability associated with employer	$ 1,075,201	$1,096,228	$1,016,084	$ 994,334
Total (b) + (c)	$ 1,075,201	$1,096,228	$1,016,084	$ 994,334
Employer defined benefit covered-employee payroll	$ 148,710	$ 152,243	$ 154,994	$ 164,728
Proportion of collective net pension liability associated with employer as a percentage of covered-employee payroll	723%	720%	656%	604%
SURS plan net position as a percentage of total pension liability	42.04%	39.57%	42.37%	44.39%

Schedule of University Contributions

Last 10 Fiscal Years* ($000s)

	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
Federal, trust, grant and other contribution	$ 1,204	$ 1,163	$ 1,029	$ 963	$ 945
Contribution in relation to required contribution	1,204	1,163	1,029	963	945
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Employer covered payroll	$ 144,789	$ 148,710	$ 152,243	$ 154,994	$ 164,728
Contributions as a percentage of covered-employee payroll	0.83%	0.78%	0.68%	0.62%	0.57%

*Note: The System implemented GASB Statement No. 68 in fiscal year 2015. The information above is presented for as many years as available. The schedule is intended to show information for 10 years.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the University's Proportionate Share of the Net OPEB Liability

State Employees Group Insurance Program

Last 10 Fiscal Years* (000s)

	Fiscal Year 2017
Proportion percentage of the collective total OPEB liability	0.12%
Proportion amount of the collective total OPEB liability	$ 49,837
Employer defined benefit covered-employee payroll	$ 148,710
Proportion of collective total OPEB liability as a percentage of covered-employee payroll	33.51%

*Note: The System implemented GASB Statement No.75 in fiscal year 2018. The information above is presented for as many years as available. The schedule is intended to show information for 10 years.

Notes to Required Supplementary Information

Changes of benefit terms. There were no benefit changes recognized in the Total Pension Liability as of June 30, 2017.

Changes of assumptions. In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every three years to determine the reasonableness of actuarial assumptions regarding the retirement, disability, mortality, turnover, interest and salary of the members and benefit recipients of SURS. An experience review for the years June 30, 2010 to June 30, 2014 was performed in February 2015, resulting in the adoption of new assumptions as of June 30, 2015:

- *Mortality rates*. Change from the RP 2000 Mortality table projected to 2017, sex distinct, to the RP-2014 mortality tables with projected generational mortality improvement. Change to a separate mortality assumption for disabled participants.
- *Salary increase*. Change assumption to service-based rates, ranging from 3.75 percent to 15.00 percent based on years of service, with underlying wage inflation of 3.75 percent.
- *Normal retirement rates*. Change to retirement rates at ages younger than 60, age 66, and ages 70-79 to reflect observed experiences.
- *Early retirement rates*. Change to a slight increase to the rates at ages 55 and 56.
- *Turnover rates*. Change to produce lower expected turnover for members with less than 10 years of service and higher turnover for members with more than 10 years of service than the currently assumed rates.
- *Disability rates*. Decrease rates and have separate rates for males and females to reflect observed experience.
- *Dependent assumption*. Maintain the current assumption on marital status that varies by age and sex and the assumption that males are three years older than their spouses.

Assets in Trust Disclosure. No assets are accumulated or dedicated to funding the retiree health insurance benefit and a separate trust has not been established for the funding of OPEB.

Changes of assumptions. The calculations of the total OPEB liability as of June 30, 2016 and June 30, 2017, were based on the following assumptions:

Total OPEB liability - June 30, 2016	
Discount rate	2.85%
Total OPEB liability - June 30, 2017	
Discount rate	3.56%