STATE OF ILLINOIS NORTHEASTERN ILLINOIS UNIVERSITY FINANCIAL AUDIT

For the Year Ended June 30, 2006 Performed as Special Assistant Auditors for the Auditor General, State of Illinois

State of Illinois Northeastern Illinois University

Table of Contents	<u>Page</u>
Table of Contents	1
Agency Officials	2
Financial Statement Report	
Summary	3
Independent Auditors' Report	4-5
Management's Discussion and Analysis	6-17
Basic Financial Statements	
Statement of Net Assets	18-19
Statement of Revenues, Expenses and Changes in Net Assets	20
Statement of Cash Flows	21
Notes to Basic Financial Statements	22-44
Supplementary Information	
University Facilities Revenue Bond Funds	
Insurance in Force (Unaudited)	45
Rates and Charges (Unaudited)	46
Summary of Reserves for Debt Service and Renewal and	
Replacement (Unaudited)	47

Other Reports Issued Under Separate Cover

Northeastern Illinois University

Compliance Examination (in accordance with the Single Audit Act and OMB Circular A-133) for the year ended June 30, 2006

Northeastern Illinois University Foundation Financial Audit for the year ended June 30, 2006

State of Illinois Northeastern Illinois University

Agency Officials

President Dr. Salme Harju Steinberg

Vice President for Finance and Administration Mr. Mark Wilcockson, CPA

Associate Vice President - Financial and Administrative
Affairs Mr. David Jonaitis

Director of Financial Affairs / Controller Ms. Peggy Ho

Acting Director of Internal Audit Mr. Ronald Cierny, CPA

Executive Director - Office of University Budgets Ms. Helen Ang

Agency offices are located at:

5500 North St. Louis Avenue Chicago, Illinois 60625

State of Illinois Northeastern Illinois University

Financial Statement Report

Summary

The audit of the accompanying basic financial statements of the Northeastern Illinois University was performed by E.C. Ortiz and Co., LLP.

Based on the audit, the auditor expressed an unqualified opinion on the University's basic financial statements.

The auditors reported that the supplementary information presented in this section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and the auditors express no opinion on them.



INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland Auditor General State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying basic financial statements of Northeastern Illinois University (University) and its aggregate discretely presented component unit, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2006, as listed in the Table of Contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the University's June 30, 2005 financial statements and, in our report dated November 28, 2005, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Northeastern Illinois University and of its aggregate discretely presented component unit as of June 30, 2006, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, as of July 1, 2005.

The Management's Discussion and Analysis on pages 6 to 18 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, a report 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 will be issued under separate cover. The purpose of that report is 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 on the internal control over financial reporting or on compliance. That report, upon issuance, is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Northeastern Illinois University's basic financial statements. The accompanying supplementary information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, as listed in the Table of Contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

E. C. Ospiz & Co., LLP November 15, 2006

This section of Northeastern Illinois University's (University) annual report presents management's discussion and analysis of the University's financial position and activities during the fiscal year ended June 30, 2006 with comparative information for the year ended June 30, 2005. The discussion and analysis is designed to focus on current activities and currently known facts. Please read it in conjunction with the University's financial statements and related footnote disclosures. This discussion and analysis is focused on the University, a discussion and analysis of the University's Foundation can be found in the separately issued financial statements of the University's Foundation.

USING THIS ANNUAL REPORT

The University's annual report contains three financial statements: The Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. These financial statements are prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments, and GASB Statement No. 35, Basic Financial Statements - and Management Discussion and Analysis - for Public Colleges and Universities, as amended by GASB Statements No. 37 and 38. In fiscal year 2006, the University adopted GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, which requires an evaluation of prominent events or changes in circumstances to determine whether an impairment loss should be recorded and that any insurance recoveries be netted with the impairment loss. These statements establish standards for external financial reporting and provide a consolidated perspective of the University's assets, liabilities, net assets, revenues, expenses, and cash flows.

The **Statement of Net Assets** presents the assets, liabilities, and net assets of the University as of the end of the fiscal year using the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided, and expenses and liabilities are recognized when a service is delivered to the University, regardless of when cash is exchanged. Net assets, the difference between total assets and total liabilities, is one indicator of the overall strength of the institution. Except for capital assets, all other assets and liabilities are measured at a point in time using current values. Capital assets are recorded at historical cost less an allowance for depreciation. For comparison purposes, comparative data are provided for the prior year.

The Statement of Revenues, Expenses and Changes in Net Assets presents the University's results of operations, as well as the nonoperating revenues and expenses for the fiscal year. Operating revenues are generated by providing goods and services to various customers and constituencies of the University. Operating expenses are incurred when goods and services are provided by vendors and employees for the overall operations of the University. Nonoperating revenues and expenses include resources provided by the State and other nonoperating transactions. For comparison purposes, comparative data are provided for the prior year.

The **Statement of Cash Flows** presents the receipt and use of cash and cash equivalents in the University's operating, financing, and investing activities during the fiscal year and provides a view of the University's ability to meet financial obligations as they mature. For comparison purposes, comparative data are provided for the prior year.

The **Notes to Financial Statements** are a crucial component of the report because they include important background and financial information that may not be reflected on the face of the statements. Details on the University's accounting policies, long-term debt obligations, cash holdings, capital assets, and other important areas are presented in the footnotes.

FINANCIAL HIGHLIGHTS

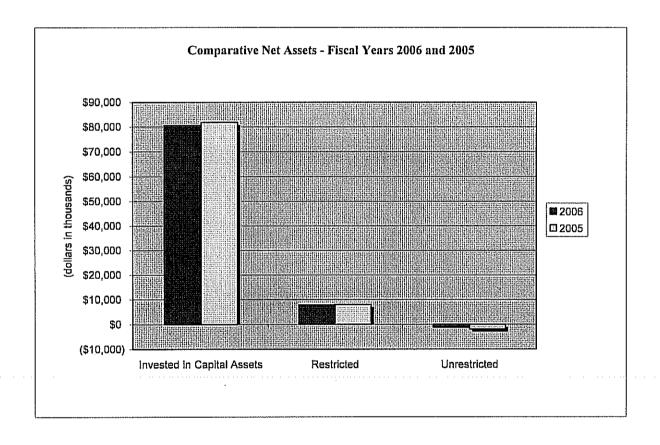
Highlights of the University's financial position for the fiscal year ended June 30, 2006 are presented below:

- The University has total assets of \$144.6 million, including current assets of \$18.1 million and noncurrent assets of \$126.5 million.
- The University has total liabilities of \$57.2 million, including current liabilities of \$13.7 million and noncurrent liabilities of \$43.5 million.
- The University's total net assets decreased over the prior year by \$0.5 million to \$87.4 million, including a decrease of \$1.2 million in net capital assets and an increase of \$0.8 million in unrestricted assets.
- The total operating revenues of the University were \$65.4 million, including \$32.8 million in student tuition and fees, net of scholarship allowances, and \$26.6 million in grants and contracts.
- The total operating expenses of the University were \$122.0 million, including \$40.3 million in instruction and \$28.3 million in institutional support.
- The operating loss of \$56.6 million was 98% funded by nonoperating revenues, including State appropriations, gifts and donations, investment income, payments on behalf of the University and other nonoperating revenues. As a result, net loss before other revenues, expenses, gains and losses totaled \$1.1 million. This amount includes \$4.2 million in depreciation expense.

FINANCIAL ANALYSIS

Following are condensed financial statements. Certain significant items are discussed in further detail following each respective statement.

Statement of Net Assets



Condensed Statement of Net Assets as of June 30, 2006 and 2005 (dollars in thousands)

			Increase	Percent
	2006	2005	(Decrease)	Change
ASSETS				
Current assets	\$ 18,078	\$ 14,020	\$ 4,058	28.9%
Noncurrent assets				
Investments	10,013	8,798	1,215	13.8%
Receivables	2,415	2,335	80	3.4%
Capital assets	104,214	100,919	3,295	3.3%
Restricted assets	9,101	2,767	6,334	228.9%
Other	788	546	242	44.3%
Total assets	144,609	129,385	15,224	11.8%
LIABILITIES				
Current liabilities	13,700	11,341	2,359	20.8%
Noncurrent liabilities				
Compensated absences	7,401	8,658	(1,257)	-14.5%
Revenue bonds payable	21,095	21,420	(325)	-1.5%
Certificates of participation, net	14,967_		14,967	100.0%
Total liabilities	57,163	41,419	15,744_	38.0%
NET ASSETS				
Invested in capital assets, net	80,570	81,785	(1,215)	-1.5%
Restricted	7,958	8,039	(81)	-1.0%
Unrestricted	(1,082)	(1,858)	776	-41.8%
Total net assets	\$ 87,446	\$ 87,966	\$ (520)	-0.6%

Current Assets - The majority of the Current Assets of the University consist of cash and cash equivalents of \$2.9 million, short-term investments of \$5.9 million, and net receivables of \$8.9 million, including \$3.2 million in grants receivable, \$0.1 million in student loans receivable, \$2.7 million in tuition and fees receivable, and \$2.9 million in other receivables. Total current assets increased by \$4.1 million from the prior year. This is the result of the \$3.0 million decrease in cash and cash equivalents, the \$4.9 million increase in short-term investments, and the \$2.0 million increase in receivables. The increase in receivables is due to the 9.6% increase in undergraduate tuition rates and the receivables accrued for the insurance reimbursements for a fire that occurred in the University Library in November 2005 and a fire that occurred in the Chicago Teacher Center in December 2005.

Noncurrent Assets - As of June 30, 2006, the University had total noncurrent assets of \$126.5 million compared with \$115.4 million at June 30, 2005. This net increase of \$11.1 million was primarily due to the increase in restricted cash and cash equivalents of \$6.3 million, the increase in long-term investments of \$1.2 million, and the increase in capital assets of \$3.3 million. The increase in restricted cash and cash equivalents reflects unspent proceeds from the 2006 Certificates of Participation. The increase in capital assets is primarily due to the remodeling of Building C and the construction of a multi-level parking structure, which was fully completed in fiscal year 2006. The University's net investment in capital assets is as follows:

Capital Assets, Net as of June 30, 2006 and 2005 (dollars in thousands)

	2006		2005		 icrease ecrease)	Percent Change	
Capital assets	-			······································	 		_
Land and land improvements	\$	7,971	\$	7,508	\$ 463	6.2%	6
Site improvements		5,940		5,931	9	0.29	6
Building and building improvements		117,181		95,464	21,717	22.79	6
Equipment		12,564		12,520	44	0.4%	6
Library books		18,858		17,929	929	5.2%	6
Construction in progress		2,671		19,016	(16,345)	-86.0%	6
Total		165,185		158,368	 6,817	4.3%	6
Less: accumulated depreciation		60,971		57,449	3,522	6.1%	6
Net capital assets	\$	104,214	\$	100,919	\$ 3,295	3.3%	<u>~</u>

Current Liabilities - Current liabilities consist primarily of accounts payable and accrued liabilities of \$6.1 million, deferred revenues for summer tuition of \$3.2 million, and the current portion of the liability for compensated absences of \$3.8 million. Total current liabilities increased by \$2.4 million. This increase is primarily due to the \$0.6 million increase in accounts payable and accrued liabilities, the \$0.7 million increase in the deferred revenues, and the \$1.0 million increase in the current portion of compensated absences, which is estimated based on the current year's usage.

Noncurrent Liabilities - Noncurrent liabilities consist of long-term debt and other obligations for which the principal is due more than one year from the statement of net assets date. Long-term debt increased in March 2006 when the University issued \$15.1 million in Certificates of Participation to finance the acquisition, development and implementation of an enterprise resource planning (ERP) system. Long-term debt totaled \$43.5 million at June 30, 2006 as compared to \$30.1 million at June 30, 2005. The University's current revenue bonds payable consists of University Facilities Revenue Bonds Series 1973, University Facilities System Revenue Bonds Series 2004.

Fiscal year 2006 principal repayments for the three revenue bonds and the Certificates of Participation are as follows:

	Prin	icipal paid
Debt Type	in	FY 2006
Revenue Bonds Series 1973	\$	45,000
Revenue Bonds Series 1997		265,000
Revenue Bonds Series 2004*		-
Certificates of Participation 2006**		-
Total Principal Paid	\$	310,000

^{*} No principal repayment until year 2014

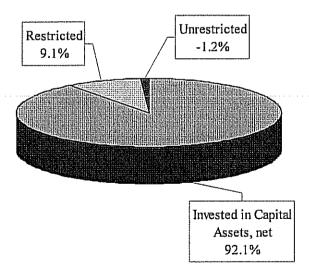
Total Net Assets - Net assets are divided into three major categories. The first category, invested in capital assets, net of related debts, reports the University's net equity in property and equipment. The second category, restricted net assets, reports net assets that are owned by the University, but the use or purpose of the funds is restricted by an external source or entity. The third category is unrestricted net assets, which are available to be used for any lawful purpose of the University. The total net assets decreased by \$0.5 million over the prior year. This decrease is a net result of a \$1.2 million decrease in invested capital assets, net of related debts, and a \$0.8 million increase in unrestricted net assets, which is primarily due to the increase in tuition and fees. The following is a breakdown of the \$8.0 million restricted net assets:

^{**} No principal repayment until year 2007

Restricted Net Assets as of June 30, 2006 and 2005 (dollars in thousands)

	2006			2005
Grants and contracts	\$	1,590	\$	1,269
Student loans		2,872		2,921
Debt service		1,638		1,611
Other		1,858		2,238
Total restricted net assets	\$	7,958	\$	8,039

Total Net Assets - June 30, 2006

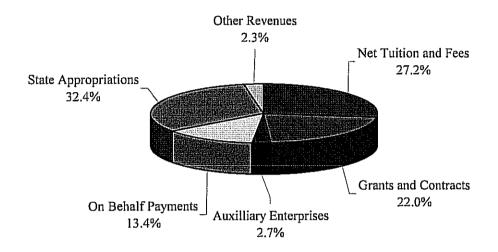


Statement of Revenues, Expenses, and Changes in Net Assets

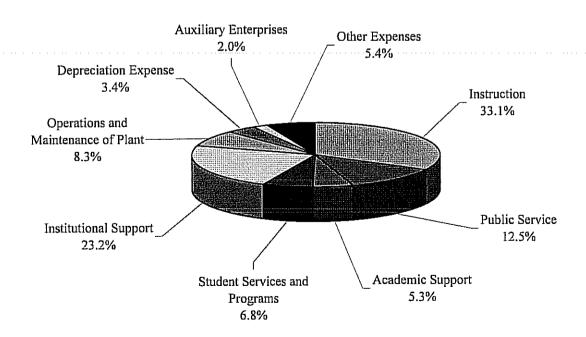
Condensed Statement of Revenues, Expenses, and Changes in Net Assets For the Years Ended June 30, 2006 and 2005 (dollars in thousands)

(u	OHALS	ui tuonaanaa	"				
						crease	Percent
		2006		2005	<u>(De</u>	ecrease)	Change
OPERATING REVENUES	•			*****			
Net tuition and fees	\$	32,821	\$	28,186	\$	4,635	16.4%
Grants and contracts		26,583		26,540		43	0.2%
Auxilliary enterprises		3,298		3,090		208	6.7%
Other operating revenues		2,664		2,054		610	29.7%
Total operating revenues		65,366		59,870		5,496	9.2%
OPERATING EXPENSES							
Instruction		40,343		38,388		1,955	5.1%
Public service		15,224		15,605		(381)	-2.4%
Academic support		6,435		6,080		355	5.8%
Student services and programs		8,233		7,535		698	9.3%
Institutional support - operations		12,092		12,733		(641)	-5.0%
Institutional support - on behalf payments		16,208		17,438		(1,230)	-7.1%
Operations and maintenance of plant		10,097		9,997		100	1.0%
Depreciation expense		4,169		3,563		606	17.0%
Auxiliary enterprises		2,482		2,378		104	4.4%
Other operating expenses		6,671		5,214		1,457	27.9%
Total operating expenses		121,954	_	118,931		3,023	2.5%
Operating loss		(56,588)		(59,061)		2,473	-4.2%
NONOPERATING REVENUES (EXPENSES)						
State appropriations	• • • • •	39,168		39,204		(36)	-0.1%
Payments on behalf of the University		16,208		17,437		(1,229)	-7.0%
Other nonoperating revenues		1,244		555		689	124.1%
Interest on indebtedness		(1,180)		(996)		(184)	18.5%
Total nonoperating revenues		55,440		56,200		(760)	-1.4%
NET LOSS		(1,148)		(2,861)		1,713	-59.9%
Gain (loss) on disposal of capital assets		11		(142)		153	-107.7%
Capital additions provided by State of Illinois		617		2,910		(2,293)	-78.8%
Capital additions provided by Commercial			_				
CHANGES IN NET ASSETS		(520)		(93)		(427)	459.1%
NET ASSETS, BEGINNING OF YEAR		87,966		88,059		(93)	-0.1%
NET ASSETS, END OF YEAR	<u>\$</u>	87,446	_\$_	87,966		(520)	-0.6%

Total Revenue by Source - June 30, 2006



Operating Expenses - June 30, 2006



Operating Revenues - Total operating revenues increased by \$5.5 million. This is the result of the increase in tuition and fees of \$4.6 million due to a 9.6% increase in the undergraduate tuition rates and a modest increase in student enrollment, and the increase in the other operating revenues of \$0.6 million, which is mainly due to the increase in health insurance fee of \$0.4 million.

Operating Expenses - Instruction accounted for the largest portion of operating expenses at \$40.3 million. Institutional Support is the next largest at \$28.3 million. These two sources, plus Public Service at \$15.2 million, Operation and Maintenance at \$10.1 million, Student Services at \$8.2 million, and Academic Support at \$6.4 million, account for approximately 89% of the operating expenses of the University. Operating expenses increased by \$3.0 million. This increase is a net result of 4 items: instruction increased by \$2.0 million mainly because of a 3.8% average salary increases, on behalf payments decreased by \$1.2 million, depreciation increased by \$0.6 million primarily because of a correction made for fiscal year 2005 on one equipment item, and other expenses increased by \$1.5 million due to the expenses of the ERP project.

Nonoperating Revenues (Expenses) - This consists of State appropriations, on behalf payments, gifts and donations, investment income, and other nonoperating revenues, less interest on indebtedness. Total nonoperating revenues decreased 1.4% compared to fiscal year 2005.

Statement of Cash Flows

Condensed Statement of Cash Flows For the Years Ended June 30, 2006 and 2005 (dollars in thousands)

	2006	2005
Cash received from operations	\$ 67,735	\$ 59,990
Cash expended for operations	(104,907)	(100,341)
Net cash used in operating activities	(37,172)	(40,351)
Net cash provided by noncapital financing activities	39,878	39,447
Net cash provided by (used in) capital financing activities	6,150	(15,125)
Net cash provided by (used in) investing activities	(5,537)	488
Net increase (decrease) in cash and cash equivalents	3,319	(15,541)
Cash and cash equivalents - beginning of the year	8,728_	24,269_
Cash and cash equivalents - end of the year	\$ 12,047	\$ 8,728

The primary cash receipts from operating activities consist of tuition and fees of \$32.8 million and grants and contracts of \$27.0 million. Cash outlays included payments to employees of \$70.7 million, payments for fringe benefits of \$3.7 million and payments to suppliers of \$24.7 million.

The State appropriation of \$39.2 million is the primary source of noncapital financing. The accounting standards require the University to reflect this source of revenue as nonoperating even though the University's budget depends on this to support operations.

The main capital financing activities included purchases of capital assets and construction costs of \$7.5 million, issuance of \$15.0 million Certificates of Participation, and debt service payments of \$1.3 million.

Investing activities reflect purchases, sales and interest income earned on investments.

The total net cash increased by \$3.3 million from fiscal year 2005. The increase is the result of the \$2.7 million increase in cash from operating activities and noncapital financing activities, \$6.2 million increase in capital financing activities due to the issuance of Certificates of Participation for the ERP project, and \$5.5 million decrease in investing activities due to investment purchases.

SIGNIFICANT FINANCIAL EVENTS IMPACTING FUTURE PERIODS

During this past year, the University has been actively engaged in self-study for our 10-year reaccreditation by the Higher Learning Commission. The University is confident that our self-study report will result in full reaccreditation and that we will continue to fulfill our mission of educating the most diverse student population in the Midwest. The self-study has been significant for the University because it reinforced our commitment to strategically direct all of our resources - financial, faculty and staff - towards our mission and our priorities.

The University is focused on and committed to the four principles contained in our mission statement: excellence, access, diversity and community. Our fall 2006 enrollment is 12,056 students, a slight decrease from the previous fall, but only 171 students below our all-time high. This enrollment level demonstrates the demands from students for our courses and programs, and our success in providing an accessible and affordable education. In what can be described as challenging financial times, the University has continued to improve our educational programs by increasing the number of full-time, tenure-track faculty and increasing the number of course sections available to students. We continue to be the most diverse university in the Midwest, according to US News and World Report, and our partnerships with local schools, community colleges, government agencies and private foundations reinforce and extend our educational mission beyond our campus.

These successes also present challenges. Most significantly, the State of Illinois continues to provide state funding to Illinois public higher education and Northeastern at levels below previous years. In fiscal year 2002, the University's State General Funds appropriation to Northeastern was \$45.4 million. In fiscal year 2007, the University's State General Funds appropriation is \$40.0 million, an increase of \$778,600, or 2.0 percent, over the fiscal year 2006

level. While not regaining previous funding levels, this is a positive sign in that it reversed the trend of decreasing or level appropriations.

Our challenges continue: most notably, addressing faculty and staff compensation levels and providing funds to recruit and retain the best faculty and staff. While progress was made with salaries in fiscal years 2006 and 2007, improving salary competitiveness continues to be an issue. Our students need and demand the latest technology and the University is progressing with a multi-year plan to consolidate our currently disparate information systems into a fully integrated information system. With our enrollment level comes increased teaching and support needs, all of which have both financial and space resource implications. And finally, the lack of State of Illinois capital appropriations for new facilities and the repair, maintenance and rehabilitation of current University facilities is beginning to affect the University's ability to improve our physical plant. Signs are encouraging, however, that a State of Illinois capital program will be considered in the upcoming legislative session.

Overall, because of high student demand and the University's continuing efforts to focus resources on our core missions - excellence, access, diversity and community - the operating budget for fiscal year 2007 will be limited, but will support the academic and support needs of our students, avoid layoffs to faculty and staff, and maintain the highest level of quality instruction.

CONTACTING NEIU'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of NEIU's finances and to show the University's stewardship and accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mark Wilcockson, Vice President for Finance and Administration, or Peggy Ho, Director of Financial Affairs/Controller, at 5500 N. St. Louis Avenue, Chicago, IL 60625.

STATE OF ILLINOIS NORTHEASTERN ILLINOIS UNIVERSITY STATEMENT OF NET ASSETS

	JUNE 30,							
		2006				(Comparative 2005	totals only)	
		University	F	oundation		University		oundation
ASSETS							-	
Current assets:								
Cash and cash equivalents	\$	2,945,652	\$	182,434	\$	5,960,370	\$	302,068
Short-term investments	*	5,880,470	•	1,046,060	_	1,001,560	•	910,731
Receivables		-,,		-,,		-,,		
Grants		3,187,416		-		3,566,901		_
Student loans (net of allowance for doubtful accounts of \$328,503 in 2006 and \$324,360								
in 2005)		85,134		-		69,101		-
Tuition and fees (net of allowance for doubtful accounts of \$480,390 in 2006 and \$501,482		2 721 420				1,961,913		
in 2005)		2,731,420		-		1,901,913		-
Other receivables (net of allowance for doubtful accounts of \$791,559 in 2006 and \$868,924								
in 2005)		2,857,351		-		1,238,767		-
Inventories		124,030		_		90,375		_
Deferred charges		233,309		-		112,643		-
Other assets		32,827		3,125		18,823		3,326
Total current assets		18,077,609		1,231,619		14,020,453		1,216,125
Noncurrent assets:								
Restricted cash and cash equivalents		9,101,135		-		2,767,284		<u>-</u>
Investments		10,012,835		2,344,759		8,797,555		2,276,770
Receivables								
Student loans (net of allowance for doubtful accounts of \$417,529 in 2006 and \$404,344								
in 2005)		2,341,345		-		2,276,794		-
Tuition and fees (net of allowance for doubtful accounts of \$477,092 in 2006 and \$363,948								
in 2005)		73,857		-		57,651		-
Unamortized bond issue costs		788,493		.		545,878		.
Capital assets								
Land and land improvements		7,971,117		-		7,508,237		-
Site improvements (net of accumulated								
depreciation of \$2,911,196 in 2006 and \$2,593,894 in 2005)		3,029,053		-		3,337,433		_
Buildings and building improvements		-,,				-,,		
(net of accumulated depreciation								
of \$33,850,164 in 2006 and								
\$31,939,401 in 2005)		83,331,175		_		63,524,580		_
Equipment (net of accumulated		35,001,110				, ,		
depreciation of \$9,054,562 in 2006 and								
\$8,661,591 in 2005)		3,508,512		_		3,857,841		_
Library books (net of accumulated						• •		
depreciation of \$15,155,488 in 2006 and								
\$14,254,194 in 2005)		3,702,533		_		3,674,815		_
Construction in progress		2,671,154		-		19,016,361		-
Other assets				21,714		· · · · · · · · · · · · · · · · · · ·		21,714
Total noncurrent assets		126,531,209		2,366,473		115,364,429		2,298,484
		144,608,818		3,598,092		129,384,882		3,514,609
Total assets		144,000,010		2,270,072		147,204,002		J,J 17,UUプ

STATE OF ILLINOIS NORTHEASTERN ILLINOIS UNIVERSITY STATEMENT OF NET ASSETS

	JUNE 30,							
·	2006		(Comparative t 2005	otals only)				
-	University	Foundation	University	Foundation				
LIABILITIES								
Current liabilities:								
Accounts payable and accrued liabilities	6,142,964	16,458	5,510,670	5,880				
Deferred revenues	3,224,584	-	2,479,588	-				
Liability for compensated absences	3,849,763	-	2,895,285	-				
Revenue bonds payable	325,000	-	310,000	-				
Funds held in custody for others	157,360	-	145,028					
Total current liabilities	13,699,671	16,458	11,340,571	5,880				
Noncurrent liabilities:								
Liability for compensated absences	7,401,241	-	8,657,750	-				
Revenue bonds payable	21,095,000	-	21,420,000	-				
Certificates of participation, net	14,967,290	_	-	-				
Total noncurrent liabilities	43,463,531		30,077,750	-				
Total liabilities	57,163,202	16,458	41,418,321	5,880				
NET ASSETS								
Invested in capital assets,								
net of related debts	80,569,660	-	81,785,295	-				
Restricted for:								
Nonexpendable								
Scholarships and charitable trust	=	2,344,758	-	2,276,770				
Expendable								
Grants and contracts	1,589,869	-	1,268,782	-				
Student loans	2,871,705	-	2,921,167	-				
Debt service	1,638,210	-	1,610,810	<u>.</u>				
Other	1,858,198	709,679	2,238,164	633,904				
Unrestricted	(1,082,026)	527,197	(1,857,657)	598,055				
Total net assets	87,445,616	3,581,634	87,966,561	3,508,729				

STATE OF ILLINOIS NORTHEASTERN ILLINOIS UNIVERSITY STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	FOR THE YEAR ENDED JUNE 30,						
	2000		(Comparative 2005	totals only)			
	University	Foundation	University	Foundation			
OPERATING REVENUES							
Student tuition and fees (net of scholarship							
allowances of \$6,451,590 in 2006 and							
\$5,939,311 in 2005)	\$ 32,821,397	\$ -	\$ 28,186,112	\$ -			
Federal grants and contracts	21,046,482	-	21,087,782	-			
State and local grants	4,133,940	-	3,836,300	-			
Nongovernmental grants and contracts	1,402,805	-	1,615,346	-			
Auxiliary enterprises	3,297,405		3,090,323	-			
Other operating revenues	2,664,272	540,438	2,054,402	743,979			
Total operating revenues	65,366,301	540,438	59,870,265	743,979			
OPERATING EXPENSES							
Instruction	40,342,794	-	38,387,677	<u>-</u>			
Research	158,458	_	178,153	-			
Public service	15,223,591	-	15,604,667	-			
Academic support	6,435,117	-	6,080,010	-			
Student services and programs	8,233,391	-	7,534,838	-			
Institutional support	28,299,628	-	30,171,195	-			
Operation and maintenance of plant	10,097,128	-	9,997,060	-			
Scholarships and fellowships	4,905,792	-	4,824,937	-			
Auxiliary enterprises	2,481,931	-	2,378,313	-			
Depreciation expense	4,169,179	-	3,563,528	-			
Other operating expenses	1,607,214	527,674	210,638	421,867			
Total operating expenses	121,954,223	527,674	118,931,016	421,867			
Operating income (loss)	(56,587,922)	12,764	(59,060,751)	322,112			
NONOPERATING REVENUES (EXPENSES)							
State appropriations - general revenue fund	39,168,216	-	39,203,830	-			
Payments on behalf of the University	16,207,855	-	17,437,422	-			
Gifts and donations	100,000	-	100,000				
Investment income	557,334	-	385,046	-			
Interest on indebtedness	(1,180,342)	-	(995,779)	-			
Other nonoperating revenues	586,370	_	70,000	-			
Net nonoperating revenues	55,439,433		56,200,519	-			
Income (loss) before other revenues,			<u> </u>				
expenses, gains and losses	(1,148,489)	12,764	(2,860,232)	322,112			
Additions to permanent endowments		60,141	(,,,	453,265			
Gain (loss) on disposal of capital assets	10,908	-	(142,313)	,			
Capital additions provided by State of Illinois	616,636	_	2,910,331	_			
Increase (decrease) in Net Assets	(520,945)	72,905	(92,214)	775,377			
NET ASSETS	(320,773)	72,703	(72,217)	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,			
	97 066 561	7 500 700	00 NEO 77E	7 772 252			
Net assets - beginning of year	87,966,561 \$ 87,445,616	3,508,729 \$ 3,581,634	88,058,775 \$ 87,966,561	2,733,352 \$ 3,508,729			
Net assets - end of year	\$ 87,445,616	\$ 3,581,634	Φ 07,000,011	φ 2,200,129			

See accompanying notes to basic financial statements

STATE OF ILLINOIS NORTHEASTERN ILLINOIS UNIVERSITY STATEMENT OF CASH FLOWS

	FOR THE YEAR ENDED JUNE 30,							
		20	006			(Comparativ	e To 105	tals Only)
		University		Foundation		University		Foundation
CASH FLOWS FROM OPERATING ACTIVITIES	ď	70 754 717	r		\$	77 757 775	S	
Tuition and fees Grants and contracts	\$	32,754,317 26,962,713	\$	-	Э	27,757,735 24,363,894	Þ	_
Payments to employees		(70,741,044)		-		(66,045,288)		-
Payments for fringe benefits		(3,660,558)		_		(2,073,379)		-
Payments to suppliers		(24,679,976)		(449,139)		(26,660,295)		(353,861)
Payments for scholarships and fellowships		(4,964,216)		-		(4,790,553)		
Loans issued to students		(861,284)		-		(771,663)		-
Collections of loans from students		693,796		-		664,858		-
Auxiliary enterprises		3,293,834		472 682		3,129,713		1 062 077
Other receipts	_	4,030,286		472,682		4,073,197	_	1,053,077
Net cash provided by (used in) operating activities		(37,172,132)	_	23,543	_	(40,351,781)		699,216
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	3							
State appropriations		39,168,216		-		39,203,830		-
Gifts		100,000		-		100,000		-
Agency transactions Other noncapital financing activities		12,438 597,278		- 60,141		73,279 70,000		453,265
Net cash provided by noncapital financing activities		39,877,932		60,141		39,447,109		453,265
		02,077,224		00,	-	221111112		1224
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		(7 531 501)				(14.012.722)		
Purchases of capital assets and construction		(7,531,521)		-		(14,012,722)		-
Proceeds from capital debt Principal paid on capital debt and leases		14,967,290 (310,000)		-		(290,000) (821,789)		-
Interest paid on capital debt and leases		(975,580)		_		(021,703)		_
Net cash provided by (used in) capital financing activities		6,150,189	-	<u>-</u> _		(15,124,511)		
Net cash provided by (used in) capital mainting activities	_	0,130,109				(13,124,311)		
CASH FLOWS FROM INVESTING ACTIVITIES								
Proceeds from sales and maturities of investments		3,643,356		420,065		1,004,210		321,859
Interest on investments		557,334		-		385,046		-
Purchases of investments		(9,737,546)		(623,383)		(901,248)		(1,517,493)
Net cash provided by (used in) investing activities		(5,536,856)		(203,318)	_	488,008		(1,195,634)
Net increase (decrease) in cash and cash equivalents		3,319,133		(119,634)		(15,541,175)		(43,153)
Cash and cash equivalents - beginning of year		8,727,654		302,068		24,268,829		345,221
Cash and cash equivalents - end of year	\$	12,046,787	\$	182,434	\$	8,727,654	<u>\$</u>	302,068
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		(55 505 500)	•	10.064		(50.040.551)		222.112
Operating income (loss) Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	\$	(56,587,922)	\$	12,764	\$	(59,060,751)	\$	322,112
Payment on-behalf of the University		16,207,855		-		17,437,422		-
Depreciation expense		4,169,179		-		3,563,528		-
Changes in assets and liabilities:								
Receivables, net		(2,105,396)		-		(3,843,320)		-
Deferred charges and other assets		(120,666)		201		53,207		374,641
Inventories		(33,655)		201		(7,372)		7 463
Accounts payable and accrued liabilities Accrued salaries and wages		1,003,471 (147,963)		10,578		639,672 230,233		2,463
Liability for compensated absences		(302,031)		-		421,991		-
Deferred revenues		744,996				213,609		
Net cash provided by (used in) operating activities	\$	(37,172,132)	\$	23,543	\$	(40,351,781)	\$	699,216
Noncash operating and capital financing activities:								
On-behalf payments for fringe benefits	\$	16,207,855			\$	17,437,422		
Capital asset acquisition via capital appropriations		616,636				2,910,331		
	\$	16,824,491			\$	20,347,753		

1. Summary of Significant Accounting Policies

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

Reporting Entity

Northeastern Illinois University (the University), an agency of the State of Illinois, with a primary focus on postsecondary institution, research and public service, is located in Chicago, Illinois. The governing body of the University is the Board of Trustees of Northeastern Illinois University created in January 1996, as a result of legislation to reorganize governance of state public universities. Northeastern Illinois University is the oversight unit, which includes all applicable funds, departments and entities for which the University is considered financially accountable and over which the University exercises oversight responsibility. Oversight responsibility is defined to include, but is not limited to, the following considerations: financial interdependency, designation of management, ability to significantly influence operations, accountability for fiscal matters, the scope of an organization's public service, and/or special financing relationships. As required by generally accepted accounting principles, these financial statements present the financial position and financial activities of the University and its component unit, Northeastern Illinois University Foundation (the Foundation). The Foundation is included in the University's reporting entity because of the significance of its financial relationship with the University.

The Foundation is a University Related Organization as defined under University Guidelines adopted by the State of Illinois Legislative Audit Commission in 1982 and amended September 1997. The Foundation was formed for the purpose of providing fund raising and other assistance to the University in order to attract private gifts to support the University's instructional, research, and public service activities. In this capacity, the Foundation solicits, receives, holds, and administers gifts for the benefit of the University. Complete financial statements for the Foundation may be obtained by writing to the NEIU Foundation Executive Director, Northeastern Illinois University, 5500 North St. Louis Ave., Chicago, Illinois 60625.

The University is a component unit of the State of Illinois for financial reporting purposes. The financial balances and activities included in these financial statements are, therefore, also included in the State's comprehensive annual financial report.

Basis of Accounting

The financial statements of the University are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred. All significant intra-agency transactions have been eliminated.

The University follows all applicable Financial Accounting Standards Board (FASB) statements issued prior to December 1, 1989, to the extent that those standards do not conflict with or contradict guidance of the GASB. The University has elected not to apply FASB pronouncements issued after November 30, 1989.

The financial statements are prepared in accordance with GASB No. 35, Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities and follow the special purpose governments engaged only in "business-type" activities requirements, which requires the following components of the University's financial statements:

Management's Discussion and Analysis

This provides an objective analysis of the University's financial activities based on facts, decisions and conditions.

Basic financial statements including a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and Statement of Cash Flows

- The Statement of Net Assets details current assets/liabilities and noncurrent assets/liabilities. In general, current assets are those that are available to satisfy current liabilities. Current liabilities are those that will be paid within one year of the date of the Statement of Net Assets. Other assets and liabilities due beyond one year are noncurrent. Net Assets are divided into three major categories: 1) Invested in capital assets, net of related debt, 2) Restricted net assets, and 3) Unrestricted net assets.
- The Statement of Revenues, Expenses and Changes in Net Assets provides operating and nonoperating revenues and expenses, and displays the net income or loss from operations and total changes in net assets.

• The Statement of Cash Flows details the change in the cash and cash equivalents balance for the fiscal year and is prepared using the direct method. Cash and cash equivalents include bank accounts and investments with original maturities of ninety days or less at the time of purchase, primarily U.S. Treasury bills and money market funds. This statement provides information related to cash receipts and cash payments during the year. The statement also helps users to evaluate the University's ability to meet financial obligations as they mature.

Notes to Basic Financial Statements

This provides additional analysis of the University's Basic Financial Statements.

Operating and Nonoperating Revenues

Operating revenues of the University consist of student tuition and fees, grants and contracts, student union sales and services, parking revenues, and other operating revenues. Transactions relating to capital or financing activities, noncapital financing activities, investing activities, State appropriations, and State on behalf payments for retirement and health care costs are components of nonoperating income. Restricted and unrestricted resources are used at the discretion of the University, within the proper guidelines. The University first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

Auxiliary Enterprises

The auxiliary enterprises are primarily composed of the student union, child care and parking operations.

Use of Estimates

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

Reclassifications

Payments on behalf of the University which was originally presented under operating revenues in the prior year financial statements has been reclassified to nonoperating revenues in the current year financial statements. Library books which were presented as part of equipment in the prior year financial statements have been presented separately in the current year financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include bank accounts and investments with original maturities of ninety days or less at the time of purchase, primarily U.S. Treasury bills and money market funds.

Investments and Marketable Securities

The University accounts for its investments and marketable securities at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

For the joint investing activity of the University, interest and dividends on investments are allocated to funds which participated in the investment purchase according to the fund's appropriate share of the total investment.

Restricted Assets

Restricted assets consist of cash and investments that are externally restricted by outside sources. Restricted assets are classified as either current or noncurrent in the Statement of Net Assets depending upon when the assets become available for use.

Inventories

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

Unamortized Bond Issue Costs

Amortization of unamortized bond issue costs is calculated on a straight-line basis over the term of the related debts.

Certificates of Participation

Certificates of participation is stated at face value net of unamortized original issue discount.

Capital Assets

Capital assets reported in the Statement of Net Assets are recorded at actual cost at the time of acquisition or fair value at the date of donation. The University follows the capitalization policy established by the Comptroller of the State of Illinois as follows:

Classification	Capitalized <u>Threshold</u>		-		-		Estimated Useful Life (in years)
Land	\$	100,000	Indefinite				
Land improvements		25,000	Indefinite				
Site improvements		25,000	5-50				
Buildings		100,000	50				
Building improvements		25,000	10-45				
Equipment		5,000	3-25				
Library books		5,000 *	. 7				

^{*} Library books consist of a large number of items with modest values reported on a composite basis.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. There is no depreciation recorded for assets that are capitalized during the first year.

Revenue Recognition

Appropriations made from the State of Illinois General Revenue and Capital Development Funds for the benefit of the University are recognized as nonoperating revenues to the extent expended, limited to available appropriations.

Tuition and fees, except for the Summer Session, are recognized as revenues as they are assessed. Tuition and fees are reduced by scholarship discounts and allowances of \$6,451,590 for fiscal year 2006. The Summer Session tuition and fees are allocated between fiscal years based on when the revenue is earned. The portion of Summer Session tuition and fees applicable to the following fiscal year is deferred. The value of tuition and fee exemptions awarded to graduate assistants, staff members and others is calculated at the applicable tuition rates. These exemptions amounted to \$2,665,329 in fiscal year 2006.

Restricted funds which are received or receivable from external sources are recognized as revenues to the extent of related expenses or satisfaction of eligibility requirements on the accrual basis. This is based on the terms of the agreement. Advances are classified as deferred revenue.

Certain revenue sources that the University relies on to provide funding for operations including State appropriations, on-behalf payments, 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.

In accordance with GASB Statement No. 24, Accounting and Financial Reporting for Certain Grants and Other Financial Assistance, the University reported on-behalf payments totaling \$16,207,855 representing \$13,207,811 and \$3,000,044, respectively, for health care and retirement costs. These on-behalf payments are reflected in Payments Made on Behalf of the University as nonoperating revenues and offsetting amount reported as Institutional Support expenses.

Adoption of Governmental Accounting Standards Board (GASB) Statement No. 42

GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, was established to require an evaluation of prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset occurred. This statement is effective for periods beginning after December 15, 2004.

The University adopted the Statement in fiscal year 2006 and included in other nonoperating revenues the impairment gain of \$516,370 due to a fire that occurred in the University library in November 2005. This impairment gain is a net result of \$182,663 impairment loss and \$699,033 insurance recoveries.

2. Cash and Investments

The University uses the "pooled cash" method of accounting for substantially all of its operating cash and investments. The following is a reconciliation of deposits and investments as shown on the Statement of Net Assets as of June 30, 2006:

Carrying amounts of deposits	\$ 6,181,012
Carrying amounts of investments	21,759,080
	\$ 27,940,092
Cash and cash equivalents	\$ 2,945,652
Restricted cash and cash equivalents	9,101,135
Short-term investments	5,880,470
Long-term investments	10,012,835
	\$ 27,940,092

Deposits

The University utilizes several different bank accounts for the various activities of the University. The book balance of such accounts is \$6,181,012 at June 30, 2006, while the bank balance was \$7,684,855. The difference between the above amounts primarily represents checks that have been issued but have not yet cleared the bank as of June 30, 2006.

Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, the University's deposits may not be recovered. The University's policy for reducing its exposure to the risk is to require deposits in excess of the federally insured amount to be collateralized to the extent of 110%. As of June 30, 2006, the University's deposits were covered by the Federal Deposit Insurance Corporation (FDIC) and by collateral held by the financial institution in the University's name. The University therefore, has no custodial credit risk in its deposits.

Investments

The University's established investment policy follows the State of Illinois Public Funds Investment Act and the covenants provided from the University's bond issuance activities, which authorize the University to purchase certain obligations of the U. S. Treasury, federal agencies and instrumentalities; certificates of deposit and time deposits covered by Federal depository insurance; commercial paper of U.S. corporations with assets exceeding \$500,000,000, if such paper is rated at the highest classification established by at least two standard rating services; money market funds and the Illinois Funds.

The University has pooled its investments, except for certain funds that are required by bond resolution to be in separate accounts. Investments are stated at fair value. Net income from investments of pooled funds is allocated and credited to the original sources of the funds or is remitted to the University's Income Fund. The following table presents the fair value of investments held by the University and University's Foundation at June 30, 2006:

Investment Type	<u>University</u>	<u>Foundation</u>
Money Market Fund	\$ 2,874,814	\$ -
Illinois Funds	970,351	_
U.S. Treasury Notes	9,945,585	75,668
U.S. Agency Obligations	7,968,330	-
Mutual Funds	<u>-</u>	3,315,151
Total	<u>\$ 21,759,080</u>	\$ 3,390,819

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the susceptibility of its fair value to changes in market interest rates. The University's policy for reducing its exposure to the risk is to structure the University's portfolio so that securities mature to meet the University's cash requirements for ongoing operations. Also, the investment returns are evaluated and tracked monthly against appropriate performance benchmarks and reported quarterly to the Vice President for Finance and Administration/Board Treasurer. As of June 30, 2006, the University had the following investments subject to Interest Rate Risk based on the assumption that the callable investments will not be called.

		Matı	Weighted	
Investment Type	Fair Value	Less Than 1 Year	1 - 5 years	Average Maturity (years)
mirodinone 1 jpo				
U. S. Treasury Notes U. S. Agency	\$ 9,945,585	\$ 5,669,155	\$4,276,430	1.17
Obligations	7,968,330	6,729,963	1,238,367	0.84
Total	\$17,913,915	\$12,399,118	\$5,514,797	

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's policy for managing its exposure to the risk is to limit investments to those allowable by the Illinois Public Funds Investment Act. As of June 30, 2006, the University's investment in U.S. Agency Obligations was rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The investment in the State investment pool (Illinois Fund) was rated AAAm by Standard & Poor's. The investment in Money Market Funds was rated AAAm by Standard & Poor's and Aaa by Moody's Investors Service.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University's policy for mitigating the risk is to diversify the investment portfolio so that the failure of any one issue will not place an undue financial burden on the University. As of June 30, 2006, the University had the following investments subject to Concentration of Credit Risk:

			% of Total
Issuer	F	air Value	Investments
Federal Farm Credit Bank	\$	756,337	3.5%
Federal Home Loan Bank		4,838,563	22.2%
Federal Home Loan Mortgage Company		482,030	2.2%
Fannie Mae		1,891,400	8.7%
	\$	7,968,330	

Custodial Credit Risk for investments is the risk that, in the event of a failure of the counterparty, the University will not be able to recover the value of the investments that are in the possession of an outside party. The University minimizes its custodial credit risk by establishing limitations on the types of investments held with qualifying institutions. As of June 30, 2006, University's investments in the U.S. Treasury and U.S. Agency Securities were registered with securities in the University's name. Investments in external investment pools and in money market mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The University therefore, has no custodial credit risk in its investment portfolio.

3. Capital Assets

Details of the University's investment in capital assets at June 30, 2006 are as follows:

	July 1, 2005	<u>Additions</u>	<u>Transfers</u>	Reductions	June 30, 2006
Land and land					
improvements	\$ 7,508,237	\$ 462,880	\$ -	\$ -	\$ 7,971,117
Site improvements	5,931,327	8,922	-		5,940,249
Building and building					
improvements	95,463,981	673,725	21,393,256	(349,623)	117,181,339
Equipment	12,519,432	527,132	-	(483,490)	12,563,074
Library books	17,929,009	929,012	-	_	18,858,021
Construction in					
progress	19,016,361	5,048,049	(21,393,256)	-	2,671,154
Total	158,368,347	7,649,720	-	(833,113)	165,184,954

	July 1, 2005	<u>Additions</u>	<u>Transfers</u>	Reductions	June 30, 2006
Less accumulated depreciation:					
Site improvements	2,593,894	317,302		-	2,911,196
Building and building					
improvements	31,939,401	2,077,723	-	(166,960)	33,850,164
Equipment	8,661,591	872,860	-	(479,889)	9,054,562
Library books	14,254,194	901,294	-		15,155,488
Total	57,449,080	4,169,179		(646,849)	60,971,410
Capital assets - net	\$100,919,267	\$ 3,480,541	\$ -	\$ (186,264)	<u>\$104,213,544</u>

Included in the additions to Site Improvements, Building and Building Improvements, and Construction in Progress at June 30, 2006 are expenditures totaling \$616,636 incurred by the Illinois Capital Development Board for construction projects on behalf of the University.

4. Long-Term Debt and Other Liabilities

Long-term debt and other liabilities consist of the following as of June 30, 2006:

	July 1, 2005	Additions	Reductions	June 30, 2006
Compensated Absences Revenue Bonds Series 1973	\$ 11,553,035 1,325,000	\$ 3,473,415	\$ 3,775,446 45,000	\$ 11,251,004 1,280,000
Revenue Bonds Series 1997	3,435,000	-	265,000	3,170,000
Revenue Bonds Series 2004	16,970,000			16,970,000
Certificates of Participation				
Series 2006 (net of				
unamortized original issue				
discount of \$92,710)		14,967,290		14,967,290
Subtotal	33,283,035	<u>\$18,440,705</u>	<u>\$ 4,085,446</u>	47,638,294
Less: current portion	3,205,285			4,174,763
Total noncurrent liabilities	<u>\$ 30,077,750</u>			<u>\$ 43,463,531</u>

5. University Facilities System Revenue Bonds

Revenue Bonds Payable and Interest Subsidy

At June 30, 2006, bonds payable consist of University Facilities Revenue Bond Series 1973, University Facilities System Revenue Bond Series 1997 and University Facilities System Revenue Bond Series 2004.

Series 1973

The University Facilities Revenue Bonds Series of 1973 were sold during 1974 in the amount of \$3,075,000, (\$1,280,000 of which are outstanding at June 30, 2006) and were used to finance the construction of the University's Student Union Building. The bonds and related interest are not general obligations of the University since they are payable from and secured by a first lien on and the pledge of net revenues to be derived from certain student fees and operations of the University's Student Union, pledged fees and tuition, and funds held in the Bond Reserve Account. The restricted fund balances are legally restricted under the University Facilities Revenue Bonds indenture.

The bonds mature in increasing principal amounts ranging from \$130,000 due on July 1, 2006 to \$195,000 due on July 1, 2013. Interest is payable semi-annually, on January 1 and July 1, at rates between 6.1 percent and 6.2 percent, with an average effective rate of approximately 6.23 percent. Future aggregate annual payments applicable to revenue bonds at June 30, 2006 are:

Fiscal Year	<u>Principal</u>	<u>I</u> :	<u>nterest</u>
2007	\$130,000	\$	75,330
2008	135,000		67,115
2009	145,000		58,435
2010	155,000		49,135
2011	165,000		39,215
2012-2014	550,000		52,700
Total	\$ 1,280,000	\$	341,930

The Board of Trustees has the right, after providing proper notice to bondholders, to call the bonds for redemption prior to their maturity, in whole or in part, on July 1, 2006, or on any interest payment date thereafter, at the principal amount redeemed, together with the unpaid interest accrued thereon, plus a premium applied to the principal amounts redeemed at par.

The U.S. Department of Housing and Urban Development has made a grant under which it has guaranteed to pay an annual debt service subsidy on the bonds subject to its audit and approval. During the year ended June 30, 2006, \$70,000 of such subsidy was included in other nonoperating revenues.

Series 1997

The University Facilities System Revenue Bonds Series 1997, dated March 1, were sold in April 1997, in the amount of \$4,505,000 (\$3,170,000 of which were outstanding at June 30, 2006). The proceeds of the bond issue were used to finance the costs of constructing improvements to the University's Student Union, prepay outstanding lease obligations of the Board related to System renovation (parking lots), fund a deposit to the Bond Reserve Account, provide capitalized interest on the bonds through July 1, 1997 and pay certain expenses incurred in connection with the issuance of the bonds. The bonds are obligations of the Board payable only in accordance with the terms of the indenture and are not obligations of the State of Illinois. The 1997 Bonds are issued as Parity Bonds to the 1973 Bonds, and are secured by a pledge of and lien on the Net Revenues of the System, the pledged fees and tuition, and the funds held in the Bond Reserve Account.

The Bonds mature in increasing principal amounts ranging from \$195,000 due on July 1, 2006 to \$350,000 due on July 1, 2017. Interest is payable semi-annually, on January 1 and July 1, at rates between 4.85 percent and 5.625 percent, with an average effective rate of approximately 5.429 percent. Future aggregate annual payments applicable to the Series 1997 Bonds at June 30, 2006 are:

Fiscal Year	<u>Principal</u>	<u>Interest</u>
2007	\$ 195,000	\$ 169,156
2008	205,000	159,105
2009	215,000	148,177
2010	230,000	136,274
2011	240,000	123,701
2012-2016	1,405,000	397,828
2017-2018	680,000	38,813
Total	\$ 3,170,000	\$ 1,173,054

The bonds maturing on or after July 1, 2008 are subject to redemption at the option of the Board on or after July 1, 2007 as a whole or in part at any time and, if in part, in the maturities designated by the Board and within any maturity in integral multiples of \$5,000 at the respective premium redemption prices set forth below, plus accrued interest to the date fixed for redemption:

2 percent if redeemed July 1, 2007 through June 30, 2008; 1 percent if redeemed July 1, 2008 through June 30, 2009; and at par after June 30, 2009

Series 2004

The University Facilities System revenue Bond Series 2004, dated April 1, 2004, were sold in April 2004, in the amount of \$16,970,000, all of which were outstanding at June 30, 2006. The proceeds from the sale of the bonds were used to finance the construction of a multilevel parking structure on the University's campus, fund a deposit to the Bond Reserve Account, provide capitalized interest on the bonds through January 1, 2005 and pay certain expenses incurred in connection with the issuance of the bonds. The bonds are obligations of the Board payable only in accordance with the term of the indenture and are not obligations of the State of Illinois. The 2004 Bonds were issued as Parity Bonds to the 1973 Bonds and 1997 Bonds, and are secured by a pledge of lien on the Net Revenues of the System, the pledged fees and tuition, and the funds held in the Bond Reserve Account.

The Bonds mature in increasing principal amounts ranging from \$215,000 due on July 1, 2014 to \$1,255,000 due on July 1, 2035. Interest is payable semi-annually, on January 1 and July 1, at rates between 3.45 percent and 4.50 percent, with an average effective rate of approximately 4.075 percent. Future aggregate annual payments applicable to the Series 2004 Bonds at June 30, 2006 are:

Fiscal Year	Prin	<u>Principal</u>		nterest
2007	\$	-	\$	726,790
2008		-		726,790
2009		-		726,790
2010				726,790
2011		-		726,790
2012-2016	43	35,000	3	,618,864
2017-2021	2,3	85,000	3	,375,884
2022-2026	3,73	55,000	2	,709,592
2027-2031	4,63	35,000	1	,810,517
2032-2036	5,70	50,000		667,710
Total	\$16,9	70,000	\$15	,816,517

The Series 2004 Bonds are subject to redemption on or after January 1, 2014, at the option of the Board, from moneys available therefore, in whole or in part at any time and, if in part, in the maturities designated by the Board and within a single maturity in integral multiples of \$5,000 in such manner as the Bond Registrar may deem fair and appropriate, at a redemption price of par (100%), plus accrued interest to the date fixed for redemption.

Operation of the Project

The resolutions by which the University Facilities Revenue Bonds were authorized provides that bond proceeds and gross revenues from the Student Union and parking facilities operations, including student fees, are to be deposited to the University accounts and used only in the manner and order as follows:

Revenue Fund Account

Gross revenues received from the operations of the University's Student Union and parking facilities, student fees, interest income and any interest subsidy received from the U.S. Department of Housing and Urban Development may be used to make required deposits to accounts shown below or may be used for any lawful purpose as the Board of Trustees directs after all yearly required deposits have been met.

Operation and Maintenance Account

The operation and maintenance account receives monthly from the revenue fund account such amounts as are necessary to pay for the operation and maintenance of the University's Student Union and parking facilities.

Bond Accounts

The bond accounts receive monthly one-sixth of the interest and one-twelfth of the principal next coming due on the bonds, to be used solely for the purpose of paying bond principal and interest.

Bond Reserve Accounts

The bond reserve accounts are to be used solely to pay bond principal and interest when there would otherwise be a default. At June 30, 2006, the maximum funding requirements have been met.

Renewal and Replacement Reserve Account

Commencing on July 1, 1975, the renewal and replacement reserve account is to receive semi-annually not less than \$25,000 until \$500,000 has been accumulated in the account. These deposits are to be used solely for the purpose of paying the cost of extraordinary repairs, upkeep and replacements in, on, or about the facilities used by the University's Student Union operation, including the furnishings and equipment therein, except that the funds in the account may be used to the extent necessary to prevent or remedy a default in payment of bond interest or principal.

During 2006, \$50,000 was credited to the renewal and replacement reserve account. At June 30, 2006, the fund balance in this account was \$377,339.

Non-Instructional Facilities (Development) Reserve Account

On or before the close of each fiscal year, the Treasurer will, from the funds remaining in the revenue fund, credit to the non-instructional facilities reserve account such funds, or such portion thereof as is available for transfer, as have been approved by the Board for expenditure or planned for expenditure for new space or construction in, or in addition to, a facility constituting a part of the system, and contiguous real estate thereto, consistent with the purpose and mission of that facility. Monies or investments to the credit of such accounts are not pledged as security for the payment of the bonds or parity bonds. At June 30, 2006, the fund balance in this account was \$1,023,239.

Equipment Reserve Account

On or before the close of each fiscal year, the Treasurer will, from the funds remaining in the revenue fund, credit to the equipment reserve account such funds as have been approved by the Board for expenditures in connection with the acquisition of movable equipment to be installed in the facilities constituting the system. Monies or investments to the credit of the equipment reserve account are not pledged as security for the payment of the bonds or parity bonds. At June 30, 2006, the fund balance in this account was \$162,586.

The following are the financial statements for the University Facilities Revenue Bond Funds:

University Facilities Revenue Bond Funds Statement of Net Assets June 30, 2006

ASSETS	
Current Assets	
Cash and cash equivalents	\$1,472,082
Receivables	
Tuition and fees - net	108,413
Parking fines - net	111,572
Other receivables - net	70,000
Inventories	4,075
Other assets	18,824
Total current assets	1,784,966
Noncurrent assets	
Restricted cash and cash equivalents	2,314,747
Investments	2,670,086
Receivables	
Tuition and fees - net	2,931
Unamortized bond issue costs	527,053
Capital assets	
Site improvements - net	2,194,940
Buildings - net	18,606,440
Equipment - net	135,654
Total noncurrent assets	26,451,851
Total assets	28,236,817
LIABILITIES	
Current Liabilities	
Accounts payable and accrued liabilities	766,210
Deferred revenues	227,642
Liability for compensated absences	74,317
Revenue bonds payable	•
• -	1/7 000
Total current liabilities	325,000 1 393 169
Total current liabilities	1,393,169
Noncurrent liabilities	1,393,169
Noncurrent liabilities Liability for compensated absences	1,393,169 50,737
Noncurrent liabilities Liability for compensated absences Revenue bonds payable	1,393,169 50,737 21,095,000
Noncurrent liabilities Liability for compensated absences Revenue bonds payable Total noncurrent liabilities	1,393,169 50,737 21,095,000 21,145,737
Noncurrent liabilities Liability for compensated absences Revenue bonds payable	1,393,169 50,737 21,095,000
Noncurrent liabilities Liability for compensated absences Revenue bonds payable Total noncurrent liabilities	1,393,169 50,737 21,095,000 21,145,737
Noncurrent liabilities Liability for compensated absences Revenue bonds payable Total noncurrent liabilities Total liabilities	1,393,169 50,737 21,095,000 21,145,737
Noncurrent liabilities Liability for compensated absences Revenue bonds payable Total noncurrent liabilities Total liabilities NET ASSETS Invested in capital assets - net of related debt Restricted for:	1,393,169 50,737 21,095,000 21,145,737 22,538,906
Noncurrent liabilities Liability for compensated absences Revenue bonds payable Total noncurrent liabilities Total liabilities NET ASSETS Invested in capital assets - net of related debt Restricted for: Expendable	1,393,169 50,737 21,095,000 21,145,737 22,538,906 523,707
Noncurrent liabilities Liability for compensated absences Revenue bonds payable Total noncurrent liabilities Total liabilities NET ASSETS Invested in capital assets - net of related debt Restricted for: Expendable Capital projects	1,393,169 50,737 21,095,000 21,145,737 22,538,906 523,707
Noncurrent liabilities Liability for compensated absences Revenue bonds payable Total noncurrent liabilities Total liabilities NET ASSETS Invested in capital assets - net of related debt Restricted for: Expendable Capital projects Debt service	1,393,169 50,737 21,095,000 21,145,737 22,538,906 523,707 1,742,933 1,625,811
Noncurrent liabilities Liability for compensated absences Revenue bonds payable Total noncurrent liabilities Total liabilities NET ASSETS Invested in capital assets - net of related debt Restricted for: Expendable Capital projects	1,393,169 50,737 21,095,000 21,145,737 22,538,906 523,707

University Facilities Revenue Bond Funds Statement of Revenues, Expenses and Changes in Net Assets For the year ended June 30, 2006

OPERATING REVENUES	
Student fees	\$ 1,500,580
Federal grants - HUD	70,000
Vending services	256,416
Rental and use fees	21,577
Bookstore commission	402,811
Parking revenue	2,015,700
Other operating revenues	66,923
Total operating revenues	4,334,007
OPERATING EXPENSES	
Personal services	1,220,821
Contractual services	417,300
Commodities and supplies	89,192
Vending cost of sales	72,609
Telecommunications	32,874
Depreciation	369,089
Other operating expenses	757,244
Total operating expenses	2,959,129
Operating income	1,374,878
NONOPERATING REVENUES (EXPENSES)	
Investment income	92,682
Interest on indebtedness	(980,181)
Net nonoperating expenses	(887,499)
Total increase in net assets	487,379
NET ASSETS	
Net assets at beginning of year	5,210,532
Net assets at end of year	\$ 5,697,911

University Facilities Revenue Bond Funds Statement of Cash Flows For the year ended June 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES	
Student fees	\$ 1,498,567
Federal grants - HUD	70,000
Payment for salaries	(1,216,770)
Payment for suppliers	(615,583)
Vending services	256,646
Rental and use fees	21,577
Bookstore commission	402,811
Parking revenue	2,012,129
Other payments	(959,593)
Net cash provided by operating activities	1,469,784
CASH FLOWS FROM CAPITAL ACTIVITIES	
Purchases of capital assets and construction	(1,795,047)
Principal paid on capital debt	(310,000)
Interest paid on capital debt	(987,980)
Net cash used in capital financing activities	(3,093,027)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	633,421
Interest on investments	92,682
Purchases of investments	(481,830)
Net cash provided by investing activities	244,273
Net decrease in cash and cash equivalents	(1,378,970)
Cash and cash equivalents - beginning of the year	5,165,799
Cash and cash equivalents - end of year	\$ 3,786,829
Reconciliation of operating income to	
net cash provided by operating activities:	
Operating income	\$ 1,374,878
Adjustments to reconcile operating income to net cash	
provided by operating activities:	4 (0.000
Depreciation expense	369,089
Changes in asset and liabilities:	1 = 000
Receivables - net	17,088
Inventories	230
Other assets	18,824
Accounts payable and accrued liabilities	(345,238)
Accrued liability for compensated absences	7,135
Deferred revenues	27,778
Net cash provided by operating activities	\$ 1,469,784

6. Certificates of Participation

On March 1, 2006, the University issued Certificates of Participation Series 2006, in the amount of \$15,060,000 with an original issue discount of \$94,315, to finance the acquisition, development and implementation of an enterprise resource planning system. The Board is obligated to make installment payments either from funds derived from State appropriations or from legally available nonappropriated funds on an annual basis.

The certificates mature in increasing principal amounts ranging from \$365,000 due on October 1, 2007 to \$1,155,000 due on October 1, 2025 at rates between 3.50 percent and 4.75 percent. Future aggregate annual payments applicable to the certificates of participation at June 30, 2006 are:

Fiscal Year	<u>Principal</u>	<u>Interest</u>
2007	\$ -	\$ 385,797
2008	365,000	631,294
2009	570,000	614,931
2010	590,000	594,631
2011	610,000	573,250
2012-2016	3,435,000	2,488,100
2017-2021	4,215,000	1,704,841
2022-2026	5,275,000	644,713
Total	\$15,060,000	\$ 7,637,557

7. Northeastern Illinois University Foundation Agreement

On July 1, 2005, the University entered into an agreement with Northeastern Illinois University Foundation. The Foundation is a separate non-profit organization incorporated in the State of Illinois and a University related organization under University Guidelines, 1982 (amended 1997). Under the terms of the contract, the Foundation aids and assists the University in developing facilities for broader educational opportunities for the service to its students, alumni, and citizens of the State of Illinois and of the United States by encouraging gifts of money, property, works of art, historical and other material having educational, artistic and historical value. In turn, the University will furnish certain services necessary to the operation of the Foundation. The contract maybe cancelled upon ninety days written notice by either party.

During fiscal year 2006, certain funds and in-kind services of the University with an estimated value of \$67,756 were provided to the Foundation without charge. In turn, during fiscal year 2006, the Foundation gave the University \$185,593 in funds considered unrestricted for purposes of the University Guidelines computation. In addition, the Foundation gave the University non-qualifying restricted funds of approximately \$161,734 in fiscal year 2006 for scholarships and equipment.

8. Pension, Compensated Absences and Postemployment Benefits

State Universities Retirement System

Plan Description

The University contributes to the State Universities Retirement System of Illinois (SURS), a cost-sharing, multiple-employer defined-benefit pension plan with a special funding situation whereby the State of Illinois makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established on July 21, 1941, to provide retirement annuities and other benefits for staff members and employees of the 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 Section 5/15, Chapter 40, 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 writing to SURS, 1901 Fox Drive, Champaign, IL 61820 or by calling 1-800-275-7877.

Funding Policy

Plan members are required to contribute 8.0 percent of their annual covered salary and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The rate for the fiscal year ending June 30, 2006 was 10.77 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly. The University's contributions to SURS for the year ended June 30, 2006, 2005, and 2004 were \$3,503,835, \$5,219,402 and \$31,170,742 respectively, equal to the required contributions for each year.

Medicare

University employees hired prior to April 1, 1986 are exempt from contributions required under the Federal Insurance Contribution Act. Employees hired after March 31, 1986 are required to contribute 1.45 percent of their gross salary for Medicare. The University is required to match this contribution.

Tax-Sheltered Retirement Plans

Employees may also elect to participate in certain tax-sheltered retirement plans. These voluntary plans permit employees to designate a part of their earnings into tax-sheltered investments and thus defer federal and state income taxes on their contributions and the accumulated earnings under the plans. Participation and the level of employee contributions are voluntary. The employer is not required to make contributions to these plans.

Compensated Absences

It is the policy of the University to accrue vacation pay as earned. As of June 30, 2006 the accrued liability for this benefit was \$3,928,054, and is reported as liability for compensated absences.

As a result of Illinois Public Act 83-976, the University is required to compensate certain employees for sick leave benefits earned after January 1, 1984. Sick leave earned by these employees after this date will accumulate without limit and are 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, 2006, the accrued liability of this benefit was \$7,322,950, and is included in the liability for compensated absences.

Postemployment Benefits

In addition to providing pension benefits, the State provides certain health, dental and life insurance benefits to annuitants who are former State employees. This includes annuitants of the University. Substantially all State employees, including the University's employees, may become eligible for postemployment benefits if they eventually become annuitants. Health and dental benefits include basic benefits for annuitants under the State's self-insurance plan and insurance contracts currently in force. Life insurance benefits for annuitants under age 60 are equal to their annual salary at the time of retirement; life insurance benefits for annuitants age 60 and older are limited to five thousand dollars per annuitant.

Currently, the State does not segregate payments made to annuitants from those made to current employees for health, dental and life insurance benefits. The cost of health, dental and life insurance benefits is recognized on a pay-as-you-go basis. These costs are funded by the State and are not an obligation of the University.

9. Operating Leases

The University leases various buildings and equipment under operating lease agreements. Total rental expense for the year ended June 30, 2006 under these agreements was \$320,999. Minimum lease payments for the years ending June 30 are:

Fiscal Year	<u>Principal</u>
2007	\$ 457,017
2008	270,942
2009	22,578
	\$ 750,537

10. Self-Insurance

The University participates in the State University Risk Management Association (SURMA), a self-insurance pool. Through its participation in SURMA, IPHEC (Illinois Public Higher Education Consortium) and MHEC (Midwest Higher Education Commission), the University has contracted with commercial carriers to provide general liability insurance. The University's general liability coverage has a \$350,000 self-insured retention level, which is covered by SURMA under the same coverage restrictions as the general liability coverage. In most cases, participant contributions to SURMA are based upon actuarial valuations. Additionally, the University purchases property insurance coverage for the replacement value of the University's property.

11. Operating Expenses by Natural Classification

Operating expenses by natural classification for the year ended June 30, 2006 are summarized as follows:

		nsation and enefits	Supplies and Services	Scho	olarships	Depreciation	Total
•						•	
Instruction	\$	38,429,908	\$ 1,839,386	\$	73,500	s –	\$ 40,342,794
Research		96,892	61,566		_	_	158,458
Public service		7,992,403	7,165,514		65,674	-	15,223,591
Academic support		5,495,133	939,784		200	_	6,435,117
Student services		5,338,162	2,895,229		-	_	8,233,391
Institutional support		25,554,693	2,744,935		_	_	28,299,628
Operation and							
maintenance of plant	t	5,582,180	4,514,948		_	_	10,097,128
Scholarships and							
fellowships		_	_		4,905,792	_	4,905,792
Auxiliary		1,600,975	876,738		4,218	_	2,481,931
Depreciation		_	_		_	4,169,179	4,169,179
Other operating							
expenses		69,117	1,401,147		136,950		<u>1,607,214</u>
Total	\$	90,159,463	\$ 22,439,247	\$	5,186,334	\$ 4,169,179	<u>\$121,954,223</u>

12. Commitments and Contingencies

At June 30, 2006, the University had commitments on construction projects for repairs and renovation of Building A of \$835,446 and Library elevator of \$250,930 from the University operating budget.

Substantial amounts are received and expended by the University under federal and state grants and contracts. This funding relates to research, public services, and other programs, and is subject to audit under OMB Circular A-133, and disallowance by the granting agency. The University believes that any liabilities arising from subsequent audits will not have a material effect on the University's financial position.

STATE OF ILLINOIS NORTHEASTERN ILLINOIS UNIVERSITY JUNE 30, 2006

UNIVERSITY FACILITIES REVENUE BOND FUNDS INSURANCE IN FORCE (Unaudited)

Type of Coverage	Required Coverage	Coverage in Force ***
Fire and lightning, extended coverage	Not stipulated	\$30,685,000
Use and occupancy insurance (Business interruption)	None *	Actual sustained within Policy limits****
General liability insurance	\$100,000/person \$300,000/accident	\$10,650,000/occurence \$18,650,000/aggregate
Corporate surety bonds	\$4,334,007**	\$6,500,000
Each University employee Blanket crime policy	None	\$2,000,000

- * Excess of debt service requirements for the year ended June 30, 2006 over cash and short-term investments in the Bond Account and Bond Reserve at June 30, 2006.
- ** The sum of the amounts established to be deposited in the Revenue Fund Account during the succeeding fiscal year.
- *** This statement is prepared from the policies and is intended only as a descriptive summary. The auditors do not express an opinion as to the adequacy of the coverage.
- **** Estimate of coverage is directly related to loss of fee income.

STATE OF ILLINOIS NORTHEASTERN ILLINOIS UNIVERSITY JUNE 30, 2006

UNIVERSITY FACILITIES REVENUE BOND FUNDS RATES AND CHARGES (Unaudited)

The Board of Trustees of Northeastern Illinois University is responsible for establishing rates and charges for the use of the University's Student Union. This income is pledged for payment of the University's Student Union operating expenses and making reserve deposits and bond payments in accordance with the bond indenture.

Effective the fall semester of 2005, students enrolling at Northeastern Illinois University pay a fee of \$6.40 per credit hour for the right to use the University's Student Union.

STATE OF ILLINOIS NORTHEASTERN ILLINOIS UNIVERSITY JUNE 30, 2006

UNIVERSITY FACILITIES REVENUE BOND FUNDS SUMMARY OF RESERVES FOR DEBT SERVICE AND RENEWAL AND REPLACEMENT (Unaudited)

The comparison of the maximum reserve requirements with the actual amounts transferred to the bond account and the three reserve accounts established under the bond indenture as of June 30, 2006 is as follows:

	Balance of Assets Reserved	Deposits Required to Date	Maximum Reserve <u>Requirement</u>
Bond account (a)	\$ 813,771	\$ 813,771	\$ 813,771
Bond reserve account	1,302,130	1,302,130	1,302,130
Renewal and replacement reserve account (b)	377,339	1,550,000	500,000
Non-instructional facilities			
reserve account	1,023,239	1,023,239	1,032,161
Equipment reserve account	162,586	162,586	162,586

Notes:

- (a) The amounts required for the deposit in the bond account were remitted from the revenue fund account to the Trustee, U.S. Bank National Association, for payment of the bond principal and interest installments coming due on July 1, 2006.
- (b) Total expenditures for extraordinary repairs, as defined in the bond indenture, as of June 30, 2006, amounted to \$1,483,043. Amounts used in this manner are to be replaced in the reserve by extending the periodic payments until the maximum is accumulated.