

**STATE OF ILLINOIS  
NORTHERN ILLINOIS UNIVERSITY**

Financial Audit  
For the Year Ended June 30, 2015  
Performed as Special Assistant Auditors  
for the Auditor General, State of Illinois



**State of Illinois  
Northern Illinois University  
Financial Audit  
For the Year Ended June 30, 2015**

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**State of Illinois  
Northern Illinois University**

**Agency Officials**

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Douglas D. Baker	President
Lisa C. Freeman	Executive Vice President and Provost
Bill Nicklas (outgoing 10/31/14)	Vice President, Operations and Community Relations
Alan Phillips (incoming 3/1/15)	Vice President of Administration and Finance & Chief Financial Officer
Anne C. Kaplan	Vice President, Outreach, Engagement, and Regional Development
Brett Coryell	Vice President, Information Technology
Lesley Rigg (outgoing 6/30/15)	Vice President, Research and Innovation Partnerships
Jerry Blazey (incoming 6/30/15)	Interim Vice President, Research and Innovation Partnerships
Sean T. Frazier	Associate Vice President and Director, Intercollegiate Athletics
Eric A. Weldy	Vice President, Student Affairs and Enrollment Management
Raymond W. Alden III (outgoing 3/31/15)	Vice President, International Affairs
Michael P. Malone (outgoing 6/30/15)	Vice President, University Advancement
Catherine Squires (incoming 5/1/15)	Vice President, University Advancement
Harlan Teller	Interim Vice President, Marketing and Communications
Jerry D. Blakemore	Vice President and General Counsel
Vernese Edghill-Walden (incoming 7/1/15)	Senior Associate Vice President for Academic Diversity
Mike Mann (incoming 3/1/15)	Associate Vice President of State Government Relations & Board Liaison
Danielle Schultz	Director of Internal Audit

**Financial Staff**

Nancy D. Suttentfield (outgoing 2/28/15)	Interim Chief Financial Officer
Alan Phillips (incoming 3/1/15)	Chief Financial Officer
Linda J. Blair (outgoing 4/30/15)	Acting Controller
Shyree Sanan (incoming 5/1/15)	Acting Controller

**NIU Office is located at:**

300 Altgeld Hall  
DeKalb, Illinois 60115

**State of Illinois  
Northern Illinois University**

**Financial Statement Report**

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**Summary**

The audit of the accompanying financial statements of Northern Illinois University (University) was performed by RSM US LLP.

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

## Independent Auditor's Report

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

and

Cherilyn G. Murer, Honorable Chair of the  
Compliance, Audit, Risk Management, and Legal Affairs Committee

### 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 (University), a component unit of the State of Illinois, as of and for the year ended June 30, 2015, 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.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units described in Note 1 of the financial statements as of and for the year ended June 30, 2015. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 and the aggregate discretely presented component units of Northern Illinois University as of June 30, 2015, 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.

### ***Other Matters***

#### ***Report on Summarized Comparative Information***

We have previously audited the University's June 30, 2014 financial statements, and we and the reports of the other auditors expressed unmodified audit opinions on the respective financial statements of the business-type activities and aggregate discretely presented component units of the University in our report dated January 21, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### ***Emphasis of Matter***

As discussed in Note 23 of the basic financial statements, in the year ended June 30, 2015 the University adopted the reporting and disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The implementation of GASB Statement Nos. 68 and 71 resulted in a restatement of the University's opening July 1, 2014 net position and the reporting of deferred outflows of resources related to pension contributions. Our opinion is not modified with respect to this matter.

### *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 6-16 and the State University Retirement System (SURS) schedules on pages 49 and 50 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 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 our report dated February 3, 2016 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 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 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.

*RSM US LLP*

Schaumburg, Illinois  
February 3, 2016

**State of Illinois  
Northern Illinois University**

**Management's Discussion and Analysis  
For the Year Ended June 30, 2015**

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INTRODUCTION

The following management's discussion and analysis (MD&A) provides an overview of the financial position and activities of Northern Illinois University (the University) for the year ended June 30, 2015 with comparative information for the year ended June 30, 2014. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

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. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the University as a whole. The financial statements include the University and its discretely presented component units. Information regarding the component units is summarized in Note 22 to the basic financial statements. This MD&A focuses on the University excluding the discretely presented component units. MD&A for the component units is included in their separately issued financial statements.

FINANCIAL HIGHLIGHTS

Changes in net position represent the activity of the University, and are summarized for the years ended June 30, 2015 and 2014 as follows:

(in thousands)

	2015	2014
Total revenues	\$ 593,794	\$ 593,854
Total expenses	592,846	604,434
Decrease in net position	\$ 948	\$ (10,580)

STATEMENT OF NET POSITION

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities of the University. The difference between total assets and total liabilities—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.



**State of Illinois  
Northern Illinois University**

**Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2015**

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A summary of the University's assets, liabilities and net position at June 30, 2015 and 2014 is as follows:

(in thousands)

	<u>2015</u>	<u>2014</u>
Current assets	\$ 111,126	\$ 111,752
Noncurrent assets:		
Cash and investments	133,310	136,984
Capital assets, net	469,206	467,938
Other	13,330	14,676
Total assets	<u>726,972</u>	<u>731,350</u>
 Deferred Outflows	 963	 945
 Current liabilities	 67,071	 63,495
Noncurrent liabilities	389,408	398,292
Total liabilities	<u>456,479</u>	<u>461,787</u>
 Net position	 <u>\$ 271,456</u>	 <u>\$ 270,508</u>

#### CAPITAL AND DEBT ACTIVITIES

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. The University continues to implement its long-range plan to modernize older classroom and research facilities, balanced with new construction.

Capital additions totaled \$28.5 million in 2015. Capital additions primarily include renovation and new construction of academic, research and student service facilities, as well as significant 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 depreciates its capital assets on a straight-line basis, using estimated lives ranging from five to forty years.

Construction in-progress includes assets purchased that have not been placed into service. Major components include assets acquired under performance contracts not yet completed, renovations to existing facilities to meet unfunded State mandates not yet completed, and numerous small projects to any of the over 90 buildings that comprise the University.

**State of Illinois  
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**Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2015**

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The University has availed itself of Public Act 90-0486 to supplant funds available for use in capital projects. Public Act 90-0486 allows state universities to negotiate multi-year contracts for the evaluation, design and implementation of facility improvements that will be wholly funded by the energy or operational savings of the project. Additionally, the provider of the services to the University fully guarantees the savings over the life of the contract. The effect is that the University upgrades its facilities at no cost, and at no risk. Currently the University has four separate performance contracts outstanding, totaling \$33.5 million. Performance guarantees are in place for each contract. The projects include upgrading of lighting and heating/air conditioning affecting approximately 70 buildings on campus. The University expects to continue to use performance contracts in the future.

The University takes seriously its role of financial stewardship and works hard to manage its financial resources effectively, including the prudent use of debt to finance capital projects. Bonds payable totaled \$191.5 million at June 30, 2015. These bonds have been issued to finance construction of new non-academic facilities and improvements.

Certificates of participation payable total \$14.9 million at June 30, 2015. They have been used to finance the acquisition of academic and administrative facilities. Capitalized leases payable totaled \$132.7 million at June 30, 2015, and are considered to be installment purchases.

The following table summarizes the University's bonds payable, leases payable and certificates of participation payable outstanding on June 30, 2015 and 2014:

(in thousands)

	2015	2014
Revenue bonds payable	\$ 191,512	\$ 195,018
Leases payable	132,706	134,027
Certificates of participation payable	14,876	15,485

**State of Illinois  
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**Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2015**

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NET POSITION

Net position represents the residual interest in the University's assets after liabilities are deducted. The University's net position at June 30, 2015 and 2014 are summarized as follows:

(in thousands)

	<u>2015</u>	<u>2014</u>
Net investment in capital assets	\$ 131,277	\$ 139,213
Restricted:		
Expendable	3,726	3,832
Unrestricted	<u>136,453</u>	<u>127,463</u>
Total net position	<u>\$ 271,456</u>	<u>\$ 270,508</u>

The University's net position increased \$.9 million during fiscal year 2015.

Net investment in capital assets represents 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.

The restricted expendable net position is subject to externally imposed restrictions governing their use.

Although the unrestricted net position is not subject to externally imposed stipulations, substantially all of the University's unrestricted net position has been designated for various academic, research and public service programs and initiatives, as well as capital projects. Additionally, statutory requirements exist on these funds as outlined in the University Guidelines 1982, as amended in 1997.

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**Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2015**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position presents the University's results of operations. Significant recurring sources of the University's revenues are considered nonoperating, as defined by GASB Statement No. 35. These significant nonoperating sources include state appropriations, Pell grants, State of Illinois MAP grants, gifts, and investment income. A summary of the University's revenues, expenses and changes in net position for the years ended June 30, 2015 and 2014 is as follows:

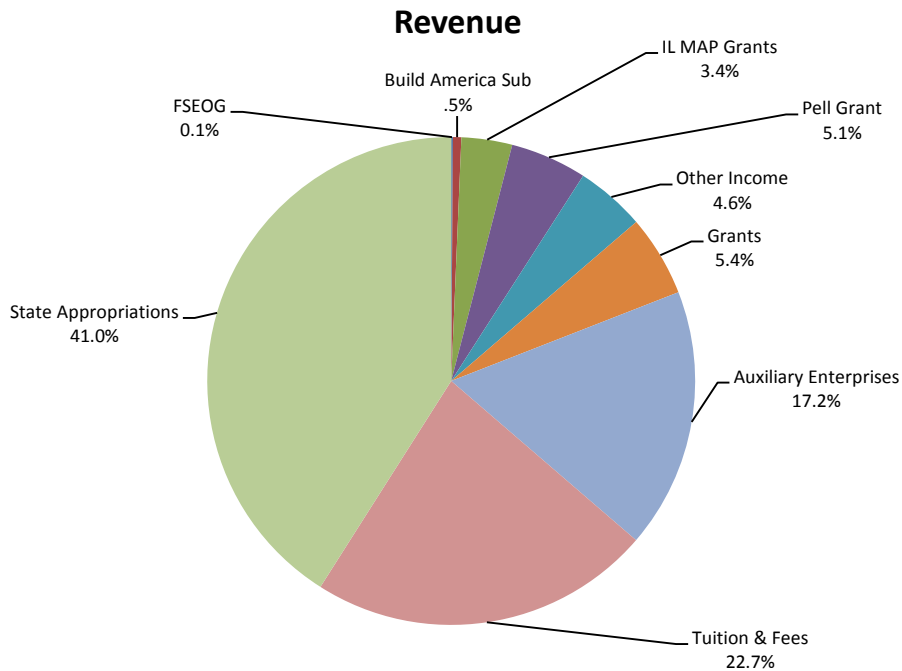
(in thousands)

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Student tuition and fees	\$ 200,906	\$ 195,748
Less: scholarship allowances	<u>(66,176)</u>	<u>(64,976)</u>
Net student tuition and fees	134,730	130,772
Sponsored programs	31,898	44,016
Auxiliary enterprises	102,382	101,381
Other	<u>26,667</u>	<u>29,005</u>
	295,677	305,174
Operating expenses	<u>(568,930)</u>	<u>(580,850)</u>
Operating loss	<u>(273,253)</u>	<u>(275,676)</u>
Nonoperating revenues (expenses):		
State appropriations:		
General	91,006	93,433
Supplemental	143,272	135,465
Capital	9,143	2,559
Building America bonds subsidy	3,283	3,258
Pell Grants	30,080	30,276
FSEOG	671	1,002
Illinois MAP Grants	19,970	20,712
Net investment income	692	1,975
Interest expense and other, net	<u>(23,916)</u>	<u>(23,584)</u>
Net nonoperating revenues	<u>274,201</u>	<u>265,096</u>
Increase in net position	948	(10,580)
Net position, beginning of year, as restated	270,508	281,088
Net position, end of year	<u>\$ 271,456</u>	<u>\$ 270,508</u>

**State of Illinois  
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**Management’s Discussion and Analysis (Continued)  
For the Year Ended June 30, 2015**

The following is a graphic illustration of revenues by source (both operating and nonoperating), which are used to fund the University’s operating activities for the year ended June 30, 2015. Significant recurring sources of the University’s revenues are considered nonoperating, as defined by GASB Statement No. 35.



**Dollars in millions**

\$ 134.7	Revenue from charges for tuition and fees, net of scholarship allowance of \$66.1
102.4	Revenue from the operation of self-supporting activities such as residence halls, student union, stadium, and recreation center; intercollegiate athletics; parking; and university press.
31.9	Revenue from federal, state, and private grants and contracts covering research, public service, educational services, financial aid.
26.7	Miscellaneous revenue consists primarily of income from sales and services of educational activities that include conferences and seminars
<u>\$ 295.7</u>	<u>Total operating</u>
\$ 243.4	Appropriations from State of Illinois general revenues for the current operations of the university and on-behalf payments for fringe benefits including insurance programs and retirement. Also includes appropriations for capital projects.
30.1	Pell Grants
0.7	FSEOG
19.9	State of Illinois MAP Grants
0.7	Investment income, and changes in fair value of investments
3.3	Build America Bond interest subsidy
<u>\$ 298.1</u>	<u>Total non-operating</u>
<u>\$ 593.8</u>	<u>Total revenues</u>

**State of Illinois**  
**Northern Illinois University**

**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2015**

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Tuition and state appropriations are the primary sources of funding for the University's academic programs. Net student tuition and fees increased \$4.0 million during fiscal year 2015, primarily due to a tuition increase necessitated by the continued decrease in state appropriations and the requirements imposed upon the University by Truth-in-Tuition legislation that requires the University to guarantee tuition rates over a four year span. General state appropriations decreased in fiscal year 2015 (\$2.4 million). Supplemental state appropriations, payments made on-behalf of the University to Central Management Services (CMS) and the State Universities Retirement System (SURS), increased \$7.8 million in fiscal year 2015 caused by an increase in state funding for employer required contributions to CMS and SURS.

Revenues for sponsored programs decreased \$12.1 million during fiscal year 2015. The University receives revenues for sponsored programs from government and private sources, which normally provide for the recovery of direct and indirect costs.

Net investment income for the years ended June 30, 2015 and 2014 consisted of the following components:

(in thousands)

	2015	2014
Income, net	\$ 598	\$ 1,400
Net change in the fair value of investments	94	575
	<u>\$ 692</u>	<u>\$ 1,975</u>

Investment income has remained low as a result of the historically low market rates available.

Capital appropriations received from the State in 2015 totaling \$9.1 million, an increase of \$6.6 million from 2014, funded projects across the University.

A summary of the University's expenses for the years ended June 30, 2015 and 2014 is as follows:

(in thousands)

	2015	2014
Operating:		
Compensation and benefits	\$ 381,993	\$ 382,930
Supplies and services	119,597	129,691
Depreciation	26,950	26,288
Scholarships and fellowships	40,390	41,941
	<u>568,930</u>	<u>580,850</u>
Nonoperating:		
Interest and other	23,916	23,584
Total expenses	<u>\$ 592,846</u>	<u>\$ 604,434</u>

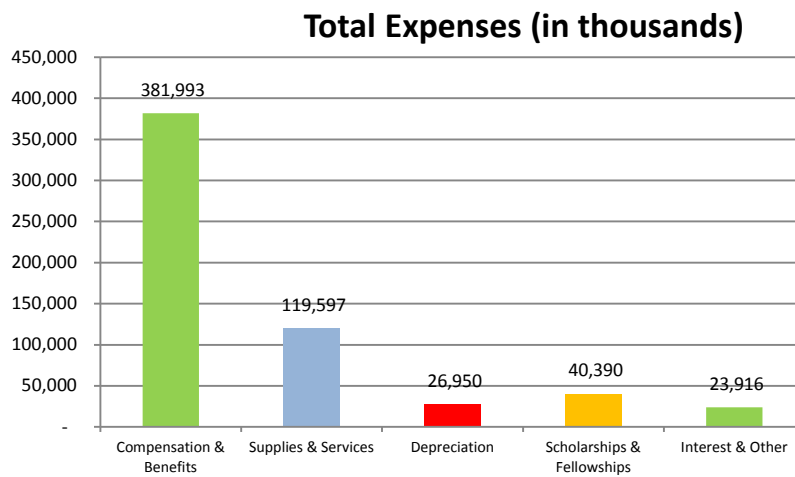
**State of Illinois  
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**Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2015**

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Included in the operating expenses are on-behalf payments made by the State of Illinois for employees of the University for contributions made into the State Universities Retirement System and Central Management Services Group Insurance. These contributions are recorded as staff benefits and are included in the compensation and benefits total in the above summary.

The following is a graphic illustration of total expenses for fiscal year 2015 by object:



**State of Illinois  
Northern Illinois University**

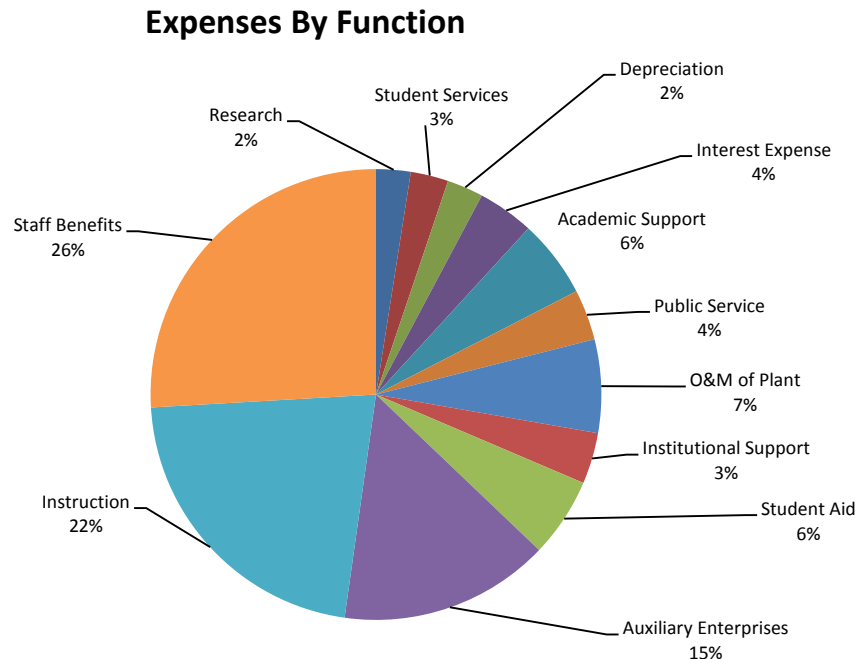
**Management’s Discussion and Analysis (Continued)  
For the Year Ended June 30, 2015**

In addition to their natural (object) classification, it is also informative to review operating expenses by function. A summary of the University’s expenses by functional classification for the years ended June 30, 2015 and 2014 is as follows:

(in thousands)

	2015	2014
Operating:		
Instruction	\$ 129,575	\$ 134,474
Research	14,660	11,692
Public service	21,525	32,827
Academic support	33,262	31,991
Student services	16,047	14,372
Auxiliary enterprises	89,542	89,940
Operations and maintenance of plant	39,660	33,681
Depreciation	15,423	15,836
Institutional support	21,746	34,700
Staff benefits	153,649	145,548
Student aid	33,841	35,789
Total operating expenses	<u>568,930</u>	<u>580,850</u>
Nonoperating:		
Interest expense	23,916	23,584
Total expenses	<u>\$ 592,846</u>	<u>\$ 604,434</u>

The following graphic illustrations present total expenses for fiscal year 2015 by function:





**State of Illinois  
Northern Illinois University**

**Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2015**

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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. A summary of the statement of cash flows for the years ended June 30, 2015 and 2014 is as follows:

(in thousands)

	2015	2014
Cash received from operations	\$ 296,837	\$ 308,656
Cash expended for operations	(399,350)	(430,161)
Net cash used in operating activities	(102,513)	(121,505)
Net cash used in investing activities	(5,615)	(176)
Net cash used in capital and related financing activities	(47,776)	(47,781)
Net cash provided by noncapital financing activities	145,436	153,771
Net decrease in cash and cash equivalents	(10,468)	(15,691)
Cash and cash equivalents, beginning of year	35,035	50,726
Cash and cash equivalents, end of year	<u>\$ 24,567</u>	<u>\$ 35,035</u>

The University's cash and cash equivalents decreased \$10.5 million. The University's significant sources of cash provided by noncapital financing activities, as defined by GASB Statement No. 35, include state appropriations, Pell grants, FSEOG grants, and State of Illinois MAP grants used to fund operating activities, for which cash received totaled \$145 million in fiscal 2015.

THE UNIVERSITY'S ECONOMIC OUTLOOK

State appropriations represent support provided by the Governor and General Assembly for University programs. The total appropriation to the University decreased in fiscal year 2015 due to a reduction in general appropriation made to the University by the State. The University's general appropriation funds provided to the University for use decreased \$2.4 million in fiscal year 2015. On-behalf payments totaled \$143.3 million in fiscal year 2015 and were recorded as revenue from the state and expenditures for staff benefits. The University does not have an approved fiscal year 2016 general appropriation budget due to the current State budget impasse, and it is uncertain when a budget will be passed by the State.

To mitigate the impact of projected decreases in the general appropriation we expect to receive, the University is reducing expenditures in all areas with the exception of payroll, and is working to increase revenue through the initiation of programs designed to increase enrollment, improve retention, and enhance student career success. Additionally, the University is looking to improve efficiency and effectiveness through a robust process reengineering effort and is currently undergoing a program prioritization effort to ensure that scarce resources are used in the most productive way.

**State of Illinois  
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**Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2015**

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The University's institutional funds include revenues from sponsored projects to fund indirect administrative and facilities costs. The University anticipates that this revenue will remain steady from fiscal year 2015 to fiscal year 2016 based on sponsored projects awarded.

Private gifts are an important source of funding for university operations, capital acquisition and construction, and a significant factor in expanding our 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 continue its outstanding academic reputation. The University will be challenged but the Board of Trustees and management have committed to continuing the University's strong financial position and to uphold our mission of instruction, research, and public service.

**STATE OF ILLINOIS**  
**NORTHERN ILLINOIS UNIVERSITY**  
**STATEMENT OF NET POSITION**  
**June 30, 2015 (in thousands)**  
(with Comparative Totals for 2014)

	University		Component Units	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 14,709	\$ 11,303	\$ 1,945	\$ 4,229
Investments	43,198	47,163	-	-
Accrued interest receivable	1,081	1,009	-	-
Accounts receivable - net	29,786	27,901	1,491	1,268
Appropriations receivable from state	16,965	19,788	-	-
Inventories	3,321	3,411	-	-
Agency	766	966	-	-
Due from component units	692	-	-	-
Other assets	608	211	114	96
Total current assets	<u>111,126</u>	<u>111,752</u>	<u>3,550</u>	<u>5,593</u>
Noncurrent assets				
Restricted cash and cash equivalents	9,858	23,732	-	-
Investments	101,932	91,232	94,472	92,467
Restricted investments and marketable securities	21,520	22,020	-	-
Student loans receivable - net	8,501	8,906	-	-
Due from component units	3,093	3,936	-	-
Other	1,736	1,834	2,733	3,371
Capital assets, net of accumulated depreciation	469,206	467,938	26,159	26,584
Total noncurrent assets	<u>615,846</u>	<u>619,598</u>	<u>123,364</u>	<u>122,422</u>
<b>TOTAL ASSETS</b>	<b><u>726,972</u></b>	<b><u>731,350</u></b>	<b><u>126,914</u></b>	<b><u>128,015</u></b>
<b>Deferred Outflows of Resources</b>				
Federal, Trust, Grant and Other contributions - Pensions	963	945	-	-
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and accrued liabilities	50,597	47,893	981	1,928
Accrued compensated absences	2,274	3,320	-	-
Student's deposits	352	399	-	-
Due to other state agencies	885	-	-	-
Due to NIU	-	-	692	-
Unearned tuition and fees	9,213	9,054	-	-
Unearned revenue and grants	3,750	2,829	-	-
Total current liabilities	<u>67,071</u>	<u>63,495</u>	<u>1,673</u>	<u>1,928</u>
Noncurrent liabilities				
Accounts payable and accrued liabilities	3,815	3,956	629	584
Due to NIU	-	-	3,093	3,936
Performance contracts payable	31,040	33,514	-	-
Accrued compensated absences	14,495	14,520	-	-
Government loan fund advances	7,931	7,602	-	-
Unearned revenue and grants	-	-	132	-
Revenue bonds payable	187,612	191,128	3,507	5,301
Leases payable	131,224	132,706	-	-
Notes and Certificates of participation payable	13,291	14,866	144	-
Total noncurrent liabilities	<u>389,408</u>	<u>398,292</u>	<u>7,505</u>	<u>9,821</u>
<b>TOTAL LIABILITIES</b>	<b><u>456,479</u></b>	<b><u>461,787</u></b>	<b><u>9,178</u></b>	<b><u>11,749</u></b>
<b>NET POSITION, AS RESTATED</b>				
Net investment in capital assets	131,277	139,213	22,381	20,387
Restricted:				
Nonexpendable	-	-	64,555	63,731
Expendable	3,726	3,832	20,444	20,976
Unrestricted	136,453	127,463	10,356	11,172
<b>TOTAL NET POSITION</b>	<b><u>\$ 271,456</u></b>	<b><u>\$ 270,508</u></b>	<b><u>\$ 117,736</u></b>	<b><u>\$ 116,266</u></b>

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, 2015 (in thousands)**  
(with Comparative Totals for 2014)

	<u>University</u>		<u>Component Units</u>	
	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<b>REVENUES</b>				
Operating revenues				
Tuition and fees, net	\$ 134,730	\$ 130,772	\$ -	\$ -
Federal and state grants and other contracts	29,347	40,960	627	1,122
Private gifts, grants, and contracts	2,551	3,056	9,140	7,812
Sales and service of educational activities	19,835	19,310	-	-
Other sources	6,832	9,695	2,794	15,028
Auxiliary enterprises	102,382	101,381	-	-
Total operating revenues	<u>295,677</u>	<u>305,174</u>	<u>12,561</u>	<u>23,962</u>
<b>EXPENSES</b>				
Operating expenses				
Instruction	129,575	134,474	1,925	1,728
Research	14,660	11,692	96	55
Public service	21,525	32,827	1,079	1,666
Academic support	33,262	31,991	160	106
Student services	16,047	14,372	1,271	853
Operation and maintenance of plant	39,660	33,681	711	802
Depreciation	15,423	15,836	-	-
Institutional support	21,746	34,700	5,871	5,668
Staff benefits	153,649	145,548	-	-
Student aid	33,841	35,789	2,310	2,006
Auxiliary enterprises	89,542	89,940	-	-
Total operating expenses	<u>568,930</u>	<u>580,850</u>	<u>13,423</u>	<u>12,884</u>
<b>Net operating income (loss)</b>	<u>(273,253)</u>	<u>(275,676)</u>	<u>(862)</u>	<u>11,078</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State appropriations - general	91,006	93,433	-	-
State appropriations - on-behalf payments	143,272	135,465	-	-
Build America Bonds subsidy	3,283	3,258	-	-
Investment income	598	1,400	32	445
Expendable gifts and other	-	-	221	214
Pell grants	30,080	30,276	-	-
FSEOG	671	1,002	-	-
State of IL MAP	19,970	20,712	-	-
Net increase (decrease) in fair value of investments	94	575	-	-
Interest expense	(23,916)	(23,584)	(3)	-
<b>Net nonoperating revenues</b>	<u>265,058</u>	<u>262,537</u>	<u>250</u>	<u>659</u>
Income (loss) before other revenues, expenses, gains, or losses	(8,195)	(13,139)	(612)	11,737
Capital appropriations	9,143	2,559	-	-
Gifts to permanent endowments	-	-	2,082	1,895
<b>(DECREASE) INCREASE IN NET POSITION</b>	<u>948</u>	<u>(10,580)</u>	<u>1,470</u>	<u>13,632</u>
<b>NET POSITION, BEGINNING OF YEAR, AS RESTATED</b>	<u>270,508</u>	<u>281,088</u>	<u>116,266</u>	<u>102,634</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 271,456</u>	<u>\$ 270,508</u>	<u>\$ 117,736</u>	<u>\$ 116,266</u>

See accompanying notes to the basic financial statements.

**STATE OF ILLINOIS  
NORTHERN ILLINOIS UNIVERSITY  
STATEMENT OF CASH FLOWS  
For the year ended June 30, 2015 (in thousands)  
(with Comparative Totals for 2014)**

	<b>University</b>	
	<b>June 30, 2015</b>	<b>June 30, 2014</b>
<b>Cash flows from operating activities</b>		
Student tuition and fees, net	\$ 132,577	\$ 130,275
Federal and state grants and other contracts	30,153	40,588
Private gifts, grants, and contracts	2,551	3,056
Sales and service of educational activities	20,359	23,072
Auxiliary enterprises	102,353	102,577
Payment to suppliers	(117,727)	(137,944)
Payment to employees	(240,156)	(248,221)
Payments for scholarships	(40,389)	(41,942)
Loans to students and employees	(1,078)	(2,054)
Collection of loans to students and employees	1,813	1,414
Other receipts, net	7,031	7,674
Net cash used in operating activities	<u>(102,513)</u>	<u>(121,505)</u>
<b>Cash flows from noncapital financing activities</b>		
State appropriations	93,829	101,782
Pell Grants	30,080	30,276
FSEOG	671	1,002
State of IL MAP	19,970	20,711
Operating transfer - in/(out) to other state agencies	886	-
Net cash provided by noncapital financing activities	<u>145,436</u>	<u>153,771</u>
<b>Cash flows from capital and related financing activities</b>		
Proceeds from issuance of debt	-	21,246
State appropriations	9,131	1,625
Purchase of capital assets	(28,499)	(30,532)
Principal payments on capital debt	(7,926)	(20,222)
Interest payments on capital debt	(23,765)	(23,156)
Build America Bond Subsidy	3,283	3,258
Net cash used in capital and related financing activities	<u>(47,776)</u>	<u>(47,781)</u>
<b>Cash flows from investing activities</b>		
Interest income on investments, net	486	1,346
Proceeds from sales and maturities of investments	221,807	322,036
Purchase of investments	(227,908)	(323,558)
Net cash used in investing activities	<u>(5,615)</u>	<u>(176)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(10,468)</b>	<b>(15,691)</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b><u>35,035</u></b>	<b><u>50,726</u></b>
<b>Cash and cash equivalents, end of the year</b>	<b><u>\$ 24,567</u></b>	<b><u>\$ 35,035</u></b>

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, 2015 (in thousands)  
(with Comparative Totals for 2014)**

	<b>University</b>	
	<b>June 30, 2015</b>	<b>June 30, 2014</b>
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>		
Operating income (loss)	\$ (273,253)	\$ (275,676)
<b>Adjustments to reconcile operating income (loss) to net cash used in operating activities:</b>		
Depreciation expense - non-Auxiliary enterprises	15,423	15,836
Depreciation expense - Auxiliary enterprises	11,527	10,452
(Gain) loss on disposal of capital assets	281	2,055
On behalf payments for fringe benefits	143,254	135,502
State expenses for non-capitalized CDB projects	12	934
<b>Changes in assets and liabilities</b>		
Accounts receivable	(1,885)	3,973
Inventories	90	(91)
Student loans receivable	405	(228)
Investments and other assets	(246)	(745)
Accounts payable and accrued liabilities	1,388	(10,490)
Accrued compensated absences	(1,071)	(712)
Students' deposits	(47)	92
Unearned revenue and grants	1,081	24
Government loan fund advances	329	(411)
Agency	199	(2,020)
<b>Net cash used in operating activities</b>	<b>\$ (102,513)</b>	<b>\$ (121,505)</b>
<b>Noncash investing, capital, noncapital and financing activities</b>		
On-behalf payments for fringe benefits	\$ 143,272	\$ 135,465
Unpaid state appropriation revenue	16,965	19,788
Accretion of bond principal	384	593
Capitalized Interest	170	807
Cost of capital assets not being depreciated included in accounts payable	3,885	5,645
Unrealized gain (loss)	133	575
State expenses for capitalized CDB projects	9,131	1,625

See accompanying notes to the basic financial statements.

# **State of Illinois**

## **Northern Illinois University**

### **Notes to the Basic Financial Statements**

#### **1. Summary of Significant Accounting Policies**

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

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 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 (the Foundation), the Northern Illinois University Alumni Association (the Association), and the Northern Illinois Research Foundation (the Research Foundation) are Illinois nonprofit 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 nonprofit organizations legally separate from the University.

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.

The University first applies restricted resources when an expense or outlay is incurred for purposes for which both restricted and unrestricted resources are available.

The University uses 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 an obligation has been incurred. All significant intra-agency transactions have been eliminated.

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.

**State of Illinois**  
**Northern Illinois University**  
**Notes to the Basic Financial Statements, continued**

Scholarships and fellowships of \$66,176,000 are netted against student tuition and fees. Stipends and other payments made directly to students are reported as scholarship and fellowship expense. Net tuition and fees 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.

Grant and contract revenues, 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. Advances are classified as unearned revenue.

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.

In accordance with Governmental Accounting Standards Board (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 \$143,272,000 made by the State of Illinois in fiscal year 2015 to the State Universities Retirement System (SURS) and Central Management Services Group Insurance (CMS) on behalf of the University's and its component units' employees. 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 CMS were \$75,306,000 and \$67,966,000, respectively, for fiscal year 2015.

The basic financial statements include prior year comparative information, which has been derived from the University's 2014 financial statements. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2014.

Certain items in the June 30, 2014 financial statements have been reclassified to correspond to the June 30, 2015 presentation.

The auxiliary enterprises are primarily composed of student housing, the student union, intercollegiate athletics, recreational facilities, and parking operations.

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.



**State of Illinois**  
**Northern Illinois University**  
**Notes to the Basic Financial Statements, continued**

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, 2015.

Restricted cash and investments are for capital projects at the University, funded by an external debt issue.

The University accounts for its investments and marketable securities at fair value.

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.

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

Capital assets are recorded at cost when purchased or fair value at the date of donation. 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. Depreciation is calculated on a straight-line basis over the estimated useful lives (five to forty years) of the respective assets. 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 \$170,000 and \$807,000 in fiscal year 2015 and 2014, respectively.

The assets associated with long-term leases have been capitalized.

It is the policy of the University to accrue vacation pay as earned. As of June 30, 2015, the accrued liability for this benefit was \$13,062,000, and is included in accrued compensated absences.

As a result of 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 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, 2015, the accrued liability of this benefit was \$3,707,000, and is included in accrued compensated absences. The accrued compensated absences liability will be funded through future State of Illinois General Revenue Fund appropriations as the terminating employees leave the University.

**State of Illinois**  
**Northern Illinois University**  
**Notes to the Basic Financial Statements, continued**

**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 \$5,299,000 at June 30, 2015 and is recorded in the accompanying financial statements as accrued payroll. This amount will be paid from amounts specifically included in State appropriations to the University for fiscal year 2016 rather than the unrestricted net position available at June 30, 2015.

**New and Pending Accounting Pronouncements**

Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). The University was required to implement this Statement for the year ending June 30, 2015.

Statement No. 71, *Pension Transition for Contribution Made Subsequent to the Measurement Date*, amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. This statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

Due to the implementation of Statement No. 68 and Statement No. 71, opening net position is restated and additional disclosures are presented in Footnote 23.

Management has not determined the specific impact of the following pending pronouncements not yet adopted on its financial statements:

Statement No. 72, *Fair Value Measurement and Application*, provides guidance for determining a fair value measurement for financial reporting purposes, and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement is effective for fiscal years beginning after June 15, 2017.

# State of Illinois

## Northern Illinois University

### Notes to the Basic Financial Statements, continued

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, identifies, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively.

#### 2. Cash and Cash Equivalents

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

As of June 30, 2015, cash deposits (consisting of demand deposits and selected money market accounts) of \$14,374,000 were held by the University and \$10,193,000 in money market fund accounts. Cash deposits held by the University were insured or collateralized with securities held by the University or its custodian in the name of the University. The money market fund accounts are not covered by FDIC insurance, but are 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 specifying 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.
- 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.

*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, 2015, the University was not subject to custodial credit risk as all of the University's investments were held in its name and its bank balances were either fully insured or collateralized with investments held by agents in the University's 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

**State of Illinois**  
**Northern Illinois University**  
**Notes to the Basic Financial Statements, continued**

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 (\$000's):

Investment	Total
FFCB	\$ 31,380
FHLB	16,245
FHLMC	15,951
FNMA	29,846

*Foreign currency risk* - 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 currency risk exposure.

*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 (\$000's):

Quality rating	Illinois Funds Money Market	U.S. Agency	Total
AAA	\$ -	\$ 123,452	\$ 123,452
AAAm	43,198	-	43,198
Total	\$ 43,198	\$ 123,452	\$ 166,650

*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 (\$000's):

Segmented Time Distribution	Illinois Funds Money Market	U.S. Agency	Total
0 – 1 year	\$ 43,198	\$ 33,523	\$ 76,721
1 – 3 years	-	76,711	76,711
3 – 5 years	-	13,218	13,218
Total	\$ 43,198	\$ 123,452	\$ 166,650

**State of Illinois**  
**Northern Illinois University**  
**Notes to the Basic Financial Statements, continued**

Component Units (\$000's)

Quality rating	Mutual Funds	Stock	Limited Partnerships	Other	Total
AAA	\$ 1,070	\$ -	\$ -	\$ -	\$ 1,070
AA	5,562	-	-	-	5,562
A+	13	-	-	-	13
AA-	2,108	-	-	-	2,108
BBB	1,318	-	-	-	1,318
BBB-	2,490	-	-	-	2,490
BB+	1,149	-	-	-	1,149
BB	6,043	-	-	-	6,043
B	1,430	-	-	-	1,430
Not rated	47,385	372	25,414	118	73,289
<b>Total</b>	<b>\$ 68,568</b>	<b>\$ 372</b>	<b>\$ 25,414</b>	<b>\$ 118</b>	<b>\$ 94,472</b>

Weighted Average Duration	Fixed Income Mutual Funds
.2 years	\$ 1,317
.5 years	1,430
1.0 years	2,108
1.2 years	1,606
2.7 years	1,711
2.9 years	4,437
3.2 years	13
3.5 years	1,545
4.8 years	946
5.6 years	3,851
6.3 years	1,149
8.1 years	1,070
<b>Total</b>	<b>\$ 21,183</b>

The Component Units' permissible investment categories include equities, fixed income securities, cash equivalents, venture capital/private equity, equity real estate and hedge funds. In fulfilling its responsibilities, the Component Units contracted with an independent investment advisory firm as well as 24 investment management firms to execute the strategy it has established.

**State of Illinois**  
**Northern Illinois University**  
**Notes to the Basic Financial Statements, continued**

**4. Receivables**

Accounts Receivable is reported net of an allowance for uncollectible accounts of \$14,304,000 at June 30, 2015. The composition of accounts receivable at June 30, 2015 is summarized as follows (\$000's):

	<u>University</u>	<u>Component Units</u>
Student accounts	\$ 35,512	\$ -
Customer accounts	1,616	-
Grants receivable	6,962	-
Others	-	1,637
Gross receivables	<u>44,090</u>	<u>1,637</u>
Less: allowance for uncollectible accounts	<u>(14,304)</u>	<u>(146)</u>
Net accounts receivable	<u>\$ 29,786</u>	<u>\$ 1,491</u>

Student loans made through the Federal Perkins Loan Program comprise substantially all of student loans receivable at June 30, 2015 totaling \$8,501,000 and are reported net of an allowance for uncollectible accounts of \$71,000.

**5. Capital Assets**

Capital assets activity for the year ended June 30, 2015 is summarized as follows:

<b>University (\$000's)</b>	<u>Balance 6/30/2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance 6/30/2015</u>
Capital assets not being depreciated:					
Land	\$ 19,281	\$ -	\$ -	\$ -	\$ 19,281
Construction in progress	<u>20,753</u>	<u>22,034</u>	<u>-</u>	<u>(8,892)</u>	<u>33,895</u>
Total capital assets not being depreciated	<u>40,034</u>	<u>22,034</u>	<u>-</u>	<u>(8,892)</u>	<u>53,176</u>
Capital assets being depreciated:					
Land improvements	77,678	-	-	4,213	81,891
Buildings	665,387	-	-	4,679	670,066
Equipment	184,227	6,466	(4,122)	-	186,571
Other assets	<u>3,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,820</u>
Total capital assets being depreciated	931,112	6,466	(4,122)	8,892	942,348
Less: accumulated depreciation	<u>(503,208)</u>	<u>(26,950)</u>	<u>3,840</u>	<u>-</u>	<u>(526,318)</u>
Total capital assets being depreciated, net	<u>427,904</u>	<u>(20,484)</u>	<u>(282)</u>	<u>8,892</u>	<u>416,030</u>
Total capital assets, net	<u>\$ 467,938</u>	<u>\$ 1,550</u>	<u>\$ (282)</u>	<u>\$ -</u>	<u>\$ 469,206</u>

**State of Illinois**  
**Northern Illinois University**  
**Notes to the Basic Financial Statements, continued**

Component Units (\$000's)	Balance 6/30/2014	Additions	Retirements	Transfers	Balance 6/30/2015
Capital assets not being depreciated:					
Land	\$ 3,829	\$ -	\$ -	\$ -	\$ 3,829
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	<u>3,829</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,829</u>
Capital assets being depreciated:					
Buildings	24,526	72	-	-	24,598
Furniture	879	314	-	-	1,193
Total capital assets being depreciated	<u>25,405</u>	<u>386</u>	<u>-</u>	<u>-</u>	<u>25,791</u>
Less: accumulated depreciation	<u>(2,650)</u>	<u>(811)</u>	<u>-</u>	<u>-</u>	<u>(3,461)</u>
Total capital assets being depreciated, net	<u>22,755</u>	<u>(425)</u>	<u>-</u>	<u>-</u>	<u>22,330</u>
Total capital assets, net	<u>\$ 26,584</u>	<u>\$ (425)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,159</u>

**6. Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities as of June 30, 2015 are as follows (\$000's):

	<b>University</b>	<b>Component Units</b>
Payable to vendors/suppliers	\$ 34,123	\$ 943
Accrued payroll	6,892	-
Current portion of noncurrent liabilities:		
Performance contracts payable	2,474	-
Revenue bonds payable	3,900	-
Leases payable	1,482	-
Notes and certificates of participation payable	1,585	38
Other liabilities	<u>141</u>	<u>-</u>
Total current accounts payable and accrued liabilities	50,597	981
Noncurrent accounts payable and accrued liabilities	<u>3,815</u>	<u>629</u>
Total accounts payable and accrued liabilities	<u>\$ 54,412</u>	<u>\$ 1,610</u>

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**7. Performance Contracts Payable**

The University has entered into multiple performance contracts, as defined by Public Act 90-0486, passed by the State Legislature in 1997. The 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 assets in the performance contracts have been capitalized.

Performance contracts payable activity and outstanding balances at June 30, 2015 are as follows (\$000's):

Performance Contract	Beginning Balance	Issued	Retired	Ending Balance	Current Portion
Energy Infrastructure Improvements	639	-	307	332	163
Energy Infrastructure Improvements-Phase 10B	10,174	-	609	9,565	634
Energy Infrastructure Improvements-Refinance	16,771	-	1,216	15,555	1,246
Energy Infrastructure Improvements-Phase 11	8,130	-	68	8,062	431
Total	<u>\$ 35,714</u>	<u>\$ -</u>	<u>\$ 2,200</u>	<u>\$ 33,514</u>	<u>\$ 2,474</u>

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

Year Ending June 30	Principal	Interest	Total
2016	2,474	1,058	3,532
2017	2,554	979	3,533
2018	2,459	898	3,357
2019	2,537	821	3,358
2020	2,617	740	3,357
2021-2025	14,385	2,403	16,788
2026-2030	6,488	403	6,891
Total	<u>\$ 33,514</u>	<u>\$ 7,302</u>	<u>\$ 40,816</u>

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.



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**8. Accrued Compensated Absences**

Accrued compensated absences includes employee earned but unused vacation and sick leave days and the changes in balance are as follows (\$000):

Balance, beginning of year	\$ 17,840
Additions/(Deductions)	<u>(1,071)</u>
Balance, end of year	16,769
Less current portion	<u>2,274</u>
Balance, end of year, noncurrent portion	<u>\$ 14,495</u>

Amounts reported as current are based upon historical trends. The employer portion of Medicare taxes related to accrued compensated absences is \$238,000.

**9. Unearned Revenue and Grants**

Unearned revenue and grants represents funds received in advance on grants not yet expended and the changes in balances are as follows (\$000):

Balance, beginning of year	\$ 2,829
Additions/(Deductions)	<u>921</u>
Balance, end of year	<u>\$ 3,750</u>

**10. Government Loan Fund Advances**

Government loan fund advances represents money received from the federal government for student loan programs and the changes in balances are as follows (\$000):

Balance, beginning of year	\$ 7,602
Additions/(Deductions)	<u>329</u>
Balance, end of year	<u>\$ 7,931</u>

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**11. Revenue Bonds Payable**

Revenue bonds activity and outstanding as of June 30, 2015 are as follows (\$000's):

Issue;	Beginning Balance	Issued / Accreted	Retired / Defeased	Ending Balance	Current Portion	Future Revenues Pledged	Debt Service to Pledged Revenue (Current Year)
Series 1992 (B)	\$ 7,623	\$ 384	\$ 3,730	\$ 4,277	\$ 3,730	\$4,450	11%
Series 2010	126,025	-	-	126,025	-	335,636	6%
Series 2011	61,370	-	160	61,210	170	87,243	2%
	<u>\$ 195,018</u>	<u>\$ 384</u>	<u>\$ 3,890</u>	<u>\$ 191,512</u>	<u>\$ 3,900</u>	<u>\$ 427,329</u>	
Component Unit	\$ 6,197		\$ 2,690	\$ 3,507	\$ 0		

The Auxiliary Facilities Revenue Bonds, Series 1992 (B), original issue \$14,498,000, matures serially at varying amounts from fiscal years 2005 through 2017, and pays no current interest. The University records the annual increase in the principal amount of these bonds as interest expense and accretion on bonds payable. The interest ranges from 6.15% to 6.55%.

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 United States 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 1992 bonds are payable from and secured by the net revenues of the System and pledged fees which equaled \$34,250,000 in the current year. The Series 2010 and Series 2011 bonds are also payable from and secured by the net revenues of the System and pledged fees, subject to the prior claim of the Series 1992 bonds. The Series 2010 and Series 2011 bonds are further secured by a pledge of and lien on pledged tuition which equaled \$138,760,000 in the current year. All bond series are also secured by non-cancelable policies of municipal bond insurance.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Accretion</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 3,783	\$ 117	\$ 13,295	\$ 17,195
2017	3,849	56	13,288	17,193
2018	4,065	-	13,129	17,194
2019	4,265	-	12,926	17,191
2020	4,480	-	12,713	17,193
2021-2025	26,090	-	59,869	85,959
2026-2030	33,710	-	52,052	85,762
2031-2035	43,330	-	38,352	81,682
2036-2040	55,890	-	19,038	74,928
2041-2042	12,050	-	982	13,032
Total	<u>\$ 191,512</u>	<u>\$ 173</u>	<u>\$ 235,644</u>	<u>\$ 427,329</u>

Component Units (\$000's)

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Accretion</u>	<u>Interest</u>	<u>Total</u>
2016	\$ -	\$ -	\$ 54	\$ 54
2017	913	-	54	967
2018	1,411	-	42	1,453
2019	360	-	19	379
2020	366	-	13	379
Thereafter	457	-	7	464
Total	<u>\$ 3,507</u>	<u>\$ -</u>	<u>\$ 189</u>	<u>\$ 3,696</u>

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**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 \$121,643,000, net of accumulated depreciation of \$13,674,000 at June 30, 2015.

Capital leases activity and outstanding principal balances as of June 30, 2015 are as follows (\$000's):

	Beginning Balance	Additions	Payments	Ending Balance	Current Portion
IASBO Building	\$ 542	\$ -	\$ 43	\$ 499	\$ 45
Northern View	19,070	-	86	18,984	124
Motor Coaches	116	-	116	-	-
Oracle	1,143	-	571	572	572
First Year Residence	113,156	-	505	112,651	741
Net Present Value	<u>\$134,027</u>	<u>\$ -</u>	<u>\$ 1,321</u>	<u>\$132,706</u>	<u>\$ 1,482</u>

Future minimum lease payments for the above assets under capital leases at June 30, 2015 on originally scheduled minimum payments and estimated interest are (\$000's):

Year Ending June 30	Principal	Interest	Total
2016	\$ 1,482	\$ 8,805	\$ 10,287
2017	1,208	8,759	9,967
2018	1,530	8,697	10,227
2019	1,823	8,618	10,441
2020	2,221	8,525	10,746
2021-2025	12,992	40,660	53,652
2026-2030	17,375	35,994	53,369
2031-2035	24,150	29,227	53,377
2036-2040	33,665	19,714	53,379
2041-2044	36,260	6,440	42,700
Total	<u>\$132,706</u>	<u>\$175,439</u>	<u>\$308,145</u>

During fiscal year 2007, the University entered into 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 Dining. 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

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second was to build and equip New Residence Hall, an approximate 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 scheduled starting in fiscal year 2014.

**13. Notes and Certificates of Participation Payable**

Certificates of participation and notes payable activity and outstanding principal balances as of June 30, 2015 are as follows (\$000's):

Issue	Beginning Balance	Issued	Retired	Ending Balance	Current Portion
<b>Certificates of Participation / Notes Payable:</b>					
Series 1993 - Hoffman Estates Facility	\$ 2,370	\$ -	\$ 515	\$ 1,855	\$ 550
Series 2014 - Capital Improvement Projects	11,975	-	-	11,975	940
	\$ 14,345	\$ -	\$ 515	\$13,830	\$1,490
Unamortized debt Premium	1,140	-	94	\$1,046	95
<b>Total</b>	<b>\$ 15,485</b>	<b>\$ -</b>	<b>\$ 609</b>	<b>\$ 14,876</b>	<b>\$ 1,585</b>

In August 1993, the University issued \$8,485,000 of certificates of participation to refinance an educational center occupied by Northern Illinois University in Hoffman Estates, Illinois, payable through installments commencing in 1994, for a period of twenty-three years. The interest is 5%.

Series 2014 – Capital Improvement Project: On April 22, 2014, the University issued Certificates of Participation (Capital Improvement Projects) 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 COPs are payable through installments commencing in 2015, for a period of eleven years. The interest is 4%-5%.

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

	Year Ending June 30	Principal	Interest	Total
2016		\$ 1,490	\$ 612	\$ 2,102
2017		2,330	522	2,852
2018		1,060	446	1,506
2019		1,105	402	1,507
2020		1,150	357	1,507
2021-2025		6,630	874	7,504
2026		65	1	66
Total		<u>\$ 13,830</u>	<u>\$ 3,214</u>	<u>\$ 17,044</u>
Unamortized Premium		1,046	-	1,046
Total		<u>\$ 14,876</u>	<u>\$ 3,214</u>	<u>\$ 18,090</u>

Component Units (\$000's):

	Year Ending June 30	Principal	Interest	Total
2016		\$ 37	\$ 7	\$ 44
2017		39	5	44
2018		41	3	44
2019		42	2	44
2020		22	-	22
Total		<u>\$ 181</u>	<u>\$ 17</u>	<u>\$ 198</u>

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**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. The following tables include detail of the net position balances for the University and the Component Units:

University Net Position (\$000’s):

Net Investment in capital assets	\$ 131,277
Restricted:	
Expendable	3,726
Unrestricted	136,453
Total	<u>\$ 271,456</u>

Component Units Net Position (\$000’s):

Net Investment in capital assets	\$ 22,381
Restricted:	
Nonexpendable	64,555
Expendable	20,444
Unrestricted	10,356
Total	<u>\$ 117,736</u>

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.

The restricted – nonexpendable classification 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.

The restricted – expendable classification 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 2015, 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 \$721,000. 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

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the University in its economic development, public service, research and educational missions. As provided by the contract, the University paid the Research Foundation \$569,000 for these services during fiscal year 2015 with an additional \$104,000 payable at year-end.

Summary of transactions with Component Units (\$000's):

	<b>Alumni</b>	<b>Research</b>
	<b>Foundation</b>	<b>Association Foundation</b>
Unrestricted funds:		
Totally unrestricted administrative services	\$ 699	\$ 336
Support for University programs and departments	5,825	1,002
Administrative and office expense	1,238	-
Total unrestricted funds	7,762	1,338
Restricted funds:		
Provided for scholarships and awards	1,999	-
Provided for library books, equipment and property improvements	38	-
Restricted fund	1,497	-
Endowment fund	400	-
Total restricted funds	3,934	-
Total funds provided to the University	\$ 11,696	\$ 1,338

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 building houses state of the art strength and conditioning facilities, academic and tutoring support, coach's 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 Lease disclosure.

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 facilities serve 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 Lease disclosure.

The University entered into a Master Intellectual Property Agreement with the Research Foundation as of the 11<sup>th</sup> day of September, 2014 to assist with the development of NIU Intellectual Property. The Research Foundation will assist NIU faculty, staff, and students to engage in research which could result in commercialization benefitting NIU, students and the public. For the year ended June 30, 2015, NIU is due license fee revenue in the amount of \$70,000 from the Research Foundation.



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**16. Operating Leases**

The University leases various buildings under operating lease agreements. Total rental expense for the year ended June 30, 2015, under these agreements was \$1,547,000.

Future minimum lease payments are (\$000's):

Year Ending	
June 30	Amount
2016	\$ 1,157
2017	1,043
2018	345
2019	327
2020	334
2021	319
Total	<u>\$ 3,525</u>

**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 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 accessing the website at [www.SURS.org](http://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, 2014 can be found in the System's comprehensive annual financial report (CAFR) Notes to the Financial Statements.

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*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 2014 and 2015, respectively, was 11.91% and 11.71% 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**

*Special Funding Situation.* 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.

*Net Pension Liability.* At June 30, 2015, the State reported a net pension liability (NPL) of \$21,790,983,000 related to SURS. The net pension liability was measured as of June 30, 2014.

*University’s Proportionate Share of Net Pension Liability.* The amount of the proportionate share of the net pension liability to be recognized by the University is \$0. The proportionate share of the State’s net pension liability associated with the University is \$994,334,000 or 4.5631%. This amount is not recognized on the front financial statements due to the special funding situation described above. The net pension liability was measured as of June 30, 2014, and the total pension used to calculate the net pension liability was determined based on the June 30, 2013 actuarial valuation rolled forward. The basis of allocation used to determine the University’s proportionate share of net pension liability is the actual reported pension contributions made to SURS during fiscal year 2014.

*Pension Expense.* For the year ended June 30, 2015 the State reported a collective net pension expense of \$1,650,338,000.

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*University's Proportionate Share of Pension Expense.* The University's proportionate share of collective pension expense is 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 pension contributions made to SURS during fiscal year 2014. As a result, the University recognized on-behalf revenue and pension expense of \$75,306,000 for the fiscal year ended June 30, 2015.

*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.

**State's Collective Deferred Outflows and Deferred Inflows of Resources by Sources**

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Difference between expected and actual experience	\$ -	\$ -
Change in assumptions	88,940,000	-
Net difference between projected and actual earnings on pension plan investments	-	1,271,105,000
Total	<u>\$ 88,940,000</u>	<u>\$ 1,271,105,000</u>

*University's Deferral of Fiscal Year 2015 Pension Expense.* The University paid \$963,000 in federal, trust or grant contributions for the fiscal year ended June 30, 2015. These contributions were made subsequent to the pension liability measurement date of June 30, 2014 and are recognized as Deferred Outflows of Resources as of June 30, 2015 and will be recognized in pension expense in fiscal year 2016.

**Assumptions and Other Inputs**

*Actuarial assumptions.* The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period June 30, 2006 – 2010 and an economic study completed June 2014. The total pension liability in the June 30, 2014 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 12.00 percent, including inflation
Investment rate of return	7.25 percent beginning with the actuarial valuation as of June 30, 2014

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Mortality rates were based on the RP2000 Combined Mortality Table, projected with Scale AA to 2017, sex-distinct, with rates multiplied by 0.80 for males and 0.85 for females.

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, 2014, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	31%	7.65%
Private Equity	6%	8.65%
Non-U.S. Equity	21%	7.85%
Global Equity	8%	7.90%
Fixed Income	19%	2.50%
Treasury-Inflation Protected Securities	4%	2.30%
Real Estate	6%	6.20%
REITS	4%	6.20%
Opportunity Fund	<u>1%</u>	<u>2.50%</u>
<b>Total</b>	100%	5.00%
<b>Inflation</b>		<u>2.75%</u>
<b>Expected Geometrical Normal Return</b>		<b>7.75%</b>

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*Discount Rate.* A single discount rate of 7.090% 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 7.250% and a municipal bond rate of 4.290% (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 SURS' 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 2065. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2065, and the municipal bond rate was applied to all benefit payments after that date.

*Sensitivity of the State'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 State's net pension liability, calculated using a single discount rate of 7.09%, as well as what the State'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:

<b>1% Decrease</b>	<b>Current Single Discount Rate Assumption</b>	<b>1% Increase</b>
<u>6.09%</u>	<u>7.09%</u>	<u>8.09%</u>
\$26,583,701,000	\$21,790,983,000	\$17,796,570,000

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](http://www.SURS.org).

**State of Illinois**  
**Northern Illinois University**  
**Notes to the Basic Financial Statements, continued**

**18. Postemployment Benefits**

The State Employees Group Insurance Act of 1971 (Act), as amended, authorizes the State to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents in a program administered by the Department of Central Management Services. Substantially all State and university employees become eligible for these other postemployment benefits (OPEB) if they eventually become annuitants of one of the State sponsored pension plans. The portions of the Act related to OPEB establish a cost-sharing multiple-employer defined OPEB plan with a special funding situation in which the State funds substantially all nonparticipant contributions. The plan does not issue a stand-alone financial report but is included as a part of the State's financial statements.

Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, 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 Employees' Retirement System do not contribute towards health, dental, 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, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes \$5,000.

The State pays the University's portion of employer costs for the benefits provided. The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including postemployment health, dental, vision, and life insurance benefits, is recognized as an expenditure by the State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The actuarial accrued liability and the total costs incurred for health, dental, vision, and life insurance benefits are not determined by or allocated to departments or component units for annuitants and their dependents nor active employees and their dependents.

**State of Illinois**  
**Northern Illinois University**  
**Notes to the Basic Financial Statements, continued**

**19. Operating Expenses by Natural Classification**

Operating expenses by natural classification for the year ended June 30, 2015 are summarized as follows:

**University**  
*(\$000's)*

	<b>Compensation and Benefits</b>	<b>Supplies and Services</b>	<b>Scholarships and Fellowships</b>	<b>Depreciation</b>	<b>Total</b>
Instruction	\$ 109,138	\$ 18,281	\$ 2,156	\$ -	\$ 129,575
Research	9,249	4,845	566	-	14,660
Public Service	12,102	8,834	589	-	21,525
Academic					
Support	19,961	13,064	237	-	33,262
Student Services	10,264	5,775	8	-	16,047
O&M	13,441	26,219	-	-	39,660
Depreciation	-	-	-	15,423	15,423
Inst. Support	21,150	578	18	-	21,746
Staff Benefits	153,649	-	-	-	153,649
Student Aid	858	223	32,760	-	33,841
Auxiliary	32,181	41,778	4,056	11,527	89,542
<b>Total</b>	<b>\$ 381,993</b>	<b>\$ 119,597</b>	<b>\$ 40,390</b>	<b>\$ 26,950</b>	<b>\$ 568,930</b>

**Component Units**  
*(\$000's)*

	<b>Compensation and Benefits</b>	<b>Supplies and Services</b>	<b>Scholarships and Fellowships</b>	<b>Depreciation</b>	<b>Total</b>
Instruction	\$ 888	\$ -	\$ 1,037	\$ -	\$ 1,925
Research	40	31	25	-	96
Public Service	575	504	-	-	1,079
Academic					
Support	12	148	-	-	160
Student Services	134	1,137	-	-	1,271
O&M	-	94	-	617	711
Inst. Support	1,373	4,304	-	194	5,871
Student Aid	57	-	2,253	-	2,310
<b>Total</b>	<b>\$ 3,079</b>	<b>\$ 6,218</b>	<b>\$ 3,315</b>	<b>\$ 811</b>	<b>\$ 13,423</b>

**20. Insurance**

The University participates in a 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.

**State of Illinois**  
**Northern Illinois University**  
**Notes to the Basic Financial Statements, continued**

The University is afforded coverage by the State for general liability, automobile liability, worker's compensation and employers' liability, and employee indemnity by a number of State of Illinois Self-Insured Plans administered by the 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, 2015, the University had commitments on various grants, construction projects and contracts for repairs and renovations of facilities of approximately \$31.7 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 Action**

Although the University is a defendant in various lawsuits, most of the actions are personnel or administrative related and the University's legal exposure is either limited or virtually non-existent. University officials are of the opinion, based on 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.

The federal and state investigations, which were a result of a search warrant served on the NIU Department of Police and Public Safety by various federal agencies and the Illinois State Police on March 6, 2013 and were first noted in fiscal year 2013, are ongoing. The University continues to cooperate with requests for information, has not been informed of any finding of wrong doing to date and there have not been any arrests or charges associated with any ongoing investigations. There have not been any material changes in the University's outlook on this investigation. Furthermore, the University has been advised that no additional request for information will be made of the University.



**State of Illinois**  
**Northern Illinois University**  
**Notes to the Basic Financial Statements, continued**

**22. University Related Organizations**

The entity's financial statements include the activity of the University Related Organizations which represent the discretely presented component units. Below are condensed financial statements by organization. (\$000's)

	<u>Foundation</u>	<u>Alumni Association</u>	<u>Northern IL Research Foundation</u>
<b>Condensed Statement of Net Position</b>			
<b>ASSETS:</b>			
Current assets			
Cash and cash equivalents	\$ 1,346	\$ -	\$ 599
Accounts receivable	1,338	-	153
Due from Foundation	-	43	-
Other current assets	80	23	11
Noncurrent assets			
Capital assets, net of accumulated depreciation	25,555	-	604
Investments administered by NIU Foundation	94,472	2,707	-
Other noncurrent assets	2,733	-	-
<b>TOTAL ASSETS</b>	<u><u>\$ 125,524</u></u>	<u><u>\$ 2,773</u></u>	<u><u>\$ 1,367</u></u>
<b>LIABILITIES:</b>			
Current liabilities			
Accounts payable and accrued liabilities	\$ 378	\$ 281	\$ 322
Due to NIU	622	-	70
Noncurrent liabilities			
Deposits held for NIU Alumni Association	2,750	-	-
Unearned revenue	-	-	132
Accounts payable and accrued liabilities	629	-	-
Deposits held for NIU	3,093	-	-
Endowments and life income trusts	-	-	-
Bonds and Notes Payable	3,507	-	144
<b>TOTAL LIABILITIES</b>	<u><u>10,979</u></u>	<u><u>281</u></u>	<u><u>668</u></u>
<b>NET POSITION:</b>			
Net investment in capital assets	22,048	-	333
Restricted			
Nonexpendable	64,436	119	-
Expendable	20,129	261	54
Unrestricted	7,932	2,112	312
Total net position	<u><u>114,545</u></u>	<u><u>2,492</u></u>	<u><u>699</u></u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 125,524</u></u>	<u><u>\$ 2,773</u></u>	<u><u>\$ 1,367</u></u>
<b>Condensed Statement of Revenues, Expenses and Changes in Net Position</b>			
Operating revenues	\$ 11,092	\$ 100	\$ 1,369
Operating expenses	11,696	388	1,339
Operating income (loss)	(604)	(288)	30
Nonoperating revenue (expenses)	2,082	253	(3)
Increase (decrease) in net position	1,478	(35)	27
Net position, beginning of year	113,067	2,527	672
Net position, end of year	<u><u>\$ 114,545</u></u>	<u><u>\$ 2,492</u></u>	<u><u>\$ 699</u></u>

**State of Illinois**  
**Northern Illinois University**  
**Notes to the Basic Financial Statements, continued**

**23. Restatement**

Net position has been restated by \$945,000 due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* as amended by GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*. With the implementation of GASB Statement No. 68 and GASB Statement No. 71, the University is required to recognize pension contributions related to federal/trust/grant/other contributions as Deferred Outflow of Resources. The University has chosen to restate net position as of July 1, 2014. The University has restated net position as of July 1, 2014 as follows (\$000's):

NET POSITION, JULY 1, 2014 (as previously reported)	\$269,563
RESTATEMENTS:	
To recognize Deferred Outflow of Resources in Accordance with implementation Of GASB Statement No. 68 and GASB Statement No. 71	<u>945</u>
NET POSITION, JULY 1, 2014 RESTATED	<u>\$270,508</u>

The net position previously reported as of July 1, 2013, as shown in the comparative column of the financial statements, was also restated by \$981,000 to reflect the implementation of GASB Statement No. 68 and GASB Statement No. 71.

## **Required Supplementary Information**

**State of Illinois  
Northern Illinois University**

**Required Supplementary Information**

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

**State Universities Retirement System**

Last 10 Fiscal Years\*

	Fiscal Year 2015
(a) Proportion Percentage of the Collective Net Pension Liability	0%
(b) Proportion Amount of the Collective Net Pension Liability	\$0
(c) Portion of Nonemployer Contributing Entities' Total Proportion of Collective Net Pension Liability associated with Employer	\$994,334,000
Total (b) + (c)	\$994,334,000
Employer Covered-employee payroll	\$248,100,000
Proportion of Collective Net Pension Liability associated with Employer as a percentage of covered-employee payroll	401%
SURS Plan Net Position as a Percentage of Total Pension Liability	44.39%

**Schedule of University Contributions**

Last 10 Fiscal Years\*

	Fiscal Year 2015
Federal, Trust, Grant and Other contribution	\$963,000
Contribution in relation to required contribution	\$963,000
Contribution deficiency (excess)	\$0
Employer Covered-employee payroll	\$248,100,000
Contributions as a percentage of covered-employee payroll	.39%

\*Information is presented for as many years as is available. The University implemented GASB Statement No. 68 in fiscal year 2015 with a measurement date of June 30, 2014.

**State of Illinois  
Northern Illinois University**

**Required Supplementary Information, continued**

*Changes of benefit terms.* There were no benefit changes recognized in the Total Pension Liability as of June 30, 2015.

*Changes of assumptions.* In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every five 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. There are no changes of assumptions that affect measurement of the total collective pension liability since the prior measurement date.

*Covered payroll.* The definition of covered payroll in GASB Statement Number 25, *Financial Reporting for Defined Benefit Pension Plans*, was changed in GASB Statement Number 67, *Financial Reporting for Pensions*. Below are the definitions from the glossaries of both statements.

GASB 25 Covered Payroll. All elements included in compensation paid to active employees on which contributions to a pension plan are based. For example, if pension contributions are calculated on base pay including overtime, covered payroll includes overtime compensation.

GASB 67 Covered-Employee Payroll. The payroll of employees that are provided with pensions through the pension plan.