STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY

Financial Audit
For the Year Ended June 30, 2017
Performed as Special Assistant Auditors
for the Auditor General, State of Illinois

State of Illinois
Illinois State University
Financial Audit
For the Year Ended June 30, 2017

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Other Reports Issued Under a Separate Cover

The Illinois State University's Compliance Examination (including the Single Audit) for the year ended June 30, 2017, which includes the reports of independent auditors, Schedule of Findings and Questioned Costs, and Supplementary Information for State Compliance Purposes, has been issued under a separate cover.

In accordance with *Government Auditing Standards*, we have also issued a report under a separate cover entitled Report Required Under *Government Auditing Standards* for the Year Ended June 30, 2017, on our consideration of the Illinois State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of the audit.

State of Illinois
Illinois State University

Agency Officials

University Officials

Chair of the Board of Trustees	Mr. Rocky Donahue
President	Dr. Larry Dietz
Vice President for Finance and Planning	Mr. Dan Stephens (04/03/17 – Present)
Vice President for Finance and Planning	Mr. Greg Alt (07/01/16 – 04/02/17)
Interim Vice President for Academic Affairs and Provost	Dr. Jan Murphy (01/01/17 – Present)
Vice President for Academic Affairs and Provost	Dr. Janet Wessel Krejci (07/01/16 – 12/31/16)
Vice President for Student Affairs	Dr. Levester Johnson
Vice President for University Advancement	Mr. Pat Vickerman
Interim Comptroller	Mr. Doug Schnittker (04/03/17 – Present)
Comptroller	Mr. Greg Alt (07/01/16 – 04/02/17)
Legal Counsel	Ms. Lisa Huson
Director – Internal Audit	Mr. Robert Blemler

Board of Trustees

Member	Mr. Rocky Donahue
Member	Mr. Bob Churney
Member	Dr. Mary Ann Louderback
Member	Mr. Robert Dobski
Member	Ms. Julie Annette Jones (01/20/17 – Present)
Member	Ms. Anne Davis (07/01/16 – 01/19/17)
Member	Mr. John Rauschenberger (01/20/17 – Present)
Member	Mr. Jay D. Bergman (07/01/16 – 01/19/17)
Member	Ms. Sharon Rossmark (01/20/17 – Present)
Member	Ms. Betty Kinser (07/01/16 – 01/19/17)
Student Member	Mr. Ryan Powers (07/01/16 – 06/30/17)
Student Member	Mr. Zach Schaab (07/01/17 – Present)

Office Locations

The University's administrative offices are located at:

Hovey Hall
Campus Box 1100
Normal, Illinois 61790-1100

Financial Statement Report

Summary

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

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

Summary of Findings

The auditors identified matters involving the University's internal control over financial reporting that they considered to be material weaknesses. The material weaknesses are described in a report released under a separate cover entitled Report Required Under *Government Auditing Standards* for the Year Ended June 30, 2017, as findings 2017-001, *Inadequate Control over Reporting Restricted Accounts*, 2017-002, *Noncompliance with Bond Covenants*, and 2017-003, *Inadequate Control over Accounting and Financial Reporting*.

Exit Conference

This report was discussed with University personnel at an exit conference on November 22, 2017. Attending were:

Representing Illinois State University:

Dan Stephens	Vice President for Finance and Planning
Doug Schnittker	Interim Comptroller
JoEllen Bahnsen	Senior Associate Comptroller
Erika Jones	Accounting Associate

Representing the Office of the Auditor General:

Daniel J. Nugent, CPA	Senior Audit Manager

Representing RSM US LLP:

Joseph Evans, CPA	Partner
Dan Sethness, CPA	Manager
Erik Ginter, CPA	Supervisor

The responses to the recommendations were provided by JoEllen Bahnsen in correspondence dated February 28, 2018.

RSM US LLP

Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Illinois State University

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities and discretely presented component unit of the Illinois State University, a component unit of the State of Illinois, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Illinois State 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 statement of the discretely presented component unit. That statement was audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report 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 report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Illinois State University and its discretely presented component unit, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 24 to the financial statements, an error was discovered during the Fiscal Year 2017 audit regarding the Illinois State University's reporting of the classification of non-capital assets and net position of the Illinois State University's Auxiliary Facilities System. Fiscal Year 2016 amounts have been restated to reflect the correction of this error.

Additionally, as discussed in Note 23 to the financial statements, Public Act 100-0021 granted the Illinois State University Fiscal Year 2017 appropriations, totaling $33,935,700, which the Illinois State University has used to pay Fiscal Year 2017 costs as allowed for by Public Act 100-0021. Even though this law appropriated funds for the fiscal year ended June 30, 2017, it was enacted on July 6, 2017. The Illinois State University did not recognize this nonoperating appropriations revenue from the State of Illinois at June 30, 2017, in accordance with generally accepted accounting principles.

Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

The prior year comparative information has been derived from the Illinois State University's June 30, 2016, financial statements. The financial statements of the Illinois State University as of June 30, 2016, were audited by other auditors whose report dated December 5, 2016, expressed an unqualified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6-16, the Schedule of the University's Proportionate Share of the Net Pension Liability on page 68, the Schedule of Contributions on page 68, and the Notes to the Required Supplementary Information on page 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Illinois State University's basic financial statements. The Unaudited Data Required by Revenue Bond Resolutions on pages 70-71 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The Unaudited Data Required by Revenue Bond Resolutions has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2018, on our consideration of the Illinois State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Illinois State University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Illinois State University's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
March 1, 2018

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the Illinois State University (University) for the year ended June 30, 2017, with selective comparative information for the years ended June 30, 2016 and 2015. This discussion and analysis has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The University is governed by the Board of Trustees and is the first institution of higher learning in Illinois, being founded in 1857. The University is a residential university of approximately 21,000 students with six colleges and thirty-five academic departments that offer more than one hundred sixty programs of study. The Graduate School coordinates over ninety-four master's degree sequences, thirty-three certificate programs, and fourteen doctoral degree programs.

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial position and financial activities of the University (the primary government) and its component unit (the Illinois State University Foundation). The component unit discussed below is included in the University's financial reporting entity (the Entity) due to the significance of its financial relationship with the University and is in accordance with Governmental Accounting Standards Board (GASB) Statement No. 61.

The Illinois State University Foundation (Foundation) is a University Related Organization as defined under the *University Guidelines* adopted by the State of Illinois' Legislative Audit Commission in 1982, as amended. The Foundation is reported in a separate column to emphasize that it is a non-profit organization that is legally separate from the University. Complete financial statements for the Foundation may be obtained by writing the Illinois State University Foundation, Campus Box 8000, Normal, Illinois 61790-8000 or accessing its website at www.advancement.illinoisstate.edu/foundation.

The Foundation was incorporated in May 1948 under the "General Not-for-Profit Corporation Act" for the purpose of providing fund-raising and other assistance to the University in order to attract private gifts to support the University's instructional, research and public service activities. The Foundation is an organization as described in Section 501c(3) of the Internal Revenue Code and, is accordingly, exempt from federal income tax.

Overview of the Financial Statements and Financial Analysis

The University is a component unit of the State of Illinois for financial reporting purposes. The financial balances and activities included in these financial statements are also included in the State of Illinois' Comprehensive Annual Financial Report. The State of Illinois' Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Division of Financial Reporting, 325 West Adams Street, Springfield, Illinois, 62704-1871 or accessing its website at www.illinoiscomptroller.gov.

<u>Financial Statement Presentation:</u> The University's financial statements include the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The financial statements are prepared in accordance with GASB principles and presented on an entity-wide basis. Several ratios have been included in the financial analysis to help assess the University's financial health.

Statement of Net Position

The statement of net position presents the assets, liabilities and net position of the University as of the end of the fiscal years. The statement of net position is point in time financial statements. The purpose of the statement of net position is to present to the readers of the financial statements a fiscal snapshot of Illinois State University at June 30, 2017 and 2016. The statement of net position presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net position (assets plus deferred outflows of resources minus liabilities).

From the data presented, readers of the statement of net position are able to determine the assets available to continue the operations of the institution. Readers should also be able to determine how much the institution owes vendors, investors and lending institutions. Finally, the statement of net position provides a picture of the net position and the availability for expenditure by the institution.

Net position is divided into three major categories. The first category, net investment in capital assets, shows the institution's equity in the property, plant and equipment owned by the institution. The next net position category is restricted net position, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net position is available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time and/or purpose restrictions on the use of the assets. The final category is unrestricted net position. Unrestricted net position is that net position available to the institution for any lawful purpose of the institution.

Following are condensed statements of net position at June 30, 2017, 2016 and 2015:

(in thousands)

	2017	2016 (as restated)	2015 (as restated)
Assets:			
Current assets	$ 133,766	$ 145,471	$ 134,656
Noncurrent assets:			
Capital assets, net	424,705	438,748	442,209
Other noncurrent assets	180,727	154,814	178,555
Total assets	739,198	739,033	755,420
Deferred outflows	651	672	651
Total assets and deferred outflows	739,849	739,705	756,071
Liabilities:			
Current liabilities	43,540	43,819	49,476
Noncurrent liabilities	141,246	148,142	158,597
Total liabilities	184,786	191,961	208,073
Net Position:			
Net investment in capital assets	300,050	308,085	304,289
Restricted	165,088	142,699	124,949
Unrestricted	89,925	96,960	118,760
Total net position	$ 555,063	$ 547,744	$ 547,998

Current liabilities are obligations of the University coming due in less than one year. Current liabilities consist primarily of accounts payable and accrued liabilities, assets held in custody for others, unearned revenues and the current portion of long-term debt. The following ratio is intended to give an indication of the University's ability to meet its obligations the following year:

The Current Ratio (current assets/current liabilities) is:

(Thousands of dollars)

2017	2016	2015
$133,766 / $43,540 = 3.07	$145,471 / $43,819 = 3.32	$134,656 / $49,476 = 2.72

Noncurrent assets are comprised primarily of net capital assets. Net capital assets decreased $14.0 million and $3.4 million from June 30, 2016 to 2017 and 2015 to 2016, respectively. The decrease in 2017 and 2016 is related to depreciation net of construction and major renovation of University buildings.

Noncurrent liabilities are comprised primarily of bonds payable, certificates of participation and accrued compensated absences.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position presented on the statement of net position is based upon the activity presented in the statement of revenues, expenses and changes in net position. The purpose of the statement of revenues, expenses and changes in net position is to present the revenues received by the institution, both operating and nonoperating, and the expenses paid by the institution, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the institution.

Operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution. Nonoperating revenues are revenues received for which goods and services are not provided. These are called non-exchange transactions. For example, State appropriations are classified as non-operating because they are provided by the General Assembly to the University without the General Assembly directly receiving commensurate goods and services for those revenues.

Student tuition and fees, grants and contracts, the Auxiliary Facilities System, State appropriations and payments by the State of Illinois on behalf of the University are the primary sources of funding.

Following are condensed statements of revenues, expenses and changes in net position for the fiscal years ended June 30, 2017, 2016 and 2015:

(in thousands)	2017	2016	2015 (as restated)
Operating revenues			
Student tuition and fees, net	$ 221,235	$ 201,075	$ 191,621
Grants and contracts	17,180	17,323	17,291
Auxiliary facilities, net	85,221	85,467	84,669
Other	21,688	29,050	25,906
Total operating revenues	345,324	332,915	319,487
Operating expenses	586,748	553,765	548,039
Operating loss	(241,424)	(220,850)	(228,552)
Nonoperating revenues			
State appropriations	38,291	20,935	72,227
Payments on behalf of the University	181,978	153,593	137,554
Other, net	27,167	43,842	45,040
Net nonoperating revenues	247,436	218,370	254,821
Capital appropriations	-	467	1,299
Capital gifts and grants	1,307	1,759	1,091
Increase (decrease) in net position	7,319	(254)	28,659
Net position, beginning of year	547,744	547,998	518,711
Change in accounting principle	-	-	628
Net position, end of year	$ 555,063	$ 547,744	$ 547,998

The return of net position ratio indicates whether the University is financially better off compared to the previous year by comparing the increase (decrease) in net position to beginning net position. The fluctuations in this ratio are primarily attributable to the decrease in State appropriations (fiscal year 2016) and capital project funding levels from both the State of Illinois, Capital Development Board and the Illinois State University Foundation.

The Return on Net Position Ratio (increase (decrease) in net position / beginning of year net position) is:

(Thousands of dollars)

2017	2016	2015 (as restated)
$7,319 / $547,744 = 1.34%	($254) / $547,998 = (.05%)	$28,659 / $519,339 = 5.52%

The net operating revenues ratio indicates whether the University is living within available resources. The ratio is computed by comparing operating income (loss) and net nonoperating revenues to total operating revenues and total nonoperating revenues. State appropriations increased $17 million in fiscal year 2017 to a total of $38 million. This had a positive impact on return on the net position ratio.

The Net Operating Revenues Ratio (operating income (loss) plus net nonoperating revenues (expenses) / operating revenues plus nonoperating revenues) is:

(Thousands of dollars)

2017	2016	2015
$6,012 / $599,143 = 1.00%	($2,480) / $557,997= (.44%)	$26,269 / $579,924= 4.53%

State appropriations revenue increased from approximately $21 million to $38 million in fiscal year 2017. The University enacted tuition and fee increases for fiscal years 2015, 2016 and 2017 to help offset the State appropriation funding trend. Payments on behalf of the University are comprised of payments by the State of Illinois for University employees to the State Universities Retirement System and to the State of Illinois, Department of Central Management Services and payments by the Illinois State University Foundation for salaries and benefits for some positions on campus as well as payment to vendors for contractual services and commodities.

(in thousands)	2017	2016	2015 (as restated)
Expenses by function			
Instruction	$ 289,992	$ 266,719	$ 199,157
Research	16,164	16,903	16,863
Public service	12,681	12,469	14,239
Academic support	23,697	20,115	35,672
Student services	42,645	41,253	47,074
Institutional support	35,496	37,977	56,957
Operation and maintenance of plant	29,688	30,053	43,352
Depreciation	24,658	24,909	24,316
Staff benefits	2,402	1,312	2,738
Student aid	56,741	51,995	52,130
Auxiliary facilities	52,584	49,947	53,973
Other	-	113	1,568
Total operating expenses	$ 586,748	$ 553,765	$ 548,039
Expenses by natural classification			
Compensation and benefits	$ 387,907	$ 360,374	$ 351,741
Supplies and services	127,620	125,986	119,793
Scholarships	46,563	42,496	52,189
Depreciation	24,658	24,909	24,316
Total operating expenses	$ 586,748	$ 553,765	$ 548,039

The primary reserve ratio compares unrestricted net position and certain expendable net position to total expenses. This ratio is an indicator of how long the University could function by using its reserves without relying on additional net position generated by operations. This ratio continues to remain strong over the last several years as the University has been successful in increasing net position while limiting growth in expenses.

The Primary Reserve Ratio (unrestricted and expendable net position / total expenses) is:

(Thousands of dollars)

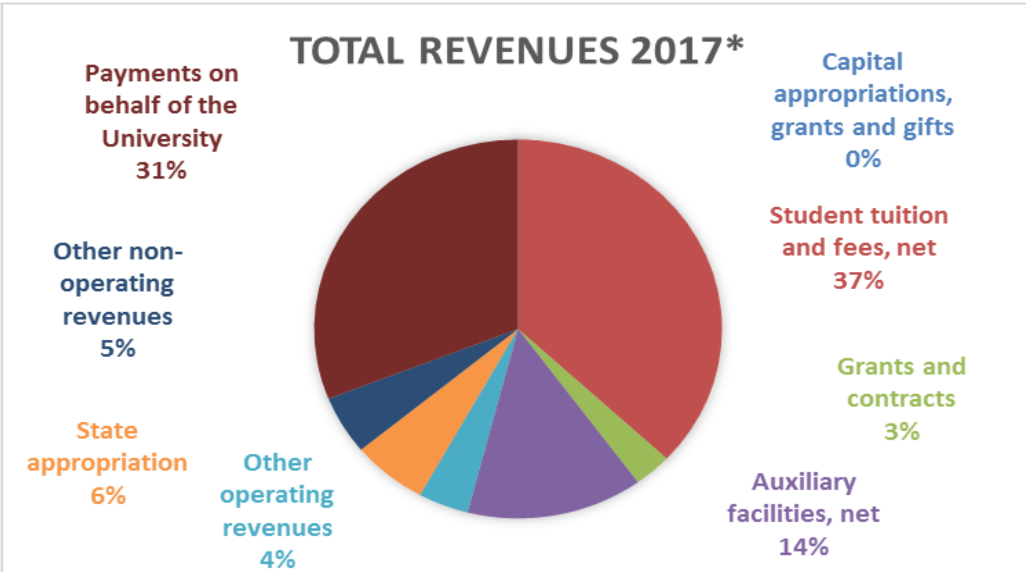
2017	2016	2015 (as restated)
$255,013 / $591,824 = 43.09%	$239,659 / $560,476 = 42.76%	$243,709 / $553,655 = 44.02%

The following summarizes a comparative table of total revenues and total expenses by source/function and percentage:

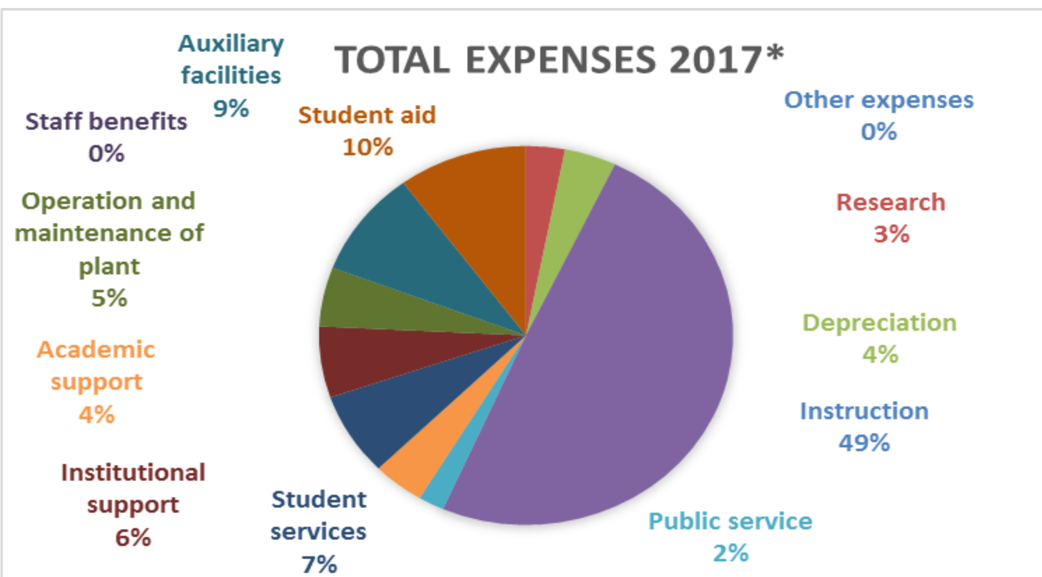
	Percentage *		
	2017	2016	2015 (as restated)
Revenues by source			
Student tuition and fees, net	37 %	36 %	33 %
Grants and contracts	3	3	3
Auxiliary facilities, net	14	16	15
Other operating revenues	4	5	4
State appropriations	6	4	13
Payments on behalf of the University	31	28	24
Other nonoperating revenues	5	8	8
Capital appropriations, gifts and grants	<1	<1	<1
Total revenues by source	100 %	100 %	100 %
Expenses by function			
Instruction	49 %	48 %	36 %
Research	3	3	3
Public service	2	2	3
Academic support	4	4	7
Student services	7	7	9
Institutional support	6	7	10
Operation and maintenance of plant	5	5	8
Depreciation	4	5	4
Staff benefits	<1	<1	<1
Student aid	10	9	10
Auxiliary facilities	9	9	10
Other	<1	<1	<1
Total expenses by function	100 %	100 %	100 %
Expenses by natural classification			
Compensation and benefits	66 %	65 %	64 %
Supplies and services	22	23	22
Scholarships	8	8	10
Depreciation	4	4	4
Total expenses by natural classification	100 %	100 %	100 %

* Due to rounding, the percentages may not add to 100%

The following graph illustrates total revenues by source:



The following graph illustrates total expenditures by function:



* Due to rounding, the percentages may not add to 100%.

Statement of Cash Flows

The statement of cash flows provides information about the University's cash receipts and cash payments. The statement is divided into five sections. The first section deals with operating cash flows and shows the net cash used for the operating activities of the institution. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, non-investing and noncapital financing purposes. The third section shows the cash flows from capital and related financing activities. This section shows the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds and interest received from investing activities. The last section reconciles the operating loss shown on the statement of revenues, expenses and changes in net position to the cash used by operating activities on the statement of cash flows.

Following are condensed statements of cash flows for the years ended June 30, 2017, 2016 and 2015:

(in thousands)	2017	2016	2015 (as restated)
Net cash used in operating activities	$ (36,763)	$ (59,657)	$ (65,070)
Cash flows provided by noncapital financing activities	70,439	81,289	123,067
Cash flows used in capital and related financing activities	(21,273)	(40,797)	(36,259)
Cash flows provided by (used in) investing activities	(5,628)	5,320	(13,528)
Net increase (decrease) in cash and cash equivalents	6,775	(13,845)	8,210
Cash and cash equivalents, beginning of year	41,687	55,532	47,322
Cash and cash equivalents, end of year	$ 48,462	$ 41,687	$ 55,532

The Statement of Cash Flows include gross receipts and disbursements of the agency custodial accounts and direct lending receipts and disbursements that are not included in the Statements of Revenues, Expenses and Changes in Net Position.

Capital Asset and Debt Administration

The University's capital assets include land, land improvements, infrastructure, buildings, equipment, library books and construction in progress.

The following summarizes a table of capital assets, accumulated depreciation and depreciation expense for fiscal years ended June 30, 2017, 2016 and 2015.

(in thousands)

	2017	2016	2015
Capital assets	$ 873,464	$ 865,738	$ 848,056
Accumulated depreciation	448,759	426,990	405,847
Capital assets, net	$ 424,705	$ 438,748	$ 442,209
Depreciation expense	$ 24,658	$ 24,909	$ 24,316

Capital asset funding includes revenue bonds, State capital appropriations, internal funds and certificates of participation. These funding sources are used for student housing buildings and classroom buildings.

The University primarily uses revenue bonds and certificates of participation to fund construction projects. The University also occasionally uses capital leases for certain equipment.

The following summarizes a table of long-term debt, including current principal, for fiscal years ended June 30, 2017, 2016 and 2015.

	2017	2016	2015
Revenue bonds	$ 77,800	$ 82,196	$ 91,385
Certificates of participation	48,185	50,884	53,518
Capital leases	-	-	508

On July 24, 2017, S&P Global Ratings affirmed Illinois State University's rating of "A-" on its Auxiliary Facilities System Revenue Bonds and Certificates of Participation with a stable outlook. As of July 24, 2017, Moody's Investor Service rated Illinois State University's Auxiliary Facilities System Revenue Bonds as "Baa2" and the Certificates of Participation as "Baa3" with a negative outlook.

The debt burden ratio examines the dependence on borrowed funds as a source of financing and the cost of borrowing relative to overall expenses. It compares the level of current debt service with the University's total expenses.

The Debt Burden Ratio (debt service / total expenses) is:

(Thousands of dollars)

2017	2016	2015
$12,259 / $568,895 = 2.15%	$16,144 / $539,204 = 2.99%	$16,059 / $533,935 = 3.00%

Economic Outlook

The Governor's Office of Management and Budget of the State of Illinois reported $14.711 billion of outstanding bills at the end of June 2017, an increase of $6.64 billion from the end of June 2016. On October 20, 2017, the University's Board of Trustees approved a fiscal year 2018 budget for operations consistent with fiscal year 2017, in an amount not to exceed $426,804,000.

The State of Illinois passed a budget on July 6, 2017, that appropriated $33,935,700 to Illinois State University to be recognized as revenue in fiscal year 2018 but can be used to pay fiscal year 2017 costs. Further, Illinois State University was appropriated $65,004,000 to be used towards fiscal year 2018 costs and recognized as revenue in fiscal year 2018.

The University continues to monitor cash flow and make investment decisions accordingly. The University also experienced stable freshman attendance this year, as well as maintaining strong student retention.

The University is not aware of any additional facts, decisions, or conditions that might be expected to have a significant effect on the financial position or results of operations during this and future fiscal years.

State of Illinois
Illinois State University

Statement of Net Position
June 30, 2017
(with Comparative Totals for 2016)

	2017		2016	
	University	**Foundation**	**University**	**Foundation**
Assets				
Current assets:				
Unrestricted				
Cash and cash equivalents	$ 42,713,305	$ 7,819,050	$ 35,479,445	$ 12,981,100
Accrued interest receivable	122,566	-	151,226	-
Accounts receivable, net	27,619,185	362,637	25,822,438	27,248
Student loans receivable, net	7,499,460	-	7,960,047	-
Pledges receivable, net	-	2,316,430	-	3,616,022
Appropriations receivable from State	-	-	6,046	-
Inventories	2,738,862	-	3,010,893	-
Prepaid expenses, deposits and other	2,597,012	-	2,855,637	-
Restricted				
Cash and cash equivalents	5,749,277	-	6,207,625	-
Investments	40,078,450	-	60,798,900	-
Accrued interest receivable	314,086	-	466,647	-
Accounts receivable, net	3,977,503	-	2,358,812	-
Inventories	246,651	-	228,149	-
Prepaid expenses, deposits and other	110,081	-	125,614	-
Total current assets	133,766,438	10,498,117	145,471,479	16,624,370
Noncurrent assets:				
Unrestricted				
Investments	59,002,520	131,194,477	73,758,331	110,231,367
Student loans receivable, net	397,590	-	408,671	-
Pledges receivable, net	-	1,754,611	-	3,111,339
Debt issuance costs	196,310	-	215,555	-
Capital assets not depreciated	26,632,945	980,000	22,561,235	980,000
Capital assets, net of depreciation	398,072,443	6,629,582	416,186,998	6,954,303
Other noncurrent assets	-	4,179,147	300,000	4,093,030
Restricted				
Cash and cash equivalents	-	2,456,109	-	1,680,322
Investments	120,720,750	-	79,692,065	-
Debt issuance costs	409,258	-	439,164	-
Total noncurrent assets	605,431,816	147,193,926	593,562,019	127,050,361
Deferred Outflows of Resources - Pension	650,920	-	671,749	-
Total assets and deferred outflows of resources	739,849,174	157,692,043	739,705,247	143,674,731

State of Illinois
Illinois State University

Statement of Net Position (Continued)
June 30, 2017
(with Comparative Totals for 2016)

	2017		2016	
	University	**Foundation**	**University**	**Foundation**
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	$ 17,412,671	$ 1,316,124	$ 16,682,639	$ 3,152,947
Assets held in custody for others and deposits	6,717,049	-	8,291,942	-
Unearned revenue	10,303,134	300,000	9,641,964	-
Certificates of participation	2,783,545	-	2,698,545	-
Revenue bonds payable	4,486,789	-	4,396,789	-
Accrued compensated absences	1,837,247	-	2,107,022	-
Other	-	144,777	-	442,073
Total current liabilities	43,540,435	1,760,901	43,818,901	3,595,020
Noncurrent liabilities:				
Assets held in custody for others and deposits	9,559	-	18,759	-
Certificates of participation	45,401,927	-	48,185,472	-
Revenue bonds payable	73,312,822	-	77,799,611	-
Accrued compensated absences	13,676,818	-	13,293,983	-
Federal loan program contributions refundable	8,844,326	-	8,844,326	-
Other	-	2,901,758	-	3,243,367
Total noncurrent liabilities	141,245,452	2,901,758	148,142,151	3,243,367
Total liabilities	184,785,887	4,662,659	191,961,052	6,838,387
Net Position				
Net investment in capital assets	300,049,604	2,558,069	308,084,556	4,569,760
Restricted:				
Nonexpendable	-	77,466,381	-	75,658,324
Expendable	165,088,485	60,351,056	142,698,896	47,918,461
Unrestricted	89,925,198	12,653,878	96,960,743	8,689,799
Total net position	$ 555,063,287	$ 153,029,384	$ 547,744,195	$ 136,836,344

The accompanying notes are an integral part of the financial statements.

State of Illinois
Illinois State University

Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2017 and 2016
(with Comparative Totals for 2016)

	2017		2016	
	University	**Foundation**	**University**	**Foundation**
Operating revenues				
Student tuition and fees, net	$ 221,234,933	$ -	$ 201,074,476	$ -
Federal grants and contracts	11,785,392	-	12,137,686	-
State and local grants and contracts	2,319,917	2,446,698	2,808,607	2,248,812
Nongovernmental grants and contracts	3,074,192	-	2,376,493	-
Sales and services of educational activities	2,965,429	-	2,686,102	-
Auxiliary enterprises:				
Auxiliary facilities, net	85,221,127	-	85,467,251	-
Other operating revenues	18,722,881	431,026	26,364,148	440,111
Total operating revenues	345,323,871	2,877,724	332,914,763	2,688,923
Operating expenses				
Educational and general:				
Instruction	289,991,715	-	266,717,820	-
Research	16,163,625	-	16,902,763	-
Public service	12,681,411	-	12,468,905	-
Academic support	23,697,038	-	20,115,091	-
Student services	42,644,836	-	41,253,322	-
Institutional support	35,496,316	-	37,977,450	-
Operations	-	3,678,858	-	3,470,142
Operation and maintenance of plant	29,688,026	-	30,052,862	-
Depreciation	24,657,794	427,753	24,909,190	427,467
Staff benefits	2,402,086	-	1,312,034	-
Student aid	56,740,837	2,561,027	51,994,936	5,473,772
Auxiliary facilities:				
Student housing, activity facilities and parking	52,584,518	-	49,946,816	-
Other operating expenditures	-	296,877	113,438	287,904
Expenditures on behalf of University and students	-	6,202,440	-	4,347,781
Total operating expenses	586,748,202	13,166,955	553,764,627	14,007,066
Operating loss	(241,424,331)	(10,289,231)	(220,849,864)	(11,318,143)
Nonoperating revenues (expenses)				
State appropriations	38,291,000	-	20,934,900	-
Payments on behalf of the University - State	176,090,829	-	152,071,777	-
Payments on behalf of the University - Foundation	5,887,883	-	1,520,963	-
Laboratory schools	7,774,840	-	8,856,709	-
Gifts and donations	310,008	6,573,040	274,133	13,799,053
Investment income (loss), net of investment expenses	(256,783)	15,194,451	4,702,230	(2,948,239)
Interest expense	(5,075,707)	(92,052)	(6,711,753)	(147,424)
Other nonoperating revenues	24,413,995	927,575	36,721,327	950,619
Other nonoperating expenses	-	(130,003)	-	(1,557,220)
Net nonoperating revenues	247,436,065	22,473,011	218,370,286	10,096,789
Income (loss) before capital items	6,011,734	12,183,780	(2,479,578)	(1,221,354)
Capital appropriations	-	-	467,361	-
Capital grants and gifts	1,307,358	-	1,759,134	-
Additions to permanent endowments	-	4,009,260	-	1,895,736
Total capital items	1,307,358	4,009,260	2,226,495	1,895,736
Increase (decrease) in net position	7,319,092	16,193,040	(253,083)	674,382
Net position				
Beginning of year	547,744,195	136,836,344	547,997,278	136,161,962
End of year	$ 555,063,287	$ 153,029,384	$ 547,744,195	$ 136,836,344

The accompanying notes are an integral part of the financial statements.

State of Illinois
Illinois State University

Statement of Cash Flows
For the Years Ended June 30, 2017 and 2016
(with Comparative Totals for 2016)

	2017	2016
Cash flows from operating activities		
Tuition and fees	$ 200,040,188	$ 198,336,630
Grants and contracts	17,973,773	18,044,359
Payments to suppliers	(128,276,576)	(124,074,311)
Payments to employees for salaries and benefits	(222,316,105)	(221,081,840)
Payments for scholarships and fellowships	(46,571,697)	(55,208,762)
Student loans issued	(1,692,799)	(2,094,636)
Collection of student loans	2,158,161	2,189,855
Auxiliary enterprise charges:		
Auxiliary facilities, net	84,462,062	85,767,943
Sales and service of educational activities	2,965,429	2,686,102
Agency custodial receipts	146,011,328	133,203,975
Agency custodial disbursements	(136,692,354)	(142,974,106)
Other receipts	45,176,156	45,547,273
Net cash used in operating activities	(36,762,434)	(59,657,518)
Cash flows from noncapital financing activities		
State appropriations	38,297,046	35,437,139
Gifts and grants for other than capital purposes	-	52
Student direct lending receipts	108,708,357	111,099,727
Student direct lending disbursements	(108,708,357)	(111,099,727)
Other receipts	24,413,994	36,721,328
Laboratory schools	7,727,843	9,130,515
Net cash provided by noncapital financing activities	70,438,883	81,289,034
Cash flows from capital and related financing activities		
Proceeds from issuance of capital debt:		
Capital long-term debt	-	36,363,564
Gifts and grants for capital purposes	105,267	230,290
Net purchases of capital assets	(9,119,034)	(21,620,827)
Principal paid on capital debt and leases	(6,805,000)	(49,972,804)
Interest paid on capital debt and leases	(5,454,187)	(5,797,083)
Net cash used in capital financing activities	(21,272,954)	(40,796,860)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	60,000,000	42,641,000
Interest on investments	4,671,382	4,211,455
Purchase of investments	(70,299,365)	(41,532,450)
Net cash (used in) provided by investing activities	(5,627,983)	5,320,005
Net increase (decrease) in cash and cash equivalents	6,775,512	(13,845,339)
Balance, beginning of year	41,687,070	55,532,409
Balance, end of year	$ 48,462,582	$ 41,687,070

The accompanying notes are an integral part of the financial statements.

State of Illinois
Illinois State University

Statement of Cash Flows (Continued)
For the Years Ended June 30, 2017 and 2016
(with Comparative Totals for 2016)

	2017	2016
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (241,424,331)	$ (220,849,864)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	24,657,794	24,909,190
Education and general payments on behalf of the University	181,978,712	153,592,740
Donated equipment below capitalization threshold	310,008	274,081
Changes in assets and liabilities:		
Accounts receivable, net	(3,416,371)	(15,679,754)
Student loans receivable, net	471,668	81,550
Inventories	253,529	(543,145)
Other assets	574,158	(40,320)
Deferred outflows of resources	20,829	(20,252)
Accounts payable and accrued liabilities	621,433	220,799
Unearned revenue	661,170	(1,714,077)
Assets held in custody for others and deposits	(1,584,093)	1,167,601
Compensated absences	113,060	(1,056,067)
Net cash used in operating activities	$ (36,762,434)	$ (59,657,518)
Supplemental schedule of noncash transactions		
Payments on behalf of the University	$ 181,978,712	$ 153,592,740
Donated capital assets	1,307,358	1,759,134
Capital appropriation acquisitions	-	467,361
Bond accretion	290,335	(449,419)
Donated equipment below capitalization threshold	310,008	274,081
Construction costs in accounts payable	856,547	901,103
Investment income unrealized loss and amortization	(4,746,941)	360,496
Reconciliation of cash and cash equivalents to the statement of net position		
Cash and cash equivalents classified as current assets	$ 42,713,305	$ 35,479,445
Restricted cash and cash equivalents classified as current assets	5,749,277	6,207,625
	$ 48,462,582	$ 41,687,070

The accompanying notes are an integral part of the financial statements.

Note 1. Summary of Significant Accounting Policies

The Financial Reporting Entity and Component Unit Disclosures

The Illinois State University, which is governed by the Board of Trustees, was founded in 1857 and is the oldest public institution of higher learning in Illinois. As required by accounting principles generally accepted in the United States of America, these financial statements present the financial position and financial activities of the University (the primary government) and its discretely presented component unit (the Illinois State University Foundation). The component unit discussed below is included in the University's financial reporting entity (the Entity) due to the significance of its financial relationship with the University and is in accordance with Governmental Accounting Standards Board (GASB) Statement No. 61.

The Illinois State University Foundation (Foundation) is a University Related Organization as defined under the *University Guidelines* adopted by the State of Illinois' Legislative Audit Commission in 1982. The Foundation is reported in a separate column to emphasize that it is a non-profit organization that is legally separate from the University. Complete financial statements for the Foundation may be obtained by writing the Illinois State University Foundation, Campus Box 8000, Normal, Illinois 61790-8000.

The Foundation was incorporated in May 1948 under the "General Not-for-Profit Corporation Act" for the purpose of providing fund-raising and other assistance to the University in order to attract private gifts to support the University's instructional, research, and public service activities. The Foundation is an organization as described in Section 501(c)(3) of the Internal Revenue Code and, accordingly, exempt from federal income tax. *See Note 13, Transactions with Related Organizations*.

The Foundation has formed two limited liability companies (LLCs) to carry out the Foundation's mission to assist the University. The Foundation is a sole member of each of these LLCs. The governing board for each LLC, known as "Launching Futures, LLC" and "Launching Futures II, LLC," consists of the executive officers of the Foundation. This LLC activity is included as part of the Foundation's financial statements.

The University is a component unit of the State of Illinois for financial reporting purposes. The University is a component unit of the State of Illinois because the Governor appoints a majority of the Board of Trustees, the State is able to impose its will on the University, and the potential exists for the University to provide the State specific financial benefits or impose specific financial burdens on the State. The financial balances and activities included in these financial statements are also included in the State of Illinois' Comprehensive Annual Financial Report. The State of Illinois' Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Division of Financial Reporting, 325 West Adams Street, Springfield, Illinois 62704-1871 or accessing its website at www.illinoiscomptroller.gov.

Note 1. Summary of Significant Accounting Policies (Continued)

The Financial Reporting Entity and Component Unit Disclosures (Continued)

Financial Statement Presentation: The University's financial statements include the statement of net position, the statement of revenues, expenses and changes in net position and the statement of cash flows. The financial statements are prepared in accordance with GASB principles and presented on an entity-wide basis.

The basic financial statements include prior year comparative information, which has been derived from the University's 2016 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, 2016. Certain prior year amounts have been reclassified to conform to current year presentations.

New Accounting Standards:

Effective for the year ending June 30, 2018, the University will adopt the following GASB Statements:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* which replaces the requirements of Statement No. 45 and requires governments to report a liability on the face of the financial statements for the other postemployment benefits (OPEB) they provide. The Statement requires more supplementary note disclosures along with standards for recognizing expense and measuring liabilities and deferred outflows of resources. Management believes this statement will have a material impact on the fiscal year 2018 financial statements.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, which provides accounting and financial reporting for irrevocable split-interest agreements in which a government is a beneficiary. Management believes this statement will not have a material impact on the fiscal year 2018 financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues,* which provides guidance to improve consistency in accounting and financial reporting for in-substance defeasance of debt. Management believes this statement will not have a material impact on the fiscal year 2018 financial statements.

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

The Foundation follows the standards for financial statement presentation promulgated by the Financial Accounting Standards Board (FASB). Consequently, reclassifications have been made to convert their financial statements to the GASB format for inclusion in the Foundation column of the financial statements and disclosures.

Note 1. Summary of Significant Accounting Policies (Continued)

The Financial Reporting Entity and Component Unit Disclosures (Continued)

Cash and Cash Equivalents: In accordance with GASB Statement No. 9, cash equivalents are defined as short-term, highly liquid investments that are both:

a. Readily convertible to known amounts of cash.
b. So near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

Generally, only investments with original maturities of three months or less meet this definition.

Restricted Cash and Cash Equivalents: Included in restricted cash and cash equivalents is the unspent proceeds from revenue bonds and certificates of participation. This also includes amounts restricted by bond covenants.

Investments: The University accounts for its investments at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. They are recorded at the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net position.

Accounts Receivable: Accounts receivable consist of tuition and fee charges to students and auxiliary facilities service provided to students, faculty and staff. Accounts receivable also include amounts due from the federal government, State and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Loans to Students: The University makes loans to students under various federal and other loan programs. Such loans receivable are recorded net of estimated uncollectible amounts.

Inventories: Inventories are carried at the lower of cost or market on either the first-in, first-out; weighted average; or average cost methods.

Note 1. Summary of Significant Accounting Policies (Continued)

The Financial Reporting Entity and Component Unit Disclosures (Continued)

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation in the case of gifts. Livestock for educational purposes is recorded at estimated fair value. For equipment, the University's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life of greater than two years. Software and other intangibles with a purchase price greater than $100,000 are capitalized. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. The University reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 40 years for infrastructure and land improvements, 10 years for library books, 5 years for software and 3 to 7 years for equipment.

Unearned Revenue: Unearned revenue includes amounts received for tuition and fees, advance ticket sales and certain auxiliary activities prior to the end of the fiscal year, but related to the subsequent accounting period. Unearned revenue also includes amounts received from grant and contract sponsors that have not yet been earned.

Compensated Absences: Accrued compensated absences includes each employee's earned but unused vacation and sick leave days, including the University's share of Social Security and Medicare taxes, valued at the current rate of pay at the fiscal year-end. The State Finance Act (30 ILCS 105/14a) provides that employees eligible to participate in the State Universities Retirement System are eligible for compensation at time of resignation, retirement, death or other termination of University employment for one-half (1/2) of the unused sick leave earned between January 1, 1984 and December 31, 1997. Any sick leave days that were earned before or after this period of time are not compensable. The liability is recorded at year-end as current and long-term liabilities (*see Note 9*) in the statement of net position. The expense is recorded in the statement of revenues, expenses and changes in net position as a component of operating expenses.

Premiums and Discounts: Premiums and discounts for bonds and certificates of participation are reported within bonds payable and leaseholds payable, respectively, and are amortized over the life of the debt issue using the straight-line method.

Employment Contracts for Certain Academic Personnel: Employment contracts for certain academic personnel provide for twelve monthly salary payments, although the contracted 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 $5,350,987 and $5,429,609 at June 30, 2017 and 2016, respectively, and is recorded in the accompanying financial statements.

Note 1. Summary of Significant Accounting Policies (Continued)

The Financial Reporting Entity and Component Unit Disclosures (Continued)

On-Behalf Payments for Fringe Benefits: In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the University had three sources of financial assistance provided by other entities on behalf of the University during the year ended June 30, 2017. The support provided by these entities on-behalf of the University is reflected as nonoperating revenues and operating expenses within the University's financial statements.

First, the University reported on-behalf payments for its proportionate share of the State's pension expense relative to the State Universities Retirement System for University employees, totaling $105,807,829. Second, substantially all employees participate in group health insurance and postemployment benefit plans provided by the State and administered by the State's Department of Central Management Services (CMS). CMS prepared an estimation of the total employer contributions allocable to the University's employees, totaling $73,361,000, during the year ended June 30, 2017. The University paid $3,078,000 and the State contributed, on-behalf of the University, $70,283,000 to meet this obligation. Finally, the Foundation made payments on-behalf of the University for salaries and benefits, totaling $1,630,047.

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

For the purpose 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 of 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 Position: The University's net position is classified as follows:

Net investment in capital assets: This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Note 1. Summary of Significant Accounting Policies (Continued)

The Financial Reporting Entity and Component Unit Disclosures (Continued)

Restricted net position - nonexpendable: Nonexpendable restricted net position consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted net position - expendable: Restricted expendable net position includes resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted net position: Unrestricted net position represents resources derived from student tuition and fees, State appropriations, and sales and services of educational departments and auxiliary facilities. These resources are not subject to externally imposed stipulations but may be designated for specific purposes by action of management or the Board of Trustees.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Taxes: Certain activities of the University are subject to State sales tax and some activities may be subject to taxation as unrelated business income under the Internal Revenue Code.

Classification of Revenue: The University has classified its revenue as either operating or nonoperating revenue according to the following criteria:

***Operating revenue*:** Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary facilities, net of scholarship discounts and allowances, (3) most federal, State and local grants and contracts except for certain student financial aid classified as nonoperating revenues and (4) interest on institutional student loans, (5) other operating revenue consists of indirect cost recovery, event tickets, conference income and other miscellaneous fees.

Nonoperating revenue: Nonoperating revenue includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions. Other significant revenues that are expected to be recurring, including Pell grants, Federal Supplemental Educational Opportunity grants, State Monetary Award Program grants and State appropriations, are considered nonoperating revenues under GASB Statement No. 34.

Classification of Expenses: The majority of the University’s expenses are exchange transactions, which GASB defines as operating expenses for financial statement preparation. Nonoperating expenses include interest expense at the University and expenditures for University-related capital projects at the Foundation.

Note 1. Summary of Significant Accounting Policies (Continued)

The Financial Reporting Entity and Component Unit Disclosures (Continued)

Scholarship Discounts and Allowances: Student tuition and fee revenue, and certain other revenue from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net position using the National Association of College and University Business Officers' Advisory Report 2000-05's alternate method calculations. Stipends and other payments made directly to students are reported as scholarship and fellowship expense. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants and other federal, State or nongovernmental programs, are recorded as either operating or nonoperating revenue in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance. The portion of tuition and fees from summer classes applicable to the subsequent fiscal year are recorded as unearned revenue during the current fiscal year and are recognized as revenue during the next fiscal year.

	2017	2016
Student tuition and fees	$ 274,197,711	$ 261,513,908
Less scholarship discounts and allowances	(51,878,178)	(59,384,983)
Less discounts for employee waivers	(1,084,600)	(1,054,449)
Net student tuition and fees	$ 221,234,933	$ 201,074,476
Auxiliary facilities	$ 97,272,516	$ 97,008,419
Less scholarship discounts and allowances	(12,051,389)	(11,541,168)
Net auxiliary facilities	$ 85,221,127	$ 85,467,251

Use of Estimates in Preparing Financial Statements: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Deposits

At June 30, 2017 and 2016, the University's bank balances were $23,483,309 and $32,752,063, respectively, and were covered by the Federal Deposit Insurance Corporation or pledged collateral held by the pledging financial instruction in the University's name. The University has no exposure to foreign currency risk.

Foundation Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, deposits may not be returned. The Federal Deposit Insurance Corporation or the Security Investor Protection Corporation insured account had a balance of $2,583,383 and $2,782,866 at June 30, 2017 and 2016, respectively. Bank balances of $8,227,745 and $12,000,000 at June 30, 2017 and 2016, respectively, were invested in investment sweep funds secured by U.S. government obligations.

	2017		2016	
Deposits:	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
University				
Bank checking funds	$ 23,483,309	$ 17,803,184	$ 32,752,063	$ 27,352,940
Foundation				
Cash in bank	$ 10,811,128	$ 10,275,159	$ 14,782,866	$ 14,661,422

Reconciliation of cash and cash equivalents to deposits:

	2017	
	University	Foundation
Cash and cash equivalents		
Current	$ 48,462,582	$ 7,819,050
Noncurrent	-	2,456,109
Total cash and cash equivalents	48,462,582	10,275,159
Less: Vault cash and change funds	(168,549)	-
Less: Money market mutual funds classified as investments for purposes of categorization	(30,490,849)	-
Carrying amount of deposits	$ 17,803,184	$ 10,275,159

	2016	
	University	Foundation
Cash and cash equivalents		
Current	$ 41,687,070	$ 12,981,100
Noncurrent	-	1,680,322
Total cash and cash equivalents	41,687,070	14,661,422
Less: Vault cash and change funds	(159,960)	-
Less: Money market mutual funds classified as investments for purposes of categorization	(14,174,170)	-
Carrying amount of deposits	$ 27,352,940	$ 14,661,422

Note 3. Investments

University Investments

As of June 30, 2017, the University had the following investments:

	Fair Market Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	S&P/Moody's Rating
U.S. Treasuries	$ 75,431,900	$ 10,019,450	$ 65,412,450	$ -	N/A/AAA
Federal Farm Credit Bank	14,968,800	5,000,800	9,968,000	-	AA+/AAA
Federal Home Loan Bank	129,401,020	25,058,200	104,342,820	-	AA+/AAA
Illinois Funds Investment Pool	26,847,811	26,847,811	-	-	AAAm
Bank Money Market Funds	3,643,038	3,643,038	-	-	AAAm/Aaamf
Total University	$ 250,292,569	$ 70,569,299	$ 179,723,270	$ -	

	Fair Market Value	Level 1	Level 2	Level 3
U.S. Treasuries	$ 75,431,900	$ 75,431,900	$ -	$ -
Bank Money Market Funds	3,643,038	3,643,038	-	-
Federal Farm Credit Bank	14,968,800	-	14,968,800	-
Federal Home Loan Bank	129,401,020	-	129,401,020	-
Total University	$ 223,444,758	$ 79,074,938	$ 144,369,820	$ -

GASB 72 Leveling: Level 1 inputs are quoted prices from active markets for identical assets that can be accessed at a measurement date. Level 2 inputs are derived from observable market data, either directly or indirectly that are other than Level 1.

Interest Rate Risk: The University does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk: The University places no limit on the amount that may be invested in any one issuer. More than *5*% of the University investments are in Federal Farm Credit Bank (5.98%) and Federal Home Loan Bank (51.7%).

Credit Risk: State law authorizes investments of U.S. Government Securities (Treasuries and Agencies), commercial paper (not more than 33% of total cash and investments), money market mutual funds and repurchase agreements. The University's investments are rated by the Moody's Investors Service and the Standard & Poor's Corporation.

Note 3. Investments (Continued)

The Illinois Funds is an external investment pool administered by the State Treasurer. The value of the University's investment fund is the same as the value of pool shares and the investments are reported by the State Treasurer at amortized cost. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provisions of the Public Funds Investment Act (30 ILCS 235), the State Treasurer Act (15 ILCS 505/17) and the Deposit of State Moneys Act (15 ILCS 520/22.5). The University has adopted a formal written investment and cash management policy.

As of June 30, 2016, the University had the following investments:

	Fair Market Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	S&P/Moody's Rating
U.S. Treasuries	$ 66,670,000	$ 10,060,950	$ 46,609,050	$ 10,000,000	AAA
Federal Farm Credit Bank	25,352,500	10,154,100	15,198,400	-	AA+/AAA
Federal Home Loan Bank	122,226,796	40,583,850	81,642,946	-	AA+/AAA
Illinois Funds Investment Pool	9,788,888	9,788,888	-	-	AAAm
Bank Money Market Funds	4,385,282	4,385,282	-	-	AAAm/Aaa
Total University	$ 228,423,466	$ 74,973,070	$ 143,450,396	$ 10,000,000	

	Fair Market Value	Level 1	Level 2	Level 3
U.S. Treasuries	$ 66,670,000	$ 66,670,000	$ -	$ -
Bank Money Market Funds	4,385,282	4,385,282	-	-
Federal Farm Credit Bank	25,352,500	-	25,352,500	-
Federal Home Loan Bank	122,226,796	-	122,226,796	-
Total University	$ 218,634,578	$ 71,055,282	$ 147,579,296	$ -

Concentration of Credit Risk: The University places no limit on the amount that may be invested in any one issuer. More than *5*% of the University investments are in Federal Farm Credit Bank (11.1%) and Federal Home Loan Bank (53.5%).

Note 3. Investments (Continued)

Foundation Investments

The carrying value of the investment portfolio of the Foundation at June 30, 2017, is as follows:

	Fair Market Value	Level 1	Level 2	Level 3
U.S. Treasury Notes	$ 31,886	$ -	$ 31,886	$ -
Common Stock	528,624	528,624	-	-
Mutual Funds investing in:				
Stocks	205,367	-	205,367	-
Bonds	1,360,427	-	1,360,427	-
International	77,866	-	77,866	-
Real Assets Marketable Funds	2,278,465	-	2,278,465	-
Hedged and Alternative Funds	66,598	-	66,598	-
Real Estate Investment	600,631	-	-	600,631
Total Foundation	$ 5,149,864	$ 528,624	$ 4,020,609	$ 600,631

The carrying value of the investment portfolio of the Foundation at June 30, 2016, is as follows:

	Fair Market Value	Level 1	Level 2	Level 3
U.S. Treasury Notes	$ 26,173	$ -	$ 26,173	$ -
Common Stock	455,720	455,720	-	-
Mutual Funds investing in:				
Stocks	111,015	-	111,015	-
Bonds	1,256,569	-	1,256,569	-
International	96,066	-	96,066	-
Real Assets Marketable Funds	2,282,696	-	2,282,696	-
Hedged and Alternative Funds	39,838	-	39,838	-
Real Estate Investment	600,631	-	-	600,631
Total Foundation	$ 4,868,708	$ 455,720	$ 3,812,357	$ 600,631

Note 3. Investments (Continued)

Foundation Investments (continued)

The following table sets forth additional disclosure of the Foundation's investments whose fair value is estimated using NAV per share (or its equivalent) as of June 30, 2017 and 2016, respectively.

	Fair Value 2017	Fair Value 2016	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Mutual Funds investing in:					
Stocks	$ 67,773,135	$ 54,581,955	$ -	Monthly	5 Days
Bonds	7,537,492	6,107,563	-	Weekly	5 Days
Commodities	-	395,796	-	Monthly	5 Days
Real Assets Marketable Funds	13,068,106	10,321,937	12,978,485	(A)	(A)
Hedged and Alternative Funds	37,665,880	33,955,408	7,181,508	(B)	(B)
Total Foundation	$ 126,044,613	$ 105,362,659	$ 20,159,993		

(A) The partnerships in this category consist of funds that invest in multiple limited partnerships with various investment strategies. Investments include private real estate funds that target a 13%-18% compounded annual rate, as well as equity investments and property acquisition strategies. A small portion of these funds can be redeemed quarterly with a redemption notice period of 120 days with the majority not redeemable until the termination date of the fund, which ranges from 2/15/2020 to 12/13/2026.

(B) The partnerships in this category consist of funds that invest in the following types of investments in the USA and various international markets: private equity, venture capital, stressed debt, special situation and mezzanine debt investments, growth equity, buyouts, venture capital, common stocks, and equity investments. A portion of these funds are redeemable quarterly and semi-annually, with a redemption notice period of 65 – 95 days. The majority are not redeemable until the termination date of the fund, which ranges from 3/30/2017 – 5/16/2029.

Interest Rate Risk: The Foundation's investment policy requires the average duration of the fixed income portfolio to be within 20% of the duration of the index to which the portfolio is benchmarked.

Note 3. Investments (Continued)

Foundation Investments (Continued)

Foreign Currency Risk. Foreign currency risk exists when there is a possibility that changes in exchange rates could adversely affect investments denominated in foreign currencies. The Foundation does not have a formal policy that addresses foreign currency risk.

As of June 30, 2017, the Foundation had $12,707,461 in U.S. dollar balances of international mutual fund investments exposed to foreign currency risk. Listed below are the U.S. dollar balances of the Foundation's international mutual fund investments exposed to foreign currency risk as of June 30, 2017:

	Global Equity
British Pound	$ 2,649,929
Euro	5,442,182
Hong Kong Dollar	1,016,597
Other (individually below 5% of total)	3,598,753
Total	$ 12,707,461

Credit Risk: Credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its obligations. The Foundation's investment policy states that no more than 25% of the fixed income portfolio may be rated below investment grade.

As of June 30, 2017, the Foundation had the following investments exposed to interest rate risk and credit risk:

	Fair Market Value	Weighted Average Life	S&P Rating
U.S. Treasury Notes	$ 31,886	5.74 years	AAA
Bond Mutual Funds	8,705,672	8.19 years	A+

As of June 30, 2016, the Foundation had the following investments exposed to interest rate risk and credit risk:

	Fair Market Value	Weighted Average Life	S&P Rating
U.S. Treasury Notes	$ 26,173	1.63 years	AAA
Bond Mutual Funds	7,364,132	6.24 years	A+
Commodities Mutual Funds	395,796	0.3 years	AA-

Note 3. Investments (Continued)

Investments consist of the following:

	2017		2016	
	University	Foundation	University	Foundation
Current:				
Investments	$ 40,078,450	$ -	$ 60,798,900	$ -
Noncurrent:				
Investments	179,723,270	131,194,477	153,450,396	110,231,367
	219,801,720	131,194,477	214,249,296	110,231,367
Money market mutual funds classified as cash and cash equivalents	30,490,849	-	14,174,170	-
Total	$ 250,292,569	$ 131,194,477	$ 228,423,466	$ 110,231,367

Bond resolutions restrict investments in the Auxiliary Debt Retirement account to U.S. Government securities. All other auxiliary facilities money may be invested in any instrument permitted by the laws of the State of Illinois for the investment of public funds.

Foundation policy states that assets are to be invested in a diversified portfolio of equity, fixed income and alternative strategies. No investment is to be made that will cause the total investment in equities or fixed income securities issued or guaranteed by any one person, firm, or corporation to exceed five percent of the then fair market value of the Foundation; provided, this restriction is not to apply to either well diversified mutual funds, pooled funds, unit trust, or the like, or direct obligations of the U.S. government and its fully guaranteed agencies. Equity investments have an asset allocation range from 50% to 70% of the portfolio with a target weight of 60%; fixed income investments have an asset allocation range from 0% to 15% with a target weight of 7%; marketable alternative investments have an asset allocation range from 10% to 30% with a target weight of 20%; and real assets have an asset allocation range from 5% to 23% with a target weight of 13%.

Note 4. Accounts Receivable

Accounts receivable consist of the following at June 30, 2017 and 2016:

	2017	2016
Student tuition and fees	$ 24,688,294	$ 11,828,409
Auxiliary facilities and other operating activities	5,048,513	3,412,534
Other	963,783	11,801,282
Federal, state, and private grants and contracts	3,557,250	3,548,219
Subtotal	34,257,840	30,590,444
Less allowance for uncollectible accounts	(2,661,152)	(2,409,194)
Net accounts receivable	$ 31,596,688	$ 28,181,250

Note 5. Student Loans Receivable

Student loans receivable at June 30, 2017 and 2016, are summarized as follows:

	2017	2016
Perkins student loan fund	$ 8,432,835	$ 8,902,077
Nursing loan fund	487,910	473,559
University loan fund	33,452	29,229
Subtotal	8,954,197	9,404,865
Less allowance for uncollectible accounts	(1,057,147)	(1,036,147)
Net student loans receivable	$ 7,897,050	$ 8,368,718
Estimated current portion	$ 7,499,460	$ 7,960,047
Estimated noncurrent portion	397,590	408,671
Total	$ 7,897,050	$ 8,368,718

Effective September 30, 2015, the federal government discontinued the Perkins Loan Program. As a result, the University has classified all receivables in the Perkins student loan fund as current.

Note 6. Foundation Pledges Receivable

Foundation pledges receivable at June 30, 2017 and 2016, are summarized as follows:

	2017	2016
Pledges to be collected	$ 4,305,902	$ 6,970,826
Less discount for the time value of money	(57,296)	(67,456)
Less allowance for uncollectible accounts	(177,565)	(176,009)
Net foundation pledges receivable	$ 4,071,041	$ 6,727,361
Estimated current portion	$ 2,316,430	$ 3,616,022
Estimated noncurrent portion	1,754,611	3,111,339
Total	$ 4,071,041	$ 6,727,361

Note 7. Unearned Revenue

Unearned revenue consists of the following at June 30, 2017 and 2016:

	2017	2016
Prepaid tuition and fees	$ 7,904,371	$ 6,290,375
Auxiliary facilities	768,743	750,522
Grants and contracts	1,520,447	2,497,182
Other	109,573	103,885
Unearned revenue	$ 10,303,134	$ 9,641,964

Note 8. Capital Assets

Capital asset activity for the year ended June 30, 2017, is summarized as follows:

University

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital assets not being depreciated					
Land	$ 16,122,895	$ -	$ -	$ 4,654,617	$ 20,777,512
Construction in progress	6,438,340	5,731,333	-	(6,314,240)	5,855,433
Total capital assets not being depreciated	22,561,235	5,731,333	-	(1,659,623)	26,632,945
Capital assets being depreciated					
Site improvements	34,292,125	558,606	-	1,214,243	36,064,974
Infrastructure	13,146,983	-	-	-	13,146,983
Buildings	578,100,829	342,888	(42,000)	445,380	578,847,097
Equipment	88,570,047	3,350,334	(2,917,860)	-	89,002,521
Internally generated software	30,692,278	-	-	-	30,692,278
Library materials	98,375,046	703,021	-	-	99,078,067
Total capital assets being depreciated	843,177,308	4,954,849	(2,959,860)	1,659,623	846,831,920
Less accumulated depreciation for					
Site improvements	14,765,798	964,116	-	-	15,729,914
Infrastructure	7,901,803	302,342	-	-	8,204,145
Buildings	243,313,656	13,212,935	(42,000)	-	256,484,591
Equipment	76,206,006	4,475,099	(2,846,627)	-	77,834,478
Internally generated software	6,076,493	2,040,239	-	-	8,116,732
Library materials	78,726,554	3,663,063	-	-	82,389,617
Total accumulated depreciation	426,990,310	24,657,794	(2,888,627)	-	448,759,477
Total capital assets being depreciated, net	416,186,998	(19,702,945)	(71,233)	1,659,623	398,072,443
Capital assets, net	$ 438,748,233	$ (13,971,612)	$ (71,233)	$ -	$ 424,705,388

Foundation

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital assets not being depreciated	$ 980,000	$ -	$ -	$ -	$ 980,000
Capital assets being depreciated	11,018,914	103,032	-	-	11,121,946
Less accumulated depreciation	4,064,611	427,753	-	-	4,492,364
Total capital assets being depreciated	6,954,303	(324,721)	-	-	6,629,582
Capital assets, net	$ 7,934,303	$ (324,721)	$ -	$ -	$ 7,609,582

Note 8. Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2016, is summarized as follows:

University

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital assets not being depreciated					
Land	$ 15,905,796	$ -	$ -	$ 217,099	$ 16,122,895
Construction in progress	21,826,436	10,818,601	-	(26,206,697)	6,438,340
Total capital assets not being depreciated	37,732,232	10,818,601	-	(25,989,598)	22,561,235
Capital assets being depreciated					
Site improvements	35,013,200	-	(721,075)	-	34,292,125
Infrastructure	13,146,983	-	-	-	13,146,983
Buildings	570,379,685	1,399,773	-	6,321,371	578,100,829
Equipment	97,117,676	4,720,870	(3,156,010)	(10,112,489)	88,570,047
Internally generated software	-	911,562	-	29,780,716	30,692,278
Library materials	94,666,343	3,708,703	-	-	98,375,046
Total capital assets being depreciated	810,323,887	10,740,908	(3,877,085)	25,989,598	843,177,308
Less accumulated depreciation for					
Land improvements	14,447,795	997,016	(679,013)	-	14,765,798
Infrastructure	7,599,460	302,343	-	-	7,901,803
Buildings	230,222,929	13,090,727	-	-	243,313,656
Equipment	78,580,884	4,833,600	(3,086,474)	(4,122,004)	76,206,006
Internally generated software	-	1,954,489	-	4,122,004	6,076,493
Library materials	74,995,539	3,731,015	-	-	78,726,554
Total accumulated depreciation	405,846,607	24,909,190	(3,765,487)	-	426,990,310
Total capital assets being depreciated, net	404,477,280	(14,168,282)	(111,598)	25,989,598	416,186,998
Capital assets, net	$ 442,209,512	$ (3,349,681)	$ (111,598)	$ -	$ 438,748,233

Foundation

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital assets not being depreciated	$ 980,000	$ -	$ -	$ -	$ 980,000
Capital assets being depreciated	10,872,013	146,901	-	-	11,018,914
Less accumulated depreciation	3,637,144	427,467	-	-	4,064,611
Total capital assets being depreciated	7,234,869	(280,566)	-	-	6,954,303
Capital assets, net	$ 8,214,869	$ (280,566)	$ -	$ -	$ 7,934,303

Capitalized Interest: During fiscal year ended 2017 and 2016, the University capitalized $84,881 and $348,502, net of interest expense realized in the amount $5,075,707 and $6,711,753 for construction projects, respectively.

Note 9. Long-term Liabilities

University Long-term Liabilities

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Total				
Accrued compensated absences	$ 15,401,005	$ 1,438,383	$ (1,325,323)	$ 15,514,065
Certificates of participation, net	50,884,017	-	(2,698,545)	48,185,472
Revenue bonds payable, net	82,196,400	-	(4,396,789)	77,799,611
Total	$ 148,481,422	$ 1,438,383	$ (8,420,657)	$ 141,499,148
Current portion				
Accrued compensated absences	$ 2,107,022			$ 1,837,247
Certificates of participation, net	2,698,545			2,783,545
Revenue bonds payable, net	4,396,789			4,486,789
Total current portion	$ 9,202,356			$ 9,107,581
Noncurrent portion				
Accrued compensated absences	$ 13,293,983			$ 13,676,818
Certificates of participation, net	48,185,472			45,401,927
Revenue bonds payable, net	77,799,611			73,312,822
Total noncurrent portion	$ 139,279,066			$ 132,391,567

Note 9. Long-term Liabilities (Continued)

University Long-term Liabilities (Continued)

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Total				
Accrued compensated absences	$ 16,457,070	$ 908,113	$ (1,964,178)	$ 15,401,005
Certificates of participation	53,517,563	-	(2,633,546)	50,884,017
Revenue bonds payable	91,385,379	37,124,575	(46,313,554)	82,196,400
Total	$ 161,360,012	$ 38,032,688	$ (50,911,278)	$ 148,481,422
Current portion				
Accrued compensated absences	$ 2,048,201			$ 2,107,022
Certificates of participation	2,633,545			2,698,545
Revenue bonds payable, net	6,941,053			4,396,789
Total current portion	$ 11,622,799			$ 9,202,356
Noncurrent portion				
Accrued compensated absences	$ 14,408,869			$ 13,293,983
Certificates of participation	50,884,018			48,185,472
Revenue bonds payable, net	84,444,326			77,799,611
Total noncurrent portion	$ 149,737,213			$ 139,279,066

Note 9. Long-term Liabilities (Continued)

University Long-term Liabilities (Continued)

Revenue bonds payable at June 30, 2017 and 2016, consists of the following:

	2017	2016
Revenue Bonds, Series 2008:		
New Project Bonds	$ 24,145,000	$ 25,165,000
Revenue Bonds, Series 2012:		
New Project Bonds	18,230,000	18,230,000
New Project Bonds, Taxable	585,000	1,550,000
Revenue Bonds, Series 2016:		
Refunding Bonds	31,210,000	33,320,000
Total Revenue Bonds payable	$ 74,170,000	$ 78,265,000

Maturities and interest requirements on revenue bonds payable at June 30, 2017, are as follows:

Year Ending June 30	Principal	Interest	Total
2018	$ 4,185,000	$ 3,298,631	$ 7,483,631
2019	4,335,000	3,144,441	7,479,441
2020	4,520,000	2,956,391	7,476,391
2021	4,730,000	2,753,166	7,483,166
2022	4,940,000	2,539,167	7,479,167
Subtotal	22,710,000	14,691,796	37,401,796
2023-2027	28,390,000	8,993,131	37,383,131
2028-2032	20,970,000	3,029,076	23,999,076
2033	2,100,000	105,000	2,205,000
Subtotal	74,170,000	$ 26,819,003	$ 100,989,003
Additions (deductions):			
Unamortized premiums	3,629,611		
Total	$ 77,799,611		

Note 9. Long-term Liabilities (Continued)

University Long-term Liabilities (Continued)

The Series 2008, 2012 and 2016 bonds are secured by a pledge of the net revenue of auxiliary facilities, as well as the pledged portion of the tuition, health service and athletic and service fees charged to students. None of these revenue bonds constitute obligations of the State.

On March 1, 2008, $30,635,000 in Revenue Bonds, Series 2008 were issued. The New Project Bonds mature beginning April 1, 2011, and continuing through April 1, 2033. These New Project Bonds bear interest from 2.70% to 5.00%. Interest is payable on April 1 and October 1 of each year, commencing October 1, 2008.

On May 16, 2012, $21,280,000 in Revenue Bonds, Series 2012 were issued. The Series 2012 Bonds consisted of $18,230,000 of Series 2012A Bonds and $3,050,000 Series 2012B (taxable) Bonds. The Series 2012A Bonds mature beginning April 1, 2018, and continuing through April 1, 2032. The Series 2012A Bonds bear interest from 3.00% to 4.00%. Interest is payable on April 1 and October 1 of each year, commencing on October 1, 2012. The Series 2012B Bonds mature beginning April 1, 2014, and continuing through April 1, 2018. The Series 2012B Bonds bear interest from 1.30% to 2.40%. Interest is payable on April 1 and October 1 of each year, commencing on October 1, 2012.

On March 31, 2016, $33,320,000 in Revenue Bonds, Series 2016 were issued. Proceeds of the bonds were used to refund the outstanding principal of the Series 2006 Revenue Bonds. The refunding resulted in a net decrease in the debt service payment of $7,095,252 and an estimated savings of $3,604,868 in present value. The Series 2016 Bonds mature beginning April 1, 2017, and continuing through April 1, 2029. These refunding bonds bear interest from 2.00% to 5.00%. Interest is payable on April 1 and October 1 of each year, commencing October 1, 2016.

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

During September 2016, the University calculated $1,763,614 in unrestricted cash within the University's Auxiliary Facilities System were excess funds and transferred this amount into the University's Income Fund. During this fiscal year's financial audit, it was determined the non-capital assets associated with the University's Auxiliary Facilities System should have been classified as restricted assets not subject to transfer into the University's Income Fund. As such, the associated cash within the University's financial statements were reclassified to eliminate the mistaken transfer.

Pledged Revenue and Service Requirements

The University has pledged fees relating to tuition, health services, athletics, health insurance, student activities and all other fees (excluding laboratory and library fees) collected from students, to repay the principal and interest of revenue bonds. A total of $100,989,003 of future revenues is pledged through 2033. Debt service to pledged revenues for the current year is 3.636%.

Note 9. Long-term Liabilities (Continued)

Certificates of Participation Payable

On June 4, 2008, $22,230,000 in Certificates of Participation were issued. The Series 2008 Certificates of Participation mature beginning April 1, 2010, continuing through April 1, 2028. These Certificates of Participation bear interest from 3.00% to 4.50%. Interest is payable on April 1 and October 1 of each year, commencing October 1, 2008.

On May 17, 2011, $15,000,000 in Certificates of Participation were issued. The Series 2011 Certificates of Participation mature beginning April 1, 2012, continuing through April 1, 2032. These Certificates of Participation bear interest from 4.00% to 5.375%. Interest is payable on April 1 and October 1 of each year, commencing October 1, 2011.

On May 14, 2014, $25,000,000 in Certificates of Participation were issued. The Series 2014 Certificates of Participation consisted of $9,200,000 of Series 2014A-1 Certificates of Participation and $15,800,000 Series 2014A-2 Certificates of Participation. The Series 2014A-1 Certificates of Participation mature beginning April 1, 2015, and continuing through April 1, 2023. The Series 2014A-1 Certificates of Participation bear interest at 2.29%. Interest is payable on April 1 and October 1 of each year, commencing on October 1, 2014. The Series 2014A-2 Certificates of Participation mature beginning April 1, 2024, and continuing through April 1, 2034. The Series 2014A-2 Certificates of Participation bear interest from 3.625% to 4.125%. Interest is payable on April 1 and October 1 of each year, commencing on October 1, 2014.

Maturities and interest requirements on certificates of participation at June 30, 2017, are as follows:

Year Ending June 30	Principal	Interest	Total
2018	$ 2,795,000	$ 1,958,600	$ 4,753,600
2019	2,885,000	1,863,729	4,748,729
2020	2,985,000	1,765,600	4,750,600
2021	3,100,000	1,661,876	4,761,876
2022	3,220,000	1,550,303	4,770,303
Subtotal	14,985,000	8,800,108	23,785,108
2023-2027	17,700,000	5,708,599	23,408,599
2028-2032	12,215,000	2,230,419	14,445,419
2033-2034	3,455,000	215,325	3,670,325
Subtotal	48,355,000	$ 16,954,451	$ 65,309,451
Additions (deductions):			
Unamortized discounts	(212,898)		
Unamortized premiums	43,370		
Total	$ 48,185,472		

Note 9. Long-term Liabilities (Continued)

University Long-term Liabilities (Continued)

Accrued Compensated Absences

Compensated absences consist of accrued vacation and sick leave. The total for accrued vacation and sick leave for the University is shown below:

	Vacation	Sick	Total
2017	$ 12,473,376	$ 3,040,689	$ 15,514,065
2016	12,041,446	3,359,559	15,401,005

Foundation Long-term Liabilities

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Total				
Beneficiary payments	$ 320,898	$ 102,392	$ (39,425)	$ 383,865
Deferred rent	600,000	-	(300,000)	300,000
Contract-for-deed payable	2,764,542	-	(101,872)	2,662,670
Total	$ 3,685,440	$ 102,392	$ (441,297)	$ 3,346,535
Current portion				
Beneficiary payments	$ 40,200			$ 39,400
Deferred rent	300,000			300,000
Contract-for-deed payable	101,873			105,377
Total current portion	$ 442,073			$ 444,777
Noncurrent portion				
Beneficiary payments	$ 280,698			$ 344,465
Deferred rent	300,000			-
Contract-for-deed payable	2,662,669			2,557,293
Total noncurrent portion	$ 3,243,367			$ 2,901,758

Note 9. Long-term Liabilities (Continued)

Foundation Long-term Liabilities (Continued)

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Total				
Beneficiary payments	$ 280,083	$ 81,031	$ (40,216)	$ 320,898
Deferred rent	900,000	-	(300,000)	600,000
Contract-for-deed payable	2,816,930	-	(52,388)	2,764,542
Total	$ 3,997,013	$ 81,031	$ (392,604)	$ 3,685,440
Current portion				
Beneficiary payments	$ 31,300			$ 40,200
Deferred rent	300,000			300,000
Contract-for-deed payable	89,536			101,873
Total current portion	$ 420,836			$ 442,073
Noncurrent portion				
Beneficiary payments	$ 248,783			$ 280,698
Deferred rent	600,000			300,000
Contract-for-deed payable	2,727,394			2,662,669
Total noncurrent portion	$ 3,576,177			$ 3,243,367

Note 9. Long-term Liabilities (Continued)

Foundation Contract-for-Deed Payable

A contract at June 30, 2017, consisted of a $3,300,000 installment contract-for-deed secured by the Alumni Center building. The contract requires 119 monthly payments of $16,160 at 3.34% interest with a final payment of the remaining outstanding balance.

Maturities and interest requirements on the contract payable at June 30, 2017, are as follows:

Year Ending June 30	Principal	Interest	Total
2018	$ 105,377	$ 88,548	$ 193,925
2019	109,001	84,924	193,925
2020	112,528	81,397	193,925
2021	116,620	77,304	193,924
2022	120,632	73,293	193,925
Subtotal	564,158	405,466	969,624
2023-2026	2,098,512	223,166	2,321,678
Total	$ 2,662,670	$ 628,632	$ 3,291,302

Note 10. Leases

Operating Leases

The University has entered into agreements to lease recreational space and office space that the University is treating as operating leases. Rent expense for the years ended June 30, 2017 and 2016 was $1,699,317 and $1,450,613, respectively. The leases expire between June 2017 and October 2022.

Following is a schedule of future minimum lease payments.

Year Ending June 30	Amount
2018	$ 1,570,050
2019	1,197,635
2020	821,623
2021	131,945
2022	127,500
Total	$ 3,848,753

In 1990, the Foundation established a Chicago office to provide the University with direct access to Chicago-area alumni, corporations and Foundation networks. Lease payments for the Chicago office were $85,395 in 2017 and $81,340 in 2016. The original lease expired in December 2014 and was renewed for an additional five years with the first five months of rent abated per the renewal agreement.

Following is a schedule of future minimum lease payments.

Year Ending June 30	Amount
2018	$ 89,582
2019	91,838
2020	46,295
Total	$ 227,715

The University leases eleven and twelve vehicles for the Athletic Department employees at a cost of $44,825 and $43,500 in fiscal years 2017 and 2016, respectively. The Foundation makes the payments on these leased vehicles. All eleven vehicle leases expire during fiscal year 2020.

Note 10. Leases (Continued)

Operating Leases (Continued)

Following is a schedule of future minimum lease payments.

Year Ending June 30		Amount
2018	$	42,900
2019		42,900
2020		7,150
Total	$	92,950

Note 11. Defined Benefit Pension 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 pension plan with a special funding situation whereby the State of Illinois (State) makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941, to provide retirement annuities and other benefits for staff members and employees of State universities, certain affiliated organizations, and certain other State educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the State's financial reports as a pension trust fund. SURS is governed by Chapter 40, Act 5, Article 15, of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.surs.org.

Benefits Provided: A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed six months after their date of hire to make an irrevocable election. A summary of the benefit provisions as of June 30, 2016 can be found in SURS' Comprehensive Annual Financial Report's Notes to the Financial Statements.

Note 11. Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

Contributions: The State 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 2016 and 2017, respectively, was 12.69% and 12.53% 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% (up to 9.5% for police officers) of their annual covered salary. The contribution requirements of plan members and employers are established and may be amended by the 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 Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Net Pension Liability: The net pension liability (NPL) was measured as of June 30, 2016. At June 30, 2016, SURS reported an NPL of $25,965,271,744.

University’s Proportionate Share of Net Pension Liability: The amount of the proportionate share of the net pension liability to be recognized for the University is $0. The proportionate share of the State’s net pension liability associated with the University is $1,070,597,248 or 4.1232%. This amount is not recognized in the University’s financial statements. The net pension liability and the total pension liability as of June, 30, 2016, was determined based on the June 30, 2015, actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS during fiscal year 2016.

Pension Expense: At June 30, 2016, the State reported a collective net pension expense of $2,566,164,865.

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 pensionable contributions made to SURS during fiscal year 2016. As a result, the University recognized on-behalf revenue and pension expense of $105,807,829 for the year ended June 30, 2017.

Note 11. Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension: Deferred outflows of resources are the consumption of net position by SURS 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
Difference between expected and actual experience	$ 14,215,882	$ 2,298,574
Changes in assumptions	655,463,758	-
Net difference between projected and actual earnings on pension plan investments	795,528,330	-
Total	$ 1,465,207,970	$ 2,298,574

State's Collective Deferred Outflows and Deferred Inflows of Resources by Year to be Recognized in Future Pension Expenses

Year Ending June 30	Net Deferred Outflows of Resources
2017	$ 539,536,680
2018	275,426,885
2019	401,520,624
2020	246,425,207
Total	$ 1,462,909,396

University's Deferral of Fiscal Year 2017 Pension Expense: The University paid $650,920 in federal, trust or grant contributions for the year ended June 30, 2017. These contributions were made subsequent to the pension liability measurement date of June 30, 2016, and are recognized as deferred outflows of resources as of June 30, 2017.

Note 11. Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

Assumptions and Other Inputs

Actuarial assumptions: The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period June 30, 2010 - 2014. The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary Increases	3.75 to 15.00 percent, including inflation
Investment Rate of Return	7.25 percent beginning with the actuarial valuation as of June 30, 2014

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

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary(s). For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2014, these best estimates are summarized in the following table:

Note 11. Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return
U.S. Equity	23.00 %	6.08 %
Private Equity	6.00	8.73
Non-U.S. Equity	19.00	6.95
Global Equity	8.00	6.78
Fixed Income	19.00	1.17
Treasury-Inflation Protected Securities	4.00	1.41
Emerging Market Debt	3.00	4.44
Real Estate REITS	4.00	5.75
Direct Real Estate	6.00	4.62
Commodities	2.00	4.23
Hedged Strategies	5.00	4.00
Opportunity Fund	1.00	6.54
Total	100.00 %	5.09 %
Inflation		2.75 %
Expected Arithmetic Return		7.84 %

Discount Rate: A single discount rate of 7.010% 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 2.85% (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 2073. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2073, and the municipal bond rate was applied to all benefit payments after that date.

***Sensitivity of the 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 7.01%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is one percentage-point lower or one percentage-point higher:

Note 11. Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

1% Decrease 6.01%	Current Single Discount Rate Assumption 7.01%	1% Increase 8.01%
$ 31,348,831,631	$ 25,965,271,744	$ 21,502,421,700

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.

Note 12. Post-employment Benefits

The State provides health, dental, vision and life insurance benefits for retirees and their dependents in a program administered by the State of Illinois, Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State-sponsored pension plans. 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 SURS 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; therefore, those annuitants with twenty or more years of credited service do 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 post-employment health, dental, vision and life insurance benefits, is recognized as an expenditure by the State in the State's Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the State of Illinois, Department of Central Management Services. A copy of these financial statements may be obtained by writing to the State of Illinois, Department of Central Management Services, Stratton Office Building, 401 South Spring Street, Springfield, Illinois 62706.

Note 13. Transactions with Related Organizations

The Foundation is a related organization formed to support in various ways the University's instructional, research and public service missions. Effective July 1, 2016, the Foundation renewed the Support Agreement, for an additional one year, with the University Board of Trustees (acting for and on behalf of the University) whereby the University agrees to provide to the Foundation fair and reasonable compensation in exchange for development and fundraising services up to a maximum value. The maximum value under the agreement was $2,518,000 for the years ended June 30, 2017 and 2016. Under terms of the agreements, the University provided in-kind support in the form of personnel, office space, office equipment, computer support and communication services estimated at $2,446,698 and $2,248,812 during fiscal years 2017 and 2016, respectively. During these years the direct and/or indirect support of the University, as well as the scholarships provided by the Foundation exceeded the value provided by the University under the agreement.

As of June 30, 2017 and 2016, the Foundation had payables to the University of $985,244 and $2,837,303, respectively. In addition, at June 30, 2017 and 2016, the Foundation had no receivables from the University.

In June 2007, Launching Futures II, LLC invested in real estate for $600,631 for use by the University as a remote parking lot. Concurrently, Launching Futures II, LLC signed a lease agreement with the University for the real estate providing for annual payments of $49,992 from the University to Launching Futures II, LLC. The lease had a five-year term that the University renewed for an additional five years during May 2013. $24,996 was paid during fiscal year 2016 before cancelling the lease mid-year. No future lease payments will be received from the University.

In fiscal year 2009, Launching Futures, LLC acquired real estate for approximately $6.3 million that was being leased by the University from an outside party. Once the sales contract was signed, the University continued to lease the property from the seller until the initial closing. The acquired real estate serves as the University's Alumni Center. To assist with construction improvement costs, the University made a $3 million prepaid rent payment in July 2008. Launching Futures, LLC leases the property to the University at $19,167 per month. Also, the University and Foundation are amortizing the $3 million prepaid rent over a ten-year period at $300,000 per year.

During fiscal years 2017 and 2016, the Foundation contributed services and expenditures of $6,332,443 and $5,905,001, respectively, that were for the direct and/or indirect support of the University. The Foundation also contributed $2,561,027 and $5,473,772, respectively, in student aid, scholarships, and awards to the University. These amounts were applied directly to the students' accounts.

Note 13. Transactions with Related Organizations (Continued)

As of and during the year ended June 30, 2017, the University and Foundation had the following inter-entity transactions:

	Illinois State University Foundation			
Illinois State University	Accounts Payable	Unearned Revenue	Operating Expense	Nonoperating Expense
Accounts receivable, net	$ 176,768	$ -	$ -	$ -
Prepaid expense	-	300,000	-	-
Assets held in custody for others	808,476	-	-	-
Other operating revenues	-	-	6,150,361	-
Other nonoperating revenues	-	-	180,005	13,003
Total	$ 985,244	$ 300,000	$ 6,330,366	$ 13,003

Note: There was an additional $15,991 of on-behalf support from the Foundation on the University's books for the fair market value of gifts in-kind that were not included on the Foundation's books.

As of and during the year ended June 30, 2016, the University and Foundation had the following inter-entity transactions:

	Illinois State University Foundation			
Illinois State University	Accounts Payable	Unearned Revenue	Operating Expense	Nonoperating Expense
Prepaid expense	$ 600,000	$ -	$ -	$ -
Other operating revenues	-	-	255,000	-
Operating expenses - auxiliary	-	24,996	-	-
Other nonperating revenues	-	-	-	1,557,220
Total	$ 600,000	$ 24,996	$ 255,000	$ 1,557,220

Note: The University did not include $4,092,781 of indirect support from the Foundation in its June 30, 2016 Statement of Revenues, Expenses and Changes in Net Position.

Note 14. Student Health Insurance

The University contracts with Aetna Student Health (ASH), formerly known as The Chickering Group, an Aetna Company of Burlington, Massachusetts for administration of the Aetna Student Health Insurance Plan to provide insurance benefits to students of the University. Students enrolled in nine or more semester hours of credit pay a premium for this coverage. As part of the contractual agreement between the University and ASH, the University has a premium stabilization reserve (PSR) which is used to minimize future plan year increases in the premium based on unexpectedly high claims utilization. As each plan year is finalized, costs are debited (gains are credited) to an account funded by the University each year (15% of expected premium at the initial deposit, but adjusted to 15% of actual premium upon reconciliation). The reserve for 2015-2016 of $1,025,054 became available upon final calculation in August 2017. The entire reserve of $1,025,054 plus experience surplus of $541,631 will be used to fund the 2017-18 policy year. Potential future refunds are still at risk for unexpected claims losses, they are not recorded as assets. Assuming medical trend, no plan design changes, and no change in enrollment, the University estimates $1,255,000 to be needed to fund fiscal year 2018-2019.

Note 15. Student Financial Assistance

The University participates in the U.S. Department of Education's Direct Student Loan Program. The University awarded $106,322,522 and $111,099,727 in direct student loans for the years ended June 30, 2017 and 2016, respectively. The University classified this loan program as noncash federal awards, and it is disclosed in the footnotes to the University's schedule of expenditures of federal awards in the University's compliance examination report. Accordingly, no revenue or expenses are included in the financial statements of the University.

Note 16. Risk-Management

The University maintains commercial insurance for both property (buildings and contents) and liability loss exposures. During fiscal year 2017, there were no reductions in insurance coverage. The University renewed its property insurance in July 2017 and currently has $1.7 billion in insured values to buildings and some building contents.

As a public university in the State, the University enjoys certain statutory protections through the Court of Claims Act (705 ILCS 505) and the State Employee Indemnification Act (5 ILCS 350). In addition, the University purchases liability insurance that covers related claims subject to a $350,000 self-insured retention. The educator's legal liability policy has aggregate and occurrence limits of $5,000,000. The general liability insurance policy has a per occurrence limit of $10,650,000 and an aggregate of $19,650,000.

To augment existing State and commercial coverage, and to assist in addressing potential risks and liabilities incurred through its operations, the University is self-funded. In accordance with the requirement of GASB Statement No. 10, a liability for claims is reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. At June 30, 2017 and 2016, the liability was $0. There were no settlements which exceeded insurance coverage for the last three years.

Note 17. Net Position

University Net Position

University restricted net position is comprised of the following at June 30, 2017 and 2016:

	2017	2016
Student Loans	$ 731,175	$ 710,168
Repair and Replacement Reserve	41,488,451	40,246,905
Operation and Maintenance	122,868,859	101,741,823
Total Restricted Net Position	$ 165,088,485	$ 142,698,896

The University's Board of Trustees designated unrestricted net position is comprised of the following at June 30, 2017 and 2016:

	2017	2016
Capital asset renewal and replacement for the internal service departments	$ 263,471	$ 261,612
Self insurance	1,118,491	1,118,491
	$ 1,381,962	$ 1,380,103

Foundation Net Position

The Foundation's restricted net position is comprised of the following at June 30, 2017 and 2016:

	2017	2016
Nonexpendable:		
Scholarship and fellowship	$ 49,508,285	$ 47,222,785
College and academic department support	17,429,244	17,999,890
Faculty and staff compensation	5,381,045	5,318,795
Other	5,147,807	5,116,854
Total nonexpendable	$ 77,466,381	$ 75,658,324
Expendable:		
Scholarship and fellowship	$ 34,864,482	$ 26,881,207
Instructional and departmental uses	17,567,204	12,979,327
University capital projects	2,785,458	2,557,203
Other restricted expendable	5,133,912	5,500,724
Total expendable	$ 60,351,056	$ 47,918,461

Note 18. Foundation Donor Restricted Endowments

The Foundation follows the State's Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA eliminated the historic dollar value rule with respect to endowment fund spending. UPMIFA also updated the prudence standards for the management and investment of charitable funds. In accordance with UPMIFA, the Foundation's Board considers the factors in Sections 3(e)(1) and 4(a) of the UPMIFA in determining the investment, management and disbursement of endowment funds.

UPMIFA permits the Foundation to authorize expenditures from available endowment funds' earnings and/or principal, unless the fund's donor has specified otherwise. In concert with UPMIFA standards, the Foundation Investment Committee has adopted a "weighted average" endowment spending distribution formula based on the sum of the following two components:

1. The prior year's spending distribution, plus 4.5% of the value of new gifts; the sum of which is adjusted by the most recently calculated annual Higher Education Price Index, then weighted at 70%.

2. The year-end market value times 4.5% then weighted at 30%.

A fund-raising fee of 1.5% in fiscal year 2017 and 1.4% in fiscal year 2016, of the year-end market value, is assessed from each endowed fund's annual distribution (as calculated above) to help support Foundation's fund-raising and general operations.

On July 1, 2016 and 2015, a total of $4,006,344 and $3,766,134, respectively, was distributed to endowed funds' expendable balances and fund-raising fees totaling $1,455,070 and $1,408,026, respectively, were distributed to the Foundation's budget.

Note 19. Commitments

The University has entered into contracts for significant repairs and replacement of University capital assets. Total estimated costs under these contracts are $13,508,596; approximately $2,243,288 (14.24%) of the work has been completed as of June 30, 2017. The University is obligated to pay the remainder of the costs under the contracts as the work is completed.

The University has secured natural gas and electricity at a fixed price for fiscal years 2018, 2019 and 2020 by executing forward fixed price purchase contracts with IMGA and MidAmerican Energy. As of June 30, 2017, the University's commitment to these contracts is approximately $6,773,266 for natural gas and $18,593,757 for electricity. These are considered normal purchase contracts.

The University's Board of Trustees approved a land swap with the Town of Normal on July 24, 2015. The Normal City Council approved the agreement on August 3, 2015. According to the terms of the agreement, the town will obtain University-owned property on Main Street and the University will receive three town-owned properties: 604 N. Adelaide Street; a 33-space parking lot on the south side of Beaufort and School streets; and a parcel on Sudduth Road. In addition, the town will contract to purchase a 12-room apartment building at 404 W. Locust St. and transfer the property to the University after the closing which is scheduled for fiscal year 2018. The University will contribute $150,000 toward the purchase.

Note 19. Commitments (Continued)

The Foundation has invested in various limited partnerships. According to the terms of the investment agreements, the Foundation has committed to invest $52,337,548 and $47,896,457 as of June 30, 2017 and 2016, respectively. As of June 30, 2017 and 2016, the Foundation had invested $27,736,464 and $23,099,985, respectively, and has future investment commitments of $24,601,084 and $24,796,472, respectively.

Note 20. Contingencies

The University is, from time to time, subject to various claims, legal actions and inquiries related to compliance with environmental and other governmental laws and regulations. Although it is difficult to quantify the potential impact of these claims, management believes that the ultimate cost of these matters will not adversely affect the University's future financial condition or results of operations.

Accordingly, management does not believe that a reserve of the future effect, if any, of these matters on the financial condition or results of operations of the University is necessary at June 30, 2017, as it is not possible to determine with any degree of probability the level of future expenditures for these matters.

Note 21. Crosswalk of Natural Classification with Functional Classifications

	Natural Classification for the Year Ended June 30, 2017				
University	Compensation and Benefits	Supplies and Services	Scholarships	Depreciation	Total
Instruction	$ 274,897,933	$ 15,093,782	$ -	$ -	$ 289,991,715
Research	11,335,421	4,828,204	-	-	16,163,625
Public service	4,879,710	7,801,701	-	-	12,681,411
Academic support	17,175,405	6,521,633	-	-	23,697,038
Student services	20,565,323	22,079,513	-	-	42,644,836
Institutional support	22,821,782	12,674,534	-	-	35,496,316
Operation of plant	9,341,565	20,346,461	-	-	29,688,026
Depreciation	-	-	-	24,657,794	24,657,794
Staff benefits	2,362,520	-	39,566	-	2,402,086
Student aid	-	10,216,978	46,523,859	-	56,740,837
Auxiliary facilities	24,527,258	28,057,260	-	-	52,584,518
Total University	$ 387,906,917	$ 127,620,066	$ 46,563,425	$ 24,657,794	$ 586,748,202

	Natural Classification for the Year Ended June 30, 2016				
University	Compensation and Benefits	Supplies and Services	Scholarships	Depreciation	Total
Instruction	$ 250,743,551	$ 15,974,269	$ -	$ -	$ 266,717,820
Research	11,150,650	5,752,113	-	-	16,902,763
Public service	4,768,555	7,700,350	-	-	12,468,905
Academic support	17,426,123	2,688,968	-	-	20,115,091
Student services	19,978,706	21,274,616	-	-	41,253,322
Institutional support	21,688,098	16,289,352	-	-	37,977,450
Operation of plant	9,381,280	20,671,582	-	-	30,052,862
Depreciation	-	-	-	24,909,190	24,909,190
Staff benefits	1,273,442	-	38,592	-	1,312,034
Student aid	-	9,537,896	42,457,040	-	51,994,936
Auxiliary facilities	23,924,596	26,022,220	-	-	49,946,816
Other	38,448	74,990	-	-	113,438
Total University	$ 360,373,449	$ 125,986,356	$ 42,495,632	$ 24,909,190	$ 553,764,627

Note 22. Segment Information

The following financial information represents identifiable activities within the University's financial statements for which one or more revenue bonds are outstanding. The Auxiliary Facilities System (System) is comprised of University-owned housing units, student union, recreation and athletic facilities, and parking facilities.

The operating revenues of the System consist of room and board charges, student activity fees, various user fees and facility rentals.

Operating expenses of the System include expenses for reasonable upkeep and repairs, necessary maintenance charges and other expenses incidental to the operations of the facilities and activities of the System in accordance with the bond indentures.

Following are condensed financial statements for the Auxiliary Facilities System:

Condensed Statements of Net Position at June 30	2017	2016
Assets:		
Restricted - current assets	$ 49,146,748	$ 67,782,190
Noncurrent assets:		
Capital assets, net	203,742,964	207,375,821
Restricted - other noncurrent assets	121,130,008	80,131,229
Total assets	374,019,720	355,289,240
Liabilities:		
Current liabilities	9,234,102	9,122,134
Noncurrent liabilities	74,484,955	78,985,775
Total liabilities	83,719,057	88,107,909
Net position:		
Invested in capital assets, net of related debt	125,943,353	125,192,603
Restricted - expendable	164,357,310	141,988,728
Total net position	$ 290,300,663	$ 267,181,331

Note 22. Segment Information (Continued)

Condensed Statements of Revenues, Expenses and Changes in Net Position for the year ended at June 30

	2017		2016
Operating revenues	$ 86,405,380	*	$ 85,467,251
Depreciation expense	(7,952,581)		(7,939,607)
Other operating expenses	(52,588,623)	*	(49,946,814)
Operating income	25,864,176		27,580,830
Nonoperating revenues	357,824		2,577,082
Nonoperating expenses	(3,102,668)		(4,899,493)
Increase in net position	23,119,332		25,258,419
Net position - beginning of year	267,181,331		241,922,912
Net position - end of year	$ 290,300,663		$ 267,181,331

*Note: Operating revenue and expense do not agree to the University's Statement of Revenues, Expenses and Changes in Net Position due to certain inter-agency eliminating entries.

Condensed Statements of Cash Flows for the year ended June 30

	2017	2016
Net cash flows provided by operating activities	$ 31,895,802	$ 35,784,647
Net cash flows provided by noncapital financing activities	272,803	276,199
Net cash flows used in capital and related financing activities	(10,522,040)	(21,477,145)
Net cash flows used in investing activities	(21,030,654)	(12,131,723)
Net (decrease) increase in cash and cash equivalents	615,911	2,451,978
Cash and cash equivalents, beginning of year	3,804,067	1,352,089
Cash and cash equivalents, end of year	$ 4,419,978	$ 3,804,067

Following is additional disclosure information relating to the System's revenue bonds. S*ee Note 9*.

Note 22. Segment Information (Continued)

The following accounts were established by the bond resolutions for the 2008, 2012, and 2016 Bond Series:

Operation and Maintenance Account – Under the terms of the bond indenture, all current expenses of the System shall be payable from the Revenue Fund as the same become due and payable and shall include all necessary operating expenses, current maintenance charges, expenses of reasonable upkeep and repairs, fees due the paying agents, bond registrars, and trustees on the bonds, a properly allocated share of charges for insurance and all other expenses incident to the operation and maintenance of the System for the next 30 days. This shall exclude depreciation and all general administrative expenses of the University.

Bond and Interest Sinking Fund Account – After providing for the payment of current operating and maintenance expenses, amounts equal to the semi-annual principal and interest payment on the Bonds should be set aside at least one business day before the due date.

Repair and Replacement Reserve Account **-** From the funds remaining in the Revenue Fund, the University's Treasurer shall deposit in the Repair and Replacement Reserve Account on or before the close of each fiscal year, the sum of not less than 10 percent of the Debt Service Reserve Requirement, or such portion thereof as is available for transfer and deposit annually for a repair and replacement reserve. The maximum amount which may be accumulated in such account shall not exceed 5 percent of the replacement cost of the facilities constituting the System, as determined by the then current *Engineering News Record Building Cost Index* (or comparable index), plus 20 percent of the replacement cost of equipment within the System plus either 10 percent of the historical cost of the parking lots or 100 percent of the estimated cost of resurfacing any one existing parking lot which is part of the System. All moneys and investments so held in said Account shall be used and held for use to pay the cost of maintenance or repairs, renewals and replacements, and renovating or replacement of fixed equipment not paid as part of the ordinary maintenance and operation of the System.

Non-Instructional Facilities (Development) Reserve Account **–** Under the terms of the bond indenture, the University's Treasurer shall deposit into the Development Reserve Account such funds, or such portion thereof as is available for transfer, as have been approved by the Board for expenditure or planned for expenditure for new space or construction in, or an addition to, an existing facility consistent with the purpose and mission of that facility.

Optional Redemption Account – At the close of each fiscal year after all transfers and maximum deposits have been made and any deficiencies have been remedied and after providing for the current month's deposit requirement, the balance of any excess funds in the Revenue Fund then remaining shall be deposited in this account. Such funds shall be used within one year on a first-in first-out basis, in connection with the redemption of bonds callable under the optional redemption provisions of the Bond Resolution or may be used by the Board for the purchase of bonds on the open market.

Note 22. Segment Information (Continued)

The following represents the cash balances within each account at June 30, 2017 and 2016:

Account	2017	2016
Operation and Maintenance Account	$ 123,116,940	$ 103,779,405
Bond and Interest Sinking Fund Account	299	13,253
Repair and Replacement Reserve Account	42,416,025	40,969,022
Non-Instructional Facilities (Development) Reserve Account	-	-
Optional Redemption Account	-	-
Total of all accounts	$ 165,533,264	$ 144,761,680

Note 23. Budget Impasse

Article 8, Section 115 and Article 9, Section 100 of Public Act 100-0021, enacted July 6, 2017, authorized the University to pay fiscal year 2017 costs using the University's fiscal year 2018 appropriations for operational expenditures, totaling $24,397,400 and $9,538,300, respectively. The University has submitted vouchers to the State Comptroller for fiscal year 2017 operating costs in July 2017. This appropriation, however, will be recognized as revenue in fiscal year 2018 because the period to which the appropriation applied had not begun as of June 30, 2017, as noted in GASB Statement, No. 33, Paragraph 74.

Public Act 100-0021, enacted July 6, 2017, also authorized the appropriations for the Monetary Award Program (MAP) from Illinois Student Assistance Commission (ISAC). The University's share of this appropriation was $15,906,512. As of July 24, 2017, the ISAC had disbursed all of the funds.

Note 24. Prior Period Adjustment

Subsequent to the issuance of the fiscal year 2016 financial statements, the University determined there was an error in reporting the classification of the non-capital assets and net position of the University's Auxiliary Facilities System (System). In accordance with bond covenants, the assets of the System are restricted in nature and should be classified as restricted under GASB Statement No. 34.

The following financial statement line items for fiscal year 2016 were affected by the correction:

	As Previously Reported	Adjustment	As Restated
Statement of Net Position			
Assets			
Cash and cash equivalents	$ 39,270,330	$ (3,790,885)	$ 35,479,445
Restricted cash and cash equivalents	2,416,740	3,790,885	6,207,625
Investments	60,798,900	(60,798,900)	-
Restricted investments	-	60,798,900	60,798,900
Accrued interest receivable	617,873	(466,647)	151,226
Restricted accrued interest receivable	-	466,647	466,647
Accounts receivable, net	28,181,250	(2,358,812)	25,822,438
Restricted accounts receivable, net	-	2,358,812	2,358,812
Inventories	3,239,042	(228,149)	3,010,893
Restricted inventories	-	228,149	228,149
Prepaid expenses, deposits and other	2,981,251	(125,614)	2,855,637
Restricted prepaid expenses, deposits and other	-	125,614	125,614
Long-term investments	153,450,396	(79,692,065)	73,758,331
Long-term restricted investments	-	79,692,065	79,692,065
Debt issuance costs	654,719	(439,164)	215,555
Restricted debt issuance costs	-	439,164	439,164
	$ 291,610,501	$ -	$ 291,610,501
Net Position			
Restricted Net Position	$ 710,168	$ 141,988,728	$ 142,698,896
Unrestricted Net Position	238,949,471	(141,988,728)	96,960,743

Note 25. Subsequent Events

As of June 30, 2017, the University had five collective-bargaining agreements covering various union-represented employees which had expired.

On October 20, 2017, the University's Board of Trustees approved a fiscal year 2018 budget for operations consistent with fiscal year 2017, in an amount not to exceed $426,804,000.

Note 25. Subsequent Events (Continued)

On December 20, 2017, the University issued $58,445,000 in Auxiliary Facilities System Revenue Bonds, Series 2017. This provided funds to advance refund the term bonds maturing April 1, 2021, April 1, 2031, and April 1, 2043, of the Illinois Finance Authority's outstanding Student Housing Revenue Bonds (CHF-Normal, L.L.C. – Illinois State University Project) Series 2011, dated February 23, 2011.

On December 21, 2017, the University completed a land swap with the Town of Normal (Town). The University paid $150,000 plus title fees and closing costs for 604 N. Adelaide Street and 404 W. Locust. The University received $150,000 plus the real estate tax credit from the Town for the Town's purchase of parking lots held by ISU.

On February 28, 2018, the University issued $41,765,000 in Series 2018A and $21,370,000 Series 2018B Auxiliary Facilities System Revenue Bonds which refunded the Series 2017 and Series 2008 Bonds. The Series 2018A Bonds mature beginning April 1, 2018, and continuing through April 1, 2039. These bonds bear interest from 4.0%-5.0%. The Series 2018B Bonds mature beginning April 1, 2019, and continuing through April 1, 2033. These bonds bear interest at 5.0%. Interest is payable on April 1 and October 1, commencing April 1, 2018.

Public Act 100-0023, effective July 6, 2017, will create an Optional Hybrid Plan (Tier III) under the State Universities Retirement System (SURS). This plan will be optional for current Tier II employees as well as new participants of SURS on or after the implementation date of the Optional Hybrid Plan. Under the Optional Hybrid Plan, the total normal cost of the plan, less the employee's contributions, will now be shifted to the University. Previously, this cost was covered by the State. Management does not believe this will have an impact until July 1, 2019.

The University continues to monitor cash flow and make investment decisions accordingly. The University also experienced stable freshman attendance this year as well as maintaining strong student retention. On July 24, 2017, S&P Global Ratings affirmed the University's rating of "A-" on its Auxiliary Facilities System Revenue Bonds and Certificates of Participation with a stable outlook. As of July 24, 2017, Moody's Investor Service has rated the University's Auxiliary Facilities System Revenue Bonds as "Baa2" and the Certificates of Participation as "Baa3" with a negative outlook.

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

During October 2017, the University calculated $8,318,521 in cash within the University's Auxiliary Facilities System were excess funds and transferred this amount into the University's Income Fund. Subsequent to June 30, 2017, it was determined the non-capital assets associated with the University's Auxiliary Facilities System should have been classified as restricted assets not subject to transfer into the University's Income Fund. As such, the mistaken transfer was reversed by the University on January 17, 2018.

The University is not aware of any additional facts, decisions or conditions that might be expected to have a significant effect on the financial position or results of operations during this and future fiscal years.

Required Supplementary Information

State of Illinois
Illinois State University

Required Supplementary Information

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

	FY 2016	FY 2015	FY 2014
University's Proportion Percentage of the Collective Net Pension Liability			
(a) University's Proportion Percentage of the Collective Net Pension Liability	0%	0%	0%
(b) Proportion Amount of the Collective Net Pension Liability	$ -	$ -	$ -
(c) Portion of Nonemployer Contributing Entities' Total Proportion of Collective Net Pension Liability associated with Employer	1,070,597,248	1,002,937,669	921,721,819
Total (b) + (c)	$ 1,070,597,248	$ 1,002,937,669	$ 921,721,819
Employer Defined Benefit (DB) Covered Payroll	$ 219,494,818	$ 217,281,751	$ 223,816,042
Proportion of Collective Net Pension Liability associated with Employer as a percentage of DB covered payroll	487.76%	461.58%	411.82%
SURS Plan Net Position as a Percentage of Total Pension Liability	39.57%	42.37%	44.39%

Schedule of Contributions

	FY 2017	FY 2016	FY 2015	FY 2014
Federal, trust, grant and other contribution	$ 650,920	$ 671,749	$ 651,497	$ 626,245
Contribution in relation to required contribution	650,920	671,749	651,497	626,245
Contribution deficiency (excess)	-	-	-	-
Employer covered payroll	$ 6,627,178	$ 6,488,881	$ 6,956,613	$ 6,981,488
Contribution as a percentage of covered payroll	9.82%	10.35%	9.37%	8.97%

Required Supplementary Information
Notes to the Required Supplementary Information

This schedule is presented to illustrate the requirements of Governmental Accounting Standards Board Statement No. 68 (GASB 68) to show information for 10 years. However, until a full 10-year trend is compiled, the University will present only available information measured in accordance with the requirements of GASB 68.

Changes of benefit terms: There were no benefit changes recognized in the Total Pension Liability as of June 30, 2016.

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

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

Other Supplementary Information
(Unaudited)

State of Illinois
Illinois State University

Unaudited Data Required by Revenue Bond Resolutions
For the Year Ended June 30, 2017

Schedule of Insurance

Insurance Coverage:

Insurance covers property damage to buildings, some contents, business interruption, some electronic data processing and more. Coverage is very broad (including all risks except those otherwise excluded).

	Coverage Amount	Deductible
Most buildings, some contents, business interruption, some electronic data processing, and builder's risk	$ 500,000,000	$ 100,000
Flood	500,000,000	100,000
Earthquake	500,000,000	100,000

Insurance companies: Lexington Ins. Co. (AIG), Zurich North America

Policy Period: July 1, 2017 to June 30, 2018

Undergraduate Tuition and Fees[1]

The following schedule shows the yearly tuition and fees charged by the University to new full-time undergraduate students who were residents of the State from fiscal year 2014 through fiscal year 2018.

Fiscal Year	Tuition and Fees	Room and Board	Combined Costs
2014	$ 12,574	$ 9,286	$ 21,860
2015	12,830	9,416	22,246
2016	13,168	9,536	22,704
2017	13,563	9,630	23,193
2018	13,563	9,630	23,193

[1] Tuition and fees costs is based on 15 credit hours. Students taking 16 or more credit hours pay the per credit hour charge for each additional hour. Room and board is based on double occupancy and a 5-day unlimited meal plan.

State of Illinois
Illinois State University

Unaudited Data Required by Revenue Bond Resolutions
For the Year Ended June 30, 2017

Schedule of Historical Occupancy Rates for Housing Facilities

Residence Halls	Historical Occupancy Rates for Housing Facilities[1] Measured on the Fall Semester's 10th Day of Occupancy 2012	2013	2014	2015	2016	Fall 2016 10th Day Occupancy
Wilkins	109.8%	108.9%	108.9%	97.1%	93.3%	389
Wright	110.8%	110.3%	110.3%	100.0%	95.6%	371
Haynie	112.4%	110.3%	110.3%	99.2%	98.4%	364
Manchester	104.4%	102.7%	102.7%	95.8%	95.3%	732
Hewett	106.6%	104.0%	104.0%	98.4%	98.1%	776
Watterson	101.7%	101.0%	101.0%	106.5%	105.7%	2,356
Total Residence Halls						4,988
Average Occupancy (Residence Halls)	105.1%	98.2%	103.9%	101.7%	100.5%	
Shelbourne Apartments	95.0%	96.0%	96.0%	95.0%	102.0%	102
Fell/School Apartments	0.0%	96.0%	96.0%	97.0%	100.0%	101
Total Apartments[2]						203

[1] Occupancy rates exceeding 100% are achieved through use of lounges and other common areas for dormitory space during the initial months of each academic year. To account for permanently reduced spaces resulting from renovations and the decommissioning of facilities, the Residence Hall capacity was revised to 4,962 in Fall 2012.

[2] Fell and School Street Apartments - These existing apartment buildings within close proximity to the University's campus were acquired by the University in 2012 to supplement on-campus housing options.

Enrollment Data

Approximately 94.7% of enrolled students are residents of the State paying in-State tuition rates.

Actual Enrollment Statistics (Fall Semester)

	Head Count			Full-Time Equivalent		
	Undergraduate	Graduate	Total	Undergraduate (15 hrs)	Graduate (12 hrs)	Total
2013	17,749	2,523	20,272	16,354	1,457	17,811
2014	18,155	2,460	20,615	16,717	1,450	18,167
2015	18,427	2,380	20,807	16,792	1,391	18,183
2016	18,643	2,396	21,039	17,056	1,477	18,533
2017	18,330	2,454	20,784	16,826	1,482	18,308