STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY

Financial Audit
For the Year Ended June 30, 2018
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, 2018

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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, 2018, 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, 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, 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
For the Year Ended June 3, 2018

University Officials

Chair of the Board of Trustees	Mr. Rocky Donahue
President	Dr. Larry Dietz
Vice President for Finance and Planning	Mr. Dan Stephens
Vice President for Academic Affairs and Provost	Dr. Jan Murphy
Vice President for Student Affairs	Dr. Levester Johnson
Vice President for University Advancement	Mr. Pat Vickerman
Interim Comptroller	Mr. Doug Schnittker
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
Member	Mr. John Rauschenberger
Member	Ms. Sharon Rossmark
Student Member	Mr. Zach Schaab (07/01/17 – 06/30/18) Ms. Sarah Aguilar (07/01/18 – present)

Office Locations

The University’s administrative offices are located at:

Hovey Hall
Campus Box 1100
Normal, Illinois 61790-1100

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 two matters involving the University's internal control over financial reporting that they considered to be significant deficiencies. These are described in a report released under a separate cover entitled Report Required Under *Government Auditing Standards* for the Year Ended June 30, 2018, as Finding 2018-001, *Inadequate Control over Accounting and Financial Reporting*, and Finding 2018-002, *Information Security Related Weaknesses*.

Exit Conference

This report was discussed with University personnel at an exit conference on November 21, 2018.

Attending were:

Representing Illinois State University:

Dan Stephens	Vice President for Finance and Planning
Doug Schnittker	Interim Comptroller
Erika Jones	Accounting Associate
Robert Blemler	Director - Internal Audit
Rendi Cottrell	Assistant Treasurer

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	Senior Manager
Erik Ginter, CPA	Supervisor

The responses to the recommendations were provided by Erika Jones, Accounting Associate, in correspondence dated November 28, 2018.

RSM

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 aggregate discretely presented component units of the Illinois State University, a component unit of the State of Illinois, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the 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 statements of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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

Emphasis of Matters

As discussed in Note 24 to the financial statements, during the year ended June 30, 2018, the University adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this statement resulted in a restatement of June 30, 2017, net position as described in Note 24.

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 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. As such, the Illinois State University recognized this nonoperating appropriations revenue from the State of Illinois during the year ended June 30, 2018, in accordance with generally accepted accounting principles.

Our opinion is not modified with respect to these matters.

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 6-17, the Schedule of the University's Proportionate Share of the Net Pension Liability and the Schedule of Contributions - Pension on page 72, the Schedule of the University's Proportionate Share of the Net OPEB Liability and the Schedule of Contributions – OPEB on page 73, and the Notes to the Required Supplementary Information on pages 74-75 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 Data Required by Revenue Bond Resolutions on pages 76-79 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The 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 November 30, 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
November 30, 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, 2018, with selective comparative information for the year ended June 30, 2017. 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 public 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 master's degree sequences, over thirty certificate programs, and ten 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 units (the Illinois State University Foundation and INTO Illinois State University, LLC). The component units discussed below are included in the University's financial reporting entity (the Entity) due to the significance of their 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.

Illinois State University Global, LLC (Global) was established on March 8, 2018. Global is a University Related Organization (URO) as defined under the University Guidelines adopted by the State of Illinois' Legislative Audit Commission in 1982, as amended. Global was formed as a single member limited liability company of which the University is the sole owner. Based on this financial relationship, Global is blended into the University's financial information (see page 26 for the diagram of the INTO/ISU corporate structure).

Global exists for the purpose of promoting the development of the Illinois State University's efforts to promote global engagement and internationalization, so that the University can impart the necessary knowledge and skills students will need to effectively engage in the global community and support the University's distinctive excellence in teaching, learning, scholarship, creativity, research, and public service.

On March 22, 2018, Global entered into a joint venture with INTO North America, Inc. (INTO NA) to establish INTO Illinois State University, LLC (INTO ISU). Each member contributed $25,000 towards the members' capital account, appointed three members to the INTO ISU Board, and holds an equal (50%) equity stake in INTO ISU. The Joint Venture agreement specifically applies the $50,000 towards partnership equity. INTO ISU is discretely presented on the University's financial statements.

INTO ISU is an independent organization and is required to report in a separate column to emphasize that it is an entity legally separate from the University. INTO ISU serves as the primary entity to implement the partnership with INTO NA. INTO ISU is responsible, in partnership with INTO NA and the University, with recruiting international students, offering English language instruction courses that serve as a pathway to University degree programs, and serving our new international students. INTO ISU provides continuous support by managing the areas of the students' cultural experience, English language courses, and eventual matriculation to the University.

INTO NA supports INTO ISU by providing management, marketing, and administrative services to INTO ISU. By partnering with INTO ISU, the University can support the recruitment of the best and brightest international student talent to the University, enhance the diversity of our University community, inspire our students to become global citizens, extend the University's global reach, broaden the University's global brand identity and recognition, provide an economic stimulus for the broader community, and contribute to the growth of the University. INTO NA is a wholly owned subsidiary of INTO University Partnership Limited (IUP), a British limited liability partnership.

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 year. 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 the Illinois State University at June 30, 2018. 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 and deferred inflows of resources).

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 its 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, 2018 and 2017:

(in thousands)

	2018	2017
Assets:		
Current assets	$ 141,322	$ 133,766
Noncurrent assets:		
Capital assets, net	481,692	424,705
Other noncurrent assets	205,910	180,727
Total assets	828,924	739,198
Deferred outflows	1,312	651
Total assets and deferred outflows	830,236	739,849
Liabilities:		
Current liabilities	45,049	43,540
Noncurrent liabilities	206,619	141,246
Total liabilities	251,668	184,786
Deferred inflows	4,593	-
Total liabilities and deferred inflows	256,261	184,786
Net Position:		
Net investment in capital assets	318,965	300,050
Restricted	155,285	165,088
Unrestricted	99,725	89,925
Total net position	$ 573,975	$ 555,063

* Information was not available to properly restate 2017 Unrestricted Net Position for the impact of GASB 75.

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:

2018	2017
$141,322 / $45,049 = 3.14	$133,766 / $43,540 = 3.07

Noncurrent assets are comprised primarily of net capital assets. Net capital assets increased $57 million from June 30, 2017 to 2018. The increase in 2018 is related to the Cardinal Court property acquisition.

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 incurred 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, 2018 and 2017:

(in thousands)

	2018	2017
Operating revenues		
Student tuition and fees, net	$ 200,168	$ 221,235
Grants and contracts	20,377	17,180
Auxiliary facilities, net	85,783	85,221
Other	24,150	21,688
Total operating revenues	330,478	345,324
Operating expenses	603,470	586,748
Operating loss	(272,992)	(241,424)
Nonoperating revenues		
State appropriations	98,940	38,291
Payments on behalf of the University	173,132	181,978
Other, net	50,826	27,167
Net nonoperating revenues	322,898	247,436
Capital appropriations	113	-
Capital gifts and grants	1,901	1,307
Increase in net position	51,920	7,319
Net position, beginning of year	555,063	547,744
Prior period adjustment for change in accounting principle	(33,008)	-
Net position, beginning of year, as restated	522,055	-
Net position, end of year	$ 573,975	$ 555,063

The return of net position ratio indicates whether the University is financially better off compared to the previous year by comparing the increase in net position to beginning net position. The large increase in 2018 is primarily attributable to the increase in State appropriations and capital project funding levels from both the State of Illinois, Capital Development Board and the Illinois State University Foundation (see Budget Impasse Note 23 for more details).

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

2018	2017
\$51,920 / \$522,055 = 9.95%	\$7,319 / \$547,744 = 1.34%

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 \$61 million in fiscal year 2018 to a total of \$99 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:

2018	2017
\$49,906 / \$662,241 = 7.54%	\$6,012 / \$599,143 = 1.00%

State appropriations revenue increased from approximately \$38 million to \$99 million in fiscal year 2018. The University enacted tuition and fee increases for fiscal years 2017 and 2018 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 payments to vendors for contractual services and commodities.

(in thousands)

	2018	2017
Expenses by function		
Instruction	$ 243,232	$ 289,992
Research	19,756	16,164
Public service	16,477	12,681
Academic support	36,264	23,697
Student services	46,326	42,645
Institutional support	52,530	35,496
Operation and maintenance of plant	39,588	29,688
Depreciation	25,307	24,658
Staff benefits	3,390	2,402
Student aid	59,729	56,741
Auxiliary facilities	60,871	52,584
Total operating expenses	$ 603,470	$ 586,748
Expenses by natural classification		
Compensation and benefits	$ 397,932	$ 387,907
Supplies and services	129,924	127,620
Scholarships	50,307	46,563
Depreciation	25,307	24,658
Total operating expenses	$ 603,470	$ 586,748

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:

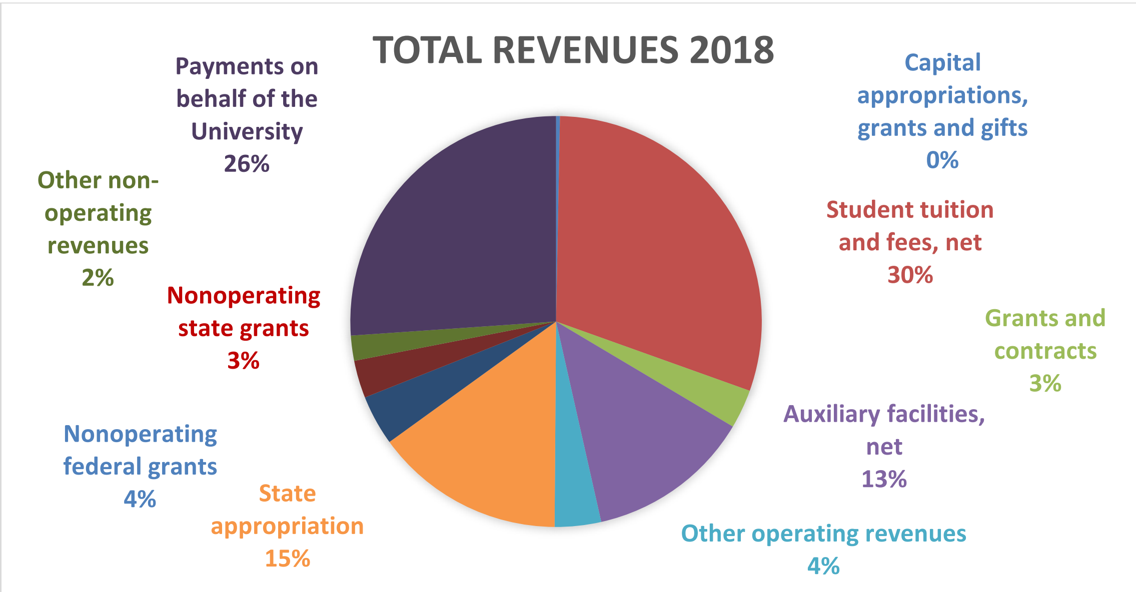
(Thousands of dollars)	
2018	2017
$255,010 / $610,320 = 41.78%	$255,013 / $591,824 = 43.09%

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

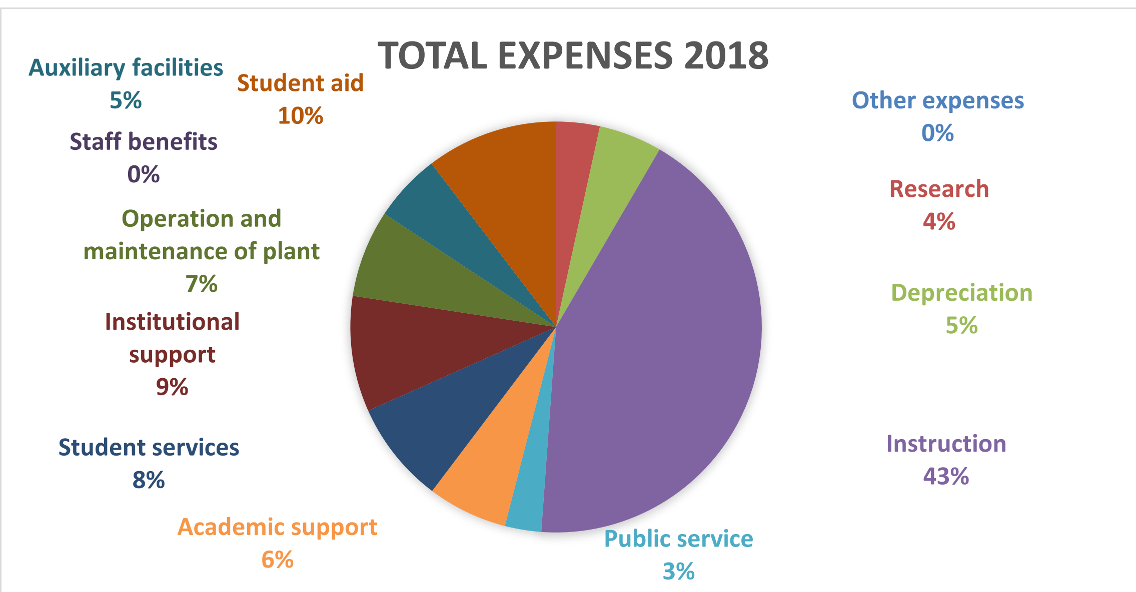
	Percentage *	
	2018	2017
Revenues by source		
Student tuition and fees, net	30 %	37 %
Grants and contracts	3	3
Auxiliary facilities, net	13	14
Other operating revenues	4	4
State appropriations	15	6
Payments on behalf of the University	26	31
Nonoperating federal grants	4	4
Nonoperating state grants	3	-
Other nonoperating revenues	2	1
Capital appropriations, gifts and grants	<1	<1
Total revenues by source	100 %	100 %
Expenses by function		
Instruction	43 %	49 %
Research	3	3
Public service	3	2
Academic support	6	4
Student services	8	7
Institutional support	9	6
Operation and maintenance of plant	7	5
Depreciation	5	4
Staff benefits	<1	<1
Student aid	10	10
Auxiliary facilities	5	9
Other	<1	<1
Total expenses by function	100 %	100 %
Expenses by natural classification		
Compensation and benefits	66 %	66 %
Supplies and services	22	22
Scholarships	8	8
Depreciation	4	4
Total expenses by natural classification	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, 2018 and 2017:

(in thousands)	2018	2017
Net cash used in operating activities	$ (65,598)	$ (36,763)
Cash flows provided by noncapital financing activities	154,627	70,439
Cash flows used in capital and related financing activities	(47,375)	(21,273)
Cash flows used in investing activities	(29,670)	(5,628)
Net increase in cash and cash equivalents	11,984	6,775
Cash and cash equivalents, beginning of year	48,462	41,687
Cash and cash equivalents, end of year	$ 60,446	$ 48,462

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, 2018 and 2017:

(in thousands)	2018	2017
Capital assets	$ 952,930	$ 873,464
Accumulated depreciation	471,238	448,759
Capital assets, net	$ 481,692	$ 424,705
Depreciation expense	$ 25,307	$ 24,658

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, 2018 and 2017:

	2018	2017
Revenue bonds	$ 118,152	$ 77,800
Certificates of participation	45,402	48,185

As of December 31, 2017, S&P Global rated the Illinois State University's Auxiliary Facilities System Revenue Bonds and Certificates of Participation as "A-" with a stable outlook. As of December 31, 2017, Moody's Investor Service rated the 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)	
2018	2017
$12,237 / $585,143 = 2.09%	$12,259 / $568,895 = 2.15%

Economic Outlook

The Governor's Office of Management and Budget of the State of Illinois reported $6.956 billion of outstanding bills at the end of June 2018, a decrease of $7.755 billion from the end of June 2017. On October 19, 2018, the University's Board of Trustees approved a fiscal year 2019 budget for operations consistent with fiscal year 2018, in an amount not to exceed $458,100,000.

The State of Illinois passed a budget that appropriated $66,304,100 to Illinois State University to be recognized as revenue in fiscal year 2019. Further, the Illinois State University was appropriated $50,000 to be used towards fiscal year 2019 scholarship grant awards to be recognized as revenue in fiscal year 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.

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, 2018

	University	Discretely Presented Component Units
Assets		
Current assets:		
Unrestricted		
Cash and cash equivalents	$ 56,122,226	$ 6,861,287
Accrued interest receivable	396,152	-
Accounts receivable, net	16,169,991	38,249
Student loans receivable, net	7,220,644	-
Pledges receivable, net	-	1,142,911
Appropriations receivable from State	37,774	-
Inventories	2,329,403	-
Prepaid expenses, deposits and other	3,916,807	166,667
Restricted		
Cash and cash equivalents	4,324,216	-
Investments	44,794,700	-
Accrued interest receivable	484,607	-
Accounts receivable, net	5,188,250	-
Inventories	206,490	-
Prepaid expenses, deposits and other	130,517	-
Total current assets	141,321,777	8,209,114
Noncurrent assets:		
Unrestricted		
Investments	95,815,652	152,200,714
Student loans receivable, net	456,363	-
Pledges receivable, net	-	2,531,663
Debt issuance costs	177,064	-
Capital assets not depreciated	39,855,196	980,000
Capital assets, net of depreciation	441,836,858	6,348,086
Other noncurrent assets	-	4,233,124
Restricted		
Cash and cash equivalents	-	3,131,126
Investments	108,759,748	-
Debt issuance costs	701,516	-
Total noncurrent assets	687,602,397	169,424,713
Deferred outflows of resources:		
OPEB	642,688	-
Pension	669,483	-
Total deferred outflows of resources	1,312,171	-
Total assets and deferred outflows of resources	830,236,345	177,633,827

State of Illinois
Illinois State University

Statement of Net Position (Continued)
June 30, 2018

	University	Component Units
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	$ 21,320,938	$ 2,355,228
Assets held in custody for others and deposits	2,759,923	-
Unearned revenue	10,521,919	-
Certificates of participation	2,873,545	-
Revenue bonds payable	5,983,816	-
Accrued compensated absences	1,589,056	-
Other	-	183,901
Total current liabilities	45,049,197	2,539,129
Noncurrent liabilities:		
Assets held in custody for others and deposits	5,909	-
Certificates of participation	42,528,382	-
Revenue bonds payable	112,168,033	-
Accrued compensated absences	14,092,914	-
OPEB liability	30,042,445	-
Federal loan program contributions refundable	7,780,955	-
Other liability	-	4,290,843
Total noncurrent liabilities	206,618,638	4,290,843
Deferred Inflows of Resources - OPEB	4,592,785	-
Total liabilities and deferred inflows of resources	256,260,620	6,829,972
Net Position		
Net investment in capital assets	318,965,464	4,724,090
Restricted:		
Nonexpendable	-	83,160,093
Expendable	155,285,243	71,951,372
Unrestricted	99,725,018	10,968,300
Total net position	$ 573,975,725	$ 170,803,855

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 Year Ended June 30, 2018

	University	Component Units
Operating revenues		
Student tuition and fees, net	$ 200,168,393	$ -
Federal grants and contracts	14,686,408	-
State and local grants and contracts	2,526,228	2,457,018
Nongovernmental grants and contracts	3,164,805	-
Sales and services of educational activities	3,159,643	-
Auxiliary enterprises:		
Auxiliary facilities, net	85,783,356	-
Other operating revenues	20,989,300	384,292
Total operating revenues	330,478,133	2,841,310
Operating expenses		
Educational and general:		
Instruction	243,231,729	-
Research	19,756,150	-
Public service	16,476,590	-
Academic support	36,263,781	-
Student services	46,326,373	-
Institutional support	52,529,615	-
Operations	-	5,325,001
Operation and maintenance of plant	39,588,308	-
Depreciation	25,306,963	436,053
Staff benefits	3,389,866	-
Student aid	59,729,198	2,874,420
Auxiliary facilities:		
Student housing, activity facilities and parking	60,871,659	-
Other operating expenditures	-	308,057
Expenditures on behalf of University and students	-	5,112,113
Total operating expenses	603,470,232	14,055,644
Operating loss	(272,992,099)	(11,214,334)

(Continued)

State of Illinois
Illinois State University

Statement of Revenues, Expenses, and Changes in Net Position (Continued)
For the Year Ended June 30, 2018

	University	Component Units
Nonoperating revenues (expenses)		
State appropriations	$ 98,939,700	$ -
Payments on behalf of the University - State	170,213,603	-
Payments on behalf of the University - Foundation	2,918,448	-
Laboratory schools	8,017,604	-
Gifts and donations	1,681,281	11,108,632
Investment income, net of investment expenses	342,628	12,817,117
Interest expense	(6,850,479)	(88,548)
Nonoperating federal grants	25,154,638	-
Nonoperating state grants	21,027,704	-
Other nonoperating revenues	1,453,525	1,317,277
Other nonoperating expenses	-	(824,689)
Net nonoperating revenues	322,898,652	24,329,789
Income before capital items	49,906,553	13,115,455
Capital appropriations	113,000	-
Capital grants and gifts	1,900,551	-
Additions to permanent endowments	-	4,659,016
Total capital items	2,013,551	4,659,016
Increase in net position	51,920,104	17,774,471
Net position		
Beginning of year	555,063,287	153,029,384
Prior period adjustment for change in accounting principle	(33,007,666)	-
Net position, beginning of year, as restated	522,055,621	153,029,384
End of year	$ 573,975,725	$ 170,803,855

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

State of Illinois
Illinois State University

Statement of Cash Flows
For the Year Ended June 30, 2018

Cash flows from operating activities	
Tuition and fees	$ 225,945,157
Grants and contracts	20,181,965
Payments to suppliers	(141,189,570)
Payments to employees for salaries and benefits	(232,885,667)
Payments for scholarships and fellowships	(71,387,581)
Student loans issued	(1,429,721)
Collection of student loans	1,593,438
Payment of Perkins Federal Capital Contribution	(1,063,371)
Auxiliary enterprise charges:	
Auxiliary facilities, net	86,418,127
Sales and service of educational activities	3,181,820
Student account overpayments	63,483,427
Student account refunds	(63,483,427)
Other disbursements	(3,888,460)
Other receipts	48,925,684
Net cash used in operating activities	(65,598,179)
Cash flows from noncapital financing activities	
State appropriations	98,901,926
Gifts and grants for other than capital purposes	276
Other receipts	47,635,868
Laboratory schools	8,089,307
Net cash provided by noncapital financing activities	154,627,377
Cash flows from capital and related financing activities	
Proceeds from issuance of capital debt:	
Capital long-term debt	127,348,036
Bond issuance costs	(1,410,806)
Gifts and grants for capital purposes	334,654
Net purchases of capital assets	(78,539,011)
Principal paid on capital debt and leases	(89,385,000)
Interest paid on capital debt and leases	(5,723,353)
Net cash used in capital and related financing activities	(47,375,480)
Cash flows from investing activities	
Proceeds from sales and maturities of investments	50,000,000
Interest on investments	4,660,716
Purchase of investments	(84,330,574)
Net cash used in investing activities	(29,669,858)
Net increase in cash and cash equivalents	11,983,860
Balance, beginning of year	48,462,582
Balance, end of year	$ 60,446,442

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

State of Illinois
Illinois State University

Statement of Cash Flows (Continued)
For the Year Ended June 30, 2018

Reconciliation of operating loss to net cash used in operating activities	
Operating loss	$ (272,992,099)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	25,306,963
Education and general payments on behalf of the University	173,132,051
Donated equipment below capitalization threshold and services	1,681,005
Changes in assets and liabilities:	
Accounts receivable, net	10,161,830
Student loans receivable, net	220,043
Inventories	449,620
Other assets	(1,324,726)
Deferred outflows of resources	(18,563)
Accounts payable and accrued liabilities	1,438,278
Unearned revenue	218,785
Assets held in custody for others and deposits	(3,960,774)
Federal loan program contributions refundable	(1,063,371)
OPEB liability	984,874
Compensated absences	167,905
Net cash used in operating activities	$ (65,598,179)
Supplemental schedule of noncash transactions	
Payments on behalf of the University	$ 173,132,051
Donated capital assets	1,900,551
Capital appropriation acquisitions	113,000
Bond accretion	394,343
Donated equipment below capitalization threshold	416,714
Construction costs in accounts payable	3,092,907
Investment income unrealized loss and amortization	(4,737,194)
Reconciliation of cash and cash equivalents to the statement of net position	
Cash and cash equivalents classified as current assets	$ 56,122,226
Restricted cash and cash equivalents classified as current assets	4,324,216
	$ 60,446,442

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 units (the Illinois State University Foundation and INTO Illinois State University, LLC (INTO ISU)). The component units discussed below are 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 Illinois State University Global, LLC (Global) was established on March 8, 2018. Global is a University Related Organization (URO) as defined under the University Guidelines adopted by the State of Illinois' Legislative Audit Commission in 1982, as amended. Global was formed as a single member LLC of which the University is the sole owner. The University contributed $25,000 to Global. Based on this financial relationship, Global is blended into the University's financial information (see page 26 for the diagram of the INTO/ISU Corporate structure).

Global exists for the purpose of promoting the development of the Illinois State University's efforts to promote global engagement and internationalization, so that the University can impart the necessary knowledge, and skills students will need to effectively engage in the global community and support the University's distinctive excellence in teaching, learning, scholarship, creativity, research, and public service.

Note 1. Summary of Significant Accounting Policies (Continued)

The Financial Reporting Entity and Component Unit Disclosures (Continued)

Global's current year activity on the Statement of Revenues, Expenses and Changes in Net Position reflected the $25,000 loss from INTO ISU. Global's initial $25,000 investment in INTO ISU is reduced to $0 on its balance sheet at year-end based on its equity investment. There are no other balances at year-end.

On March 22, 2018, Global entered into a joint venture with INTO North America, Inc. (INTO NA) to establish INTO Illinois State University, LLC (INTO ISU). Each member contributed $25,000 towards the members' capital account, appointed three members to the INTO ISU Board, and holds an equal (50%) equity stake in INTO ISU. The Joint Venture agreement specifically applies the $50,000 towards partnership equity. INTO ISU is discretely presented on the University's financial statements.

INTO ISU is an independent organization and is required to report in a separate column to emphasize that it is an entity legally separate from the University. INTO ISU serves as the primary entity to implement the partnership with INTO NA. INTO ISU is responsible, in partnership with INTO NA and the University, with recruiting international students, offering English language instruction courses that serve as a pathway to University degree programs, and serving our new international students. INTO ISU provides continuous support by managing the areas of the students' cultural experience, English language courses, and eventual matriculation to the University.

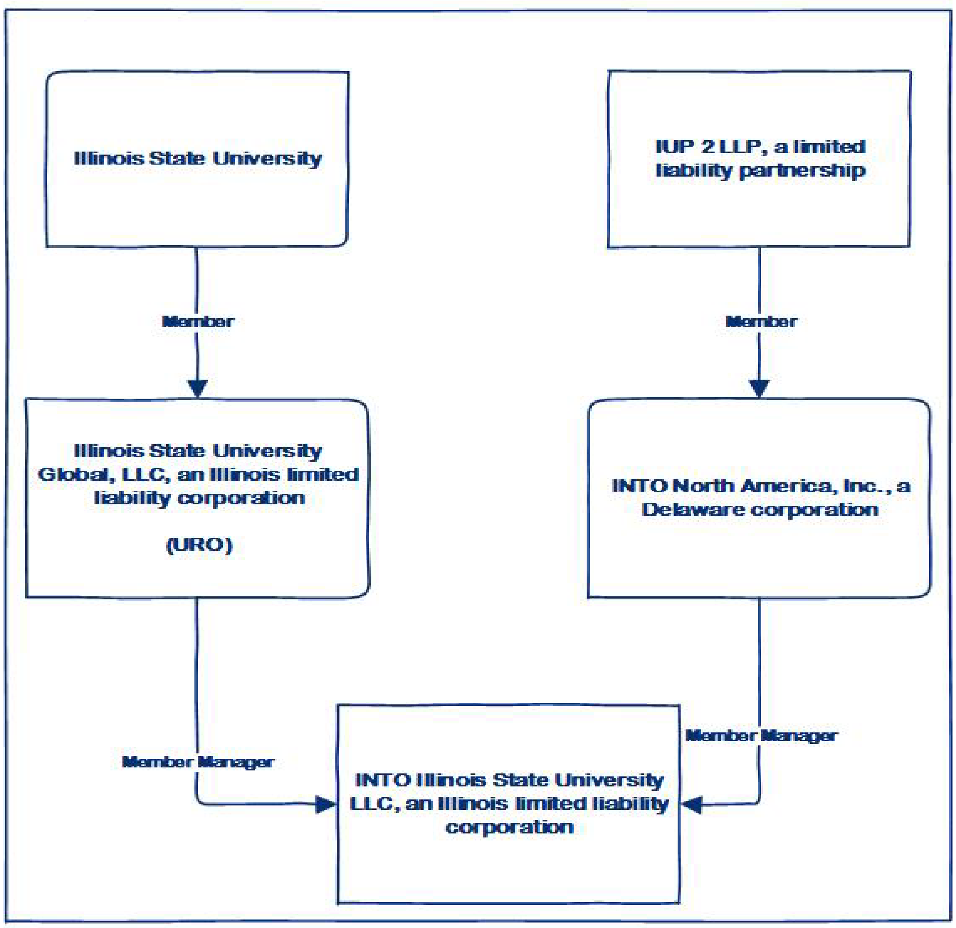
INTO NA supports INTO ISU by providing management, marketing, and administrative services to INTO ISU. By partnering with INTO ISU, the University can support the recruitment of the best and brightest international student talent to the University, enhance the diversity of our University community, inspire our students to become global citizens, extend the University's global reach, broaden the University's global brand identity and recognition, provide an economic stimulus for the broader community, and contribute to the growth of the University. INTO NA is a wholly owned subsidiary of INTO University Partnership Limited (IUP), a British limited liability partnership.

Note 1. Summary of Significant Accounting Policies (Continued)

The Financial Reporting Entity and Component Unit Disclosures (Continued)

Below is a diagram representing the INTO/ISU Corporate Structure.

INTO/ISU Corporate Structure



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.

New Accounting Standards: Effective for the year ending June 30, 2019, the University will adopt the following GASB Statements:

GASB Statement No. 83, *Certain Asset Retirement Obligations*, which provides guidance on when to record an asset retirement obligation. Management believes this statement will not have a material impact on the fiscal year 2019 financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which provides guidance on notes to the financial statements related to debt. Management believes this statement will not have a material impact on the fiscal year 2019 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 and INTO ISU follow 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 component units column of the financial statements and disclosures.

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 at the date of purchase meet this definition.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

The Financial Reporting Entity and Component Unit Disclosures (Continued)

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.

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 cost. 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.

The University maintains a large selection of historical artifacts. They range from a Lincoln manuscript, photographs, films, textiles, a fan leaf, artwork, circus memorabilia, rare books, and items relating to University history. They are held in Special Collections predominantly for the use of research and sometimes held for public exhibition. These items are protected and overseen by a conservation team, kept unencumbered, and will not be sold. These items are not currently capitalized on the books of the University or depreciated.

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.

Restricted Assets: These include all amounts restricted by bond covenants.

Deferred Outflows of Resources: Deferred outflows of resources represent the consumption of net position that applies to a future reporting period and will not be recognized as an expense until that time. The amounts reported as deferred outflows of resources are comprised of amounts related to pension and OPEB liability (see Notes 11 and 12, respectively, for more details).

Note 1. Summary of Significant Accounting Policies (Continued)

The Financial Reporting Entity and Component Unit Disclosures (Continued)

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 advanced funds relating to cost reimbursement grants where expenditures have not yet been approved.

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.

Deferred Inflows of Resources: Deferred inflows of resources represent the acquisition of net assets that is applicable to a future reporting period. The amount reported as deferred inflows of resources is related to OPEB (see Notes 11 and 12 for more information).

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 $5,627,815 at June 30, 2018, and is recorded in the accompanying financial statements.

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 outside sources of financial assistance provided by other entities on behalf of the University during the year ended June 30, 2018. 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 $101,798,603. 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 $68,415,000, during the year ended June 30, 2018. The University paid $3,078,000 and the State contributed, on-behalf of the University, $29,590,000 to meet this obligation related to the active employees (55.05%). In addition, under GASB 75 the State contributed, on behalf of the University, $38,825,000 for retirees of the University.

Note 1. Summary of Significant Accounting Policies (Continued)

The Financial Reporting Entity and Component Unit Disclosures (Continued)

Pensions: 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.

OPEB: OPEB expense, as well as deferred outflows of resources and deferred inflows of resources related to OPEB, have been recognized for the University's proportionate share of collective OPEB expense and collective deferred outflows and deferred inflows of resources related to OPEB. Deferred inflows and outflows of resources are recognized in OPEB expense at the beginning of the current period, using a systematic and rational method over a closed period, equal to the average expected remaining service lives of all employees that are provided with OPEB through the OPEB Plan (active or inactive), determined as of the beginning of the measurement period. The OPEB amounts allocated to funds and agencies are based on the total contributions paid as the primary allocation and on covered payroll for a secondary allocation to those agencies with GRF payrolls preparing their own financial statements.

The State Employees Group Insurance Act of 1971, as amended, authorizes the State Employees Group Insurance Program (SEGIP), which includes activity for both active employees and retirees, is considered a single-employer defined benefit other post-employment benefit plan not administered as a trust. Substantially all State and university component unit employees become eligible for these OPEB plan benefits when they become annuitants of one of the State sponsored pension plans. CMS administers these benefits for the annuitants with the assistance of the public retirement systems sponsored by the State (General Assembly Retirement System, Judges Retirement System, State Employees Retirement System, Teachers' Retirement System, and the State Universities Retirements System). The portions of the Act related to other postemployment benefits establishes a single-employer defined benefit OPEB plan.

Note 1. Summary of Significant Accounting Policies (Continued)

The Financial Reporting Entity and Component Unit Disclosures (Continued)

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.

Restricted net position - nonexpendable: Nonexpendable restricted net position consists 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.

Note 1. Summary of Significant Accounting Policies (Continued)

The Financial Reporting Entity and Component Unit Disclosures (Continued)

Classification of Expenses: The majority of the University's expenses are exchange transactions, which GASB defines as operating expenses for financial statement presentation. Nonoperating expenses include interest expense of the University. The University records its equity share of INTO's operating income/loss as investment gain/loss.

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.

	Amount
Student tuition and fees	$ 260,238,700
Less scholarship discounts and allowances	(59,074,010)
Less discounts for employee waivers	(996,297)
Net student tuition and fees	$ 200,168,393
Auxiliary facilities	$ 99,302,229
Less scholarship discounts and allowances	(13,518,873)
Net auxiliary facilities	$ 85,783,356

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, 2018, the University's bank balance was $45,250,704, and was 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 $3,140,799 at June 30, 2018. Bank balances of $5,723,457 at June 30, 2018 were invested in investment sweep funds secured by U.S. government obligations.

INTO – The carrying value of cash on the financial statements approximates its fair value. The Company maintains its accounts with two high-quality financial institutions and believes that any risk of loss is minimal. As of June 30, 2018, cash deposits exceeded federally insured limits by $887,830.

Note 3. Investments

University Investments

As of June 30, 2018, the University had the following investments:

	Fair Market Value	Less Than 1 Year	1 to 5 Years	S&P/Moody's Rating
U.S. Treasuries	$ 97,595,000	$ 14,899,200	$ 82,695,800	N/A/AAA
Federal Farm Credit Bank	34,225,650	-	34,225,650	AA+/AAA*
Federal Home Loan Bank	117,549,450	29,895,500	87,653,950	AA+/AAA
Illinois Funds Investment Pool**	12,508,986	12,508,986	-	AAAm
Bank Money Market Funds	9,994,703	9,994,703	-	AAAm/Aaamf
Total University	$ 271,873,789	$ 67,298,389	$ 204,575,400	

*$9,840,650 of Federal Farm Credit Bank investments were Not Rated by Moody's
**Illinois Funds are valued at amortized cost, which approximates fair value

	Fair Market Value	Level 1	Level 2
U.S. Treasuries	$ 97,595,000	$ 97,595,000	$ -
Bank Money Market Funds	9,994,703	9,994,703	-
Federal Farm Credit Bank	34,225,650	-	34,225,650
Federal Home Loan Bank	117,549,450	-	117,549,450
Total University	$ 259,364,803	$ 107,589,703	$ 151,775,100

Note 3. Investments (Continued)

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. Level 2 investments are valued based on matrix pricing provided by the custodian. Level 3 inputs are derived from unobservable inputs that are not corroborated by market data.

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 (12.6%) and Federal Home Loan Bank (43.2%).

Custodial Credit Risk: For an investment, this is the risk that in the event of the failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. The University had no custodial credit risk exposure as of June 30, 2018, because all investments are held by the University's agent in the University's name.

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.

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.

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.

Note 3. Investments (Continued)

Foundation Investments

The carrying value of the investment portfolio of the Foundation at June 30, 2018, is as follows:

	Fair Market Value	Level 1	Level 2	Level 3
U.S. Treasury Notes	$ 30,950	$ -	$ 30,950	$ -
Common Stock	608,673	608,673	-	-
Mutual Funds investing in:				
Stocks	487,171	-	487,171	-
Bonds	1,692,452	-	1,692,452	-
International	165,790	-	165,790	-
Real Assets Marketable Funds	9,448	-	9,448	-
Hedged and Alternative Funds	149,219	-	149,219	-
Real Estate Investment	600,631	-	-	600,631
Total Foundation	$ 3,744,334	$ 608,673	$ 2,535,030	$ 600,631

As part of the Foundation's investment portfolio, there are investments in entities in which purchases and withdrawals within these entities are not made in an open market. Instead, the purchases and withdrawals occur with the entities, and in certain circumstances, those transactions are entirely controlled and/or restricted by the entity. The fair value of these investments is determined by the management of the entities and is reported to the Foundation as the Foundation's proportionate share of the net asset fair value of the entity. The following table sets forth additional disclosure of the Foundation's investments whose fair value is estimated using net asset value (NAV) per share (or its equivalent) as of June 30, 2018.

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Mutual Funds investing in:				
Stocks	$ 66,632,037	$ -	Monthly	5 Days
Bonds	22,071,910	-	Daily/Weekly	2/5 Days
Real Assets Marketable Funds	21,956,852	13,338,234	(A)	(A)
Hedged and Alternative Funds	37,795,581	14,784,258	(B)	(B)
Total Foundation	$ 148,456,380	$ 28,122,492		

Note 3. Investments (Continued)

Foundation Investments (Continued)

(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 daily and quarterly with a redemption notice period of 2 to 120 days, with the majority not redeemable until the termination date of the fund, which ranges from October 20, 2018 through December 4, 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 with a redemption notice period of 65 days. The majority are not redeemable until the termination date of the fund, which ranges from March 31, 2020 through March 23, 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.

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.

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 3. Investments (Continued)

Foundation Investments (Continued)

As of June 30, 2018, the Foundation had $20,224,197 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, 2018:

	Global Equity
British Pound	$ 4,183,409
Euro	8,691,318
Franc	1,192,754
Japanese Yen	3,148,520
Other (individually below 5% of total)	3,008,196
Total	$ 20,224,197

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, 2018, 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	$ 30,950	3.33 years	AAA
Bond Mutual Funds	23,764,362	7.51 years	A+

Investments consist of the following:

	University	Foundation
Current:		
Investments	$ 44,794,700	$ -
Noncurrent:		
Investments	204,575,400	152,200,714
	249,370,100	152,200,714
Money market mutual funds classified as cash and cash equivalents	22,503,689	-
Total	$ 271,873,789	$ 152,200,714

Note 4. Accounts Receivable

Accounts receivable consist of the following at June 30, 2018:

	Amount
Student tuition and fees	$ 11,136,911
Auxiliary facilities and other operating activities	6,308,301
Other	1,251,415
Federal, state, and private grants and contracts	5,790,058
Subtotal	24,486,685
Less allowance for uncollectible accounts	(3,128,444)
Net accounts receivable	$ 21,358,241

Note 5. Student Loans Receivable

Student loans receivable at June 30, 2018, is summarized as follows:

	Amount
Perkins student loan fund	$ 8,245,970
Nursing loan fund	529,371
University loan fund	22,638
Subtotal	8,797,979
Less allowance for uncollectible accounts	(1,120,972)
Net student loans receivable	$ 7,677,007
Estimated current portion	$ 7,220,644
Estimated noncurrent portion	456,363
Total	$ 7,677,007

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, 2018, is summarized as follows:

	Amount
Pledges to be collected	$ 4,112,751
Less discount for the time value of money	(175,646)
Less allowance for uncollectible accounts	(262,531)
Net foundation pledges receivable	$ 3,674,574
Estimated current portion	$ 1,142,911
Estimated noncurrent portion	2,531,663
Total	$ 3,674,574

Note 7. Unearned Revenue

Unearned revenue consists of the following at June 30, 2018:

	Amount
Prepaid tuition and fees	$ 8,000,498
Auxiliary facilities	770,280
Grants and contracts	1,643,805
Other	107,336
Unearned revenue	$ 10,521,919

Note 8. Capital Assets

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

University

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital assets not being depreciated					
Land	$ 20,777,512	$ 83,451	$ (4,738,068)	$ -	$ 16,122,895
Construction in progress	5,855,433	24,477,880	-	(6,601,012)	23,732,301
Total capital assets not being depreciated	26,632,945	24,561,331	(4,738,068)	(6,601,012)	39,855,196
Capital assets being depreciated					
Site improvements	36,064,974	2,730,942	(1,470,235)	2,436,793	39,762,474
Infrastructure	13,146,983	-	-	-	13,146,983
Buildings	578,847,097	54,367,886	-	4,164,219	637,379,202
Equipment	89,002,521	4,817,451	(1,477,734)	-	92,342,238
Internally generated software	30,692,278	-	-	-	30,692,278
Library materials	99,078,067	673,583	-	-	99,751,650
Total capital assets being depreciated	846,831,920	62,589,862	(2,947,969)	6,601,012	913,074,825
Less accumulated depreciation for					
Site improvements	15,729,914	972,320	(1,470,235)	-	15,231,999
Infrastructure	8,204,145	302,343	-	-	8,506,488
Buildings	256,484,591	14,233,536	-	-	270,718,127
Equipment	77,834,478	4,310,424	(1,358,238)	-	80,786,664
Internally generated software	8,116,732	2,040,239	-	-	10,156,971
Library materials	82,389,617	3,448,101	-	-	85,837,718
Total accumulated depreciation	448,759,477	25,306,963	(2,828,473)	-	471,237,967
Total capital assets being depreciated, net	398,072,443	37,282,899	(119,496)	6,601,012	441,836,858
Capital assets, net	$ 424,705,388	$ 61,844,230	$ (4,857,564)	$ -	$ 481,692,054

Component Units

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital assets not being depreciated	$ 980,000	$ -	$ -	$ -	$ 980,000
Capital assets being depreciated	11,121,946	154,557	-	-	11,276,503
Less accumulated depreciation	4,492,364	436,053	-	-	4,928,417
Total capital assets being depreciated	6,629,582	(281,496)	-	-	6,348,086
Capital assets, net	$ 7,609,582	$ (281,496)	$ -	$ -	$ 7,328,086

Capitalized Interest: During fiscal year ended 2018, the University incurred interest expense of $6,850,479, of which $46,336 was capitalized related to construction projects.

Note 9. Long-term Liabilities

University Long-term Liabilities

Long-term liability activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Total				
Accrued compensated absences	$ 15,514,065	$ 1,591,155	$ (1,423,250)	$ 15,681,970
Certificates of participation, net	48,185,472	-	(2,783,545)	45,401,927
Revenue bonds payable, net	77,799,611	127,348,036	(86,995,798)	118,151,849
Total	$ 141,499,148	$ 128,939,191	$ (91,202,593)	$ 179,235,746
Current portion				
Accrued compensated absences	$ 1,837,247			$ 1,589,056
Certificates of participation, net	2,783,545			2,873,545
Revenue bonds payable, net	4,486,789			5,983,816
Total current portion	$ 9,107,581			$ 10,446,417
Noncurrent portion				
Accrued compensated absences	$ 13,676,818			$ 14,092,914
Certificates of participation, net	45,401,927			42,528,382
Revenue bonds payable, net	73,312,822			112,168,033
Total noncurrent portion	$ 132,391,567			$ 168,789,329

Note 9. Long-term Liabilities (Continued)

University Long-term Liabilities (Continued)

Revenue bonds payable at June 30, 2018, consist of the following:

	Amount
Revenue Bonds, Series 2012:	
New Project Bonds	$ 17,845,000
Revenue Bonds, Series 2016:	
Refunding Bonds	29,055,000
Revenue Bonds, Series 2018:	
Refunding Bonds	40,890,000
Refunding Bonds	21,370,000
Total Revenue Bonds payable	$ 109,160,000

Maturities and interest requirements on revenue bonds payable at June 30, 2018, are as follows:

Year Ending June 30	Principal	Interest	Total
2019	$ 5,370,000	$ 5,149,850	$ 10,519,850
2020	5,615,000	4,901,250	10,516,250
2021	5,885,000	4,635,800	10,520,800
2022	6,160,000	4,357,450	10,517,450
2023	6,455,000	4,060,400	10,515,400
Subtotal	29,485,000	23,104,750	52,589,750
2024-2028	37,230,000	15,350,800	52,580,800
2029-2033	26,250,000	7,678,738	33,928,738
2034-2038	13,155,000	2,797,500	15,952,500
2039	3,040,000	152,000	3,192,000
Subtotal	109,160,000	$ 49,083,788	$ 158,243,788
Additions:			
Unamortized premiums	8,991,849		
Total	$ 118,151,849		

Note 9. Long-term Liabilities (Continued)

University Long-term Liabilities (Continued)

The Series 2008, 2012, 2016, and 2018 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 continue 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. The Series 2008 bonds were refunded with the issuance of the Series 2018A Bonds.

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 continue 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 continue 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.

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 refunding resulted in a net increase in the debt service payment of $5,539,016 and an estimated savings of $15,118,204 in present value. The Series 2018A Bonds mature beginning April 1, 2018, and continuing through April 1, 2039. These bonds bear interest from 4.0% to 5.0%. The Series 2018B Bonds mature beginning April 1, 2019, and continue through April 1, 2033. These bonds bear interest at 5.0%. Interest is payable on April 1 and October 1, commencing April 1, 2018.

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

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 $158,243,788 of future revenues is pledged through 2038. Debt service to pledged revenues for the current year is 3.621%.

Note 9. Long-term Liabilities (Continued)

University 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, 2018, are as follows:

Year Ending June 30	Principal	Interest	Total
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
2023	3,350,000	1,432,167	4,782,167
Subtotal	15,540,000	8,273,675	23,813,675
2024-2028	17,915,000	4,955,475	22,870,475
2029-2033	10,340,000	1,693,894	12,033,894
2034	1,765,000	72,806	1,837,806
Subtotal	45,560,000	$ 14,995,850	$ 60,555,850
Additions (deductions):			
Unamortized discounts	(198,503)		
Unamortized premiums	40,430		
Total	$ 45,401,927		

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
2018	$ 12,897,368	$ 2,784,602	$ 15,681,970

Foundation Long-term Liabilities

Long-term liability activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Total				
Beneficiary payments	$ 383,865	$ 608,497	$ (74,911)	$ 917,451
Deferred rent	300,000	-	(300,000)	-
Contract-for-deed payable	2,662,670	-	(105,377)	2,557,293
Total	$ 3,346,535	$ 608,497	$ (480,288)	$ 3,474,744
Current portion				
Beneficiary payments	$ 39,400			$ 74,900
Deferred rent	300,000			-
Contract-for-deed payable	105,377			109,001
Total current portion	$ 444,777			$ 183,901
Noncurrent portion				
Beneficiary payments	$ 344,465			$ 842,551
Contract-for-deed payable	2,557,293			2,448,292
Total noncurrent portion	$ 2,901,758			$ 3,290,843

Note 9. Long-term Liabilities (Continued)

Foundation Long-term Liabilities (Continued)

Foundation Contract-for-Deed Payable

A contract at June 30, 2018, 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, 2018, are as follows:

Year Ending June 30	Principal	Interest	Total
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
2023	124,781	69,144	193,925
Subtotal	583,562	386,062	775,699
2024-2026	1,973,731	154,022	2,127,753
Total	$ 2,557,293	$ 540,084	$ 2,903,452

INTO ISU Related Party Note Payable

INTO ISU has an agreement with its two partners, Global and INTO NA which allows INTO ISU to borrow up to $6,000,000 in operating capital from INTO NA with an interest rate of 6%. Borrowings on this note can be made at any time subject to partner agreement. As of June 30, 2018, the Company has outstanding borrowings with INTO NA in the amount of $1,000,000 and accrued interest of $500.

	Beginning Balance	Additions	Retirements	Ending Balance
Long-term Note	$ -	$ 1,000,000	$ -	$ 1,000,000

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 year ended June 30, 2018, was $1,458,509. The leases expire between June 2018 and October 2022.

Following is a schedule of future minimum lease payments.

Year Ending June 30		Amount
2019	$	1,142,554
2020		748,052
2021		110,465
2022		90,000
Total	$	2,091,071

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 was $89,578 in 2018. 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
2019	$	91,838
2020		46,295
Total	$	138,133

The University leases eleven vehicles for the Athletic Department employees at a cost of $42,900 in fiscal year 2018. 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
2019	$	42,900
2020		7,150
Total	$	50,050

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 its 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, 2017 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 2017 and 2018, respectively, was 12.53% and 12.46% of employee payroll. The normal cost is equal to the value of current year’s pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% (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, 2017. At June 30, 2017, SURS reported an NPL of $25,481,105,995.

University’s Proportionate Share of Net Pension Liability: The amount of the proportionate share of the net pension liability to be recognized for the University is $0. The proportionate share of the State’s net pension liability associated with the University is $1,075,022,381 or 4.2189%. This amount is not recognized in the University’s financial statements. The net pension liability and the total pension liability as of June, 30, 2017, was determined based on the June 30, 2016, actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS during fiscal year 2017.

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

University’s Proportionate Share of Pension Expense: The University’s proportionate share of collective pension expense is recognized similarly to on-behalf payments as both revenue and matching expenses in the financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported pensionable contributions made to SURS during fiscal year 2017. As a result, the University recognized on-behalf revenue and pension expense of $101,798,603 for the year ended June 30, 2018.

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	$ 139,193,227	$ 1,170,771
Changes in assumptions	205,004,315	259,657,577
Net difference between projected and actual earnings on pension plan investments	94,620,827	-
Total	$ 438,818,369	$ 260,828,348

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
2018	$ 55,589,850
2019	187,874,276
2020	90,475,551
2021	(155,949,656)
Total	$ 177,990,021

University's Deferral of Fiscal Year 2018 Pension Expense: The University paid $669,483 in federal, trust or grant contributions for the year ended June 30, 2018. These contributions were made subsequent to the pension liability measurement date of June 30, 2017, and are recognized as deferred outflows of resources as of June 30, 2018.

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary(s). For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2017, these best estimates are summarized in the following table:

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		7.34	
Global Equity	8.00		6.85	
Fixed Income	19.00		1.38	
Treasury-Inflation Protected Securities	4.00		1.17	
Emerging Market Debt	3.00		4.14	
Real Estate REITS	4.00		5.75	
Direct Real Estate	6.00		4.62	
Commodities	2.00		4.23	
Hedged Strategies	5.00		3.95	
Opportunity Fund	1.00		6.71	
Total	100.00	%	5.20	%
Inflation			2.75	%
Expected Arithmetic Return			7.95	%

Discount Rate: A single discount rate of 7.09% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.56% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under 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 7.09%, 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 6.09%		Current Single Discount Rate Assumption 7.09%		1% Increase 8.09%	
$	30,885,146,279	$	25,481,105,995	$	20,997,457,586

Additional information regarding the SURS' basic financial statements, including the plan net position, can be found in the SURS comprehensive annual financial report by accessing the website at www.surs.org.

Note 12. Post-employment Benefits

***Plan description*.** The State Employees Group Insurance Act of 1971 (Act), as amended, authorizes the State Employees Group Insurance Program (SEGIP) to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all of the University's full-time employees are members of SEGIP. Members receiving monthly benefits from the General Assembly Retirement System (GARS), Judges Retirement System (JRS), State Employees' Retirement System of Illinois (SERS), Teachers' Retirement System (TRS), and State Universities Retirement System of Illinois (SURS) are eligible for these other post-employment benefits (OPEB). The eligibility provisions for each of the retirement systems are defined within Note 11. Certain TRS members eligible for coverage under SEGIP include: certified teachers employed by certain State agencies, executives employed by the Board of Education, regional superintendents, regional assistant superintendents, TRS employees, and members with certain reciprocal service.

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

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

Note 12. Post-employment Benefits (Continued)

Funding policy and annual other postemployment benefit cost. OPEB offered through SEGIP are financed through a combination of retiree premiums, State contributions, and Federal government subsidies from the Medicare Part D program. Contributions are deposited in the Health Insurance Reserve Fund, which covers both active State employees and retirement members. Annuitants may be required to contribute towards health and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute toward health and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health and vision benefits. All annuitants are required to pay for dental benefits regardless of retirement date. The Director of the Department of Central Management Services shall, on an annual basis, determine the amount the State shall contribute toward the basic program of group health benefits. State contributions are made primarily from the State's General Revenue Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree health insurance benefit and a separate trust has not been established for the funding of OPEB.

For fiscal year 2018, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $10,926.24 ($6,145.92 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and $14,939.04 ($5,165.04 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

Total OPEB liability, deferred outflows of resources, deferred inflows of resources and expense related to OPEB**.** The total OPEB liability, as reported at June 30, 2018, was measured as of June 30, 2017, with an actuarial valuation as of June 30, 2016. At June 30, 2018, the University recorded a liability of $30,042,445 for its proportionate share of the State's total OPEB liability. The University's portion of the OPEB liability was based on the University's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2017. As of the current year measurement date of June 30, 2017, the University's proportion was .0727%, which was a decrease of .0049% from its proportion measured as of the prior year measurement date of June 30, 2016.

The University recognized OPEB expense for the year ended June 30, 2018, of $984,876. At June 30, 2018, the Department reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2017, from the following sources:

Note 12. Post-employment Benefits (Continued)

Deferred outflows of resources		
Differences between expected and actual experience	$	9,630
Changes in proportion and differences between employer contributions and proportionate share of contributions		-
State contributions subsequent to the measurement date (a)		633,058
Total deferred outflows of resources	$	642,688
Deferred inflows of resources		
Changes of assumptions	$	2,852,520
Changes in proportion and differences between employer contributions and proportionate share of contributions		1,740,265
Total deferred inflows of resources	$	4,592,785

(a) amount to be provided by the Office of the State Comptroller on an annual basis based on current year employer contributions as calculated by the actuary and CMS.

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

Year Ending June 30	Amount*
2019	$ (1,030,274)
2020	(1,030,274)
2021	(1,030,274)
2022	(1,030,274)
2023	(462,059)
Total	$ (4,583,155)

*Expensed over the average remaining service life of all employees (5.4 years)

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

Note 12. Post-employment Benefits (Continued)

The valuation date of June 30, 2016 below was rolled forward to June 30, 2017.

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

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

Note 12. Post-employment Benefits (Continued)

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

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

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

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

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

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

1% Decrease 2.56%	Current Single Discount Rate Assumption 3.56%	1% Increase 4.56%
$ 34,082,906	$ 30,042,445	$ 26,024,733

Note 12. Post-employment Benefits (Continued)

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

	1% Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
University's proportionate share of total OPEB liability	$ 25,671,021	$ 30,042,445	$ 33,651,370

Note 13. Transactions with Related Organizations

Illinois State University Foundation

The Foundation is a related organization formed to support in various ways the University's instructional, research and public service missions. Effective July 1, 2017, 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 $2,595,000 for the year ended June 30, 2018. 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 $2,457,018 during fiscal year 2018. 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, 2018, the Foundation had payables to the University of $157,860. In addition, at June 30, 2018, the Foundation had no receivables 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. The prepaid rent was fully amortized as of June 30, 2018.

During fiscal year 2018, the Foundation contributed services and expenditures of $5,936,803 that were for the direct and/or indirect support of the University. The Foundation also contributed $2,874,420 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)

Illinois State University Foundation (Continued)

As of and during the year ended June 30, 2018, the University and Foundation had the following inter-entity transactions:

	Illinois State University Foundation	
Illinois State University	Accounts Payable	Operating Expense
Accounts receivable, net	$ 123,489	$ -
Assets held in custody for others	34,371	-
Other operating revenues	-	352,647
Other nonoperating revenues	-	4,538,968
Capital gifts and grants	-	1,045,188
Total	$ 157,860	$ 5,936,803

Note: There was an additional $15,865 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.

INTO ISU

INTO ISU has entered into a University Service Agreement (Service Agreement) with Global, which provides that the University will create and develop the INTO programs jointly with INTO ISU, with the goal of ensuring that appropriate resources and courses are available to provide a quality academic experience. The Service Agreement, effective as of March 22, 2018, continues through March 22, 2028. The Service Agreement may be terminated without liability to either party upon the event of certain criteria established per the Service Agreement. No such event occurred as of June 30, 2018.

The Service Agreement provides that credits earned by students who successfully complete the INTO Pathways Program will be recognized by the University toward completion of an appropriate University undergraduate or graduate degree program. The University will provide and supervise the administration of student admissions to the INTO Program and will provide support and mentoring services to the students during their enrollment in the University Program.

Per the terms of the Service Agreement, the University will provide INTO ISU access to University facilities and student services. The University will provide for the planning, construction, and use of living and learning facilities based on the achievement of program milestones, including various enrollment thresholds. In addition, access to appropriate University staff for delivery of the INTO Programs will be provided to INTO ISU. The University will incur the payroll and other expenses for leased employees, and INTO ISU will reimburse the University for these costs.

As part of the Service Agreement, the University granted INTO ISU a nonexclusive, royalty-free, nontransferable worldwide license for the term of the agreement to use the University trademarks, trade names, service marks, service names, brand names, domain names, URLs, or logos for the purpose of the INTO programs.

Note 13. Transactions with Related Organizations (Continued)

INTO ISU (Continued)

Per the terms of the Facilities License, the University provides INTO ISU leased facilities, effective as of March 22, 2018, continuing through March 22, 2028. These facilities are utilized for both administrative and educational purposes. The base rent is $20 per square foot and the initial allocation of space of 1958 square feet. The License provides for expansion rights over the term for more space depending on the needs of the program. The License also provides for an allocation of improvement costs for new space. The Company is responsible for improvement costs up to $500,000 in total for the term. The University is responsible for improvement costs over $500,000. Due to the improvement costs allocation, the University also agreed to assess the $500,000 in improvement fees using the rent abatement method and agreed to abate monthly base rent by $50,000 per fiscal year. During Fiscal Year 2018, INTO ISU was charged rental income of $6,896. As a result of the abatement, the net rental income for Fiscal Year 2018 was $0.

For the period ended June 30, 2018, the incurred cost by INTO ISU to the University was $113,546 for administrative services and other operating costs per Article 4.0.1, in addition to, $24,248 for Agent Visit (FAM Trip) to the Normal, Illinois campus.

INTO ISU has an agreement with its two partners, Global and INTO NA which allows INTO ISU to defer the payment of the specified payments with respect to each fiscal year until the final day of the fiscal year.

	INTO Illinois State University		
Illinois State University	Accounts Payable	Operating Expense	Capital Assets
Accounts receivable, net	$ 137,794	$ -	$ -
Other operating revenues	-	91,091	46,703

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 less taxes and fees upon reconciliation). There was $449,336 left over from the 2015-16 PSR experience. The reserve for 2016-17 of $1,058,306 became available upon final calculation in October 2018. $1,250,038 is estimated to fund the 2018-19 policy year. The $449,336 plus $800,702 from the 2016-17 reserve will be used to fund the 2018-19 policy year. The remainder of the 2016-17 reserve plus the experience surplus of $75,367 will be used to partially fund the 2019-20 policy year. As 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, it is estimated up to $1,300,000 to be needed to fund 2019-2020.

Note 15. Student Financial Assistance

The University participates in the U.S. Department of Education's Direct Student Loan Program. The University awarded $104,665,531 in direct student loans for the year ended June 30, 2018. The University receives this cash from the Department of Education and then applies it accordingly to the related students' account. Any loan proceeds remaining after balances are satisfied are then refunded to the borrower. The University incurs no other related income/expense items related to these awards, as such these amounts are only presented on the University's Statement of Cash Flows under operating activities. Direct Loans are also disclosed in the footnotes to the University's schedule of expenditures of federal awards in the University's compliance examination report.

Note 16. Risk-Management

The University maintains commercial insurance for both property (buildings and contents) and liability loss exposures. During fiscal year 2018, there were no reductions in insurance coverage. The University renewed its property insurance in July 2018 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, 2018, 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, 2018:

	Amount
Student Loans	$ 744,039
Repair and Replacement Reserve	44,067,243
Operation and Maintenance	110,473,961
Total Restricted Net Position	$ 155,285,243

Note 17. Net Position (Continued)

University Net Position (Continued)

The University's Board of Trustees designated unrestricted net position is comprised of the following at June 30, 2018:

	Amount
Capital asset renewal and replacement	
for the internal service departments	$ 265,791
Self insurance	1,118,491
	$ 1,384,282

Foundation Net Position

The Foundation's restricted net position is comprised of the following at June 30, 2018:

	Amount
Nonexpendable:	
Scholarship and fellowship	$ 53,628,515
College and academic department support	18,918,753
University capital projects	5,418,595
Other	5,194,230
Total nonexpendable	$ 83,160,093
Expendable:	
Scholarship and fellowship	$ 41,365,375
Instructional and departmental uses	21,571,315
University capital projects	3,162,632
Other restricted expendable	5,852,050
Total expendable	$ 71,951,372

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 2018, 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, 2017, a total of $4,213,101, was distributed to endowed funds' expendable balances and fund-raising fees totaling $1,531,632, 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 $43,648,617; approximately $17,364,674 (39.78%) of the work has been completed as of June 30, 2018. 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 2019, 2020 and 2021 by executing forward fixed price purchase contracts with IMGA and MidAmerican Energy. As of June 30, 2018, the University's commitment to these contracts is approximately $6,227,451 for natural gas and $18,922,900 for electricity. These are considered normal purchase contracts.

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 $60,896,457 as of June 30, 2018. As of June 30, 2018, the Foundation had invested $32,773,966 and has future investment commitments of $28,122,491.

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, 2018, as it is not possible to determine with any degree of probability the level of future payments for these matters.

Note 21. Crosswalk of Natural Classification with Functional Classifications

	Natural Classification for the Year Ended June 30, 2018				
University	Compensation and Benefits	Supplies and Services	Scholarships	Depreciation	Total
Instruction	$ 228,742,499	$ 14,489,230	$ -	$ -	$ 243,231,729
Research	13,216,553	6,539,597	-	-	19,756,150
Public service	7,244,026	9,232,564	-	-	16,476,590
Academic support	30,059,801	6,203,980	-	-	36,263,781
Student services	24,279,298	22,047,075	-	-	46,326,373
Institutional support	43,392,338	9,137,277	-	-	52,529,615
Operation of plant	21,571,454	18,016,854	-	-	39,588,308
Depreciation	-	-	-	25,306,963	25,306,963
Staff benefits	3,389,866	-	-	-	3,389,866
Student aid	-	9,422,173	50,307,025	-	59,729,198
Auxiliary facilities	26,036,243	34,835,416	-	-	60,871,659
Total University	$ 397,932,078	$ 129,924,166	$ 50,307,025	$ 25,306,963	$ 603,470,232

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 Statement of Net Position at June 30, 2018	Amount
Assets:	
Restricted - current assets	$ 54,308,866
Noncurrent assets:	
Capital assets, net	266,814,198
Restricted - other noncurrent assets	109,461,264
Total assets	430,584,328
Liabilities:	
Current liabilities	13,878,452
Noncurrent liabilities	113,495,052
Total liabilities	127,373,504
Net position:	
Invested in capital assets, net of related debt	148,669,620
Restricted - expendable	154,541,204
Total net position	$ 303,210,824

Note 22. Segment Information (Continued)

Condensed Statement of Revenues, Expenses, and Changes in Net Position for the Year Ended at June 30, 2018

	Amount
Operating revenues	$ 87,627,138
Depreciation expense	(8,874,303)
Other operating expenses	(60,932,936)
Operating income	17,819,899
Nonoperating revenues	762,723
Nonoperating expenses	(5,672,461)
Increase in net position	12,910,161
Net position - beginning of year	290,300,663
Net position - end of year	$ 303,210,824

*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 Statement of Cash Flows for the Year Ended June 30, 2018

	Amount
Net cash flows provided by operating activities	$ 26,193,244
Net cash flows provided by noncapital financing activities	293,223
Net cash flows used in capital and related financing activities	(33,735,572)
Net cash flows used in investing activities	6,333,428
Net decrease in cash and cash equivalents	(915,677)
Cash and cash equivalents, beginning of year	4,419,978
Cash and cash equivalents, end of year	$ 3,504,301

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, 2016, and 2018 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 and investment balances within each account at June 30, 2018:

Account	Amount
Operation and Maintenance Account	$ 31,149,868
Bond and Interest Sinking Fund Account	34,879
Repair and Replacement Reserve Account	46,912,825
Non-Instructional Facilities (Development) Reserve Account	32,319,189
Optional Redemption Account	47,126,596
Total of all accounts	$ 157,543,357

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. This appropriation is recognized as revenue during the 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.

Note 24. Restatement of Net Position

Effective for the year ending June 20, 2018, the State implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which requires governments providing other postemployment benefits (OPEB) to recognize their long-term obligation for OPEB benefits as a liability.

The implementation of this Statement significantly impacted the University's financial statements and footnote disclosures with the recognition of an OPEB liability, deferred outflows of resources, and deferred inflows of resources on the Statement of Net Position, and OPEB expense on the Statement of Revenues, Expenses, and Changes in Net Position.

The change in methodology has resulted in a restatement of beginning net position as of June 30, 2017. The changes are detailed in the below table.

	University	Component Units
Net Position, June 30, 2017	$ 555,063,287	$ 153,029,384
Implementation of GASB 75	(33,007,666)	-
Net Position, June 30, 2017, as restated	$ 522,055,621	$ 153,029,384

Note 25. University Related Organizations

The University's financial statements include the activity of the University Related Organizations which represent the discretely presented component units. Below are financial statements by organization:

	2018		
Statement of Net Position	**Foundation**	**INTO ISU**	**Total**
Assets			
Current assets:			
Unrestricted			
Cash and cash equivalents	$ 5,723,457	$ 1,137,830	$ 6,861,287
Accounts receivable, net	38,249	-	38,249
Prepaid expenses	-	166,667	166,667
Pledges receivable, net	1,142,911	-	1,142,911
Total current assets	6,904,617	1,304,497	8,209,114
Noncurrent assets:			
Unrestricted			
Investments	152,200,714	-	152,200,714
Pledges receivable, net	2,531,663	-	2,531,663
Capital assets not depreciated	980,000	-	980,000
Capital assets, net of depreciation	6,301,383	46,703	6,348,086
Other noncurrent assets	4,233,124	-	4,233,124
Restricted			
Cash and cash equivalents	3,131,126	-	3,131,126
Total noncurrent assets	169,378,010	46,703	169,424,713
Total assets	176,282,627	1,351,200	177,633,827
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	434,405	1,920,823	2,355,228
Other	183,901	-	183,901
Total current liabilities	618,306	1,920,823	2,539,129
Noncurrent liabilities:			
Other	3,290,843	1,000,000	4,290,843
Total noncurrent liabilities	3,290,843	1,000,000	4,290,843
Total liabilities	3,909,149	2,920,823	6,829,972
Net Position			
Net investment in capital assets	4,724,090	-	4,724,090
Restricted:			
Nonexpendable	83,160,093	-	83,160,093
Expendable	71,951,372	-	71,951,372
Unrestricted	12,537,923	(1,569,623)	10,968,300
Total net position	$ 172,373,478	$ (1,569,623)	$ 170,803,855

Note 25. University Related Organizations (Continued)

Statement of Revenues, Expenses, and Changes in Net Position

	Foundation	INTO ISU	Total
Operating revenues			
State and local grants and contracts	$ 2,457,018	$ -	$ 2,457,018
Other operating revenues	384,292	-	384,292
Total operating revenues	2,841,310	-	2,841,310
Operating expenses			
Educational and general:			
Operations	3,705,378	1,619,623	5,325,001
Depreciation	436,053	-	436,053
Student aid	2,874,420	-	2,874,420
Other operating expenditures	308,057	-	308,057
Expenditures on behalf of University and students	5,112,113	-	5,112,113
Total operating expenses	12,436,021	1,619,623	14,055,644
Operating loss	(9,594,711)	(1,619,623)	(11,214,334)
Nonoperating revenues (expenses)			
Gifts and donations	11,108,632	-	11,108,632
Investment income, net of investment expenses	12,817,117	-	12,817,117
Interest expense	(88,548)	-	(88,548)
Other nonoperating revenues	1,267,277	50,000	1,317,277
Other nonoperating expenses	(824,689)	-	(824,689)
Net nonoperating revenues	24,279,789	50,000	24,329,789
Income (loss) before capital items	14,685,078	(1,569,623)	13,115,455
Additions to permanent endowments	4,659,016	-	4,659,016
Total capital items	4,659,016	-	4,659,016
Increase (decrease) in net position	19,344,094	(1,569,623)	17,774,471
Net position			
Beginning of year	153,029,384	-	153,029,384
End of year	$ 172,373,478	$ (1,569,623)	$ 170,803,855

Note 26. Subsequent Events

As of June 30, 2018, the University had two collective-bargaining agreements covering various union-represented employees which had expired.

On October 19, 2018, the University's Board of Trustees approved a fiscal year 2019 budget for operations in an amount not to exceed $458,100,000.

On October 19, 2018, the University's Board of Trustees authorized the issuance of Auxiliary System Revenue Bonds: Series 2018C. The Series 2018C bonds are scheduled to be issued in December 2018, in the amount of $6,200,000 with an anticipated ten-year fixed interest rate of 3.125%. The proceeds from the bond issuance will be used to replace all of the lower bowl seating, telescopic platforms, construct ADA seating platforms, nine "Loge Box" seating locations, as well as a private suite at Redbird Arena.

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. As of December 31, 2017, S&P Global rated the Illinois State University's Auxiliary Facilities System Revenue Bonds and Certificates of Participation as "A-" with a stable outlook. As of December 31, 2017, Moody's Investor Service rated the Illinois State 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, and is not aware of any current violations.

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.

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

	FY 2017	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%	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	1,075,022,381	1,070,597,248	1,002,937,669	921,721,819
Total (b) + (c)	$ 1,075,022,381	$ 1,070,597,248	$ 1,002,937,669	$ 921,721,819
Employer Defined Benefit (DB) Covered Payroll	$ 195,662,572	$ 195,466,918	$ 198,967,447	$ 194,770,058
Proportion of Collective Net Pension Liability associated with Employer as a percentage of DB covered payroll	549.43%	547.71%	504.07%	473.24%
SURS Plan Net Position as a Percentage of Total Pension Liability	42.04%	39.57%	42.37%	44.39%

Schedule of Contributions - Pension

	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Federal, trust, grant and other contribution	$ 669,483	$ 650,920	$ 671,749	$ 651,497	$ 626,245
Contribution in relation to required contribution	669,483	650,920	671,749	651,497	626,245
Contribution deficiency (excess)	-	-	-	-	-
Employer covered payroll	$ 5,742,955	$ 5,192,248	$ 4,957,342	$ 5,182,867	$ 5,564,255
Contribution as a percentage of covered payroll	11.66%	12.54%	13.55%	12.57%	11.25%

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Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2018

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

		FY 2018
University’s Proportion Percentage of the Collective Net OPEB Liability		
(a) University’s Proportion Percentage of the Collective Net OPEB Liability		0.0727%
(b) Proportionate Share of the Collective Net OPEB Liability	$	30,042,445
(c) University's covered employee payroll	$	200,373,903
(d) Proportionate share of the Net Collective OPEB Liability as a percentage of covered-employee payroll		14.99%

Schedule of Contributions - OPEB

	FY 2018	FY 2017	FY 2016	FY 2015
Contractually required contribution	$ 1,433,900	$ 1,541,143	$ 1,627,801	$ 1,348,513
Contribution in relation to contractually required contribution	1,433,900	1,541,143	1,627,801	1,348,513
Contribution deficiency (excess)	-	-	-	-
Employer covered payroll	$ 5,388,640	$ 4,770,232	$ 4,474,394	$ 4,896,463
Contribution as a percentage of covered payroll	26.61%	32.31%	36.38%	27.54%

Notes to the Required Supplementary Information

This pension schedules are 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, 2018.

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.

Notes to the Required Supplementary Information

The OPEB schedules are presented to illustrate the requirements of Governmental Accounting Standards Board Statement No. 75 (GASB 75) 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 75.

Payment of benefits: No assets are accumulated or dedicated to funding the retiree health insurance benefit and a separate trust has not been established for the funding of the OPEB. State contributions are made primarily from the General Revenue Fund on a pay-as-you-go basis.

Factors that affect trends in the amounts reported: An actuarial valuation was performed as of June 30, 2016, for the years ending June 30, 2010 to June 30, 2014, with a measurement date as of June 30, 2017. The following assumptions were used:

- Mortality rates. RP-2014 White Collar, gender distinct, projected using MP-2014 two dimensional mortality improvement scale, set forward one year for male and female annuitants.
- Salary increase. Dependent upon service and participation in the respective retirement systems. Includes inflation rate of 2.75%, salary increase 3.0% - 15.0%.
- Healthcare Cost Trend Rate: Medical (Pre-Medicare) 8.0% grading down 0.5% in the first year to 7.5%, then grading down 0.01% in the second year to 7.49%, followed by grading down of 0.5% per year over 5 years to 4.99% in year 7; Medical (Post-Medicare) 9.0% grading down 0.5% per year over 9 years to 4.5%; Dental 7.5% grading down 0.5% per year over 6 years to 4.5%; Vision 3%
- Retiree's share of benefit-related costs: Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement.

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Data Required by Revenue Bond Resolutions (Unaudited)
For the Year Ended June 30, 2018

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, 2018 to June 30, 2019

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Data Required by Revenue Bond Resolutions (Unaudited) (Continued)
For the Year Ended 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 2015 through fiscal year 2019.

Fiscal Year	Tuition and Fees	Room and Board	Combined Costs
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
2019	13,992	9,630	23,622

(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.

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Data Required by Revenue Bond Resolutions (Unaudited)
For the Year Ended June 30, 2018

Schedule of Historical Occupancy Rates for Housing Facilities

	Historical Occupancy Rates for Housing Facilities[1] Measured on the Fall Semester's 10th Day of Occupancy					Fall 2017 10th Day
Residence Halls	2013	2014	2015	2016	2017	Occupancy
Wilkins	108.9%	108.9%	97.1%	93.3%	93.5%	390
Wright	110.3%	110.3%	100.0%	95.6%	96.1%	373
Haynie	110.3%	110.3%	99.2%	98.4%	98.4%	364
Manchester	102.7%	102.7%	95.8%	95.3%	92.6%	711
Hewett	104.0%	104.0%	98.4%	98.1%	93.7%	741
Watterson	101.0%	101.0%	106.5%	105.7%	105.2%	2,343
Total Residence Halls						4,922
Average Occupancy (Residence Halls)	98.2%	103.9%	101.7%	100.5%	99.2%	4,962
Cardinal Court	99.4%	98.4%	99.4%	98.8%	99.4%	889
Shelbourne Apartments	96.0%	96.0%	95.0%	102.0%	0.0%	-
Fell/School Apartments	96.0%	96.0%	97.0%	100.0%	97.0%	98
Total Apartments[2]						98

[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, residence hall capacity was revised to 4,962 in Fall 2012.

[2] Cardinal Court Alternative Housing was opened in 2012 and was developed through a public private partnership as replacement housing for decommissioned Residence Halls. Cardinal Court was previously owned by Collegiate Housing Foundation and managed by the University but became part of the University's Auxilary Facilities System upon the issuance of the Series 2017 Bonds in December 2017.

[3] Shelbourne apartments are no longer being used. They were unoccupied as of July 31, 2017.

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Data Required by Revenue Bond Resolutions (Unaudited)
For the Year Ended June 30, 2018

Enrollment Data

Approximately 93.9% 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
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
2018	18,107	2,528	20,635	16,559	1,556	18,115