STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY

Financial Audit
For the Year Ended June 30, 2019
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, 2019

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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, 2019, has been issued under a separate cover. Additionally, in accordance with *Government Auditing Standards*, we have issued the Report Required Under *Government Auditing Standards* for the year ended June 30, 2019, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters, under a separate cover. The purpose of this 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 30, 2019

University Officials

Chair of the Board of Trustees (04/01/2019 – present)	Ms. Julie Annette Jones
Chair of the Board of Trustees (07/01/2018 – 03/31/2019)	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
Comptroller	Mr. Doug Schnittker
Legal Counsel	Ms. Lisa Huson
Director – Internal Audit	Mr. Robert Blemler

Board of Trustees

Member	Ms. Julie Annette Jones
Member	Dr. Mary Ann Louderback
Member	Mr. Rocky Donahue
Member	Mr. Robert Dobski
Member	Ms. Sharon Rossmark
Member	Ms. Kathryn Bohn
Member	Mr. Robert Navarro
Student Member	Ms. Sarah Aguilar

Office Locations

The University's primary administrative offices are located at:

Hovey Hall
Campus Box 1100
Normal, Illinois 61790-1100

Summary

The audit of the accompanying financial statements of the 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.

Exit Conference

This report was discussed with University personnel at an exit conference on January 15, 2020.

Attending were:

Illinois State University:	
Dan Stephens	Vice President for Finance and Planning
Doug Schnittker	Comptroller
Erika Jones	Assistant Comptroller
Robert Blemler	Director - Internal Audit
Emily Duffield	Chief Accountant
Office of the Auditor General:	
Daniel J. Nugent, CPA	Senior Audit Manager
RSM US LLP:	
Joseph Evans, CPA	Partner
Dan Sethness, CPA	Senior Manager
Erik Ginter, CPA	Manager

RSM

Independent Auditor's Report

RSM US LLP

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 (University), collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University, as of June 30, 2019, and the respective changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 75, the Schedule of the University's Proportionate Share of the Net OPEB Liability on page 76, and the Notes to the Required Supplementary Information on pages 77-78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements.

The Schedule of Operating Expenses – 2019 on page 79 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

In addition, the Data Required by Revenue Bond Resolutions on pages 80-83 and the Schedule of Operating Expenses – 2018 on page 84 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information 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 February 4, 2020, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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* in considering the University's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
February 4, 2020

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, 2019, with selective comparative information for the year ended June 30, 2018. 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 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. Financial statements for INTO ISU may be obtained by accessing the University website at https://accountingoffice.illinoisstate.edu/statements.

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.

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. 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 University at June 30, 2019. 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, 2019 and 2018:

(in thousands)

	2019	2018
Assets:		
Current assets	$ 164,174	$ 141,322
Noncurrent assets:		
Capital assets, net	518,502	481,692
Other noncurrent assets	177,258	205,910
Total assets	859,934	828,924
Deferred outflows	2,032	1,312
Total assets and deferred outflows	861,966	830,236
Liabilities:		
Current liabilities	53,996	45,049
Noncurrent liabilities	196,372	206,619
Total liabilities	250,368	251,668
Deferred inflows	8,574	4,593
Total liabilities and deferred inflows	258,942	256,261
Net Position:		
Net investment in capital assets	364,358	318,965
Restricted	134,263	155,285
Unrestricted	104,403	99,725
Total net position	$ 603,024	$ 573,975

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:

2019	2018
\$164,174 / \$53,996 = 3.04	\$141,322 / \$45,049 = 3.14

Noncurrent assets are comprised primarily of net capital assets. Net capital assets increased \$36.8 million from June 30, 2018 to 2019. The increase in 2019 is related to major renovations of University buildings.

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

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total net position presented on the statement of net position is based upon the activity presented in the statement of revenues, expenses, and changes in net position. The purpose of the statement of revenues, expenses, and changes in net position is to present the revenues received by the institution, both operating and nonoperating, and the expenses paid by the institution, operating and nonoperating, and any other revenues, expenses, gains and losses received or 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, 2019 and 2018:

(in thousands)

	2019	2018
Operating revenues		
Student tuition and fees, net	$ 199,748	$ 200,168
Grants and contracts	22,256	20,377
Auxiliary facilities, net	90,801	85,783
Other	23,725	24,150
Total operating revenues	336,530	330,478
Operating expenses	528,022	603,470
Operating loss	(191,492)	(272,992)
Nonoperating revenues		
State appropriations	66,354	98,940
Payments on behalf of the University	39,584	29,590
Special funding situation	46,816	143,542
Other, net	65,908	50,826
Net nonoperating revenues	218,662	322,898
Capital appropriations	30	113
Capital gifts and grants	1,849	1,901
Increase in net position	29,049	51,920
Net position, beginning of year	573,975	555,063
Prior period adjustment for change in accounting principle	-	(33,008)
Net position, beginning of year, as restated	573,975	522,055
Net position, end of year	$ 603,024	$ 573,975

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 decrease in 2019 is primarily attributable to the decrease in State appropriations and capital project funding levels from both the State of Illinois, Capital Development Board and the Illinois State University Foundation.

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

2019	2018
\$29,049 / \$573,975 = 5.06%	\$51,920 / \$522,055 = 9.95%

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 decreased $33 million in fiscal year 2019 to a total of $66 million. This had a negative 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:

2019	2018
\$27,170 / \$563,019 = 4.83%	\$49,906 / \$662,241 = 7.54%

State appropriations revenue decreased from approximately $99 million to $66 million in fiscal year 2019. The University enacted tuition and fee increases for fiscal year 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 group insurance to the State of Illinois, Department of Central Management Services for current employees of the University and payments by the Illinois State University Foundation for payments to vendors for contractual services and commodities.

(in thousands)

	2019	2018*
Expenses by function		
Instruction	$ 164,880	$ 204,873
Research	26,628	29,399
Public service	17,433	20,343
Academic support	30,327	37,886
Student services	54,190	59,587
Institutional support	47,863	56,518
Operation and maintenance of plant	39,691	48,159
Depreciation	26,134	25,307
Student aid	56,153	49,435
Auxiliary facilities	64,723	71,963
Total operating expenses	$ 528,022	$ 603,470
Expenses by natural classification		
Compensation and benefits	$ 314,925	$ 397,932
Supplies and services	130,810	130,796
Scholarships	56,153	49,435
Depreciation	26,134	25,307
Total operating expenses	$ 528,022	$ 603,470

* Certain reclassifications have been made to present this information in conformity with the Fiscal Year 2019 presentation.

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:

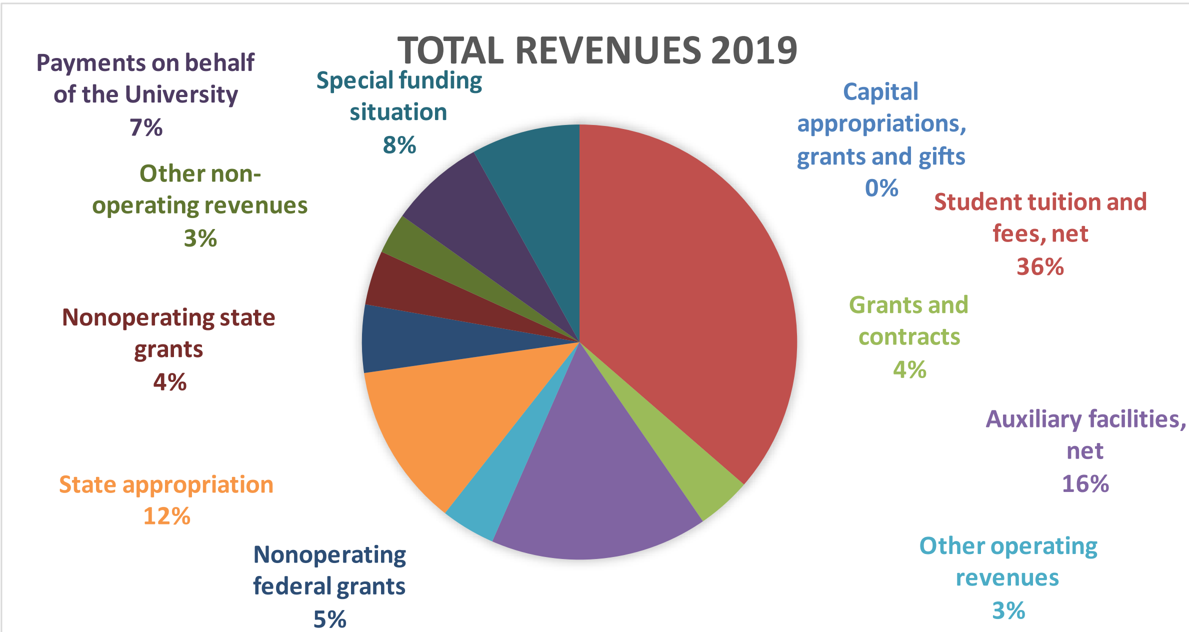
(Thousands of dollars)	
2019	2018
$238,666 / $533,970 = 44.70%	$255,010 / $610,320 = 41.78%

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

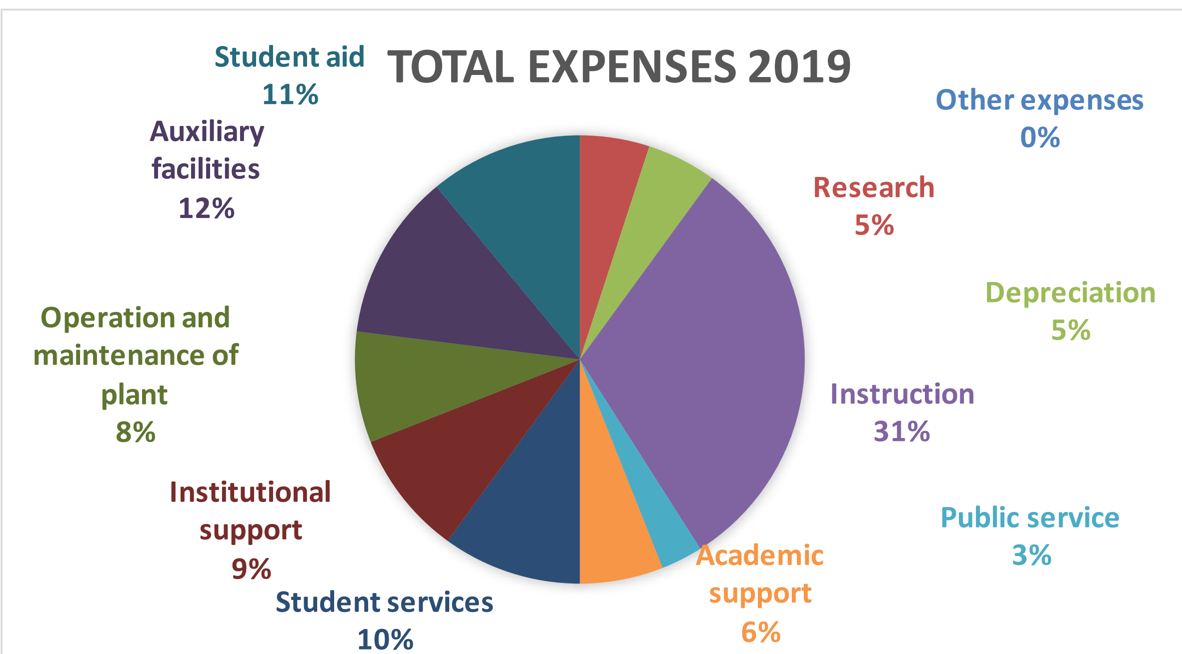
	Percentage *	
	2019	2018
Revenues by source		
Student tuition and fees, net	36 %	30 %
Grants and contracts	4	3
Auxiliary facilities, net	16	13
Other operating revenues	4	4
State appropriations	12	15
Payments on behalf of the University	7	4
Special funding situation	8	22
Nonoperating federal grants	5	4
Nonoperating state grants	4	3
Other nonoperating revenues	3	2
Capital appropriations, gifts and grants	<1	<1
Total revenues by source	100 %	100 %
Expenses by function		
Instruction	31 %	34 %
Research	5	5
Public service	3	3
Academic support	6	6
Student services	10	10
Institutional support	9	9
Operation and maintenance of plant	8	8
Depreciation	5	4
Student aid	11	8
Auxiliary facilities	12	12
Other	<1	<1
Total expenses by function	100 %	100 %
Expenses by natural classification		
Compensation and benefits	61 %	66 %
Supplies and services	24	22
Scholarships	10	8
Depreciation	5	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, 2019 and 2018:

(in thousands)

	2019	2018
Net cash used in operating activities	$ (77,989)	$ (65,598)
Cash flows provided by noncapital financing activities	124,677	154,627
Cash flows used in capital and related financing activities	(64,837)	(47,375)
Cash flows provided by (used in) investing activities	20,969	(29,670)
Net increase in cash and cash equivalents	2,820	11,984
Cash and cash equivalents, beginning of year	60,446	48,462
Cash and cash equivalents, end of year	$ 63,266	$ 60,446

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, 2019 and 2018:

(in thousands)

	2019	2018
Capital assets	$ 1,013,100	$ 952,930
Accumulated depreciation	494,598	471,238
Capital assets, net	$ 518,502	$ 481,692
Depreciation expense	$ 26,134	$ 25,307

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, 2019 and 2018:

	2019	2018
Revenue bonds, direct borrowing	$ 5,555	$ -
Revenue bonds	112,168	118,152
Certificates of participation	42,528	45,402

As of April 30, 2019, 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 May 31, 2019, 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 stable 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)	
2019	2018
$15,976 / $ 510,788 = 3.13%	$12,237 / $585,143 = 2.09%

Economic Outlook

The Governor's Office of Management and Budget of the State of Illinois reported $6.774 billion of outstanding bills at the end of June 2019, a decrease of $279 million from the end of June 2018. On October 18, 2019, the University's Board of Trustees approved a fiscal year 2020 budget for operations consistent with fiscal year 2019, in an amount not to exceed $479.2 million.

The State of Illinois passed a budget that appropriated $69,619,300 to the University to be recognized as revenue in fiscal year 2020. Further, the University was appropriated $150,000 to be used towards fiscal year 2020 scholarship grant awards to be recognized as revenue in fiscal year 2020.

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, 2019

	University	Discretely Presented Component Units
Assets		
Current assets:		
Unrestricted		
Cash and cash equivalents	$ 53,171,079	$ 7,131,759
Accrued interest receivable	495,643	-
Accounts receivable, net	18,118,779	55,182
Student loans receivable, net	5,992,465	-
Pledges receivable, net	-	3,361,812
Appropriations receivable from State	38,358	-
Inventories	2,110,437	-
Prepaid expenses, deposits and other	3,031,346	364,132
Restricted		
Cash and cash equivalents	10,094,795	-
Investments	63,530,632	-
Accrued interest receivable	375,313	-
Accounts receivable, net	6,907,018	-
Inventories	228,738	-
Prepaid expenses, deposits and other	79,442	-
Total current assets	164,174,045	10,912,885
Noncurrent assets:		
Unrestricted		
Investments	103,781,662	170,171,900
Student loans receivable, net	539,162	-
Pledges receivable, net	-	13,640,838
Debt issuance costs	157,818	-
Capital assets not depreciated	83,422,509	980,000
Capital assets, net of depreciation	435,079,325	6,109,226
Other noncurrent assets	-	4,129,006
Restricted		
Cash and cash equivalents	-	2,046,033
Investments	72,123,488	-
Debt issuance costs	656,103	-
Total noncurrent assets	695,760,067	197,077,003
Deferred outflows of resources:		
Loss on Refunding	640,385	-
OPEB	626,847	-
Pension	765,255	-
Total deferred outflows of resources	2,032,487	-
Total assets and deferred outflows of resources	861,966,599	207,989,888

State of Illinois
Illinois State University

Statement of Net Position (Continued)
June 30, 2019

	University	Component Units
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	$ 27,960,245	$ 2,132,709
Assets held in custody for others and deposits	2,515,860	-
Unearned revenue	11,636,352	1,123,739
Certificates of participation	2,973,545	-
Revenue bonds payable	6,773,816	-
Accrued compensated absences	1,515,841	-
OPEB liability	620,624	-
Other	-	204,128
Total current liabilities	53,996,283	3,460,576
Noncurrent liabilities:		
Certificates of participation	39,554,836	-
Revenue bonds payable	110,949,218	-
Accrued compensated absences	14,411,351	-
OPEB liability	23,675,885	-
Federal loan program contributions refundable	7,780,955	-
Other liability	-	7,788,408
Total noncurrent liabilities	196,372,245	7,788,408
Deferred Inflows of Resources - OPEB	8,573,968	-
Total liabilities and deferred inflows of resources	258,942,496	11,248,984
Net Position		
Net investment in capital assets	364,358,168	4,640,935
Restricted:		
Nonexpendable	-	99,801,924
Expendable	134,262,553	83,249,086
Unrestricted	104,403,382	9,048,959
Total net position	$ 603,024,103	$ 196,740,904

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, 2019

	University	Component Units
Operating revenues		
Student tuition and fees, net	$ 199,747,193	$ 1,393,007
Federal grants and contracts	17,699,242	-
State and local grants and contracts	2,356,484	2,513,254
Nongovernmental grants and contracts	2,200,289	-
Sales and services of educational activities	3,129,981	-
Auxiliary enterprises:		
Auxiliary facilities, net	90,801,134	-
Other operating revenues	20,595,082	521,668
Total operating revenues	336,529,405	4,427,929
Operating expenses		
Educational and general:		
Instruction	164,879,992	-
Research	26,628,447	-
Public service	17,432,982	-
Academic support	30,327,548	-
Student services	54,189,901	-
Institutional support	47,863,037	-
Operations	-	9,736,689
Operation and maintenance of plant	39,690,847	-
Depreciation	26,133,717	459,451
Student aid	56,152,680	2,893,317
Auxiliary facilities:		
Student housing, activity facilities and parking	64,722,625	-
Other operating expenditures	-	899,559
Expenditures on behalf of University and students	-	6,266,864
Total operating expenses	528,021,776	20,255,880
Operating loss	(191,492,371)	(15,827,951)

(Continued)

State of Illinois
Illinois State University

Statement of Revenues, Expenses, and Changes in Net Position (Continued)
For the Year Ended June 30, 2019

	University	Component Units
Nonoperating revenues (expenses)		
State appropriations	$ 66,354,100	$ -
Payments on behalf of the University - State	35,477,000	-
Special funding situation - Pension and OPEB	46,816,147	-
Payments on behalf of the University - Foundation	4,107,025	-
Laboratory schools	8,210,285	-
Gifts and donations	1,873,608	23,349,442
Investment income, net of investment expenses	11,024,634	12,144,718
Interest expense	(5,947,726)	(84,924)
Nonoperating federal grants	27,041,463	-
Nonoperating state grants	22,228,654	-
Other nonoperating revenues	1,476,877	1,651,361
Other nonoperating expenses	-	(528,299)
Net nonoperating revenues	218,662,067	36,532,298
Income before capital items	27,169,696	20,704,347
Capital appropriations	29,675	-
Capital grants and gifts	1,849,007	-
Additions to permanent endowments	-	5,232,702
Total capital items	1,878,682	5,232,702
Increase in net position	29,048,378	25,937,049
Net position		
Beginning of year	573,975,725	170,803,855
End of year	$ 603,024,103	$ 196,740,904

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, 2019

Cash flows from operating activities	
Tuition and fees	$ 221,927,539
Grants and contracts	22,564,525
Payments to suppliers	(120,905,349)
Payments to employees for salaries and benefits	(235,806,060)
Payments for scholarships and fellowships	(79,259,373)
Student loans issued	(1,479,552)
Collection of student loans	2,588,281
Auxiliary enterprise charges:	
Auxiliary facilities, net	89,115,167
Sales and service of educational activities	3,129,981
Student account overpayments	60,894,385
Student account refunds	(60,894,385)
Sales, commissions, and event tickets	6,349,343
Other receipts	13,786,822
Net cash used in operating activities	(77,988,676)
Cash flows from noncapital financing activities	
State appropriations	66,353,516
Nonoperating state grants	22,228,654
Nonoperating federal grants	27,041,463
Other receipts	1,479,417
Laboratory schools	7,573,540
Net cash provided by noncapital financing activities	124,676,590
Cash flows from capital and related financing activities	
Proceeds from issuance of capital debt:	
Capital long-term debt	6,200,000
Bond issuance costs	(93,258)
Gifts and grants for capital purposes	737,454
Net purchases of capital assets	(55,705,521)
Principal paid on capital debt and leases	(8,900,000)
Interest paid on capital debt and leases	(7,075,910)
Net cash used in capital and related financing activities	(64,837,235)
Cash flows from investing activities	
Proceeds from sales and maturities of investments	50,000,000
Interest on investments	6,166,998
Purchase of investments	(35,198,245)
Net cash provided by investing activities	20,968,753
Net increase in cash and cash equivalents	2,819,432
Balance, beginning of year	60,446,442
Balance, end of year	$ 63,265,874

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

Illinois State University

Statement of Cash Flows (Continued)
For the Year Ended June 30, 2019

Reconciliation of operating loss to net cash used in operating activities	
Operating loss	$ (191,492,371)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	26,133,717
Education and general payments on behalf of the University	39,584,025
Special funding situation - Pension and OPEB	46,816,147
Donated equipment below capitalization threshold and services	1,871,068
Changes in assets and liabilities:	
Accounts receivable, net	(3,009,740)
Student loans receivable, net	1,145,380
Inventories	196,718
Other assets	936,552
Deferred outflows of resources	(95,772)
Accounts payable and accrued liabilities	564,830
Unearned revenue	1,114,433
Assets held in custody for others and deposits	(249,972)
OPEB liability	(1,748,912)
Compensated absences	245,221
Net cash used in operating activities	$ (77,988,676)
Supplemental schedule of noncash transactions	
Payments on behalf of the University	$ 39,584,025
Special funding situation	46,816,147
Donated capital assets	1,706,288
Capital appropriation acquisitions	172,394
Bond accretion	602,361
Donated equipment below capitalization threshold	394,343
Construction costs in accounts payable	9,210,727
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	$ 53,171,079
Restricted cash and cash equivalents classified as current assets	10,094,795
	$ 63,265,874

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 (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), its blended component unit, 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 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 (URO) 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 501(c)(3) of the Internal Revenue Code and, accordingly, exempt from federal income tax. *See Note 14, 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 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 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)

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 as it would be misleading to exclude. Complete financial statements for INTO ISU may be obtained by accessing the University website at https://accountingoffice.illinoisstate.edu/statements.

INTO ISU has incurred two years of losses. These losses exceed the $50,000 contributed towards the members' capital account. As a result, Global has reduced its equity investment in INTO to $0.

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 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.

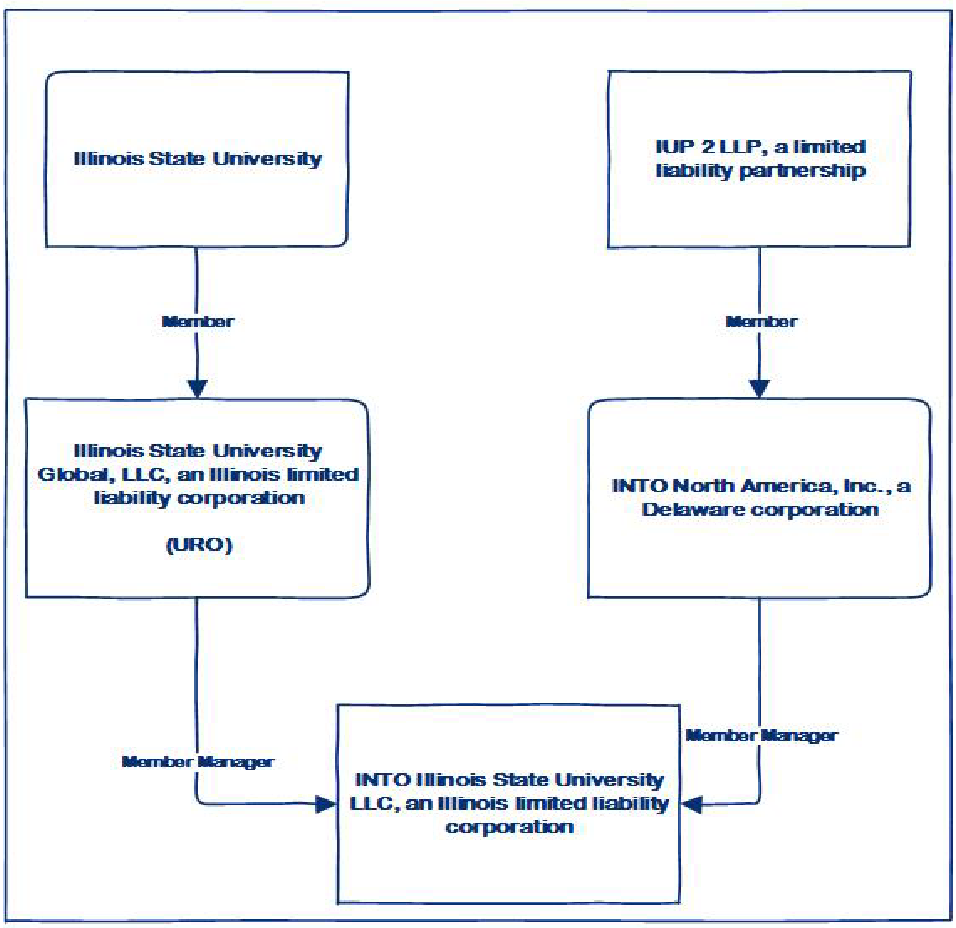
INTO NA supports INTO ISU by providing management, marketing, and administrative services to INTO ISU. By partnering with INTO ISU, the University can support the recruitment of the best and brightest international student talent to the University, enhance the diversity of our University community, inspire 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, 2020, the University will adopt the following GASB Statements:

GASB Statement No. 84, *Fiduciary Activities*, which provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Management is still evaluating the potential impact on the fiscal year 2020 financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which provides guidance on reporting interest costs relating to construction. Management believes this statement will not have a material impact on the fiscal year 2020 financial statements.

GASB Statement No. 90, *Majority Equity Interests*, which provides guidance on reporting majority equity interests. Management believes this statement will not have a material impact on the fiscal year 2020 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.

Note 1. Summary of Significant Accounting Policies (Continued)

The Financial Reporting Entity and Component Unit Disclosures (Continued)

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

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

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

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

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 or 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, 20 years for building 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 deferred losses on refunding, as well as pension and OPEB liabilities (see Notes 12 and 13, 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 10*) 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 Note 13 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, which approximates the effective interest 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 $5,861,691 at June 30, 2019, and is recorded in the accompanying financial statements.

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

For financial reporting purposes, the State of Illinois and its public universities and community colleges are under a special funding situation. A special funding situation exists when a non-employer entity (the State) is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity (the University) and the non-employer (the State) is the only entity with a legal obligation to make contributions directly to a pension plan. The University recognizes its proportionate share of the State's pension expense relative to the University's employees as non-operating revenue and pension expense, with the expense further allocated to the related function performed by the employees.

Note 1. Summary of Significant Accounting Policies (Continued)

The Financial Reporting Entity and Component Unit Disclosures (Continued)

OPEB: The State Employees Group Insurance Act of 1971 (SEGIA) (5 ILCS 375), as amended, authorizes the State Employees Group Insurance Program (SEGIP), which includes activity for both active employees and retirees, to provide health, dental, vision and life insurance benefits as a single-employer defined benefit OPEB 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, including the General Assembly Retirement System (GARS), Judges Retirement System (JRS), State Employees Retirement System (SERS), Teachers' Retirement System (TRS), and SURS.

In order to fund SEGIP's pay-as-you-go obligations for both current employees and retirees, SEGIA (5 ILCS 375/11) requires contributions based upon total employee compensation paid from any State fund or university component unit, except the university component units shall not be required to make contributions for employees who are totally compensated from each individual university's Income Fund and auxiliary enterprises. Pursuant to a long-standing State policy, the State's General Fund covers the contributions for employees who are totally compensated from each individual university's Income Fund and auxiliary enterprises. This relationship may be modified through the enactment of a Public Act by the State's highest level of decision-making authority exercised by the Governor and the General Assembly pursuant to the State's Constitution.

Given the preceding environment, the University has two separate components of OPEB administered within SEGIP. The (1) State of Illinois and its public universities are under a special funding situation for employees paid from the University's Income Fund or auxiliary enterprises, while (2) the University is responsible for OPEB employer contributions for employees paid from trust, federal, and other funds.

Special Funding Situation Portion of OPEB

A special funding situation exists when a non-employer entity (the State) is legally responsible for making contributions directly to an OPEB plan that is used to provide OPEB to the employees of another entity (the University) and the non-employer (the State) is the only entity with a legal obligation to make contributions directly to an OPEB plan.

During the OPEB measurement period ended June 30, 2018, the University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of $1,383,561 to help offset the amount the State needed to provide for retirees under the special funding situation described in the preceding paragraph.

The University recognizes the proportionate share of the State's OPEB expense relative to the University's employees as non-operating revenue and OPEB expense, with the expense further allocated to the related function performed by the employees.

Note 1. Summary of Significant Accounting Policies (Continued)

The Financial Reporting Entity and Component Unit Disclosures (Continued)

University's Portion of OPEB

The University reports a liability, expense allocated to the related function performed by the employees, and related deferred inflows and outflows of resources for OPEB based on the University's proportionate share of amounts paid to SEGIP pursuant to SEGIA for its employees paid from trust, federal, and other funds compared to the collective amounts paid to SEGIP pursuant to SEGIA. The collective amounts paid to SEGIP pursuant to SEGIA includes (1) payments from State agencies for State employees, (2) the amount calculated by CMS to represent the amount paid by the General Fund related to the special funding situation, (3) the total voluntary appropriation repayment from all of the universities, and (4) the total of all payments from the universities for employees paid from trust, federal, and other funds. This methodology has been determined by the State to be the best estimate of how future OPEB payments will be determined.

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, either active or inactive, provided with OPEB through SEGIP, determined as of the beginning of the measurement period.

On-Behalf Transactions: The University had outside sources of financial assistance provided by the State and the Foundation on behalf of the University during the year ended June 30, 2019.

First, substantially all active employees participate in group insurance plans provided by the State and administered by CMS, primarily providing healthcare benefits. In order to fund SEGIP's pay-as-you-go obligations for both current employees and retirees, SEGIA (5 ILCS 375/11) requires contributions based upon total employee compensation paid from any State fund or university component unit, except the university component units shall not be required to make contributions for employees who are totally compensated from each individual university's Income Fund and auxiliary enterprises. Pursuant to a long-standing State policy, the State's General Fund covers the contributions for employees who are totally compensated from each individual university's Income Fund and auxiliary enterprises. This relationship may be modified through the enactment of a Public Act by the State's highest level of decision-making authority exercised by the Governor and the General Assembly pursuant to the State's Constitution.

During the year ended June 30, 2019, total estimated group insurance contributions for the University's employees paid from the University's Income Fund and auxiliary enterprises were $1,080,647. The University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of $1,955,146 to help offset the amount the State needed to provide for current employees under the situation described in the preceding paragraph. As such, the State contributed the estimated remaining balance of $35,477,190 on-behalf of the University to meet this obligation for current employees.

As the University is not legally responsible to pay for the on-behalf support provided by the State, the University recognizes non-operating revenues and operating expenses allocated to the related function performed by the employees within the University's financial statements for its current employees' participation in group insurance.

Note 1. Summary of Significant Accounting Policies (Continued)

The Financial Reporting Entity and Component Unit Disclosures (Continued)

Second, the Foundation paid certain operating costs on-behalf of the University during the year ended June 30, 2019, totaling $4,107,025. These operating costs were for expenditures supporting the mission of the University.

As the University is legally responsible to pay for costs it incurred that the Foundation is paying on its behalf, the support provided by the Foundation is reflected as non-operating revenues and operating expenses allocated by the function and all related assets and liabilities are recorded within the University's financial statements.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

The Financial Reporting Entity and Component Unit Disclosures (Continued)

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

Classification of Expenses: The majority of the University's expenses are exchange transactions, which GASB defines as operating expenses for financial statement 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.

	2019
Student tuition and fees	$ 260,982,477
Less scholarship discounts and allowances	(60,151,665)
Less discounts for employee waivers	(1,083,619)
Net student tuition and fees	$ 199,747,193
Auxiliary facilities	$ 104,960,728
Less scholarship discounts and allowances	(14,159,594)
Net auxiliary facilities	$ 90,801,134

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, 2019, the University's bank balance was $29,883,644, 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 $2,166,387 at June 30, 2019. Bank balances of $6,728,960 at June 30, 2019 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, 2019, cash deposits exceeded federally insured limits by $166,859.

Note 3. Investments

University Investments

As of June 30, 2019, 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	$ 85,051,300	$ 19,943,000	$ 65,108,300	N/A / Aaa
Federal Farm Credit Bank	35,245,800	4,980,350	30,265,450	AA+ / Aaa
Federal Home Loan Bank	119,138,682	38,607,282	80,531,400	AA+ / Aaa
Illinois Funds Investment Pool**	28,522,405	28,522,405	-	AAAm / N/A
Bank Money Market Funds	18,860,870	18,860,870	-	AAAm / Aaamf
Total University	$ 286,819,057	$ 110,913,907	$ 175,905,150	

**Illinois Funds are valued at amortized cost, which approximates fair value

	Fair Market Value	Level 1	Level 2	Level 3
Bank Money Market Funds	$ 18,860,870	$ 18,860,870	$ -	$ -
U.S. Treasuries	85,051,300	-	85,051,300	-
Federal Farm Credit Bank	35,245,800	-	35,245,800	-
Federal Home Loan Bank	119,138,682	-	119,138,682	-
Total University	$ 258,296,652	$ 18,860,870	$ 239,435,782	$ -

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 (12.3%) and Federal Home Loan Bank (41.5%).

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, 2019, 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, 2019, is as follows:

	Fair Market Value	Level 1	Level 2	Level 3
Common Stock	$ 683,633	$ 683,633	$ -	$ -
Marketable CD	31,683	-	31,683	-
Mutual Funds investing in:				
Stocks	494,956	-	494,956	-
Bonds	1,806,836	-	1,806,836	-
International	158,160	-	158,160	-
Real Assets Marketable Funds	10,138	-	10,138	-
Hedged and Alternative Funds	144,491	-	144,491	-
Real Estate Investment	600,631	-	-	600,631
Total Foundation	$ 3,930,528	$ 683,633	$ 2,646,264	$ 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, 2019.

	Fair Value 2019	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Mutual Funds investing in:				
Stocks	$ 73,222,817	$ -	Monthly	5 Days
Bonds	28,269,141	-	Daily/Weekly	2/5 Days
Real Assets Marketable Funds	23,199,917	12,156,820	(A)	(A)
Hedged and Alternative Funds	41,549,497	21,947,819	(B)	(B)
Total Foundation	$ 166,241,372	$ 34,104,639		

Note 3. Investments (Continued)

Foundation Investments

(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 United States 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%.

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, 2019, the Foundation had the following investments exposed to interest rate risk and credit risk:

	Fair Market Value	Weighted Average Life	S&P Rating
Marketable CD	$ 31,683	2.35 years	AAA
Bond Mutual Funds	30,075,977	6.40 years	A-

Note 3. Investments (Continued)

Foundation Investments

As of June 30, 2019, the Foundation had $17,564,789 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, 2019:

	Global Equity
British Pound	$ 2,862,203
Euro	6,498,226
Franc	1,547,641
Hong Kong Dollar	978,929
Japanese Yen	2,796,941
Other (individually below 5% of total)	2,880,849
Total	$ 17,564,789

Investments consist of the following:

	2019	
	University	Foundation
Current:		
Investments	$ 63,530,632	$ -
Noncurrent:		
Investments	175,905,150	170,171,900
	239,435,782	170,171,900
Money market mutual funds classified as cash and cash equivalents	47,383,275	-
Total	$ 286,819,057	$ 170,171,900

Note 4. Accounts Receivable

Accounts receivable consist of the following at June 30, 2019:

	2019
Student tuition and fees	$ 13,449,123
Auxiliary facilities and other operating activities	8,049,347
Other	1,131,884
Federal, state, and private grants and contracts	5,816,743
Subtotal	28,447,097
Less allowance for uncollectible accounts	(3,421,300)
Net accounts receivable	$ 25,025,797

Note 5. Student Loans Receivable

Student loans receivable at June 30, 2019 is summarized as follows:

	2019
Perkins student loan fund	$ 7,040,862
Nursing loan fund	612,317
University loan fund	22,619
Subtotal	7,675,798
Less allowance for uncollectible accounts	(1,144,171)
Net student loans receivable	$ 6,531,627
Estimated current portion	$ 5,992,465
Estimated noncurrent portion	539,162
Total	$ 6,531,627

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, 2019 is summarized as follows:

	2019
Pledges to be collected	$ 18,572,691
Less discount for the time value of money	(1,250,395)
Less allowance for uncollectible accounts	(319,646)
Net foundation pledges receivable	$ 17,002,650
Estimated current portion	$ 3,361,812
Estimated noncurrent portion	13,640,838
Total	$ 17,002,650

Note 7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consists of the following at June 30, 2019:

	2019
General operations	$ 8,957,470
Salaries and wages	2,252,846
Construction	9,210,727
Grants and contracts	1,702,728
Custodial	5,836,474
Accounts payable and accrued liabilities	$ 27,960,245

Note 8. Unearned Revenue

Unearned revenue consists of the following at June 30, 2019:

	2019
Prepaid tuition and fees	$ 9,420,599
Auxiliary facilities	787,336
Grants and contracts	1,312,420
Other	115,997
Unearned revenue	$ 11,636,352

Note 9. Capital Assets

Capital asset activity for the year ended June 30, 2019, is summarized as follows:

University

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital assets not being depreciated					
Land	$ 16,122,895	$ 801,428	$ -	$ -	$ 16,924,323
Construction in progress	23,732,301	50,038,738	-	(7,272,853)	66,498,186
Total capital assets not being depreciated	39,855,196	50,840,166	-	(7,272,853)	83,422,509
Capital assets being depreciated					
Site improvements	39,762,474	760,089	-	-	40,522,563
Infrastructure	13,146,983	-	-	-	13,146,983
Buildings	637,379,202	5,971,448	-	7,272,853	650,623,503
Equipment	92,342,238	4,759,533	(2,850,862)	-	94,250,909
Internally generated software	30,692,278	-	-	-	30,692,278
Library materials	99,751,650	689,706	-	-	100,441,356
Total capital assets being depreciated	913,074,825	12,180,776	(2,850,862)	7,272,853	929,677,592
Less accumulated depreciation for					
Site improvements	15,231,999	1,123,873	-	-	16,355,872
Infrastructure	8,506,488	302,342	-	-	8,808,830
Buildings	270,718,127	15,159,208	-	-	285,877,335
Equipment	80,786,664	4,324,979	(2,773,417)	-	82,338,226
Internally generated software	10,156,971	2,040,238	-	-	12,197,209
Library materials	85,837,718	3,183,077	-	-	89,020,795
Total accumulated depreciation	471,237,967	26,133,717	(2,773,417)	-	494,598,267
Total capital assets being depreciated, net	441,836,858	(13,952,941)	(77,445)	7,272,853	435,079,325
Capital assets, net	$ 481,692,054	$ 36,887,225	$ (77,445)	$ -	$ 518,501,834

Component Units

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital assets not being depreciated	$ 980,000	$ -	$ -	$ -	$ 980,000
Capital assets being depreciated	11,276,503	220,591	-	-	11,497,094
Less accumulated depreciation	4,928,417	459,451	-	-	5,387,868
Total capital assets being depreciated	6,348,086	(238,860)	-	-	6,109,226
Capital assets, net	$ 7,328,086	$ (238,860)	$ -	$ -	$ 7,089,226

Capitalized Interest: During fiscal year ended 2019, the University incurred interest expense of $5,947,726. No interest expense was capitalized related to construction projects during fiscal year ended 2019.

Note 10. Long-term Liabilities

University Long-term Liabilities

Long-term liability activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Total				
Accrued compensated absences	$ 15,681,970	$ 1,671,955	$ (1,426,733)	$ 15,927,192
Certificates of participation, net	45,401,927	-	(2,873,546)	42,528,381
Revenue bonds payable, net	118,151,849	-	(5,983,815)	112,168,034
Revenue bonds payable, direct borrowing	-	6,200,000	(645,000)	5,555,000
Total	$ 179,235,746	$ 7,871,955	$ (10,929,094)	$ 176,178,607
Current portion				
Accrued compensated absences	$ 1,589,056			$ 1,515,841
Certificates of participation, net	2,873,545			2,973,545
Revenue bonds payable, net	5,983,816			6,228,816
Revenue bonds payable, direct borrowing	-			545,000
Total current portion	$ 10,446,417			$ 11,263,202
Noncurrent portion				
Accrued compensated absences	$ 14,092,914			$ 14,411,351
Certificates of participation, net	42,528,382			39,554,836
Revenue bonds payable, net	112,168,033			105,939,218
Revenue bonds payable, direct borrowing	-			5,010,000
Total noncurrent portion	$ 168,789,329			$ 164,915,405

Note 10. Long-term Liabilities

University Long-term Liabilities

Revenue bonds payable at June 30, 2019, consisted of the following:

Revenue Bonds, Series 2012:	
New Project Bonds	$ 16,850,000
Revenue Bonds, Series 2016:	
Refunding Bonds	26,815,000
Revenue Bonds, Series 2018:	
Refunding Bonds	39,745,000
Refunding Bonds	20,380,000
New Project Bonds - Direct Borrowing	5,555,000
Total Revenue Bonds payable	$ 109,345,000

Maturities and interest requirements on revenue bonds payable at June 30, 2019, are as follows:

Year Ending	Bonds		Notes from Direct Borrowings		Principal	Interest
June 30	Principal	Interest	Principal	Interest	Total	Total
2020	$ 5,615,000	$ 4,901,250	$ 545,000	$ 173,316	$ 6,160,000	$ 5,074,566
2021	5,885,000	4,635,800	560,000	156,312	6,445,000	4,792,112
2022	6,160,000	4,357,450	580,000	138,840	6,740,000	4,496,290
2023	6,455,000	4,060,400	595,000	120,744	7,050,000	4,181,144
2024	6,770,000	3,749,050	615,000	102,180	7,385,000	3,851,230
Subtotal	30,885,000	21,703,950	2,895,000	691,392	33,780,000	22,395,342
2025-2029	36,290,000	13,646,788	2,660,000	210,600	38,950,000	13,857,388
2030-2034	22,800,000	6,443,450	-	-	22,800,000	6,443,450
2035-2039	13,815,000	2,139,750	-	-	13,815,000	2,139,750
Subtotal	103,790,000	$ 43,933,938	$ 5,555,000	$ 901,992	109,345,000	$ 44,835,930
Additions:						
Unamortized premiums	8,378,034				8,378,034	
Total	$ 112,168,034				$ 117,723,034	

Note 10. Long-term Liabilities (Continued)

University Long-term Liabilities (Continued)

The Series 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 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.

Direct Borrowing

On December 5, 2018, the University issued $6,200,000 in Series 2018C Auxiliary Facilities System Revenue Bonds. Bond proceeds shall be used to pay for partial renovations to Redbird Arena. The 2018C Bonds mature beginning April 1, 2019 and continuing through April 1, 2028. These bonds bear interest at 3.12%. Interest is payable on April 1 and October 1, commencing April 1, 2019. Series 2018C were direct borrowing bonds. The unused line of credit at June 30, 2019 was $0. No assets are pledged as collateral. The debt agreement does not include terms related to events of default, termination events, or subjective acceleration clauses.

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

Note 10. Long-term Liabilities (Continued)

University Long-term Liabilities (Continued)

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 $154,180,930 of future revenues is pledged through 2039. Debt service to pledged revenues for the current year is 5.39%.

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.

Note 10. Long-term Liabilities (Continued)

University Long-term Liabilities (Continued)

Certificates of Participation Payable (Continued)

Maturities and interest requirements on certificates of participation at June 30, 2019 are as follows:

Year Ending June 30	Principal	Interest	Total
2020	$ 2,985,000	$ 1,765,600	$ 4,750,600
2021	3,100,000	1,661,876	4,761,876
2022	3,220,000	1,550,304	4,770,304
2023	3,350,000	1,432,167	4,782,167
2024	3,495,000	1,305,168	4,800,168
Subtotal	16,150,000	7,715,115	23,865,115
2025-2029	16,430,000	4,173,226	20,603,226
2030-2034	10,095,000	1,243,781	11,338,781
Subtotal	42,675,000	$ 13,132,122	$ 55,807,122
Additions (deductions):			
Unamortized discounts	(184,108)		
Unamortized premiums	37,489		
Total	$ 42,528,381		

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
2019	$ 13,455,522	$ 2,471,670	$ 15,927,192

Note 10. Long-term Liabilities (Continued)

Foundation Long-term Liabilities

Long-term liability activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Total				
Beneficiary payments	$ 917,451	$ 18,406	$ (91,613)	$ 844,244
Contract-for-deed payable	2,557,293	-	(109,001)	2,448,292
Total	$ 3,474,744	$ 18,406	$ (200,614)	$ 3,292,536
Current portion				
Beneficiary payments	$ 74,900			$ 91,600
Contract-for-deed payable	109,001			112,528
Total current portion	$ 183,901			$ 204,128
Noncurrent portion				
Beneficiary payments	$ 842,551			$ 752,644
Contract-for-deed payable	2,448,292			2,335,764
Total noncurrent portion	$ 3,290,843			$ 3,088,408

Note 10. Long-term Liabilities (Continued)

Foundation Contract-for-Deed Payable

A contract at June 30, 2019, 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, 2019, are as follows:

Year Ending June 30	Principal	Interest	Total
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
2024	128,896	65,029	193,925
Subtotal	603,457	366,167	581,774
2025-2026	1,844,835	88,993	1,933,828
Total	$ 2,448,292	$ 455,160	$ 2,515,602

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. Repayment of the loan is subject to positive cash flow from INTO ISU activities. The Company has outstanding borrowings with INTO NA in the amounts of $4,700,000 and accrued interest of $133,508 for the year ended June 30, 2019.

	Beginning Balance	Additions	Retirements	Ending Balance
Long-term Note	$ 1,000,000	$ 3,700,000	$ -	$ 4,700,000

Note 11. 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, 2019 was $1,568,358. The leases expire between June 2018 and October 2022.

Following is a schedule of future minimum lease payments.

Year Ending June 30	Amount
2020	$ 1,120,804
2021	213,167
2022	90,000
2023	22,500
Total	$ 1,446,471

In 1990, the Foundation established a Chicago office to provide the University with direct access to Chicago-area alumni, corporations, and Foundation networks. Lease payments for the Chicago office were $106,840 in 2019. 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
2020	$ 51,995

The University leases eleven vehicles for the Athletic Department employees at a cost of $71,579 in fiscal year 2019. The Foundation makes the payments on these leased vehicles. All eleven vehicle leases were renewed in June 2019 and will expire during fiscal year 2021.

Note 11. Leases (Continued)

Operating Leases (Continued)

Following is a schedule of future minimum lease payments.

Year Ending June 30		Amount
2020	$	47,146
2021		43,218
Total	$	90,364

Note 12. 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, 2018 can be found in SURS' Comprehensive Annual Financial Report's Notes to the Financial Statements.

Note 12. 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 2018 and 2019, respectively, was 12.46% and 12.29% of employee payroll. The normal cost is equal to the value of current year’s pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary except for police officers and fire fighters who contribute 9.5% of their earnings. 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, 2018. At June 30, 2018, SURS reported an NPL of $27,494,556,682.

University’s Proportionate Share of Net Pension Liability: The amount of the proportionate share of the net pension liability to be recognized by the University is $0. The proportionate share of the State’s net pension liability associated with the University is $1,177,261,928 or 4.2818%. This amount is not recognized in the University’s financial statements. The net pension liability and the total pension liability as of June 30, 2018, was determined based on the June 30, 2017, 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 2018.

Pension Expense: At June 30, 2018, the State reported a collective net pension expense of $2,685,322,700.

University’s Proportionate Share of Pension Expense: The University’s proportionate share of collective pension expense is recognized as nonoperating revenue with matching operating expense (compensation and benefits) 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 2018. As a result, the University recognized revenue and pension expense of $114,980,147 from this special funding situation during the year ended June 30, 2019.

Note 12. 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	$ 65,521,614	$ 181,032,053
Changes in assumptions	1,286,257,095	123,218,306
Net difference between projected and actual earnings on pension plan investments	26,810,634	-
Total	$ 1,378,589,343	$ 304,250,359

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
2019	$ 763,171,084
2020	540,443,042
2021	(192,612,398)
2022	(36,662,744)
Total	$ 1,074,338,984

University's Deferral of Fiscal Year 2018 Pension Expense: The University paid $765,255 in federal, trust or grant contributions for the year ended June 30, 2019. These contributions were made subsequent to the pension liability measurement date of June 30, 2018 and are recognized as deferred outflows of resources as of June 30, 2019.

Note 12. 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, 2018, valuation were based on the results of an actuarial experience study for the period June 30, 2011 - 2015. The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	3.25 to 12.25 percent, including inflation
Investment Rate of Return	6.75 percent beginning with the actuarial valuation as of June 30, 2018

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, 2018, these best estimates are summarized in the following table:

Note 12. 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 %	5.00 %
Private Equity	6.00	8.50
Non-U.S. Equity	19.00	6.45
Global Equity	8.00	6.00
Fixed Income	19.00	1.50
Treasury-Inflation Protected Securities	4.00	0.75
Emerging Market Debt	3.00	3.65
Real Estate REITS	4.00	5.45
Direct Real Estate	6.00	4.75
Commodities	2.00	2.00
Hedged Strategies	5.00	2.85
Opportunity Fund	1.00	7.00
Total	100.00 %	4.55 %
Inflation		2.75 %
Expected Arithmetic Return		7.30 %

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 12. 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%
$ 33,352,188,584	$ 27,494,556,682	$ 22,650,651,520

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 13. Other Post-employment Benefits

***Plan Description*.** SEGIA, as amended, authorizes 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 GARS, JRS, SERS, TRS, and SURS are eligible for these OPEB. The eligibility provisions for SURS are defined within Note 12.

CMS administers OPEB for annuitants with the assistance of GARS, JRS, SERS, TRS, and SURS. The State recognizes SEGIP as a single-employer defined benefit plan, which 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 SEGIA. 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. SEGIA requires the State to provide life insurance benefits for annuitants equal to their annual salary as of the last day of employment until age 60, at which time, the benefit amount becomes $5,000.

***Funding Policy and Annual OPEB Cost*.** OPEB offered through SEGIP are financed through a combination of retiree premiums, SEGIP contributions pursuant to SEGIA (5 ILCS 375/11), and Federal government subsidies from the Medicare Part D program. These contributions are deposited in the Health Insurance Reserve Fund, which covers both active employees and retired 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 GARS, JRS, SERS, TRS, and SURS 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.

Note 13. Other Post-employment Benefits (Continued)

CMS' Director, on an annual basis, determines the amount of contributions necessary to fund the basic program of group benefits. The State's contributions are made primarily from the State's General Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree benefits and a separate trust has not been established for the funding of OPEB.

For fiscal year 2019, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $11,269 ($6,699 if Medicare eligible) per member if the annuitant chose benefits provided by a health maintenance organization and $13,824 ($4,984 if Medicare eligible) per member 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.

CMS' Changes in Estimates: For the measurement date of June 30, 2018, CMS experienced two significant changes within its estimation process. The OPEB for both the special funding situation and the portion of OPEB where the University is responsible for employer contributions are both significantly impacted by (1) the University's number of participants in SEGIP and (2) the average cost per employee within SEGIP. CMS made changes to its estimation methodology that resulted in significant differences within its estimates which represent an outcome of estimation uncertainty that, as time has passed and new sources of better data have become available, continued to be refined to achieve a more representative reflection of the actual outcome of the estimate in future periods. As such, the University experienced a significant decrease in its own OPEB liability and expense and in the non-operating revenue and operating expenses recognized from the special funding situation.

Special Funding Situation Portion of OPEB: The proportionate share of the State's OPEB expense relative to the University's employees totaled ($68,164,277) during the year ended June 30, 2019. This amount was recognized by the University as non-operating special funding situation revenue and operating expense allocated to the related function performed by the employees during the year ended June 30, 2019.

While the University is not required to record the portion of the State's OPEB liability related to the University's employees resulting from the special funding situation, the University is required to disclose this amount. The following chart displays the proportionate share of the State's contributions related to the University's special funding situation relative to all employer contributions during the years ended June 30, 2018 and 2017, each based on the June 30, 2017 and 2016, respectively, actuarial valuation rolled forward:

Measurement Date:	June 30, 2018	June 30, 2017
State of Illinois's OPEB liability related to the University under the Special Funding Situation	$ 922,737,490	$ 1,268,461,564
SEGIP total OPEB liability	40,093,248,494	41,323,858,855
Proportion share of the total OPEB liability	2.3015%	3.0696%

Note 13. Other Post-employment Benefits (Continued)

University's Portion of OPEB and Disclosures Related to SEGIP Generally

***Total OPEB liability, deferred outflows of resources, deferred inflows of resources and expense related to OPEB*:** The University's total OPEB liability, as reported at June 30, 2019, was measured as of the measurement date on June 30, 2018, with an actuarial valuation as of June 30, 2017, which was rolled forward to the measurement date. The following chart displays the proportionate share of the University's contributions relative to all employer contributions during the years ended June 30, 2018 and 2017, each based on the June 30, 2017 and 2016, respectively, actuarial valuation rolled forward:

Measurement Date:	June 30, 2018	June 30, 2017
University's OPEB liability	$ 24,296,509	$ 30,042,445
SEGIP total OPEB liability	40,093,248,494	41,323,858,855
Proportion share of the total OPEB liability	0.0606%	0.0727%

The University's portion of the OPEB liability was based on the University's proportionate share amount determined under the methodology described in Note 1 during the year ended June 30, 2018. As of the current year measurement date of June 30, 2018, the University's proportionate share declined .0121% from its proportionate share measured as of the prior year measurement date of June 30, 2017.

The University recognized OPEB expense for the year ended June 30, 2019, of $(516,521). At June 30, 2019, the University reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2018, from the following sources:

Deferred outflows of resources	
Differences between expected and actual experience	$ 6,223
University contributions subsequent to the measurement date	620,624
Total deferred outflows of resources	$ 626,847
Deferred inflows of resources	
Differences between expected and actual experience	$ 535,002
Changes of assumptions	2,281,685
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,757,281
Total deferred inflows of resources	$ 8,573,968

Note 13. Other Post-employment Benefits (Continued)

University's Portion of OPEB and Disclosures Related to SEGIP Generally (Continued)

The amounts reported as deferred outflows of resources related to OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	Amount*
2020	$ (2,224,247)
2021	(2,224,247)
2022	(2,224,247)
2023	(1,714,694)
2024	(180,310)
Total	$ (8,567,745)

*Expensed over the average remaining service life of active and inactive participants (5.138 years)

Note 13. Other Post-employment Benefits (Continued)

University's Portion of OPEB and Disclosures Related to SEGIP Generally (Continued)

***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, 2017, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2017.

The valuation date of June 30, 2017 below was rolled forward to June 30, 2018.

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.75%
Projected Salary Increases*	3.00% - 15.00%
Discount Rate	3.62%
Healthcare Cost Trend Rate:	
Medical (Pre-Medicare)	8.0 % grading down 0.5% in the first year to 7.5%, then grading down 0.08% in the second year to 7.42%, followed by grading down of 0.5% per year over 5 years to 4.92% in year 7
Medical (Post-Medicare)	9.0% grading down 0.5% per year over 9 years to 4.5%
Dental and Vision	6.0% grading down 0.5% per year over 3 years to 4.5%
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 2018 and 2019 are based on actual premiums. Premiums after 2019 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 13. Other Post-employment Benefits (Continued)

University's Portion of OPEB and Disclosures Related to SEGIP Generally (Continued)

Additionally, the demographic assumptions used in this OPEB valuation are identical to those used in the June 30, 2017 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 2014 - June 2017	RP-2014 with future mortality improvements on a fully generational basis using projection table MP-2017
SURS	July 2014 - June 2017	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.

Since the last measurement date on June 30, 2018, the State has not made any significant changes to the benefit terms affecting the measurement of the collective total OPEB liability. Further, no changes have occurred since the measurement date and the University's fiscal year end on June 30, 2019, that are expected to have a significant impact on the University's proportionate share of the total collective OPEB liability.

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 3.56% at June 30, 2017, and 3.62% as of June 30, 2018, was used to measure the total OPEB liability.

Note 13. Other Post-employment Benefits (Continued)

University's Portion of OPEB and Disclosures Related to SEGIP Generally (Continued)

Sensitivity of total OPEB liability to changes in the single discount rate: The following presents the University's proportionate share of the plan's total OPEB liability measured as of June 30, 2018, calculated using a Single Discount Rate of 3.62%, as well as what the University's proportionate share of the plan's total OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (4.62%) or lower (2.62%) than the current rate:

1% Decrease (2.62%)	Current Single Discount Rate Assumption (3.62%)	1% Increase (4.62%)
$ 28,484,693	$ 24,296,509	$ 20,971,781

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate: The following presents the University's proportionate share of the plan's total OPEB liability measured as of June 30, 2018, calculated using the healthcare cost trend rates as well as what the University's proportionate share of 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. For calculating the healthcare cost trend rates assumption, the key trend rates are 8% in 2019 decreasing to an ultimate trend rate of 4.92% in 2026 for non-Medicare coverage, and 9.0% decreasing to an ultimate trend rate of 4.5% in 2028 for Medicare coverage. For the 1% decrease for calculating the healthcare cost trend rates assumption, the key trend rates are 7.00% in 2019 decreasing to an ultimate trend rate of 3.92% in 2026, for non-Medicare coverage, and 8.00% in 2019 decreasing to an ultimate trend rate of 3.50% in 2028 for Medicare coverage. For the 1% increase for calculating the healthcare cost trend rates assumption, the key trend rates are 9.00% in 2019 decreasing to an ultimate trend rate of 5.92% in 2026, for non-Medicare coverage, and 10.00% in 2019 decreasing to an ultimate trend rate of 5.50% in 2028 for Medicare coverage.

1% Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
$ 20,521,055	$ 24,296,509	$ 29,201,378

Note 13. Other Post-employment Benefits (Continued)

University's Portion of OPEB and Disclosures Related to SEGIP Generally (Continued)

Total OPEB Liability Associated with the University, Regardless of Funding Source: The University is required to disclose all OPEB liabilities related to it, including (1) the portion of the State's OPEB liability related to the University's employees resulting from the special funding situation the University is not required to record and (2) the portion of OPEB liability recorded by the University for its employees paid from trust, federal, and other funds. The following chart displays the proportionate share of contributions, regardless of funding source, associated with the University's employees relative to all employer contributions during the years ended June 30, 2018 and 2017, each based on the June 30, 2017 and 2016, respectively, actuarial valuation rolled forward:

Measurement Date:	June 30, 2018	June 30, 2017
State of Illinois's OPEB liability related to the University under the Special Funding Situation	$ 922,737,490	$ 1,268,461,564
University's OPEB liability	$ 24,296,509	$ 30,042,445
Total OPEB liability associated with the University	$ 947,033,999	$ 1,298,504,009
SEGIP total OPEB liability	40,093,248,494	41,323,858,855
Proportion share of the OPEB liability associated with the University	2.362%	3.142%

Note 14. 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 $2,675,000 for the year ended June 30, 2019. Under terms of the agreement, the University provided in-kind support in the form of personnel, office space, office equipment, computer support, and communication services estimated at $2,513,254 during fiscal year 2019. 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, 2019, the Foundation had payables to the University of $262,579. In addition, at June 30, 2019, the Foundation had no receivables from the University.

Note 14. Transactions with Related Organizations (Continued)

Illinois State University Foundation

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. Launching Futures, LLC leases the property to the University at $19,167 per month.

During fiscal year 2019, the Foundation contributed services and expenditures of $6,795,163 that were for the direct and/or indirect support of the University. The Foundation also contributed $2,893,317 in student aid, scholarships, and awards to the University. These amounts were applied directly to the students' accounts.

As of and during the year ended June 30, 2019, the University and Foundation had the following inter-entity transactions:

	Illinois State University Foundation	
Illinois State University	Accounts Payable	Operating Expense
Accounts receivable, net	$ 222,515	$ -
Assets held in custody for others	40,064	-
Other operating revenues	-	530,842
Other nonoperating revenues	-	5,616,558
Capital gifts and grants	-	647,763
Total	$ 262,579	$ 6,795,163

Note: There was an additional $9,498 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, 2019.

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.

Note 14. Transactions with Related Organizations (Continued)

INTO ISU (Continued)

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.

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 1,958 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 2019, INTO ISU was charged rental income of $116,595. As a result of the abatement, the net rental income for fiscal year 2019 was $86,595.

For the period ended June 30, 2019, the incurred cost by INTO ISU to the University was $1,599,987 for operating costs.

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	Accounts Receivable	Cost of Instruction	Compensation & Benefits	Rent	Administrative and Service Charges	Other
Accounts receivable, net	$ 673,754	$ -	$ -	$ -	$ -	$ -	$ -
Accounts payable	-	4,715	-	-	-	-	-
Operating revenues	-	-	683,528	509,981	116,595	209,486	80,397

Note 15. 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 $270,692 left over from the 2016-17 PSR experience. The reserve for 2017-18 of $1,166,055 became available upon final calculation in October 2019. $1,350,000 is estimated to fund the 2019-20 policy year. The $270,692 from 2016-17 plus $1,079,308 from the 2017-18 reserve will be used to fund the 2019-20 policy year. The remainder of the 2017-18 reserve plus the experience surplus of $462,207 will be used to partially fund the 2020-21 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 $1,485,000 to be needed to fund 2020-2021.

Note 16. Student Financial Assistance

The University participates in the U.S. Department of Education's Direct Student Loan Program. The University awarded $103,486,087 in direct student loans for the year ended June 30, 2019. 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 17. Risk-Management

The University maintains commercial insurance for both property (buildings and contents) and liability loss exposures. During fiscal year 2019, there were no reductions in insurance coverage; the insured values of buildings and some building contents totaled $1.78 billion. The University renewed its property insurance in July 2019 and currently has $1.9 billion in insured values to buildings and 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, 2019, the liability was $0. There were no settlements which exceeded insurance coverage for the last three years.

Note 18. Net Position

University Net Position

University restricted net position is comprised of the following at June 30, 2019:

	2019
Student Loans	$ 746,136
Repair and Replacement Reserve	29,961,081
Operation and Maintenance	103,555,336
Total Restricted Net Position	$ 134,262,553

The University's Board of Trustees designated unrestricted net position is comprised of the following at June 30, 2019:

	2019
Capital asset renewal and replacement for the internal service departments	$ 268,351
Self insurance	1,118,491
	$ 1,386,842

Foundation Net Position

The Foundation's restricted net position is comprised of the following at June 30, 2019:

	2019
Nonexpendable:	
Scholarship and fellowship	$ 59,489,808
College and academic department support	28,972,558
University capital projects	5,917,405
Other	5,422,153
Total nonexpendable	$ 99,801,924
Expendable:	
Scholarship and fellowship	$ 46,359,194
College and academic department support	24,866,091
University capital projects	6,179,434
Other restricted expendable	5,844,367
Total expendable	$ 83,249,086

Note 19. 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 2019, 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, 2018, a total of $4,655,541, was distributed to endowed funds' expendable balances and fund-raising fees totaling $1,835,726, respectively, were distributed to the Foundation's budget.

Note 20. Commitments

The University has entered into contracts for significant repairs and replacement of University capital assets. Total estimated costs under these contracts are $60,381,960; approximately $34,492,205 (57.12%) of the work has been completed as of June 30, 2019. 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, 2019, the University's commitment to these contracts is approximately $4,064,672 for natural gas and $12,046,616 for electricity. These are considered normal purchase contracts.

The Foundation has invested in various limited partnerships. According to the terms of the investment agreements, the Foundation has committed to invest $72,896,457 as of June 30, 2019. As of June 30, 2019, the Foundation had invested $38,791,818 and has future investment commitments of $34,104,639.

Note 21. 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, 2019, as it is not possible to determine with any degree of probability the level of future payments for these matters.

Note 22. Crosswalk of Natural Classification with Functional Classifications

	Natural Classification for the Year Ended June 30, 2019				
University	Compensation and Benefits	Supplies and Services	Scholarships	Depreciation	Total
Instruction	$ 144,799,581	$ 20,080,411	$ -	$ -	$ 164,879,992
Research	17,425,976	9,202,471	-	-	26,628,447
Public service	8,371,794	9,061,188	-	-	17,432,982
Academic support	24,550,729	5,776,819	-	-	30,327,548
Student services	29,506,757	24,683,144	-	-	54,189,901
Institutional support	38,074,403	9,788,634	-	-	47,863,037
Operation of plant	18,783,080	20,907,767	-	-	39,690,847
Depreciation	-	-	-	26,133,717	26,133,717
Student aid	-	-	56,152,680	-	56,152,680
Auxiliary facilities	33,412,453	31,310,172	-	-	64,722,625
Total University	$ 314,924,773	$ 130,810,606	$ 56,152,680	$ 26,133,717	$ 528,021,776

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.

Note 23. Segment Information

Following are condensed financial statements for the Auxiliary Facilities System:

Condensed Statement of Net Position at June 30, 2019

Assets:	
Restricted - current assets	$ 81,214,931
Noncurrent assets:	
Capital assets, net	306,592,091
Restricted - other noncurrent assets	72,779,591
Deferred outflow	640,385
Total assets	461,226,998
Liabilities:	
Current liabilities	20,412,831
Noncurrent liabilities	112,321,950
Total liabilities	132,734,781
Net position:	
Invested in capital assets, net of related debt	194,975,800
Restricted - expendable	133,516,417
Total net position	$ 328,492,217

Condensed Statement of Revenues, Expenses, and Changes in Net Position for the Year Ended at June 30, 2019

Operating revenues	$ 93,049,318
Depreciation expense	(9,624,785)
Other operating expenses	(64,721,812)
Operating income	18,702,721
Nonoperating revenues	10,656,501
Nonoperating expenses	(4,077,829)
Increase in net position	25,281,393
Net position - beginning of year	303,210,824
Net position - end of year	$ 328,492,217

*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.

Note 23. Segment Information (Continued)

Condensed Statement of Cash Flows for the Year Ended June 30, 2019

Net cash flows provided by operating activities	$ 31,825,345
Net cash flows provided by noncapital financing activities	426,249
Net cash flows used in capital and related financing activities	(47,957,277)
Net cash flows used in investing activities	22,295,170
Net increase in cash and cash equivalents	6,589,487
Cash and cash equivalents, beginning of year	3,504,301
Cash and cash equivalents, end of year	$ 10,093,788

Following is additional disclosure information relating to the System's revenue bonds (s*ee Note 10*).

The following accounts were established by the bond resolutions for the 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.

Note 23. Segment Information (Continued)

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.

The following represents the cash and investment balances within each account at June 30, 2019:

Account:	
Operation and Maintenance Account	$ 31,432,262
Bond and Interest Sinking Fund Account	6,106,743
Repair and Replacement Reserve Account	39,171,808
Non-Instructional Facilities (Development) Reserve Account	40,032,306
Optional Redemption Account	29,380,102
Total of all accounts	$ 146,123,221

Note 24. 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:

Statement of Net Position		**2019**	
	Foundation	**INTO ISU**	**Total**
Assets			
Current assets:			
Unrestricted			
Cash and cash equivalents	$ 6,714,900	$ 416,859	$ 7,131,759
Accounts receivable, net	25,465	29,717	55,182
Prepaid expenses and other	-	364,132	364,132
Pledges receivable, net	3,361,812	-	3,361,812
Total current assets	10,102,177	810,708	10,912,885
Noncurrent assets:			
Unrestricted			
Investments	170,171,900	-	170,171,900
Pledges receivable, net	13,640,838	-	13,640,838
Capital assets not depreciated	980,000	-	980,000
Capital assets, net of depreciation	5,934,294	174,932	6,109,226
Other noncurrent assets	4,129,006	-	4,129,006
Restricted			
Cash and cash equivalents	2,046,033	-	2,046,033
Total noncurrent assets	196,902,071	174,932	197,077,003
Total assets	207,004,248	985,640	207,989,888
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	703,594	1,429,115	2,132,709
Other	204,128	-	204,128
Unearned revenue	-	1,123,739	1,123,739
Total current liabilities	907,722	2,552,854	3,460,576
Noncurrent liabilities:			
Other	3,088,408	4,700,000	7,788,408
Total noncurrent liabilities	3,088,408	4,700,000	7,788,408
Total liabilities	3,996,130	7,252,854	11,248,984
Net Position			
Net investment in capital assets	4,466,003	174,932	4,640,935
Restricted:			
Nonexpendable	99,801,924	-	99,801,924
Expendable	83,249,086	-	83,249,086
Unrestricted	15,491,105	(6,442,146)	9,048,959
Total net position	$ 203,008,118	$ (6,267,214)	$ 196,740,904

Note 24. University Related Organizations (Continued)

Statement of Revenues, Expenses and Changes in Net Position

		2019	
	Foundation	**INTO ISU**	**Total**
Operating revenues			
State and local grants and contracts	$ 2,513,254	$ -	$ 2,513,254
Tuition income	-	1,393,007	1,393,007
Other operating revenues	98,386	423,282	521,668
Total operating revenues	2,611,640	1,816,289	4,427,929
Operating expenses			
Educational and general:			
Operations	3,736,714	5,999,975	9,736,689
Depreciation	440,269	19,182	459,451
Student aid	2,893,317	-	2,893,317
Other operating expenditures	404,836	494,723	899,559
Expenditures on behalf of University and students	6,266,864	-	6,266,864
Total operating expenses	13,742,000	6,513,880	20,255,880
Operating loss	(11,130,360)	(4,697,591)	(15,827,951)
Nonoperating revenues (expenses)			
Gifts and donations	23,349,442	-	23,349,442
Investment income, net of investment expenses	12,144,718	-	12,144,718
Interest expense	(84,924)	-	(84,924)
Other nonoperating revenues	1,651,361	-	1,651,361
Other nonoperating expenses	(528,299)	-	(528,299)
Net nonoperating revenues	36,532,298	-	36,532,298
Income (loss) before capital items	25,401,938	(4,697,591)	20,704,347
Additions to permanent endowments	5,232,702	-	5,232,702
Total capital items	5,232,702	-	5,232,702
Increase (decrease) in net position	30,634,640	(4,697,591)	25,937,049
Net position			
Beginning of year	172,373,478	(1,569,623)	170,803,855
End of year	$ 203,008,118	$ (6,267,214)	$ 196,740,904

Note 25. Subsequent Events

As of June 30, 2019, the University had one collective-bargaining agreement covering various union-represented employees which had expired.

On October 18, 2019, the University's Board of Trustees approved a fiscal year 2020 budget for operations in an amount not to exceed $479,200,000.

On October 18, 2019, the University's Board of Trustees authorized the issuance of Certificates of Participation: Series 2019. The Series 2019 COPs were issued on October 31, 2019, in the amount of $12,705,000 with a ten-year fixed interest rate of 1.81%. The proceeds from the issuance are to refinance Certificates of Participation Series 2008.

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, 2020.

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 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.

On January 30, 2020, the Governor announced the release of State of Illinois, Capital Development Board funding for the Center for Visual Arts. The total funding is now $61.9 million and is estimated to be completed over the next few years, as architectural and engineering plans are currently being completed.

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

Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2019

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

	FY 2018	FY 2017	FY 2016	FY 2015
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	1,177,261,928	1,075,022,381	1,070,597,248	1,002,937,669
Total (b) + (c)	$ 1,177,261,928	$ 1,075,022,381	$ 1,070,597,248	$ 1,002,937,669
Employer Defined Benefit (DB) Covered Payroll	$ 202,871,465	$ 195,662,572	$ 195,466,918	$ 198,967,447
Proportion of Collective Net Pension Liability associated with Employer as a percentage of DB covered payroll	580.30%	549.43%	547.71%	504.07%
SURS Plan Net Position as a Percentage of Total Pension Liability	41.27%	42.04%	39.57%	42.37%

Schedule of Contributions - Pension

	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Federal, trust, grant and other contribution	$ 765,255	$ 669,483	$ 650,920	$ 671,749	$ 651,497	$ 626,245
Contribution in relation to required contribution	765,255	669,483	650,920	671,749	651,497	626,245
Contribution deficiency (excess)	-	-	-	-	-	-
Employer covered payroll	$ 6,285,271	$ 5,742,955	$ 5,192,248	$ 4,957,342	$ 5,182,867	$ 5,564,255
Contribution as a percentage of covered payroll	12.18%	11.66%	12.54%	13.55%	12.57%	11.25%

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

	FY 2019	FY 2018
University's Proportion Percentage of the Collective Net OPEB Liability		
University's Proportion Percentage of the Collective Net OPEB Liability	0.0606%	0.0727%
Proportionate Share of the Collective Net OPEB Liability	$ 24,296,509	$ 30,042,445
State of Illinois's Proportionate Share of the Collective Net OPEB Liability related to the University	$ 922,737,490	$ 1,268,461,564
Total OPEB liability associated with the University	$ 947,033,999	$ 1,298,504,009
University's covered employee payroll	$ 208,038,171	$ 200,373,903
Proportionate share of the Net Collective OPEB Liability as a percentage of covered-employee payroll	455.22%	648.04%

Notes to the Required Supplementary Information

These 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, 2014, to June 30, 2017, was performed in February 2018, resulting in the adoption of new assumptions as of June 30, 2018.

- Salary increase. Decrease in the overall assumed salary increase rates, ranging from 3.25 percent to 12.25 percent based on years of service, with underlying wage inflation of 2.25 percent.
- Investment return. Decrease the investment return assumption to 6.75 percent. This reflects maintaining an assumed real rate of return of 4.50 percent and decreasing the underlying assumed price inflation to 2.25 percent.
- Effective rate of interest. Decrease the long-term assumption for the ERI for crediting the money purchase accounts to 6.75 percent (effective July 2, 2019).
- Normal retirement rates. A slight increase in the retirement rate at age 50. No change to the rates for ages 60-61, 67-74, and 80+, but a slight decrease in rates at all other ages. A rate of 50 percent if the member has 40 or more years of service and is younger than age 80.
- Early retirement rates. Decrease in rates for all Tier 1 early retirement eligibility ages (55-59).
- Turnover rates. Change rates to produce lower expected turnover for members with less than 10 years of service and higher turnover members with more than 10 years of service.
- Mortality rates. Maintain the RP-2014 mortality tables with projected generational mortality improvement. Update the projection scale from the MP-2014 to the MP-2017 scale.
- Disability rates. Decrease current rates to reflect that certain members who receive disability benefits do not receive the benefits on a long-term basis.

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 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, 2017 with a measurement date as of June 30, 2018. 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 0.08% in the second year to 7.42%, followed by grading down of 0.5% per year over 5 years to 4.92% in year 7; Medical (Post-Medicare) 9.0% grading down 0.5% per year over 9 years to 4.5%; Dental and Vision 6.0%% grading down 0.5% per year over 3 years to 4.5%.
- 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.

Schedule of Operating Expenses - 2019

The following table presents a break-down of the various types of expenses which collectively comprise the University's functional operating expense accounts as of June 30, 2019.

	Compensation and Benefits											
	Illinois State University's Expenses					State of Illinois' Expenses						
	Salaries[1]	Benefits[2]	OPEB[3]	Pension	Sub-Total	Benefits[2]	OPEB[3]	Pension	Sub-Total	Total	Other Expenses	Total Operating Expenses
Educational and general:												
Instruction	$ 106,870,091	$ 250,147	$ (466,881)	$ 170,291	$ 106,823,648	$ 16,232,328	$ (31,658,547)	$ 53,402,152	$ 37,975,933	$ 144,799,581	$ 20,080,411	$ 164,879,992
Research	12,938,232	353,943	(365,329)	223,802	13,150,648	1,831,852	(3,557,687)	6,001,165	4,275,330	17,425,978	9,202,469	26,628,447
Public service	6,538,275	302,459	(296,078)	190,118	6,734,774	704,718	(1,357,422)	2,289,721	1,637,017	8,371,791	9,061,191	17,432,982
Academic support	17,810,944	-	-	-	17,810,944	2,912,403	(5,572,642)	9,400,024	6,739,785	24,550,729	5,776,819	30,327,548
Student services	22,421,075	18,000	-	-	22,439,075	3,101,332	(5,774,980)	9,741,331	7,067,683	29,506,758	24,683,143	54,189,901
Institutional support	24,441,612	3,099,225	-	223,263	27,764,100	4,498,555	(8,461,866)	14,273,614	10,310,303	38,074,403	9,788,634	47,863,037
Operation and maintenance of plant	9,993,156	-	-	-	9,993,156	3,805,297	(7,257,584)	12,242,211	8,789,924	18,783,080	20,907,767	39,690,847
Depreciation	-	-	-	-	-	-	-	-	-	-	26,133,717	26,133,717
Student aid	-	-	-	-	-	-	-	-	-	-	56,152,680	56,152,680
Auxiliary facilities:												
Student housing, activity facilities, and parking	27,915,281	-	-	-	27,915,281	2,390,515	(4,523,272)	7,629,929	5,497,172	33,412,453	31,310,172	64,722,625
Total	$ 228,928,666	$ 4,023,774	$ (1,128,288)	$ 807,474	$ 232,631,626	$ 35,477,000	$ (68,164,000)	$ 114,980,147	$ 82,293,147	$ 314,924,773	$ 213,097,003	$ 528,021,776

[1] Salaries includes employer contributions for Social Security, Medicare, and unemployment.

[2] Benefits includes certain group insurance costs, such as healthcare and life insurance. For the University, it also includes employer § 403(b) contributions.

[3] OPEB refers to other post-employment benefits.

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Other Information (Unaudited)
For the Year Ended June 30, 2019

Data Required by Revenue Bond Resolutions
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 Insurance Company (AIG), Zurich North America

Policy Period: July 1, 2019 to June 30, 2020

Data Required by Revenue Bond Resolutions

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 2016 through fiscal year 2020.

Fiscal Year	Tuition and Fees	Room and Board	Combined Costs
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
2020	14,832	9,630	24,462

(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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Other Information (Unaudited) (Continued)
For the Year Ended June 30, 2019

Data Required by Revenue Bond Resolutions
Schedule of Historical Occupancy Rates for Housing Facilities

Residence Halls	Historical Occupancy Rates for Housing Facilities[1] Measured on the Fall Semester's 10th Day of Occupancy 2014	2015	2016	2017	2018	Fall 2018 10th Day Occupancy
Wilkins	108.9%	97.1%	93.3%	93.5%	103.6%	432
Wright	110.3%	100.0%	95.6%	96.1%	107.5%	417
Haynie	110.3%	99.2%	98.4%	98.4%	110.0%	407
Manchester	102.7%	95.8%	95.3%	92.6%	99.5%	764
Hewett	104.0%	98.4%	98.1%	93.7%	99.4%	786
Watterson	101.0%	106.5%	105.7%	105.2%	106.5%	2,373
Cardinal Court[2]	98.4%	99.4%	99.8%	99.4%	99.7%	891
Total Residence Halls						6,070
Average Occupancy (Residence Halls)	103.9%	101.7%	100.5%	99.2%	103.7%	
Shelbourne Apartments[3]	96.0%	95.0%	102.0%	0.0%	0.0%	-
Fell/School Apartments	96.0%	97.0%	100.0%	97.0%	98.0%	99
Total Apartments						99

[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.

Data Required by Revenue Bond Resolutions

Enrollment Data

Approximately 93.3% 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
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
2019	18,250	2,628	20,878	16,764	1,640	18,404

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Other Information (Unaudited)
For the Year Ended June 30, 2019

Schedule of Operating Expenses - 2018

The following table presents a break-down of the various types of expenses which collectively comprise the University's functional operating expense accounts as of June 30, 2018.

	Compensation and Benefits											
	Illinois State University's Expenses					State of Illinois' Expenses						
	Salaries[1]	Benefits[2]	OPEB[3]	Pension	Sub-Total	Benefits[2]	OPEB[3]	Pension	Sub-Total	Total	Other Expenses	Total Operating Expenses
Educational and general:												
Instruction	$ 103,776,853	$ 312,503	$ 598,088	$ 167,501	$ 104,854,945	$ 13,587,591	$ 18,090,312	$ 47,432,544	$ 79,110,447	$ 183,965,392	$ 20,908,009	$ 204,873,401
Research	12,285,328	419,350	562,079	223,903	13,490,660	1,494,834	1,970,227	5,165,907	8,630,968	22,121,628	7,277,034	29,398,662
Public service	6,198,897	358,556	457,767	194,691	7,209,911	599,061	811,831	2,128,609	3,539,501	10,749,412	9,593,463	20,342,875
Academic support	17,421,953	-	-	-	17,421,953	2,461,921	3,206,906	8,408,462	14,077,289	31,499,242	6,387,182	37,886,424
Student services	21,203,988	15,428	-	-	21,219,416	2,591,657	3,305,612	8,667,267	14,564,536	35,783,952	23,803,455	59,587,407
Institutional support	23,206,475	2,690,817	-	187,739	26,085,031	3,663,912	4,706,943	12,341,540	20,712,395	46,797,426	9,720,821	56,518,247
Operation and maintenance of plant	11,400,316	-	-	-	11,400,316	3,288,754	4,272,864	11,203,389	18,765,007	30,165,323	17,993,241	48,158,564
Depreciation	-	-	-	-	-	-	-	-	-	-	25,306,963	25,306,963
Student aid	-	-	-	-	-	-	-	-	-	-	49,434,756	49,434,756
Auxiliary facilities:												
Student housing, activity facilities, and parking	26,036,243	-	-	-	26,036,243	1,902,270	2,460,305	6,450,885	10,813,460	36,849,703	35,113,230	71,962,933
Total	$ 221,530,053	$ 3,796,654	$ 1,617,934	$ 773,834	$ 227,718,475	$ 29,590,000	$ 38,825,000	$ 101,798,603	$ 170,213,603	$ 397,932,078	$ 205,538,154	$ 603,470,232

[1] Salaries includes employer contributions for Social Security, Medicare, and unemployment.

[2] Benefits includes certain group insurance costs, such as healthcare and life insurance. For the University, it also includes employer § 403(b) contributions.

[3] OPEB refers to other post-employment benefits.

[4] Certain reclassifications have been made to present this information in conformity with the Fiscal Year 2019 presentation.