STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY

FINANCIAL AUDIT
For the Year Ended June 30, 2015

Performed as Special Assistant Auditors for the Auditor General, State of Illinois

CliftonLarsonAllen

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FINANCIAL AUDIT
For the Year Ended June 30, 2015

TABLE OF CONTENTS

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FINANCIAL AUDIT
For the Year Ended June 30, 2015

Agency Officials

President	Dr. Sharon Hahs
Vice President for Finance and Administration	Mr. Michael Pierick
Director of Financial Affairs/Controller	Ms. Fe Lenon
Director of Internal Audit	Mr. Ronald Cierny, CPA
Executive Director - Office of University Budgets	Ms. Ann McNabb

Agency offices are located at:

5500 North St. Louis Avenue
Chicago, Illinois 60625

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FINANCIAL AUDIT
For the Year Ended June 30, 2015

FINANCIAL STATEMENT REPORT

Summary

The audit of the accompanying 2015 basic financial statements of Northeastern Illinois University (University) was performed by CliftonLarsonAllen LLP.

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

Summary of Findings

The auditors identified one matter involving the University's internal control over financial reporting that they considered to be a material weakness. The material weakness is described in the accompanying Schedule of Findings on pages 64 to 65 of this report, as Finding 2015-001, *Inadequate Journal Entry and Bank Reconciliation Controls.*

Exit Conference

The University waived having an exit conference in correspondence dated January 5, 2016, from the University's Assistant Vice President for Business Services, Craig Duetsch.

The responses to the recommendations were provided by University management in correspondence dated January 5, 2016.

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Honorable Frank J. Mautino
Auditor General of the State of Illinois
and
Board of Trustees
Northeastern Illinois 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 the discretely presented component unit of Northeastern Illinois University (University), a component unit of the State of Illinois, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditor. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the University and its discretely presented component unit, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the University's 2014 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the business-type activities and aggregate discretely presented component unit of the University in our report dated December 19, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As described in Note 1 to the basic financial statements, the University adopted the provisions of a new accounting principle which requires governments that participate in define benefit pension plans to report, in their statement of net position, a net pension liability and also requires cost-sharing employers to report their proportionate share of the collective net pension liability and expense for the cost-sharing plan. As further described in Note 13, the adoption of the new accounting principle resulted in a restatement of opening net position as of June 30, 2014. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6-19 and pension information on pages 57-58 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.

Honorable Frank J. Mautino
Auditor General of the State of Illinois
and
Board of Trustees
Northeastern Illinois University

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 accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This 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. The accompanying supplementary information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we 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 January 12, 2016 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Oak Brook, Illinois
January 12, 2016

This section of Northeastern Illinois University's (University) annual report presents management's discussion and analysis of the University's financial position and activities during the fiscal year ended June 30, 2015 with comparative information for the year ended June 30, 2014. The discussion and analysis is designed to focus on current activities and currently known facts. Please read it in conjunction with the University's financial statements and related footnote disclosures. This discussion and analysis is focused on the University. A discussion and analysis of the University's Component Unit can be found in the separately issued financial statements of the University's Foundation.

USING THIS ANNUAL REPORT

The University's annual report contains three financial statements: The Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. These financial statements are prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments, and GASB Statement No. 35, Basic Financial Statements - and Management Discussion and Analysis - for Public Colleges and Universities, as amended by GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position, GASB Statement No. 65, Items Previously Reported as Assets and Liabilities and GASB 68, Accounting and Financial Reporting for Pensions. These statements establish standards for external financial reporting and provide a consolidated perspective of the University's assets, liabilities, net position, revenues, expenses, and cash flows. For comparison purposes, comparative data is provided for the prior year.

The **Statement of Net Position** presents the assets, deferred outflows, liabilities, deferred inflows and net position of the University as of the end of the fiscal year using the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided, and expenses and liabilities are recognized when a service is delivered to the University, regardless of when cash is exchanged. Net position, consisting of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one indicator of the current financial condition of the University. Except for capital assets, all other assets and liabilities are measured at a point in time using current values. Capital assets are recorded at historical cost less an allowance for depreciation.

The **Statement of Revenues, Expenses, and Changes in Net Position** present the University's results of operations, as well as the non-operating revenues and expenses for the fiscal year. Operating revenues are generated by providing goods and services to the various customers and constituencies of the University. Operating expenses are incurred when goods and services are provided by vendors and employees for the overall operations of the University. Non-operating revenues and expenses include resources provided by the State of Illinois, State MAP grants, PELL and SEOG grants and other non-operating transactions.

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

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

FINANCIAL HIGHLIGHTS

Highlights of the University's financial position for the fiscal year ended June 30, 2015 are presented below:

- The University has total assets of $238.1 million, including current assets of $70.5 million and noncurrent assets of $167.6 million.
- In FY 2015 the University has deferred outflow of resources amounting to $0.9 million relating to pension expense related to federal/trust/grant/other contributions resulting from the implementation of GASB 68.
- The University has total liabilities of $78.0 million, including current liabilities of $14.1 million and noncurrent liabilities of $63.9 million.
- The University's total net position increased over the prior year by $5.6 million to $160.7 million, including an increase of $16.3 million in net capital assets and a decrease of $9.9 million in unrestricted net position.
- The total operating revenues of the University were $74.5 million, including $46.7 million in student tuition and fees, net of scholarship allowances, and $19.7 million in grants and contracts.
- The total operating expenses of the University were $187.4 million, including $85.6 million for instruction.
- The operating loss of $112.9 million was completely funded by non-operating revenues, including State appropriations, payments on behalf of the University, Pell & SEOG grant revenues, investment income, and other non-operating revenues. As a result, net income before other revenues, expenses, gains and losses totaled $2.1 million. This amount includes $4.8 million in depreciation expense.

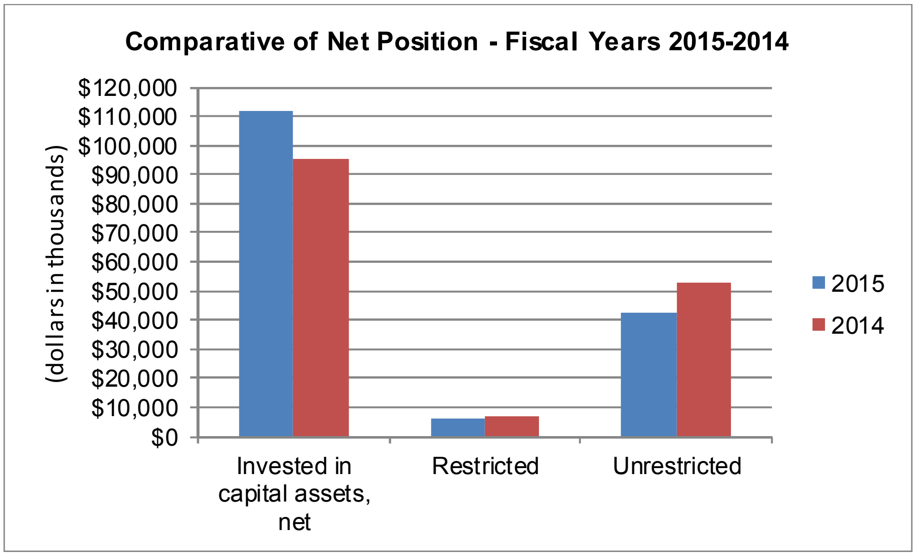
FINANCIAL ANALYSIS

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

Condensed Statement of Net Position
As of June 30, 2015 and 2014
(dollars in thousands)

	2015	2014	Increase (Decrease)	Percent Change
ASSETS				
Current assets	$ 70,493	$ 84,089	$ (13,596)	(0.16)
Noncurrent assets:				
Restricted cash and cash equivalents	1,453	8,869	(7,416)	(0.84)
Restricted investment	-	1,080	(1,080)	(1.00)
Receivables, net	2,438	2,325	113	0.05
Capital assets, net	163,182	145,514	17,668	0.12
Other assets	492	503	(11)	(0.02)
Total assets	238,058	242,380	(4,322)	(0.02)
Deferred Outflow of Resources	891	-	891	1.00
LIABILITIES				
Current liabilities	14,141	20,878	(6,737)	(0.32)
Noncurrent liabilities:				
Liability for compensated absences	6,208	5,569	639	0.11
Revenue bonds payable	15,236	16,755	(1,519)	(0.09)
Certificates of participation	42,494	43,925	(1,431)	(0.03)
Total liabilities	78,079	87,127	(9,048)	(0.10)
DEFERRED INFLOW OF RESOURCES	176	196	(20)	(0.10)
NET POSITION				
Invested in capital assets, net	111,909	95,598	16,311	0.17
Restricted	6,120	6,901	(781)	(0.11)
Unrestricted	42,665	52,558	(9,893)	(0.19)
TOTAL NET POSITION	$ 160,694	$ 155,057	$ 5,637	0.04

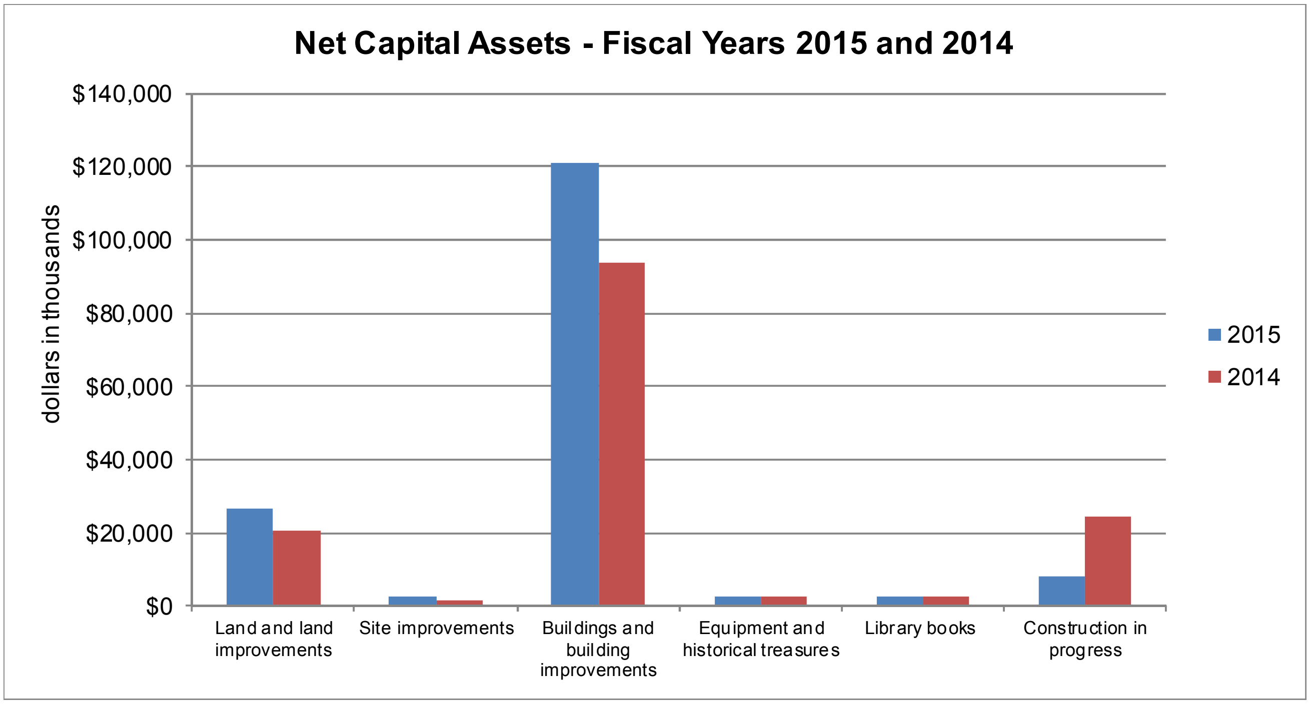
The following chart shows net position by classification and restriction:



Current Assets - The University's current assets totaled $70.5 million. This consists primarily of cash and cash equivalents of $51.2 million and net receivables of $18.3 million. Total current assets decreased by $13.6 million from the prior year. This is due to the decrease in cash and cash equivalents of $12.8 million and the decrease of $0.6 million in receivables. The current assets of the University of $70.5 million were sufficient to cover the current liabilities of $14.1 million.

Noncurrent Assets - As of June 30, 2015, the University had total noncurrent assets of $167.6 million compared with $158.3 million at June 30, 2014. The net increase of $9.3 million was primarily due to increase in capital assets of $17.7 million and a decrease of $8.5 million in restricted cash and cash equivalents and restricted investments. The increase in capital assets was mainly due to the construction of the El Centro academic facility.

The following chart is the summary of the University's capital assets, net of depreciation, by category:



Current Liabilities - Current liabilities consist primarily of accounts payable and accrued liabilities of $9.8 million, unearned revenues from tuition and fees of $1.4 million, current portion of liability for compensated absences of $.9 million, and current portion of revenue bonds and certificates of participation payables of $1.7 million.

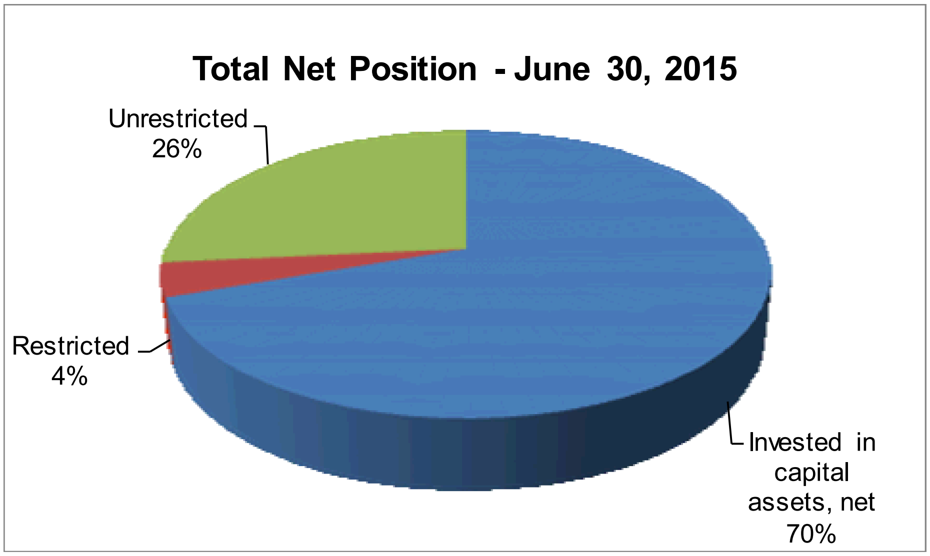
Noncurrent Liabilities - Noncurrent liabilities consist of long-term debt and other obligations for which the principal is due more than one year from the statement of net position date. Long-term debt totaled $64.0 million at June 30, 2015 compared to $66.2 million at June 30, 2014. The University's current revenue bonds and Certificates of Participation payable consist of University Facilities System Revenue Bonds Series 2014, Certificate of Participation Series 2006, Certificates of Participation Series 2010 and Certificates of Participation Series 2012.

Fiscal year 2015 principal repayments for the two revenue bonds and the three Certificates of Participation are as follows:

Revenue Bonds 2004*	$ 16,970,000
Revenue Bonds 2014	-
Certificates of Participation 2006	715,000
Certificates of Participation 2010	185,000
Certificates of Participation 2012	460,000
Total Principal Paid	$ 18,330,000

* The Revenue Bonds Series 2004 were defeased in FY 2015 with the issuance of Revenue Bonds Series 2014 in the principal amount of $15,160,000.

Total Net Position - Net position is divided into three major categories as shown in the following chart. The first category, invested in capital assets, net of related debts, represent the University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. The second category, restricted net position, reports net positions that are owned by the University, but the use or purpose of the funds is restricted by an external source or entity. The third category is unrestricted net position, which is available to be used for any lawful purpose of the University. The total net position increased by $5.6 million over the prior year. This is a result of a $16.3 million increase in invested capital assets, net of related debt, a decrease of $.8 million in restricted net position and a $9.9 million decrease in unrestricted net position. The increase in invested capital assets, net of related debt, was due mainly to the construction of the El Centro academic facility which also caused the decrease in unrestricted net position.



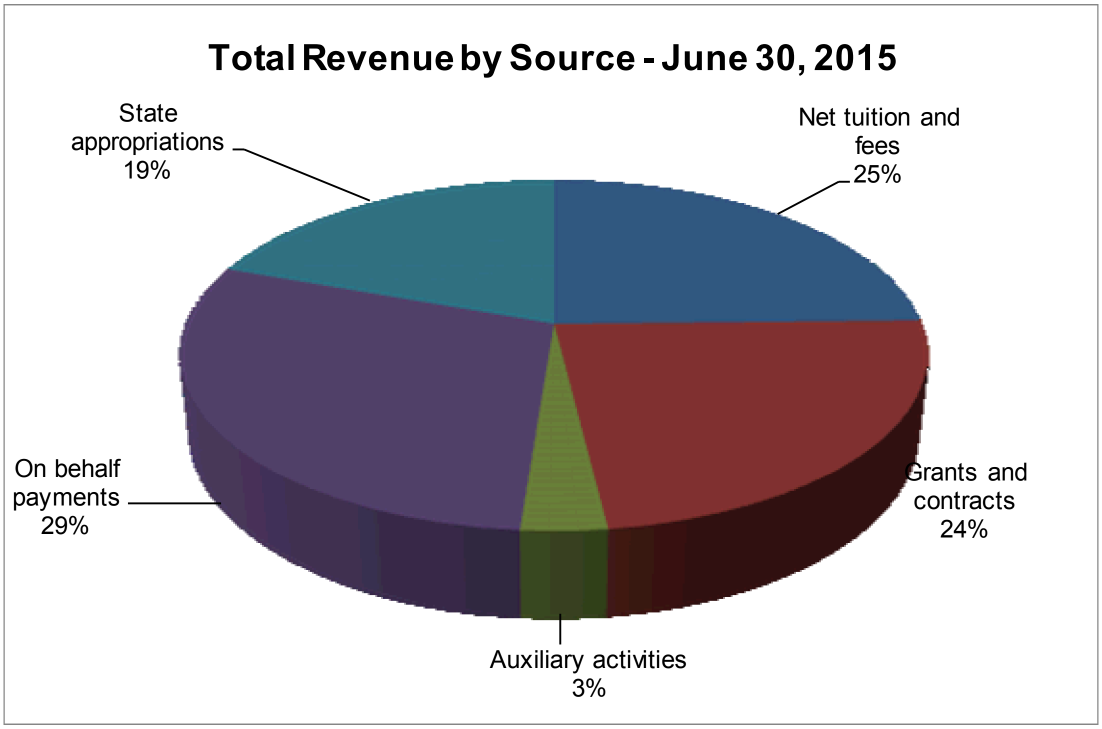
The following is a breakdown of the $6.1 million restricted net position:

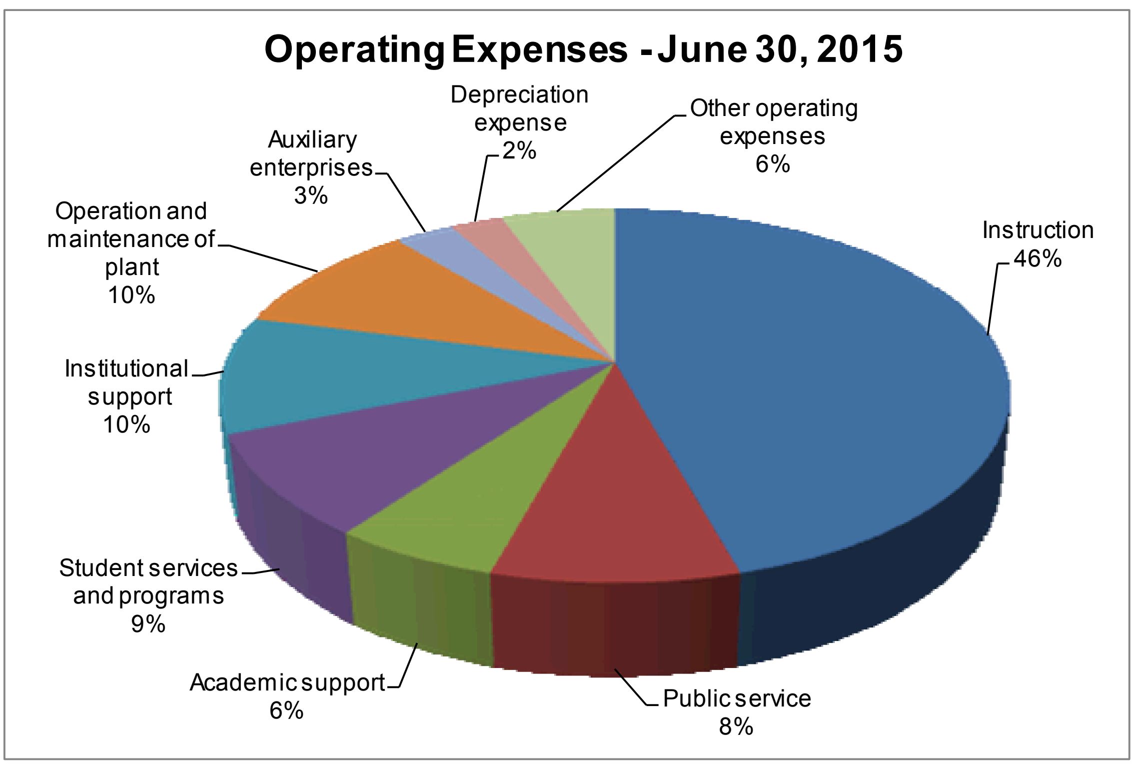
	(dollars in thousands) 2015	2014
Grants and contracts	$ 1,116	$ 798
Student loans	2,272	2,287
Debt service	1,458	2,545
Other	1,274	1,271
TOTAL RESTRICTED NET POSITION	$ 6,120	$ 6,901

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

Condensed Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2015 and 2014
(dollars in thousands)

	2015	2014	Increase (Decrease)	Percent Change
OPERATING REVENUES				
Net tuition and fees	$ 46,741	$ 47,693	$ (952)	(0.02)
Grants and contracts	19,704	20,118	(414)	(0.02)
Auxiliary enterprises	3,335	3,490	(155)	(0.04)
Other	4,722	4,105	617	0.15
Total operating revenues	74,502	75,406	(904)	(0.01)
OPERATING EXPENSES				
Instruction	85,647	80,579	5,068	0.06
Public service	16,038	15,312	726	0.05
Academic support	10,851	10,291	560	0.05
Student services and programs	16,664	17,827	(1,163)	(0.07)
Institutional support	18,907	19,532	(625)	(0.03)
Operation and maintenance of plant	18,628	16,941	1,687	0.10
Depreciation expense	4,819	4,534	285	0.06
Auxiliary	5,402	5,346	56	0.01
Other	10,430	11,602	(1,172)	(0.10)
Total operating expenses	187,386	181,964	5,422	0.03
Operating loss	(112,884)	(106,558)	(6,326)	0.06
NON-OPERATING REVENUES (EXPENSES)				
State appropriations	36,899	37,847	(948)	(0.03)
Payments on behalf of the University	55,535	48,951	6,584	0.13
Federal grants - Pell and SEOG	17,244	17,462	(218)	(0.01)
State grants - MAP	7,399	8,021	(622)	(0.08)
Other non-operating revenues	27	93	(66)	(0.71)
Other non-operating expenses	(2,132)	(1,506)	(626)	0.42
Total net non-operating revenue	114,972	110,868	4,104	0.04
NET INCOME (LOSS)	2,088	4,310	(2,222)	(0.52)
Gain (loss) on disposal of capital assets	(20)	1	(21)	(21.00)
Capital additions provided by State of Illinois	2,676	1,071	1,605	1.50
CHANGES IN NET POSITION	4,744	5,382	(638)	(0.12)
NET POSITION, BEGINNING OF YEAR	155,057	149,675	5,382	0.04
Prior year adjustments	893	-	893	1.00
NET POSITION, BEGINNING OF YEAR, AS RESTATED	155,950	149,675	6,275	0.04
NET POSITION, END OF YEAR	$ 160,694	$ 155,057	$ 5,637	0.04


Total Revenue by Source - June 30, 2015
State appropriations 19%
Net tuition and fees 25%
On behalf payments 29%
Grants and contracts 24%
Auxiliary activities 3%


Operating Expenses - June 30, 2015
Depreciation expense 2%
Other operating expenses 6%
Auxiliary enterprises 3%
Operation and maintenance of plant 10%
Instruction 46%
Institutional support 10%
Student services and programs 9%
Academic support 6%
Public service 8%

Operating Revenues - Total operating revenues for fiscal year 2015 totaled $74.5 million. The most significant sources of operating revenues were tuition and fees and grants and contracts at $66.4 million or 89%.

Operating Expenses - GASB Statement No. 35 gives the reporting entities the choice of reporting expenses in functional or natural classifications. The University reports expenses in their functional categories on the face of the statement and has displayed the natural categories in the footnotes to the financial statements. The operating expenses for fiscal year 2015, including depreciation of $4.8 million, totaled $187.4 million. Under the functional classifications, $113.2 million or 60% was used for instruction, student services and programs and academic support; $18.9 million or 10% was used for institutional support; $23.5 million or 13% was used for operations and maintenance of plant and depreciation; $16.0 million or 9% was used for public service; $5.4 million or 3% was used for auxiliary services; and $10.4 million or 5% was used for other operating expenses.

Under the natural classifications, $143.9 million or 77% was used for compensation and benefits; $29.5 million or 16% was used for supplies and services; $9.2 million or 5% was used for scholarships and $4.8 million or 2% in depreciation expense.

Non-Operating Revenues (Expenses) - This consists of state appropriations, MAP grants, on behalf of payments, Pell and SEOG grant revenues, investment income and other non operating revenues, less interest on indebtedness. Total non operating revenues increased by $4.1 million. This was mainly the result of an increase of $6.6 million in payments on behalf of the University, a decrease of $.9 million in state appropriations and a decrease of $0.8 million in PELL, SEOG and MAP grants.

Condensed Statement of Cash Flows
For the Years Ended June 30, 2015 and 2014
(dollars in thousands)

	2015	2014
Cash received from operations	$ 74,548	$ 74,342
Cash expended for operations	(127,941)	(128,050)
Net cash used in operating activities	(53,393)	(53,708)
Net cash provided by noncapital financing activities	62,181	67,200
Net cash provided by (used in) capital financing activities	(30,099)	(25,425)
Net cash provided by investing activities	1,107	355
Net increase (decrease) in cash	(20,204)	(11,578)
CASH, BEGINNING OF YEAR	72,885	84,463
CASH, END OF YEAR	$ 52,681	$ 72,885

The primary cash receipts from operating activities consist of tuition and fees of $45.7 million, and grants and contracts of $20.2 million. Cash outlays included payments to employees of $83.0 million, payments for fringe benefits of $5.0 million, and payments to suppliers of $30.7 million.

The State appropriation of $37.6 million, State MAP grants of $7.4 million and Federal Pell and SEOG grants of $17.2 million are the primary source of noncapital financing activities. Accounting standards require the University to reflect this source of revenue as non-operating even though the University's budget depends on this funding to support operations.

The main capital financing activities included purchases of capital assets and construction costs of $24.8 million, proceeds from capital debt of $15.2 million and debt service payment of $20.5 million.

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

The total net cash decreased by $20.2 million from fiscal year 2014, was mainly due to purchase of capital assets and construction.

SIGNIFICANT FINANCIAL EVENTS IMPACTING FUTURE PERIODS

In September 2008, the Northeastern Illinois University Board of Trustees endorsed the University's strategic planning priorities that include six major goals and underlying action steps to accomplish each of the goals. The goals are ensuring student success, enhancing academic excellence and innovation, providing urban leadership in Chicago and the region, investing in exemplary faculty and staff, enhancing University operations and facilities, and strengthening the financial position of the University.

In the fall of 2014, the University updated the strategic plan, revising the strategic goals and action steps, as endorsed by the Board of Trustees in February 2015.

The University also identified key performance indicators and uses those indicators to measure our successes in addressing our strategic goals. Through the indicators, we identify areas in which additional resources, financial and staffing, should be allocated to make progress in attaining our goals.

The University will continue to use the above described planning process in future periods as the means to allocate available financial resources to the highest institution goals and priorities. However, the fiscal climate in Illinois and the nation will have a significant financial impact on the level of resources available to the University, and to our students, and will impact the University's ability to address our goals and likely will affect students' ability to access higher education.

The fiscal climate in Illinois can best be described as uncertain. Since fiscal year 2002, the high-water mark for state support for the University appropriations have declined from $45.4 million to $36.9 million for fiscal year 2015. This is a total decrease of $8.5 million, or 18.7%. From fiscal year 2010 to fiscal year 2015, funding has decreased $6.4 million, an average annual decrease of 3.5%. Given Illinois' fiscal challenges, it is unlikely this trend will change in the near future. In fact, as of this writing, the State of Illinois has provided no appropriation to the University for FY 2016.

In response to this trend, the University, and most higher education institutions in the nation, have increased tuition to compensate for both declining state support and to address the need for resources to meet increasing costs, implement new and innovative academic programs, and provide needed student support services. However, the Northeastern Illinois University Board of Trustees voted to hold tuition level for incoming freshmen in fiscal year 2013. Tuition for incoming freshmen in fiscal year 2014 was increased by 4.4% and for fiscal year 2015 by 5.9%.

A further complication is pension funding. Discussions continue at the state level on options to address the pension challenges. The solution to the state's underfunded pension system will likely have some financial effect on the University.

Another result of decreasing government support for education, at both the state and national levels, is less financial aid grant funding to allow students with few financial resources to attend college. This trend also is likely to continue in future periods. In response, many colleges and universities, including the University, are allocating a portion of operating funds for institutional need-based student aid programs. Future cuts in federal spending likely will decrease available grant funding that has been used at the University for student support services (e.g., veterans and transfer students) and certain facility renovations (e.g., science lab renovations).

Given these trends, significant financial events impacting future periods will likely be as follows: State and federal support for the University and our students likely will continue to diminish, resulting in increasing costs to students, a shift in University resources to financial assistance programs for students with financial need, increased deferral of facilities maintenance, and financial challenges in implementing new academic programs to address student and occupational demands.

In response to these challenges, the University will continue to identify and implement cost savings measures, such as our current electronic time-recording and purchasing cards projects. We will continue to be good stewards of the resources that we have and use those resources for the highest priorities within our strategic plan, focusing on student retention and success. We will look for new and creative ways to increase student enrollment and to bring additional resources to the University. For example, the University implemented a new Customer Relationship Management (CRM) system in the fall 2014 to assist with recruitment and communication of prospective and current students. We will continue to be accountable by self-assessing our progress in meeting our goals using key performance indicators and we will share those results, both good and areas for improvement, with our stakeholders. We will advocate for appropriate governmental appropriations and grants to support the operations of the University and to assure access to higher education for students with financial need. And finally, we will not let future events diminish the quality of the education we offer to our students as we prepare our graduates to be future leaders.

The University opened its new El Centro campus in the Fall of 2014. In addition to the general education program, students can work on obtaining their bachelor's degree in the following majors: Social Work, Justice Studies, Computer Science and Special Education. In addition, English as a Second Language and computer literacy workshops are offered to the community as well as seminars on education, health, housing and technology.

In November 2013, the University submitted a Request for Proposal to seek a partner to develop a comprehensive, multi-phased University student housing program that will include the development of housing both on campus and adjacent to the main NEIU campus.

Following review of five responses, the award was made on August 13, 2014 to American Campus Communities (ACC) as a concession under the Illinois Procurement Code.

The concession arrangement is structured as a ground lease from the University, enabling the project to be financed by the Collegiate Housing Foundation (CHF), through bonds issued by the Illinois Finance Authority (IFA).

In conjunction with the award to ACC, Collegiate Housing Foundation, a 501 (c) (3), was identified as the entity (acting through a special purpose wholly owned subsidiary (CHF) to be the ground lessee under the ground lease. The ground lease provides that CHF will enter into a development agreement with ACC as developer for the development, construction, equipping and furnishing of the project. The ground lease also provides that CHF will enter into a management agreement with ACC as manager of the operations of the competed project.

CHF as ground lessee will be the borrower under the project financing through bonds issued by IFA.

The Board of Trustees of Northeastern Illinois University gave final approval of the student housing project on April 9, 2015.

We expect that this will provide us with increased opportunities for the recruitment of students from other states and nations. Target opening for Phase I is Fall 2016.

Additional information may be found in Note 12 of the basic financial statements.

CONTACTING NEIU'S FINANCIAL MANAGEMENT

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

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
STATEMENT OF NET POSITION

	June 30,			
	2015		(Comparative totals only) 2014	
	University	Component Units	University	Component Units
ASSETS				
Current assets:				
Cash and cash equivalents	$ 51,228,838	$ 1,640,918	$ 64,016,576	$ 1,171,409
Short-term investments	-	1,066,215	-	1,091,816
Receivables:				
Grants	4,769,971	-	5,166,340	-
Student loans (net of allowance for doubtful accounts of $402,101 in 2015 and $410,660 in 2014)	104,407	-	81,288	-
Tuition and fees (net of allowance for doubtful accounts of $1,346,205 in 2015 and $978,685 in 2014)	5,723,024	-	5,033,127	-
Other receivables (net of allowance for doubtful accounts of $896,022 in 2015 and $812,127 in 2014)	7,684,974	-	8,608,723	-
Inventories	5,497	-	6,283	-
Prepaid expenses	976,210	-	1,170,045	-
Other assets	-	209,953	6,782	241,541
Total current assets	70,492,921	2,917,086	84,089,164	2,504,766
Noncurrent assets:				
Restricted cash and cash equivalents	1,452,706	-	8,868,765	-
Restricted investments	-	8,365,717	1,079,996	7,739,493
Assets held under split-interest agreements	-	418,244	-	-
Receivables:				
Student loans (net of allowance for doubtful accounts of $292,289 in 2015 and $334,626 in 2014)	1,326,899	-	1,516,933	-
Tuition and fees (net of allowance for doubtful accounts of $7,127,014 in 2015 and $5,346,683 in 2014)	1,111,591	-	807,862	-
Capital assets:				
Land and land improvements	26,480,675	-	20,354,041	-
Site improvements (net of accumulated depreciation of $5,169,943 in 2015 and $4,937,149 in 2014)	2,444,472	-	1,497,137	-
Buildings and building improvements (net of accumulated depreciation of $60,084,243 in 2015 and $56,724,598 in 2014)	121,162,306	-	93,904,098	-
Equipment (net of accumulated depreciation of $10,824,534 and $10,385,333 in 2014)	2,528,379	-	2,357,244	-
Historical treasures and works of art	83,330	-	83,330	-
Library books (net of accumulated depreciation of $22,557,044 and $21,855,187 in 2014)	2,512,569	-	2,719,429	-
Construction in progress	7,970,566	-	24,598,949	-
Other assets	491,291	8,000	503,398	8,000
Total noncurrent assets	167,564,784	8,791,961	158,291,182	7,747,493
TOTAL ASSETS	238,057,705	11,709,047	242,380,346	10,252,259
DEFERRED OUTFLOWS OF RESOURCES	891,325	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	238,949,030	11,709,047	242,380,346	10,252,259

See accompanying notes to basic financial statements.

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
STATEMENT OF NET POSITION

	June 30,			
			(Comparative totals only)	
	2015		2014	
	University	Component Units	University	Component Units
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	9,777,825	-	16,156,462	18,444
Obligations under split-interest agreements	-	25,000	-	-
Unearned revenues	1,359,722	572,817	1,584,791	766,536
Liability for compensated absences	938,659	-	1,210,052	-
Revenue bonds payable	241,285	-	215,000	-
Certificates of participation, net	1,431,194	-	1,361,194	-
Funds held in custody for others	392,563	-	350,650	-
Total current liabilities	14,141,248	597,817	20,878,149	784,980
Noncurrent liabilities:				
Obligations under split- interest agreements	-	124,655	-	-
Liability for compensated absences	6,208,149	-	5,569,346	-
Revenue bonds payable	15,236,264	-	16,755,000	-
Certificates of participation, net	42,493,672	-	43,924,866	-
Total noncurrent liabilities	63,938,085	124,655	66,249,212	-
TOTAL LIABILITIES	78,079,333	722,472	87,127,361	784,980
DEFERRED INFLOW OF RESOURCES	176,108	-	195,896	-
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	78,255,441	722,472	87,323,257	784,980
NET POSITION				
Net investment in capital assets	111,909,153	-	95,597,781	-
Restricted for:				
Nonexpendable:				
Scholarships and charitable trust	-	8,783,961	-	7,739,290
Expendable:				
Grants and contracts	1,115,460	-	797,909	-
Student loans	2,272,453	-	2,287,206	-
Debt service	1,458,202	-	2,545,019	-
Other	1,274,068	1,423,415	1,271,087	928,424
Unrestricted	42,664,253	779,199	52,558,087	799,565
TOTAL NET POSITION	$ 160,693,589	$ 10,986,575	$ 155,057,089	$ 9,467,279

See accompanying notes to basic financial statements.

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

	For the Year Ended June 30,			
			(Comparative totals only)	
	2015		2014	
	University	Component Units	University	Component Units
OPERATING REVENUES				
Student tuition and fees (net of scholarship allowances of $21,300,640 in 2015 and $20,594,656 in 2014)	$ 46,741,433	$ -	$ 47,693,146	$ -
Federal grants and contracts	16,941,667	-	16,535,373	-
State and local grants	2,345,836	-	3,188,777	-
Nongovernmental grants and contracts	416,645	-	394,282	-
Auxiliary enterprises	3,335,193	-	3,489,734	-
Other operating revenues	4,721,416	1,275,359	4,104,707	794,374
Total operating revenues	74,502,190	1,275,359	75,406,019	794,374
OPERATING EXPENSES				
Instruction	85,647,459	-	80,578,599	-
Research	1,355,888	-	977,462	-
Public service	16,037,620	-	15,312,242	-
Academic support	10,851,107	-	10,290,657	-
Student services and programs	16,663,729	-	17,827,029	-
Institutional support	18,907,110	-	19,531,980	-
Operation and maintenance of plant	18,628,002	-	16,940,704	-
Scholarships and fellowships	8,895,232	-	10,033,988	-
Auxiliary enterprises	5,401,735	-	5,346,184	-
Depreciation expense	4,818,688	-	4,533,895	-
Other operating expenses	179,226	879,081	591,322	748,586
Total operating expenses	187,385,796	879,081	181,964,062	748,586
Operating income (loss)	(112,883,606)	396,278	(106,558,043)	45,788
NON-OPERATING REVENUES (EXPENSES)				
State appropriations - general revenue fund	36,898,800	-	37,847,400	-
Payments on behalf of the University	55,534,524	-	48,950,555	-
Federal Grants - PELL & SEOG	17,244,083	-	17,461,981	-
State grants - MAP	7,398,845	-	8,020,741	-
Investment income (loss)	27,022	(121,086)	93,021	1,417,297
Interest on indebtedness	(2,131,665)	-	(1,505,864)	-
Net non-operating revenues	114,971,609	(121,086)	110,867,834	1,417,297
Income before other revenues, expenses, gains, and losses	2,088,003	275,192	4,309,791	1,463,085
Additions to permanent endowments	-	1,244,104	-	378,334
Gain (loss) on disposal of capital assets	(20,222)	-	935	-
Capital additions provided by State of Illinois	2,676,269	-	1,071,189	-
INCREASE IN NET POSITION	4,744,050	1,519,296	5,381,915	1,841,419
NET POSITION, BEGINNING OF YEAR	155,057,089	9,467,279	149,675,174	7,625,860
Cumulative effect of a change in accounting principle	892,450	-	-	-
NET POSITION, BEGINNING OF YEAR, AS RESTATED	155,949,539	9,467,279	149,675,174	7,625,860
NET POSITION, END OF YEAR	$ 160,693,589	$ 10,986,575	$ 155,057,089	$ 9,467,279

See accompanying notes to basic financial statements.

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
STATEMENT OF CASH FLOWS

	For the Year Ended June 30,			
			(Comparative Totals Only)	
	2015		2014	
	University	Component Units	University	Component Units
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees	$ 45,708,009	$ -	$ 46,106,568	$ -
Grants and contracts	20,208,511	-	20,000,298	-
Payments to employees	(82,963,586)	-	(83,996,074)	-
Payments for fringe benefits	(5,081,640)	-	(5,034,775)	-
Payments to suppliers	(30,673,322)	(813,649)	(28,315,502)	(607,538)
Payments for scholarships and fellowships	(9,007,218)	-	(10,432,095)	-
Loans issued to students	(214,895)	-	(271,465)	-
Collections of loans from students	366,240	-	474,959	-
Auxiliary enterprises	3,382,558	-	3,479,795	-
Other receipts	4,882,552	1,179,007	4,280,739	256,391
Net cash provided by (used in) operating activities	(53,392,791)	365,358	(53,707,552)	(351,147)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriations	37,632,968	-	41,540,213	-
Federal grants- PELL and SEOG	17,116,240	-	17,452,878	-
Direct lending receipts	-	-	23,276,632	-
Direct lending payments	-	-	(23,276,632)	-
State grants- MAP	7,389,449	-	8,142,736	-
Agency transactions	41,913	-	63,882	-
Other noncapital financing activities	-	1,244,104	-	378,334
Net cash provided by noncapital financing activities	62,180,570	1,244,104	67,199,709	378,334
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Purchases of capital assets and construction	(24,760,292)	-	(22,855,822)	-
Proceeds from bond refinance	15,160,000	-	-	-
Principal paid on capital debt and leases	(18,313,715)	-	(1,050,000)	-
Interest paid on capital debt and leases	(2,184,587)	-	(1,519,769)	-
Net cash used in capital financing activities	(30,098,594)	-	(25,425,591)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	-	10,999,116	-	-
Interest on investments	27,022	330,492	93,021	230,252
Purchases of investments	1,079,996	(12,469,561)	262,269	(380,457)
Net cash provided by (used in) investing activities	1,107,018	(1,139,953)	355,290	(150,205)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(20,203,797)	469,509	(11,578,144)	(123,018)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	72,885,341	1,171,409	84,463,485	1,294,427
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 52,681,544	$ 1,640,918	$ 72,885,341	$ 1,171,409
Reconciliation of operating income (loss) to net cash used in operating activities:				
Operating income (loss)	$ (112,883,606)	$ 396,278	$ (106,558,043)	$ 45,788
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Payment on-behalf of the University	55,534,524	-	48,950,555	-
Depreciation expense	4,818,688	-	4,533,895	-
Changes in assets and liabilities:				
Receivables, net	(103,521)	22,564	414,859	(169,433)
Prepaid expenses and other assets	192,935	9,024	(87,891)	(5,255)
Inventories	786	-	114	-
Accounts payable and accrued liabilities	(1,213,531)	(18,444)	(607,562)	13,169
Obligations under split- interest agreements	-	149,655	-	-
Accrued salaries and wages	118,593	-	101,382	-
Liability for compensated absences	367,410	-	18,593	-
Unearned revenues	(225,069)	(193,719)	(473,454)	(235,416)
Net cash provided by (used in) operating activities	$ (53,392,791)	$ 365,358	$ (53,707,552)	$ (351,147)
Noncash operating and capital financing activities:				
On-behalf payments for fringe benefits	$ 55,534,524	$ -	$ 48,950,555	$ -
Net noncash activities	$ 55,534,524	$ -	$ 48,950,555	$ -

See accompanying notes to basic financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

The Foundation is a University Related Organization as defined under University Guidelines adopted by the State of Illinois Legislative Audit Commission in 1982 and amended September 1997. The Foundation was formed for the purpose of providing fund raising and other assistance to the University in order to attract private gifts to support the University's instructional, research, and public service activities. In this capacity, the Foundation solicits, receives, holds, and administers gifts for the benefit of the University. An audit of the Foundation’s financial statements, for the fiscal year ended June 30, 2015, was conducted by an independent certified public accountant. Complete financial statements for the Foundation may be obtained by writing to the NEIU Foundation, Vice President for Institutional Advancement, Northeastern Illinois University, 5500 North St. Louis Ave., Chicago, Illinois 60625.

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

Basis of Accounting

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

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

Management's Discussion and Analysis

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

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

- The Statement of Net Position details current assets/liabilities, noncurrent assets/liabilities and deferred inflows/outflows. In general, current assets are those that are available to satisfy current liabilities. Current liabilities are those that will be paid within one year of the date of the Statement of Net Position. Other assets and liabilities due beyond one year are noncurrent. Deferred inflows and outflows represent an increase or outflow in net position that applies to a future period. The University will not recognize the related revenue or expense until the future event occurs. Net Position is divided into three major categories: 1) Invested in capital assets, net of related debt, 2) Restricted and 3) Unrestricted.

- The Statement of Revenues, Expenses, and Changes in Net Position provides operating and non-operating revenues and expenses, and displays the net income or loss from operations and total changes in net position.

- The Statement of Cash Flows details the change in the cash and cash equivalents balance for the fiscal year and is prepared using the direct method. Cash and cash equivalents include bank accounts and investments with original maturities of 90 days or less at the time of purchase, primarily U.S. Treasury bills and money market funds. This Statement provides information related to cash receipts and cash payments during the year. The statement also helps users evaluate the University's ability to meet financial obligations as they mature.

Notes to Basic Financial Statements

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

Operating and Non-operating Revenues

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

Auxiliary Enterprises

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

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include bank accounts and investments with original maturities of 90 days or less at the time of purchase, primarily U.S. Treasury bills and money market funds.

Investments and Marketable Securities

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

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

Restricted Assets

Restricted assets consist of cash and investments that are externally restricted by outside sources and are classified as noncurrent in the Statement of Net Position.

Inventories

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

Certificates of Participation

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

Capital Assets

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

Classification	Capitalized Threshold	Estimated Useful Life (in years)
Land	$ 100,000	Indefinite
Land improvements	25,000	Indefinite
Site improvements	25,000	5-50
Buildings	100,000	50
Building improvements	25,000	10-45
Equipment	5,000	3-25
Non-depreciable historical treasures/works of art	5,000	Indefinite
Software/license fees	50,000	5
Library books	5,000	7

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

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

Revenue Recognition

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

Tuition and fees, except for the Summer Session, are recognized as revenues as they are assessed. Tuition and fees are reduced by scholarship discounts and allowances of $21,300,640 for fiscal year 2015. The Summer Session tuition and fees are allocated between fiscal years based on when the revenue is earned. The portion of Summer Session tuition and fees applicable to the following fiscal year is deferred. The value of tuition and fee exemptions awarded to graduate assistants, staff members and others is calculated at the applicable tuition rates. These exemptions amounted to $3,668,886 in fiscal year 2015.

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

Certain revenue sources that the University relies on to provide funding for operations including State appropriations, State MAP grants, Pell and SEOG grants, on-behalf payments, gifts, and investment income are defined by GASB Statement No. 35 as non-operating. In addition, transactions related to capital and financing activities are components of non-operating revenues.

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the University reported on-behalf payments totaling $55,534,524 representing $25,929,407 and $29,605,117, respectively, for health care and retirement costs. These on-behalf payments are reflected in Payments Made on Behalf of the University as non-operating revenues and offsetting amount allocated to each functional category under the Operating Expenses. In 2014, the University determined that it had sufficient administrative responsibility under Federal and State financial aid programs which qualify as pass through grants under GASB 24. Under this guidance, the University reported Federal financial aid under the Supplemental Educational opportunity Grants (SEOG) and State financial aid under the Monetary Assistance program (MAP) as non-operating revenues.

Pensions

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

For the purposes of financial reporting, the State of Illinois and participating employers are considered to be under a special funding situation. A special funding situation is defined as a circumstance in which a non-employer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either (1) the amount of the contributions for which the non-employer entity is legally responsible is not dependent upon one or more events unrelated to pensions or (2) the non-employer is the only entity with a legal obligation to make contributions directly to a pension plan. The State of Illinois is considered a non-employer contributing entity. Participating employers are considered employer contributing entities.

New Accounting Standards

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability, which is the difference between the total pension liability and the assets set aside to pay pension benefits. Statement No. 68 also requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. It is effective for periods beginning after June 15, 2014. The University adopted the provisions of the Statement in 2015. The impact on the University's financial statements is discussed in Note 8 and Note 13.

In November 2013, the GASB issued Statement No.71, *Pension Transition for Contributions Made Subsequent to the Measurement Date- an amendment to GASB No. 68.* This Statement address issues regarding the application of the transition provisions of Statement No. 68. The University adopted the provisions of this Statement in 2015. The impact on the University’s financial statements is discussed in Note 8 and Note 13.

2. CASH AND INVESTMENTS

The University uses the "pooled cash" method of accounting for substantially all of its operating cash and investments. The following table is a reconciliation of deposits and investments held by the University and University's Component Unit as shown on the Statement of Net Position as of June 30, 2015:

	University	Foundation
Carrying amounts of deposits	$52,585,535	$ 1,640,918
Carrying amounts of investments	96,009	9,850,176
	$52,681,544	$11,491,094
Cash and cash equivalents	$51,228,838	$ 1,640,918
Restricted cash and cash equivalents	1,452,706	-
Short-term investments	-	1,066,215
Long-term investments	-	8,783,961
	$52,681,544	$11,491,094

Deposits

The University utilizes several different bank accounts for the various activities of the University. The book balance of such accounts is $52,578,835 at June 30, 2015, while the bank balance was $54,224,240. The difference between the above amounts primarily represents checks that have been issued but have not yet cleared the bank as of June 30, 2015.

Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, the University's deposits may not be recovered. The University's policy for reducing its exposure to the risk is to require deposits in excess of the federally insured amount to be collateralized at 110%. As of June 30, 2015, the University's deposits were covered by the Federal Deposit Insurance Corporation (FDIC) and by collateral held by the financial institution in the University's name.

Investments

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

The University has pooled its investments, except for certain funds that are required by bond resolution to be in separate accounts. Investments are stated at fair value. Net income from investments of pooled funds is allocated and credited to the original sources of the funds or is remitted to the University's Income Fund. The following table presents the fair value of investments held by the University and the University's Component Units at June 30, 2015:

Investment Type	University	Foundation
Illinois funds	$ 96,009	$ -
Mutual funds	-	9,850,176
Total	$ 96,009	$ 9,850,176

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the susceptibility of its fair value to changes in market interest rates. The University's policy for reducing its exposure to the risk is to structure the University's portfolio so that securities mature to meet the University's cash requirements for ongoing operations. Also, the investment returns are evaluated and tracked monthly against appropriate performance benchmarks and reported quarterly to the Vice President for Finance and Administration/ Board Treasurer.

As of June 30, 2015, the University had the following investments subject to Interest Rate Risk:

		Maturity	
Investment Type	**Fair Value**	**Less than 1 Year**	**1 - 5 Years**
Illinois funds	$ 96,009	$ 96,009	$ -
Total	$ 96,009	$ 96,009	$ -

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's policy for managing its exposure to the risk is to limit investments to those allowable by the Illinois Public Funds Investment Act. As of June 30, 2015, the University had quality ratings as shown in the table below:

Investment Type	**Total**	**Standard & Poor's**
Illinois Fund	$ 96,009	AAA

Concentration of Credit Risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University's policy for mitigating the risk is to diversify the investment portfolio so that the failure of any one issue will not place an undue financial burden on the University. As of June 30, 2015, the University does not have any investments representing 5% or more of total assets in any single issuer other than the U.S. Government, its agencies or sponsored corporations.

Custodial Credit Risk for investments is the risk that, in the event of a failure of the counterparty, the University will not be able to recover the value of the investments that are in the possession of an outside party. The University minimizes its custodial credit risk by establishing limitations on the types of investments held with qualifying institutions. Investments in external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The University therefore, has no custodial credit risk in its investment portfolio.

3. CAPITAL ASSETS

Details of the University's investment in capital assets at June 30, 2015 are as follows:

	June 30, 2014	Additions	Transfers	Reductions	June 30, 2015
Capital assets not being depreciated:					
Land and land improvements	$ 20,354,041	$ 6,126,634	$ -	$ -	$ 26,480,675
Non-depreciable historical treasures and works of art	83,330	-	-	-	83,330
Construction in progress	24,598,949	7,577,386	(24,205,769)	-	7,970,566
Total capital assets not being depreciated	45,036,320	13,704,020	(24,205,769)	-	34,534,571
Capital assets being depreciated:					
Site improvements	6,434,286	1,180,129	-	-	7,614,415
Building and building improvements	150,628,696	6,645,707	23,972,146	-	181,246,549
Equipment	12,742,577	481,887	233,623	(105,174)	13,352,913
Library books	24,574,616	495,238	-	(241)	25,069,613
Total capital assets being depreciated	194,380,175	8,802,961	24,205,769	(105,415)	227,283,490
Less accumulated depreciation:					
Site improvements	4,937,149	232,794	-	-	5,169,943
Building and building improvements	56,724,598	3,359,645	-	-	60,084,243
Equipment	10,385,333	524,153	-	(84,952)	10,824,534
Library books	21,855,187	702,098	-	(241)	22,557,044
Total	93,902,267	4,818,690	-	(85,193)	98,635,764
Capital assets net	$ 145,514,228	$ 17,688,291	$ -	$ (20,222)	$ 163,182,297

4. LONG-TERM DEBT AND OTHER LIABILITIES

Long-term debt and other liabilities consist of the following as of June 30, 2015:

Investment Type	June 30, 2014	Additions	Reductions	June 30, 2015
Compensated absences	$ 6,779,398	$ 1,010,619	$ 643,209	$ 7,146,808
Revenue Bonds Series 2004	16,970,000	-	16,970,000	-
Revenue Bonds Series 2014	-	15,160,000	-	15,160,000
Bond Premium	-	625,711	15,643	610,068
Bond Discount	-	(300,020)	(7,501)	(292,519)
Certificates of Participation (COP):				
Series 2006	10,945,000	-	715,000	10,230,000
COP Discount	(54,984)	-	(4,716)	(50,268)
Certificates of Participation (COP):				
Series 2010	5,735,000	-	185,000	5,550,000
Certificates of Participation (COP):				
Series 2012	28,500,000	-	460,000	28,040,000
COP Premium	161,044	-	5,910	155,134
Subtotal	69,035,458	$ 16,496,310	$ 18,982,545	66,549,223
Less current portion	2,786,246			2,611,138
Total noncurrent liabilities	$ 66,249,212			$ 63,938,085

Compensated Absences

It is the policy of the University to accrue vacation pay as earned. As of June 30, 2015, the accrued liability for this benefit was $5,449,439 and is reported as liability for compensated absences.

As a result of Illinois Public Act 83-976, the University is required to compensate certain employees for sick leave benefits earned after January 1, 1984. Sick leave earned by these employees after this date will accumulate without limit and are payable upon termination of employment for one-half of the unused amount. As of January 1, 1998 per 30 ILCS 105/14a, sick leave benefits earned after that date are no longer compensable upon termination of employment. All prior earned benefits will still be paid. As of June 30, 2015, the accrued liability of this benefit was $1,697,369 and is included in the liability for compensated absences.

5. UNIVERSITY FACILITIES SYSTEM REVENUE BONDS

Revenue Bonds Payable

At June 30, 2015, bonds payable consists of University Facilities System Revenue Bond Series 2014.

Series 2014

The University Facilities System Revenue Bond Series 2014-1 in the amount of $4,520,000 and Series 2014-2 in the amount of $10,640,000 with an aggregate amount of $15,160,000 were issued in December 2014 to provide funds to refund all of the outstanding University Facilities System Revenue Bonds, Series 2004 and to pay the necessary issuance costs. The bonds are fully registered and are special, limited obligations of the Board and are not obligations of the State of Illinois. The bonds will only be payable from and secured by the net revenues of the University Facilities System, student union and fees (subject to prior payment of operating and maintenance expenses of the System, but only to the extent necessary) and the Bond Reserve Account.

The Bonds mature in increasing principal amounts ranging from $225,000 due on July 1, 2015 to $1,060,000 due on July 1, 2034. Interest is payable annually on July 1, at rates between 3.00% and 5.00%, with an average effective rate of approximately 3.935%. Future aggregate annual payments applicable to the Series 2014 Bonds at June 30, 2015 are:

Fiscal Year	Principal	Interest
2016	$ 225,000	$ 619,720
2017	235,000	598,125
2018	240,000	591,000
2019	585,000	575,700
2020	600,000	552,000
2021-2025	3,425,000	2,404,775
2026-2030	4,480,000	1,572,025
2031-2035	5,370,000	552,760
Total	$ 15,160,000	$ 7,466,105

The Series 2014 Bonds shall be subject to optional and mandatory redemption prior to maturity as set forth in the Notification of Sale. The Series 2014-1 Bonds are not subject to optional redemption prior to maturity. The Series 2014-2 Bonds maturing on or after July 1, 2025 are subject to redemption on any date on or after January 1, 2025, at the option of the Board, in whole or in part at any time, and if in part, in the maturities designated by the Board and within a single maturity in integral multiples of $5,000 in such manner as the Registrar may deem fair and appropriate, at a redemption price of par (100%), plus accrued interest to the date fixed for redemption.

Series 2004

Proceeds from the sale of the Series 2014 Bonds in December 2014 with additional funds provided by the University were used to refund the outstanding Series 2004 Bonds in the principal amount of $16,755,000 and to pay accrued interest on the Series 2004 Bonds in the amount of $349,695 at the time of redemption and to pay costs of issuance for the Series 2014 Bonds. As a result, the Series 2004 Bonds are considered defeased and the liability for these bonds has been removed from the University's Statement of Net Position. The current refunding did not result in any accounting gain or loss for the year ended June 30, 2015 nor any economic gain or loss and the University in effect reduced its aggregate debt service payments by $3,408,011 over the next 20 years.

Operation of the Project

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

Revenue Fund Account

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

Operation and Maintenance Account

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

Bond Accounts

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

Bond Reserve Accounts

The bond reserve accounts are to be used solely to pay bond principal and interest when there would otherwise be a default. In Fiscal Year 2015, as provided for in the official statement for the Series 2014 Bonds, upon the effectiveness of the Restated Bond Resolution on December 26, 2014, all monies in the 2004 Bond Reserve Account were used to pay a portion of the Series 2004 Bonds. At June 30, 2015, the fund balance in this account was $0.00.

Renewal and Replacement Reserve Account

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

During 2015, $50,000 was credited to the renewal and replacement reserve account. At June 30, 2015, the fund balance in this account was $84,004.

Non-Instructional Facilities (Development) Reserve Account

On or before the close of each fiscal year, the Treasurer will, from the funds remaining in the revenue fund, credit to the non-instructional facilities reserve account such funds, or such portion thereof as is available for transfer, as have been approved by the Board for expenditure or planned for expenditure for new space or construction in, or in addition to, a facility constituting a part of the system, and contiguous real estate thereto, consistent with the purpose and mission of that facility. Monies or investments to the credit of such accounts are not pledged as security for the payment of the bonds or parity bonds. At June 30, 2015, the fund balance in this account was $0.

Equipment Reserve Account

On or before the close of each fiscal year, the Treasurer will, from the funds remaining in the revenue fund, credit to the equipment reserve account such funds as have been approved by the Board for expenditures in connection with the acquisition of movable equipment to be installed in the facilities constituting the system. Monies or investments to the credit of the equipment reserve account are not pledged as security for the payment of the bonds or parity bonds. At June 30, 2015, the fund balance in this account was $302,719.

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

University Facilities Revenue Bond Funds
Statement of Net Position
as of June 30, 2015

ASSETS	
Current Assets	
Cash and cash equivalents	$ 1,716,078
Investments	-
Receivables:	
Tuition and fees - net	131,739
Parking fines - net	134,192
Other receivables - net	95,513
Inventories	241
Prepaid expenses	528
Total current assets	2,078,291
Noncurrent Assets	
Restricted cash and cash equivalents	1,367,439
Receivables:	
Tuition and fees - net	25,588
Capital assets:	
Site improvements - net	1,950,869
Buildings - net	16,341,564
Equipment - net	55,821
Construction in progress	-
Total noncurrent assets	19,741,281
Total assets	21,819,572
DEFERRED OUTFLOWS OF RESOURCES	-
LIABILITIES	
Current Liabilities	
Accounts payables and accrued liabilities	541,857
Unearned revenues	87,773
Liability for compensated absences	115,187
Revenue bonds payable	241,285
Total current liabilities	986,102
Noncurrent Liabilities	
Liability for compensated absences	-
Revenue bonds payable	15,236,264
Total noncurrent liabilities	15,236,264
Total liabilities	16,222,366
DEFERRED INFLOWS OF RESOURCES	-
NET POSITION	
Net investment in capital assets	2,870,706
Restricted for:	
Expendable:	
Capital projects	1,041,367
Debt service	368,534
Unrestricted	1,316,599
TOTAL NET POSITION	$ 5,597,206

University Facilities Revenue Bond Funds
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2015

OPERATING REVENUES	
Student fees	$ 1,243,079
Vending services	124,614
Rental and use fees	248
Bookstore commission	259,202
Parking revenue	2,250,767
Other operating revenues	1,058
Total operating revenues	3,878,968
OPERATING EXPENSES	
Personal services	1,212,224
Contractual services	887,030
Commodities and supplies	70,341
Vending cost of sales	2,410
Telecommunications	3,558
Depreciation	731,718
Other operating expenses	507,656
Total operating expenses	3,414,937
Operating income	464,031
NON-OPERATING REVENUE (EXPENSES)	
Investment income	7,375
Interest on indebtedness	(668,590)
Net non-operating expenses	(661,215)
Total decrease in net position	(197,184)
NET POSITION, BEGINNING OF YEAR	5,794,390
NET POSITION, END OF YEAR	$ 5,597,206

University Facilities Revenue Bond Funds
Statement of Cash Flows
For the Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Student fees	$ 1,309,667
Payment for salaries and benefits	(1,204,750)
Payment for suppliers	(1,501,923)
Vending services	128,918
Rental and use fees	248
Bookstore commission	274,036
Parking revenue	2,287,945
Other revenues	936
Other payments	(304,618)
Net cash provided by operating activities	990,459
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchases of capital assets and construction	(95,433)
Principal paid on capital debt	(1,492,451)
Interest paid on capital debt	(668,590)
Net cash used in capital financing activities	(2,256,474)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	1,079,996
Interest on investments	7,375
Cash provided by investing activities	1,087,371
NET DECREASE IN CASH AND CASH EQUIVALENTS	(178,644)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,262,161
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,083,517
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 464,031
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	731,718
Amortization expense	8,142
Changes in assets and liabilities:	
Receivables - net	115,072
Inventories	405
Prepaid expenses	(528)
Accounts payable and accrued liabilities	(348,988)
Accrued liability for compensated absences	12,774
Unearned revenues	7,833
Net cash provided by operating activities	$ 990,459

Pledged Revenues and Debt Service Requirements

The University has pledged specific revenues, net of specified operating expenses, to repay the principal and interest of revenue bonds. The following is a schedule of the pledged revenues and related debt:

PLEDGED REVENUES

Bond Issues	Purpose	Source of Revenue Pledged	Future Revenues Pledged	Term of Commitment	Debt Service to Pledged Revenues (Current Year)
Facilities Revenue Bonds Series 2014	Construction of a multi-level parking structure	Net Revenues of the Universty Facilities System*, student tuition and fees	$ 22,626,105	2034	100.00%
Total future revenues pledged			$ 22,626,105		

* ***The University Facilities System consists of the Student Union, all parking facilities, the University's vending facilities, the University bookstore, and any equipment or improvements pertaining thereto.***

6. CERTIFICATES OF PARTICIPATION

Series 2006

On March 1, 2006, the University issued Certificates of Participation Series 2006, in the amount of $15,060,000 with an original issue discount of $94,315, to finance the acquisition, development and implementation of an enterprise resource planning system. The Board is obligated to make installment payments on an annual basis either from funds derived from State appropriations or from legally available non-appropriated funds. The Board's obligation to pay installment payments is subject to termination 60 days after the Board certifies to the Trustee that: 1) the General Assembly of the State has made a determination not to appropriate requested funds necessary to make the installment payments from State-appropriated funds, and 2) the Board has determined that there are not sufficient legally available non-appropriated funds to pay the installment payments. The Certificates are subject to mandatory redemption, in whole, at the redemption prices set forth below, plus accrued interest to the date fixed for redemption, on the following dates, if the Board notifies the Trustee not less than 60 days prior thereto that it is exercising its option to terminate the purchase contract:

Redemption Date	Redemption Price
October 1, 2010	110%
On or after October 1, 2015	100%

The certificates mature in increasing principal amounts ranging from $740,000 due on October 1, 2015 to $1,155,000 due on October 1, 2025 at rates between 4.00% and 4.75%, with an average effective rate of approximately 4.396%. Future aggregate annual payments applicable to the certificates of participation at June 30, 2015 are:

Fiscal Year	Principal	Interest
2016	$ 740,000	$ 442,006
2017	775,000	411,222
2018	805,000	378,131
2019	840,000	343,175
2020	880,000	306,075
2021-2025	5,035,000	883,519
2026	1,155,000	27,431
	$10,230,000	$ 2,791,559

Series 2010

On September 1, 2010, the University issued Certificates of Participation Series 2010, in the amount of $6,060,000 to finance the acquisition of energy conserving improvements at the University. The American Recovery and Reinvestment Act of 2009 permits the Board to issue taxable obligations referred to as “Build America Bonds” to finance capital expenditures for which it could issue tax-exempt obligations, and to elect to receive payments from the federal government equal to 35% of the corresponding interest payable on such taxable obligations. The Board is obligated to make installment payments on an annual basis either from funds derived from State appropriations or from legally available non-appropriated funds. The Board’s obligation to pay installment payments is subject to termination 60 days after the Board certifies to the Trustee that: 1) the General Assembly of the State has made a determination not to appropriate requested funds necessary to make the installment payments from State-appropriated funds, and 2) the Board has determined that there are not sufficient legally available non-appropriated funds to pay the installment payments. The Certificates maturing on and after October 1, 2021 are subject to redemption on any date on or after October 1, 2020 at the price of 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption, in whole or in part, and if in part, by lot. Such redemption shall be at the option of the Board, upon at least 35 days prior written notice from the Board to the Trustee.

The certificates mature in increasing principal amounts ranging from $205,000 due on October 1, 2015 to $645,000 due on October 1, 2028 at rates between 3.250% and 6.000%, with an average effective rate of approximately 4.842%. Future aggregate annual payments applicable to the certificates of participation at June 30, 2015 are:

Fiscal Year	Principal	Interest
2016	$ 205,000	$ 287,850
2017	225,000	280,300
2018	250,000	270,925
2019	275,000	259,581
2020	300,000	246,269
2021-2025	1,995,000	956,156
2026-2029	2,300,000	284,622
	$ 5,550,000	$ 2,585,703

Series 2012

On November 1, 2012, the University issued Certificates of Participation Series 2012, in the amount of $28,500,000 to finance the acquisition and construction of a new academic facility. The Board is obligated to make installment payments on an annual basis either from funds derived from State appropriations or from legally available non-appropriated funds. The Board's obligation to pay installment payments is subject to termination 60 days after the Board certifies to the Trustee that: 1) the General Assembly of the State has made a determination not to appropriate requested funds necessary to make the installment payments from State-appropriated funds, and 2) the Board has determined that there are not sufficient legally available non-appropriated funds to pay the installment payments. The Certificates maturing on and after October 1, 2023 are subject to redemption on any date on or after October 1, 2022 at the price of 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption, in whole or in part, and if in part, by lot. Such redemption shall be at the option of the Board, upon at least 35 days prior written notice from the Board to the Trustee.

The certificates mature in increasing principal amounts ranging from $485,000 due on October 1, 2015 to $1,815,000 due on October 1, 2041 at rates between 3.000% and 4.100%, with an average effective rate of approximately 3.534%. Future aggregate annual payments applicable to the certificates of participation at June 30, 2015 are:

Fiscal Year	Principal	Interest
2016	$ 485,000	$ 1,030,850
2017	515,000	1,015,850
2018	540,000	1,000,025
2019	575,000	983,300
2020	610,000	965,525
2021-2025	3,645,000	4,515,255
2026-2030	4,780,000	3,812,172
2031-2035	6,130,000	2,795,518
2036-2040	7,255,000	1,475,203
2041-2042	3,505,000	146,268
	$28,040,000	$17,739,966

7. NORTHEASTERN ILLINOIS UNIVERSITY FOUNDATION AGREEMENT

The Northeastern Illinois University Foundation is a separate non-profit organization incorporated in the State of Illinois and a University Related Organization under University Guidelines, 1982 (amended 1997). Its mission is to advance the interests and welfare of the University. The direction and management of the affairs of the Foundation and the control and disposition of its assets are vested in the Board of Directors of the Foundation. The University has no liability with regard to the Foundation's liabilities. The majority of endowments supporting University scholarships and other University programs are owned by the Foundation; therefore, it would be misleading to exclude the Foundation's financial reports.

On July 1, 2005, the University entered into an agreement with Northeastern Illinois University Foundation. Under the terms of the contract, the Foundation aids and assists the University in developing broader educational opportunities for students, alumni, and citizens of the State of Illinois by encouraging gifts of money; property; works of art; and historical and other material having educational, artistic and historical value. In turn, the University will furnish certain services necessary to the operation of the Foundation. The contract may be cancelled upon 90 days written notice by either party.

During fiscal year 2015, certain funds and in-kind services of the University with an estimated value of $118,916 were provided to the Foundation without charge. In turn, during fiscal year 2015, the Foundation gave the University $467,470 in funds considered unrestricted for purposes of the University Guidelines computation. In addition, the Foundation gave the University non-qualifying restricted and unrestricted funds of approximately $277,990 in fiscal year 2015 for scholarships and awards.

8. PENSION, COMPENSATED ABSENCES, AND POST-EMPLOYMENT BENEFITS

Defined Benefit Pension Plans

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

Benefits Provided

A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed 6 months after their date of hire to make an irrevocable election. A summary of the benefit provisions as of June 30, 2014 can be found in the System's comprehensive annual financial report (CAFR) Notes to Financial Statements.

Contributions

The State of Illinois is primarily responsible for funding the System on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a Statutory Funding Plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members of the System to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from "trust, federal, and other funds" are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for fiscal year 2014 and 2015 respectively, was 11.91% and 11.71% of employee payroll. The normal cost is equal to the value of current year's pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8% of their annual covered salary. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

Participating employers make contributions toward separately financed specific liabilities under Section 15.139.5(e) of the Illinois Pension Code (relating to contributions payable due to the employment of "affected annuitants" or specific return to work annuitants) and Section 15.155(g) (relating to contributions payable due to earning increases exceeding 6% during the final rate of earnings period).

Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Net Pension Liability

At June 30, 2014, SURS reported a net pension liability (NPL) of $21,790,983,139. The net pension liability was measured as of June 30, 2013.

Employer Proportionate Share of Net Pension Liability

The amount of the proportionate share of the net pension liability to be recognized for Northeastern Illinois University is $0. The proportionate share of the State's net pension liability associated with Northeastern Illinois University is $390,904,472 or 1.7939%. This amount should not be recognized in the financial statement. The net pension liability was measured as of June 30, 2014 and the total pension used to calculate the net pension liability was determined based on the June 30, 2013 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS during fiscal year 2014.

Pension Expense

At June 30, 2014 SURS reported a collective net pension expense of $1,650,338,263.

Employer Proportionate Share of Pension Expense

The employer proportionate share of collective pension expense should be recognized similarly to on-behalf payments as both revenue and matching expenditure in the financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported pensionable contributions made to SURS during fiscal year 2014. As a result, the University recognized on-behalf revenue and pension expense of $29,605,117 for the fiscal year ended June 30, 2015.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Deferred outflows of resources are the consumption of net position by the system that is applicable to future reporting periods.

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Sources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes in assumption	88,940,815	-
Net difference between projected and actual earnings on pension plan investments	-	1,271,105,952
Total	$ 88,940,815	$ 1,271,105,952

Employer Deferral of Fiscal Year 2015 Pension Expense

NEIU paid $891,325 in federal, trust or grant contributions for the fiscal year ended June 30, 2015. These contributions were made subsequent to the pension liability measurement date of June 30, 2014 and are recognized as Deferred Outflows of Resources as of June 30, 2015.

Assumptions and Other Inputs

Actuarial Assumptions

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period June 30, 2006-2010 and an economic study completed June 2014. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary Increases	3.75 to 12.00 percent, including inflation
Investment rate of return	7.25 percent beginning with the actuarial valuation as of June 30, 2014

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

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

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

Discount Rate

A single discount rate of 7.090% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 7.250% and a municipal bond rate of 4.290% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under the System's funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2065. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2065, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the System'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 plan's net pension liability, calculated using a single 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 1-percentage-point lower or 1-percentage-point higher:

1% Decrease 6.09%	Current Single Discount Rate Assumption 7.09%	1% Increase 8.09%
$26,583,701,134	$21,790,983,139	$17,796,570,836

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.

Medicare

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

Tax-Sheltered Retirement Plans

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

Post-employment Benefits

The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute towards health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced 5% for each year of credited service with the State allowing those annuitants with 20 or more years of credited service to not have to contribute towards health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes $5,000.

The State pays the University's portion of employer costs for the benefits provided. The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as expenditures by the State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Central Management Services. A copy of the financial statements of the Department of Central Management Services may be obtained by writing to the Department of Central Management Services, 401 S. Spring Street, Springfield, Illinois, 62706-4100.

9. OPERATING LEASES

The University leases various buildings and equipment under operating lease agreements. Total rental expense for the year ended June 30, 2015 under these agreements was $685,128. Minimum lease payments for the years ending June 30 are:

Fiscal Year	Principal
2016	$ 456,631
2017	403,644
2018	353,554
2019	39,918
Total	$ 1,253,747

10. SELF-INSURANCE

The University participates in the State University Risk Management Association (SURMA), a self-insurance pool. Through its participation in SURMA, IPHEC (Illinois Public Higher Education Consortium) and MHEC (Midwest Higher Education Commission), the University has contracted with commercial carriers to provide general liability insurance. The University's general liability coverage has a $250,000 self-insured retention level, which is covered by SURMA under the same coverage restrictions as the general liability coverage. In most cases, participant contributions to SURMA are based upon actuarial valuations. Additionally, the University purchases property insurance coverage for the replacement value of the University's property.

SURMA was created as a successor to the Board of Governors' Self-Insurance Liability Program. SURMA was initially funded by the surplus of the board of governor' Self-Insurance Liability Program upon its termination (treated as capital contributions of the original participants), as well as additional contributions which were assessed to the members. The SURMA members are Chicago State University, Eastern Illinois University, Governors State University, Northeastern Illinois University, and Western Illinois University.

According to the SURMA's bylaw, in the event of termination, if there are surplus funds available, such surplus shall be distributed to the then existing members in the same proportion that each existing member's contributions over the immediately previous five years were in proportion to the contributions of all members. Similar provisions also apply to members who elect to withdraw (subject to the approval by the remaining members) prior to the termination of SURMA. In accordance with GASB Interpretation No. 4*, Accounting and Financial Reporting for Capitalization Contributions to Public Entity Risk Pools,* the University has recorded the capital contributions to SURMA as an asset on the books. The University's share of the excess capital contributions to SURMA was $379,849 as of June 30, 2015.

11. BEVERAGE CONTRACT

The University has entered into a sponsorship contract with the Pepsi-Cola General Bottlers III, LLC (Vendor) to provide beverages for its employees, visitors, faculty, and students. This is a ten-year agreement commencing on December 18, 2007. Under the agreement, the University receives 50% of the total revenue derived by the Vendor from the vending machines installed and serviced on each respective University campus. Such payments will be paid no less frequently than monthly and will be accompanied by appropriate documentation verifying the receipts and commission amounts. The commission received from the Vendor for fiscal year 2015 was $55,475. Under the contract, the Vendor extended terms made during its negotiations with the Illinois Department of Revenue regarding marketing monies due to the University on an annual basis. The Vendor agreed to allocate statewide $440,000 of marketing money. This University's share of the marketing money is 3.5948% of the total allocated statewide, or $15,817. Payment of these funds is due at the beginning of each year throughout the term of the contract. The University received its payment of $15,817 for the seventh year of the agreement. The Vendor also agreed to honor the agreement made during negotiations with the Illinois Department of Revenue regarding the guaranteed annual vending commitment, which for the University is $13,631. This amount will increase in direct proportion to any price increases implemented by the Vendor during the life of this agreement.

12. RESIDENTIAL HALL PROJECT DEVELOPMENT, MANAGEMENT, FINANCING AND RELATED AGREEMENTS

As a first step in implementing its student housing initiative, the University advertised RFP No. SHD2013, Design, Development and Management of Student Housing, in the Illinois Public Higher Education Procurement Bulletin on October 13, 2013. Following review of five responses and on-campus presentations by the finalists, the award was made to American Campus Communities (ACC) as a concession in accordance with 30 ILCS 500/53-25 of the Illinois Procurement Code on August 13, 2014. The Board of trustees was informed of ACC's selection at its September 18, 2014 meeting. The University entered into a $0 interim services agreement with ACC to conduct predevelopment activities for the student residence project, in preparation for ACC's role as developer for the project.

The concession arrangement is structured as a ground lease from the University, enabling the project to be financed, consistent with the Procurement Code, through bonds issued by the Illinois Finance Authority (IFA). All net available cash flow of the project will be paid to the University as rent under the ground lease.

In conjunction with the award to ACC, Collegiate Housing Foundation, a 501(c)(3), was identified as the entity (acting through a special purpose wholly owned subsidiary (CHF)) to be the ground lessee under the ground lease. The ground lease provides that CHF will enter into a development agreement with ACC as developer for the development, construction, equipping and furnishing of the project. The ground lease also provides that CHF will enter into a management agreement with ACC as manager of the operations of the completed project. The University has the right, under certain circumstances, to replace the manager.

CHF as ground lessee will be the borrower under the project financing through bonds issued by the IFA. The project was presented at the March 10, 2015 IFA Board meeting and approved as part of its consent agenda. The approximate budget for the project is $41.8 million and the amount of the financing estimated not to exceed $45.0 million. In order for the bonds to achieve an investment grade credit rating, the University provided an up-front equity contribution to the project of $3.5 million from its income fund reserves and will provide on-going financial support, as needed, sufficient to cause the project to achieve a financial break-even point should revenues fail to cover debt service and operating expenses at a minimum of 1.00X debt service coverage ratio.

The Ground Lease Agreement was executed on May 7, 2015 between the Board of Trustees of Northeastern Illinois University, as Lessor and CHF-Cook, L.L.C. as Lessee. The lease shall expire on the 40th anniversary of the commencement date, unless otherwise extended or sooner terminated in accordance with the provisions of the lease or by operation of law.

Upon the termination or expiration of the Ground Lease, all rights and interests of the Lessee shall immediately cease and terminate and the Premises, including all buildings, improvements, machinery, fixtures, equipment and all personal property attached to or within the premises shall thence forward constitute and belong to and be the absolute property of the Lessor.

The lease provides commitments and obligations for both the Lessor and Lessee. As part of the agreement, NEIU as Lessor is committed to (i) implement procedures to assist students in applying for residence at the Project, (ii) assist where possible in the collection of rents, (iii) where appropriate, facilitate the use of financial aid provided to students to pay for eligible housing expenses, (iv) permit the Lessee to advertise the Project on the University's Campus and its website and to post reasonably sized advertising literature on bulletin boards in the Lessor's facilities that are available for public announcements, (v) permit the Lessee to maintain space on the University's campus at a site determined by the Lessor for a staffed leasing display, (vi) provide to the Lessee a mailing list of the Lessor's students that are seeking housing to the extent such list is maintained and the Lessor is permitted by law to disclose such information regarding its students to the Lessee.

Construction of the residence halls started in May 2015 and target opening for Phase I is Fall 2016.

In addition, after the close of Fiscal Year 2015, the University entered into agreements to purchase four properties on Bryn Mawr Avenue for a total price of $4,372,500. The purchase of these properties will support the University's strategic initiative to develop its second phase of student housing.

13. RESTATEMENTS

Implementation of New Accounting Pronouncement

The University adopted the provisions of GASB 68, Accounting and Financial Reporting for Pensions, effective for financial statement periods beginning after June 15, 2014. Note 8 to the financial statements provide general information about the Pension Plan including the required disclosures. Also see the required supplementary information for additional disclosures.

As a result of implementing this standard, the University increased beginning net position as of July 1, 2014 by $892,450 which represented grant contributions for the fiscal year ended June 30, 2014.

14. OPERATING EXPENSES BY NATURAL CLASSIFICATION

	Compensation and Benefits	Supplies and Services	Scholarships	Depreciation	Total
Instruction	$ 81,807,139	$ 3,706,437	$ 133,883	$ -	$ 85,647,459
Research	796,862	454,416	104,610	-	1,355,888
Public service	10,045,269	5,955,281	37,070	-	16,037,620
Academic support	8,565,238	2,285,869	-	-	10,851,107
Student services and programs	11,230,259	5,383,631	49,839	-	16,663,729
Institutional support	15,504,986	3,402,124	-	-	18,907,110
Operation and maintenance of plant	12,624,809	6,003,193	-	-	18,628,002
Scholarships and fellowships	-	-	8,895,232	-	8,895,232
Auxiliary enterprises	3,259,600	2,142,135	-	-	5,401,735
Depreciation	-	-	-	4,818,688	4,818,688
Other operating expenses	47,572	131,654	-	-	179,226
Total	$143,881,734	$29,464,740	$9,220,634	$4,818,688	$187,385,796

15. SUBSEQUENT EVENTS

COP 2006 Refinancing

On June 8, 2015 the Board of Trustees of Northeastern Illinois University, adopted a resolution authorizing the execution and delivery of an Installment Purchase Contract, and the issuance of Certificates of Participation (Capital Improvement Project) in one or more series in order to provide funds to refund all or a portion of the outstanding Certificates of Participation, Series 2006 and to pay the costs of issuing the Certificates.

Subsequently, provisions in separate agreements executed on July 1, 2015 between the Board of Trustees of Northeastern Illinois University and U.S. Bank National Association, as trustees, finalized the refunding of all the outstanding Certificates of Participation, Series 2006 with the aggregate amount of $10,230,000 and the issuance of Certificates of Participation, Series 2015 in the amount of $9,510,000.

State of Illinois Budget

As of the date of these financial statements, the State of Illinois has not adopted a budget and therefore has not provided appropriations to the University. An extended delay and/ or eventual cuts in State appropriations may cause a financial burden to the University.

Bond Ratings

On October 26, 2015 Moody's Investors Service downgraded the University's ratings to Baa2 from Baa1 on the University Facilities Systems Revenue Bonds Series 2014, and Certificates of Participation Series 2006, Series 2010 and Series 2012 and concluded its review for possible downgrade.

Federal Perkins Loan Wind-Down

Under section 461(b) (1) of the Higher Education Act of 1965, as amended (the HEA), the authority for schools to make Federal Perkins Loan ended on September 30, 2014, with an automatic one-year extension pursuant to section 422(a) of the General Education Provisions Act (GEPA). Thus, absent Congressional action, the statutory authority for schools to make Perkins Loans ended on September 30, 2015. Schools may not make Federal Perkins Loans to new borrowers after September 30, 2015. However, if prior to October 1, 2015, a school makes the first disbursement of a Federal Perkins Loan to a student for the 2015-2016 award year, the school may make any remaining disbursements of that 2015-2016 loan after September 30, 2015.

In addition, section 461(b) (2) of the HEA includes a narrow "grandfathering" provision that allows schools to make Federal Perkins Loans to certain students for up to five additional years (through September 30, 2020) to enable students who received loans for award years that end prior to October 1, 2015 "to continue or complete courses of study." The award year that ends prior to October 1, 2015, is the 2014-2015 award year, which ended June 30, 2015. Thus, a school may make a new Perkins Loan to a student after September 30, 2015, if certain conditions set forth by the Campus Based Programs are met.

On September 29, 2015 a Dear Colleague Letter (DCL) GEN: 15-19 reminded institutions that participate in the Federal Perkins Loan Program of the requirement that they return to the Department of Education (Department) the Federal portion of any Excess Liquid Capital (ELC) in their Perkins Loan Revolving Fund. The letter included interactive worksheets for institutions to use to determine the amount of ELC that must be returned to the Department no later than December 31, 2015.

Based on the worksheet, NEIU's estimated ELC amounts to $658,562. Of this amount the calculated federal share is at 85.38% or $562,279 and the institutional share is at 14.62% or $96,283.

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
Required Supplementary Information
For the Year Ended June 30, 2015
(Unaudited)

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

		2015
(a) Proportion Percentage of the collective Net Pension Liability		0%
(b) Proportion Amount of the collective Net Position Liability	$	-
(c) Portion of Nonemployer Contribution Entitles' Total Proportion of Collective Net Pension Liability associated with Employer	$	390,904,472
Total (b)+(c)		390,904,472
Employer Covered-employee payroll		77,829,513
Proportion of Collective Net Pension Liability associated with Employer as a percentage of covered-employee payroll		502.26%
SURS Plan Net Pension as a Percentage of Total Pension Liability		44.39%

Schedule of Employer Contributions

		2015
Federal, Trust, Grant and Other contribution	$	891,325
Contribution in relation to required contribution		891,325
Contribution deficiency (excess)		-
Employer Covered - employee payroll		8,073,594
Contributions as a percentage of covered - employee payroll		11.04%

* Note: The System implemented GASB No.68 in fiscal year 2015. The information above is presented for as many years as available. The Schedule is intended to show information for 10 years.

Changes of benefit terms. There were no benefit changes recognized in the Total Pension Liability as of June 30, 2014.

Changes of assumptions. In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every five years to determine the reasonableness of actuarial assumptions regarding the retirement, disability, mortality, turnover, interest and salary of the members and benefit recipients of SURS. An experience review for the years June 30, 2010 to June 30, 2014 was performed in February 2015, resulting in the adoption of new assumptions as of June 30, 2015. There are no changes of assumptions that affect measurement of the total collective pension liability since the prior measurement date.

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SUPPLEMENTARY INFORMATION
UNIVERSITY FACILITIES REVENUE BOND FUNDS
INSURANCE IN FORCE
(Unaudited)

Type of Coverage	Required Coverage	Coverage in Force [(a)]
Fire and lightning, extended coverage	Not stipulated	$100,000,000 Primary
Use and occupancy insurance (business interruption)	None [(b)]	Actual sustained within policy limits [(c)]
General liability insurance	$100,000/person $300,000/accident	$10,650,000/occurrence $19,650,000/aggregate
Corporate surety bonds	$4,242,500 [(d)]	$5,000,000 [(e)]
Each University employee blanket crime policy	None	$2,000,000

(a) This statement is prepared from the policies and is intended only as a descriptive summary. The auditors do not express an opinion as to the adequacy of the coverage.

(b) Excess of debt service requirements for the year ended June 30, 2015 over cash and short-term investments in the Bond Account and Bond Reserve at June 30, 2015.

(c) Estimate of coverage is directly related to loss of fee income.

(d) The sum of the amounts established to be deposited in the Revenue Fund Account during the succeeding fiscal year.

(e) This is a combination of bond and crime policies.

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SUPPLEMENTARY INFORMATION
UNIVERSITY FACILITIES REVENUE BOND FUNDS
RATES AND CHARGES
(Unaudited)

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

Effective the fall semester of 2012, students enrolling at Northeastern Illinois University pay a fee of $6.75 per credit hour for the right to use the University's Student Union.

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SUPPLEMENTARY INFORMATION
UNIVERSITY FACILITIES REVENUE BOND FUNDS
SUMMARY OF RESERVES FOR DEBT SERVICE
AND RENEWAL AND REPLACEMENT
(Unaudited)

The comparison of the maximum reserve requirements with the actual amounts transferred to the bond account and the three reserve accounts established under the bond indenture as of June 30, 2015 is as follows:

	Balance of Assets Reserved	Deposits Required to Date	Maximum Reserve Requirement
Bond account [a]	$ 559,272	$ 543,895	$ 543,895
Renewal and replacement reserve account [b]	432,166	2,000,000	500,000
Non-instructional facilities reserve account	-	-	-
Equipment reserve account [c]	134,885	134,885	134,885

Notes:

(a) The amounts required for the deposit in the bond account were remitted from the revenue fund account to the Trustee, U.S. Bank National Association, for payment of the bond principal and interest installments coming due on July 1, 2015.

(b) Total expenditures for extraordinary repairs, as defined in the bond indenture, as of June 30, 2015, amounted to $2,490,887 Amounts used in this manner are to be replaced in the reserve by extending the periodic payments until the maximum is accumulated.

(c) The balance of the equipment reserve account reflects amounts transferred to the equipment reserve bank account as of June 30, 2015. In addition to these funds, $167,834 has been reserved by the University but has yet to be transferred to the reserve bank account as of June 30, 2015.

CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Frank J. Mautino
Auditor General of the State of Illinois
and
Board of Trustees
Northeastern Illinois University

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the 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, the financial statements of the business-type activities of Northeastern Illinois University (University) and its discretely presented component unit, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2015, which collectively comprise the University's basic financial statements and have issued our report thereon dated January 12, 2016. Our report includes a reference to another auditor who audited the financial statements of the University's discretely presented component unit, as described in our report on the University's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by that auditor.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented,

Honorable Frank J. Mautino
Auditor General of the State of Illinois
and
Board of Trustees
Northeastern Illinois University

or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as item 2015-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Northeastern Illinois University's Responses to Findings

The University's response to the finding identified in our audit is described in the accompanying Schedule of Findings. The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Oak Brook, Illinois
January 12, 2016

SCHEDULE OF FINDINGS

CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*

Finding 2015-001 - Inadequate Journal Entry and Bank Reconciliation Controls

The Northeastern Illinois University (the "University") did not have adequate internal controls over the review and approval of journal entries and bank reconciliations.

In our performance of auditing procedures on grant revenue, we noted that an erroneous journal entry posted to the University's accounting system resulted in an overstatement of beginning net position and an understatement of grant revenue for the fiscal year ended June 30, 2015 totaling $401,081.

In addition, our testing of six general journal entries for review and approval revealed that three of these entries were not reviewed or approved by another individual prior to entry into the University's accounting system.

Also, in our review of bank reconciliations prepared for the months of September 2014, February 2015 and June 2015, we noted that although the bank reconciliations were prepared within one week of the end of the respective month, the reconciliations were not reviewed and approved by a person independent of the preparer in a timely manner. Specifically, one reconciliation from September 2014 was not reviewed until December 12, 2014, four reconciliations from February 2015 were not reviewed until June 16, 2015, and six reconciliations from June 2015 were not reviewed until various dates in August 2015.

Good business practice and internal controls require that journal entry adjustments be reviewed and approved by a person independent of the preparer prior to entry into the accounting system. Sound internal controls also require the timely review and approval of bank reconciliations by a person independent of the preparer.

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to maintain a system, or systems, of internal fiscal and administrative controls, that provide assurances that the assets, liabilities, net position revenues and expenditures and are properly recorded and accounted for to permit the preparation of reliable financial reports and to maintain accountability over the State's resources.

University management indicated that the University's regular procedures include a secondary review of journal entries prior to entry into its accounting system and systematic bank reconciliations. In the instances noted there were procedural breakdowns in the preparation, review and approval of the journal entries and bank reconciliations. These occurred during a transition and reassignment of employee duties.

SCHEDULE OF FINDINGS

CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS* (continued)

Finding 2015-001 - Inadequate Journal Entry and Bank Reconciliation Controls (continued)

Failure to review journal entries prior to entry into the accounting system and bank reconciliations in a timely manner could result in an inability by management to detect errors and misstatements in a timely manner. (Finding Code No. 2015-001).

Recommendation

We recommend the University implement procedures to ensure that all journal entries are reviewed and approved by another individual prior to entry into the University's accounting system and that bank reconciliations be reviewed in a timely manner.

University's Response

The University concurs with this finding and recommendation.

SCHEDULE OF FINDINGS

PRIOR FINDINGS NOT REPEATED - *GOVERNMENT AUDITING STANDARDS*

A. Inadequate Controls over Identifying and Recording Accrued Liabilities

Northeastern Illinois University (University) did not establish adequate internal controls over identifying and recording accrued liabilities for financial reporting purposes.

Subsequent to the release of the University's financial statements for the year ended June 30, 2013, University management determined that expenses and the related liability for employees who had completed their contracted services as of June 30, 2013, but had not received final payment for these services, had not been properly recorded. Consequently, University management recorded a prior period adjustment to correct this error. The adjustment reduced unrestricted net position as of June 30, 2013 by $2,832,752 for the unrecorded liability as of that date. (Finding Code No. 2014-001).

Disposition: During the current period, our testing did not disclose any material unrecorded accrued liabilities for financial reporting purposes.

B. Inadequate Controls Over Recording the Historical Cost of Capital Assets

Northeastern Illinois University (University) did not establish adequate internal controls over recording the historical cost of capital assets.

Subsequent to the release of the University's financial statements for the year ended June 30, 2013, University management determined that net interest cost incurred on borrowed funds during the period of construction of capital assets through June 30, 2013 had incorrectly been charged to expense rather than properly capitalized as a component of the cost of acquiring those assets. Consequently, University management recorded a prior period adjustment to correct this error. The adjustment recorded by the University increased net position as of June 30, 2013 by $439,138 for the cumulative capitalized interest costs as of that date.

During our audit of the calculations supporting the University's adjustment, we noted that University management had not calculated the amount correctly. As a result, we proposed an audit adjustment to the originally submitted financial statements to recognize an additional $571,151 of cumulative capitalized interest costs as of June 30, 2013 as well as $396,032 in additional capitalized interest costs for the year ended June 30, 2014. University management reviewed, accepted, and recorded the proposed adjustment. (Finding Code No. 2014-002).

Disposition: During the current period, our testing did not disclose any material errors in the recording of the historical cost of capital assets.

SCHEDULE OF FINDINGS

C. Generally Accepted Accounting Principles (GAAP) Not Properly Applied in the Preparation of Financial Statements

Northeastern Illinois University (University) did not properly apply Generally Accepted Accounting Principles (GAAP) in the preparation of its financial statements.

In the performance of our auditing procedures, we noted the following financial statement matters:

- In implementing the provisions of Governmental Accounting Standards Board (GASB) Statement 65 Items Previously Reported as Assets and Liabilities, the University erroneously wrote off premiums and discounts related to outstanding debt obligations totaling $166,954 and $59,699, respectively.

- The originally submitted financial statements reflected a negative net position of $738,235 as restricted for capital projects.

We proposed audit adjustments to correct the matters described above. University management reviewed, accepted, and recorded the proposed adjustments. (Finding Code No. 2014-003).

Disposition: During the current period, our testing did not disclose any material errors in the application of GAAP in the preparation of the University's financial statements.