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STATE OF ILLINOIS
WESTERN ILLINOIS UNIVERSITY

FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2018

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

STATE OF ILLINOIS
WESTERN ILLINOIS UNIVERSITY
FINANCIAL AUDIT
For the Year Ended June 30, 2018

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STATE OF ILLINOIS
WESTERN ILLINOIS UNIVERSITY
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University Officials

President	Dr. Jack Thomas
Provost and Academic Vice President	Dr. Kathleen Neumann, Interim
Vice President for Student Services	Dr. Ronald Williams
Vice President for Administrative Services	Dr. William Polley, Interim (05/05/18 to Present) Mr. Matthew Bierman (Through 05/04/18)
Vice President for Advancement and Public Services	Mr. Brad Bainter
Vice President for Quad Cities and Planning	Dr. Joseph Rives
Director of Business and Financial Services	Vacant (05/05/18 to Present) Mr. Matthew Bierman (Through 05/04/18)
Director of Internal Auditing	Mr. Michael Sartorius

Board of Trustees (as of June 30, 2018)

Chair	Cathy Early, Macomb
Vice Chair	Vacant
Secretary	Roger Clawson, Moline
Member	Todd Lester, Macomb
Member	Carolyn Ehlert Fuller, Milan
Member	Lynier Cole, Chicago
Member	Yvonne Savala, East Moline
Student Member	William Gradle

University offices are located at:

Macomb Campus 1 University Circle Macomb, Illinois 61455-1390	Quad Cities Campus 3300 River Drive Moline, Illinois 61265-5881

STATE OF ILLINOIS
WESTERN ILLINOIS UNIVERSITY
FINANCIAL AUDIT
For the Year Ended June 30, 2018

Financial Statement Report

Summary

The audit of the accompanying financial statements of Western Illinois University (University) was performed by Adelfia LLC.

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

Exit Conference

The University opted not to have an exit conference in a letter dated December 11, 2018 from Dr. Jack Thomas.

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INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

The Board of Trustees
Western 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 aggregate discretely presented component unit of Western Illinois University (University), a component unit of the State of Illinois, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Report on Summarized Comparative Information

We have previously audited the University's 2017 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 February 20, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 21 to the financial statements, in Fiscal Year 2018, the University adopted new accounting guidance Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. In addition, as discussed in Note 22 to the financial statements, the University's financial statements have been restated as of July 1, 2017 due to the adoption of GASB Statement No. 75. Our opinion is not modified with respect to these matters.

As discussed in Note 15 to the financial statements, the University received $30,996,935 of Fiscal Year 2017 appropriations on July 6, 2017 as reimbursement for Fiscal Year 2017 expenses paid. In accordance with GASB Statement No. 33, the revenues were recognized in Fiscal Year 2018 even though they were used to pay for Fiscal Year 2017 costs. Our opinion is not modified with respect to this matter.

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 6-12, Required Supplementary Information - Pension on page 54, Notes to the Required Supplementary Information - Pension on page 55, and Required Supplementary Information - OPEB on page 56, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2018 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE
Chicago, Illinois
December 13, 2018

STATE OF ILLINOIS
WESTERN ILLINOIS UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2018

This section of the Western Illinois University (University) annual financial report presents management's discussion and analysis (MD&A) of the financial performance of the University during the fiscal year ended June 30, 2018. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The discussion and analysis are designed to focus on current activities, resulting change, current known facts, and future outlook. The financial statements, footnotes, and this discussion are the responsibility of University management.

This MD&A focuses on the University. The University's component unit, Western Illinois University Foundation (Foundation), issues separate financial statements that may be obtained at the Foundation's administrative office as summarized in Note 1.

Using the Financial Report

The University's annual report includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. The financial statements are prepared in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) which require that financial statements be presented on a consolidated basis to focus on the University as a whole.

The financial statements are prepared under the accrual basis of accounting. Assets, deferred outflows of resources, liabilities, and deferred inflows of resources are categorized as current (due within one year) and noncurrent (due in greater than one year). Current year revenues and expenses are recognized when earned or incurred, regardless of when cash is exchanged. Revenues and expenses are reported as either operating or nonoperating. Significant recurring sources of the University's revenues, including State appropriations, gifts and investment income, are nonoperating as defined by GASB. Scholarship discounts and allowances applied to student accounts are shown as a reduction of tuition and fee revenue and auxiliary enterprise revenue. Stipends and other payments made directly to students are presented as student aid expenses. Depreciation is considered an operating expense and capital assets are reported at cost less accumulated depreciation.

Financial Highlights

Statement of Net Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources, net position, is one indicator of the financial condition of the University, while the change in net position that occurs over time indicates improvement or deterioration in the University's financial condition. Non-financial factors such as enrollment levels and the condition of facilities are relevant when assessing the overall health of the University. Net position is divided into three major categories, as follows: net investment in capital assets reflects the University's equity in capital assets; restricted net position is available for expenditure by the University, but must be spent for purposes as determined by law, donors and/or external entities that have placed time or purpose restrictions on the use of the assets; and unrestricted net position is available to the University for any lawful purpose of the University.

A summary of the condensed Statement of Net Position for the years ended June 30, 2018 and 2017 is as follows.

Condensed Statement of Net Position

	2018	2017
Assets		
Current assets	$ 66,286,434	$ 45,733,348
Capital assets, net of accumulated depreciation	215,519,206	228,561,518
Other noncurrent assets	1,298,585	1,499,063
Total assets	283,104,225	275,793,929
Deferred outflows of resources	1,464,745	1,222,965
Liabilities		
Current liabilities	25,765,316	32,812,198
Noncurrent liabilities	92,856,749	84,411,123
Total liabilities	118,622,065	117,223,321
Deferred inflows of resources	4,564,559	-
Net position		
Net investment in capital assets	140,425,989	146,523,057
Restricted - expendable	28,862,299	29,012,569
Unrestricted	(7,905,942)	(15,742,053)
Total net position	$ 161,382,346	$ 159,793,573

A review of the University's Statement of Net Position at June 30, 2018 shows that the University's financial foundation remains strong with assets and deferred outflows of resources of $284.6 million and liabilities and deferred inflows of resources of $123.2 million. Net position, the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources, increased by approximately $1.6 million or 1.0% over the previous year.

Total assets and deferred outflows of resources increased $7.6 million or 2.7% during Fiscal Year 2018. Cash and cash equivalents increased $20.9 million primarily due to an increase in State appropriation receipts. Capital assets decreased $13.0 million due to depreciation expense of $14.4 million and asset disposals of $1.0 million offset slightly by asset additions of $2.3 million.

Total liabilities and deferred inflows of resources increased $6.0 million or 5.1% during Fiscal Year 2018. The adoption of GASB 65 in FY18 resulted in an OPEB liability of $16.7 million and deferred inflows of resources of $4.6 million. These increases in liabilities and deferred inflows of resources were partly offset by scheduled debt payments and a decrease in accounts payable and accrued liabilities.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position present the University's changes in financial position. Revenues and expenses are classified as operating or nonoperating. A public University's dependency on State appropriations and gifts usually results in operating deficits because the GASB reporting standards classify these revenue sources as nonoperating.

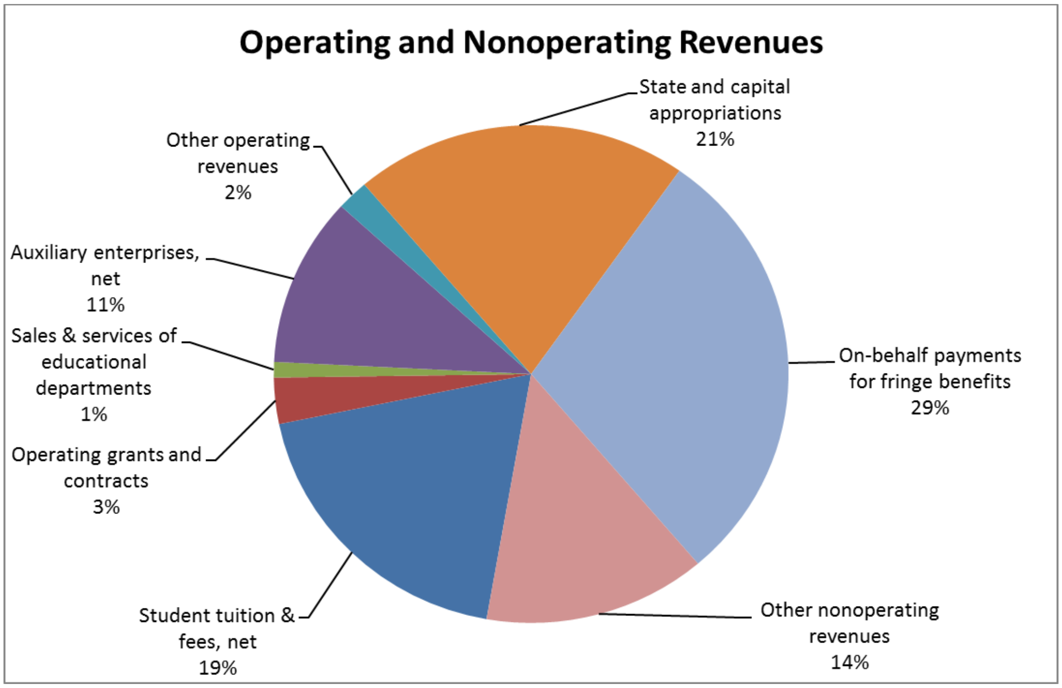
A comparative summary of the condensed Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2018 and 2017 is as follows:

Condensed Statement of Revenues, Expenses and Changes in Net Position

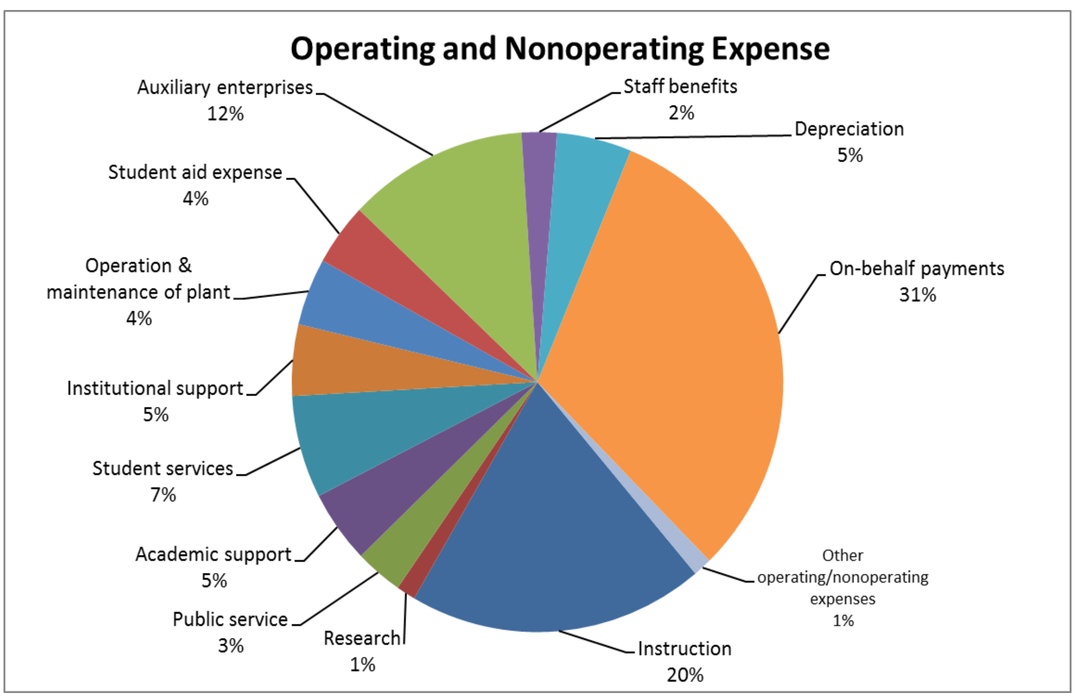
	2018	2017
Total operating revenues	$ 112,528,030	$ 126,668,413
Total operating expenses	(289,283,402)	(299,642,819)
Operating loss	(176,755,372)	(172,974,406)
Nonoperating revenues	202,540,909	166,544,811
Nonoperating expenses	(3,521,554)	(3,686,449)
Income (loss) before capital items	22,263,983	(10,116,044)
Capital State appropriations	94,123	-
Increase (decrease) in net position	22,358,106	(10,116,044)
Net position, beginning of year	159,793,573	169,909,617
Prior period adjustment	(20,769,333)	-
Net position, end of year	$ 161,382,346	$ 159,793,573

Total revenues increased $21.9 million or 7.5% to $315.2 million in 2018 primarily due to an increase in State appropriations of $34.9 million and nonoperating grants of $9.9 million offset partly by a decrease in on-behalf payments and operating revenues. Total expenses decreased by $10.5 million or 3.5% to $292.8 million in 2018. Total operating expenses decreased by $10.4 million in 2018 primarily due to a decrease in on-behalf payments of approximately $10.3 million.

For the fiscal year ended June 30, 2018, all sources of revenues totaled $315.2 million. The following is a graphical illustration of revenues by source:



For the fiscal year ended June 30, 2018, expenses totaled $292.8 million. The following is a graphical illustration of expenses:



Statement of Cash Flows

The Statement of Cash Flows presents information related to the University's cash receipts and disbursements during the fiscal year. This provides an assessment of the University's ability to generate future cash flows and meet obligations as they come due.

A comparative summary of the condensed Statement of Cash Flows for the years ended June 30, 2018 and 2017 is as follows:

Condensed Statement of Cash Flows

	2018	2017
Cash provided by (used in):		
Operating activities	$ (78,163,663)	$ (60,017,319)
Noncapital financing activities	108,398,469	63,531,750
Capital and related financing activities	(10,206,345)	(13,085,373)
Investing activities	874,360	296,644
Net increase (decrease) in cash and cash equivalents	20,902,821	(9,274,298)
Cash and cash equivalents, beginning of year	32,006,948	41,281,246
Cash and cash equivalents, end of year	$ 52,909,769	$ 32,006,948

Major sources of funds included in operating activities are student tuition and fees, grants and contracts, and auxiliary enterprises. Payment for employee salaries and benefits, goods and services, and scholarships and fellowships continue to comprise the major use of operating funds.

Cash used in operating activities increased $18.1 million.

Cash inflows from noncapital financing activities consist primarily of State appropriations, Monetary Award Program awards and Pell grant revenues. Cash provided by noncapital financing activities increased $44.9 million primarily due to an increase in State appropriations and nonoperating grants.

A decrease in capital assets acquired and the increased proceeds from the sale of a building contributed to the decrease of $2.9 million in cash used in capital and related financing activities.

Cash provided by investing activities increased by $0.6 million from the prior year.

Capital Assets and Debt Administration

The University had $500.1 million invested in capital assets at the end of Fiscal Year 2018. Capital assets net of accumulated depreciation totaled $215.5 million. Depreciation expense for the current year was $14.4 million.

There were no major construction projects during Fiscal Year 2018. For the year ended June 30, 2018, construction in progress included engineering and planning costs associated with a new performing arts center on the Macomb campus with a balance of $4.8 million.

University's Economic Outlook

The ability of the University to fulfill its mission and execute its strategic plan is directly influenced by enrollment, State support and the cost of health care, utilities, employee compensation and benefits and State and federal mandates.

A crucial element to the University's future will continue to be our relationship with the State of Illinois, as we work to manage tuition to make it competitive while providing an outstanding college education for our students. There is a direct relationship between the growth or decline of State support, the impact of State regulations and the University's ability to control tuition growth. The trend of declining State support, the lack of capital investment, declining student financial assistance and the increase in regulations have and will continue to create more pressures on the cost of attendance.

State appropriations represent operating support provided by the Governor and General Assembly for University programs. A Fiscal Year 2019 budget of $47.2 million was passed into law by the General Assembly. This appropriation is a 2% increase over Fiscal Year 2018 appropriations provided from the State of Illinois to Western Illinois University. However, this appropriation is approximately 8% lower than the Fiscal Year 2015 appropriation.

The University projects tuition and miscellaneous revenues to fall by approximately $4.4 million as compared with Fiscal Year 2018. In March of 2017, the Board of Trustees passed a resolution keeping the Fiscal Year 2019 tuition rate level for new students, those enrolling for the first time in Fall 2018. The University offers guaranteed tuition and fees, as well as guaranteed room and board rates for each new class of entering students. The University's combined budget for income fund and State appropriations for Fiscal Year 2019 is $124 million. This is a decrease of $3.4 million, or 2.7%, from Fiscal Year 2018.

The University's Auxiliary Enterprises funds budget for Fiscal Year 2019 as approved by the Board of Trustees remained level compared to Fiscal Year 2018 at $47.8 million. Other institutional funds include revenues from sponsored projects and departmental activity revenues. The Fiscal Year 2019 budget for these funds as approved by the Board of Trustees reflects a $500,000 decrease in spending compared to Fiscal Year 2018.

Private gifts are an important supplement to the University's sources of funding for operating costs. In Fiscal Year 2018, alumni, friends, staff, corporations, and other organizations contributed nearly $10.1 million to the Foundation in support of the University. These contributions include gifts and additions to permanent endowments. The Foundation distributed nearly $8.8 million in Fiscal Year 2018 to support academic enhancement and instructional initiatives, student scholarships, capital improvements, cultural activities, athletics, regional outreach efforts, and alumni and Foundation-sponsored programs at Western Illinois University.

The University is committed to pursuing its goal in developing the Quad Cities campus while strategically adding, and when appropriate, eliminating programs. Cost containment and revenue initiatives are challenges the University continues to encounter. Management has historically made the necessary decisions to ensure the strength of the University.

STATE OF ILLINOIS
WESTERN ILLINOIS UNIVERSITY
STATEMENT OF NET POSITION
June 30, 2018
(With Partial Financial Information as of June 30, 2017)

	University		Component Unit	
	2018	**2017**	**2018**	**2017**
ASSETS				
Current assets:				
Cash and cash equivalents	$ 25,358,475	$ 2,843,281	$ 4,930,569	$ 2,022,447
Cash and cash equivalents, restricted	27,551,294	29,163,667	-	-
Investments	-	-	2,265,037	3,367,615
Accounts receivable, net	7,468,137	7,432,196	1,402,449	1,560,094
Accounts receivable, net, restricted	1,829,429	2,517,718	-	-
Student loans receivable, net	351,998	376,683	-	-
Due from component unit	148,245	200,418	-	-
Due from component unit, restricted	1,600	5,372	-	-
Due from primary government	1,399,986	1,200,220	-	-
Inventories	1,051,661	1,017,058	30,451	38,837
Inventories, restricted	891,258	920,507	-	-
Prepaid expenses and other assets	213,956	36,827	87,479	415,273
Prepaid expenses and other assets, restricted	20,395	19,401	-	-
Total current assets	66,286,434	45,733,348	8,715,985	7,404,266
Noncurrent assets:				
Investments	-	-	3,795,147	5,081,772
Endowment investments	-	-	8,076,932	6,430,666
Endowment investments, restricted	-	-	47,711,260	42,865,941
Charitable remainder trusts, restricted	-	-	4,327,712	4,296,745
Accounts receivable, net	-	-	590,682	508,541
Student loans receivable, net	1,048,344	1,222,919	87,322	87,322
Capital assets, net of accumulated depreciation	215,519,206	228,561,518	658,304	658,304
Other assets	34,130	40,632	610,215	548,556
Other assets, restricted	216,111	235,512	-	-
Total noncurrent assets	216,817,791	230,060,581	65,857,574	60,477,847
TOTAL ASSETS	283,104,225	275,793,929	74,573,559	67,882,113
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized losses on debt refunding	695,964	854,644	-	-
Pension	369,915	368,321	-	-
Other Post-Employment Benefits	398,866	-	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,464,745	1,222,965	-	-
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	3,123,946	7,675,660	176,286	206,741
Accrued payroll	6,911,435	7,005,588	-	-
Due to primary government	16,205	2,169,380	149,845	205,790
Unearned revenue	4,948,121	5,416,953	334,255	294,074
Other liabilities	1,916,547	1,987,489	50,906	49,534
Notes payable	-	-	19,286	18,471
Capital leases payable	32,133	28,766	-	-
Revenue bonds payable	4,786,940	4,697,266	-	-
Certificates of participation	2,431,990	2,380,162	-	-
Compensated absences	1,597,999	1,450,934	-	-
Total current liabilities	25,765,316	32,812,198	730,578	774,610
Noncurrent liabilities:				
Notes payable	-	-	161,006	180,293
Capital leases payable	110,068	139,930	-	-
Revenue bonds payable	51,040,749	55,827,689	-	-
Certificates of participation	17,387,301	19,819,292	-	-
Other liabilities	-	-	249,722	258,320
Compensated absences	7,665,117	8,624,212	-	-
Other Post-Employment Benefits	16,653,514	-	-	-
Total noncurrent liabilities	92,856,749	84,411,123	410,728	438,613
TOTAL LIABILITIES	118,622,065	117,223,321	1,141,306	1,213,223
DEFERRED INFLOWS OF RESOURCES				
Other Post-Employment Benefits	4,564,559	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	4,564,559	-	-	-
NET POSITION				
Net investment in capital assets	140,425,989	146,523,057	478,011	459,540
Restricted - nonexpendable	-	-	33,587,460	29,364,285
Restricted - expendable	28,862,299	29,012,569	16,775,601	13,570,429
Unrestricted	(7,905,942)	(15,742,053)	22,591,181	23,274,636
TOTAL NET POSITION	$ 161,382,346	$ 159,793,573	$ 73,432,253	$ 66,668,890

See accompanying notes to the basic financial statements

STATE OF ILLINOIS
WESTERN ILLINOIS UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018
(With Partial Financial Information for the Year Ended June 30, 2017)

	University		Component Unit	
	2018	**2017**	**2018**	**2017**
OPERATING REVENUES				
Tuition and fees, net	$ 59,001,018	$ 67,567,759	$ -	$ -
Grants and contracts	10,421,672	10,471,894	-	-
Sales and services of educational departments	4,212,256	4,894,119	-	-
Auxiliary enterprises, net	34,504,120	39,895,099	-	-
Student loan activities	52,555	41,146	-	-
Other operating revenues	4,336,409	3,798,396	7,258,088	6,145,729
Total operating revenues	112,528,030	126,668,413	7,258,088	6,145,729
OPERATING EXPENSES				
Instruction	56,877,208	56,973,379	1,228,363	1,379,963
Research	3,696,216	3,252,347	101,030	174,576
Public service	9,922,880	9,601,469	1,244,327	1,205,322
Academic support	13,745,088	14,142,558	162,807	150,069
Student services	19,378,123	18,893,407	801,790	699,508
Institutional support	13,475,377	13,211,002	886,255	1,115,766
Operation and maintenance of plant	12,688,440	12,712,675	898,157	306,938
Student aid expense	11,756,000	10,688,107	2,987,946	2,937,954
Auxiliary enterprises	34,650,133	36,078,220	-	-
Staff benefits	6,783,989	6,854,422	-	-
Depreciation	14,363,925	15,023,275	-	-
On-behalf payments	91,893,341	102,187,436	-	-
Other operating expenses	52,682	24,522	-	-
Total operating expenses	289,283,402	299,642,819	8,310,675	7,970,096
OPERATING LOSS	(176,755,372)	(172,974,406)	(1,052,587)	(1,824,367)
NONOPERATING REVENUES (EXPENSES)				
State appropriations	66,336,828	31,409,000	-	-
On-behalf payments for fringe benefits	91,893,341	102,187,436	-	-
Gifts	1,162,954	630,327	-	-
Nonoperating grants	41,780,284	31,865,150	-	-
Gain (loss) on disposal of capital assets	343,417	(10,174)	-	-
Investment income	874,360	296,644	3,596,053	4,908,325
Interest on capital asset - related debt	(3,521,554)	(3,676,275)	(8,698)	(9,515)
Change in value of charitable remainder trusts	-	-	74,990	232,050
Other nonoperating revenues	149,725	156,254	437,961	317,872
Net nonoperating revenues	199,019,355	162,858,362	4,100,306	5,448,732
INCOME (LOSS) BEFORE CAPITAL ITEMS	22,263,983	(10,116,044)	3,047,719	3,624,365
Capital State appropriations	94,123	-	-	-
Additions to permanent endowments	-	-	3,715,644	1,271,063
Total capital items	94,123	-	3,715,644	1,271,063
INCREASE (DECREASE) IN NET POSITION	22,358,106	(10,116,044)	6,763,363	4,895,428
NET POSITION, BEGINNING OF YEAR AS PREVIOUSLY REPORTED	159,793,573	169,909,617	66,668,890	61,773,462
PRIOR PERIOD ADJUSTMENT	(20,769,333)	-	-	-
NET POSITION, BEGINNING OF YEAR AS RESTATED	139,024,240	169,909,617	66,668,890	61,773,462
NET POSITION, END OF YEAR	$ 161,382,346	$ 159,793,573	$73,432,253	$66,668,890

See accompanying notes to the basic financial statements

STATE OF ILLINOIS
WESTERN ILLINOIS UNIVERSITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018
(With Partial Financial Information for the Year Ended June 30, 2017)

	University		Component Unit	
	2018	**2017**	**2018**	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees, net	$ 59,295,972	$ 68,047,378	$ -	$ -
Grants and contracts	9,495,924	10,925,054	-	-
Gifts for other than capital and endowment purposes	-	-	6,161,837	4,284,139
Payments for employee salaries and benefits	(121,793,026)	(131,557,482)	-	-
Payments for goods and services	(57,306,741)	(45,553,365)	(4,596,042)	(4,530,870)
Payments to annuitants	-	-	(49,602)	(49,534)
Payments for scholarships and fellowships	(11,649,789)	(10,598,521)	(2,987,946)	(2,937,954)
Student loans issued	(256,391)	(390,875)	-	-
Student loans collected	349,475	376,255	-	-
Student loans interest and fees collected	52,555	41,146	-	-
Auxiliary enterprises charges	35,189,666	39,838,786	-	-
Sales and services of educational departments	4,122,283	5,055,909	-	-
Other receipts	4,336,409	3,798,396	844,097	762,325
Net cash used in operating activities	(78,163,663)	(60,017,319)	(627,656)	(2,471,894)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriations	66,336,828	31,409,000	-	-
Gifts	100,094	86,054	1,437,244	1,271,063
Nonoperating grants	41,780,284	31,865,150	-	-
Nonoperating revenues, net	181,263	171,546	259,936	286,867
Cash provided by noncapital financing activities	108,398,469	63,531,750	1,697,180	1,557,930
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(1,009,601)	(2,385,849)	-	-
Proceeds from sale of building	1,334,197	-	-	-
Principal paid on capital debt	(6,771,495)	(6,638,537)	-	-
Interest paid on capital debt	(3,759,446)	(4,060,987)	(8,698)	(9,396)
Payments made on note payable	-	-	(18,473)	(17,842)
Net cash used in capital and related financing activities	(10,206,345)	(13,085,373)	(27,171)	(27,238)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	-	-	7,838,655	9,420,992
Earnings on investments	874,360	296,644	1,944,849	1,471,558
Purchase of investments	-	-	(7,917,735)	(10,117,581)
Net cash provided by investing activities	874,360	296,644	1,865,769	774,969
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,902,821	(9,274,298)	2,908,122	(166,233)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	32,006,948	41,281,246	2,022,447	2,188,680
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 52,909,769	$ 32,006,948	$ 4,930,569	$ 2,022,447

See accompanying notes to the basic financial statements

STATE OF ILLINOIS
WESTERN ILLINOIS UNIVERSITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018
(With Partial Financial Information for the Year Ended June 30, 2017)

	University		Component Unit	
	2018	**2017**	**2018**	**2017**
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	$ (176,755,372)	$ (172,974,406)	$ (1,052,587)	$ (1,824,367)
Adjustments to reconcile operating loss to net cash used in operating activities:				
On-behalf payments	91,893,341	102,187,436	-	-
Stock gifts in process	-	-	-	(41,788)
Charitable remainder trust assets donated	-	-	(49,675)	(55,273)
Depreciation	14,363,925	15,023,275	-	-
Amortization	25,902	25,902	-	-
Actuarial adjustment to annuities payable	-	-	(7,226)	(17,530)
Changes in assets, deferred outflows and liabilities:				
Receivables, net	492,837	642,901	191,870	(553,863)
Student loans receivables, net	199,260	74,896	-	-
Inventories	(5,354)	316,007	8,386	(38,837)
Prepaid expenses and other assets	(178,123)	139,221	327,794	(69,512)
Pension	(1,594)	(7,544)	-	-
Deferred outflows - OPEB	15,987	-	-	-
Accounts payable and accrued liabilities	(6,832,722)	3,676,018	(30,454)	75,490
Accrued payroll	(97,342)	(8,719,002)	-	-
Due to primary government, net	-	-	(55,945)	27,559
Unearned revenue	(468,832)	408,163	-	-
Other liabilities	(37,433)	(44,913)	40,181	26,227
Compensated absences	(812,030)	(765,273)	-	-
OPEB liabilities and deferred inflows	33,887	-	-	-
Net cash used in operating activities	$ (78,163,663)	$ (60,017,319)	$ (627,656)	$ (2,471,894)

	University		Component Unit	
	2018	**2017**	**2018**	**2017**
NONCASH OPERATING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING ACTIVITIES				
On-behalf payments	91,893,341	102,187,436	-	-
Capital asset acquisition via capital appropriations	94,123	-	-	-
Capital asset acquisition via support from Foundation	1,077,647	529,488	-	-
Capital asset changes in accounts payable	(131,021)	492,250	-	-
Gifts in kind	-	-	442,916	435,731
Contributed land investment	-	-	2,278,400	-
Gain (loss) on disposal of capital assets	343,417	(10,174)	-	-

See accompanying notes to the basic financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

Western Illinois University (University), a component unit of the State of Illinois (State), with a primary focus on instruction and an additional commitment to research and public service, has campuses located in Macomb and Moline, Illinois. The governing body of the University is the Board of Trustees of Western Illinois University (Board). As required by accounting principles generally accepted in the United States of America, these financial statements present the financial position and financial activities of the University and its discretely presented component unit, the Western Illinois University Foundation (Foundation). The Foundation is a legally separate, tax-exempt component unit included in the University's reporting entity because of the significance of its financial relationship with the University. Complete financial statements for the Foundation may be obtained by contacting the Foundation located at 1 University Circle, Macomb, IL 61455-1390.

The Foundation is a University-related organization as defined under *University Guidelines* adopted by the State of Illinois Legislative Audit Commission in 1982 as amended in 1997. The Foundation was formed for the purpose of providing fundraising 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. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources and income thereon that the Foundation holds and invests are restricted to the activities of the University by the donors.

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's comprehensive annual financial report.

B. Basis of Accounting and Presentation

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

The Foundation is a private nonprofit organization that reports under accounting standards promulgated by the Financial Accounting Standards Board (FASB). As such, certain revenue recognition criteria and other accounting rules are different from the revenue recognition criteria and accounting rules promulgated by the Governmental Accounting Standards Board (GASB) that the University follows. Beginning in fiscal year 2018, the Foundation follows Financial Accounting Standards Board (FASB) standards for financial statement presentation. Consequently, reclassifications have been made to convert their statements to the GASB format for inclusion in the Component Unit column of the financial statements and disclosures. Except for reclassifying the Foundation's FASB presentation into the University's GASB presentation, no modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

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.

C. Prior-Year Information

The basic financial statements include certain prior-year partial comparative information. Such information does not include full comparative footnote disclosures required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2017, from which the partial information was derived.

D. Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The University deferred outflows of resources includes a loss on refunding of bonds payable of $290,164 and a loss on refunding of Certificates of Participation payable of $405,800 at June 30, 2018. The loss on refunding resulted from the difference between the reacquisition price and the net carrying amount of the old debt. Total amortization included in interest on capital asset related debt for the year ended June 30, 2018 was $158,679. Also included in deferred outflows of resources is a net pension liability of $369,915 (see Note 12 for more information) at June 30, 2018 and an OPEB liability of $398,866 (see Note 14 for more information) at June 30, 2018.

E. 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, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

F. Restricted Assets

The University's Auxiliary Facilities System (System) is a "closed system" in accordance with revenue bond covenants where resources within the System are unavailable for use by the University outside of the System and therefore are classified as restricted assets on the statement of net position. The System's restricted assets consist of cash and cash equivalents, accounts receivable, due from component unit, inventories, prepaid expenses and other assets.

G. Cash Equivalents

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2018, cash equivalents consisted primarily of money market and similar funds. Included in restricted cash and cash equivalents is unspent loan funds.

H. Investments

The University accounts for its investments at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease in investment assets and investment income.

Illinois statutes and Board policy authorize the University to invest in certificates of deposit, The Illinois Funds, United States Government Securities, securities guaranteed by the full faith and credit of the United States government, and any other security permitted by law and approved by the Board.

I. Accounts Receivable

Accounts receivable consists of tuition and fee charges to students, amounts receivable from funding agencies for grants, amounts receivable from third parties and charges for auxiliary enterprise services provided to students, faculty and staff. Accounts receivable is presented net of estimated uncollectible amounts.

J. Bonds and Certificates of Participation Issue Costs

The insurance premium on the bonds and certificates of participation issue costs incurred on the revenue bonds and certificates of participation are being amortized over the life of the bonds/certificates of participation using the straight-line method. Total amortization for the year ended June 30, 2018 was $25,902.

K. Student Loans Receivable

The University makes loans to students under various federal and other loan programs. Such loans receivable is presented net of estimated uncollectible amounts.

L. Inventories

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

M. Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. The University's capitalization policy for capital assets is as follows: equipment - $5,000 or greater; land or buildings - $100,000 or greater; and site, infrastructure, or building improvements - $25,000 or greater. Intangible assets which are purchased are capitalized at $100,000 or greater. Internally-generated intangible assets which are primarily software are capitalized at $1,000,000 or greater. Renovations to buildings and land improvements that increase the value or extend the useful life are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is calculated on a straight-line basis over the estimated useful lives of the class of assets.

The following estimated useful lives are being used by the University:

Site improvements	25 years
Buildings	60 years
Building improvements	20 years
Computer equipment	3 years
Trucks greater than 1 ton	12 years
Capital lease equipment	Life of lease
All other equipment	7 years

University capital assets financed by the State of Illinois Capital Development Board (CDB) are recorded by the University as the funds are expended by the CDB.

N. Unearned Revenue

Unearned revenue represents unearned student tuition and fees and advances on grants and contract awards for which the University has not met all of the applicable eligibility requirements.

O. Compensated Absences

University policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absences liabilities are computed using the regular pay and termination pay rates in effect at the Statement of Net Position date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

P. Net Position

The University's net position is classified as follows:

Net investment in capital assets - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets and deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt.

Restricted net position - nonexpendable – represents endowed funds where the donors have stipulated, as a condition of the gift instrument, that the principal be maintained in perpetuity and invested for the purpose of producing income, which may either be expended or added to the principal.

Restricted net position - expendable – net position subject to externally imposed restrictions that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

Unrestricted – net position not subject to externally imposed stipulations but may be designated for specific purposes by action of management or the Board of Trustees.

Q. Classification of Revenues

The University has classified its revenues as either operating or nonoperating according to the following criteria:

Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises, (3) most federal, State and local grants and contracts except for certain student financial aid classified as nonoperating revenues, and (4) interest on student loans.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources, such as State appropriations, Pell grants, and investment income, that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting,* and GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The State of Illinois General Revenue Fund appropriations are reported as nonoperating revenues to the extent that they are expended during the current fiscal year. The University relies on these appropriations to provide funding for operations.

R. Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, State or nongovernmental programs are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship allowance.

The scholarship allowances on tuition and fees and housing for the year ended June 30, 2018 were $22,603,280 and $7,476,311, respectively.

S. Collections

The University has collections of rare manuscripts and art that it does not depreciate. These collections adhere to the University's policy to (a) maintain them for public exhibition, education or research, (b) protect, keep unencumbered, care for and preserve them, and (c) require proceeds from their sale to be used to acquire other collection items.

T. Endowments

On June 30, 2009, the Illinois Governor signed the Uniform Prudent Management of Institutional Funds Act (UPMIFA) into law. UPMIFA replaced the Uniform Management of Institutional Funds Act and eliminates the historic dollar value rule with respect to endowment fund spending. UPMIFA also updated the prudence standard for the management and investment of charitable funds. The Foundation Board utilizes UPMIFA's provisions in spending decisions regarding the Foundation's endowment funds.

For donor restricted endowments, UPMIFA permits the Board of Directors of the Foundation to appropriate an amount of donor restricted endowments. The Board of Directors has established an investment policy with the objectives of protecting the principal of these funds and maximizing total investment return without assuming extraordinary risks. A similar strategy has been implemented for Foundation designated endowments.

For both donor restricted endowments and Foundation designated endowments, it is the goal of the Foundation to provide spendable income levels that are reasonably stable and sufficient to meet budgetary requirements and to maintain a spending rate, currently established at 4.25% for endowment purposes and 1.10% for operational purposes, of a 36-month moving average of endowment market value, which ensures a proper balance between the preservation of corpus and enhancement of the purchasing power of investment earnings. The Foundation's policy is to retain the endowments' unrealized appreciation with the endowment (either donor restricted or Foundation designated) after spending rule distributions. As of June 30, 2018, the Foundation had a total of $8,894,643 of net cumulative appreciation from investment of donor-restricted endowments and Foundation designated endowments available for expenditure. This amount is allocated between expendable restricted net position and unrestricted net position in the Statement of Net Position based on the classification of the underlying asset upon which the income was earned.

U. Split-Interest Agreements

The Foundation's split-interest agreements with donors consist of irrevocable charitable remainder trusts and irrevocable charitable trusts for which the Foundation is a beneficiary. The fair value of the trust assets are reported in the Statement of Net Position and changes in the fair value of the assets are recognized in the Statement of Revenues, Expenses, and Changes in Net Position. It is management's intent to record the contribution income from these agreements in the fiscal year the Foundation becomes the irrevocable beneficiary. The Foundation received $49,675 of new contribution income during Fiscal Year 2018. Any outstanding liabilities relating to the annual distributions required by the trust agreements are recorded in the Statement of Net Position.

V. Taxes

As a State institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(1) of the Internal Revenue Code and a similar provision of state law. However, some activities may be subject to taxation as unrelated business income under the Internal Revenue Code and certain activities are subject to State sales tax.

The U.S. Treasury Department issued a determination letter dated January of 1948 that the Foundation is exempt from Federal income taxes under what is now Section 501 (c)(3) of the Internal Revenue Code.

W. 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.

X. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until then. See Note 14 for additional information.

Y. Reclassifications

Certain reclassifications have been made to the component unit's (Foundation) prior year amounts to conform to the 2018 presentation.

Z. New Accounting Pronouncement

Effective July 1, 2017, the University adopted the following accounting pronouncement:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers.

NOTE 2 - DEPOSITS

University

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Illinois; bonds of any city, county, school district or special road district of the State of Illinois; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At June 30, 2018, the book balance of various University bank accounts and certificates of deposit was $124,976, while the bank balance was $99,609. The difference between these amounts represents deposits in transit as of June 30, 2018. In addition, the University had cash on hand in various petty cash and change funds in the amount of $56,385 as of June 30, 2018.

Foundation

At June 30, 2018, the book balance of the Foundation's various bank accounts was $4,930,569, while the bank balance was $4,968,208. The difference between these amounts primarily represents checks that have been issued, but have not yet cleared the bank, and deposits in transit as of June 30, 2018.

Reconciliation of cash and cash equivalents to deposits:

	University	Foundation
Cash and cash equivalents	$ 25,358,475	$ 4,930,569
Cash and cash equivalents, restricted	27,551,294	-
Less: Money market funds classified as cash and cash equivalents	(52,728,408)	-
Cash on hand	(56,385)	-
Carrying amount of deposits	$ 124,976	$ 4,930,569

NOTE 3 - INVESTMENTS

University

As of June 30, 2018, the University held investments in the Illinois Funds Investment Pool of $2,086,936 which are classified as cash and cash equivalents on the University's Statement of Net Position. The Illinois Funds is an external investment pool administered by the State Treasurer. The fair value of the University's investment fund is the same as the value of pool shares and the investments are reported by the State Treasurer at amortized cost. The fund is administered in accordance with the provisions of the Public Funds Investment Act (30 ILCS 235). The Illinois Funds is rated AAAm by Standard & Poor's.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution's failure, a government's deposits, investments or collateral securities that are in the possession of an outside party may not be returned to it. The University's policy for custodial credit risk requires compliance with the provisions of State law.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the University's investment policy limits maturity of its investments to five years or less from the date of purchase.

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations.

The University's policy limits its investments to the Illinois Funds investment pool, United States Treasury bills, United States Treasury notes, United States Treasury bonds, Federal Farm Credit Banks bonds, Federal Home Loan Banks notes, Federal National Mortgage Association, Federal Land Bank bonds, Government National Mortgage Association, and Federal Home Loan Mortgage Corporation.

Foundation

At June 30, 2018, the Foundation held investments with the following maturities:

		Maturities in Years			
Type	Total	Less Than One Year or No Maturity	1-5 Years	6-10 Years	Over 10 Years
Cash equivalents held in investment accounts	$ 2,408,861	$ 2,408,861	$ -	$ -	$ -
U.S. agency obligations (FHLM, FNMA)	58,720	-	58,720	-	-
Municipal bonds	1,371,592	547,160	776,509	47,923	-
Corporate debt securities	7,545,210	1,584,562	5,615,666	297,238	47,744
Corporate equity securities	102,775	102,775	-	-	-
Mutual funds, domestic equity	12,944,713	12,944,713	-	-	-
Mutual funds, international equity	10,093,947	10,093,947	-	-	-
Mutual funds, domestic debt	1,828,950	1,828,950	-	-	-
Mutual funds, international debt	1,086,601	1,086,601	-	-	-
Real assets funds	2,654,837	-	-	1,222,442	1,432,395
Private equity funds	8,284,162	1,511,424	445,379	5,785,250	542,109
Absolute return (hedge funds)	8,196,817	8,196,817	-	-	-
Real Estate (farm land)	5,271,191	131,600	-	-	5,139,591
Total investments	$ 61,848,376	$ 40,437,410	$ 6,896,274	$ 7,352,853	$ 7,161,839

The Foundation adheres to the total return concept of investment management. Total return is defined as the aggregate sum of current income and changes in the market value of the assets under management.

Custodial Credit Risk

Custodial credit risk is the risk that when, in the event a financial institution or counterparty fails, the Foundation would not be able to recover the value of deposits, investments, or collateral securities that are in the possession of an outside party. The Federal Deposit Insurance Corporation insured account balances of $4,968,208 as of June 30, 2018.

Concentration Risk

Concentration risk exists when a significant portion of the portfolio is invested in items with similar characteristics or subject to similar economic, political, or other conditions. As of June 30, 2018, the Foundation has two single issuer investments that each represents over 5% of the total assets of the Foundation. Foundation management believes these concentration risks represented below are not excessive when considering the overall diversification of the entire investment portfolio. The following issuers hold more than 5% of total Foundation assets as of June 30, 2018:

Vanguard Total Stock Market Index	$10,604,487	14.2%
Mercer Hedge Fund Investors SPC	$8,196,817	11.0%

Interest Rate Risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's value. The Foundation does not have a policy that specifically addresses interest rate risk. The Foundation had the following assets, at fair values, exposed to interest rate risk at June 30, 2018:

Cash equivalents held in investment accounts	$ 2,408,861
U.S. agency obligations (FHLM, FNMA)	58,720
Municipal bonds	1,371,592
Corporate debt securities	7,545,210
Mutual funds, domestic debt	1,828,950
Mutual funds, international debt	1,086,601
Sub-total investments	14,299,934
Demand Deposit Interest Bearing Funds	4,930,569
Total assets subject to interest rate risk	$ 19,230,503

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Foundation's short-term investments generally are not exposed to foreign currency risk.

The Foundation's investments in international stock and mutual funds represent 18.8% of the total Foundation investments as of June 30, 2018. The Foundation does not have a policy on foreign currency risk. The U.S. dollar balances of the Foundation's investment exposed to foreign currency risk as of June 30, 2018 are listed below.

Currency	*United States Dollar Equivalent*
Euro	$ 2,229,847
United Kingdom British Pound	1,251,855
Japanese Yen	1,403,209
Swiss Franc	687,537
Other currencies, individually less than 1% of fund portfolio	6,032,923
Total	$ 11,605,371

Credit Risk

Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligations. Credit quality ratings are not required for U.S. government securities that are explicitly guaranteed by the U.S. government.

At June 30, 2018, the Foundation had the following investments and their ratings:

Credit Rating per Moody's	Total Fair Value	U.S. Agency Obligations (FHLM, FNMA)	Corporate Debt Securities	Other
Aaa	$ 99,707	$ 58,720	$ -	$ 40,987
Aa1	68,014	-	20,092	47,922
Aa2	279,592	-	-	279,592
Aa3	250,705	-	-	250,705
A1	153,393	-	103,946	49,447
A2	452,484	-	452,484	-
A3	732,066	-	732,066	-
Baa1	206,273	-	206,273	-
Baa2	54,427	-	54,427	-
Baa3	19,777	-	19,777	-
Not Rated	6,659,084	-	5,956,145	702,939
	$ 8,975,522	$ 58,720	$ 7,545,210	$ 1,371,592

Credit Rating per Standard and Poor's	Total Fair Value	U.S. Agency Obligations (FHLM, FNMA)	Corporate Debt Securities	Other
AA	$ 499,670	$ -	$ -	$ 499,670
AA-	248,400	-	-	248,400
A	194,568	-	194,568	-
BBB+	555,677	-	555,677	-
Not Rated	7,477,207	58,720	6,794,965	623,522
	$ 8,975,522	$ 58,720	$ 7,545,210	$ 1,371,592

Fair Value Measurements

The Foundation measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles.

These guidelines recognize a three-tiered fair value hierarchy, as follows:

Level 1 - Quoted prices for identical investments in active markets
Level 2 - Observable inputs other than quoted market prices
Level 3 - Unobservable inputs

At June 30, 2018, the Foundation had the following recurring fair value measurements.

		Fair Value Measurements Using		
	Total	Level 1	Level 2	Level 3
Debt securities				
U.S. agency obligations				
(FHLM, FNMA)	$ 58,720	$ -	$ 58,720	$ -
Municipal bonds	1,371,592	-	1,371,592	-
Corporate debt securities	7,545,210	-	7,545,210	-
Mutual funds, domestic debt	1,828,950	1,828,950	-	-
Mutual funds, international debt	1,086,601	1,086,601	-	-
Total debt securities	11,891,073	2,915,551	8,975,522	-
Equity securities				
Corporate equity securities	102,775	102,775	-	-
Mutual funds, domestic equity	12,944,713	12,944,713	-	-
Mutual funds, international equity	10,093,947	10,093,947	-	-
Total equity securities	23,141,435	23,141,435	-	-
Real estate (farm land)	5,271,191	-	5,271,191	-
Charitable remainder trusts	4,327,712	-	-	4,327,712
Total investments by fair value level	$ 44,631,411	$ 26,056,986	$ 14,246,713	$ 4,327,712
Investments measured at net asset value				
Real assets funds	2,654,837			
Private equity funds	8,284,162			
Absolute return (hedge funds)	8,196,817			
Total other	19,135,816			
Total	63,767,227			
Plus cash equivalents held in				
investment pools	2,408,861			
Less charitable remainder trusts	(4,327,712)			
Total investments	$ 61,848,376			

Debt and equity securities and real estate exchange traded funds classified in Level 1 are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 are valued using quoted prices for identical securities in markets that are not active, quoted prices for similar securities in active markets, and matrix pricing based on the securities' relationship to benchmark quoted prices. Real estate classified in Level 2 is valued using recent appraisals and similar processes of comparable real estate properties. Charitable remainder trusts classified in Level 3 are valued at the present value of the estimated future cash receipts from the trust assets. Such present values are generally assumed to be the fair market value of the percentage interest of the underlying assets of the trust.

Investments valued using the net asset value (NAV) per share (or its equivalent) are considered "alternative investments" and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. The following provides additional information related to investments measured at NAV as of June 30, 2018:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Real assets funds	$ 2,654,837	$ 1,425,254	-	-
Private equity funds	8,284,162	6,623,215	-	-
Absolute return (hedge funds)	8,196,817	-	Quarterly	100 Days
Total	$ 19,135,816	$ 8,048,469		

Real asset funds – This type includes seven real asset funds that invest in global real estate, natural resources, and infrastructure. The fair values of the investments in this type have been determined using the NAV per share (or is equivalent) of the Foundation's ownership interest in partners' capital. The fair values of the investments in this type have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments. These investments can never be redeemed with the funds, with the exception of Prudential Real Estate Investors. Distribution from each fund will be received as underlying assets of the funds are liquidated. Each fund is expected to have an approximate ten-year life.

Private equity funds – This type includes ten private equity funds that invest in global buyouts, venture capital, special situations, and secondaries and co-investments. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Foundation's ownership interest in partners' capital. The fair values of the investments in this type have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments. These investments can never be redeemed with the funds. Distributions from each fund will be received as underlying assets of the funds are liquidated. Each fund is expected to have an approximate ten-year life.

Absolute return (hedge funds) – This type includes one hedge fund that pursues multiple strategies to diversify risks and reduce volatility. The strategy mix includes investments in long/short equity, long/short credit, relative value arbitrage, merger arbitrage, convertible arbitrage, capital structure arbitrage, fixed income arbitrage, short credit, distressed debt, global macro, special situations, and private investments. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments. This type allows for quarterly redemptions with 100 days' notice.

Summary of Carrying Values

The carrying values of cash and cash equivalents shown on previous pages are included in the Statement of Net Position as follows:

	University	Foundation
Cash and cash equivalents	$ 25,358,475	$ 4,930,569
Cash and cash equivalents, restricted	27,551,294	-
Total	$ 52,909,769	$ 4,930,569

The carrying values of investments shown on previous pages are included in the Statement of Net Position as follows:

	University	Foundation
Current:		
Investments	$ -	$ 2,265,037
Noncurrent:		
Endowment Investments	-	8,076,932
Endowment Investments, restricted	-	47,711,260
Investments	-	3,795,147
Total Noncurrent	$ -	$ 59,583,339
Total investments	$ -	$ 61,848,376

Investment income for the year ended June 30, 2018 consisted of:

	University	Foundation
Interest, dividends, realized gains (losses) and market value changes	$ 874,360	$ 3,596,053

NOTE 4 - ACCOUNTS AND STUDENT LOANS RECEIVABLE

Accounts receivable are reported net of allowances for uncollectible accounts. Accounts receivable consisted of the following as of June 30, 2018:

Receivable from students	$ 12,638,690
Receivable from third parties	1,307,884
Receivables from funding agencies	2,085,292
Total gross receivables	16,031,866
Allowance for doubtful accounts	(6,734,300)
Total net receivables	$ 9,297,566

Student loans receivable totaling $2,040,942 is reported net of allowance for uncollectible loans of $640,600 at June 30, 2018.

NOTE 5 - CAPITAL ASSETS

Capital asset activities for the University for the year ended June 30, 2018 were as follows:

	Balance June 30, 2017	Additions	Retirements/ Adjustments	Transfers	Balance June 30, 2018
Non-depreciable capital assets:					
Land and land improvements	$ 3,603,000	$ -	$ -	$ -	$ 3,603,000
Works of art and historical treasures	591,567	-	-	61,863	653,430
Construction in progress	5,029,568	873,977	-	(645,861)	5,257,684
Total non-depreciable capital assets	9,224,135	873,977	-	(583,998)	9,514,114
Depreciable capital assets:					
Site improvements	46,747,195	115,863	(65,691)	-	46,797,367
Buildings and building improvements	376,530,612	443,332	(11,885,574)	583,998	365,672,368
Equipment	77,381,705	901,190	(312,676)	-	77,970,219
Capital lease equipment	184,782	-	-	-	184,782
Total depreciable capital assets	500,844,294	1,460,385	(12,263,941)	583,998	490,624,736
Less accumulated depreciation:					
Site improvements	23,431,115	1,619,135	(49,487)	-	25,000,763
Buildings and building improvements	185,858,228	11,109,033	(10,895,278)	-	186,071,983
Equipment	72,203,683	1,598,285	(306,428)	-	73,495,540
Capital lease equipment	13,885	37,473	-	-	51,358
Total accumulated depreciation	281,506,911	14,363,926	(11,251,193)	-	284,619,644
Total depreciable capital assets, net	219,337,383	(12,903,541)	(1,012,748)	583,998	206,005,092
Capital assets, net	$ 228,561,518	$ (12,029,564)	$ (1,012,748)	$ -	$ 215,519,206

Capital asset activities for the Foundation for the year ended June 30, 2018 were as follows:

	Balance June 30, 2017	Additions	Retirements	Transfers	Balance June 30, 2018
Land and land improvements	$ 658,304	$ -	$ -	$ -	$ 658,304

NOTE 6 - UNEARNED REVENUE

Unearned revenues consist of the following as of June 30, 2018:

Tuition and fees	$ 2,603,942
Grants and contracts	1,922,927
Sales and services of educational departments	210,124
Auxiliary enterprises	211,128
Total	$ 4,948,121

NOTE 7 - CAPITAL LEASES PAYABLE

The University leases equipment under capital lease purchase contracts with an imputed rate of 10.67% to 22.84%. The capital leases payable are secured by the equipment being financed. The scheduled maturities of the capital leases are as follows:

	Principal	Interest	Total Payments
2019	$ 32,133	$ 13,876	$ 46,009
2020	31,830	10,219	42,049
2021	35,398	6,651	42,049
2022	39,366	2,683	42,049
2023	3,474	30	3,504
Total	$ 142,201	$ 33,459	$ 175,660

NOTE 8 - REVENUE BONDS PAYABLE

General

At June 30, 2018, revenue bonds payable consists of Western Illinois University Auxiliary Facilities System Revenue Bonds, Series 2016, Western Illinois University Auxiliary Facilities System Revenue Bonds, Series 2015, Western Illinois University Auxiliary Facilities System Revenue Bonds, Series 2012, and Western Illinois University Auxiliary Facilities System Revenue Bonds, Series 2010.

Series 2016 Bonds

On February 4, 2016, the Series 2016 Revenue Bonds were issued in the principal amount of $8,990,000. The Series 2016 bonds are due April 1, 2027, with annual principal payments ranging from $450,000 to $1,125,000 commencing on April 1, 2017 and semi-annual interest payments beginning October 1, 2016 at 5.00%.

Proceeds from the sale of the Series 2015 Bonds were used to provide for the current refunding of the outstanding Series 2006 Bonds in the principal amount of $9,660,000 and to pay certain expenses related to the issuance of the bonds. The total principal amount was deposited into the Series 2006 Bond Account to redeem all of the Refunded Series 2006 bonds on their redemption date at a price equal to the principal amount thereof. As a result, the Series 2006 Bonds are considered defeased and the liability for that portion of the bonds has been removed from the University's Statement of Net Position.

Series 2015 Bonds

On May 8, 2015, the Series 2015 Revenue Bonds were issued in the principal amount of $4,190,000. The Series 2015 bonds are due April 1, 2020, with annual principal payments ranging from $600,000 to $1,710,000 commencing on April 1, 2016 and semi-annual interest payments beginning October 1, 2015 at 1.39% to 2.03%.

Proceeds from the sale of the Series 2015 Bonds were used to provide for the current refunding of the outstanding Series 2005 Bonds in the principal amount of $4,115,000 and to pay certain expenses related to the issuance of the bonds. The total principal amount was deposited into the Series 2005 Bond Account to redeem all of the Refunded Series 2005 bonds on their redemption date at a price equal to the principal amount thereof. As a result, the Series 2005 Bonds are considered defeased and the liability for that portion of the bonds has been removed from the University's Statement of Net Position.

Series 2012 Bonds

On April 19, 2012, the Series 2012 Revenue Bonds were issued in the principal amount of $33,520,000. The Series 2012 bonds are due April 1, 2032, with annual principal payments ranging from $1,290,000 to $2,140,000 commencing on April 1, 2013 and semi-annual interest payments beginning April 1, 2013 at 3.00% to 4.20%.

Proceeds from the sale of the Series 2012 Bonds were used to finance capital improvements to Thompson Hall and the University Union. In addition, a portion of the proceeds from the Series 2012 Bonds were used to provide for the advance refunding of the outstanding Series 2002 Bonds in the principal amount of $7,890,000. The total principal amount was deposited into the Series 2002 Refunding Fund to redeem all of the Refunded Series 2002 bonds on their redemption date at a price equal to the principal amount thereof. As a result, the Series 2002 Bonds are considered defeased and the liability for that portion of the bonds has been removed from the University's Statement of Net Position.

Series 2010 Bonds

On August 5, 2010, the Series 2010 Revenue Bonds (Build America Bonds) were issued in the principal amount of $25,510,000. The Series 2010 bonds are due April 1, 2033, with annual principal payments ranging from $1,120,000 to $2,010,000 commencing on April 1, 2017 and semi-annual interest payments beginning April 1, 2011 at 4.35% to 6.60%.

Proceeds from the sale of the Series 2010 Bonds were used to finance capital improvement renovations to Corbin and Olson Residence Halls including the Commons Dining Center.

Advance Refunded Bonds

Certain revenue bonds of the University have been defeased in prior years through advance refunding and, accordingly, have been accounted for as if they were retired. The principal amount of advance refunded bonds was fully paid.

Debt Service Activity Requirements and Collateral

Following is a schedule depicting Revenue Bonds Payable activities for the year ended June 30, 2018:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Series 2010 Bonds	24,390,000	-	(1,150,000)	23,240,000	1,185,000
Series 2012 Bonds	25,210,000	-	(1,845,000)	23,365,000	1,915,000
Series 2015 Bonds	1,880,000	-	(615,000)	1,265,000	630,000
Series 2016 Bonds	8,220,000	-	(845,000)	7,375,000	870,000
Unamortized premium	824,955	-	(242,266)	582,689	186,940
	$ 60,524,955	$ -	$ (4,697,266)	$ 55,827,689	$ 4,786,940

Aggregate maturities of the bonds outstanding as of June 30, 2018 are as follows:

	Principal	Interest
2019	$ 4,600,000	$ 2,657,189
2020	4,775,000	2,465,743
2021	4,305,000	2,263,965
2022	4,465,000	2,082,448
2023	3,715,000	1,888,133
2024-2028	17,315,000	6,859,370
2029-2033	16,070,000	2,587,377
	55,245,000	20,804,225
Unamortized premium	582,689	-
	$ 55,827,689	$ 20,804,225

None of the bonds described above constitute obligations of either the State of Illinois or the Board of Trustees of Western Illinois University, but together with interest thereon, are payable solely from and are collateralized by: a) the net revenues of the Western Illinois University Auxiliary Facilities System, b) certain pledged student fees, and c) a pledge of student tuition. Maximum annual debt service as defined for all outstanding revenue bonds is $7,257,189. The estimated debt service coverage ratio based on revenues generated from operations is 1.24. The future pledged revenues for principal and interest in Fiscal Year 2018 are $76,049,225. Pledged revenue coverage is 10.82 in Fiscal Year 2018. Pledged revenues have a term of commitment through 2033.

NOTE 9 - CERTIFICATES OF PARTICIPATION PAYABLE

General

At June 30, 2018, certificates of participation consist of Western Illinois University Series 2015 Certificates of Participation and Western Illinois University Series 2010 Certificates of Participation.

Series 2015 Certificates of Participation

On July 14, 2015, the Series 2015 Certificates of Participation were issued in the principal amount of $15,100,000. The Series 2015 Certificates of Participation are due October 1, 2024 with annual principal payments ranging from $1,470,000 to $1,890,000 commencing October 1, 2016 and semi-annual interest payments beginning October 1, 2016 at 3.00% to 5.00%.

Proceeds from the sale of the Series 2015 Certificates of Participation were used to provide for the current refunding of the outstanding Series 2005 Certificates of Participation in the principal amount of $7,160,000, the advance refunding of the outstanding Series 2011 Certificates of Participation in the principal amount of $9,265,000, and to pay certain expenses related to the issuance of the bonds. The net proceeds plus funds provided by the University were deposited into the Series 2005 Installment Payment Fund and the 2011 Installment Payment Fund to redeem all of the Refunded Series 2005 and 2011 Certificates of Participation on their redemption date at a price equal to the principal amount thereof. As a result, the Series 2005 and 2011 Certificates of Participation are considered defeased and the liability for that portion of the certificates has been removed from the University's Statement of Net Position.

Series 2010 Certificates of Participation

On March 11, 2010, the Series 2010 Certificates of Participation were issued in the principal amount of $11,585,000. The Series 2010 Certificates of Participation are due October 1, 2029 with annual principal payments ranging from $415,000 to $825,000 commencing October 1, 2010 and semi-annual interest payments beginning October 1, 2010 at 1.30% to 6.37%.

Proceeds from the sale of the Series 2010 Certificates of Participation were used to finance heating plant capital improvements and steam line replacements. Additionally, proceeds from the sale were used to reimburse the University for a portion of the cost of the sprinkler system installation in Thompson and Tanner Halls.

Debt Service Activity Requirements and Collateral

Following is a schedule depicting Certificates of Participation activities for the year ended June 30, 2018:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Series 2010	$ 8,400,000	$ -	$ (505,000)	$ 7,895,000	$ 525,000
Series 2015	$ 13,370,000	$ -	$ (1,785,000)	$ 11,585,000	$ 1,835,000
Unamortized premium	$ 442,752	$ -	$ (93,451)	$ 349,301	$ 74,743
Unamortized discount	$ (13,298)	$ -	$ 3,288	$ (10,010)	$ (2,753)
	$ 22,199,454	$ -	$ (2,380,163)	$ 19,819,291	$ 2,431,990

Aggregate maturities of the certificates of participation outstanding as of June 30, 2018 are as follows:

	Principal	Interest
2019	$ 2,360,000	$ 827,516
2020	2,435,000	745,875
2021	2,035,000	667,301
2022	2,090,000	592,625
2023	2,165,000	514,753
2024-2028	6,785,000	1,227,768
2029-2030	1,610,000	103,913
	$ 19,480,000	$ 4,679,751
Unamortized premium	349,301	-
Unamortized discount	(10,010)	-
	$ 19,819,291	$ 4,679,751

The Certificates of Participation described above do not constitute obligations of either the State of Illinois or the Board of Trustees of Western Illinois University, but together with interest thereon, are payable solely from and are collateralized by lawful appropriations by the General Assembly for such purposes and legally available nonappropriated funds on an annual basis.

NOTE 10 - ACCRUED COMPENSATED ABSENCES

Vacation pay earned but not taken may be accumulated up to a specified maximum from 24 to 56 work days, and received as a lump sum payment upon termination. At June 30, 2018, such accumulated benefits totaled $7,520,773.

Administrative and faculty unused sick leave may be accumulated up to a specified maximum, generally 360 calendar days. Unused and unpaid sick leave can be applied toward the service time requirements for computing retirement benefits. Civil service exempt and nonexempt employees have no specified maximum accumulation of unused sick leave days. One-half of any unused sick leave earned from January 1, 1984 and prior to January 1, 1998 can be received as a lump sum payment upon termination. At June 30, 2018, such accumulated benefits totaled $1,742,343. Compensated absences activity for the year ended June 30, 2018 was as follows:

Balance, beginning of year	$ 10,075,146
Deductions	(812,030)
Balance, end of year	9,263,116
Less: current portion	(1,597,999)
Balance, end of year - noncurrent portion	$ 7,665,117

NOTE 11 – NET POSITION

Net position balances by major categories at June 30, 2018 are as follows:

	University	Foundation
Net investment in capital assets	$ 140,425,989	$ 478,011
Restricted for:		
Nonexpendable	-	33,587,460
Expendable		
Auxiliary Facilities System		
Operations	4,722,561	-
Retirement of indebtedness	235,512	-
Renewals and replacements	21,969,921	-
Loans	1,547,382	-
Grants and contracts	386,923	527,502
Scholarships, research, instruction and other	-	16,248,099
Total expendable	28,862,299	16,775,601
Unrestricted	(7,905,942)	22,591,181
Total net position	$ 161,382,346	$ 73,432,253

NOTE 12 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description

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

Benefits Provided

A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed 6 months after their date of hire to make an irrevocable election. A summary of the benefit provisions as of June 30, 2018 can be found in the System's comprehensive annual financial report (CAFR) Notes to the 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 2017 and 2018 respectively, was 12.53% and 12.46% of employee payroll. The normal cost is equal to the value of current year's pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% 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

The net pension liability (NPL) was measured as of June 30, 2017. At June 30, 2017, SURS reported an NPL of $25,481,105,995.

Employer Proportionate Share of Net Pension Liability

The amount of the proportionate share of the net pension liability to be recognized for the University is $0. The proportionate share of the State’s net pension liability associated with the University is $607,342,161 or 2.3835%. This amount should not be recognized in the financial statement. The net pension liability and total pension liability as of June 30, 2017 was determined based on the June 30, 2016 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS during Fiscal Year 2017.

Pension Expense

At June 30, 2017 SURS reported a collective net pension expense of $2,412,918,129.

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 2017. As a result, the University recognized on-behalf revenue and pension expense of $57,511,904 for the fiscal year ended June 30, 2018, and is reported as part of nonoperating revenues (on-behalf payments for fringe benefits) and operating expenses (on-behalf payments).

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

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Year to be Recognized in Future Pension Expenses:

Year Ending June 30	Net Deferred Outflows of Resources
2018	$ 55,589,850
2019	187,874,276
2020	90,475,551
2021	(155,949,656)
2022	-
Thereafter	-
Total	$ 177,990,021

Employer Deferral of Fiscal Year 2018 Pension Expense

The University paid $369,915 in federal, trust or grant contributions for the fiscal year ended June 30, 2018. These contributions were made subsequent to the pension liability date of June 30, 2017 and are recognized as Deferred Outflows of Resources as of June 30, 2018.

Assumptions and Other Inputs

Actuarial assumptions

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

Inflation	2.75 percent
Salary increases	3.75 to 15.00 percent, including inflation
Investment rate of return	7.25 percent beginning with the actuarial valuation as of June 30, 2014

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

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

For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2017, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return
U.S. Equity	23%	6.08%
Private Equity	6%	8.73%
Non-U.S. Equity	19%	7.34%
Global Equity	8%	6.85%
Fixed Income	19%	1.38%
Treasury-Inflation Protected Securities	4%	1.17%
Emerging Market Debt	3%	4.14%
Real Estate REITS	4%	5.75%
Direct Real Estate	6%	4.62%
Commodities	2%	4.23%
Hedged Strategies	5%	3.95%
Opportunity Fund	1%	6.71%
Total	100%	5.20%
Inflation		2.75%
Expected Arithmetic Returns		7.95%

Discount Rate

A single discount rate of 7.09% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.56% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under 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 2073. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2073, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the 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 discount rate of 7.09%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease 6.09%	Current Single Discount Rate Assumption 7.09%	1% Increase 8.09%
$ 30,885,146,279	$ 25,481,105,995	$ 20,997,457,586

Additional information regarding the SURS basic financial statements including the Plan Net Position can be found in the SURS comprehensive annual financial report by accessing the website at www.SURS.org.

NOTE 13 - ON-BEHALF PAYMENTS FOR FRINGE BENEFITS

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance,* the University reported payments made to the State Universities Retirement System on behalf of the University for its proportional share of the State's pension expense of $57,511,904 as described in Note 12. Substantially all employees participate in group health insurance plans administered by the State. The employer contributions to these plans for a majority of the University's employees are paid by the Department of Central Management Services on behalf of the University. The University reported group insurance on-behalf payments made to the Department of Central Management Services of $34,381,437 for the year ended June 30, 2018. The on-behalf payments amount that relates to State group health insurance is an allocation of estimated costs incurred by the Department of Central Management Services on behalf of the University. The total on-behalf payments of $91,893,341 are reported as nonoperating revenues and operating expenses.

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

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

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

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

For Fiscal Year 2018, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $10,926.24 ($6,145.92 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and $14,939.04

($5,165.04 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

Total OPEB liability, deferred outflows of resources, deferred inflows of resources and expense related to OPEB. The total OPEB liability, as reported at June 30, 2018, was measured as of June 30, 2017, with an actuarial valuation as of June 30, 2016. At June 30, 2018, the University recorded a liability of $16,653,514 for its proportionate share of the State's total OPEB liability. The University's portion of the OPEB liability was based on the University's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2017. As of the current year measurement date of June 30, 2017, the University's proportion was .0403%.

The University recognized OPEB expense for the year ended June 30, 2018, of $49,874. At June 30, 2018, the University reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2017, from the following sources:

Deferred outflows of resources		
Differences between expected and actual experience	$	5,338
Changes in proportion and differences between employer contributions and proportionate share of contributions		-
Department contributions subsequent to the measurement date		393,528
Total deferred outflows of resources	$	398,866
Deferred inflows of resources		
Changes of assumptions	$	1,581,246
Changes in proportion and differences between employer contributions and proportionate share of contributions		2,983,313
Total deferred inflows of resources	$	4,564,559

The amounts reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30, 2018	
2019	(1,024,893)
2020	(1,024,893)
2021	(1,024,893)
2022	(1,024,893)
2023	(459,645)
Total	$ (4,559,217)

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

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

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

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

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

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

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

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

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

	1% Decrease (2.56%)	Current Single Discount Rate Assumption (3.56%)	1% Increase (4.56%)
University's proportionate share of total OPEB liability	18,893	16,654	14,426

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

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
University's proportionate share of total OPEB liability	14,230	16,654	18,654

NOTE 15 - STATE OF ILLINOIS APPROPRIATIONS

On July 6, 2017, the General Assembly passed SB 0006, Public Act 100-0021 that included an appropriation budget for universities. The University received Fiscal Year 2017 appropriations of $13,262,300 from the General Revenue Fund and $6,793,900 from the Education Assistance Fund. In addition, the awards made for Fiscal Year 2017 scholarships totaling $10,940,735 from the Illinois Student Assistance Commission were reimbursed to the University from the Fiscal Year 2017 Fund for the Advancement of Education appropriation. The effective date of Public Act 100-0021 was July 6, 2017, therefore, in accordance with GASB Statement No. 33, the revenues paid from Fiscal Year 2017 appropriations totaling $30,996,935 were recognized as revenues in Fiscal Year 2018 even though they were used to pay for Fiscal Year 2017 costs.

NOTE 16 - INSURANCE

Through its participation in the Illinois Public Higher Education Cooperative (IPHEC), the University has contracted with commercial carriers to provide various insurance coverages, including educators' legal and other general liability insurance. The University's liability coverages have a $250,000 to $350,000 deductible per occurrence. Additionally, the University purchases property insurance coverage for the replacement value of University real property and contents. Settled claims have not exceeded commercial coverage in any of the three preceding years.

NOTE 17 - OPERATING EXPENSES BY NATURAL CLASSIFICATION

Operating expenses by natural classification for the year ended June 30, 2018 for the University are summarized as follows:

	Compensation & Benefits	Supplies & Services	Scholarships & Fellowships	Depreciation	Total
Instruction	$ 54,850,342	$ 2,026,866	$ -	$ -	$ 56,877,208
Research	2,530,936	1,165,280	-	-	3,696,216
Public service	6,354,351	3,568,529	-	-	9,922,880
Academic support	10,814,009	2,931,079	-	-	13,745,088
Student services	9,741,565	9,636,558	-	-	19,378,123
Institutional support	9,263,653	4,211,724	-	-	13,475,377
Operation and maintenance of plant	7,586,580	5,101,860	-	-	12,688,440
Student aid expense	-	-	11,756,000	-	11,756,000
Auxiliary enterprises	13,050,683	21,599,450	-	-	34,650,133
Staff benefits	6,783,989	-	-	-	6,783,989
Depreciation	-	-	-	14,363,925	14,363,925
On-behalf payments	91,893,341	-	-	-	91,893,341
Other operating expenses	-	52,682	-	-	52,682
Total	$ 212,869,449	$ 50,294,028	$ 11,756,000	$ 14,363,925	$ 289,283,402

NOTE 18 - CONTRACT WITH WESTERN ILLINOIS UNIVERSITY FOUNDATION

The University has a contract with the Western Illinois University Foundation in which the Foundation has agreed to aid and assist the University in achieving its educational, research, and service goals by developing and administering its gifts. These gifts received by the Foundation are to be used for the benefit of the University in its scholarship, loan, grant and other supporting programs. The University agreed, as part of this contract, to furnish certain services necessary to the operation of the Foundation.

For Fiscal Year 2018, the Foundation did not specifically reimburse the University for $1,331,813 of personal service costs, facility use and other costs provided by the University. However, the Foundation gave the University $4,811,348 for Fiscal Year 2018, in totally unrestricted funds or funds restricted as to department but generally available for ongoing University operations.

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

	University	Foundation
Nonoperating Revenues - Gifts	$ 1,141,516	$ -
Operating Expenses:		
Instruction	-	56,825
Research	-	24,000
Academic support	-	42,435
Student services	-	190,990
Institutional support	-	44,222
Operation and maintenance of plant	-	782,144
Student aid expense	-	900
	$ 1,141,516	$ 1,141,516

NOTE 19 - STUDENT FINANCIAL ASSISTANCE

The University participates in the U.S. Department of Education’s Direct Student Loan Program. The University awarded $56,555,943 in direct student loans for the year ended June 30, 2018. The University classified this loan program as noncash federal awards and it is disclosed in the footnotes to the University's Schedule of Expenditures of Federal Awards in the University's Compliance Examination Report. Accordingly, no revenue or expenses are included in the financial statements of the University. All cash flows associated with these amounts have been reported as cash flows from operating activities as tuition and fees.

NOTE 20 - COMMITMENTS AND CONTINGENCIES

Claims and Litigation

The University is currently involved in various claims and pending legal actions related to matters arising from the ordinary conduct of business. The University administration believes that ultimate disposition of the actions will not have a material effect on the financial statements of the University.

Government Grants

The University is currently participating in numerous grants from various departments and agencies of the federal and State governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursements of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

NOTE 21 – CHANGE IN ACCOUNTING PRINCIPLE

The University implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

NOTE 22 – PRIOR PERIOD ADJUSTMENT

As discussed in Note 1.Z. and Note 21, the University restated its net position balance in Fiscal Year 2018 from $159.8 million to $139.0 million to reflect the impact of the beginning OPEB liability as of the beginning of Fiscal Year 2018. This adjustment decreased net position (unrestricted) by $20,769,333.

A reconciliation of net position reported in the prior period financial statements and as restated follows:

Net position, beginning of year, as previously reported	$ 159,793,573
Cumulative effect of change in accounting principle	(20,769,333)
Net position, beginning of year, as restated	139,024,240

NOTE 23 – COMPARABILITY OF FINANCIAL STATEMENTS

The Fiscal Year 2017 balances in the accompanying financial statements have not been restated for the adoption of GASB Statement No. 75. As such, the Fiscal Year 2017 information are not fully comparable to the Fiscal Year 2018. Differences include:

A. In Fiscal Year 2018, employer contributions to the Department of Central Management Services (CMS) have been reported as a Deferred Outflows of Resources. However, in Fiscal Year 2017, such payments were expensed.

B. In Fiscal Year 2018, the University reported OPEB liability related to the University's proportionate share of the Fiscal Year 2018 liability recognized by the State of Illinois figured in accordance with GASB Statement No. 75. In Fiscal Year 2017 and previous years, the University did not report OPEB liabilities.

C. In Fiscal Year 2018, the University reported OPEB Deferred Inflows of Resources related to the University's proportionate share of the Fiscal Year 2018 Deferred Inflows of Resources recognized by the State of Illinois due to changes in actuarial assumptions in accordance with GASB Statement No. 75. In Fiscal Year 2017 and previous years, the University did not report OPEB Deferred Inflows of Resources.

STATE OF ILLINOIS
WESTERN ILLINOIS UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION – PENSION (UNAUDITED)
For the Year Ended June 30, 2018

Schedule of Share of Net Pension Liability

	2014	2015	2016	2017
(a) Proportion percentage of the collective net pension liability	0%	0%	0%	0%
(b) Proportion amount of the collective net pension liability	$ -	$ -	$ -	$ -
(c) Portion of nonemployer contributing entities' total proportion of collective net pension liability associated with employer	586,649,047	628,376,573	665,077,569	607,342,161
Total (b) + (c)	586,649,047	628,376,573	665,077,569	607,342,161
Employer DB covered-employee payroll	$ 97,810,421	$ 96,318,804	$ 92,521,052	$ 84,155,043
Proportion of collective net pension liability associated with employer as a percentage of DB covered-employee payroll	599.78%	652.39%	718.84%	721.69%
SURS plan net position as a percentage of total pension liability	44.39%	42.37%	39.57%	42.04%

Schedule of Contributions

	2014	2015	2016	2017	2018
Federal, trust, grant, and other contribution	$ 305,959	$ 329,255	$ 360,777	$ 368,321	$ 369,915
Contribution in relation to required contribution	305,959	329,255	360,777	$ 368,321	$ 369,915
Contribution deficiency (excess)	-	-	-	-	-
Employer covered payroll	$ 121,080,877	$ 120,107,278	$ 115,835,988	$ 106,343,389	$ 104,591,344
Contributions as a percentage of covered payroll	0.25%	0.27%	0.31%	0.35%	0.35%

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

1. Changes of Benefit Terms
   There were no benefit changes recognized in the Total Pension Liability as of June 30, 2017.

2. Changes of Assumptions
   In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every three years to determine the reasonableness of actuarial assumptions regarding the retirement, disability, mortality, turnover, interest and salary of the members and benefit recipients of SURS. An experience review for the years June 30, 2010 to June 30, 2014 was performed in February 2015, resulting in the adoption of new assumptions as of June 30, 2015.
   - Mortality rates. Change from the RP 2000 Mortality table projected to 2017, sex distinct, to the RP-2014 mortality tables with projected generational mortality improvement. Change to a separate mortality assumption for disabled participants.
   - Salary increase. Change assumption to service-based rates, ranging from 3.75 percent to 15.00 percent based on years of service, with underlying wage inflation of 3.75 percent.
   - Normal retirement rates. Change to retirement rates at ages younger than 60, age 66, and ages 70-79 to reflect observed experiences.
   - Early retirement rates. Change to a slight increase to the rates at ages 55 and 56.
   - Turnover rates. Change to produce lower expected turnover for members with less than 10 years of service and higher turnover for members with more than 10 years of service than the currently assumed rates.
   - Disability rates. Decrease rates and have separate rates for males and females to reflect observed experience.
   - Dependent assumption. Maintain the current assumption on marital status that varies by age and sex and the assumption that males are three years older than their spouse.

STATE OF ILLINOIS
WESTERN ILLINOIS UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION – OPEB (UNAUDITED)
For the Year Ended June 30, 2018

Schedule of Share of the Collective Total OPEB Liability

		2017
Proportion percentage of the collective total OPEB liability		0.0403%
Proportionate share of the collective total OPEB liability	$	16,653,514
Employer covered-employee payroll	$	98,307,385
Proportionate share of the collective total OPEB liability as a as a percentage of employer covered-employee payroll		16.94%

*Note: GASB No. 75 was implemented in fiscal year 2018. The information above is presented for as many years as available. This schedule is intended to show information for 10 years.

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INDEPENDENT AUDITOR'S 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
State of Illinois

and

The Board of Trustees
Western 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 Western Illinois University (University) and its aggregate discretely presented component unit, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 13, 2018. Our report includes a reference to other auditors 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 auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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.

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, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from 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.*

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.

SIGNED ORIGINAL ON FILE
Chicago, Illinois
December 13, 2018

STATE OF ILLINOIS
WESTERN ILLINOIS UNIVERSITY
PRIOR FINDING NOT REPEATED
For the Year Ended June 30, 2018

A. FINDING: Inadequate Control over Reporting Restricted Accounts

During the previous audit, the University did not ensure restrictions from revenue bond covenants were properly reflected within the University's financial statements.

During the current audit, we noted the University established separate financial statements codes for restricted assets and net position related to the University's Auxiliary Facilities System (System). Accordingly, the University properly reported and disclosed assets and net position related to the System in the University's financial statements. (Finding Code No. 2017-001)