STATE OF ILLINOIS

SOUTHERN ILLINOIS UNIVERSITY

FINANCIAL AUDITS FOR
SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
&
MEDICAL FACILITIES SYSTEM

For the Years Ended June 30, 2014 and 2013

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

CliftonLarsonAllen

STATE OF ILLINOIS
SOUTHERN ILLINOIS UNIVERSITY
FINANCIAL AUDIT

For the Years Ended June 30, 2014 and 2013

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

STATE OF ILLINOIS
Southern Illinois University
Annual Financial Report
For the Years Ended June 30, 2014 and 2013

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SOUTHERN ILLINOIS UNIVERSITY
SENIOR VICE PRESIDENT FOR FINANCIAL & ADMINISTRATIVE AFFAIRS AND BOARD TREASURER
STONE CENTER - MAIL CODE 6801 / 1400 DOUGLAS DRIVE / CARBONDALE, ILLINOIS 62901

December 22, 2014

TO THE BOARD OF TRUSTEES
OF SOUTHERN ILLINOIS UNIVERSITY

I am pleased to submit the annual financial report of Southern Illinois University for the years ended June 30, 2014, and 2013.

The report consists of the Independent Auditors' Report, Management's Discussion and Analysis, the basic financial statements, and the notes to the financial statements of the University and its aggregate discretely presented component units. It presents the respective financial positions of the University and its component units and is intended for the use of administrative officers and other interested parties.

The financial statements of the University have been audited by CliftonLarsonAllen LLP for fiscal years 2014 and 2013. As Special Assistant Auditors for the Auditor General, they have issued reports covering their audits of the compliance of the University with applicable state and federal laws and regulations and a report containing supplementary financial information and special data requested by the Auditor General. These reports are available at the Office of the Auditor General, State of Illinois.

In addition, the University has published under separate cover Treasurer's Reports to the Bondholders, which provide more detailed information on the University's revenue bond systems. These reports are available upon request from the Office of the President at Carbondale, Illinois.

Respectfully submitted,

Duane Stucky

Duane Stucky
Board Treasurer

DS/lap

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Southern Illinois University
Board of Trustees and
Officers of Administration
Fiscal Years 2014 and 2013

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FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying basic financial statements of Southern Illinois University was conducted by CliftonLarsonAllen LLP.

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

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General, State of Illinois
and
Board of Trustees
Southern 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 units of Southern Illinois University ("the University"), collectively a component unit of the State of Illinois, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the University's aggregate discretely presented component units (the "University Related Organizations"), as described in Note 1 of the financial statements. Those statements were audited by other auditors whose reports thereon have been provided to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the University Related Organizations, is based solely on the reports of the other auditors. We conducted our audits 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.

The financial statements of one University Related Organization, the Association of Alumni, Former Students and Friends of Southern Illinois University, Inc. (at Carbondale), were not audited in accordance with *Government Auditing Standards.*

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

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

Opinions

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Southern Illinois University and its aggregate discretely presented component units as of June 30, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the financial statements, in 2014 the University adopted new accounting guidance, GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. 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 7-14 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 audits 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 under separate cover our report dated December 22, 2014, on our consideration of Southern Illinois University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southern Illinois University's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Peoria, Illinois
December 22, 2014

Southern Illinois University
Management's Discussion and Analysis
For the Years Ended June 30, 2014 and 2013

Introduction

The following discussion and analysis of the financial statements of Southern Illinois University (the "University") provides an overview of the University's financial activities for the fiscal year ended June 30, 2014 with selected comparative information for the years ended June 30, 2013, as restated, and 2012. This discussion has been prepared by management and should be read in conjunction with the financial statements and related footnotes.

Chartered in 1869, Southern Illinois University opened for instruction in Carbondale in 1874 in a one-building teacher training institution known as Southern Illinois Normal University. Today, two institutions constitute Southern Illinois University—Southern Illinois University Carbondale, with a School of Medicine in Springfield, and Southern Illinois University Edwardsville, with a School of Dental Medicine in Alton and the East St. Louis Center.

This discussion focuses on the financial activities of the University (the primary unit), a component unit of the State of Illinois which conducts instruction, research, public services and related activities. The seven discretely presented component units of the University consist of the following entities: the Southern Illinois University Foundation at Carbondale; the Southern Illinois University at Edwardsville Foundation; the Association of Alumni, Former Students and Friends of Southern Illinois University, Inc.; the Alumni Association of Southern Illinois University at Edwardsville; University Park at Edwardsville; Southern Illinois Research Park, Inc. at Carbondale; and SIU Physicians and Surgeons, Inc. Complete financial statements for the component units may be obtained from each entity, and addresses are provided in Note 1 in the Notes to Financial Statements.

Using the financial statements

The University's financial report includes three basic financial statements: the Statements of Net Position; the Statements of Revenues, Expenses and Changes in Net Position; and the Statements of Cash Flows. The notes to the basic financial statements are an integral part of the basic financial statements and provide additional details which should be included as part of any review or analysis. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and provide information on the University as a whole.

FINANCIAL HIGHLIGHTS

Statements of Net Position

The Statements of Net Position include all assets and liabilities, both current and noncurrent, and all deferred outflows and inflows of resources, using the accrual basis of accounting. The statements present the financial position of the University at the end of the fiscal years. The difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources is net position, which is one indicator of the current financial health of the University. The changes in the net position that occur over time indicate improvements or deterioration in the University's financial condition.

Net position is divided into three major categories: Net Investment in Capital Assets, Restricted Net Position; and Unrestricted Net Position. Net Investment in Capital Assets, consists of capital assets reduced by depreciation and the outstanding balances of borrowings for construction and improvements of those assets. Restricted Net Position has external constraints, including grants and contracts, self-insurance and capital projects. Unrestricted Net Position does not meet the definition of the first two categories.

Statements of Net Position (continued)

The University's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2014, 2013 as restated, and 2012 are summarized as follows:

	June 30, 2014	June 30, 2013	June 30, 2012
Assets and deferred outflows of resources:			
Current assets	$ 305,271,039	$ 313,851,436	$ 335,623,841
Capital assets, net	864,880,714	840,332,955	789,422,415
Other assets	134,400,912	114,002,373	115,340,059
Deferred outflows of resources	3,332,060	3,235,468	-
Total assets and deferred outflows of resources	1,307,884,725	1,271,422,232	1,240,386,315
Liabilities and deferred inflows of resources:			
Current liabilities	138,511,732	143,485,425	148,880,124
Noncurrent liabilities	386,705,191	366,561,724	366,900,301
Total liabilities and deferred inflows of resources	525,216,923	510,047,149	515,780,425
Net Position:			
Net investment in capital assets	560,071,866	531,990,424	495,051,877
Restricted - nonexpendable	5,030,306	4,903,490	2,662,160
Restricted - expendable	82,400,745	116,725,903	121,876,102
Unrestricted	135,164,885	107,755,266	105,015,751
Total Net Position	$ 782,667,802	$ 761,375,083	$ 724,605,890

University assets and deferred outflows of resources totaled just over $1.3 billion at June 30, 2014, an increase of 2.9% compared to 2013. At June 30, 2013, the total was $1.27 billion for an increase of 2.5% compared to 2012. The largest asset of the University is its investment in land, buildings and equipment which totaled $864.9 million, $840.3 million, and $789.4 million at June 30, 2014, 2013, and 2012, respectively. University liabilities and deferred inflows of resources at June 30, 2014 increased 3% or $15 million compared to 2013 while there was a decrease of 1.1% between fiscal years 2013 and 2012. Long-term debt, including Revenue Bonds Payable and Certificates of Participation, totaled $305,847,405 in fiscal year 2014, $293,097,782 in 2013, and $298,061,829 in 2012, and comprised the largest portion of the University's liabilities. The University's 2014 overall net position, the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources, increased $21,292,719, or 2.8%, compared to fiscal year 2013 and increased $39,671,985, or over 5% between fiscal year 2013 and 2012.

Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position present the results of the University's revenue and expense activity categorized as operating or non-operating. All revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

Operating revenues and expenses involve exchange transactions. In general, operating revenues include student tuition and fees which are net of scholarship allowances, most grants and contracts, auxiliary enterprises, and sales and services of educational departments. Operating expenses are those expenses incurred to carry out the mission of the University, and include educational and general program expenses, as well as auxiliary enterprises and depreciation.

Statements of Revenues, Expenses and Changes in Net Position (continued)

Non-operating revenues and expenses involve non-exchange transactions and include state appropriations, investment income, payments on-behalf of the University, and gifts. State appropriations are mandated as non-operating because they are provided by the legislature to the University without the legislature directly receiving commensurate goods and services for those revenues. Therefore, an operating loss will always result.

The following summarizes the University's financial activity for fiscal years 2014, 2013 as restated, and 2012:

	Year Ended June 30, 2014	Year Ended June 30, 2013	Year Ended June 30, 2012
Operating revenues:			
Tuition and fees, net	$ 238,780,837	$ 238,577,997	$ 256,084,347
Auxiliary enterprises	115,287,620	109,379,705	111,868,932
Grants and contracts	90,107,128	95,348,278	101,258,764
Other	147,715,272	137,708,006	135,534,392
Operating expenses	(1,137,077,211)	(1,119,793,470)	(1,069,993,849)
Operating loss	(545,186,354)	(538,779,484)	(465,247,414)
State appropriations	205,884,551	205,965,800	219,501,500
On-behalf payments	274,921,642	281,309,245	221,995,044
Other nonoperating revenues & expenses, net	69,085,941	64,715,125	52,156,315
Income before other revenues	4,705,780	13,210,686	28,405,445
Other revenues	16,586,939	26,461,299	67,807,020
Increase in net position	21,292,719	39,671,985	96,212,465
Net position at beginning of year	761,375,083	724,605,890	628,393,425
Cumulative effect of change in accounting principle	-	(2,902,792)	-
Net position at end of year	$ 782,667,802	$ 761,375,083	$ 724,605,890

Operating revenue experienced a net increase of $10.9 million, or 1.9%, in fiscal year 2014 compared to 2013. This increase included several significant components. Sales and services of educational departments and auxiliary enterprise revenues combined for increased revenues of $20.3 million. This increase is partially offset by a decrease in grant and physicians and surgeons revenue of $9.6 million, or 6.6%. Fiscal year 2014 operating expenses increased $17.3 million, or 1.5% compared to 2013. Academic support and student service expenses increased $7.4 million in 2014 to facilitate student and faculty achievement. Also, 2014 auxiliary enterprise expenses increased $4.4 million primarily driven by increased housing contracts and self-operation activities in the Student Center related to food services. Increased depreciation of $5.6 million also contributed to the operating expense increase in 2014. Net non-operating revenues and expenses realized in 2014 decreased $2.1 million from fiscal year 2013 primarily due to a reduction in payments on behalf of the University of $6.4 million partially offset by increased gift and investment income of $4.8 million. Revenues for State appropriated capital development projects decreased $9.6 million in 2014 compared to 2013 as these projects were nearing completion.

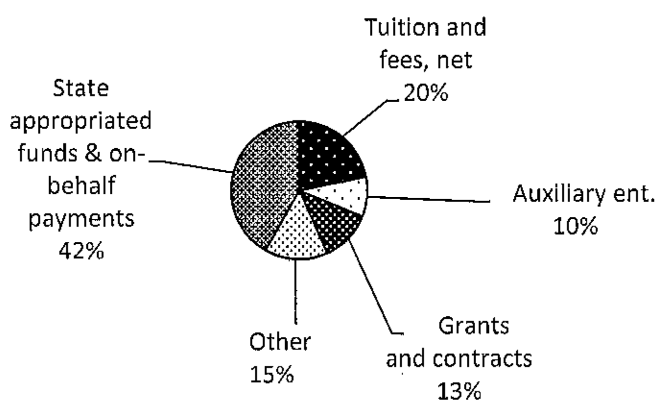
For fiscal year 2013, the Statement of Revenues, Expenses and Changes in Net Position reflected a positive year with an increase in net position of $36.8 million compared to 2012. A significant portion of this increase was in the net investment in capital assets of the University, which increased over $36.9 million from fiscal year 2012. This increase was primarily due to several construction and renovation projects at both the Carbondale and Edwardsville campuses.

Statements of Revenues, Expenses and Changes in Net Position (continued)

The Governmental Accounting Standards Board Statement No. 65 – *Items Previously Reported as Assets and Liabilities*, requires that all non-insurance components of bond issuance costs be expensed in the year incurred. This change in accounting principle resulted in a decrease of the University's fiscal year 2013 Net Position of $2,902,792 which is reflected in the University's Statement of Revenues, Expenses, and Changes in Net Position.

The following is a graphic illustration of fiscal year 2014 revenues by source (operating, non-operating, and other); which were used to fund the University's operating activities. The revenue from charges for tuition and fees is shown net of the scholarship allowance of $67,586,274. Student tuition and state appropriations are the primary source of funding for the University's academic programs. Other operating revenues consist primarily of income from sales and services of educational activities and income from the Physicians and Surgeons practice plan.

FY14 Revenues



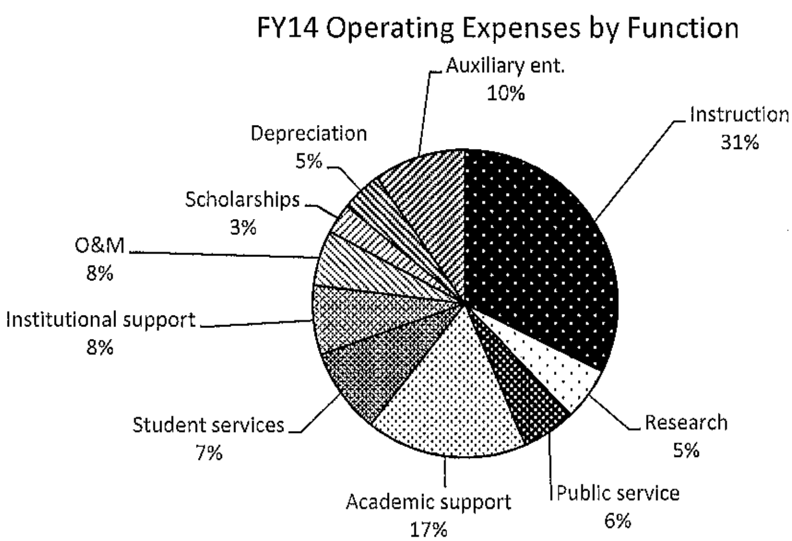
Statements of Revenues, Expenses and Changes in Net Position (continued)

Operating Expenses

A summary of the University's operating expenses by functional classification for the years ended June 30, 2014, 2013, and 2012 is as follows:

	Year Ended June 30, 2014	Year Ended June 30, 2013	Year Ended June 30, 2012
Instruction	$ 354,744,896	$ 357,711,356	$ 335,294,851
Research	59,937,521	64,348,813	64,680,837
Public service	64,291,049	66,813,986	62,712,130
Academic support	192,875,757	189,137,814	179,607,411
Student services	79,764,915	76,152,832	74,401,013
Institutional support	88,304,207	80,591,514	77,575,317
Operation and maintenance of plant	90,232,049	88,830,154	87,292,169
Scholarships and fellowships	40,250,063	41,793,912	36,837,164
Depreciation	53,824,833	48,209,665	46,321,372
Auxiliary enterprises	112,659,073	108,226,105	104,731,554
Other expenditures	192,848	(2,022,681)	540,031
	$ 1,137,077,211	$ 1,119,793,470	$ 1,069,993,849

Operating expenses include $274,921,642, $281,309,245, and $221,995,044 for health care and retirement costs paid on-behalf of University employees by the State of Illinois for fiscal years 2014, 2013, and 2012, respectively. These expenses have been allocated by function. The University chooses to report its expenses by functional classification in the Statements of Revenues, Expenses and Changes in Net Position. The expenses are displayed in their natural classifications in note 19. The following is a graphic illustration of operating expenses by function for the year ended June 30, 2014:



Statements of Cash Flows

The Statements of Cash Flows provide additional information about the University's sources and uses of cash during the fiscal year. These statements help users assess the University's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing. The following summarizes the University's cash flow activity for fiscal years 2014, 2013 as restated, and 2012:

	Year Ended June 30, 2014	Year Ended June 30, 2013	Year Ended June 30, 2012
Cash provided by (used in):			
Operating activities	$ (204,170,027)	$ (197,978,964)	$ (154,603,317)
Noncapital financing activities	286,521,693	287,252,722	281,990,021
Capital and related financing activities	(58,072,412)	(94,015,678)	(55,091,638)
Investing activities	(20,451,586)	10,542,392	(9,997,363)
Net increase in cash	3,827,668	5,800,472	62,297,703
Cash and cash equivalents, beginning of year	166,350,103	160,549,631	98,251,928
Cash and cash equivalents, end of year	$ 170,177,771	$ 166,350,103	$ 160,549,631

Major sources of funds included in operating activities are student tuition and fees, grants and contracts, sales and services of educational activities, and auxiliary enterprises. For fiscal years 2014, 2013, and 2012, respectively, student tuition and fees generated $250.2 million, $249 million, and $258.7 million. Grants and contracts provided $89 million, $86.6 million, and $100.6 million. Sales and services of educational activities received $98.7 million, $86.7 million, and $78.8 million, and auxiliary enterprises generated $120.6 million, $112.6 million, and $115.6 million. Payments for employee salaries and benefits, payments to suppliers for goods and services, and scholarship and fellowship payments comprise the major uses of operating funds.

The major source of funds in noncapital financing activities is State appropriations which provided $206 million in both fiscal years 2014 and 2013 and $219.5 million in 2012. Fiscal year 2014 cash provided by noncapital financing activities was relatively unchanged compared to fiscal year 2013, but decreased 6% in 2013 compared to 2012.

The issuance of the Series 2014A certificates of participation and 2012B revenue bonds, as well as debt service payments on outstanding capital debt, and the purchases of capital assets comprise the major activity in capital and related financing activities. Cash used for this activity decreased $35.9 million in fiscal year 2014 compared to 2013 following an increase of $38.9 million in fiscal year 2013 compared to 2012.

Investing activities include the purchases, sales, and maturities of investments as well as investment income. Cash provided by this activity decreased $31 million between fiscal years 2014 and 2013, but increased by $20.5 million in 2013 compared to 2012.

Capital Asset and Debt Administration

The University's Capital Asset policy requires the capitalization of infrastructure at $1,000,000, buildings and intangible assets at $100,000, site or building improvements at $25,000 and equipment at $5,000. The University depreciates its capital assets on a straight-line basis, using estimated useful lives ranging from five to forty years. At the end of fiscal years 2014, 2013, and 2012, respectively, the University had $560,071,866, $531,990,424, and $495,051,877 invested in capital assets, net of accumulated depreciation and related debt. Depreciation expense for 2014, 2013, and 2012, respectively, was $53,824,833, $48,209,665, and $46,321,372 with accumulated depreciation of $899,195,894, $850,779,657, and $808,013,183. The University experienced an increase in capital assets of $24.5 million in 2014 compared to 2013, and an increase of $50.9 million in 2013 compared to 2012. These increases are primarily attributable to the construction of the Student Services building and capital improvements to facilities at Carbondale along with renovations and construction on the Science and Art buildings at Edwardsville.

The University has historically utilized revenue bonds to finance capital projects related to the Housing and Auxiliary Facilities System and the Medical Facilities System which have the ability to generate resources to service the debt. In fiscal year 2014, the University did not issue any additional revenue bonds. The total amount of outstanding bonds payable at June 30, 2014 was $282,771,851. In fiscal year 2013, the University issued Housing and Auxiliary System Revenue Bonds of $44.7 million to fund the demolition of Allen, Boomer, and Wright Halls on the Carbondale campus along with the renovation of the energy conservations infrastructure of the Student Recreation Center, also on the Carbondale campus. Bond proceeds were also used to refund part of the 2003A and 2004A issuances. The total amount of outstanding bonds payable at June 30, 2013 was $297,196,667 compared to $299,840,896 at June 30, 2012.

The University issued certificates of participation (COPS) in 2002 and 2004 to fund multiple construction and renovation projects on the Carbondale, Edwardsville, and School of Medicine campuses. In fiscal year 2014, the University issued COPS of $43 million for capital improvement projects at Carbondale and to refund the outstanding 2004A COPS issuance. The balance of outstanding COPS at June 30, 2014, 2013, and 2012 was $43,993,736, $15,700,551, and $17,885,949, respectively. For additional information concerning the University's Capital Assets and Debt Administration, see Notes 6, 8, 9, and 11 in the Notes to Financial Statements.

Economic Outlook

The financial condition of the State of Illinois continues to be a critical element to the University's future since 42% of the University's total revenue comes from state appropriations. The State of Illinois has been struggling to address a large backlog of payables and a growing unfunded pension liability. Temporary tax increases approved in 2011 have helped the State of Illinois reduce the payables liability, which totaled $4.6 billion at the end of fiscal year 2014, down from the peak of $8.5 billion in fiscal year 2010. However, the temporary tax increases are set to expire on December 31, 2014, and if not extended would result in a loss of $1.9 billion in revenue to the State in fiscal year 2015. Additionally, the Illinois General Assembly adopted comprehensive pension reform legislation in December 2013 aimed at addressing Illinois' estimated $100 billion unfunded pension liability. The pension reform legislation is being challenged in court as unconstitutional. If the pension reform legislation is deemed invalid, it could have a profound and negative effect on Illinois' budgetary performance and liquidity.

State appropriation payments to all Illinois Public Universities continue to be delayed and create cash flow concerns. Southern Illinois University received full payment of the fiscal year 2014 appropriations in September 2014, three months after the end of the fiscal year. The fiscal year 2015 operating appropriation has been approved at $206 million, which represents three consecutive years of level funding.

Economic Outlook (continued)

The State continues to appropriate on-behalf payments for University employees' benefits, but in fiscal year 2003 began requiring the University to supplement the funding. In fiscal year 2014, the State's portion of the on-behalf payments equaled $274.9 million, a 2.3% decrease over fiscal year 2013 funding. Every year since 2003 the University has contributed $7 million toward employee health coverage.

Since 2009 the State of Illinois has reduced the University's operating appropriation by $24.1 million, representing a 10.5% decrease. As funding from the State has been reduced, gaps in the operating budget have primarily been filled by a 24% increase in tuition and fees during this same time period. Despite reduced support from the State, the University chose to hold the fall 2014 tuition rates at the same level as fall 2013. Southern Illinois University continues to develop and expand its resource base by seeking more revenue opportunities from grants and contracts, sales and services of educational activities that include clinics, conferences and seminars, other self-supporting activities, and fund raising efforts.

Fall 2014 enrollment increased by 147 students following two years of declines of approximately 3.3% each. The fall 2014 enrollment at the Edwardsville campus was 13,972, an increase of 122 students. Total enrollment at the Carbondale campus was 17,989, up 25 students.

The University is committed to strong fiscal stewardship of its resources and maintaining a sound financial position. To that end, University management establishes institutional priorities that are linked to additional funding, sets funding guidelines for asset maintenance of facilities and equipment, and holds 2% of State appropriated funds and tuition income as a contingency reserve for fiscal emergencies. Furthermore, SIU implemented several cost saving measures in fiscal year 2011 that are continuing into fiscal year 2014, such as restrictions on hiring of non-essential positions and cost restrictions on travel and purchases, to help offset unanticipated budget shortfalls and to address cash flow issues created by State appropriation payment delays.

The University is not aware of any additional facts, decisions, or conditions that might be expected to have a significant effect on the financial position or results of operations during the next fiscal years beyond those unknown factors having a global effect on virtually all types of business operations.

Southern Illinois University

Statements of Net Position

June 30, 2014 and 2013 June 30, 2014 and 2013

	UNIVERSITY		UNIVERSITY RELATED ORGANIZATIONS	
	2014	(Restated) 2013	2014	2013
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets:				
Cash and cash equivalents	$ 136,110,801	$ 124,386,820	$ 15,492,651	$ 10,891,731
Cash and cash equivalents, restricted	34,066,970	41,963,283	1,742,153	2,257,460
Short-term investments	2,487,566	13,841,351	20,058,684	16,250,789
Short-term investments, restricted	24,070,204	10,475,320	19,878,323	19,878,323
Deposits with University	-	-	15,743,768	14,743,863
Appropriations receivable from State of Illinois	-	98	-	-
Reimbursement due from State Treasurer	50,628,567	60,514,780	-	-
Accounts receivable, net	42,071,206	47,058,962	15,246,743	21,449,616
Notes receivable, net	3,696,959	3,287,770	-	-
Accrued interest receivable	74,827	21,285	321,732	291,370
Due from related organizations	3,928,743	4,615,124	66,259	74,681
Inventories	7,523,263	7,618,521	-	-
Prepaid expenses and other assets	611,933	68,122	1,824,634	2,358,303
Total Current Assets	305,271,039	313,851,436	90,374,947	88,196,136
Noncurrent Assets:				
Cash and cash equivalents	-	-	20,005	120,010
Long-term investments	104,061,447	89,446,585	15,299,144	14,096,932
Long-term investments, restricted	11,662,698	5,789,682	159,238,583	135,634,476
Notes receivable, net	14,764,486	15,053,053	30,217	46,439
Prepaid expenses and other assets	3,912,281	3,713,053	9,184,308	11,148,884
Capital assets, not depreciated	106,571,545	175,882,281	315,672	315,672
Capital assets, net of depreciation	758,309,169	664,450,674	5,036,645	5,411,388
Total Noncurrent Assets	999,281,626	954,335,328	189,124,574	166,773,801
Deferred outflows of resources	3,332,060	3,235,468	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	1,307,884,725	1,271,422,232	279,499,521	254,969,937
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Current Liabilities:				
Accounts payable	33,918,518	41,484,818	1,453,917	1,540,814
Accrued interest payable	3,158,868	2,897,488	-	-
Accrued payroll	10,838,689	10,485,564	3,751,986	4,272,798
Accrued compensated absences	4,799,327	4,675,223	-	-
Revenue bonds payable	18,847,304	18,044,088	-	-
Certificates of participation	2,070,878	1,755,348	-	-
Liabilities under capitalized leases	1,110,503	384,656	-	-
Annuities payable	-	-	410,978	524,229
Accrued liability for self-insurance	10,462,460	11,336,557	-	-
Deposits held for University related organizations	15,743,768	14,743,863	-	-
Deposits held in custody for others	1,060,285	1,377,805	76,819	83,938
Unearned revenue	36,316,849	36,105,640	165,008	214,634
Housing deposits	118,024	120,859	-	-
Due to related organizations	66,259	73,516	3,928,743	4,616,289
Total Current Liabilities	138,511,732	143,485,425	9,787,451	11,252,702
Noncurrent Liabilities:				
Accrued compensated absences	40,546,323	42,492,309	-	-
Revenue bonds payable	263,924,547	279,152,579	-	-
Certificates of participation	41,922,858	13,945,203	-	-
Liabilities under capitalized leases	2,986,351	1,207,314	-	-
Annuities payable	-	-	3,074,411	3,331,037
Accrued liability for self-insurance	19,497,050	12,370,170	-	-
Federal loan program contributions refundable	17,683,811	17,246,433	-	-
Housing deposits	144,251	147,716	-	-
Other accrued liabilities	-	-	1,812,915	1,825,036
Deposits held in custody for others	-	-	2,784,267	2,304,314
Total Noncurrent Liabilities	386,705,191	366,561,724	7,671,593	7,460,387
Deferred inflows of resources	-	-	44,500	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	525,216,923	510,047,149	17,503,544	18,713,089
NET POSITION				
Net investment in capital assets	560,071,866	531,990,424	5,352,317	5,727,060
Restricted for:				
Nonexpendable	5,030,306	4,903,490	102,965,863	97,819,438
Expendable	82,400,745	116,725,903	89,297,448	73,916,705
Unrestricted	135,164,885	107,755,266	64,380,349	58,793,645
TOTAL NET POSITION	$ 782,667,802	$ 761,375,083	$ 261,995,977	$ 236,256,848

The accompanying notes are an integral part of this statement.

Southern Illinois University

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2014 and 2013

	UNIVERSITY		UNIVERSITY RELATED ORGANIZATIONS	
	2014	(Restated) 2013	2014	2013
REVENUES				
Operating Revenues:				
Student tuition and fees (net of scholarship allowances of $67,586,274 for 2014; $57,637,176 for 2013)	$ 238,780,837	$ 238,577,997	$ -	$ -
Federal grants and contracts	33,826,313	39,186,109	-	-
State of Illinois grants and contracts	29,545,442	26,639,068	-	-
Other government grants and contracts	6,266,886	6,719,888	-	-
Private grants and contracts	20,468,487	22,803,213	-	-
Sales and services of educational departments	100,850,328	86,414,105	-	-
Physicians and Surgeons practice plan	46,567,937	50,960,697	-	-
Patient service revenue (net)	-	-	84,841,895	88,505,023
Auxiliary enterprises:				
Funded debt enterprises (net of scholarship allowances of $7,900,178 for 2014; $5,990,809 for 2013)	102,595,002	99,875,617	-	-
Other auxiliary enterprises (net of scholarship allowances of $903,023 for 2014; $921,094 for 2013)	12,692,618	9,504,088	-	-
Loan interest income	295,531	306,198	-	-
Other operating revenues	1,476	27,006	17,325,109	20,963,392
Total Operating Revenues	591,890,857	581,013,986	102,167,004	109,468,415
EXPENSES				
Operating Expenses:				
Instruction	354,744,896	357,711,356	-	-
Research	59,937,521	64,348,813	-	-
Public service	64,291,049	66,813,986	-	-
Academic support	192,875,757	189,137,814	-	-
Student services	79,764,915	76,152,832	-	-
Institutional support	88,304,207	80,591,514	113,188,708	114,914,569
Operation and maintenance of plant	90,232,049	88,830,154	-	-
Scholarships and fellowships	40,250,063	41,793,912	-	-
Depreciation	53,824,833	48,209,665	655,970	653,103
Auxiliary enterprises:				
Funded debt enterprises	97,260,078	95,405,348	-	-
Other auxiliary enterprises	15,398,995	12,820,757	-	-
Other operating expenses	192,848	(2,022,681)	-	-
Total Operating Expenses	1,137,077,211	1,119,793,470	113,844,678	115,567,672
Operating Loss	(545,186,354)	(538,779,484)	(11,677,674)	(6,099,257)
NONOPERATING REVENUES (EXPENSES)				
State appropriations	205,884,551	205,965,800	-	-
Gifts and contributions	12,712,911	10,658,892	5,691,928	3,215,456
Investment income	2,499,422	(253,472)	28,239,124	18,828,598
Grants and contracts	66,956,845	69,118,524	-	-
Interest on capital asset-related debt	(10,575,366)	(10,086,422)	-	-
Accretion on bonds payable	(3,952,802)	(4,166,477)	-	-
University related organizations	(302,909)	(1,183,038)	-	-
Payments on behalf of the University	274,921,642	281,309,245	-	-
Other nonoperating revenues (expenses)	1,747,840	627,118	(868,218)	102,747
Net Nonoperating Revenues (Expenses)	549,892,134	551,990,170	33,062,834	22,146,801
Income Before Other Revenues	4,705,780	13,210,686	21,385,160	16,047,544
Other Revenues:				
Capital state appropriations	15,629,069	25,253,273	-	-
Additions to permanent endowments	400,000	-	4,353,969	2,158,992
Capital grants and gifts	557,870	1,208,026	-	-
Total Other Revenues	16,586,939	26,461,299	4,353,969	2,158,992
Increase in Net Position	21,292,719	39,671,985	25,739,129	18,206,536
NET POSITION				
Net position at beginning of year as previously reported	761,375,083	724,605,890	236,256,848	218,050,312
Change in accounting principle	-	(2,902,792)	-	-
Net position, beginning of year, as restated	761,375,083	721,703,098	236,256,848	218,050,312
Net position at end of year	$ 782,667,802	$ 761,375,083	$ 261,995,977	$ 236,256,848

The accompanying notes are an integral part of this statement.

Southern Illinois University
Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	UNIVERSITY		UNIVERSITY RELATED ORGANIZATIONS	
		(Restated)		
	2014	2013	2014	2013
Cash Flows from Operating Activities				
Tuition and fees	$ 250,214,851	$ 249,055,757	$ -	$ -
Grants and contracts	89,010,737	86,576,748	-	-
Sales and services of educational activities	98,683,524	86,722,308	-	-
Physicians and Surgeons	49,919,147	49,899,841	-	-
Auxiliary enterprise revenues:				
Funded debt	106,858,640	102,085,325	-	-
Other auxiliary	13,781,217	10,585,651	-	-
Payments for employee salaries and benefits	(544,526,321)	(534,946,543)	(30,583,494)	(31,020,482)
Payments to suppliers	(272,137,921)	(272,154,003)	(76,021,734)	(75,922,529)
Payments for scholarships and fellowships	(90,964,605)	(86,423,946)	-	-
Loans issued to students	(2,430,974)	(1,242,312)	-	-
Interest earned on loans to students	264,895	281,485	-	-
Collection of loans from students	2,716,686	2,684,521	-	-
Patient service revenue	-	-	89,648,630	86,148,974
Other operating receipts	94,440,097	108,896,204	10,322,667	12,540,706
Net cash used in operating activities	(204,170,027)	(197,978,964)	(6,633,931)	(8,253,331)
Cash Flows from Noncapital Financing Activities				
State appropriations	205,884,649	205,965,702	-	-
Direct lending receipts	212,388,272	220,580,546	-	-
Direct lending payments	(212,638,838)	(220,114,497)	-	-
Grants and contracts	66,956,845	69,118,524	-	-
Government advances for federal loan funds	344,840	(179,643)	-	-
Payments to annuitants	-	-	(130,167)	(458,844)
Other	582,179	37,388	(1,344,614)	(1,134,754)
Gifts for other than capital purposes	13,003,746	11,844,702	11,044,604	9,187,184
Net cash provided by noncapital financing activities	286,521,693	287,252,722	9,569,823	7,593,586
Cash Flows from Capital and Related Financing Activities				
Capital appropriations	12,323,635	17,244,839	-	-
Sale of capital assets	-	-	-	-
Purchases of capital assets	(70,853,205)	(90,238,700)	(359,845)	(457,151)
Proceeds from capital debt	44,012,972	50,945,917	-	-
Deposit to bond escrow	-	(41,960,658)	-	-
Other	1,263,931	1,540,791	-	-
Principal paid on capital debt	(33,555,000)	(20,290,000)	-	-
Interest paid on capital debt	(11,264,745)	(11,257,867)	-	-
Net cash used in capital and related financing activities	(58,072,412)	(94,015,678)	(359,845)	(457,151)
Cash Flows from Investing Activities				
Purchases of investments	(52,334,537)	(35,404,322)	(17,658,285)	(20,814,643)
Proceeds from sales of investments and maturities	28,850,018	42,020,339	14,417,025	16,633,020
Investment income	3,032,933	3,926,375	4,650,821	4,269,995
Net cash provided by (used in) investing activities	(20,451,586)	10,542,392	1,409,561	88,372
Net increase (decrease) in cash	3,827,668	5,800,472	3,985,608	(1,028,524)
Cash and cash equivalents, beginning of the year	166,350,103	160,549,631	13,269,201	14,297,725
Cash and cash equivalents, end of the year	$ 170,177,771	$ 166,350,103	$ 17,254,809	$ 13,269,201

Southern Illinois University
Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	UNIVERSITY 2014	UNIVERSITY (Restated) 2013	UNIVERSITY RELATED ORGANIZATIONS 2014	UNIVERSITY RELATED ORGANIZATIONS 2013
Reconciliation of Operating Loss to Net Cash Used in Operating Activities				
Operating Loss	$ (545,186,354)	$ (538,779,484)	$ (11,677,674)	$ (6,099,257)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation expense	53,824,833	48,209,665	655,970	653,103
Amortization expense	-	-	357,125	357,125
Noncash grants to University	-	-	167,016	182,232
Noncash expenditures for the benefit of the University	-	-	410,523	295,715
Noncash contributions	-	-	321,534	43,346
Budget expended at University	(465,814)	(467,875)	-	-
Payments on behalf of the University	274,921,642	281,309,245	-	-
Change in assets and liabilities:				
Accounts receivable (net)	21,175,198	7,713,513	6,181,309	(1,050,344)
Reimbursement due from State Treasurer	9,886,212	5,195,989	-	-
Inventories	95,258	2,019,473	-	-
Prepaid expenses	(57,078)	46,598	4,623	1,518
Other assets	(16,431,053)	(1,248,840)	(72,807)	894,760
Accounts payable	(5,396,038)	4,027,578	(1,952,688)	(712,877)
Accrued payroll	353,125	(1,381,235)	-	-
Deferred revenue	(2,557,344)	(4,021,253)	(10,858)	56,043
Compensated absences	(1,821,882)	(399,613)	-	-
Deposits held for others	13,218	5,188	(8,632)	15,629
Other liabilities	9,268,191	1,418,896	(1,956)	(941,013)
Due to/from related organizations	(1,792,141)	(1,626,809)	(1,007,789)	(1,949,311)
Net cash used in operating activities	$ (204,170,027)	$ (197,978,964)	$ (6,634,304)	$ (8,253,331)
Noncash investing, capital and financing activities:				
Payments on behalf of the University for fringe benefits	$ 274,921,642	$ 281,309,245	$ -	$ -
Accretion on bonds payable	3,952,802	4,166,477	-	-
Gifts in kind	404,923	1,018,272	-	-
Capital assets in accounts payable	9,336,060	16,242,662	-	-
Capital asset acquisition by CDB	8,838,177	14,965,407	-	-
Loss on disposals of capital assets	841,625	1,155,032	78,617	201,500
Other capital asset adjustments	(2,755,354)	(1,676,636)	-	-
Net interest capitalized	484,182	1,105,601	-	-

The accompanying notes are an integral part of this statement.

NOTE 1 - The financial reporting entity and discretely presented component unit disclosures

Southern Illinois University (the University), a component unit of the State of Illinois, conducts education, research, public service, and related activities principally at its two campuses. One is in Carbondale and includes the School of Medicine in Springfield. The other is in Edwardsville and includes the School of Dental Medicine in Alton and the East St. Louis Center. The governing body of the University is the Board of Trustees of Southern Illinois University (the 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 (the primary unit) and its component units as well as certain activities and expenditures funded by other State agencies on behalf of the University or its employees. The component units discussed below are included in the University's financial reporting entity because of the significance of their financial relationship with the University.

The University Related Organizations' column in the financial statements includes the financial data of the University's discretely presented component units which consist of the following seven entities: the Southern Illinois University Foundation (at Carbondale) and the Southern Illinois University at Edwardsville Foundation (Foundations); The Association of Alumni, Former Students and Friends of Southern Illinois University, Inc. and The Alumni Association of Southern Illinois University at Edwardsville (Alumni Associations); University Park, Southern Illinois University at Edwardsville, Inc.; Southern Illinois Research Park, Inc., Carbondale; and SIU Physicians & Surgeons, Inc. The University's related organizations are reported in a separate column to emphasize that they are Illinois non-profit organizations legally separate from the University. These entities are University Related Organizations as defined under University Guidelines adopted by the State of Illinois Legislative Audit Commission in 1982 and amended in 1997.

The Foundations were formed for the purpose of providing fundraising and other assistance to the University in order to attract private gifts to support the University's education, research, and public service goals. In this capacity, the Foundations solicit, receive, hold, and administer gifts for the benefit of the University. Complete financial statements for the Foundations may be obtained by writing: Southern Illinois University Foundation (at Carbondale), MC 6805, 1235 Douglas, Carbondale, IL 62901-6805 and Southern Illinois University at Edwardsville Foundation, Edwardsville, IL 62026-1082.

The Alumni Associations were formed to promote the general welfare of the University and to encourage and stimulate interest among students, former students, and others in the University's programs. In this capacity, the Alumni Associations offer memberships to former students, conduct various activities for students and alumni, and publish periodicals for the benefit of the alumni. Complete financial statements for the Alumni Associations may be obtained by writing: The Association of Alumni, Former Students and Friends of Southern Illinois University, Inc., MC 6809, Colyer Hall, Carbondale, IL 62901-6809 and The Alumni Association of Southern Illinois University at Edwardsville, Southern Illinois University, Edwardsville, IL 62026-1031.

University Park, Southern Illinois University at Edwardsville, Inc. was formed for the purpose of providing such management, administrative, and other services as deemed essential to the operation and development of the University Park facility. Complete financial statements for the University Park may be obtained by writing: University Park, Southern Illinois University at Edwardsville, Inc., Southern Illinois University, Edwardsville, IL 62026-1333.

Southern Illinois Research Park, Inc. was formed to promote high technology and knowledge-based enterprise development within Carbondale and southern Illinois. Complete financial statements for the Research Park may be obtained by writing: Southern Illinois Research Park, 150 East Pleasant Hill Road, Carbondale, IL 62901-6891.

NOTE 1 - The financial reporting entity and discretely presented component unit disclosures (continued)

SIU Physicians & Surgeons, Inc., d/b/a SIU HealthCare, was formed to aid in the education and training of medical students, residents, fellows, and physicians for the delivery of cost-effective, high-quality patient care and the conduct of medical and other scientific investigations. Complete financial statements for SIU Physicians & Surgeons, Inc. may be obtained by writing: SIU Physicians & Surgeons, Inc., SIU School of Medicine, P.O. Box 19606, Springfield, IL 62794-9606.

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.

NOTE 2 - Significant accounting policies

University basis of presentation
The financial statements of the University have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. 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, revenues are recognized when earned, and expenses are recorded when an obligation to pay has been incurred. All significant intra-agency transactions have been eliminated.

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

The financial statements include prior year comparative information, derived from the University's 2013 financial statements. Certain reclassifications have been made to the 2013 financial statement presentation to conform to current fiscal year presentation.

University Related Organizations basis of presentation
The financial statements of the Southern Illinois University at Edwardsville Foundation; the Alumni Association of Southern Illinois University at Edwardsville; University Park, Southern Illinois University at Edwardsville, Inc.; Southern Illinois Research Park, Inc., Carbondale; and SIU Physicians & Surgeons, Inc., comply with the Governmental Accounting Standards Board (GASB) presentation format as described above.

Beginning in fiscal year 2009, the Southern Illinois University Foundation (at Carbondale) and The Association of Alumni, Former Students and Friends of Southern Illinois University, Inc., follow 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 University Related Organizations' column in the financial statements.

NOTE 2 - Significant accounting policies (continued)

Cash and cash equivalents
Cash deposits and cash equivalents of the University include bank accounts and investments with original maturities of ninety days or less at the time of purchase, primarily U.S. Treasury Bills and money market funds. The University classifies its investment in The Illinois Funds as a deposit for financial statement purposes.

Allowance for uncollectibles
The University provides allowances for uncollectible accounts and notes receivable based upon management's best estimate of uncollectible accounts and notes at the statement of net position date, considering type, age, collection history of receivables, and any other factors as considered appropriate. The University's accounts receivable and notes receivable are reported net of allowances of $20,349,430 and $287,448, respectively, at June 30, 2014, compared to allowances of $16,666,202 and $798,909, respectively, at June 30, 2013.

Inventories
Except for the Textbook Rental Service at the Edwardsville campus, inventories are stated at the lower of cost or market. Cost is determined principally by the average cost method or the first-in, first-out method, depending on the type of inventory. The rental books are recorded net of depreciation with the related expense reported as operating expense.

Capital assets
Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The University's capitalization policy for capital assets is as follows: infrastructure $1,000,000 or greater; buildings $100,000 or greater; intangible assets $100,000 or greater; site or building improvements $25,000 or greater; and equipment and library books $5,000 or greater. Renovations to buildings that significantly increase the value or extend the useful life of the asset are capitalized. Routine repairs and maintenance are charged to operating expense in the year incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 20 years for infrastructure, 15 years for site or building improvements, and seven to 20 years for intangible assets. Vehicles and electronic data processing equipment are depreciated over five years. Other equipment and books are depreciated over seven years. Land, works of art, and historical treasures are deemed inexhaustible and are not depreciated. The "following-month" prorate convention is used, in which no depreciation is recorded in the month of acquisition and an entire month of depreciation is recorded in the month of disposition.

Revenue and expense recognition
In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the University reported on-behalf payments of $274,921,642 for fiscal year 2014 for health care and retirement costs, compared to $281,309,245 for fiscal year 2013. These costs are reflected in the Statement of Revenues, Expenses and Changes in Net Position as non-operating revenues entitled "Payments on behalf of the University" and as operating expenses under the appropriate functional classifications.

Substantially all employees participate in group health insurance plans administered by the State of Illinois. The employer contributions to these plans for University employees paid from State appropriations and

NOTE 2 - Significant accounting policies (continued)

auxiliary enterprises are paid by the State on behalf of the University. On-behalf payments for health care costs totaled $128,223,834 for the year ended June 30, 2014, and $144,485,866 for the year ended June 30, 2013. The employer contributions to these plans for employees paid from other University held funds are paid by the University. On behalf-payments of $146,697,808 for the year ended June 30, 2014, were made to the State Universities Retirement System for retirement costs, compared to $136,823,379 for the year ended June 30, 2013.

Classification of revenues and expenses
The University has classified its revenues and expenses as either operating or non-operating as follows:

Operating: Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as student tuition and fees, sales and services of educational departments, sales and services of auxiliary enterprises, and most grants and contracts. The majority of the University's expenses are operating expenses.

Non-operating: Non-operating revenues and expenses include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other sources and uses that are defined as non-operating 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*, such as state appropriations, investment income, and federal student aid programs. Appropriations made to the University from the State of Illinois are recognized as non-operating revenues in the year appropriated to the extent expended. Other non-operating revenues and expenses include transactions relating to capital and financing activities, noncapital financing activities, and investing activities. Gift and contribution revenue of the Southern Illinois University Edwardsville Foundation is reported as operating revenue in accordance with their audited financial statements.

Tuition and fees are generally recognized as revenues as they are assessed. The portion of summer session tuition and fees applicable to the following fiscal year is considered unearned.

The University first applies resources in restricted net position when an expense or outlay is incurred for purposes for which resources in both restricted and unrestricted net positions are available.

Restricted grant revenues from external sources are recognized to the extent of related expenditures on the accrual basis.

Compensated absences
Accrued compensated absences for University personnel are charged to current funds based on earned but unused vacation and sick leave days including the University's share of Social Security and Medicare taxes. At June 30, 2014, the University estimates $29,812,998 will be paid from state appropriated accounts funded by the State of Illinois and the Income Fund, and $15,532,652 from local funds in subsequent years for a combined total of $45,345,650. This compares to $31,810,387 from state accounts and $15,357,145 from local funds, totaling $47,167,532, at June 30, 2013.

New Governmental Accounting Standards
The Governmental Accounting Standards Board (GASB) has issued the following statements which are effective for periods beginning July 1, 2013, or later which may impact the University:

NOTE 2 - Significant accounting policies (continued)

Statement No. 65 – *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows or deferred inflows of resources, certain items previously reported as assets and liabilities and recognizes, as outflows or inflows of resources, certain items that were previously reported as assets and liabilities. Application of Statement No. 65 in fiscal year 2014 resulted in the presentation of the unamortized loss on refunding, previously reported as a reduction of revenue bonds payable, as a deferred outflow on the Statement of Net Position. It also resulted in the expensing of the unamortized non-insurance components of the bond issuance costs which were previously reported as prepaid expenses. This change resulted in a reduction of $2,902,792 to beginning fiscal year 2013 net position. Comparative totals for 2013 have been restated to reflect all changes.

Statement No. 66 – *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, resolves conflicting guidance that resulted from the issuance of Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* as well as Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. The statement is effective for periods beginning after December 15, 2012. This statement did not impact the University.

Statement No. 67 – *Financial Reporting for Pension Plans*, amends Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, to revise existing guidance for financial reporting of pension plans of state and local governments. The statement is effective for fiscal years beginning after June 15, 2013. This statement did not impact the University.

Statement No. 68 – *Accounting and Financial Reporting for Pensions*, amends Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to revise and establish new financial reporting requirements for most governments that provide pension benefits. The statement is effective for fiscal years beginning after June 15, 2014. The University will be required to recognize a liability in its financial statements for its proportionate share of the net pension liability of all employers for pension benefits provided to its employees through the State University Retirement Plan.

Statement No. 69 – *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The statement is effective for fiscal years beginning after December 15, 2013. This statement is not expected to impact the University.

Statement No. 70 – *Accounting and Financial Reporting for Non-exchange Financial Guarantees*, specifies the information required to be disclosed by governments that extend or receive non-exchange financial guarantees. The statement is effective for fiscal years beginning after June 15, 2013. This statement did not impact the University.

Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, specifies that governments recognize a beginning deferred outflow of resources for any contributions made subsequent to the beginning net pension liability measurement date. The statement is effective for fiscal years beginning after June 15, 2014. The impact on the University will be reviewed.

NOTE 3 - Cash, deposits and cash equivalents

At June 30, 2014, the actual bank balances related to the deposits of the University amounted to $178,206,188; of this balance, $100,031,199 was either covered by federal depository insurance or not required to be collateralized and $78,174,989 was covered by collateral held by an agent in the University's name. The actual bank balances at June 30, 2013, were $175,064,427.

Cash, deposits and cash equivalents at June 30, 2014 and 2013 are as follows:

	2014	2013
UNIVERSITY:		
Cash and cash equivalents	$ 56,732,694	$ 55,806,032
The Illinois Funds	113,445,077	110,544,071
Total cash and cash equivalents	$ 170,177,771	$ 166,350,103
UNIVERSITY RELATED ORGANIZATIONS:		
Total cash and cash equivalents	$ 17,254,809	$ 13,269,201

NOTE 4 – Investments

University investment policy

It is University policy to invest funds in a manner which will provide investment returns and security consistent with good business practices, while meeting the daily cash flow demands of the University and conforming to all statutes governing the investments of funds. Funds are invested in accordance with the provisions of the Illinois Compiled Statutes, Chapter 30, Sections 235/0.01 – 235/8, the *Public Funds Investment Act;* the policies of the Board; and covenants provided from the University's bond and certificate of participation issuance activities. The University's Investment Policy authorizes the University to invest in securities of the United States of America, its agencies, and its instrumentalities; interest bearing savings accounts, certificates of deposit, interest bearing time deposits, and other direct obligations of any bank defined in the Illinois Banking Act; certain short term obligations of U.S. corporations rated in the highest three rating classification by at least two standard rating services provided such obligations do not mature in longer than 270 days from the time of purchase and the issuing entity has at least $500 million in assets (limited to 33 percent of the portfolio); money market mutual funds provided they are comprised of only U.S. Treasuries, agencies and instrumentalities; Public Treasurer's Investment Pool-State Treasurer's Office; repurchase agreements of Government securities; and other specifically defined repurchase agreements.

The three basic objectives of the University's investment policy are safety of invested funds; maintenance of sufficient liquidity to meet cash flow needs; and attainment of the maximum investment returns possible consistent with the first two objectives. The University insures the safety of its invested funds by limiting credit and interest rate risks. The University's portfolio is structured to ensure that cash is available to meet anticipated demands. Additionally, since all possible cash demands cannot be anticipated, the portfolio consists largely of securities with active secondary or resale markets. The investment returns on the University's portfolio is a priority after the safety and liquidity objectives have been met. Investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

University investments

Investments are reported at fair value. The fair value is determined to be the amount, usually quoted market prices, at which financial instruments could be exchanged in a current transaction between willing

NOTE 4 – Investments (continued)

partners. The investment with the Public Treasurer's Investment Pool-State Treasurer's Office is at fair value, which is the same value as the pool shares. State statutes require the Illinois Funds to comply with the *Illinois Public Funds Investment Act* (30 ILCS 235). Also, certain money market investments having a remaining maturity of one year or less at time of purchase and non-negotiable certificates of deposit with redemption terms that do not consider market rates are carried at amortized cost.

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The University has pooled its operating cash for investment purposes to provide for efficiencies and economies in their management. Proceeds related to revenue bond and certificate of participation financing activities are pooled to the extent allowed under the covenants. Investment income earned on the operating cash and investments, including realized gains and losses resulting from the sale or other disposition of investments, is distributed on a quarterly basis to the pooled participants based upon their respective aggregate balances over the prior three-month period.

Western Asset Management manages the external portfolio, and JPMorgan Chase keeps custody of these funds and assists in the accounting and reporting functions related to these investments. The funds are allocated into an Intermediate Maturity Portfolio.

Investment income net of realized and unrealized gains and losses on investments for the years ended June 30, 2014 and 2013 are reflected below:

	2014	2013
UNIVERSITY:		
Interest earnings	$ 1,294,916	$ 2,084,310
Realized gain/(loss) on investments	1,517,013	1,600,290
Unrealized gain/(loss) on investments	(312,507)	(3,938,072)
Net investment income	$ 2,499,422	$ (253,472)
UNIVERSITY RELATED ORGANIZATIONS:		
Interest earnings	$ 4,333,356	$ 4,127,375
Realized gain/(loss) on investments	10,955,884	2,397,123
Unrealized gain/(loss) on investments	12,949,884	12,304,100
Net investment income	$ 28,239,124	$ 18,828,598

University risk disclosures

Credit risk: Credit risk is the risk of loss due to the failure of the security issuer or backer to meet promised interest or principal payments on required dates. Credit risk is mitigated by limiting investments to those specified in the *Illinois Public Funds Investment Act,* which prohibits investment in corporate bonds with maturity dates longer than 270 days from the date of purchase; pre-qualifying the financial institutions which are utilized; and diversifying the investment portfolio so that the failure of any one issue or backer will not place an undue financial burden on the University. U.S. Treasuries are federal government securities that do not require the disclosure of credit risk. The U.S. agencies investments typically include the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Federal Home Loan Bank, all of which are rated AA or higher. The Public Treasurer's Investment Pool is rated AAAm.

NOTE 4 – Investments (continued)

Concentration of credit risk: The University's investment policy states that the portfolio should consist of a mix of various types of securities, issues and maturities. While the fund's asset allocation strategy provides diversification by fixed income sector, each portfolio within the sector is also broadly diversified by security type, issue and maturity.

Custodial credit risk: Custodial credit risk is the risk that when, in the event a financial institution or counterparty fails, the University would not be able to recover value of deposits, investments or collateral securities that are in the possession of an outside party. All of the University's investments are held in the University's name and are not subject to creditors of the custodial institution.

Interest rate risk: Interest rate risk is the risk that the market value of portfolio securities will fall or rise due to changes in general interest rates. Interest rate risk is mitigated by maintaining significant balances in cash equivalent and other short maturity investments and by establishing an asset allocation policy that is consistent with the expected cash flows of the University. The internally managed portfolio is managed in accordance with covenants provided from the University's debt issuance activities. The externally managed portfolio is typically allocated with a minimum of $40 million held in cash equivalents and $65 to $115 million held in the intermediate term portfolio. However, circumstances may occur that cause the allocations to temporarily fall outside the prescribed ranges.

Foreign currency risk: The University does not hold any foreign investments.

University Related Organizations investments
As the investments of the University's two Foundations are considered material to the University's financial statements taken as a whole, the following disclosures are made:

Southern Illinois University Foundation (at Carbondale)
The Foundation financial statements follow Financial Accounting Standards Board (FASB) standards; therefore, the required disclosures differ from GASB requirements. Investments are stated at fair value in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations,* and are recorded on the trade date. The fair value of all debt and equity securities with a readily determinable fair value are based on quotations obtained from national securities exchanges. The alternative investments (hedge funds, limited partnerships and other private equity) for which quoted market prices are not available, are carried at estimated fair market values as provided by the external general partners or investment managers and/or audited financial statements of the fund or partnership. Such values may be based on a variety of estimates and assumptions requiring varying degrees of judgment and may be subject to volatility in market conditions and the possibility that their value could substantially change in the near term and/or be materially different than the values reported in the statement of financial position. Management of the Foundation believes that the carrying amounts of these financial instruments are a reasonable estimate of fair value. Realized gains and losses on sales of investments are determined on the specific identification basis.

Investment securities are exposed to various risks including, but not limited to, interest rate and market and credit risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term. Because the hedge funds and limited partnerships are not readily marketable, their estimated fair value is subject to uncertainty and therefore may differ significantly from the values that would have been used had a ready market existed.

NOTE 4 – Investments (continued)

The Foundation maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

Life insurance policies are carried at net cash surrender value. Changes in fair value (realized and unrealized) are recorded in the statement of activities.

The Foundation measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Foundation may use valuation techniques consistent with the market, income and cost approaches to measure fair value.

Custodial credit risk is the risk that, in the event of a bank failure, the Foundation's deposits may not be returned to the Foundation. The Foundation has a policy to require banks to collateralize balances over the FDIC insured amount. As of June 30, 2014, the entire bank balance of $367,740 was either insured or collateralized by pledged bank assets in the Foundation's name. As of June 30, 2013, the entire bank balance of $428,332 was either insured or collateralized by pledged bank assets in the Foundation's name.

Southern Illinois University at Edwardsville Foundation
It is Foundation policy to invest funds in a manner which will provide investment returns and security consistent with good business practices, while meeting the daily cash flow demands of the Foundation. Funds are invested in accordance with the approved Board policy for investments. The Foundation's investment policy authorizes the Foundation to invest in securities of the U.S. government or its agencies, banker's acceptances, certificates of deposit, interest bearing savings accounts, interest bearing time deposits, and other direct obligations of any bank defined in the Illinois Banking Act. The Foundation's policy also authorizes additional types of investments in corporate debt securities, open and closed end mutual funds, and common and preferred stocks subject to United States' securities regulation and enforcement. The fair value of investments is determined to be the amount, usually quoted market prices, at which financial instruments could be exchanged in a current transaction between willing parties.

The Foundation has specific investment objectives based on the type of investment. For student assistance endowments and quasi-endowments, the main objective of the investment policy is maintenance of the purchasing power of the assets in perpetuity. For general endowments and quasi-endowments, the main objective is maximizing total return on assets. For charitable gift annuity funds, the main objective of the investment policy is to generate sufficient cash flow to meet the financial commitments to the annuitants while obtaining a total investment return that provides for a residual balance of at least 50 percent of the original gift amount at the termination of the agreement. The investment policy has an overall return objective to preserve the inflation adjusted value of the funds and to maximize total return net of investment expense.

Credit risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is mitigated by limiting investments to those specified in the Board-approved policy; and diversifying the investment portfolio so that the failure of any one issuer or backer will not place an

NOTE 4 – Investments (continued)

undue financial burden on the Foundation. Board policy requires investments in fixed income government or corporate securities to be purchased or retained only if the security is A2 or higher by Moody's Investor Service or is rated A or higher by Standard and Poor's Corporation (S&P) or Fitch Investors Service. Commercial paper, money markets, and banker's acceptances must be rated at least Prime-1 by Moody's or at least A1 by S&P. U.S. Treasuries are federal government securities that do not require the disclosure of credit risk. The U.S. agencies investments include the Federal Home Loan Mortgage Corporation and the Federal Home Loan Bank, all rated AAA and Aaa by S&P and Moody's, respectively.

Concentration of credit risk: Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. The Foundation's investment policy encourages diversification and prohibits investments of more than 10 percent of total investments in any one issuer.

Custodial credit risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments that are in the possession of an outside party. The investment custodians hold these investments in their name for the benefit of the Foundation. In fiscal years 2014 and 2013, the Foundation's investments were managed by two different investment firms, each offering SIPC protection up to $500,000. The investment balance exposed to custodial credit risk as of June 30, 2014 and 2013 was $30,206,450 and $26,486,512, respectively.

Interest rate risk: The Foundation does not maintain a policy that limits investment maturities in regards to interest rate risk; however, its overall risk management requires sound investment decisions and diversification of overall risk.

Foreign currency risk: The Foundation had no investment in common stocks of foreign companies at June 30, 2014. The Foundation's policy related to foreign currency risk is that no purchase of a foreign equity may be made if such purchase would cause the total value of foreign equity assets to exceed the lesser of 10 percent of the total or 25 percent of the equity portion of the endowment portfolio.

Investment policies and relevant risk disclosures as described in GASB Statement No. 40 applicable to the other University Related Organizations can be obtained by contacting those entities listed in Note 1 on pages 19 and 20.

NOTE 4 – Investments (continued)

Investment maturities

Interest rate risk is disclosed below using the segmented time distribution method. As of June 30, 2014 and 2013, the University had the following investment balances:

UNIVERSITY:	AS OF JUNE 30, 2014				
		Investment Maturities (in Years)			
Investment Type:	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**No Maturity**
U.S. Treasuries	$ 91,455,795	$ 14,850,751	$ 69,191,948	$ 7,413,096	$ -
U.S. Agencies	49,758,000	10,683,199	28,664,445	10,410,356	-
The Illinois Funds	113,445,077	113,445,077	-	-	-
Money Market Mutual Funds	1,023,820	1,023,820	-	-	-
Common Stock	44,300	-	-	-	44,300
Subtotal	255,726,992	$ 140,002,847	$ 97,856,393	$ 17,823,452	$ 44,300
Less: Investment in The Illinois Funds reported as cash	(113,445,077)				
Total Investments	$ 142,281,915				

UNIVERSITY:	AS OF JUNE 30, 2013				
		Investment Maturities (in Years)			
Investment Type:	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**No Maturity**
U.S. Treasuries	$ 59,735,212	$ 24,316,671	$ 26,964,385	$ 8,454,156	$ -
U.S. Agencies	59,773,426	-	46,195,012	13,578,414	-
The Illinois Funds	110,544,071	110,544,071	-	-	-
Common Stock	44,300	-	-	-	44,300
Subtotal	230,097,009	$ 134,860,742	$ 73,159,397	$ 22,032,570	$ 44,300
Less: Investment in The Illinois Funds reported as cash	(110,544,071)				
Total Investments	$ 119,552,938				

NOTE 4 – Investments (continued)

Investment maturities

Interest rate risk is disclosed below using the segmented time distribution method. As of June 30, 2014 and 2013, the University Related Organizations had the following investment balances:

UNIVERSITY RELATED ORGANIZATIONS:

	AS OF JUNE 30, 2014					
		Investment Maturities (in Years)				
Investment Type:	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**Over 10**	**No Maturity**
Municipal Bonds	$ 3,454,225	$ 156,202	$ 2,269,032	$ 1,028,991	$ -	$ -
Government Bonds	62,757	-	-	-	62,757	-
Government Agencies	1,266,582	-	-	1,266,582	-	-
Common Stock	1,317,717	-	-	-	-	1,317,717
Certificates of Deposit	2,155,388	1,518,001	637,387	-	-	-
Corporate Bonds	3,585,907	1,068,626	1,584,610	932,671	-	-
Commodities	4,588,436	4,588,436	-	-	-	-
Alternative Investments	35,584,080	23,261,862	12,322,218	-	-	-
Real Estate	4,341,066	4,118,083	222,983	-	-	-
Natural Resources	345,677	345,677	-	-	-	-
Money Market Funds with Brokers	3,874,934	3,874,934	-	-	-	-
Mutual Funds	153,897,965	153,897,965	-	-	-	-
Total Investments	$ 214,474,734	$ 192,829,786	$ 17,036,230	$ 3,228,244	$ 62,757	$ 1,317,717

UNIVERSITY RELATED ORGANIZATIONS:

	AS OF JUNE 30, 2013					
		Investment Maturities (in Years)				
Investment Type:	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**Over 10**	**No Maturity**
Municipal Bonds	$ 2,289,938	$ -	$ 834,749	$ 1,455,189	$ -	$ -
Government Bonds	81,962	-	-	-	81,962	-
Government Agencies	484,155	484,155	-	-	-	-
Common Stock	1,459,661	-	-	-	-	1,459,661
Certificates of Deposit	3,272,239	1,083,857	2,188,382	-	-	-
Corporate Equity Securities	3,152,316	229,620	1,825,218	1,097,478	-	-
Alternative Investments	15,561,332	14,021,112	1,540,220	-	-	-
Real Estate	1,045,097	1,045,097	-	-	-	-
Natural Resources	399,712	399,712	-	-	-	-
Money Market Funds with Brokers	2,382,011	2,382,011	-	-	-	-
Mutual Funds	155,732,097	155,732,097	-	-	-	-
Total Investments	$ 185,860,520	$ 175,377,661	$ 6,388,569	$ 2,552,667	$ 81,962	$ 1,459,661

NOTE 5 - Accounts and notes receivable

Accounts and notes receivable consisted of the following at June 30, 2014 and 2013:

UNIVERSITY:

	2014		2013	
	Accounts Receivable	Notes Receivable	Accounts Receivable	Notes Receivable
Student tuition and fees	$ 12,471,148	$ -	$ 12,057,218	$ -
Auxiliary enterprises	13,298,773	-	12,029,484	-
Grants and contracts	16,426,111	-	18,100,149	-
General operating	19,995,432	-	21,002,257	-
Student loans	120,586	18,748,893	88,093	19,139,732
Other accounts receivable	108,586	-	447,963	-
	62,420,636	18,748,893	63,725,164	19,139,732
Less: Allowance for doubtful accounts	(20,349,430)	(287,448)	(16,666,202)	(798,909)
Net receivable	$ 42,071,206	$ 18,461,445	$ 47,058,962	$ 18,340,823

UNIVERSITY RELATED ORGANIZATIONS:

	2014		2013	
	Accounts Receivable	Notes Receivable	Accounts Receivable	Notes Receivable
Accounts receivable	$ 44,983,988	$ -	$ 56,748,132	$ -
Student loans	-	30,217	-	46,439
	44,983,988	30,217	56,748,132	46,439
Less: Allowances for assignment losses & doubtful accounts	(29,737,245)	-	(35,298,516)	-
Net receivable	$ 15,246,743	$ 30,217	$ 21,449,616	$ 46,439

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2014 and 2013

NOTE 6 - Capital assets

Capital asset activity for the University for the fiscal year ended June 30, 2014 was as follows:

UNIVERSITY:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 21,958,021	$ 7,208	$ 57,847	$ -	$ 21,907,382
Nondepreciable historical treasures and works of art	11,522,850	39,589	-	-	11,562,439
Construction in progress	142,401,410	47,853,299	272,956	(116,880,029)	73,101,724
Total capital assets not being depreciated	175,882,281	47,900,096	330,803	(116,880,029)	106,571,545
Capital assets being depreciated:					
Site improvements	68,225,338	496,538	26,026	695,551	69,391,401
Buildings	1,078,220,816	9,118,894	225,916	111,450,516	1,198,564,310
Equipment	352,835,663	17,971,131	5,667,475	3,720,341	368,859,660
Intangible assets	7,340,787	-	-	-	7,340,787
Infrastructure	8,607,727	3,727,557	-	1,013,621	13,348,905
Total capital assets being depreciated	1,515,230,331	31,314,120	5,919,417	116,880,029	1,657,505,063
Less accumulated depreciation for:					
Site improvements	41,502,201	2,930,846	26,026	-	44,407,021
Buildings	497,664,841	31,597,747	207,179	-	529,055,409
Equipment	299,642,310	18,513,110	5,175,391	-	312,980,029
Intangible assets	3,362,578	719,283	-	-	4,081,861
Infrastructure	8,607,727	63,847	-	-	8,671,574
Total accumulated depreciation	850,779,657	53,824,833	5,408,596	-	899,195,894
Total capital assets being depreciated, net	664,450,674	(22,510,713)	510,821	116,880,029	758,309,169
Capital assets, net	$ 840,332,955	$ 25,389,383	$ 841,624	$ -	$ 864,880,714

The University incurred interest expense of $11,059,548 during fiscal year 2014 including $484,182 of capitalized interest.

NOTE 6 - Capital assets (continued)

Capital asset activity for the University for the fiscal year ended June 30, 2013 was as follows:

UNIVERSITY:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 21,514,697	$ 443,324	$ -	$ -	$ 21,958,021
Nondepreciable historical treasures and works of art	11,480,559	42,291	-	-	11,522,850
Construction in progress	143,988,202	83,063,882	738,464	(83,912,210)	142,401,410
Total capital assets not being depreciated	176,983,458	83,549,497	738,464	(83,912,210)	175,882,281
Capital assets being depreciated:					
Site improvements	64,531,793	1,271,525	34,587	2,456,607	68,225,338
Buildings	998,809,321	2,159,189	-	77,252,306	1,078,220,816
Equipment	341,162,512	13,295,026	5,825,172	4,203,297	352,835,663
Intangible assets	7,340,787	-	-	-	7,340,787
Infrastructure	8,607,727	-	-	-	8,607,727
Total capital assets being depreciated	1,420,452,140	16,725,740	5,859,759	83,912,210	1,515,230,331
Less accumulated depreciation for:					
Site improvements	38,724,190	2,812,597	34,586	-	41,502,201
Buildings	470,598,537	27,066,304	-	-	497,664,841
Equipment	287,493,765	17,557,150	5,408,605	-	299,642,310
Intangible assets	2,588,964	773,614	-	-	3,362,578
Infrastructure	8,607,727	-	-	-	8,607,727
Total accumulated depreciation	808,013,183	48,209,665	5,443,191	-	850,779,657
Total capital assets being depreciated, net	612,438,957	(31,483,925)	416,568	83,912,210	664,450,674
Capital assets, net	$ 789,422,415	$ 52,065,572	$ 1,155,032	$ -	$ 840,332,955

The University incurred interest expense of $11,092,023 during fiscal year 2013 including $1,105,601 of capitalized interest.

NOTE 6 - Capital assets (continued)

Capital asset activity for the University Related Organizations for the fiscal years ended June 30, 2014 and 2013 was as follows:

UNIVERSITY RELATED ORGANIZATIONS: **2014**

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 315,672	$ -	$ -	$ -	$ 315,672
Total capital assets not being depreciated	315,672	-	-	-	315,672
Capital assets being depreciated:					
Site improvements	315,630	-	-	-	315,630
Buildings	5,246,733	21,974	-	-	5,268,707
Equipment	4,729,542	337,871	162,708	-	4,904,705
Total capital assets being depreciated	10,291,905	359,845	162,708	-	10,489,042
Less accumulated depreciation for:					
Site improvements	233,763	31,398	-	-	265,161
Buildings	1,119,151	220,177	-	-	1,339,328
Equipment	3,527,603	404,395	84,090	-	3,847,908
Total accumulated depreciation	4,880,517	655,970	84,090	-	5,452,397
Total capital assets being depreciated, net	5,411,388	(296,125)	78,618	-	5,036,645
Capital assets, net	$ 5,727,060	$ (296,125)	$ 78,618	$ -	$ 5,352,317

UNIVERSITY RELATED ORGANIZATIONS: **2013**

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 412,172	$ -	$ 96,500	$ -	$ 315,672
Total capital assets not being depreciated	412,172	-	96,500	-	315,672
Capital assets being depreciated:					
Site improvements	315,630	-	-	-	315,630
Buildings	5,081,676	165,057	-	-	5,246,733
Equipment	4,568,648	360,607	199,713	-	4,729,542
Total capital assets being depreciated	9,965,954	525,664	199,713	-	10,291,905
Less accumulated depreciation for:					
Site improvements	202,360	31,403	-	-	233,763
Buildings	1,051,501	67,650	-	-	1,119,151
Equipment	3,068,266	554,050	94,713	-	3,527,603
Total accumulated depreciation	4,322,127	653,103	94,713	-	4,880,517
Total capital assets being depreciated, net	5,643,827	(127,439)	105,000	-	5,411,388
Capital assets, net	$ 6,055,999	$ (127,439)	$ 201,500	$ -	$ 5,727,060

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2014 and 2013

NOTE 7 – Changes in long-term liabilities

Long-term liability activity for the years ended June 30, 2014 and 2013 is as follows:

2014

UNIVERSITY:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 47,167,532	$ 3,498,734	$ 5,320,616	$ 45,345,650	$ 4,799,327
Revenue bonds payable	297,196,667	3,952,802	18,377,618	282,771,851	18,847,304
Certificates of participation	15,700,551	44,012,972	15,719,787	43,993,736	2,070,878
Capitalized leases	1,591,970	2,937,210	432,326	4,096,854	1,110,503
Self insurance	23,706,727	13,720,176	7,467,393	29,959,510	10,462,460
Federal loan programs refundable	17,246,433	437,378	-	17,683,811	-
Housing deposits	268,575	170,503	176,803	262,275	118,024
Total long-term liabilities	$ 402,878,455	$ 68,729,775	$ 47,494,543	$ 424,113,687	$ 37,408,496

UNIVERSITY RELATED ORGANIZATIONS:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Annuities payable	$ 3,855,266	$ -	$ 369,877	$ 3,485,389	$ 410,978
Other accrued liabilities	1,825,036	-	12,121	1,812,915	-
Deposits held in custody for others	2,388,252	472,834	-	2,861,086	76,819
Total long-term liabilities	$ 8,068,554	$ 472,834	$ 381,998	$ 8,159,390	$ 487,797

2013 (Restated)

UNIVERSITY:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 47,567,145	$ 2,828,543	$ 3,228,156	$ 47,167,532	$ 4,675,223
Revenue bonds payable	299,840,896	52,101,945	54,746,174	297,196,667	18,044,088
Certificates of participation	17,885,949	-	2,185,398	15,700,551	1,755,348
Capitalized leases	1,256,551	747,361	411,942	1,591,970	384,656
Self insurance	22,260,606	10,660,079	9,213,958	23,706,727	11,336,557
Federal loan programs refundable	17,273,195	-	26,762	17,246,433	-
Housing deposits	295,800	172,460	199,685	268,575	120,859
Total long-term liabilities	$ 406,380,142	$ 66,510,388	$ 70,012,075	$ 402,878,455	$ 36,316,731

UNIVERSITY RELATED ORGANIZATIONS:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Annuities payable	3,916,894	397,217	458,845	3,855,266	524,229
Other accrued liabilities	2,476,895	-	651,859	1,825,036	-
Deposits held in custody for others	2,192,935	195,317	-	2,388,252	83,938
Total long-term liabilities	$ 8,586,724	$ 592,534	$ 1,110,704	$ 8,068,554	$ 608,167

NOTE 8 - Revenue bonds payable

Revenue bonds payable activity for the years ended June 30, 2014 and 2013 is as follows:

UNIVERSITY: **2014**

Series	Annual Maturity To	Beginning Balance	Accretion/ New Debt	Principal Paid/Debt Refunded	Ending Balance	Current Portion
1993A	2018	$ 17,195,976	$ 1,013,383	$ 4,050,000	$ 14,159,359	$ 4,050,000
1997A	2018	12,867,823	694,156	3,345,000	10,216,979	3,175,000
1999A	2029	40,177,785	2,245,263	505,000	41,918,048	505,000
2004A	2014	1,020,000	-	1,020,000	-	-
2005	2026	15,470,000	-	1,015,000	14,455,000	1,085,000
2006A	2036	53,880,000	-	2,550,000	51,330,000	3,780,000
2008A	2028	26,230,000	-	1,110,000	25,120,000	1,220,000
2009A	2030	47,570,000	-	2,135,000	45,435,000	2,185,000
2012A	2030	28,290,000	-	1,565,000	26,725,000	1,090,000
2012B	2035	44,220,000	-	510,000	43,710,000	1,555,000
		$ 286,921,584	$ 3,952,802	$ 17,805,000	273,069,386	18,645,000
Unaccreted appreciation						(328,654)
Unamortized debt premium					9,702,465	530,958
Total					$ 282,771,851	$ 18,847,304

UNIVERSITY: **2013 (Restated)**

Series	Annual Maturity To	Beginning Balance	Accretion/ New Debt	Principal Paid/Debt Refunded	Ending Balance	Current Portion
1993A	2018	$ 20,056,143	$ 1,189,833	$ 4,050,000	$ 17,195,976	$ 4,050,000
1997A	2018	15,175,812	827,011	3,135,000	12,867,823	3,345,000
1999A	2029	38,478,152	2,149,633	450,000	40,177,785	505,000
2003A	2013	6,710,000	-	6,710,000	-	-
2004A	2014	35,035,000	-	34,015,000	1,020,000	1,020,000
2005	2026	16,415,000	-	945,000	15,470,000	1,015,000
2006A	2036	57,020,000	-	3,140,000	53,880,000	2,550,000
2008A	2028	27,270,000	-	1,040,000	26,230,000	1,110,000
2009A	2030	49,660,000	-	2,090,000	47,570,000	2,135,000
2012A	2030	29,805,000	-	1,515,000	28,290,000	1,565,000
2012B	2035	-	44,700,000	480,000	44,220,000	510,000
		$ 295,625,107	$ 48,866,477	$ 57,570,000	286,921,584	17,805,000
Unaccreted appreciation						(333,530)
Unamortized debt premium					10,275,083	572,618
Total					$ 297,196,667	$ 18,044,088

NOTE 8 - Revenue bonds payable (continued)

University revenue bonds payable:
The Housing and Auxiliary Facilities System Bonds, Series 1993A were authorized by the University's Board under the Third Supplemental Bond Resolution dated May 13, 1993. The bonds mature at varying amounts from 2011 to 2018 and pay no current interest. Interest ranges from 6.05 to 6.20 percent, approximate yield to maturity. The University records the annual increase in the principal amount of these bonds as interest expense and accretion on bonds payable.

The Housing and Auxiliary System Bonds, Series 1997A were authorized by the Board under the Fifth Supplemental Bond Resolution dated July 10, 1997. The bonds were issued as current interest and capital appreciation bonds. The current interest bonds mature at varying amounts from 1998 to 2009 with interest ranging from 4.20 to 5.50 percent. Interest payments are due semi-annually. The capital appreciation bonds mature at varying amounts from 1998 to 2018 with approximate yield to maturity ranges from 4.10 to 5.74 percent. They pay no current interest. The University records the annual increase in principal amount of these bonds as interest expense and accretion on bonds payable.

The Housing and Auxiliary Facilities System Bonds, Series 1999A were authorized by the University's Board under the Sixth Supplemental Bond Resolution dated May 13, 1999. The bonds mature at varying amounts from 2001 to 2029 with interest ranging from 4.10 to 5.55 percent. They pay no current interest. The University records the annual increase in the principal amount of these bonds as interest expense and accretion on bonds payable.

The Housing and Auxiliary Facilities System Bonds, Series 2003A were authorized by the University's Board under the Ninth Supplemental Bond Resolution dated December 12, 2002. The bonds mature at varying amounts from 2004 to 2013 with interest ranging from 1.15 to 4.85 percent. Interest payments are due semi-annually. A portion of the bonds were part of an advanced refunding on December 19, 2012. The final payment on the 2003A Series Bonds was made on April 1, 2013.

The Housing and Auxiliary Facilities System Bonds, Series 2004A were authorized by the University's Board under the Tenth Supplemental Bond Resolution dated October 14, 2004. The bonds mature at varying amounts from 2006 to 2014 with interest ranging from 3.00 to 5.00 percent. Interest payments are due semi-annually. A portion of the bonds were part of an advanced refunding on December 19, 2012. The final payment on the 2004A Series Bonds was made on April 1, 2014.

The Medical Facilities System Bonds, Series 2005 were authorized by the University's Board on October 13, 2005. The bonds mature at varying amounts from 2006 to 2026 with interest ranging from 3.25 to 5.00 percent. Interest payments are due semi-annually.

The Housing and Auxiliary Facilities System Bonds, Series 2006A were authorized by the University's Board under the Eleventh Supplemental Bond Resolution dated March 9, 2006, as amended and restated on May 2, 2006, and as further amended on November 9, 2006. The bonds mature at varying amounts from 2007 to 2036 with interest ranging from 4.00 to 5.25 percent. Interest payments are due semi-annually.

The Housing and Auxiliary Facilities System Bonds, Series 2008A were authorized by the University's Board under the Twelfth Supplemental Bond Resolution dated April 10, 2008. The bonds mature at varying amounts from 2009 to 2028 with interest ranging from 3.00 to 5.50 percent. Interest payments are due semi-annually.

NOTE 8 - Revenue bonds payable (continued)

The Housing and Auxiliary Facilities System Bonds, Series 2009A were authorized by the University's Board under the Thirteenth Supplemental Bond Resolution approved April 2, 2009. The bonds mature at varying amounts from 2011 to 2030 with interest ranging from 2.50 to 6.20 percent. Interest payments are due semi-annually. The bonds are Build America Bonds that carry a direct payment subsidy from the U.S. Treasury in an amount equal to 35% of the interest due on each payment date:

Year Ending	Principal	Interest	Treasury Rebate	Total
2015	$ 2,185,000	$ 2,563,606	$ (897,262)	$ 3,851,344
2016	2,245,000	2,473,475	(865,716)	3,852,759
2017	2,310,000	2,371,327	(829,965)	3,851,362
2018	2,385,000	2,260,448	(791,157)	3,854,291
2019	2,460,000	2,141,197	(749,419)	3,851,778
2020-24	13,660,000	8,621,178	(3,017,412)	19,263,766
2025-29	16,485,000	4,288,650	(1,501,028)	19,272,622
2030	3,705,000	229,710	(80,398)	3,854,312
Total	$ 45,435,000	$ 24,949,591	$ (8,732,357)	$ 61,652,234

Note: The October 1, 2014 Treasury Rebate will be reduced by 7.2% in accordance with the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. Reductions to future Treasury Rebates are subject to Congressional action.

The Housing and Auxiliary Facilities System Bonds, Series 2012A were authorized by the University's Board under the Fourteenth Supplemental Bond Resolution approved December 8, 2011. The bonds mature at varying amounts from 2013 to 2030 with interest ranging from 2.05 to 4.38 percent. Interest payments are due semi-annually. Debt service reserve funds of $1,592,622 were released and used to refund a portion of Series 2001A debt service. The current refunding, which was undertaken by the Board to effect a cost savings, resulted in a net decrease in debt service payments of $1,939,053 of which $1,592,622 represents application of the debt service reserve released funds. The financing resulted in an economic gain of $233,957 and an accounting loss of $9,103.

The Housing and Auxiliary Facilities System Bonds, Series 2012B were authorized by the University's Board under the Fifteenth Supplemental Bond Resolution approved November 8, 2012. The bonds in Series 2012B-1 mature at varying amounts from 2013 to 2035 with interest ranging from 1.00 to 5.00 percent. Interest payments are due semi-annually. The advance refunding, which was undertaken by the Board to effect a cost savings, resulted in a net decrease in debt service payments of $6,293,473. The financing resulted in an economic gain of $4,829,291 and an accounting loss of $2,216,389.

NOTE 8 - Revenue bonds payable (continued)

The bonds in Series 2012B-2 mature at $5,365,000 in 2035 with interest of 4.40 percent. Interest payments are due semi-annually. The bonds are Qualified Energy Conservation Bonds that carry a direct payment subsidy from the U.S. Treasury in an amount equal to 70% of the tax credit rate published by the Bureau of Public Debt on the date of the bond sale:

Year Ending	Principal	Interest	Treasury Rebate	Total
2015	$ -	$ 236,060	$ (157,731)	$ 78,329
2016	-	236,060	(157,731)	78,329
2017	-	236,060	(157,731)	78,329
2018	-	236,060	(157,731)	78,329
2019	-	236,060	(157,731)	78,329
2020-24	-	1,180,300	(788,655)	391,645
2025-29	-	1,180,300	(788,655)	391,645
2030-34	-	1,180,300	(788,655)	391,645
2035	5,365,000	236,060	(157,731)	5,443,329
Total	$ 5,365,000	$ 4,957,260	$ (3,312,351)	$ 7,009,909

Note: The October 1, 2014 Treasury Rebate will be reduced by 7.2% in accordance with the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. Reductions to future Treasury Rebates are subject to Congressional action.

Housing and Auxiliary Facilities System: These bonds, which are payable through 2036, do not constitute a debt of the State of Illinois or the individual members, officers or agents of the Board of Trustees of the University but, together with interest thereon, are payable from and secured by a pledge of and lien on (i) the net revenues of the System, (ii) pledged tuition in an amount not to exceed maximum annual debt service (subject to prior payment of operating and maintenance expenses of the System), (iii) the Bond and Interest Sinking Fund account, and (iv) the Repair and Replacement Reserve account. Unrefunded bonds issued in 2001 and prior are additionally secured by the Debt Service Reserve. Total principal and interest remaining on the debt is $385,292,249 with annual requirements ranging from $2,604,000 to $26,920,816. For the current year, principal and interest paid was $26,535,010, and the total revenues pledged were $62,345,702. In the prior year, principal and interest paid was $26,772,473, and the total revenues pledged were $60,763,029. For fiscal year 2014, the total revenue pledged represents 100 percent of the net revenues of the System and 17 percent of net tuition revenue received, compared to 100 percent of the net revenues and 16 percent of net tuition revenue received during fiscal year 2013. Although net tuition is pledged it is not expected to be needed to meet debt service requirements.

The bond resolution requires that debt service coverage on a cash basis be at least 120 percent of the maximum annual debt service. For the year ended June 30, 2014, the maximum annual debt requirement was $26,920,816, and the coverage was 232 percent. For the year ended June 30, 2013, the maximum annual debt requirement was $26,920,816, and the coverage was 226 percent. The bond resolution also requires the Treasurer to transfer annually to Renewals and Replacements from the funds remaining in unrestricted net assets the sum of 10 percent of the maximum annual net debt service requirement or such portion thereof as is available for transfer. The net assets of Renewals and Replacements were $25,078,988 at June 30, 2014, and $28,601,147 at June 30, 2013. All of the refunded bonds are considered to be defeased and, accordingly, have been accounted for as if they were retired. As of June 30, 2014, there were

NOTE 8 - Revenue bonds payable (continued)

no outstanding balances of refunded bonds. As of June 30, 2013, $33,035,000 of the bonds refunded in 2012 were outstanding and the market value of the related escrow fund was $34,588,749.

Medical Facilities System: These bonds, which are payable through 2026, do not constitute a debt of the State of Illinois or the individual members, officers or agents of the Board of Trustees of the University but, together with interest thereon, are payable from and secured by a pledge of and lien on (i) the net revenues of the System, (ii) pledged tuition (subject to the prior payment of necessary operating and maintenance expenses of the Housing and Auxiliary Facilities System, debt service of the Housing and Auxiliary Facilities System not to exceed the maximum annual debt service, and then necessary operating and maintenance expenses of the System), and (iii) the Bond and Interest Sinking Fund account. Total principal and interest remaining on the debt is $18,714,412 with annual requirements ranging from $543,400 to $1,985,750. For the current year, principal and interest paid was $1,765,250, and the total revenues pledged were $134,401,408. In the prior year, principal and interest paid was $1,742,500, and the total revenues pledged were $144,617,443. For fiscal year 2014, the total revenue pledged represents 100 percent of the net revenues of the System and 83 percent of net tuition revenue received, compared to 100 percent of the net revenues and 84 percent of net tuition revenue received during fiscal year 2013. Although net tuition is pledged it is not expected to be needed to meet debt service requirements.

The bond resolution requires that debt service coverage on the cash basis (net revenues plus pledged tuition) be at least 200 percent of annual debt service and that net revenues shall be at least 100 percent of the annual debt service requirement in each fiscal year. For the year ended June 30, 2014, the maximum annual debt service was $1,985,750, and the coverage was 6,768 percent. For the year ended June 30, 2013, the maximum annual debt requirement was $1,985,750, and the coverage was 7,283 percent. The bond resolution also requires the Treasurer to credit funds remaining in the revenue fund into a separate and special account designated the Medical Facilities System Repair and Replacement Reserve account on or before the close of each fiscal year, the sum of not less than 10 percent of the maximum annual debt service, or such portion thereof as is available for transfer and deposit annually, for a repair and replacement reserve. The net assets of Renewals and Replacements were $964,900 at June 30, 2014, and $1,447,805 at June 30, 2013.

NOTE 8 - Revenue bonds payable (continued)

As of June 30, 2014, future debt service requirements for all bonds outstanding are:

UNIVERSITY:		June 30, 2014	
	Principal	Interest	Total
2015	$ 18,645,000	$ 10,067,928	$ 28,712,928
2016	19,070,000	9,591,435	28,661,435
2017	18,235,000	9,053,688	27,288,688
2018	20,030,000	8,589,643	28,619,643
2019	18,005,000	8,041,740	26,046,740
2020-24	88,325,000	31,006,885	119,331,885
2025-29	82,300,000	17,354,517	99,654,517
2030-34	27,050,000	6,055,365	33,105,365
2035-36	11,915,000	670,460	12,585,460
Total payments	303,575,000	$ 100,431,661	$ 404,006,661
Unaccreted appreciation	(30,505,614)		
Subtotal	273,069,386		
Unamortized premiums on bonds	9,702,465		
Total bonds payable	$ 282,771,851		

NOTE 9 - Capitalized leases

The University has entered into lease purchase contracts for certain items of equipment. Minimum lease payments under capital leases together with the present value of the net minimum lease payments are:

UNIVERSITY:	June 30, 2014
Year Ending	
2015	$ 1,180,857
2016	1,150,036
2017	1,060,183
2018	581,364
2019	296,334
Total minimum lease payments	4,268,774
Less amount representing interest	(171,920)
Present value of net minimum lease payments	$ 4,096,854

Assets held under capital lease are:

UNIVERSITY:	June 30, 2014	June 30, 2013
Equipment	$ 4,266,466	$ 1,944,077
Improvements	288,082	288,082
Less accumulated depreciation	(1,082,507)	(548,432)
Total net assets	$ 3,472,041	$ 1,683,727

NOTE 10 - Operating Leases

The University leases office and instructional space as well as equipment (principally office machines, automobiles, and farm equipment) under contracts which are renewable annually. The University also leases clinical space under contract of which some are renewable for multiple years with renewal options at the end of the initial lease period. Many of the University's leases are subject to escalation upon proper notice by the lessor. The clinical leases extending beyond 2014 have future payments of $3,489,513 in 2015, $3,385,350 in 2016, $3,208,518 in 2017, and $1,184,687 in 2018. There are no clinical leases as of June 30, 2014 with future payments beyond 2018. Rental payments on operating leases totaled $17,887,158 in 2014 and $16,354,641 in 2013.

NOTE 11 - Certificates of participation payable

Series 2014A: On February 13, 2014, the University issued Certificates of Participation (COPS) in the par amount of $42,995,000. The COPS were issued at a premium of $1,017,972. The certificates were issued to finance, in combination with University funds, multiple capital improvement projects on the Carbondale campus as well as to refund the outstanding balance of the Series 2004A COPS. The certificates bear interest at rates ranging from 2% to 5% payable semi-annually, and principal installments ranging from $1,525,000 to $2,855,000 are payable annually on February 15 beginning 2015 through the year 2034. The current refunding undertaken by the Board to effect a cost savings resulted in a net decrease in debt service payments of $1,365,042. The financing resulted in an economic gain of $1,173,843 and an accounting loss of $330,440.

Series 2004A: On June 17, 2004, the University issued Certificates of Participation (COPS) in the par amount of $32,740,000. The COPS were issued at a discount of $91,480. The certificates were issued to finance, in combination with University funds, the renovation of Morris Library, the construction of a library storage facility, the construction of a Research Park, the replacement of campus signage, the purchase of computer and research equipment, and energy conservation measures, all at Carbondale; the construction of a Pharmacy building and the renovation of the Dental School building, both at Edwardsville; and energy performance measures at the School of Medicine in Springfield. The outstanding balance of the Series 2004A COPS were refunded with the issuance of the Series 2014A COPS. The final payment for the Series 2004A COPS was made on February 15, 2014.

NOTE 11 - Certificates of participation payable (continued)

Annual aggregate principal and interest payments required for subsequent years are:

UNIVERSITY: June 30, 2014	Certificates of Participation		
	Principal	Interest	Total
2015	$ 2,020,000	$ 1,711,747	$ 3,731,747
2016	2,155,000	1,652,290	3,807,290
2017	2,210,000	1,592,540	3,802,540
2018	2,285,000	1,515,090	3,800,090
2019	2,360,000	1,434,940	3,794,940
2020-24	13,255,000	5,759,200	19,014,200
2025-29	8,290,000	3,623,725	11,913,725
2030-34	10,420,000	1,493,898	11,913,898
Total payments	42,995,000	$ 18,783,430	$ 61,778,430
Unamortized premiums on COPS	998,736		
Total payable	$ 43,993,736		

NOTE 12 - Accrued self-insurance

The University is exposed to various risks of loss relative to general liability, professional liability, and certain group coverage of student health and life benefits. The University minimizes its exposure through a combination of risk reduction and self-insurance programs, as well as primary and excess insurance coverage with commercial carriers.

The general and professional liability self-insurance fund provides for comprehensive general and professional liability coverage. The University also purchases excess insurance coverage with commercial carriers for claims that may result in catastrophic losses. The University makes contributions to the general and professional liability self-insurance fund based on yearly actuarial analysis. The actuarial analysis for 2014 included a 1.5% discount rate for self-insurance liabilities.

The Student Medical Insurance Plan (the "Plan") was established on August 15, 1995, as a secondary coverage plan to supplement the On-Campus Student Health Services in Carbondale and Springfield. The Plan is supported by student fees and covers all students enrolled at the Carbondale campus with the exception of those students who have demonstrated comparable coverage and have applied for a refund. The Plan provides a maximum benefit per student while covered under the Plan of $250,000, subject to other limits of the Plan. To protect against excessive losses, the University established a gap-reserve fund and purchased a stop-loss insurance policy with a commercial carrier in the amount of $5,000,000. Contributions to the Student Medical Insurance Plan are based on historic and estimated future year claims.

As of June 30, 2014 and 2013, the accrual for self-insurance was $29,154,205 and $22,620,572, respectively, for the general and professional liability fund and $805,305 and $1,086,155, respectively, for the Student Medical Insurance Plan, for a total accrued liability for self-insurance of $29,959,510 and $23,706,727. Because the amounts accrued and funded are estimates, the aggregate actual claims covered by the self-insurance funds could differ from the amount that has been accrued. Changes in these estimates will be reflected in the Statement of Revenues, Expenses, and Changes in Net Position in the period in which additional information becomes available.

NOTE 12 - Accrued self-insurance (continued)

Changes in the self-insurance accrual for the years ended June 30, 2014, and June 30, 2013, are reflected below:

	June 30, 2014		
	Total	General and Professional	Student Plan
Accrued liability, June 30, 2013	$ 23,706,727	$ 22,620,572	$ 1,086,155
Current year claims and other changes	13,720,176	8,630,480	5,089,696
Payment of Claims	(7,467,393)	(2,096,847)	(5,370,546)
Accrued liability, June 30, 2014	$ 29,959,510	$ 29,154,205	$ 805,305

	June 30, 2013		
	Total	General and Professional	Student Plan
Accrued liability, June 30, 2012	$ 22,260,606	$ 21,198,482	$ 1,062,124
Current year claims and other changes	10,660,080	3,535,351	7,124,729
Payment of Claims	(9,213,959)	(2,113,261)	(7,100,698)
Accrued liability, June 30, 2013	$ 23,706,727	$ 22,620,572	$ 1,086,155

NOTE 13 - Net Position

Net position balances by major categories at June 30, 2014 and 2013, as restated:

UNIVERSITY:	June 30, 2014	June 30, 2013
Net investment in capital assets	$ 560,071,866	$ 531,990,424
Restricted for:		
Nonexpendable	5,030,306	4,903,490
Expendable		
Quasi-endowment	704,383	248,140
Scholarships, research, instruction and other	945,958	3,642,564
Loans	4,816,380	4,669,585
Self insurance	7,855,672	11,549,092
Capital projects	53,652,475	81,973,428
Debt service	14,425,877	14,643,094
Unrestricted	135,164,885	107,755,266
Total	$ 782,667,802	$ 761,375,083
UNIVERSITY RELATED ORGANIZATIONS:		
Net investment in capital assets	$ 5,352,317	$ 5,727,060
Restricted for:		
Nonexpendable	102,965,863	97,819,438
Expendable		
Scholarships, research, instruction and other	81,022,376	65,081,949
Loans	3,106,763	2,703,614
Capital projects	5,168,309	6,131,142
Unrestricted	64,380,349	58,793,645
Total	$ 261,995,977	$ 236,256,848

NOTE 14 - Donor-restricted endowments

The University entered into an agreement with the Southern Illinois University Foundation at Carbondale on July 1, 2003, in which the University transferred Endowment funds to the Foundation. The Foundation has agreed to hold and administer these funds as agency funds based upon and consistent with the desires of the donor and/or the University. During fiscal year 2014, there was an addition to the University's permanent endowments of $400,000. For fiscal year 2014, realized gains on investments totaled $158,311 and unrealized gains on investments totaled $134,639, resulting in a balance of $2,784,267 held by the Foundation at June 30, 2014. During fiscal year 2013, realized losses on investments were $28,298 and unrealized gains on investments were $192,897, resulting in a balance of $2,091,317 at June 30, 2013. The Foundation distributes earnings to the University on a quarterly basis. Payments during fiscal years 2014 and 2013 totaled $77,165 and $76,504, respectively.

The State of Illinois adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), effective June 30, 2009. UPMIFA added certain prudent spending measures to the Uniform Management of Institutional Funds Act. In accordance with UPMIFA, the Board of Directors of Southern Illinois University Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund; the purposes of the donor-restricted endowment fund; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of the institution; and the investment policies of the Foundation.

NOTE 15 - State Universities Retirement System

The University contributes to the State Universities Retirement System of Illinois (SURS), which offers a cost-sharing multiple-employer defined benefit pension plan as well as a defined contribution plan. These plans have a special funding situation whereby the State of Illinois 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 Section 5/15, Chapter 40, of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.SURS.org or calling 1-800-275-7877.

Plan members are required to contribute 8% of their annual covered salary, and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The rate for fiscal year 2014 was 35.20% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly. The employer contribution to SURS for the years ended June 30, 2014, 2013, and 2012 were $149,491,589, $139,770,149, and $102,861,965, respectively, equal to the required contributions for the year. The fiscal year 2014 contribution consisted of $146,697,808 from State appropriations and $2,793,781 from other current funds, and the fiscal year 2013 contribution consisted of $136,823,379 from State appropriations and $2,946,770 from other current funds.

All full-time employees of the Foundations, the Alumni Associations, University Park, and the Research Park are paid as University employees. Accordingly, the benefits related to these employees are covered by the University's plan.

NOTE 16 - Post-employment benefits

In addition to providing the above pension benefits, the State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and various unions that represent the State's and University's employees. Annuitants receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes $5,000. The State pays the University's portion of employer costs for the benefits provided. The total costs of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as an expenditure by the State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

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

NOTE 17 - University Related Organizations - transactions with related parties

The University has entered into master contracts with the University Related Organizations which specify the relationship between the University and its related organizations in accordance with the Legislative Audit Commission's University Guidelines of 1982 as amended in 1997. Significant transactions for the University during fiscal years 2014 and 2013 included the receipt of $37,288,484 and $40,130,585, respectively, from SIU Physicians & Surgeons, Inc. (SIU P&S) for services provided by the University. Also, SIU P&S contributions to the University for Academic Development for the School of Medicine during fiscal years 2014 and 2013 totaled $8,749,316 and $8,365,842, respectively.

Additional information concerning transactions with related parties may be obtained by contacting the entities listed in Note 1 on pages 19 and 20.

NOTE 18 - Commitments and contingencies

Grants and contracts
The University receives monies from federal and state government agencies under grants and contracts for research and other activities, including medical service reimbursements and the administration of student financial aid. The costs, both direct and indirect, charged to these grants and contracts are subject to audit and disallowance by the granting agency. During fiscal year 2011, the U.S. Department of Education performed a program review at SIUE that will likely result in the return of Title IV funds by the University. The University recognized a $1,476,000 liability in 2012; there exists an additional contingent liability of $800,000. As of June 30, 2014, the status of these liabilities remained the same as the previous fiscal year.

NOTE 18 - Commitments and contingencies (continued)

The University administration believes that any other disallowances or adjustment resulting from this review and any other reviews would not have a material effect on the University's financial position.

Legal action

The University is a defendant in several lawsuits. However, University officials are of the opinion, based on the advice of legal counsel, that any ultimate liability which could result from such litigation would not have a material effect on the University's financial position or its future operations.

Forward contract

The University has forward fixed-price purchase contracts with MidAmerican Energy Company for the procurement of electricity that is used in the normal course of operations. The University does not employ futures contracts or other derivative products. At June 30, 2014, the University's annual commitment related to this contract is approximately $10,200,000 while at June 30, 2013, the University's annual commitment was approximately $10,500,000.

Construction projects

During fiscal years 2014 and 2013, the University had several construction projects taking place. At Carbondale, there were multiple facility and infrastructure projects as well as renovations to Morris Library, housing facilities, the Student Recreation Center, and the Student Services Building. At Edwardsville, general improvements to roads and parking lots and renovations to the Science Building were the primary focus. As of June 30, 2014 and 2013, $54,679,876 and $142,401,410 had been spent on these projects with $55,071,878 and $38,313,764 being committed to the completion of these projects.

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2014 and 2013

NOTE 19 - Operating Expenses by Natural Classification

University operating expenses by natural classification for the years ended June 30, 2014 and June 30, 2013 are summarized as follows:

Operating Expenses by Natural Classification--June 30, 2014

	Compensation and benefits	Supplies and Services	Student Aid	Depreciation	Total
Instruction	305,179,701	32,908,151	16,657,044	-	354,744,896
Research	35,321,992	21,338,774	3,276,755	-	59,937,521
Public Service	41,835,516	20,861,268	1,594,265	-	64,291,049
Academic Support	161,283,522	30,036,920	1,555,315	-	192,875,757
Student Services	49,332,327	24,880,542	5,552,046	-	79,764,915
Institutional Support	66,890,389	14,822,931	6,590,887	-	88,304,207
Operations and maintenance of plant	48,569,597	41,662,452	-	-	90,232,049
Scholarships and fellowships	599,921	110,276	39,539,866	-	40,250,063
Auxiliary Enterprises	55,922,619	56,114,896	621,558	-	112,659,073
Other	-	192,848	-	-	192,848
Depreciation	-	-	-	53,824,833	53,824,833
Total	764,935,584	242,929,058	75,387,736	53,824,833	1,137,077,211

Operating Expenses by Natural Classification--June 30, 2013

	Compensation and benefits	Supplies and Services	Student Aid	Depreciation	Total
Instruction	310,881,615	31,635,524	15,194,217	-	357,711,356
Research	38,105,580	22,421,656	3,821,577	-	64,348,813
Public Service	43,461,889	21,847,623	1,504,474	-	66,813,986
Academic Support	157,810,615	29,590,192	1,737,007	-	189,137,814
Student Services	48,249,543	23,129,382	4,773,907	-	76,152,832
Institutional Support	65,939,668	8,427,701	6,224,145	-	80,591,514
Operations and maintenance of plant	47,782,287	41,047,867	-	-	88,830,154
Scholarships and fellowships	570,165	68,195	41,155,552	-	41,793,912
Auxiliary Enterprises	54,733,841	52,751,212	741,052	-	108,226,105
Other	-	(2,022,681)	-	-	(2,022,681)
Depreciation	-	-	-	48,209,665	48,209,665
Total	767,535,203	228,896,671	75,151,931	48,209,665	1,119,793,470

NOTE 20 - Segment information

A segment is an identifiable activity for which one or more revenue bonds or other revenue-backed debt instruments are outstanding. A segment has a specific identifiable revenue stream pledged in support of the revenue bonds or other revenue-backed debt and has related expenses, gains and losses, assets, and liabilities that can be identified.

The University has issued revenue bonds with the net revenues from the two segments pledged to pay the bond interest and principal. The Housing and Auxiliary Facilities System segment is comprised of University owned housing units, student centers, recreation and athletic facilities, and similar auxiliary enterprise units. The Medical Facilities System is comprised of clinical facilities used to provide patient care at the School of Medicine in Springfield. Additional information relating to these segments is included in Note 8, Revenue bonds payable.

Condensed financial statements for the University's two segments for fiscal year 2014, with comparative information for fiscal year 2013, as restated, are presented on the following pages.

NOTE 20 - Segment information (continued)

	Housing and Auxiliary Facilities System	
CONDENSED STATEMENTS OF NET POSITION	**June 30, 2014**	**June 30, 2013**
Assets and deferred outflows of resources:		
Current assets	$ 71,192,679	$ 76,110,825
Capital assets, net	285,666,016	285,077,030
Other assets	3,423,452	6,822,539
Deferred outflows of resources	2,443,504	2,599,647
Total Assets and deferred outflows of resources	362,725,651	370,610,041
Liabilities:		
Current liabilities	27,978,937	33,149,839
Noncurrent liabilities	252,552,555	266,656,213
Total Liabilities	280,531,492	299,806,052
Net Position		
Net investment in capital assets	20,014,324	9,125,202
Restricted - expendable	40,743,952	43,221,124
Unrestricted	21,435,883	18,457,663
Total Net Position	$ 82,194,159	$ 70,803,989

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	**Year ended June 30, 2014**	**Year ended June 30, 2013**
Operating revenues	$ 110,427,352	$ 105,917,392
Operating expenses	(104,388,244)	(97,280,294)
Depreciation expense	(15,566,121)	(14,459,512)
Operating loss	(9,527,013)	(5,822,414)
Nonoperating revenues and expenses - net	13,981,921	13,990,466
Income before other revenues, expenses, gains or losses	4,454,908	8,168,052
Other revenues, expenses, gains or losses - net	6,935,262	(176,296)
Increase in net position	11,390,170	7,991,756
Net position at beginning of year as previously reported	70,803,989	65,347,026
Change in accounting principle	-	(2,534,793)
Net position, beginning of year, as restated	70,803,989	62,812,233
Net position at end of year	$ 82,194,159	$ 70,803,989

CONDENSED STATEMENTS OF CASH FLOWS	**Year ended June 30, 2014**	**Year ended June 30, 2013**
Cash provided by (used in):		
Operating activities	$ 26,216,341	$ 26,862,853
Noncapital financing activities	4,829,806	4,526,577
Capital financing activities	(39,255,850)	(41,730,264)
Investing activities	397,046	10,716,870
Net increase (decrease) in cash	(7,812,657)	376,036
Cash, beginning of year	60,448,933	60,072,897
Cash, end of year	$ 52,636,276	$ 60,448,933

NOTE 20 - Segment information (continued)

	Medical Facilities System	
CONDENSED STATEMENTS OF NET POSITION	**June 30, 2014**	**June 30, 2013**
Assets and deferred outflows of resources:		
Current assets	$ 7,502,695	$ 8,697,902
Capital assets, net	32,213,806	33,636,100
Other assets	50,108	54,770
Deferred outflows of resources	570,609	635,821
Total Assets and deferred outflows of resources	40,337,218	43,024,593
Liabilities:		
Current liabilities	2,767,063	2,516,552
Noncurrent liabilities	15,377,701	16,568,778
Total Liabilities	18,144,764	19,085,330
Net Position		
Net investment in capital assets	18,114,711	18,537,917
Restricted - expendable	1,290,991	1,761,049
Unrestricted	2,786,752	3,640,297
Total Net Position	$ 22,192,454	$ 23,939,263

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	**Year ended June 30, 2014**	**Year ended June 30, 2013**
Operating revenues	$ 40,301,094	$ 41,851,324
Operating expenses	(62,482,240)	(62,690,762)
Depreciation expense	(1,675,255)	(1,687,431)
Operating loss	(23,856,401)	(22,526,869)
Nonoperating revenues and expenses - net	21,931,460	22,022,873
Income (Loss) before other revenues, expenses, gains or losses	(1,924,941)	(503,996)
Other revenues, expenses, gains or losses - net	178,132	160,205
Increase (decrease) in net position	(1,746,809)	(343,791)
Net position at beginning of year as previously reported	23,939,263	24,430,337
Change in accounting principle	-	(147,283)
Net position, beginning of year, as restated	23,939,263	24,283,054
Net position at end of year	$ 22,192,454	$ 23,939,263

CONDENSED STATEMENTS OF CASH FLOWS	**Year ended June 30, 2014**	**Year ended June 30, 2013**
Cash provided by (used in):		
Operating activities	$ 1,552,993	$ 2,181,113
Noncapital financing activities	115,842	115,842
Capital financing activities	(1,840,078)	(2,102,303)
Investing activities	7,322	13,694
Net increase (decrease) in cash	(163,921)	208,346
Cash, beginning of year	4,020,286	3,811,940
Cash, end of year	$ 3,856,365	$ 4,020,286

21. University Related Organizations

Condensed financial statements for the component units of the University as of June 30, 2014 are as follows:

	SIUC FOUNDATION	SIUE FOUNDATION	SIUC PHYSICIANS & SURGEONS	SIUC ALUMNI	SIUE ALUMNI	SIUC RESEARCH PARK	SIUE UNIV. PARK	TOTAL
CONDENSED STATEMENTS OF NET POSITION JUNE 30, 2014								
Assets:								
Current assets	$ 38,940,278	$ 3,888,243	$45,428,850	$ 157,913	$ 42,396	$ 336,860	$1,580,407	$ 90,374,947
Other non-current assets	139,116,203	31,081,077	4,931,600	8,482,536	160,841	-	-	183,772,257
Capital assets	317,226	2,101,500	661,768	165,767	-	133,264	1,972,792	5,352,317
Total Assets	178,373,707	37,070,820	51,022,218	8,806,216	203,237	470,124	3,553,199	279,499,521
Liabilities:								
Current liabilities	576,303	510,856	8,237,708	371,988	5,311	8,190	77,095	9,787,451
Noncurrent liabilities	5,439,988	418,690	-	1,726,749	-	-	86,166	7,671,593
Deferred inflows of resources	-	-	-	-	-	44,500	-	44,500
Total Liabilities and deferred inflows of resources	6,016,291	929,546	8,237,708	2,098,737	5,311	52,690	163,261	17,503,544
Net Position:								
Net investment in capital assets	317,226	2,101,500	661,768	165,767	-	133,264	1,972,792	5,352,317
Restricted - nonexpendable	81,980,272	20,985,591	-	-	-	-	-	102,965,863
Restricted - expendable	77,923,875	11,373,573	-	-	-	-	-	89,297,448
Unrestricted	12,136,043	1,680,610	42,122,742	6,541,712	197,926	284,170	1,417,146	64,380,349
Total Net Position	$172,357,416	$36,141,274	$42,784,510	$6,707,479	$ 197,926	$ 417,434	$3,389,938	$261,995,977
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION Year ended June 30, 2014								
Operating revenues	$ 5,694,550	$ 3,119,791	$90,214,767	$1,718,184	$ 434,303	$ 405,042	$ 580,367	$102,167,004
Operating expenses	16,582,800	4,139,178	89,477,239	2,184,870	438,936	400,200	621,455	113,844,678
Operating income (loss)	(10,888,250)	(1,019,387)	737,528	(466,686)	(4,633)	4,842	(41,088)	(11,677,674)
Nonoperating revenues and expenses - net	27,688,759	3,556,038	360,533	1,420,099	29,204	1,361	6,840	33,062,834
Income (Loss) before other revenues	16,800,509	2,536,651	1,098,061	953,413	24,571	6,203	(34,248)	21,385,160
Other revenues	4,073,454	280,515	-	-	-	-	-	4,353,969
Increase (decrease) in net position	20,873,963	2,817,166	1,098,061	953,413	24,571	6,203	(34,248)	25,739,129
Net position at beginning of year	151,483,453	33,324,108	41,686,449	5,754,066	173,355	411,231	3,424,186	236,256,848
Net position at end of year	$172,357,416	$36,141,274	$42,784,510	$6,707,479	$ 197,926	$ 417,434	$3,389,938	$261,995,977
CONDENSED STATEMENTS OF CASH FLOWS Year ended June 30, 2014								
Cash provided by (used in):								
Operating activities	$ (10,674,432)	$ (543,018)	$ 4,928,680	$ (445,414)	$ (2,399)	$ 13,101	$ 89,551	$ (6,633,931)
Noncapital financing activities	9,277,648	280,515	(3,704)	13,304	-	-	2,060	9,569,823
Capital financing activities	(121,739)	(30,027)	(208,079)	-	-	-	-	(359,845)
Investing activities	1,400,180	(176,527)	(277,685)	450,000	7,452	1,361	4,780	1,409,561
Net increase (decrease) in cash	(118,343)	(469,057)	4,439,212	17,890	5,053	14,462	96,391	3,985,608
Cash, beginning of year	415,514	1,957,170	9,334,550	6,028	27,670	71,937	1,456,332	13,269,201
Cash, end of year	$ 297,171	$ 1,488,113	$13,773,762	$ 23,918	$ 32,723	$ 86,399	$1,552,723	$ 17,254,809

21. University Related Organizations

Condensed financial statements for the component units of the University as of June 30, 2013 are as follows:

	SIUC FOUNDATION	SIUE FOUNDATION	SIUC PHYSICIANS & SURGEONS	SIUC ALUMNI	SIUE ALUMNI	SIUC RESEARCH PARK	SIUE UNIV. PARK	TOTAL
CONDENSED STATEMENTS OF NET POSITION JUNE 30, 2013								
Assets:								
Current assets	$ 37,346,228	$ 3,764,450	$ 45,104,066	$ 124,121	$ 43,620	$ 289,597	$1,524,054	$ 88,196,136
Other non-current assets	119,537,302	28,453,414	5,365,029	7,551,534	139,462	-	-	161,046,741
Capital assets	378,233	2,196,993	723,581	198,050	-	176,386	2,053,817	5,727,060
Total Assets	157,261,763	34,414,857	51,192,676	7,873,705	183,082	465,983	3,577,871	254,969,937
Liabilities:								
Current liabilities	682,682	551,026	9,506,227	382,454	9,727	54,752	65,834	11,252,702
Noncurrent liabilities	5,095,628	539,723	-	1,737,185	-	-	87,851	7,460,387
Total Liabilities	5,778,310	1,090,749	9,506,227	2,119,639	9,727	54,752	153,685	18,713,089
Net Position:								
Net investment in capital assets	378,233	2,196,993	723,581	198,050	-	176,386	2,053,817	5,727,060
Restricted - nonexpendable	79,127,259	18,692,179	-	-	-	-	-	97,819,438
Restricted - expendable	62,584,862	11,331,843	-	-	-	-	-	73,916,705
Unrestricted	9,393,099	1,103,093	40,962,868	5,556,016	173,355	234,845	1,370,369	58,793,645
Total Net Position	$ 151,483,453	$ 33,324,108	$ 41,686,449	$5,754,066	$ 173,355	$ 411,231	$3,424,186	$ 236,256,848
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION Year ended June 30, 2013								
Operating revenues	$ 5,546,633	$ 3,401,682	$ 97,228,569	$1,671,601	$ 624,485	$ 405,205	$ 590,240	$ 109,468,415
Operating expenses	15,250,701	4,311,481	92,555,490	2,089,856	381,166	389,434	589,544	115,567,672
Operating income (loss)	(9,704,068)	(909,799)	4,673,079	(418,255)	243,319	15,771	696	(6,099,257)
Nonoperating revenues and expenses - net	18,252,170	2,031,803	164,142	961,918	20,250	1,952	714,566	22,146,801
Income (Loss) before other revenues	8,548,102	1,122,004	4,837,221	543,663	263,569	17,723	715,262	16,047,544
Other revenues	1,275,592	883,400	-	-	-	-	-	2,158,992
Increase (decrease) in net position	9,823,694	2,005,404	4,837,221	543,663	263,569	17,723	715,262	18,206,536
Net position at beginning of year	141,659,759	31,318,704	36,849,228	5,210,403	(90,214)	393,508	2,708,924	218,050,312
Net position at end of year	$ 151,483,453	$ 33,324,108	$ 41,686,449	$5,754,066	$ 173,355	$ 411,231	$3,424,186	$ 236,256,848
CONDENSED STATEMENTS OF CASH FLOWS Year ended June 30, 2013								
Cash provided by (used in):								
Operating activities	$ (8,999,714)	$ (475,900)	$ 1,491,509	$ (318,836)	$ (19,320)	$ 2,838	$ 66,092	$ (8,253,331)
Noncapital financing activities	6,638,768	883,400	35,039	34,261	35	-	2,083	7,593,586
Capital financing activities	(124,004)	(145,836)	(179,756)	(7,555)	-	-	-	(457,151)
Investing activities	2,603,527	951,151	(3,762,326)	285,000	2,393	1,952	6,675	88,372
Net increase (decrease) in cash	118,577	1,212,815	(2,415,534)	(7,130)	(16,892)	4,790	74,850	(1,028,524)
Cash, beginning of year	296,937	744,355	11,750,084	13,158	44,562	67,147	1,381,482	14,297,725
Cash, end of year	$ 415,514	$ 1,957,170	$ 9,334,550	$ 6,028	$ 27,670	$ 71,937	$1,456,332	$ 13,269,201

State of Illinois

Southern Illinois University

Housing and Auxiliary Facilities System

Report of the Treasurer

For the Years Ended

June 30, 2014 and 2013

STATE OF ILLINOIS
SOUTHERN ILLINOIS UNIVERSITY
HOUSING and AUXILIARY FACILITIES SYSTEM
ANNUAL FINANCIAL REPORT
For The Years Ended June 30, 2014 and 2013

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SOUTHERN ILLINOIS UNIVERSITY
SENIOR VICE PRESIDENT FOR FINANCIAL & ADMINISTRATIVE AFFAIRS AND BOARD TREASURER
STONE CENTER - MAIL CODE 6801 / 1400 DOUGLAS DRIVE / CARBONDALE, ILLINOIS 62901

December 22, 2014

TO THE BONDHOLDERS AND THE BOARD OF TRUSTEES
OF SOUTHERN ILLINOIS UNIVERSITY

I am pleased to submit the annual Treasurer's Report to the Bondholders for the Southern Illinois University Housing and Auxiliary Facilities System for the fiscal years ended June 30, 2014, and 2013.

The system continues to exceed, by a significant percentage, the 120% debt service coverage requirement as outlined in the bond resolution. A calculation for this coverage requirement is included in the Treasurer's Comments to the financial statements.

I hope you find this financial report informative, and I invite your inquiries on any matter related to the bonds or the report.

Respectfully submitted,

Duane Stucky

Duane Stucky
Board Treasurer

DS/lap

CARBONDALE P: 618.536.3475 F: 618.536.3404
CARBONDALE / EDWARDSVILLE / SPRINGFIELD / ALTON / EAST ST. LOUIS

TREASURER'S COMMENTS

SOUTHERN ILLINOIS UNIVERSITY HOUSING AND AUXILIARY FACILITIES SYSTEM

I. SOUTHERN ILLINOIS UNIVERSITY REVENUE BOND OPERATIONS

FACILITIES

The facilities included in the Southern Illinois University Housing and Auxiliary Facilities System (the "System") were acquired in fourteen phases. The first phase coincided with the creation of the System and the Advanced Refunding of 1978 which consolidated the facilities, the operations and the debt of five separate bond indentures, into one entity, the System. These facilities include residence halls and apartment complexes on the Carbondale and Edwardsville campuses which provide student housing; the student unions known as the Student Center at Carbondale and the University Center at Edwardsville; eight buildings leased to national organizations of fraternities and sororities for student housing; two buildings which are designated as housing for professional students; and seven buildings used by the University for administrative and student service purposes. The buildings and equipment of this phase were constructed or improved through the issuance of bonds totaling $72,391,000. Additional improvements of this phase, consisting of an energy conservation project, have been constructed through the issuance of Revenue Bond Series 2000A in the amount of $6,525,000.

The second phase expanded the System to include the Student Recreation Center, the Northwest Annex and the Child Care Center at the Carbondale campus, and the Student Fitness Center and Woodland Hall at the Edwardsville campus. The recreation center additions were acquired through the issuance of the Southern Illinois University Housing and Auxiliary Facilities System Revenue Project and Refunding Bonds Series 1992A (the "Series 1992A Bonds") in the amount of $13,465,000 while the other projects were acquired through the issuance of the Revenue Bond Series 1993A (the "Series 1993A Bonds") in the amount of $16,670,506. These facilities include a dormitory, an apartment complex and office space of 29,100 net square feet for academic, administrative and student service purposes; a student recreation center (including an existing facility and a fitness center addition) at Carbondale; a fitness center addition at Edwardsville; and a child care center.

The third phase expanded the System to include a new residence hall, Prairie Hall, on the Edwardsville campus. Prairie Hall consists of approximately 120,000 square feet and is designed to provide housing for approximately 500 students. The third phase also expanded the System to include traffic and parking operations on the Edwardsville campus. Renovation and expansion of Cougar Village Apartments on the Edwardsville campus were also included in this phase. These facilities and operations were constructed or improved through the issuance of bonds totaling $38,096,284.

The fourth phase expanded the System to include a new residence hall, Bluff Hall, on the Edwardsville campus. The residence hall consists of approximately 120,000 square feet and is designed to provide housing for approximately 500 students. This phase also includes expansion and renovations of the University Center food service facilities. The funds for construction and improvements were provided through the issuance of bonds totaling $21,001,900.

The fifth phase expanded the System to include a new softball complex on the Carbondale campus and a complete replacement of the turf at McAndrew Stadium on the Carbondale campus. This phase also includes improvements to the University Center on the Edwardsville campus. The funds for construction and improvements were provided through the issuance of bonds totaling $19,555,000.

The sixth phase expanded the System to include a new Student Health Center building addition on the Carbondale campus. The new facility consists of an approximately 40,000 square foot, two-story addition to the Student Recreation Center. The funds for construction were provided through the issuance of bonds totaling $8,635,000.

The seventh phase expanded the System to include University Hall on the Carbondale campus. The facility is a four-floor brick residence hall that sits on 5.43 acres of property which is located at the southeast corner of Wall and Park streets. The purchase was funded by the renewals and replacements account.

The eighth phase expanded the System to include Wall and Grand Apartments on the Carbondale campus. The residence hall consists of approximately 169,000 gross square feet and is designed to provide apartment-style living quarters for 400 on-campus students. This phase also includes the installation of automatic sprinkler systems in Schneider Hall, Mae Smith Hall and Neely Hall on the Carbondale campus as well as modification of the HVAC systems and humidity controls in Prairie Hall, Bluff Hall and Woodland Hall on the Edwardsville campus. The funds for construction and improvements were provided through the issuance of bonds totaling $40,390,000.

The ninth phase expanded the System to include a new residence hall, Evergreen Hall, and adjacent parking lot for the Edwardsville campus; and various safety/security enhancements of the System, student center renovation and the purchase of a student information system for the Carbondale campus. The funds for construction and improvements were provided through the issuance of bonds totaling $56,585,000.

The tenth phase expanded the System to include a new Student Success Center and an expansion to the Student Fitness Center on the Edwardsville campus. This phase also includes the installation of automatic sprinkler systems in Thompson Point and University Hall and the installation of security cameras and an electronic access control system at all exterior entries to Thompson Point on the Carbondale campus. The funds for construction and improvements were provided through the issuance of bonds totaling $30,105,000.

The eleventh phase expanded the System to include a new football stadium on the Carbondale campus. This phase also includes the renovation of the SIU Arena and the construction of a new addition thereto on the Carbondale campus. The funds for construction and renovation were provided through the issuance of bonds totaling $53,735,000.

The twelfth phase expanded the System to add the housing facilities at Evergreen Terrace on the Carbondale campus.

The thirteenth phase expanded the System to include a new Student Services Building on the Carbondale campus. The funds for construction and equipping of were provided through the issuance of bonds totaling $28,140,000.

The fourteenth phase expanded the System to include improvements to the Student Recreation Center and demolition of student residence halls, Allen, Boomer and Wright, commonly referred to as the Triads, on the Carbondale campus. The funds for improvements and demolition were provided through the issuance of bonds totaling $8,190,000.

ADVANCE REFUNDINGS

Debt related to the System facilities has been advance refunded either partially or in full, without extending the final maturity date, in December 2012. The refunding has been undertaken by the Board of Trustees (the "Board") for the purposes of consolidating the debt, effecting a cost savings, or resolving operational and parity issues related to the separate bond indentures.

The proceeds of the bonds issued for the above refunding were used to purchase U.S. Government securities in amounts which, together with the earnings thereon, will be sufficient to pay, when due or on their redemption date, the interest, premium and principal of the refunded bonds. The U.S. Government securities purchased for the Advance Refunding of Series 2012A bonds were held in trust by the US Bank, 190 South LaSalle Street, Chicago, Illinois. A principal payment of $33,035,000 relating to the advance refunding was made on April 1, 2014. As of June 30, 2014, there was no remaining balance.

II. ENROLLMENTS AT SOUTHERN ILLINOIS UNIVERSITY

The University reports the following enrollments, by campus:

	Head Count*	Full-Time Equivalency**
Carbondale Campus (semester basis)		
Fall semester 2013	17,964	15,208
Fall semester 2012	18,847	15,720
Edwardsville Campus (semester basis)		
Fall semester 2013	13,850	11,779
Fall semester 2012	14,055	11,943

*Head count includes all full and part-time students (including those enrolled in extension courses) whether living on or off campus.
**Full-time equivalency is based on 15 credits for undergraduate students and 12 credits for graduate students.

III. HISTORICAL OCCUPANCY OF SYSTEM FACILITIES

The occupancy charges and rates below are based on the school year (9 months) except for Southern Hills and Wall & Grand which are based on the length of the housing contract, 12 months and 10 months, respectively.

	Range of Occupancy Charges for 2014	Occupancy Rates				
		2014	2013	2012	2011	2010
Southern Hills Apartments (C) 35 Apartments	$6,492 - $6,900	69.4%	68.6%	77.4%	87.4%	79.8%
Evergreen Terrace (C) 302 Apartments	$7,560 - $8,148	87.4%	86.7%	89.0%	89.3%	86.6%
Thompson Point (C) 1,244 Persons	$9,048 - $13,004	95.6%	93.7%	94.2%	90.4%	94.1%
Towers (C) 2,271 Persons	$8,740 - $12,518	94.1%	87.7%	93.1%	92.1%	93.1%
Triads (C)*		-- --	-- --	24.7%	25.9%	34.2%
University Hall (C) 267 Persons	$8,740 - $12,518	91.7%	72.9%	86.1%	80.4%	84.9%
Wall & Grand (C) 396 Persons (Bldg I,II & III)	$5,764 - $6,998	95.0%	96.3%	95.0%	89.6%	95.2%
Cougar Village (E) 496 Apartments	$4,130 - $13,200	93.3%	93.7%	95.7%	95.3%	95.5%
Woodland Hall (E) 257 Rooms	$8,500 - $15,100	89.0%	93.4%	98.6%	97.8%	91.7%
Prairie Hall (E) 260 Rooms	$8,500 - $15,100	89.9%	93.4%	98.6%	98.2%	95.5%
Bluff Hall (E) 260 Rooms	$8,500 - $15,100	92.5%	94.7%	98.6%	98.3%	94.1%
Evergreen Hall (E) 131 Apartments	$5,770 - $10,790	98.1%	97.5%	97.7%	97.8%	97.5%

(C) Carbondale Campus, (E) Edwardsville Campus

*Demolition of the Triads was completed in FY13.

IV. DEBT SERVICE COVERAGES

The bond resolution requires that debt service coverage (net revenues plus pledged retained tuition) be at least 120% of the maximum annual debt service. The debt service coverage is calculated at the end of the year using cash basis data obtained from the Statement of Cash Flows. Debt service coverage for the System as defined by the bond resolution and based on net revenues has been calculated as follows:

	Year ended June 30,	
	2014	2013
Receipts:		
Revenue Account:		
Operating Receipts	$ 111,986,233	$ 106,819,607
Revenue Bond Fees	1,594,509	1,718,326
Retirement of Indebtedness – Investment Income	102,733	107,042
Total Receipts	113,683,475	108,644,975
Disbursements:		
Operation and Maintenance Account	78,258,589	74,802,762
Net Revenues	35,424,886	33,842,213
Plus: Pledged Retained Tuition	26,920,816	26,920,816
Total Available for Debt Service	$ 62,345,702	$ 60,763,029
Maximum Annual Debt Service	$ 26,920,816	$ 26,920,816
Coverage Ratio Based on Net Revenues	132%	126%
Coverage Ratio as Defined in the Bond Resolution	232%	226%

V. RETIREMENT OF INDEBTEDNESS

The net position is restricted for the following purposes:

	June 30,	
	2014	2013 Restated
Bond and Interest Sinking Fund Account	$ 6,359,496	$ 6,272,714
Debt Service Reserve Account	8,250,001	8,250,001
	$ 14,609,497	$ 14,522,715

VI. RENEWALS AND REPLACEMENTS

The bond resolution requires the Treasurer to transfer annually to Renewals and Replacements from the funds remaining in unrestricted net position, the sum of 10% of the maximum annual net debt service requirement or such portion thereof as is available for transfer. The maximum amount which may be accumulated in said account shall not exceed 5% of the replacement cost of the facilities constituting the System, plus 20% of the book value of the movable equipment within the System, plus either 10% of the historical cost of the parking lots or 100% of the estimated cost of resurfacing any one existing parking lot which is part of the System.

Additions during the year included transfers from unrestricted net position of $4,287,825 ($6,631,596 in 2013) and investment income of $187,730 in 2014 and $287,519 in 2013. Expenditures charged to the reserve amounted to $7,997,714 in 2014 and $2,735,781 in 2013. The net position of Renewals and Replacements consisted of the following:

	June 30,	
	2014	2013
Pooled Cash and Investments	$ 27,956,519	$ 29,593,618
Accrued Interest Receivable	9,394	4,800
Accounts Payable	(2,886,925)	(997,271)
	$ 25,078,988	$ 28,601,147

VII. SCHEDULE OF BONDS PAYABLE OUTSTANDING

A Schedule of Bonds Payable Outstanding is shown as supplementary information and lists the amount of Housing and Auxiliary Facilities System Revenue Project and Refunding Bonds and Revenue Bonds Series 2012B, 2012A, 2009A, 2008A, 2006A, 1999A, 1997A and 1993A issued and outstanding as of June 30, 2014.

VIII. RESTRICTED NET POSITION – EXPENDABLE

Restricted net position as of June 30 are comprised of the following:

	2014	2013 Restated
Retirement of indebtedness	$ 14,609,497	$ 14,522,715
Renewals and replacements	25,078,988	28,601,147
Unexpended	1,055,467	97,262
	$ 40,743,952	$ 43,221,124

Southern Illinois University
Board of Trustees and
Officers of Administration
Fiscal Years 2014 and 2013

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FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying basic financial statements of Southern Illinois University Housing and Auxiliary Facilities System was conducted by CliftonLarsonAllen LLP.

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

CliftonLarsonAllen

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General, State of Illinois
and
Board of Trustees
Southern 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 of the Southern Illinois University Housing and Auxiliary Facilities System ("the System") as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities for the System as of June 30, 2014 and 2013, and the changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2014 the University adopted new accounting guidance, GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

As discussed in note 1A, the financial statements of the System are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of Southern Illinois University that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of Southern Illinois University as of June 30, 2014 and 2013, and its changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The accompanying Schedule of Bonds Payable Outstanding is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Bonds Payable Outstanding is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Bonds Payable Outstanding is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Treasurer's Comments on pages 2-4 have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

In connection with our audits, nothing came to our attention that caused us to believe that the System was not in compliance with any of the fund accounting covenants of the Resolutions of the Board of Trustees of Southern Illinois University, which provided for the issuance of the Southern Illinois University Housing and Auxiliary Facilities System Revenue Bonds Series 2012B1, Revenue Bonds Series 2012B2, Revenue Bonds Series 2012A, Revenue Bonds Series 2009A, Revenue Bonds Series 2008A, Revenue Bonds Series 2006A, Revenue Bonds Series 2004A, Revenue Bonds Series 2003A, Revenue Bonds Series 1999A, Revenue Bonds Series 1997A, and Revenue Bonds Series 1993A adopted November 8, 2012, November 8, 2012, December 8, 2011, April 2, 2009, April 10, 2008, March 9, 2006, October 14, 2004, December 12, 2002, May 13, 1999, July 10, 1997, and May 13, 1993, respectively, insofar as they related to accounting matters. However, our audits were not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the System's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the Resolution of the Board of Trustees of Southern Illinois University, insofar as they relate to accounting matters.

Restricted Use Relating to the Other Matter

The purpose of the communication related to compliance with the aforementioned Resolution of the Board of Trustees of Southern Illinois University described in the Other Matter paragraph is intended solely to describe the scope of our testing of compliance and the results of that testing. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's compliance. Accordingly, this communication is not suitable for any other purpose.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated December 22, 2014, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 System's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Peoria, Illinois
December 22, 2014

SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
STATEMENTS OF NET POSITION
June 30, 2014 and 2013

	2014	2013
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and cash equivalents	$ 23,387,174	$ 19,934,431
Cash and cash equivalents, restricted	29,249,102	40,514,502
Short term investments, restricted	13,398,364	10,035,285
Accounts receivable, net	3,815,853	4,239,990
Accrued interest receivable	44,150	28,491
Merchandise for resale	1,115,206	1,214,232
Prepaid expenses and other assets	182,830	143,894
TOTAL CURRENT ASSETS	71,192,679	76,110,825
NONCURRENT ASSETS:		
Long term investments, restricted	2,470,987	5,789,682
Prepaid expenses and other assets	952,465	1,032,857
Capital assets, not depreciated	15,922,666	45,720,613
Capital assets, net of depreciation	269,743,350	239,356,417
TOTAL NONCURRENT ASSETS	289,089,468	291,899,569
DEFERRED OUTFLOWS OF RESOURCES	2,443,504	2,599,647
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	362,725,651	370,610,041
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	3,903,374	9,931,537
Accrued interest payable	2,340,204	2,436,252
Accrued payroll	651,094	547,175
Accrued compensated absences	233,017	225,289
Housing deposits	118,024	120,859
Unearned revenue	3,017,695	2,908,941
Revenue bonds payable	17,715,529	16,979,786
TOTAL CURRENT LIABILITIES	27,978,937	33,149,839
NONCURRENT LIABILITIES:		
Accrued compensated absences	2,021,684	2,025,620
Housing deposits	144,251	147,716
Revenue bonds payable	250,386,620	264,482,877
TOTAL NONCURRENT LIABILITIES	252,552,555	266,656,213
TOTAL LIABILITIES	280,531,492	299,806,052
NET POSITION		
Net investment in capital assets	20,014,324	9,125,202
Restricted for:		
Expendable		
Capital projects and debt service	40,743,952	43,221,124
Unrestricted	21,435,883	18,457,663
TOTAL NET POSITION	$ 82,194,159	$ 70,803,989

The accompanying notes are an integral part of this statement.

SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2014
(with comparative totals for 2013 restated)

	2014	2013
REVENUES		
OPERATING REVENUES:		
Residence halls and apartments	$ 59,111,653	$ 56,434,253
University student centers		
Sales and services	16,862,727	15,481,256
Student fees	8,262,493	8,278,792
Student recreation and fitness centers		
Sales and services	1,277,000	1,228,908
Student fees	6,126,586	6,164,968
Child care center	955,489	959,487
Student health center	9,214,210	8,567,331
Student services building	2,534,507	2,511,804
Traffic and parking	2,771,141	2,821,009
Student success center	1,717,037	1,751,258
Revenue bond fees	1,594,509	1,718,326
TOTAL OPERATING REVENUES	110,427,352	105,917,392
EXPENSES		
OPERATING EXPENSES:		
Salaries and wages	52,519,896	51,356,896
Merchandise for resale	10,618,351	10,422,331
Utilities	8,920,312	8,822,788
Maintenance and repairs	12,373,007	8,638,107
Administrative	13,005,317	10,897,856
Other	6,951,361	7,142,316
Depreciation	15,566,121	14,459,512
TOTAL OPERATING EXPENSES	119,954,365	111,739,806
OPERATING LOSS	(9,527,013)	(5,822,414)
NONOPERATING REVENUES (EXPENSES)		
Investment income	457,088	473,094
Gifts and contributions	1,000,468	1,004,688
Payments on-behalf of the system	19,629,634	19,661,756
Interest on capital asset-related debt	(8,880,004)	(8,426,680)
Accretion on bonds payable	(3,952,802)	(4,166,477)
Other nonoperating revenue	5,727,537	5,444,085
NET NONOPERATING REVENUES	13,981,921	13,990,466
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	4,454,908	8,168,052
OTHER REVENUES, EXPENSES, GAINS OR LOSSES		
Capital assets retired	(145,488)	(252,586)
Capital grants and gifts	- ----	- ----
Additions to plant facilities from other sources	7,080,750	76,290
TOTAL OTHER REVENUES, EXPENSES, GAINS OR LOSSES	6,935,262	(176,296)
INCREASE IN NET POSITION	11,390,170	7,991,756
NET POSITION		
Net position at beginning of year	70,803,989	65,347,026
Cumulative effect of change in accounting principle	- ----	(2,534,793)
NET POSITION AT END OF YEAR	$ 82,194,159	$ 70,803,989

The accompanying notes are an integral part of this statement.

SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Residence halls and apartments	$ 55,463,195	$ 52,189,680
University student centers		
Sales and services	16,980,232	15,709,368
Student fees	8,207,469	8,252,267
Student recreation and fitness centers		
Sales and services	1,282,839	1,233,618
Student fees	6,107,840	6,192,322
Child care center	956,196	959,693
Student health center	8,482,892	8,556,790
Student services building	3,065,997	2,523,846
Traffic and parking	2,772,790	2,797,392
Student success center	1,723,220	1,754,806
Revenue bond fees	1,594,509	1,718,326
Payments to employees	(30,523,864)	(29,692,926)
Payments for utilities	(8,881,362)	(8,917,924)
Payments to suppliers	(41,015,612)	(36,414,405)
NET CASH PROVIDED BY OPERATING ACTIVITIES	26,216,341	26,862,853
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gifts for other than capital purposes	472	4,702
Other nonoperating revenue	4,829,334	4,521,875
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	4,829,806	4,526,577
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchases of capital assets	(14,738,435)	(25,483,852)
Principal paid on capital debt	(16,790,000)	(17,155,000)
Interest paid on capital debt	(9,745,010)	(10,118,585)
Retained bond proceeds	- ----	50,945,917
Deposit to bond escrow account	- ----	(41,960,658)
Other	2,017,595	2,041,914
NET CASH USED IN CAPITAL FINANCING ACTIVITIES	(39,255,850)	(41,730,264)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	28,787,637	43,078,410
Investment income	487,234	563,152
Purchase of investments	(28,877,825)	(32,924,692)
NET CASH PROVIDED BY INVESTING ACTIVITIES	397,046	10,716,870
NET INCREASE IN CASH	(7,812,657)	376,036
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR	60,448,933	60,072,897
CASH AND CASH EQUIVALENTS - END OF THE YEAR	$ 52,636,276	$ 60,448,933
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	$ (9,527,013)	$ (5,822,414)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	15,566,121	14,459,512
Payments on-behalf of the system	19,629,634	19,661,756
Change in assets and liabilities:		
Receivables, net	593,881	729,224
Merchandise for resale	99,026	2,849
Prepaid expenses and other assets	(40,943)	(3,520)
Accounts payable	(314,530)	(1,245,978)
Accrued payroll	103,919	(153,294)
Accrued compensated absences	3,792	(42,123)
Housing deposits	(6,300)	(27,225)
Unearned revenue	108,754	(695,934)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 26,216,341	$ 26,862,853
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Payments on-behalf of the system	$ 19,629,634	$ 19,661,756
Capital assets in accounts payable	797,581	8,690,746
Accretion on bonds payable	3,952,802	4,166,477
Net interest capitalized	484,182	1,105,601
Other capital asset adjustments	11,029	26,484
Loss on disposal of capital assets	13,954	7,886

The accompanying notes are an integral part of this statement.

1. Significant Accounting Policies

(A) Basis of Presentation

These financial statements include all financial activities over which the Southern Illinois University Housing and Auxiliary Facilities System (the "System") exercises direct responsibility. The System combines the operations of the individual housing units, the student centers, the student recreation center, the student fitness center, the Carbondale child care center, the Carbondale student health center, the Carbondale student information system, the Carbondale softball field, the Carbondale football stadium, the Carbondale SIU Arena, the Carbondale Student Services Building, Edwardsville traffic and parking and the Edwardsville student success center into one operation. The Revenue Project Bonds of 2012B, 2012A, 2009A, 2008A, 2006A, 1999A, 1997A and 1993A (the "Bonds") are secured in part by the revenues from these operations. The financial statements reflect the combined operations of the System as of and for the year ended June 30, 2014. The individual facilities included in the System are as follows:

Carbondale Campus
- Southern Hills Apartments
- Greek Row
- Thompson Point
- Towers
- University Hall
- Northwest Annex
- Student Center
- Student Recreation Center
- Child Care Center
- Softball Field
- Student Health Center
- Wall and Grand Apartments
- Student Information System
- Football Stadium
- SIU Arena Renovations
- Evergreen Terrace
- Student Services Building

Edwardsville Campus
- University Center
- Cougar Village
- Student Fitness Center
- Woodland Hall
- Prairie Hall
- Traffic and Parking
- Bluff Hall
- Evergreen Hall
- Student Success Center

These financial statements have been prepared to satisfy the requirements of the System's Revenue Bonds master indenture. The financial balances and activities of the System, included in these financial statements, are included in the University's financial statements. The System is not a separate legal entity.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. Additionally, effective July 1, 2001, the System adopted GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments : Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The System now follows the business-type activity reporting requirements of GASB Statements No. 35, 37 and 38 that provide a comprehensive, entity-wide perspective of the System's financial activities and replaces the fund group presentations previously required. Effective July 1, 2004, the System adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. The objective of this statement is to update the custodial credit risk disclosure requirements and to establish more comprehensive disclosure requirements addressing the common risks of deposits and investments. Effective July 1, 2007, the System adopted GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. The System has disclosed pledged revenues in Note 6 to the financial statements. Effective July 1, 2012, the System adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. Incorporating GASB Statement No. 63 in the System's 2013 financial statements had no effect on beginning net position. Effective July 1, 2013, the System adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows or resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Incorporating GASB Statement No. 65 in the System's 2014 financial statements resulted in the presentation of the deferred loss on refunding, previously reported as a reduction of revenue bonds payable, as a deferred outflow on the Statement of Net Position. It also resulted in the expensing of the unamortized non-insurance components of the bond issuance costs, which were previously reported as prepaid expenses. This change resulted in a ($2,534,793) adjustment to fiscal year 2013 beginning net position. Comparative totals for 2013 have been restated to reflect these changes.

For financial reporting purposes, the System is considered a special-purpose government engaged only in business-type activities. Accordingly, the System's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting applicable to state colleges and universities. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation to pay has been incurred.

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

(B) Merchandise For Resale

Merchandise for resale includes inventories which are stated at the lower of cost or market. Cost is determined principally by the average cost method or the first-in, first-out method, depending on the type of inventory. The Student Center University Bookstore on the Carbondale campus has been leased to Follett Higher Education Group Inc. since May 8, 2001.

(C) Buildings, Improvements and Equipment

Buildings, improvements and equipment are recorded at cost less accumulated depreciation. The buildings are located on land owned by the University except for the Northwest Annex and University Hall which were purchased in part by the System. There is no charge to the System for the use of the land other than for grounds maintenance. The System's capitalization policy for capital assets is as follows: buildings with an acquisition cost of $100,000 or greater, site or building improvements of $25,000 or greater, and equipment items $5,000 or greater.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 15 years for site or building improvements, 5 years for vehicles and electronic data processing equipment, and 7 years for other equipment. Land is not depreciated. The "following-month" prorate convention is used, in which no depreciation is recorded in the month of acquisition and an entire month of depreciation is recorded in the month of disposition.

(D) Classification of Revenues and Expenses

The System has classified its revenues and expenses as either operating or nonoperating. Operating revenues and expenses include activities that have characteristics of exchange transactions, such as sales and services of auxiliary enterprises. Nonoperating revenues and expenses include activities that have characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government 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*. Other nonoperating revenues and expenses include transactions relating to capital and financing activities, noncapital financing activities, and investing activities. The System first applies restricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

(E) Cash and Cash Equivalents

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

(F) Investments

Investments are reported at fair value. The investments, which consist of U.S. Treasury notes, are held in the University's name by its agent.

(G) Allowance for Uncollectibles

The System provides allowances for uncollectible accounts based upon management's best estimate of uncollectible accounts at the statement of net position date, considering type, age, collection history of receivables, and any other factors as considered appropriate. The System's accounts receivable balance is reported net of allowances of $8,296,478 at June 30, 2014 and $6,501,411 at June 30, 2013.

(H) Revenue Bond Fee

Transfers from other University funds of the revenue bond fee are based upon the amount budgeted. Fees in the amount of $55,537 in 2014 and $4,239 in 2013 have been collected in excess of the budgetary transfer and are available for future budgetary transfers.

(I) Bond Insurance Issuance Costs

The bond insurance issuance costs are included in prepaid expenses and other assets and are amortized on a straight line basis over the life of the bonds.

(J) On-Behalf Payments

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the System reported on-behalf payments made by agencies of the State of Illinois for health care and retirement. These costs are reflected in an equal amount in both the nonoperating revenues and salaries and wages of the System. On behalf payments for the year ended June 30, 2014 amounted to $19,504,571 for group insurance, retirement and post-employment benefits, and $125,063 for social security and medicare. On behalf payments for the year ended June 30, 2013 amounted to $19,543,816 for group insurance, retirement and post-employment benefits, and $117,940 for social security and medicare. Payments for retirement costs were made to the State Universities Retirement System in both years.

(K) Classification of Net Position

Net position represents the difference between System assets and deferred outflows and liabilities and deferred inflows and is divided into three major categories. The first category, net investment in capital assets, represents the System's equity in property, plant and equipment. The next asset category is restricted net position. Expendable restricted net position is available for expenditure by the System but must be spent for purposes as determined by donors or other external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position, which represents balances from operational activities that have not been restricted by parties external to the System and are available for use by the System. The System first applies restricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

(L) Compensated Absences

Accrued compensated absences for University personnel are charged to current funds based on earned but unused vacation and sick leave days including the University's share of Social Security and Medicare taxes.

2. Pooled Cash and Investments

It is University policy to invest funds in a manner which will provide investment returns and security consistent with good business practices, while meeting the daily cash flow demands of the University and conforming to all statutes governing the investments of funds. Funds are invested in accordance with the provisions of the Illinois Compiled Statutes, Chapter 30, Sections 235/0.01 – 235/8, the *Public Funds Investment Act*; the policies of the Board; and covenants provided from the University's bond and certificate of participation issuance activities. The University's Investment Policy authorizes the University to invest in securities of the United States of America, its agencies, and its instrumentalities; interest bearing savings accounts, certificates of deposit, interest bearing time deposits, and other direct obligations of any bank defined in the Illinois Banking Act; certain short term obligations of U.S. corporations rated in the highest three rating classification by at least two standard rating services provided such obligations do not mature in longer than 270 days from the time of purchase and the issuing entity has at least $500 million in assets (limited to 33 percent of the portfolio); money market mutual funds provided they are comprised of only U.S. Treasuries, agencies and instrumentalities; Public Treasurer's Investment Pool-State Treasurer's Office; repurchase agreements of Government securities; and other specifically defined repurchase agreements.

The three basic objectives of the University's investment policy are safety of invested funds; maintenance of sufficient liquidity to meet cash flow needs; and attainment of the maximum investment returns possible consistent with the first two objectives. The University insures the safety of its invested funds by limiting credit and interest rate risks. The University's portfolio is structured to ensure that cash is available to meet anticipated demands. Additionally, since all possible cash demands cannot be anticipated, the portfolio consists largely of securities with active secondary or resale markets. The investment returns on the University's portfolio is a priority after the safety and liquidity objectives have been met. Investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

The University has pooled certain cash and investments for the purpose of securing a greater return on investment and providing a more equitable distribution of investment return. Pooled investments, which consist principally of government securities, are stated at market. Income is distributed quarterly based upon average balances invested in the pool over the prior 13 week period. There are no investments in foreign currency. It is not feasible to separately determine the System's bank balance at June 30, 2014 and June 30, 2013 due to the pooling of the University's cash and investments.

Credit risk: Credit risk is the risk of loss due to the failure of the security issuer or backer to meet promised interest or principal payments on required dates. Credit risk is mitigated by limiting investments to those specified in the *Illinois Public Funds Investment Act*; which prohibits investment in corporate bonds with maturity dates longer than 270 days from the date of purchase; pre-qualifying the financial institutions which are utilized; and diversifying the investment portfolio so that the failure of any one issuer or backer will not place an undue financial burden on the University. U.S. Treasuries are federal government securities that do not require the disclosure of credit risk. The U.S. agencies investments typically include the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Federal Home Loan Bank, all of which carry a rating in the AA category or higher. The Public Treasurer's Investment Pool is rated AAAm.

Concentration of credit risk: The University's investment policy states that the portfolio should consist of a mix of various types of securities, issues and maturities. While the fund's asset allocation strategy provides diversification by fixed income sector, each portfolio within the sector is also broadly diversified by security type, issue and maturity.

Custodial credit risk: Custodial credit risk is the risk that when, in the event a financial institution or counterparty fails, the University would not be able to recover value of deposits, investments or collateral securities that are in the possession of an outside party. All of the University's investments are held in the University's name and are not subject to creditors of the custodial institution.

Interest rate risk: Interest rate risk is the risk that the market value of portfolio securities will fall or rise due to changes in general interest rates. Interest rate risk is mitigated by maintaining significant balances in cash equivalent and other short maturity investments and by establishing an asset allocation policy that is consistent with the expected cash flows of the University. The internally managed portfolio is managed in accordance with covenants provided from the University's debt issuance activities. The externally managed portfolio is typically allocated with a minimum of $40 million held in cash equivalents and $65 to $115 million held in the intermediate-term portfolio. However, circumstances may occur that cause the allocations to temporarily fall outside the prescribed ranges.

Foreign currency risk: The University does not hold any foreign investments.

Interest rate risk is disclosed below using the segmented time distribution method. As of June 30, 2014 and 2013, the System has the following cash and investment balances:

		June 30, 2014 Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
U.S. Treasuries	$ 15,869,351	$ 13,398,364	$ 2,470,987	$ -	$ -
U.S. Agencies	-	-	-	-	-
Total Investments	15,869,351	$ 13,398,364	$ 2,470,987	$ -	$ -
Cash and Equivalents					
The Illinois Funds	19,508,139				
Cash and Equivalents	33,128,137				
Total Cash & Equivalents	52,636,276				
Total Cash & Investments	$ 68,505,627				

		June 30, 2013 Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
U.S. Treasuries	$ 15,824,967	$ 10,035,285	$ 5,789,682	$ -	$ -
U.S. Agencies	-	-	-	-	-
Total Investments	15,824,967	$ 10,035,285	$ 5,789,682	$ -	$ -
Cash and Equivalents					
The Illinois Funds	30,186,028				
Cash and Equivalents	30,262,905				
Total Cash & Equivalents	60,448,933				
Total Cash & Investments	$ 76,273,900				

3. Investments and Investment Income

Southern Illinois University has adopted the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. This statement establishes accounting and reporting standards for certain investments and securities and establishes disclosure requirements for most investments held by governmental entities. It requires that investments be recorded at fair (market) value and that unrealized gains and losses be recorded in income. The fair value is determined to be the amount at which financial instruments could be exchanged in a current transaction between willing parties, usually quoted market prices. The investment with the Public Treasurer's Investment Pool (The Illinois Funds) is at fair value, which is the same value as the pool shares. State statutes require the Illinois Funds to comply with the *Illinois Public Funds Investment Act* (30 ILCS 235). Also, certain money market investments having a remaining maturity of one year or less at time of purchase and nonnegotiable certificates of deposit with redemption terms that do not consider market rates are carried at amortized cost.

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. Investment income net of realized and unrealized gains and losses on investments for the years ended June 30, 2014 and 2013 is reflected below.

	2014	2013
Interest earnings	$ 466,395	$ 544,755
Realized gain on investments	-	-
Unrealized loss on investments	(7,307)	(71,661)
Net investment income	$ 457,088	$ 473,094

4. Capital Assets

Capital asset activity for the year ended June 30, 2014 is as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 605,395	$ -	$ -	$ -	$ 605,395
Construction in progress	45,115,218	15,627,719	-	(45,425,666)	15,317,271
Total capital assets not being depreciated	45,720,613	15,627,719	-	(45,425,666)	15,922,666
Capital assets being depreciated:					
Buildings	403,358,051	125,847	134,761	45,303,255	448,652,392
Improvements	12,759,768	56,064	-	122,411	12,938,243
Equipment	16,812,970	359,432	221,234	-	16,951,168
Total capital assets being depreciated	432,930,789	541,343	355,995	45,425,666	478,541,803
Less accumulated depreciation for:					
Buildings	176,730,582	13,153,858	134,761	-	189,749,679
Improvements	7,268,996	636,194	-	-	7,905,190
Equipment	9,574,794	1,776,070	207,280	-	11,143,584
Total accumulated depreciation	193,574,372	15,566,122	342,041	-	208,798,453
Total capital assets being depreciated, net	239,356,417	(15,024,779)	13,954	45,425,666	269,743,350
Capital assets, net	$ 285,077,030	$ 602,940	$ 13,954	$ -	$ 285,666,016

The System incurred interest expense of $9,364,186 during 2014 including $484,182 of capitalized interest.

Capital asset activity for the year ended June 30, 2013 is as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 605,395	$ -	$ -	$ -	$ 605,395
Construction in progress	12,673,549	34,277,850	36,988	(1,799,193)	45,115,218
Total capital assets not being depreciated	13,278,944	34,277,850	36,988	(1,799,193)	45,720,613
Capital assets being depreciated:					
Buildings	402,219,559	1,902	176,612	1,313,202	403,358,051
Improvements	12,268,577	5,200	-	485,991	12,759,768
Equipment	17,022,095	454,636	663,761	-	16,812,970
Total capital assets being depreciated	431,510,231	461,738	840,373	1,799,193	432,930,789
Less accumulated depreciation for:					
Buildings	164,741,440	11,989,142	-	-	176,730,582
Improvements	6,653,059	615,937	-	-	7,268,996
Equipment	8,335,331	1,854,433	614,970	-	9,574,794
Total accumulated depreciation	179,729,830	14,459,512	614,970	-	193,574,372
Total capital assets being depreciated, net	251,780,401	(13,997,774)	225,403	1,799,193	239,356,417
Capital assets, net	$ 265,059,345	$ 20,280,076	$ 262,391	$ -	$ 285,077,030

The System incurred interest expense of $7,315,442 during 2013 including $1,105,601 of capitalized interest.

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2014 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable	$281,462,663	$3,952,802	$17,313,316	$268,102,149	$17,715,529
Compensated absences	2,250,909	45,509	41,717	2,254,701	233,017
Housing deposits	268,575	170,503	176,803	262,275	118,024
Total long-term liabilities	$283,982,147	$4,168,814	$17,531,836	$270,619,125	$18,066,570

Long-term liability activity for the year ended June 30, 2013 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable	$283,805,928	$48,866,477	$51,209,742	$281,462,663	$16,979,786
Compensated absences	2,293,032	99,432	141,555	2,250,909	225,289
Housing deposits	295,800	172,460	199,685	268,575	120,859
Total long-term liabilities	$286,394,760	$49,138,369	$51,550,982	$283,982,147	$17,325,934

6. Revenue Bonds Payable

On November 8, 2012, the Board adopted the "Fifteenth Supplemental System Revenue Bond Resolution" which amended and supplemented the Original Resolution of August 29, 1984, the First Supplemental Resolution of November 13, 1986, the Second Supplemental Resolution of February 13, 1992, the Third Supplemental Resolution of May 13, 1993, the Fourth Supplemental Resolution of September 12, 1996, the Fifth Supplemental Resolution of July 10, 1997, the Sixth Supplemental Resolution of May 13, 1999, the Seventh Supplemental Resolution of May 11, 2000, the Eighth Supplemental Bond Resolution of July 12, 2001, as amended and restated on December 11, 2003, the Ninth Supplemental Resolution of December 12, 2002, the Tenth Supplemental Resolution of October 14, 2004, the Eleventh Supplemental Bond Resolution of March 9, 2006, as amended and restated on May 2, 2006 and November 9, 2006, the Twelfth Supplemental Bond Resolution of April 10, 2008, the Thirteenth Supplemental System Revenue Bond Resolution of April 2, 2009, and the Fourteenth Supplemental System Revenue Bond Resolution of December 8, 2011. The outstanding bond issues related to the respective bond resolutions of the System are as follows:

(A) Series 2012B Bonds

These bonds were authorized by the Board under the Fifteenth Supplemental Bond Resolution dated November 8, 2012, and were issued in two series. Series 2012B-1 were issued as tax-exempt, current interest bonds in the original amount of $39,335,000 and Series 2012B-2 were issued as taxable Qualified Energy Conservation bonds in the original amount of $5,365,000. The bonds were sold on December 19, 2012 at a premium of $6,245,917 with interest rates ranging from 1.00 to 5.00 percent. The Series 2012B-1 bonds were issued for the purpose of refunding the Series 2003A and a portion of the Series 2004A current interest bonds; and demolition of student residence halls, Allen, Boomer and Wright, commonly referred to as the Triads, on the Carbondale campus. The Series 2012B-2 bonds were issued for financing improvements of the Student Recreation Center. The advance refundings, which were undertaken by the Board to effect cost savings, resulted in a net decrease in debt service payments of $6,293,473. The financing resulted in an economic gain of $4,829,291 and an accounting loss of $2,216,389. As of June 30, 2014, these bonds mature in 2035 and were outstanding in the amount of $49,521,892. The balance as of June 30, 2013 was $50,315,797.

(B) Series 2012A Bonds

These bonds were authorized by the Board under the Fourteenth Supplemental Bond Resolution dated December 8, 2011 and were issued as current interest bonds in the original amount of $29,805,000. The bonds were sold on January 11, 2012 at a premium of $273,628 with interest rates ranging from 2.05 to 4.38 percent. Proceeds will be used for the construction and equipping of a Student Services Building on the Carbondale Campus and refund a portion of the Series 2001A current interest bonds. Debt service reserve funds of $1,592,622 were released and used to pay a portion of Series 2001A debt service. The current refunding, which was undertaken by the Board to effect a cost savings, resulted in a net decrease in debt service payments of $1,939,053 of which $1,592,622 represents application of the debt service reserve released funds. The financing resulted in an economic gain of $233,957 and an accounting loss of $9,103. As of June 30, 2014, these bonds mature in 2030 and were outstanding in the amount of $26,964,856. The balance as of June 30, 2013 was $28,543,537.

(C) Series 2009A Bonds

These bonds were authorized by the Board under the Thirteenth Supplemental Bond Resolution dated April 2, 2009 and were issued as taxable Build America Bonds in the original amount of $53,735,000. The bonds were issued as current interest bonds on May 15, 2009 at a premium of $226,028 with interest rates ranging from 2.50 to 6.20 percent. Proceeds will be used for the construction and equipping of a new football stadium on the Carbondale campus, including the relocation of certain tennis courts and playing fields from the project site and the renovation and equipping of the SIU Arena and the construction of a new addition thereto on the Carbondale Campus. As of June 30, 2014, these bonds mature in 2030 and were outstanding in the amount of $45,605,825. The balance as of June 30, 2013 was $47,751,589.

(D) Series 2008A Bonds

These bonds were authorized by the Board under the Twelfth Supplemental Bond Resolution dated April 10, 2008 and were issued as current interest bonds in the original amount of $30,105,000. The bonds were sold on May 8, 2008 at a premium of $1,359,732 with interest rates ranging from 3.00 to 5.50 percent and were issued to finance the construction and equipping of a Student Success Center on the Edwardsville campus; the construction and equipping of an expansion to the Student Fitness Center on the Edwardsville campus; and the installation of sprinklers and other safety/security enhancements to housing on the Carbondale campus. As of June 30, 2014, these bonds mature in 2028 and were outstanding in the amount of $26,059,625. The balance as of June 30, 2013 was $27,237,958.

(E) Series 2006A Bonds

These bonds were authorized by the Board under the Eleventh Supplemental Bond Resolution dated March 9, 2006, as amended and restated on May 2, 2006 and November 9, 2006, and were issued as current interest bonds in the original amount of $69,715,000. The bonds were sold on May 24, 2006 at a premium of $3,155,475 with interest rates ranging from 4.00 to 5.25 percent. The bonds were issued for the purpose of refunding a portion of the Series 1997A, 2000A and 2001A current interest bonds; financing the construction of a student residence hall with an adjoining parking lot for the Edwardsville campus; construction of an additional 350 space parking lot for the Edwardsville campus; funding various safety/security enhancements and other replacements to, and renovations of, the facilities of the System on the Carbondale campus; and purchasing and implementing a student information system for the Carbondale campus.
As of June 30, 2014, these bonds mature in 2036 and were outstanding in the amount of $53,628,919. The balance as of June 30, 2013 was $56,284,613.

(F) Series 2004A Bonds

These bonds were authorized by the Board under the Tenth Supplemental Bond Resolution dated October 14, 2004 and were issued as current interest bonds in the original amount of $40,390,000. The bonds were sold at a premium of $1,349,890 on February 25, 2003, with interest rates ranging from 3.00 to 5.00 percent. The bonds were issued to finance the design and construction of a new apartment-style residence hall, Wall and Grand Apartments, and install automatic sprinkler systems in three existing residence halls on the Carbondale campus; and to finance the costs to modify the HVAC systems and humidity controls in three existing residence halls and remediate damage caused by excess humidity at two of such existing residence halls on the Edwardsville campus. On November 8, 2012, the Board authorized the advance refunding of a portion of the current interest bonds of the Series 2004A. Bonds in the amount of $33,035,000 were advance refunded. As of June 30, 2014, these bonds have matured and there was no remaining balance. The balance as of June 30,2013 was $1,059,133.

(G) Series 1999A Bonds

These bonds were authorized by the Board under the Sixth Supplemental Bond Resolution dated May 13, 1999 and were issued as capital appreciation bonds in the original amount of $21,001,900. The bonds were issued at a premium of $53,851 with interest rates ranging from 4.10 to 5.55 percent. The capital appreciation bonds are non-interest bearing and will accrete the interest factor as additional bonds payable over the term of the bonds. These bonds were issued to finance the construction of a residence hall and renovations of the University Center food service facilities. All projects financed by the Series 1999A bonds are associated with the Edwardsville campus. The bonds mature in 2029. As of June 30, 2014, after accreting the capital appreciation, these bonds were outstanding in the amount of $41,944,695. The balance as of June 30, 2013 was $40,206,238.

(H) Series 1997A Bonds

These bonds were authorized by the Board under the Fifth Supplemental Bond Resolution dated July 10, 1997 and were issued as current interest bonds and capital appreciation bonds in the original amounts of $8,575,000 and $29,521,284, respectively. The current interest bonds were issued at a nominal discount while the capital appreciation bonds were issued at par with interest rates ranging from 4.20 to 5.50 percent. The capital appreciation bonds are non-interest bearing and will accrete the interest factor as additional bonds payable over the term of the bonds. These bonds were issued to finance the construction of Prairie Hall, a residence hall, renovations of existing housing and food service facilities, and construction and improvement to the parking facilities. All projects financed by the Series 1997A bonds are associated with the Edwardsville campus. On March 9, 2006, as amended and restated on May 2, 2006 and November 9, 2006, the Board authorized the advance refunding of a portion of the current interest bonds of the Series 1997A. Bonds in the amount of $2,915,000 were advance refunded. The bonds mature in 2018. As of June 30, 2014, after accreting the capital appreciation, the remaining bonds were outstanding in the amount of $10,216,978. The balance as of June 30, 2013 was $12,867,822.

(I) Series 1993A Bonds

These bonds were authorized by the Board under the Third Supplemental Bond Resolution dated May 13, 1993 and were issued as current interest bonds and capital appreciation bonds in the original amounts of $8,010,000 and $8,660,506, respectively. The current interest bonds were issued at a nominal discount while the capital appreciation bonds were issued at par with interest rates ranging from 6.05 to 6.20 percent. The capital appreciation bonds are non-interest bearing and will accrete the interest factor as additional bonds payable over the term of the bonds. These bonds were issued to finance the acquisition of the Northwest Annex, an existing facility, and the construction of the Child Care Center at the Carbondale campus and the construction of Woodland Hall at the Edwardsville campus. On December 12, 2002, the Board authorized the current refunding of the current interest bond portion of the Series 1993A Bonds. The bonds were called and redeemed in full on April 1, 2003. The bonds mature in 2018. As of June 30, 2014, after accreting the capital appreciation, the remaining capital appreciation bonds were outstanding in the amount of $14,159,359. The balance as of June 30, 2013 was $17,195,976.

These bonds, which are payable through 2036, do not constitute a debt of the State of Illinois or the individual members, officers or agents of the Board of Trustees of the University but, together with interest thereon, are payable from and secured by a pledge of and lien on (i) the net revenues of the System, (ii) pledged tuition in an amount not to exceed maximum annual debt service (subject to prior payment of operating and maintenance expenses of the System), (iii) the Bond and Interest Sinking Fund account, and (iv) the Repair and Replacement Reserve account. Unrefunded bonds issued in 2001 and prior are additionally secured by the Debt Service Reserve. Total principal and interest remaining on the debt is $385,292,249 with annual requirements ranging from $2,604,000 to $26,920,816. For the current year, principal and interest paid was $26,535,010, and the total revenues pledged were $62,345,702. In the prior year, principal and interest paid was $26,772,473, and the total revenues pledged were $60,763,029. For fiscal year 2014, the total revenue pledged represents 100 percent of the net revenues of the System and 17 percent of net tuition revenue received, compared to 100 percent of the net revenues and 16 percent of net tuition revenue received during fiscal year 2013. Although net tuition is pledged, it is not expected to be needed to meet debt service requirements.

The bond resolution requires that debt service coverage on a cash basis be at least 120 percent of the maximum annual debt service. For the year ended June 30, 2014, the maximum annual debt service was $26,920,816 and the coverage was 232 percent. For the year ended June 30, 2013, the maximum annual debt requirement was $26,920,816, and the coverage was 226 percent. The bond resolution also requires the Treasurer to transfer annually to Renewals and Replacements from the funds remaining in unrestricted net position the sum of 10 percent of the maximum annual net debt service requirement or such portion thereof as is available for transfer. The net position of Renewals and Replacements was $25,078,988 at June 30, 2014, and $28,601,147 at June 30, 2013.

All of the refunded bonds are considered to be defeased and, accordingly, have been accounted for as if they were retired. As of June 30, 2014, there were no outstanding balances of refunded bonds. As of June 30, 2013, $33,035,000 of the bonds refunded in 2012 were outstanding and the market value of the related escrow fund was $34,588,749.

Revenue bond debt service requirements to maturity are as follows as of June 30, 2014:

Year Ending June 30,	Principal	Interest	Total
2015	17,560,000	9,360,816	26,920,816
2016	17,915,000	8,930,435	26,845,435
2017	16,995,000	8,450,438	25,445,438
2018	18,700,000	8,048,393	26,748,393
2019	16,580,000	7,566,990	24,146,990
2020 – 2024	81,125,000	29,804,135	110,929,135
2025 – 2029	81,280,000	17,285,217	98,565,217
2030 – 2034	27,050,000	6,055,365	33,105,365
2035 – 2036	11,915,000	670,460	12,585,460
Total Payments	$ 289,120,000	$ 96,172,249	$ 385,292,249
Less Unaccreted Appreciation	(30,505,614)		
Total Payable	258,614,386		
Unamortized debt premium	9,487,763		
Total Bonds Payable	$ 268,102,149		

7. Related Party Transactions

Expenditures to maintain the University Housing Office and Auxiliary Fiscal Reports Office are allocated by the University to the various related operations, including those of the System, on the basis of gross revenues generated by each.

In addition, seven of the buildings on Greek Row, a portion of the Northwest Annex (29,100 net sq. ft.), one room of the Lentz Hall dining facilities at Thompson Point, and the Student Services Buiding are leased by the University from the System on a year-to-year basis and are used for a variety of academic, administrative, and student service purposes. The lease rentals ($827,758 in 2014) are inclusive of the debt service requirements, insurance, administrative overhead and grounds maintenance costs. In addition, the University pays all operating and building maintenance costs for the leased properties.

Expenditures capitalized in 2014 include $7,080,750 paid for by other University funds as compared to $76,290 during 2013.

8. Retirement and Post-Employment Benefits

Substantially all employees of the System participate in the State Universities Retirement System of Illinois (SURS), which offers a cost-sharing multiple-employer defined benefit pension plan as well as a defined contribution plan. These plans have a special funding situation whereby the State of Illinois 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 Section 5/15, Chapter 40, of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.SURS.org or calling 1-800-275-7877.

Plan members are required to contribute 8% of their annual covered salary, and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The 2014 rate is 35.20% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly. The employer contributions of SURS for the University for the years ended June 30, 2014, 2013 and 2012 were $149,491,589, $139,770,149, and $102,861,965, respectively, equal to the required contributions for the year. The fiscal year 2014 contribution consisted of $146,697,808 from State appropriations and $2,793,781 from other current funds, and the fiscal year 2013 contribution consisted of $136,823,379 from State appropriations and $2,946,770 from other funds.

In addition to providing pension benefits, the State provides health, dental, vision and life insurance benefits for retirees and their dependents in a program administered by the Department of Central Management Services. This includes annuitants of the System. Substantially all State employees, including the System's employees, may become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored plans. Health, dental and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and various unions that represent the State's and System's employees. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes $5,000.

The State pays the System's portion of employer costs for the benefits provided. The total costs of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as an expenditure by the State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents. A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Central Management Services. A copy of the financial statements of the Department of Central Management Services may be obtained by writing to the Department of Central Management Services, 401 South Spring Street, Springfield, Illinois, 62706.

9. Contingencies and commitments

From time to time, the University is a defendant in lawsuits which relate to the System. In the opinion of the University's legal counsel and its administrative officers, any ultimate liability which could result from such litigation would not have a material effect on the System's financial position. The System has active construction projects as of June 30, 2014 and $1,483,410 has been committed to the completion of these projects as compared to $93,843 committed as of June 30, 2013.

SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
SCHEDULE OF BONDS PAYABLE OUTSTANDING
June 30, 2014

		REVENUE BONDS		
		SERIES 1993A		
	TOTAL	Principal Amount	Accreted Value at Maturity	Interest Rate
Interest Bearing Bonds:				
Serial Bonds maturing as follows:				
2015	9,830,000	- ----	- ----	- -----
2016	10,350,000	- ----	- ----	- -----
2017	9,440,000	- ----	- ----	- -----
2018	10,450,000	- ----	- ----	- -----
2019	10,910,000	- ----	- ----	- -----
2020	11,430,000	- ----	- ----	- -----
2021	11,440,000	- ----	- ----	- -----
2022	9,570,000	- ----	- ----	- -----
2023	8,310,000	- ----	- ----	- -----
2024	7,950,000	- ----	- ----	- -----
2025	8,295,000	- ----	- ----	- -----
2026	5,450,000	- ----	- ----	- -----
2027	4,095,000	- ----	- ----	- -----
2028	1,970,000	- ----	- ----	- -----
2029	1,715,000	- ----	- ----	- -----
2030	1,785,000	- ----	- ----	- -----
2031	1,860,000	- ----	- ----	- -----
2032	1,940,000	- ----	- ----	- -----
2033	- ----	- ----	- ----	- -----
2034	- ----	- ----	- ----	- -----
2035	- ----	- ----	- ----	- -----
Term Bonds maturing as follows:				
2015	- ----	- ----	- ----	- -----
2016	- ----	- ----	- ----	- -----
2017	- ----	- ----	- ----	- -----
2018	- ----	- ----	- ----	- -----
2019	- ----	- ----	- ----	- -----
2020	- ----	- ----	- ----	- -----
2021	- ----	- ----	- ----	- -----
2022	- ----	- ----	- ----	- -----
2023	1,315,000	- ----	- ----	- -----
2024	1,380,000	- ----	- ----	- -----
2025	1,450,000	- ----	- ----	- -----
2026	4,690,000	- ----	- ----	- -----
2027	6,475,000	- ----	- ----	- -----
2028	9,075,000	- ----	- ----	- -----
2029	7,765,000	- ----	- ----	- -----
2030	6,920,000	- ----	- ----	- -----
2031	3,380,000	- ----	- ----	- -----
2032	3,545,000	- ----	- ----	- -----
2033	3,725,000	- ----	- ----	- -----
2034	3,895,000	- ----	- ----	- -----
2035	4,070,000	- ----	- ----	- -----
2036	2,480,000	- ----	- ----	- -----
Qualified Energy Conservation Bonds maturing as follows:				
2035	5,365,000	- ----	- ----	- -----
Total Interest Bearing Bonds	192,320,000	-		
Capital Appreciation Bonds maturing as follows:				
2015	7,401,347	3,870,553	4,050,000	6.150%
2016	6,831,624	3,642,991	4,050,000	6.150%
2017	6,431,123	3,424,267	4,050,000	6.200%
2018	6,629,790	3,221,548	4,050,000	6.200%
2019	4,381,572	- ----	- ----	- -----
2020	4,228,336	- ----	- ----	- -----
2021	4,119,792	- ----	- ----	- -----
2022	3,931,404	- ----	- ----	- -----
2023	3,719,568	- ----	- ----	- -----
2024	3,518,592	- ----	- ----	- -----
2025	3,331,260	- ----	- ----	- -----
2026	3,150,288	- ----	- ----	- -----
2027	3,032,017	- ----	- ----	- -----
2028	2,870,343	- ----	- ----	- -----
2029	2,717,330	- ----	- ----	- -----
Total Capital Appreciation Bonds	66,294,386	14,159,359		
Total	$ 258,614,386	$ 14,159,359		

**Approximate yield to maturity.

This schedule of bonds payable outstanding does not reflect unamortized debt premium.

REVENUE BONDS SERIES 1997A			REVENUE BONDS SERIES 1999A			REVENUE BONDS SERIES 2006A	
Principal Amount	Accreted Value at Maturity	Interest Rate	Principal Amount	Accreted Value at Maturity	Interest Rate	Principal Amount	Interest Rate
-	-	-	-	-	-	3,780,000	5.000%
-	-	-	-	-	-	3,975,000	5.000%
-	-	-	-	-	-	2,100,000	5.250%
-	-	-	-	-	-	3,495,000	5.250%
-	-	-	-	-	-	3,640,000	5.250%
-	-	-	-	-	-	3,835,000	5.250%
-	-	-	-	-	-	3,465,000	5.250%
-	-	-	-	-	-	1,255,000	5.000%
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
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-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,315,000	5.000%
-	-	-	-	-	-	1,380,000	5.000%
-	-	-	-	-	-	1,450,000	5.000%
-	-	-	-	-	-	1,525,000	5.000%
-	-	-	-	-	-	1,600,000	5.000%
-	-	-	-	-	-	1,680,000	5.000%
-	-	-	-	-	-	1,765,000	5.000%
-	-	-	-	-	-	1,850,000	5.000%
-	-	-	-	-	-	1,945,000	5.000%
-	-	-	-	-	-	2,040,000	5.000%
-	-	-	-	-	-	2,145,000	5.000%
-	-	-	-	-	-	2,250,000	5.000%
-	-	-	-	-	-	2,360,000	5.000%
-	-	-	-	-	-	2,480,000	5.000%
-	-	-	-	-	-	-	-
-			-			51,330,000	
3,045,347	3,175,000	5.650%	485,447	505,000	5.330%	-	-
2,692,067	2,970,000	5.700%	496,566	545,000	5.380%	-	-
2,303,721	2,690,000	5.720%	703,135	815,000	5.430%	-	-
2,175,843	2,690,000	5.740%	1,232,399	1,510,000	5.480%	-	-
-	-	-	4,381,572	5,670,000	5.490%	-	-
-	-	-	4,228,336	5,780,000	5.500%	-	-
-	-	-	4,119,792	5,950,000	5.510%	-	-
-	-	-	3,931,404	6,000,000	5.520%	-	-
-	-	-	3,719,568	6,000,000	5.530%	-	-
-	-	-	3,518,592	6,000,000	5.540%	-	-
-	-	-	3,331,260	6,000,000	5.540%	-	-
-	-	-	3,150,288	6,000,000	5.550%	-	-
-	-	-	3,032,017	6,100,000	5.550%	-	-
-	-	-	2,870,343	6,100,000	5.550%	-	-
-	-	-	2,717,330	6,100,000	5.550%	-	-
10,216,978			41,918,049			-	
$ 10,216,978			$ 41,918,049			$ 51,330,000	

SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
SCHEDULE OF BONDS PAYABLE OUTSTANDING
June 30, 2014

	REVENUE BONDS SERIES 2008A		REVENUE BONDS SERIES 2009A	
	Principal Amount	Interest Rate	Principal Amount	Interest Rate
Interest Bearing Bonds:				
Serial Bonds maturing as follows:				
2015	1,220,000	5.000%	2,185,000	4.125%
2016	1,390,000	5.000%	2,245,000	4.550%
2017	1,540,000	5.000%	2,310,000	4.800%
2018	1,635,000	5.000%	2,385,000	5.000%
2019	1,785,000	5.250%	2,460,000	5.300%
2020	1,900,000	5.250%	2,545,000	5.250%
2021	2,055,000	4.000%	2,635,000	5.450%
2022	2,175,000	5.500%	2,725,000	5.600%
2023	2,285,000	5.500%	2,825,000	5.750%
2024	1,690,000	4.250%	2,930,000	5.900%
2025	1,770,000	4.500%	3,045,000	6.000%
2026	1,815,000	4.500%	- ----	- -----
2027	1,890,000	4.500%	- ----	- -----
2028	1,970,000	4.500%	- ----	- -----
2029	- ----	- -----	- ----	- -----
2030	- ----	- -----	- ----	- -----
2031	- ----	- -----	- ----	- -----
2032	- ----	- -----	- ----	- -----
2033	- ----	- -----	- ----	- -----
2034	- ----	- -----	- ----	- -----
2035	- ----	- -----	- ----	- -----
Term Bonds maturing as follows:				
2015	- ----	- -----	- ----	- -----
2016	- ----	- -----	- ----	- -----
2017	- ----	- -----	- ----	- -----
2018	- ----	- -----	- ----	- -----
2019	- ----	- -----	- ----	- -----
2020	- ----	- -----	- ----	- -----
2021	- ----	- -----	- ----	- -----
2022	- ----	- -----	- ----	- -----
2023	- ----	- -----	- ----	- -----
2024	- ----	- -----	- ----	- -----
2025	- ----	- -----	- ----	- -----
2026	- ----	- -----	3,165,000	6.200%
2027	- ----	- -----	3,290,000	6.200%
2028	- ----	- -----	3,425,000	6.200%
2029	- ----	- -----	3,560,000	6.200%
2030	- ----	- -----	3,705,000	6.200%
2031	- ----	- -----	- ----	- -----
2032	- ----	- -----	- ----	- -----
2033	- ----	- -----	- ----	- -----
2034	- ----	- -----	- ----	- -----
2035	- ----	- -----	- ----	- -----
2036	- ----	- -----	- ----	- -----
Qualified Energy Conservation Bonds maturing as follows:				
2035	- ----	- -----	- ----	- -----
Total Interest Bearing Bonds	25,120,000		45,435,000	
Capital Appreciation Bonds maturing as follows:				
2015	- ----	- -----	- ----	- -----
2016	- ----	- -----	- ----	- -----
2017	- ----	- -----	- ----	- -----
2018	- ----	- -----	- ----	- -----
2019	- ----	- -----	- ----	- -----
2020	- ----	- -----	- ----	- -----
2021	- ----	- -----	- ----	- -----
2022	- ----	- -----	- ----	- -----
2023	- ----	- -----	- ----	- -----
2024	- ----	- -----	- ----	- -----
2025	- ----	- -----	- ----	- -----
2026	- ----	- -----	- ----	- -----
2027	- ----	- -----	- ----	- -----
2028	- ----	- -----	- ----	- -----
2029	- ----	- -----	- ----	- -----
Total Capital Appreciation Bonds	- ----		- ----	
Total	$ 25,120,000		$ 45,435,000	

REVENUE BONDS SERIES 2012A		REVENUE BONDS SERIES 2012B	
Principal Amount	Interest Rate	Principal Amount	Interest Rate
1,090,000	4.000%	1,555,000	2.000%
1,135,000	4.000%	1,605,000	3.000%
1,830,000	2.050%	1,660,000	4.000%
1,205,000	2.300%	1,730,000	4.000%
1,230,000	2.550%	1,795,000	4.000%
1,260,000	2.800%	1,890,000	5.000%
1,295,000	3.000%	1,990,000	5.000%
1,335,000	3.150%	2,080,000	5.000%
1,380,000	3.350%	1,820,000	5.000%
1,425,000	3.500%	1,905,000	5.000%
1,475,000	3.650%	2,005,000	5.000%
1,530,000	3.800%	2,105,000	5.000%
- ----	- -----	2,205,000	5.000%
- ----	- -----	- ----	- -----
1,715,000	4.100%	- ----	- -----
1,785,000	4.200%	- ----	- -----
1,860,000	4.300%	- ----	- -----
1,940,000	4.375%	- ----	- -----
- ----	- -----	- ----	- -----
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1,585,000	4.000%	- ----	- -----
1,650,000	4.000%	2,320,000	5.000%
- ----	- -----	2,440,000	5.000%
- ----	- -----	1,365,000	5.000%
- ----	- -----	1,435,000	5.000%
- ----	- -----	1,505,000	5.000%
- ----	- -----	1,580,000	4.000%
- ----	- -----	1,645,000	4.000%
- ----	- -----	1,710,000	4.000%
- ----	- -----	- ----	- -----
- ----	- -----	5,365,000	4.400%
26,725,000		43,710,000	
- ----	- -----	- ----	- -----
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- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----
- ----		- ----	
$ 26,725,000		$ 43,710,000	

State of Illinois

Southern Illinois University

Medical Facilities System

Report of the Treasurer

For the Years Ended

June 30, 2014 and 2013

STATE OF ILLINOIS
SOUTHERN ILLINOIS UNIVERSITY
MEDICAL FACILITIES SYSTEM
ANNUAL FINANCIAL REPORT
For The Years Ended June 30, 2014 and 2013

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SOUTHERN ILLINOIS UNIVERSITY
SENIOR VICE PRESIDENT FOR FINANCIAL & ADMINISTRATIVE AFFAIRS AND BOARD TREASURER
STONE CENTER - MAIL CODE 6801 / 1400 DOUGLAS DRIVE / CARBONDALE, ILLINOIS 62901

December 22, 2014

TO THE BONDHOLDERS AND TO THE BOARD OF TRUSTEES
OF SOUTHERN ILLINOIS UNIVERSITY

I am pleased to submit the annual Treasurer's Report to the Bondholders for the Southern Illinois University Medical Facilities System for the fiscal years ended June 30, 2014, and 2013.

A calculation of debt service coverage is included. The system exceeds the coverage required by the bond resolution.

We invite your inquiries on any matter relating to the bonds or to the report.

Respectfully submitted,

Duane Stucky
Board Treasurer

DS/lap

CARBONDALE P: 618.536.3475 F: 618.536.3404
CARBONDALE / EDWARDSVILLE / SPRINGFIELD / ALTON / EAST ST. LOUIS

TREASURER'S COMMENTS

SOUTHERN ILLINOIS UNIVERSITY MEDICAL FACILITIES SYSTEM

I. SOUTHERN ILLINOIS UNIVERSITY REVENUE BOND OPERATIONS

FACILITIES

The facilities included in the Southern Illinois University Medical Facilities System (the "System") were acquired in three phases. The first phase coincided with the creation of the system in connection with issuance of the Series 1997 bonds, in the amount of $16,855,000, pursuant to a resolution of the Board of Trustees (the "Board") adopted on October 10, 1996.

The primary purpose of issuing the Series 1997 Bonds was to purchase the Richard H. Moy, M.D. Building, formerly known as the SIU Clinics Building, located at 751 N. Rutledge, Springfield, Illinois. The building is a four-story, clinical teaching facility containing 106,904 gross square feet. It is connected by skyways to Memorial Medical Center, an independently owned, tertiary hospital and to the University-owned Medical Instructional Facility. Further, it is connected to a four-story parking garage and a physician office building owned by the Memorial Health Systems.

The Richard H. Moy, M.D. Building was completed and occupied by the University in May 1993. The building now houses outpatient clinics for the department of Internal Medicine and for Fertility and In Vitro Fertilization, offices and outpatient clinics for the Memory and Aging Center, Dermatology, Endocrinology, and the department of Neurology. Space is also included in the building for a medical records unit. The design of the Richard H. Moy, M.D. Building includes an allowance in the foundation and other component service areas for the addition of three more stories to the building. Each story would approximate an additional 22,000 square feet. No current plans exist for such expansion.

The second phase expanded the System to include the construction and equipping of the Simmons Cancer Institute, a 60,000 square foot multi-story building in Springfield, Illinois that includes space for clinical care and cancer treatment, patient supportive care, education and support services, research, program outreach and coordination. The funds for construction of the building were provided from $14,500,000 of state appropriations, $1,000,000 from a state grant and revenue bonds proceeds and related interest earnings totaling $7,000,000. The bond proceeds were obtained through the issuance of the Southern Illinois University Medical Facilities System Revenue Bonds, Series 2005 totaling $21,290,000, which were used to advance refund the existing Medical Facilities System Revenue Bonds, Series 1997 as described in the next section and complete construction of the building.

The third phase expanded the system to include the purchase and renovation of property located at 401 N. Walnut in Springfield. This space is being used by clinic billing unit staff.

On June 30, 2014, the School of Medicine Medical Facilities System owned or occupied nineteen locations where clinics and/or clinical faculty and/or clinical administration were housed. Owned by the University are the Richard H. Moy, M.D. Building, 401 N. Walnut, and the Simmons Cancer Institute. The sixteen remaining locations are leased by the University using revenues generated by the clinical practice of medicine. Eleven of the leased facilities are in Springfield, Illinois and the remaining five are located elsewhere in Illinois.

ADVANCED REFUNDING

During fiscal year 2005, the debt related to the acquisition of the original system facility was advance refunded without extending the final maturity date. The refunding was undertaken by the Board of Trustees ("the Board") for the purpose of affecting a cost savings.

The proceeds of the bonds issued in the refunding were used to purchase U.S. Government securities in amounts which, together with the earnings thereon, were sufficient to pay, on their redemption date of April 1, 2007, the interest, and principal of the refunded bonds.

II. ENROLLMENTS AT SOUTHERN ILLINOIS UNIVERSITY

The University reported the following enrollment for the School of Medicine:

	Head Count
Fall semester 2013	288
Fall semester 2012	301

All students are enrolled full time. The first year is spent in Carbondale with a core curriculum of basic science courses. The remaining three years are spent at the Springfield campus. Beginning with Summer semester 2012 the Physician's Assistant program was moved to the School of Medicine. The Fall semester 2013 (2012) enrollment including the Physician's Assistant program was 353 (363).

III. DEBT SERVICE COVERAGE

The bond resolution requires that debt service coverage (net revenues plus pledged tuition) be at least 200% (2.00 times) of annual debt service and that net revenues shall be at least 100% (1.00 times) of the annual debt service requirement in each fiscal year. The debt service coverage is calculated at the end of the year using cash basis data obtained from the Statement of Cash Flows. Debt service coverage for the System, as defined by the bond resolution and based on actual pledged tuition, has been calculated as follows:

	Year Ended June 30	
	2014	2013
Receipts:		
Revenue Account:		
Operations	$ 41,340,036	$ 42,590,468
Investment Income	4,700	2,849
Retirement of Indebtedness – Investment Income	690	1,249
	41,345,426	42,594,566
Disbursements:		
Operation & Maintenance Account	39,373,283	40,409,355
Net Revenues	1,972,143	2,185,211
Plus: Pledged Tuition	132,429,265	142,432,232
Total Available for Debt Service	$134,401,408	$144,617,443
Annual Debt Service	$ 1,765,250	$ 1,742,500
Maximum Annual Debt Service	$ 1,985,750	$ 1,985,750
Coverage Ratio Based on Net Revenues	1.12	1.25
Coverage Ratio Based on Annual Debt Service	76.14	82.99
Coverage Ratio Based on Maximum Annual Debt Service	67.68	72.83

IV. RETIREMENT OF INDEBTEDNESS

Net position is restricted for the following purposes:

	June 30	
	2014	2013 (restated)
Bond and Interest Sinking Fund Account	$326,091	$313,244

V. RENEWALS AND REPLACEMENTS

The bond resolution requires the Treasurer to credit funds remaining in the Revenue Fund into a separate and special account designated the Medical Facilities System Repair and Replacement Reserve Account on or before the close of each Fiscal Year the sum of, not less than 10% of the Maximum Annual Debt Service, or such portion thereof as is available for transfer and deposit annually for a repair and replacement reserve. The maximum amount which may be credited in such account shall not exceed 5% of the replacement cost of the facilities constituting the System, as determined by the then current Engineering News Record Building Cost Index (or comparable index) plus 20% of the book value of the movable equipment within the System. All moneys and investments so credited to said Account will be used and held for use to pay the cost of unusual or extraordinary maintenance or repairs, renewals, renovations, and replacements, and renovating or replacement of the furniture and equipment not paid as part of the ordinary maintenance and operation of the System.

In the event the moneys in the Bond and Interest Sinking Fund Account are reduced at any time below the amounts required to be on deposit therein, then the funds so credited to the Repair and Replacement Reserve Account may, at the discretion of the Board, be transferred for deposit in the Bond and Interest Sinking Fund Account to the extent required to eliminate the deficiency in such Account and to restore such sums as may be necessary for that purpose, and all moneys so transferred will thereafter be replaced by a resumption of the specified credits into the Repair and Replacement Reserve Account.

Moneys or investments to the credit of such Account are not pledged as security for the payment of the Bonds, but may be used to pay for the payment of Bonds when all Bonds are so paid or provided for.

Additions during the year included transfers from unrestricted net position of $198,575 ($198,575 in 2013), interest earned on investments of $9,463 (interest of $14,157 in 2013) and no nonoperating revenue ($0 in 2013).

There were expenditures in the amount of $690,943 charged to the reserve ($44,123 in 2013). The restricted net position of Renewals and Replacements consisted of the following:

	June 30	
	2014	2013
Cash	$ 1,241,649	$ 1,447,577
Accrued interest receivable	434	228
Accounts payable	(277,183)	-
	$ 964,900	$ 1,447,805

VI. SCHEDULE OF BONDS PAYABLE OUTSTANDING

A Schedule of Bonds Payable Outstanding is shown as supplementary information and lists the amount of Medical Facilities System Revenue Bonds, Series 2005 issued and outstanding as of June 30, 2014.

VII. RESTRICTED NET POSITION - EXPENDABLE

Restricted net position as of June 30, 2014 and 2013 are comprised of the following:

	June 30	
	2014	2013 (restated)
Retirement of indebtedness	$ 326,091	$ 313,244
Renewals and replacements	964,900	1,447,805
	$ 1,290,991	$ 1,761,049

The Independent Auditors' Report and the System's financial statements appear on the following pages.

Southern Illinois University Board of Trustees and Officers of Administration

Fiscal Years 2014 and 2013

BOARD OF TRUSTEES OF SOUTHERN ILLINOIS UNIVERSITY

Randal Thomas, Chair	Springfield
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Duane Stucky, Senior Vice President, Financial and Administrative Affairs, and Board Treasurer
Misty Whittington, Executive Secretary of the Board

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Kenneth Neher, Vice Chancellor for Administration
Rachel Stack, Vice Chancellor for University Advancement (Current)
Patrick Hundley, Vice Chancellor for University Relations (07/01/13 to 01/05/14)

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying basic financial statements of Southern Illinois University Medical Facilities System was conducted by CliftonLarsonAllen LLP.

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

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General, State of Illinois
and
Board of Trustees
Southern 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 of the Southern Illinois University Medical Facilities System ("the System") as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities for the System as of June 30, 2014 and 2013, and the respective changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2014 the University adopted new accounting guidance, GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

As discussed in note 1A, the financial statements of the System are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of Southern Illinois University that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of Southern Illinois University as of June 30, 2014 and 2013, and its changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The accompanying Schedule of Bonds Payable Outstanding is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Bonds Payable Outstanding is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Bonds Payable Outstanding is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Treasurer's Comments on pages 2-4 have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

In connection with our audits, nothing came to our attention that caused us to believe that the System was not in compliance with any of the fund accounting covenants of the Board of Trustees of Southern Illinois University, which provided for the issuance of the Southern Illinois University Medical Facilities System Revenue Bonds Series 2005, adopted October 13, 2005 insofar as they related to accounting matters. However, our audits were not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the System's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the Resolution of the Board of Trustees of Southern Illinois University, insofar as they relate to accounting matters.

Restricted Use Relating to the Other Matter

The purpose of the communication related to compliance with the aforementioned Resolution of the Board of Trustees of Southern Illinois University described in the Other Matter paragraph is intended solely to describe the scope of our testing of compliance and the results of that testing. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's compliance. Accordingly, this communication is not suitable for any other purpose.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated December 22, 2014, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 System's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Peoria, Illinois
December 22, 2014

SOUTHERN ILLINOIS UNIVERSITY
MEDICAL FACILITIES SYSTEM
STATEMENTS OF NET POSITION
June 30, 2014 and 2013

	2014	Restated 2013
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	$ 2,614,104	$ 2,571,505
Cash and cash equivalents, restricted (Note 2)	1,242,261	1,448,781
Short term investments, restricted (Note 2)	447,210	440,035
Accounts receivable	3,193,748	4,232,555
Accrued interest receivable	711	365
Prepaid expenses and other assets	4,661	4,661
TOTAL CURRENT ASSETS	7,502,695	8,697,902
NONCURRENT ASSETS:		
Prepaid expenses and other assets	50,108	54,770
Capital assets not being depreciated: (Note 4)		
Land	2,565,115	2,565,115
Total capital assets not being depreciated	2,565,115	2,565,115
Capital assets being depreciated, net: (Note 4)		
Equipment	6,426,630	6,365,686
Buildings	36,369,587	36,369,587
Less accumulated depreciation	(13,147,526)	(11,664,288)
Total capital assets being depreciated, net	29,648,691	31,070,985
TOTAL NONCURRENT ASSETS	32,263,914	33,690,870
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	570,609	635,821
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	40,337,218	43,024,593
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	662,142	563,393
Accrued interest payable	176,778	187,563
Accrued payroll	543,373	457,983
Accrued compensated absences (Note 5)	252,995	243,311
Revenue bonds payable (Notes 5 and 6)	1,131,775	1,064,302
TOTAL CURRENT LIABILITIES	2,767,063	2,516,552
NONCURRENT LIABILITIES:		
Accrued compensated absences (Note 5)	1,839,774	1,899,076
Revenue bonds payable (Notes 5 and 6)	13,537,927	14,669,702
TOTAL NONCURRENT LIABILITIES	15,377,701	16,568,778
TOTAL LIABILITIES	18,144,764	19,085,330
NET POSITION		
Net investment in capital assets	18,114,711	18,537,917
Restricted for:		
Expendable		
Capital projects and debt service	1,290,991	1,761,049
Unrestricted	2,786,752	3,640,297
TOTAL NET POSITION	$ 22,192,454	$ 23,939,263

The accompanying notes are an integral part of this statement.

SOUTHERN ILLINOIS UNIVERSITY

MEDICAL FACILITIES SYSTEM

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years Ended June 30, 2014 and 2013

	2014	Restated 2013
REVENUES		
OPERATING REVENUES		
Medical Facilities System	$ 40,301,094	$ 41,851,324
TOTAL OPERATING REVENUES	40,301,094	41,851,324
EXPENSES		
OPERATING EXPENSES		
Salaries and wages	48,949,230	47,577,138
Contractual services	10,242,120	12,068,067
Other	3,290,890	3,045,557
Depreciation (Note 4)	1,675,255	1,687,431
TOTAL OPERATING EXPENSES	64,157,495	64,378,193
OPERATING LOSS	(23,856,401)	(22,526,869)
NONOPERATING REVENUES (EXPENSES)		
Investment income (Note 3)	14,978	17,771
Gifts and contributions	115,842	115,842
Interest on capital asset-related debt	(760,038)	(810,115)
Payments on behalf of the system (Notes 1I and 8)	22,560,678	22,699,375
NET NONOPERATING REVENUES	21,931,460	22,022,873
LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	(1,924,941)	(503,996)
OTHER REVENUES, EXPENSES, GAINS OR LOSSES		
Capital assets retired (Note 4)	(39,435)	(7,892)
Additions to plant facilities from other sources (Note 7)	217,567	168,097
TOTAL OTHER REVENUES, EXPENSES, GAINS OR LOSSES	178,132	160,205
DECREASE IN NET POSITION	(1,746,809)	(343,791)
NET POSITION		
Net position at beginning of year as previously reported	23,939,263	24,430,337
Change in accounting principle	- ---- ---	(147,283)
Net position, beginning of year, as restated	23,939,263	24,283,054
NET POSITION AT END OF YEAR	$ 22,192,454	$ 23,939,263

The accompanying notes are an integral part of this statement.

SOUTHERN ILLINOIS UNIVERSITY

MEDICAL FACILITIES SYSTEM

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Medical Facilities System	$ 41,340,036	$ 42,590,468
Payments to employees	(26,354,328)	(24,995,806)
Payments for utilities	(429,714)	(376,618)
Payments to suppliers	(13,003,001)	(15,036,931)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,552,993	2,181,113
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions for other than capital purposes	115,842	115,842
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	115,842	115,842
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchases of capital assets	(74,828)	(359,803)
Principal paid on capital debt	(1,015,000)	(945,000)
Interest paid on capital debt	(750,250)	(797,500)
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	(1,840,078)	(2,102,303)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	1,829,174	1,630,913
Investment income	14,647	18,842
Purchase of investments	(1,836,499)	(1,636,061)
NET CASH PROVIDED BY INVESTING ACTIVITIES	7,322	13,694
NET INCREASE (DECREASE) IN CASH	(163,921)	208,346
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR	4,020,286	3,811,940
CASH AND CASH EQUIVALENTS - END OF THE YEAR	$ 3,856,365	$ 4,020,286
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating loss	$ (23,856,401)	$ (22,526,869)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation expense	1,675,255	1,687,431
Payments on behalf of the system	22,560,678	22,699,375
Changes in assets and liabilities:		
Receivables, net	1,038,942	739,144
Prepaid expense	- ---- ---	87,483
Accounts payable	98,749	(385,594)
Accrued payroll	85,389	(96,376)
Accrued compensated absences	(49,619)	(23,481)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,552,993	$ 2,181,113
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
On behalf payments for fringe benefits	$ 22,560,678	$ 22,699,375
Capital asset acquisitions from other sources	217,567	168,097
Loss on disposal of capital assets	39,435	7,892

The accompanying notes are an integral part of this statement.

1. Significant Accounting Policies

(A) Basis of Presentation

These financial statements have been prepared to satisfy the requirements of the Southern Illinois University Medical Facilities System ("System") Revenue Bonds master resolution. The financial balances and activities of the System, included in these financial statements, are included in the University's financial statements. The System is not a separate legal entity.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities.* Additionally, the System has adopted GASB Statement No. 37, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures.* The System follows the business-type activity reporting requirements of GASB Statement Nos. 35, 37 and 38 that provide a comprehensive, entity-wide perspective of the System's financial activities and replaces the fund group presentations previously required. Effective July 1, 2004, the System adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures.* The objective of this statement is to update the custodial credit risk disclosure requirements and to establish more comprehensive disclosure requirements addressing the common risks of deposits and investments. Effective July 1, 2007, the System adopted GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.* The System has disclosed pledged revenues in Note 6 to the financial statements. Effective July 1, 2012, the System adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. Effective July 1, 2013, the System adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Incorporating GASB Statement No. 65 in the System's 2014 financial statements resulted in the presentation of the deferred loss on refunding, previously reported as a reduction of revenue bonds payable, as a deferred outflow on the Statement of Net Position. It also resulted in the expensing of the unamortized non-insurance components of the bond issuance costs, which were previously reported as prepaid expenses. This change resulted in a ($147,283) adjustment to fiscal year 2013 beginning net position. Comparative totals for 2013 have been restated to reflect these changes.

For financial reporting purposes, the System is considered a special-purpose government engaged only in business-type activities. Accordingly, the System's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting applicable to state colleges and universities. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation to pay has been incurred.

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

(B) Compensated Absences

Accrued compensated absences for University personnel are charged to current funds based on earned but unused vacation and sick leave days including the University's share of Social Security and Medicare taxes.

(C) Buildings, Improvements and Equipment

Buildings, improvements and equipment are recorded at cost less accumulated depreciation. The System's capitalization policy for capital assets is as follows: buildings with an acquisition cost of $100,000 or greater, site or building improvements of $25,000 or greater; and equipment items $5,000 or greater.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 15 years for site or building improvements, 5 years for vehicles and electronic data processing equipment, and 7 years for other equipment. Land is not depreciated. The "following-month" prorate convention is used, in which no depreciation is recorded in the month of acquisition and an entire month of depreciation is recorded in the month of disposition.

(D) Revenues and Expenses

The System has classified its revenues and expenses as either operating or nonoperating. Operating revenues and expenses include activities that have characteristics of exchange transactions, such as sales and services. Nonoperating revenues and expenses include activities that have characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources 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*. Other nonoperating revenues and expenses include transactions relating to capital and financing activities, noncapital financing activities, and investing activities. The System first applies restricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

(E) Cash and Cash Equivalents

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

(F) Investments

Investments are reported at fair value. The investments, which consist of U.S. Treasury notes, are held in the University's name by its agent.

(G) Allowance for Uncollectibles

The System does not report an allowance for uncollectibles. As the accounts receivable amount represents actual collections as of June 30 that have not yet been transferred from the SIU HealthCare agency account to the System revenue accounts. The funds have been collected and therefore no allowance for uncollectible accounts is reported.

(H) Bond Issuance Costs

The bond issuance insurance costs are included in prepaid expenses and other assets and are amortized on a straight line basis over the life of the bonds.

(I) On-Behalf Payments

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the System reported on-behalf payments made by agencies of the State of Illinois for health care and retirement. These costs are reflected in an equal amount in both the revenues and expenses of the System. On-behalf payments amounted to $22,560,678 for the year ended June 30, 2014, and $22,699,375 for the year ended June 30, 2013. Substantially all employees of the System participate in the State Universities Retirement System of Illinois (SURS).

(J) Classifications of Net Position

Net position represents the difference between System assets and deferred outflows and liabilities and deferred inflows and is divided into three major categories. The first category, Net investment in capital assets, represents the System's equity in property, plant and equipment. The next category is restricted. Expendable restricted net position is available for expenditure by the System but must be spent for purposes as determined by donors or other external entities that have placed time or purpose restrictions on its use. The final category is unrestricted, which represents balances from operational activities that have not been restricted by parties external to the System and are available for use by the System.

2. Pooled Cash and Investments

It is University policy to invest funds in a manner which will provide investment returns and security consistent with good business practices, while meeting the daily cash flow demands of the University and conforming to all statutes governing the investments of funds. Funds are invested in accordance with the provisions of the Illinois Compiled Statutes, Chapter 30, Sections 235/0.01-235/8, the *Public Funds Investment Act*; the policies of the Board; and covenants provided from the University's bond and certificate of participation issuance activities. The University's Investment Policy authorizes the University to invest in securities of the United States of America, its agencies, and its instrumentalities; interest bearing savings accounts, certificates of deposit, interest bearing time deposits, and other direct obligations of any bank defined in the Illinois Banking Act; certain short term obligations of U.S. corporations rated in the highest three rating classifications by at least two standard rating services provided such obligations do not mature in longer than 270 days from the time of purchase and the issuing entity has at least $500 million in assets (limited to 33 percent of the portfolio); money market mutual funds provided they are comprised of only U.S. Treasuries, agencies and instrumentalities; Public Treasurer's Investment Pool-State Treasurer's Office; repurchase agreements of Government securities; and other specifically defined repurchase agreements.

The three basic objectives of the University's Investment policy are safety of invested funds; maintenance of sufficient liquidity to meet cash flow needs; and attainment of the maximum investment returns possible consistent with the first two objectives. The University insures the safety of its invested funds by limiting credit and interest rate risks. The University's portfolio is structured to ensure that cash is available to meet anticipated demands. Additionally, since all possible cash demands cannot be anticipated, the portfolio consists largely of securities with active secondary or resale markets. The investment returns on the University's portfolio is a priority after the safety and liquidity objectives have been met. Investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

The University has pooled certain cash and investments for the purpose of securing a greater return on investment and providing a more equitable distribution of investment return. Pooled investments, which consist principally of government securities, are stated at market. Income is distributed quarterly based upon average balances invested in the pool over the prior 13 week period. There are no investments in foreign currency. It is not feasible to separately determine the System's bank balance at June 30, 2014 or June 30, 2013, due to the pooling of the University's cash and investments.

Credit risk: Credit risk is the risk of loss due to the failure of the security issuer or backer to meet promised interest or principal payments on required dates. Credit risk is mitigated by limiting investments to those specified in the *Illinois Public Funds Investment Act*; which prohibits investment in corporate bonds with maturity dates longer than 270 days from the date of purchase; pre-qualifying the financial institutions which are utilized; and diversifying the investment portfolio so that the failure of any one issuer or backer will not place an undue financial burden on the University. U.S. Treasuries are federal government securities that do not require the disclosure of credit risk. The Public Treasurer's Investment Pool is rated AAA.

Concentration of credit risk: The University's investment policy states that the portfolio should consist of a mix of various types of securities, issues and maturities. While the fund's asset allocation strategy provides diversification by fixed income sector, each portfolio within the sector is also broadly diversified by security type, issue and maturity.

Custodial credit risk: Custodial credit risk is the risk that when, in the event a financial institution or counterparty fails, the University would not be able to recover the value of deposits, investments or collateral securities that are in the possession of an outside party. All of the University's investments are held in the University's name and are not subject to creditors of the custodial institution.

Interest rate risk: Interest rate risk is the risk that the market value of portfolio securities will fall or rise due to changes in general interest rates. Interest rate risk is mitigated by maintaining significant balances in cash equivalents and other short maturity investments and by establishing an asset allocation policy that is consistent with the expected cash flows of the University. The internally managed portfolio is managed in accordance with covenants provided from the University's debt issuance activities. The externally managed portfolio is typically allocated with a minimum of $40 million held in cash equivalents and $65 to $115 million held in the intermediate-term portfolio. However, circumstances may occur that cause the allocations to temporarily fall outside the prescribed ranges.

Foreign currency risk: The University does not hold any foreign investments.

Interest rate risk is disclosed below using the segmented time distribution method. As of June 30, 2014 and 2013, the System had the following cash and investment balances:

		AS OF JUNE 30, 2014			
		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More than 10**
U.S. Treasuries	$ 447,210	$ 447,210	$ -	$ -	$ -
Total Investments	447,210	$ 447,210	$ -	$ -	$ -
Cash and Equivalents					
The Illinois Funds	3,856,365				
Total Cash & Equivalents	3,856,365				
Total Cash & Investments	$ 4,303,575				

		AS OF JUNE 30, 2013			
		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More than 10**
U.S. Treasuries	$ 440,035	$ 440,035	$ -	$ -	$ -
Total Investments	440,035	$ 440,035	$ -	$ -	$ -
Cash and Equivalents					
The Illinois Funds	4,020,286				
Total Cash & Equivalents	4,020,286				
Total Cash & Investments	$ 4,460,321				

3. Investments and Investment Income

Southern Illinois University has adopted the provisions of GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* This statement establishes accounting and reporting standards for certain investments and securities and establishes disclosure requirements for most investments held by governmental entities. It requires that investments be recorded at fair (market) value and that unrealized gains and losses be recorded in income. The fair value is determined to be the amount at which financial instruments could be exchanged in a current transaction between willing parties, usually quoted market price. The investment with the Public Treasurer's Investment Pool (The Illinois Funds) is at fair value, which is the same value as the pool shares. State statutes require the Illinois Funds to comply with the *Illinois Public Funds Investment Act* (30 ILCS 235). Also, certain money market investments, having a remaining maturity of one year or less at the time of purchase and nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are carried at amortized cost.

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses of investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. Investment income for the fiscal years ended June 30, 2014 and 2013 is comprised of the following:

	2014	2013
Interest Income	$ 14,965	$17,718
Increase in Fair Market Value	13	53
Net Investment Income	$ 14,978	$17,771

4. Capital Assets

Capital asset activity for the System for the fiscal year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	$ 2,565,115	$ -	$ -	$ 2,565,115
Total capital assets not being depreciated	2,565,115	-	-	2,565,115
Capital assets being depreciated				
Equipment	6,365,686	292,396	231,452	6,426,630
Buildings	36,369,587	-	-	36,369,587
Total capital assets being depreciated	42,735,273	292,396	231,452	42,796,217
Total capital assets	45,300,388	292.396	231,452	45,361,332
Accumulated depreciation				
Equipment	3,392,329	740,861	192,017	3,941,173
Building	8,271,959	934,394	-	9,206,353
Total accumulated depreciation	11,664,288	$ 1,675,255	$ 192,017	13,147,526
Capital assets - net	$ 33,636,100			$ 32,213,806

Capital asset activity for the System for the fiscal year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated					
Land	$ 2,565,115	$ -	$ -	$ -	$ 2,565,115
Construction in progress	1,809,548	159,796	-	(1,969,344)	-
Total capital assets not being depreciated	4,374,663	159,796	-	(1,969,344)	2,565,115
Capital assets being depreciated					
Equipment	4,214,179	368,103	185,940	1,969,344	6,365,686
Buildings	36,369,587	-	-	-	36,369,587
Total capital assets being depreciated	40,583,766	368,103	185,940	1,969,344	42,735,273
Total capital assets	44,958,429	527.899	185,940	-	45,300,388
Accumulated depreciation					
Equipment	2,817,341	753,036	178,048		3,392,329
Building	7,337,564	934,395	-	-	8,271,959
Total accumulated depreciation	10,154,905	$ 1,687,431	$ 178,048	-	11,664,288
Capital assets - net	$ 34,803,524				$ 33,636,100

Construction in progress originated in FY11 when a three year implementation of a new practice management system was undertaken. As of June 30, 2013 the system was fully implemented and construction in progress was closed out to equipment.

5. Changes in Liabilities

Liability activity for the years ended June 30, 2014 and 2013 was as follows:

2014

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable	$ 15,734,004	$ -	$ 1,064,302	$ 14,669,702	$1,131,775
Compensated absences	2,142,387	180,832	230,450	2,092,769	252,995
Total	$ 17,876,391	$ 180,832	$ 1,294,752	$ 16,762,471	$1,384,770

2013 (Restated)

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable	$ 16,034,968	$ -	$ 300,964	$ 15,734,004	$1,064,302
Compensated absences	2,165,868	196,358	219,839	2,142,387	243,311
Total	$ 18,200,836	$ 196,358	$ 520,803	$ 17,876,391	$1,307,613

Amounts shown as ending balance include both current and long-term portions

6. Revenue Bonds Payable

On October 10, 1996, the Board authorized the creation of the Southern Illinois University Medical Facilities System and the sale of Medical Facilities System Revenue Bonds. The Series 1997 Bonds were issued on March 27, 1997 in the amount of $16,855,000 for the purpose of acquiring the SIU Clinics Building, an existing facility, located at 751 North Rutledge, Springfield, Illinois. These bonds were sold at a discount of $94,059.

On October 13, 2005, the Board adopted the "Medical Facilities System Revenue Bonds Series 2005" resolution which amended and restated the original resolution of October 10, 1996. The Board also authorized the issuance of the Medical Facilities System Revenue Bonds Series 2005. The bonds were issued as current interest bonds in the amount of $21,290,000 and included accrued interest of $41,314. The bonds were sold on November 15, 2005 at the premium of $806,296 and used as follows:

a. Bond proceeds of $14,699,511 and Board funds of $1,069,888 from the System were deposited in the bond escrow account in either cash or U.S. Government securities which, together with the interest earned thereon is used to finance the advance refunding of the Boards Series 1997 bonds.
The advance refunding, which was undertaken by the Board to affect a cost savings, resulted in a net decrease in debt service payments of $3,153,133 and an economic gain of $1,146,547. The accounting loss on the refunding was $1,185,421.
b. Bond proceeds of $6,783,042 were deposited in an Unexpended Plant account to finance the costs of constructing and equipping a new Cancer Institute building on the Springfield campus.
c. Bond proceeds of $315,726 were provided for the payment of capitalized interest through October 1, 2006 and accrued interest payable.
d. Bond proceeds of $339,331 were reserved to pay the underwriter's fees and certain other costs related to the issuance of the bonds.

The current bonds bear interest at rates ranging from 4.25% to 5.00% payable semi-annually and principal installments ranging from $480,000 to $1,825,000 are payable annually April 1 through the year 2026.

Bonds maturing after April 1, 2016 are subject to redemption at the option of the Board, on or after April 1, 2015, in whole or in part at any time, and if in part, from such maturities as determined by the Board and within any maturity by lot, at a price of 100% of the principal amount of the Series 2005 Bonds to be redeemed, plus accrued interest to the date fixed for redemption.

Year Ending June 30	Principal	Interest	Total
2015	1,085,000	707,112	1,792,112
2016	1,155,000	661,000	1,816,000
2017	1,240,000	603,250	1,843,250
2018	1,330,000	541,250	1,871,250
2019	1,425,000	474,750	1,899,750
2020-2024	7,200,000	1,202,750	8,402,750
2025-2026	1,020,000	69,300	1,089,300
Total Payments	$ 14,455,000	$ 4,259,412	$18,714,412
Unamortized debt premium	214,702		
Total Bonds Payable	$ 14,669,702		

These bonds, which are payable through 2026, do not constitute a debt of the State of Illinois or the individual members, officers or agents of the Board of Trustees of the University but, together with interest thereon, are payable from and secured by a pledge of and lien on (i) the net revenues of the System, (ii) pledged tuition (subject to prior payment of necessary operating and maintenance expenses of the Housing and Auxiliary Facilities System, debt service of the Housing and Auxiliary Facilities System not to exceed the maximum annual debt service, and then necessary operating and maintenance expenses of the System), and (iii) the Bond and Interest Sinking Fund Account. Total principal and interest remaining on the debt is $18,714,412 with annual requirements ranging from $543,400 to $1,985,750. For the current year, principal and interest paid was $1,765,250, and the total revenues pledged were $134,401,408. Total revenue pledged represents 100 percent of the net revenues of the System in fiscal years 2014 and 2013 and 83.1 percent of net tuition revenue received in fiscal year 2014 and 84.1 percent of net tuition revenue received in fiscal year 2013. Although net tuition is pledged it is not expected to be needed to meet debt service requirements.

All of the Series 1997 bonds referred to above were called for redemption and payment prior to their maturity on April 1, 2007 at a redemption price of 102% of the principal.

7. Related Party Transactions

Expenditures capitalized include $217,567 paid for by other University funds in fiscal year 2014 and $168,097 in fiscal year 2013. The expenditures were for the purchase of equipment to be utilized in the various Medical Facilities System facilities. In addition, $115,842 was received from other University funds in both fiscal year 2014 and fiscal year 2013 and used for payment of debt.

8. Retirement and Post-Employment Benefits

Substantially all employees of the System participate in the State Universities Retirement System of Illinois (SURS), which offers a cost-sharing multiple-employer defined benefit pension plan as well as a defined contribution plan. These plans have a special funding situation whereby the State of Illinois 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 Section 5/15, Chapter 40, of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.SURS.org or calling 1-800-275-7877.

Plan members are required to contribute 8% of their annual covered salary, and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The current rate for fiscal year 2014 is 35.20% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly. The employer contributions to SURS for the University for the years ended June 30, 2014, 2013, and 2012 were $149,491,589, $139,770,149, and $102,861,965, respectively, equal to the required contributions for the year. The fiscal year 2014 contribution consisted of $146,697,808 from State appropriations and $2,793,781 from other current funds, and the fiscal year 2013 contribution consisted of $136,823,379 from State appropriations and $2,946,770 from other current funds

In addition to providing the above pension benefits, the State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Central Management Services. Substantially all State employees, including the System's employees, become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and various unions that represent the State's and University's employees. Annuitants receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes $5,000.

The State pays the System's portion of employer costs for the benefits provided. The total costs of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as an expenditure by the State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents. A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Central Management Services. A copy of the financial statements of the Department of Central Management Services may be obtained by writing to the Department of Central Management Services, 401 S. Spring Street, Springfield, Illinois, 62706.

9. Operating leases

The System leases clinical and office space under contracts, some of which are renewable annually and others for multiple years with renewal options at the end of the initial lease period. Many of the renewals are subject to escalation upon proper notice by the lessor. Rental payments on these operating leases totaled $4,905,610 in 2014 and $4,910,660 in 2013 and are included in contractual services on the Statement of Revenues, Expenses and Changes in Net Position. Leases extending beyond 2014 have future payments of $3,489,513 in 2015, $3,385,350 in 2016, $3,208,518 in 2017, and $1,184,687 in 2018. There are no leases as of June 30, 2014 with future payments beyond 2018.

SOUTHERN ILLINOIS UNIVERSITY
MEDICAL FACILITIES SYSTEM
SCHEDULE OF BONDS PAYABLE OUTSTANDING
June 30, 2014

	Principal Amount	Interest Rate
Interest Bearing Bonds		
Serial Bonds Maturing as follows:		
2015	1,085,000	4.25%
2016	1,155,000	5.00%
2017	1,240,000	5.00%
2018	1,330,000	5.00%
2019	1,425,000	5.00%
2020	1,525,000	5.00%
2021	1,630,000	5.00%
2022	1,740,000	5.00%
2023	1,825,000	5.00%
Term Bonds maturing as follows:		
2024	480,000	4.500%
2025	500,000	4.500%
2026	520,000 *	4.500%
Total Interest Bearing Bonds	$ 14,455,000	

* Subject to mandatory redemption in the years indicated

This schedule of bonds payable outstanding does not reflect unamortized debt premium or unamortized deferred amount on refunding.