

State of Illinois  
Southern Illinois University  
Housing and Auxiliary Facilities System

Report of the Treasurer  
For the Year Ended  
June 30, 2012

# **Southern Illinois University**

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### **Fiscal Year 2012**

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## Table of Contents

	Page
Treasurer's:	
Letter of Transmittal	1
Comments	2-4
Independent Auditors' Report	6-7
Basic Financial Statements	
Statement of Net Assets	8
Statement of Revenues, Expenses and Changes in Net Assets	9
Statement of Cash Flows	10
Notes to Financial Statements	11-18
Supplementary Information:	
Schedule of Bonds Payable Outstanding	20-23

The University also issues an Annual Financial Report.



SOUTHERN ILLINOIS UNIVERSITY

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

September 28, 2012

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 year ended June 30, 2012.

The Series 2012A bonds were issued in January 2012 in the amount of \$29,805,000. These bonds were sold to finance the construction of the new Student Services Building on the Carbondale campus and to finance the redemption of the Series 2001A bonds due April 1, 2013, April 1, 2014, and April 1, 2017. The Series 2012A Bonds incorporate the Student Services Building as a new unit within the revenue bond system.

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  
Board Treasurer

DS/lap

## 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 thirteen 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.

## TREASURER'S COMMENTS – Continued

### 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 2011	19,817	16,522
Fall semester 2010	20,037	16,682
Edwardsville Campus (semester basis)		
Fall semester 2011	14,235	12,072
Fall semester 2010	14,133	12,003

\*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 2012	Occupancy Rates				
		2012	2011	2010	2009	2008
Southern Hills Apartments (C)						
128 Apartments	\$5,988 - \$6,900	77.4%	87.4%	79.8%	80.9%	81.2%
Evergreen Terrace (C)*						
302 Apartments	\$7,056 - \$7,608	89.0%	89.3%	86.6%	-- --	-- --
Thompson Point (C)						
1,187 Persons	\$8,234 - \$11,810	94.2%	90.4%	94.1%	93.9%	95.5%
Towers (C)						
2,140 Persons	\$7,958 - \$11,374	93.1%	92.1%	93.1%	92.6%	91.5%
Triads (C)						
945 Persons	\$7,586 - \$10,786	24.7%	25.9%	34.2%	34.6%	36.8%
Greek Row (C)**		-- --	-- --	-- --	54.1%	66.2%
University Hall (C)						
359 Persons	\$7,958 - \$11,374	86.1%	80.4%	84.9%	83.6%	89.7%
Wall & Grand (C)***						
396 Persons (Bldg I, II & III)	\$5,738 - \$6,964	95.0%	89.6%	95.2%	94.2%	78.9%
Cougar Village (E)						
496 Apartments	\$3,890 - \$12,600	95.7%	95.3%	95.5%	93.9%	92.7%
Woodland Hall (E)						
257 Rooms	\$8,020 - \$14,240	98.6%	97.8%	91.7%	96.2%	86.9%
Prairie Hall (E)						
260 Rooms	\$8,020 - \$14,240	98.6%	98.2%	95.5%	95.6%	90.6%
Bluff Hall (E)						
260 Rooms	\$8,020 - \$14,240	98.6%	98.3%	94.1%	96.5%	89.3%
Evergreen Hall (E)****						
131 Apartments	\$5,440 - \$10,170	97.7%	97.8%	97.5%	97.7%	97.4%

(C) Carbondale Campus, (E) Edwardsville Campus

\*Evergreen Terrace became part of the System in July 2010.

\*\*Individual leases were discontinued July 2010 due to lack of demand. Certain properties are still leased to national organizations of fraternities and sororities for housing (one building) and to the University for administrative and student service purposes (seven buildings).

\*\*\*Wall & Grand apartments (Bldg I) opened for occupancy Spring 2007; Bldg II & III opened for occupancy Fall 2007.

\*\*\*\*Evergreen Hall apartments opened for occupancy Fall 2007.

## TREASURER'S COMMENTS – Continued

### 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,	
	2012	2011
Receipts:		
Revenue Account:		
Operating Receipts	\$ 109,920,549	\$ 107,001,548
Revenue Bond Fees	1,825,646	1,916,577
Retirement of Indebtedness – Investment Income	102,559	122,156
Total Receipts	111,848,754	109,040,281
Disbursements:		
Operation and Maintenance Account	79,019,276	76,306,959
Net Revenues	32,829,478	32,733,322
Plus: Pledged Retained Tuition	26,671,069	25,267,244
Total Available for Debt Service	\$ 59,500,547	\$ 58,000,566
Maximum Annual Debt Service	\$ 26,671,069	\$ 25,267,244
Coverage Ratio Based on Net Revenues	123%	130%
Coverage Ratio as Defined in the Bond Resolution	223%	230%

### V. RETIREMENT OF INDEBTEDNESS

The net assets are restricted for the following purposes:

	June 30,	
	2012	2011
Bond and Interest Sinking Fund Account	\$ 9,318,315	\$ 9,303,188
Debt Service Reserve Account	8,250,001	9,066,125
	\$ 17,568,316	\$ 18,369,313

### VI. RENEWALS AND REPLACEMENTS

The bond resolution requires the Treasurer to transfer annually to Renewals and Replacements from the funds remaining in unrestricted net assets, 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 assets of \$11,819,687 (\$9,855,182 in 2011) and investment income of \$183,282 in 2012 and \$219,924 in 2011. Expenditures charged to the reserve amounted to \$8,356,077 in 2012 and \$7,901,774 in 2011. The net assets of Renewals and Replacements consisted of the following:

	June 30,	
	2012	2011
Pooled Cash and Investments	\$ 25,902,146	\$ 23,072,916
Accrued Interest Receivable	16,313	16,044
Accounts Payable	(1,500,646)	(2,318,039)
	\$ 24,417,813	\$ 20,770,921

### 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 2012A, 2009A, 2008A, 2006A, 2004A, 2003A, 1999A, 1997A and 1993A issued and outstanding as of June 30, 2012.

### VIII. RESTRICTED NET ASSETS – EXPENDABLE

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

	2012	2011
Retirement of indebtedness	\$ 17,568,316	\$ 18,369,313
Renewals and replacements	24,417,813	20,770,921
Unexpended	29,017	3,186,316
	\$ 42,015,146	\$ 42,326,550

## **FINANCIAL STATEMENTS**

**Independent Auditors' Report**

Honorable William G. Holland  
Auditor General, State of Illinois  
and  
Board of Trustees  
Southern Illinois University

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 year ended June 30, 2012. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the System's June 30, 2011 financial statements. The financial statements of the System as of and for the year ended June 30, 2011 were audited by other auditors whose report dated April 2, 2012 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2012, and its changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2012, and the respective changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated March 25, 2013 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* and should be considered in assessing the results of our audit.

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.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the System taken as a whole. The accompanying Schedule of Bonds Payable Outstanding is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The Schedule of Bonds Payable Outstanding has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the accompanying financial statements as a whole. The Treasurer's Comments on pages 2-4 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has 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 audit, 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 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 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 audit was not directed primarily toward obtaining knowledge of such noncompliance.

*CliftonLarsonAllen LLP*

Peoria, Illinois  
March 25, 2013

**SOUTHERN ILLINOIS UNIVERSITY**  
**HOUSING AND AUXILIARY FACILITIES SYSTEM**  
**STATEMENT OF NET ASSETS**  
**June 30, 2012**  
(with comparative totals for 2011)

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 19,400,124	\$ 21,691,420
Cash and cash equivalents, restricted	40,672,773	28,836,091
Short term investments, restricted	23,468,786	5,549,956
Accounts receivable, net	5,062,434	4,536,833
Accrued interest receivable	106,687	70,436
Merchandise for resale	1,217,081	1,395,992
Prepaid expenses and other assets	311,740	276,133
<b>TOTAL CURRENT ASSETS</b>	<u>90,239,625</u>	<u>62,356,861</u>
<b>NONCURRENT ASSETS:</b>		
Long term investments, restricted	2,521,762	9,202,316
Prepaid expenses and other assets	3,812,392	3,539,235
Capital assets, net:		
Land	605,395	605,395
Buildings	237,478,119	244,936,651
Improvements	5,615,518	4,910,581
Equipment	8,686,764	10,299,611
Construction in progress	12,673,549	2,930,482
<b>TOTAL NONCURRENT ASSETS</b>	<u>271,393,499</u>	<u>276,424,271</u>
<b>TOTAL ASSETS</b>	<u>361,633,124</u>	<u>338,781,132</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	3,086,977	5,238,352
Accrued interest payable	2,499,017	2,367,061
Accrued payroll	700,469	846,724
Accrued compensated absences	214,718	173,993
Housing deposits	133,110	140,670
Deferred revenue	3,604,875	3,823,764
Revenue bonds payable	16,542,833	15,489,459
<b>TOTAL CURRENT LIABILITIES</b>	<u>26,781,999</u>	<u>28,080,023</u>
<b>NONCURRENT LIABILITIES:</b>		
Accrued compensated absences	2,078,314	2,265,132
Housing deposits	162,690	171,930
Revenue bonds payable	267,263,095	253,082,711
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>269,504,099</u>	<u>255,519,773</u>
<b>TOTAL LIABILITIES</b>	<u>296,286,098</u>	<u>283,599,796</u>
<b>NET ASSETS (DEFICIT)</b>		
Invested in capital assets, net of related debt	5,866,275	(4,889,449)
Restricted for:		
Expendable		
Capital projects and debt service	42,015,146	42,326,550
Unrestricted	17,465,605	17,744,235
<b>TOTAL NET ASSETS</b>	<u>\$ 65,347,026</u>	<u>\$ 55,181,336</u>

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 ASSETS**  
**Year Ended June 30, 2012**  
(with comparative totals for 2011)

	<u>2012</u>	<u>2011</u>
<b>REVENUES</b>		
<b>OPERATING REVENUES:</b>		
Residence halls and apartments	\$ 58,400,515	\$ 56,218,052
University student centers		
Sales and services	15,692,120	15,075,224
Student fees	8,604,475	8,594,940
Student recreation and fitness centers		
Sales and services	1,283,219	1,281,945
Student fees	6,473,713	6,454,149
Child care center	942,023	901,298
Student health center	9,314,390	9,592,852
Student services building	1,195,391	- ----
Traffic and parking	2,752,766	2,681,734
Student success center	1,734,696	1,836,306
Revenue bond fees	1,825,646	1,916,577
<b>TOTAL OPERATING REVENUES</b>	<u>108,218,954</u>	<u>104,553,077</u>
<b>EXPENSES</b>		
<b>OPERATING EXPENSES:</b>		
Salaries and wages	49,238,970	46,621,284
Merchandise for resale	10,868,876	9,876,746
Utilities	9,281,052	9,507,301
Maintenance and repairs	13,655,066	12,190,747
Administrative	10,756,928	10,638,856
Other	6,445,436	5,855,949
Depreciation	14,236,559	13,049,509
<b>TOTAL OPERATING EXPENSES</b>	<u>114,482,887</u>	<u>107,740,392</u>
<b>OPERATING LOSS</b>	<u>(6,263,933)</u>	<u>(3,187,315)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	644,331	726,718
Gifts and contributions	1,003,094	1,003,644
Payments on-behalf of the system	16,222,341	14,371,521
Interest on capital asset-related debt	(9,485,763)	(9,123,370)
Accretion on bonds payable	(4,331,329)	(4,475,452)
Other nonoperating revenue	12,204,825	6,519,758
<b>NET NONOPERATING REVENUES</b>	<u>16,257,499</u>	<u>9,022,819</u>
<b>INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES</b>	<u>9,993,566</u>	<u>5,835,504</u>
<b>OTHER REVENUES, EXPENSES, GAINS OR LOSSES</b>		
Capital assets retired	(174,242)	(116,240)
Capital grants and gifts	2,648	- ----
Additions to plant facilities from other sources	343,718	478,513
<b>TOTAL OTHER REVENUES, EXPENSES, GAINS OR LOSSES</b>	<u>172,124</u>	<u>362,273</u>
<b>INCREASE IN NET ASSETS</b>	<u>10,165,690</u>	<u>6,197,777</u>
<b>NET ASSETS</b>		
Net assets at beginning of year	55,181,336	48,983,559
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 65,347,026</u>	<u>\$ 55,181,336</u>

The accompanying notes are an integral part of this statement.

**SOUTHERN ILLINOIS UNIVERSITY**  
**HOUSING AND AUXILIARY FACILITIES SYSTEM**  
**STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2012**  
(with comparative totals for 2011)

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Residence halls and apartments	\$ 54,707,829	\$ 53,198,499
University student centers		
Sales and services	15,997,360	15,921,345
Student fees	8,541,278	8,533,986
Student recreation and fitness centers		
Sales and services	1,268,686	1,274,818
Student fees	6,420,513	6,400,573
Child care center	949,141	900,113
Student health center	9,209,250	9,411,781
Student services building	1,323,667	-
Traffic and parking	2,718,176	2,669,089
Student success center	1,718,245	1,856,829
Revenue bond fees	1,825,646	1,916,577
Payments to employees	(31,082,022)	(29,613,608)
Payments for utilities	(9,575,112)	(9,277,309)
Payments to suppliers	(40,742,229)	(39,202,465)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>23,280,428</b>	<b>23,990,228</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Gifts for other than capital purposes	3,117	3,619
Other nonoperating revenue	10,700,227	11,889,001
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>10,703,344</b>	<b>11,892,620</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Purchases of capital assets	(16,751,689)	(31,717,662)
Principal paid on capital debt	(18,905,000)	(15,295,000)
Interest paid on capital debt	(10,361,717)	(9,795,869)
Retained bond proceeds	30,078,628	-
Other	2,131,587	2,143,925
<b>NET CASH USED IN CAPITAL FINANCING ACTIVITIES</b>	<b>(13,808,191)</b>	<b>(54,664,606)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	16,968,487	40,363,402
Investment income	678,891	682,438
Purchase of investments	(28,277,573)	(34,180,816)
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>(10,630,195)</b>	<b>6,865,024</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>9,545,386</b>	<b>(11,916,734)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR</b>	<b>50,527,511</b>	<b>62,444,245</b>
<b>CASH AND CASH EQUIVALENTS - END OF THE YEAR</b>	<b>\$ 60,072,897</b>	<b>\$ 50,527,511</b>
<b>RECONCILIATION OF OPERATING LOSS</b>		
<b>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (6,263,933)	\$ (3,187,315)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	14,236,559	13,049,509
Payments on-behalf of the system	16,222,341	14,371,521
Change in assets and liabilities:		
Receivables, net	(152,824)	(453,489)
Merchandise for resale	178,911	(86,824)
Prepaid expenses and other assets	(28,164)	(1,185)
Accounts payable	(384,425)	(195,118)
Accrued payroll	(146,255)	343,378
Accrued compensated absences	(146,093)	49,962
Housing deposits	(16,800)	25,050
Deferred revenue	(218,889)	74,739
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 23,280,428</b>	<b>\$ 23,990,228</b>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Payments on-behalf of the system	\$ 16,222,341	\$ 14,371,521
Capital assets in accounts payable	701,449	2,361,887
Accretion on bonds payable	4,331,329	4,475,452
Net interest capitalized	456,110	688,895
Other capital asset adjustments	47,199	346,165
Loss on disposal of capital assets	140,030	116,240

The accompanying notes are an integral part of this statement.

**SOUTHERN ILLINOIS UNIVERSITY  
HOUSING AND AUXILIARY FACILITIES SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**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 2012A, 2009A, 2008A, 2006A, 2004A, 2003A, 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, 2012. The individual facilities included in the System are as follows:

Carbondale Campus	Edwardsville Campus
Southern Hills Apartments	University Center
Greek Row	Cougar Village
Thompson Point	Student Fitness Center
Towers	Woodland Hall
University Hall	Prairie Hall
Northwest Annex	Traffic and Parking
Student Center	Bluff Hall
Student Recreation Center	Evergreen Hall
Child Care Center	Student Success Center
Softball Field	
Student Health Center	
Wall and Grand Apartments	
Student Information System	
Football Stadium	
SIU Arena Renovations	
Evergreen Terrace	
Student Services Building	

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 financial statements include prior year comparative information, which has been derived from the System's 2011 financial statements. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended June 30, 2011.

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.

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 System has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The System has elected to not apply FASB pronouncements issued after the applicable date.

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.

**SOUTHERN ILLINOIS UNIVERSITY**  
**HOUSING AND AUXILIARY FACILITIES SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**(B) Merchandise For Resale**

Merchandise for resale includes inventories which are stated at the lower of cost (first-in, first-out) method or market. 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 assets when an expense is incurred for purposes for which both restricted and unrestricted net assets 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 and the Federal Home Loan Bank, 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 assets 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 \$5,296,374 at June 30, 2012.

**(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 \$24,736 have been collected in excess of the budgetary transfer and are available for future budgetary transfers.

**(I) Bond Issuance Costs**

The bond 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, 2012 amounted to \$16,096,935 for group insurance, retirement and post-employment benefits, and \$125,406 for social security and medicare.

**(K) Classification of Net Assets**

Net assets represent the difference between System assets and liabilities and are divided into three major categories. The first category, invested in capital assets, net of related debt, represents the System's equity in property, plant and equipment. The next asset category

**SOUTHERN ILLINOIS UNIVERSITY**  
**HOUSING AND AUXILIARY FACILITIES SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

is restricted net assets. Expendable restricted net assets are 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 assets, which represent 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 assets when an expense is incurred for purposes for which both restricted and unrestricted net assets 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, 2012 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 are rated AAA. The Public Treasurer's Investment Pool is also 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 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.

**SOUTHERN ILLINOIS UNIVERSITY**  
**HOUSING AND AUXILIARY FACILITIES SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

Interest rate risk is disclosed below using the segmented time distribution method. As of June 30, 2012, the System had the following cash and investment balances:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
U.S. Treasuries	\$ 15,952,908	\$ 13,431,146	\$ 2,521,762	\$ -	\$ -
U.S. Agencies	10,037,640	10,037,640	-	-	-
<b>Total Investments</b>	<b>25,990,548</b>	<b>\$ 23,468,786</b>	<b>\$ 2,521,762</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Cash and Equivalents</b>					
The Illinois Funds	29,958,631				
Cash and Equivalents	30,114,266				
<b>Total Cash &amp; Equivalents</b>	<b>60,072,897</b>				
<b>Total Cash &amp; Investments</b>	<b>\$ 86,063,445</b>				

**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 year ended June 30, 2012, is reflected below.

Interest earnings	\$ 674,789
Realized gain on investments	4,415
Unrealized loss on investments	(34,873)
	<u>\$ 644,331</u>

**4. Capital Assets**

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 605,395	\$ -	\$ -	\$ -	\$ 605,395
Construction in progress	2,930,482	14,950,005	-	(5,206,938)	12,673,549
<b>Total capital assets not being depreciated</b>	<b>3,535,877</b>	<b>14,950,005</b>	<b>-</b>	<b>(5,206,938)</b>	<b>13,278,944</b>
Capital assets being depreciated:					
Buildings	403,671,034	313,094	5,747,277	3,982,708	402,219,559
Improvements	11,007,895	184,090	-	1,076,592	12,268,577
Equipment	16,810,022	325,430	310,446	197,089	17,022,095
<b>Total capital assets being depreciated</b>	<b>431,488,951</b>	<b>822,614</b>	<b>6,057,723</b>	<b>5,256,389</b>	<b>431,510,231</b>
Less accumulated depreciation for:					
Buildings	158,734,383	11,754,334	5,747,277	-	164,741,440
Improvements	6,097,314	555,745	-	-	6,653,059
Equipment	6,510,411	1,926,481	151,012	49,451	8,335,331
<b>Total accumulated depreciation</b>	<b>171,342,108</b>	<b>14,236,560</b>	<b>5,898,289</b>	<b>49,451</b>	<b>179,729,830</b>
<b>Total capital assets being depreciated, net</b>	<b>260,146,843</b>	<b>(13,413,946)</b>	<b>159,434</b>	<b>5,206,938</b>	<b>251,780,401</b>
<b>Capital assets, net</b>	<b>\$ 263,682,720</b>	<b>\$ 1,536,059</b>	<b>\$ 159,434</b>	<b>\$ -</b>	<b>\$ 265,059,345</b>

**SOUTHERN ILLINOIS UNIVERSITY  
HOUSING AND AUXILIARY FACILITIES SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**5. Noncurrent Liabilities**

Noncurrent liability activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable	\$ 268,572,170	\$ 34,136,329	\$ 18,902,571	\$ 283,805,928	\$ 16,542,833
Compensated absences	2,439,125	4,400	150,493	2,293,032	214,718
Housing deposits	312,600	200,730	217,530	295,800	133,110
Total noncurrent liabilities	<u>\$ 271,323,895</u>	<u>\$ 34,341,459</u>	<u>\$ 19,270,594</u>	<u>\$ 286,394,760</u>	<u>\$ 16,890,661</u>

Note: Amounts shown in ending balance of noncurrent liabilities include both current and noncurrent portions.

**6. Revenue Bonds Payable**

On December 8, 2011, the Board adopted the "Fourteenth 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, and the Thirteenth Supplemental System Revenue Bond Resolution of April 2, 2009. The outstanding bond issues related to the respective bond resolutions of the System are as follows:

**(A) 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, 2012, these bonds were outstanding in the amount of \$30,063,896.

**(B) 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, 2012, these bonds were outstanding in the amount of \$49,852,352.

**(C) 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, 2012, these bonds were outstanding in the amount of \$28,346,291.

**(D) 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, 2012, these bonds were outstanding in the amount of \$59,046,702.

**SOUTHERN ILLINOIS UNIVERSITY**  
**HOUSING AND AUXILIARY FACILITIES SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**(E) 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. As of June 30, 2012, these bonds were outstanding in the amount of \$36,046,321.

**(F) Series 2003A Bonds**

These bonds were authorized by the Board under the Ninth Supplemental Bond Resolution dated December 12, 2002 and were issued as current interest bonds in the original amount of \$17,020,000. The bonds were sold at par on February 25, 2003, with interest rates ranging from 1.15 to 4.85 percent. The bonds were issued to finance the design and construction of a new Student Health Center building addition on the Carbondale campus and to redeem the Series 1993A outstanding bonds. As of June 30, 2012, these bonds were outstanding in the amount of \$6,710,000.

**(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. As of June 30, 2012, after accreting the capital appreciation, these bonds were outstanding in the amount of \$38,508,412.

**(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. As of June 30, 2012, after accreting the capital appreciation, the remaining bonds were outstanding in the amount of \$15,175,811.

**(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. As of June 30, 2012, after accreting the capital appreciation, the remaining capital appreciation bonds were outstanding in the amount of \$20,056,143.

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 \$430,761,471 with annual requirements ranging from \$2,604,000 to \$26,671,069. For the current year, principal and interest paid was \$28,608,233, and the total revenues pledged were \$59,500,547. Total revenue pledged represents 100 percent of the net revenues of the System and 16 percent of net tuition revenue. 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, 2012, the maximum annual debt service was \$26,671,069 and the coverage was 223 percent. The bond resolution also

**SOUTHERN ILLINOIS UNIVERSITY  
HOUSING AND AUXILIARY FACILITIES SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

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 \$24,417,813 at June 30, 2012.

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	16,675,000	9,996,069	26,671,069
2014	16,565,000	9,623,906	26,188,906
2015	17,375,000	9,238,512	26,613,512
2016	17,750,000	8,788,936	26,538,936
2017	16,835,000	8,303,619	25,138,619
2018 – 2022	84,595,000	34,359,144	118,954,144
2023 – 2027	80,370,000	21,819,800	102,189,800
2028 – 2032	52,960,000	9,057,735	62,017,735
2033 – 2036	14,710,000	1,738,750	16,448,750
Total Payments	\$ 317,835,000	\$ 112,926,471	\$ 430,761,471
Less Unaccrued Appreciation	(38,624,893)		
Total Payable	279,210,107		
Unamortized debt premium	5,087,749		
Unamortized deferred loss on refunding	(491,928)		
Total Bonds Payable	\$ 283,805,928		

**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.) and one room of the Lentz Hall dining facilities at Thompson Point 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 (\$246,425 in 2012) 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 2012 include \$343,718 paid for by other University funds.

**8. Retirement and Post-Employment Benefits**

Substantially all employees of the System participate in the State Universities Retirement System of Illinois (SURS), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation whereby the State of Illinois 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](http://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 is 34.51% 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, 2012, 2011 and 2010 were \$102,861,965, \$81,241,705 and \$74,103,976, respectively, equal to the required contributions for the year.

In addition to providing pension benefits, the State provides certain health, dental and life insurance benefits to annuitants who are former State employees. 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. Health, dental and vision benefits include basic benefits for annuitants under the State's self insurance plan and insurance contracts currently in force. Life insurance benefits for annuitants under age 60 are equal to their annual salary at the time of retirement; for annuitants age 60 and older, life insurance benefits are limited to five thousand dollars per annuitant.

**SOUTHERN ILLINOIS UNIVERSITY  
HOUSING AND AUXILIARY FACILITIES SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

Currently, the State does not segregate payments made to annuitants from those made to current employees for health, dental, vision and life insurance benefits. The cost of health, dental, vision and life insurance benefits is recognized by the State on a pay-as-you-go basis. These costs are funded by the State except for certain non-appropriated funds funded by the University.

**9. Insurance**

The University has established a Self Insurance Program (the "Program") to cover its general liability, its hospital and medical professional liability, and certain other liability exposures. Funds for the Program have been reserved in amounts to cover the major portion of the estimated liability as determined by the Program's actuary. The University has also purchased excess insurance coverages with commercial carriers to cap the risk of loss retained by the Program. The System's buildings, contents and boilers are insured either through self insurance or with commercial insurance companies.

An insurance package policy purchased under the auspices of the Illinois Public Higher Education Cooperative (IPHEC), through the Midwestern Higher Education Commission (MHEC) program, provides all risk coverage on buildings and contents. The following insurance coverages are in force at the University (including the System's facilities) through June 30, 2013:

	<b>Approximate Amount</b>
1. Lexington Insurance Company, Policy No. 66095349: Policy providing \$100,000,000 all risk coverage on scheduled buildings and other property totaling \$3,038,286,476 with a \$500,000 per occurrence deductible. The University has established a self insurance reserve in amounts to cover the portion of estimated liability between \$25,000 and the \$500,000 per occurrence deductible. There is a shared captive retention layer of \$1,000,000 per occurrence and \$7,651,499 aggregate through the Midwestern Higher Education Compact (MHEC).	\$100,000,000 per occurrence
1a. Boiler & Machinery coverage included in the Lexington policy listed above carries the same deductibles as noted above.	\$100,000,000 per occurrence
1b. Flood coverage included in the Lexington policy listed above is limited to \$100,000,000 and carries the same per occurrence deductible noted above unless the flood involves property located in a FEMA-defined flood hazard area which there is then a limit of \$50,000,000 and a deductible of 2% of the total insured value subject to a minimum of \$1,000,000 per occurrence.	\$100,000,000 per occurrence
1c. Earthquake coverage included in the Lexington policy listed above is limited to \$100,000,000 and carries a per occurrence deductible of 1% of total insured value subject to a minimum of \$50,000 per occurrence.	\$100,000,000 per occurrence
2. Lexington Insurance Company, Policy No. 66095363: furnishes the secondary layer of \$400,000,000 excess of the Lexington's \$100,000,000 layer.	\$400,000,000 per occurrence
3. Swiss Re, Policy No. 31-3-75048; One Beacon, Policy No. YSP5323; Hudson Specialty, Policy No. HCS100134; RSUI Indemnity, Policy No. NHD377676; Liberty Mutual Fire, Policy No. MQ2-L9L-438236-012; Maiden Specialty, Policy No. S1LPY218001S; Starr Specialty Lines, Policy Nos. 44732524-00, SLSTPTY10544712 and T0234451200376; and Arch Specialty, Policy No. PRP0050774-00: furnishes the third layer of coverage, which is \$500,000,000 excess of the \$500,000,000.	\$500,000,000 per occurrence
4. Endurance American Specialty, Policy No. CPN10003691500; RSUI Indemnity, Policy No. NHD377617; and Aspen Specialty, Policy No. PXA8FG912: furnishes earthquake coverage in excess of coverage included in Lexington Policy No. 66095349 with limits of \$50,000,000 that is shared with the University of Illinois and the University of Missouri.	\$50,000,000 per occurrence
5. Self Insurance: The University, pursuant to the provisions of Illinois Public Act 84-0010, has established a Self Insurance Program (the "Program") for its traditional liability insurance coverages. Funds have been reserved in amounts to cover the major portion of the estimated liability as determined by the Program's actuary. The University has also purchased excess liability insurance policies to cover certain of its general liability exposures not elsewhere covered.	

**10. Contingencies**

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.

**11. Subsequent Event**

On November 8, 2012, the Board of Trustees of Southern Illinois University authorized the issuance of the Housing and Auxiliary Facilities System Revenue Bonds, Series 2012B in an amount not exceeding \$55,000,000 for the purpose of the demolition of the Carbondale Triads housing complex as well as updating the heating, ventilation, and air conditioning (HVAC) system at the Carbondale Student Recreation Center and refunding portions of the 2003A and 2004A bond issuances. On December 19, 2012, Southern Illinois University issued Housing and Auxiliary Facilities System Revenue Bonds, Series 2012B with a par value of \$44,700,000.

## **SUPPLEMENTARY INFORMATION**

SOUTHERN ILLINOIS UNIVERSITY  
HOUSING AND AUXILIARY FACILITIES SYSTEM  
SCHEDULE OF BONDS PAYABLE OUTSTANDING  
June 30, 2012

		REVENUE BONDS		
		SERIES 1993A		
	TOTAL	Principal Amount	Accreted Value at Maturity	Interest Rate
<b>Interest Bearing Bonds:</b>				
Serial Bonds maturing as follows:				
2013	9,040,000	- ----	- ----	- ----
2014	8,665,000	- ----	- ----	- ----
2015	9,645,000	- ----	- ----	- ----
2016	10,185,000	- ----	- ----	- ----
2017	9,280,000	- ----	- ----	- ----
2018	10,295,000	- ----	- ----	- ----
2019	10,770,000	- ----	- ----	- ----
2020	11,260,000	- ----	- ----	- ----
2021	11,250,000	- ----	- ----	- ----
2022	9,370,000	- ----	- ----	- ----
2023	8,470,000	- ----	- ----	- ----
2024	7,675,000	- ----	- ----	- ----
2025	8,005,000	- ----	- ----	- ----
2026	3,345,000	- ----	- ----	- ----
2027	1,890,000	- ----	- ----	- ----
2028	1,970,000	- ----	- ----	- ----
2029	1,715,000	- ----	- ----	- ----
2030	1,785,000	- ----	- ----	- ----
2031	1,860,000	- ----	- ----	- ----
2032	1,940,000	- ----	- ----	- ----
Term Bonds maturing as follows:				
2013	- ----	- ----	- ----	- ----
2014	- ----	- ----	- ----	- ----
2015	- ----	- ----	- ----	- ----
2016	- ----	- ----	- ----	- ----
2017	- ----	- ----	- ----	- ----
2018	- ----	- ----	- ----	- ----
2019	- ----	- ----	- ----	- ----
2020	- ----	- ----	- ----	- ----
2021	- ----	- ----	- ----	- ----
2022	- ----	- ----	- ----	- ----
2023	1,315,000	- ----	- ----	- ----
2024	1,820,000	- ----	- ----	- ----
2025	1,910,000	- ----	- ----	- ----
2026	6,975,000	- ----	- ----	- ----
2027	8,865,000	- ----	- ----	- ----
2028	9,265,000	- ----	- ----	- ----
2029	7,955,000	- ----	- ----	- ----
2030	7,055,000	- ----	- ----	- ----
2031	3,520,000	- ----	- ----	- ----
2032	3,695,000	- ----	- ----	- ----
2033	3,880,000	- ----	- ----	- ----
2034	4,075,000	- ----	- ----	- ----
2035	4,275,000	- ----	- ----	- ----
2036	2,480,000	- ----	- ----	- ----
<b>Total Interest Bearing Bonds</b>	<b>205,500,000</b>	<b>- ----</b>		
<b>Capital Appreciation Bonds</b>				
maturing as follows:				
2013	7,313,501	3,871,954	4,050,000	6.100%
2014	7,142,825	3,646,069	4,050,000	6.100%
2015	6,589,977	3,428,933	4,050,000	6.150%
2016	6,079,597	3,227,340	4,050,000	6.150%
2017	5,720,132	3,030,631	4,050,000	6.200%
2018	5,900,018	2,851,216	4,050,000	6.200%
2019	3,930,739	- ----	- ----	- ----
2020	3,792,570	- ----	- ----	- ----
2021	3,694,534	- ----	- ----	- ----
2022	3,524,940	- ----	- ----	- ----
2023	3,334,404	- ----	- ----	- ----
2024	3,153,660	- ----	- ----	- ----
2025	2,985,768	- ----	- ----	- ----
2026	2,823,036	- ----	- ----	- ----
2027	2,717,074	- ----	- ----	- ----
2028	2,572,224	- ----	- ----	- ----
2029	2,435,108	- ----	- ----	- ----
<b>Total Capital Appreciation Bonds</b>	<b>73,710,107</b>	<b>20,056,143</b>		
<b>Total</b>	<b>\$ 279,210,107</b>	<b>\$ 20,056,143</b>		

\*\*Approximate yield to maturity.

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



SOUTHERN ILLINOIS UNIVERSITY  
HOUSING AND AUXILIARY FACILITIES SYSTEM  
SCHEDULE OF BONDS PAYABLE OUTSTANDING  
June 30, 2012

	REVENUE BONDS SERIES 2004A		REVENUE BONDS SERIES 2006A	
	Principal Amount	Interest Rate	Principal Amount	Interest Rate
<b>Interest Bearing Bonds:</b>				
Serial Bonds maturing as follows:				
2013	980,000	4.000%	3,140,000	5.000%
2014	1,020,000	5.000%	2,550,000	5.000%
2015	1,075,000	5.000%	3,780,000	5.000%
2016	1,130,000	5.000%	3,975,000	5.000%
2017	1,180,000	5.000%	2,100,000	5.250%
2018	1,240,000	5.000%	3,495,000	5.250%
2019	1,305,000	4.000%	3,640,000	5.250%
2020	1,355,000	4.125%	3,835,000	5.250%
2021	1,415,000	5.000%	3,465,000	5.250%
2022	1,480,000	5.000%	1,255,000	5.000%
2023	1,560,000	5.000%	-	-
2024	1,630,000	5.000%	-	-
2025	1,715,000	5.000%	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
<b>Term Bonds maturing as follows:</b>				
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	1,315,000	5.000%
2024	-	-	1,380,000	5.000%
2025	-	-	1,450,000	5.000%
2026	1,805,000	4.800%	1,525,000	5.000%
2027	1,885,000	4.800%	1,600,000	5.000%
2028	1,980,000	4.800%	1,680,000	5.000%
2029	2,075,000	5.000%	1,765,000	5.000%
2030	1,500,000	5.000%	1,850,000	5.000%
2031	1,575,000	5.000%	1,945,000	5.000%
2032	1,655,000	5.000%	2,040,000	5.000%
2033	1,735,000	5.000%	2,145,000	5.000%
2034	1,825,000	5.000%	2,250,000	5.000%
2035	1,915,000	5.000%	2,360,000	5.000%
2036	-	-	2,480,000	5.000%
<b>Total Interest Bearing Bonds</b>	<b>35,035,000</b>		<b>57,020,000</b>	
<b>Capital Appreciation Bonds</b>				
maturing as follows:				
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
<b>Total Capital Appreciation Bonds</b>	<b>-</b>		<b>-</b>	
<b>Total</b>	<b>\$ 35,035,000</b>		<b>\$ 57,020,000</b>	

