STATE OF ILLINOIS
SOUTHERN ILLINOIS UNIVERSITY
FINANCIAL AUDIT

For the Year Ended June 30, 2013

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

STATE OF ILLINOIS
Southern Illinois University
Annual Financial Report
For the Year Ended June 30, 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

January 3, 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 year ended June 30, 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 year 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
Board Treasurer

DS/lap

Southern Illinois University
Board of Trustees and Officers of Administration
Fiscal Year 2013

BOARD OF TRUSTEES OF SOUTHERN ILLINOIS UNIVERSITY

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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.

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 year ended June 30, 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 audit. 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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.*

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

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

Opinions

In our opinion, based on our audit and the 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the University's 2012 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the business-type activities and aggregate discretely presented component units of the University in our report dated March 25, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 7-13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued under separate cover our report dated January 6, 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.

Peoria, Illinois
January 6, 2014

Southern Illinois University
Management's Discussion and Analysis
For the Year Ended June 30, 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 year ended June 30, 2013. 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 2013 financial report includes three basic financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement 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

Statement of Net Position

The Statement of Net Position includes all assets and liabilities, both current and noncurrent, and all deferred outflows and inflows of resources, using the accrual basis of accounting. The statement presents the financial position of the University at the end of the fiscal year. 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.

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

	June 30, 2013	June 30, 2012
Assets:		
Current assets	$ 314,521,575	$ 335,623,841
Capital assets, net	840,332,955	789,422,415
Other assets	116,235,026	115,340,059
Total Assets	$ 1,271,089,556	$ 1,240,386,315
Liabilities:		
Current liabilities	143,264,070	148,880,124
Noncurrent liabilities	363,547,611	366,900,301
Total Liabilities	$ 506,811,681	$ 515,780,425
Net Position:		
Net investment in capital assets	531,990,424	495,051,877
Restricted - nonexpendable	4,903,490	2,662,160
Restricted - expendable	119,628,695	121,876,102
Unrestricted	107,755,266	105,015,751
Total Net Position	$ 764,277,875	$ 724,605,890

University assets totaled approximately $1.3 billion at June 30, 2013, an increase of 3% compared to the prior fiscal year. The largest asset of the University is its investment in land, buildings and equipment which totaled approximately $840.3 million at June 30, 2013. University liabilities at June 30, 2013 decreased 1.7% or approximately $9 million compared to the prior fiscal year. Long-term debt, including Revenue Bonds Payable and Certificates of Participation, totaled $290,083,670 and comprised the largest portion of the University's liabilities. The University's overall net position, the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources, increased $39,671,985, or over 5%, compared to the previous year.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the results of the University's revenue and expense activity categorized as operating or non-operating. All of the current year's 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.

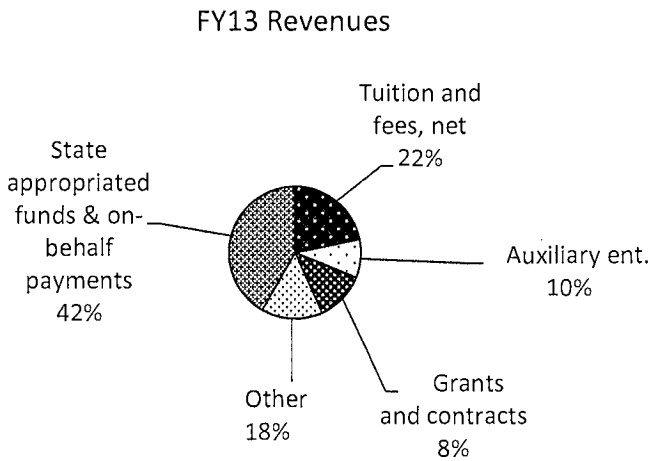
Non-operating revenues and expenses involve non-exchange transactions and include state appropriations, investment income, payments on-behalf of the University, and gifts. State appropriations are mandated as non-operating because they are provided by the legislature to the University without the legislature 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 2013 and 2012:

	Year Ended June 30, 2013	Year Ended June 30, 2012
Operating revenues:		
Tuition and fees, net	$ 254,664,694	$ 256,084,347
Auxiliary enterprises	109,379,705	111,868,932
Grants and contracts	95,348,278	101,258,764
Other	137,708,006	135,534,392
Operating expenses	(1,113,095,269)	(1,069,993,849)
Operating loss	(515,994,586)	(465,247,414)
State appropriations	205,965,800	219,501,500
On-behalf payments	281,309,245	221,995,044
Other nonoperating revenues & expenses, net	41,930,227	52,156,315
Income before other revenues	13,210,686	28,405,445
Other revenues	26,461,299	67,807,020
Increase in net position	39,671,985	96,212,465
Net position at beginning of year	724,605,890	628,393,425
Net position at end of year	$ 764,277,875	$ 724,605,890

The Statement of Revenues, Expenses and Changes in Net Position reflects a positive year with an increase in net position for the year of $39.7 million. A significant portion of this increase was in the net investment in capital assets of the University, which increased over $36.9 million. This was primarily due to several construction and renovation projects at both the Carbondale and Edwardsville campuses.

The following is a graphic illustration of revenues by source (operating, non-operating, and other), which were used to fund the University's operating activities for the year ended June 30, 2013. The revenue from charges for tuition and fees is shown net of the scholarship allowance of $41,550,479. 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.



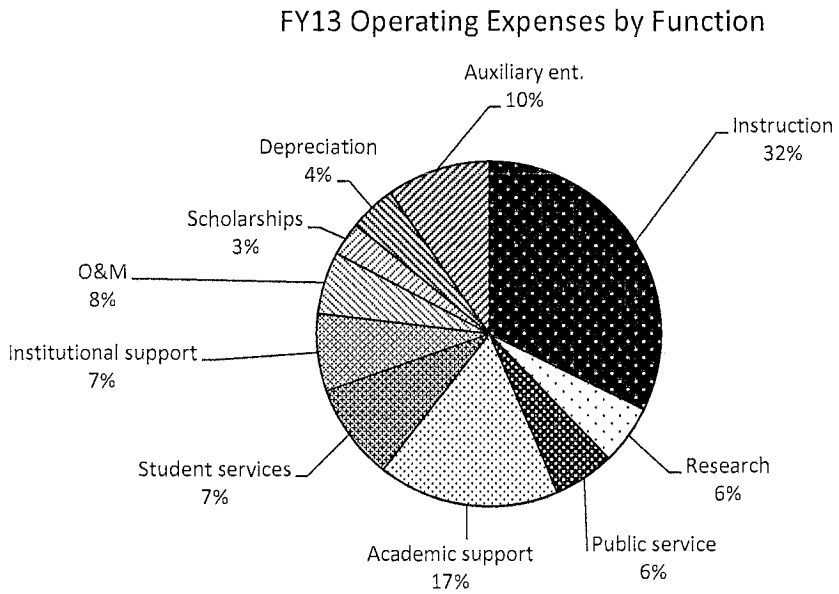
Operating Expenses

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

	Year Ended June 30, 2013	Year Ended June 30, 2012
Instruction	$ 357,711,356	$ 335,294,851
Research	64,348,813	64,680,837
Public service	66,813,986	62,712,130
Academic support	189,137,814	179,607,411
Student services	76,152,832	74,401,013
Institutional support	80,591,514	77,575,317
Operation and maintenance of plant	88,830,154	87,292,169
Scholarships and fellowships	35,095,711	36,837,164
Depreciation	48,209,665	46,321,372
Auxiliary enterprises	108,226,105	104,731,554
Other expenditures	(2,022,681)	540,031
	$ 1,113,095,269	$ 1,069,993,849

Operating expenses include $281,309,245 for health care and retirement costs paid on-behalf of University employees by the State of Illinois. These expenses have been allocated by function.

The following is a graphic illustration of operating expenses by function for the year ended June 30, 2013:



Statement of Cash Flows

The Statement of Cash Flows provides additional information about the University's sources and uses of cash during the fiscal year. This statement helps 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.

	Year Ended June 30, 2013	Year Ended June 30, 2012
Cash provided by (used in):		
Operating activities	$ (175,194,066)	$ (154,603,317)
Noncapital financing activities	264,467,824	281,990,021
Capital and related financing activities	(94,015,678)	(55,091,638)
Investing activities	10,542,392	(9,997,363)
Net increase in cash	5,800,472	62,297,703
Cash and cash equivalents, beginning of year	160,549,631	98,251,928
Cash and cash equivalents, end of year	$ 166,350,103	$ 160,549,631

Major sources of funds included in operating activities are student tuition and fees, $265.1 million, grants and contracts, $86.6 million, sales and services of educational activities, $86.7 million, and auxiliary enterprises, $112.6 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. Cash used in operating activities increased 13% from fiscal year 2012.

The major source of funds in noncapital financing activities is State appropriations which provided $206 million in fiscal year 2013. Cash provided by noncapital financing activities decreased 6% in fiscal year 2013.

The issuance of the 2012B revenue bonds, 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 increased $38.9 million during fiscal year 2013.

Investing activities include the purchases, sales, and maturities of investments as well as investment income. Cash provided by this activity increased $20.5 million during fiscal year 2013.

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 year 2013, the University had $531,990,424 invested in capital assets, net of accumulated depreciation and related debt. Depreciation expense for the current year was $48,209,665 with accumulated depreciation of $850,779,657. In fiscal year 2013, the University experienced an increase in capital assets of $50.9 million primarily attributable to multiple construction projects at both the Carbondale and Edwardsville campuses. At Carbondale, construction on the new Student Services building neared completion and at Edwardsville, construction and renovation continued on the Science building and the Art and Design building.

Capital Asset and Debt Administration (continued)

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 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 conservation 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 $293,961,199.

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. The balance of outstanding COPS at June 30, 2013 was $15,700,551. The final principal and interest payment related to the 2002 issuance was made in August, 2012 in the amount of $505,890. For additional information concerning the University's Capital Assets and Debt Administration, see Notes 6, 8, 9, and 10 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. Despite recent increased revenues, the State of Illinois continues to have a sizable budget deficit, which totaled $5 billion at the end of fiscal year 2012. Temporary tax increases approved in 2011 are set to expire in fiscal year 2015 and if not extended would result in a loss of revenue to the State.

State appropriation payment delays to all Illinois Public Universities improved in fiscal year 2013, but continue to create cash flow concerns. As of August 31, 2013, the State of Illinois owed Southern Illinois University $60 million in total appropriations, down from $97 million as of August 31, 2012. Full payment of the fiscal year 2013 appropriations was received in September 2013. The fiscal year 2014 operating appropriation has been approved at $206 million, which represents a funding level equivalent to fiscal year 2013.

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 2013, the State's portion of the on-behalf payments equaled $281.3 million, a 26.7% increase over fiscal year 2012 funding. The University contributed $7 million toward employee health coverage in fiscal year 2013, and anticipates the same funding level for fiscal year 2014.

The Illinois General Assembly concluded its session on May 31, 2013, without addressing the State's severe pension liabilities. Several pension reform proposals have been presented that would adjust benefits for existing employees, increase employee contributions, limit cost of living increases, increase the retirement age, and/or shift some of the responsibility for employer contributions to school districts and State Universities. As of June 30, 2012, the State of Illinois had an unfunded pension liability of $94.6 billion, up from $82.9 billion as of June 30, 2011. The ongoing inability of the State to address its large and growing unfunded pension liability resulted in a downgrade in the State of Illinois' $27.5 billion general obligation bonds by Moody's Investors Service, Inc., and Fitch Ratings, Inc., in June 2013. Moody's Investor Services followed with a review of all Illinois Public Universities and on August 9, 2013, downgraded SIU to A3 from A2, making the University rating equivalent to the State of Illinois.

Economic Outlook (continued)

As funding from the State has been reduced, gaps in the operating budget have primarily been filled by increases in tuition and fees. Fiscal year 2014 tuition and fees increased by 4.9% for first time students at the Carbondale campus and 4.5% for first time students at the Edwardsville campus. 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.

Enrollment remained relatively flat over the period from Fall 2005 through 2011, but Fall 2012 and 2013 each experienced a 3.3% decline. The Fall 2013 enrollment at Edwardsville was 13,850, a decrease of 204 students and total enrollment at Carbondale was 17,964, down 883 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 a reserve equal to 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 a hiring freeze on 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
Statement of Net Position
June 30, 2013 with Comparative Totals for 2012

	UNIVERSITY		UNIVERSITY RELATED ORGANIZATIONS	
	2013	2012	2013	2012
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 124,386,820	$ 118,597,843	$ 10,891,731	$ 12,848,212
Cash and cash equivalents, restricted	41,963,283	41,951,788	2,257,460	984,399
Short-term investments	13,841,351	11,361,995	16,250,789	11,990,612
Short-term investments, restricted	10,475,320	24,396,636	19,878,323	20,862,315
Deposits with University	-	-	14,743,863	12,809,198
Appropriations receivable from State of Illinois	98	-	-	-
Reimbursement due from State Treasurer	60,514,780	65,710,769	-	-
Accounts receivable, net	47,058,962	54,527,769	21,449,616	20,399,503
Notes receivable, net	3,287,770	3,122,252	-	-
Accrued interest receivable	21,285	85,789	291,370	208,867
Due from related organizations	4,615,124	5,448,985	74,681	75,720
Inventories	7,618,521	9,637,994	-	-
Prepaid expenses and other assets	738,261	782,021	2,358,303	10,487,355
Total Current Assets	314,521,575	335,623,841	88,196,136	90,666,181
Noncurrent Assets:				
Cash and cash equivalents	-	-	120,010	465,114
Long-term investments	89,446,585	92,165,784	14,096,932	9,305,558
Long-term investments, restricted	5,789,682	2,521,762	135,634,476	123,791,106
Notes receivable, net	15,053,053	14,405,165	46,439	73,187
Prepaid expenses and other assets	5,945,706	6,247,348	11,148,884	7,576,888
Capital assets, not depreciated	175,882,281	176,983,458	315,672	412,172
Capital assets, net of depreciation	664,450,674	612,438,957	5,411,388	5,643,827
Total Noncurrent Assets	956,567,981	904,762,474	166,773,801	147,267,852
TOTAL ASSETS	1,271,089,556	1,240,386,315	254,969,937	237,934,033
LIABILITIES				
Current Liabilities:				
Accounts payable	41,484,818	40,154,772	1,540,814	1,437,076
Accrued interest payable	2,897,488	3,005,488	-	-
Accrued payroll	10,485,564	11,866,799	4,272,798	3,956,377
Accrued compensated absences	4,675,223	4,955,779	-	-
Revenue bonds payable	17,822,733	17,479,618	-	-
Certificates of participation	1,755,348	2,185,398	-	-
Liabilities under capitalized leases	384,656	292,827	-	-
Annuities payable	-	-	524,229	501,143
Accrued liability for self-insurance	11,336,557	14,433,109	-	-
Deposits held for University related organizations	14,743,863	12,809,198	-	-
Deposits held in custody for others	1,377,805	1,177,499	83,938	68,309
Deferred revenue	36,105,640	40,316,647	214,634	448,719
Housing deposits	120,859	133,110	-	-
Due to related organizations	73,516	69,880	4,616,289	5,454,825
Total Current Liabilities	143,264,070	148,880,124	11,252,702	11,866,449
Noncurrent Liabilities:				
Accrued compensated absences	42,492,309	42,611,366	-	-
Revenue bonds payable	276,138,466	282,361,278	-	-
Certificates of participation	13,945,203	15,700,551	-	-
Liabilities under capitalized leases	1,207,314	963,724	-	-
Annuities payable	-	-	3,331,037	3,415,751
Accrued liability for self-insurance	12,370,170	7,827,497	-	-
Federal loan program contributions refundable	17,246,433	17,273,195	-	-
Housing deposits	147,716	162,690	-	-
Other accrued liabilities	-	-	1,825,036	2,476,895
Deposits held in custody for others	-	-	2,304,314	2,124,626
Total Noncurrent Liabilities	363,547,611	366,900,301	7,460,387	8,017,272
TOTAL LIABILITIES	506,811,681	515,780,425	18,713,089	19,883,721
NET POSITION				
Net investment in capital assets	531,990,424	495,051,877	5,727,060	6,055,999
Restricted for:				
Nonexpendable	4,903,490	2,662,160	97,819,438	94,288,238
Expendable	119,628,695	121,876,102	73,916,705	68,270,616
Unrestricted	107,755,266	105,015,751	58,793,645	49,435,459
TOTAL NET POSITION	$ 764,277,875	$ 724,605,890	$ 236,256,848	$ 218,050,312

The accompanying notes are an integral part of this statement.

Southern Illinois University

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2013 with Comparative Totals for 2012

	UNIVERSITY		UNIVERSITY RELATED ORGANIZATIONS	
	2013	2012	2013	2012
REVENUES				
Operating Revenues:				
Student tuition and fees (net of scholarship allowances of $41,550,479 for 2013; $38,196,952 for 2012)	$ 254,664,694	$ 256,084,347	$ -	$ -
Federal grants and contracts	39,186,109	42,005,028	-	-
State of Illinois grants and contracts	26,639,068	30,693,731	-	-
Other government grants and contracts	6,719,888	6,386,232	-	-
Private grants and contracts	22,803,213	22,173,773	-	-
Sales and services of educational departments	86,414,105	81,012,744	-	-
Physicians and Surgeons practice plan	50,960,697	54,203,736	-	-
Patient service revenue (net)	-	-	88,505,023	92,750,929
Auxiliary enterprises:				
Funded debt enterprises (net of scholarship allowances of $5,990,809 for 2013; $6,266,581 for 2012)	99,875,617	102,295,975	-	-
Other auxiliary enterprises (net of scholarship allowances of $921,094 for 2013; $915,569 for 2012)	9,504,088	9,572,957	-	-
Loan interest income	306,198	297,083	-	-
Other operating revenues	27,006	20,829	20,963,392	17,300,272
Total Operating Revenues	597,100,683	604,746,435	109,468,415	110,051,201
EXPENSES				
Operating Expenses:				
Instruction	357,711,356	335,294,851	-	-
Research	64,348,813	64,680,837	-	-
Public service	66,813,986	62,712,130	-	-
Academic support	189,137,814	179,607,411	-	-
Student services	76,152,832	74,401,013	-	-
Institutional support	80,591,514	77,575,317	114,914,569	122,988,725
Operation and maintenance of plant	88,830,154	87,292,169	-	-
Scholarships and fellowships	35,095,711	36,837,164	-	-
Depreciation	48,209,665	46,321,372	653,103	573,808
Auxiliary enterprises:				
Funded debt enterprises	95,405,348	93,977,385	-	-
Other auxiliary enterprises	12,820,757	10,754,169	-	-
Other operating expenses	(2,022,681)	540,031	-	-
Total Operating Expenses	1,113,095,269	1,069,993,849	115,567,672	123,562,533
Operating Loss	(515,994,586)	(465,247,414)	(6,099,257)	(13,511,332)
NONOPERATING REVENUES (EXPENSES)				
State appropriations	205,965,800	219,501,500	-	-
Gifts and contributions	10,658,892	13,746,003	3,215,456	6,548,287
Investment income	(253,472)	4,625,294	18,828,598	394,299
Grants and contracts	46,333,626	48,128,082	-	-
Interest on capital asset-related debt	(7,870,033)	(11,265,152)	-	-
Accounting loss on advance refunding	(2,216,389)	-	-	-
Accretion on bonds payable	(4,166,477)	(4,331,329)	-	-
University related organizations	(1,183,038)	(407,985)	-	-
Payments on behalf of the University	281,309,245	221,995,044	-	-
Other nonoperating revenues (expenses)	627,118	1,661,402	102,747	(980,643)
Net Nonoperating Revenues (Expenses)	529,205,272	493,652,859	22,146,801	5,961,943
Income (Loss) Before Other Revenues	13,210,686	28,405,445	16,047,544	(7,549,389)
Other Revenues:				
Capital state appropriations	25,253,273	59,779,396	-	-
Additions to permanent endowments	-	-	2,158,992	2,341,154
Capital grants and gifts	1,208,026	8,027,624	-	-
Total Other Revenues	26,461,299	67,807,020	2,158,992	2,341,154
Increase (decrease) in Net Position	39,671,985	96,212,465	18,206,536	(5,208,235)
NET POSITION				
Net position at beginning of year	724,605,890	628,393,425	218,050,312	223,258,547
Net position at end of year	$ 764,277,875	$ 724,605,890	$ 236,256,848	$ 218,050,312

The accompanying notes are an integral part of this statement.

Southern Illinois University
Statement of Cash Flows
Year Ended June 30, 2013 with Comparative Totals for 2012

	UNIVERSITY		UNIVERSITY RELATED ORGANIZATIONS	
	2013	2012	2013	2012
Cash Flows from Operating Activities				
Tuition and fees	$ 265,142,454	$ 258,656,869	$ -	$ -
Grants and contracts	86,576,748	100,559,721	-	-
Sales and services of educational activities	86,722,308	78,789,760	-	-
Physicians and Surgeons	49,899,841	62,973,237	-	-
Auxiliary enterprise revenues:				
Funded debt	102,085,325	104,783,027	-	-
Other auxiliary	10,585,651	10,787,433	-	-
Payments for employee salaries and benefits	(534,946,543)	(543,469,543)	(31,020,482)	(32,393,581)
Payments to suppliers	(272,154,003)	(267,531,059)	(75,922,529)	(80,317,743)
Payments for scholarships and fellowships	(79,725,745)	(77,235,952)	-	-
Loans issued to students	(1,242,312)	(2,555,668)	-	-
Interest earned on loans to students	281,485	273,733	-	-
Collection of loans from students	2,684,521	2,509,133	-	-
Patient service revenue	-	-	86,148,974	100,203,089
Other operating receipts	108,896,204	116,855,992	12,540,706	6,940,927
Net cash used in operating activities	(175,194,066)	(154,603,317)	(8,253,331)	(5,567,308)
Cash Flows from Noncapital Financing Activities				
State appropriations	205,965,702	219,529,444	-	-
Direct lending receipts	220,580,546	226,632,961	-	-
Direct lending payments	(220,114,497)	(227,071,156)	-	-
Grants and contracts	46,333,626	48,710,181	-	-
Government advances for federal loan funds	(179,643)	(218,129)	-	-
Payments to annuitants	-	-	(458,844)	(470,420)
Other	37,388	815,384	(1,134,754)	(991,113)
Gifts for other than capital purposes	11,844,702	13,591,336	9,187,184	8,878,143
Net cash provided by noncapital financing activities	264,467,824	281,990,021	7,593,586	7,416,610
Cash Flows from Capital and Related Financing Activities				
Capital appropriations	17,244,839	31,259,102	-	-
Sale of capital assets	-	146,768	-	-
Purchases of capital assets	(90,238,700)	(84,542,133)	(457,151)	(284,313)
Proceeds from capital debt	50,945,917	30,078,628	-	-
Deposit to bond escrow	(41,960,658)	-	-	-
Other	1,540,791	1,335,434	-	-
Principal paid on capital debt	(20,290,000)	(21,895,000)	-	-
Interest paid on capital debt	(11,257,867)	(11,474,437)	-	-
Net cash used in capital and related financing activities	(94,015,678)	(55,091,638)	(457,151)	(284,313)
Cash Flows from Investing Activities				
Purchases of investments	(35,404,322)	(29,913,978)	(20,814,643)	(22,347,766)
Proceeds from sales of investments and maturities	42,020,339	16,824,768	16,633,020	20,260,502
Investment income	3,926,375	3,091,847	4,269,995	4,101,122
Net cash provided by (used in) investing activities	10,542,392	(9,997,363)	88,372	2,013,858
Net increase (decrease) in cash	5,800,472	62,297,703	(1,028,524)	3,578,847
Cash and cash equivalents, beginning of the year	160,549,631	98,251,928	14,297,725	10,718,878
Cash and cash equivalents, end of the year	$ 166,350,103	$ 160,549,631	$ 13,269,201	$ 14,297,725

Southern Illinois University
Statement of Cash Flows
Year Ended June 30, 2013 with Comparative Totals for 2012

	UNIVERSITY		UNIVERSITY RELATED ORGANIZATIONS	
	2013	2012	2013	2012
Reconciliation of Operating Loss to Net Cash Used in Operating Activities				
Operating Loss	$ (515,994,586)	$ (465,247,414)	$ (6,099,257)	$ (13,511,332)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation expense	48,209,665	46,321,372	653,103	573,808
Amortization expense	-	-	357,125	357,126
Noncash grants to University	-	-	182,232	1,832,857
Noncash expenditures for the benefit of the University	-	-	295,715	517,414
Noncash contributions	-	-	43,346	(2,180,914)
Budget expended at University	(467,875)	(356,549)	-	-
Payments on behalf of the University	281,309,245	221,995,044	-	-
Change in assets and liabilities:				
Accounts receivable (net)	7,713,513	6,372,664	(1,050,344)	8,316,702
Reimbursement due from State Treasurer	5,195,989	31,705,713	-	-
Inventories	2,019,473	(37,507)	-	-
Prepaid expenses	46,598	(159,659)	1,518	(4,097)
Other assets	(1,248,840)	5,019,837	894,760	67,859
Accounts payable	4,027,578	8,824,506	(712,877)	204,972
Accrued payroll	(1,381,235)	(120,234)	-	-
Deferred revenue	(4,021,253)	(3,206,861)	56,043	(346,157)
Compensated absences	(399,613)	(2,034,753)	-	-
Deposits held for others	5,188	(19,923)	15,629	(25,571)
Other liabilities	1,418,896	3,813,821	(941,013)	(33,514)
Due to/from related organizations	(1,626,809)	(7,473,374)	(1,949,311)	(1,336,461)
Net cash used in operating activities	$ (175,194,066)	$ (154,603,317)	$ (8,253,331)	$ (5,567,308)
Noncash investing, capital and financing activities:				
Payments on behalf of the University for fringe benefits	$ 281,309,245	$ 221,995,044	$ -	$ -
Accretion on bonds payable	4,166,477	4,331,329	-	-
Gifts in kind	1,018,272	5,358,096	-	810,000
Capital assets in accounts payable	16,242,662	9,342,691	-	-
Capital asset acquisition by CDB	14,965,407	59,548,781	-	-
Loss on disposals of capital assets	1,155,032	1,862,944	201,500	-
Other capital asset adjustments	(1,676,636)	127,059	-	-
Net interest capitalized	1,105,601	456,110	-	-

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, which has been derived from the University's 2012 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 University's financial statements for the year ended June 30, 2012.

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,

NOTE 2 - Significant accounting policies (continued)

reclassifications have been made to convert their statements to the GASB format for inclusion in the University Related Organizations' column in the financial statements.

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 $16,666,202 and $798,909, respectively, at June 30, 2013, compared to allowances of $14,071,240 and $3,070,690, respectively, at June 30, 2012.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market with the exception of the Textbook Rental Service at the Edwardsville campus. 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 $281,309,245 for fiscal year 2013 for health care and retirement costs, compared to $221,995,044 for fiscal year 2012. 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 $144,485,866 for the year ended June 30, 2013, and $122,701,805 for the year ended June 30, 2012. The employer contributions to these plans for employees paid from other University held funds are paid by the University. On behalf-payments of $136,823,379 for the year ended June 30, 2013, were made to the State Universities Retirement System for retirement costs, compared to $99,293,239 for the year ended June 30, 2012.

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 nonexchange 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 Educational Assistance Fund 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.

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 deferred.

The University first applies restricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position 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, 2013, the University estimates $31,810,387 will be paid from state appropriated accounts funded by the State of Illinois and the Income Fund, and $15,357,145 from local funds in subsequent years for a combined total of $47,167,532. This compares to $32,744,025 from state accounts and $14,823,120 from local funds, totaling $47,567,145, at June 30, 2012.

New Governmental Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following statements which are effective for periods beginning July 1, 2012, or later which may impact the University:

NOTE 2 - Significant accounting policies (continued)

Statement No. 60 – *Accounting and Financial Reporting for Service Concession Arrangements*, applies to public-private partnerships in which the public institution retains specific control criteria. The standard generally applies to arrangements to provide services through the use of infrastructure or another public asset, such as a facility. The statement is effective for periods beginning after December 15, 2011. This statement did not impact the University.

Statement No. 61 – *The Financial Reporting Entity: Omnibus*, which amends the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. The primary significance to public Universities is that Statement 61 amends the criteria for blending, or reporting component units as if they were part of the primary governments. The statement is effective for periods beginning after June 15, 2012. This statement did not impact the University.

Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, incorporates guidance that previously could only be found in certain FASB and American Institute of Certified Public Accountants (AICPA) pronouncements. The standard supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. The statement is effective for periods beginning after December 15, 2011. This statement did not impact the University.

Statement No. 63 – *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position*, addresses how to report elements of financial statements that are deferrals. The statement clarifies that amounts that are required to be reported as deferred outflows or inflows of resources should be reported in a separate section in a statement of net position. The statement is effective for periods beginning after December 15, 2011. The University's June 30, 2013 statements reflect the changes required by this statement.

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. The statement is effective for periods beginning after December 15, 2012. The impact on the University will be reviewed.

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. The impact on the University will be reviewed.

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. The impact on the University will be reviewed.

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

NOTE 2 - Significant accounting policies (continued)

requirements for most governments that provide pension benefits. The statement is effective for fiscal years beginning after June 15, 2014. The impact on the University will be reviewed.

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. The impact on the University will be reviewed.

NOTE 3 - Cash, deposits and cash equivalents

At June 30, 2013, the actual bank balances related to the deposits of the University amounted to $175,064,427; of this balance, $101,351,586 was either covered by federal depository insurance or not required to be collateralized and $73,712,841 was covered by collateral held by an agent in the University's name. The actual bank balances at June 30, 2012, were $170,779,212.

Cash, deposits and cash equivalents at June 30, 2013 and 2012 are as follows:

	2013	2012
UNIVERSITY:		
Cash and cash equivalents	$ 55,806,032	$ 30,051,858
The Illinois Funds	110,544,071	130,497,773
Total cash and cash equivalents	$ 166,350,103	$ 160,549,631
UNIVERSITY RELATED ORGANIZATIONS:		
Total cash and cash equivalents	$ 13,269,201	$ 14,297,725

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

NOTE 4 – Investments (continued)

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 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.

NOTE 4 – Investments (continued)

Investment income net of realized and unrealized gains and losses on investments for the years ended June 30, 2013 and 2012 are reflected below:

	2013	2012
UNIVERSITY:		
Interest earnings	$ 2,084,310	$ 2,081,046
Realized gain/(loss) on investments	1,600,290	493,075
Unrealized gain/(loss) on investments	(3,938,072)	2,051,173
Net investment income	$ (253,472)	$ 4,625,294
UNIVERSITY RELATED ORGANIZATIONS:		
Interest earnings	$ 4,127,375	$ 3,654,931
Realized gain/(loss) on investments	2,397,123	737,763
Unrealized gain/(loss) on investments	12,304,100	(3,998,395)
Net investment income	$ 18,828,598	$ 394,299

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 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.

NOTE 4 – Investments (continued)

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.

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.

NOTE 4 – Investments (continued)

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, 2013, the entire bank balance of $428,332 was either insured or collateralized by pledged bank assets in the Foundation's name. As of June 30, 2012, the entire bank balance of $479,635 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 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), Fitch Investors Service or Duffs & Phelps Credit Rating Co. 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 2013 and 2012, the Foundation's investments were managed by two different investment

NOTE 4 – Investments (continued)

firms, each offering SIPC protection up to $500,000. The investment balance exposed to custodial credit risk as of June 30, 2013 and 2012 was $26,486,512 and $25,281,871, 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, 2013. 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 18 and 19.

Investment maturities

Interest rate risk is disclosed below using the segmented time distribution method. As of June 30, 2013 and 2012, the University had the following investment balances:

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				

UNIVERSITY:

	AS OF JUNE 30, 2012				
		Investment Maturities (in Years)			
Investment Type:	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**No Maturity**
U.S. Treasuries	$ 55,591,173	$ 13,861,776	$ 30,455,443	$ 11,273,954	$ -
U.S. Agencies	74,810,704	21,896,855	33,912,610	19,001,239	-
The Illinois Funds	130,497,773	130,497,773	-	-	-
Common Stock	44,300	-	-	-	44,300
Subtotal	260,943,950	$ 166,256,404	$ 64,368,053	$ 30,275,193	$ 44,300
Less: Investment in The Illinois Funds reported as cash	(130,497,773)				
Total Investments	$ 130,446,177				

NOTE 4 – Investments (continued)

Investment maturities

Interest rate risk is disclosed below using the segmented time distribution method. As of June 30, 2013 and 2012, the University Related Organizations had the following investment balances:

	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

UNIVERSITY RELATED ORGANIZATIONS:

	AS OF JUNE 30, 2012					
		Investment Maturities (in Years)				
Investment Type:	Fair Value	Less Than 1	1-5	6-10	Over 10	No Maturity
Municipal Bonds	$ 1,022,558	$ -	$ 782,162	$ 240,396	$ -	$ -
Government Bonds	32,126	-	-	-	$ 32,126	-
Common Stock	918,934	-	-	-	-	918,934
Certificates of Deposit	5,415,395	2,120,298	3,295,097	-	-	-
Corporate Equity Securities	500,490	-	500,490	-	-	-
Hedge Funds	3,446,567	3,446,567	-	-	-	-
Private Equity	6,925,517	5,061,810	1,863,707	-	-	-
Money Market Funds with Brokers	2,953,980	2,953,980	-	-	-	-
Mutual Funds	144,734,024	144,734,024	-	-	-	-
Total Investments	$ 165,949,591	$ 158,316,679	$ 6,441,456	$ 240,396	$ 32,126	$ 918,934

NOTE 5 - Accounts and notes receivable

Accounts and notes receivable consisted of the following at June 30, 2013 and 2012:

UNIVERSITY:

	2013		2012	
	Accounts Receivable	Notes Receivable	Accounts Receivable	Notes Receivable
Student tuition and fees	$ 12,057,218	$ -	$ 16,303,129	$ -
Auxiliary enterprises	12,029,484	-	11,126,505	-
Grants and contracts	18,100,149	-	15,091,100	-
General operating	21,002,257	-	25,597,936	-
Student loans	88,093	19,139,732	127,913	20,598,107
Other accounts receivable	447,963	-	352,426	-
	63,725,164	19,139,732	68,599,009	20,598,107
Less: Allowance for doubtful accounts	(16,666,202)	(798,909)	(14,071,240)	(3,070,690)
Net receivable	$ 47,058,962	$ 18,340,823	$ 54,527,769	$ 17,527,417

UNIVERSITY RELATED ORGANIZATIONS:

	2013		2012	
	Accounts Receivable	Notes Receivable	Accounts Receivable	Notes Receivable
Accounts receivable	$ 56,748,132	$ -	$ 60,490,310	$ -
Student loans	-	46,439	-	73,187
	56,748,132	46,439	60,490,310	73,187
Less: Allowances for assignment losses & doubtful accounts	(35,298,516)	-	(40,090,807)	-
Net receivable	$ 21,449,616	$ 46,439	$ 20,399,503	$ 73,187

NOTE 6 - Capital assets

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 $8,975,634 during 2013 including $1,105,601 of capitalized interest.

NOTE 6 - Capital assets (continued)

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

UNIVERSITY:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 21,544,339	$ -	$ 29,642	$ -	$ 21,514,697
Nondepreciable historical treasures and works of art	10,842,890	637,669	-	-	11,480,559
Construction in progress	55,522,300	102,295,809	593,422	(13,236,485)	143,988,202
Total capital assets not being depreciated	87,909,529	102,933,478	623,064	(13,236,485)	176,983,458
Capital assets being depreciated:					
Site improvements	61,768,341	1,955,510	981,254	1,789,196	64,531,793
Buildings	995,725,288	2,050,892	7,223,583	8,256,724	998,809,321
Equipment	329,048,993	14,228,636	5,305,682	3,190,565	341,162,512
Intangible assets	7,340,787	-	-	-	7,340,787
Infrastructure	8,607,727	-	-	-	8,607,727
Total capital assets being depreciated	1,402,491,136	18,235,038	13,510,519	13,236,485	1,420,452,140
Less accumulated depreciation for:					
Site improvements	37,322,886	2,382,558	981,254	-	38,724,190
Buildings	450,727,737	26,305,218	6,434,418	-	470,598,537
Equipment	275,488,752	16,859,981	4,854,968	-	287,493,765
Intangible assets	1,815,349	773,615	-	-	2,588,964
Infrastructure	8,607,727	-	-	-	8,607,727
Total accumulated depreciation	773,962,451	46,321,372	12,270,640	-	808,013,183
Total capital assets being depreciated, net	628,528,685	(28,086,334)	1,239,879	13,236,485	612,438,957
Capital assets, net	$ 716,438,214	$ 74,847,144	$ 1,862,943	$ -	$ 789,422,415

NOTE 6 - Capital assets (continued)

Capital asset activity for the University Related Organizations for the fiscal years ended June 30, 2013 and 2012 was as follows:

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

UNIVERSITY RELATED ORGANIZATIONS: **2012**

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 315,672	$ 96,500	$ -	$ -	$ 412,172
Total capital assets not being depreciated	315,672	96,500	-	-	412,172
Capital assets being depreciated:					
Site improvements	315,630	-	-	-	315,630
Buildings	4,271,676	810,000	-	-	5,081,676
Equipment	4,460,241	119,907	11,500	-	4,568,648
Total capital assets being depreciated	9,047,547	929,907	11,500	-	9,965,954
Less accumulated depreciation for:					
Site improvements	170,961	31,399	-	-	202,360
Buildings	915,606	135,895	-	-	1,051,501
Equipment	2,673,252	406,514	11,500	-	3,068,266
Total accumulated depreciation	3,759,819	573,808	11,500	-	4,322,127
Total capital assets being depreciated, net	5,287,728	356,099	-	-	5,643,827
Capital assets, net	$ 5,603,400	$ 452,599	$ -	$ -	$ 6,055,999

NOTE 7 – Changes in liabilities

Liability activity for the years ended June 30, 2013 and 2012 is as follows:

2013

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	48,866,477	54,746,174	293,961,199	17,822,733
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	-
Due to related organizations	69,880	3,636	-	73,516	73,516
Housing deposits	295,800	172,460	199,685	268,575	120,859
Total long-term liabilities	$ 406,450,022	$ 63,278,556	$ 70,012,075	$ 399,716,503	$ 36,168,892

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

2012

UNIVERSITY:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 49,601,899	$ 5,014,443	$ 7,049,197	$ 47,567,145	$ 4,955,779
Revenue bonds payable	285,487,727	34,136,329	19,783,160	299,840,896	17,479,618
Certificates of participation	19,986,733	-	2,100,784	17,885,949	2,185,398
Capitalized leases	209,625	1,484,798	437,872	1,256,551	292,827
Self insurance	18,429,984	13,664,458	9,833,836	22,260,606	14,433,109
Federal loan programs refundable	17,271,593	1,602	-	17,273,195	-
Due to related organizations	7,348	62,532	-	69,880	69,880
Housing deposits	312,600	200,730	217,530	295,800	133,110
Total long-term liabilities	$ 391,307,509	$ 54,564,892	$ 39,422,379	$ 406,450,022	$ 39,549,721

UNIVERSITY RELATED ORGANIZATIONS:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Annuities payable	4,287,962	79,858	450,926	3,916,894	501,143
Other accrued liabilities	2,447,443	29,452	-	2,476,895	-
Deposits held in custody for others	2,389,505	-	196,570	2,192,935	68,309
Total long-term liabilities	$ 9,124,910	$ 109,310	$ 647,496	$ 8,586,724	$ 569,452

NOTE 8 - Revenue bonds payable

Revenue bonds payable activity for the years ended June 30, 2013 and 2012 is as follows:

UNIVERSITY: 2013

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
Unamortized loss on refunding					(3,235,468)	(221,355)
Total					$ 293,961,199	$ 17,822,733

UNIVERSITY: 2012

Series	Annual Maturity To	Beginning Balance	Accretion/ New Debt	Principal Paid/Debt Refunded	Ending Balance	Current Portion
1993A	2018	$ 22,158,410	$ 1,327,733	$ 3,430,000	$ 20,056,143	$ 4,050,000
1997A	2018	17,333,393	947,419	3,105,000	15,175,812	3,135,000
1999A	2029	36,816,975	2,056,177	395,000	38,478,152	450,000
2001A	2017	4,735,000	-	4,735,000	-	-
2003A	2029	6,975,000	-	265,000	6,710,000	275,000
2004A	2035	35,985,000	-	950,000	35,035,000	980,000
2005	2026	17,300,000	-	885,000	16,415,000	945,000
2006A	2036	60,015,000	-	2,995,000	57,020,000	3,140,000
2008A	2028	28,245,000	-	975,000	27,270,000	1,040,000
2009A	2030	51,715,000	-	2,055,000	49,660,000	2,090,000
2012A	2030	-	29,805,000	-	29,805,000	1,515,000
		$ 281,278,778	$ 34,136,329	$ 19,790,000	295,625,107	17,620,000
Unaccreted appreciation						(321,499)
Unamortized debt premium					5,408,750	301,727
Unamortized loss on refunding					(1,192,961)	(120,610)
Total					$ 299,840,896	$ 17,479,618

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 2001A were authorized by the University's Board under the Eighth Supplemental Bond Resolution dated July 12, 2001, as amended on December 11, 2003. The bonds mature at varying amounts from 2002 to 2012 with interest ranging from 4.00 to 5.50 percent. Interest payments are due semi-annually. A portion of the bonds were part of a current refunding on January 11, 2012. The final payment on the 2001A Series Bonds was made on April 1, 2012.

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 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.

NOTE 8 - Revenue bonds payable (continued)

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.

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
2014	$ 2,135,000	$ 2,641,000	$ (924,350)	$ 3,851,650
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
2019-23	13,190,000	9,343,815	(3,270,335)	19,263,480
2024-28	15,855,000	5,256,780	(1,839,873)	19,271,907
2029-30	7,265,000	680,140	(238,049)	7,707,091
Total	$ 47,570,000	$ 27,590,591	$ (9,656,707)	$ 65,503,884

Note: The October 1, 2013 Treasury Rebate will be reduced by 8.7% 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 35% of the interest due on each payment date:

Year Ending	Principal	Interest	Treasury Rebate	Total
2014	$ -	$ 236,060	$ (157,731)	$ 78,329
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
2019-23	-	1,180,300	(788,655)	391,645
2024-28	-	1,180,300	(788,655)	391,645
2029-33	-	1,180,300	(788,655)	391,645
2034-35	5,365,000	472,120	(315,462)	5,521,658
Total	$5,365,000	$ 5,193,320	$ (3,470,082)	$7,088,238

Note: The October 1, 2013 Treasury Rebate will be reduced by 8.7% 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 $411,827,259 with annual requirements ranging from $2,604,000 to $26,920,816. For the current year, principal and interest paid was $26,772,473, and the total revenues pledged were $60,763,029. In the prior year, principal and interest paid was $28,608,233, and the total revenues pledged were $59,500,547. For fiscal year 2013, the total revenue pledged represents 100 percent of the net revenues of the System and 16 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 2012. 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, 2013, the maximum annual debt requirement was $26,920,816, and the coverage was 226 percent. For the year ended June 30, 2012, the maximum annual debt requirement was $26,671,069, and the coverage was 223 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 $28,601,147 at June 30, 2013, and $24,417,813 at June 30, 2012.

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, 2013, $33,035,000 of the bonds refunded in 2012 were outstanding and

NOTE 8 - Revenue bonds payable (continued)

the market value of the related escrow fund was $34,588,749. As of June 30, 2012, there were no outstanding balances of refunded bonds.

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 $20,479,662 with annual requirements ranging from $543,400 to $1,985,750. For the current year, principal and interest paid was $1,742,500, and the total revenues pledged were $144,617,443. In the prior year, principal and interest paid was $1,717,900, and the total revenues pledged were $146,269,449. For fiscal year 2013, the total revenue pledged represents 100 percent of the net revenues of the System and 84 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 2012. 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, 2013, the maximum annual debt service was $1,985,750, and the coverage was 7,283 percent. For the year ended June 30, 2012, the maximum annual debt requirement was $1,985,750, and the coverage was 7,366 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 $1,447,805 at June 30, 2013, and $1,279,196 at June 30, 2012.

NOTE 8 - Revenue bonds payable (continued)

As of June 30, 2013, future debt service requirements for all bonds outstanding are:

UNIVERSITY:	June 30, 2013		
	Principal	Interest	Total
2014	$ 17,805,000	$ 10,495,260	$ 28,300,260
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
2019-23	90,520,000	34,033,113	124,553,113
2024-28	82,530,000	19,996,999	102,526,999
2029-33	38,735,000	7,703,635	46,438,635
2034-36	15,810,000	1,395,220	17,205,220
Total payments	321,380,000	$ 110,926,921	$ 432,306,921
Unaccreted appreciation	(34,458,416)		
Subtotal	286,921,584		
Unamortized premiums on bonds	10,275,083		
Unamortized deferred loss on refunding	(3,235,468)		
Total bonds payable	$ 293,961,199		

As of June 30, 2012, future debt service requirements for all bonds outstanding were:

UNIVERSITY:	June 30, 2012		
	Principal	Interest	Total
2013	$ 17,620,000	$ 10,793,569	$ 28,413,569
2014	17,580,000	10,374,156	27,954,156
2015	18,460,000	9,945,624	28,405,624
2016	18,905,000	9,449,936	28,354,936
2017	18,075,000	8,906,869	26,981,869
2018-22	92,245,000	36,351,644	128,596,644
2023-27	83,695,000	22,115,350	105,810,350
2028-32	52,960,000	9,057,735	62,017,735
2033-37	14,710,000	1,738,750	16,448,750
Total payments	334,250,000	$ 118,733,633	$ 452,983,633
Unaccreted appreciation	(38,624,893)		
Subtotal	295,625,107		
Unamortized premiums on bonds	5,408,750		
Unamortized deferred loss on refunding	(1,192,961)		
Total bonds payable	$ 299,840,896		

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, 2013
Year Ending	
2014	$ 421,857
2015	368,263
2016	337,441
2017	281,575
2018	281,574
Total minimum lease payments	1,690,710
Less amount representing interest	(98,740)
Present value of net minimum lease payments	$ 1,591,970

Year Ending	June 30, 2012
2013	$ 323,194
2014	233,106
2015	198,617
2016	198,617
2017	198,617
2018	198,617
Total minimum lease payments	1,350,768
Less amount representing interest	(94,217)
Present value of net minimum lease payments	$ 1,256,551

Assets held under capital lease are:

UNIVERSITY:	June 30, 2013	June 30, 2012
Equipment	$ 1,944,077	$ 1,753,090
Improvements	288,082	-
Less accumulated depreciation	(548,432)	(308,960)
Total net assets	$ 1,683,727	$ 1,444,130

The University leases office and instructional space and equipment (principally office machines, automobiles, and farm equipment) under contracts which are renewable annually and many of which are subject to escalation upon proper notice by the lessor. Rental payments on these operating leases totaled $16,354,641 in 2013 and $16,129,823 in 2012.

NOTE 10 - Certificates of participation payable

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 certificates bear interest at rates

NOTE 10 - Certificates of participation payable (continued)

ranging from 2% to 5% payable semi-annually, and principal installments ranging from $1,070,000 to $2,720,000 are payable annually on February 15 beginning 2005 through the year 2024. As of June 30, 2013 and 2012, these certificates were outstanding in the amount of $15,700,551 and $17,390,900, respectively.

Series 2002: On June 5, 2002, the University issued Certificates of Participation (COPS) in the par amount of $4,180,000. The COPS were issued at a premium of $10,540. The certificates were issued to finance, in combination with University funds, the construction of a new support services building to house business services offices and warehouse space for the University's Springfield medical campus. The certificates bear interest at rates ranging from 3.25% to 4.40% payable semi-annually, and principal installments ranging from $355,000 to $495,000 are payable annually on August 15 beginning 2003 through the year 2012. As of June 30, 2013 and 2012, these certificates were outstanding in the amount of $0 and $495,049, respectively.

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

UNIVERSITY:

June 30, 2013	Certificates of Participation		
	Principal	Interest	Total
2014	$ 1,760,000	$ 733,850	$ 2,493,850
2015	1,195,000	661,250	1,856,250
2016	1,070,000	610,463	1,680,463
2017	1,125,000	563,650	1,688,650
2018	1,170,000	513,025	1,683,025
2019-23	6,710,000	1,696,475	8,406,475
2024	2,720,000	136,000	2,856,000
Total payments	15,750,000	$ 4,914,713	$ 20,664,713
Unamortized premiums (discounts) on COPS	(49,449)		
Total payable	$ 15,700,551		

June 30, 2012	Principal	Interest	Total
2013	$ 2,190,000	$ 812,540	$ 3,002,540
2014	1,760,000	733,850	2,493,850
2015	1,195,000	661,250	1,856,250
2016	1,070,000	610,463	1,680,463
2017	1,125,000	563,650	1,688,650
2018-22	6,410,000	2,000,000	8,410,000
2023-24	4,190,000	345,500	4,535,500
Total payments	17,940,000	$ 5,727,253	$ 23,667,253
Unamortized premiums (discounts) on COPS	(54,051)		
Total payable	$ 17,885,949		

NOTE 11 - 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 2013 included a 1.85% 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, 2013 and 2012, the accrual for self-insurance was $22,620,572 and $21,198,482, respectively, for the general and professional liability fund and $1,086,155 and $1,062,124, respectively, for the Student Medical Insurance Plan, for a total accrued liability for self-insurance of $23,706,727 and $22,260,606. 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.

Changes in the self-insurance accrual for the years ended June 30, 2013, and June 30, 2012, are reflected below:

	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

	June 30, 2012		
	Total	General and Professional	Student Plan
Accrued liability, June 30, 2011	$ 18,429,984	$ 16,981,334	$ 1,448,650
Current year claims and other changes	13,664,458	7,242,661	6,421,797
Payment of Claims	(9,833,836)	(3,025,513)	(6,808,323)
Accrued liability, June 30, 2012	$ 22,260,606	$ 21,198,482	$ 1,062,124

NOTE 12 - Net Position

Net position balances by major categories at June 30, 2013 and 2012:

UNIVERSITY:	June 30, 2013	June 30, 2012
Net investment in capital assets	$ 531,990,424	$ 495,051,877
Restricted for:		
Nonexpendable	4,903,490	2,662,160
Expendable		
Quasi-endowment	248,140	228,634
Scholarships, research, instruction and other	3,642,564	11,043,436
Loans	4,669,585	5,164,326
Self insurance	11,549,092	9,066,898
Capital projects	81,973,428	77,818,081
Debt service	17,545,886	18,554,727
Unrestricted	107,755,266	105,015,751
Total	$ 764,277,875	$ 724,605,890
UNIVERSITY RELATED ORGANIZATIONS:		
Net investment in capital assets	$ 5,727,060	$ 6,055,999
Restricted for:		
Nonexpendable	97,819,438	94,288,238
Expendable		
Scholarships, research, instruction and other	65,081,949	58,445,237
Loans	2,703,614	2,455,203
Capital projects	6,131,142	7,370,176
Unrestricted	58,793,645	49,435,459
Total	$ 236,256,848	$ 218,050,312

NOTE 13 - 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 2013, realized losses on investments totaled $28,298 and unrealized gains on investments totaled $192,897, resulting in a balance of $2,091,317 held by the Foundation at June 30, 2013. During fiscal year 2012, realized losses on investments were $34,191 and unrealized losses on investments were $89,352, resulting in a balance of $1,926,718 at June 30, 2012. The Foundation distributes earnings to the University on a quarterly basis. Payments during fiscal years 2013 and 2012 totaled $76,504 and $74,287, 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 14 - 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 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 contribution to SURS for the years ended June 30, 2013, 2012, and 2011 were $139,770,149, $102,861,965, and $81,241,705, respectively, equal to the required contributions for the year. The fiscal year 2013 contribution consisted of $136,823,379 from State appropriations and $2,946,770 from other current funds, and the fiscal year 2012 contribution consisted of $99,293,239 from State appropriations and $3,568,726 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 15 - 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. All retirees, annuitants and survivors will be charged up to two percent of their annuity value to cover the costs of the basic program of group health benefits. In addition to this percentage, some annuitants and survivors are required to make further contributions toward their health and dental benefits. 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.

NOTE 15 - Post-employment benefits (continued)

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 Healthcare and Family Services. A copy of the financial statements of the Department of Healthcare and Family Services may be obtained by writing to the Department of Healthcare and Family Services, 201 South Grand Ave., Springfield, Illinois, 62763-3838.

NOTE 16 - 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 2013 and 2012 included the receipt of $40,130,585 and $42,183,041, 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 2013 and 2012 totaled $8,365,842 and $8,872,118, respectively.

Additional information concerning transactions with related parties may be obtained by contacting the entities listed in Note 1 on pages 18 and 19.

NOTE 17 - 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, 2013, the status of these liabilities remained the same as the previous fiscal year. 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, 2013, the University's annual commitment related to this contract is approximately $10,500,000 while at June 30, 2012, the University's annual commitment was approximately $11,500,000.

NOTE 17 - Commitments and contingencies (continued)

Construction projects

The University has active construction projects as of June 30, 2013. These projects include the Student Services Building and Morris Library renovations at the Carbondale campus as well as the Science Building renovation at the Edwardsville campus. A total of $142,401,410 has been spent on these projects through June 30, 2013. The University has $38,313,764 committed to the completion of these projects.

NOTE 18 - Subsequent Event

On November 14, 2013, the Board of Trustees of Southern Illinois University authorized the issuance of the 2014A Certificates of Participation in an amount not exceeding $46 million to fund various deferred maintenance projects on the Carbondale campus and to defease the outstanding 2004 Certificates of Participation with maturity dates of February 15, 2015 and later.

NOTE 19 - 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 2013, with comparative information for fiscal year 2012, are presented on the following pages.

NOTE 19 - Segment information (continued)

	Housing and Auxiliary Facilities System	
CONDENSED STATEMENTS OF NET POSITION		
	June 30, 2013	June 30, 2012
Assets:		
Current assets	$ 76,287,746	$ 90,239,625
Capital assets, net	285,077,030	265,059,345
Other assets	9,180,411	6,334,154
Total Assets	370,545,187	361,633,124
Liabilities:		
Current liabilities	32,993,696	26,781,999
Noncurrent liabilities	264,212,709	269,504,099
Total Liabilities	297,206,405	296,286,098
Net Position		
Net investment in capital assets	9,125,202	5,866,275
Restricted - expendable	45,755,917	42,015,146
Unrestricted	18,457,663	17,465,605
Total Net Position	$ 73,338,782	$ 65,347,026
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
	Year ended June 30, 2013	Year ended June 30, 2012
Operating revenues	$ 105,917,392	$ 108,218,954
Operating expenses	(97,280,294)	(100,246,328)
Depreciation expense	(14,459,512)	(14,236,559)
Operating loss	(5,822,414)	(6,263,933)
Nonoperating revenues and expenses - net	13,990,466	16,257,499
Income before other revenues, expenses, gains or losses	8,168,052	9,993,566
Other revenues, expenses, gains or losses - net	(176,296)	172,124
Increase in net position	7,991,756	10,165,690
Net position at beginning of year	65,347,026	55,181,336
Net position at end of year	$ 73,338,782	$ 65,347,026
CONDENSED STATEMENTS OF CASH FLOWS		
	Year ended June 30, 2013	Year ended June 30, 2012
Cash provided by (used in):		
Operating activities	$ 26,862,853	$ 23,280,428
Noncapital financing activities	4,526,577	10,703,344
Capital financing activities	(41,730,264)	(13,808,191)
Investing activities	10,716,870	(10,630,195)
Net increase in cash	376,036	9,545,386
Cash, beginning of year	60,072,897	50,527,511
Cash, end of year	$ 60,448,933	$ 60,072,897

NOTE 19 - Segment information (continued)

	Medical Facilities System	
CONDENSED STATEMENTS OF NET POSITION		
	June 30, 2013	**June 30, 2012**
Assets:		
Current assets	$ 8,709,454	$ 9,323,658
Capital assets, net	33,636,100	34,803,524
Other assets	190,501	206,713
Total Assets	42,536,055	44,333,895
Liabilities:		
Current liabilities	2,451,340	2,882,214
Noncurrent liabilities	15,998,169	17,021,344
Total Liabilities	18,449,509	19,903,558
Net Position		
Net investment in capital assets	18,537,917	18,768,556
Restricted - expendable	1,908,332	1,738,370
Unrestricted	3,640,297	3,923,411
Total Net Position	$ 24,086,546	$ 24,430,337

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
	Year ended June 30, 2013	**Year ended June 30, 2012**
Operating revenues	$ 41,851,324	$ 41,226,508
Operating expenses	(62,690,762)	(56,312,481)
Depreciation expense	(1,687,431)	(1,276,765)
Operating loss	(22,526,869)	(16,362,738)
Nonoperating revenues and expenses - net	22,022,873	15,875,213
Income (Loss) before other revenues, expenses, gains or losses	(503,996)	(487,525)
Other revenues, expenses, gains or losses - net	160,205	(25,535)
Increase (decrease) in net position	(343,791)	(513,060)
Net position at beginning of year	24,430,337	24,943,397
Net position at end of year	$ 24,086,546	$ 24,430,337

CONDENSED STATEMENTS OF CASH FLOWS		
	Year ended June 30, 2013	**Year ended June 30, 2012**
Cash provided by (used in):		
Operating activities	$ 2,181,113	$ 2,080,320
Noncapital financing activities	115,842	115,842
Capital financing activities	(2,102,303)	(1,790,302)
Investing activities	13,694	(134,331)
Net increase in cash	208,346	271,529
Cash, beginning of year	3,811,940	3,540,411
Cash, end of year	$ 4,020,286	$ 3,811,940

20. 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

20. University Related Organizations

Condensed financial statements for the component units of the University as of June 30, 2012 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, 2012								
Assets:								
Current assets	$ 40,900,791	$ 3,619,429	$43,966,568	$ 438,694	$ 64,008	$ 232,810	$1,443,881	$ 90,666,181
Other non-current assets	105,892,106	26,545,317	2,054,635	6,598,595	121,200	-	-	141,211,853
Capital assets	560,036	2,103,193	828,150	221,519	-	219,508	2,123,593	6,055,999
Total Assets	147,352,933	32,267,939	46,849,353	7,258,808	185,208	452,318	3,567,474	237,934,033
Liabilities:								
Current liabilities	715,472	386,560	10,000,125	366,854	275,422	58,810	63,206	11,866,449
Noncurrent liabilities	4,977,702	562,675	-	1,681,551	-	-	795,344	8,017,272
Total Liabilities	5,693,174	949,235	10,000,125	2,048,405	275,422	58,810	858,550	19,883,721
Net Position:								
Net investment in capital assets	560,036	2,103,193	828,150	221,519	-	219,508	2,123,593	6,055,999
Restricted - nonexpendable	77,364,138	16,924,100	-	-	-	-	-	94,288,238
Restricted - expendable	56,884,684	11,385,932	-	-	-	-	-	68,270,616
Unrestricted	6,850,901	905,479	36,021,078	4,988,884	(90,214)	174,000	585,331	49,435,459
Total Net Position	$ 141,659,759	$ 31,318,704	$36,849,228	$5,210,403	$ (90,214)	$ 393,508	$2,708,924	$ 218,050,312
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION Year ended June 30, 2012								
Operating revenues	$ 5,421,265	$ 5,282,055	$96,132,182	$1,929,381	$ 399,495	$ 360,098	$ 526,725	$ 110,051,201
Operating expenses	14,892,482	9,998,839	95,348,080	1,996,990	421,908	389,458	514,776	123,562,533
Operating income (loss)	(9,471,217)	(4,716,784)	784,102	(67,609)	(22,413)	(29,360)	11,949	(13,511,332)
Nonoperating revenues and expenses - net	4,969,285	(129,041)	229,740	74,860	(4,667)	931	820,835	5,961,943
Income (Loss) before other revenues	(4,501,932)	(4,845,825)	1,013,842	7,251	(27,080)	(28,429)	832,784	(7,549,389)
Other revenues	1,589,976	751,178	-	-	-	-	-	2,341,154
Increase (decrease) in net position	(2,911,956)	(4,094,647)	1,013,842	7,251	(27,080)	(28,429)	832,784	(5,208,235)
Net position at beginning of year	144,571,715	35,413,351	35,835,386	5,203,152	(63,134)	421,937	1,876,140	223,258,547
Net position at end of year	$ 141,659,759	$ 31,318,704	$36,849,228	$5,210,403	$ (90,214)	$ 393,508	$2,708,924	$ 218,050,312
CONDENSED STATEMENTS OF CASH FLOWS Year ended June 30, 2012								
Cash provided by (used in):								
Operating activities	$ (8,553,785)	$ (4,862,010)	$ 8,426,488	$ (401,305)	$ 19,668	$ 19,777	$ (216,141)	$ (5,567,308)
Noncapital financing activities	6,440,919	751,178	47,167	15,876	476	-	160,994	7,416,610
Capital financing activities	(103,342)	(5,671)	(106,794)	-	-	(67,906)	(600)	(284,313)
Investing activities	1,451,673	925,153	(724,292)	337,176	15,025	931	8,192	2,013,858
Net increase (decrease) in cash	(764,535)	(3,191,350)	7,642,569	(48,253)	35,169	(47,198)	(47,555)	3,578,847
Cash, beginning of year	1,061,472	3,935,705	4,107,515	61,411	9,393	114,345	1,429,037	10,718,878
Cash, end of year	$ 296,937	$ 744,355	$11,750,084	$ 13,158	$ 44,562	$ 67,147	$1,381,482	$ 14,297,725