State of Illinois

Southern Illinois University

Housing and Auxiliary Facilities System

Report of the Treasurer

For the Years Ended

June 30, 2018

STATE OF ILLINOIS
SOUTHERN ILLINOIS UNIVERSITY
HOUSING and AUXILIARY FACILITIES SYSTEM
ANNUAL FINANCIAL REPORT
For The Years Ended June 30, 2018

TABLE OF CONTENTS

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

February 13, 2019

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

I am pleased to submit the annual Treasurer's Report to the Bondholders for the Southern Illinois University Housing and Auxiliary Facilities System for the fiscal year ended June 30, 2018.

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

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

Respectfully submitted,

SIGNED COPY ON FILE

Duane Stucky
Board Treasurer

DS/sjp

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

TREASURER'S COMMENTS (UNAUDITED)

SOUTHERN ILLINOIS UNIVERSITY HOUSING AND AUXILIARY FACILITIES SYSTEM

I. SOUTHERN ILLINOIS UNIVERSITY REVENUE BOND OPERATIONS

FACILITIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The fifteenth phase expanded the System to include improvements to parking and installation of new light poles and pay by space equipment at Edwardsville. This phase also includes an expansion to the Student Fitness Center weight room on the Edwardsville campus. Another part of this phase is the renovation of the Baseball Stadium on the Carbondale campus. The funds for construction and improvements were provided through the issuance of bonds totaling $8,205,000.

II. ENROLLMENTS AT SOUTHERN ILLINOIS UNIVERSITY

The University reports the following enrollments, by campus:

	Head Count*	Full-Time Equivalency**
Carbondale Campus (semester basis)		
Fall semester 2017	14,554	12,463
Fall semester 2016	15,987	13,666
Edwardsville Campus (semester basis)		
Fall semester 2017	13,796	11,523
Fall semester 2016	14,142	11,870

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

III. HISTORICAL OCCUPANCY OF SYSTEM FACILITIES

The occupancy charges and rates below are based on the typical fall/spring school year (9 months) except for Evergreen Terrace information which based on 12 months.

	Range of Occupancy Charges for 2018	Occupancy Rates 2018	2017	2016	2015	2014
Southern Hills Apartments (C)		-- --	-- --	-- --	-- --	69.4%
Evergreen Terrace (C)						
302 Apartments	$4,060 - $9,720	86.6%	80.3%	84.1%	80.3%	87.4%
Thompson Point (C)						
1,246 Persons	$10,622 - $14,276	74.2%	79.1%	91.6%	96.3%	95.6%
Towers (C)						
2,278 Persons	$10,622 - $14,276	40.7%	66.0%	83.8%	96.1%	94.1%
University Hall (C)						
327 Persons	$6,292 - $14,276	15.4%	38.7%	64.5%	93.3%	91.7%
Wall & Grand (C)						
396 Persons (Bldg I,II & III)	$6,410 - $7,784	94.3%	97.1%	97.2%	97.8%	95.0%
Cougar Village (E)						
496 Apartments	$4,550 - $14,800	83.8%	89.1%	90.0%	95.0%	93.3%
Woodland Hall (E)						
257 Rooms	$9,450 - $16,760	81.0%	85.3%	94.0%	95.7%	89.0%
Prairie Hall (E)						
260 Rooms	$9,450 - $16,760	76.8%	81.2%	93.4%	96.1%	89.9%
Bluff Hall (E)						
260 Rooms	$9,450 - $16,760	80.3%	86.1%	94.6%	97.0%	92.5%
Evergreen Hall (E)						
131 Apartments	$6,370 - $11,900	97.6%	96.9%	97.2%	98.1%	98.1%

(C) Carbondale Campus, (E) Edwardsville Campus

Southern Hills was closed in FY15.

IV. DEBT SERVICE COVERAGES

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

	Year ended June 30,	
	2018	2017
Receipts:		
Revenue Account:		
Operating Receipts	$ 94,518,544	$ 102,297,327
Revenue Bond Fees	1,257,391	1,365,028
Retirement of Indebtedness – Investment Income	344,913	109,498
Total Receipts	96,120,848	103,771,853
Disbursements:		
Operation and Maintenance Account	67,866,276	73,316,153
Net Revenues	28,254,572	30,455,700
Plus: Pledged Retained Tuition	24,725,895	28,477,085
Total Available for Debt Service	$ 52,980,467	$ 58,932,785
Maximum Annual Debt Service	$ 24,725,895	$ 28,477,085
Coverage Ratio Based on Net Revenues	114%	107%
Coverage Ratio as Defined in the Bond Resolution	214%	207%

V. RETIREMENT OF INDEBTEDNESS

The net position is restricted for the following purposes:

	June 30,	
	2018	2017
Bond and Interest Sinking Fund Account	$ 5,990,820	$ 6,907,449
Debt Service Reserve Account	6,100,000	8,250,001
	$ 12,090,820	$ 15,157,450

VI. RENEWALS AND REPLACEMENTS

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

Additions during the year included transfers from unrestricted net position of $4,222,040 ($4,430,113 in 2017) and investment income of $252,651 in 2018 and $192,129 in 2017. Expenditures charged to the reserve amounted to $5,301,152 in 2018 and $6,063,876 in 2017. The net position of Renewals and Replacements consisted of the following:

	June 30,	
	2018	2017
Pooled Cash and Investments	$ 29,122,930	$ 31,029,300
Accrued Interest Receivable	112,675	24,824
Accounts Payable	(1,282,876)	(2,274,934)
	$ 27,952,729	$ 28,779,190

VII. SCHEDULE OF BONDS PAYABLE OUTSTANDING

A Schedule of Bonds Payable Outstanding is shown as supplementary information and lists the amount of Housing and Auxiliary Facilities System Revenue Project and Refunding Bonds and Revenue Bonds Series 2015B, 2015A, 2012B, 2012A, 2009A, 2008A, 2006A and 1999A issued and outstanding as of June 30, 2018.

VIII. RESTRICTED NET POSITION – EXPENDABLE

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

	2018	2017
Retirement of indebtedness	$ 12,090,820	$ 15,157,450
Renewals and replacements	27,952,729	28,779,190
Unexpended	-	-
	$ 40,043,549	$ 43,936,640

SOUTHERN ILLINOIS UNIVERSITY

Board of Trustees and Officers of Administration

Fiscal Year 2018

Board of Trustees of Southern Illinois University

Officers of Southern Illinois University

J. Kevin Dorsey, Interim President (July 16, 2018 – Current)
Randy J. Dunn, President (through July 15, 2018)
Lucas Crater, General Counsel
W. Bradley Colwell, Vice President, Student and Academic Affairs (7/17/17 to 6/30/18)
Duane Stucky, Senior Vice President, Financial and Administrative Affairs, Board Treasurer
Misty Whittington, Executive Secretary of the Board

Officers of Administration, Southern Illinois University Carbondale

Carlo Montemagno, Chancellor (8/15/17 to 6/30/18)
Meera Komarraju, Provost & Vice Chancellor for Academic Affairs
Judith Marshall, Vice Chancellor of Administration and Finance
James Garvey, Interim Vice Chancellor for Research
Lori Lynn Stettler, Vice Chancellor for Student Affairs
James Salmo, Vice Chancellor for Development and Alumni Relations
Jerry Kruse, Dean and Provost, Chief Executive Officer, SIU School of Medicine

Officers of Administration, Southern Illinois University Edwardsville

Randall Pembrook, Chancellor
P. Denise Cobb, Provost and Vice Chancellor for Academic Affairs
Jeffrey Waple, Vice Chancellor for Student Affairs
Rich Walker, Vice Chancellor for Administration
Rachel Stack, Vice Chancellor for University Advancement

Agency offices are located at:

Southern Illinois University Carbondale
1263 Lincoln Dr.
Carbondale, IL 62901

Southern Illinois University Edwardsville
1 Hairpin Dr.
Edwardsville, IL 62025

STATE OF ILLINOIS
SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
FINANCIAL STATEMENT REPORT

Summary

The audit of the accompanying basic financial statements of the Southern Illinois University Housing and Auxiliary Facilities System was performed by Plante & Moran, PLLC in accordance with *Government Auditing Standards.* This report is an integral part of that audit.

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

Exit Conference

An exit conference was waived in correspondence from Kim Labonte, Executive Director of Internal Audit on January 7, 2019.

Plante & Moran, PLLC
Suite 300
750 Trade Centre Way
Portage, MI 49002
Tel: 269.567.4500
Fax: 269.567.4501
plantemoran.com

INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General, State of Illinois
and
Board of Trustees
Southern Illinois University Housing and Auxiliary Facilities System

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities of the Southern Illinois University Housing and Auxiliary Facilities System (the "System"), a segment of Southern Illinois University, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities for the Southern Illinois University Housing and Auxiliary Facilities System as of June 30, 2018 and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1A to the financial statements, the financial statements of the System are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of Southern Illinois University that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of Southern Illinois University as of June 30, 2018 and its change in financial position and its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1N to the financial statements, the System adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Southern Illinois University Housing and Auxiliary Facilities System Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions on page 26 and the Southern Illinois University Housing and Facilities System Schedule of Proportionate Share of the Net OPEB Liability on page 27 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, which 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion is not modified with respect to this matter.

Other Information

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

The Schedule of Bonds Payable Outstanding on pages 28-31 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Bonds Payable Outstanding is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Honorable Frank J. Mautino
Auditor General, State of Illinois
and
Board of Trustees
Southern Illinois University Housing and Auxiliary Facilities System

In connection with our audit, nothing came to our attention that caused us to believe that the System was not in compliance with any of the fund accounting covenants of the Resolutions of the Board of Trustees of Southern Illinois University, which provided for the issuance of the Southern Illinois University Housing and Auxiliary Facilities System Revenue Bonds Series 2015B, Revenue Bonds Series 2015A, Revenue Bonds Series 2012B1, Revenue Bonds Series 2012B2, Revenue Bonds Series 2012A, Revenue Bonds Series 2009A, Revenue Bonds Series 2008A, Revenue Bonds Series 2006A, Revenue Bonds Series 2004A, Revenue Bonds Series 1999A, Revenue Bonds Series 1997A, and Revenue Bonds Series 1993A adopted July 16, 2015, March 19, 2015, November 8, 2012, November 8, 2012, December 8, 2011, April 2, 2009, April 10, 2008, March 9, 2006, October 14, 2004, May 13, 1999, July 10, 1997, and May 13, 1993, respectively, insofar as they related to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the System's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the Resolution of the Board of Trustees of Southern Illinois University, insofar as they relate to accounting matters.

Restricted Use Relating to the Other Matter

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2019 on our consideration of Southern Illinois University Housing and Auxiliary Facilities System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southern Illinois University Housing and Auxiliary Facilities System's internal control over financial reporting and compliance.

SIGNED COPY ON FILE

Plante & Moran, PLLC

Portage, Michigan
February 13, 2019

SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
STATEMENT OF NET POSITION
June 30, 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS:	
Pooled cash and investments	$ 25,419,478
Pooled cash and investments, restricted	29,127,609
Short term investments, restricted	7,202,600
Accounts receivable, net	2,340,304
Accrued interest receivable	193,622
Merchandise for resale	1,014,670
Prepaid expenses and other assets	142,383
TOTAL CURRENT ASSETS	65,440,666
NONCURRENT ASSETS:	
Long term investments, restricted	5,980,369
Prepaid expenses and other assets	610,213
Capital assets, not depreciated	6,632,855
Capital assets, net of depreciation	246,901,935
TOTAL NONCURRENT ASSETS	260,125,372
DEFERRED OUTFLOWS OF RESOURCES	2,450,023
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	328,016,061
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
CURRENT LIABILITIES:	
Accounts payable	870,047
Accrued interest payable	1,827,724
Accrued payroll	479,155
Accrued compensated absences	189,920
Housing deposits	87,154
Unearned revenue	1,873,628
Revenue bonds payable	17,928,109
TOTAL CURRENT LIABILITIES	23,255,737
NONCURRENT LIABILITIES:	
Accrued compensated absences	1,609,646
Housing deposits	106,521
Revenue bonds payable	189,314,267
Liability for other post employment benefits	12,499,363
TOTAL NONCURRENT LIABILITIES	203,529,797
DEFERRED INFLOWS OF RESOURCES	3,817,789
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	230,603,323
NET POSITION	
Net investment in capital assets	48,481,947
Restricted for:	
Expendable	
Capital projects and debt service	40,043,549
Unrestricted	8,887,242
TOTAL NET POSITION	$ 97,412,738

The accompanying notes are an integral part of this statement.

SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2018

REVENUES	
OPERATING REVENUES:	
Residence halls and apartments	$ 46,380,981
University student centers	
Sales and services	15,577,359
Student fees	7,468,728
Student recreation and fitness centers	
Sales and services	1,047,336
Student fees	5,087,053
Child care center	938,913
Student health center	7,157,315
Student services building	2,604,736
Traffic and parking	2,887,641
Student success center	1,563,522
Revenue bond fees	1,261,018
TOTAL OPERATING REVENUES	91,974,602
EXPENSES	
OPERATING EXPENSES:	
Salaries and wages	52,468,913
Merchandise for resale	8,166,151
Utilities	8,060,438
Maintenance and repairs	8,652,607
Administrative	12,807,173
Other	4,534,575
Depreciation	14,898,422
TOTAL OPERATING EXPENSES	109,588,279
OPERATING LOSS	(17,613,677)
NONOPERATING REVENUES (EXPENSES)	
Investment income	541,449
Gifts and contributions	998,462
Payments on-behalf of the system	24,275,803
Interest on capital asset-related debt	(7,265,474)
Accretion on bonds payable	(2,932,064)
Other nonoperating revenue	5,072,899
NET NONOPERATING REVENUES	20,691,075
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	3,077,398
OTHER REVENUES, EXPENSES, GAINS OR LOSSES	
Capital assets retired	(265,750)
Additions to plant facilities from other sources	688,417
TOTAL OTHER REVENUES, EXPENSES, GAINS OR LOSSES	422,667
INCREASE IN NET POSITION	3,500,065
NET POSITION	
Net position at beginning of year as previously reported	109,981,161
Change in accounting principle	(16,068,488)
Net position,beginning of year, restated	93,912,673
NET POSITION AT END OF YEAR	$ 97,412,738

SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
STATEMENT OF CASH FLOWS
Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Residence halls and apartments	$ 44,065,222
University student centers	
Sales and services	15,861,172
Student fees	7,469,598
Student recreation and fitness centers	
Sales and services	1,059,438
Student fees	5,077,680
Child care center	932,268
Student health center	7,163,538
Student services building	2,603,349
Traffic and parking	2,743,334
Student success center	1,572,513
Revenue bond fees	1,257,391
Payments to employees	(26,554,647)
Payments for utilities	(7,895,982)
Payments to suppliers	(34,182,987)
NET CASH PROVIDED BY OPERATING ACTIVITIES	21,171,887
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Gifts for other than capital purposes	4,475
Other nonoperating revenue	4,079,078
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	4,083,553
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchases of capital assets	(5,525,869)
Principal paid on capital debt	(20,600,000)
Interest paid on capital debt	(7,877,085)
Other	2,010,291
NET CASH USED IN CAPITAL FINANCING ACTIVITIES	(31,992,663)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	32,307,403
Investment income	571,792
Purchase of investments	(29,323,991)
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,555,204
NET DECREASE IN CASH	(3,182,019)
POOLED CASH AND INVESTMENTS - BEGINNING OF THE YEAR	57,729,106
POOLED CASH AND INVESTMENTS - END OF THE YEAR	$ 54,547,087
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	$ (17,613,677)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	14,898,422
Payments on-behalf of the system	24,275,803
Change in assets and liabilities:	
Receivables, net	694,138
Merchandise for resale	249,581
Prepaid expenses and other assets	(8,335)
Accounts payable	(778,079)
Accrued payroll	(12,809)
Accrued compensated absences	(210,125)
Housing deposits	(18,925)
Unearned revenue	(292,281)
Liability for other post employment benefits	(11,826)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 21,171,887
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Payments on-behalf of the system	$ 24,275,803
Capital assets in accounts payable	1,220,805
Accretion on bonds payable	2,932,064
Other capital asset adjustments	55,567
Loss on disposal of capital assets	155,378

The accompanying notes are an integral part of this statement.

1. Significant Accounting Policies

(A) Basis of Presentation

These financial statements include all financial activities over which the Southern Illinois University Housing and Auxiliary Facilities System (the "System") exercises direct responsibility. The System combines the operations of the individual housing units, the student centers, the student recreation center, the student fitness center, the Carbondale child care center, the Carbondale student health center, the Carbondale student information system, the Carbondale softball field, the Carbondale football stadium, the Carbondale SIU Arena, the Carbondale Student Services Building, Edwardsville traffic and parking and the Edwardsville student success center into one operation. The Revenue Bonds of 2015B, 2015A, 2012B, 2012A, 2009A, 2008A, 2006A and 1999A (the "Bonds") are secured in part by the revenues from these operations. The financial statements reflect the combined operations of the System as of and for the year ended June 30, 2018. The individual facilities included in the System are as follows:

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

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

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

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

For the purposes of financial reporting, the State of Illinois and participating employers are considered to be under a special funding situation. A special funding situation is defined as a circumstance in which a non-employer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either (1) the amount of the contributions for which the non-employer entity is legally responsible is not dependent upon one or more events unrelated to pensions or (2) the non-employer is the only entity with a legal obligation to make contributions directly to a pension plan. The State of Illinois is considered a non-employer contributing entity. Participating employers are considered employer contributing entities. Additional information required by GASB No. 68 is provided in Note 9.

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

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

(B) Merchandise for Resale

Merchandise for resale includes inventories which are stated at the lower of cost and net realizable value. Cost is determined principally by the average cost method or the first-in, first-out method, depending on the type of inventory.

(C) Buildings, Improvements and Equipment

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

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

(D) Classification of Revenues and Expenses

The System has classified its revenues and auxiliary expenses as either operating or nonoperating. Operating revenues and expenses include activities that have characteristics of exchange transactions, such as sales and services of auxiliary enterprises. Nonoperating revenues and expenses include activities that have characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities that Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Other nonoperating revenues and expenses include transactions relating to capital and financing activities, noncapital financing activities, and investing activities. The System first applies restricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

(E) Pooled Cash and Investments

Pooled cash and investments include the System's portion of the University's internal investments pool as described in Note 2.

(F) Investments

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

(G) Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets and liabilities, the Statement of Net Position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an expense until that time. The System's deferred outflows of resources are related to unamortized debt refundings and other post-employment benefit contributions. Deferred inflows of resources represents an acquisition of net position that applies to future periods and will not be recognized as revenue until that time. The System's only deferred inflow of resources is related to other post-employment benefits. See Note 5 for more information.

(H) Allowance for Uncollectibles

The System provides allowances for uncollectible accounts based upon management's best estimate of uncollectible accounts at the statement of net position date, considering type, age, collection history of receivables, and any other factors as considered appropriate. The System's accounts receivable balance is reported net of allowance of $10,400,359 at June 30, 2018.

(I) Bond Insurance Issuance Costs

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

(J) On-Behalf Payments

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the System reported on-behalf payments made by agencies of the State of Illinois for health care and retirement. These costs are reflected in an equal amount in both the nonoperating revenues and salaries and wages of the System. On behalf payments for the year ended June 30, 2018 amounted to $12,213,950 for health care costs, $11,944,527 for retirement costs, and $117,326 for social security and medicare. Payments for retirement costs were made to the State Universities Retirement System.

(K) Classification of Net Position

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

(L) Compensated Absences

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

M) Other Post-Employment Benefits (OPEB)

Other post-employment benefits for University employees and retirees are provided through the State Employees Group Insurance Program (SEGIP) which is administered by the Illinois Department of Central Management Services (CMS). The University's proportionate share of the net OPEB liability, deferred outflows of resources and deferred inflow of resources related to OPEB and OPEB expense, is based on examined allocation schedules prepared by CMS. The System's proportionate share of the net OPEB liability is 7.16% of the University total.

N) New Governmental Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following statements which are effective for periods beginning July 1, 2017, or later which may impact the System:

Statement No. 75 - Effective July 1, 2017, the System adopted GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Application of Statement No. 75 in fiscal year 2018 required the System to report its proportionate share of the State of Illinois' overall liability, deferred outflows, and deferred inflows related to OPEB. The University was also required to restate (reduce) its fiscal year 2017 net position by $16,068,488 to comply with GASB. The results of this change in accounting principle are reflected on the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position. Additional note disclosures were also added in accordance with GASB.

Statement No. 83 – *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. Governments with legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on guidance from the statement. The statement is effective for fiscal years beginning after June 15, 2018. The impact on the System is being reviewed.

Statement No. 86 – *Certain Debt Extinguishment Issues*, focuses on improving consistency in accounting and financial reporting for defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. The statement is effective for fiscal years beginning after June 15, 2017. The statement did not impact the System's financial statements.

Statement No. 87 - *Leases*, which increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The provisions of this statement are effective for the System's financial statements for the 2021 fiscal year. The impact on the System is being reviewed.

Statement No. 88 – Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The statement also requires additional essential information related to debt be disclosed in notes to financial statements. The statement is effective for fiscal years beginning after June 15, 2018. The impact on the System is being reviewed.

Statement No. 89 – Accounting for Interest Cost Incurred before the End of a Construction Period, establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The statement is effective for fiscal years beginning after December 15, 2019. The impact on the System is being reviewed.

2. Pooled Cash and Investments

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

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

The University has pooled certain cash and investments for the purpose of securing a greater return on investment and providing a more equitable distribution of investment return. Pooled investments, which consist principally of government securities, are stated at market. Income is distributed quarterly based upon average balances invested in the pool over the prior 13 week period. There are no investments in foreign currency. It is not feasible to separately determine the System's bank balance at June 30, 2018 due to the pooling of the University's cash and investments.

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

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

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

Interest rate risk: Interest rate risk is the risk that the market value of portfolio securities will fall or rise due to changes in general interest rates. Interest rate risk is mitigated by maintaining significant balances in cash equivalent and other short maturity investments and by establishing an asset allocation policy that is consistent with the expected cash flows of the University. Revenue Bond System funds are managed in accordance with covenants provided from the University's debt issuance activities.

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

Interest rate risk is disclosed below using the segmented time distribution method. As of June 30, 2018, the System has the following cash and investment balances:

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
U.S. Treasuries	$ 13,182,969	$ 7,202,600	$ 5,980,369	$ -	$ -
Total Investments	13,182,969	$ 7,202,600	$ 5,980,369	$ -	$ -
Cash and Equivalents					
The Illinois Funds	18,328,783				
Cash and Equivalents	36,218,304				
Total Cash & Equivalents	54,547,087				
Total Cash & Investments	$ 67,730,056				

Fair value measurements: 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The System categorizes fair values according to the hierarchy established by generally accepted accounting principles. The hierarchy, based on the valuation inputs used to measure fair values, consists of the following three levels of measurement inputs:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets
Level 2: Inputs other than quoted prices that are observable, either directly or indirectly. These may include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.
Level 3: Unobservable inputs for an asset or liability

The System uses Level 2 inputs to measure the fair value of all investments held. The fair values are provided by the University's custodian bank.

3. Investments and Investment Income

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 reported at amortized cost, 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). The Illinois Funds is not registered with the Securities Exchange Commission as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Accounting and Financial Reporting for Certain External Investment Pools and Pool Participants*, which establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. For the year ended June 30, 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemptions gates. Also, certain money market investments 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. Investment income net of realized and unrealized gains and losses on investments for the year ended June 30, 2018 is reflected below.

	2018
Interest earnings	$ 637,827
Unrealized gain (loss) on investments	(96,378)
Net investment income	$ 541,449

4. Capital Assets

Capital asset activity for the year ended June 30, 2018 is as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 605,395	$ -	$ -	$ -	$ 605,395
Construction in progress	8,171,069	4,462,856	113,053	(6,493,412)	6,027,460
Total capital assets not being depreciated	8,776,464	4,462,856	113,053	(6,493,412)	6,632,855
Capital assets being depreciated:					
Buildings	472,990,150	159,481	127,066	4,240,638	477,263,203
Improvements	17,986,705	90,077	44,177	2,252,774	20,285,379
Equipment	15,053,188	417,306	400,149	-	15,070,345
Total capital assets being depreciated	506,030,043	666,864	571,392	6,493,412	512,618,927
Less accumulated depreciation for:					
Buildings	228,428,024	12,930,395	88,200	-	241,270,219
Improvements	10,510,898	881,393	-	-	11,392,291
Equipment	12,329,061	1,115,852	390,431	-	13,054,482
Total accumulated depreciation	251,267,983	14,927,640	478,631	-	265,716,992
Total capital assets being depreciated, net	254,762,060	(14,260,776)	92,761	6,493,412	246,901,935
Capital assets, net	$ 263,538,524	$ (9,797,920)	$ 205,814	$ -	$ 253,534,790

The System incurred interest expense of $10,197,538 during 2018 including $0 of capitalized interest.

5. Deferred Outflows of Resources

Deferred outflows of resources consisted of the following at June 30, 2018:

Unamortized debt refundings	$ 2,189,533
Employer OPEB contributions	260,490
Total deferred outflows of resources	$ 2,450,023

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2018 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable	$225,649,121	$2,932,064	$21,338,809	$207,242,376	$17,928,109
Postemployment benefits	-	16,379,717	3,880,354	12,499,363	-
Compensated absences	2,009,691	63,599	273,724	1,799,566	189,920
Housing deposits	212,600	139,802	158,727	193,675	87,154
Total long-term liabilities	$227,871,412	$19,515,182	$25,651,614	$221,734,980	$18,205,183

7. Revenue Bonds Payable

On July 16, 2015, the Board adopted the “Seventeenth Supplemental System Revenue Bond Resolution” which amended and supplemented the Original Resolution of August 29, 1984, the First Supplemental Resolution of November 13, 1986, the Second Supplemental Resolution of February 13, 1992, the Third Supplemental Resolution of May 13, 1993, the Fourth Supplemental Resolution of September 12, 1996, the Fifth Supplemental Resolution of July 10, 1997, the Sixth Supplemental Resolution of May 13, 1999, the Seventh Supplemental Resolution of May 11, 2000, the Eighth Supplemental Bond Resolution of July 12, 2001, as amended and restated on December 11, 2003, the Ninth Supplemental Resolution of December 12, 2002, the Tenth Supplemental Resolution of October 14, 2004, the Eleventh Supplemental Bond Resolution of March 9, 2006, as amended and restated on May 2, 2006 and November 9, 2006, the Twelfth Supplemental Bond Resolution of April 10, 2008, the Thirteenth Supplemental System Revenue Bond Resolution of April 2, 2009, the Fourteenth Supplemental System Revenue Bond Resolution of December 8, 2011, the Fifteenth Supplemental System Revenue Bond Resolution of November 8, 2012, and the Sixteenth Supplemental System Revenue Bond Resolution of March 19, 2015. The outstanding bond issues related to the respective bond resolutions of the System are as follows:

(A) Series 2015B Bonds

These bonds were authorized by the Board under the Seventeenth Supplemental Bond Resolution dated July 16, 2015 and were issued as current interest bonds in the original amount of $20,735,000. The bonds were sold on August 13, 2015 at a premium of $2,503,381. The bonds mature at varying amounts from 2016 to 2031 with interest rates ranging from 3.00 to 5.00 percent. Proceeds will be used to refund a portion of the Series 2006A current interest bonds. The advance refunding, which was undertaken by the Board to effect a cost savings, resulted in a net decrease in debt service payments of $16,292,964. The financing resulted in an economic gain of $3,417,083 and an accounting loss of $452,331. As of June 30, 2018, these bonds mature in 2031 and were outstanding in the amount of $20,401,840.

(B) Series 2015A Bonds

These bonds were authorized by the Board under the Sixteenth Supplemental Bond Resolution dated March 19, 2015 and were issued as current interest bonds in the original amount of $8,205,000. The bonds were issued at par with an interest rate of 2.85 percent. Proceeds will be used for the reconstruction of parking lots including installation of new light poles and pay-by-space equipment on the Edwardsville campus; an expansion of the Student Fitness Center on the Edwardsville campus; and renovation of the Baseball Stadium on the Carbondale Campus. As of June 30, 2018, these bonds mature in 2030 and were outstanding in the amount of $6,830,000.

(C) Series 2012B Bonds

These bonds were authorized by the Board under the Fifteenth Supplemental Bond Resolution dated November 8, 2012, and were issued in two series. Series 2012B-1 were issued as tax-exempt, current interest bonds in the original amount of $39,335,000 and Series 2012B-2 were issued as taxable Qualified Energy Conservation bonds in the original amount of $5,365,000. The bonds were sold on December 19, 2012 at a premium of $6,245,917 with interest rates ranging from 1.00 to 5.00 percent. The Series 2012B-1 bonds were issued for the purpose of refunding the Series 2003A and a portion of the Series 2004A current interest bonds; and demolition of student residence halls, Allen, Boomer and Wright, commonly referred to as the Triads, on the Carbondale campus. The Series 2012B-2 bonds were issued for financing improvements of the Student Recreation Center. The advance refundings, which were undertaken by the Board to effect cost savings, resulted in a net decrease in debt service payments of $6,293,473. The financing resulted in an economic gain of $4,829,291 and an accounting loss of $2,216,389. As of June 30, 2018, these bonds mature in 2035 and were outstanding in the amount of $41,836,270.

(D) Series 2012A Bonds

These bonds were authorized by the Board under the Fourteenth Supplemental Bond Resolution dated December 8, 2011 and were issued as current interest bonds in the original amount of $29,805,000. The bonds were sold on January 11, 2012 at a premium of $273,628 with interest rates ranging from 2.05 to 4.38 percent. Proceeds will be used for the construction and equipping of a Student Services Building on the Carbondale Campus and refund a portion of the Series 2001A current interest bonds. Debt service reserve funds of $1,592,622 were released and used to pay a portion of Series 2001A debt service. The current refunding, which was undertaken by the Board to effect a cost savings, resulted in a net decrease in debt service payments of $1,939,053 of which $1,592,622 represents application of the debt service reserve released funds. The financing resulted in an economic gain of $233,957 and an accounting loss of $9,103. As of June 30, 2018, these bonds mature in 2032 and were outstanding in the amount of $21,650,130.

(E) Series 2009A Bonds

These bonds were authorized by the Board under the Thirteenth Supplemental Bond Resolution dated April 2, 2009 and were issued as taxable Build America Bonds in the original amount of $53,735,000. The bonds were issued as current interest bonds on May 15, 2009 at a premium of $226,028 with interest rates ranging from 2.50 to 6.20 percent. Proceeds will be used for the construction and equipping of a new football stadium on the Carbondale campus, including the relocation of certain tennis courts and playing fields from the project site and the renovation and equipping of the SIU Arena and the construction of a new addition thereto on the Carbondale Campus. As of June 30, 2018, these bonds mature in 2030 and were outstanding in the amount of $36,437,773.

(F) Series 2008A Bonds

These bonds were authorized by the Board under the Twelfth Supplemental Bond Resolution dated April 10, 2008 and were issued as current interest bonds in the original amount of $30,105,000. The bonds were sold on May 8, 2008 at a premium of $1,359,732 with interest rates ranging from 3.00 to 5.50 percent and were issued to finance the construction and equipping of a Student Success Center on the Edwardsville campus; the construction and equipping of an expansion to the Student Fitness Center on the Edwardsville campus; and the installation of sprinklers and other safety/security enhancements to housing on the Carbondale campus. As of June 30, 2018, these bonds mature in 2028 and were outstanding in the amount of $20,001,293.

(G) Series 2006A Bonds

These bonds were authorized by the Board under the Eleventh Supplemental Bond Resolution dated March 9, 2006, as amended and restated on May 2, 2006 and November 9, 2006, and were issued as current interest bonds in the original amount of $69,715,000. The bonds were sold on May 24, 2006 at a premium of $3,155,475 with interest rates ranging from 4.00 to 5.25 percent. The bonds were issued for the purpose of refunding a portion of the Series 1997A, 2000A and 2001A current interest bonds; financing the construction of a student residence hall with an adjoining parking lot for the Edwardsville campus; construction of an additional 350 space parking lot for the Edwardsville campus; funding various safety/security enhancements and other replacements to, and renovations of, the facilities of the System on the Carbondale campus; and purchasing and implementing a student information system for the Carbondale campus. As of June 30, 2018, these bonds mature in 2021 and were outstanding in the amount of $11,540,552.

(H) Series 1999A Bonds

These bonds were authorized by the Board under the Sixth Supplemental Bond Resolution dated May 13, 1999 and were issued as capital appreciation bonds in the original amount of $21,001,900. The bonds were issued at a premium of $53,851 with interest rates ranging from 4.10 to 5.55 percent. The capital appreciation bonds are non-interest bearing and will accrete the interest factor as additional bonds payable over the term of the bonds. These bonds were issued to finance the construction of a residence hall and renovations of the University Center food service facilities. All projects financed by the Series 1999A bonds are associated with the Edwardsville campus. The bonds mature in 2029. As of June 30, 2018, after accreting the capital appreciation, these bonds were outstanding in the amount of $48,544,518.

(I) Series 1997A Bonds

These bonds were authorized by the Board under the Fifth Supplemental Bond Resolution dated July 10, 1997 and were issued as current interest bonds and capital appreciation bonds in the original amounts of $8,575,000 and $29,521,284, respectively. The current interest bonds were issued at a nominal discount while the capital appreciation bonds were issued at par with interest rates ranging from 4.20 to 5.50 percent. The capital appreciation bonds are non-interest bearing and will accrete the interest factor as additional bonds payable over the term of the bonds. These bonds were issued to finance the construction of Prairie Hall, a residence hall, renovations of existing housing and food service facilities, and construction and improvement to the parking facilities. All projects financed by the Series 1997A bonds are associated with the Edwardsville campus. On March 9, 2006, as amended and restated on May 2, 2006 and November 9, 2006, the Board authorized the advance refunding of a portion of the current interest bonds of the Series 1997A. Bonds in the amount of $2,915,000 were advance refunded. The bonds matured in 2018. As of June 30, 2018, after accreting the capital appreciation, the remaining bonds were outstanding in the amount of $0.

(J) Series 1993A Bonds

These bonds were authorized by the Board under the Third Supplemental Bond Resolution dated May 13, 1993 and were issued as current interest bonds and capital appreciation bonds in the original amounts of $8,010,000 and $8,660,506, respectively. The current interest bonds were issued at a nominal discount while the capital appreciation bonds were issued at par with interest rates ranging from 6.05 to 6.20 percent. The capital appreciation bonds are non-interest bearing and will accrete the interest factor as additional bonds payable over the term of the bonds. These bonds were issued to finance the acquisition of the Northwest Annex, an existing facility, and the construction of the Child Care Center at the Carbondale campus and the construction of Woodland Hall at the Edwardsville campus. On December 12, 2002, the Board authorized the current refunding of the current interest bond portion of the Series 1993A Bonds. The bonds were called and redeemed in full on April 1, 2003. The bonds matured in 2018. As of June 30, 2018, after accreting the capital appreciation, the remaining capital appreciation bonds were outstanding in the amount of $0.

These bonds, which are payable through 2035, 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 $269,516,495 with annual requirements ranging from $2,013,460 to $24,725,895. For the current year, principal and interest paid was $28,477,085, and the total revenues pledged were $52,980,467. For fiscal year 2018, the total revenue pledged represents

100 percent of the net revenues of the System and 17 percent of net tuition revenue received. 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, 2018, the maximum annual debt service was $24,725,895 and the coverage was 214 percent. The bond resolution also requires the Treasurer to transfer annually to Renewals and Replacements from the funds remaining in unrestricted net position the sum of 10 percent of the maximum annual net debt service requirement or such portion thereof as is available for transfer. The net position of Renewals and Replacements was $27,952,729 at June 30, 2018.

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, 2018, there were no outstanding balances of defeased bonds.

Revenue bond debt service requirements to maturity are as follows as of June 30, 2018:

Year Ending June 30,	Principal	Interest	Total
2019	$ 17,415,000	$ 7,310,895	$ 24,725,895
2020	17,975,000	6,744,447	24,719,447
2021	18,380,000	6,153,650	24,533,650
2022	16,455,000	5,570,335	22,025,335
2023	16,735,000	5,057,850	21,792,850
2024 – 2028	86,435,000	17,148,780	103,583,780
2029 – 2033	33,985,000	4,755,818	38,740,818
2034 – 2035	8,720,000	674,720	9,394,720
Total Payments	$ 216,100,000	$ 53,416,495	$ 269,516,495
Less Unaccreted Appreciation	(17,174,903)		
Total Payable	$ 198,925,097		
Unamortized debt premium	8,317,279		
Total Bonds Payable	$ 207,242,376		

8. Related Party Transactions

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

In addition, seven of the buildings on Greek Row, a portion of the Northwest Annex (29,100 net sq. ft.), one room of the Lentz Hall dining facilities at Thompson Point, and the Student Services Building are leased by the University from the System on a year-to-year basis and are used for a variety of academic, administrative, and student service purposes. The lease rentals ($803,523 in 2018) are inclusive of the debt service requirements, insurance, administrative overhead and grounds maintenance costs. In addition, the University pays all operating and building maintenance costs for the leased properties.

Expenditures capitalized in 2018 include $688,417 paid for by other University funds.

9. Retirement Benefits

General Information about the Pension Plan

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

Benefits Provided: A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed 6 months after their date of hire to make an irrevocable election. A summary of the benefit provisions as of June 30, 2017 can be found in the SURS' comprehensive annual financial report (CAFR) Notes to the Financial Statements.

Contributions: The State of Illinois is primarily responsible for funding SURS on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a Statutory Funding Plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members of SURS to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from "trust, federal, and other funds" are provided under Section 15-155(b) of the Illinois

Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for fiscal year 2018 was 12.46% of employee payroll. The normal cost is equal to the value of current year's pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

Participating employers make contributions toward separately financed specific liabilities under Section 15-139.5(e) of the Illinois Pension code (relating to contributions payable due to the employment of "affected annuitants" or specific return to work annuitants) and Section 15-155(g) (relating to contributions payable due to earning increases exceeding 6% during the final rate of earnings period).

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

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

Employer Proportionate Share of Net Pension Liability: The amount of the proportionate share of the net pension liability to be recognized for the University is $0. The proportionate share of the State's net pension liability associated with the University is $2,333,202,952 or 9.16%. This amount is not recognized in the financial statements. The net pension liability was measured as of June 30, 2017, and the total pension used to calculate the net pension liability was determined based on the June 30, 2016 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS during fiscal year 2017.

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

Employer Proportionate Share of Pension Expense: The University's proportionate share of collective pension expense is recognized as on-behalf revenue and matching expense in the financial statements. The basis allocation used in the proportionate share of collective pension expense is the actual reported pensionable contributions made to SURS during fiscal year 2017. As a result, the University recognized on-behalf revenue and pension expense of $220,941,261 for the fiscal year ended June 30, 2018.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: Deferred outflows of resources are the consumption of net position by SURS that is applicable to future reporting periods.

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Sources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 139,193,227	$ 1,170,771
Changes in assumption	205,004,315	0
Net difference between projected and actual earnings on pension plan investments	94,620,827	0
Total	$ 438,818,369	$ 1,170,771

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

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

Employer Deferral of Fiscal Year 2018 Pension Expense

The University paid $2,583,469 in federal, trust or grant contributions for the fiscal year ended June 30, 2018. These contributions were made subsequent to the pension liability measurement date of June 30, 2017 and are recognized as Deferred Outflows of Resources as of June 30, 2018.

Assumptions and Other Inputs

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary(s). For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2017, these best estimates are summarized in the following table:

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

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

Sensitivity of the SURS Net Pension Liability to Changes in the Discount Rate: Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.09%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

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

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

10. Post-Employment Benefits

Plan description: The State Employees Group Insurance Act of 1971 ("Act"), as amended, authorizes the Illinois State Employees Group Insurance Program ("SEGIP") to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all of the Department's full-time employees are members of SEGIP. Members receiving monthly benefits from the General Assembly Retirement System ("GARS"), Judges Retirement System ("JRS"), State Employees' Retirement System of Illinois ("SERS"), Teachers' Retirement System ("TRS"), and State Universities Retirement System of Illinois ("SURS") are eligible for these other post-employment benefits ("OPEB"). The eligibility provisions for each of the retirement systems are defined within Note 8. Certain TRS members eligible for coverage under SEGIP include: certified teachers employed by certain State agencies, executives employed by the Board of Education, regional superintendents, regional assistant superintendents, TRS employees and members with certain reciprocal service.

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

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

Funding policy and annual other postemployment benefit cost: OPEB offered through SEGIP are financed through a combination of retiree premiums, State contributions and Federal government subsidies from the Medicare Part D program. Contributions are deposited in the Health Insurance Reserve Fund, which covers both active State employees and retirement members. Annuitants may be required to contribute towards health and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to

January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute toward health and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health and vision benefits. All annuitants are required to pay for dental benefits regardless of retirement date. The Director of Central Management Services shall, on an annual basis, determine the amount the State shall contribute toward the basic program of group health benefits. State contributions are made primarily from the General Revenue Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree health insurance benefit and a separate trust has not been established for the funding of OPEB.

For fiscal year 2018, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $10,926 ($6,146 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and $14,939 ($5,165 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

Total OPEB liability, deferred outflows of resources, deferred inflows of resources and expense related to OPEB: The total OPEB liability, as reported at June 30, 2018, was measured as of June 30, 2017, with an actuarial valuation as of June 30, 2016. At June 30, 2018, the University recorded a liability of $174,634,628 for its proportionate share of the State's total OPEB liability. The University's portion of the OPEB liability was based on the University's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2017. As of the current year measurement date of June 30, 2017, the University's proportion was .42%, which was a decrease of .11% from its proportion measured as of the prior year measurement date of June 30, 2016.

The University recognized an OPEB expense reduction for the year ended June 30, 2018, of $165,237. At June 30, 2018, the University reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2017, from the following sources:

Deferred outflows of resources	
Differences between expected and actual experience	$ 55,980
Changes in proportion and differences between employer contributions and proportionate share of contributions	
University contributions subsequent to the measurement date	3,583,458
Total deferred outflows of resources	$ 3,639,438
Deferred inflows of resources	
Changes of assumptions	$16,581,499
Changes in proportion and differences between employer contributions and proportionate share of contributions	36,758,671
Total deferred inflows of resources	$53,340,170

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

Year ended June 30,	
2019	$(11,678,058)
2020	(11,678,058)
2021	(11,678,058)
2022	(11,678,058)
2023	(6,571,958)
Total	$(53,284,190)

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

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.75%
Projected Salary Increases*	3.00% - 15.00%
Discount Rate	3.56%
Healthcare Cost Trend Rate:	
Medical (Pre-Medicare)	8.0% grading down 0.5% in the first year to 7.5%, then grading down 0.01% in the second year to 7.49%, followed by grading down of 0.5% per year over 5 years to 4.99% in year 7
Medical (Post-Medicare)	9.0% grading down 0.5% per year over 9 years to 4.5%
Dental	7.5% grading down 0.5% per year over 6 years to 4.5%
Vision	3.00%
Retirees' share of benefit-related costs	Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998,

are eligible for single coverage at no cost to the member. Members who retire after January1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5% for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100% of the required dependent premium. Premiums for plan year 2017 and 2018 are based on actual premiums. Premiums after 2018 were projected based on the same healthcare cost trend rates applied to per capita claim costs but excluding the additional trend rate that estimates the impact of the Excise Tax.

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

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

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

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

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

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

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

	1% Decrease (2.56%)	Current Single Discount Rate Assumption (3.56%)	1% Increase (4.56%)
University's proportionate share of total OPEB liability	$198,121,544	$174,634,628	$151,279,949

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

	1% Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
University's proportionate share of total OPEB liability	$149,223,845	$174,634,628	$195,613,051

Management Services. A copy of the financial statements of the Department of Central Management Services may be obtained by writing to the Department of Central Management Services, Stratton Office Building, 401 South Spring Street, Springfield, Illinois, 62706.

11. 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. No significant reductions in insurance have occurred and the amount of settlements have not exceeded insurance coverage.

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 2018 included a 2% discount rate for self-insurance liabilities. All self-insurance claims are paid centrally by administration and are not allocated to the System.

12. Contingencies and Commitments

From time to time, the University is a defendant in lawsuits which relate to the System. In the opinion of the University's legal counsel and its administrative officers, any ultimate liability which could result from such litigation would not have a material effect on the System's financial position.

SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

Schedule of the Housing and Auxiliary Facilities System Proportionate Share of the Net Pension Liability

	FY2014	FY2015	FY2016	FY2017	FY2018
(a) Proportion Percentage of the Collective Pension Liability	0%	0%	0%	0%	
(b) Proportion Amount of the Collective Net Pension Liability	$0	$0	$0	$0	
(c) Portion of Non-employer Contributing Entities' Total Proportion of Collective Net Pension Liability associated with Employer	124,839,334	79,948,499	133,163,456	132,759,248	
Total (b) + (c)	124,839,334	79,948,499	133,163,456	132,759,248	
Employer DB Covered Payroll	20,716,406	12,148,563	18,521,644	18,395,189	
Proportion of Collective Net Pension Liability associated With Employer as a percentage of covered-employee payroll	602.61%	658.09%	718.96%	721.71%	
SURS Plan Net Position as a Percentage of Total Pension Liability	44.39%	42.37%	39.57%	42.04%	

Schedule of Contributions

Federal, Trust, Grant and Other contribution	0	0	0	0	0
Contribution in relation to required contribution	0	0	0	0	0
Contribution deficiency (excess)	0	0	0	0	0
Employer Covered-employee payroll	20,883,340	12,355,307	18,816,453	18,667,379	17,530,360
Contributions as a percentage of covered-employee payroll	0%	0%	0%	0%	0%

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

Changes of assumptions. In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every three years to determine the reasonableness of actuarial assumptions regarding the retirement, disability, mortality, turnover, interest and salary of the members and benefit recipients of SURS. An experience review for the years June 30, 2010 to June 30, 2014 was performed in February 2015, resulting in the adoption of new assumptions as of June 30, 2015.

- Mortality rates. Change from the RP 2000 Mortality table projected to 2017, sex distinct, to the RP-2014 mortality tales with projected generational mortality improvement. Change to a separate mortality assumption for disabled participants.
- Salary increase. Change assumption to service-based rates, ranging from 3.75% to 15% based on years of service, with underlying wage inflation of 3.75%.
- Normal retirement rates. Change to retirement rates at ages younger than 60, age 66, and ages 70-79 to reflect observed experiences.
- Early retirement rates. Change to a slight increase to the rates at ages 55 and 56.
- Turnover rates. Change to produce lower expected turnover for members with less than 10 years of service and higher turnover for members with more than 10 years of service than the currently assumed rates.
- Disability rates. Decrease rates and have separate rates for males and females to reflect observed experience.
- Dependent assumption. Maintain the current assumption on marital status that varies by age and sex and the assumption that males are three years older than their spouses.

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

Schedule of the Housing and Auxiliary Facilities System Proportionate Share of the Net OPEB Liability

	FY2017
Proportion of the net OPEB liability	.03%
Proportionate share of the net OPEB liability	$12,499,363
Covered Employee Payroll	$21,652,524
Proportionate share of the net OPEB liability as a percentage of covered payroll	57.73%

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

There are no assets accumulated in a trust to pay University employees' Other Post-Employment Benefits.

Changes of Assumptions:

The single discount rate was changed from 2.85% to 3.56% for fiscal year 2017.

SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
SCHEDULE OF BONDS PAYABLE OUTSTANDING
June 30, 2018

		REVENUE BONDS SERIES 1999A		
	TOTAL	Principal Amount	Accreted Value at Maturity	Interest Rate
Interest Bearing Bonds:				
Serial Bonds maturing as follows:				
2019	11,745,000	- ----	- ----	- -----
2020	12,195,000	- ----	- ----	- -----
2021	12,430,000	- ----	- ----	- -----
2022	10,455,000	- ----	- ----	- -----
2023	10,735,000	- ----	- ----	- -----
2024	10,880,000	- ----	- ----	- -----
2025	11,460,000	- ----	- ----	- -----
2026	8,310,000	- ----	- ----	- -----
2027	6,090,000	- ----	- ----	- -----
2028	4,060,000	- ----	- ----	- -----
2029	3,890,000	- ----	- ----	- -----
2030	4,255,000	- ----	- ----	- -----
2031	2,210,000	- ----	- ----	- -----
2032	1,940,000	- ----	- ----	- -----
2033	- ----	- ----	- ----	- -----
2034	- ----	- ----	- ----	- -----
2035	- ----	- ----	- ----	- -----
Term Bonds maturing as follows:				
2019	- ----	- ----	- ----	- -----
2020	- ----	- ----	- ----	- -----
2021	- ----	- ----	- ----	- -----
2022	- ----	- ----	- ----	- -----
2023	- ----	- ----	- ----	- -----
2024	- ----	- ----	- ----	- -----
2025	- ----	- ----	- ----	- -----
2026	3,165,000	- ----	- ----	- -----
2027	4,875,000	- ----	- ----	- -----
2028	7,395,000	- ----	- ----	- -----
2029	6,000,000	- ----	- ----	- -----
2030	5,070,000	- ----	- ----	- -----
2031	1,435,000	- ----	- ----	- -----
2032	1,505,000	- ----	- ----	- -----
2033	1,580,000	- ----	- ----	- -----
2034	1,645,000	- ----	- ----	- -----
2035	1,710,000	- ----	- ----	- -----
Qualified Energy Conservation Bonds maturing as follows:				
2035	5,365,000	- ----	- ----	- -----
Total Interest Bearing Bonds	150,400,000	-		
Capital Appreciation Bonds maturing as follows:				
2019	5,444,300	5,444,300	5,670,000	5.490%
2020	5,255,789	5,255,789	5,780,000	5.500%
2021	5,122,760	5,122,760	5,950,000	5.510%
2022	4,890,300	4,890,300	6,000,000	5.520%
2023	4,628,532	4,628,532	6,000,000	5.530%
2024	4,380,024	4,380,024	6,000,000	5.540%
2025	4,146,804	4,146,804	6,000,000	5.540%
2026	3,922,992	3,922,992	6,000,000	5.550%
2027	3,775,632	3,775,632	6,100,000	5.550%
2028	3,574,270	3,574,270	6,100,000	5.550%
2029	3,383,694	3,383,694	6,100,000	5.550%
Total Capital Appreciation Bonds	48,525,097	48,525,097		
Total	$ 198,925,097	$ 48,525,097		

**Approximate yield to maturity.

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

SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
SCHEDULE OF BONDS PAYABLE OUTSTANDING
June 30, 2018

REVENUE BONDS SERIES 2006A		REVENUE BONDS SERIES 2008A		REVENUE BONDS SERIES 2009A	
Principal Amount	Interest Rate	Principal Amount	Interest Rate	Principal Amount	Interest Rate
3,640,000	5.250%	1,785,000	5.250%	2,460,000	5.300%
3,835,000	5.250%	1,900,000	5.250%	2,545,000	5.250%
3,465,000	5.250%	2,055,000	4.000%	2,635,000	5.450%
- ----	- -----	2,175,000	5.500%	2,725,000	5.600%
- ----	- -----	2,285,000	5.500%	2,825,000	5.750%
- ----	- -----	1,690,000	4.250%	2,930,000	5.900%
- ----	- -----	1,770,000	4.500%	3,045,000	6.000%
- ----	- -----	1,815,000	4.500%	- ----	- -----
- ----	- -----	1,890,000	4.500%	- ----	- -----
- ----	- -----	1,970,000	4.500%	- ----	- -----
- ----	- -----	- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----	3,165,000	6.200%
- ----	- -----	- ----	- -----	3,290,000	6.200%
- ----	- -----	- ----	- -----	3,425,000	6.200%
- ----	- -----	- ----	- -----	3,560,000	6.200%
- ----	- -----	- ----	- -----	3,705,000	6.200%
- ----	- -----	- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----	- ----	- -----
10,940,000		19,335,000		36,310,000	
- ----	- -----	- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----	- ----	- -----
- ----		- ----		- ----	
$ 10,940,000		$ 19,335,000		$ 36,310,000	

SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
SCHEDULE OF BONDS PAYABLE OUTSTANDING
June 30, 2018

	REVENUE BONDS SERIES 2012A		REVENUE BONDS SERIES 2012B	
	Principal Amount	**Interest Rate**	**Principal Amount**	**Interest Rate**
Interest Bearing Bonds:				
Serial Bonds maturing as follows:				
2019	1,230,000	2.550%	1,795,000	5.000%
2020	1,260,000	2.800%	1,890,000	5.000%
2021	1,295,000	3.000%	1,990,000	5.000%
2022	1,335,000	3.150%	2,080,000	5.000%
2023	1,380,000	3.350%	1,820,000	5.000%
2024	1,425,000	3.500%	1,905,000	5.000%
2025	1,475,000	3.650%	2,005,000	5.000%
2026	1,530,000	3.800%	2,105,000	5.000%
2027	- ----	- -----	2,205,000	5.000%
2028	- ----	- -----	- ----	- -----
2029	1,715,000	4.100%	- ----	- -----
2030	1,785,000	4.200%	- ----	- -----
2031	1,860,000	4.300%	- ----	- -----
2032	1,940,000	4.375%	- ----	- -----
2033	- ----	- -----	- ----	- -----
2034	- ----	- -----	- ----	- -----
2035	- ----	- -----	- ----	- -----
Term Bonds maturing as follows:				
2019	- ----	- -----	- ----	- -----
2020	- ----	- -----	- ----	- -----
2021	- ----	- -----	- ----	- -----
2022	- ----	- -----	- ----	- -----
2023	- ----	- -----	- ----	- -----
2024	- ----	- -----	- ----	- -----
2025	- ----	- -----	- ----	- -----
2026	- ----	- -----	- ----	- -----
2027	1,585,000	4.000%	- ----	- -----
2028	1,650,000	4.000%	2,320,000	5.000%
2029	- ----	- -----	2,440,000	5.000%
2030	- ----	- -----	1,365,000	5.000%
2031	- ----	- -----	1,435,000	5.000%
2032	- ----	- -----	1,505,000	5.000%
2033	- ----	- -----	1,580,000	4.000%
2034	- ----	- -----	1,645,000	4.000%
2035	- ----	- -----	1,710,000	4.000%
Qualified Energy Conservation Bonds maturing as follows:				
2035	- ----	- -----	5,365,000	4.400%
Total Interest Bearing Bonds	21,465,000		37,160,000	
Capital Appreciation Bonds maturing as follows:				
2019	- ----	- -----	- ----	- -----
2020	- ----	- -----	- ----	- -----
2021	- ----	- -----	- ----	- -----
2022	- ----	- -----	- ----	- -----
2023	- ----	- -----	- ----	- -----
2024	- ----	- -----	- ----	- -----
2025	- ----	- -----	- ----	- -----
2026	- ----	- -----	- ----	- -----
2027	- ----	- -----	- ----	- -----
2028	- ----	- -----	- ----	- -----
2029	- ----	- -----	- ----	- -----
Total Capital Appreciation Bonds	- ----		- ----	
Total	$ 21,465,000		$ 37,160,000	

SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
SCHEDULE OF BONDS PAYABLE OUTSTANDING
June 30, 2018

REVENUE BONDS SERIES 2015A		REVENUE BONDS SERIES 2015B	
Principal Amount	Interest Rate	Principal Amount	Interest Rate
540,000	2.850%	295,000	5.000%
555,000	2.850%	210,000	5.000%
570,000	2.850%	420,000	5.000%
595,000	2.850%	1,545,000	5.000%
605,000	2.850%	1,820,000	5.000%
620,000	2.850%	2,310,000	5.000%
640,000	2.850%	2,525,000	5.000%
510,000	2.850%	2,350,000	5.000%
525,000	2.850%	1,470,000	5.000%
545,000	2.850%	1,545,000	5.000%
555,000	2.850%	1,620,000	5.000%
570,000	2.850%	1,900,000	4.350%
- ----	- -----	350,000	3.750%
- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----
6,830,000		18,360,000	
- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----
- ----	- -----	- ----	- -----
- ----		- ----	
$ 6,830,000		$ 18,360,000	