

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

For the Years Ended June 30, 2015 and 2014

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



CliftonLarsonAllen

**STATE OF ILLINOIS
SOUTHERN ILLINOIS UNIVERSITY
FINANCIAL AUDIT**

For the Years Ended June 30, 2015 and 2014

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

STATE OF ILLINOIS
Southern Illinois University
Annual Financial Report
For the Years Ended June 30, 2015 and 2014

Table of Contents

Treasurer's Letter	1
Board of Trustees and Officers of Administration	2
Financial Statement Report	
Summary	3
Independent Auditors' Report	4
Management's Discussion and Analysis	7
Basic Financial Statements	
Statements of Net Position	16
Statements of Revenues, Expenses and Changes in Net Position	17
Statements of Cash Flows	18
Notes to the Financial Statements	20
Required Supplementary Information	58

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SOUTHERN ILLINOIS UNIVERSITY

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

December 11, 2015

TO THE BOARD OF TRUSTEES
OF SOUTHERN ILLINOIS UNIVERSITY

I am pleased to submit the annual financial report of Southern Illinois University for the years ended June 30, 2015, and 2014.

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

The financial statements of the University have been audited by CliftonLarsonAllen LLP for fiscal years 2015 and 2014. As Special Assistant Auditors for the Auditor General, they have issued reports covering their audits of the compliance of the University with applicable state and federal laws and regulations and a report containing supplementary financial information and special data requested by the Auditor General. These reports are available at the Office of the Auditor General, State of Illinois.

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

Respectfully submitted,

Duane Stucky
Board Treasurer

DS/sjp

Southern Illinois University Board of Trustees and Officers of Administration Fiscal Year 2015

BOARD OF TRUSTEES OF SOUTHERN ILLINOIS UNIVERSITY

Randal Thomas, Chair	Springfield
Donna Manering, Vice Chair	Makanda
Don Lowery, Secretary (July-March)	Golconda
Joel Sambursky, (July-January), Reappointed (March-June)	Carbondale
J. Phil Gilbert (March-June)	Carbondale
Roger Herrin	Harrisburg
Shirley Portwood	Godfrey
Mitch Morecraft	Edwardsville
Adrian Miller	Carbondale
Amy Sholar (March-June)	Alton
Marquita Wiley (July-March)	Belleville

OFFICERS OF SOUTHERN ILLINOIS UNIVERSITY

Randy J. Dunn, President
Lucas Crater, General Counsel, Interim General Counsel (July-March)
Paul Sarvela, Vice President, Academic Affairs (July)
Duane Stucky, Senior Vice President, Financial and Administrative Affairs, and Board Treasurer
Misty Whittington, Executive Secretary of the Board

OFFICERS OF ADMINISTRATION, SOUTHERN ILLINOIS UNIVERSITY CARBONDALE

Rita Cheng, Chancellor (July-August)
Paul Sarvela, Acting Chancellor (July), Interim Chancellor (August-November)
John W. Nicklow, Provost and Vice Chancellor for Academic Affairs (July)
Susan M. Ford, Acting Provost & Vice Chancellor for Academic Affairs (November-June)
J. Kevin Dorsey, Dean and Provost, School of Medicine
Kevin D. Bame, Vice Chancellor for Administration and Finance
James Salmo, Vice Chancellor for Development and Alumni Relations

OFFICERS OF ADMINISTRATION, SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE

Julie Furst-Bowe, Chancellor
Parviz Ansari, Provost and Vice Chancellor for Academic Affairs
Narbeth Emmanuel, Vice Chancellor for Student Affairs
Kenneth Neher, Vice Chancellor for Administration
Rachel Stack, Vice Chancellor for University Advancement

FINANCIAL STATEMENT REPORT

SUMMARY

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

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Southern Illinois University ("the University"), collectively a component unit of the State of Illinois, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the University's aggregate discretely presented component units (the "University Related Organizations"), as described in Note 1 of the financial statements. Those statements were audited by other auditors whose reports thereon have been provided to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the University Related Organizations, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Opinions

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Southern Illinois University and its aggregate discretely presented component units as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

During fiscal year ended June 30, 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result of the implementation of these standards, the University reported a restatement for the change in accounting principle. See Note 1. Our auditors' opinion was not modified with respect to the restatement.

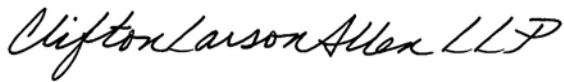
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7-15 and the Schedule of Southern Illinois University's Proportionate Share of the Net Pension Liability and the Schedule of Contributions on page 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued under separate cover our report dated December 11, 2015, on our consideration of Southern Illinois University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southern Illinois University's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Peoria, Illinois
December 11, 2015

**Southern Illinois University
Management's Discussion and Analysis
For the Years Ended June 30, 2015 and 2014**

Introduction

The following discussion and analysis of the financial statements of Southern Illinois University (the "University") provides an overview of the University's financial activities for the fiscal year ended June 30, 2015 with selected comparative information for the years ended June 30, 2014 and 2013. This discussion has been prepared by management and should be read in conjunction with the financial statements and related footnotes.

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

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

Using the financial statements

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

FINANCIAL HIGHLIGHTS

Statements of Net Position

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

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

**Southern Illinois University
Management's Discussion and Analysis
For the Years Ended June 30, 2015 and 2014**

Statements of Net Position (continued)

The University's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2015, 2014, and 2013 are summarized as follows:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Assets and deferred outflows of resources:			
Current assets	\$ 329,910,124	\$ 305,271,039	\$ 313,851,436
Capital assets, net	866,181,669	864,880,714	840,332,955
Other assets	117,706,504	134,400,912	114,002,373
Deferred outflows of resources	<u>5,685,740</u>	<u>3,332,060</u>	<u>3,235,468</u>
Total assets and deferred outflows of resources	<u>1,319,484,037</u>	<u>1,307,884,725</u>	<u>1,271,422,232</u>
Liabilities and deferred inflows of resources:			
Current liabilities	126,549,128	138,511,732	143,485,425
Noncurrent liabilities	<u>380,094,727</u>	<u>386,705,191</u>	<u>366,561,724</u>
Total liabilities and deferred inflows of resources	<u>506,643,855</u>	<u>525,216,923</u>	<u>510,047,149</u>
Net Position:			
Net investment in capital assets	562,652,029	560,071,866	531,990,424
Restricted - nonexpendable	5,126,893	5,030,306	4,903,490
Restricted - expendable	91,259,665	82,400,745	116,725,903
Unrestricted	<u>153,801,595</u>	<u>135,164,885</u>	<u>107,755,266</u>
Total Net Position	<u>\$ 812,840,182</u>	<u>\$ 782,667,802</u>	<u>\$ 761,375,083</u>

University assets and deferred outflows of resources totaled \$1.32 billion at June 30, 2015, a slight increase compared to 2014. At June 30, 2014, the total was just over \$1.3 billion for an increase of 2.9% compared to 2013. The largest asset of the University is its investment in land, buildings and equipment which totaled \$866.2 million, \$864.9 million, and \$840.3 million at June 30, 2015, 2014, and 2013, respectively. University liabilities and deferred inflows of resources at June 30, 2015 decreased \$18.6 million or 3.5% compared to 2014 while there was an increase of 3% between fiscal years 2014 and 2013. Long-term debt, including Revenue Bonds Payable and Certificates of Participation, totaled \$317,340,701 in fiscal year 2015, \$326,765,587 in 2014, and \$312,897,218 in 2013, and comprised the largest portion of the University's liabilities. The University's 2015 overall net position, the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources, increased \$30,172,380, or 3.9%, compared to fiscal year 2014 and increased \$21,292,719, or 2.8% between fiscal year 2014 and 2013.

Statements of Revenues, Expenses and Changes in Net Position

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

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

Southern Illinois University
Management's Discussion and Analysis
For the Years Ended June 30, 2015 and 2014

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

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

The following summarizes the University's financial activity for fiscal years 2015, 2014, and 2013:

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>	<u>Year Ended June 30, 2013</u>
Operating revenues:			
Tuition and fees, net	\$ 242,038,475	\$ 238,780,837	\$ 238,577,997
Auxiliary enterprises	120,730,519	115,287,620	109,379,705
Grants and contracts	84,695,751	90,107,128	95,348,278
Other	150,414,145	147,715,272	137,708,006
Operating expenses	<u>(1,150,325,824)</u>	<u>(1,137,077,211)</u>	<u>(1,119,793,470)</u>
Operating loss	<u>(552,446,934)</u>	<u>(545,186,354)</u>	<u>(538,779,484)</u>
State appropriations	201,222,949	205,884,551	205,965,800
On-behalf payments	296,562,367	274,921,642	281,309,245
Other nonoperating revenues & expenses, net	<u>67,350,504</u>	<u>69,085,941</u>	<u>64,715,125</u>
Income before other revenues	12,688,886	4,705,780	13,210,686
Other revenues	<u>14,689,713</u>	<u>16,586,939</u>	<u>26,461,299</u>
Increase in net position	27,378,599	21,292,719	39,671,985
Net position at beginning of year	782,667,802	761,375,083	724,605,890
Cumulative effect of change in accounting principle	2,793,781	-	(2,902,792)
Net position at end of year	<u>\$ 812,840,182</u>	<u>\$ 782,667,802</u>	<u>\$ 761,375,083</u>

Operating revenue experienced a net increase of \$6 million, or 1%, in fiscal year 2015 compared to 2014. Revenues from student tuition and fees, the physicians and surgeons practice plan, and auxiliary enterprises experienced a combined increase of \$14.2 million during fiscal year 2015. These revenue increases were offset by decreases in grant and contract and sales and services revenues of \$8.2 million. Fiscal year 2015 operating expenses increased \$13.2 million, or 1% compared to 2014. Payments on behalf of the University made by the State of Illinois for employee retirement and healthcare benefits increased \$21.6 million compared to fiscal year 2014. Also, expenditures related to academic support, student services, operation and maintenance, and scholarships increased \$33.4 million. These increases were offset by decreased expenditures of \$19.4 million in the areas of institutional support, research, public service, auxiliary enterprises and instruction. Net non-operating revenues and expenses realized in 2015 increased \$15.2 million from fiscal year 2014 primarily due to an increase in payments on behalf of the University of \$21.6 million and increased non-operating grant and contract revenues of \$3.5 million. State appropriation revenues decreased \$4.7 million while investment income and other non-operating revenues decreased \$5.2 million. Revenues for State appropriated capital development projects experienced a decrease of \$1.9 million in 2015 compared to 2014.

Operating revenue experienced a net increase of \$10.9 million, or 1.9%, in fiscal year 2014 compared to 2013. This increase included several significant components. Sales and services of educational departments and auxiliary enterprise revenues combined for increased revenues of \$20.3 million. This

Southern Illinois University
Management's Discussion and Analysis
For the Years Ended June 30, 2015 and 2014

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

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

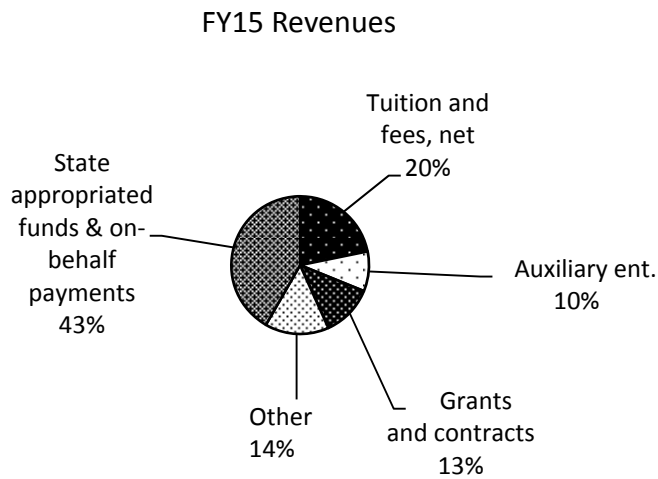
The Governmental Accounting Standards Board Statement No. 68 – *Accounting and Financial Reporting for Pensions*, revises and establishes new financial reporting requirements for most governments that provide pension benefits. Substantially all employees of the University contribute to the State Universities Retirement System of Illinois (SURS), a cost-sharing multiple-employer defined benefit plan with a special funding situation, discussed in note 16 in the accompanying financial statement note disclosures, whereby the State of Illinois makes substantially all actuarially determined required contributions on behalf of the participating employers. The application of Statement No. 68 to the University's 2015 comparative financial statements resulted in the presentation of additional note disclosures related to pension liability and related expenses. The University was not required to recognize any share of the State University Retirement System's net pension liability at June 30, 2015.

The Governmental Accounting Standards Board Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, specifies that governments recognize a beginning deferred outflow of resources for any contributions made subsequent to the beginning net pension liability measurement date. The SURS net pension liability was measured as of June 30, 2013. After direct consultation with the Governmental Accounting Standards Board, per GASB statement 68 paragraph 137, "if the restatement of all prior periods presented is not practical, the cumulative effect of applying GASB 68 should be reported as a restatement of the beginning Net Position for the earliest period restated." Since SURS did not provide the necessary information to restate the fiscal year 2014 financial statements, the restatement related to GASB statement No. 71 would be correctly applied to the beginning Net Position of fiscal year 2015. This change in accounting principle resulted in a restated increase of the University's fiscal year 2015 beginning Net Position of \$2,793,781 which is reflected in the University's Statement of Revenues, Expenses, and Changes in Net Position.

**Southern Illinois University
Management's Discussion and Analysis
For the Years Ended June 30, 2015 and 2014**

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

The following is a graphic illustration of fiscal year 2015 revenues by source (operating, non-operating, and other), which were used to fund the University's activities. The revenue from charges for tuition and fees is shown net of the scholarship allowance of \$72,900,385. Student tuition and state appropriations are the primary source of funding for the University's academic programs. Other operating revenues consist primarily of income from sales and services of educational activities and income from the Physicians and Surgeons practice plan.



**Southern Illinois University
Management's Discussion and Analysis
For the Years Ended June 30, 2015 and 2014**

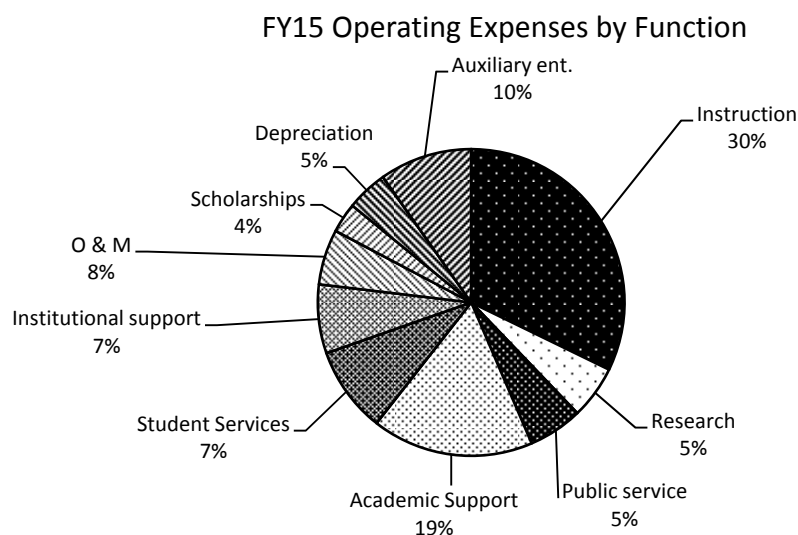
Statements of Revenues, Expenses and Changes in Net Position (continued)

Operating Expenses

A summary of the University's operating expenses by functional classification for the years ended June 30, 2015, 2014, and 2013 is as follows:

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>	<u>Year Ended June 30, 2013</u>
Instruction	\$ 346,058,172	\$ 354,744,896	\$ 357,711,356
Research	56,940,844	59,937,521	64,348,813
Public service	62,066,305	64,291,049	66,813,986
Academic support	212,575,474	192,875,757	189,137,814
Student services	84,113,012	79,764,915	76,152,832
Institutional support	84,917,654	88,304,207	80,591,514
Operation and maintenance of plant	96,122,679	90,232,049	88,830,154
Scholarships and fellowships	43,672,284	40,250,063	41,793,912
Depreciation	53,062,279	53,824,833	48,209,665
Auxiliary enterprises	110,571,586	112,659,073	108,226,105
Other expenditures	225,535	192,848	(2,022,681)
	<u>\$ 1,150,325,824</u>	<u>\$ 1,137,077,211</u>	<u>\$ 1,119,793,470</u>

Operating expenses include \$296,562,367, \$274,921,642, and \$281,309,245 for health care and retirement costs paid on-behalf of University employees by the State of Illinois for fiscal years 2015, 2014, and 2013, respectively. These expenses have been allocated by function. The University chooses to report its expenses by functional classification in the Statements of Revenues, Expenses and Changes in Net Position. The expenses are displayed in their natural classifications in note 21. The following is a graphic illustration of operating expenses by function for the year ended June 30, 2015:



Southern Illinois University
Management's Discussion and Analysis
For the Years Ended June 30, 2015 and 2014

Statements of Cash Flows

The Statements of Cash Flows provide additional information about the University's sources and uses of cash during the fiscal year. These statements help users assess the University's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing. The following summarizes the University's cash flow activity for fiscal years 2015, 2014, and 2013:

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>	<u>Year Ended June 30, 2013</u>
Cash provided by (used in):			
Operating activities	\$ (203,629,462)	\$ (204,170,027)	\$ (197,978,964)
Noncapital financing activities	281,607,834	286,521,693	287,252,722
Capital and related financing activities	(66,520,851)	(58,072,412)	(94,015,678)
Investing activities	<u>7,654,870</u>	<u>(20,451,586)</u>	<u>10,542,392</u>
Net increase in cash	19,112,391	3,827,668	5,800,472
Cash and cash equivalents, beginning of year	<u>170,177,771</u>	<u>166,350,103</u>	<u>160,549,631</u>
Cash and cash equivalents, end of year	<u>\$ 189,290,162</u>	<u>\$ 170,177,771</u>	<u>\$ 166,350,103</u>

Major sources of funds included in operating activities are student tuition and fees, grants and contracts, sales and services of educational activities, and auxiliary enterprises. For fiscal years 2015, 2014, and 2013, respectively, student tuition and fees generated \$250.9 million, \$250.2 million, and \$249 million. Grants and contracts provided \$82.1 million, \$89 million, and \$86.6 million. Sales and services of educational activities received \$95.6 million, \$98.7 million, and \$86.7 million, and auxiliary enterprises generated \$128.6 million, \$120.6 million, and \$112.6 million. Payments for employee salaries and benefits, payments to suppliers for goods and services, and scholarship and fellowship payments comprise the major uses of operating funds.

The major source of funds in noncapital financing activities is State appropriations which provided \$201 million in fiscal year 2015 and \$206 million in both fiscal years 2014 and 2013. Fiscal year 2015 cash provided by noncapital financing activities decreased \$4.9 million compared to fiscal year 2014 which was relatively unchanged compared to fiscal year 2013.

The issuance of the Series 2015A revenue bonds for both the Housing and Auxiliary Facilities System and Medical Facilities System, as well as debt service payments on outstanding capital debt, and the purchases of capital assets comprise the major activity in capital and related financing activities. Cash used for this activity increased \$8.4 million in fiscal year 2015 compared to fiscal year 2014 following a decrease of \$35.9 million in fiscal year 2014 compared to 2013.

Investing activities include the purchases, sales, and maturities of investments as well as investment income. Cash provided by this activity increased \$28.1 million between fiscal years 2015 and 2014, but decreased \$31 million between fiscal years 2014 and 2013.

**Southern Illinois University
Management's Discussion and Analysis
For the Years Ended June 30, 2015 and 2014**

Capital Asset and Debt Administration

The University's Capital Asset policy requires the capitalization of infrastructure at \$1,000,000, buildings and intangible assets at \$100,000, site or building improvements at \$25,000 and equipment at \$5,000. The University depreciates its capital assets on a straight-line basis, using estimated useful lives ranging from five to forty years. At the end of fiscal years 2015, 2014, and 2013, respectively, the University had \$562,652,029, \$560,071,866, and \$531,990,424 invested in capital assets, net of accumulated depreciation and related debt. Depreciation expense for 2015, 2014, and 2013, respectively, was \$53,062,279, \$53,824,833, and \$48,209,665 with accumulated depreciation of \$945,768,325, \$899,195,894, and \$850,779,657. The University's capital assets remained relatively steady for fiscal year 2015 with an increase of \$1.3 million compared to fiscal year 2014 while capital assets increased \$24.5 million in 2014 compared to 2013.

The University has historically utilized revenue bonds to finance capital projects related to the Housing and Auxiliary Facilities System and the Medical Facilities System which have the ability to generate resources to service the debt. In fiscal year 2015, the University issued Medical Facilities System revenue bonds of \$13.4 million to refund the 2005A Medical Facilities System revenue bonds. The University also issued Housing and Auxiliary System revenue bonds of \$8.2 million to fund renovations to the Carbondale Baseball Stadium as well as renovations to the Edwardsville Student Fitness Center and infrastructure improvements. The total amount of outstanding bonds payable at June 30, 2015 was \$275,417,842. In fiscal year 2014, the University did not issue any additional revenue bonds. The total amount of outstanding bonds payable at June 30, 2014 was \$282,771,851 compared to \$297,196,667 at June 30, 2013.

The University issued certificates of participation (COPS) in 2002 and 2004 to fund multiple construction and renovation projects on the Carbondale, Edwardsville, and School of Medicine campuses. In fiscal year 2015, the University did not issue any additional COPS. In fiscal year 2014, the University issued COPS of \$43 million for capital improvement projects at Carbondale and to refund the outstanding 2004A COPS issuance. The balance of outstanding COPS at June 30, 2015, 2014, and 2013 was \$41,922,859, \$43,993,736, and \$15,700,551, respectively. For additional information concerning the University's Capital Assets and Debt Administration, see Notes 7, 9, 10, and 12 in the Notes to Financial Statements.

Economic Outlook

As the State of Illinois struggles with severe fiscal challenges, additional pressures are placed on its ability to continue to support the public Universities at prior funding levels. The State of Illinois continues to address a large backlog of payables and a sizeable unfunded pension liability. Temporary tax increases approved in 2011 have helped the State of Illinois reduce the payables liability, but the temporary tax increases expired on December 31, 2014. Comprehensive pension reform legislation aimed at addressing Illinois' estimated \$111 billion unfunded pension liability was struck down by the Illinois Supreme court on May 8, 2015. Additionally, disagreement over initiatives intended to improve the state's economic conditions have created a legislative impasse resulting in the absence of a fiscal year 2016 state budget as of December 11, 2015.

A critical element to the University's future includes a strong partnership with the State of Illinois. Over 43% of the University's revenues come from various State funding sources including 18% from Appropriations, and 25% from payments on-behalf to fund University employees' benefits. During fiscal year 2015 the State appropriated \$205.7 million to Southern Illinois University but later reduced the appropriation by \$4.6 million (2.25%). As of September 30, 2015, the University does not have a fiscal year 2016 appropriation as State legislators and the Governor have been unable to reach an agreement

**Southern Illinois University
Management's Discussion and Analysis
For the Years Ended June 30, 2015 and 2014**

Economic Outlook (continued)

on a budget. Proposed fiscal year 2016 budget cuts to public Universities appropriations have ranged from 8.75% to 31.5%. Should the state budget impasse continue into the Spring 2016 semester, the University will be faced with strained liquidity.

The University is committed to strong fiscal stewardship of its resources and maintaining a sound financial position. To that end, University management establishes institutional priorities that are linked to additional funding, sets funding guidelines for asset maintenance of facilities and equipment, and holds at least 1% of State appropriated funds and tuition income as a contingency reserve for fiscal emergencies. Southern Illinois University has escalated efforts to develop and expand its resource base by seeking more revenue opportunities from grants and contracts, sales and services of educational activities that include clinics, conferences and seminars, other self-supporting activities, and fund raising efforts. Furthermore, SIU implemented several cost saving measures in fiscal year 2011 that are continuing into fiscal year 2016, such as restrictions on hiring of non-essential positions and cost restrictions on travel and purchases, to help offset unanticipated budget shortfalls. If fiscal year 2016 state appropriations are reduced at the higher range of proposed cuts, the University will need to implement additional cost saving measures which could possibly include layoffs and academic realignment.

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

Southern Illinois University
Statements of Net Position
Years Ended June 30, 2015 and 2014

	UNIVERSITY		UNIVERSITY RELATED ORGANIZATIONS	
	2015	2014	2015	Restated 2014
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets:				
Cash and cash equivalents	\$ 149,987,069	\$ 136,110,801	\$ 8,657,371	\$ 15,492,651
Cash and cash equivalents, restricted	39,303,093	34,066,970	1,454,015	1,742,153
Short-term investments	17,695,796	2,487,566	26,334,455	20,058,684
Short-term investments, restricted	19,742,029	24,070,204	12,263,843	19,878,323
Deposits with University	-	-	14,220,507	15,743,768
Reimbursement due from State Treasurer	40,089,727	50,628,567	-	-
Accounts receivable, net	45,727,899	42,071,206	17,159,553	15,246,743
Notes receivable, net	3,744,831	3,696,959	-	-
Accrued interest receivable	93,729	74,827	605,431	321,732
Due from related organizations	3,513,054	3,928,743	156,152	66,259
Inventories	9,366,436	7,523,263	-	-
Prepaid expenses and other assets	646,461	611,933	1,400,984	1,824,634
Total Current Assets	329,910,124	305,271,039	82,252,311	90,374,947
Noncurrent Assets:				
Cash and cash equivalents	-	-	-	20,005
Long-term investments	88,309,464	104,061,447	22,833,083	15,299,144
Long-term investments, restricted	10,566,878	11,662,698	155,418,254	159,238,583
Notes receivable, net	15,155,803	14,764,486	25,971	30,217
Prepaid expenses and other assets	3,674,359	3,912,281	7,156,155	7,979,007
Capital assets, not depreciated	115,403,909	106,571,545	502,561	315,672
Capital assets, net of depreciation	750,777,760	758,309,169	5,446,448	5,036,645
Total Noncurrent Assets	983,888,173	999,281,626	191,382,472	187,919,273
Deferred outflows of resources	5,685,740	3,332,060	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	1,319,484,037	1,307,884,725	273,634,783	278,294,220
LIABILITIES				
Current Liabilities:				
Accounts payable	23,930,469	33,918,518	1,457,767	1,453,917
Accrued interest payable	2,993,204	3,158,868	-	-
Accrued payroll	10,583,032	10,838,689	4,181,257	3,751,986
Accrued compensated absences	3,709,371	4,799,327	-	-
Revenue bonds payable	19,966,090	18,847,304	-	-
Certificates of participation	2,205,878	2,070,878	-	-
Liabilities under capitalized leases	1,770,517	1,110,503	-	-
Annuities payable	-	-	415,412	410,978
Accrued liability for self-insurance	8,872,233	10,462,460	-	-
Deposits held for University related organizations	14,220,507	15,743,768	-	-
Deposits held in custody for others	964,077	1,060,285	89,675	76,819
Unearned revenue	37,064,974	36,316,849	231,690	209,508
Housing deposits	112,624	118,024	-	-
Due to related organizations	156,152	66,259	3,513,054	3,928,743
Total Current Liabilities	126,549,128	138,511,732	9,888,855	9,831,951
Noncurrent Liabilities:				
Accrued compensated absences	38,892,243	40,546,323	-	-
Revenue bonds payable	255,451,752	263,924,547	-	-
Certificates of participation	39,716,981	41,922,858	-	-
Liabilities under capitalized leases	3,221,501	2,986,351	-	-
Annuities payable	-	-	2,720,812	3,074,411
Accrued liability for self-insurance	24,991,253	19,497,050	-	-
Federal loan program contributions refundable	17,683,346	17,683,811	-	-
Housing deposits	137,651	144,251	-	-
Other accrued liabilities	-	-	1,870,766	1,812,915
Deposits held in custody for others	-	-	2,685,646	2,784,267
Total Noncurrent Liabilities	380,094,727	386,705,191	7,277,224	7,671,593
TOTAL LIABILITIES	506,643,855	525,216,923	17,166,079	17,503,544
NET POSITION				
Net investment in capital assets	562,652,029	560,071,866	5,949,009	5,352,317
Restricted for:				
Nonexpendable	5,126,893	5,030,306	106,235,153	102,965,863
Expendable	91,259,665	82,400,745	84,695,579	88,092,147
Unrestricted	153,801,595	135,164,885	59,588,963	64,380,349
TOTAL NET POSITION	\$ 812,840,182	\$ 782,667,802	\$ 256,468,704	\$ 260,790,676

The accompanying notes are an integral part of this statement.

Southern Illinois University
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2015 and 2014

	UNIVERSITY		UNIVERSITY RELATED ORGANIZATIONS	
	2015	2014	2015	Restated 2014
REVENUES				
Operating Revenues:				
Student tuition and fees (net of scholarship allowances of \$72,900,385 for 2015; \$67,586,274 for 2014)	\$ 242,038,475	\$ 238,780,837	\$ -	\$ -
Federal grants and contracts	35,869,516	33,826,313	-	-
State of Illinois grants and contracts	24,593,011	29,545,442	-	-
Other government grants and contracts	6,189,238	6,266,886	-	-
Private grants and contracts	18,043,986	20,468,487	-	-
Sales and services of educational departments	98,069,328	100,850,328	-	-
Physicians and Surgeons practice plan	52,054,704	46,567,937	-	-
Patient service revenue (net)	-	-	91,302,575	84,841,895
Auxiliary enterprises:				
Funded debt enterprises (net of scholarship allowances of \$9,922,930 for 2015; \$7,900,178 for 2014)	107,319,647	102,595,002	-	-
Other auxiliary enterprises (net of scholarship allowances of \$1,263,838 for 2015; \$903,023 for 2014)	13,410,872	12,692,618	-	-
Loan interest income	287,241	295,531	-	-
Other operating revenues	2,872	1,476	21,744,049	17,325,109
Total Operating Revenues	597,878,890	591,890,857	113,046,624	102,167,004
EXPENSES				
Operating Expenses:				
Instruction	346,058,172	354,744,896	-	-
Research	56,940,844	59,937,521	-	-
Public service	62,066,305	64,291,049	-	-
Academic support	212,575,474	192,875,757	-	-
Student services	84,113,012	79,764,915	-	-
Institutional support	84,917,654	88,304,207	124,163,366	112,831,583
Operation and maintenance of plant	96,122,679	90,232,049	-	-
Scholarships and fellowships	43,672,284	40,250,063	-	-
Depreciation	53,062,279	53,824,833	551,452	655,970
Auxiliary enterprises:				
Funded debt enterprises	96,248,950	97,260,078	-	-
Other auxiliary enterprises	14,322,636	15,398,995	-	-
Other operating expenses	225,535	192,848	-	-
Total Operating Expenses	1,150,325,824	1,137,077,211	124,714,818	113,487,553
Operating Loss	(552,446,934)	(545,186,354)	(11,668,194)	(11,320,549)
NONOPERATING REVENUES (EXPENSES)				
State appropriations	201,222,949	205,884,551	-	-
Gifts and contributions	12,143,644	12,712,911	5,802,385	5,691,928
Investment income	1,331,106	2,499,422	1,031,168	28,239,124
Grants and contracts	70,416,132	66,956,845	-	-
Interest on capital asset-related debt	(10,389,321)	(10,575,366)	-	-
Accretion on bonds payable	(3,714,877)	(3,952,802)	-	-
University related organizations	(565,834)	(302,909)	-	-
Payments on behalf of the University	296,562,367	274,921,642	-	-
Other nonoperating revenues (expenses)	(1,870,346)	1,747,840	(1,521,389)	(868,218)
Net Nonoperating Revenues	565,135,820	549,892,134	5,312,164	33,062,834
Income (Loss) Before Other Revenues	12,688,886	4,705,780	(6,356,030)	21,742,285
Other Revenues:				
Capital state appropriations	13,923,996	15,629,069	-	-
Additions to permanent endowments	-	400,000	2,034,058	4,353,969
Capital grants and gifts	765,717	557,870	-	-
Total Other Revenues	14,689,713	16,586,939	2,034,058	4,353,969
Increase (Decrease) in Net Position	27,378,599	21,292,719	(4,321,972)	26,096,254
NET POSITION				
Net position at beginning of year as previously reported	782,667,802	761,375,083	260,790,676	234,694,422
Change in accounting principle	2,793,781	-	-	-
Net position, beginning of year, as restated	<u>785,461,583</u>	<u>761,375,083</u>	<u>260,790,676</u>	<u>234,694,422</u>
Net position at end of year	\$ 812,840,182	\$ 782,667,802	\$ 256,468,704	\$ 260,790,676

The accompanying notes are an integral part of this statement.

Southern Illinois University
Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	UNIVERSITY		UNIVERSITY RELATED ORGANIZATIONS	
	2015	2014	2015	2014
Cash Flows from Operating Activities				
Tuition and fees	\$ 250,855,616	\$ 250,214,851	\$ -	\$ -
Grants and contracts	82,067,006	89,010,737	-	-
Sales and services of educational activities	95,577,789	98,683,524	-	-
Physicians and Surgeons	51,742,829	49,919,147	-	-
Auxiliary enterprise revenues:				
Funded debt	113,885,874	106,858,640	-	-
Other auxiliary	14,717,267	13,781,217	-	-
Payments for employee salaries and benefits	(548,711,338)	(544,526,321)	(32,669,191)	(30,583,494)
Payments to suppliers	(269,594,478)	(272,137,921)	(83,033,184)	(76,021,734)
Payments for scholarships and fellowships	(88,708,430)	(90,964,605)	-	-
Loans issued to students	(3,389,914)	(2,430,974)	-	-
Interest earned on loans to students	271,524	264,895	-	-
Collection of loans from students	2,896,141	2,716,686	-	-
Patient service revenue	-	-	92,082,771	89,648,630
Other operating receipts	94,760,652	94,440,097	12,808,179	10,322,667
Net cash used in operating activities	(203,629,462)	(204,170,027)	(10,811,425)	(6,633,931)
Cash Flows from Noncapital Financing Activities				
State appropriations	201,222,949	205,884,649	-	-
Direct lending receipts	209,608,255	212,388,272	-	-
Direct lending payments	(209,542,073)	(212,638,838)	-	-
Grants and contracts	70,416,132	66,956,845	-	-
Government advances (payments) for federal loan funds	(280,327)	344,840	-	-
Payments to annuitants	-	-	(340,527)	(130,167)
Other	873,519	582,179	(1,549,709)	(1,344,614)
Gifts for other than capital purposes	9,309,379	13,003,746	8,272,443	11,044,604
Net cash provided by noncapital financing activities	281,607,834	286,521,693	6,382,207	9,569,823
Cash Flows from Capital and Related Financing Activities				
Capital appropriations	1,650,471	12,323,635	-	-
Purchases of capital assets	(45,752,287)	(70,853,205)	(1,148,144)	(359,845)
Proceeds from capital debt	21,645,000	44,012,972	-	-
Deposit to bond escrow	(13,440,000)	-	-	-
Other	1,980,623	1,263,931	-	-
Principal paid on capital debt	(20,665,000)	(33,555,000)	-	-
Interest paid on capital debt	(11,939,658)	(11,264,745)	-	-
Net cash used in capital and related financing activities	(66,520,851)	(58,072,412)	(1,148,144)	(359,845)
Cash Flows from Investing Activities				
Purchases of investments	(40,546,898)	(52,334,537)	(25,800,034)	(17,658,285)
Proceeds from sales of investments and maturities	46,150,485	28,850,018	18,839,615	14,417,025
Investment income	2,051,283	3,032,933	5,394,358	4,650,821
Net cash provided by (used in) investing activities	7,654,870	(20,451,586)	(1,566,061)	1,409,561
Net increase (decrease) in cash	19,112,391	3,827,668	(7,143,423)	3,985,608
Cash and cash equivalents, beginning of the year	170,177,771	166,350,103	17,254,809	13,269,201
Cash and cash equivalents, end of the year	\$ 189,290,162	\$ 170,177,771	\$ 10,111,386	\$ 17,254,809

Southern Illinois University
Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	UNIVERSITY		UNIVERSITY RELATED ORGANIZATIONS	
	2015	2014	2015	2014
Reconciliation of Operating Loss to Net Cash Used in Operating Activities				
Operating Loss	\$ (552,446,934)	\$ (545,186,354)	\$ (11,668,194)	\$ (11,320,549)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation expense	53,062,279	53,824,833	551,452	655,970
Amortization expense	-	-	-	-
Noncash grants to University	-	-	639,470	167,016
Noncash expenditures for the benefit of the University	-	-	482,348	410,523
Noncash contributions	-	-	(257,138)	321,534
Budget expended at University	(507,029)	(465,814)	-	-
Payments on behalf of the University	296,562,367	274,921,642	-	-
Change in assets and liabilities:				
Accounts receivable (net)	(4,246,834)	21,175,198	(2,148,165)	6,181,309
Reimbursement due from State Treasurer	10,538,840	9,886,212	-	-
Inventories	(1,752,346)	95,258	-	-
Prepaid expenses	(50,729)	(57,078)	(170,067)	4,623
Other assets	1,007,283	(16,431,053)	(59,011)	(72,434)
Accounts payable	(7,970,058)	(5,396,038)	67,767	(1,952,688)
Accrued payroll	(255,657)	353,125	-	-
Unearned revenue	3,769,831	(2,557,344)	85,729	(10,858)
Compensated absences	(2,744,036)	(1,821,882)	-	-
Deposits held for others	(11,766)	13,218	10,558	(8,632)
Other liabilities	944,074	9,268,191	(6,830)	(1,956)
Due to/from related organizations	471,253	(1,792,141)	1,660,656	(1,007,789)
Net cash used in operating activities	\$ (203,629,462)	\$ (204,170,027)	\$ (10,811,425)	\$ (6,633,931)
Noncash investing, capital and financing activities:				
Payments on behalf of the University for fringe benefits	\$ 296,562,367	\$ 274,921,642	\$ -	\$ -
Accretion on bonds payable	3,714,877	3,952,802	-	-
Gifts in kind	622,978	404,923	-	-
Capital assets in accounts payable	3,087,946	9,336,060	-	-
Capital asset acquisition by CDB	13,668,968	8,838,177	-	-
Loss on disposals of capital assets	2,617,201	841,625	-	78,617
Other capital asset adjustments	(3,063,806)	(2,755,354)	-	-
Net interest capitalized	1,050,268	484,182	-	-

The accompanying notes are an integral part of this statement.

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

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

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

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

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

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

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

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

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

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

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

The University is a component unit of the State of Illinois for financial reporting purposes. The financial balances and activities included in these financial statements are, therefore, also included in the State's comprehensive annual financial report.

NOTE 2 - Significant accounting policies

University basis of presentation

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

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

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

Certain reclassifications have been made to the 2014 financial statement presentation to conform to current fiscal year presentation.

University Related Organizations basis of presentation

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

Beginning in fiscal year 2009, the Southern Illinois University Foundation (at Carbondale) and The Association of Alumni, Former Students and Friends of Southern Illinois University, Inc., follow Financial Accounting Standards Board (FASB) standards for financial statement presentation. Consequently, reclassifications have been made to convert their statements to the GASB format for inclusion in the University Related Organizations' column in the financial statements.

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

NOTE 2 - Significant accounting policies (continued)

Cash and cash equivalents

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

Allowance for uncollectibles

The University provides allowances for uncollectible accounts and notes receivable based upon management's best estimate of uncollectible accounts and notes at the statement of net position date, considering type, age, collection history of receivables, and any other factors as considered appropriate. The University's accounts receivable and notes receivable are reported net of allowances of \$21,037,679 and \$246,726, respectively, at June 30, 2015, compared to allowances of \$20,349,430 and \$287,448, respectively, at June 30, 2014.

Inventories

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

Capital assets

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the plan net position of the State Universities Retirement System (SURS) 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

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

NOTE 2 - Significant accounting policies (continued)

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.

Revenue and expense recognition

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the University reported on-behalf payments of \$296,562,367 for fiscal year 2015 for health care and retirement costs, compared to \$274,921,642 for fiscal year 2014. These costs are reflected in the Statement of Revenues, Expenses and Changes in Net Position as non-operating revenues entitled "Payments on behalf of the University" and as operating expenses under the appropriate functional classifications.

Substantially all employees participate in group health insurance plans administered by the State of Illinois. The employer contributions to these plans for University employees paid from State appropriations and auxiliary enterprises are paid by the State on behalf of the University. On-behalf payments for health care costs totaled \$138,984,094 for the year ended June 30, 2015, and \$128,223,834 for the year ended June 30, 2014. The employer contributions to these plans for employees paid from other University held funds are paid by the University. On behalf-payments of \$157,578,273 for the year ended June 30, 2015, were made to the State Universities Retirement System for retirement costs, compared to \$146,697,808 for the year ended June 30, 2014.

Classification of revenues and expenses

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

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

Non-operating: Non-operating revenues and expenses include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other sources and uses that are defined as non-operating by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, such as state appropriations, investment income, and federal student aid programs. Appropriations made to the University from the State of Illinois are recognized as non-operating revenues in the year appropriated to the extent expended. Other non-operating revenues and expenses include transactions relating to capital and financing activities, noncapital financing activities, and investing activities. Gift and contribution revenue of the Southern Illinois University Edwardsville Foundation is reported as operating revenue in accordance with their audited financial statements.

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

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

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

NOTE 2 - Significant accounting policies (continued)

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

Compensated absences

Accrued compensated absences for University personnel are charged to current funds based on earned but unused vacation and sick leave days including the University's share of Social Security and Medicare taxes. At June 30, 2015, the University estimates \$28,818,557 will be paid from state appropriated accounts funded by the State of Illinois and the Income Fund, and \$13,783,057 from local funds in subsequent years for a combined total of \$42,601,614. This compares to \$29,812,998 from state accounts and \$15,532,652 from local funds, totaling \$45,345,650, at June 30, 2014.

New Governmental Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following statements which are effective for periods beginning July 1, 2014, or later which have impacted or may impact the University:

Statement No. 68 – *Accounting and Financial Reporting for Pensions*, amends Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to revise and establish new financial reporting requirements for most governments that provide pension benefits. Application of Statement No. 68 in fiscal year 2015 resulted in additional note disclosures related to pension liability and related expenses. Due to the special funding situation of the State of Illinois related to pension liability, the University was not required to recognize any share of the State University Retirement System's net pension liability.

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

Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, specifies that governments recognize a beginning deferred outflow of resources for any contributions made subsequent to the beginning net pension liability measurement date. The State of Illinois' net pension liability measurement date was June 30, 2014. As a result of the application of Statement No. 71 in fiscal year 2015, the University's fiscal year 2014 employer's share of contributions made to the State University's Retirement System was reclassified as a deferred outflow of resources. This reclassification resulted in an increase to the University's fiscal year 2014 net position of \$2,793,781 and is reflected on the current year's Statement of Revenues, Expenses and Changes in Net Position as a change in accounting principle.

Statement No. 72 – *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements and requires governments to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The statement is effective for fiscal years beginning after June 15, 2015. The impact on the University will be reviewed.

Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

NOTE 2 - Significant accounting policies (continued)

No. 68 as well as for the assets accumulated for purposes of providing those pensions. It also establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and amends certain provisions of Statement No. 67. The statement is effective for fiscal years beginning after June 15, 2015, except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. The impact on the University will be reviewed.

Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. The statement is effective for fiscal years beginning after June 15, 2016. The impact on the University will be reviewed.

Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The statement is effective for fiscal years beginning after June 15, 2017. The impact on the University will be reviewed.

Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The statement is effective for fiscal years beginning after June 15, 2015, retroactively. The impact on the University will be reviewed.

Statement No. 77 – *Tax Abatement Disclosures*, establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The statement is effective for fiscal years beginning after December 15, 2015. The statement is not expected to impact the University.

NOTE 3 - Cash, deposits and cash equivalents

At June 30, 2015, the actual bank balances related to the deposits of the University amounted to \$197,000,127; of this balance, \$121,652,696 was either covered by federal depository insurance or not required to be collateralized and \$75,347,431 was covered by collateral held by an agent in the University's name. The actual bank balances at June 30, 2014, were \$178,206,188.

Cash, deposits and cash equivalents at June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
<u>UNIVERSITY:</u>		
Cash and cash equivalents	\$ 58,625,121	\$ 56,732,694
The Illinois Funds	<u>130,665,041</u>	<u>113,445,077</u>
Total cash and cash equivalents	<u>\$ 189,290,162</u>	<u>\$ 170,177,771</u>
 <u>UNIVERSITY RELATED ORGANIZATIONS:</u>		
Total cash and cash equivalents	<u>\$ 10,111,386</u>	<u>\$ 17,254,809</u>

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

NOTE 4 – Investments

University investment policy

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

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

University investments

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

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

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

NOTE 4 – Investments (continued)

funds and assists in the accounting and reporting functions related to these investments. The funds are allocated into an Intermediate Maturity Portfolio.

Investment income net of realized and unrealized gains and losses on investments for the years ended June 30, 2015 and 2014 are reflected below:

	<u>2015</u>	<u>2014</u>
<u>UNIVERSITY:</u>		
Interest earnings	\$ 1,396,727	\$ 1,294,916
Realized gain/(loss) on investments	245,595	1,517,013
Unrealized gain/(loss) on investments	<u>(311,216)</u>	<u>(312,507)</u>
Net investment income	<u>\$ 1,331,106</u>	<u>\$ 2,499,422</u>
<u>UNIVERSITY RELATED ORGANIZATIONS:</u>		
Interest earnings	\$ 5,003,172	\$ 4,333,356
Realized gain/(loss) on investments	3,084,096	10,955,884
Unrealized gain/(loss) on investments	<u>(7,056,100)</u>	<u>12,949,884</u>
Net investment income	<u>\$ 1,031,168</u>	<u>\$ 28,239,124</u>

University risk disclosures

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

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.

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

NOTE 4 – Investments (continued)

University Related Organizations investments

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

Southern Illinois University Foundation (at Carbondale)

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

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

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

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

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

Custodial credit risk is the risk that, in the event of a bank failure, the Foundation's deposits may not be returned to the Foundation. The Foundation has a policy to require banks to collateralize balances over the FDIC insured amount. As of June 30, 2015, the entire bank balance of \$721,484 was either insured or collateralized by pledged bank assets in the Foundation's name. As of June 30, 2014, the entire

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

NOTE 4 – Investments (continued)

bank balance of \$367,740 was either insured or collateralized by pledged bank assets in the Foundation's name.

Southern Illinois University at Edwardsville Foundation

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

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

Credit risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is mitigated by limiting investments to those specified in the Board-approved policy; and diversifying the investment portfolio so that the failure of any one issuer or backer will not place an undue financial burden on the Foundation. Board policy requires investments in fixed income government or corporate securities to be purchased or retained only if the security is A2 or higher by Moody's Investor Service or is rated A or higher by Standard and Poor's Corporation (S&P) or Fitch Investors Service. Commercial paper, money markets, and banker's acceptances must be rated at least Prime-1 by Moody's or at least A1 by S&P. U.S. Treasuries are federal government securities that do not require the disclosure of credit risk. The U.S. agencies investments include the Federal Home Loan Mortgage Corporation and the Federal Home Loan Bank, all rated AAA and Aaa by S&P and Moody's, respectively.

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

Custodial credit risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments that are in the possession of an outside party. The investment custodians hold these investments in their name for the benefit of the Foundation. In fiscal years 2015 and 2014, the Foundation's investments were managed by two different investment firms, each offering SIPC protection up to \$500,000. The investment balance exposed to custodial credit risk as of June 30, 2015 and 2014 was \$3,089,076 and \$4,743,968, respectively.

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

NOTE 4 – Investments (continued)

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

Foreign currency risk: The Foundation had no investment in common stocks of foreign companies at June 30, 2015. The Foundation’s policy related to foreign currency risk is that no purchase of a foreign equity may be made if such purchase would cause the total value of foreign equity assets to exceed the lesser of 10 percent of the total or 25 percent of the equity portion of the endowment portfolio.

Investment policies and relevant risk disclosures as described in GASB Statement No. 40 applicable to the other University Related Organizations can be obtained by contacting those entities listed in Note 1 on pages 20 and 21.

Investment maturities

Interest rate risk is disclosed below using the segmented time distribution method. As of June 30, 2015 and 2014, the University had the following investment balances:

UNIVERSITY:	AS OF JUNE 30, 2015				
	Investment Maturities (in Years)				
	Fair Value	Less Than 1	1-5	6-10	No Maturity
Investment Type:					
U.S. Treasuries	\$ 56,299,000	\$ 15,618,463	\$ 22,521,166	\$ 18,159,371	\$ -
U.S. Agencies	64,976,987	6,825,482	34,937,897	23,213,608	-
The Illinois Funds	130,665,041	130,665,041	-	-	-
Commercial Paper	14,993,880	14,993,880	-	-	-
Common Stock	44,300	-	-	-	44,300
Subtotal	266,979,208	\$ 168,102,866	\$ 57,459,063	\$ 41,372,979	\$ 44,300
Less: Investment in The Illinois Funds reported as cash	(130,665,041)				
Total Investments	\$ 136,314,167				

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

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

NOTE 4 – Investments (continued)

Investment maturities

Interest rate risk is disclosed below using the segmented time distribution method. As of June 30, 2015 and 2014, the University Related Organizations had the following investment balances:

UNIVERSITY RELATED ORGANIZATIONS:

Investment Type:	AS OF JUNE 30, 2015					
	Fair Value	Investment Maturities (in Years)				
		Less Than 1	1-5	6-10	Over 10	No Maturity
Municipal Bonds	\$ 7,198,778	\$ 356,334	\$ 2,864,916	\$ 3,977,528	\$ -	\$ -
Government Bonds	173,759	-	-	-	173,759	-
Government Agencies	496,881	-	-	496,881	-	-
Common Stock	1,409,120	-	-	-	-	1,409,120
Certificates of Deposit	800,984	625,702	175,282	-	-	-
Corporate Bonds	5,166,563	686,774	864,570	3,615,219	-	-
Commodities	4,982,859	3,558,508	1,424,351	-	-	-
Alternative Investments	43,026,047	26,371,684	16,654,363	-	-	-
Real Estate	4,999,648	3,344,871	1,654,777	-	-	-
Natural Resources	283,892	194,304	89,588	-	-	-
Money Market Funds with Brokers	2,591,000	2,591,000	-	-	-	-
Mutual Funds	145,720,104	145,720,104	-	-	-	-
Total Investments	\$ 216,849,635	\$ 183,449,281	\$ 23,727,847	\$ 8,089,628	\$ 173,759	\$ 1,409,120

UNIVERSITY RELATED ORGANIZATIONS:

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

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

NOTE 5 - Accounts and notes receivable

Accounts and notes receivable consisted of the following at June 30, 2015 and 2014:

UNIVERSITY:

	<u>2015</u>		<u>2014</u>	
	<u>Accounts Receivable</u>	<u>Notes Receivable</u>	<u>Accounts Receivable</u>	<u>Notes Receivable</u>
Student tuition and fees	\$ 11,932,479	\$ -	\$ 12,471,148	\$ -
Auxiliary enterprises	14,547,028	-	13,298,773	-
Grants and contracts	15,117,864	-	16,426,111	-
General operating	25,066,804	-	19,995,432	-
Student loans	29,787	19,147,360	120,586	18,748,893
Other accounts receivable	71,616	-	108,586	-
	66,765,578	19,147,360	62,420,636	18,748,893
Less: Allowance for doubtful accounts	(21,037,679)	(246,726)	(20,349,430)	(287,448)
Net receivable	<u>\$ 45,727,899</u>	<u>\$ 18,900,634</u>	<u>\$ 42,071,206</u>	<u>\$ 18,461,445</u>

UNIVERSITY RELATED ORGANIZATIONS:

	<u>2015</u>		<u>2014</u>	
	<u>Accounts Receivable</u>	<u>Notes Receivable</u>	<u>Accounts Receivable</u>	<u>Notes Receivable</u>
Accounts receivable	\$ 49,075,278	\$ -	\$ 44,983,988	\$ -
Student loans	-	25,971	-	30,217
	49,075,278	25,971	44,983,988	30,217
Less: Allowances for assignment losses & doubtful accounts	(31,915,725)	-	(29,737,245)	-
Net receivable	<u>\$ 17,159,553</u>	<u>\$ 25,971</u>	<u>\$ 15,246,743</u>	<u>\$ 30,217</u>

NOTE 6 - Deferred outflows of resources

Deferred outflows of resources consisted of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
<u>UNIVERSITY:</u>		
Unamortized debt refundings	\$ 2,950,355	\$ 3,332,060
Employer pension contributions	2,735,385	-
Total deferred outflows of resources	<u>\$ 5,685,740</u>	<u>\$ 3,332,060</u>

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

NOTE 7 - Capital assets

Capital asset activity for the University for the fiscal year ended June 30, 2015 was as follows:

UNIVERSITY:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 21,907,382	\$ -	\$ -	\$ -	\$ 21,907,382
Nondepreciable historical treasures and works of art	11,562,439	429,749	-	-	11,992,188
Construction in progress	73,101,724	39,444,213	1,787,160	(29,254,438)	81,504,339
Total capital assets not being depreciated	106,571,545	39,873,962	1,787,160	(29,254,438)	115,403,909
Capital assets being depreciated:					
Site improvements	69,391,401	741,410	543,110	6,023,627	75,613,328
Buildings	1,198,564,310	4,538,721	1,034,271	22,019,413	1,224,088,173
Equipment	368,859,660	9,375,676	5,743,508	-	372,491,828
Intangible assets	7,340,787	-	-	-	7,340,787
Infrastructure	13,348,905	2,451,666	-	1,211,398	17,011,969
Total capital assets being depreciated	1,657,505,063	17,107,473	7,320,889	29,254,438	1,696,546,085
Less accumulated depreciation for:					
Site improvements	44,407,021	2,913,405	543,110	-	46,777,316
Buildings	529,055,409	32,619,507	484,622	-	561,190,294
Equipment	312,980,029	16,009,752	5,412,541	-	323,577,240
Intangible assets	4,081,861	701,173	-	-	4,783,034
Infrastructure	8,671,574	818,442	49,575	-	9,440,441
Total accumulated depreciation	899,195,894	53,062,279	6,489,848	-	945,768,325
Total capital assets being depreciated, net	758,309,169	(35,954,806)	831,041	29,254,438	750,777,760
Capital assets, net	<u>\$ 864,880,714</u>	<u>\$ 3,919,156</u>	<u>\$ 2,618,201</u>	<u>\$ -</u>	<u>\$ 866,181,669</u>

The University incurred interest expense of \$14,192,304 during fiscal year 2015 including \$88,106 of capitalized interest.

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

NOTE 7 - Capital assets (continued)

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

UNIVERSITY:

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

The University incurred interest expense of \$15,012,350 during fiscal year 2014 including \$484,182 of capitalized interest.

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

NOTE 8 – Changes in long-term liabilities

Long-term liability activity for the years ended June 30, 2015 and 2014 is as follows:

	2015				
<u>UNIVERSITY:</u>	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 45,345,650	\$ 661,492	\$ 3,405,528	\$ 42,601,614	\$ 3,709,371
Revenue bonds payable	282,771,851	25,359,877	32,713,886	275,417,842	19,966,090
Certificates of participation	43,993,736	-	2,070,877	41,922,859	2,205,878
Capitalized leases	4,096,854	2,040,580	1,145,416	4,992,018	1,770,517
Self insurance	29,959,510	10,155,714	6,251,738	33,863,486	8,872,233
Federal loan programs refundable	17,683,811	-	465	17,683,346	-
Housing deposits	262,275	181,764	193,764	250,275	112,624
Total long-term liabilities	<u>\$ 424,113,687</u>	<u>\$ 38,399,427</u>	<u>\$ 45,781,674</u>	<u>\$ 416,731,440</u>	<u>\$ 36,636,713</u>

<u>UNIVERSITY RELATED ORGANIZATIONS:</u>	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Annuities payable	\$ 3,485,389	\$ 166,326	\$ 515,491	\$ 3,136,224	\$ 415,412
Other accrued liabilities	1,812,915	57,851	-	1,870,766	-
Deposits held in custody for others	2,861,086	-	85,765	2,775,321	89,675
Total long-term liabilities	<u>\$ 8,159,390</u>	<u>\$ 224,177</u>	<u>\$ 601,256</u>	<u>\$ 7,782,311</u>	<u>\$ 505,087</u>

	2014				
<u>UNIVERSITY:</u>	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 47,167,532	\$ 3,498,734	\$ 5,320,616	\$ 45,345,650	\$ 4,799,327
Revenue bonds payable	297,196,667	3,952,802	18,377,618	282,771,851	18,847,304
Certificates of participation	15,700,551	44,012,972	15,719,787	43,993,736	2,070,878
Capitalized leases	1,591,970	2,937,210	432,326	4,096,854	1,110,503
Self insurance	23,706,727	13,720,176	7,467,393	29,959,510	10,462,460
Federal loan programs refundable	17,246,433	437,378	-	17,683,811	-
Housing deposits	268,575	170,503	176,803	262,275	118,024
Total long-term liabilities	<u>\$ 402,878,455</u>	<u>\$ 68,729,775</u>	<u>\$ 47,494,543</u>	<u>\$ 424,113,687</u>	<u>\$ 37,408,496</u>

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

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

NOTE 9 - Revenue bonds payable

Revenue bonds payable activity for the years ended June 30, 2015 and 2014 is as follows:

<u>UNIVERSITY:</u>		<u>2015</u>				
<u>Series</u>	<u>Annual Maturity To</u>	<u>Beginning Balance</u>	<u>Accretion/ New Debt</u>	<u>Principal Paid/Debt Refunded</u>	<u>Ending Balance</u>	<u>Current Portion</u>
1993A	2018	\$ 14,159,359	\$ 825,358	\$ 4,050,000	\$ 10,934,717	\$ 4,050,000
1997A	2018	10,216,979	545,632	3,175,000	7,587,611	2,970,000
1999A	2029	41,918,048	2,343,887	505,000	43,756,935	545,000
2005	2026	14,455,000	-	14,455,000	-	-
2006A	2036	51,330,000	-	3,780,000	47,550,000	3,975,000
2008A	2028	25,120,000	-	1,220,000	23,900,000	1,390,000
2009A	2030	45,435,000	-	2,185,000	43,250,000	2,245,000
2012A	2030	26,725,000	-	1,090,000	25,635,000	1,135,000
2012B	2035	43,710,000	-	1,555,000	42,155,000	1,605,000
2015A	2030	-	8,205,000	-	8,205,000	445,000
2015A	2035	-	13,440,000	-	13,440,000	1,445,000
		<u>\$ 273,069,386</u>	<u>\$ 25,359,877</u>	<u>\$ 32,015,000</u>	266,414,263	19,805,000
						Unaccreted appreciation (323,093)
					9,003,579	Unamortized debt premium 484,183
					<u>\$ 275,417,842</u>	<u>\$ 19,966,090</u>
						Total

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

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

NOTE 9 - Revenue bonds payable (continued)

University revenue bonds payable:

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

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

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

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

The Medical Facilities System Bonds, Series 2005 were authorized by the University's Board on October 13, 2005. The bonds matured at varying amounts from 2006 to 2026 with interest ranging from 3.25 to 5.00 percent. Interest payments were due semi-annually. These bonds were current refunded by the MFS Series 2015A bonds issued February 12, 2015.

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

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

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

NOTE 9 - Revenue bonds payable (continued)

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

Year Ending	Principal	Interest	Treasury Rebate	Total
2016	\$ 2,245,000	\$ 2,473,475	\$ (865,716)	\$ 3,852,759
2017	2,310,000	2,371,327	(829,965)	3,851,362
2018	2,385,000	2,260,448	(791,157)	3,854,291
2019	2,460,000	2,141,197	(749,419)	3,851,778
2020	2,545,000	2,010,818	(703,786)	3,852,032
2021-25	14,160,000	7,856,050	(2,749,617)	19,266,433
2026-30	17,145,000	3,272,670	(1,145,435)	19,272,235
Total	\$ 43,250,000	\$ 22,385,985	\$ (7,835,095)	\$ 57,800,890

Note: The October 1, 2015 Treasury Rebate will be reduced by 7.3% in accordance with the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. Reductions to future Treasury Rebates are subject to Congressional action.

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

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

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

NOTE 9 - Revenue bonds payable (continued)

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

Year Ending	Principal	Interest	Treasury Rebate	Total
2016	\$ -	\$ 236,060	\$ (157,731)	\$ 78,329
2017	-	236,060	(157,731)	78,329
2018	-	236,060	(157,731)	78,329
2019	-	236,060	(157,731)	78,329
2020	-	236,060	(157,731)	78,329
2021-25	-	1,180,300	(788,655)	391,645
2026-30	-	1,180,300	(788,655)	391,645
2031-35	5,365,000	1,180,300	(788,655)	5,756,645
Total	\$ 5,365,000	\$ 4,721,200	\$ (3,154,620)	\$ 6,931,580

Note: The October 1, 2015 Treasury Rebate will be reduced by 7.3% in accordance with the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. Reductions to future Treasury Rebates are subject to Congressional action.

The Medical Facilities System Bonds, Series 2015A were authorized by the University's Board on December 11, 2014. The bonds mature at varying amounts from 2016 to 2023 with an interest rate of 1.65 percent. Interest payments are due semi-annually. The current refunding, which was undertaken by the Board to effect a cost savings, resulted in a \$2,413,854 net decrease in debt service payments, an economic gain of \$1,982,564 and an accounting gain of \$38,870.

The Housing and Auxiliary Facilities System Bonds, Series 2015A were authorized by the University's Board under the Sixteenth Supplemental Bond Resolution approved March 19, 2015. The bonds in Series 2015A mature at varying amounts from 2016 to 2030 with an interest rate of 2.85 percent. Interest payments are due semi-annually.

Housing and Auxiliary Facilities System: These bonds, which are payable through 2036, do not constitute a debt of the State of Illinois or the individual members, officers or agents of the Board of Trustees of the University but, together with interest thereon, are payable from and secured by a pledge of and lien on (i) the net revenues of the System, (ii) pledged tuition in an amount not to exceed maximum annual debt service (subject to prior payment of operating and maintenance expenses of the System), (iii) the Bond and Interest Sinking Fund account, and (iv) the Repair and Replacement Reserve account. Unrefunded bonds issued in 2001 and prior are additionally secured by the Debt Service Reserve. Total principal and interest remaining on the debt is \$368,498,980 with annual requirements ranging from \$2,604,000 to \$27,524,927. For the current year, principal and interest paid was \$26,920,816, and the total revenues pledged were \$68,217,324. In the prior year, principal and interest paid was \$26,535,010, and the total revenues pledged were \$62,345,702. For fiscal year 2015, the total revenue pledged represents 100 percent of the net revenues of the System and 20 percent of net tuition revenue received, compared to 100 percent of the net revenues and 17 percent of net tuition revenue received during fiscal year 2014. Although net tuition is pledged, it is not expected to be needed to meet debt service requirements.

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

NOTE 9 - Revenue bonds payable (continued)

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, 2015, the maximum annual debt requirement was \$27,524,927, and the coverage was 248 percent. For the year ended June 30, 2014, the maximum annual debt requirement was \$26,920,816, and the coverage was 232 percent. The bond resolution also requires the Treasurer to transfer annually to Renewals and Replacements from the funds remaining in unrestricted net assets the sum of 10 percent of the maximum annual net debt service requirement or such portion thereof as is available for transfer. The net position of Renewals and Replacements was \$28,360,943 at June 30, 2015, and \$25,078,988 at June 30, 2014. 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, 2015 and 2014, there were no outstanding balances of refunded bonds.

Medical Facilities System: These bonds, which are payable through 2023, do not constitute a debt of the State of Illinois or the individual members, officers or agents of the Board of Trustees of the University but, together with interest thereon, are payable from and secured by a pledge of and lien on (i) the net revenues of the System, (ii) pledged tuition (subject to the prior payment of necessary operating and maintenance expenses of the Housing and Auxiliary Facilities System, debt service of the Housing and Auxiliary Facilities System not to exceed the maximum annual debt service, and then necessary operating and maintenance expenses of the System), and (iii) the Bond and Interest Sinking Fund account. Total principal and interest remaining on the debt is \$14,508,447 with annual requirements ranging from \$1,696,944 to \$1,895,773. For the current year, principal and interest paid was \$1,785,334, and the total revenues pledged were \$113,611,385. In the prior year, principal and interest paid was \$1,765,250, and the total revenues pledged were \$134,401,408. For fiscal year 2015, the total revenue pledged represents 100 percent of the net revenues of the System and 80 percent of net tuition revenue received, compared to 100 percent of the net revenues and 83 percent of net tuition revenue received during fiscal year 2014. Although net tuition is pledged, it is not expected to be needed to meet debt service requirements.

The bond resolution requires that debt service coverage on the cash basis (net revenues plus pledged tuition) be at least 200 percent of annual debt service and that net revenues shall be at least 100 percent of the annual debt service requirement in each fiscal year. For the year ended June 30, 2015, the maximum annual debt service was \$1,895,773, and the coverage was 5,993 percent. For the year ended June 30, 2014, the maximum annual debt requirement was \$1,985,750, and the coverage was 6,768 percent. The bond resolution also requires the Treasurer to credit funds remaining in the revenue fund into a separate and special account designated the Medical Facilities System Repair and Replacement Reserve account on or before the close of each fiscal year, the sum of not less than 10 percent of the maximum annual debt service, or such portion thereof as is available for transfer and deposit annually, for a repair and replacement reserve. The net position of Renewals and Replacements was \$1,068,301 at June 30, 2015, and \$964,900 at June 30, 2014.

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

NOTE 9 - Revenue bonds payable (continued)

As of June 30, 2015, future debt service requirements for all bonds outstanding are:

<u>UNIVERSITY:</u>	<u>June 30, 2015</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 19,805,000	\$ 9,416,871	\$ 29,221,871
2017	19,000,000	8,869,516	27,869,516
2018	20,780,000	8,428,927	29,208,927
2019	18,780,000	7,907,505	26,687,505
2020	19,480,000	7,328,417	26,808,417
2021-25	88,155,000	28,093,788	116,248,788
2026-30	76,945,000	14,903,323	91,848,323
2031-35	27,780,000	4,730,080	32,510,080
2036	2,480,000	124,000	2,604,000
Total payments	293,205,000	<u>\$ 89,802,427</u>	<u>\$ 383,007,427</u>
Unaccrued appreciation	(26,790,737)		
Subtotal	266,414,263		
Unamortized premiums on bonds	9,003,579		
Total bonds payable	<u>\$ 275,417,842</u>		

NOTE 10 - Capitalized leases

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

<u>UNIVERSITY:</u>	<u>June 30, 2015</u>
<u>Year Ending</u>	
2016	\$ 1,848,803
2017	1,758,950
2018	1,244,328
2019	<u>296,334</u>
Total minimum lease payments	5,148,415
Less amount representing interest	<u>(156,397)</u>
Present value of net minimum lease payments	<u>\$ 4,992,018</u>

Assets held under capital lease are:

<u>UNIVERSITY:</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Equipment	\$ 6,676,369	\$ 4,266,466
Improvements	288,082	288,082
Less accumulated depreciation	<u>(2,259,210)</u>	<u>(1,082,507)</u>
Total net assets	<u>\$ 4,705,241</u>	<u>\$ 3,472,041</u>

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

NOTE 11 - Operating Leases

The University leases office and instructional space as well as equipment (principally office machines, automobiles, and farm equipment) under contracts which are renewable annually. The University also leases clinical space under contract of which some are renewable for multiple years with renewal options at the end of the initial lease period. Many of the University's leases are subject to escalation upon proper notice by the lessor. The clinical leases extending beyond 2015 have future payments of \$4,219,150 in 2016, \$3,093,993 in 2017, and \$1,376,636 in 2018. There are no clinical leases as of June 30, 2015 with future payments beyond 2018. Rental payments on operating leases totaled \$18,166,505 in 2015 and \$17,887,158 in 2014.

NOTE 12 - Certificates of participation payable

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

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

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

NOTE 12 - Certificates of participation payable (continued)

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

<u>UNIVERSITY:</u>		<u>Certificates of Participation</u>		
<u>June 30, 2015</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$	2,155,000	\$ 1,652,290	\$ 3,807,290
2017		2,210,000	1,592,540	3,802,540
2018		2,285,000	1,515,090	3,800,090
2019		2,360,000	1,434,940	3,794,940
2020		2,450,000	1,352,090	3,802,090
2021-25		12,330,000	5,265,675	17,595,675
2026-30		8,670,000	3,244,088	11,914,088
2031-35		8,515,000	1,014,970	9,529,970
Total payments		40,975,000	<u>\$ 17,071,683</u>	<u>\$ 58,046,683</u>
Unamortized premiums on COPS		<u>947,859</u>		
Total payable		<u>\$ 41,922,859</u>		

NOTE 13 - Accrued self-insurance

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

The general and professional liability self-insurance fund provides for comprehensive general and professional liability coverage. The University also purchases excess insurance coverage with commercial carriers for claims that may result in catastrophic losses. The University makes contributions to the general and professional liability self-insurance fund based on yearly actuarial analysis. The actuarial analysis for 2015 included a 1.5% discount rate for self-insurance liabilities.

The Student Medical Insurance Plan (the "Plan") was established on August 15, 1995, as a secondary coverage plan to supplement the On-Campus Student Health Services in Carbondale and Springfield. The Plan is supported by student fees and covers all students enrolled at the Carbondale campus with the exception of those students who have demonstrated comparable coverage and have applied for a refund. The Plan provides a maximum benefit per student while covered under the Plan of \$250,000, subject to other limits of the Plan. To protect against excessive losses, the University established a gap-reserve fund and purchased a stop-loss insurance policy with a commercial carrier in the amount of \$5,000,000. There have been no claims on the stop-loss policy for the past three years. Contributions to the Student Medical Insurance Plan are based on historic and estimated future year claims.

As of June 30, 2015 and 2014, the accrual for self-insurance was \$33,115,992 and \$29,154,205, respectively, for the general and professional liability fund and \$747,494 and \$805,305, respectively, for the Student Medical Insurance Plan, for a total accrued liability for self-insurance of \$33,863,486 and \$29,959,510. Because the amounts accrued and funded are estimates, the aggregate actual claims covered by the self-insurance funds could differ from the amount that has been accrued. Changes in these estimates will be reflected in the Statement of Revenues, Expenses, and Changes in Net Position in the period in which additional information becomes available.

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

NOTE 13 - Accrued self-insurance (continued)

Changes in the self-insurance accrual for the years ended June 30, 2015, and June 30, 2014, are reflected below:

	<u>June 30, 2015</u>		
	<u>Total</u>	<u>General and Professional</u>	<u>Student Plan</u>
Accrued liability, June 30, 2014	\$ 29,959,510	\$ 29,154,205	\$ 805,305
Current year claims and other changes	10,155,715	5,201,598	4,954,117
Payment of Claims	<u>(6,251,739)</u>	<u>(1,239,811)</u>	<u>(5,011,928)</u>
Accrued liability, June 30, 2015	<u>\$ 33,863,486</u>	<u>\$ 33,115,992</u>	<u>\$ 747,494</u>

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

NOTE 14 - Net Position

Net position balances by major categories at June 30, 2015 and 2014 are:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
UNIVERSITY:		
Net investment in capital assets	\$ 562,652,029	\$ 560,071,866
Restricted for:		
Nonexpendable	5,126,893	5,030,306
Expendable		
Quasi-endowment	677,956	704,383
Scholarships, research, instruction and other	4,005,257	945,958
Loans	4,846,782	4,816,380
Self insurance	10,383,632	7,855,672
Capital projects	51,994,411	53,652,475
Debt service	19,351,627	14,425,877
Unrestricted	153,801,595	135,164,885
Total	<u>\$ 812,840,182</u>	<u>\$ 782,667,802</u>
UNIVERSITY RELATED ORGANIZATIONS:		
Net investment in capital assets	\$ 5,949,009	\$ 5,352,317
Restricted for:		
Nonexpendable	106,235,153	102,965,863
Expendable		
Scholarships, research, instruction and other	77,141,452	79,817,075
Loans	2,971,425	3,106,763
Capital projects	4,582,702	5,168,309
Unrestricted	59,588,963	64,380,349
Total	<u>\$ 256,468,704</u>	<u>\$ 260,790,676</u>

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

NOTE 15 - Donor-restricted endowments

The University entered into an agreement with the Southern Illinois University Foundation at Carbondale on July 1, 2003, in which the University transferred Endowment funds to the Foundation. The Foundation has agreed to hold and administer these funds as agency funds based upon and consistent with the desires of the donor and/or the University. During fiscal year 2015, there were no additions to the University's permanent endowment. For fiscal year 2015, realized gains on investments totaled \$27,116 and unrealized losses on investments totaled \$132,704, resulting in a balance of \$2,678,679 held by the Foundation at June 30, 2015. During fiscal year 2014, realized gains on investments totaled \$158,311 and unrealized gains on investments totaled \$134,639, resulting in a balance of \$2,784,267 at June 30, 2014. The Foundation distributes earnings to the University on a quarterly basis. Payments during fiscal years 2015 and 2014 totaled \$64,079 and \$77,165, respectively.

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

NOTE 16 - State Universities Retirement System

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 Section 5/15, Chapter 40, of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.SURS.org.

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, 2014 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

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

NOTE 16 - State Universities Retirement System (continued)

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 2014 and 2015 respectively, was 11.91% and 11.71% 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: At June 30, 2014, SURS reported a net pension liability (NPL) of \$21,790,983,139. The net pension liability was measured as of June 30, 2013.

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 \$2,080,655,566 or 9.55%. This amount is not recognized in the financial statements. The net pension liability was measured as of June 30, 2014, and the total pension used to calculate the net pension liability was determined based on the June 30, 2013 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 2014.

Pension Expense: At June 30, 2014 SURS reported a collective net pension expense of \$1,650,338,263.

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 2014. As a result, the University recognized on-behalf revenue and pension expense of \$157,578,273 for the fiscal year ended June 30, 2015.

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

NOTE 16 - State Universities Retirement System (continued)

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	\$ 0	\$ 0
Changes in assumption	88,940,815	0
Net difference between projected and actual earnings on pension plan investments	0	1,271,105,952
Total	\$88,940,815	\$1,271,105,952

Employer Deferral of Fiscal Year 2015 Pension Expense

The University paid \$2,735,385 in federal, trust or grant contributions for the fiscal year ended June 30, 2015. These contributions were made subsequent to the pension liability measurement date of June 30, 2014 and are recognized as Deferred Outflows of Resources as of June 30, 2015.

Assumptions and Other Inputs

Actuarial assumptions: The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period June 30, 2006-2010 and an economic study completed June 2014. The total pension liability in the June 30, 2014 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 12.00 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 RP2000 Combined Mortality Table, projected with Scale AA to 2017, sex-distinct, with rates multiplied by 0.80 for males and 0.85 for females.

Changes of benefit terms. There were no benefit changes recognized in the Total Pension Liability as of June 30, 2014.

Changes of assumptions. In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every five 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. There are no changes of assumptions that affect measurement of the total collective pension liability since the prior measurement date.

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

NOTE 16 - State Universities Retirement System (continued)

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, 2014, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	31%	7.65%
Private Equity	6%	8.65%
Non-U.S. Equity	21%	7.85%
Global Equity	8%	7.90%
Fixed Income	19%	2.50%
Treasury-Inflation Protected Securities	4%	2.30%
Real Estate	6%	6.20%
REITS	4%	6.20%
Opportunity Fund	<u>1%</u>	<u>2.50%</u>
Total	100%	5.00%
Inflation		<u>2.75%</u>
Expected Geometrical Normal Return		7.75%

Discount Rate: A single discount rate of 7.090% 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 7.250% and a municipal bond rate of 4.290% (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 2065. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2065, and the municipal bond rate was applied to all benefit payments after that date.

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

NOTE 16 - State Universities Retirement System (continued)

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	Current Single Discount Rate Assumption	1% Increase
<u>6.09%</u>	<u>7.09%</u>	<u>8.09%</u>
\$26,583,701,134	\$21,790,983,139	\$17,796,570,836

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

NOTE 17 - Post-employment benefits

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

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

NOTE 18 - University Related Organizations - transactions with related parties

The University has entered into master contracts with the University Related Organizations which specify the relationship between the University and its related organizations in accordance with the Legislative Audit Commission's University Guidelines of 1982 as amended in 1997. Significant transactions for the University during fiscal years 2015 and 2014 included the receipt of \$39,962,758 and \$37,288,484, respectively, from SIU Physicians & Surgeons, Inc. (SIU P&S) for services provided by the University. Also,

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

NOTE 18 - University Related Organizations - transactions with related parties (continued)

SIU P&S contributions to the University for Academic Development for the School of Medicine during fiscal years 2015 and 2014 totaled \$11,093,962 and \$8,749,316, respectively.

Additional information concerning transactions with related parties may be obtained by contacting the entities listed in Note 1 on pages 20 and 21.

NOTE 19 - University Related Organizations – restatement of prior year

The Southern Illinois University Carbondale Foundation's 2014 financial statements were restated to write-off two patents that were determined to have expired in 2007 when maintenance fees on the patents were not paid. As a result of the expiration of the patents, the intangible asset that had previously been included in assets and any applicable amortization were removed. These restated amounts are reflected on the Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position.

NOTE 20 - Commitments and contingencies

Grants and contracts

The University receives monies from federal and state government agencies under grants and contracts for research and other activities, including medical service reimbursements and the administration of student financial aid. The costs, both direct and indirect, charged to these grants and contracts are subject to audit and disallowance by the granting agency. During fiscal year 2011, the U.S. Department of Education performed a program review at SIUE that will likely result in the return of Title IV funds by the University. The University recognized a \$1,476,000 liability in 2012; there exists an additional contingent liability of \$800,000. As of June 30, 2015, the status of these liabilities remained the same as the previous fiscal year.

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

Legal action

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

Forward contract

The University has forward fixed-price purchase contracts with MidAmerican Energy Company for the procurement of electricity that is used in the normal course of operations. The University does not employ futures contracts or other derivative products. At June 30, 2015, the University's annual commitment related to this contract is approximately \$8.8 million while at June 30, 2014, the University's annual commitment was approximately \$10.2 million.

Construction projects

During fiscal years 2015 and 2014, the University had several ongoing construction projects taking place. At Carbondale, there were multiple facility and infrastructure projects including renovations to housing facilities and the Student Center. At Edwardsville, renovations continued on the Science Building along with exterior work on the Vadalabene Center. As of June 30, 2015 and 2014, \$81,504,339 and 54,679,876

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

NOTE 21 - Operating Expenses by Natural Classification

had been spent on these projects with \$37,689,386 and \$55,071,878 being committed to the completion of these projects.

University operating expenses by natural classification for the years ended June 30, 2015 and June 30, 2014 are summarized as follows:

Operating Expenses by Natural Classification--June 30, 2015

	Compensation and benefits	Supplies and Services	Student Aid	Depreciation	Total
Instruction	300,980,255	29,335,465	15,742,452	-	346,058,172
Research	33,330,923	20,772,740	2,837,181	-	56,940,844
Public Service	40,566,214	20,029,955	1,470,136	-	62,066,305
Academic Support	175,567,704	35,603,409	1,404,361	-	212,575,474
Student Services	52,090,780	26,916,651	5,105,581	-	84,113,012
Institutional Support	65,876,405	12,305,942	6,735,307	-	84,917,654
Operations and maintenance of plant	52,415,306	43,707,373	-	-	96,122,679
Scholarships and fellowships	593,199	96,291	42,982,794	-	43,672,284
Auxiliary Enterprises	57,693,920	52,159,064	718,602	-	110,571,586
Other	-	225,535	-	-	225,535
Depreciation	-	-	-	53,062,279	53,062,279
Total	779,114,706	241,152,425	76,996,414	53,062,279	1,150,325,824

Operating Expenses by Natural Classification--June 30, 2014

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

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

NOTE 22 - Subsequent events

On July 16, 2015, the Board of Trustees of Southern Illinois University authorized the issuance of the Housing and Auxiliary Facilities System Revenue Bonds, Series 2015B in an amount not exceeding \$27,500,000 for the purpose of refunding a portion of the 2006A bond issuance. On August 13, 2015, Southern Illinois University issued Housing and Auxiliary Facilities System Revenue Bonds, Series 2015B with a par value of \$20,735,000.

On October 26, 2015, Moody's Investors Services downgraded the University's rating to Baa1 from A3. The rating action affects the Housing and Auxiliary Facilities System Revenue Bonds and Certificates of Participation. They also noted that the outlook is negative. The downgrade was based on the University's elevated reliance on state appropriations and modest liquidity position, although there is sufficient cash flow to manage through the state's payment delays near-term and a large expense base from which to cut over a prolonged period.

NOTE 23 - Segment information

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

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

Condensed financial statements for the University's two segments for fiscal year 2015, with comparative information for fiscal year 2014 are presented on the following pages.

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

NOTE 23 - Segment information (continued)

Housing and Auxiliary Facilities System

CONDENSED STATEMENTS OF NET POSITION

	June 30, 2015	June 30, 2014
Assets and deferred outflows of resources:		
Current assets	\$ 77,172,074	\$ 71,192,679
Capital assets, net	281,900,962	285,666,016
Other assets	9,154,360	3,423,452
Deferred outflows of resources	<u>2,287,360</u>	<u>2,443,504</u>
Total Assets and deferred outflows of resources	<u>370,514,756</u>	<u>362,725,651</u>
Liabilities:		
Current liabilities	27,542,022	27,978,937
Noncurrent liabilities	<u>245,641,117</u>	<u>252,552,555</u>
Total Liabilities	<u>273,183,139</u>	<u>280,531,492</u>
Net Position		
Net investment in capital assets	23,310,480	20,014,324
Restricted - expendable	48,561,494	40,743,952
Unrestricted	<u>25,459,643</u>	<u>21,435,883</u>
Total Net Position	<u>\$ 97,331,617</u>	<u>\$ 82,194,159</u>

**CONDENSED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION**

	Year ended June 30, 2015	Year ended June 30, 2014
Operating revenues	\$ 117,068,204	\$ 110,427,352
Operating expenses	(103,106,270)	(104,388,244)
Depreciation expense	<u>(15,457,280)</u>	<u>(15,566,121)</u>
Operating loss	(1,495,346)	(9,527,013)
Nonoperating revenues and expenses - net	<u>15,026,595</u>	<u>13,981,921</u>
Income before other revenues, expenses, gains or losses	13,531,249	4,454,908
Other revenues, expenses, gains or losses - net	<u>1,606,209</u>	<u>6,935,262</u>
Increase in net position	<u>15,137,458</u>	<u>11,390,170</u>
Net position at beginning of year	<u>82,194,159</u>	<u>70,803,989</u>
Net position at end of year	<u>\$ 97,331,617</u>	<u>\$ 82,194,159</u>

CONDENSED STATEMENTS OF CASH FLOWS

	Year ended June 30, 2015	Year ended June 30, 2014
Cash provided by (used in):		
Operating activities	\$ 33,065,984	\$ 26,216,341
Noncapital financing activities	4,617,392	4,829,806
Capital financing activities	(28,024,375)	(39,255,850)
Investing activities	<u>(4,460,918)</u>	<u>397,046</u>
Net increase (decrease) in cash	5,198,083	(7,812,657)
Cash, beginning of year	<u>52,636,276</u>	<u>60,448,933</u>
Cash, end of year	<u>\$ 57,834,359</u>	<u>\$ 52,636,276</u>

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

NOTE 23 - Segment information (continued)

	Medical Facilities System	
CONDENSED STATEMENTS OF NET POSITION	June 30, 2015	June 30, 2014
Assets and deferred outflows of resources:		
Current assets	\$ 7,031,641	\$ 7,502,695
Capital assets, net	31,113,365	32,213,806
Other assets	-	50,108
Deferred outflows of resources	378,602	570,609
Total Assets and deferred outflows of resources	<u>38,523,608</u>	<u>40,337,218</u>
Liabilities:		
Current liabilities	2,413,213	2,767,063
Noncurrent liabilities	13,674,860	15,377,701
Total Liabilities	<u>16,088,073</u>	<u>18,144,764</u>
Net Position		
Net investment in capital assets	18,051,427	18,114,711
Restricted - expendable	1,408,990	1,290,991
Unrestricted	2,974,578	2,786,752
Total Net Position	<u>\$ 22,434,995</u>	<u>\$ 22,192,454</u>
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	Year ended June 30, 2015	Year ended June 30, 2014
Operating revenues	\$ 42,166,769	\$ 40,301,094
Operating expenses	(66,716,905)	(62,482,240)
Depreciation expense	(1,729,610)	(1,675,255)
Operating loss	(26,279,746)	(23,856,401)
Nonoperating revenues and expenses - net	25,962,686	21,931,460
Income (Loss) before other revenues, expenses, gains or losses	(317,060)	(1,924,941)
Other revenues, expenses, gains or losses - net	559,601	178,132
Increase (decrease) in net position	<u>242,541</u>	<u>(1,746,809)</u>
Net position at beginning of year	22,192,454	23,939,263
Net position at end of year	<u>\$ 22,434,995</u>	<u>\$ 22,192,454</u>
CONDENSED STATEMENTS OF CASH FLOWS	Year ended June 30, 2015	Year ended June 30, 2014
Cash provided by (used in):		
Operating activities	\$ 1,544,968	\$ 1,552,993
Noncapital financing activities	115,842	115,842
Capital financing activities	(1,852,912)	(1,840,078)
Investing activities	29,790	7,322
Net increase (decrease) in cash	(162,312)	(163,921)
Cash, beginning of year	3,856,365	4,020,286
Cash, end of year	<u>\$ 3,694,053</u>	<u>\$ 3,856,365</u>

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

24. University Related Organizations

Condensed financial statements for the component units of the University as of June 30, 2015 are as follows:

	SIUC FOUNDATION	SIUE FOUNDATION	SIUC PHYSICIANS & SURGEONS	SIUC ALUMNI	SIUE ALUMNI	SIUC RESEARCH PARK	SIUE UNIV. PARK	TOTAL
CONDENSED STATEMENTS OF NET POSITION								
JUNE 30, 2015								
Assets:								
Current assets	\$ 38,732,477	\$ 2,628,885	\$ 39,101,662	\$ 116,938	\$ 50,872	\$ 361,076	\$ 1,260,401	\$ 82,252,311
Other non-current assets	134,489,965	32,168,510	10,444,938	8,178,499	151,551	-	-	185,433,463
Capital assets	661,573	1,973,690	1,195,907	135,731	-	90,142	1,891,966	5,949,009
Total Assets	173,884,015	36,771,085	50,742,507	8,431,168	202,423	451,218	3,152,367	273,634,783
Liabilities:								
Current liabilities	569,198	462,859	8,299,045	385,219	4,321	50,690	117,523	9,888,855
Noncurrent liabilities	5,008,382	398,076	-	1,786,285	-	-	84,481	7,277,224
Total Liabilities	5,577,580	860,935	8,299,045	2,171,504	4,321	50,690	202,004	17,166,079
Net Position:								
Net investment in capital assets	661,573	1,973,690	1,195,907	135,731	-	90,142	1,891,966	5,949,009
Restricted - nonexpendable	85,764,656	20,470,497	-	-	-	-	-	106,235,153
Restricted - expendable	72,609,799	12,085,780	-	-	-	-	-	84,695,579
Unrestricted	9,270,407	1,380,183	41,247,555	6,123,933	198,102	310,386	1,058,397	59,588,963
Total Net Position	\$ 168,306,435	\$ 35,910,150	\$ 42,443,462	\$ 6,259,664	\$ 198,102	\$ 400,528	\$ 2,950,363	\$ 256,468,704

**CONDENSED STATEMENTS OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION**

Year ended June 30, 2015

Operating revenues	\$ 5,753,223	\$ 3,970,175	\$ 100,272,087	\$ 1,599,728	\$ 462,654	\$ 409,583	\$ 579,174	\$ 113,046,624
Operating expenses	16,021,279	4,375,449	100,705,964	2,104,795	467,346	427,361	612,624	124,714,818
Operating income (loss)	(10,268,056)	(405,274)	(433,877)	(505,067)	(4,692)	(17,778)	(33,450)	(11,668,194)
Nonoperating revenues and expenses - net	5,889,559	(327,091)	92,829	57,252	4,868	872	(406,125)	5,312,164
Income (Loss) before other revenues	(4,378,497)	(732,365)	(341,048)	(447,815)	176	(16,906)	(439,575)	(6,356,030)
Other revenues	1,532,817	501,241	-	-	-	-	-	2,034,058
Increase (decrease) in net position	(2,845,680)	(231,124)	(341,048)	(447,815)	176	(16,906)	(439,575)	(4,321,972)
Net position at beginning of year	171,152,115	36,141,274	42,784,510	6,707,479	197,926	417,434	3,389,938	260,790,676
Net position at end of year	\$ 168,306,435	\$ 35,910,150	\$ 42,443,462	\$ 6,259,664	\$ 198,102	\$ 400,528	\$ 2,950,363	\$ 256,468,704

CONDENSED STATEMENTS OF CASH FLOWS

Year ended June 30, 2015

Cash provided by (used in):								
Operating activities	\$ (9,824,888)	\$ 48,423	\$ (801,053)	\$ (418,233)	\$ (3,262)	\$ 131,408	\$ 56,180	\$ (10,811,425)
Noncapital financing activities	6,333,923	450,632	-	8,398	-	-	(410,746)	6,382,207
Capital financing activities	(292,577)	-	(853,487)	(2,080)	-	-	-	(1,148,144)
Investing activities	4,002,817	(955,983)	(5,047,075)	415,000	13,687	872	4,621	(1,566,061)
Net increase (decrease) in cash	219,275	(456,928)	(6,701,615)	3,085	10,425	132,280	(349,945)	(7,143,423)
Cash, beginning of year	297,171	1,488,113	13,773,762	23,918	32,723	86,399	1,552,723	17,254,809
Cash, end of year	\$ 516,446	\$ 1,031,185	\$ 7,072,147	\$ 27,003	\$ 43,148	\$ 218,679	\$ 1,202,778	\$ 10,111,386

Southern Illinois University
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

24. University Related Organizations

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

	SIUC FOUNDATION	SIUE FOUNDATION	SIUC PHYSICIANS & SURGEONS	SIUC ALUMNI	SIUE ALUMNI	SIUC RESEARCH PARK	SIUE UNIV. PARK	TOTAL
CONDENSED STATEMENTS OF NET POSITION								
JUNE 30, 2014								
Assets:								
Current assets	\$ 38,940,278	\$ 3,888,243	\$ 45,428,850	\$ 157,913	\$ 42,396	\$ 336,860	\$ 1,580,407	\$ 90,374,947
Other non-current assets	137,910,902	31,081,077	4,931,600	8,482,536	160,841	-	-	182,566,956
Capital assets	317,226	2,101,500	661,768	165,767	-	133,264	1,972,792	5,352,317
Total Assets	177,168,406	37,070,820	51,022,218	8,806,216	203,237	470,124	3,553,199	278,294,220
Liabilities:								
Current liabilities	576,303	510,856	8,237,708	371,988	5,311	52,690	77,095	9,831,951
Noncurrent liabilities	5,439,988	418,690	-	1,726,749	-	-	86,166	7,671,593
Total Liabilities	6,016,291	929,546	8,237,708	2,098,737	5,311	52,690	163,261	17,503,544
Net Position:								
Net investment in capital assets	317,226	2,101,500	661,768	165,767	-	133,264	1,972,792	5,352,317
Restricted - nonexpendable	81,980,272	20,985,591	-	-	-	-	-	102,965,863
Restricted - expendable	76,718,574	11,373,573	-	-	-	-	-	88,092,147
Unrestricted	12,136,043	1,680,610	42,122,742	6,541,712	197,926	284,170	1,417,146	64,380,349
Total Net Position	\$ 171,152,115	\$ 36,141,274	\$ 42,784,510	\$ 6,707,479	\$ 197,926	\$ 417,434	\$ 3,389,938	\$ 260,790,676

**CONDENSED STATEMENTS OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION**

Year ended June 30, 2014

Operating revenues	\$ 5,694,550	\$ 3,119,791	\$ 90,214,767	\$ 1,718,184	\$ 434,303	\$ 405,042	\$ 580,367	\$ 102,167,004
Operating expenses	16,225,675	4,139,178	89,477,239	2,184,870	438,936	400,200	621,455	113,487,553
Operating income (loss)	(10,531,125)	(1,019,387)	737,528	(466,686)	(4,633)	4,842	(41,088)	(11,320,549)
Nonoperating revenues and expenses - net	27,688,759	3,556,038	360,533	1,420,099	29,204	1,361	6,840	33,062,834
Income (Loss) before other revenues	17,157,634	2,536,651	1,098,061	953,413	24,571	6,203	(34,248)	21,742,285
Other revenues	4,073,454	280,515	-	-	-	-	-	4,353,969
Increase (decrease) in net position	21,231,088	2,817,166	1,098,061	953,413	24,571	6,203	(34,248)	26,096,254
Net position at beginning of year	149,921,027	33,324,108	41,686,449	5,754,066	173,355	411,231	3,424,186	234,694,422
Net position at end of year	\$ 171,152,115	\$ 36,141,274	\$ 42,784,510	\$ 6,707,479	\$ 197,926	\$ 417,434	\$ 3,389,938	\$ 260,790,676

CONDENSED STATEMENTS OF CASH FLOWS

Year ended June 30, 2014

Cash provided by (used in):								
Operating activities	\$ (10,674,432)	\$ (543,018)	\$ 4,928,680	\$ (445,414)	\$ (2,399)	\$ 13,101	\$ 89,551	\$ (6,633,931)
Noncapital financing activities	9,277,648	280,515	(3,704)	13,304	-	-	2,060	9,569,823
Capital financing activities	(121,739)	(30,027)	(208,079)	-	-	-	-	(359,845)
Investing activities	1,400,180	(176,527)	(277,685)	450,000	7,452	1,361	4,780	1,409,561
Net increase (decrease) in cash	(118,343)	(469,057)	4,439,212	17,890	5,053	14,462	96,391	3,985,608
Cash, beginning of year	415,514	1,957,170	9,334,550	6,028	27,670	71,937	1,456,332	13,269,201
Cash, end of year	\$ 297,171	\$ 1,488,113	\$ 13,773,762	\$ 23,918	\$ 32,723	\$ 86,399	\$ 1,552,723	\$ 17,254,809

**Southern Illinois University
Required Supplementary Information
For the Year Ended June 30, 2014**

**Schedule of Southern Illinois University's Proportionate
Share of the Net Pension Liability**

	FY2014
(a) Proportion Percentage of the Collective Pension Liability	0%
(b) Proportion Amount of the Collective Net Pension Liability	\$0
(c) Portion of Nonemployer Contributing Entities' Total Proportion of Collective Net Pension Liability associated with Employer	2,080,655,567
Total (b) + (c)	2,080,655,567
Employer Covered-employee payroll	349,400,692
Proportion of Collective Net Pension Liability associated With Employer as a percentage of covered-employee payroll	595.49%

Schedule of Contributions

SURS Plan Net Position as a Percentage of Total Pension Liability	44.39%
Federal, Trust, Grant and Other contribution	2,735,385
Contribution in relation to required contribution	2,735,385
Contribution deficiency (excess)	0
Employer Covered-employee payroll	349,400,692
Contributions as a percentage of covered-employee payroll	.78%

Changes of benefit terms. There were no benefit changes recognized in the Total Pension Liability as of June 30, 2014.

Changes of assumptions. In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every five 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. There are no changes of assumptions that affect measurement of the total collective pension liability since the prior measurement date.

*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.

State of Illinois
Southern Illinois University
Housing and Auxiliary Facilities System

Report of the Treasurer
For the Years Ended
June 30, 2015 and 2014

**STATE OF ILLINOIS
SOUTHERN ILLINOIS UNIVERSITY
HOUSING and AUXILIARY FACILITIES SYSTEM
ANNUAL FINANCIAL REPORT
For The Years Ended June 30, 2015 and 2014**

TABLE OF CONTENTS

Treasurer's Letter	1
Treasurer's Comments (Unaudited)	2
Board of Trustees and Officers of Administration	5
Financial Statement Report	
Summary	6
Independent Auditors' Report	7
Basic Financial Statements	
Statements of Net Position	11
Statements of Revenues, Expenses and Changes in Net Position	12
Statements of Cash Flows	13
Notes to Financial Statements	14
Required Supplementary Information	
Schedule of the Housing and Auxiliary Facilities System Proportionate Share of the Net Pension Liability and Schedule of Contributions	25
Supplementary Information	
Schedule of Bonds Payable Outstanding	26



SOUTHERN ILLINOIS UNIVERSITY

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

December 11, 2015

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

I am pleased to submit the annual Treasurer's Report to the Bondholders for the Southern Illinois University Housing and Auxiliary Facilities System for the fiscal years ended June 30, 2015, and 2014.

The Series 2015A Housing and Auxiliary Facilities System bond was issued in March, 2015 in the amount of \$8,205,000. This bond was sold to: (i) finance resurfacing and lighting upgrades to parking lots at the Edwardsville campus, (ii) finance an expansion to the Student Fitness Center weight room at the Edwardsville campus, and (iii) finance renovations to the baseball stadium at the Carbondale campus.

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

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

Respectfully submitted,

Duane Stucky
Board Treasurer

DS/sjp

TREASURER'S COMMENTS

SOUTHERN ILLINOIS UNIVERSITY HOUSING AND AUXILIARY FACILITIES SYSTEM

I. SOUTHERN ILLINOIS UNIVERSITY REVENUE BOND OPERATIONS

FACILITIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TREASURER'S COMMENTS – Continued

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.

ADVANCE REFUNDINGS

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

The proceeds of the bonds issued for the above refunding were used to purchase U.S. Government securities in amounts which, together with the earnings thereon, will be sufficient to pay, when due or on their redemption date, the interest, premium and principal of the refunded bonds. The U.S. Government securities purchased for the Advance Refunding of Series 2012A bonds were held in trust by the US Bank, 190 South LaSalle Street, Chicago, Illinois. A principal payment of \$33,035,000 relating to the advance refunding was made on April 1, 2014. As of June 30, 2015 and 2014, there was no remaining balance.

II. ENROLLMENTS AT SOUTHERN ILLINOIS UNIVERSITY

The University reports the following enrollments, by campus:

	<u>Head Count*</u>	<u>Full-Time Equivalency**</u>
Carbondale Campus (semester basis)		
Fall semester 2014	17,989	15,326
Fall semester 2013	17,964	15,208
Edwardsville Campus (semester basis)		
Fall semester 2014	13,972	11,767
Fall semester 2013	13,850	11,779

*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.

	<u>Range of Occupancy Charges for 2015</u>	<u>Occupancy Rates</u>				
		<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Southern Hills Apartments (C)		-- --	69.4%	68.6%	77.4%	87.4%
Evergreen Terrace (C)						
302 Apartments	\$7,860 - \$8,472	80.3%	87.4%	86.7%	89.0%	89.3%
Thompson Point (C)						
1,262 Persons	\$9,694 - \$12,948	96.3%	95.6%	93.7%	94.2%	90.4%
Towers (C)						
2,374 Persons	\$9,694 - \$12,948	96.1%	94.1%	87.7%	93.1%	92.1%
Triads (C)		-- --	-- --	-- --	24.7%	25.9%
University Hall (C)						
334 Persons	\$5,600 - \$12,948	93.3%	91.7%	72.9%	86.1%	80.4%
Wall & Grand (C)						
396 Persons (Bldg I,II & III)	\$5,994 - \$7,278	97.8%	95.0%	96.3%	95.0%	89.6%
Cougar Village (E)						
496 Apartments	\$4,250 - \$13,800	95.0%	93.3%	93.7%	95.7%	95.3%
Woodland Hall (E)						
257 Rooms	\$8,750 - \$15,550	95.7%	89.0%	93.4%	98.6%	97.8%
Prairie Hall (E)						
260 Rooms	\$8,750 - \$15,550	96.1%	89.9%	93.4%	98.6%	98.2%
Bluff Hall (E)						
260 Rooms	\$8,750 - \$15,550	97.0%	92.5%	94.7%	98.6%	98.3%
Evergreen Hall (E)						
131 Apartments	\$5,940 - \$11,110	98.1%	98.1%	97.5%	97.7%	97.8%

(C) Carbondale Campus, (E) Edwardsville Campus

Southern Hills was closed in FY15.

Demolition of the Triads was completed in FY13.

TREASURER'S COMMENTS – Continued**IV. DEBT SERVICE COVERAGES**

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

	Year ended June 30,	
	2015	2014
Receipts:		
Revenue Account:		
Operating Receipts	\$ 118,567,358	\$ 111,986,233
Revenue Bond Fees	1,676,796	1,594,509
Retirement of Indebtedness – Investment Income	14,159	102,733
Total Receipts	<u>120,258,313</u>	<u>113,683,475</u>
Disbursements:		
Operation and Maintenance Account	<u>79,565,916</u>	<u>78,258,589</u>
Net Revenues	40,692,397	35,424,886
Plus: Pledged Retained Tuition	<u>27,524,927</u>	<u>26,920,816</u>
Total Available for Debt Service	<u>\$ 68,217,324</u>	<u>\$ 62,345,702</u>
Maximum Annual Debt Service	<u>\$ 27,524,927</u>	<u>\$ 26,920,816</u>
Coverage Ratio Based on Net Revenues	148%	132%
Coverage Ratio as Defined in the Bond Resolution	248%	232%

V. RETIREMENT OF INDEBTEDNESS

The net position is restricted for the following purposes:

	June 30,	
	2015	2014
Bond and Interest Sinking Fund Account	\$ 11,259,507	\$ 6,359,496
Debt Service Reserve Account	<u>8,250,001</u>	<u>8,250,001</u>
	<u>\$ 19,509,508</u>	<u>\$ 14,609,497</u>

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 \$6,878,118 (\$4,287,825 in 2014) and investment income of \$136,391 in 2015 and \$187,730 in 2014. Expenditures charged to the reserve amounted to \$3,732,554 in 2015 and \$7,997,714 in 2014. The net position of Renewals and Replacements consisted of the following:

	June 30,	
	2015	2014
Pooled Cash and Investments	\$ 30,398,759	\$ 27,956,519
Accrued Interest Receivable	11,723	9,394
Accounts Payable	<u>(2,049,539)</u>	<u>(2,886,925)</u>
	<u>\$ 28,360,943</u>	<u>\$ 25,078,988</u>

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 2015A, 2012B, 2012A, 2009A, 2008A, 2006A, 1999A, 1997A and 1993A issued and outstanding as of June 30, 2015.

VIII. RESTRICTED NET POSITION – EXPENDABLE

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

	2015	2014
Retirement of indebtedness	\$ 19,509,508	\$ 14,609,497
Renewals and replacements	28,360,943	25,078,988
Unexpended	691,043	1,055,467
	<u>\$ 48,561,494</u>	<u>\$ 40,743,952</u>

Southern Illinois University Board of Trustees and Officers of Administration Fiscal Year 2015

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FINANCIAL STATEMENT REPORT

SUMMARY

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

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities of the Southern Illinois University Housing and Auxiliary Facilities System ("the System") as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities for the System as of June 30, 2015 and 2014, and the changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During fiscal year ended June 30, 2015, the System adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result of the implementation of these standards, the University reported a restatement for the change in accounting principle. See Note 1. Our auditors' opinion was not modified with respect to the restatement.

As discussed in Note 1A, the financial statements of the System are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of Southern Illinois University that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of Southern Illinois University as of June 30, 2015 and 2014, and its changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of the Southern Illinois University Housing and Auxiliary Facilities System's Proportionate Share of the Net Pension Liability and the Schedule of Contributions on page 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

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

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

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


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

Restricted Use Relating to the Other Matter

The purpose of the communication related to compliance with the aforementioned Resolution of the Board of Trustees of Southern Illinois University described in the Other 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 under separate cover dated December 11, 2015, on our consideration of the System’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Peoria, Illinois
December 11, 2015

SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
STATEMENTS OF NET POSITION
June 30, 2015 and 2014

	2015	2014
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 25,420,798	\$ 23,387,174
Cash and cash equivalents, restricted	32,413,561	29,249,102
Short term investments, restricted	12,493,416	13,398,364
Accounts receivable, net	5,415,179	3,815,853
Accrued interest receivable	84,800	44,150
Merchandise for resale	1,193,104	1,115,206
Prepaid expenses and other assets	151,216	182,830
TOTAL CURRENT ASSETS	77,172,074	71,192,679
NONCURRENT ASSETS:		
Long term investments, restricted	8,277,388	2,470,987
Prepaid expenses and other assets	876,972	952,465
Capital assets, not depreciated	8,978,853	15,922,666
Capital assets, net of depreciation	272,922,109	269,743,350
TOTAL NONCURRENT ASSETS	291,055,322	289,089,468
DEFERRED OUTFLOWS OF RESOURCES	2,287,360	2,443,504
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	370,514,756	362,725,651
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	2,974,569	3,903,374
Accrued interest payable	2,291,394	2,340,204
Accrued payroll	596,250	651,094
Accrued compensated absences	164,242	233,017
Housing deposits	112,624	118,024
Unearned revenue	2,881,853	3,017,695
Revenue bonds payable	18,521,090	17,715,529
TOTAL CURRENT LIABILITIES	27,542,022	27,978,937
NONCURRENT LIABILITIES:		
Accrued compensated absences	2,046,714	2,021,684
Housing deposits	137,651	144,251
Revenue bonds payable	243,456,752	250,386,620
TOTAL NONCURRENT LIABILITIES	245,641,117	252,552,555
TOTAL LIABILITIES	273,183,139	280,531,492
NET POSITION		
Net investment in capital assets	23,310,480	20,014,324
Restricted for:		
Expendable		
Capital projects and debt service	48,561,494	40,743,952
Unrestricted	25,459,643	21,435,883
TOTAL NET POSITION	\$ 97,331,617	\$ 82,194,159

The accompanying notes are an integral part of this statement.

SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2015 and 2014

	2015	2014
REVENUES		
OPERATING REVENUES:		
Residence halls and apartments	\$ 64,624,961	\$ 59,111,653
University student centers		
Sales and services	17,718,526	16,862,727
Student fees	8,545,919	8,262,493
Student recreation and fitness centers		
Sales and services	1,251,397	1,277,000
Student fees	6,157,092	6,126,586
Child care center	1,033,068	955,489
Student health center	9,028,066	9,214,210
Student services building	2,514,057	2,534,507
Traffic and parking	2,805,054	2,771,141
Student success center	1,713,268	1,717,037
Revenue bond fees	1,676,796	1,594,509
TOTAL OPERATING REVENUES	117,068,204	110,427,352
EXPENSES		
OPERATING EXPENSES:		
Salaries and wages	53,026,684	52,519,896
Merchandise for resale	10,629,827	10,618,351
Utilities	8,331,512	8,920,312
Maintenance and repairs	11,812,501	12,373,007
Administrative	13,779,603	13,005,317
Other	5,526,143	6,951,361
Depreciation	15,457,280	15,566,121
TOTAL OPERATING EXPENSES	118,563,550	119,954,365
OPERATING LOSS	(1,495,346)	(9,527,013)
NONOPERATING REVENUES (EXPENSES)		
Investment income	481,184	457,088
Gifts and contributions	1,002,055	1,000,468
Payments on-behalf of the system	20,733,203	19,629,634
Interest on capital asset-related debt	(9,068,940)	(8,880,004)
Accretion on bonds payable	(3,714,877)	(3,952,802)
Other nonoperating revenue	5,593,970	5,727,537
NET NONOPERATING REVENUES	15,026,595	13,981,921
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	13,531,249	4,454,908
OTHER REVENUES, EXPENSES, GAINS OR LOSSES		
Capital assets retired	(172,940)	(145,488)
Capital grants and gifts	-	-
Additions to plant facilities from other sources	1,779,149	7,080,750
TOTAL OTHER REVENUES, EXPENSES, GAINS OR LOSSES	1,606,209	6,935,262
INCREASE IN NET POSITION	15,137,458	11,390,170
NET POSITION		
Net position at beginning of year	82,194,159	70,803,989
NET POSITION AT END OF YEAR	\$ 97,331,617	\$ 82,194,159

The accompanying notes are an integral part of this statement.

SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Residence halls and apartments	\$ 60,581,971	\$ 55,463,195
University student centers		
Sales and services	17,961,181	16,980,232
Student fees	8,535,825	8,207,469
Student recreation and fitness centers		
Sales and services	1,263,548	1,282,839
Student fees	6,172,739	6,107,840
Child care center	1,034,563	956,196
Student health center	8,361,664	8,482,892
Student services building	3,274,292	3,065,997
Traffic and parking	2,793,182	2,772,790
Student success center	1,721,642	1,723,220
Revenue bond fees	1,676,796	1,594,509
Payments to employees	(29,984,986)	(30,523,864)
Payments for utilities	(8,377,008)	(8,881,362)
Payments to suppliers	(41,949,425)	(41,015,612)
NET CASH PROVIDED BY OPERATING ACTIVITIES	33,065,984	26,216,341
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gifts for other than capital purposes	2,054	472
Other nonoperating revenue	4,615,338	4,829,334
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	4,617,392	4,829,806
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchases of capital assets	(11,189,604)	(14,738,435)
Principal paid on capital debt	(17,560,000)	(16,790,000)
Interest paid on capital debt	(9,458,404)	(9,745,010)
Retained bond proceeds	- ----	- ----
Deposit to bond escrow account	8,205,000	- ----
Other	1,978,633	2,017,595
NET CASH USED IN CAPITAL FINANCING ACTIVITIES	(28,024,375)	(39,255,850)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	32,558,742	28,787,637
Investment income	419,043	487,234
Purchase of investments	(37,438,703)	(28,877,825)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(4,460,918)	397,046
NET INCREASE (DECREASE) IN CASH	5,198,083	(7,812,657)
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR	52,636,276	60,448,933
CASH AND CASH EQUIVALENTS - END OF THE YEAR	\$ 57,834,359	\$ 52,636,276
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (1,495,346)	\$ (9,527,013)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	15,457,280	15,566,121
Payments on-behalf of the system	20,733,203	19,629,634
Change in assets and liabilities:		
Receivables, net	(1,885,023)	593,881
Merchandise for resale	(77,898)	99,026
Prepaid expenses and other assets	31,614	(40,943)
Accounts payable	548,585	(314,530)
Accrued payroll	(54,844)	103,919
Accrued compensated absences	(43,745)	3,792
Housing deposits	(12,000)	(6,300)
Unearned revenue	(135,842)	108,754
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 33,065,984	\$ 26,216,341
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Payments on-behalf of the system	\$ 20,733,203	\$ 19,629,634
Capital assets in accounts payable	678,339	797,581
Accretion on bonds payable	3,714,877	3,952,802
Net interest capitalized	88,106	484,182
Other capital asset adjustments	880,631	11,029
Loss on disposal of capital assets	27,666	13,954

The accompanying notes are an integral part of this statement.

**SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014**

1. Significant Accounting Policies

(A) Basis of Presentation

These financial statements include all financial activities over which the Southern Illinois University Housing and Auxiliary Facilities System (the "System") exercises direct responsibility. The System combines the operations of the individual housing units, the student centers, the student recreation center, the student fitness center, the Carbondale child care center, the Carbondale student health center, the Carbondale student information system, the Carbondale softball field, the Carbondale football stadium, the Carbondale SIU Arena, the Carbondale Student Services Building, Edwardsville traffic and parking and the Edwardsville student success center into one operation. The Revenue Project Bonds of 2015A, 2012B, 2012A, 2009A, 2008A, 2006A, 1999A, 1997A and 1993A (the "Bonds") are secured in part by the revenues from these operations. The financial statements reflect the combined operations of the System as of and for the year ended June 30, 2015. The individual facilities included in the System are as follows:

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

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

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. Additionally, effective July 1, 2001, the System adopted GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments : Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The System now follows the business-type activity reporting requirements of GASB Statements No. 35, 37 and 38 that provide a comprehensive, entity-wide perspective of the System's financial activities and replaces the fund group presentations previously required. Effective July 1, 2004, the System adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. The objective of this statement is to update the custodial credit risk disclosure requirements and to establish more comprehensive disclosure requirements addressing the common risks of deposits and investments. Effective July 1, 2007, the System adopted GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. The System has disclosed pledged revenues in Note 6 to the financial statements. Effective July 1, 2012, the System adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. Incorporating GASB Statement No. 63 in the System's 2013 financial statements had no effect on beginning net position. Effective July 1, 2013, the System adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows or resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Incorporating GASB Statement No. 65 in the System's 2014 financial statements resulted in the presentation of the deferred loss on refunding, previously reported as a reduction of revenue bonds payable, as a deferred outflow on the Statement of Net Position. It also resulted in the expensing of the unamortized non-insurance components of the bond issuance costs, which were previously reported as prepaid expenses. Effective July 1, 2014 the System adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, which addresses the accounting and financial reporting by state and local governments for pensions.

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.

SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

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 8

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

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

(B) Merchandise For Resale

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

(C) Buildings, Improvements and Equipment

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

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

(D) Classification of Revenues and Expenses

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

(E) Cash and Cash Equivalents

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

(F) Investments

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

(G) Allowance for Uncollectibles

The System provides allowances for uncollectible accounts based upon management's best estimate of uncollectible accounts at the statement of net position date, considering type, age, collection history of receivables, and any other factors as considered appropriate. The System's accounts receivable balance is reported net of allowances of \$8,563,741 at June 30, 2015 and \$8,296,478 at June 30, 2014.

(H) Revenue Bond Fee

Transfers from other University funds of the revenue bond fee are based upon the amount budgeted. Fees in the amount of \$30,846 in 2015 and \$55,537 in 2014 have been collected in excess of the budgetary transfer and are available for future budgetary transfers.

**SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014**

(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, 2015 amounted to \$11,513,144 for health care costs, \$9,094,461 for retirement costs, and \$125,598 for social security and medicare. On behalf payments for the year ended June 30, 2014 amounted to \$10,802,913 for health care costs, \$8,701,658 for retirement costs, and \$125,063 for social security and medicare. Payments for retirement costs were made to the State Universities Retirement System in both years.

(K) Classification of Net Position

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

(L) Compensated Absences

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

2. Pooled Cash and Investments

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

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

The University has pooled certain cash and investments for the purpose of securing a greater return on investment and providing a more equitable distribution of investment return. Pooled investments, which consist principally of government securities, are stated at market. Income is distributed quarterly based upon average balances invested in the pool over the prior 13 week period. There are no investments in foreign currency. It is not feasible to separately determine the System's bank balance at June 30, 2015 and June 30, 2014 due to the pooling of the University's cash and investments.

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

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

SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

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

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

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

Interest rate risk is disclosed below using the segmented time distribution method. As of June 30, 2015 and 2014, the System has the following cash and investment balances:

Investment Type	Fair Value	June 30, 2015 Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
U.S. Treasuries	\$ 20,770,804	\$ 12,493,416	\$ 8,277,388	\$ -	\$ -
U.S. Agencies	-	-	-	-	-
Total Investments	20,770,804	\$ 12,493,416	\$ 8,277,388	\$ -	\$ -
Cash and Equivalents					
The Illinois Funds	19,985,085				
Cash and Equivalents	37,849,274				
Total Cash & Equivalents	57,834,359				
Total Cash & Investments	\$ 78,605,163				

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

3. Investments and Investment Income

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

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. Investment income net of realized and unrealized gains and losses on investments for the years ended June 30, 2015 and 2014 is reflected below.

	2015	2014
Interest earnings	\$ 472,600	\$ 464,395
Realized gain on investments	-	-
Unrealized gain (loss) on investments	8,584	(7,307)
Net investment income	\$ 481,184	\$ 457,088

**SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014**

4. Capital Assets

Capital asset activity for the year ended June 30, 2015 is as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 605,395	\$ -	\$ -	\$ -	\$ 605,395
Construction in progress	15,317,271	10,281,911	9,466	(17,216,258)	8,373,458
Total capital assets not being depreciated	15,922,666	10,281,911	9,466	(17,216,258)	8,978,853
Capital assets being depreciated:					
Buildings	448,652,392	957,083	-	13,579,657	463,189,132
Improvements	12,938,243	100,625	-	3,636,601	16,675,469
Equipment	16,951,168	438,242	363,263	-	17,026,147
Total capital assets being depreciated	478,541,803	1,495,950	363,263	17,216,258	496,890,748
Less accumulated depreciation for:					
Buildings	189,749,679	13,243,096	-	-	202,992,775
Improvements	7,905,190	639,393	(6,303)	-	8,550,886
Equipment	11,143,584	1,574,791	293,397	-	12,424,978
Total accumulated depreciation	208,798,453	15,457,280	287,094	-	223,968,639
Total capital assets being depreciated, net	269,743,350	(13,961,330)	76,169	17,216,258	272,922,109
Capital assets, net	<u>\$ 285,666,016</u>	<u>\$ (3,679,419)</u>	<u>\$ 85,635</u>	<u>\$ -</u>	<u>\$ 281,900,962</u>

The System incurred interest expense of \$12,871,923 during 2015 including \$88,106 of capitalized interest.

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

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 605,395	\$ -	\$ -	\$ -	\$ 605,395
Construction in progress	45,115,218	15,627,719	-	(45,425,666)	15,317,271
Total capital assets not being depreciated	45,720,613	15,627,719	-	(45,425,666)	15,922,666
Capital assets being depreciated:					
Buildings	403,358,051	125,847	134,761	45,303,255	448,652,392
Improvements	12,759,768	56,084	-	122,411	12,938,243
Equipment	16,812,970	359,432	221,234	-	16,951,168
Total capital assets being depreciated	432,930,789	541,343	355,995	45,425,666	478,541,803
Less accumulated depreciation for:					
Buildings	176,730,582	13,153,858	134,761	-	189,749,679
Improvements	7,268,996	636,194	-	-	7,905,190
Equipment	9,574,794	1,776,070	207,280	-	11,143,584
Total accumulated depreciation	193,574,372	15,566,122	342,041	-	208,798,453
Total capital assets being depreciated, net	239,356,417	(15,024,779)	13,954	45,425,666	269,743,350
Capital assets, net	<u>\$ 285,077,030</u>	<u>\$ 602,940</u>	<u>\$ 13,954</u>	<u>\$ -</u>	<u>\$ 285,666,016</u>

The System incurred interest expense of \$13,316,988 during 2014 including \$484,182 of capitalized interest.

**SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014**

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2015 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable	\$268,102,149	\$11,919,877	\$18,044,184	\$261,977,842	\$18,521,090
Compensated absences	2,254,701	46,445	90,191	2,210,955	164,242
Housing deposits	262,275	181,764	193,764	250,275	112,624
Total long-term liabilities	<u>\$270,619,125</u>	<u>\$12,148,086</u>	<u>\$18,328,139</u>	<u>\$264,439,072</u>	<u>\$18,797,956</u>

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

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

6. Revenue Bonds Payable

On March 19, 2015, the Board adopted the "Sixteenth 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, and the Fifteenth Supplemental System Revenue Bond Resolution of November 8, 2012. The outstanding bond issues related to the respective bond resolutions of the System are as follows:

(A) 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, 2015, these bonds mature in 2030 and were outstanding in the amount of \$8,205,000. The balance as of June 30, 2014 was \$0.

(B) 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, 2015, these bonds mature in 2035 and were outstanding in the amount of \$47,682,986. The balance as of June 30, 2014 was \$49,521,892.

(C) 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, 2015, these bonds mature in 2030 and were outstanding in the amount of \$25,861,175. The balance as of June 30, 2014 was \$26,964,856.

**SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014**

(D) 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, 2015, these bonds mature in 2030 and were outstanding in the amount of \$43,410,062. The balance as of June 30, 2014 was \$45,605,825.

(E) 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, 2015, these bonds mature in 2028 and were outstanding in the amount of \$24,771,292. The balance as of June 30, 2014 was \$26,059,625.

(F) 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, 2015, these bonds mature in 2036 and were outstanding in the amount of \$49,743,224. The balance as of June 30, 2014 was \$53,628,919.

(G) Series 1999A Bonds

These bonds were authorized by the Board under the Sixth Supplemental Bond Resolution dated May 13, 1999 and were issued as capital appreciation bonds in the original amount of \$21,001,900. The bonds were issued at a premium of \$53,851 with interest rates ranging from 4.10 to 5.55 percent. The capital appreciation bonds are non-interest bearing and will accrete the interest factor as additional bonds payable over the term of the bonds. These bonds were issued to finance the construction of a residence hall and renovations of the University Center food service facilities. All projects financed by the Series 1999A bonds are associated with the Edwardsville campus. The bonds mature in 2029. As of June 30, 2015, after accreting the capital appreciation, these bonds were outstanding in the amount of \$43,781,776. The balance as of June 30, 2014 was \$41,944,695.

(H) Series 1997A Bonds

These bonds were authorized by the Board under the Fifth Supplemental Bond Resolution dated July 10, 1997 and were issued as current interest bonds and capital appreciation bonds in the original amounts of \$8,575,000 and \$29,521,284, respectively. The current interest bonds were issued at a nominal discount while the capital appreciation bonds were issued at par with interest rates ranging from 4.20 to 5.50 percent. The capital appreciation bonds are non-interest bearing and will accrete the interest factor as additional bonds payable over the term of the bonds. These bonds were issued to finance the construction of Prairie Hall, a residence hall, renovations of existing housing and food service facilities, and construction and improvement to the parking facilities. All projects financed by the Series 1997A bonds are associated with the Edwardsville campus. On March 9, 2006, as amended and restated on May 2, 2006 and November 9, 2006, the Board authorized the advance refunding of a portion of the current interest bonds of the Series 1997A. Bonds in the amount of \$2,915,000 were advance refunded. The bonds mature in 2018. As of June 30, 2015, after accreting the capital appreciation, the remaining bonds were outstanding in the amount of \$7,587,611. The balance as of June 30, 2014 was \$10,216,978.

(I) Series 1993A Bonds

These bonds were authorized by the Board under the Third Supplemental Bond Resolution dated May 13, 1993 and were issued as current interest bonds and capital appreciation bonds in the original amounts of \$8,010,000 and \$8,660,506, respectively. The current interest bonds were issued at a nominal discount while the capital appreciation bonds were issued at par with interest rates ranging from 6.05 to 6.20 percent. The capital appreciation bonds are non-interest bearing and will accrete the interest factor as additional bonds payable over the term of the bonds. These bonds were issued to finance the acquisition of the Northwest Annex, an existing facility, and the construction of the Child Care Center at the Carbondale campus and the construction of Woodland Hall at the Edwardsville campus. On December 12, 2002, the Board authorized the current refunding of the current interest bond portion of the Series 1993A Bonds. The bonds were called and redeemed in full on April 1, 2003. The bonds mature in 2018. As of June 30, 2015, after accreting the capital appreciation, the remaining capital appreciation bonds were outstanding in the amount of \$10,934,716. The balance as of June 30, 2014 was \$14,159,359.

**SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014**

These bonds, which are payable through 2036, do not constitute a debt of the State of Illinois or the individual members, officers or agents of the Board of Trustees of the University but, together with interest thereon, are payable from and secured by a pledge of and lien on (i) the net revenues of the System, (ii) pledged tuition in an amount not to exceed maximum annual debt service (subject to prior payment of operating and maintenance expenses of the System), (iii) the Bond and Interest Sinking Fund account, and (iv) the Repair and Replacement Reserve account. Unrefunded bonds issued in 2001 and prior are additionally secured by the Debt Service Reserve. Total principal and interest remaining on the debt is \$368,498,980 with annual requirements ranging from \$2,604,000 to \$27,524,927. For the current year, principal and interest paid was \$26,920,816, and the total revenues pledged were \$68,217,324. In the prior year, principal and interest paid was \$26,535,010, and the total revenues pledged were \$62,345,702. For fiscal year 2015, the total revenue pledged represents 100 percent of the net revenues of the System and 20 percent of net tuition revenue received, compared to 100 percent of the net revenues and 17 percent of net tuition revenue received during fiscal year 2014. 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, 2015, the maximum annual debt service was \$27,524,927 and the coverage was 248 percent. For the year ended June 30, 2014, the maximum annual debt requirement was \$26,920,816, and the coverage was 232 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 \$28,360,943 at June 30, 2015, and \$25,078,988 at June 30, 2014.

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, 2015 and 2014, there were no outstanding balances of refunded bonds.

Revenue bond debt service requirements to maturity are as follows as of June 30, 2015:

Year Ending June 30,	Principal	Interest	Total
2016	18,360,000	9,164,927	27,524,927
2017	17,450,000	8,671,598	26,121,598
2018	19,175,000	8,256,585	27,431,585
2019	17,120,000	7,761,645	24,881,645
2020	17,765,000	7,209,947	24,974,947
2021 – 2025	82,690,000	27,911,875	110,601,875
2026 – 2030	76,945,000	14,903,323	91,848,323
2031 – 2035	27,780,000	4,730,080	32,510,080
2036	2,480,000	124,000	2,604,000
Total Payments	\$ 279,765,000	<u>\$ 88,733,980</u>	<u>\$ 368,498,980</u>
Less Unaccrued Appreciation	<u>(26,790,737)</u>		
Total Payable	252,974,263		
Unamortized debt premium	9,003,579		
Total Bonds Payable	<u>\$ 261,977,842</u>		

**SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014**

7. Related Party Transactions

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

In addition, seven of the buildings on Greek Row, a portion of the Northwest Annex (29,100 net sq. ft.), one room of the Lentz Hall dining facilities at Thompson Point, and the Student Services 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 (\$1,015,825 in 2015) 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 2015 include \$1,779,149 paid for by other University funds as compared to \$7,080,750 during 2014.

8. Retirement Benefits

General Information about the Pension Plan

Plan Description: Substantially all employees of the System 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 Section 5/15, Chapter 40, of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.SURS.org.

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, 2014 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 2014 and 2015 respectively, was 11.91% and 11.71% 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: At June 30, 2014, SURS reported a net pension liability (NPL) of \$21,790,983,139. The net pension liability was measured as of June 30, 2013.

Employer Proportionate Share of Net Pension Liability: The amount of the proportionate share of the net pension liability to be recognized for Southern Illinois University (SIU), of which the System is a part, is \$0. The proportionate share of the State's net pension liability associated with SIU is \$2,080,655,566 or 9.55%. This amount is not recognized in the financial statement. The net pension liability was measured as of June 30, 2014, and the total pension used to calculate the net pension liability was determined based on the June 30, 2013 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable earnings made to SURS during fiscal year 2014.

Pension Expense: At June 30, 2014 SURS reported a collective net pension expense of \$1,650,338,263.

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 earnings made to SURS during fiscal year 2014. As a result, SIU recognizes on-behalf revenue and pension expense of \$157,578,273 for the fiscal year ended June 30, 2015. The System recognizes on-behalf revenue and pension expense \$9,094,461 for the fiscal year ended June 30, 2015.

**SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014**

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	\$ 0	\$ 0
Changes in assumption	88,940,815	0
Net difference between projected and actual earnings on pension plan investments	0	1,271,105,952
Total	\$88,940,815	\$1,271,105,952

Employer Deferral of Fiscal Year 2015 Pension Expense

SIU paid \$2,735,385 in federal, trust or grant contributions for the fiscal year ended June 30, 2015. These contributions were made subsequent to the pension liability measurement date of June 30, 2014 and are recognized as Deferred Outflows of Resources as of June 30, 2015. None of these payments were within the System.

Assumptions and Other Inputs

Actuarial assumptions: The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period June 30, 2006-2010 and an economic study completed June 2014. The total pension liability in the June 30, 2014 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 12.00 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 RP2000 Combined Mortality Table, projected with Scale AA to 2017, sex-distinct, with rates multiplied by 0.80 for males and 0.85 for females.

Changes of benefit terms. There were no benefit changes recognized in the Total Pension Liability as of June 30, 2014.

Changes of assumptions. In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every five 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. There are no changes of assumptions that affect measurement of the total collective pension liability since the prior measurement date.

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, 2014, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	31%	7.65%
Private Equity	6%	8.65%
Non-U.S. Equity	21%	7.85%
Global Equity	8%	7.90%
Fixed Income	19%	2.50%
Treasury-Inflation Protected Securities	4%	2.30%
Real Estate	6%	6.20%
REITS	4%	6.20%
Opportunity Fund	1%	2.50%
Total	100%	5.00%
Inflation		2.75%
Expected Geometrical Normal Return		7.75%

Discount Rate: A single discount rate of 7.090% 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 7.250% and a municipal bond rate of 4.290% (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 2065. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2065, and the municipal bond rate was applied to all benefit payments after that date.

**SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014**

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

1% Decrease	Current Single Discount Rate	1% Increase
6.09%	Assumption	8.09%
7.09%	7.09%	8.09%
\$26,583,701,134	\$21,790,983,139	\$17,796,570,836

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.

9. Post-Employment Benefits

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

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

10. 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 2015 included a 1.5% discount rate for self-insurance liabilities.

11. Contingencies and commitments

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

The System has active construction projects as of June 30, 2015 and \$56,454 has been committed to the completion of these projects as compared to \$1,483,410 committed as of June 30, 2014.

12. Subsequent event

On July 16, 2015, the Board of Trustees of Southern Illinois University authorized the issuance of the Housing and Auxiliary Facilities System Revenue Bonds, Series 2015B in an amount not exceeding \$27,500,000 for the purpose of refunding a portion of the 2006A bond issuance. On August 13, 2015, Southern Illinois University issued Housing and Auxiliary Facilities System Revenue Bonds, Series 2015B with a par value of \$20,735,000.

**SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2014**

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

	Fiscal Year 2014
(a) Proportion Percentage of the Collective Pension Liability	0%
(b) Proportion Amount of the Collective Net Pension Liability	\$0
(c) Portion of Nonemployer Contributing Entities' Total Proportion of Collective Net Pension Liability associated with Employer	\$124,839,334
Total (b) + (c)	\$124,839,334
Employer Covered-employee payroll	\$20,883,340
Proportion of Collective Net Pension Liability associated With Employer as a percentage of covered-employee payroll	597.79%

Schedule of Contributions

SURS Plan Net Position as a Percentage of Total Pension Liability	44.39%
Federal, Trust, Grant and Other contribution	\$0
Contribution in relation to required contribution	\$0
Contribution deficiency (excess)	\$0
Employer Covered-employee payroll	\$20,883,340
Contributions as a percentage of covered-employee payroll	0%

Changes of benefit terms. There were no benefit changes recognized in the Total Pension Liability as of June 30, 2014.

Changes of assumptions. In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every five 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. There are no changes of assumptions that affect measurement of the total collective pension liability since the prior measurement date.

*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.

SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
SCHEDULE OF BONDS PAYABLE OUTSTANDING
June 30, 2015

	TOTAL	REVENUE BONDS		
		Principal Amount	SERIES 1993A Accreted Value at Maturity	Interest Rate
Interest Bearing Bonds:				
Serial Bonds maturing as follows:				
2016	10,795,000	-	-	-
2017	9,895,000	-	-	-
2018	10,925,000	-	-	-
2019	11,450,000	-	-	-
2020	11,985,000	-	-	-
2021	12,010,000	-	-	-
2022	10,165,000	-	-	-
2023	8,915,000	-	-	-
2024	8,570,000	-	-	-
2025	8,935,000	-	-	-
2026	5,960,000	-	-	-
2027	4,620,000	-	-	-
2028	2,515,000	-	-	-
2029	2,270,000	-	-	-
2030	2,355,000	-	-	-
2031	1,860,000	-	-	-
2032	1,940,000	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
Term Bonds maturing as follows:				
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	1,315,000	-	-	-
2024	1,380,000	-	-	-
2025	1,450,000	-	-	-
2026	4,690,000	-	-	-
2027	6,475,000	-	-	-
2028	9,075,000	-	-	-
2029	7,765,000	-	-	-
2030	6,920,000	-	-	-
2031	3,380,000	-	-	-
2032	3,545,000	-	-	-
2033	3,725,000	-	-	-
2034	3,895,000	-	-	-
2035	4,070,000	-	-	-
2036	2,480,000	-	-	-
Qualified Energy Conservation Bonds maturing as follows:				
2035	5,365,000	-	-	-
Total Interest Bearing Bonds	190,695,000	-	-	-
Capital Appreciation Bonds maturing as follows:				
2016	7,241,907	3,870,480	4,050,000	6.150%
2017	6,819,182	3,639,865	4,050,000	6.200%
2018	7,027,936	3,424,372	4,050,000	6.200%
2019	4,626,028	-	-	-
2020	4,464,645	-	-	-
2021	4,350,438	-	-	-
2022	4,151,880	-	-	-
2023	3,928,524	-	-	-
2024	3,716,604	-	-	-
2025	3,518,712	-	-	-
2026	3,327,876	-	-	-
2027	3,202,927	-	-	-
2028	3,032,127	-	-	-
2029	2,870,477	-	-	-
Total Capital Appreciation Bonds	62,279,263	10,934,717		
Total	\$ 252,974,263	\$ 10,934,717		

**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, 2015

	REVENUE BONDS		REVENUE BONDS	
	SERIES 2008A		SERIES 2009A	
	Principal Amount	Interest Rate	Principal Amount	Interest Rate
Interest Bearing Bonds:				
Serial Bonds maturing as follows:				
2016	1,390,000	5.000%	2,245,000	4.550%
2017	1,540,000	5.000%	2,310,000	4.800%
2018	1,635,000	5.000%	2,385,000	5.000%
2019	1,785,000	5.250%	2,460,000	5.300%
2020	1,900,000	5.250%	2,545,000	5.250%
2021	2,055,000	4.000%	2,635,000	5.450%
2022	2,175,000	5.500%	2,725,000	5.600%
2023	2,285,000	5.500%	2,825,000	5.750%
2024	1,690,000	4.250%	2,930,000	5.900%
2025	1,770,000	4.500%	3,045,000	6.000%
2026	1,815,000	4.500%	- ----	- ----
2027	1,890,000	4.500%	- ----	- ----
2028	1,970,000	4.500%	- ----	- ----
2029	- ----	- ----	- ----	- ----
2030	- ----	- ----	- ----	- ----
2031	- ----	- ----	- ----	- ----
2032	- ----	- ----	- ----	- ----
2033	- ----	- ----	- ----	- ----
2034	- ----	- ----	- ----	- ----
2035	- ----	- ----	- ----	- ----
Term Bonds maturing as follows:				
2015	- ----	- ----	- ----	- ----
2016	- ----	- ----	- ----	- ----
2017	- ----	- ----	- ----	- ----
2018	- ----	- ----	- ----	- ----
2019	- ----	- ----	- ----	- ----
2020	- ----	- ----	- ----	- ----
2021	- ----	- ----	- ----	- ----
2022	- ----	- ----	- ----	- ----
2023	- ----	- ----	- ----	- ----
2024	- ----	- ----	- ----	- ----
2025	- ----	- ----	- ----	- ----
2026	- ----	- ----	3,165,000	6.200%
2027	- ----	- ----	3,290,000	6.200%
2028	- ----	- ----	3,425,000	6.200%
2029	- ----	- ----	3,560,000	6.200%
2030	- ----	- ----	3,705,000	6.200%
2031	- ----	- ----	- ----	- ----
2032	- ----	- ----	- ----	- ----
2033	- ----	- ----	- ----	- ----
2034	- ----	- ----	- ----	- ----
2035	- ----	- ----	- ----	- ----
2036	- ----	- ----	- ----	- ----
Qualified Energy Conservation Bonds maturing as follows:				
2035	- ----	- ----	- ----	- ----
Total Interest Bearing Bonds	<u>23,900,000</u>		<u>43,250,000</u>	
Capital Appreciation Bonds maturing as follows:				
2016	- ----	- ----	- ----	- ----
2017	- ----	- ----	- ----	- ----
2018	- ----	- ----	- ----	- ----
2019	- ----	- ----	- ----	- ----
2020	- ----	- ----	- ----	- ----
2021	- ----	- ----	- ----	- ----
2022	- ----	- ----	- ----	- ----
2023	- ----	- ----	- ----	- ----
2024	- ----	- ----	- ----	- ----
2025	- ----	- ----	- ----	- ----
2026	- ----	- ----	- ----	- ----
2027	- ----	- ----	- ----	- ----
2028	- ----	- ----	- ----	- ----
2029	- ----	- ----	- ----	- ----
Total Capital Appreciation Bonds	- ----		- ----	
Total	<u>\$ 23,900,000</u>		<u>\$ 43,250,000</u>	

State of Illinois
Southern Illinois University
Medical Facilities System

Report of the Treasurer
For the Years Ended
June 30, 2015 and 2014

**STATE OF ILLINOIS
SOUTHERN ILLINOIS UNIVERSITY
MEDICAL FACILITIES SYSTEM
ANNUAL FINANCIAL REPORT
For The Year Ended June 30, 2015**

TABLE OF CONTENTS

	<u>Page</u>
Treasurer's Letter	1
Treasurer's Comments (Unaudited)	2
Board of Trustees and Officers of Administration	5
Financial Statement Report	
Summary	6
Independent Auditor's Report	7
Basic Financial Statements	
Statements of Net Position	10
Statements of Revenues, Expenses and Changes in Net Position	11
Statements of Cash Flows	12
Notes to Financial Statements	13
Required Supplementary Information	
Schedule of the Medical Facilities System Proportionate Share of the Net Pension Liability and Schedule of Contributions	23
Supplementary Information	
Schedule of Bonds Payable Outstanding	24



SOUTHERN ILLINOIS UNIVERSITY

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

December 11, 2015

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

I am pleased to submit the annual Treasurer's Report to the Bondholders for the Southern Illinois University Medical Facilities System for the fiscal years ended June 30, 2015, and 2014.

The Series 2015A Medical Facilities System bonds were issued in February, 2015 in the amount of \$13,440,000. These bonds refunded all of the outstanding Series 2005A Medical Facilities System bonds.

A calculation of debt service coverage is included in the Treasurer's comments to the financial statements. The system exceeds the coverage required by the bond resolution.

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

Respectfully submitted,

Duane Stucky
Board Treasurer

DS/sjp

TREASURER'S COMMENTS

SOUTHERN ILLINOIS UNIVERSITY MEDICAL FACILITIES SYSTEM

I. SOUTHERN ILLINOIS UNIVERSITY REVENUE BOND OPERATIONS

FACILITIES

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

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

The Richard H. Moy, M.D. Building was completed and occupied by the University in May 1993. The building now houses outpatient clinics for the department of Internal Medicine and for Fertility and In Vitro Fertilization, offices and outpatient clinics for the Memory and Aging Center, Dermatology, Endocrinology, and the department of Neurology. Space is also included in the building for a medical records unit. The design of the Richard H. Moy, M.D. Building includes an allowance in the foundation and other component service areas for the addition of three more stories to the building. Each story would approximate an additional 22,000 square feet. Consideration is being given to expand by two additional floors.

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

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

On June 30, 2015, the School of Medicine Medical Facilities System owned or occupied twenty locations where clinics and/or clinical faculty and/or clinical administration were housed. Owned by the University are the Richard H. Moy, M.D. Building, 401 N. Walnut, and the Simmons Cancer Institute. The seventeen remaining locations are leased by the University using revenues generated by the clinical practice of medicine. Twelve of the leased facilities are in Springfield, Illinois and the remaining five are located elsewhere in Illinois.

CURRENT REFUNDING

During fiscal year 2015, Series 2015A Bonds were issued for the purpose of current refunding the Series 2005 Bonds. The Series 2015A Bonds have a final maturity date of April 1, 2023 which is 3 years earlier than the Series 2005 Bonds. The refunding, a current refunding, was undertaken by the Board of Trustees ("the Board") for the purpose of affecting a cost savings.

II. ENROLLMENTS AT SOUTHERN ILLINOIS UNIVERSITY

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

	<u>Head Count</u>
Fall semester 2014	286
Fall semester 2013	288

All students are enrolled full time. The first year is spent in Carbondale with a core curriculum of basic science courses. The remaining three years are spent at the Springfield campus. Beginning with Summer semester 2012 the Physician's Assistant program was moved to the School of Medicine. The Fall semester 2014 (2013) enrollment including the Physician's Assistant program was 358 (353).

TREASURER'S COMMENTS – Continued

III. DEBT SERVICE COVERAGE

The bond resolution requires that debt service coverage (net revenues plus pledged tuition) be at least 200% (2.00 times) of annual debt service and that net revenues shall be at least 100% (1.00 times) of the annual debt service requirement in each fiscal year. The debt service coverage is calculated at the end of the year using cash basis data obtained from the Statement of Cash Flows.

	<u>Year Ended June 30</u>	
	<u>2015</u>	<u>2014</u>
Receipts:		
Revenue Account:		
Operations	\$ 42,447,782	\$ 41,340,036
Investment Income	7,833	4,700
Retirement of Indebtedness – Investment Income	<u>(6,779)</u>	<u>690</u>
	42,448,836	41,345,426
Disbursements:		
Operation & Maintenance Account	<u>40,528,134</u>	<u>39,373,283</u>
Net Revenues	1,920,702	1,972,143
Plus: Pledged Tuition	<u>111,690,683</u>	<u>132,429,265</u>
Total Available for Debt Service	<u>\$113,611,385</u>	<u>\$134,401,408</u>
Annual Debt Service	<u>\$ 1,785,334</u>	<u>\$ 1,765,250</u>
Maximum Annual Debt Service	<u>\$ 1,895,773</u>	<u>\$ 1,985,750</u>
Coverage Ratio Based on Net Revenues	1.08	1.12
Coverage Ratio Based on Annual Debt Service	63.64	76.14
Coverage Ratio Based on Maximum Annual Debt Service	59.93	67.68

IV. RETIREMENT OF INDEBTEDNESS

Net position is restricted for the following purposes:

	<u>June 30</u>	
	<u>2015</u>	<u>2014</u>
Bond and Interest Sinking Fund Account	\$340,689	\$326,091

V. RENEWALS AND REPLACEMENTS

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

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

TREASURER'S COMMENTS – Continued

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

Additions during the year included transfers from unrestricted net position of \$196,326 (\$198,575 in 2014), interest earned on investments of \$4,574 (interest of \$9,463 in 2014) and no nonoperating revenue (\$0 in 2014).

There were expenditures in the amount of \$97,498 charged to the reserve (\$690,943 in 2014). The restricted net position of Renewals and Replacements consisted of the following:

	June 30	
	2015	2014
Cash	\$1,067,921	\$1,241,649
Accrued interest receivable	380	434
Accounts payable	<u>0</u>	<u>(277,183)</u>
	<u>\$1,068,301</u>	<u>\$ 964,900</u>

VI. SCHEDULE OF BONDS PAYABLE OUTSTANDING

A Schedule of Bonds Payable Outstanding is shown as supplementary information and lists the amount of Medical Facilities System Revenue Bonds, Series 2015A issued and outstanding as of June 30, 2015.

VII. RESTRICTED NET POSITION - EXPENDABLE

Restricted net position as of June 30, 2015 and 2014 are comprised of the following:

	June 30	
	2015	2014
Retirement of indebtedness	\$ 340,689	\$ 326,091
Renewals and replacements	<u>1,068,301</u>	<u>964,900</u>
	<u>\$ 1,408,990</u>	<u>\$ 1,290,991</u>

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

Southern Illinois University Board of Trustees and Officers of Administration Fiscal Year 2015

BOARD OF TRUSTEES OF SOUTHERN ILLINOIS UNIVERSITY

Randal Thomas, Chair	Springfield
Donna Manering, Vice Chair	Makanda
Don Lowery, Secretary (July-March)	Golconda
Joel Sambursky, (July-January), Reappointed (March-June)	Carbondale
J. Phil Gilbert (March-June)	Carbondale
Roger Herrin	Harrisburg
Shirley Portwood	Godfrey
Mitch Morecraft	Edwardsville
Adrian Miller	Carbondale
Amy Sholar (March-June)	Alton
Marquita Wiley (July-March)	Belleville

OFFICERS OF SOUTHERN ILLINOIS UNIVERSITY

Randy J. Dunn, President
Lucas Crater, General Counsel, Interim General Counsel (July-March)
Paul Sarvela, Vice President, Academic Affairs (July)
Duane Stucky, Senior Vice President, Financial and Administrative Affairs, and Board Treasurer
Misty Whittington, Executive Secretary of the Board

OFFICERS OF ADMINISTRATION, SOUTHERN ILLINOIS UNIVERSITY CARBONDALE

Rita Cheng, Chancellor (July-August)
Paul Sarvela, Acting Chancellor (July), Interim Chancellor (August-November)
John W. Nicklow, Provost and Vice Chancellor for Academic Affairs (July)
Susan M. Ford, Acting Provost & Vice Chancellor for Academic Affairs (November-June)
J. Kevin Dorsey, Dean and Provost, School of Medicine
Kevin D. Bame, Vice Chancellor for Administration and Finance
James Salmo, Vice Chancellor for Development and Alumni Relations

OFFICERS OF ADMINISTRATION, SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE

Julie Furst-Bowe, Chancellor
Parviz Ansari, Provost and Vice Chancellor for Academic Affairs
Narbeth Emmanuel, Vice Chancellor for Student Affairs
Kenneth Neher, Vice Chancellor for Administration
Rachel Stack, Vice Chancellor for University Advancement

FINANCIAL STATEMENT REPORT

SUMMARY

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

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



CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities of the Southern Illinois University Medical Facilities System ("the System") as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities for the System as of June 30, 2015 and 2014, and the changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During fiscal year ended June 30, 2015, the System adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result of the implementation of these standards, the University reported a restatement for the change in accounting principle. See Note 1. Our auditors' opinion was not modified with respect to the restatement.

As discussed in Note 1A, the financial statements of the System are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of Southern Illinois University that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of Southern Illinois University as of June 30, 2015 and 2014, and its changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Southern Illinois University Medical Facilities Systems's Proportionate Share of Net Pension Liability and the Schedule of Contributions on page 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

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

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

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

In connection with our audits, nothing came to our attention that caused us to believe that the System was not in compliance with any of the fund accounting covenants of the Resolutions of the Board of Trustees of Southern Illinois University, which provided for the issuance of the Southern Illinois University Medical Facilities System Revenue Bonds Series 2015A and Revenue Bonds Series 2005, adopted December 11, 2014 and October 13, 2005, respectively, insofar as they related to accounting matters. However, our audits were not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the System's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the Resolution of the Board of Trustees of Southern Illinois University, insofar as they relate to accounting matters.

Restricted Use Relating to the Other Matter

The purpose of the communication related to compliance with the aforementioned Resolution of the Board of Trustees of Southern Illinois University described in the Other 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 under separate cover dated December 11, 2015, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Peoria, Illinois
December 11, 2015

SOUTHERN ILLINOIS UNIVERSITY
MEDICAL FACILITIES SYSTEM
STATEMENTS OF NET POSITION
June 30, 2015 and 2014

	2015	2014
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,623,213	\$ 2,614,104
Cash and cash equivalents, restricted	1,070,840	1,242,261
Short term investments, restricted	423,131	447,210
Accounts receivable	2,913,814	3,193,748
Accrued interest receivable	643	711
Prepaid expenses and other assets	- ----	4,661
TOTAL CURRENT ASSETS	7,031,641	7,502,695
NONCURRENT ASSETS:		
Prepaid expenses and other assets	- ----	50,108
Capital assets not being depreciated:		
Land	2,565,115	2,565,115
Total capital assets not being depreciated	2,565,115	2,565,115
Capital assets being depreciated, net:		
Equipment	6,755,356	6,426,630
Buildings	36,369,587	36,369,587
Less accumulated depreciation	(14,576,693)	(13,147,526)
Total capital assets being depreciated, net	28,548,250	29,648,691
TOTAL NONCURRENT ASSETS	31,113,365	32,263,914
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	378,062	570,609
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	38,523,068	40,337,218
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	298,375	662,142
Accrued interest payable	85,624	176,778
Accrued payroll	422,405	543,373
Accrued compensated absences	161,809	252,995
Revenue bonds payable	1,445,000	1,131,775
TOTAL CURRENT LIABILITIES	2,413,213	2,767,063
NONCURRENT LIABILITIES:		
Accrued compensated absences	1,679,860	1,839,774
Revenue bonds payable	11,995,000	13,537,927
TOTAL NONCURRENT LIABILITIES	13,674,860	15,377,701
TOTAL LIABILITIES	16,088,073	18,144,764
NET POSITION		
Net investment in capital assets	18,051,427	18,114,711
Restricted for:		
Expendable		
Capital projects and debt service	1,408,990	1,290,991
Unrestricted	2,974,578	2,786,752
TOTAL NET POSITION	\$ 22,434,995	\$ 22,192,454

The accompanying notes are an integral part of this statement.

SOUTHERN ILLINOIS UNIVERSITY
MEDICAL FACILITIES SYSTEM
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2015 and 2014

	2015	2014
REVENUES		
OPERATING REVENUES		
Medical Facilities System	\$ 42,166,769	\$ 40,301,094
TOTAL OPERATING REVENUES	42,166,769	40,301,094
EXPENSES		
OPERATING EXPENSES		
Salaries and wages	52,458,093	48,949,230
Contractual services	11,337,436	10,242,120
Other	2,921,376	3,290,890
Depreciation	1,729,610	1,675,255
TOTAL OPERATING EXPENSES	68,446,515	64,157,495
OPERATING LOSS	(26,279,746)	(23,856,401)
NONOPERATING REVENUES (EXPENSES)		
Investment income	6,722	14,978
Gifts and contributions	115,842	115,842
Interest on capital asset-related debt	(710,298)	(760,038)
Payments on behalf of the system	26,549,924	22,560,678
Other nonoperating revenues	496	-
NET NONOPERATING REVENUES	25,962,686	21,931,460
LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	(317,060)	(1,924,941)
OTHER REVENUES, EXPENSES, GAINS OR LOSSES		
Capital assets retired	(63,622)	(39,435)
Additions to plant facilities from other sources	623,223	217,567
TOTAL OTHER REVENUES, EXPENSES, GAINS OR LOSSES	559,601	178,132
INCREASE (DECREASE) IN NET POSITION	242,541	(1,746,809)
NET POSITION		
Net position at beginning of year	22,192,454	23,939,263
NET POSITION AT END OF YEAR	\$ 22,434,995	\$ 22,192,454

The accompanying notes are an integral part of this statement.

SOUTHERN ILLINOIS UNIVERSITY
MEDICAL FACILITIES SYSTEM
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Medical Facilities System	\$ 42,447,782	\$ 41,340,036
Payments to employees	(26,279,038)	(26,354,328)
Payments for utilities	(489,536)	(429,714)
Payments to suppliers	(14,134,240)	(13,003,001)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,544,968	1,552,993
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions for other than capital purposes	115,842	115,842
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	115,842	115,842
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchases of capital assets	(69,568)	(74,828)
Principal paid on capital debt	(1,085,000)	(1,015,000)
Interest paid on capital debt	(768,839)	(750,250)
Proceeds from capital debt	13,440,000	- ----
Deposit to bond escrow account	(13,370,000)	- ----
Other	495	- ----
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	(1,852,912)	(1,840,078)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	1,437,494	1,829,174
Investment income	5,681	14,647
Purchase of investments	(1,413,385)	(1,836,499)
NET CASH PROVIDED BY INVESTING ACTIVITIES	29,790	7,322
NET DECREASE IN CASH	(162,312)	(163,921)
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR	3,856,365	4,020,286
CASH AND CASH EQUIVALENTS - END OF THE YEAR	\$ 3,694,053	\$ 3,856,365
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating loss	\$ (26,279,746)	\$ (23,856,401)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation expense	1,729,610	1,675,255
Payments on behalf of the system	26,549,924	22,560,678
Changes in assets and liabilities:		
Receivables, net	281,013	1,038,942
Accounts payable	(363,767)	98,749
Accrued payroll	(120,967)	85,389
Accrued compensated absences	(251,099)	(49,619)
NET CASH PROVIDED BY OPERATING ACTIVITIES:	\$ 1,544,968	\$ 1,552,993
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
On behalf payments for fringe benefits	\$ 26,549,924	\$ 22,560,678
Capital asset acquisitions from other sources	623,223	217,567
Loss on disposal of capital assets	63,622	39,435

The accompanying notes are an integral part of this statement.

**SOUTHERN ILLINOIS UNIVERSITY
MEDICAL FACILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014**

1. Significant Accounting Policies

(A) Basis of Presentation

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

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. Additionally, effective July 1, 2001, the System adopted GASB Statement No. 37, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The System now follows the business-type activity reporting requirements of GASB Statement Nos. 35, 37 and 38 that provide a comprehensive, entity-wide perspective of the System's financial activities and replaces the fund group presentations previously required. Effective July 1, 2004, the System adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. The objective of this statement is to update the custodial credit risk disclosure requirements and to establish more comprehensive disclosure requirements addressing the common risks of deposits and investments. Effective July 1, 2007, the System adopted GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. The System has disclosed pledged revenues in Note 6 to the financial statements. Effective July 1, 2012, the System adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. Incorporating GASB Statement No. 63 in the System's 2013 financial statements had no effect on beginning net position. Effective July 1, 2013, the System adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Incorporating GASB Statement No. 65 in the System's 2014 financial statements resulted in the presentation of the deferred loss on refunding, previously reported as a reduction of revenue bonds payable, as a deferred outflow on the Statement of Net Position. It also resulted in the expensing of the unamortized non-insurance components of the bond issuance costs, which were previously reported as prepaid expenses. This change resulted in a (\$147,283) adjustment to fiscal year 2013 beginning net position. Effective July 1, 2014 the System adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which addresses the accounting and financial reporting by state and local governments for pensions.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the plan net position of the State Universities Retirement System (SURS) 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 8.

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.

**SOUTHERN ILLINOIS UNIVERSITY
MEDICAL FACILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014**

(B) Compensated Absences

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

(C) Buildings, Improvements and Equipment

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

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

(D) Revenues and Expenses

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

(E) Cash and Cash Equivalents

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

(F) Investments

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

(G) Allowance for Uncollectibles

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

(H) Bond Issuance Insurance Costs

The system incurred no bond issuance insurance costs on the Series 2015A bonds.

(I) On-Behalf Payments

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the System reported on-behalf payments made by agencies of the State of Illinois for health care and retirement. These costs are reflected in an equal amount in both the nonoperating revenues and salaries and wages of the System. On-behalf payments for the year ended June 30, 2015 amounted to \$15,691,294 for health care costs, and \$10,858,630 for retirement costs. On behalf payments for the year ended June 30, 2014 amounted to \$12,946,246 for health care costs and \$9,614,432 for retirement costs. Payments for retirement costs were made to the State Universities Retirement System in both years

(J) Classifications of Net Position

Net position represents the difference between System assets and deferred outflows and liabilities and deferred inflows and is divided into three major categories. The first category, Net investment in capital assets, represents the System's equity in property, plant and equipment. The next 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

**SOUTHERN ILLINOIS UNIVERSITY
MEDICAL FACILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014**

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.

2. Pooled Cash and Investments

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

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

The University has pooled certain cash and investments for the purpose of securing a greater return on investment and providing a more equitable distribution of investment return. Pooled investments, which consist principally of government securities, are stated at market. Income is distributed quarterly based upon average balances invested in the pool over the prior 13 week period. There are no investments in foreign currency. It is not feasible to separately determine the System's bank balance at June 30, 2015 or June 30, 2014, due to the pooling of the University's cash and investments.

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

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

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

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

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

**SOUTHERN ILLINOIS UNIVERSITY
MEDICAL FACILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014**

Interest rate risk is disclosed below using the segmented time distribution method. As of June 30, 2015 and 2014, the System had the following cash and investment balances:

		AS OF JUNE 30, 2015			
		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1-5	6-10	More than 10
U.S. Treasuries	\$ 423,131	\$ 423,131	\$ -	\$ -	\$ -
Total Investments	<u>423,131</u>	<u>\$ 423,131</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Cash and Equivalents					
The Illinois Funds	<u>3,694,053</u>				
Total Cash & Equivalents	<u>3,694,053</u>				
 Total Cash & Investments	 <u>\$ 4,117,184</u>				
		AS OF JUNE 30, 2014			
		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1-5	6-10	More than 10
U.S. Treasuries	\$ 447,210	\$ 447,210	\$ -	\$ -	\$ -
Total Investments	<u>447,210</u>	<u>\$ 447,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Cash and Equivalents					
The Illinois Funds	<u>3,856,365</u>				
Total Cash & Equivalents	<u>3,856,365</u>				
 Total Cash & Investments	 <u>\$ 4,303,575</u>				

3. Investments and Investment Income

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

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses of investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. Investment income net of realized and unrealized gains and losses on investments for the years ended June 30, 2015 and 2014 is reflected below.

	<u>2015</u>	<u>2014</u>
Interest earnings	\$ 6,745	\$14,965
Unrealized gain (loss) on investments	<u>(23)</u>	<u>13</u>
Net Investment Income	<u>\$ 6,722</u>	<u>\$14,978</u>

**SOUTHERN ILLINOIS UNIVERSITY
MEDICAL FACILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014**

4. Capital Assets

Capital asset activity for the System for the fiscal year ended June 30, 2015 was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
Capital assets not being depreciated				
Land	\$ 2,565,115	\$ -	\$ -	\$ 2,565,115
Total capital assets not being depreciated	<u>2,565,115</u>	<u>-</u>	<u>-</u>	<u>2,565,115</u>
Capital assets being depreciated				
Equipment	6,426,630	692,791	364,065	6,755,356
Buildings	<u>36,369,587</u>	<u>-</u>	<u>-</u>	<u>36,369,587</u>
Total capital assets being depreciated	42,796,217	692,791	364,065	43,124,943
Total capital assets	<u>45,361,332</u>	<u>692,791</u>	<u>364,065</u>	<u>45,690,058</u>
Accumulated depreciation				
Equipment	3,941,173	795,215	300,443	4,435,945
Building	<u>9,206,353</u>	<u>934,395</u>	<u>-</u>	<u>10,140,748</u>
Total accumulated depreciation	<u>13,147,526</u>	<u>\$ 1,729,610</u>	<u>\$ 300,443</u>	<u>14,576,693</u>
Capital assets - net	<u>\$ 32,213,806</u>			<u>\$ 31,113,365</u>

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

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

**SOUTHERN ILLINOIS UNIVERSITY
MEDICAL FACILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014**

5. Changes in Liabilities

Liability activity for the years ended June 30, 2015 and 2014 was as follows:

	2015				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable	\$ 14,669,702	\$ 13,440,000	\$14,669,702	\$ 13,440,000	\$1,445,000
Compensated absences	2,092,769	169,649	420,749	1,841,669	161,809
Total	<u>\$ 16,762,471</u>	<u>\$13,609,649</u>	<u>\$15,090,451</u>	<u>\$ 15,281,669</u>	<u>\$1,606,809</u>
	2014				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable	\$ 15,734,004	\$ -	\$ 1,064,302	\$ 14,669,702	\$1,131,775
Compensated absences	2,142,387	180,832	230,450	2,092,769	252,995
Total	<u>\$ 17,876,391</u>	<u>\$ 180,832</u>	<u>\$ 1,294,752</u>	<u>\$ 16,762,471</u>	<u>\$1,384,770</u>

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

6. Revenue Bonds Payable

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

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

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

On December 11, 2014, the Board adopted a resolution authorizing and providing for the continued existence of the Southern Illinois University Medical Facilities System and for the issuance of Southern Illinois University Medical Facilities System Revenue Bonds, Series 2015A. The bonds were issued and sold February 12, 2015 in the amount of \$13,440,000 bearing interest of 1.65% payable semi-annually and principal installments ranging from \$1,445,000 to \$1,865,000 payable annually April 1 through the year 2023. Bond proceeds of \$13,370,000 and Board funds of \$1,439,036 were deposited in the bond escrow account in either cash or U.S. Government securities which, together with the interest earned thereon, were used to current refund the Series 2005 bonds. Bond proceeds of \$70,000 were reserved to pay for the costs related to issuance of the Series 2015A bonds. The current refunding of the Series 2005 bonds resulted in a \$2,413,854 net decrease in debt service payments, an economic gain of \$1,982,564 and an accounting gain of \$38,870.

Series 2015A bonds are subject to mandatory redemption prior to maturity through the application of sinking fund payments in integral multiples of \$5,000 selected by the Bond Registrar, at a redemption price equal to 100% of the principal amount, plus accrued interest to the date fixed for redemption, in the following amounts in each of the years set forth below:

**SOUTHERN ILLINOIS UNIVERSITY
MEDICAL FACILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014**

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	1,445,000	251,944	1,696,944
2017	1,550,000	197,918	1,747,918
2018	1,605,000	172,342	1,777,342
2019	1,660,000	145,860	1,805,860
2020	1,715,000	118,470	1,833,470
2021-2023	<u>5,465,000</u>	<u>181,913</u>	<u>5,646,913</u>
Total Payments	<u>\$ 13,440,000</u>	<u>\$ 1,068,447</u>	<u>\$ 14,508,447</u>

These bonds do not constitute a debt of the State of Illinois or the individual members, officers or agents of the Board of Trustees of the University but, together with interest thereon, are payable from and secured by a pledge of and lien on (i) the net revenues of the System, (ii) pledged tuition (subject to prior payment of necessary operating and maintenance expenses of the Housing and Auxiliary Facilities System, debt service of the Housing and Auxiliary Facilities System not to exceed the maximum annual debt service, and then necessary operating and maintenance expenses of the System), and (iii) the Bond and Interest Sinking Fund Account. Total principal and interest remaining on the debt is \$14,508,447 with annual requirements ranging from \$1,696,944 to \$1,895,773.

For the current year, principal and interest paid on the Series 2005 bonds prior to redemption was \$1,785,334 and the total revenues pledged were \$113,611,385. Total revenue pledged represents 100 percent of the net revenues of the System in fiscal years 2015 and 2014 and 80.2 percent of net tuition revenue received in fiscal year 2015 and 83.1 percent of net tuition revenue received in fiscal year 2014. Although net tuition is pledged it is not expected to be needed to meet debt service requirements.

All of the Series 1997 bonds referred to above were called for redemption and payment prior to their maturity on April 1, 2007 at a redemption price of 102% of the principal. All of the Series 2005 bonds referred to above were called for redemption and payment at April 1, 2015 at a redemption price of 100% of principal.

7. Related Party Transactions

Expenditures capitalized include \$623,223 paid for by other University funds in fiscal year 2015 and \$217,567 in fiscal year 2014. The expenditures were for the purchase of equipment to be utilized in the various Medical Facilities System facilities. In addition, \$115,842 was received from other University funds in both fiscal year 2015 and fiscal year 2014 and used for payment of debt.

8. Retirement Benefits

General Information about the Pension Plan

Plan Description: Substantially all employees of the System 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 Section 5/15, Chapter 40, of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.SURS.org.

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, 2014 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

**SOUTHERN ILLINOIS UNIVERSITY
MEDICAL FACILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014**

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 2014 and 2015 respectively, was 11.91% and 11.71% 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: At June 30, 2014, SURS reported a net pension liability (NPL) of \$21,790,983,139. The net pension liability was measured as of June 30, 2013.

Employer Proportionate Share of Net Pension Liability: The amount of the proportionate share of the net pension liability to be recognized for Southern Illinois University (SIU), of which the System is a part, is \$0. The proportionate share of the State’s net pension liability associated with SIU is \$2,080,655,567 or 9.55%. This amount is not recognized in the financial statements. The net pension liability was measured as of June 30, 2014, and the total pension used to calculate the net pension liability was determined based on the June 30, 2013 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 2014.

Pension Expense: At June 30, 2014 SURS reported a collective net pension expense of \$1,650,338,263.

Employer Proportionate Share of Pension Expense: The employer 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 2014. As a result, SIU recognized on-behalf revenue and pension expense of \$157,578,273 for the fiscal year ended June 30, 2015. The system recognizes on-behalf revenue and pension expense \$10,858,630 for the fiscal year ended June 30, 2015.

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	\$ 0	\$ 0
Changes in assumption	88,940,815	0
Net difference between projected and actual earnings on pension plan investments	0	1,271,105,952
Total	\$88,940,815	\$1,271,105,952

Employer Deferral of Fiscal Year 2015 Pension Expense

SIU paid \$2,735,385 in federal, trust or grant contributions for the fiscal year ended June 30, 2015. These contributions were made subsequent to the pension liability measurement date of June 30, 2014 and are recognized as Deferred Outflows of Resources as of June 30, 2015. None of these payments were within the System.

Assumptions and Other Inputs

Actuarial assumptions: The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period June 30, 2006-2010 and an economic study completed June 2014. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**SOUTHERN ILLINOIS UNIVERSITY
MEDICAL FACILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014**

Inflation	2.75 percent
Salary increases	3.75 to 12.00 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 RP2000 Combined Mortality Table, projected with Scale AA to 2017, sex-distinct, with rates multiplied by 0.80 for males and 0.85 for females.

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, 2014, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	31%	7.65%
Private Equity	6%	8.65%
Non-U.S. Equity	21%	7.85%
Global Equity	8%	7.90%
Fixed Income	19%	2.50%
Treasury-Inflation Protected Securities	4%	2.30%
Real Estate	6%	6.20%
REITS	4%	6.20%
Opportunity Fund	<u>1%</u>	<u>2.50%</u>
Total	100%	5.00%
Inflation		<u>2.75%</u>
Expected Geometrical Normal Return		7.75%

Discount Rate: A single discount rate of 7.090% 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 7.250% and a municipal bond rate of 4.290% (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 2065. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2065, and the municipal bond rate was applied to all benefit payments after that date.

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

1% Decrease	Current Single Discount Rate Assumption	1% Increase
<u>6.09%</u>	<u>7.09%</u>	<u>8.09%</u>
\$26,583,701,134	\$21,790,983,139	\$17,796,570,836

Change of benefit terms. There were no benefit changes recognized in the Total Pension Liability as of June 30, 2014.

Changes of assumptions. In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every five 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. There are no changes of assumptions that affect measurement of the total collective pension liability since the prior measurement date.

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.

**SOUTHERN ILLINOIS UNIVERSITY
MEDICAL FACILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014**

9. Post-Employment Benefits

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

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

10. Operating leases

The System leases clinical and office space under contracts, some of which are renewable annually and others for multiple years with renewal options at the end of the initial lease period. Many of the renewals are subject to escalation upon proper notice by the lessor. Rental payments on these operating leases totaled \$4,387,547 in 2015 and \$4,905,610 in 2014 and are included in contractual services on the Statements of Revenues, Expenses and Changes in Net Position. Leases extending beyond 2015 have future payments of \$4,219,150 in 2016, \$3,093,993 in 2017, and \$1,376,636 in 2018. There are no leases as of June 30, 2015 with future payments beyond 2018.

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 minimized 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 2015 included a 1.5% discount rate for self-insurance liabilities.

**SOUTHERN ILLINOIS UNIVERSITY
MEDICAL FACILITIES SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2014**

**Schedule of the Medical Facilities System
Proportionate Share of the Net Pension Liability**

	FY2014
(a) Proportion Percentage of the Collective Pension Liability	0%
(b) Proportion Amount of the Collective Net Pension Liability	\$0
(c) Portion of Nonemployer Contributing Entities' Total Proportion of Collective Net Pension Liability associated with Employer	\$145,645,890
Total (b) + (c)	\$145,645,890
Employer Covered-employee payroll	\$24,125,159
Proportion of Collective Net Pension Liability associated With Employer as a percentage of covered-employee payroll	603.71%
 SURS Plan Net Position as a Percentage of Total Pension Liability	 44.39%

Schedule of Contributions

Federal, Trust, Grant and Other contribution	\$0
Contribution in relation to required contribution	\$0
Contribution deficiency (excess)	\$0
 Employer Covered-employee payroll	 \$24,125,159
Contributions as a percentage of covered-employee payroll	0%

Changes of benefit terms. There were no benefit changes recognized in the Total Pension Liability as of June 30, 2014.

Changes of assumptions. In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every five 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. There are no changes of assumptions that affect measurement of the total collective pension liability since the prior measurement date.

*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.

**SOUTHERN ILLINOIS UNIVERSITY
 MEDICAL FACILITIES SYSTEM
 SCHEDULE OF BONDS PAYABLE OUTSTANDING
 June 30, 2015**

	Principal Amount	Interest Rate
Interest Bearing Bonds		
Serial Bonds Maturing as follows:		
2016	1,445,000	1.65%
2017	1,550,000	1.65%
2018	1,605,000	1.65%
2019	1,660,000	1.65%
2020	1,715,000	1.65%
2021	1,770,000	1.65%
2022	1,830,000	1.65%
2023	1,865,000	1.65%
Total Interest Bearing Bonds	\$13,440,000	

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