

SOUTHERN ILLINOIS UNIVERSITY

A Component Unit of the State of Illinois

FINANCIAL AUDIT

For the Year Ended June 30, 2020

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

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
FINANCIAL AUDIT
For the Year Ended June 30, 2020

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For the Year Ended June 30, 2020

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Other Report Issued Under a Separate Cover

Southern Illinois University's *Compliance Examination* (including the Single Audit) for the year ended June 30, 2020, will be issued under a separate cover. Additionally, in accordance with *Government Auditing Standards*, we have issued the Report Required Under *Government Auditing Standards* for the year ended June 30, 2020, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters, under a separate cover. The purpose of this report is solely 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 effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of the audit.



SOUTHERN ILLINOIS UNIVERSITY

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

May 14, 2021

TO THE BOARD OF TRUSTEES
OF SOUTHERN ILLINOIS UNIVERSITY

I am pleased to submit the annual financial report of Southern Illinois University for the year ended June 30, 2020.

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.

The financial statements of the University have been audited by Plante & Moran, PLLC for fiscal year 2020. As Special Assistant Auditors for the Auditor General, they will be issuing a report covering their audits of the compliance of the University with applicable state and federal laws and regulations. This report will also contain supplementary financial information and special data requested by the Auditor General. This report will be 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,

Signature on file

Duane Stucky
Board Treasurer

DS/sjp

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
FINANCIAL AUDIT
For the Year Ended June 30, 2020

UNIVERSITY OFFICIALS

President (3/1/20 to 6/30/20)	Dr. Daniel Mahony
Interim President (7/1/19 to 2/29/20)	J. Kevin Dorsey
Fiscal Officer	Duane Stucky
General Counsel	Lucas Crater
Executive Director, Internal Audit	Kimberly Labonte
SIUC Chancellor (7/1/20 to present)	Austin Lane
SIUC Interim Chancellor (through 6/30/20)	John M. Dunn
SIUE Chancellor	Randall Pembrook

BOARD OFFICERS

Board Chair (2/14/19 to present)	J. Phil Gilbert
Board Vice Chair (3/27/19 to present)	Ed Hightower
Board Secretary (3/27/19 to present)	Roger Tedrick
Secretary to the Board	Misty Whittington

GOVERNING BOARD MEMBERS

Trustee (3/22/19 to present)	Edgar Curtis
Trustee (3/15/21 to present)	Tonya Genovese
Trustee (3/2/15 to present)	J. Phil Gilbert
Trustee (3/22/19 to present)	Ed Hightower
Trustee (3/22/19 to present)	Subhash Sharma
Trustee (3/2/15 to 11/16/20)	Amy Sholar
Trustee (3/22/19 to present)	John Simmons
Trustee (3/22/19 to present)	Roger Tedrick
Student Trustee (7/1/20 to 6/30/21)	Steve Gear
Student Trustee (7/1/20 to 6/30/21)	Jacob Graham
Student Trustee (7/1/18 to 6/30/20)	Brione Lockett
Student Trustee (7/1/19 to 6/30/20)	Mackenzie Rogers

EX OFFICIO MEMBER

Superintendent of Public Instruction

State Superintendent	Dr. Carmen I. Ayala
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SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
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For the Year Ended June 30, 2020

BOARD OFFICES

The Agency's primary administrative offices are located at:

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

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

SOUTHERN ILLINOIS UNIVERSITY
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FINANCIAL AUDIT
For the Year Ended June 30, 2020

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of Southern Illinois University was performed by Plante & Moran, PLLC.

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

EXIT CONFERENCE

The University waived an exit conference in a correspondence from Kim Labonte, Executive Director, Internal Audit, on May 7, 2021.

Independent Auditor's Report

Honorable Frank J. Mautino
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 year ended June 30, 2020, 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.

Auditor's Responsibility

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

The financial statements of The Association of Alumni, Former Students and Friends of Southern Illinois University, Inc. (at Carbondale), The Alumni Association of Southern Illinois University Edwardsville, and Southern Illinois University Edwardsville Foundation, component units of the University, 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Southern Illinois University

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University as of June 30, 2020 and the respective changes in its financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 20 to the financial statements, the COVID-19 pandemic has impacted the operations of the University. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 8-16, the Schedule of Southern Illinois University's Proportionate Share of the Net Pension Liability and the Southern Illinois University Schedule of Contributions on page 66, and the Schedule of Southern Illinois University's Proportionate Share of the Net OPEB liability on page 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements.

The Table of Operating Expenses for the year ended June 30, 2020 on page 69 (accompanying supplementary information) and the Treasurer's Letter on page 1 and University Officials on page 2-3 (accompanying other information), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information 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 by us and other auditors. In our opinion, based on our audit and the procedures performed as described above, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

To the Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Southern Illinois University

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2021 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the University's 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 University's internal control over financial reporting and compliance.

Signature on file

Plante & Moran, PLLC

Portage, Michigan
May 14, 2021

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

Introduction

The following unaudited 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, 2020 with selected comparative information for the year ended June 30, 2019. 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 eight 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; SIU Physicians and Surgeons, Inc.; and SIUE East St. Louis Charter School. 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 Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. The notes to the basic financial statements are an integral part of the basic financial statements and provide additional details which should be included as part of any review or analysis. The financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities and require that financial statements focus on the University as a whole.

Financial Highlights

SIU ended fiscal year 2020 with an increase in the University's total net position of \$25.7 million, to \$623 million. The year showed increases across almost all net position categories, including \$9.6 million in net investment in capital assets, \$11.2 million in expendable restricted assets, and \$5.7 million in unrestricted net position. These increases were offset by a decrease in nonexpendable restricted net position of \$.8 million related to a decrease in endowment fund values held by the SIU Foundation as well as the partial return to the University of its matching portion of the Perkins Loan federal contribution liability. The increase in net investment in capital assets is primarily due to additional capitalized expenditures related to Edwardsville parking lot projects. The increase in the expendable restricted assets net position was primarily due to increased accounts receivable at the Carbondale campus paired with decreases in OPEB and Pension costs allocated to those funds on both campuses. The increase in unrestricted net position was mainly due to an increase of \$10.8 million in the Self-Insurance fund.

In fiscal year 2020, state appropriated funding for the SIU System increased by 5%, compared to the prior year, adding stability to the financial position of the University. It should be noted that appropriated funding is still 5% below the level received in fiscal year 2015, prior to the state's budget impasse. Another major source of revenue, tuition and mandatory fees, decreased \$5.2 million compared to the prior year, primarily due to a decrease in enrollment at the Carbondale campus.

SOUTHERN ILLINOIS UNIVERSITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Financial Highlights (continued)

The last quarter of fiscal year 2020 brought the beginning of a pandemic that has extended into fiscal year 2021. The severity of the impact due to COVID-19 on the University's financial condition is not known at this time and will be dependent upon a number of factors, including the duration of the pandemic. SIU is compliant with the State of Illinois' directives related to the management of the pandemic, including changes to operations that began in mid-March and continued into fiscal year 2021. Financial consequences of the pandemic have included the loss of revenue from the cancellation of numerous campus events, including athletics, as well as increased expenses for technology, cleaning, and other safety measures. Federal funding from the Coronavirus Aid, Relief and Economic Security (CARES) Act offset a portion of the University's costs as well as provided emergency grants to students.

Statement of Net Position

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

The University's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2020, and 2019, are summarized as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Assets and deferred outflows of resources:		
Current assets	\$ 263,544,767	\$ 222,471,893
Capital assets, net	796,384,490	804,284,375
Other assets	140,635,768	180,873,237
Deferred outflows of resources	<u>16,751,932</u>	<u>8,313,025</u>
Total assets and deferred outflows of resources	<u>1,217,316,957</u>	<u>1,215,942,530</u>
Liabilities and deferred inflows of resources:		
Current liabilities	120,310,103	117,415,676
Noncurrent liabilities	420,033,973	427,862,193
Deferred inflows of resources related to OPEB	<u>54,022,471</u>	<u>73,374,098</u>
Total liabilities and deferred inflows of resources	<u>594,366,547</u>	<u>618,651,967</u>
Net Position:		
Net investment in capital assets	582,061,669	572,474,407
Restricted - nonexpendable	4,770,106	5,649,088
Restricted - expendable	67,631,058	56,364,690
Unrestricted (Deficit)	<u>(31,512,423)</u>	<u>(37,197,622)</u>
Total Net Position	<u>\$ 622,950,410</u>	<u>\$ 597,290,563</u>

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, capital projects, agency funds, endowment funds, and loan funds. Unrestricted Net Position does not meet the definition of the first two categories.

SOUTHERN ILLINOIS UNIVERSITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

Statement of Net Position (continued)

As of June 30, 2020, the University had deferred inflows of resources related to postemployment benefits other than pensions totaling \$54 million. The Department of Central Management Services administers the benefits on behalf of the University. The State of Illinois is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees; therefore, the University has recorded a liability of \$154 million related to these benefits as of June 30, 2020. More detailed information is presented in Note 16 in the Notes to Financial Statements.

University assets and deferred outflows of resources totaled \$1.2 billion at June 30, 2020, and are essentially unchanged compared to the prior year. The largest asset of the University is its investment in land, buildings and equipment, which totaled \$796.4 million at June 30, 2020, and \$804.3 million at June 30, 2019. The decrease is due to increased accumulated depreciation of \$45.2 million offset by the addition of non-capitalized assets of \$26.4 million and capitalized assets of \$11 million. More detailed information is presented in Note 7 in the Notes to Financial Statements.

University liabilities and deferred inflows of resources at June 30, 2020, decreased \$24.3 million, compared to 2019. The liability for postemployment benefits other than pensions increased \$16.4 million while the associated deferred inflow of resources decreased \$19.3 million. Also contributing to the decrease was a reduction in the liabilities related to revenue bonds and certificates of participation totaling \$16.3 million and a reduction in refundable federal contributions of \$3.8 million.

The University's 2020 overall net position, the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources, increased \$25.7 million, or 4%, compared to fiscal year 2019.

Capital Assets and Long-Term Debt

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. The following table illustrates the composition of the University's capital assets, net of accumulated depreciation, by category:

	2020		2019	
Land	\$ 22,234,896	2.8%	\$ 22,194,897	2.8%
Buildings	667,044,745	83.7%	621,683,404	77.3%
Improvements and infrastructure	36,472,097	4.6%	34,541,096	4.3%
Equipment	28,369,759	3.6%	26,925,814	3.3%
Collections	13,597,376	1.7%	12,444,555	1.5%
Construction in progress	28,665,617	3.6%	86,494,609	10.8%
	<u>\$ 796,384,490</u>	<u>100.0%</u>	<u>\$ 804,284,375</u>	<u>100%</u>

At the end of fiscal years 2020 and 2019, respectively, the University had \$582,061,669 and \$572,474,407 invested in capital assets, net of accumulated depreciation and related debt. Depreciation expense for 2020 and 2019, respectively, was \$48,075,687 and \$52,767,825, with accumulated depreciation of \$1,178,090,787 and \$1,132,843,270. Various construction projects were completed during fiscal year 2020 which resulted in a decrease in construction in progress of \$57.8 million and an offsetting increase in buildings of \$45.4 million.

SOUTHERN ILLINOIS UNIVERSITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

Statement of Net Position (continued)

Capital Assets and Long-Term Debt (continued)

The University has historically utilized revenue bonds to finance capital projects related to the Housing and Auxiliary Facilities System and the Medical Facilities System which have the ability to generate resources to service the debt. The following table details the bonded debt outstanding at June 30, 2020 and 2019:

	Bonds Payable	
	<u>2020</u>	<u>2019</u>
Housing and Auxiliary Facilities System	\$ 179,848,330	\$ 197,665,004
Medical Facilities System	<u>5,735,000</u>	<u>6,290,000</u>
	<u><u>\$ 185,583,330</u></u>	<u><u>\$ 203,955,004</u></u>

In May 2020, the University issued Series 2020A Certificates of Participation (COPs) with a par value of \$4,575,000. The COPs were issued to finance, in combination with University funds, the construction of the School of Dental Medicine Advanced Care Clinic on the Edwardsville campus. Prior to the May 2020 issuance, COPS were last issued in fiscal year 2014 in the amount of \$43 million for capital improvement projects at Carbondale and to refund the outstanding 2004A COPS issuance. The balances of outstanding COPs at June 30, 2020 and 2019 were \$34,783,469 and \$32,709,347, 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.

Statement of Revenues, Expenses and Changes in Net Position

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

Nonoperating 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 nonoperating 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.

SOUTHERN ILLINOIS UNIVERSITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

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

The following summarizes the University's financial activity for fiscal years 2020 and 2019:

	<u>Year Ended June 30, 2020</u>	<u>Year Ended June 30, 2019</u>
Operating revenues:		
Tuition and fees, net	\$ 220,368,095	\$ 225,568,023
Auxiliary enterprises	79,563,104	88,411,227
Grants and contracts	85,035,588	81,479,148
Other	193,719,736	186,086,105
Operating expenses	<u>(1,054,023,867)</u>	<u>(1,004,480,036)</u>
Operating loss	<u>(475,337,344)</u>	<u>(422,935,533)</u>
State appropriations	194,899,600	185,781,000
Pension and OPEB related revenue	211,569,284	185,683,251
Other nonoperating revenues & expenses, net	<u>89,081,975</u>	<u>76,458,842</u>
Income before other revenues	20,213,515	24,987,560
Other revenues	<u>5,446,332</u>	<u>3,724,917</u>
Increase in net position	25,659,847	28,712,477
Net position at beginning of year	<u>597,290,563</u>	<u>568,578,086</u>
Net position at end of year	<u>\$ 622,950,410</u>	<u>\$ 597,290,563</u>

Operating revenue experienced a net decrease of \$2.9 million, or 0.5%, in fiscal year 2020, compared to 2019. The decrease includes a drop in revenues from student tuition and fees of \$5.2 million and a reduction in auxiliary enterprise revenues of \$8.8 million as a result of declining enrollment and decreased occupancy in University housing. At Edwardsville, auxiliary revenues were also reduced by refunds given to students in response to COVID-19. Also, revenues from the Physicians and Surgeons practice plan decreased \$2.2 million. These decreases were offset by an increase in total grant revenues of \$3.6 million along with an increase in sales and services of educational departments at the School of Medicine of \$9.7 million.

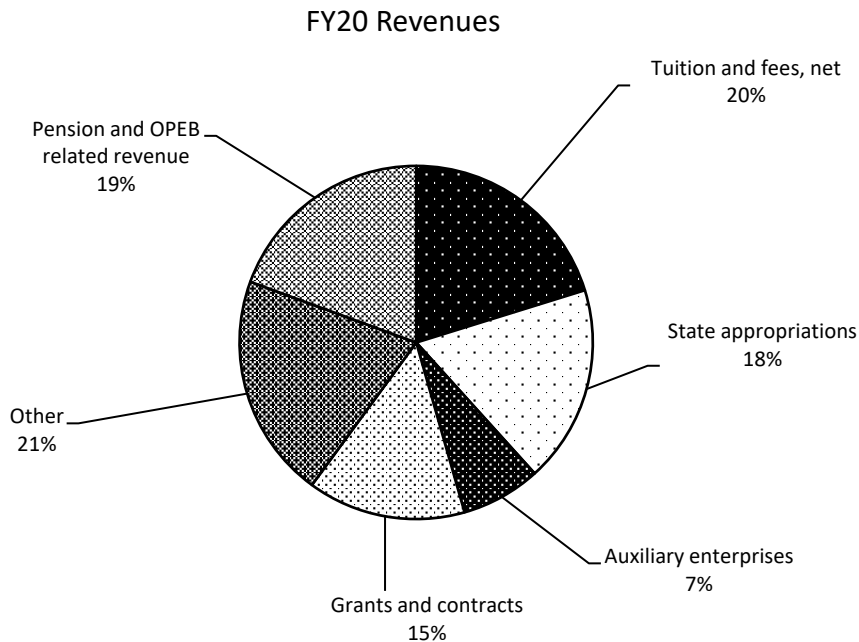
Fiscal year 2020 operating expenses increased \$49.5 million, or 4.9% compared to 2019. The increase resulted primarily from an increase of \$25.9 million in pension and OPEB expenses incurred by the State of Illinois on behalf of the University paired with an increase in academic support expenditures at the School of Medicine of \$21.6 million.

Net nonoperating revenues and expenses realized in 2020 increased \$49.3 million, or 11% from fiscal year 2019. Compared to fiscal year 2019, state appropriation revenue increased \$9.1 million, revenues related to pension and OPEB increased \$25.9 million, and grant and contract revenues increased \$13.2 million. The increase in grant and contract revenues is directly related to the Higher Education Emergency Relief Funds (HEERF) received by the University in response to COVID-19.

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

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

The following is a graphic illustration of fiscal year 2020 revenues by source (operating, nonoperating, 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 \$60,257,470. Student tuition, on-behalf payments, and state appropriations are typically 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.



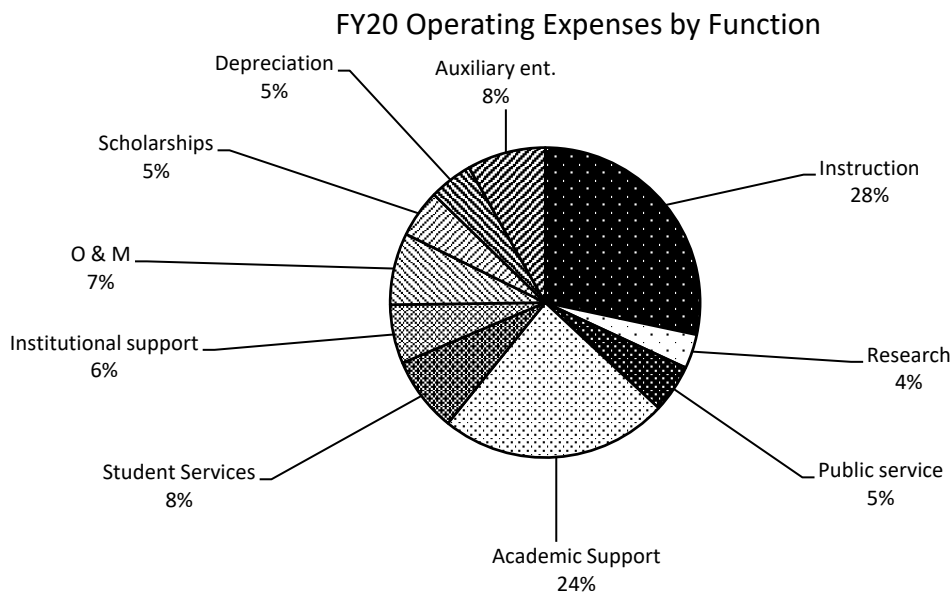
SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

Operating Expenses

A summary of the University's operating expenses by functional classification for the years ended June 30, 2020 and 2019 is as follows:

	<u>2020</u>		<u>2019</u>	
Instruction	\$ 298,586,256	28.3%	\$ 286,390,991	28.5%
Research	37,673,682	3.6%	40,720,774	4.0%
Public service	52,843,522	5.0%	59,826,889	6.0%
Academic support	251,628,282	23.9%	218,823,789	21.8%
Student services	82,567,767	7.8%	75,008,574	7.5%
Institutional support	64,732,315	6.1%	63,153,757	6.3%
Operation and maintenance of plant	79,156,938	7.5%	77,440,171	7.7%
Scholarships and fellowships	52,470,072	5.0%	50,468,249	5.0%
Depreciation	48,075,687	4.6%	52,767,825	5.2%
Auxiliary enterprises	86,156,013	8.2%	79,879,017	8.0%
Other expenditures	133,333	0.0%	-	0.0%
	<u>\$ 1,054,023,867</u>	<u>100%</u>	<u>\$ 1,004,480,036</u>	<u>100%</u>

Operating expenses include \$211,569,284 and \$185,683,251 for health care and retirement costs of University employees and retirees primarily paid by the State of Illinois for fiscal years 2020 and 2019, respectively. Expenses recognized by the University related to retirement costs increased \$37.8 million from fiscal year 2019 while expenses related to Other Post-Employment Benefits (OPEB) decreased \$11.9 million. These expenses have been allocated by function. The University chooses to report its expenses by functional classification in the Statement of Revenues, Expenses and Changes in Net Position. The expenses are displayed in their natural classifications in Note 19. The following is a graphic illustration of operating expenses by function for the year ended June 30, 2020:



SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

Statement of Cash Flows

The Statement of Cash Flows provides additional information about the University's sources and uses of cash during the fiscal year. This statement helps users assess the University's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing. The following summarizes the University's cash flow activity for fiscal years 2020 and 2019:

	<u>Year Ended June 30, 2020</u>	<u>Year Ended June 30, 2019</u>
Cash provided by (used in):		
Operating activities	\$ (266,244,740)	\$ (197,605,413)
Noncapital financing activities	279,746,169	261,893,110
Capital and related financing activities	(61,635,716)	(60,331,914)
Investing activities	<u>72,962,161</u>	<u>18,796,916</u>
Net increase (decrease) in cash	24,827,874	22,752,699
Cash and cash equivalents, beginning of year	<u>113,828,564</u>	<u>91,075,865</u>
Cash and cash equivalents, end of year	<u><u>\$ 138,656,438</u></u>	<u><u>\$ 113,828,564</u></u>

Major sources of funds included in operating activities are student tuition and fees, grants and contracts, sales and services of educational activities, auxiliary enterprises, and other operating receipts. For fiscal years 2020 and 2019, respectively, student tuition and fees generated \$236.3 million and \$243.7 million. Grants and contracts provided \$83.1 million and \$76.3 million. Sales and services of educational activities received \$142.5 million and \$134.5 million, auxiliary enterprises generated \$84.3 million and \$93.9 million, and other operating receipts totaled \$82.2 million and \$107.9 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 which totaled \$943 million in fiscal year 2020 compared to \$904.9 million in fiscal year 2019.

The major sources of funds in noncapital financing activities are state appropriations and non-exchange grants and contracts. State appropriations increased \$9.1 million in fiscal year 2020 while non-exchange grants and contracts increased \$13.2 million. The increase in non-exchange grants was primarily driven by the Higher Education Emergency Relief Funds (HEERF) received by the University in response to COVID-19.

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 was slightly more in fiscal year 2020 compared to fiscal year 2019. In May, 2020, the University issued Certificates of Participation with a par value of \$4,575,000 for the School of Dental Medicine project on the Edwardsville campus. In April 2019, the University issued Housing and Auxiliary Facilities System Series 2019A bonds with a par value of \$5,040,000 for parking lot construction on the Edwardsville campus.

Investing activities include the purchases, sales, and maturities of investments as well as investment income. Cash provided by this activity increased \$54 million compared to fiscal year 2019 primarily due to reduced investment purchases.

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

Economic Outlook

Southern Illinois University received approximately 38% of its fiscal year 2020 operating revenues from State funding sources including direct operating appropriations, special funding situation payments to fund University employees' benefits and payments on-behalf to fund University employees' benefits. In June 2020, the legislators and Governor approved an operating budget for fiscal year 2021 providing \$194.9 million of funding to Southern Illinois University; an amount equal to the prior years' appropriation. In addition, the fiscal year 2020 capital appropriation bill included nearly \$188.4 million of new construction capital funding for Southern Illinois University. These capital funds are scheduled to be released over a 6-year period.

Tuition for first time students was held level between Fall 2019 and Fall 2020 at \$9,638 for the Carbondale campus and \$9,123 for the Edwardsville campus. The consolidated general student fees also remained unchanged at \$117 per credit hour at the Carbondale campus and \$103.20 per credit hour at the Edwardsville campus.

Enrollment at Southern Illinois University was down 2.1% from 24,756 in the Fall of 2019 to 24,226 in the Fall of 2020. On September 17, 2020, the University's Board of Trustees approved the fiscal year 2021 operating budget. Fiscal year 2021 revenues are projected to decline and expenses are projected to increase when compared to fiscal year 2020 levels primarily due to the impact of COVID-19 (see footnote 20). Southern Illinois University continues efforts to develop and expand its revenue base, implement cost saving measures, and enhance liquidity.

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF NET POSITION
June 30, 2020

	UNIVERSITY	RELATED ORGANIZATIONS
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and cash equivalents	\$ 83,543,751	\$ 14,721,255
Cash and cash equivalents, restricted	55,112,687	4,723,620
Short-term investments	9,930,285	12,209,227
Short-term investments, restricted	20,442,318	37,555,382
Deposits with University	-	12,885,122
Reimbursement due from State Treasurer	35,871,858	-
Accounts receivable, net	40,863,076	15,681,171
Notes receivable, net	2,463,519	-
Accrued interest receivable	43,319	415,760
Due from related organizations	2,916,167	883,713
Inventories	7,809,889	-
Prepaid expenses and other assets	4,547,898	2,712,943
Total Current Assets	263,544,767	101,788,193
Noncurrent Assets:		
Long-term investments	67,366,074	33,788,017
Long-term investments, restricted	59,182,925	183,819,407
Notes receivable, net	10,939,329	12,140
Prepaid expenses and other assets	3,147,440	6,717,905
Capital assets, not depreciated	64,497,889	496,091
Capital assets, net of depreciation	731,886,601	3,447,537
Total Noncurrent Assets	937,020,258	228,281,097
Deferred outflows of resources	16,751,932	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	1,217,316,957	330,069,290
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Current Liabilities:		
Accounts payable	25,550,286	2,111,785
Accrued interest payable	2,093,946	-
Accrued payroll	9,277,321	3,169,327
Accrued compensated absences	3,992,205	-
Revenue bonds payable	21,081,190	-
Certificates of participation	3,035,878	-
Liabilities under capitalized leases	150,405	-
Annuities payable	-	125,825
Accrued liability for self-insurance	4,773,230	-
Liability for OPEB	3,437,239	-
Deposits held for University related organizations	12,885,122	-
Deposits held in custody for others	781,020	103,621
Unearned revenue	32,287,346	248,407
Housing deposits	81,202	-
Due to related organizations	883,713	2,916,167
Total Current Liabilities	120,310,103	8,675,132

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF NET POSITION
June 30, 2020

	UNIVERSITY	RELATED ORGANIZATIONS
Noncurrent Liabilities:		
Accrued compensated absences	41,269,345	-
Revenue bonds payable	164,502,140	-
Certificates of participation	31,747,591	-
Liabilities under capitalized leases	592,968	-
Annuities payable	-	973,604
Accrued liability for self-insurance	18,564,324	-
Liability for OPEB	150,569,855	-
Federal loan program contributions refundable	12,688,502	-
Housing deposits	99,248	-
Other accrued liabilities	-	1,684,677
Deposits held in custody for others	-	2,607,014
Total Noncurrent Liabilities	420,033,973	5,265,295
Deferred inflows of resources related to OPEB	54,022,471	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	594,366,547	13,940,427
NET POSITION		
Net investment in capital assets	582,061,669	3,943,628
Restricted for:		
Nonexpendable	4,770,106	139,838,928
Expendable		
Capital projects	26,393,256	1,590,275
Debt service	12,408,721	-
Housing Auxiliary System	3,965,223	-
Scholarships, research, instruction and other	24,863,858	93,082,053
Unrestricted (Deficit)	(31,512,423)	77,673,979
TOTAL NET POSITION	\$ 622,950,410	\$ 316,128,863

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2020

	<u>UNIVERSITY</u>	<u>RELATED ORGANIZATIONS</u>
REVENUES		
Operating Revenues:		
Student tuition and fees (net of scholarship allowances of \$60,257,470)	\$ 220,368,095	\$ -
Federal grants and contracts	38,871,220	-
State of Illinois grants and contracts	21,366,490	-
Other government grants and contracts	5,163,461	-
Private grants and contracts	19,634,417	-
Sales and services of educational departments	145,716,510	-
Physicians and Surgeons practice plan	48,003,162	-
Patient service revenue (net)	-	95,821,839
Auxiliary enterprises:		
Funded debt enterprises (net of scholarship allowances of \$7,844,208)	68,721,683	-
Other auxiliary enterprises (net of scholarship allowances of \$1,146,951)	10,841,421	-
Other operating revenues	64	26,803,577
Total Operating Revenues	<u>578,686,523</u>	<u>122,625,416</u>
EXPENSES		
Operating Expenses:		
Instruction	298,586,256	-
Research	37,673,682	-
Public service	52,843,522	-
Academic support	251,628,281	-
Student services	82,567,767	-
Institutional support	64,732,315	131,009,043
Operation and maintenance of plant	79,156,938	-
Scholarships and fellowships	52,470,073	-
Depreciation	48,075,686	687,381
Auxiliary enterprises:		
Funded debt enterprises	73,019,284	-
Other auxiliary enterprises	13,136,730	-
Other operating expenses	133,333	-
Total Operating Expenses	<u>1,054,023,867</u>	<u>131,696,424</u>
Operating Loss	<u>(475,337,344)</u>	<u>(9,071,008)</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations	194,899,600	-
Gifts and contributions	13,032,409	11,518,650
Investment income	13,131,503	3,045,571
Grants and contracts	72,709,355	40,000
Interest on capital asset-related debt	(7,846,954)	-
Accretion on bonds payable	(2,477,135)	-
University related organizations	469,636	-
Special funding situation for fringe benefits	151,561,419	-
Benefit payments on behalf of the University	60,007,865	-
Other nonoperating revenues	63,161	(2,401,100)
Net Nonoperating Revenues	<u>495,550,859</u>	<u>12,203,121</u>
Gain Before Other Revenues	<u>20,213,515</u>	<u>3,132,113</u>
Other Revenues:		
Capital state appropriations	2,069,343	-
Additions to permanent endowments	-	4,596,751
Capital grants and gifts	3,376,989	-
Total Other Revenues	<u>5,446,332</u>	<u>4,596,751</u>
Increase in Net Position	<u>25,659,847</u>	<u>7,728,864</u>
NET POSITION		
Net position at beginning of year	597,290,563	308,399,999
Net position at end of year	<u>\$ 622,950,410</u>	<u>\$ 316,128,863</u>

The accompanying notes are an integral part of this statement.

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020

	<u>UNIVERSITY</u>	<u>RELATED ORGANIZATIONS</u>
Cash Flows from Operating Activities		
Tuition and fees	\$ 236,257,359	\$ -
Grants and contracts	83,094,526	-
Sales and services of educational activities	142,532,445	-
Physicians and Surgeons	48,312,587	-
Auxiliary enterprise revenues:		
Funded debt	72,917,294	-
Other auxiliary	11,429,537	-
Payments for employee salaries and benefits	(564,157,031)	(33,523,055)
Payments to suppliers	(269,113,667)	(93,534,501)
Payments for scholarships and fellowships	(109,698,378)	-
Patient service revenue	-	98,870,392
Other operating receipts	82,180,588	19,059,686
Net cash used in operating activities	<u>(266,244,740)</u>	<u>(9,127,478)</u>
Cash Flows from Noncapital Financing Activities		
State appropriations	194,904,666	-
Direct lending receipts	160,349,061	-
Direct lending payments	(160,289,048)	-
Grants and contracts	72,709,355	40,000
Loans issued to students	1,953	-
Interest earned on loans to students	295,219	-
Collection of loans from students	2,217,956	-
Government repayments for federal loan funds	(3,379,747)	-
Payments to annuitants	-	(125,825)
Other	1,827,273	(3,066,643)
Gifts for other than capital purposes	11,109,481	16,156,781
Net cash provided by noncapital financing activities	<u>279,746,169</u>	<u>13,004,313</u>
Cash Flows from Capital and Related Financing Activities		
Capital appropriations	1,915,488	-
Purchases of capital assets	(38,840,450)	(1,265,634)
Proceeds from capital debt	4,575,000	-
Other	1,740,998	79
Principal paid on capital debt	(22,560,000)	-
Interest paid on capital debt	(8,466,752)	-
Net cash used in capital and related financing activities	<u>(61,635,716)</u>	<u>(1,265,555)</u>
Cash Flows from Investing Activities		
Purchases of investments	(57,793,811)	(15,284,008)
Proceeds from sales of investments and maturities	122,287,997	10,092,289
Investment income	8,467,975	5,663,401
Net cash used in investing activities	<u>72,962,161</u>	<u>471,682</u>
Net increase (decrease) in cash	<u>24,827,874</u>	<u>3,082,962</u>
Cash and cash equivalents, beginning of the year	113,828,564	16,361,915
Cash and cash equivalents, end of the year	<u>\$ 138,656,438</u>	<u>\$ 19,444,877</u>

The accompanying notes are an integral part of this statement.

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF CASH FLOWS (CONTINUED)
For the Year Ended June 30, 2020

	UNIVERSITY	RELATED ORGANIZATIONS
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating Gain/(Loss)	\$ (475,337,344)	\$ (9,101,847)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	48,075,687	687,381
Noncash expenditures for the benefit of the University	-	(38,705)
Noncash contributions	-	31,141
Budget expended at University	(684,407)	-
Special funding situation for fringe benefits	151,561,419	-
Benefit payments on behalf of the University	60,007,865	-
Change in assets and liabilities:		
Accounts receivable (net)	(1,654,016)	1,544,313
Reimbursement due from State Treasurer	(34,259,414)	-
Inventories	(136,567)	-
Prepaid expenses	(3,618,287)	(650,566)
Other assets	(1,804,937)	(32,031)
Accounts payable	236,123	(1,549,260)
Accrued payroll	(3,546,409)	-
Unearned revenue	4,702,609	(39,110)
Compensated absences	4,544,145	-
Deposits held for others	4,519	13,234
Other liabilities	(15,979,437)	(17,304)
Due to/from related organizations	1,643,711	25,276
Net cash used in operating activities	\$ (266,244,740)	\$ (9,127,478)
Noncash investing, capital and financing activities:		
Special funding situation for fringe benefits	\$ 151,561,419	\$ -
Benefit payments on behalf of the University	60,007,865	-
Accretion on bonds payable	2,477,135	-
Gifts in kind	3,398,680	-
Capital assets in accounts payable	5,197,608	-
Capital asset acquisition by CDB	2,069,345	-
Loss on disposals of capital assets	1,559,949	45,335
Other capital asset adjustments	(8,340,447)	-

The accompanying notes are an integral part of this statement.

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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 Related Organizations' column in the financial statements includes the financial data of the University's discretely presented component units which consist of the following eight entities: the Southern Illinois University Foundation (at Carbondale) ("SIUC Foundation"), the Southern Illinois University at Edwardsville Foundation ("SIUE Foundation"), the Association of Alumni, Former Students and Friends of Southern Illinois University, Inc. ("SIUC Alumni"), the Alumni Association of Southern Illinois University at Edwardsville ("SIUE Alumni"), University Park, Southern Illinois University at Edwardsville, Inc. ("SIUE University Park"), Southern Illinois Research Park, Inc., Carbondale ("SIUC Research Park"), SIU Physicians & Surgeons, Inc. ("SIU Physicians & Surgeons"), and the SIUE East St. Louis Charter School ("SIUE Charter School"). 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.

SIUC and SIUE Foundations were formed for the purpose of providing fundraising and other assistance to the University to attract private gifts to support the University's education, research, and public service goals. In this capacity, they solicit, receive, hold, and administer gifts for the benefit of the University. Complete financial statements for SIUC and SIUE 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 SIUC and SIUE Alumni 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, they 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 SIUC and SIUE Alumni may be obtained by writing: The Association of Alumni, Former Students and Friends of Southern Illinois University, Inc., MC 6809, Woody Hall, Carbondale, IL 62901-6809 and The Alumni Association of Southern Illinois University at Edwardsville, Southern Illinois University, Edwardsville, IL 62026-1031.

SIUE University Park 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.

SIUC Research Park 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
A Component Unit of the State of Illinois
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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

Physicians & Surgeons, 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 to conduct 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.

SIUE Charter School was formed for both educational and charitable purposes and includes, but is not limited to, the establishment and operation of one or more charter school campuses in the city of East St. Louis pursuant to the Illinois Charter Schools Law. Complete financial statements for the Charter School may be obtained by writing: SIUE East St. Louis Charter School, 125 Peck Service Road, Campus Box 1049, Edwardsville, IL 62026-1049.

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 Annual Comprehensive 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.

University Related Organizations basis of presentation

The financial statements of SIUE University Park, SIUC Research Park, SIU, Inc., Carbondale; SIU Physicians & Surgeons, and SIUE Charter School comply with the Governmental Accounting Standards Board (GASB) presentation format as described above.

The SIUC and SIUE Foundations and SIUC and SIUE Alumni are private nonprofit organizations that follow Financial Accounting Standards Board (FASB) standards for financial statement presentation. As such, certain revenue recognition criteria and other accounting rules are different from the revenue recognition criteria and accounting rules promulgated by the Governmental Accounting Standards Board (GASB) that the University follows. 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
A Component Unit of the State of Illinois
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 2 - Significant accounting policies (continued)

Cash and cash equivalents

Cash deposits and cash equivalents of the University include bank accounts, money market funds and investments with original maturities of ninety days or less at the time of purchase. The University classifies its investment in The Illinois Funds as a deposit for financial statement purposes. The University has recorded restricted cash and cash equivalents which relate to funds restricted for segment reporting operations, self-insurance, and other restricted 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 \$21,607,638 and \$369,071, respectively, at June 30, 2020.

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 acquisition 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 5 years. Other equipment and books are depreciated over 7 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.

Deferred outflows of resources and deferred inflows of resources

In addition to assets and liabilities, the Statement of Net Position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an expense until that time. The University's deferred outflows of resources are related to unamortized debt refundings, other post-employment benefit contributions, and retirement contributions. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as revenue until that time. The University's only deferred inflow of resources is related to other post-employment benefits. See Note 6 for more information related to deferred outflows of resources.

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 2 - Significant accounting policies (continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows and 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 have 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 financial reporting purposes, the State of Illinois and its public universities and community colleges are under a special funding situation. A special funding situation exists when a non-employer entity (the State) is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity (the University) and the non-employer (the State) is the only entity with a legal obligation to make contributions directly to a pension plan. The University recognizes its proportionate share of the State's pension expense relative to the University's employees as non-operating revenue and pension expense, with the expense further allocated to the related function performed by the employees.

Other post-employment benefits (OPEB)

The State Employees Group Insurance Act of 1971 (SEGIA) (5 ILCS 375), as amended, authorizes the State Employees Group Insurance Program (SEGIP), which includes activity for both active employees and retirees, to provide health, dental, vision and life insurance benefits as a single-employer defined benefit OPEB plan not administered as a trust. Substantially all State and university component unit employees become eligible for these OPEB plan benefits when they become annuitants of one of the State sponsored pension plans. CMS administers these benefits for the annuitants with the assistance of the public retirement systems sponsored by the State, including the General Assembly Retirement System (GARS), Judges Retirement System (JRS), State Employees Retirement System (SERS), Teachers' Retirement System (TRS), and SURS.

In order to fund SEGIP's pay-as-you-go obligations for both current employees and retirees, SEGIA (5 ILCS 375/11) requires contributions based upon total employee compensation paid from any State fund or university component unit, except the university component units shall not be required to make contributions for employees who are totally compensated from each individual university's Income Fund and auxiliary enterprises. Pursuant to a long-standing State policy, the State's General Fund covers the contributions for employees who are totally compensated from each individual university's Income Fund and auxiliary enterprises. This relationship may be modified through the enactment of a Public Act by the State's highest level of decision-making authority exercised by the Governor and the General Assembly pursuant to the State's Constitution.

Given the preceding environment, the University has two separate components of OPEB administered within SEGIP. The State of Illinois and its public universities are under a special funding situation for employees paid from the University's Income Fund or auxiliary enterprises. Also, the University is responsible for OPEB employer contributions for employees paid from trust, federal, and other funds.

Special Funding Situation Portion of OPEB

A special funding situation exists when a non-employer entity (the State) is legally responsible for making contributions directly to an OPEB plan that is used to provide OPEB to the employees of another entity (the University) and the non-employer (the State) is the only entity with a legal obligation to make contributions directly to an OPEB plan.

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 2 - Significant accounting policies (continued)

During the OPEB measurement period ended June 30, 2019, the University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of \$2,581,325 to help offset the amount the State needed to provide for retirees under the special funding situation described in the preceding paragraph.

The University recognizes the proportionate share of the State's OPEB expense relative to the University's employees as non-operating revenue and OPEB expense, with the expense further allocated to the related function performed by the employees.

University's Portion of OPEB

The University reports a liability, expense allocated to the related function performed by the employees, and related deferred inflows and outflows of resources for OPEB based on the University's proportionate share of amounts paid to SEGIP pursuant to SEGIA for its employees paid from trust, federal, and other funds compared to the collective amounts paid to SEGIP pursuant to SEGIA. The collective amounts paid to SEGIP pursuant to SEGIA includes (1) payments from State agencies for State employees, (2) the amount calculated by CMS to represent the amount paid by the General Fund related to the special funding situation, (3) the total voluntary appropriation repayment from all of the universities, and (4) the total of all payments from the universities for employees paid from trust, federal, and other funds. This methodology has been determined by the State to be the best estimate of how future OPEB payments will be determined.

Deferred inflows and outflows of resources are recognized in OPEB expense at the beginning of the current period, using a systematic and rational method over a closed period, equal to the average expected remaining service lives of all employees, either active or inactive, provided with OPEB through SEGIP, determined as of the beginning of the measurement period.

On-Behalf Transactions

The University had outside sources of financial assistance provided by the State of Illinois during the year ended June 30, 2020.

Substantially all active employees participate in group insurance plans provided by the State and administered by CMS, primarily providing healthcare benefits. In order to fund SEGIP's pay-as-you-go obligations for both current employees and retirees, SEGIA (5 ILCS 375/11) requires contributions based upon total employee compensation paid from any State fund or university component unit, except the university component units shall not be required to make contributions for employees who are totally compensated from each individual university's Income Fund and auxiliary enterprises. Pursuant to a long-standing State policy, the State's General Fund covers the contributions for employees who are totally compensated from each individual university's Income Fund and auxiliary enterprises. This relationship may be modified through the enactment of a Public Act by the State's highest level of decision-making authority exercised by the Governor and the General Assembly pursuant to the State's Constitution.

During the year ended June 30, 2020, total estimated group insurance contributions for the University's employees paid from the University's Income Fund and auxiliary enterprises were \$62,549,150. The University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of \$2,541,285 to help offset the amount the State needed to provide for current employees under the situation described in the preceding paragraph. As such, the State contributed the estimated remaining balance of \$60,007,865 on-behalf of the University to meet this obligation for current employees.

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 2 - Significant accounting policies (continued)

As the University is not legally responsible to pay for the on-behalf support provided by the State, the University recognizes non-operating revenues and operating expenses allocated to the related function performed by the employees within the University's financial statements for its current employees' participation in group insurance.

Classification of revenues and expenses

The University has classified its revenues and expenses as either operating or nonoperating 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.

Nonoperating: Nonoperating 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 nonoperating 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 nonoperating revenues in the year appropriated to the extent expended. Other nonoperating revenues and expenses include transactions relating to capital and financing activities, noncapital financing activities, and investing activities.

Tuition and fees are generally recognized as revenues as they are assessed. The portion of summer session tuition and fees applicable to the following fiscal year is considered unearned. Student tuition and fee revenue, and certain other payments recorded as auxiliary enterprises revenue, are net of scholarship discounts and allowances in the Statement of Revenue, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the charge for tuition and fees, and the amount paid by students or by third parties on the students' behalf. Scholarship discounts and allowances were \$69,248,629 as of June 30, 2020 with \$60,257,470 netted against student tuition and fees and \$8,991,159 netted against auxiliary enterprise revenue.

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

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

Compensated absences

Accrued compensated absences for University personnel are charged to current funds based on earned but unused vacation and sick leave days including the University's share of Social Security and Medicare taxes. At June 30, 2020, the University estimates \$26,986,571 will be paid from state appropriated accounts funded by the State of Illinois and the Income Fund, and \$18,274,979 from local funds in subsequent years for a combined total of \$45,261,550.

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 2 - Significant accounting policies (continued)

Classification of Net Position

Net position represents the difference between University 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 University's equity in property, plant and equipment. The next asset category is restricted net position. Nonexpendable restricted net position is comprised of endowment funds and certain loan funds, such as Perkins Loans. Expendable restricted net position is available for expenditure by the University, 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 June 30, 2020 expendable restricted balances are primarily restricted for capital projects, debt service, and the Housing Auxiliary System. There are also other restrictions for scholarships, research, instruction, student loans, and other purposes. The final category is unrestricted net position, which represents balances from operational activities that have not been restricted by parties external to the University and are available for use by the University. The University first applies restricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

New Governmental Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following statements which are effective for periods beginning July 1, 2019, or later which may impact the University:

Statement No. 84 – *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The criteria generally focuses on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with who a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the financial statements. The statement was originally effective for fiscal years beginning after December 15, 2018, but was extended to December 15, 2019. The impact on the University is being reviewed.

Statement No. 87 – *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The statement was originally effective for fiscal years beginning after December 15, 2019, but was extended to June 15, 2021. The impact on the University is being reviewed.

Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The statement was originally effective for fiscal years beginning after December 15, 2019, but was extended to December 15, 2020. The University implemented this statement with its 2019 financial statements. Since then, interests costs incurred during the construction period are expensed as incurred instead of being capitalized to the construction project. This statement was implemented prospectively according to GASB. Therefore, no prior year restatement was necessary.

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 2 - Significant accounting policies (continued)

Statement No. 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. The statement was originally effective for fiscal years beginning after December 15, 2018, but was extended to December 15, 2019. The impact on the University is being reviewed.

Statement No. 91 – *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. The statement was originally effective for fiscal years beginning after December 15, 2020, but was extended to December 15, 2021. The impact on the University is being reviewed.

Statement No. 92 – *Omnibus 2020*, addresses a variety of topics and includes specific provisions regarding the application of multiple previous GASB statements. The statement was originally effective for fiscal years beginning after June 15, 2020, but was extended to June 15, 2021. The impact on the University is being reviewed.

Statement No. 93 – *Replacement of Interbank Offered Rates (IBOR)*, addresses accounting and financial reporting implications that result from the replacement of an IBOR. The main portion of the statement is effective for fiscal years beginning after June 15, 2020, but was extended to June 15, 2021. The statement is not expected to impact the University.

Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements (PPPs and APAs)*, the statement establishes definitions of PPPs and APAs, and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. The statement is effective for fiscal years beginning after June 15, 2022. The impact on the University is being reviewed.

Statement No. 96 – *Subscription-Based Information Technology Arrangements (SBITAs)*, the statement defines a SBITA, establishes that a SBITA results in a right-to-use subscription—an intangible asset—and a corresponding subscription liability, and provides the capitalization criteria for the intangible asset. The statement is effective for fiscal years beginning after June 15, 2022. The impact on the University is being reviewed.

Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, increases consistency and comparability related to the reporting of fiduciary component units in which a component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform. The applicable portions of the statement are effective for fiscal years beginning after June 15, 2021. The impact on the University is being reviewed.

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - Cash, deposits and cash equivalents

At June 30, 2020, the actual bank balances related to the deposits of the University amounted to \$139,654,215; of this balance, \$127,665,625 was either covered by federal depository insurance or not required to be collateralized and \$11,988,590 was covered by collateral held by an agent in the University's name.

Cash, deposits and cash equivalents at June 30, 2020 were:

<u>UNIVERSITY:</u>	
Cash and cash equivalents	\$ 42,298,967
The Illinois Funds	<u>96,357,471</u>
Total cash and cash equivalents	<u>\$ 138,656,438</u>

<u>UNIVERSITY RELATED ORGANIZATIONS:</u>	
Total cash and cash equivalents	<u>\$ 19,444,875</u>

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 obligations of U.S. corporations rated in the three highest rating classifications by at least two standard rating services provided such obligations do not mature in longer than 3 years from the time of purchase and the issuing entity has at least \$500 million in assets (limited to one-third of total funds); 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 University has recorded restricted investments which relate to pooled investments related to segment reporting and retirement of indebtedness.

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

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 4 – Investments (continued)

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 amortized cost, which is the same value as the pool shares. State statutes require the Illinois Funds to comply with the *Illinois Public Funds Investment Act* (30 ILCS 235). The Illinois Funds is not registered with the Securities Exchange Commission as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Accounting and Financial Reporting for Certain External Investment Pools and Pool Participants*, which establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. For the year ended June 30, 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemptions gates. Also, certain money market investments and non-negotiable certificates of deposit with redemption terms that do not consider market rates are carried at amortized cost.

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. 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 their covenants.

Restricted funds that are invested in the pool are presented as restricted cash or investments based on the ratio of cash and investments held in the pool. 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 portfolios, while U.S. Bank keeps custody of these funds and assists in the accounting and reporting functions related to these investments.

Investment income net of realized and unrealized gains and losses on investments for the year ended June 30, 2020 is reflected below:

<u>UNIVERSITY:</u>	
Interest earnings	\$ 6,295,926
Realized gain on investments	2,042,730
Unrealized gain on investments	<u>4,792,847</u>
Net investment income	<u>\$ 13,131,503</u>
 <u>UNIVERSITY RELATED ORGANIZATIONS:</u>	
Interest earnings	\$ 6,408,680
Realized gain on investments	1,644,174
Unrealized loss on investments	<u>(5,007,283)</u>
Net investment income	<u>\$ 3,045,571</u>

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 4 – Investments (continued)

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 3 years 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 include the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association and the Federal Home Loan Bank, all of which are rated AA or higher. The Public Treasurer's Investment Pool is rated AAAM. Corporate Debt investments held by the University are rated BBB+ or higher.

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.

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. Investment activity is 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 recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments. Realized gains and losses on sales of investments are determined on the specific identification basis.

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 4 – Investments (continued)

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 account 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 investments accounts, as adjusted for additions to or deductions from those accounts.

Life insurance policies are carried at net cash surrender value. Changes in 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. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs.

Southern Illinois University at Edwardsville Foundation

The long-term objective of the Foundation is to earn a return sufficient to preserve the purchasing power of the Foundation for generations to come, as well as to provide for current needs. As a result, the long-term return objective is the sum of distributions, inflation, administrative costs, and net of management fees. The Foundation portfolio has adopted a "total return" investment approach; current income is considered a secondary consideration. The investment objectives are based upon a long-term investment horizon allowing interim fluctuations to be viewed in an appropriate perspective. Over time, the Foundation will aim to achieve the total fund return goal while maintaining acceptable risk levels. To accomplish this goal, the fund will diversify its assets among several asset classes. Active managers are expected to provide returns greater than or equal to their appropriate benchmark while utilizing acceptable risk levels. Funds are invested in accordance with the approved Board policy for investments. The Foundation's investment policy authorizes the Foundation to invest in US and international equities, fixed income, absolute return and real assets.

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 21 and 22.

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 4 – Investments (continued)

Investment maturities

Interest rate risk is disclosed below using the segmented time distribution method. As of June 30, 2020, the University and the University Related Organizations had the following investment balances:

UNIVERSITY:

Investment Type:	Investment Maturities (in Years)				
	Fair Value	Less Than 1	1-5	6-10	No Maturity
U.S. Treasuries	\$ 59,247,733	\$ 11,983,186	\$ 6,865,201	\$ 40,399,346	\$ -
U.S. Agencies	79,225,705	1,665,123	55,081,470	22,479,112	-
The Illinois Funds	96,357,471	96,357,471	-	-	-
Corporate Debt	18,403,864	16,724,294	1,679,570	-	-
Common Stock	44,300	-	-	-	44,300
Subtotal	253,279,073	<u>\$ 126,730,074</u>	<u>\$ 63,626,241</u>	<u>\$ 62,878,458</u>	<u>\$ 44,300</u>
Less: Investment in The Illinois Funds reported as cash	(96,357,471)				
Total Investments	<u>\$ 156,921,602</u>				

UNIVERSITY RELATED ORGANIZATIONS:

Investment Type:	Investment Maturities (in Years)					
	Fair Value	Less Than 1	1-5	6-10	Over 10	No Maturity
Municipal Bonds	\$ 13,141,936	\$ 1,849,215	\$ 8,371,717	\$ 2,921,004	\$ -	\$ -
Government Bonds	354,488	-	-	-	354,488	-
Common Stock	2,477,958	-	-	-	-	2,477,958
Corporate Bonds	10,817,752	2,269,846	7,700,105	847,801	-	-
Commodities/Natural Resources	6,916,278	4,210,679	2,705,599	-	-	-
Alternative Investments	29,856,165	21,199,036	8,657,129	-	-	-
Real Estate	7,700,299	3,780,957	3,919,342	-	-	-
Money Market Funds	13,619,947	13,619,947	-	-	-	-
Mutual Funds	182,487,210	166,541,632	5,016,381	7,586,714	3,342,483	-
Total Investments	<u>\$ 267,372,033</u>	<u>\$ 213,471,312</u>	<u>\$ 36,370,273</u>	<u>\$ 11,355,519</u>	<u>\$ 3,696,971</u>	<u>\$ 2,477,958</u>

Fair value measurements

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The University and its related organizations categorize fair values according to the hierarchy established by generally accepted accounting principles.

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 4 – Investments (continued)

The hierarchy, based on the valuation inputs used to measure fair values, consists of the following three levels of measurement inputs:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs other than quoted prices that are observable, either directly or indirectly. These may include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3: Unobservable inputs for an asset or liability.

The University uses Level 2 inputs to measure the fair value of all investments held except for common stock which is Level 1. The fair values are provided by both the University’s external investment managers as well as the custodian bank.

The University’s Foundations also hold “alternative investments” that are valued using the net asset value (NAV) per share (or its equivalent) and, unlike more traditional investments, these do not have readily obtainable market values.

The University Related Organizations had the following recurring fair value measurements as of June 30, 2020:

Investments:	Fair Value	Level 1	Level 2	Level 3	Net Asset Value
Municipal Bonds	\$ 13,141,936	\$ -	\$ 13,141,936	\$ -	\$ -
Government Bonds	354,488	-	354,488	-	-
Common Stock	2,477,958	2,477,958	-	-	-
Corporate Bonds	10,817,752	-	10,817,752	-	-
Commodities/Natural Resources	6,916,278	1,320,000	-	-	5,596,278
Alternative Investments	29,856,165	1,784,800	-	-	28,071,365
Real Estate	7,700,299	4,163,756	-	-	3,536,543
Money Market Funds	13,619,947	13,619,947	-	-	-
Mutual Funds	182,487,210	157,912,619	-	-	24,574,591
Total Investments	\$ 267,372,033	\$ 181,279,080	\$ 24,314,176	\$ -	\$61,778,777

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 5 - Accounts and notes receivable

Accounts and notes receivable consisted of the following at June 30, 2020:

UNIVERSITY:

	Accounts Receivable	Notes Receivable
Student tuition and fees	\$ 11,902,549	\$ -
Auxiliary enterprises	11,461,315	-
Grants and contracts	15,673,807	-
General operating	20,838,803	60,000
Student loans*	14,452	13,711,919
Other accounts receivable	<u>2,579,788</u>	<u>-</u>
	62,470,714	13,771,919
Less: Allowance for doubtful accounts	<u>(21,607,638)</u>	<u>(369,071)</u>
Net receivable	<u>\$ 40,863,076</u>	<u>\$ 13,402,848</u>

*The student loan balance includes \$11,843,342 of Perkins Loans. Effective September 30, 2017, the federal government discontinued the Perkins Loan Program.

UNIVERSITY RELATED ORGANIZATIONS:

	Accounts Receivable	Notes Receivable
Accounts receivable	\$ 40,500,270	\$ -
Student loans	<u>-</u>	<u>12,140</u>
	40,500,270	12,140
Less: Allowances for assignment losses & doubtful accounts	<u>(24,819,099)</u>	<u>-</u>
Net receivable	<u>\$ 15,681,171</u>	<u>\$ 12,140</u>

NOTE 6 - Deferred outflows of resources

Deferred outflows of resources consisted of the following at June 30, 2020:

UNIVERSITY:

Unamortized debt refundings	\$ 2,076,709
Employer OPEB contributions	11,787,521
Employer pension contributions	<u>2,887,702</u>
Total deferred outflows of resources	<u>\$ 16,751,932</u>

SOUTHERN ILLINOIS UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 7 - Capital assets

Capital asset activity for the University for the fiscal year ended June 30, 2020 was as follows:

UNIVERSITY:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 22,194,897	\$ 39,999	\$ -	\$ -	\$ 22,234,896
Nondepreciable historical treasures and works of art	12,444,555	1,187,535	34,714	-	13,597,376
Construction in progress	86,494,609	26,468,726	1,271,953	(83,025,765)	28,665,617
Total capital assets not being depreciated	121,134,061	27,696,260	1,306,667	(83,025,765)	64,497,889
Capital assets being depreciated:					
Site improvements	87,329,187	380,061	-	5,816,336	93,525,584
Buildings	1,320,811,040	2,249,176	504,227	77,059,088	1,399,615,077
Equipment	378,790,291	12,344,752	3,511,723	150,341	387,773,661
Intangible assets	7,340,787	-	-	-	7,340,787
Infrastructure	21,722,279	-	-	-	21,722,279
Total capital assets being depreciated	1,815,993,584	14,973,989	4,015,950	83,025,765	1,909,977,388
Less accumulated depreciation for:					
Site improvements	61,100,357	3,391,093	-	-	64,491,450
Buildings	699,127,636	32,968,305	(474,391)	-	732,570,332
Equipment	351,864,477	10,841,986	3,302,561	-	359,403,902
Intangible assets	7,340,787	-	-	-	7,340,787
Infrastructure	13,410,013	874,303	-	-	14,284,316
Total accumulated depreciation	1,132,843,270	48,075,687	2,828,170	-	1,178,090,787
Total capital assets being depreciated, net	683,150,314	(33,101,698)	1,187,780	83,025,765	731,886,601
Capital assets, net	<u>\$ 804,284,375</u>	<u>\$ (5,405,438)</u>	<u>\$ 2,494,447</u>	<u>\$ -</u>	<u>\$ 796,384,490</u>

SOUTHERN ILLINOIS UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 7 - Capital assets (continued)

Capital asset activity for the University Related Organizations for the fiscal year ended June 30, 2020 was as follows:

**UNIVERSITY RELATED
ORGANIZATIONS:**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 307,216	\$ -	\$ -	\$ -	\$ 307,216
Construction in Progress	45,335	188,875	45,335	-	188,875
Total capital assets not being depreciated	352,551	188,875	45,335	-	496,091
Capital assets being depreciated:					
Site improvements	310,765	-	-	-	310,765
Buildings	2,639,877	-	-	-	2,639,877
Intangible Assets	-	612,380	-	-	612,380
Equipment	6,434,490	535,632	152,774	-	6,817,348
Total capital assets being depreciated	9,385,132	1,148,012	152,774	-	10,380,370
Less accumulated depreciation for:					
Site improvements	310,765	-	-	-	310,765
Buildings	1,206,207	67,975	-	-	1,274,182
Intangible Assets	-	35,722	-	-	35,722
Equipment	4,881,254	583,684	152,774	-	5,312,164
Total accumulated depreciation	6,398,226	687,381	152,774	-	6,932,833
Total capital assets being depreciated, net	2,986,906	460,631	-	-	3,447,537
Capital assets, net	<u>\$ 3,339,457</u>	<u>\$ 649,506</u>	<u>\$ 45,335</u>	<u>\$ -</u>	<u>\$ 3,943,628</u>

SOUTHERN ILLINOIS UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 8 – Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2020 was as follows:

UNIVERSITY:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 40,719,470	\$ 7,513,723	\$ 2,971,643	\$ 45,261,550	\$ 3,992,205
Revenue bonds payable	196,376,534	2,477,135	20,110,000	178,743,669	20,342,381
Unamortized bonds premium	7,578,470	-	738,809	6,839,661	738,809
Certificates of participation	31,965,000	4,575,000	2,450,000	34,090,000	2,985,000
Unamortized COPS premium	744,347	-	50,878	693,469	50,878
Capitalized leases	883,358	55,824	195,809	743,373	150,405
Self insurance	30,119,861	-	6,782,307	23,337,554	4,773,230
Liability for OPEB	137,600,029	16,407,065	-	154,007,094	3,437,239
Federal loan programs refundable	16,506,288	-	3,817,786	12,688,502	-
Housing deposits	189,525	129,399	138,474	180,450	81,202
Total long-term liabilities	<u>\$462,682,882</u>	<u>\$ 31,158,146</u>	<u>\$ 37,255,706</u>	<u>\$456,585,322</u>	<u>\$ 36,551,349</u>

UNIVERSITY RELATED ORGANIZATIONS:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Annuities payable	\$ 1,167,422	\$ 77,808	\$ 145,801	\$ 1,099,429	\$ 125,825
Other accrued liabilities	1,716,466	-	31,789	1,684,677	-
Deposits held in custody for others	2,854,864	115,017	259,246	2,710,635	103,621
Total long-term liabilities	<u>\$ 5,738,752</u>	<u>\$ 192,825</u>	<u>\$ 436,836</u>	<u>\$ 5,494,741</u>	<u>\$ 229,446</u>

NOTE 9 – Revenue bonds payable

Revenue bonds payable activity for the year ended June 30, 2020:

Series	Annual Maturity To	Beginning Balance	Accretion/ New Debt	Principal Paid/Debt Refunded	Ending Balance	Current Portion
Other Revenue Bonds:						
1999A	2029	\$ 45,501,534	\$ 2,477,135	\$ 5,780,000	\$ 42,198,669	\$ 5,950,000
2006A	2021	7,300,000	-	3,835,000	3,465,000	3,465,000
2008A	2028	17,550,000	-	1,900,000	15,650,000	2,055,000
2009A	2030	33,850,000	-	2,545,000	31,305,000	2,635,000
2012A	2032	20,235,000	-	1,260,000	18,975,000	1,295,000
2012B	2035	35,365,000	-	1,890,000	33,475,000	1,990,000
2015B	2031	18,065,000	-	210,000	17,855,000	420,000
Direct Placements of Revenue Bonds:						
2015A	2023	7,180,000	-	1,715,000	5,465,000	1,770,000
2015A	2030	6,290,000	-	555,000	5,735,000	570,000
2019A	2029	5,040,000	-	420,000	4,620,000	430,000
		<u>\$ 196,376,534</u>	<u>\$ 2,477,135</u>	<u>\$ 20,110,000</u>	178,743,669	20,580,000
Other Revenue Bonds:						
						(237,619)
					6,839,661	738,809
Total					<u>\$ 185,583,330</u>	<u>\$ 21,081,190</u>

SOUTHERN ILLINOIS UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 9 – Revenue bonds payable (continued)

University revenue bonds payable:

The Housing and Auxiliary Facilities System Revenue 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 Revenue 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 2021 with interest ranging from 4.00 to 5.25 percent. Interest payments are due semi-annually.

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

The Housing and Auxiliary Facilities System Revenue 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
2021	\$ 2,635,000	\$ 1,877,205	(657,022)	\$ 3,855,183
2022	2,725,000	1,733,597	(606,759)	3,851,838
2023	2,825,000	1,580,998	(553,349)	3,852,649
2024	2,930,000	1,418,560	(496,496)	3,852,064
2025	3,045,000	1,245,690	(435,991)	3,854,699
2026-30	17,145,000	3,272,670	(1,145,435)	19,272,235
Total	<u>\$ 31,305,000</u>	<u>\$ 11,128,720</u>	<u>\$ (3,895,052)</u>	<u>\$ 38,538,668</u>

Note: The October 1, 2020 Treasury Rebate will be reduced by 5.9% 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 Revenue 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 2032 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 Revenue 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. 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.

SOUTHERN ILLINOIS UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 9 – Revenue bonds payable (continued)

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
2021	\$ -	\$ 236,060	\$ (157,731)	\$ 78,329
2022	-	236,060	(157,731)	78,329
2023	-	236,060	(157,731)	78,329
2024	-	236,060	(157,731)	78,329
2025	-	236,060	(157,731)	78,329
2026-30	-	1,180,300	(788,655)	391,645
2031-35	5,365,000	1,180,300	(788,655)	5,756,645
Total	<u>\$ 5,365,000</u>	<u>\$ 3,540,900</u>	<u>\$ (2,365,965)</u>	<u>\$ 6,539,935</u>

Note: The October 1, 2020 Treasury Rebate will be reduced by 5.9% 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 Revenue 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 Revenue 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.

The Housing and Auxiliary Facilities System Revenue Bonds, Series 2015B were authorized by the University's Board under the Seventeenth Supplemental Bond Resolution approved July 16, 2015. The bonds mature at varying amounts from 2016 to 2031 with an interest ranging from 3.00 to 5.00 percent. Interest payments are due semi-annually. The advance refunding of a portion of the 2006A bonds, which was undertaken by the Board to effect a cost savings, resulted in a \$16,292,964 net decrease in debt service payments, an economic gain of \$3,417,083 and an accounting loss of \$452,331.

The Housing and Auxiliary Facilities System Revenue Bonds, Series 2019A were authorized by the University's Board under the Eighteenth Supplemental Bond Resolution approved on March 28, 2019. The bonds mature at varying amounts from 2020 to 2029 with an interest rate of 4.35 percent. Interest payments are due semi-annually.

SOUTHERN ILLINOIS UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 9 – Revenue bonds payable (continued)

Housing and Auxiliary Facilities System: These bonds, which are payable through 2035, do not constitute a debt of the State of Illinois or the individual members, officers or agents of the Board of Trustees of the University but, together with interest thereon, are payable from and secured by a pledge of and lien on (i) the net revenues of the System, (ii) pledged tuition in an amount not to exceed maximum annual debt service (subject to prior payment of operating and maintenance expenses of the System), (iii) the Bond and Interest Sinking Fund account, and (iv) the Repair and Replacement Reserve account. Unrefunded bonds issued in 2001 and prior are additionally secured by the Debt Service Reserve. Total principal and interest remaining on the debt is \$225,752,552 with annual requirements ranging from \$2,013,460 to \$25,164,620. For the current year, principal and interest paid was \$25,353,207, and the total revenues pledged were \$46,852,761. For fiscal year 2020, the total revenue pledged represents 100 percent of the net revenues of the System and 17 percent of net tuition revenue received. Although net tuition is pledged, it is not expected to be needed to meet debt service requirements.

The bond resolution requires that debt service coverage on a cash basis be at least 120 percent of the maximum annual debt service. For the year ended June 30, 2020, the maximum annual debt service was \$25,164,620 and the coverage was 186 percent. The bond resolution also requires the Treasurer to transfer annually to Renewals and Replacements from the funds remaining in unrestricted net position the sum of 10 percent of the maximum annual net debt service requirement or such portion thereof as is available for transfer. The net position of Renewals and Replacements was \$25,270,481 at June 30, 2020.

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, 2020, 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 \$5,646,913 with annual requirements ranging from \$1,860,172 to \$1,895,773. For the current year, principal and interest paid was \$1,833,470 and the total revenues pledged were \$119,534,148. For fiscal year 2020, the total revenue pledged represents 100 percent of the net revenues of the System and 82.61 percent of net tuition revenue received. Although net tuition is pledged, it is not expected to be needed to meet debt service requirements.

The bond resolution requires that debt service coverage on 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, 2020, the maximum annual debt service was \$1,895,773 and the coverage was 6,423 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 \$1,438,655 at June 30, 2020.

SOUTHERN ILLINOIS UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 9 – Revenue bonds payable (continued)

As of June 30, 2020, future debt service requirements for all bonds outstanding are:

UNIVERSITY:

	Other Revenue Bonds		Direct Placement Revenue Bonds		Totals
	Principal	Interest	Principal	Interest	
2021	\$ 17,810,000	5,990,202	\$ 2,770,000	\$ 454,591	\$ 27,024,793
2022	15,860,000	5,423,133	2,875,000	390,435	24,548,568
2023	16,130,000	4,927,605	2,940,000	323,707	24,321,312
2024	16,260,000	4,411,262	1,110,000	255,248	22,036,510
2025	16,820,000	3,905,943	1,150,000	216,262	22,092,205
2026-30	74,705,000	11,358,020	4,975,000	487,852	91,525,872
2031-35	17,390,000	2,460,205	-	-	19,850,205
Total payments	\$ 174,975,000	\$ 38,476,370	\$ 15,820,000	\$ 2,128,095	\$ 231,399,465

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:

UNIVERSITY:

Year Ending

2021	\$ 182,817
2022	178,532
2023	172,232
2024	165,932
2025	134,262
Total minimum lease payments	833,775
Less amount representing interest	(90,402)
Present value of net minimum lease payments	\$ 743,373

Assets held under capital lease are:

UNIVERSITY:

Land & improvements	\$ 56,052
Buildings & improvements	1,671,970
Equipment	1,800,694
Less accumulated amortization	(1,226,749)
Total net assets	\$ 2,301,967

SOUTHERN ILLINOIS UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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 operating leases extending beyond 2020 have future payments of \$12,206,303 in 2021, \$8,516,187 in 2022, \$7,969,316 in 2023, \$6,516,493 in 2024, \$2,533,609 in 2025, \$2,535,255 in 2026, \$2,540,488 in 2027, \$2,238,295 in 2028, and \$1,664,346 in 2029. There are no operating leases as of June 30, 2020 with future payments beyond 2029. Rental payments on operating leases totaled \$13,537,649 in 2020.

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 which included \$12,910,000 of COPS that were directly placed with Raymond James Bank. 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 2020A: On May 6, 2020, the University issued Certificates of Participation (COPs) in the par amount of \$4,575,000 that were directly placed with INB, National Association. The COPs were issued to finance, in combination with University funds, the construction of the School of Dental Medicine Advanced Care Clinic on the Alton campus. The certificates bear a fixed interest rate of 2.25% payable semi-annually, and principal installments ranging from \$420,000 to \$500,000 are payable annually on February 15 beginning 2021 through the year 2030.

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

UNIVERSITY:

	<u>Certificates of Participation</u>		<u>Direct Placements of Certificates of Participation</u>		<u>Totals</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2021	\$ 1,320,000	\$ 1,064,040	\$ 1,665,000	\$ 269,227	\$ 4,318,267
2022	1,385,000	998,040	1,690,000	245,700	4,318,740
2023	1,440,000	942,640	1,735,000	198,150	4,315,790
2024	345,000	870,640	2,950,000	149,325	4,314,965
2025	1,525,000	858,565	450,000	64,125	2,897,690
2026-30	8,670,000	3,244,088	2,400,000	164,250	14,478,338
2031-35	8,515,000	1,014,970	-	-	9,529,970
Total payments	<u>\$ 23,200,000</u>	<u>\$ 8,992,983</u>	<u>\$ 10,890,000</u>	<u>\$ 1,090,777</u>	<u>\$ 44,173,760</u>

SOUTHERN ILLINOIS UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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 2020 included a 1% discount rate for self-insurance liabilities.

As of June 30, 2020, the accrual for self-insurance was \$23,337,554 for the general and professional liability fund. 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. There were no material settlements that exceeded insurance coverage during the last three years.

Changes in the self-insurance accrual for the years ended June 30, 2020 and June 30, 2019 are reflected below:

	<u>June 30, 2020</u>
Accrued liability, June 30, 2019	\$ 30,119,861
Current year claims and other changes	(2,335,005)
Payment of Claims	<u>(4,447,302)</u>
Accrued liability, June 30, 2020	<u>\$ 23,337,554</u>

	<u>June 30, 2019</u>
Accrued liability, June 30, 2018	\$ 29,205,203
Current year claims and other changes	2,446,292
Payment of Claims	<u>(1,531,634)</u>
Accrued liability, June 30, 2019	<u>\$ 30,119,861</u>

SOUTHERN ILLINOIS UNIVERSITY
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For the Year Ended June 30, 2020

NOTE 14 - Donor-restricted endowments

The University entered into an agreement with the Southern Illinois University Foundation at Carbondale on July 1, 2003, in which the University transferred Endowment funds to the Foundation. The Foundation has agreed to hold and administer these funds as agency funds based upon and consistent with the desires of the donor and/or the University. During fiscal year 2020, there were no additions to the University's permanent endowments. For fiscal year 2020, realized gains on investments totaled \$43,047 and unrealized losses on investments totaled \$85,802, resulting in a balance of \$2,600,597 held by the Foundation at June 30, 2020. The Foundation distributes earnings to the University on a quarterly basis. Payments during fiscal year 2020 totaled \$179,152.

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

NOTE 15 - State Universities Retirement System

General Information about the Pension Plan

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

Benefits Provided: A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed 6 months after their date of hire to make an irrevocable election. A summary of the benefit provisions as of June 30, 2018 can be found in the SURS' Comprehensive Annual Financial Report (CAFR) Notes to the Financial Statements.

SOUTHERN ILLINOIS UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 15 - State Universities Retirement System (continued)

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 2020 was 13.02% 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 except for police officers and fire fighters who contribute 9.5% of their earnings. 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 earnings increases exceeding 6% during the final rate of earnings period), and Section 15-155(j-5) (relating to contributions payable due to earnings exceeding the salary set for the Governor).

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

Net Pension Liability: The net pension liability (NPL) was measured as of June 30, 2019. At June 30, 2019, SURS reported a NPL of \$28,720,071,173.

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. As of the current year measurement date of June 30, 2019, the University’s proportionate share of the State’s net pension liability associated with the University is \$2,590,636,580 or 9.02%, which was an increase of \$119,508,309 or 0.03% from its proportion measured as of the prior year measurement date of June 30, 2018. This amount is not recognized in the financial statements. The net pension liability was measured as of June 30, 2019, and the total pension used to calculate the net pension liability was determined based on the June 30, 2018 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 2019.

Pension Expense: At June 30, 2019, SURS reported a collective net pension expense of \$3,094,666,252.

Employer Proportionate Share of Pension Expense: The University’s proportionate share of collective pension expense is recognized as nonoperating revenue with matching operating expenses (compensation and benefits) 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 2019. As a result, the University recognized revenue and pension expense of \$279,148,180 from this special funding situation during the year ended June 30, 2020.

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NOTE 15 - 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	\$ 160,132,483	\$ 80,170,745
Changes in assumption	773,321,300	0
Net difference between projected and actual earnings on pension plan investments	0	55,456,660
Total	\$ 933,453,783	\$ 135,627,405

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

Year Ending June 30	Net Deferred Outflows of Resources
2020	\$ 786,021,133
2021	(11,534,848)
2022	(6,661,326)
2023	(30,001,419)
2024	-
Thereafter	-
Total	\$ 797,826,378

Employer Deferral of Fiscal Year 2020 Pension Expense

The University paid \$2,887,702 in federal, trust or grant contributions for the fiscal year ended June 30, 2020. These contributions were made subsequent to the pension liability measurement date of June 30, 2019 and are recognized as Deferred Outflows of Resources as of June 30, 2020.

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NOTE 15 - State Universities Retirement System (continued)

Assumptions and Other Inputs

Actuarial assumptions: The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period June 30, 2014-2017. The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	3.25 to 12.25 percent, including inflation
Investment rate of return	6.75 percent beginning with the actuarial valuation as of June 30, 2018

Mortality rates were based on the RP-2014 White Collar, gender distinct tables with projected generational mortality and a separate mortality assumption for disabled participants.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary(s). For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2019, 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	23%	5.25%
Private Equity	6%	8.65%
Non-U.S. Equity	19%	6.75%
Global Equity	8%	6.25%
Fixed Income	19%	1.85%
Treasury-Inflation Protected Securities	4%	1.20%
Emerging Market Debt	3%	4.00%
Real Estate REITS	4%	5.70%
Direct Real Estate	6%	4.85%
Commodities	2%	2.00%
Hedged Strategies	5%	2.85%
Opportunity Fund	<u>1%</u>	<u>7.00%</u>
Total	100%	4.80%
Inflation		<u>2.75%</u>
Expected Arithmetic Return		7.55%

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For the Year Ended June 30, 2020

NOTE 15 - State Universities Retirement System (continued)

Discount Rate: A single discount rate of 6.59% 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 6.75% and a municipal bond rate of 3.13% (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 2075. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2075, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the SURS Net Pension Liability to Changes in the Discount Rate: Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 6.59%, 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
<u>5.59%</u>	<u>6.59%</u>	<u>7.59%</u>
\$34,786,851,779	\$28,720,071,173	\$23,712,555,197

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 16 - Post-employment benefits

Plan description: SEGIA, as amended, authorizes SEGIP to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially, all of the University's full-time employees are members of SEGIP. Members receiving monthly benefits from the GARS, JRS, SERS, TRS, and SURS are eligible for these OPEB. The eligibility provisions for SURS are defined within Note 15.

CMS administers OPEB for annuitants with the assistance of GARS, JRS, SERS, TRS, and SURS. The State recognizes SEGIP as a single-employer defined benefit plan, which does not issue a stand-alone financial report.

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NOTE 16 - Post-employment benefits (continued)

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

Funding Policy and Annual OPEB Cost: OPEB offered through SEGIP are financed through a combination of retiree premiums, SEGIP contributions pursuant to SEGIA (5 ILCS 375/11), and Federal government subsidies from the Medicare Part D program. These contributions are deposited in the Health Insurance Reserve Fund, which covers both active employees and retired members. Annuitants may be required to contribute towards health and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in GARS, JRS, SERS, TRS, and SURS do not contribute toward health and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service do not have to contribute towards health and vision benefits. All annuitants are required to pay for dental benefits regardless of retirement date. CMS' Director, on an annual basis, determines the amount of contributions necessary to fund the basic program of group benefits. The State's contributions are made primarily from the State's General Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree benefits and a separate trust has not been established for the funding of OPEB.

For fiscal year 2020, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was \$11,681 (\$6,704 if Medicare eligible) per member if the annuitant chose benefits provided by a health maintenance organization and \$14,959 (\$5,592 if Medicare eligible) per member if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

CMS' Changes in Estimates: For the measurement date of June 30, 2018, CMS experienced two significant changes within its estimation process. The OPEB for both the special funding situation and the portion of OPEB where the University is responsible for employer contributions are both significantly impacted by (1) the University's number of participants in SEGIP and (2) the average cost per employee within SEGIP. CMS made changes to its estimation methodology that resulted in significant differences within its estimates which represent an outcome of estimation uncertainty that, as time has passed and new sources of better data have become available, continued to be refined to achieve a more representative reflection of the actual outcome of the estimate in future periods. As such, the University experienced a significant decrease in its own OPEB liability and expense and in the non-operating revenue and operating expenses recognized from the special funding situation. As such, this change in estimate was amortized for subsequent recognition in the University's OPEB expense over a period of approximately five years, which began in Fiscal Year 2019.

Special Funding Situation Portion of OPEB: The proportionate share of the State's OPEB expense relative to the University's employees totaled \$127,586,761 during the year ended June 30, 2020. This amount was recognized by the University as non-operating special funding situation revenue and operating expense allocated to the related function performed by the employees during the year ended June 30, 2020.

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NOTE 16 - Post-employment benefits (continued)

While the University is not required to record the portion of the State's OPEB liability related to the University's employees resulting from the special funding situation, the University is required to disclose this amount. The following chart displays the proportionate share of the State's contributions related to the University's special funding situation relative to all employer contributions during the year ended June 30, 2019 based on the June 30, 2018 actuarial valuation rolled forward:

Measurement Date:	<u>June 30, 2019</u>
State of Illinois' OPEB liability related to the University under the Special Funding Situation	\$1,986,698,815
SEGIP total OPEB liability	<u>\$43,889,169,017</u>
Proportionate share of the total OPEB liability	4.53%

University's Portion of OPEB and Disclosures Related to SEGIP Generally:

Total OPEB liability, deferred outflows of resources, deferred inflows of resources, and expense related to OPEB: The University's total OPEB liability, as reported at June 30, 2020, was measured as of the measurement date on June 30, 2019, with an actuarial valuation as of June 30, 2018, which was rolled forward to the measurement date. The following chart displays the proportionate share of the University's contributions relative to all employer contributions during the year ended June 30, 2019, based on the June 30, 2018 actuarial valuation rolled forward:

Measurement Date:	<u>June 30, 2019</u>
University's OPEB liability	\$154,007,094
SEGIP total OPEB liability	<u>\$43,889,169,017</u>
Proportionate share of the total OPEB liability	0.35%

The University's portion of the OPEB liability was based on the University's proportionate share amount determined under the methodology described in Note 2 during the year ended June 30, 2019. As of the current year measurement date of June 30, 2019, the University's proportion increased 0.01% from its proportion measured as of the prior year measurement date of June 30, 2018.

SOUTHERN ILLINOIS UNIVERSITY
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NOTE 16 - Post-employment benefits (continued)

The University recognized OPEB expense for the year ended June 30, 2020, of \$7,829,956. At June 30, 2020, the University reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2019, from the following sources:

Deferred outflows of resources	
Differences between expected and actual experience	\$221,081
Changes in assumptions	5,354,309
Changes in proportion	2,774,892
University contributions subsequent to the measurement date	3,437,239
Total deferred outflows of resources	<u>\$11,787,521</u>
Deferred inflows of resources	
Differences between expected and actual experience	\$2,349,365
Changes in assumptions	9,503,473
Changes in proportion and differences between employer contributions and proportionate share of contributions	42,169,633
Total deferred inflows of resources	<u>\$54,022,471</u>

The amounts reported as deferred outflows of resources related to OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Total Amount Recognized of Deferred Inflows and Outflows over the Remaining Service Life of All Employees (5.1454 years)
2021	\$(17,690,917)
2022	(17,690,917)
2023	(11,432,400)
2024	850,170
2025	291,961
Total	<u>\$(45,672,103)</u>

SOUTHERN ILLINOIS UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
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NOTE 16 - Post-employment benefits (continued)

Actuarial methods and assumptions: The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified. The actuarial valuation for the SEGIP was based on GARS, JRS, SERS, TRS, and SURS active, inactive, and retiree data as of June 30, 2018, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2018. The valuation date of June 30, 2018 below was rolled forward to June 30, 2019.

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.50%
Projected Salary Increases*	2.75% - 12.25%
Discount Rate	3.13%
Healthcare Cost Trend Rate:	
Medical (Pre-Medicare)	8.0% grading down 0.5% in the first year to 7.5%, then grading down 0.11% in the second year to 7.39%, followed by grading down of 0.5% per year over 5 years to 4.89% in year 7
Medical (Post-Medicare)	9.0% grading down 0.5% per year over 9 years to 4.5%
Dental and Vision	6.0% grading down 0.5% per year over 3 years to 4.5%
Retirees' share of benefit-related costs	Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998 are eligible for single coverage provided they pay a portion of the premium equal to 5% for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100% of the required dependent premium. Premiums for plan year 2019 and 2020 are based on actual premiums. Premiums after 2020 were projected based on the same healthcare cost trend rates applied to per capita claim costs, but excluding the additional trend rate that estimates the impact of the Excise Tax.

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

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NOTE 16 - Post-employment benefits (continued)

Additionally, the demographic assumptions used in this OPEB valuation are identical to those used in the June 30, 2018 valuations for GARS, JRS, SERS, TRS, and SURS as follows:

	Retirement age experience study[^]	Mortality^{^^}
GARS	July 2012 – June 2015	RP-2014 White Collar Total Healthy Annuitant mortality table, sex distinct, set forward 1 year for males and set back 1 year for females and generational mortality improvements using MP-2014 two-dimensional mortality improvement scales
JRS	July 2012 – June 2015	RP-2014 White Collar Total Healthy Annuitant mortality table, sex distinct, set forward 1 year for males and set back 1 year for females and generational mortality improvements using MP-2014 two-dimensional mortality improvement scales
SERS	July 2012 – June 2015	105% of the RP-2014 Healthy Annuitant mortality table, sex distinct, with rates projected to 2015; generational mortality improvement factors were added
TRS	July 2014 – June 2017	RP-2014 with future mortality improvements on a fully generational basis using projection table MP-2017
SURS	July 2014 – June 2017	RP-2014 White Collar, gender distinct, projected using MP-2014 two-dimensional mortality improvement scale, set forward one year for male and female annuitants

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

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

Since the last measurement date on June 30, 2019, the State has not made any significant changes to the benefit terms affecting the measurement of the collective total OPEB liability. On December 20, 2019, the Further Consolidated Appropriations Act, 2020 (Public Law 116-94) was signed into law repealing the federal excise taxes of 40% on total employer premium spending in excess of specified dollar amounts, also known as the "Cadillac Tax." The impact of this repeal to the State's financial statements, which could be significant, is not known at this time.

Discount rate: Retirees contribute a percentage of the premium rate based on service at retirement. The State contributes additional amounts to cover claims and expenses in excess of retiree contributions. Because plan benefits are financed on a pay-as-you-go basis, the single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. A single discount rate of 3.62% at June 30, 2018, and 3.13% as of June 30, 2019, was used to measure the total OPEB liability.

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NOTE 16 - Post-employment benefits (continued)

Sensitivity of total OPEB liability to changes in the single discount rate: The following presents the University's proportionate share of the plan's total OPEB liability measured at June 30, 2019, calculated using a Single Discount Rate of 3.13%, as well as what the University's proportionate share of the plan's total OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (4.13%) or lower (2.13%) than the current rate:

	1% Decrease (2.13%)	Current Single Discount Rate Assumption (3.13%)	1% Increase (4.13%)
University's proportionate share of total OPEB liability	\$181,383,864	\$154,007,094	\$132,108,331

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate: The following presents the University's proportionate share of the plan's total OPEB liability measured as of June 30, 2019, calculated using the healthcare cost trend rates as well as what the University's proportionate share of the plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or lower than the current healthcare cost trend rates. For calculating the healthcare cost trend rates assumption, the key trend rates are 8% in 2020 decreasing to an ultimate trend rate of 4.89% in 2027 for non-Medicare coverage, and 9.0% decreasing to an ultimate trend rate of 4.5% in 2029 for Medicare coverage. For the 1% decrease for calculating the healthcare cost trend rates assumption, the key trend rates are 7.00% in 2020 decreasing to an ultimate trend rate of 3.89% in 2027 for non-Medicare coverage, and 8.00% in 2020 decreasing to an ultimate trend rate of 3.50% in 2029 for Medicare coverage. For the 1% increase for calculating the healthcare cost trend rates assumption, the key trend rates are 9.00% in 2020 decreasing to an ultimate trend rate of 5.89% in 2027 for non-Medicare coverage, and 10.00% in 2020 decreasing to an ultimate trend rate of 5.50% in 2029 for Medicare coverage.

	Current Healthcare Cost Trend Rates Assumption	
1% Decrease	\$154,007,094	1% Increase
\$129,135,530		\$186,219,668

Total OPEB Liability Associated with the University, Regardless of Funding Source:

The University is required to disclose all OPEB liabilities related to it, including (1) the portion of the State's OPEB liability related to the University's employees resulting from the special funding situation the University is not required to record and (2) the portion of OPEB liability recorded by the University for its employees paid from trust, federal, and other funds. The following chart displays the proportionate share of contributions, regardless of funding source, associated with the University's employees relative to all employer contributions during the year ended June 30, 2019 based on the June 30, 2018 actuarial valuation rolled forward:

Measurement Date:	June 30, 2019
State of Illinois' OPEB liability related to the University under the Special Funding Situation	\$1,986,698,815
University's OPEB liability	154,007,094
Total OPEB liability associated with the University	\$2,140,705,909
SEGIP total OPEB liability	\$43,889,169,017
Proportionate share of the OPEB liability associated with the University	4.88%

SOUTHERN ILLINOIS UNIVERSITY
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NOTE 17 - University Related Organizations - transactions with related parties

The University has entered into master contracts with the University Related Organizations which specify the relationship between the University and its related organizations in accordance with the Legislative Audit Commission's University Guidelines of 1982 as amended in 1997. Significant transactions for the University during fiscal year 2020 included the receipt of \$41,836,134 from SIU Physicians & Surgeons, Inc. (SIU P&S) for services provided by the University. Also, SIU P&S contributions to the University for Academic Development for the School of Medicine during fiscal year 2020 totaled \$8,477,346.

The University's financial statements include the activities of the University Related Organizations, which are discretely presented component units in the accompanying financial statements. Since these component units are discretely presented, the activities between them and the University are not eliminated on the University's financial statements. Conversely, the University and its component units are consolidated on the State's Annual Comprehensive Financial Report, therefore, the following disclosure is presented:

University and University Related Organizations (UROs) Transactions				
Statement of Net Position				
	Due from UROs	Noncurrent Prepays and Other Assets	Due to UROs	Deposits
University	\$ 2,916,167	\$ 2,600,597	\$ (883,713)	\$ (12,885,122)
	Due to University	Agency Funds Payable	Due from University	Deposits
SIUC Foundation	\$ (15,768)	\$ (2,600,597)	\$ 8,764	\$ -
SIUE Foundation	(205,544)	-	1,374	639,344
SIU Physicians & Surgeons	(2,631,872)	-	873,575	12,083,094
SIUC Alumni	(5,712)	-	-	-
SIUE Alumni	(73)	-	-	-
SIUC Research Park	(5,116)	-	-	162,684
SIUE University Park	-	-	-	-
SIUE Charter School	(52,082)	-	-	-
Totals	\$ (2,916,167)	\$ (2,600,597)	\$ 883,713	\$ 12,885,122
Statement of Revenues & Expenses				
	Operating Revenue	Operating Expense	Non-Operating Revenue	
University	\$ 50,313,480	\$ 6,464,152	\$ 18,570,371	
	Operating Revenue	Operating Expense		
SIUC Foundation	(4,103,571)	(13,541,324)		
SIUE Foundation	(593,127)	(2,524,125)		
SIU Physicians & Surgeons	-	(50,313,480)		
SIUC Alumni	(800,037)	(1,537,505)		
SIUE Alumni	(167,456)	(167,456)		
SIUC Research Park	(98,556)	(98,556)		
SIUE University Park	(13,573)	(13,573)		
SIUE Charter School	(687,832)	(687,832)		
	\$ (6,464,152)	\$ (68,883,851)		

SOUTHERN ILLINOIS UNIVERSITY
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NOTE 17 - University Related Organizations - transactions with related parties (continued)

Upon the receipt of the audited financial statements from the University Related Organizations, the University further breaks out the transactions with each entity as follows:

	SIUC Foundation				
Southern Illinois University	Accounts payable and other liabilities	Agency funds payable	Other receivables	Operating revenue	Operating expense
Due from UROs	\$ 15,768	\$ 2,600,597	\$ -	\$ -	\$ -
Due to UROs	-	-	8,764	-	-
Operating expense	-	-	-	4,103,571	-
Non-operating revenues	-	-	-	-	13,541,324

	SIUE Foundation				
Southern Illinois University	Accounts payable	Deposits with SIUE	Accounts receivable	Operating revenue	Operating expense
Due from UROs	\$ 205,544	\$ -	\$ -	\$ -	\$ -
Deposits held for UROs	-	639,344	-	-	-
Due to UROs	-	-	1,374	-	-
Operating expense	-	-	-	593,127	-
Non-operating revenues	-	-	-	-	2,524,125

	SIUC Physicians & Surgeons			
Southern Illinois University	Accounts payable and accrued liabilities	Deposits with SIUC	Due from SIUC	Operating expense
Due from UROs	\$ 2,631,872	\$ -	\$ -	\$ -
Deposits held for UROs	-	12,083,094	-	-
Due to UROs	-	-	873,575	-
Operating revenue	-	-	-	50,313,480

	SIUC Alumni		
Southern Illinois University	Accounts payable and accrued liabilities	Operating revenue	Operating expense
Due from UROs	\$ 5,712	\$ -	\$ -
Operating expense	-	800,037	-
Non-operating revenues	-	-	1,537,505

SOUTHERN ILLINOIS UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 17 - University Related Organizations - transactions with related parties (continued)

	SIUE Alumni		
	Accounts payable	Operating revenue	Operating expense
Southern Illinois University			
Due from UROs	\$ 73	\$ -	\$ -
Operating expense	-	167,456	-
Non-operating revenue	-	-	167,456

	SIUC Research Park			
	Refundable deposits	Deposits with SIUC	Operating revenue	Operating expense
Southern Illinois University				
Due from UROs	\$ 5,116	\$ -	\$ -	\$ -
Deposits held for UROs	-	162,684	-	-
Operating expense	-	-	98,556	-
Non-operating revenues	-	-	-	98,556

	SIUE University Park	
	Operating revenue	Operating expense
Southern Illinois University		
Operating expense	\$ 13,573	\$ -
Non-operating revenues	-	13,573

	SIUE Charter School		
	Accrued expenses	Operating revenue	Operating expense
Southern Illinois University			
Due from UROs	\$ 52,082	\$ -	\$ -
Operating expense	-	687,832	-
Non-operating revenues	-	-	687,832

SOUTHERN ILLINOIS UNIVERSITY
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For the Year Ended June 30, 2020

NOTE 17 - University Related Organizations - transactions with related parties (continued)

In addition, there are transactions between URO's as follows:

	<u>SIUC Alumni</u>	
	Operating revenue	Operating expense
SIUC Foundation		
Operating expense	\$ 134,892	\$ -
Non-operating revenues	-	123,102

	<u>SIUE Alumni</u>	<u>SIUE Charter</u>
	Operating revenue	Non-operating revenues
Southern Illinois University		
Operating expense	\$ 55,467	\$ -
Non-operating revenues	-	25,916

Additional information concerning transactions with related parties may be obtained by contacting the entities listed in Note 1 on pages 22 and 23.

NOTE 18 - Commitments and contingencies

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 Berkshire Hathaway, formerly 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, 2020, the University's annual commitment related to this contract is approximately \$8.3 million.

Construction projects

During fiscal year 2020, the University had ongoing general facility and infrastructure improvement projects taking place on both campuses. As of June 30, 2020, \$22,518,977 had been spent on these projects with \$212,012,995 being committed to the completion of these projects as well as future projects funded by the Capital Development Board (CDB). As part of the fiscal year 2021 State budget, the Illinois General Assembly authorized CDB appropriations of \$83 million for the Communications Building project at Carbondale and \$105 million for the Health Science Building project at Edwardsville.

SOUTHERN ILLINOIS UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 19 - Operating Expenses by Natural Classification

University operating expenses by natural classification for the year ended June 30, 2020 are summarized as follows:

	Compensation and benefits	Supplies and Services	Student Aid	Depreciation	Total
Instruction	\$ 262,173,569	\$ 21,978,955	\$ 14,433,732	-	\$ 298,586,256
Research	25,701,904	9,803,779	2,167,999	-	37,673,682
Public Service	30,479,785	20,950,068	1,413,669	-	52,843,522
Academic Support	205,955,558	44,133,077	1,539,646	-	251,628,281
Student Services	46,114,944	28,158,163	8,294,660	-	82,567,767
Institutional Support	55,495,684	2,691,248	6,678,716	-	64,865,648
Operations and maintenance of plant	44,492,505	34,657,498	6,935	-	79,156,938
Scholarships and fellowships	686,368	41,617	51,742,088	-	52,470,073
Auxiliary Enterprises	36,984,802	46,261,666	2,909,546	-	86,156,014
Other	-	-	-	-	-
Depreciation	-	-	-	48,075,686	48,075,686
Total	\$ 708,085,119	\$ 208,676,071	\$ 89,186,991	\$ 48,075,686	\$ 1,054,023,867

NOTE 20 – Impact of COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus pandemic, now known as COVID-19. In response to the COVID-19 pandemic, governments have taken a number of preventative or protective actions. In compliance with a series of executive orders issued by the Governor of the State of Illinois, Southern Illinois University made key changes in operations beginning in mid-March 2020. To support the social distancing that is so important to minimizing the spread of COVID-19, SIU followed Governor JB Pritzker’s “stay at home” order beginning March 20, 2020 through May 28, 2020, at which time phase three of his Restore Illinois plan allowed some loosening of restrictions. The state and SIU entered phase four of the plan on August 1, 2020, which allowed more physical presence on campus while maintaining safety as a top priority. This phase was in force throughout the fall semester; in-person instruction ended on November 20, 2020, and the final two weeks of the semester were conducted remotely. The same practices have continued into the spring 2021 semester.

To accommodate the “stay at home” order, alternative formats were used for the last half of the spring 2020 semester, shifting students to a remote online learning environment which continued for the summer term. Most students returned home, and SIU issued partial refunds for on-campus room and board and certain mandatory fees. Numerous campus events, including athletics, were cancelled which resulted in lost revenues for SIU for the year ended June 30, 2020. The School of Medicine implemented an early retirement incentive program and furloughed certain employees as a result of reduced clinical revenues. To offset the financial impact to students and the losses incurred by SIU due to the disruption caused by COVID-19, SIU received a grant from the Coronavirus Aid, Relief, and Economic Security (CARES) Act. SIU was allocated Higher Education Emergency Relief Fund (HEERF) grants totaling \$18,545,028, of which 50 percent was required to be given directly to students. Also, the SIU School of Medicine received \$2,307,231 from the Provider Relief Fund (PRF) that was used to offset lost net income. For the year ending June 30, 2020, SIU recognized HEERF grant revenues totaling \$13,486,395 and PRF revenues of \$2,307,231. These funds are presented as nonoperating revenues on the University’s Statement of Revenues, Expenses and Changes in Net Position.

SOUTHERN ILLINOIS UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 20 – Impact of COVID-19 (continued)

The severity of the continued impact due to COVID-19 on the University's financial condition, results of operations or cash flows will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the University's community, all of which are uncertain and cannot be predicted.

NOTE 21 - 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 operating revenues of the System largely consist of various student fees, various user fees, and room and board charges. The Medical Facilities System is comprised of clinical facilities used to provide patient care at the School of Medicine in Springfield. The operating revenues of the System consists of overhead charges the University receives for services provided to SIU P&S. Additional information relating to these segments is included in Note 9, Revenue bonds payable.

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 21 - Segment information (continued)

Condensed financial statements for the University's two segments for fiscal year 2020 are as follows:

	<u>Housing and Auxiliary Facilities System</u>	<u>Medical Facilities System</u>
CONDENSED STATEMENTS OF NET POSITION		
Assets and deferred outflows of resources:		
Current assets	\$ 61,033,571	\$ 7,251,219
Capital assets, net	235,294,950	25,662,503
Other assets	2,296,549	-
Deferred outflows of resources	<u>2,647,864</u>	<u>1,364,768</u>
Total Assets and deferred outflows of resources	<u>301,272,934</u>	<u>34,278,490</u>
Liabilities:		
Current liabilities	25,672,286	18,912,131
Noncurrent liabilities	173,158,249	5,820,813
Deferred inflows of resources	<u>3,781,721</u>	<u>5,639,946</u>
Total Liabilities	<u>202,612,256</u>	<u>30,372,890</u>
Net Position		
Net investment in capital assets	57,118,321	20,331,654
Restricted - expendable	37,577,134	1,884,203
Unrestricted (deficit)	<u>3,965,223</u>	<u>(18,310,257)</u>
Total Net Position	<u>\$ 98,660,678</u>	<u>\$ 3,905,600</u>
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
Operating revenues	\$ 74,015,291	\$ 40,709,484
Operating expenses	(68,615,339)	(51,996,622)
Depreciation expense	<u>(13,183,602)</u>	<u>(1,333,394)</u>
Operating loss	(7,783,650)	(12,620,532)
Nonoperating revenues and expenses - net	<u>6,463,548</u>	<u>11,595,277</u>
Income before other revenues, expenses, gains or losses	(1,320,102)	(1,025,255)
Other revenues, expenses, gains or losses - net	<u>428,121</u>	<u>398,595</u>
Decrease in net position	<u>(891,981)</u>	<u>(626,660)</u>
Net position at beginning of year	<u>99,552,659</u>	<u>4,532,260</u>
Net position at end of year	<u>\$ 98,660,678</u>	<u>\$ 3,905,600</u>
CONDENSED STATEMENTS OF CASH FLOWS		
Cash provided by (used in):		
Operating activities	\$ 13,873,640	\$ 2,047,187
Noncapital financing activities	3,542,202	115,842
Capital financing activities	(30,118,705)	(1,991,723)
Investing activities	<u>1,526,443</u>	<u>59,055</u>
Net increase (decrease) in cash	(11,176,420)	230,361
Cash, beginning of year	<u>57,285,737</u>	<u>4,159,588</u>
Cash, end of year	<u>\$ 46,109,317</u>	<u>\$ 4,389,949</u>

SOUTHERN ILLINOIS UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

22. University Related Organizations

Condensed financial statements for the component units of the University as of June 30, 2020 are as follows:

	SIUC FOUNDATION	SIUE FOUNDATION	SIUC PHYSICIANS & SURGEONS	SIUC ALUMNI	SIUE ALUMNI	SIUC RESEARCH PARK	SIUE UNIV. PARK	SIUE CHARTER	TOTAL
Assets:									
Current assets	\$ 47,397,698	\$ 6,852,231	\$ 46,315,161	\$ 130,276	\$ 34,777	\$ 285,766	\$ 377,392	\$ 394,892	\$ 101,788,193
Other non-current assets	154,167,726	41,959,635	20,188,904	7,842,483	178,721	-	-	-	224,337,469
Capital assets	836,211	1,947,711	1,046,169	24,179	2,812	12,045	-	74,501	3,943,628
Total Assets	202,401,635	50,759,577	67,550,234	7,996,938	216,310	297,811	377,392	469,393	330,069,290
Liabilities:									
Current liabilities	203,822	477,444	7,649,421	254,723	1,149	13,114	-	75,459	8,675,132
Noncurrent liabilities	3,508,355	39,819	-	1,684,621	-	32,500	-	-	5,265,295
Total Liabilities	3,712,177	517,263	7,649,421	1,939,344	1,149	45,614	-	75,459	13,940,427
Net Position:									
Net investment in capital assets	836,210	1,947,711	1,046,169	24,179	2,812	12,045	-	74,502	3,943,628
Restricted - nonexpendable	114,704,874	25,134,054	-	-	-	-	-	-	139,838,928
Restricted - expendable	73,889,218	20,783,110	-	-	-	-	-	-	94,672,328
Unrestricted	9,259,156	2,377,439	58,854,644	6,033,415	212,349	240,152	377,392	319,432	77,673,979
Total Net Position	\$ 198,689,458	\$ 50,242,314	\$ 59,900,813	\$ 6,057,594	\$ 215,161	\$ 252,197	\$ 377,392	\$ 393,934	\$ 316,128,863

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

22. University Related Organizations (continued)

	SIUC FOUNDATION	SIUE FOUNDATION	PHYSICIANS & SURGEONS	SIUC ALUMNI	SIUE ALUMNI	RESEARCH PARK	SIUE UNIV. PARK	SIUE CHARTER	TOTAL
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION									
Year ended June 30, 2020									
Operating revenues	\$ 4,436,161	\$ 4,685,859	\$ 109,334,460	\$ 1,289,148	\$ 305,201	\$ 353,851	\$ 13,573	\$ 2,207,163	\$ 122,625,416
Operating expenses	16,772,892	6,132,749	103,879,050	2,121,329	274,384	366,058	69,416	2,080,546	131,696,424
Operating income (loss)	(12,336,731)	(1,446,890)	5,455,410	(832,181)	30,817	(12,207)	(55,843)	126,617	(9,071,008)
Nonoperating revenues and expenses - net	10,176,818	278,857	1,443,892	252,650	7,786	41,851	1,267	-	12,203,121
Income (Loss) before other revenues	(2,159,913)	(1,168,033)	6,899,302	(579,531)	38,603	29,644	(54,576)	126,617	3,132,113
Other revenues	3,359,348	1,237,403	-	-	-	-	-	-	4,596,751
Increase (decrease) in net position	1,199,435	69,370	6,899,302	(579,531)	38,603	29,644	(54,576)	126,617	7,728,864
Net position at beginning of year	197,490,023	50,172,944	53,001,511	6,637,125	176,558	222,553	431,988	267,317	308,399,999
Net position at end of year	\$ 198,689,458	\$ 50,242,314	\$ 59,900,813	\$ 6,057,594	\$ 215,161	\$ 252,197	\$ 377,392	\$ 393,934	\$ 316,128,863

CONDENSED STATEMENTS OF CASH FLOWS
Year ended June 30, 2020

	SIUC FOUNDATION	SIUE FOUNDATION	PHYSICIANS & SURGEONS	SIUC ALUMNI	SIUE ALUMNI	RESEARCH PARK	SIUE UNIV. PARK	SIUE CHARTER	TOTAL
Cash provided by (used in):									
Operating activities	\$ (12,394,855)	\$ (1,715,910)	\$ 5,792,626	\$ (900,411)	\$ 30,304	\$ (63,191)	\$ (50,343)	\$ 174,302	\$ (9,127,478)
Noncapital financing activities	11,721,030	1,227,825	(220)	15,678	-	40,000	-	-	13,004,313
Capital financing activities	(188,875)	(570,032)	(484,212)	(21,874)	79	-	-	(641)	(1,265,555)
Investing activities	1,139,129	(1,545,306)	74,700	799,999	42	1,851	1,267	-	471,682
Net increase (decrease) in cash	276,429	(2,603,423)	5,382,894	(106,608)	30,425	(21,340)	(49,076)	173,661	3,082,962
Cash, beginning of year	206,886	6,880,210	8,372,071	116,954	1,949	136,305	426,309	221,231	16,361,915
Cash, end of year	\$ 483,315	\$ 4,276,787	\$ 13,754,965	\$ 10,346	\$ 32,374	\$ 114,965	\$ 377,233	\$ 394,892	\$ 19,444,877

SOUTHERN ILLINOIS UNIVERSITY
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REQUIRED SUPPLEMENTARY INFORMATION FOR PENSIONS
For the Year Ended June 30, 2020

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

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
(a) Proportion Percentage of the Collective Pension Liability	0%	0%	0%	0%	0%	0%
(b) Proportion Amount of the Collective Net Pension Liability	\$0	\$0	\$0	\$0	\$0	\$0
(c) Portion of Non-employer Contributing Entities' Total Proportion of Collective Net Pension Liability associated with Employer						
Total (b) + (c)	2,080,655,567	2,249,485,883	2,412,381,441	2,333,202,952	2,471,128,271	2,590,636,580
Employer DB Covered Payroll	2,080,655,567	2,249,485,883	2,412,381,441	2,333,202,952	2,471,128,271	2,590,636,580
Proportion of Collective Net pension Liability associated with Employer as a percentage of covered payroll	602.61%	657.33%	718.96%	721.71%	769.80%	794.71%
SURS Plan Net position as a Percentage of Total Pension Liability	44.39%	42.37%	39.57%	42.04%	41.27%	40.71%

Southern Illinois University's Schedule of Contributions

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Federal, Trust, Grant and Other contribution	2,793,781	2,735,385	2,880,150	2,591,913	2,583,469	2,716,085	2,887,702
Contribution in relation to required contribution	2,793,781	2,735,385	2,880,150	2,591,913	2,583,469	2,716,085	2,887,702
Contribution deficiency (excess)	0	0	0	0	0	0	0
Employer Covered Payroll	349,400,692	347,637,400	340,592,619	328,056,298	325,751,172	329,958,236	342,106,683
Contributions as a percentage of covered payroll	0.80%	0.79%	0.85%	0.79%	0.79%	0.82%	0.84%

Changes of benefit terms. There were no benefit changes recognized in the Total Pension Liability as of June 30, 2019, June 30, 2018 or June 30, 2017.

Changes of assumptions. In accordance with the Illinois Compiled Statutes, and actuarial review is to be performed at least once every three years to determine the reasonableness of actuarial assumptions regarding the retirement, disability, mortality, turnover, interest and salary of the members and benefit recipients of SURS. An experience review for the years June 30, 2014 to June 30, 2017 was performed in February 2018, resulting in the adoption of new assumptions as of June 30, 2018.

*Salary increase. Decrease in the overall assumed salary increase rates, ranging from 3.25% to 12.25% based on years of service, with underlying wage inflation of 2.25%.

*Investment return. Decrease the investment return assumption to 6.75%. This reflects maintaining an assumed real rate of return of 4.5% and decreasing the underlying assumed price inflation to 2.25%

*Effective rate of interest. Decrease the long-term assumption for the ERI for crediting the money purchase accounts to 6.75% (effective July 2, 2019)

*Normal retirement rates. A slight increase in the retirement rate at age 50. No change to the rates for ages 60-61, 67-74 and 80+, but a slight decrease in rates at all other ages. A rate of 50% if the member has 40 or more years of service and is younger than age 80.

*Early retirement rates. Decrease in rates for all Tier 1 early retirement eligibility ages (55-59)

*Turnover rates. Change rates to produce lower expected turnover for members with less than 10 years of service and higher turnover for members with more than 10 years of service.

*Mortality rates. Maintain the RP-2014 mortality tables with projected generational mortality improvement. Update the projection scale from the MP-2014 to the MP-2017 scale.

*Disability rates. Decrease current rates to reflect that certain members who receive disability benefits do not receive the benefits on a long-term basis.

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

*Mortality rates. Change from the RP 2000 Mortality table projected to 2017, sex distinct, to the RP-2014 mortality tables with projected generational mortality improvement. Change to a separate mortality assumption for disabled participants.

*Salary increase. Change assumption to service-based rates, ranging from 3.75% to 15% based on years of service, with underlying wage inflation of 3.75%.

*Normal retirement rates. Change to retirement rates at ages younger than 60, age 66, and ages 70-79 to reflect observed experiences.

*Early retirement rates. Change to a slight increase to the rates at ages 55 and 56.

*Turnover rates. Change to produce lower expected turnover for members with less than 10 years of service and higher turnover for members with more than 10 years of service than the currently assumed rates.

*Disability rates. Decrease rates and have separate rates for males and females to reflect observed experience.

*Dependent assumption. Maintain the current assumption on marital status that varies by age and sex and the assumption that males are three years older than their spouses.

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

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
REQUIRED SUPPLEMENTARY INFORMATION FOR OPEB
For the Year Ended June 30, 2020

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

	FY2017	FY2018	FY2019
Proportionate percentage of the collective total OPEB liability	0.42%	0.34%	0.35%
Proportionate amount of the collective total OPEB Liability	\$174,634,628	\$137,600,029	\$154,007,094
Estimated proportionate amount of collective total OPEB liability associated with the University-State supported portion	2,716,859,537	1,904,874,439	1,986,698,815
Total OPEB Liability	2,891,494,165	2,042,474,468	2,140,705,909
Employer covered employee payroll	461,829,674	460,985,006	473,234,338
Proportionate share of total OPEB liability as a percentage of covered employee payroll	626.10%	443.07%	452.36%

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

Changes of Assumptions:

- The single discount rate was changed from 3.62% to 3.13% for fiscal year 2019
- The single discount rate was changed from 3.56% to 3.62% for fiscal year 2018
- The single discount rate was changed from 2.85% to 3.56% for fiscal year 2017

The healthcare trend assumptions were updated based on claim and enrollment experience through June 30, 2018, projected plan costs for plan year end June 30, 2019, premium changes through plan year end 2020, and expectation of future trend increases after June 30, 2019

The Cadillac Tax trend adjustment was updated based on available premium and enrollment information as of June 30, 2019

Per capita claim costs for plan year end June 30, 2019, were updated based on projected claims and enrollment experience through June 30, 2019, and updated premium rates through plan year 2020

Healthcare plan participation rates by plan were updated based on observed experience

SURS Pension-Related Assumptions:

The price inflation rate was changed from 2.75% to 2.25% for fiscal year 2019.

The wage inflation rate was changed from 3.75% for all participant groups to 3.25% for SURS participants for fiscal year 2019

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

SOUTHERN ILLINOIS UNIVERSITY
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TABLE OF OPERATING EXPENSES
For the Year Ended June 30, 2020

The following table presents a break-down of the various types of expenses which collectively comprise the University's functional operating expense accounts for the fiscal year ended June 30, 2020.

	Compensation and Benefits													Total Operating Expenses								
	Southern Illinois University's Expenses				State of Illinois' Expenses					Sub-Total	Total	Other Expenses										
	Salaries ¹	Benefits ²	OPEB ³	Pension	Sub-Total	Benefits	OPEB	Pension														
Educational and general:																						
Instruction	\$ 177,514,294	\$ 1,932,122	\$ -	\$ -	\$ 179,446,416	\$ 17,409,948	\$ (37,004,772)	\$ 102,321,977	\$ 82,727,153	\$ 262,173,569	\$ 36,412,687	\$ 298,586,256										
Research	18,323,176	2,102,846	-	-	20,426,022	1,403,129	(2,987,423)	6,860,177	5,275,882	25,701,904	11,971,778	37,673,682										
Public service	18,989,795	7,963,798	-	-	26,953,593	1,192,894	(2,539,025)	4,872,322	3,526,192	30,479,785	22,363,737	52,843,522										
Academic support	142,787,092	2,355,970	-	-	145,143,062	17,165,972	(36,500,994)	80,147,518	60,812,496	205,955,558	45,672,723	251,628,281										
Student services	32,479,739	264,429	-	-	32,744,168	4,604,335	(9,791,903)	18,558,345	13,370,776	46,114,944	36,452,823	82,567,767										
Institutional support	32,287,234	4,483,556	-	-	36,770,790	7,940,094	(16,880,793)	27,665,593	18,724,894	55,495,684	9,236,631	64,732,315										
Operation and maintenance of plant	26,665,661	6,789	-	-	26,672,450	5,681,938	(12,079,999)	24,218,116	17,820,055	44,492,505	34,664,433	79,156,938										
Scholarships and fellowships	686,368	-	-	-	686,368	-	-	-	-	686,368	51,783,705	52,470,073										
Depreciation	-	-	-	-	-	-	-	-	-	-	48,075,686	48,075,686										
Auxiliary enterprises	27,066,603	606,364	-	-	27,672,967	4,609,555	(9,801,852)	14,504,132	9,311,835	36,984,802	49,171,212	86,156,014										
Other operating expenses	-	-	-	-	-	-	-	-	-	-	133,333	133,333										
Totals	\$ 476,799,962	\$ 19,715,874	\$ -	\$ -	\$ 496,515,836	\$ 60,007,865	\$ (127,586,761)	\$ 279,148,180	\$ 211,569,283	\$ 708,085,119	\$ 345,938,748	\$ 1,054,023,867										

¹ Salaries includes employer contributions for Social Security, Medicare and unemployment.

² Benefits includes certain group insurance costs, such as healthcare and life insurance. For the University, it also includes employer 403(b) contributions.

³ OPEB refers to other post-employment benefits.