

SOUTHERN ILLINOIS UNIVERSITY

A Component Unit of the State of Illinois

MEDICAL FACILITIES SYSTEM

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
MEDICAL FACILITIES SYSTEM
FINANCIAL REPORT
For the Year Ended June 30, 2020

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SOUTHERN ILLINOIS UNIVERSITY

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

May 14, 2021

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

I am pleased to submit the annual Treasurer's Report to the Bondholders for the Southern Illinois University Medical Facilities System for the fiscal year ended June 30, 2020.

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

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

Respectfully submitted,

Signature on file

Duane Stucky
Board Treasurer

DS/sjp

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
MEDICAL FACILITIES SYSTEM
TREASURER'S COMMENTS (UNAUDITED)
For the Year Ended June 30, 2020

I. SOUTHERN ILLINOIS UNIVERSITY REVENUE BOND OPERATIONS - FACILITIES

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

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

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

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

The third phase expanded the system to include the purchase and renovation of property located at 401 N. Walnut in Springfield. The building is currently vacant but we are exploring several options including using the space for the WSIU radio station or rental of the property to an outside entity.

On June 30, 2020, the School of Medicine Medical Facilities System owned or occupied twenty-two locations where clinics and/or clinical faculty and/or clinical administration were housed. Owned by the University are the Richard H. Moy, M.D. Building, 401 N. Walnut, and the Simmons Cancer Institute. The nineteen remaining locations are leased by the University using revenues generated by the clinical practice of medicine. Fourteen of the leased facilities are in Springfield, Illinois and the remaining five are located elsewhere in Illinois.

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

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
MEDICAL FACILITIES SYSTEM
TREASURER'S COMMENTS (UNAUDITED)
For the Year Ended June 30, 2020

II. ENROLLMENTS AT SOUTHERN ILLINOIS UNIVERSITY

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

	<u>Head Count</u>
Fall semester 2019	291
Fall semester 2018	286

All students are enrolled full time. The first year is spent in Carbondale with a core curriculum of basic science courses. The remaining three years are spent at the Springfield campus. Beginning with Summer semester 2012 the Physician's Assistant program was moved to the School of Medicine. The Fall semester 2019 (2018) enrollment including the Physician's Assistant program was 369 (365).

III. DEBT SERVICE COVERAGE

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

	<u>Year Ended June 30</u>	
	<u>2020</u>	<u>2019</u>
Receipts:		
Revenue Account:		
Operations	\$ 41,307,102	\$ 40,268,319
Investment Income	39,729	34,395
Retirement of Indebtedness – Investment Income	22,266	23,270
	41,369,097	40,325,984
Disbursements:		
Operation & Maintenance Account	39,144,558	37,939,515
Net Revenues	2,224,539	2,386,469
Plus: Pledged Tuition	119,534,148	112,491,067
Total Available for Debt Service	\$121,758,687	\$114,877,536
Annual Debt Service	\$ 1,833,470	\$ 1,805,860
Maximum Annual Debt Service	\$ 1,895,773	\$ 1,895,773
Coverage Ratio Based on Net Revenues	1.21	1.32
Coverage Ratio Based on Annual Debt Service	66.41	63.61
Coverage Ratio Based on Maximum Annual Debt Service	64.23	60.60

IV. RETIREMENT OF INDEBTEDNESS

Net position is restricted for the following purposes:

	<u>June 30</u>	
	<u>2020</u>	<u>2019</u>
Bond and Interest Sinking Fund Account	\$445,548	\$434,845

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
MEDICAL FACILITIES SYSTEM
TREASURER'S COMMENTS (UNAUDITED)
For the Year Ended June 30, 2020

V. RENEWALS AND REPLACEMENTS

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

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

Additions during the year included transfers from unrestricted net position of \$189,577 (\$189,577 in 2019), interest earned on investments of \$23,962 (interest of \$18,772 in 2019) and no nonoperating revenue (\$0 in 2019).

There was \$115,357 in expenditures charged to the reserve (\$0 in 2019). The restricted net position of Renewals and Replacements consisted of the following:

	June 30	
	2020	2019
Cash	\$1,428,428	\$1,333,478
Accrued interest receivable	10,227	6,995
Accounts payable	0	0
	<u>\$1,438,655</u>	<u>\$1,340,473</u>

VI. SCHEDULE OF BONDS PAYABLE OUTSTANDING

A Schedule of Bonds Payable Outstanding is shown as supplementary information and lists the amount of Medical Facilities System Revenue Bonds, Series 2015A issued and outstanding as of June 30, 2020.

VII. RESTRICTED NET POSITION - EXPENDABLE

Restricted net position as of June 30, 2020 and 2019 are comprised of the following:

	June 30	
	2020	2019
Retirement of indebtedness	\$ 445,548	\$ 434,845
Renewals and replacements	1,438,655	1,340,473
	<u>\$ 1,884,203</u>	<u>\$ 1,775,318</u>

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

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

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the Southern Illinois University Medical Facilities System (System) was performed by Plante & Moran, PLLC.

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

EXIT CONFERENCE

The System 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 Medical Facilities System

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities of the Southern Illinois University Medical Facilities System (the "System"), a segment of Southern Illinois University, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Southern Illinois University Medical Facilities System's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities for Southern Illinois University Medical Facilities System as of June 30, 2020 and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note 14 to the financial statements, the COVID-19 pandemic has impacted the operations of the System. Our opinion is not modified with respect to this matter.

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

and

Board of Trustees
Southern Illinois University Medical Facilities System

As discussed in Note 1 to the financial statements, the financial statements of the System are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the activities of Southern Illinois University that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of Southern Illinois University as of June 30, 2020 and its change in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Medical Facilities System's Proportionate Share of the Net Pension Liability and Medical Facilities System's Schedule of Pension Contributions on page 36 and the Schedule of Medical Facilities System's Proportionate Share of the Net OPEB Liability on page 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements.

The Table of Operating Expenses for the year ended June 30, 2020 on page 39 and the Schedule of Bonds Payable Outstanding on page 40 (accompanying supplementary information) and the Treasurer's Letter of Transmittal on page 1, the Treasurer's Comments on pages 2-4, and the University Officials on page 5-6 (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 were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 Medical Facilities System

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

Restricted Use Relating to the Other Matter

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2021 on our consideration of the Southern Illinois University Medical Facilities System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 internal controls 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 Southern Illinois University Medical Facilities System'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
MEDICAL FACILITIES SYSTEM
STATEMENT OF NET POSITION
June 30, 2020

	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS:	
Pooled cash and investments	\$ 2,958,387
Pooled cash and investments, restricted	1,431,563
Short term investments, restricted	464,814
Accounts receivable	2,337,341
Accrued interest receivable	10,369
Prepaid expenses	48,745
TOTAL CURRENT ASSETS	7,251,219
NONCURRENT ASSETS:	
Capital assets not being depreciated:	
Land	2,565,115
Total capital assets not being depreciated	2,565,115
Capital assets being depreciated, net:	
Equipment	7,219,906
Buildings	36,393,587
Less accumulated depreciation	(20,516,105)
Total capital assets being depreciated, net	23,097,388
TOTAL NONCURRENT ASSETS	25,662,503
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to other post-employment benefits	1,230,617
Deferred loss on refunding	134,151
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	34,278,490
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
CURRENT LIABILITIES:	
Accounts payable	495,769
Accrued interest payable	22,543
Accrued payroll	328,824
Accrued compensated absences	216,655
Liability for Other Post-Employment Benefits	358,848
Revenue bonds payable	1,770,000
TOTAL CURRENT LIABILITIES	3,192,639
NONCURRENT LIABILITIES:	
Accrued compensated absences	2,125,813
Liability for Other Post-Employment Benefits	15,719,493
Revenue bonds payable	3,695,000
TOTAL NONCURRENT LIABILITIES	21,540,306
TOTAL LIABILITIES	24,732,945
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to other post-employment benefits	5,639,946
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	30,372,891
NET POSITION	
Net investment in capital assets	20,331,654
Restricted for:	
Expendable	
Capital projects and debt service	1,884,203
Unrestricted (Deficit)	(18,310,257)
TOTAL NET POSITION	\$ 3,905,600

The accompanying notes are an integral part of this statement.

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

	2020
REVENUES	
OPERATING REVENUES	
Medical Facilities System	\$ 40,709,484
EXPENSES	
OPERATING EXPENSES	
Salaries and wages	39,982,738
Contractual services	7,738,526
Other	4,275,358
Depreciation	1,333,394
TOTAL OPERATING EXPENSES	53,330,016
OPERATING LOSS	(12,620,532)
NONOPERATING REVENUES (EXPENSES)	
Investment income	88,199
Gifts and contributions	115,842
Interest on capital asset-related debt	(160,178)
Special funding situation for fringe benefits	6,278,995
Benefit payments on behalf of the System	5,272,419
NET NONOPERATING REVENUES	11,595,277
GAIN BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	(1,025,255)
OTHER REVENUES, EXPENSES, GAINS OR LOSSES	
Capital assets retired	(97,734)
Additions to plant facilities from other sources	496,329
TOTAL OTHER REVENUES, EXPENSES, GAINS OR LOSSES	398,595
DECREASE IN NET POSITION	(626,660)
NET POSITION	
Net position, beginning of year	4,532,260
NET POSITION AT END OF YEAR	\$ 3,905,600

The accompanying notes are an integral part of this statement.

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

	2020
CASH FLOWS FROM OPERATING ACTIVITIES	
Medical Facilities System	\$ 41,307,102
Payments to employees	(28,450,503)
Payments for utilities	(325,293)
Payments to suppliers	(10,484,119)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,047,187
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Contributions for other than capital purposes	115,842
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	115,842
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchases of capital assets	(158,253)
Principal paid on capital debt	(1,715,000)
Interest paid on capital debt	(118,470)
NET CASH USED IN CAPITAL FINANCING ACTIVITIES	(1,991,723)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	1,845,753
Investment income	82,725
Purchase of investments	(1,869,423)
NET CASH PROVIDED BY INVESTING ACTIVITIES	59,055
NET INCREASE IN CASH	230,361
POOLED CASH AND INVESTMENTS - BEGINNING OF THE YEAR	4,159,588
POOLED CASH AND INVESTMENTS - END OF THE YEAR	\$ 4,389,949
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating loss	\$(12,620,532)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation expense	1,333,394
Special funding situation for fringe benefits	6,278,995
Pension and OPEB revenue recognized on behalf of the system	5,272,419
Changes in assets and liabilities:	
Receivables, net	597,618
Prepaid expenses	(48,745)
Accounts payable	(203,731)
Accrued payroll	(421,175)
Accrued compensated absences	396,271
Liability for Other Post-Employment Benefits	1,462,673
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,047,187
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Special funding situation for fringe benefits	\$ 6,278,995
Pension and OPEB revenue recognized on behalf of the system	5,272,419
Capital asset acquisitions from other sources	496,329
Loss on disposal of capital assets	97,734

The accompanying notes are an integral part of this statement.

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

Note 1 - Significant Accounting Policies

Basis of Presentation - These financial statements have been prepared to satisfy the requirements of the Southern Illinois University Medical Facilities System ("System") Revenue Bonds master resolution. The financial balances and activities of the System, included in these financial statements, are included within the University's financial statements. The System is not a separate legal entity and consists of only those University assets, deferred inflows, liabilities, deferred outflows, net position, revenues and expenses related to the master resolution.

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

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

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

Pooled Cash and Investments - Pooled cash and investments include bank accounts and investments with original maturities of 90 days or less at the time of purchase, primarily U.S. Treasury Bills and money market funds. The System has recorded restricted pooled cash and investments which relate to funds restricted for operations and retirement of indebtedness.

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

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

Bond Issuance Insurance Costs - The system incurred no bond issuance insurance costs on the Series 2015A bonds.

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

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

SOUTHERN ILLINOIS UNIVERSITY
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Note 1 - Significant Accounting Policies (Continued)

Revenues and Expenses - The System has classified its revenues and expenses as either operating or nonoperating. Operating revenues and expenses include activities that have characteristics of exchange transactions, such as sales and services. Nonoperating revenues and expenses include activities that have characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting, and GASB Statement No. 34 Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Other nonoperating revenues and expenses include transactions relating to capital and financing activities, noncapital financing activities, and investing activities. The System first applies restricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Medical Facilities System operating revenue consists of funds received by the School of Medicine from the SIU Faculty Practice Plan, SIU Medicine, for direct costs related to the operations of the Faculty Practice Plan.

Pension - For the purpose 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 System) and the non-employer (the State) is the only entity with a legal obligation to make contributions directly to a pension plan. The

System 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 Postemployment 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.

SOUTHERN ILLINOIS UNIVERSITY
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Note 1 - Significant Accounting Policies (Continued)

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 (1) 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, while (2) 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.

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 System recognizes the proportionate share of the University's OPEB expense relative to the System'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.

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Note 1 - Significant Accounting Policies (Continued)

The System recognizes its proportionate share of the University's OPEB liability and related deferred inflows and outflows of resources.

On Behalf Transactions - The University had outside sources of financial assistance provided by the State on behalf of the System 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 System to meet this obligation for current employees.

As the University is not legally responsible to pay for the on-behalf support provided by the State, the University and therefore, the System, recognizes non-operating revenues and operating expenses allocated to the related function performed by the employees within the System's financial statements for its current employees' participation in group insurance. The System's proportionate share of the University's on-behalf non-operating revenues and operating expenses was \$5,272,419 for the year ended June 30, 2020.

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

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.

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

Note 1 - Significant Accounting Policies (Continued)

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 System:

GASB 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 System is being reviewed.

GASB 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 System is being reviewed.

GASB 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 System is being reviewed.

GASB 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 System is being reviewed.

GASB 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 System is being reviewed.

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

GASB 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 System is being reviewed.

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

Note 1 - Significant Accounting Policies (Continued)

GASB 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 System is being reviewed.

GASB 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 System is being reviewed.

Note 2 - Pooled Cash and Investments

It is University policy to invest funds in a manner which will provide investment returns and security consistent with good business practices, while meeting the daily cash flow demands of the University and conforming to all statutes governing the investments of funds. Funds are invested in accordance with the provisions of the Illinois Compiled Statutes, Chapter 30, Sections 235/0.01 – 235/8, the Public Funds Investment Act; the policies of the Board; and covenants provided from the University's bond and certificate of participation issuance activities. The University's Investment Policy authorizes the University to invest in securities of the United States of America, its agencies, and its instrumentalities, interest-bearing savings accounts, certificates of deposit, interest-bearing time deposits, and other direct obligations of any bank defined in the Illinois Banking Act; certain short term obligations of U.S. corporations rated in the three highest rating classification 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 three basic objectives of the University's investment policy are safety of invested funds; maintenance of sufficient liquidity to meet cash flow needs; and attainment of the maximum investment returns possible consistent with the first two objectives. The University ensures the safety of its invested funds by limiting credit and interest rate risks. The University's portfolio is structured to ensure that cash is available to meet anticipated demands. Additionally, since all possible cash demands cannot be anticipated, the portfolio consists largely of securities with active secondary or resale markets. The investment returns on the University's portfolio is a priority after the safety and liquidity objectives have been met. Investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

The University has pooled certain cash and investments for the purpose of securing a greater return on investment and providing a more equitable distribution of investment return. Pooled investments, which consist principally of government securities, are stated at market. Income is distributed quarterly based upon average balances invested in the pool over the prior 13-week period. There are no investments in foreign currency. It is not feasible to separately determine the System's bank balance at June 30, 2020, due to the pooling of the University's cash and investments.

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

Note 2 - Pooled Cash and Investments (Continued)

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 issuer or backer will not place an undue financial burden on the University. U.S. Treasuries are federal government securities that do not require the disclosure of credit risk. The U.S. agencies investments typically include the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, Federal National Mortgage Corporation and the Federal Home Loan Bank, all of which carry a rating in the AA category or higher. The Public Treasurer's Investment Pool is rated AAAM.

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

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

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

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

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

Investment Type	Fair Value	AS OF JUNE 30, 2020			
		Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More than 10
U.S. Treasuries	\$ 464,814	\$ 464,814	\$ -	\$ -	\$ -
Total Investments	<u>464,814</u>	<u>464,814</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Equivalents					
US Bank-Interest Sinking Fund	3,135				
The Illinois Funds	<u>4,386,815</u>				
Total Cash & Equivalents	<u>4,389,950</u>				
Total Cash & Investments	<u>\$4,854,764</u>				

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

Note 2 - Pooled Cash and Investments (Continued)

Fair value measurements: The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The System categorizes fair values according to the hierarchy established by generally accepted accounting principles. The hierarchy, based on the valuation inputs used to measure fair values, consists of the following three levels of measurement inputs:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets
- Level 2: Other than quoted prices that are observable for an asset or liability, directly or indirectly
- Level 3: Unobservable inputs for an asset or liability

The system uses Level 2 inputs to measure the fair value of all investments held. Fair values are provided by both the University's external investment manager as well as the custodian bank.

Note 3 - Investments and Investment Income

Investments are reported at fair value. The fair value is determined to be the amount, usually quoted market prices, at which financial instruments could be exchanged in a current transaction between willing partners. The investment with the Public Treasurer's Investment Pool-State Treasurer's Office is 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 of investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. Investment income net of realized and unrealized gains and losses on investments for the years ended June 30, 2020 is reflected below.

	<u>2020</u>
Interest earnings	\$88,095
Unrealized gain on investments	<u>104</u>
Net Investment Income	<u>\$88,199</u>

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

Note 4 - Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 2,565,115	\$ -	\$ -	\$ 2,565,115
Total capital assets not being depreciated	<u>2,565,115</u>	<u>-</u>	<u>-</u>	<u>2,565,115</u>
Capital assets being depreciated				
Equipment	6,830,097	630,582	240,773	7,219,906
Buildings	<u>36,369,587</u>	<u>24,000</u>	<u>-</u>	<u>36,393,587</u>
Total capital assets being depreciated	43,199,684	654,582	240,773	43,613,493
Total capital assets	<u>45,764,799</u>	<u>654,582</u>	<u>240,773</u>	<u>46,178,608</u>
Accumulated depreciation				
Equipment	5,447,421	385,099	143,039	5,689,481
Building	<u>13,878,329</u>	<u>948,295</u>	<u>-</u>	<u>14,826,624</u>
Total accumulated depreciation	<u>19,325,750</u>	<u>\$1,333,394</u>	<u>\$ 143,039</u>	<u>20,516,105</u>
Capital assets - net	<u>\$ 26,439,049</u>			<u>\$ 25,662,503</u>

Note 5 - Changes in Long-Term Liabilities

Liability activity for the year ended June 30, 2020 was as follows:

	2020				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Direct placement revenue bonds payable	\$ 7,180,000	\$ -	\$1,715,000	\$ 5,465,000	\$1,770,000
Postemployment benefits	12,602,786	9,115,500	5,639,946	16,078,340	294,899
Compensated absences	<u>1,946,197</u>	<u>538,605</u>	<u>142,334</u>	<u>2,342,468</u>	<u>216,655</u>
Total	<u>\$ 21,728,983</u>	<u>\$ 9,654,105</u>	<u>\$7,497,280</u>	<u>\$ 23,885,808</u>	<u>\$1,986,655</u>

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

SOUTHERN ILLINOIS UNIVERSITY
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For the Year Ended June 30, 2020

Note 6 - 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
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Direct Placements:

2015A	2035	\$7,180,000	\$ -	\$1,715,000	\$5,465,000	\$1,770,000
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On October 10, 1996, the Board authorized the creation of the Southern Illinois University Medical Facilities System and the sale of Medical Facilities System Revenue Bonds. The Series 1997 Bonds were issued on March 27, 1997 in the amount of \$16,855,000 for the purpose of acquiring the SIU Clinics Building, an existing facility, located at 751 North Rutledge, Springfield, Illinois. These bonds were sold at a discount of \$94,059.

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

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

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

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MEDICAL FACILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 6 - Revenue Bonds Payable (Continued)

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	1,770,000	90,172	1,860,172
2022	1,830,000	60,967	1,890,967
2023	<u>1,865,000</u>	<u>30,773</u>	<u>1,895,773</u>
Total Payments	<u>\$5,465,000</u>	<u>\$181,912</u>	<u>\$5,646,912</u>

These bonds do not constitute a debt of the State of Illinois or the individual members, officers or agents of the Board of Trustees of the University but, together with interest thereon, are payable from and secured by a pledge of and lien on (i) the net revenues of the System, (ii) pledged tuition (subject to prior payment of necessary operating and maintenance expenses of the Housing and Auxiliary Facilities System, debt service of the Housing and Auxiliary Facilities System not to exceed the maximum annual debt service, and then necessary operating and maintenance expenses of the System), (iii) the Bond and Interest Sinking Fund Account, and (iv) the Repair and Replacement Reserve Account. Total principal and interest remaining on the debt is \$5,646,912 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. Total revenue pledged represents 100 percent of the net revenues of the System and 82.61 percent of net tuition revenue received in fiscal year 2020. Although net tuition is pledged it is not expected to be needed to meet debt service requirements.

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

Note 7 - Related Party Transactions

Expenditures capitalized include \$496,329 paid for by other University funds in fiscal year 2020. The expenditures were for the purchase of equipment to be utilized in the various Medical Facilities System facilities. In addition, \$115,842 was received from other University funds in fiscal year 2020 and used for payment of debt.

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

Note 8 - Retirement Benefits

General Information about the Pension Plan

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

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

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

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Note 8 - Retirement Benefits (Continued)

Employer Proportionate Share of Net Pension Liability: The amount of the proportionate share of the net pension liability to be recognized for the University, and therefore the System, 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 .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. The System's proportionate share of the University's recognized revenue and pension expense of \$18,622,205 for the year ended June 30, 2020.

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

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Note 8 - Retirement Benefits (Continued)

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. The System paid \$0 contributions for the fiscal year ended June 30, 2020.

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-InflationProtected 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	1%	7.00%
Total	100%	4.80%
Inflation		2.75%
Expected Arithmetic Return		7.55%

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Note 8 - Retirement Benefits (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 Assumption	1% Increase
5.59%	6.59%	7.59%
\$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 9 – 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.

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.

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Note 9 – Post-Employment Benefits (Continued)

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. The System's proportionate share of the State's OPEB expense totaled \$13,349,786, or 10.46% of the University total as of the current year measurement date, and was recognized by the System as nonoperating 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 9 – 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 System under the Special Funding Situation	\$207,411,348
SEGIP total OPEB liability	<u>\$43,889,169,017</u>
Proportionate share of the total OPEB liability	.47%

System’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>
System’s OPEB liability	\$16,078,340
SEGIP total OPEB liability	<u>\$43,889,169,017</u>
Proportionate share of the total OPEB liability	.04%

The System’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 .01% from its proportion measured as of the prior year measurement date of June 30, 2018. The System’s proportionate share was unchanged from its proportion measured as of the prior year measurement date of June 30, 2018.

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Note 9 – 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 System's proportionate share of the University's reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2019, is as follows:

Deferred outflows of resources -	
System's contributions subsequent to the measurement date	<u>\$ 1,230,617</u>
Deferred inflows of resources	
Differences between expected and actual experience	\$ 245,273
Changes in assumptions	992,162
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>4,402,511</u>
Total deferred inflows of resources	<u>\$ 5,639,946</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	\$ (1,360,536)
2022	(1,360,536)
2023	(1,360,536)
2024	(1,360,536)
2025	(197,802)
Total	\$ (5,639,946)

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%

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Note 9 – Post-Employment Benefits (Continued)

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.

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:

GARS	Retirement age experience study [^] July 2012 – June 2015	Mortality ^{^^} 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 generational basis using projection table	RP-2014 with future mortality improvements on a fully 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.

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Note 9 – Post-Employment Benefits (Continued)

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.

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%)
System's proportionate share of total OPEB liability	\$18,936,476	\$16,078,341	\$13,792,110

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.

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates Assumption</u>	<u>1% Increase</u>
\$13,842,750	\$16,078,341	\$19,441,334

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

MFS Notes 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.

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Note 9 – Post-Employment Benefits (Continued)

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 years 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 System under the Special Funding Situation	\$207,411,348
System’s OPEB liability	16,078,340
Total OPEB liability associated with the University	\$223,489,688
SEGIP total OPEB liability	\$43,889,169,017
Proportionate share of the OPEB liability associated with the University	4.88%

Note 10 - Operating Expenses by Function Classification

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

	Compensation and Benefits	Supplies and Services	Depreciation	Total
Academic Support	\$40,455,917	\$ 5,200,050	\$1,333,394	\$46,989,361
Operation and Maintenance of Plant	583,763	5,756,892	-	6,340,655
Total	\$41,039,681	\$10,956,942	\$1,333,394	\$53,330,016

Note 11 - Operating leases

The System leases clinical and office space under contracts, some of which are renewable annually and others for multiple years with renewal options at the end of the initial lease period. Many of the renewals are subject to escalation upon proper notice by the lessor. Rental payments on these operating leases totaled \$5,107,688 in 2020 and \$5,324,842 in 2019 and are included in contractual services on the Statements of Revenues, Expenses and Changes in Net Position. Leases extending beyond 2020 have future payments of \$6,358,655 in 2021, \$6,096,717 in 2022, \$5,654,900 in 2023 and \$4,430,821 in 2024. There are no leases as of June 30, 2020 with future payments beyond 2024.

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Note 12 - 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. All self-insurance claims are paid centrally by administration and are not allocated to the System.

Note 13 – Contingencies and Commitments

From time to time, the University is a defendant in lawsuits which relate to the System. 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 System's financial position or its future operations.

Note 14 - Impact of COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a 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, the System clinics operated at reduced capacity during the last half of March through the end of May. Physicians were able to see patients virtually which softened the impact of the clinics not operating at full capacity. At the beginning of June, the Systems entered Phase 3 of the reengagement plan and the clinics started operating at 75% capacity. The pandemic has increased the need for physician and staff protective equipment as well as screening and treatment supplies to be purchased.

The severity of the continued impact due to COVID-19 on the System'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.

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

Schedule of Medical Facilities System'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	<u>145,645,890</u>	<u>142,572,127</u>	<u>149,567,649</u>	<u>148,648,360</u>	<u>160,870,450</u>	<u>163,987,296</u>
Total (b) + (c)	\$145,645,890	\$142,572,127	\$149,567,649	\$148,648,360	\$160,870,450	\$163,987,296
Employer DB Covered Payroll	\$24,169,140	\$21,696,307	\$ 20,803,296	\$20,596,793	\$20,897,786	\$20,634,737
Proportion of Collective Net Pension Liability associated With Employer as a percentage of covered- payroll	602.61%	657.13%	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%

Medical Facilities System's Schedule of Contributions

Federal, Trust, Grant and Other contribution	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contribution in relation to required contribution	0	0	0	0	0	0	0
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Employer Covered-payroll	\$24,125,159	\$22,033,214	\$21,125,750	\$20,901,279	\$21,218.309	\$20,890,552	\$23,846,781
Contributions as a percentage of covered-payroll	0%	0%	0%	0%	0%	0%	0%

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

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

- Mortality rates. Change from the RP 2000 Mortality table projected to 2017, sex distinct, to the RP-2014 mortality 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
MEDICAL FACILITIES SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2020

Schedule of Medical Facilities System's Proportionate Share of the Net OPEB Liability

	FY2017	FY2018	FY2019
Proportionate percentage of the collective total OPEB liability	.04%	.03%	.03%
Proportionate amount of the collective total OPEB Liability	\$ 15,630,952	\$ 12,602,786	\$ 16,078,340
Estimated proportionate amount of collective total OPEB liability associated with the University-State supported portion	<u>243,176,863</u>	<u>174,467,441</u>	<u>207,411,348</u>
Total OPEB Liability	\$ 258,807,815	\$ 187,070,227	\$ 223,489,688
Employer covered payroll	\$ 23,659,893	\$ 3,663,582	\$ 25,348,080
Proportionate share of total OPEB liability as a percentage of covered payroll	1093.87%	790.54%	881.68%

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
A Component Unit of the State of Illinois
MEDICAL FACILITIES SYSTEM
SUPPLEMENTARY INFORMATION
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 System's functional operating expense accounts for the fiscal year ending June 30, 2020.

	For the year ended June 30, 2020																																																											
	University Expenses					State of Illinois Expenses					Total Operating Expenses																																																	
	Salaries ¹	Benefits ²	OPEB ³	Sub-Total	Benefits ²	OPEB ³	Pension	Sub-Total	Total	Other Expenses																																																		
Educational and general:													Academic support	\$ 28,401,164	\$ 670,337	\$ -	\$ 29,071,501	\$ 6,179,787	\$ (13,138,859)	\$ 18,343,488	\$ 11,384,416	\$ 40,455,917	\$ 5,200,050	\$ 45,655,967	Operation and maintenance of plant	416,765	-	-	416,765	99,208	(210,927)	278,717	166,998	583,763	5,756,892	6,340,655	Depreciation	-	-	-	-	-	-	-	-	-	1,333,394	1,333,394	Totals	<u>\$ 28,817,929</u>	<u>\$ 670,337</u>	<u>\$ -</u>	<u>\$ 29,488,266</u>	<u>\$ 6,278,995</u>	<u>\$ (13,349,786)</u>	<u>\$ 18,622,205</u>	<u>\$ 11,551,414</u>	<u>\$ 41,039,681</u>	<u>\$ 12,290,336</u>	<u>\$ 53,330,016</u>
Academic support	\$ 28,401,164	\$ 670,337	\$ -	\$ 29,071,501	\$ 6,179,787	\$ (13,138,859)	\$ 18,343,488	\$ 11,384,416	\$ 40,455,917	\$ 5,200,050	\$ 45,655,967																																																	
Operation and maintenance of plant	416,765	-	-	416,765	99,208	(210,927)	278,717	166,998	583,763	5,756,892	6,340,655																																																	
Depreciation	-	-	-	-	-	-	-	-	-	1,333,394	1,333,394																																																	
Totals	<u>\$ 28,817,929</u>	<u>\$ 670,337</u>	<u>\$ -</u>	<u>\$ 29,488,266</u>	<u>\$ 6,278,995</u>	<u>\$ (13,349,786)</u>	<u>\$ 18,622,205</u>	<u>\$ 11,551,414</u>	<u>\$ 41,039,681</u>	<u>\$ 12,290,336</u>	<u>\$ 53,330,016</u>																																																	

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

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

³OPEB refers to other post-employment benefits.

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
MEDICAL FACILITIES SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF BONDS PAYABLE
June 30, 2020

	<u>Principal Amount</u>	<u>Interest Rate</u>
Interest Bearing Bonds		
Serial Bonds Maturing as follows:		
2021	\$1,770,000	1.65%
2022	1,830,000	1.65%
2023	<u>1,865,000</u>	1.65%
Total Interest Bearing Bonds	<u>\$5,465,000</u>	

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