

**STATE OF ILLINOIS**

**SOUTHERN ILLINOIS UNIVERSITY**

**FINANCIAL AUDIT**

For the Year Ended June 30, 2018

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

**STATE OF ILLINOIS  
SOUTHERN ILLINOIS UNIVERSITY  
ANNUAL FINANCIAL REPORT  
For the Year Ended June 30, 2018**

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SOUTHERN ILLINOIS UNIVERSITY

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

February 13, 2019

TO THE BOARD OF TRUSTEES  
OF SOUTHERN ILLINOIS UNIVERSITY

I am pleased to submit the annual financial report of Southern Illinois University for the year ended June 30, 2018.

The report consists of the Independent Auditors' Report, Management's Discussion and Analysis, the basic financial statements, and the notes to the financial statements of the University and its aggregate discretely presented component units. It presents the respective financial positions of the University and its component units.

The financial statements of the University have been audited by Plante & Moran, PLLC for fiscal year 2018. As Special Assistant Auditors for the Auditor General, they will issue reports covering their audits of the compliance of the University with applicable state and federal laws and regulations. They will also issue a report containing supplementary financial information and special data requested by the Auditor General. These reports will be available at the Office of the Auditor General, State of Illinois.

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

Respectfully submitted,

**SIGNED COPY ON FILE**

Duane Stucky  
Board Treasurer

DS/sjp

**SOUTHERN ILLINOIS UNIVERSITY**

**Board of Trustees and Officers of  
Administration**

**Fiscal Year 2018**

**Board of Trustees of Southern Illinois University**

Amy Sholar, Chair	Alton
J. Phil Gilbert, Vice Chair	Carbondale
Joel Sambursky, Secretary	Carbondale
Sam Beard – Student Elected	Carbondale
Thomas Britton (4/11/18 to 6/30/18)	Makanda
Luke Jansen – Student Elected	Edwardsville
Shirley Portwood	Godfrey
Marsha Ryan	Carbondale
Randal Thomas	Springfield

**Officers of Southern Illinois University**

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

**Officers of Administration, Southern Illinois University Carbondale**

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

**Officers of Administration, Southern Illinois University Edwardsville**

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

Agency offices are located at:

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

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

**STATE OF ILLINOIS  
SOUTHERN ILLINOIS UNIVERSITY  
FINANCIAL STATEMENT REPORT**

**Summary**

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

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

**Exit Conference**

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

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

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

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

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

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

**Opinion**

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities of Southern Illinois University and its aggregate discretely presented component units as of June 30, 2018 and the respective changes in its financial position and its cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As described in Note 2 to the financial statements, the University adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of July 1, 2017. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6-14, the Schedule of Southern Illinois University's Proportionate Share of the Net Pension Liability and the Schedule of Contributions on pages 56-57, and the Schedule of Southern Illinois University's Proportionate Share of the Net OPEB Liability on page 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

**Other Reporting Required by Government Auditing Standards**

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

**SIGNED COPY ON FILE**

**Plante & Moran, PLLC**

Portage, Michigan  
February 13, 2019

**Southern Illinois University  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

**Introduction**

The following unaudited discussion and analysis of the financial statements of Southern Illinois University (the "University") provides an overview of the University's financial activities for the fiscal year ended June 30, 2018 with selected comparative information for the year ended June 30, 2017. This discussion has been prepared by management and should be read in conjunction with the financial statements and related footnotes.

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

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

**Using the Financial Statements**

The University's financial report includes three basic financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. The notes to the basic financial statements are an integral part of the basic financial statements and provide additional details which should be included as part of any review or analysis. The financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities and require that financial statements focus on the University as a whole.

**Financial Highlights**

Two circumstances had the most impact on the University's financial position in fiscal year 2018. The first was the amount of state appropriated funding included in the Statement of Revenues, Expenses and Changes in Net Position. Fiscal year 2018 appropriated revenue is \$276.4 million, up from \$107 million in the prior fiscal year. Although fiscal year 2017 was fully funded, governmental accounting standards required that \$94.3 million of appropriations for that year be included in the fiscal year 2018 financial reports, based on the July 6, 2017, passage of the funding bill. The net position as of June 30, 2018, is reflective of all appropriations due to the University as of that date.

The second circumstance was the application of GASB Standard No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Application of the standard, which is described in detail in Note 17 in the Notes to Financial Statements, resulted in the University reducing its previously reported fiscal year 2017 net position by \$224.5 million which greatly contributed to the current fiscal year decreases in Restricted-Expendable net position of \$37.7 and Unrestricted Net Position of \$47 million.



**Southern Illinois University  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

**Statement of Net Position**

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

The University's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2018, and 2017, are summarized as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<b>Assets and deferred outflows of resources:</b>		
Current assets	\$ 251,241,895	\$ 145,995,400
Capital assets, net	816,609,429	838,271,518
Other assets	137,846,696	110,963,771
Deferred outflows of resources	<u>8,830,040</u>	<u>5,464,257</u>
<b>Total assets and deferred outflows of resources</b>	<b>1,214,528,060</b>	<b>1,100,694,946</b>
<b>Liabilities and deferred inflows of resources:</b>		
Current liabilities	113,701,985	116,183,323
Noncurrent liabilities	478,907,819	331,126,917
Deferred inflows of resources related to OPEB	<u>53,340,170</u>	<u>-</u>
<b>Total liabilities and deferred inflows of resources</b>	<b>645,949,974</b>	<b>447,310,240</b>
<b>Net Position:</b>		
Net investment in capital assets	567,631,964	567,821,930
Restricted - nonexpendable	5,328,339	5,222,891
Restricted - expendable	56,590,983	74,855,200
Unrestricted (Deficit)	<u>(60,973,200)</u>	<u>5,484,685</u>
<b>Total Net Position</b>	<b><u>\$ 568,578,086</u></b>	<b><u>\$ 653,384,706</u></b>

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

As of June 30, 2018, the University had deferred inflows of resources related to postemployment benefits other than pensions totaling \$53 million. The Department of Central Management Services administers the benefits on behalf of the University. The State of Illinois is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees; therefore, the University has recorded a liability of \$175 million related to these benefits as of June 30, 2018. More detailed information is presented in Note 17 in the Notes to Financial Statements.

University assets and deferred outflows of resources totaled \$1.2 billion at June 30, 2018, an increase of \$114 million compared to 2017. Cash and cash equivalents increased \$23.2 million while investment balances increased \$112.7 million. The increase in both cash and investments is most notable in unrestricted funds and is primarily related to the resumption in July 2017 of state appropriated funding for operations.

**Southern Illinois University  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

**Statement of Net Position (continued)**

The largest asset of the University is its investment in land, buildings and equipment, which totaled \$816.6 million at June 30, 2018, and \$838.3 million at June 30, 2017. The decrease is due to increased accumulated depreciation of \$46.9 million offset by the additional capitalization of site improvements and buildings of \$24.3 million.

University liabilities and deferred inflows of resources at June 30, 2018, increased \$198.6 million, or 44% compared to 2017. The increase was primarily due to the liability for postemployment benefits other than pensions in the amount of \$174.6 million and the associated deferred inflow of resources totaling \$53.4 million. This was offset by scheduled debt service payments totaling \$24.5 million related to revenue bonds and certificates of participation.

The University's 2018 overall net position, the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources, decreased \$84.8 million, or 13%, compared to fiscal year 2017. The decrease was primarily the result of the new accounting requirements related to postemployment benefits, offset by the increases in cash and investments resulting from the restoration of state appropriated funding for general operations.

**Capital Assets and Long-Term Debt**

The University's Capital Asset policy requires the capitalization of infrastructure at \$1,000,000, buildings and intangible assets at \$100,000, site or building improvements at \$25,000 and equipment at \$5,000. The University depreciates its capital assets on a straight-line basis, using estimated useful lives ranging from five to forty years. The following table illustrates the composition of the University's capital assets, net of accumulated depreciation, by category:

**Capital Assets, Net of Accumulated Depreciation**

	<b>2018</b>		<b>2017</b>	
Land	\$ 22,194,897	2.7%	\$ 22,194,897	2.7%
Buildings	647,951,407	79.4%	663,642,656	79.2%
Improvements and infrastructure	37,426,374	4.6%	37,460,594	4.5%
Equipment	30,504,716	3.7%	34,389,192	4.0%
Collections	12,404,140	1.5%	12,331,138	1.5%
Intangible assets	627,322	0.1%	1,269,150	0.1%
Construction in progress	65,500,573	8.0%	66,983,891	8.0%
	<u>\$ 816,609,429</u>	<u>100.0%</u>	<u>\$ 838,271,518</u>	<u>100%</u>

There was almost no change in the net investment in capital assets during fiscal year 2018. At the end of fiscal years 2018 and 2017, respectively, the University had \$567,631,964 and \$567,821,930 invested in capital assets, net of accumulated depreciation and related debt. Depreciation expense for 2018 and 2017, respectively, was \$53,196,616 and \$53,988,717, with accumulated depreciation of \$1,086,786,569 and \$1,039,902,408.

**Southern Illinois University  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

**Capital Assets and Long-Term Debt (continued)**

The University has historically utilized revenue bonds to finance capital projects related to the Housing and Auxiliary Facilities System and the Medical Facilities System which have the ability to generate resources to service the debt. In fiscal year 2018, the University did not issue any additional bonds. The following table details the bonded debt outstanding at June 30, 2018 and 2017:

	<b>Bonds Payable</b>	
	<u>2018</u>	<u>2017</u>
Housing and Auxiliary Facilities System	\$ 207,242,376	\$ 225,649,121
Medical Facilities System	8,840,000	10,445,000
	<u>\$ 216,082,376</u>	<u>\$ 236,094,121</u>

Certificates of participation (COPS) were last issued in fiscal year 2014 in the amount of \$43 million for capital improvement projects at Carbondale and to refund the outstanding 2004A COPS issuance. The balances of outstanding COPS at June 30, 2018 and 2017 were \$35,120,225 and \$37,456,103, respectively. For additional information concerning the University's Capital Assets and Debt Administration, see Notes 7, 9, 10, and 12 in the Notes to Financial Statements.

**Statement of Revenues, Expenses and Changes in Net Position**

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

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

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

**Southern Illinois University  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

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

The following summarizes the University's financial activity for fiscal years 2018 and 2017:

	<u>Year Ended June 30, 2018</u>	<u>Year Ended June 30, 2017</u>
<b>Operating revenues:</b>		
Tuition and fees, net	\$ 229,266,026	\$ 246,002,966
Auxiliary enterprises	96,691,267	107,188,291
Grants and contracts	85,440,599	82,267,590
Other	173,409,129	165,736,910
Operating expenses	<u>(1,194,223,256)</u>	<u>(1,217,148,952)</u>
<b>Operating loss</b>	<u>(609,416,235)</u>	<u>(615,953,195)</u>
State appropriations	276,429,700	106,963,500
On-behalf payments	379,017,601	384,606,916
Other nonoperating revenues & expenses, net	<u>87,219,641</u>	<u>50,031,570</u>
Income (Loss) before other revenues	133,250,707	(74,351,209)
Other revenues	<u>6,443,270</u>	<u>14,602,740</u>
<b>Increase (Decrease) in net position</b>	139,693,977	(59,748,469)
<b>Net position at beginning of year</b>	653,384,706	713,133,175
Change in accounting principle	<u>(224,500,597)</u>	-
<b>Net position at end of year</b>	<u><u>\$ 568,578,086</u></u>	<u><u>\$ 653,384,706</u></u>

Operating revenue experienced a net decrease of \$16.4 million, or 2.7%, in fiscal year 2018, compared to 2017. The decrease was primarily the result of a drop in revenues from student tuition and fees of \$17 million as a result of overall declining enrollment at the Carbondale campus. State funded grant revenues increased \$4.5 million and Physicians and Surgeons revenue increased \$2.8 million. Funded debt enterprise revenues decreased \$8.4 million, also as a result of declining enrollment.

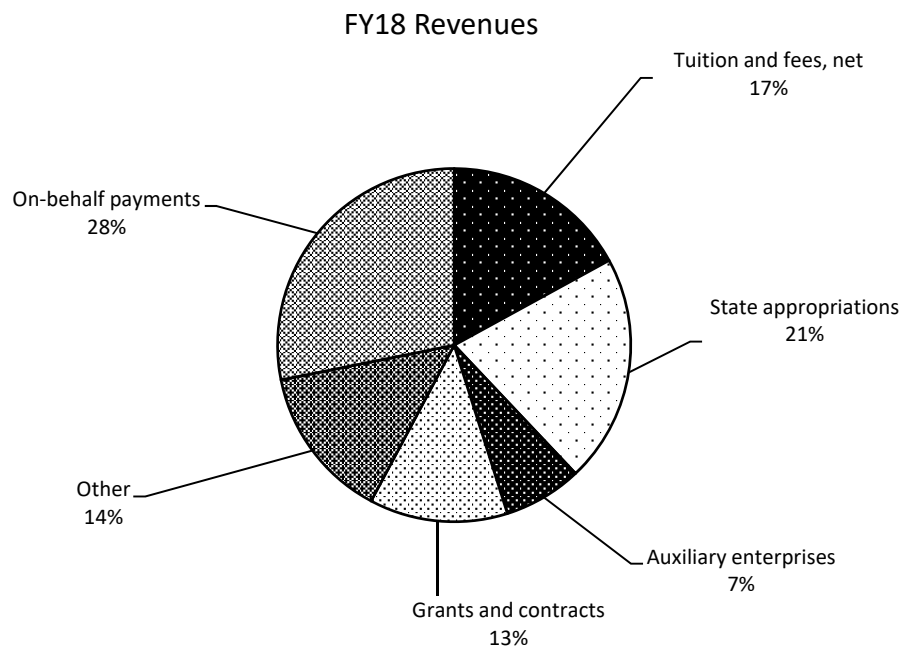
Fiscal year 2018 operating expenses decreased \$23 million, or 1.9% compared to 2017. The reduction was primarily the result of a permanent \$19 million budget cut at the Carbondale campus.

Net nonoperating revenues and expenses realized in 2018 increased \$201.1 million, or 37.1% from fiscal year 2017. State appropriations increased \$169.5 million due to the restoration of state appropriated funding and the timing of about one-half of the fiscal year 2017 appropriation. Payments on behalf of the University decreased \$5.6 million due to a decrease in payments related to pension costs of \$17.5 million offset by an increase in payments related to healthcare of \$11.9 million. Non-exchange grant revenues increased \$35.1 million, primarily due to the payment of Monetary Assistance Program (MAP) funding by the State of Illinois. Revenues for state appropriated capital development projects decreased \$7.9 million due to the science building on the Edwardsville campus was nearing completion during fiscal year 2018.

**Southern Illinois University  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

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

The following is a graphic illustration of fiscal year 2018 revenues by source (operating, nonoperating, and other), which were used to fund the University's activities. The revenue from charges for tuition and fees is shown net of the scholarship allowance of \$76,678,467. Student tuition, on-behalf payments, and state appropriations are typically the primary source of funding for the University's academic programs. Other operating revenues consist primarily of income from sales and services of educational activities and income from the Physicians and Surgeons practice plan.



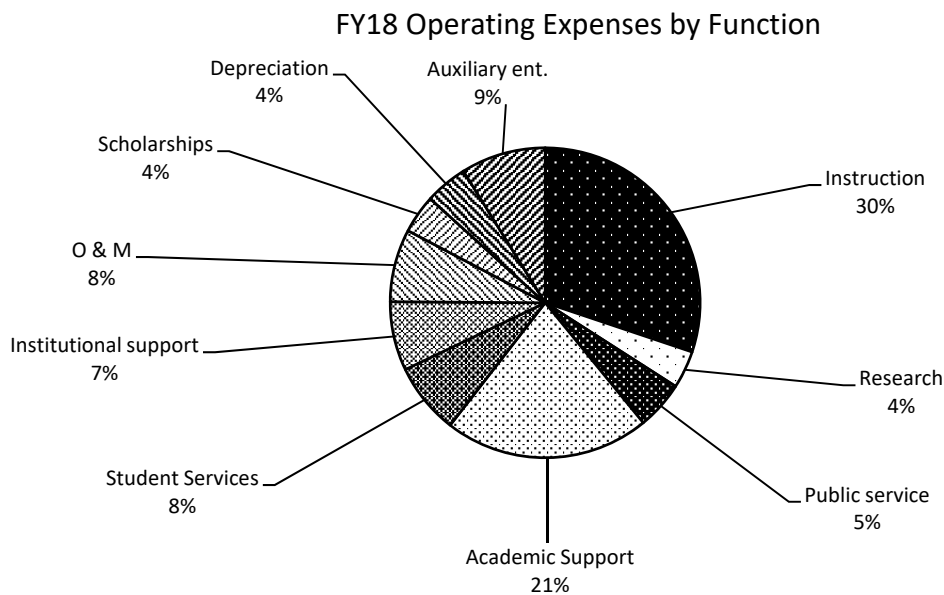
**Southern Illinois University  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

**Operating Expenses**

A summary of the University's operating expenses by functional classification for the years ended June 30, 2018 and 2017 is as follows:

	<u>2018</u>		<u>2017</u>	
Instruction	\$ 360,037,082	30.1%	\$ 363,765,973	29.9%
Research	46,792,753	3.9%	47,928,808	3.9%
Public service	59,959,861	5.0%	58,139,202	4.8%
Academic support	255,616,539	21.5%	245,747,210	20.3%
Student services	88,409,546	7.4%	86,860,483	7.1%
Institutional support	85,973,713	7.2%	101,738,900	8.4%
Operation and maintenance of plant	90,593,871	7.6%	91,445,257	7.5%
Scholarships and fellowships	47,907,557	4.0%	52,530,930	4.3%
Depreciation	53,196,616	4.5%	53,988,717	4.4%
Auxiliary enterprises	105,541,945	8.8%	114,721,960	9.4%
Other expenditures	193,773	0.0%	281,512	0.0%
	<u>\$ 1,194,223,256</u>	<u>100%</u>	<u>\$ 1,217,148,952</u>	<u>100.0%</u>

Operating expenses include \$379,017,601 and \$384,606,916 for health care and retirement costs paid on-behalf of University employees by the State of Illinois for fiscal years 2018 and 2017, respectively. These expenses have been allocated by function. The University chooses to report its expenses by functional classification in the Statements of Revenues, Expenses and Changes in Net Position. The expenses are displayed in their natural classifications in Note 20. The following is a graphic illustration of operating expenses by function for the year ended June 30, 2018:



**Southern Illinois University  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

**Statement of Cash Flows**

The Statement of Cash Flows provides additional information about the University's sources and uses of cash during the fiscal year. This statement helps users assess the University's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing. The following summarizes the University's cash flow activity for fiscal years 2018 and 2017:

	<u>Year Ended June 30, 2018</u>	<u>Year Ended June 30, 2017</u>
Cash provided by (used in):		
Operating activities	\$ (184,502,037)	\$ (176,661,571)
Noncapital financing activities	376,974,681	167,812,521
Capital and related financing activities	(58,276,409)	(58,875,865)
Investing activities	<u>(110,990,552)</u>	<u>24,161,569</u>
Net increase (decrease) in cash	23,205,683	(43,563,346)
Cash and cash equivalents, beginning of year	<u>67,870,182</u>	<u>111,433,528</u>
Cash and cash equivalents, end of year	<u>\$ 91,075,865</u>	<u>\$ 67,870,182</u>

Major sources of funds included in operating activities are student tuition and fees, grants and contracts, sales and services of educational activities, auxiliary enterprises, and other operating receipts. For fiscal years 2018 and 2017, respectively, student tuition and fees generated \$244.2 million and \$263.7 million. The decrease was primarily due to lower enrollment at the Carbondale campus. Grants and contracts provided \$77.3 million and \$73.5 million. Sales and services of educational activities received \$118.7 million and \$116.2 million, auxiliary enterprises generated \$105.0 million and \$113.5 million, and other operating receipts totaled \$102.8 million and \$100.1 million. Payments for employee salaries and benefits, payments to suppliers for goods and services, and scholarship and fellowship payments comprise the major uses of operating funds which totaled \$885.2 million in fiscal year 2018 compared to \$891.7 million in fiscal year 2017.

The major source of funds in noncapital financing activities is State appropriations which provided \$276.3 million in fiscal year 2018 compared to \$107 million in fiscal year 2017. The increase in appropriations resulted from the receipt of about half of fiscal year 2017 funding during fiscal year 2018.

Debt service payments on outstanding capital debt, and the purchases of capital assets comprise the major activity in capital and related financing activities. Cash used for this activity was slightly less in fiscal year 2018 compared to fiscal year 2017. There were no additional bond issuances in either fiscal year 2018 or 2017.

Investing activities include the purchases, sales, and maturities of investments as well as investment income. Cash used by this activity increased \$135.2 million compared to fiscal year 2017 as a result of the University receiving state reimbursements for operating expenses regularly during fiscal year 2018. In fiscal year 2017, these funds were not available to invest due to reduced state appropriations.

**Southern Illinois University  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

**Economic Outlook**

Southern Illinois University has historically received between 40% - 50% of its operating revenues from State funding sources including direct operating appropriations and payments on-behalf to fund University employees' benefits. In fiscal year 2018, Southern Illinois University received \$276.4 million of direct state appropriations of which \$94.3 million could be utilized to fund expenditures occurring in fiscal year 2017. In June 2018, the legislators and Governor approved an operating budget for fiscal year 2019. This budget provides \$185.8 million of funding to Southern Illinois University, a 2% increase from the \$182.1 million portion of the prior year appropriation that represented fiscal year 2018 funding. The fiscal year 2019 appropriation bill also included nearly \$16.5 million of capital funding for Southern Illinois University.

Tuition for first time students was increased by 2% at the Carbondale campus and by 4% at the Edwardsville campus for the fall 2018 semester and both campuses combined all mandatory fees into a consolidated general per credit hour fee. The consolidated general fee for the fall 2018 is \$117 per credit hour at the Carbondale campus and \$100.30 per credit hour at the Edwardsville campus.

Enrollment at Southern Illinois University was down from 28,350 in the fall semester 2017 to 26,098 in the fall semester 2018. The enrollment decline is in part attributed to the prolonged budget impasse and is concentrated primarily at the Carbondale campus. On September 13, 2018, the University's Board of Trustees approved a fiscal year 2019 budget for operations. Revenues are projected to increase in all major fund groups with the exception of the Revenue Bond Operations fund group which has a budgeted decrease of 6%. Southern Illinois University continues efforts to develop and expand its revenue base, implement cost saving measures, and enhance liquidity.

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



# Southern Illinois University

## Statement of Net Position

### June 30, 2018

	UNIVERSITY	RELATED ORGANIZATIONS
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 52,996,810	\$ 2,505,093
Cash and cash equivalents, restricted	38,079,055	2,439,607
Short-term investments	55,792,903	34,287,116
Short-term investments, restricted	46,424,882	7,713,300
Deposits with University	-	10,289,330
Appropriations receivable from State of Illinois	105,669	-
Reimbursement due from State Treasurer	1,593,086	-
Accounts receivable, net	41,231,151	16,362,991
Notes receivable, net	3,374,151	-
Accrued interest receivable	77,289	838,469
Due from related organizations	3,360,033	66,749
Inventories	7,495,276	-
Prepaid expenses and other assets	711,590	1,152,834
<b>Total Current Assets</b>	<b>251,241,895</b>	<b>75,655,489</b>
<b>Noncurrent Assets:</b>		
Long-term investments	67,094,091	35,209,823
Long-term investments, restricted	52,574,292	178,320,463
Notes receivable, net	14,783,130	13,493
Prepaid expenses and other assets	3,395,183	4,841,146
Capital assets, not depreciated	100,099,610	307,216
Capital assets, net of depreciation	716,509,819	4,954,852
<b>Total Noncurrent Assets</b>	<b>954,456,125</b>	<b>223,646,993</b>
<b>Deferred outflows of resources</b>	<b>8,830,040</b>	<b>-</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,214,528,060</b>	<b>299,302,482</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>		
<b>Current Liabilities:</b>		
Accounts payable	28,837,918	1,753,570
Accrued interest payable	2,399,318	-
Accrued payroll	8,871,828	3,837,895
Accrued compensated absences	3,752,152	-
Revenue bonds payable	19,588,109	-
Certificates of participation	2,410,878	-
Liabilities under capitalized leases	1,093,684	-
Annuities payable	-	173,312
Accrued liability for self-insurance	8,576,984	-
Deposits held for University related organizations	10,289,330	-
Deposits held in custody for others	983,813	92,059
Unearned revenue	26,744,068	161,190
Housing deposits	87,154	-
Due to related organizations	66,749	3,360,033
<b>Total Current Liabilities</b>	<b>113,701,985</b>	<b>9,378,059</b>
<b>Noncurrent Liabilities:</b>		
Accrued compensated absences	37,020,537	-
Revenue bonds payable	196,494,267	-
Certificates of participation	32,709,347	-
Liabilities under capitalized leases	908,417	-
Annuities payable	-	1,399,032
Accrued liability for self-insurance	20,628,219	-
Liability for OPEB	174,634,628	-
Federal loan program contributions refundable	16,405,883	-
Housing deposits	106,521	-
Other accrued liabilities	-	1,735,594
Deposits held in custody for others	-	2,745,570
<b>Total Noncurrent Liabilities</b>	<b>478,907,819</b>	<b>5,880,196</b>
<b>Deferred inflows of resources related to OPEB</b>	<b>53,340,170</b>	<b>-</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>645,949,974</b>	<b>15,258,255</b>
<b>NET POSITION</b>		
Net investment in capital assets	567,631,964	5,262,068
Restricted for:		
Nonexpendable	5,328,339	128,871,793
Expendable	56,590,983	89,300,530
Unrestricted (Deficit)	(60,973,200)	60,609,836
<b>TOTAL NET POSITION</b>	<b>\$ 568,578,086</b>	<b>\$ 284,044,227</b>

# Southern Illinois University

## Statement of Revenues, Expenses, and Changes in Net Position

### For the Year Ended June 30, 2018

	UNIVERSITY	RELATED ORGANIZATIONS
<b>REVENUES</b>		
<b>Operating Revenues:</b>		
Student tuition and fees (net of scholarship allowances of \$76,678,467)	\$ 229,266,026	\$ -
Federal grants and contracts	39,635,094	-
State of Illinois grants and contracts	18,902,501	-
Other government grants and contracts	5,682,436	-
Private grants and contracts	21,220,568	-
Sales and services of educational departments	122,183,589	-
Physicians and Surgeons practice plan	50,898,437	-
Patient service revenue (net)	-	85,295,219
Auxiliary enterprises:		
Funded debt enterprises (net of scholarship allowances of \$7,909,301)	84,053,835	-
Other auxiliary enterprises (net of scholarship allowances of \$1,581,192)	12,637,432	-
Loan interest income	225,539	-
Other operating revenues	101,564	28,068,549
<b>Total Operating Revenues</b>	<b>584,807,021</b>	<b>113,363,768</b>
<b>EXPENSES</b>		
<b>Operating Expenses:</b>		
Instruction	360,037,082	-
Research	46,792,753	-
Public service	59,959,861	-
Academic support	255,616,539	-
Student services	88,409,546	-
Institutional support	85,973,713	130,992,147
Operation and maintenance of plant	90,593,871	-
Scholarships and fellowships	47,907,557	-
Depreciation	53,196,616	693,829
Auxiliary enterprises:		
Funded debt enterprises	90,063,951	-
Other auxiliary enterprises	15,477,994	-
Other operating expenses	193,773	-
<b>Total Operating Expenses</b>	<b>1,194,223,256</b>	<b>131,685,976</b>
<b>Operating Loss</b>	<b>(609,416,235)</b>	<b>(18,322,208)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	276,429,700	-
Gifts and contributions	10,837,632	6,965,736
Investment income	1,885,187	12,627,646
Grants and contracts	85,230,426	-
Interest on capital asset-related debt	(8,485,657)	-
Accretion on bonds payable	(2,932,064)	-
University related organizations	(967,548)	-
Payments on behalf of the University	379,017,601	-
Other nonoperating revenues (expenses)	1,651,665	(1,579,094)
<b>Net Nonoperating Revenues</b>	<b>742,666,942</b>	<b>18,014,288</b>
<b>Gain (Loss) Before Other Revenues</b>	<b>133,250,707</b>	<b>(307,920)</b>
<b>Other Revenues:</b>		
Capital state appropriations	5,111,558	-
Additions to permanent endowments	-	10,739,896
Capital grants and gifts	1,331,712	-
<b>Total Other Revenues</b>	<b>6,443,270</b>	<b>10,739,896</b>
<b>Increase (Decrease) in Net Position</b>	<b>139,693,977</b>	<b>10,431,976</b>
<b>NET POSITION</b>		
Net position at beginning of year as previously reported	653,384,706	273,612,251
Change in accounting principle	(224,500,597)	-
Net position, beginning of year, restated	<b>428,884,109</b>	<b>273,612,251</b>
<b>Net position at end of year</b>	<b>\$ 568,578,086</b>	<b>\$ 284,044,227</b>

# Southern Illinois University

## Statement of Cash Flows

### For the Year Ended June 30, 2018

	UNIVERSITY	RELATED ORGANIZATIONS
<b>Cash Flows from Operating Activities</b>		
Tuition and fees	\$ 244,185,036	\$ -
Grants and contracts	77,259,719	-
Sales and services of educational activities	118,718,516	-
Physicians and Surgeons	51,750,563	-
Auxiliary enterprise revenues:		
Funded debt	89,889,300	-
Other auxiliary	15,131,040	-
Payments for employee salaries and benefits	(528,410,614)	(34,786,336)
Payments to suppliers	(259,947,909)	(88,596,200)
Payments for scholarships and fellowships	(96,797,180)	-
Loans issued to students	(1,640,916)	-
Interest earned on loans to students	220,972	-
Collection of loans from students	2,293,638	-
Patient service revenue	-	90,067,740
Other operating receipts	102,845,798	18,723,651
<b>Net cash used in operating activities</b>	<b>(184,502,037)</b>	<b>(14,591,145)</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	276,324,032	-
Direct lending receipts	191,011,826	-
Direct lending payments	(190,950,156)	-
Grants and contracts	85,230,426	-
Government repayments for federal loan funds	(784,183)	-
Payments to annuitants	-	(140,421)
Other	1,705,261	(1,476,311)
Gifts for other than capital purposes	14,437,475	18,021,777
<b>Net cash provided by noncapital financing activities</b>	<b>376,974,681</b>	<b>16,405,045</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital appropriations	(4,669)	-
Purchases of capital assets	(26,173,632)	(581,683)
Other	2,010,291	-
Principal paid on capital debt	(24,490,000)	-
Interest paid on capital debt	(9,618,399)	-
<b>Net cash used in capital and related financing activities</b>	<b>(58,276,409)</b>	<b>(581,683)</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(163,293,365)	(19,903,086)
Proceeds from sales of investments and maturities	47,983,540	13,165,100
Investment income	4,319,273	4,965,552
<b>Net cash used in investing activities</b>	<b>(110,990,552)</b>	<b>(1,772,434)</b>
<b>Net increase (decrease) in cash</b>	<b>23,205,683</b>	<b>(540,217)</b>
Cash and cash equivalents, beginning of the year	67,870,182	5,484,917
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 91,075,865</b>	<b>\$ 4,944,700</b>

# Southern Illinois University

## Statement of Cash Flows

### For the Year Ended June 30, 2018

	UNIVERSITY	RELATED ORGANIZATIONS
<b>Reconciliation of Operating Loss</b>		
<b>to Net Cash Used in Operating Activities</b>		
Operating Loss	\$ (609,416,235)	\$ (18,322,208)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	53,196,616	693,829
Noncash grants to University	-	409,380
Noncash expenditures for the benefit of the University	-	(5,474)
Noncash contributions	-	(1,009,286)
Budget expended at University	(1,115,756)	-
Payments on behalf of the University	379,017,601	-
Change in assets and liabilities:		
Accounts receivable (net)	5,324,283	9,315,368
Reimbursement due from State Treasurer	(1,593,086)	-
Inventories	244,144	-
Prepaid expenses	(92,744)	(47,116)
Other assets	3,291,585	(74,106)
Accounts payable	(618,344)	(909,919)
Accrued payroll	267,638	-
Unearned revenue	(3,444,840)	(11,169)
Compensated absences	(250,669)	-
Deposits held for others	(36,596)	(1,694)
Other liabilities	(9,191,609)	(18,877)
Due to/from related organizations	(84,025)	(4,609,873)
<b>Net cash used in operating activities</b>	<b>\$ (184,502,037)</b>	<b>\$ (14,591,145)</b>
<b>Noncash investing, capital and financing activities:</b>		
Payments on behalf of the University for fringe benefits	\$ 379,017,601	\$ -
Accretion on bonds payable	2,932,064	-
Gifts in kind	1,146,231	-
Capital assets in accounts payable	3,301,677	-
Capital asset acquisition by CDB	5,120,895	-
Capital assets acquired by leaseholds payable	155,463	-
Loss on disposals of capital assets	1,056,435	224,805
Other capital asset adjustments	(626,746)	-
Net interest capitalized	377,779	-

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

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

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

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

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

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

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

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

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

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

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

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

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

**NOTE 2 - Significant accounting policies**

***University basis of presentation***

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

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

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

***University Related Organizations basis of presentation***

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

The Carbondale and Edwardsville Foundations and Alumni Associations are private nonprofit organizations that follow Financial Accounting Standards Board (FASB) standards for financial statement presentation. As such, certain revenue recognition criteria and other accounting rules are different from the revenue recognition criteria and accounting rules promulgated by the Governmental Accounting Standards Board (GASB) that the University follows. Consequently, reclassifications have been made to convert their statements to the GASB format for inclusion in the University Related Organizations' column in the financial statements.

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 2 - Significant accounting policies (continued)**

***Cash and cash equivalents***

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

***Allowance for uncollectibles***

The University provides allowances for uncollectible accounts and notes receivable based upon management's best estimate of uncollectible accounts and notes at the statement of net position date, considering type, age, collection history of receivables, and any other factors as considered appropriate. The University's accounts receivable and notes receivable are reported net of allowances of \$24,170,247 and \$328,542, respectively, at June 30, 2018.

***Inventories***

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

***Capital assets***

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

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

***Deferred outflows of resources and deferred inflows of resources***

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

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 2 - Significant accounting policies (continued)**

***Pensions***

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

For the purposes of financial reporting, the State of Illinois and participating employers are considered to be under a special funding situation. A special funding situation is defined as a circumstance in which a non-employer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either (1) the amount of the contributions for which the non-employer entity is legally responsible is not dependent upon one or more events unrelated to pensions or (2) the non-employer is the only entity with a legal obligation to make contributions directly to a pension plan. The State of Illinois is considered a non-employer contributing entity. Participating employers are considered employer contributing entities.

***Other post-employment benefits (OPEB)***

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

***Revenue and expense recognition***

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the University reported on-behalf payments of \$379,017,601 for fiscal year 2018 for health care and retirement costs. These costs are reflected in the Statement of Revenues, Expenses and Changes in Net Position as nonoperating revenues entitled "Payments on behalf of the University" and as operating expenses under the appropriate functional classifications.

Substantially all employees participate in group health insurance plans administered by the State of Illinois. The employer contributions to these plans for University employees paid from State appropriations and auxiliary enterprises are paid by the State on behalf of the University. On-behalf payments for health care costs totaled \$158,076,340 for the year ended June 30, 2018. The on-behalf payments that relate to State group health insurance is an allocation of estimated costs incurred by CMS on behalf of the University. The employer contributions to these plans for employees paid from other University held funds are paid by the University. On behalf-payments of \$220,941,261 for the year ended June 30, 2018, were made to the State Universities Retirement System for retirement costs.

***Classification of revenues and expenses***

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

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



**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 2 - Significant accounting policies (continued)**

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

Tuition and fees are generally recognized as revenues as they are assessed. The portion of summer session tuition and fees applicable to the following fiscal year is considered unearned. Student tuition and fee revenue, and certain other payments recorded as auxiliary enterprises revenue, are net of scholarship discounts and allowances in the Statement of Revenue, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the charge for tuition and fees, and the amount paid by students or by third parties on the students’ behalf. Scholarship discounts and allowances were \$86,168,960 as of June 30, 2018 with \$76,678,467 netted against student tuition and fees and \$9,490,493 netted against auxiliary enterprise revenue.

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

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

***Compensated absences***

Accrued compensated absences for University personnel are charged to current funds based on earned but unused vacation and sick leave days including the University’s share of Social Security and Medicare taxes. At June 30, 2018, the University estimates \$25,395,468 will be paid from state appropriated accounts funded by the State of Illinois and the Income Fund, and \$15,377,221 from local funds in subsequent years for a combined total of \$40,772,689.

***New Governmental Accounting Standards***

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

Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and Statement 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The statement is effective for fiscal years beginning after June 15, 2017. Application of Statement No. 75 in fiscal year 2018 required the University to report its proportionate share of the State of Illinois’ overall liability, deferred outflows, and deferred inflows related to OPEB. The University was also required to restate (reduce) its fiscal year 2017 net position by \$224,500,597 to comply with GASB. The results of this change in accounting principle are reflected on the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position. Additional note disclosures were also added in accordance with GASB.

Statement No. 81 – *Irrevocable Split-Interest Agreements*, addresses the timing of recognition of assets, liabilities, deferred inflows, and revenues for government entities entered into split-interest agreements. The statement is effective for fiscal years beginning after December 15, 2016. The statement did not impact the University’s financial statements.

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 2 - Significant accounting policies (continued)**

Statement No. 82 – *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and deviations from guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements. The statement is effective for fiscal years beginning after June 15, 2016, except for the requirements for the selection of assumptions are effective in the first reporting period in which the measurement of the pension liability is on or after June 15, 2017. The statement did not impact the University’s financial statements.

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

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 is effective for fiscal years beginning after December 15, 2018. The impact on the University is being reviewed.

Statement No. 85 – *Omnibus 2017*, addresses practice issues identified during the implementation and application of certain prior GASB statements. The statement addresses topics including blending component units, goodwill, fair value measurement and application, and postemployment benefits. The statement is effective for fiscal years beginning after June 15, 2017. The statement did not impact the University’s financial statements.

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

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 is effective for fiscal years beginning after December 15, 2019. The impact on the University is being reviewed.

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

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 2 - Significant accounting policies (continued)**

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

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 is effective for fiscal years beginning after December 15, 2018. The impact on the University is being reviewed.

**NOTE 3 - Cash, deposits and cash equivalents**

At June 30, 2018, the actual bank balances related to the deposits of the University amounted to \$99,634,657; of this balance, \$85,285,417 was either covered by federal depository insurance or not required to be collateralized and \$14,349,240 was covered by collateral held by an agent in the University’s name.

Cash, deposits and cash equivalents at June 30, 2018 were:

<b><u>UNIVERSITY:</u></b>	
Cash and cash equivalents	\$ 26,157,952
The Illinois Funds	<u>64,917,913</u>
Total cash and cash equivalents	<u>\$ 91,075,865</u>
 <b><u>UNIVERSITY RELATED ORGANIZATIONS:</u></b>	
Total cash and cash equivalents	<u>\$ 4,944,700</u>

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 4 – Investments**

***University investment policy***

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

The three basic objectives of the University's investment policy are safety of invested funds; maintenance of sufficient liquidity to meet cash flow needs; and attainment of the maximum investment returns possible consistent with the first two objectives. The University 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.

***University investments***

Investments are reported at fair value. The fair value is determined to be the amount, usually quoted market prices, at which financial instruments could be exchanged in a current transaction between willing partners. The investment with the Public Treasurer's Investment Pool-State Treasurer's Office is at amortized cost, which is the same value as the pool shares. State statutes require the Illinois Funds to comply with the *Illinois Public Funds Investment Act* (30 ILCS 235). The Illinois Funds is not registered with the Securities Exchange Commission as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Accounting and Financial Reporting for Certain External Investment Pools and Pool Participants*, which establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. For the year ended June 30, 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemptions gates. Also, certain money market investments and non-negotiable certificates of deposit with redemption terms that do not consider market rates are carried at amortized cost.

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The University has pooled its operating cash for investment purposes to provide for efficiencies and economies in their management. Proceeds related to revenue bond and certificate of participation financing activities are pooled to the extent allowed under their covenants.

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 4 – Investments (continued)**

Restricted funds that are invested in the pool are presented as restricted cash or investments based on the ratio of cash and investments held in the pool. Investment income earned on the operating cash and investments, including realized gains and losses resulting from the sale or other disposition of investments, is distributed on a quarterly basis to the pooled participants based upon their respective aggregate balances over the prior three-month period. PFM Asset Management, LLC manages the external portfolios, while U.S. Bank keeps custody of these funds and assists in the accounting and reporting functions related to these investments.

Investment income net of realized and unrealized gains and losses on investments for the year ended June 30, 2018 is reflected below:

<b><u>UNIVERSITY:</u></b>	
Interest earnings	\$ 4,613,126
Realized loss on investments	(388,239)
Unrealized loss on investments	<u>(2,339,700)</u>
Net investment income	<u>\$ 1,885,187</u>
 <b><u>UNIVERSITY RELATED ORGANIZATIONS:</u></b>	
Interest earnings	\$ 5,520,690
Realized gain on investments	4,917,801
Unrealized gain on investments	<u>2,189,155</u>
Net investment income	<u>\$ 12,627,646</u>

***University risk disclosures***

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

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

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

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

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 4 – Investments (continued)**

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

***University Related Organizations investments***

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

***Southern Illinois University Foundation (at Carbondale)***

The Foundation financial statements follow Financial Accounting Standards Board (FASB) standards; therefore, the required disclosures differ from GASB requirements. Investments are stated at fair value. The fair value of all debt and equity securities with a readily determinable fair value are based on quotations obtained from national securities exchanges. The alternative investments (hedge funds, limited partnerships and other private equity) for which quoted market prices are not available, are recorded at net asset value, as a practical expedient, to determine fair value of the investments. Realized gains and losses on sales of investments are determined on the specific identification basis.

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

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

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

The Foundation measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Custodial credit risk is the risk that, in the event of a bank failure, the Foundation's deposits may not be returned to the Foundation. The Foundation has a policy to require banks to collateralize balances over the FDIC insured amount. As of June 30, 2018, all of the Foundation's deposits with financial institutions were either federally insured or collateralized by pledged bank assets in the Foundation's name.

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 4 – Investments (continued)**

*Southern Illinois University at Edwardsville Foundation*

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

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

*Credit risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Board policy does not specifically address credit risk. However, credit risk is mitigated by limiting investments to those specified in the Board-approved policy; and diversifying the investment portfolio so that the failure of any one issuer or backer will not place an undue financial burden on the Foundation. U.S. Treasuries are federal government securities that do not require the disclosure of credit risk.

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

*Custodial credit risk:* Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments that are in the possession of an outside party. The investment custodians are the counterparty to these transactions and hold these investments in their name for the benefit of the Foundation. In fiscal year 2018, the Foundation's investments were managed by two different investment firms, each offering SIPC protection up to \$500,000. The investment balance exposed to custodial credit risk as of June 30, 2018 was \$1,570,872.

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

*Foreign currency risk:* The Foundation had no investment in common stocks of foreign companies at June 30, 2018. The Foundation's policy related to foreign currency risk is that no purchase of a foreign equity may be made if such purchase would cause the total value of foreign equity assets to exceed the lesser of 10 percent of the total or 25 percent of the equity portion of the endowment portfolio.

**Southern Illinois University  
Notes to Financial Statements  
For the Year Ended June 30, 2018**

**NOTE 4 – Investments (continued)**

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

***Investment maturities***

Interest rate risk is disclosed below using the segmented time distribution method. As of June 30, 2018, the University and the University Related Organizations had the following investment balances:

**UNIVERSITY:**

<b>Investment Type:</b>	<b>Fair Value</b>	<b>Investment Maturities (in Years)</b>				<b>No Maturity</b>
		<b>Less Than 1</b>	<b>1-5</b>	<b>6-10</b>		
U.S. Treasuries	\$ 72,942,819	\$ 33,160,314	\$ 38,773,504	\$ 1,009,001	\$ -	
U.S. Agencies	81,203,809	1,362,231	54,028,004	25,813,574	-	
The Illinois Funds	64,917,913	64,917,913	-	-	-	
Commercial Paper	67,695,240	67,695,240	-	-	-	
Common Stock	44,300	-	-	-	44,300	
Subtotal	286,804,081	\$ 167,135,698	\$ 92,801,508	\$ 26,822,575	\$ 44,300	
Less: Investment in The Illinois Funds reported as cash	(64,917,913)					
<b>Total Investments</b>	<b>\$ 221,886,168</b>					

**UNIVERSITY RELATED ORGANIZATIONS:**

<b>Investment Type:</b>	<b>Fair Value</b>	<b>Investment Maturities (in Years)</b>					<b>No Maturity</b>
		<b>Less Than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>Over 10</b>		
Municipal Bonds	\$ 13,505,902	\$ 1,010,968	\$ 7,405,626	\$ 5,089,308	\$ -	\$ -	
Government Bonds	471,240	-	-	-	471,240	-	
Common Stock	2,205,380	-	-	-	-	2,205,380	
Corporate Bonds	7,818,023	193,489	3,829,006	3,795,528	-	-	
Commodities/Natural Resources	10,904,130	8,536,956	2,367,174	-	-	-	
Alternative Investments	50,587,782	42,998,016	7,589,766	-	-	-	
Real Estate	5,696,472	2,226,510	3,469,962	-	-	-	
Money Market Funds	1,360,725	1,360,725	-	-	-	-	
Mutual Funds	162,981,048	119,908,236	4,124,020	10,298,882	4,445,006	24,204,904	
<b>Total Investments</b>	<b>\$ 255,530,702</b>	<b>\$ 176,234,900</b>	<b>\$ 28,785,554</b>	<b>\$ 19,183,718</b>	<b>\$ 4,916,246</b>	<b>\$ 26,410,284</b>	



**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 4 – 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 University and its related organizations categorize fair values according to the hierarchy established by generally accepted accounting principles. The hierarchy, based on the valuation inputs used to measure fair values, consists of the following three levels of measurement inputs:

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

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

Level 3: Unobservable inputs for an asset or liability

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

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

The University Related Organizations had the following recurring fair value measurements as of June 30, 2018:

<b>Investments:</b>	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Net Asset Value</b>
Municipal Bonds	\$ 13,505,902	\$ -	\$ 13,505,902	\$ -	\$ -
Government Bonds	471,240	-	471,240	-	-
Common Stock	2,205,380	2,205,380	-	-	-
Corporate Bonds	7,818,023	-	7,818,023	-	-
Commodities/Natural Resources	10,904,130	84,069	-	-	10,820,061
Alternative Investments	50,587,782	11,510,281	-	-	39,077,501
Real Estate	5,696,472	5,696,472	-	-	-
Money Market Funds	1,360,725	1,360,725	-	-	-
Mutual Funds	162,981,048	148,917,391	-	-	14,063,657
<b>Total Investments</b>	<b>\$ 255,530,702</b>	<b>\$ 169,774,318</b>	<b>\$ 21,795,165</b>	<b>\$ -</b>	<b>\$ 63,961,219</b>

**Southern Illinois University  
Notes to Financial Statements  
For the Year Ended June 30, 2018**

**NOTE 5 - Accounts and notes receivable**

Accounts and notes receivable consisted of the following at June 30, 2018:

**UNIVERSITY:**

	<u>Accounts Receivable</u>	<u>Notes Receivable</u>
Student tuition and fees	\$ 10,976,665	\$ -
Auxiliary enterprises	14,152,338	-
Grants and contracts	12,920,902	-
General operating	25,728,657	25,417
Student loans*	70,083	18,460,406
Other accounts receivable	<u>1,552,753</u>	<u>-</u>
	65,401,398	18,485,823
Less: Allowance for doubtful accounts	<u>(24,170,247)</u>	<u>(328,542)</u>
Net receivable	<u>\$ 41,231,151</u>	<u>\$ 18,157,281</u>

\*The student loan balance includes \$16,460,507 of Perkins Loans. Effective September 30, 2017, the federal government discontinued the Perkins Loan Program.

**UNIVERSITY RELATED ORGANIZATIONS:**

	<u>Accounts Receivable</u>	<u>Notes Receivable</u>
Accounts receivable	\$ 49,200,525	\$ -
Student loans	<u>-</u>	<u>13,493</u>
	49,200,525	13,493
Less: Allowances for assignment losses & doubtful accounts	<u>(32,837,534)</u>	<u>-</u>
Net receivable	<u>\$ 16,362,991</u>	<u>\$ 13,493</u>

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 6 - Deferred outflows of resources**

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

<u>UNIVERSITY:</u>	
Unamortized debt refundings	\$ 2,607,133
Employer OPEB contributions	3,639,438
Employer pension contributions	<u>2,583,469</u>
Total deferred outflows of resources	<u>\$ 8,830,040</u>

**NOTE 7 - Capital assets**

Capital asset activity for the University for the fiscal year ended June 30, 2018 was as follows:

UNIVERSITY:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 22,194,897	\$ -	\$ -	\$ -	\$ 22,194,897
Nondepreciable historical treasures and works of art	12,331,138	73,002	-	-	12,404,140
Construction in progress	<u>66,983,891</u>	<u>16,820,654</u>	<u>118,055</u>	<u>(18,185,917)</u>	<u>65,500,573</u>
Total capital assets not being depreciated	101,509,926	16,893,656	118,055	(18,185,917)	100,099,610
Capital assets being depreciated:					
Site improvements	81,231,674	843,744	30,602	3,489,994	85,534,810
Buildings	1,291,149,139	5,905,758	603,084	14,695,923	1,311,147,736
Equipment	375,220,121	8,947,804	6,617,149	-	377,550,776
Intangible assets	7,340,787	-	-	-	7,340,787
Infrastructure	<u>21,722,279</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,722,279</u>
Total capital assets being depreciated	1,776,664,000	15,697,306	7,250,835	18,185,917	1,803,296,388
Less accumulated depreciation for:					
Site improvements	53,838,064	3,487,544	30,602	-	57,295,006
Buildings	627,506,483	36,260,458	570,612	-	663,196,329
Equipment	340,830,929	11,926,372	5,711,241	-	347,046,060
Intangible assets	6,071,637	641,828	-	-	6,713,465
Infrastructure	<u>11,655,295</u>	<u>880,414</u>	<u>-</u>	<u>-</u>	<u>12,535,709</u>
Total accumulated depreciation	<u>1,039,902,408</u>	<u>53,196,616</u>	<u>6,312,455</u>	<u>-</u>	<u>1,086,786,569</u>
Total capital assets being depreciated, net	<u>736,761,592</u>	<u>(37,499,310)</u>	<u>938,380</u>	<u>18,185,917</u>	<u>716,509,819</u>
Capital assets, net	<u>\$ 838,271,518</u>	<u>\$ (20,605,654)</u>	<u>\$ 1,056,435</u>	<u>\$ -</u>	<u>\$ 816,609,429</u>

The University incurred interest expense of \$11,795,500 during fiscal year 2018 including \$377,779 of capitalized interest.

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 7 - Capital assets (continued)**

Capital asset activity for the University Related Organizations for the fiscal years ended June 30, 2018 was as follows:

**UNIVERSITY RELATED ORGANIZATIONS:**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Ending Balance</b>
Capital assets not being depreciated:					
Land	\$ 307,216	\$ -	\$ -	\$ -	\$ 307,216
Construction in Progress	-	-	-	-	-
Total capital assets not being depreciated	307,216	-	-	-	307,216
Capital assets being depreciated:					
Site improvements	310,765	-	-	-	310,765
Buildings	5,268,707	-	216,341	-	5,052,366
Equipment	6,357,918	583,690	703,243	-	6,238,365
Total capital assets being depreciated	11,937,390	583,690	919,584	-	11,601,496
Less accumulated depreciation for:					
Site improvements	310,765	-	-	-	310,765
Buildings	1,800,729	148,391	47,907	-	1,901,213
Equipment	4,536,100	545,438	646,872	-	4,434,666
Total accumulated depreciation	6,647,594	693,829	694,779	-	6,646,644
Total capital assets being depreciated, net	5,289,796	(110,139)	224,805	-	4,954,852
Capital assets, net	\$ 5,597,012	\$ (110,139)	\$ 224,805	\$ -	\$ 5,262,068

**NOTE 8 – Changes in long-term liabilities**

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

**UNIVERSITY:**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Compensated absences	\$ 41,011,218	\$ 3,490,042	\$ 3,728,571	\$ 40,772,689	\$ 3,752,152
Revenue bonds payable	236,094,121	2,932,064	22,943,809	216,082,376	19,588,109
Certificates of participation	37,456,103	-	2,335,878	35,120,225	2,410,878
Capitalized leases	2,809,338	1,137,770	1,945,007	2,002,101	1,093,684
Self insurance	35,093,630	5,039,763	10,928,190	29,205,203	8,576,984
Liability for OPEB	-	228,850,104	54,215,476	174,634,628	-
Federal loan programs refundable	17,341,193	237,959	1,173,269	16,405,883	-
Housing deposits	212,600	139,802	158,727	193,675	87,154
Total long-term liabilities	\$ 370,018,203	\$ 241,827,504	\$ 97,428,927	\$ 514,416,780	\$ 35,508,961

**UNIVERSITY RELATED ORGANIZATIONS:**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Annuities payable	\$ 2,523,762	\$ 285,780	\$ 1,237,198	\$ 1,572,344	\$ 173,312
Other accrued liabilities	1,750,783	-	15,189	1,735,594	-
Deposits held in custody for others	2,730,665	198,081	91,117	2,837,629	92,059
Total long-term liabilities	\$ 7,005,210	\$ 483,861	\$ 1,343,504	\$ 6,145,567	\$ 265,371



**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 9 - Revenue bonds payable (continued)**

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

<b>Year</b>				<b>Treasury</b>	
<b>Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Rebate</b>	<b>Total</b>	
2019	\$ 2,460,000	\$ 2,141,197	\$ (749,419)	\$ 3,851,778	
2020	2,545,000	2,010,818	(703,786)	3,852,032	
2021	2,635,000	1,877,205	(657,022)	3,855,183	
2022	2,725,000	1,733,597	(606,759)	3,851,838	
2023	2,825,000	1,580,998	(553,349)	3,852,649	
2024-28	15,855,000	5,256,780	(1,839,873)	19,271,907	
2029-30	7,265,000	680,140	(238,049)	7,707,091	
<b>Total</b>	<b>\$ 36,310,000</b>	<b>\$ 15,280,735</b>	<b>\$ (5,348,257)</b>	<b>\$ 46,242,478</b>	

Note: The October 1, 2018 Treasury Rebate will be reduced by 6.6% in accordance with the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. Reductions to future Treasury Rebates are subject to Congressional action.

The Housing and Auxiliary Facilities System Bonds, Series 2012A were authorized by the University's Board under the Fourteenth Supplemental Bond Resolution approved December 8, 2011. The bonds mature at varying amounts from 2013 to 2032 with interest ranging from 2.05 to 4.38 percent. Interest payments are due semi-annually. Debt service reserve funds of \$1,592,622 were released and used to refund a portion of Series 2001A debt service. The current refunding, which was undertaken by the Board to effect a cost savings, resulted in a net decrease in debt service payments of \$1,939,053 of which \$1,592,622 represents application of the debt service reserve released funds. The financing resulted in an economic gain of \$233,957 and an accounting loss of \$9,103.

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

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 9 - Revenue bonds payable (continued)**

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

<b>Year</b>			<b>Treasury</b>	
<b>Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Rebate</b>	<b>Total</b>
2019	\$ -	\$ 236,060	\$ (157,731)	\$ 78,329
2020	-	236,060	(157,731)	78,329
2021	-	236,060	(157,731)	78,329
2022	-	236,060	(157,731)	78,329
2023	-	236,060	(157,731)	78,329
2024-28	-	1,180,300	(788,655)	391,645
2029-33	-	1,180,300	(788,655)	391,645
2034-35	5,365,000	472,120	(315,452)	5,521,668
<b>Total</b>	<b>\$5,365,000</b>	<b>\$ 4,013,020</b>	<b>\$ (2,681,417)</b>	<b>\$6,696,603</b>

Note: The October 1, 2018 Treasury Rebate will be reduced by 6.6% in accordance with the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. Reductions to future Treasury Rebates are subject to Congressional action.

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

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

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

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 9 - Revenue bonds payable (continued)**

**Housing and Auxiliary Facilities System:** These bonds, which are payable through 2035, do not constitute a debt of the State of Illinois or the individual members, officers or agents of the Board of Trustees of the University but, together with interest thereon, are payable from and secured by a pledge of and lien on (i) the net revenues of the System, (ii) pledged tuition in an amount not to exceed maximum annual debt service (subject to prior payment of operating and maintenance expenses of the System), (iii) the Bond and Interest Sinking Fund account, and (iv) the Repair and Replacement Reserve account. Unrefunded bonds issued in 2001 and prior are additionally secured by the Debt Service Reserve. Total principal and interest remaining on the debt is \$269,516,495 with annual requirements ranging from \$2,013,460 to \$24,725,895. For the current year, principal and interest paid was \$28,477,085, and the total revenues pledged were \$52,980,467. For fiscal year 2018, the total revenue pledged represents 100 percent of the net revenues of the System and 17 percent of net tuition revenue received. Although net tuition is pledged, it is not expected to be needed to meet debt service requirements.

The bond resolution requires that debt service coverage on a cash basis be at least 120 percent of the maximum annual debt service. For the year ended June 30, 2018, the maximum annual debt service was \$24,725,895 and the coverage was 214 percent. The bond resolution also requires the Treasurer to transfer annually to Renewals and Replacements from the funds remaining in unrestricted net position the sum of 10 percent of the maximum annual net debt service requirement or such portion thereof as is available for transfer. The net position of Renewals and Replacements was \$27,952,729 at June 30, 2018.

All of the refunded bonds are considered to be defeased and, accordingly, have been accounted for as if they were retired. As of June 30, 2018, there were no outstanding balances of defeased bonds.

**Medical Facilities System:** These bonds, which are payable through 2023, do not constitute a debt of the State of Illinois or the individual members, officers or agents of the Board of Trustees of the University but, together with interest thereon, are payable from and secured by a pledge of and lien on (i) the net revenues of the System, (ii) pledged tuition (subject to the prior payment of necessary operating and maintenance expenses of the Housing and Auxiliary Facilities System, debt service of the Housing and Auxiliary Facilities System not to exceed the maximum annual debt service, and then necessary operating and maintenance expenses of the System), and (iii) the Bond and Interest Sinking Fund account. Total principal and interest remaining on the debt is \$9,286,242 with annual requirements ranging from \$1,805,860 to \$1,895,773. For the current year, principal and interest paid was \$1,777,343 and the total revenues pledged were \$117,700,313. In the prior year, principal and interest paid was \$1,747,918 and the total revenues pledged were \$124,597,734. For fiscal year 2018, the total revenue pledged represents 100 percent of the net revenues of the System and 82.64 percent of net tuition revenue received, compared to 100 percent of the net revenues and 81 percent of net tuition revenue received during fiscal year 2017. Although net tuition is pledged, it is not expected to be needed to meet debt service requirements.

The bond resolution requires that debt service coverage on the cash basis (net revenues plus pledged tuition) be at least 200 percent of annual debt service and that net revenues shall be at least 100 percent of the annual debt service requirement in each fiscal year. For the year ended June 30, 2018, the maximum annual debt service was \$1,895,773, and the coverage was 6,314 percent. For the year ended June 30, 2017, the maximum annual debt requirement was \$1,895,773, and the coverage was 6,679 percent. The bond resolution also requires the Treasurer to credit funds remaining in the revenue fund into a separate and special account designated the Medical Facilities System Repair and Replacement Reserve account on or before the close of each fiscal year, the sum of not less than 10 percent of the maximum annual debt service, or such portion thereof as is available for transfer and deposit annually, for a repair and replacement reserve. The net position of Renewals and Replacements were \$1,132,124 at June 30, 2018, and \$1,453,374 at June 30, 2017.



**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 9 - Revenue bonds payable (continued)**

As of June 30, 2018, future debt service requirements for all bonds outstanding are:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 19,075,000	\$ 7,456,755	\$ 26,531,755
2020	19,690,000	6,862,917	26,552,917
2021	20,150,000	6,243,823	26,393,823
2022	18,285,000	5,631,303	23,916,303
2023	18,600,000	5,088,622	23,688,622
2024-28	86,435,000	17,148,780	103,583,780
2029-33	33,985,000	4,755,818	38,740,818
2034-35	<u>8,720,000</u>	<u>674,720</u>	<u>9,394,720</u>
Total payments	224,940,000	<u>\$ 53,862,738</u>	<u>\$ 278,802,738</u>
Unaccreted appreciation	<u>(17,174,903)</u>		
Subtotal	207,765,097		
Unamortized premiums on bonds	<u>8,317,279</u>		
Total bonds payable	<u>\$ 216,082,376</u>		

**NOTE 10 - Capitalized leases**

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

**UNIVERSITY:**

**Year Ending**

2019	\$ 1,162,205
2020	256,395
2021	170,495
2022	166,210
2023	159,910
Later years	<u>281,713</u>
Total minimum lease payments	2,196,928
Less amount representing interest	<u>(194,827)</u>
Present value of net minimum lease payments	<u>\$ 2,002,101</u>

Assets held under capital lease are:

**UNIVERSITY:**

Land & improvements	\$ 56,052
Buildings & improvements	1,678,222
Equipment	5,180,227
Less accumulated amortization	<u>(2,492,768)</u>
Total net assets	<u>\$ 4,421,733</u>

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 11 - Operating Leases**

The University leases office and instructional space as well as equipment (principally office machines, automobiles, and farm equipment) under contracts which are renewable annually. The University also leases clinical space under contract of which some are renewable for multiple years with renewal options at the end of the initial lease period. Many of the University's leases are subject to escalation upon proper notice by the lessor. The operating leases extending beyond 2018 have future payments of \$8,771,971 in 2019, \$3,824,599 in 2020, \$1,031,288 in 2021, \$933,740 in 2022 and \$140,135 in 2023. There are no operating leases as of June 30, 2018 with future payments beyond 2023. Rental payments on operating leases totaled \$9,526,879 in 2018.

**NOTE 12 - Certificates of participation payable**

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

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

**UNIVERSITY:**

	<b><u>Certificates of Participation</u></b>		
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2019	\$ 2,360,000	\$ 1,434,940	\$ 3,794,940
2020	2,450,000	1,352,090	3,802,090
2021	2,550,000	1,253,490	3,803,490
2022	2,655,000	1,150,590	3,805,590
2023	2,745,000	1,057,090	3,802,090
2024-28	9,330,000	3,999,988	13,329,988
2029-33	9,960,000	1,955,512	11,915,512
2034	2,275,000	108,063	2,383,063
Total payments	34,325,000	<u>\$ 12,311,763</u>	<u>\$ 46,636,763</u>
Unamortized premiums on COPS	<u>795,225</u>		
Total payable	<u>\$ 35,120,225</u>		

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 13 - Accrued self-insurance**

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

The general and professional liability self-insurance fund provides for comprehensive general and professional liability coverage. The University also purchases excess insurance coverage with commercial carriers for claims that may result in catastrophic losses. The University makes contributions to the general and professional liability self-insurance fund based on yearly actuarial analysis. The actuarial analysis for 2018 included a 1% discount rate for self-insurance liabilities.

During fiscal year 2016, the University transitioned from a self-insured Student Medical Insurance Plan (the "Plan") to a commercially insured program of external medical and hospitalization coverage that is fully compliant with the Affordable Care Act (ACA). Under ACA, the self-insured health plan did not meet the minimum essential benefit requirement after the 2014/2015 plan year. The University purchased student health insurance for the Carbondale campus from a third party vendor beginning with the fall 2015 semester. A balance of \$50,000 was held in reserve at June 30, 2016 to cover any final claims of the "Plan." As of June 30, 2017, all claims related to the "Plan" had been paid.

As of June 30, 2018, the accrual for self-insurance was \$29,205,203 for the general and professional liability fund. Because the amounts accrued and funded are estimates, the aggregate actual claims covered by the self-insurance funds could differ from the amount that has been accrued. Changes in these estimates will be reflected in the Statement of Revenues, Expenses, and Changes in Net Position in the period in which additional information becomes available. There were no material settlements that exceeded insurance coverage during the last three years.

Changes in the self-insurance accrual for the years ended June 30, 2018 and June 30, 2017 are reflected below:

	<b>June 30, 2018</b>		
	<b>Total</b>	<b>General and Professional</b>	<b>Student Plan</b>
Accrued liability, June 30, 2017	\$ 35,093,630	\$ 35,093,630	\$ -
Current year claims and other changes	5,039,763	5,039,763	-
Payment of Claims	(10,928,190)	(10,928,190)	-
Accrued liability, June 30, 2018	<u>\$ 29,205,203</u>	<u>\$ 29,205,203</u>	<u>\$ -</u>

	<b>June 30, 2017</b>		
	<b>Total</b>	<b>General and Professional</b>	<b>Student Plan</b>
Accrued liability, June 30, 2016	\$ 31,804,131	\$ 31,754,131	\$ 50,000
Current year claims and other changes	13,997,725	13,997,725	-
Payment of Claims	(10,708,226)	(10,658,226)	(50,000)
Accrued liability, June 30, 2017	<u>\$ 35,093,630</u>	<u>\$ 35,093,630</u>	<u>\$ -</u>

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 14 - Net Position**

Net position balances by major categories at June 30, 2018:

<b><u>UNIVERSITY:</u></b>	
Net investment in capital assets	\$ 567,631,964
Restricted for:	
Nonexpendable	5,328,339
Expendable	
Quasi-endowment	680,423
Loans	5,620,426
Capital projects	29,325,054
Debt service	12,077,838
Housing Auxiliary System	8,887,242
Unrestricted (Deficit)	<u>(60,973,200)</u>
Total	<u>\$ 568,578,086</u>
<b><u>UNIVERSITY RELATED ORGANIZATIONS:</u></b>	
Net investment in capital assets	\$ 5,262,068
Restricted for:	
Nonexpendable	128,871,793
Expendable	
Scholarships, research, instruction and other	84,076,486
Loans	2,772,893
Capital projects	2,451,151
Unrestricted	<u>60,609,836</u>
Total	<u>\$ 284,044,227</u>

**NOTE 15 - Donor-restricted endowments**

The University entered into an agreement with the Southern Illinois University Foundation at Carbondale on July 1, 2003, in which the University transferred Endowment funds to the Foundation. The Foundation has agreed to hold and administer these funds as agency funds based upon and consistent with the desires of the donor and/or the University. During fiscal year 2018, there were no additions to the University's permanent endowment. For fiscal year 2018, realized losses on investments totaled \$17,213 and unrealized gains on investments totaled \$66,808, resulting in a balance of \$2,686,462 held by the Foundation at June 30, 2018. The Foundation distributes earnings to the University on a quarterly basis. Payments during fiscal years 2018 totaled \$91,117.

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

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 16 - State Universities Retirement System**

**General Information about the Pension Plan**

*Plan Description:* Substantially all employees of the University contribute to the State Universities Retirement System of Illinois (SURS), a cost-sharing multiple-employer defined benefit plan with a special funding situation whereby the State of Illinois (the State) makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941 to provide retirement annuities and other benefits for staff members and employees of state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the state's financial reports as a pension trust fund. SURS is governed by 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](http://www.SURS.org).

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

*Contributions:* The State of Illinois is primarily responsible for funding SURS on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a Statutory Funding Plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members of SURS to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from "trust, federal, and other funds" are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for fiscal year 2018 was 12.46% of employee payroll. The normal cost is equal to the value of current year's pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

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

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

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

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 16 - State Universities Retirement System (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 is \$0. The proportionate share of the State's net pension liability associated with the University is \$2,333,202,952 or 9.16%. This amount is not recognized in the financial statements. The net pension liability was measured as of June 30, 2017, and the total pension used to calculate the net pension liability was determined based on the June 30, 2016 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS during fiscal year 2017.

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

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

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

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Sources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$139,193,227	\$1,170,771
Changes in assumption	205,004,315	0
Net difference between projected and actual earnings on pension plan investments	\$94,620,827	0
Total	\$438,818,369	\$260,828,348

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

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

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 16 - State Universities Retirement System (continued)**

**Employer Deferral of Fiscal Year 2018 Pension Expense**

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

**Assumptions and Other Inputs**

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

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

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

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

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

**Southern Illinois University  
Notes to Financial Statements  
For the Year Ended June 30, 2018**

**NOTE 16 - State Universities Retirement System (continued)**

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

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

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

Additional information regarding the SURS basic financial statements including the Plan Net Position can be found in the SURS comprehensive annual financial report by accessing the website at [www.SURS.org](http://www.SURS.org).

**NOTE 17 - Post-employment benefits**

**Plan description:** The State Employees Group Insurance Act of 1971 ("Act"), as amended, authorizes the Illinois State Employees Group Insurance Program ("SEGIP") to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all of the Department's full-time employees are members of SEGIP. Members receiving monthly benefits from the General Assembly Retirement System ("GARS"), Judges Retirement System ("JRS"), State Employees' Retirement System of Illinois ("SERS"), Teachers' Retirement System ("TRS"), and State Universities Retirement System of Illinois ("SURS") are eligible for these other post-employment benefits ("OPEB"). The eligibility provisions for each of the retirement systems are defined within Note 16. Certain TRS members eligible for coverage under SEGIP include: certified teachers employed by certain State agencies, executives employed by the Board of Education, regional superintendents, regional assistant superintendents, TRS employees and members with certain reciprocal service.

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



**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 17 - Post-employment benefits (continued)**

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

**Funding policy and annual other postemployment benefit cost:** OPEB offered through SEGIP are financed through a combination of retiree premiums, State contributions and Federal government subsidies from the Medicare Part D program. Contributions are deposited in the Health Insurance Reserve Fund, which covers both active State employees and retirement members. Annuitants may be required to contribute towards health and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute toward health and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health and vision benefits. All annuitants are required to pay for dental benefits regardless of retirement date. The Director of Central Management Services shall, on an annual basis, determine the amount the State shall contribute toward the basic program of group health benefits. State contributions are made primarily from the General Revenue Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree health insurance benefit and a separate trust has not been established for the funding of OPEB.

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

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

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 17 - Post-employment benefits (continued)**

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

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

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

<b>Year ended June 30,</b>	
2019	\$(11,678,058)
2020	(11,678,058)
2021	(11,678,058)
2022	(11,678,058)
2023	<u>(6,571,958)</u>
<b>Total</b>	<b>\$(53,284,190)</b>

**Southern Illinois University  
Notes to Financial Statements  
For the Year Ended June 30, 2018**

**NOTE 17 - Post-employment benefits (continued)**

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

<b>Valuation Date</b>	June 30, 2016
<b>Measurement Date</b>	June 30, 2017
<b>Actuarial Cost Method</b>	Entry Age Normal
<b>Inflation Rate</b>	2.75%
<b>Projected Salary Increases*</b>	3.00% - 15.00%
<b>Discount Rate</b>	3.56%
<b>Healthcare Cost Trend Rate:</b>	
Medical (Pre-Medicare)	8.0% grading down 0.5% in the first year to 7.5%, then grading down 0.01% in the second year to 7.49%, followed by grading down of 0.5% per year over 5 years to 4.99% in year 7
Medical (Post-Medicare)	9.0% grading down 0.5% per year over 9 years to 4.5%
Dental	7.5% grading down 0.5% per year over 6 years to 4.5%
Vision	3.00%
<b>Retirees' share of benefit-related costs</b>	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 2017 and 2018 are based on actual premiums. Premiums after 2018 were projected based on the same healthcare cost trend rates applied to per capita claim costs but excluding the additional trend rate that estimates the impact of the Excise Tax.

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

**Southern Illinois University  
Notes to Financial Statements  
For the Year Ended June 30, 2018**

**NOTE 17 - Post-employment benefits (continued)**

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

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

<sup>^</sup>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.

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

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

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

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

**Southern Illinois University  
Notes to Financial Statements  
For the Year Ended June 30, 2018**

**NOTE 17 - Post-employment benefits (continued)**

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

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

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

**NOTE 18 - University Related Organizations - transactions with related parties**

The University has entered into master contracts with the University Related Organizations which specify the relationship between the University and its related organizations in accordance with the Legislative Audit Commission's University Guidelines of 1982 as amended in 1997. Significant transactions for the University during fiscal year 2018 included the receipt of \$39,206,382 from SIU Physicians & Surgeons, Inc. (SIU P&S) for services provided by the University. Also, SIU P&S contributions to the University for Academic Development for the School of Medicine during fiscal year 2018 totaled \$8,947,060.

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

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

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

<b>University and University Related Organizations (UROs) Transactions</b>						
	<b>Statement of Net Position</b>			<b>Statement of Revenues &amp; Expenses</b>		
	<b>Due from UROs</b>	<b>Due to UROs</b>	<b>Deposits</b>	<b>Operating Revenue</b>	<b>Operating Expense</b>	<b>Non-Operating Revenue</b>
University	\$ 3,360,033	\$ (66,749)	\$ (10,289,330)	\$ 48,153,442	\$ 20,805,386	\$ 27,739,571
	<b>Due to University</b>	<b>Due from University</b>	<b>Deposits</b>	<b>Operating Revenue</b>	<b>Operating Expense</b>	<b>Non-Operating Revenue</b>
SIUC Foundation	(69,676)	30,226	-	(15,201,060)	(22,135,245)	-
SIUE Foundation	(351,812)	5,991	584,808	(3,242,195)	(3,242,195)	-
Physicians & Surgeon	(2,920,939)	30,532	9,704,522	-	(48,153,442)	-
SIUC Alumni	(510)	-	-	(1,064,222)	(1,064,222)	-
SIUE Alumni	(10,304)	-	-	(125,440)	(125,440)	-
SIUC Research Park	(6,792)	-	-	(107,254)	(107,254)	-
SIUE University Park	-	-	-	(105,271)	(105,271)	-
SIUE Charter School	-	-	-	(959,944)	(959,944)	-
Totals	<u>\$ (3,360,033)</u>	<u>\$ 66,749</u>	<u>\$ 10,289,330</u>	<u>\$ (20,805,386)</u>	<u>\$ (75,893,013)</u>	<u>\$ -</u>

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

**NOTE 19 - Commitments and contingencies**

***Grants and contracts***

The University receives monies from federal and state government agencies under grants and contracts for research and other activities, including medical service reimbursements and the administration of student financial aid. The costs, both direct and indirect, charged to these grants and contracts are subject to audit and disallowance by the granting agency. During fiscal year 2011, the U.S. Department of Education performed a program review at SIUE that will likely result in the return of Title IV funds by the University. The University recognized a \$1,476,000 liability in 2012; there exists an additional contingent liability of \$800,000. As of June 30, 2018, the status of these liabilities remained the same as the previous fiscal year. The University administration believes that any other disallowances or adjustment resulting from this review and any other reviews would not have a material effect on the University's financial position.

***Legal action***

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

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 19 - Commitments and contingencies (continued)**

**Forward contract**

The University has forward fixed-price purchase contracts with MidAmerican Energy Company for the procurement of electricity that is used in the normal course of operations. The University does not employ futures contracts or other derivative products. At June 30, 2018, the University's annual commitment related to this contract is approximately \$9.7 million.

**Construction projects**

During fiscal year 2018, the University had ongoing general facility and infrastructure improvement projects taking place on both campuses. As of June 30, 2018, \$65,500,573 had been spent on these projects with \$11,801,043 being committed to the completion of these projects.

**NOTE 20 - Operating Expenses by Natural Classification**

University operating expenses by natural classification for the year ended June 30, 2018 are summarized as follows:

	<b>Compensation and benefits</b>	<b>Supplies and Services</b>	<b>Student Aid</b>	<b>Depreciation</b>	<b>Total</b>
Instruction	\$ 318,082,111	\$ 27,226,792	\$ 14,728,179	-	\$ 360,037,082
Research	30,359,017	14,342,457	2,091,279	-	46,792,753
Public Service	36,265,378	22,440,315	1,254,168	-	59,959,861
Academic Support	209,756,974	44,482,966	1,376,599	-	255,616,539
Student Services	54,735,022	28,370,687	5,303,837	-	88,409,546
Institutional Support	61,791,764	18,677,158	5,504,791	-	85,973,713
Operations and maintenance of plant	61,416,360	29,177,511	-	-	90,593,871
Scholarships and fellowships	506,682	93,396	47,307,479	-	47,907,557
Auxiliary Enterprises	56,895,506	48,001,932	644,507	-	105,541,945
Other	-	193,773	-	-	193,773
Depreciation	-	-	-	53,196,616	53,196,616
<b>Total</b>	<b>\$ 829,808,814</b>	<b>\$ 233,006,987</b>	<b>\$ 78,210,839</b>	<b>\$ 53,196,616</b>	<b>\$ 1,194,223,256</b>

**NOTE 21 - Segment information**

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

The University has issued revenue bonds with the net revenues from the two segments pledged to pay the bond interest and principal. The Housing and Auxiliary Facilities System segment is comprised of University owned housing units, student centers, recreation and athletic facilities, and similar auxiliary enterprise units. The operating revenues of the System largely consist of various student fees, various user fees, and room and board charges. The Medical Facilities System is comprised of clinical facilities used to provide patient care at the School of Medicine in Springfield. The operating revenues of the System consists of overhead charges the University receives for services provided to SIU P&S. Additional information relating to these segments is included in Note 8, Revenue bonds payable.

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 21 - Segment information (continued)**

Condensed financial statements for the University's two segments for fiscal year 2018 are as follows:

	<u>Housing and Auxiliary Facilities System</u>	<u>Medical Facilities System</u>
<b>CONDENSED STATEMENTS OF NET POSITION</b>		
Assets and deferred outflows of resources:		
Current assets	\$ 65,440,666	\$ 7,099,241
Capital assets, net	253,534,790	27,025,327
Other assets	6,590,582	-
Deferred outflows of resources	2,450,023	557,471
Total Assets and deferred outflows of resources	<u>328,016,061</u>	<u>34,682,039</u>
Liabilities:		
Current liabilities	23,255,737	2,528,387
Noncurrent liabilities	203,529,797	24,507,209
Deferred inflows of resources	3,817,789	4,774,297
Total Liabilities	<u>230,603,323</u>	<u>31,809,893</u>
Net Position		
Net investment in capital assets	48,481,947	18,417,043
Restricted - expendable	40,043,549	1,548,953
Unrestricted (deficit)	8,887,242	(17,093,850)
Total Net Position	<u>\$ 97,412,738</u>	<u>\$ 2,872,146</u>
<b>CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION</b>		
Operating revenues	\$ 91,974,602	\$ 38,118,971
Operating expenses	(94,689,857)	(65,688,081)
Depreciation expense	(14,898,422)	(1,264,194)
Operating loss	(17,613,677)	(28,833,304)
Nonoperating revenues and expenses - net	20,691,075	28,738,442
Income before other revenues, expenses, gains or losses	3,077,398	(94,862)
Other revenues, expenses, gains or losses - net	422,667	91,934
Increase (Decrease) in net position	<u>3,500,065</u>	<u>(2,928)</u>
Net position at beginning of year, as restated	93,912,673	2,875,074
Net position at end of year	<u>\$ 97,412,738</u>	<u>\$ 2,872,146</u>
<b>CONDENSED STATEMENTS OF CASH FLOWS</b>		
Cash provided by (used in):		
Operating activities	\$ 21,171,887	\$ 1,452,576
Noncapital financing activities	4,083,553	115,842
Capital financing activities	(31,992,663)	(1,875,092)
Investing activities	3,555,204	26,629
Net increase (decrease) in cash	(3,182,019)	(280,045)
Cash, beginning of year	57,729,106	4,151,818
Cash, end of year	<u>\$ 54,547,087</u>	<u>\$ 3,871,773</u>



**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 22 - University Related Organizations**

Condensed financial statements for the component units of the University as of June 30, 2018 are as follows:

	SIUC FOUNDATION	SIUE FOUNDATION	SIUC PHYSICIANS & SURGEONS	SIUC ALUMNI	SIUE ALUMNI	SIUC RESEARCH PARK	SIUE UNIV. PARK	SIUE CHARTER	TOTAL
<b>CONDENSED STATEMENTS OF NET POSITION</b>									
<b>JUNE 30, 2018</b>									
Assets:									
Current assets	\$ 42,458,331	\$ 3,662,149	\$ 28,446,743	\$ 174,925	\$ 26,881	\$ 236,961	\$ 485,943	\$ 163,556	\$ 75,655,489
Other non-current assets	150,829,923	37,915,296	20,500,340	8,977,193	162,173	-	-	-	218,384,925
Capital assets	971,333	1,516,355	1,031,748	42,304	-	36,137	1,649,508	14,683	5,262,068
<b>Total Assets</b>	<b>194,259,587</b>	<b>43,093,800</b>	<b>49,978,831</b>	<b>9,194,422</b>	<b>189,054</b>	<b>273,098</b>	<b>2,135,451</b>	<b>178,239</b>	<b>299,302,482</b>
Liabilities:									
Current liabilities	343,352	565,093	8,095,877	239,890	19,081	44,635	-	70,131	9,378,059
Noncurrent liabilities	3,806,163	338,439	-	1,735,539	-	55	-	-	5,880,196
<b>Total Liabilities</b>	<b>4,149,515</b>	<b>903,532</b>	<b>8,095,877</b>	<b>1,975,429</b>	<b>19,081</b>	<b>44,690</b>	<b>-</b>	<b>70,131</b>	<b>15,258,255</b>
Net Position:									
Net investment in capital assets	971,333	1,516,355	1,031,748	42,304	-	36,137	1,649,508	14,683	5,262,068
Restricted - nonexpendable	105,196,229	23,675,564	-	-	-	-	-	-	128,871,793
Restricted - expendable	74,111,665	15,188,865	-	-	-	-	-	-	89,300,530
Unrestricted	9,830,845	1,809,484	40,851,206	7,176,689	169,973	192,271	485,943	93,425	60,609,836
<b>Total Net Position</b>	<b>\$ 190,110,072</b>	<b>\$ 42,190,268</b>	<b>\$ 41,882,954</b>	<b>\$ 7,218,993</b>	<b>\$ 169,973</b>	<b>\$ 228,408</b>	<b>\$ 2,135,451</b>	<b>\$ 108,108</b>	<b>\$ 284,044,227</b>

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

**Year ended June 30, 2018**

Operating revenues	\$ 5,721,624	\$ 4,953,111	\$ 98,458,945	\$ 1,453,417	\$ 288,814	\$ 309,454	\$ 105,271	\$ 2,073,132	\$ 113,363,768
Operating expenses	16,829,949	4,432,643	105,858,915	1,702,954	319,131	369,483	196,040	1,976,861	131,685,976
Operating income (loss)	(11,108,325)	520,468	(7,399,970)	(249,537)	(30,317)	(60,029)	(90,769)	96,271	(18,322,208)
Nonoperating revenues and expenses - net	15,312,198	1,774,212	155,455	754,664	15,266	543	1,950	-	18,014,288
Income (Loss) before other revenues	4,203,873	2,294,680	(7,244,515)	505,127	(15,051)	(59,486)	(88,819)	96,271	(307,920)
Other revenues	9,742,379	997,517	-	-	-	-	-	-	10,739,896
Increase (decrease) in net position	13,946,252	3,292,197	(7,244,515)	505,127	(15,051)	(59,486)	(88,819)	96,271	10,431,976
Net position at beginning of year	176,163,820	38,898,071	49,127,469	6,713,866	185,024	287,894	2,224,270	11,837	273,612,251
<b>Net position at end of year</b>	<b>\$ 190,110,072</b>	<b>\$ 42,190,268</b>	<b>\$ 41,882,954</b>	<b>\$ 7,218,993</b>	<b>\$ 169,973</b>	<b>\$ 228,408</b>	<b>\$ 2,135,451</b>	<b>\$ 108,108</b>	<b>\$ 284,044,227</b>

**CONDENSED STATEMENTS OF CASH FLOWS**

**Year ended June 30, 2018**

Cash provided by (used in):									
Operating activities	\$ (11,085,526)	\$ 150,601	\$ (3,441,756)	\$ (260,431)	\$ (14,834)	\$ (55,201)	\$ (10,353)	\$ 126,355	\$ (14,591,145)
Noncapital financing activities	15,459,432	962,790	(40,949)	23,709	63	-	-	-	16,405,045
Capital financing activities	2,007	-	(560,432)	(1,533)	-	-	-	(21,725)	(581,683)
Investing activities	(4,619,424)	192,075	2,434,380	200,001	18,041	543	1,950	-	(1,772,434)
<b>Net increase (decrease) in cash</b>	<b>(243,511)</b>	<b>1,305,466</b>	<b>(1,608,757)</b>	<b>(38,254)</b>	<b>3,270</b>	<b>(54,658)</b>	<b>(8,403)</b>	<b>104,630</b>	<b>(540,217)</b>
Cash, beginning of year	774,442	644,871	3,171,405	124,554	20,768	198,145	494,187	56,545	5,484,917
<b>Cash, end of year</b>	<b>\$ 530,931</b>	<b>\$ 1,950,337</b>	<b>\$ 1,562,648</b>	<b>\$ 86,300</b>	<b>\$ 24,038</b>	<b>\$ 143,487</b>	<b>\$ 485,784</b>	<b>\$ 161,175</b>	<b>\$ 4,944,700</b>

**Southern Illinois University**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2018**

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

	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>
(a) Proportion Percentage of the Collective Pension Liability	0%	0%	0%	0%	
(b) Proportion Amount of the Collective Net Pension Liability	\$0	\$0	\$0	\$0	
(c) Portion of Non-employer Contributing Entities' Total Proportion of Collective Net Pension Liability associated with Employer	2,080,655,567	2,249,485,883	2,412,381,441	2,333,202,952	
Total (b) + (c)	2,080,655,567	2,249,485,883	2,412,381,441	2,333,202,952	
Employer DB Covered Payroll	345,273,428	342,213,039	335,537,035	323,289,793	
Proportion of Collective Net Pension Liability associated With Employer as a percentage of covered payroll	595.49%	647.58%	718.96%	721.71%	
SURS Plan Net Position as a Percentage of Total Pension Liability	44.39%	42.37%	39.57%	42.04%	

**Schedule of Contributions**

Federal, Trust, Grant and Other contribution	2,793,781	2,735,385	2,880,150	2,591,913	2,583,469
Contribution in relation to required contribution	2,793,781	2,735,385	2,880,150	2,591,913	2,583,469
Contribution deficiency (excess)	0	0	0	0	0
Employer Covered payroll Contributions as a percentage of covered payroll	.80%	.79%	.85%	.79%	.79%

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

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

- Mortality rates. Change from the RP 2000 Mortality table projected to 2017, sex distinct, to the RP-2014 mortality 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%.

**Southern Illinois University**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2018**

- 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  
Required Supplementary Information for OPEB  
For the Year Ended June 30, 2018**

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

	<b>FY2017</b>
Proportion of the net OPEB liability	.42%
Proportionate share of the net OPEB liability	\$174,634,628
Covered Employee Payroll	461,829,674
Proportionate share of the net OPEB liability as a percentage of covered payroll	37.81%

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

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

Changes of Assumptions:

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