

State of Illinois  
Southern Illinois University  
Housing and Auxiliary Facilities System

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

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

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SOUTHERN ILLINOIS UNIVERSITY

[REDACTED]

TREASURER'S COMMENTS

SOUTHERN ILLINOIS UNIVERSITY HOUSING AND AUXILIARY FACILITIES SYSTEM

I. SOUTHERN ILLINOIS UNIVERSITY REVENUE BOND OPERATIONS

FACILITIES

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

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

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

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

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

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



**TREASURER'S COMMENTS – Continued**

**IV. DEBT SERVICE COVERAGES**

The bond resolution requires that debt service coverage (net revenues plus pledged retained tuition) be at least 120% of the maximum annual debt service. The debt service coverage is calculated at the end of the year using cash basis data obtained from the Statement of Cash Flows. Debt service coverage for









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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

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

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

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



*Other Information*

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated December 11

	2015	2014
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 25,420,798	\$ 23,387,174
Cash and cash equivalents, restricted	32,413,561	29,249,102
Short term investments, restricted	12,493,416	13,398,364
Accounts receivable, net	5,415,179	3,815,853
Accrued interest receivable	84,800	44,150
Merchandise for resale	1,193,104	1,115,206
Prepaid expenses and other assets	151,216	182,830

2015

2014

**REVENUES**

**OPERATING REVENUES:**

Residence halls and apartments

64,624,961

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Residence halls and apartments	\$ 60,581,971	\$ 55,463,195
University student centers		
Sales and services	17,961,181	16,980,232
Student fees	8,535,825	8,207,469
Student recreation and fitness centers		
Sales and services	1,263,548	1,282,839
Student fees	6,172,739	6,107,840
Child care center	1,034,563	956,196
Student health center	8,361,664	8,482,892
Student services building	3,274,292	3,065,997
Traffic and parking	2,793,182	2,772,790
Student success center	1,721,642	1,723,220
Revenue bond fees	1,676,796	1,594,509
Payments to employees	(29,984,986)	(30,523,864)

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

**1. Significant Accounting Policies**

**(A) Basis of Presentation**

These financial statements include all financial activities over which the Southern Illinois University Housing and Auxiliary Facilities System (the "System") exercises direct responsibility. The System combines the operations of the individual housing units, the student centers, the student recreation center, the student fitness center, the Carbondale child care center, the Carbondale student health center, the Carbondale student information system, the Carbondale softball field, the Carbondale football stadium, the Carbondale SIU Arena, the Carbondale Student Services Building, Edwardsville traffic and parking and the Edwardsville student success center into one operation. The Revenue Project Bonds of



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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

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

**(I) Bond Insurance Issuance Costs**

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

**(J) On-Behalf Payments**

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the System reported on-behalf payments made by agencies of the State of Illinois for health care and retirement. These costs are reflected in an equal amount in both the nonoperating revenues and salaries and wages of the System. On behalf payments for the year ended June 30, 2015 amounted to \$11,513,144 for health care costs, \$9,094,461 for retirement costs, and \$125,598 for social security

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

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

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

**4. Capital Assets**

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

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 605,395	\$ -	\$ -	\$ -	\$ 605,395
Construction in progress	15,317,271	10,281,911	9,466	(17,216,258)	8,373,458
Total capital assets not being depreciated	15,922,666	10,281,911	9,466	(17,216,258)	8,978,853
Capital assets being depreciated:					
Buildings	448,652,392	957,083	-	13,579,657	463,189,132
Improvements	12,938,243	100,625	-	3,636,601	16,675,469
Equipment	16,951,168	438,242	363,263	-	17,026,147
Total capital assets being depreciated	478,541,803	1,495,950	363,263	17,216,258	496,890,748
Less accumulated depreciation for:					

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

**5. Changes in Long-Term Liabilities**

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

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

**(D) Series 2009A Bonds**

These bonds were authorized by the Board under the Thirteenth Supplemental Bond Resolution dated April 2, 2009 and were issued as taxable Build America Bonds in the original amount of \$53,735,000. The bonds were issued as current interest bonds on May 15, 2009 at a premium of \$226,028 with interest rates ranging from 2.50 to 6.20 percent. Proceeds will be used for the construction and equipping of a new football stadium on the Carbondale campus, including the relocation of certain tennis courts and playing fields from the project site and the renovation and equipping of the SIU Arena and the construction of a new addition thereto on the Carbondale Campus. As of June 30, 2015, these bonds mature in 2030 and were outstanding in the amount of \$43,410,062. The balance as of June 30, 2014 was \$45,605,825.

**(E) Series 2008A Bonds**

**SOUTHERN ILLINOIS UNIVERSITY  
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These bonds, which are payable through 2036, do not constitute a debt of the State of Illinois or the individual members, officers or agents of the Board of Trustees of the University but, together with interest thereon, are payable from and secured by a pledge of and lien on (i) the net revenues of the System, (ii) pledged tuition in an amount not to exceed maximum annual debt service (subject to prior payment o

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

**7. Related Party Transactions**

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

In addition, seven of the buildings on Greek Row, a portion of the Northwest Annex (29,100 net sq. ft.), one room of the Lentz Hall dining facilities at Thompson Point, and the Student Services Building are leased by the University from the System on a year-to-year basis and are used for a variety of academic, administrative, and student service purposes. The lease rentals (\$1,015,825 in 2015) are inclusive of the debt service requirements, insurance, administrative overhead and grounds maintenance costs. In addition, the University pays all operating and building maintenance costs for the leased properties.

Expenditures capitalized in 2015 include \$1,779,149 paid for by other University funds as compared to \$7,080,750 during 2014.

**8. Retirement Benefits**

**General Information about the Pension Plan**

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



**SOUTHERN ILLINOIS UNIVERSITY  
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NOTES TO FINANCIAL STATEMENTS  
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*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

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

<b>1% Decrease</b> <b><u>6.09%</u></b>	<b>Current Single Discount Rate</b> <b>Assumption</b> <b><u>7.09%</u></b>	<b>1% Increase</b> <b><u>8.09%</u></b>
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**SOUTHERN ILLINOIS UNIVERSITY  
HOUSING AND AUXILIARY FACILITIES SYSTEM  
REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2014**

**Schedule of the Housing and Auxiliary Facilities System**

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

	TOTAL	REVENUE BONDS		
		Principal Amount	SERIES 1993A Accreted Value at Maturity	Interest Rate
<b>Interest Bearing Bonds:</b>				
Serial Bonds maturing as follows:				
2017	9,895,000	-	-	-
2018	10,925,000	-	-	-
2019	11,450,000	-	-	-
2020	11,985,000	-	-	-
2021	12,010,000	-	-	-
2022	10,165,000	-	-	-
2023	8,915,000	-	-	-
2024	8,570,000	-	-	-
2025	8,935,000	-	-	-
2026	5,960,000	-	-	-
2027	4,620,000	-	-	-
2028	2,515,000	-	-	-
2029	2,270,000	-	-	-
2030	2,355,000	-	-	-
2031	1,860,000	-	-	-
2032	1,940,000	-	-	-
2034	-	-	-	-
2035	-	-	-	-
Term Bonds maturing as follows:				
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	1,315,000	-	-	-
2024	1,380,000	-	-	-
2025	1,450,000	-	-	-
2026	4,690,000	-	-	-
2027	6,475,000	-	-	-
2028	9,075,000	-	-	-
2029	7,765,000	-	-	-
2030	6,920,000	-	-	-
2031	3,380,000	-	-	-
2032	3,545,000	-	-	-
2033	3,725,000	-	-	-
2034	3,895,000	-	-	-
2035	4,070,000	-	-	-
2036	2,480,000	-	-	-
Qualified Energy Conservation Bonds maturing as follows:				
2035	5,365,000	-	-	-
<b>Total Interest Bearing Bonds</b>	<b>100,605,000</b>			



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

REVENUE BONDS

REVENUE BONDS

SERIES 2008A

SERIES 2009A

	Principal Amount	Interest Rate	Principal Amount	Interest Rate
<b>Interest Bearing Bonds:</b>				
Serial Bonds maturing as follows:				
2016	1,390,000	5.000%	2,245,000	4.550%
2017	1,540,000	5.000%	2,310,000	4.800%
2018	1,635,000	5.000%	2,385,000	5.000%
2019	1,785,000	5.250%	2,460,000	5.300%
2020	1,900,000	5.250%	2,545,000	5.250%
2021	2,055,000	4.000%	2,635,000	5.450%
2022	2,175,000	5.500%	2,725,000	5.500%
2023	2,285,000	5.500%	2,825,000	5.750%
2024	2,405,000	5.500%	2,925,000	5.500%
2025	1,770,000	4.500%	3,045,000	6.000%
2026	1,815,000	4.500%	-	-
2027	1,890,000	4.500%	-	-
2028	1,970,000	4.500%	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-

Term Bonds maturing as follows:

2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	3,165,000	6.200%
2027	-	-	3,290,000	6.200%
2028	-	-	3,425,000	6.200%
2029	-	-	3,560,000	6.200%
2030	-	-	3,705,000	6.200%
2031	-	-	-	-

REVENUE BONDS  
SERIES 2012A

REVENUE BONDS  
SERIES 2012B

REVENUE BONDS  
SERIES 2015A

Principal Interest

Principal Interest

Principal Interest

1,135,000	4.000%	1,605,000	3.000%	445,000	2.850%
1,830,000	2.050%	1,660,000	4.000%	455,000	2.850%
1,205,000	2.300%	1,730,000	4.000%	475,000	2.850%
1,230,000	2.550%	1,795,000	4.000%	540,000	2.850%
1,260,000	2.800%	1,890,000	5.000%	555,000	2.850%
1,295,000	3.000%	1,990,000	5.000%	570,000	2.850%
1,335,000	3.150%	2,080,000	5.000%	595,000	2.850%
1,380,000	3.350%	1,820,000	5.000%	605,000	2.850%
1,425,000	3.500%	1,905,000	5.000%	620,000	2.850%
1,475,000	3.650%	2,005,000	5.000%	640,000	2.850%
1,530,000	3.800%	2,105,000	5.000%	510,000	2.850%
-	-	2,205,000	5.000%	525,000	2.850%
-	-	-	-	545,000	2.850%
1,715,000	4.100%	-	-	555,000	2.850%
1,785,000	4.200%	-	-	570,000	2.850%
1,000,000	4.000%	-	-	-	-

1,940,000	4.375%	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
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-	-	-	-	-	-
1,585,000	4.000%	-	-	-	-

1,650,000	4.000%	2,320,000	5.000%	-	-
-	-	2,440,000	5.000%	-	-
-	-	1,365,000	5.000%	-	-
-	-	1,435,000	5.000%	-	-
-	-	1,505,000	5.000%	-	-
-	-	1,580,000	4.000%	-	-
-	-	1,645,000	4.000%	-	-
-	-	1,710,000	4.000%	-	-
-	-	-	-	-	-
-	-	5,365,000	4.400%	-	-