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STATE OF ILLINOIS

SOUTHERN ILLINOIS UNIVERSITY

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

For the Year Ended June 30, 2006

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

Crowe Chizek and Company LLC
Member Horwath International

STATE OF ILLINOIS
SOUTHERN ILLINOIS UNIVERSITY
FINANCIAL AUDIT

For the Year Ended June 30, 2006

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

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Southern Illinois University

Annual Financial Report

Fiscal Year 2006

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NOTE: State Compliance Audit Report for the year ended June 30, 2006, has been issued under a separate cover, which includes the Report on Compliance and Other Matters and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*.

This report is printed by the authority of the State of Illinois.
600 copies printed on order number 07-1181 by SIUC Printing and Duplicating.

Southern Illinois University – Board of Trustees

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September 29, 2006

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, 2006.

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

The financial statements of the University have been audited by Crowe Chizek & Co. LLC, Certified Public Accountants, for fiscal year 2006. As Special Assistant Auditors for the Auditor General, they have issued reports covering their audits of the compliance of the University with applicable state and federal laws and regulations and a report containing supplementary financial information and special data requested by the Auditor General. These reports are available at the Office of the Auditor General, State of Illinois.

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

Respectfully submitted,

Duane Stucky
Board Treasurer

DS/lap

Southern Illinois University
Board of Trustees and Officers of Administration
Fiscal Year 2006

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FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying basic financial statements of Southern Illinois University was conducted by Crowe Chizek and Company LLC.

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

Independent Auditors' Report

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

As Special Assistant Auditors for the Auditor General, we have audited the accompanying basic financial statements, as listed in the table of contents, of Southern Illinois University ("the University") and its aggregate discretely presented component units, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2006. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the University's 2005 financial statements. The financial statements of University as of June 30, 2005 prior to the restatement described in Note 2, were audited by other auditors whose report dated November 1, 2005, expressed an unqualified opinion on those statements. We audited the adjustments described in Note 2 that were applied to restate the 2005 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the respective financial position of the University and of its aggregate discretely presented component units as of June 30, 2006, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated November 10, 2006, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Oak Brook, Illinois
November 10, 2006

Southern Illinois University

Management's Discussion and Analysis

For the Year Ended June 30, 2006

Introduction

The following discussion and analysis of the financial statements of Southern Illinois University (the "University") provides an overview of the University's financial activities for the year ended June 30, 2006. This discussion has been prepared by management and should be read in conjunction with the financial statements and related footnotes.

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

Using the financial statements

The University's 2006 financial report includes three basic financial statements: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. The notes to the basic financial statements include additional details and should be included as part of any review or analysis. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and provide information on the University as a whole.

FINANCIAL HIGHLIGHTS

Statement of Net Assets

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

The following summarizes the University's assets, liabilities and net assets at June 30, 2006 and 2005:

	June 30, 2006	June 30, 2005 (Restated)
Assets:		
Current assets	$ 220,263,723	$ 187,364,419
Capital assets, net	501,153,312	471,358,545
Other assets	105,989,806	104,350,050
Total Assets	$ 827,406,841	$ 763,073,014
Liabilities:		
Current liabilities	117,941,387	112,504,488
Noncurrent liabilities	333,977,434	283,516,910
Total Liabilities	$ 451,918,821	$ 396,021,398
Net Assets:		
Invested in capital assets, net	302,463,542	297,214,980
Restricted - nonexpendable	3,605,416	3,936,928
Restricted - expendable	48,033,624	47,313,120
Unrestricted	21,385,438	18,586,588
Total Net Assets	$ 375,488,020	$ 367,051,616

The University's financial position remained strong at June 30, 2006, with assets of $827,406,841 and liabilities of $451,918,821. Net assets, the difference between total assets and total liabilities, increased $8,436,404, or 2.29%, over the previous year.

The financial statements for fiscal year 2005 have been restated to correct an error in the assignment of construction costs from buildings to equipment for the National Corn to Ethanol Research Center at the Edwardsville campus. The effect of the restatement was a decrease in net assets invested in capital assets of $690,689 and an increase in accumulated depreciation of $690,689.

Statement of Revenues, Expenses and Changes in Net Assets

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

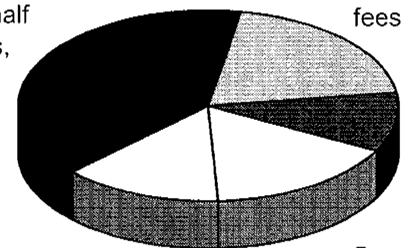
The following summarizes the University's financial activity for fiscal years 2006 and 2005:

	Year Ended June 30, 2006	Year Ended June 30, 2005 (Restated)
Operating revenues:		
Tuition and fees, net	$ 156,557,921	$ 144,102,417
Auxiliary enterprises	78,597,396	74,706,877
Grants and contracts	100,738,941	90,701,261
Other	92,463,666	83,666,499
Operating expenses	(770,648,162)	(737,305,526)
Operating loss	(342,290,238)	(344,128,472)
Nonoperating revenues and expenses - net	342,045,551	346,709,100
Income (loss) before other revenues	(244,687)	2,580,628
Other revenues	8,681,091	9,040,426
Increase in net assets	8,436,404	11,621,054
Net assets at beginning of year	367,051,616	355,430,562
Net assets at end of year	$ 375,488,020	$ 367,051,616

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in net assets for the year. Operating expenses for the year ended June 30, 2006, reflect a reduction in the on-behalf allocation for the State Universities Retirement System in the amount of $10,138,819 compared to the prior year. Overall, on-behalf payments decreased $3,350,484 from the prior year. This amount is offset by the same amount in nonoperating revenues.

The following is a graphic illustration of revenues by source (both operating and nonoperating), which were used to fund the University's operating activities for the year ended June 30, 2006. The revenue from charges for tuition and fees is shown net of the scholarship allowance of $22,887,743. Other revenues consist primarily of income from sales and services of educational activities that include conferences and seminars, and investment income.

REVENUES BY SOURCE

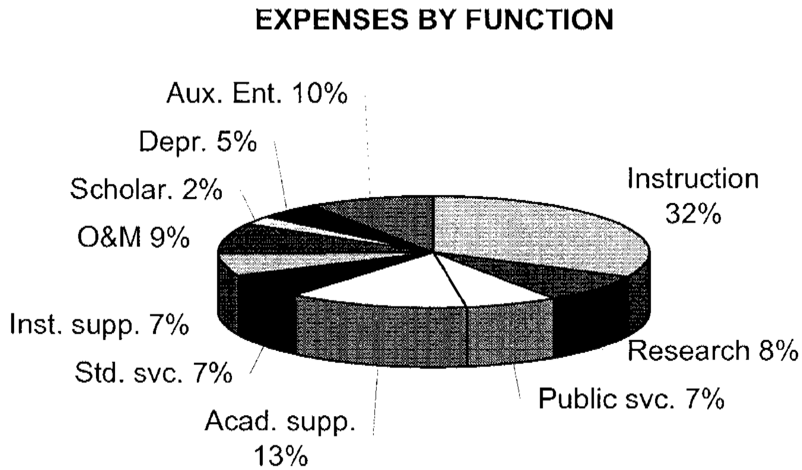


Operating Expenses

A summary of the University's operating expenses by functional classification for the years ended June 30, 2006 and 2005, is as follows:

	Year Ended June 30, 2006	Year Ended June 30, 2005 (Restated)
Instruction	$ 249,878,046	$ 242,327,412
Research	63,636,130	48,383,431
Public service	54,923,313	55,440,574
Academic support	103,935,635	98,746,353
Student services	51,296,734	52,675,779
Institutional support	51,562,883	56,640,579
Operation and maintenance of plant	66,850,255	60,947,591
Scholarships and fellowships	19,047,927	19,019,815
Depreciation	35,641,988	32,533,365
Auxiliary enterprises	73,435,273	70,180,400
Other expenditures	439,978	410,227
	$ 770,648,162	$ 737,305,526

The following is a graphic illustration of operating expenses by function for the year ended June 30, 2006.



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.

	Year Ended June 30, 2006	Year Ended June 30, 2005 (Restated)
Cash provided by (used in):		
Operating activities	$ (219,698,646)	$ (216,911,390)
Noncapital financing activities	255,391,468	251,328,742
Capital and related financing activities	(9,372,289)	(16,303,380)
Investing activities	10,376,357	5,551,150
Net increase (decrease) in cash	36,696,890	23,665,122
Cash and cash equivalents, beginning of year	59,403,962	35,738,840
Cash and cash equivalents, end of year	$ 96,100,852	$ 59,403,962

The University's cash and cash equivalents increased by $36,696,890 as the University maintained a more flexible and liquid cash position to address operating cash flow needs and construction account drawdown requirements. For additional information regarding the detail behind the four categories summarized above, please refer to the Statement of Cash Flows.

Capital Asset and Debt Administration

At the end of fiscal year 2006, the University had $1,116,840,272 invested in capital assets, with accumulated depreciation of $615,686,960. Depreciation expense for the current year was $35,641,988.

Long-term debt activity included the issuance of the Medical Facilities System revenue bonds Series 2005 on November 16, 2005, in the par amount of $21,290,000. The Medical Facilities System issue refunded the outstanding Series 1997 bonds in the par amount of $14,315,000 and issued the par amount of $6,975,000 to construct and equip the Southern Illinois University Cancer Institute and to renovate existing facilities.

The Housing and Auxiliary Facilities System revenue bonds series 2006A were issued on May 24, 2006, in the par amount of $69,715,000. This issue included the par amount of $13,130,000 for the partial refunding of Series 1997A, Series 2000A, and Series 2001A bonds. Bonds in the par amount of $56,585,000 were issued for the construction of Evergreen Hall, a residence facility at the Edwardsville campus, and various safety and security enhancements and renovations on the Carbondale campus.

For additional information concerning the University's Capital Assets and Debt Administration, see Notes 5, 7 and 9 in the Notes to Financial Statements.

Economic Outlook

State appropriations for fiscal year 2007 increased $5,505,500 above the fiscal year 2006 appropriation budget. This represents an increase of 2.5 percent which was larger than the average increase for public universities in Illinois. The University was successful in acquiring additional support from the Governor and General Assembly for approximately $1.1 million to fund the James E. Walker Scholarship Fund and $1.2 million for on-going maintenance support of a newly renovated research lab at the SIU School of Medicine in Springfield. The State continues to appropriate funds for the payment of University employees' benefits; however, the University must continue to contribute a portion of the payment for health insurance in the amount of $7 million per year, a cost previously paid in full by the State on behalf of the University.

The General Assembly did not approve new capital appropriations for public universities for fiscal year 2007. However, the budget did include re-appropriations of spending authority for previously authorized higher education capital projects. The University anticipates some consideration of a capital bill during the fall veto session after the November elections. SIU is well positioned to receive funding for a new Science Building at the SIUE campus and a new Transportation Educational Center at the SIUC campus if a capital bill is passed.

The University plans significant improvements to critical campus buildings in fiscal year 2007 as both campuses upgrade existing and construct new facilities. Current construction in progress includes the renovation of Morris Library, the construction of new apartments, and the installation of sprinklers in residence halls at the Carbondale campus, the construction of a Cancer Institute at the School of Medicine, and the construction of a new residence hall on the Edwardsville campus.

The University approved increases in tuition and fees for Fiscal Year 2007. Tuition increases for first time resident freshmen of 9.4 percent were approved for both the Carbondale and Edwardsville campuses. Student fees increased as high as 30.6 percent for a full-time student at the Carbondale campus and 37.4 percent for full-time students at the Edwardsville campus. The significant rate increases are due to the establishment of two new mandatory student fees at each campus, an information technology fee and a student service building fee.

Fall 2006 enrollment at the Edwardsville campus remained at near capacity levels while the Carbondale campus enrollment declined slightly by approximately 2 percent. Under the leadership of newly appointed President Glenn Poshard, the University is stressing student recruitment and retention, promoting degree completion, and increasing graduation rates as top strategic priorities within the SIU system.

Southern Illinois University continues to develop and expand its resource base by seeking more revenue opportunities from grants and contracts, sales and services of educational activities that include clinics, conferences and seminars, other self-supporting activities, and fund raising efforts. This is demonstrated in the fiscal year 2007 operating budget where projected increases in these revenue sources are estimated to reach 6.6 percent.

The University is committed to strong fiscal stewardship of its resources and maintaining a sound financial position. To that end, University management has established institutional priorities that are linked to additional funding, set funding guidelines for asset maintenance of facilities and equipment, and holds 2 percent of state appropriated funds and tuition income as a contingency reserve for fiscal emergencies.

Audited Financial Statements

Fiscal Year 2006

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Southern Illinois University Southern Illinois University

Statement of Net Assets

June 30, 2006 (with comparative totals for 2005)

	UNIVERSITY		UNIVERSITY RELATED ORGANIZATIONS	
	2006	2005 (Restated)	2006	2005
ASSETS				
Current Assets:				
Cash and cash equivalents (Note 3)	$ 90,668,082	$ 55,674,977	$ 3,060,984	$ 4,288,247
Short-term investments (Note 3)	78,679,414	80,934,233	27,986,778	27,111,108
Deposits with University	-	-	16,501,113	10,758,981
Appropriations receivable from State of Illinois General Revenue	43,393	797,262	-	-
Appropriations receivable from State of Illinois Capital Development	15,232	684,772	-	-
Reimbursement due from State Treasurer	2,386,762	6,061,342	-	-
Accounts receivable, net (Note 4)	29,845,153	26,446,453	23,648,454	21,628,028
Notes receivable, net (Note 4)	4,814,777	4,892,297	-	-
Accrued interest receivable	944,334	1,822,373	207,721	154,182
Due from related organizations	5,337,180	2,446,526	218,168	179,649
Inventories	6,744,425	6,364,389	-	-
Prepaid expenses and other assets	784,971	1,239,795	660,494	856,062
Total Current Assets	220,263,723	187,364,419	72,283,712	64,976,257
Noncurrent Assets:				
Cash and cash equivalents (Note 3)	5,432,770	3,728,985	8,505	8,505
Long-term investments (Note 3)	81,131,007	81,752,885	101,203,814	90,872,596
Notes receivable, net (Note 4)	14,019,582	13,723,302	16,435	46,470
Prepaid expenses and other assets	5,406,447	5,144,878	20,028,066	12,645,091
Due from related organizations	-	-	254,566	416,125
Capital assets, not depreciated (Note 5)	77,413,884	89,996,146	4,624,343	2,332,327
Capital assets, net of depreciation (Note 5)	423,739,428	381,362,399	3,209,527	3,319,555
Total Noncurrent Assets	607,143,118	575,708,595	129,345,256	109,640,669
TOTAL ASSETS	827,406,841	763,073,014	201,628,968	174,616,926
LIABILITIES				
Current Liabilities:				
Accounts payable	26,711,556	21,819,881	1,116,123	1,611,076
Notes payable (Notes 6 and 9)	341,715	327,532	161,558	169,864
Accrued interest payable	2,225,182	1,865,390	34,238	34,238
Accrued payroll	6,363,660	7,530,430	3,272,462	3,429,165
Accrued compensated absences (Note 6)	3,763,247	3,713,956	-	-
Revenue bonds payable (Note 6 and 7)	10,921,747	8,588,396	-	-
Certificates of participation (Notes 6 and 9)	2,340,387	1,664,614	-	-
Liabilities under capitalized leases (Notes 6 and 8)	1,406,399	2,170,156	-	-
Annuities payable (Note 6)	-	-	540,245	501,881
Accrued liability for self-insurance (Notes 6 and 10)	5,738,648	5,607,698	-	-
Deposits held for University related organizations	16,469,173	10,758,981	-	-
Deposits held in custody for others (Note 6)	1,011,378	1,538,471	28,206	56,288
Deferred revenue	40,320,530	46,628,094	692,774	770,453
Housing deposits (Note 6)	117,180	111,240	-	-
Due to related organizations (Note 6)	210,585	179,649	5,344,763	2,446,526
Total Current Liabilities	117,941,387	112,504,488	11,190,369	9,019,491
Noncurrent Liabilities:				
Notes payable (Notes 6 and 9)	-	341,715	254,566	784,389
Accrued compensated absences (Note 6)	41,541,083	41,164,702	-	-
Revenue bonds payable (Note 6 and 7)	232,439,849	176,383,302	1,650,000	1,650,000
Certificates of participation (Notes 6 and 9)	30,876,856	33,217,242	-	-
Liabilities under capitalized leases (Notes 6 and 8)	2,873,446	3,390,908	-	-
Annuities payable (Note 6)	-	-	3,681,905	3,813,417
Accrued liability for self-insurance (Notes 6 and 10)	8,781,855	11,352,434	-	-
Federal loan program contributions refundable (Note 6)	16,896,211	16,933,315	-	-
Due to related organizations (Note 6)	254,566	416,125	-	-
Housing deposits (Note 6)	143,220	135,960	-	-
Other accrued liabilities (Note 6)	170,348	181,207	1,454,774	1,283,112
Deposits held in custody for others (Note 6)	-	-	2,187,952	2,087,469
Total Noncurrent Liabilities	333,977,434	283,516,910	9,229,197	9,618,387
TOTAL LIABILITIES	451,918,821	396,021,398	20,419,566	18,637,878
NET ASSETS				
Invested in capital assets, net of related debt	302,463,542	297,214,980	4,694,920	3,620,543
Restricted for:				
Nonexpendable	3,605,416	3,936,928	73,556,940	65,553,852
Expendable				
Quasi-endowment	214,011	213,911	-	-
Scholarships, research, instruction and other	12,756,497	11,221,303	57,806,358	45,556,910
Loans	4,250,814	4,040,879	504,519	398,581
Capital projects and debt service	30,812,302	31,837,027	2,534,356	2,307,044
Unrestricted	21,385,438	18,586,588	42,112,309	38,542,118
TOTAL NET ASSETS	$ 375,488,020	$ 367,051,616	$ 181,209,402	$ 155,979,048

The accompanying notes are an integral part of this statement.

Southern Illinois University

Statement of Revenues, Expenses and Changes in Net Assets

For the Year Ended June 30, 2006 (with comparative totals for 2005)

	UNIVERSITY		UNIVERSITY RELATED ORGANIZATIONS	
	2006	2005 (Restated)	2006	2005
REVENUES				
Operating Revenues:				
Student Tuition and Fees (net of scholarship allowances of $22,887,743 for 2006)	$ 156,557,921	$ 144,102,417	$ -	$ -
Federal grants and contracts	34,616,466	35,456,115	-	-
State of Illinois grants and contracts	34,408,770	27,111,055	-	-
Other government grants and contracts	6,000,736	7,819,651	-	-
Private grants and contracts	25,712,969	20,314,440	-	-
Sales and services of educational departments	92,141,388	83,291,635	-	-
Auxiliary enterprises:				
Funded debt enterprises (net of scholarship allowances of $4,689,730 for 2006)	71,929,031	68,248,953	-	-
Other auxiliary enterprises (net of scholarship allowances of $971,191 for 2006)	6,668,365	6,457,924	-	-
Loan interest income	193,792	273,566	-	-
Other operating revenues	128,486	101,298	80,130,151	77,039,153
Total Operating Revenues	428,357,924	393,177,054	80,130,151	77,039,153
EXPENSES				
Operating Expenses:				
Instruction	249,878,046	242,327,412	-	-
Research	63,636,130	48,383,431	-	-
Public service	54,923,313	55,440,574	-	-
Academic support	103,935,635	98,746,353	-	-
Student services	51,296,734	52,675,779	-	-
Institutional support	51,562,883	56,640,579	88,989,214	83,649,696
Operation and maintenance of plant	66,850,255	60,947,591	-	-
Scholarships and fellowships	19,047,927	19,019,815	-	-
Depreciation (Note 5)	35,641,988	32,533,365	275,719	226,612
Auxiliary enterprises:				
Funded debt enterprises	65,580,735	62,482,476	-	-
Other auxiliary enterprises	7,854,538	7,697,924	-	-
Other operating expenses	439,978	410,227	-	-
Total Operating Expenses	770,648,162	737,305,526	89,264,933	83,876,308
Operating Loss	(342,290,238)	(344,128,472)	(9,134,782)	(6,837,155)
NONOPERATING REVENUES (EXPENSES)				
State appropriations - General Revenue Fund	217,597,790	217,425,727	-	-
Gifts and contributions	5,909,367	6,179,491	17,945,632	11,907,369
Investment income (Note 3)	6,547,904	6,637,755	8,477,299	8,496,591
Grants and contracts	26,844,821	26,580,194	212,326	1,669,906
Interest on capital asset-related debt	(7,603,103)	(6,626,082)	(90,324)	(102,665)
Accretion on bonds payable	(4,149,398)	(4,068,318)	-	-
University related organizations	175,175	116,681	-	-
Payments on behalf of the university (Note 2)	94,771,410	98,121,894	-	-
Other nonoperating revenues	1,951,585	2,341,758	957,061	605,572
Net Nonoperating Revenues	342,045,551	346,709,100	27,501,994	22,576,773
Income (Loss) Before Other Revenues	(244,687)	2,580,628	18,367,212	15,739,618
Other Revenues:				
Capital state appropriations	8,537,781	7,892,449	-	-
Additions to permanent endowments	100	200	6,401,771	4,195,843
Capital grants and gifts	143,210	1,147,777	461,371	922,260
Total Other Revenues	8,681,091	9,040,426	6,863,142	5,118,103
Increase in Net Assets	8,436,404	11,621,054	25,230,354	20,857,721
NET ASSETS				
Net assets at beginning of year	367,051,616	355,430,562	155,979,048	135,121,327
Net Assets at End of Year	$ 375,488,020	$ 367,051,616	$ 181,209,402	$ 155,979,048

The accompanying notes are an integral part of this statement.

Southern Illinois University

Statement of Cash Flows

For the Year Ended June 30, 2006 (with comparative totals for 2005)

	UNIVERSITY		UNIVERSITY RELATED ORGANIZATIONS	
	2006	2005 (Restated)	2006	2005
Cash Flows from Operating Activities				
Tuition and fees	$ 165,364,380	$ 153,397,893	$ -	$ -
Grants and contracts	89,976,374	87,093,933	-	-
Sales and services of educational activities	86,385,429	75,723,865	-	-
Auxiliary enterprise revenues:				
Funded debt	75,235,839	71,021,591	-	-
Other auxiliary	7,400,989	7,329,354	-	-
Payments to employees for salaries and benefits	(435,275,737)	(413,847,243)	(25,563,955)	(23,441,485)
Payments to suppliers	(244,582,570)	(225,695,426)	(54,477,657)	(48,850,741)
Payments for scholarships and fellowships	(49,778,433)	(46,582,864)	-	-
Loans issued to students	(5,251,595)	(2,038,995)	-	-
Interest earned on loans to students	193,786	265,825	-	-
Collection of loans from students	5,293,147	2,667,793	-	-
Patient service revenue	-	-	65,462,871	62,766,555
Other operating receipts	85,339,745	73,752,884	3,544,795	3,914,179
Net cash used in operating activities	(219,698,646)	(216,911,390)	(11,033,946)	(5,611,492)
Cash Flows from Noncapital Financing Activities				
State appropriations	219,021,165	216,821,842	-	-
Direct lending receipts	125,400,323	122,527,422	-	-
Direct lending payments	(125,454,126)	(122,375,377)	-	-
Grants and contracts	26,846,622	26,580,194	233,000	29,000
Government advances for federal loan funds	(279,272)	359,559	-	-
Payments to annuitants	-	-	(469,249)	(391,658)
Other	(38,124)	(255,065)	(119,704)	(446,634)
Gifts for other than capital purposes	9,894,880	7,670,167	14,113,693	13,845,683
Net cash provided by noncapital financing activities	255,391,468	251,328,742	13,757,740	13,036,391
Cash Flows from Capital and Related Financing Activities				
Capital appropriations	7,496,643	6,009,285	-	-
Capital gifts received	-	-	461,371	922,259
Capital grants	-	-	638,121	850,829
Payments received on capital financing leases	-	-	229,149	234,131
Sale of capital assets	18,000	18,000	510,219	-
Purchases of capital assets	(62,456,956)	(47,698,689)	(1,549,029)	(2,343,417)
Proceeds from capital debt	94,966,770	41,739,890	-	-
Deposit to bond escrow accounts	(30,947,263)	-	-	-
Principal paid on capital debt	(10,732,532)	(10,173,939)	(538,128)	(164,629)
Interest paid on capital debt	(7,716,951)	(6,197,927)	(107,893)	(113,983)
Net cash provided by (used in) capital and related financing activities	(9,372,289)	(16,303,380)	(356,190)	(614,810)
Cash Flows from Investing Activities				
Purchases of investments	(150,725,262)	(89,756,601)	(14,505,997)	(10,274,995)
Proceeds from sales of investments and maturities	150,495,716	88,614,977	7,150,406	4,563,841
Investment income	10,605,903	6,692,774	3,760,724	2,554,563
Net cash provided by (used in) investing activities	10,376,357	5,551,150	(3,594,867)	(3,156,591)
Net increase (decrease) in cash	36,696,890	23,665,122	(1,227,263)	3,653,498
Cash and cash equivalents, beginning of the year	59,403,962	35,738,840	4,296,752	643,254
Cash and cash equivalents, end of the year	$ 96,100,852	$ 59,403,962	$ 3,069,489	$ 4,296,752

Southern Illinois University

Statement of Cash Flows

For the Year Ended June 30, 2006 (with comparative totals for 2005)

	UNIVERSITY		UNIVERSITY RELATED ORGANIZATIONS	
	2006	2005 (Restated)	2006	2005
Reconciliation of Operating Loss to Net Cash Used in Operating Activities				
Operating loss	$ (342,290,238)	$ (344,128,472)	$ (9,134,782)	$ (6,837,155)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation expense	35,641,988	32,533,365	275,719	226,612
Amortization expense	-	-	357,126	357,126
Noncash grants to University	-	-	568,670	1,111,544
Noncash expenditures for the benefit of the University	-	-	728,696	481,029
Budget expended at University	(177,974)	(194,111)	-	-
Payments on behalf of the university	94,771,410	98,121,894	3,802	-
Change in assets and liabilities:				
Accounts receivable (net)	(2,772,477)	(2,869,121)	(253,472)	(4,742,182)
Deposits with University	-	-	64,163	542,870
Reimbursement due from State Treasurer	3,674,580	(3,829,005)	-	-
Inventories	(380,036)	(204,454)	-	-
Prepaid expenses	461,982	30,815	6,526	(7,706)
Other assets	(3,411,401)	4,497,872	(5,814,645)	1,129,237
Accounts payable	3,822,847	671,150	2,221,752	1,507,072
Accrued payroll	(1,166,770)	226,576	-	-
Deferred revenue	(6,307,973)	(35,020)	86,760	424,527
Compensated absences	425,672	448,532	-	-
Deposits held for others	29,422	25,859	(12,070)	5,637
Other liabilities	(2,426,428)	(1,823,926)	(3,974)	(37,359)
Due to/from related organizations	406,750	(383,344)	(128,217)	227,256
Net cash used in operating activities	$ (219,698,646)	$ (216,911,390)	$ (11,033,946)	$ (5,611,492)
Noncash investing, capital and financing activities:				
Payments on behalf of the university for fringe benefits	$ 94,771,410	$ 98,121,894	$ -	$ -
Accretion on bonds payable	4,149,398	4,068,318	-	-
Gifts in kind	591,145	1,368,900	2,950,653	2,663,321
Capital assets in accounts payable	8,712,698	4,844,754	-	-
Capital asset acquisition by CDB	8,537,547	7,039,766	-	-
Loss on disposals of capital assets	2,098,262	235,597	-	-
Other capital asset adjustments	5,195,863	3,364,699	-	-

The accompanying notes are an integral part of this statement.

Southern Illinois University

Notes to Financial Statements

June 30, 2006

1. The financial reporting entity and component unit disclosures

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

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

The Foundations were formed for the purpose of providing fund raising 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, Incorporated, 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.

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

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

2. Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. The University now follows the business-type activity reporting requirements of GASB Statement No. 35 that provides a comprehensive, entity-wide perspective of the University's financial activities and replaces the fund group presentation previously required.

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 applicable to public colleges and universities. 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 University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected to not apply FASB pronouncements issued after the applicable date.

The accounts of the University's financial reporting entity are still maintained internally in accordance with the principles of fund accounting. Under fund accounting, resources are classified for accounting and reporting purposes into funds according to specified activities or objectives.

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.

The financial statements include prior year comparative information, which has been derived from the University's 2005 financial statements after restatement as explained in the Restatement of Net Assets caption of this note. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2005.

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 assets 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 $9,279,143 and $2,073,420, respectively, at June 30, 2006.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market with the exception of the Textbook Rental Service at the Edwardsville campus. The rental books are recorded at depreciated cost with the related expense reported as depreciation 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, 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, and 15 years for site or building improvements. 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 treasurers 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.

2. Summary of significant accounting policies (continued)

Revenue and expense recognition

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the University reported on-behalf payments of $94,771,410 for fiscal year 2006 for health care and retirement costs. These costs are reflected in the Statement of Revenues, Expenses and Changes in Net Assets 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 $78,378,926 for the year ended June 30, 2006. The employer contributions to these plans for employees paid from other University held funds are paid by the University. On-behalf payments of $16,392,484 for the year ended June 30, 2006, were made 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. Tuition and fees are generally recognized as operating revenues as they are assessed. The summer session tuition and fees are allocated between the two fiscal years. The majority of the University's expenses are operating expenses.

Nonoperating: Nonoperating revenues and expenses include activities that have the characteristics of nonexchange 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 General Revenue Fund 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.

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

Expenses

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, 2006, the University estimates $35,779,456 will be paid from state appropriated accounts funded by the State of Illinois General Revenue Fund and the Income Fund, and $9,524,874 from local funds in subsequent years for a combined total of $45,304,330.

New Governmental Accounting Standards

The Governmental Accounting Standards Board (GASB) has recently issued the following statements:

Statement No. 43 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes uniform financial reporting standards for other postemployment benefit (OPEB) plans and supersedes the interim guidance included in Statement No. 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*. The statement is effective for the period beginning July 1, 2006. It is not expected to impact the University.

Statement No. 44 - *Economic Condition Reporting: The Statistical Section – an amendment of NCGA Statement 1*, is applicable for institutions that present a statistical section with basic financial statements, such as within a comprehensive annual financial report, and was effective for the period beginning July 1, 2005. It did not impact the University.

Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, establishes standards for the measurement, recognition and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local government employers. The statement is effective for the period beginning July 1, 2007. It is not expected to impact the University.

2. Summary of significant accounting policies (continued)

Statement No. 46 – *Net Assets Restricted by Enabling Legislation,* clarifies the meaning of the phrase legally enforceable as it applies to restrictions imposed on net asset use by enabling legislation. The statement was effective for the period beginning July 1, 2005. It did not impact the University.

Statement No. 47 – *Accounting for Termination Benefits*, provides accounting and reporting guidance for both voluntary and involuntary termination benefits offered by government employers. The statement was effective for the period beginning July 1, 2005. It did not impact the University.

Restatement of Net Assets

National Corn to Ethanol Research Center, Edwardsville: The financial statements for fiscal year 2005 have been restated to correct an error in the amount of $9,098,610 in the assignment of construction costs between buildings and equipment for the National Corn to Ethanol Research Center at the Edwardsville campus. The effect of the restatement was a decrease in net assets invested in capital assets of $690,689 and an increase in accumulated depreciation of $690,689.

3. Cash and investments

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 *Illinois 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 U.S. Government or its agencies; 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, limited to 33 percent of the portfolio; money market mutual funds; Public Treasurer's Investment Pool (The Illinois Funds); repurchase agreements of Government securities; and other specifically defined repurchase agreements.

The three basic objectives of the University's investment policy are safety of invested funds; maintenance of sufficient liquidity to meet cash flow needs; and attainment of the maximum investment returns possible consistent with the first two objectives. The University insures the safety of its invested funds by limiting credit and interest rate risks. The University's portfolio is structured to ensure that securities mature at the same time as cash is needed 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. Information relating to the specific investment policies of each University Related Organization can be obtained by contacting those entities listed in Note 1 on page 14.

Cash and Investments

Cash and cash equivalents of the University include bank accounts and investments with original maturities of ninety days or less at the time of purchase, primarily U.S. Treasury Bills and money market funds. The University has pooled its operating cash and investments to provide for efficiencies and economies in their management. Proceeds related to revenue bonds and certificate of participation financing activities are pooled to the extent allowed under covenants. Investment income earned on the operating cash and investments, including realized gains and losses resulting from the sale or other disposition of investments, is distributed on a quarterly basis to the pooled participants based upon their respective average balances over the prior three-month period.

3. Cash and investments (continued)

At June 30, 2006, the actual bank balances related to the cash deposits of the University amounted to $102,736,517; all such balances were covered by federal depository insurance or collateral held by an agent in the University's name, except for $208,017 (foreign bank) held by the University. The foreign bank cash balance consists of $208,017 in yen. There is no foreign currency risk related to 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. Also, certain money market investments having a remaining maturity of one year or less at time of purchase and non-negotiable certificates of deposit with redemption terms that do not consider market rates are carried at amortized cost.

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

Investment income net of realized and unrealized gains and losses on investments for the year ended June 30, 2006, are reflected below.

UNIVERSITY		
Interest earnings	$	9,052,031
Realized loss on investments		(791,352)
Unrealized loss on investments		(1,712,775)
Net investment income	$	6,547,904

UNIVERSITY RELATED ORGANIZATIONS		
Interest earnings and realized gain on investments	$	4,205,586
Unrealized gain on investments		4,271,713
Net investment income	$	8,477,299

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;* pre-qualifying the financial institutions which are utilized; and diversifying the investment portfolio so that the failure of any one issue or backer will not place an undue financial burden on the University. U.S. Treasuries are federal government securities that do not require the disclosure of credit risk. The U.S. agencies investments typically include the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Federal Home Loan Bank, all of which were rated AAA.

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.

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 20 to 35 percent of assets held in cash equivalents; 10 to 40 percent of assets held in the short-term portfolio; and 35 to 60 percent of assets held in the intermediate-term portfolio.

3. Cash and investments (continued)

Western Asset Management manages the external portfolio, and JPMorgan Chase keeps custody of these funds and assists in the accounting and reporting functions related to these investments. The funds are allocated into a Short Maturity Portfolio and an Intermediate Maturity Portfolio.

Interest rate risk is disclosed below using the segmented time distribution method. As of June 30, 2006, the University and University Related Organizations had the following cash and investment balances:

UNIVERSITY

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**No Maturity**
U.S. Treasuries	$ 39,783,203	$ 11,036,125	$ 18,923,538	$ 9,823,540	$ -
U.S. Agencies	118,920,588	50,989,591	62,957,873	4,973,124	-
Common Stock	44,300	-	-	-	44,300
Cash and Equivalents	1,062,330	-	-	-	1,062,330
Total Investments	159,810,421	$ 62,025,716	$ 81,881,411	$ 14,796,664	$ 1,106,630
Cash and Equivalents					
The Illinois Funds	97,193,335				
Cash and Equivalents	(1,092,483)				
Total Cash and Equivalents	96,100,852				
Total Cash & Investments	$ 255,911,273				

UNIVERSITY RELATED ORGANIZATIONS

		Investment Maturities (in Years)				
Investment Type	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**	**No Maturity**
U.S. Treasuries	$ 1,220,921	$ 272,369	$ 684,559	$ 263,993	$ -	$ -
U.S. Agencies	3,717,646	64,660	3,081,239	542,286	29,461	-
Nonnegotiable Certificates of Deposit	5,111,079	2,548,708	2,324,193	238,178	-	-
Commercial paper	282,500	282,500	-	-	-	-
Corporate Debt Securities	492,213	49,825	296,498	145,890	-	-
Corporate Equity Securities	4,531,763	-	-	-	-	4,531,763
Foreign Equity Securities	13,665,226	13,665,226	-	-	-	-
Money Market Funds	1,670,308	1,670,308	-	-	-	-
Open Ended Mutual Funds	96,659,877	96,659,877	-	-	-	-
Cash and Equivalents	1,839,059	-	-	-	-	1,839,059
Total Investments	129,190,592	$ 115,213,473	$ 6,386,489	$ 1,190,347	$ 29,461	$ 6,370,822
Cash and Equivalents	3,069,489					
Total Cash & Investments	$ 132,260,081					

This disclosure provides time horizons of investment maturities. It is not a classification of investments as current or noncurrent as presented in the Statement of Net Assets.

Relevant risk disclosures as described in GASB Statement No. 40 applicable to each University Related Organization can be obtained by contacting those entities listed in Note 1 on page 14.

4. Accounts and notes receivable

Accounts and notes receivable consisted of the following at June 30, 2006:

UNIVERSITY

	ACCOUNTS RECEIVABLE	NOTES RECEIVABLE
Student tuition and fees	$ 12,140,038	$ -
Auxiliary enterprises	5,537,684	-
Grants and contracts	13,689,270	-
General operating	6,970,578	-
Student loans	-	20,721,301
Plant funds	145,985	186,478
Other accounts receivable	640,741	-
	39,124,296	20,907,779
Less: Allowance for doubtful accounts	(9,279,143)	(2,073,420)
Net receivable	$ 29,845,153	$ 18,834,359

UNIVERSITY RELATED ORGANIZATIONS

	ACCOUNTS RECEIVABLE	NOTES RECEIVABLE
Accounts receivable	$ 53,870,272	$ -
Student loans	-	16,435
	53,870,272	16,435
Less: Allowances for assignment losses and doubtful accounts	(30,221,818)	-
Net receivable	$ 23,648,454	$ 16,435

During fiscal year 2003, Southern Illinois University entered into a contract for deed agreement with Equipping the Saints Ministry, International, Inc. for the sale of the Auburn Clinic building in Auburn, Illinois. The contract is in the amount of $240,000 at an interest rate of 4%, to be paid over a term of ten years in eighteen semi-annual installments of $9,000, including interest, beginning June 19, 2003, with a final installment of $124,790 due on December 19, 2011. A down payment of $24,000 was paid upon signing of the contract. As of June 30, 2006, the outstanding balance of the note was $186,478.

5. Capital assets

Capital asset activity for the year ended June 30, 2006, was as follows:

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	Beginning Balance (Restated)	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 19,231,649	$ 685,872	$ -	$ 1,602,290	$ 21,519,811
Nondepreciable historical treasures and works of art	6,131,722	76,519	-	-	6,208,241
Construction in progress	64,632,775	43,354,386	897,160	(57,404,169)	49,685,832
Total capital assets not being depreciated	89,996,146	44,116,777	897,160	(55,801,879)	77,413,884
Capital assets being depreciated:					
Site improvements	42,232,513	264,140	2,688,178	3,266,487	43,074,962
Buildings	648,102,260	24,310,162	64,930	34,338,172	706,685,664
Equipment	270,641,590	19,539,470	9,123,025	-	281,058,035
Infrastructure	8,607,727	-	-	-	8,607,727
Total capital assets being depreciated	969,584,090	44,113,772	11,876,133	37,604,659	1,039,426,388
Less accumulated depreciation for:					
Site improvements	31,548,390	964,769	1,372,914	-	31,140,245
Buildings	338,041,775	16,298,680	-	-	354,340,455
Equipment	210,345,425	18,224,158	6,803,805	-	221,765,778
Infrastructure	8,286,101	154,381	-	-	8,440,482
Total accumulated depreciation	588,221,691	35,641,988	8,176,719	-	615,686,960
Capital assets, net	$ 471,358,545	$ 52,588,561	$ 4,596,574	$ (18,197,220)	$ 501,153,312

Buildings, equipment, and related accumulated depreciation at June 30, 2005, have been restated to correct an error in the assignment of construction costs for the National Corn to Ethanol Research Center as described in Note 2. The effect was a decrease in the value of buildings and an increase in the value of equipment in the amount of $9,098,610. Accumulated depreciation increased by $690,689, resulting in a decrease in net capital assets of $690,689.

UNIVERSITY RELATED ORGANIZATIONS

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Construction in progress	$ 2,332,327	$ 2,585,298	$ -	$ (293,282)	$ 4,624,343
Capital assets being depreciated:					
Site improvements	2,000	-	-	296,147	298,147
Buildings	3,005,208	-	527,087	-	2,478,121
Equipment	1,690,783	356,302	212,404	(2,865)	1,831,816
Total capital assets being depreciated	4,697,991	356,302	739,491	293,282	4,608,084
Less accumulated depreciation for:					
Site improvements	425	14,988	-	-	15,413
Buildings	331,688	78,059	43,194	-	366,553
Equipment	1,046,323	182,672	212,404	-	1,016,591
Total accumulated depreciation	1,378,436	275,719	255,598	-	1,398,557
Capital assets, net	$ 5,651,882	$ 2,665,881	$ 483,893	$ -	$ 7,833,870

6. Noncurrent liabilities

Noncurrent liability activity for the year ended June 30, 2006, is as follows:

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	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes payable	$ 669,247	$ -	$ 327,532	$ 341,715	$ 341,715
Compensated absences	44,878,658	4,700,557	4,274,885	45,304,330	3,763,247
Revenue bonds payable	184,971,698	97,147,046	38,757,148	243,361,596	10,921,747
Certificates of participation	34,881,856	-	1,664,613	33,217,243	2,340,387
Capitalized leases	5,561,064	998,593	2,279,812	4,279,845	1,406,399
Self insurance	16,960,132	5,637,534	8,077,163	14,520,503	5,738,648
Federal loan programs refundable	16,933,315	-	37,104	16,896,211	-
Due to related organizations	595,774	49,026	179,649	465,151	210,585
Other accrued liabilities	181,207	-	10,859	170,348	-
Housing deposits	247,200	197,711	184,511	260,400	117,180
Total long-term liabilities	$ 305,880,151	$ 108,730,467	$ 55,793,276	$ 358,817,342	$ 24,839,908

UNIVERSITY RELATED ORGANIZATIONS

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes payable	$ 954,253	$ -	$ 538,129	$ 416,124	$ 161,558
Revenue bonds payable	1,650,000	-	-	1,650,000	-
Annuities payable	4,315,298	742,841	835,989	4,222,150	540,245
Other accrued liabilities	1,283,112	188,952	17,289	1,454,775	-
Deposits held in custody for others	2,143,757	72,829	428	2,216,158	28,206
Total long-term liabilities	$ 10,346,420	$ 1,004,622	$ 1,391,835	$ 9,959,207	$ 730,009

7. Revenue bonds payable

Revenue bonds outstanding as of June 30, 2006, are as follows:

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Series	Original Issue	Accretion	Retirements	Unamort. Premium (Discount)	Unamort. Deferred Loss	Balance 6/30/06	Current Portion	Interest Rates(s) Accreted	Annual Maturity To
1993A	$ 8,660,507	$ 10,310,783	$ -	$ -	$ -	$ 18,971,290	$ -	Accreted	2018
1996A	22,800,000	-	20,245,000	(2,191)	-	2,552,809	2,552,809	5.00 to 5.20%	2007
1997A	8,575,000	-	6,845,000	(8,119)	-	1,721,881	547,294	4.20 to 5.50%	2009
1997A	29,521,284	13,781,354	17,360,000	-	-	25,942,638	2,775,000	Accreted	2018
1999A	21,001,900	9,669,290	1,000,000	41,097	-	29,712,287	371,806	Accreted	2029
2000A	6,525,000	-	5,375,000	(11,053)	-	1,138,947	262,237	5.25 to 5.75%	2010
2001A	27,730,000	-	14,590,000	249,366	(341,195)	13,048,171	1,735,804	4.00 to 5.50%	2017
2003A	17,020,000	-	665,000	-	(289,585)	16,065,415	247,604	1.15 to 4.85%	2029
2004A	40,390,000	-	60,000	1,278,036	-	41,608,036	864,452	3.00 to 5.00%	2035
2005	21,290,000	-	405,000	753,967	(1,092,308)	20,546,659	637,781	3.25 to 5.00%	2026
2006A	69,715,000	-	-	3,144,471	(806,008)	72,053,463	926,960	4.00 to 5.25%	2036
	$ 273,228,691	$ 33,761,427	$ 66,545,000	$ 5,445,574	$ (2,529,096)	$ 243,361,596	$ 10,921,747		

UNIVERSITY RELATED ORGANIZATIONS

	Original Issue	Additions	Retirements	Balance 6/30/06	Current Portion	Interest Rate	Annual Maturity To
SIUE Fdn.	$ 2,000,000	$ -	$ 350,000	$ 1,650,000	$ -	4.50%	2008

7. Revenue bonds payable (continued)

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

The Housing and Auxiliary Facilities System Bonds, Series 1996A were authorized by the University's Board under the Fourth Supplemental Bond Resolution dated September 12, 1996. The bonds mature at varying amounts from 1997 to 2007. Interest payments are due semi-annually.

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

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

The Housing and Auxiliary Facilities System Bonds, Series 2000A were authorized by the University's Board under the Seventh Supplemental Bond Resolution dated May 11, 2000. The bonds mature at varying amounts from 2002 to 2010. Interest payments are due semi-annually.

The Housing and Auxiliary Facilities System Bonds, Series 2001A were authorized by the University's Board under the Eighth Supplemental Bond Resolution dated July 12, 2001, as amended on December 11, 2003. The bonds mature at varying amounts from 2002 to 2017. Interest payments are due semi-annually.

The Housing and Auxiliary Facilities System Bonds, Series 2003A were authorized by the University's Board under the Ninth Supplemental Bond Resolution dated December 12, 2002. The bonds mature at varying amounts from 2004 to 2029. Interest payments are due semi-annually.

The Housing and Auxiliary Facilities System Bonds, Series 2004A were authorized by the University's Board under the Tenth Supplemental Bond Resolution dated October 14, 2004. The bonds mature at varying amounts from 2006 to 2035. Interest payments are due semi-annually.

The Medical Facilities System Bonds, Series 2005 were authorized by the board on October 13, 2005. The bonds mature at varying amounts from 2006 to 2026. Interest payments are due semi-annually.

The Housing and Auxiliary Facilities System Bonds, Series 2006A were authorized by the University's Board under the Eleventh Supplemental Bond Resolution dated May 2, 2006. The bonds mature at varying amounts from 2007 to 2036. Interest payments are due semi-annually.

The Housing and Auxiliary Facilities System bonds do not constitute a debt of the State of Illinois or the individual members, officers or agents of the Board of Trustees of the University but, together with interest thereon, are payable from and secured by a pledge of and lien on (i) the net revenues of the System, (ii) pledged tuition 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.

The Medical Facilities System bonds do not constitute a debt of the State of Illinois or the individual members, officers or agents of the Board of Trustees of the University but, together with interest thereon, are payable from and secured by a pledge of and lien on (i) the net revenues of the System, (ii) pledged tuition (subject to prior payment of necessary operating and maintenance expenses of the System and the Housing and Auxiliary Facilities System subject to the prior pledge of the Housing and Auxiliary Facilities System), and (iii) the Bond and Interest Sinking Fund account.

7. Revenue bonds payable (continued)

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, 2006, $1,675,000 of the bonds refunded in 1978, $13,615,000 of the bonds refunded in 1985, $14,755,000 of the bonds refunded in 2005, and $15,005,000 of the bonds refunded in 2006 were outstanding. The market values of the related escrow funds were $1,857,918, $14,079,269, $15,167,524, and $16,315,753, respectively.

Edwardsville Foundation revenue bonds payable:
On October 22, 1999, the Southern Illinois University Edwardsville Foundation issued a revenue bond payable in the amount of $2,000,000. The bond was refinanced on March 14, 2003, and principal was paid down in the amount of $350,000. The bond bears an interest rate of 4.5% and matures in 2008. Annual interest ranging from $75,281 to $84,769 is payable through the year 2008. As of June 30, 2006, the revenue bond was outstanding in the amount of $1,650,000.

Annual aggregate principal and interest payments required on the bonds for years subsequent to June 30, 2006, are:

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	Principal Payments	Interest Payments
2007	$ 10,920,000	$ 7,355,224
2008	11,815,000	7,516,718
2009	12,310,000	7,170,399
2010	12,680,000	6,821,298
2011	13,255,000	6,460,487
2012-16	69,385,000	27,864,504
2017-21	66,360,000	20,034,658
2022-26	52,380,000	12,602,005
2027-31	37,745,000	7,412,464
2032-35	18,405,000	2,659,000
Total payments	305,255,000	$ 105,896,757
Unaccreted appreciation	(64,809,882)	
Subtotal	240,445,118	
Unamortized premiums on bonds	5,445,574	
Unamortized deferred loss on refunding	(2,529,096)	
Total bonds payable	$ 243,361,596	

UNIVERSITY RELATED ORGANIZATIONS

	Principal Payments	Interest Payments
2007	$ -	$ 75,281
2008	1,650,000	84,769
	$ 1,650,000	$ 160,050

8. 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:

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Year Ending		
2007	$	1,536,678
2008		1,058,285
2009		1,015,369
2010		865,157
2011		118,040
Total minimum lease payments		4,593,529
Less amount representing interest		(313,684)
Present value of net minimum lease payments	$	4,279,845

The University also leases the Evergreen Terrace apartment complex from Southern Illinois University Foundation (at Carbondale) under a capital lease agreement through the year 2009. It has been classified and accounted for as a liability reported as an amount "Due to Related Organizations." The agreement obligates the University to make rental payments in an amount sufficient to cover principal and interest payments and the required deposits to the repair and replacement reserve and the hazard insurance escrow account.

The University leases office and instructional space and equipment (principally office machines, automobiles, and farm equipment) under contracts which are renewable annually and many of which are subject to escalation upon proper notice by the lessor. Rental payments on these operating leases totaled $13,372,864 in 2006.

9. Notes and certificates of participation payable

(A) University notes payable

During fiscal year 2002, the purchase of a replacement chiller for the heating and cooling system at Edwardsville was financed through the issuance of a note payable in the amount of $1,600,000 at an interest rate of 4.33%. It is payable in annual installments through fiscal year 2007. As of June 30, 2006, the note was outstanding in the amount of $341,715.

(B) Carbondale Foundation mortgage note payable

On July 3, 1967, the Southern Illinois University Foundation (at Carbondale) entered into a financing agreement with the Federal Housing Administration (FHA) to construct on behalf of the University a 304-unit apartment complex known as Evergreen Terrace (FHA Project No. 072-55010-NP). The original mortgage note was issued in the amount of $4,000,000 and bears interest at the rate of 3%. It is payable in monthly installments of $14,319 through February 2009. It is secured by a pledge of thirty-eight acres of land, including buildings and improvements. As of June 30, 2006, the mortgage note was outstanding in the amount of $416,124.

(C) Edwardsville University Park note payable

On December 12, 2003, University Park at Edwardsville issued a note payable in the amount of $400,000 at an interest rate of 4.85% for the purchase of a building at 110 N. Research Dr., Edwardsville. The note was due December 12, 2007. During 2006, the debt was paid in full.

9. Notes and certificates of participation payable (continued)

(D) Certificates of Participation

Series 2004A: On June 17, 2004, the University issued Certificates of Participation (COPS) in the par amount of $32,740,000. The COPS were issued at a discount of $91,480. The certificates were issued to finance, in combination with University funds, the renovation of Morris Library, the construction of a library storage facility, the construction of a Research Park, the replacement of campus signage, the purchase of computer and research equipment, and energy conservation measures, all at Carbondale; the construction of a Pharmacy building and the renovation of the Dental School building, both at Edwardsville; and energy performance measures at the School of Medicine in Springfield. The certificates bear interest at rates ranging from 2% to 5% payable semi-annually, and principal installments ranging from $1,070,000 to $2,720,000 are payable annually on February 15 beginning 2005 through the year 2024. As of June 30, 2006, these certificates were outstanding in the amount of $30,132,990.

Series 2002: On June 5, 2002, the University issued Certificates of Participation (COPS) in the par amount of $4,180,000. The COPS were issued at a premium of $10,540. The certificates were issued to finance, in combination with University funds, the construction of a new support services building to house business services offices and warehouse space for the University's Springfield medical campus. The certificates bear interest at rates ranging from 3.25% to 4.40% payable semi-annually, and principal installments ranging from $355,000 to $495,000 are payable annually on August 15 beginning 2003 through the year 2012. As of June 30, 2006, these certificates were outstanding in the amount of $3,084,253.

Annual aggregate principal and interest payments required for years subsequent to June 30, 2006, are:

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	Notes Payable		Certificates of Participation	
	Principal	Interest	Principal	Interest
2007	$ 341,715	$ 14,796	$ 2,345,000	$ 1,372,278
2008	-	-	2,590,000	1,304,097
2009	-	-	2,670,000	1,217,090
2010	-	-	2,770,000	1,121,140
2011	-	-	2,875,000	1,015,410
2012-16	-	-	8,320,000	3,716,946
2017-21	-	-	6,135,000	2,284,150
2022-24	-	-	5,590,000	625,000
Total payments	$ 341,715	$ 14,796	33,295,000	$ 12,656,111
Unamortized premiums (discounts) on COPS			(77,757)	
Total payable			$ 33,217,243	

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	Notes Payable	
	Principal	Interest
2007	$ 161,558	$ 10,275
2008	166,472	5,361
2009	88,094	797
	$ 416,124	$ 16,433

10. 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 Student Medical Insurance Plan (the "Plan") was established on August 15, 1995, as a secondary coverage plan to supplement the On-Campus Student Health Services in Carbondale and Springfield. The Plan is supported by student fees and covers all students enrolled at the Carbondale campus with the exception of those students who have demonstrated comparable coverage and have applied for a refund. The Plan provides a maximum benefit per student while covered under the Plan of $250,000, subject to other limits of the Plan. To protect against excessive losses, the University established a gap-reserve fund and purchased a stop-loss insurance policy with a commercial carrier in the amount of $5,000,000. Contributions to the Student Medical Insurance Plan are based on historic and estimated future year claims.

As of June 30, 2006, the accrual for self-insurance was $10,574,664 for the general and professional liability fund and $3,945,839 for the Student Medical Insurance Plan, for a total accrued liability for self-insurance of $14,520,503. 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 Assets in the period in which additional information becomes available. Changes in the self-insurance accrual for the year ended June 30, 2006, are reflected below.

	Total	General and Professional	Student Plan
Accrued liability, June 30, 2005	$ 16,960,132	$ 11,465,113	$ 5,495,019
Current year claims and other changes	4,088,354	982,848	3,105,506
Payment of Claims	(6,527,983)	(1,873,297)	(4,654,686)
Accrued liability, June 30, 2006	$ 14,520,503	$ 10,574,664	$ 3,945,839

11. 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 2006, an additional $100 was deposited with the Foundation, resulting in a balance of $1,598,152 held by the Foundation at June 30, 2006. The Foundation distributes earnings to the University on a quarterly basis. Payments during fiscal year 2006 totaled $58,910.

12. State Universities Retirement System

The University contributes to the State Universities Retirement System of Illinois (SURS), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation whereby the State of Illinois 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 the state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of state 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 writing SURS, 1901 Fox Drive, Champaign, IL 61820 or by calling 1-800-275-7877.

12. State Universities Retirement System (continued)

Plan members are required to contribute 8% of their annual covered salary, and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The current rate is 10.18% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly. The employer contribution to SURS for the year ended June 30, 2006, 2005, and 2004 was $19,113,578, $29,244,806, and $33,359,341, respectively, equal to the required contributions for the year. The fiscal year 2006 contribution consisted of $16,392,484 from State appropriations and $2,721,094 from other current funds.

All full-time employees of the Foundations, the Alumni Associations, University Park, and the Research Park are paid as University employees. Accordingly, the benefits related to these employees are covered by the University's plan.

13. Post-employment benefits

In addition to providing the above pension benefits, the State provides certain health, dental, and life insurance benefits to the University's annuitants who participate in SURS. Substantially all University employees become eligible for post-employment benefits if they eventually become annuitants. Health and dental benefits include basic benefits for annuitants under the State's self-insurance plan and insurance contracts currently in force. Life insurance benefits for annuitants under the age of 60 are equal to their annual salary at the time of retirement; life insurance benefits for annuitants age 60 and older are limited to five thousand dollars per annuitant.

Currently, the State does not segregate payments made to annuitants from those made to current employees for health, dental, and life insurance benefits. The cost of health, dental, and life insurance benefits is recognized by the State on a pay-as-you-go basis. These costs are funded by the State except for certain non-appropriated funds funded by the University.

14. 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 2006 included the receipt of $30,591,351 from SIU Physicians & Surgeons, Inc. (SIU P&S) for services provided by the University. Also, SIU P&S contributed $7,593,209 to the University for Academic Development for the School of Medicine. The University made a grant of $992,000 to the Southern Illinois Foundation (at Carbondale) to further support the endowment for the Paul Simon Public Policy Institute. Additional information concerning transactions with related parties may be obtained by contacting those entities listed in Note 1 on page 14.

15. 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. The costs, both direct and indirect, charged to these grants and contracts are subject to audit and disallowance by the granting agency. The University administration believes that any disallowances or adjustments 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.

16. Segment information

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

The University has issued revenue bonds with the net revenues from the two segments pledged to pay the bond interest and principal. The Housing and Auxiliary Facilities System segment is comprised of University owned housing units, student centers, recreation and athletic facilities, and similar auxiliary enterprise units. The Medical Facilities System is comprised of clinical facilities used to provide patient care at the School of Medicine in Springfield. Condensed financial statements for the University's two segments are shown below. Additional information relating to these segments is included in Note 7, Revenue bonds payable.

	Housing and Auxiliary Facilities System	Medical Facilities System
CONDENSED STATEMENTS OF NET ASSETS (DEFICIT)		
	June 30, 2006	
Assets:		
Current assets	$ 95,983,465	$ 14,913,835
Capital assets, net	127,507,594	14,803,942
Other assets	19,402,884	474,339
Total Assets	242,893,943	30,192,116
Liabilities:		
Current liabilities	26,320,516	1,515,090
Noncurrent liabilities	214,627,425	22,051,969
Total Liabilities	240,947,941	23,567,059
Net Assets (Deficit)		
Invested in capital assets, net of related debt	(32,956,373)	1,587,968
Restricted - expendable	26,349,259	1,429,845
Unrestricted	8,553,116	3,607,244
Total Net Assets	$ 1,946,002	$ 6,625,057
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (DEFICIT)		
	Year ended June 30, 2006	
Operating revenues	$ 76,397,346	$ 31,236,455
Operating expenses	75,402,912	34,617,790
Operating gain (loss)	994,434	(3,381,335)
Nonoperating revenues and expenses - net	2,340,556	6,208,655
Gain before other revenues, expenses, gains or losses	3,334,990	2,827,320
Other revenues, expenses, gains or losses - net	854,526	1,859,143
Increase in net assets	4,189,516	4,686,463
Net assets (deficit) at beginning of year	(2,243,514)	1,938,594
Net assets at end of year	$ 1,946,002	$ 6,625,057
CONDENSED STATEMENTS OF CASH FLOWS		
	Year ended June 30, 2006	
Cash provided by (used in):		
Operating activities	$ 14,802,471	$ 1,096,256
Noncapital financing activities	1,515,566	-
Capital financing activities	23,303,230	4,193,863
Investing activities	(14,503,219)	(4,945,202)
Net increase (decrease) in cash	25,118,048	344,917
Cash, beginning of year	23,675,504	2,266,749
Cash, end of year	$ 48,793,552	$ 2,611,666

17. University Related Organizations

Condensed financial statements for the component units of the University are as follows:

	SIUC FOUNDATION	SIUE FOUNDATION	SIUC PHYSICIANS & SURGEONS	SIUC ALUMNI	SIUE ALUMNI	SIUC RESEARCH PARK	SIUE UNIV. PARK	TOTAL
CONDENSED STATEMENTS OF NET ASSETS JUNE 30, 2006								
Assets:								
Current assets	$ 23,788,451	$ 7,414,347	$39,203,819	$ 815,084	$ 211,946	$ 122,788	$ 727,277	$ 72,283,712
Noncurrent assets	97,035,007	24,781,768	853,095	4,756,807	136,762	278,618	1,503,199	129,345,256
Total Assets	120,823,458	32,196,115	40,056,914	5,571,891	348,708	401,406	2,230,476	201,628,968
Liabilities:								
Current liabilities	1,086,141	249,410	8,828,121	709,566	88,164	41,177	187,790	11,190,369
Noncurrent liabilities	5,665,634	2,117,287	-	1,340,220	-	-	106,056	9,229,197
Total Liabilities	6,751,775	2,366,697	8,828,121	2,049,786	88,164	41,177	293,846	20,419,566
Net Assets:								
Invested in capital assets, net of related debt	3,155,263	463,011	779,975	3,804	-	278,618	14,249	4,694,920
Restricted - nonexpendable	59,011,985	14,544,955	-	-	-	-	-	73,556,940
Restricted - expendable	45,942,893	13,413,390	-	-	-	-	1,488,950	60,845,233
Unrestricted	5,961,542	1,408,062	30,448,818	3,518,301	260,544	81,611	433,431	42,112,309
Total Net Assets	$ 114,071,683	$29,829,418	$31,228,793	$3,522,105	$ 260,544	$ 360,229	$1,936,630	$181,209,402
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS Year ended June 30, 2006								
Operating revenues	$ 3,911,521	$ 1,076,447	$72,432,854	$1,969,982	$ 193,299	$ 111,353	$ 434,695	$ 80,130,151
Operating expenses	13,755,130	2,939,247	70,133,073	1,723,804	191,619	123,239	398,821	89,264,933
Operating income (loss)	(9,843,609)	(1,862,800)	2,299,781	246,178	1,680	(11,886)	35,874	(9,134,782)
Nonoperating revenues and expenses - net	20,227,861	6,227,176	341,358	383,132	17,128	213,495	91,844	27,501,994
Income before other revenues	10,384,252	4,364,376	2,641,139	629,310	18,808	201,609	127,718	18,367,212
Other revenues	3,635,415	3,227,727	-	-	-	-	-	6,863,142
Increase in net assets	14,019,667	7,592,103	2,641,139	629,310	18,808	201,609	127,718	25,230,354
Net assets at beginning of year	100,052,016	22,237,315	28,587,654	2,892,795	241,736	158,620	1,808,912	155,979,048
Net assets at end of year	$ 114,071,683	$29,829,418	$31,228,793	$3,522,105	$ 260,544	$ 360,229	$1,936,630	$181,209,402
CONDENSED STATEMENTS OF CASH FLOWS Year ended June 30, 2006								
Cash provided by (used in);								
Operating activities	$ (8,658,791)	$ (2,269,409)	$ (552,865)	$ 379,171	$ 26,920	$ (34,757)	$ 75,785	$ (11,033,946)
Noncapital financing activities	9,525,104	4,061,269	(13,963)	14,682	50	233,000	(62,402)	13,757,740
Capital financing activities	(463,854)	(75,281)	(354,161)	-	-	(212,326)	749,432	(356,190)
Investing activities	(473,061)	(1,770,065)	355,321	(393,853)	(49,716)	1,169	(1,264,662)	(3,594,867)
Net increase (decrease) in cash	(70,602)	(53,486)	(565,668)	-	(22,746)	(12,914)	(501,847)	(1,227,263)
Cash, beginning of year	245,427	53,486	2,701,540	-	65,424	73,272	1,157,603	4,296,752
Cash, end of year	$ 174,825	$ -	$ 2,135,872	$ -	$ 42,678	$ 60,358	$ 655,756	$ 3,069,489

Crowe

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STATE OF ILLINOIS

SOUTHERN ILLINOIS UNIVERSITY

HOUSING AND AUXILIARY FACILITIES SYSTEM

Report of the Treasurer

For the Year Ended June 30, 2006

Southern Illinois University

Board of Trustees and Officers of Administration

Fiscal Year 2006

BOARD OF TRUSTEES OF SOUTHERN ILLINOIS UNIVERSITY

OFFICERS OF SOUTHERN ILLINOIS UNIVERSITY

OFFICERS OF ADMINISTRATION, SOUTHERN ILLINOIS UNIVERSITY CARBONDALE

OFFICERS OF ADMINISTRATION, SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE

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The University also issues an Annual Financial Report.

This report is printed by the authority of the State of Illinois.
175 copies printed on order number 07-1180 by SIU Printing and Duplicating.

Southern Illinois University – Board of Trustees

Board Treasurer
1400 Douglas Drive
Mailcode 6801
Carbondale, IL 62901

Phone: 618-536-3475

FAX: 618-536-3404

September 29, 2006

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

I am pleased to submit the annual Treasurer's Report to the Bondholders for the Southern Illinois University Housing and Auxiliary Facilities System for the fiscal year ended June 30, 2006.

Substantial progress has been made on the new apartment complex on the Carbondale campus. This facility is scheduled to open in January 2007 and is the first new housing on the Carbondale campus since 1968.

The Series 2006A bonds were issued in May 2006 in the amount of $69,715,000. These bonds were sold to finance: (i) the construction of a student residence hall on the Edwardsville campus and an adjoining parking lot; (ii) various safety/security enhancements and other replacements to, and renovations of, the facilities of the System on the Carbondale campus; (iii) the purchase and implementation of a student information system on the Carbondale campus; (iv) the construction of an approximately 350 space parking lot; and, (v) the refunding of a portion of the Series 1997A, Series 2000A and Series 2001A revenue bonds.

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

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

Respectfully submitted,

Duane Stucky

Duane Stucky
Board Treasurer

DS/lap

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

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

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

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

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

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

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

The eighth phase expanded the System to include Wall and Grand Apartments on the Carbondale campus. The residence hall consists of approximately 169,000 gross square feet and is designed to provide apartment-style living quarters for 400 on-campus students. The residence hall projected completion date is Fall 2006. This phase also includes the installation of automatic sprinkler systems in Schneider Hall, Mae Smith Hall and Neely Hall on the Carbondale campus as well as modification of the HVAC systems and humidity controls in Prairie Hall, Bluff Hall and Woodland Hall on the Edwardsville campus. The funds for construction and improvements were provided through the issuance of bonds totaling $40,390,000.

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

ADVANCE REFUNDINGS

The debt related to the construction of the original System facilities has been advance refunded either partially or in full, without extending the final maturity date, in 1978, and 1985. Additional debt related to the System facilities has been advance refunded either partially or in full, without extending the final maturity date, in 2006. The refundings have been undertaken by the Board of Trustees (the

"Board") for the purposes of consolidating the debt, effecting a cost savings, or resolving operational and parity issues related to the separate bond indentures.

The proceeds of the bonds issued for each of the above refundings were used to purchase U.S. Government securities in amounts which, together with the earnings thereon, will be sufficient to pay, when due or on their redemption date, the interest, premium and principal of the refunded bonds. The U.S. Government securities purchased for the Advance Refunding of 1978 are held in trust by the U.S. Bank, 60 Livingston Avenue, St. Paul, Minnesota; while the Advance Refundings of 1985 and 2006 are held in trust by the LaSalle Bank N.A., 135 South LaSalle Street, Chicago, Illinois. The principal amounts outstanding as of June 30, 2006, relating to the advance refundings, are as follows:

ADVANCE REFUNDING OF 1978:	
University Facilities Revenue Bonds, Series E of 1968 (Student Center, Family Housing, and Single Student Housing) – Final Maturity April 1, 2008	$ 1,675,000
	$ 1,675,000
ADVANCE REFUNDING OF 1985:	
Housing and Auxiliary Facilities System Revenue Bonds of 1978 Series J – Final Maturity April 1, 2007	$13,615,000
	$13,615,000
ADVANCE REFUNDING OF 2006:	
Housing and Auxiliary Facilities System Revenue Bonds of 1997, 2000 and 2001 – Final Maturity April 1, 2012	$15,005,000
	$15,005,000

All of the bonds in the above advance refundings are considered "defeased" and have debt service needs covered by cash, cash equivalents, and U.S. Government securities which are held in special trusts as noted above.

II. INSURANCE

An insurance package policy purchased under the auspices of the Illinois Public Higher Education Cooperative (IPHEC), through the Midwestern Higher Education Commission (MHEC) program, provides all risk coverage on buildings and contents. The following insurance coverages are in force at the University (including the Systems facilities) through June 30, 2007:

		Approximate Amount
1.	Lexington Insurance Co., Policy No. 8755205. Primary policy providing $100,000,000 all risk coverage on scheduled buildings and other property totaling $2,082,802,000 with a general deductible of $25,000 per occurrence on all bonded buildings. A $500,000 per occurrence deductible applies for many of the non-bonded academic buildings. Coverage is first layer of a structured program providing coverage up to $1,000,000,000 per occurrence.	$100,000,000 per occurrence
1a.	Boiler & Machinery coverage is included in the Lexington policy listed above, and carries a $25,000 deductible.	$100,000,000 per occurrence
1b.	Flood coverage as included in the Lexington policy listed above is limited to $100,000,000 and carries a $25,000 per occurrence deductible (2% TIV in FEMA-defined 100-year flood zone).	$100,000,000 per occurrence
1c.	Earthquake coverage as included in the Lexington policy listed above is limited to $100,000,000 and carries a $25,000 per occurrence deductible.	$100,000,000 per occurrence
2.	Allianz Global Risks, Policy No. CLP3007451; American International Special Risks, Policy No. 9794794; Lexington Insurance Co., Policy No. 8755217; and Commonwealth Insurance Company, Policy No. US6420; which furnish the secondary layer of $400,000,000 excess of the Lexington's $100,000,000 layer.	$400,000,000 per occurrence
3.	Lloyds of London, Policy No. DP523406; Allianz Global, Policy No. MQ2L9L43823616; Axis Surplus Lines, Policy No. ECF70785906; and Continental Casualty, Policy No. 2010728503: furnish the third layer of coverage, which is $500,000,000 excess of the secondary layer of $400,000,000.	$500,000,000 per occurrence

4. Self Insurance:
The University, pursuant to the provisions of Illinois Public Act 84-0010, has established a Self-Insurance Program (the "Program") for its traditional liability insurance coverages. Funds have been reserved in amounts to cover the major portion of the estimated liability as determined by the Program's actuary. The University has also purchased excess liability insurance policies to cover certain of its general liability exposures not elsewhere covered.

TREASURER'S COMMENTS – Continued

III. ENROLLMENTS AT SOUTHERN ILLINOIS UNIVERSITY

The University reports the following enrollments, by campus:

	Head Count*	Full-Time Equivalency**
Carbondale Campus (semester basis)		
Fall semester 2005	21,441	17,812
Fall semester 2004	21,589	17,950
Edwardsville Campus (semester basis)		
Fall semester 2005	13,460	10,964
Fall semester 2004	13,493	10,778

*Head count includes all full and part-time students (including those enrolled in extension courses) whether living on or off campus.
**Full-time equivalency is based on 15 credits for undergraduate students and 12 credits for graduate students.

IV. HISTORICAL OCCUPANCY OF SYSTEM FACILITIES

The occupancy charges and rates below are based on the school year (9 months) except for Southern Hills, the charges and rates for which are based on the length of housing contract (12 months).

	Range of Occupancy Charges for 2006	Occupancy Rates				
		2006	2005	2004	2003	2002
Southern Hills Apartments (C) 271 Apartments	$4,992 - $5,772	89.9%	86.9%	87.3%	86.0%	89.8%
Greek Row (C) 67 Persons*	$5,280 - $7,348	81.0%	52.1%	72.6%	69.3%	82.4%
Thompson Point (C) 1,187 Persons	$5,524 - $7,348	94.3%	92.9%	95.4%	93.8%	91.8%
Towers (C)** 2,176 persons	$5,524 - $7,938	93.2%	-- --	-- --	-- --	-- --
Triads (C)** 988 persons	$5,524 - $7,348	69.4%	-- --	-- --	-- --	-- --
East Campus (C)**		-- --	85.9%	91.3%	89.4%	86.9%
University Hall (C) 363 persons	$5,524 - $7,348	81.4%	76.0%	-- --	-- --	-- --
Cougar Village (E) 496 Apartments	$7,900 - $12,800	94.2%	94.8%	96.0%	94.2%	92.0%
Woodland Hall (E) 257 Rooms	$6,720 - $6,720	98.1%	97.2%	98.2%	94.8%	92.4%
Prairie Hall (E) 260 Rooms	$6,720 - $6,720	98.7%	97.9%	97.3%	98.2%	97.3%
Bluff Hall (E) 260 Rooms	$6,720 - $6,720	99.0%	97.5%	97.9%	96.3%	93.1%

(C) Carbondale Campus, (E) Edwardsville Campus

*Certain properties are also leased to national organizations of fraternities and sororities for housing (four buildings) and to the University for administrative and student service purposes (five buildings).

**East Campus is reported as Towers and Triads by University Housing beginning in 2006.

TREASURER'S COMMENTS – Continued

V. DEBT SERVICE COVERAGES

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

	Year ended June 30,	
	2006	2005
Receipts:		
Revenue Account:		
Operating Receipts	$ 73,690,804	$ 69,420,724
Revenue Bond Fees	1,964,979	1,902,446
Retirement of Indebtedness – Investment Income	642,783	635,279
Total Receipts	76,298,566	71,958,449
Disbursements:		
Operation and Maintenance Account	59,488,747	56,793,195
Net Revenues	16,809,819	15,165,254
Plus: Pledged Retained Tuition	18,103,756	13,843,713
Total Available for Debt Service	$ 34,913,575	$ 29,008,967
Maximum Annual Debt Service	$ 18,103,756	$ 13,843,713
Coverage Ratio Based on Net Revenues	93%	110%
Coverage Ratio as Defined in the Bond Resolution	193%	210%

VI. RETIREMENT OF INDEBTEDNESS

The net assets are restricted for the following purposes:

	June 30,	
	2006	2005
Bond and Interest Sinking Fund Account	$ 6,834,600	$ 4,568,072
Debt Service Reserve Account	9,233,397	13,843,713
	$ 16,067,997	$ 18,411,785

VII. RENEWALS AND REPLACEMENTS

The bond resolution requires the Treasurer to transfer annually to Renewals and Replacements from the funds remaining in unrestricted net assets, the sum of 10% of the maximum annual net debt service requirement or such portion thereof as is available for transfer. The maximum amount which may be accumulated in said account shall not exceed 5% of the replacement cost of the facilities constituting the System, plus 20% of the book value of the movable equipment within the System, plus either 10% of the historical cost of the parking lots or 100% of the estimated cost of resurfacing any one existing parking lot which is part of the System.

Additions during the year included transfers from unrestricted net assets of $5,184,475 ($7,244,944 in 2005) and investment income (loss) of $198,805 in 2006 and $161,146 in 2005. Expenditures charged to the reserve amounted to $2,787,876 in 2006 and $6,108,438 in 2005. The net assets of Renewals and Replacements consisted of the following:

	June 30,	
	2006	2005
Pooled Cash and Investments	$ 9,094,373	$ 6,026,621
Accrued Interest Receivable	27,312	17,611
Accounts Payable	(514,036)	(31,987)
	$ 8,607,649	$ 6,012,245

TREASURER'S COMMENTS – Continued

VIII. SCHEDULE OF BONDS PAYABLE OUTSTANDING

A Schedule of Bonds Payable Outstanding is shown as supplementary information and lists the amount of Housing and Auxiliary Facilities System Revenue Project and Refunding Bonds and Revenue Bonds Series 2006A, 2004A, 2003A, 2001A, 2000A, 1999A, 1997A, 1996A and 1993A issued and outstanding as of June 30, 2006.

IX. RESTRICTED NET ASSETS – EXPENDABLE

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

	2006	2005
Retirement of indebtedness	$ 16,067,997	$ 18,411,785
Renewals and replacements	8,607,649	6,012,245
Unexpended	1,673,613	1,485,932
	$ 26,349,259	$ 25,909,962

FINANCIAL STATEMENTS

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Crowe Chizek and Company LLC
Member Horwath International

Independent Auditors' Report

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

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements, as listed in the table of contents, of Southern Illinois University Housing and Auxiliary Facilities System ("the System") as of and for the year ended June 30, 2006. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the System's 2005 financial statements and, in a report dated October 17, 2005, other auditors expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1A, the financial statements of the System are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the activities of Southern Illinois University that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of Southern Illinois University as of June 30, 2006, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2006, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2006, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the System. The accompanying Schedule of Bonds Payable Outstanding is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and in our opinion, is stated fairly, in all material respects, in relation to the financial statements taken as a whole.

In connection with our audit, nothing came to our attention that caused us to believe that the System was not in compliance with any of the fund accounting covenants of the Resolutions of the Board of Trustees of Southern Illinois University, which provided for the issuance of the Southern Illinois University Housing and Auxiliary Facilities System Revenue Bonds Series 2006A, Revenue Bonds Series 2004A, Revenue Bonds Series 2003A, Revenue Bonds Series 2001A, Revenue Bonds Series 2000A, Revenue Bonds Series 1999A, Revenue Bonds 1997A, Revenue Refunding Bonds Series 1996A, and Revenue Bonds Series 1993A adopted May 24, 2006, October 14, 2004, December 12, 2002, July 12, 2001, May 11, 2000, May 13, 1999, July 10, 1997, September 12, 1996, and May 13, 1993, respectively. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Board of Trustees, and management of Southern Illinois University, and the bondholders and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Oak Brook, Illinois
November 10, 2006

SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
STATEMENT OF NET ASSETS (DEFICIT)
June 30, 2006
(with comparative totals for 2005)

	2006	2005
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	$ 48,793,552	$ 23,675,504
Short term investments (Note 2)	43,022,799	33,090,224
Accounts receivable, net	2,119,164	1,833,651
Accrued interest receivable	650,458	345,184
Merchandise for resale	1,164,514	1,121,898
Prepaid expenses and other assets	232,978	209,406
TOTAL CURRENT ASSETS	95,983,465	60,275,867
NONCURRENT ASSETS:		
Long term investments (Note 2)	16,427,299	10,195,378
Prepaid expenses and other assets	2,975,585	2,575,699
Capital assets, net: (Note 4)		
Land	605,395	605,395
Buildings	94,636,860	86,332,937
Improvements	3,777,331	2,163,346
Equipment	793,102	822,949
Construction in progress	27,694,906	14,172,057
TOTAL NONCURRENT ASSETS	146,910,478	116,867,761
TOTAL ASSETS	242,893,943	177,143,628
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	10,675,120	2,252,003
Accrued interest payable	1,466,285	1,116,336
Accrued payroll	274,990	539,796
Accrued compensated absences (Note 5)	143,424	134,192
Housing deposits (Note 5)	117,180	111,240
Deferred revenue	3,359,551	3,260,908
Revenue bonds payable (Note 5)	10,283,966	8,262,901
TOTAL CURRENT LIABILITIES	26,320,516	15,677,376
NONCURRENT LIABILITIES:		
Accrued compensated absences (Note 5)	1,953,234	1,893,152
Housing deposits (Note 5)	143,220	135,960
Revenue bonds payable (Note 5)	212,530,971	161,680,654
TOTAL NONCURRENT LIABILITIES	214,627,425	163,709,766
TOTAL LIABILITIES	240,947,941	179,387,142
NET ASSETS (DEFICIT)		
Invested in capital assets, net of related debt	(32,956,373)	(35,143,370)
Restricted for:		
Expendable		
Capital projects and debt service	26,349,259	25,909,962
Unrestricted	8,553,116	6,989,894
TOTAL NET ASSETS (DEFICIT)	$ 1,946,002	$ (2,243,514)

The accompanying notes are an integral part of this statement.

SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (DEFICIT)
Year Ended June 30, 2006
(with comparative totals for 2005)

	2006	2005
REVENUES		
OPERATING REVENUES:		
Dormitories and apartments	$ 40,068,687	$ 38,235,743
University student centers		
Sales and services	11,865,048	11,184,665
Student fees	6,842,475	6,342,375
Student recreation and fitness centers		
Sales and services	1,025,283	993,977
Student fees	4,657,030	4,284,605
Child care center	712,300	682,319
Student health program	7,116,213	6,977,054
Traffic and parking	2,145,331	1,986,780
Revenue bond fees	1,964,979	1,902,446
TOTAL OPERATING REVENUES	76,397,346	72,589,964
EXPENSES		
OPERATING EXPENSES:		
Salaries and wages	33,077,074	31,861,809
Merchandise for resale	8,266,747	8,169,684
Utilities	7,525,381	7,144,594
Maintenance and repairs	8,904,073	10,875,184
Administrative	7,742,577	6,389,331
Other	3,990,221	4,271,769
Depreciation (Note 4)	5,896,839	5,755,586
TOTAL OPERATING EXPENSES	75,402,912	74,467,957
OPERATING GAIN (LOSS)	994,434	(1,877,993)
NONOPERATING REVENUES (EXPENSES)		
Investment income (Note 3)	2,457,428	1,671,619
Gifts for other than capital purposes	4,152	1,264
Payments on-behalf of the system (Note 1I)	7,393,717	7,425,199
Interest on capital asset-related debt	(5,060,794)	(4,194,466)
Accretion on bonds payable	(4,149,398)	(4,068,318)
Other nonoperating revenue	1,695,451	156,194
NET NONOPERATING REVENUE	2,340,556	991,492
GAIN (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	3,334,990	(886,501)
OTHER REVENUES, EXPENSES, GAINS OR LOSSES		
Capital assets retired	(16,924)	(27,774)
Additions to plant facilities from other sources (Note 7)	871,450	108,728
TOTAL OTHER REVENUES, EXPENSES, GAINS OR LOSSES	854,526	80,954
INCREASE (DECREASE) IN NET ASSETS	4,189,516	(805,547)
NET ASSETS (DEFICIT)		
Net assets (deficit) at beginning of year	(2,243,514)	(1,437,967)
NET ASSETS (DEFICIT) AT END OF YEAR	$ 1,946,002	$ (2,243,514)

The accompanying notes are an integral part of this statement.

SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
STATEMENT OF CASH FLOWS
Year Ended June 30, 2006
(with comparative totals for 2005)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Dormitories and apartments	$ 38,685,065	$ 36,727,470
University student centers		
Sales and services	11,976,203	11,259,714
Student fees	6,742,054	6,322,443
Student recreation and fitness centers		
Sales and services	1,082,517	999,809
Student fees	4,587,883	4,268,754
Child care center	710,121	703,356
Student health program	7,164,844	6,843,095
Traffic and parking	2,145,885	1,990,487
Revenue bond fees	1,964,979	1,902,446
Payments to employees	(24,080,667)	(22,640,069)
Payments for utilities	(7,191,622)	(7,291,510)
Payments to suppliers	(28,984,791)	(30,614,930)
NET CASH PROVIDED BY OPERATING ACTIVITIES	14,802,471	10,471,065
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gifts for other than capital purposes	3,967	1,244
Other nonoperating revenue	1,511,599	156,194
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	1,515,566	157,438
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchases of capital assets	(20,872,957)	(21,310,277)
Principal paid on capital debt	(8,330,000)	(7,965,000)
Interest paid on capital debt	(5,104,875)	(4,086,363)
Principal paid on internal loan	(35,015)	-
Interest paid on internal loan	(46,534)	-
Retained bond proceeds	72,870,475	41,739,890
Deposit to bond escrow account	(15,177,864)	-
NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES	23,303,230	8,378,250
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	45,733,598	22,900,319
Investment income	2,294,039	1,545,415
Purchase of investments	(62,530,856)	(45,284,780)
NET CASH USED IN INVESTING ACTIVITIES	(14,503,219)	(20,839,046)
NET INCREASE (DECREASE) IN CASH	25,118,048	(1,832,293)
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR	23,675,504	25,507,797
CASH AND CASH EQUIVALENTS - END OF THE YEAR	$ 48,793,552	$ 23,675,504
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating gain (loss)	$ 994,434	$ (1,877,993)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	5,896,839	5,755,586
Payments on-behalf of the system	7,393,717	7,425,199
Change in assets and liabilities:		
Receivables, net	53,287	(105,285)
Merchandise for resale	(42,616)	(74,343)
Prepaid expenses and other assets	(7,525)	(10,698)
Accounts payable	597,984	(744,114)
Accrued payroll	(264,806)	36,275
Accrued compensated absences	69,314	74,682
Housing deposits	13,200	(3,437)
Deferred revenue	98,643	(4,807)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 14,802,471	$ 10,471,065
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Payments on-behalf of the system	$ 7,393,717	$ 7,425,199
Capital assets in accounts payable	8,829,236	1,246,870
Accretion on bonds payable	4,149,398	4,068,318
Other capital asset adjustments	9,340	23,955
Loss on disposal of capital assets	2,509	2,500

The accompanying notes are an integral part of this statement.

SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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 child care center, Edwardsville traffic and parking, Carbondale softball field and football astroturf, the Carbondale student health center, and the Carbondale student information system into one operation. The Revenue Project Bonds of 2006A, 2004A, 2003A, 2001A, 2000A, 1999A, 1997A and 1993A and the Refunding Bonds of 1996A (the "Bonds") are secured in part by the revenues from these operations. The financial statements reflect the combined operations of the System as of and for the year ended June 30, 2006. The individual facilities included in the System are as follows:

Carbondale Campus
- Southern Hills Apartments (Phases I and II)
- Greek Row
- Thompson Point (Phases I and II)
- Towers (formerly East Campus)
- Triads (formerly East Campus)
- University Hall
- Northwest Annex
- Student Center
- Student Recreation Center
- Child Care Center
- Football Stadium Turf
- Softball Field
- Student Health Center
- Wall and Grand Apartments
- Student Information System

Edwardsville Campus
- University Center
- Cougar Village
- Student Fitness Center
- Woodland Hall
- Prairie Hall
- Traffic and Parking
- Bluff Hall
- Evergreen Hall

These financial statements have been prepared to satisfy the requirements of the System's Revenue Bonds master indenture. The financial balances and activities of the System, included in these financial statements, are included in the University's financial statements. The System is not a separate legal entity and therefore has not presented management's discussion and analysis. The financial statements include prior year comparative information, which has been derived from the System's 2005 financial statements. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended June 30, 2005.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. While this standard is scheduled for a phased implementation according to the revenues of the governmental unit, the University is required to adopt the Statement in the year that the State of Illinois adopts it, and the State adopted the Statement for the year ended June 30, 2002. Additionally, effective July 1, 2001, the System adopted GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments : Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The System now follows the business-type activity reporting requirements of GASB Statements No. 35, 37 and 38 that provide a comprehensive, entity-wide perspective of the System's financial activities and replaces the fund group presentations previously required. Effective July 1, 2004, the System adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. The objective of this statement is to update the custodial credit risk disclosure requirements and to establish more comprehensive disclosure requirements addressing the common risks of deposits and investments.

For financial reporting purposes, the System is considered a special-purpose government engaged only in business-type activities. Accordingly, the System's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting applicable to state colleges and universities. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation to pay has been incurred. The System has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The System has elected to not apply FASB pronouncements issued after the application date.

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

(B) Merchandise For Resale

Merchandise for resale includes food service and bookstore inventories which are stated at cost (first-in, first-out) which does not exceed market. The Student Center University Bookstore on the Carbondale campus has been leased to Follett Higher Education Group Inc. since May 8, 2001.

(C) Buildings, Improvements and Equipment

Buildings, improvements and equipment are recorded at cost less accumulated depreciation. The buildings are located on land owned by the University except for the Northwest Annex and University Hall which were purchased in part by the System. There is no charge to the System for the use of the land other than for grounds maintenance. The System's policy is to capitalize all equipment items with an acquisition cost of $5,000 or more.

(D) Classification of Revenues and Expenses

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

(E) Cash and Cash Equivalents

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

(F) Investments

Investments are stated at market. The investments, which consist of U.S. Treasury notes, U.S. Treasury State and Local Government Series securities, the Federal Home Loan Mortgage Corporation, and the Federal Home Loan Bank are held in the University's name by its agent.

(G) Revenue Bond Fee

Transfers from other University funds of the revenue bond fee are based upon the amount budgeted. Fees in the amount of $1,715 have been collected in excess of the budgetary transfer and are available for future budgetary transfers.

(H) Bond Issuance Costs

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

(I) On-Behalf Payments

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the System reported on-behalf payments made by agencies of the State of Illinois for health care and retirement. These costs are reflected in an equal amount in both the nonoperating revenues and salaries and wages of the System. On behalf payments for the year ended June 30, 2006 amounted to $7,087,817 for group insurance, retirement and post-employment benefits, and $305,900 for social security and medicare.

(J) Classification of Net Assets

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

2. Pooled Cash and Investments

The University has pooled certain cash and investments for the purpose of securing a greater return on investment and providing a more equitable distribution of investment return. Pooled investments, which consist principally of government securities, are stated at market. Income is distributed quarterly based upon average balances invested in the pool over the prior 13 week period. The System's pooled cash and investments are classified as Category 1 investments to reflect the System's level of risk. This category includes investments that are insured or registered, or for which the securities are held by the System or an agent, in its name. There are no investments in foreign currency. It is not feasible to separately determine the System's bank balance at June 30, 2006 due to the pooling of the University's cash and investments.

Credit Risk: Credit risk is the risk of loss due to the failure of the security issuer or backer. Credit risk is mitigated by limiting investments to those specified in the *Illinois Public Funds Investment Act*; pre-qualifying the financial institutions which are utilized; and diversifying the investment portfolio so that the failure of any one issuer or backer will not place an undue financial burden on the University. U.S. Treasuries are federal government securities that do not require the disclosure of credit risk. The U.S. agencies investments typically include the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Federal Home Loan Bank, all of which are rated AAA.

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.

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 20 to 35 percent of assets held in cash equivalents; 10 to 40 percent of assets held in the short-term portfolio; and 35 to 60 percent of assets held in the intermediate-term portfolio.

Interest rate risk is disclosed below using the segmented time distribution method. As of June 30, 2006, the System had the following cash and investment balances:

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
U.S. Treasuries	$ 14,400,460	$ 8,045,024	$ 6,355,436	$ -	$ -
U.S. Agencies	45,049,638	34,977,775	10,071,863	-	-
Total Investments	59,450,098	$ 43,022,799	$ 16,427,299	$ -	$ -
Cash and Equivalents					
The Illinois Funds	30,443,369				
Cash and Equivalents	18,350,183				
Total Cash & Equivalents	48,793,552				
Total Cash & Investments	$ 108,243,650				

3. Investments and Investment Income

Southern Illinois University has adopted the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. This statement establishes accounting and reporting standards for certain investments and securities and establishes disclosure requirements for most investments held by governmental entities. It requires that investments be recorded at fair (market) value and that unrealized gains and losses be recorded in income. The fair value is determined to be the amount at which financial instruments could be exchanged in a current transaction between willing parties, usually quoted market prices. Also, certain money market investments having a remaining maturity of one year or less at time of purchase and nonnegotiable certificates of deposit with redemption terms that do not consider market rates are carried at amortized cost. The statement has been applied to investments and income for fiscal years 2006 and 2005.

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. Investment income net of realized and unrealized gains and losses on investments for the year ended June 30, 2006, is reflected below.

Interest earnings	$ 2,785,860
Realized loss on investments	-
Unrealized loss on investments	(328,432)
	$ 2,457,428

4. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Land	$ 605,395	$ -	$ -	$ -	$ 605,395
Buildings	195,419,862	3,427,996	-	10,297,220	209,145,078
Improvements	5,899,233	151,450	-	1,710,269	7,760,952
Equipment	3,231,777	236,008	221,330	(5,256)	3,241,199
Construction in progress	14,172,057	25,525,082	-	(12,002,233)	27,694,906
Total cost of capital assets	$ 219,328,324	$ 29,340,536	$ 221,330	$ -	$ 248,447,530
Less accumulated depreciation for:					
Buildings	$ 109,086,925	$ 5,421,293	$ -	$ -	$ 114,508,218
Improvements	3,735,887	247,734	-	-	3,983,621
Equipment	2,408,828	227,812	129,092	(59,451)	2,448,097
Total accumulated depreciation	$ 115,231,640	$ 5,896,839	$ 129,092	$ (59,451)	120,939,936
Capital assets – net	$ 104,096,684				$ 127,507,594

The following estimated useful lives are used to compute depreciation:

Buildings	40 years
Improvements	15 years
Equipment	5 - 10 years

5. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable	$ 169,943,555	$ 76,208,271	$ 23,336,889	$ 222,814,937	$ 10,283,966
Compensated absences	2,027,344	92,417	23,103	2,096,658	143,424
Housing deposits	247,200	197,711	184,511	260,400	117,180
Total long-term liabilities	$ 172,218,099	$ 76,498,399	$ 23,544,503	$ 225,171,995	$ 10,544,570

Note: Amounts shown in ending balance of long-term liabilities include both current and long-term portions.

6. Revenue Bonds Payable

On March 9, 2006 and amended and restated on May 2, 2006, the Board adopted the "Eleventh Supplemental System Revenue Bond Resolution" which amended and supplemented the Original Resolution of August 29, 1984, the First Supplemental Resolution of November 13, 1986, the Second Supplemental Resolution of February 13, 1992, the Third Supplemental Resolution of May 13, 1993, the Fourth Supplemental Resolution of September 12, 1996, the Fifth Supplemental Resolution of July 10, 1997, the Sixth Supplemental Resolution of May 13, 1999, the Seventh Supplemental Resolution of May 11, 2000, the Eighth Supplemental Bond Resolution of July 12, 2001, the Ninth Supplemental Resolution of December 12, 2002 and the Tenth Supplemental Resolution of October 14, 2004. The Board also authorized the issuance of the Southern Illinois University Housing and Auxiliary Facilities System Revenue Bonds, Series 2006A (the "Series 2006A Bonds") in the amount of $69,715,000 for the purpose of refunding a portion of the Series 1997A, 2000A and 2001A current interest bonds; and financing the construction of a 515-bed student residence hall and adjacent parking lot for the Edwardsville campus; and funding various safety/security enhancements of the System, renovating the student center and purchasing a student information system for the Carbondale campus. The bond issues related to the respective bond resolutions of the System are as follows:

(A) Series 2006A Bonds

These bonds were authorized by the Board under the Eleventh Supplemental Bond Resolution dated March 9, 2006 and amended and restated on May 2, 2006 and were issued as current interest bonds in the original amount of $69,715,000. The bonds were sold on May 24, 2006 at a premium of $3,155,475 and were used as follows:

(a) Bond proceeds of $58,201,876 were deposited in an Unexpended Plant account to finance the construction of a 515-bed student residence hall and adjacent parking lot for the Edwardsville campus; and fund various safety/security enhancements of the System, renovate the student center and purchase a student information system for the Carbondale campus.
(b) Bond proceeds of $13,835,343, existing Debt Service Reserve funds of $1,342,521 and other funds of $490,877 from the System were deposited in the bond escrow account in either cash or U.S. Government securities which, together with the interest earned thereon, was used solely for the interest, premium and principal payments on the $15,005,000 of the Series 1997A, 2000A and 2001A current interest bonds outstanding as of May 24, 2006. The advance refunding, which was undertaken by the Board to effect a cost savings, resulted in a net decrease in debt service payments of $3,408,442 and an economic gain of $584,693. The accounting loss on this refunding was $811,602.
(c) Bond proceeds of $833,255 were reserved to pay the underwriter's fees and certain other costs related to the issuance of the bonds.

As of June 30, 2006, these bonds were outstanding in the amount of $72,053,463.

(B) Series 2004A Bonds

These bonds were authorized by the Board under the Tenth Supplemental Bond Resolution dated October 14, 2004 and were issued as current interest bonds in the original amount of $40,390,000. The bonds were sold at a premium of $1,349,890 on February 25, 2003. The bonds were issued to finance the design and construction of a new apartment-style residence hall, Wall and Grand Apartments, and install automatic sprinkler systems in three existing residence halls on the Carbondale campus; and to finance the costs to modify the HVAC systems and humidity controls in three existing residence halls and remediate damage caused by excess humidity at two of such existing residence halls on the Edwardsville campus. As of June 30, 2006, these bonds were outstanding in the amount of $41,608,036.

(C) Series 2003A Bonds

These bonds were authorized by the Board under the Ninth Supplemental Bond Resolution dated December 12, 2002 and were issued as current interest bonds in the original amount of $17,020,000. The bonds were sold at par on February 25, 2003. The bonds were issued to finance the design and construction of a new Student Health Center building addition on the Carbondale campus and to redeem the Series 1993A outstanding bonds. As of June 30, 2006, these bonds were outstanding in the amount of $16,065,415.

(D) Series 2001A Bonds

These bonds were authorized by the Board under the Eighth Supplemental Bond Resolution dated July 12, 2001, as amended on December 11, 2003, and were issued as current interest bonds in the original amount of $27,730,000. The bonds were sold on January 9, 2002 at a premium of $440,042. The bonds were issued to finance improvements to the University Center on the Edwardsville campus; the design and construction of a new softball complex on the Carbondale campus; a complete replacement of the turf at McAndrew Stadium on the Carbondale campus; modifications of the heating, ventilation, air conditioning and humidity control systems in Prairie Hall, Bluff Hall and Woodland Hall on the Edwardsville campus; and to redeem the Series 1992A outstanding bonds. On March 9, 2006 and amended and restated on May 2, 2006, the Board authorized the advance refunding of a portion of the bonds of the Series 2001A. Bonds in the amount of $7,850,000 were advance refunded. As of June 30, 2006, the remaining bonds were outstanding in the amount of $13,048,171.

(E) Series 2000A Bonds

These bonds were authorized by the Board under the Seventh Supplemental Bond Resolution dated May 11, 2000 and were issued as current interest bonds in the original amount of $6,525,000. The bonds were issued at a discount of $45,359. These bonds were issued to finance energy conservation improvements at the East Campus housing area on the Carbondale campus. On March 9, 2006 and amended and restated on May 2, 2006, the Board authorized the advance refunding of a portion of the bonds of the Series 2000A. Bonds in the amount of $4,240,000 were advance refunded. As of June 30, 2006, the remaining bonds were outstanding in the amount of $1,138,947.

(F) Series 1999A Bonds

These bonds were authorized by the Board under the Sixth Supplemental Bond Resolution dated May 13, 1999 and were issued as capital appreciation bonds in the original amount of $21,001,900. The bonds were issued at a premium of $53,851. The capital appreciation bonds are non-interest bearing and will accrete the interest factor as additional bonds payable over the term of the bonds. These bonds were issued to finance the construction of a residence hall and renovations of the University Center food service facilities. All projects financed by the Series 1999A bonds are associated with the Edwardsville campus. As of June 30, 2006, after accreting the capital appreciation, these bonds were outstanding in the amount of $29,712,287.

(G) Series 1997A Bonds

These bonds were authorized by the Board under the Fifth Supplemental Bond Resolution dated July 10, 1997 and were issued as current interest bonds and capital appreciation bonds in the original amounts of $8,575,000 and $29,521,284, respectively. The current interest bonds were issued at a nominal discount while the capital appreciation bonds were issued at par. The capital appreciation bonds are non-interest bearing and will accrete the interest factor as additional bonds payable over the term of the bonds. These bonds were issued to finance the construction of Prairie Hall, a residence hall, renovations of existing housing and food service facilities, and construction and improvement to the parking facilities. All projects financed by the Series 1997A bonds are associated with the Edwardsville campus. On March 9, 2006 and amended and restated on May 2, 2006, the Board authorized the advance refunding of a portion of the current interest bonds of the Series 1997A. Bonds in the amount of $2,915,000 were advance refunded. As of June 30, 2006, after accreting the capital appreciation, the remaining bonds were outstanding in the amount of $27,664,519.

(H) Series 1996A Bonds

These bonds were authorized by the Board under the Fourth Supplemental Bond Resolution dated September 12, 1996 and were issued in the original amount of $22,800,000. The bonds were sold on October 30, 1996 at a net premium of $59,738. The bond proceeds of $22,270,576 were deposited in the bond escrow account in either cash or U.S. Government securities which, together with interest earned, thereon, were used solely for the interest, premium and principal payments on the $21,885,000 of the Housing and Auxiliary Facilities System Revenue Refunding Bonds Series 1986A (the "Series 1986A Bonds") outstanding as of October 30, 1996. The payments include accrued interest through the date of closing in the amount of $128,396. The Series 1986A Bonds were called and redeemed in full on December 5, 1996. As of June 30, 2006, the 1996A bonds were outstanding in the amount of $2,552,809.

(I) Series 1993A Bonds

These bonds were authorized by the Board under the Third Supplemental Bond Resolution dated May 13, 1993 and were issued as current interest bonds and capital appreciation bonds in the original amounts of $8,010,000 and $8,660,506, respectively. The current interest bonds were issued at a nominal discount while the capital appreciation bonds were issued at par. The capital appreciation bonds are non-interest bearing and will accrete the interest factor as additional bonds payable over the term of the bonds. These bonds were issued to finance the acquisition of the Northwest Annex, an existing facility, and the construction of the Child Care Center at the Carbondale campus and the construction of Woodland Hall at the Edwardsville campus. On December 12, 2002, the Board authorized the current refunding of the current interest bond portion of the Series 1993A Bonds. The bonds were called and redeemed in full on April 1, 2003. As of June 30, 2006, after accreting the capital appreciation, the remaining capital appreciation bonds were outstanding in the amount of $18,971,290.

These Bonds do not constitute a debt of the State of Illinois or the individual members, officers or agents of the Board of Trustees of the University but, together with interest thereon, are payable from and secured by a pledge of and lien on (i) the net revenues of the System, (ii) pledged tuition 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.

The bond resolution requires that debt service coverage on a cash basis (as defined) be at a minimum of 120% of the debt service reserve requirement. For the year ended June 30, 2006, the debt service reserve requirement was $18,103,756 and the coverage was 193%.

The bonds bear interest at rates ranging from 2.20% to 6.20% and are payable in annual principal installments ranging from $2,480,000 to $13,320,000 through the year 2036. Most of the bonds are callable prior to their maturity in accordance with the provisions of the bond resolution, including premiums of up to 2%.

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2007	$ 10,300,000	$ 6,376,861
2008	11,155,000	6,558,506
2009	11,595,000	6,241,886
2010	11,915,000	5,917,811
2011	12,430,000	5,595,249
2012 – 2016	64,300,000	24,115,741
2017 – 2021	59,210,000	17,684,658
2022 – 2026	47,315,000	12,060,705
2027 – 2031	37,745,000	7,412,465
2032 – 2036	18,405,000	2,659,000
Total Payments	$ 284,370,000	$ 94,622,882
Less Unaccreted Appreciation	(64,809,882)	
Total Payable	219,560,118	
Unamortized debt premium	4,691,607	
Unamortized deferred loss on refunding	(1,436,788)	
Total Bonds Payable	$ 222,814,937	

All of the refunded bonds referred to in (A), (C), (D), (E), (G) and (H) above are considered to be defeased and, accordingly, have been accounted for as if they were retired. As of June 30, 2006, $1,675,000 of the bonds refunded in 1978, $13,615,000 of the bonds refunded in 1985 and $15,005,000 of the bonds refunded in 2006 were outstanding. The market values of the related escrow funds were $1,857,918, $14,079,269 and $16,315,753, respectively.

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, five of the buildings on Greek Row, a portion of the Northwest Annex (29,100 net sq. ft.) and one room of the Lentz Hall dining facilities at Thompson Point 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 ($192,260 in 2006) 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 2006 include $871,450 paid for by other University funds.

8. Retirement and Post-Employment Benefits

Substantially all employees of the System participate in the State Universities Retirement System of Illinois (SURS), a cost-sharing multiple employer public employee retirement system, and State group insurance programs. Employer contributions to SURS and the State group insurance programs are funded through State appropriations. These contributions are included in the System's nonoperating revenues as "Payments on behalf of the System" and in its expenditures as "Salaries and Wages." These benefit costs, including funding of SURS and contributions to State health insurance, amounted to $7,087,817 in 2006. In fiscal years 2005 and 2006, the University was requested to pay a portion of its health insurance costs. The System does not own any of the assets of SURS and has no responsibility for the obligations of SURS.

In addition to providing pension benefits, the State provides certain health, dental and life insurance benefits to annuitants who are former State employees. This includes annuitants of the System. Substantially all State employees, including the System's employees, may become eligible for post-employment benefits if they eventually become annuitants. Health and dental benefits include basic benefits for annuitants under the State's self insurance plan and insurance contracts currently in force. Life insurance benefits for annuitants under age 60 are equal to their annual salary at the time of retirement; for annuitants age 60 and older, life insurance benefits are limited to five thousand dollars per annuitant.

Currently, the State does not segregate payments made to annuitants from those made to current employees for health, dental and life insurance benefits. The cost of health, dental and life insurance benefits is recognized on a pay-as-you-go basis. Except for a portion of the health insurance costs mentioned above, these costs are funded by the State and are not an obligation of the University.

9. Insurance

The University has established a Self Insurance Program (the "Program") to cover its general liability, its hospital and medical professional liability, and certain other liability exposures. Funds for the Program have been reserved in amounts to cover the major portion of the estimated liability as determined by the Program's actuary. The University has also purchased excess insurance coverages with commercial carriers to cap the risk of loss retained by the Program. The System's buildings, contents and boilers are all directly insured with commercial insurance companies. The System's insurance coverage is detailed on page 3 of this report.

10. Contingencies

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

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SUPPLEMENTARY INFORMATION

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SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
SCHEDULE OF BONDS PAYABLE OUTSTANDING
June 30, 2006

		REVENUE BONDS SERIES 1993A		
	TOTAL	Principal Amount	Accreted Value at Maturity	Interest Rate
Interest Bearing Bonds:				
Serial Bonds maturing as follows:				
2007	7,155,000	- ----	- ----	- -----
2008	7,910,000	- ----	- ----	- -----
2009	8,250,000	- ----	- ----	- -----
2010	8,470,000	- ----	- ----	- -----
2011	5,480,000	- ----	- ----	- -----
2012	5,675,000	- ----	- ----	- -----
2013	5,395,000	- ----	- ----	- -----
2014	4,905,000	- ----	- ----	- -----
2015	5,150,000	- ----	- ----	- -----
2016	5,415,000	- ----	- ----	- -----
2017	4,820,000	- ----	- ----	- -----
2018	5,070,000	- ----	- ----	- -----
2019	5,295,000	- ----	- ----	- -----
2020	5,555,000	- ----	- ----	- -----
2021	5,265,000	- ----	- ----	- -----
2022	3,135,000	- ----	- ----	- -----
2023	1,980,000	- ----	- ----	- -----
2024	1,630,000	- ----	- ----	- -----
2025	1,715,000	- ----	- ----	- -----
Term Bonds maturing as follows:				
2023	1,315,000	- ----	- ----	- -----
2024	1,820,000	- ----	- ----	- -----
2025	1,910,000	- ----	- ----	- -----
2026	3,810,000	- ----	- ----	- -----
2027	3,990,000	- ----	- ----	- -----
2028	4,190,000	- ----	- ----	- -----
2029	4,395,000	- ----	- ----	- -----
2030	3,350,000	- ----	- ----	- -----
2031	3,520,000	- ----	- ----	- -----
2032	3,695,000	- ----	- ----	- -----
2033	3,880,000	- ----	- ----	- -----
2034	4,075,000	- ----	- ----	- -----
2035	4,275,000	- ----	- ----	- -----
2036	2,480,000	- ----	- ----	- -----
Total Interest Bearing Bonds	144,975,000	- ----		
Capital Appreciation Bonds maturing as follows:				
2007	3,028,384	- ----	- ----	- -----
2008	2,967,996	- ----	- ----	- -----
2009	2,899,891	- ----	- ----	- -----
2010	2,824,953	- ----	- ----	- -----
2011	5,312,953	2,588,334	3,435,000	6.050% **
2012	4,999,145	2,434,950	3,430,000	6.050% **
2013	5,180,577	2,699,941	4,050,000	6.100% **
2014	5,055,813	2,542,428	4,050,000	6.100% **
2015	4,652,459	2,384,073	4,050,000	6.150% **
2016	4,285,441	2,243,911	4,050,000	6.150% **
2017	4,025,719	2,101,018	4,050,000	6.200% **
2018	4,159,031	1,976,635	4,050,000	6.200% **
2019	2,837,960	- ----	- ----	- -----
2020	2,736,703	- ----	- ----	- -----
2021	2,664,493	- ----	- ----	- -----
2022	2,540,808	- ----	- ----	- -----
2023	2,402,100	- ----	- ----	- -----
2024	2,270,640	- ----	- ----	- -----
2025	2,149,800	- ----	- ----	- -----
2026	2,031,468	- ----	- ----	- -----
2027	1,955,270	- ----	- ----	- -----
2028	1,851,082	- ----	- ----	- -----
2029	1,752,432	- ----	- ----	- -----
Total Capital Appreciation Bonds	74,585,118	18,971,290		
Total	$ 219,560,118	$ 18,971,290		

**Approximate yield to maturity.

This schedule of bonds payable outstanding does not reflect unamortized debt premium or unamortized deferred loss on refunding.

REVENUE BONDS SERIES 1996A		REVENUE BONDS SERIES 1997A			REVENUE BONDS SERIES 1999A		
Principal Amount	Interest Rate	Principal Amount	Accreted Value at Maturity	Interest Rate	Principal Amount	Accreted Value at Maturity	Interest Rate
2,555,000	5.200%	550,000	-	5.000%	-	-	-
-	-	575,000	-	5.000%	-	-	-
-	-	605,000	-	5.000%	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
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-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,555,000		1,730,000			-		
-	-	2,671,376	2,775,000	5.150% **	357,008	370,000	4.800% **
-	-	2,628,199	2,875,000	5.200% **	339,797	370,000	4.900% **
-	-	2,576,653	2,975,000	5.300% **	323,238	370,000	4.950% **
-	-	2,518,314	3,075,000	5.400% **	306,639	370,000	5.050% **
-	-	2,418,594	3,125,000	5.470% **	306,025	390,000	5.150% **
-	-	2,270,475	3,105,000	5.520% **	293,720	395,000	5.200% **
-	-	2,163,833	3,135,000	5.570% **	316,803	450,000	5.250% **
-	-	2,177,120	3,345,000	5.620% **	336,265	505,000	5.300% **
-	-	1,950,098	3,175,000	5.650% **	318,288	505,000	5.330% **
-	-	1,717,195	2,970,000	5.700% **	324,335	545,000	5.380% **
-	-	1,467,196	2,690,000	5.720% **	457,505	815,000	5.430% **
-	-	1,383,585	2,690,000	5.740% **	798,811	1,510,000	5.480% **
-	-	-	-	-	2,837,960	5,670,000	5.490% **
-	-	-	-	-	2,736,703	5,780,000	5.500% **
-	-	-	-	-	2,664,493	5,950,000	5.510% **
-	-	-	-	-	2,540,808	6,000,000	5.520% **
-	-	-	-	-	2,402,100	6,000,000	5.530% **
-	-	-	-	-	2,270,640	6,000,000	5.540% **
-	-	-	-	-	2,149,800	6,000,000	5.540% **
-	-	-	-	-	2,031,468	6,000,000	5.550% **
-	-	-	-	-	1,955,270	6,100,000	5.550% **
-	-	-	-	-	1,851,082	6,100,000	5.550% **
-	-	-	-	-	1,752,432	6,100,000	5.550% **
-		25,942,638			29,671,190		
$ 2,555,000		$ 27,672,638			$ 29,671,190		

SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
SCHEDULE OF BONDS PAYABLE OUTSTANDING
June 30, 2006

	REVENUE BONDS SERIES 2000A		REVENUE BONDS SERIES 2001A		REVENUE BONDS SERIES 2003A	
	Principal Amount	Interest Rate	Principal Amount	Interest Rate	Principal Amount	Interest Rate
Interest Bearing Bonds:						
Serial Bonds maturing as follows:						
2007	265,000	5.500%	1,770,000	5.000%	320,000	2.200%
2008	280,000	5.500%	1,845,000	5.000%	2,645,000	2.600%
2009	295,000	5.500%	1,945,000	5.000%	2,715,000	3.000%
2010	310,000	5.500%	1,390,000	5.000%	3,445,000	3.250%
2011	-	-	1,455,000	5.000%	255,000	3.500%
2012	-	-	1,465,000	5.250%	265,000	3.700%
2013	-	-	1,000,000	5.250%	275,000	3.850%
2014	-	-	1,050,000	5.250%	285,000	4.000%
2015	-	-	-	-	295,000	4.100%
2016	-	-	-	-	310,000	4.200%
2017	-	-	1,220,000	5.000%	320,000	4.250%
2018	-	-	-	-	335,000	4.350%
2019	-	-	-	-	350,000	4.450%
2020	-	-	-	-	365,000	4.500%
2021	-	-	-	-	385,000	4.600%
2022	-	-	-	-	400,000	4.700%
2023	-	-	-	-	420,000	4.750%
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
Term Bonds maturing as follows:						
2023	-	-	-	-	-	-
2024	-	-	-	-	440,000	4.800%
2025	-	-	-	-	460,000	4.800%
2026	-	-	-	-	480,000	4.800%
2027	-	-	-	-	505,000	4.850%
2028	-	-	-	-	530,000	4.850%
2029	-	-	-	-	555,000	4.850%
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
2035	-	-	-	-	-	-
2036	-	-	-	-	-	-
Total Interest Bearing Bonds	1,150,000		13,140,000		16,355,000	
Capital Appreciation Bonds maturing as follows:						
2007	-	-	-	-	-	-
2008	-	-	-	-	-	-
2009	-	-	-	-	-	-
2010	-	-	-	-	-	-
2011	-	-	-	-	-	-
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
Total Capital Appreciation Bonds	-		-		-	
Total	$ 1,150,000		$13,140,000		$16,355,000	

REVENUE BONDS SERIES 2004A Principal Amount	REVENUE BONDS SERIES 2004A Interest Rate	REVENUE BONDS SERIES 2006A Principal Amount	REVENUE BONDS SERIES 2006A Interest Rate
820,000	3.000%	875,000	4.000%
840,000	3.000%	1,725,000	5.000%
870,000	3.000%	1,820,000	4.000%
895,000	3.000%	2,430,000	4.000%
920,000	3.000%	2,850,000	5.000%
950,000	3.500%	2,995,000	5.000%
980,000	4.000%	3,140,000	5.000%
1,020,000	5.000%	2,550,000	5.000%
1,075,000	5.000%	3,780,000	5.000%
1,130,000	5.000%	3,975,000	5.000%
1,180,000	5.000%	2,100,000	5.250%
1,240,000	5.000%	3,495,000	5.250%
1,305,000	4.000%	3,640,000	5.250%
1,355,000	4.125%	3,835,000	5.250%
1,415,000	5.000%	3,465,000	5.250%
1,480,000	5.000%	1,255,000	5.000%
1,560,000	5.000%	-	-
1,630,000	5.000%	-	-
1,715,000	5.000%	-	-
-	-	1,315,000	5.000%
-	-	1,380,000	5.000%
-	-	1,450,000	5.000%
1,805,000	4.800%	1,525,000	5.000%
1,885,000	4.800%	1,600,000	5.000%
1,980,000	4.800%	1,680,000	5.000%
2,075,000	5.000%	1,765,000	5.000%
1,500,000	5.000%	1,850,000	5.000%
1,575,000	5.000%	1,945,000	5.000%
1,655,000	5.000%	2,040,000	5.000%
1,735,000	5.000%	2,145,000	5.000%
1,825,000	5.000%	2,250,000	5.000%
1,915,000	5.000%	2,360,000	5.000%
-	-	2,480,000	5.000%
40,330,000		69,715,000	
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$ 40,330,000		$ 69,715,000	

Crowe

Crowe Chizek and Company LLC
Member Horwath International

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of Southern Illinois University Housing and Auxiliary Facilities System (the "System") as of and for the year ended June 30, 2006, and have issued our report thereon dated November 10, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Board of Trustees, and management of Southern Illinois University, and the bondholders and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Oak Brook, Illinois
November 10, 2006

Crowe

Crowe Chizek and Company LLC
Member Horwath International

STATE OF ILLINOIS

SOUTHERN ILLINOIS UNIVERSITY

MEDICAL FACILITIES SYSTEM

Report of the Treasurer

For the Year Ended June 30, 2006

Board of Trustees and Officers of Administration

BOARD OF TRUSTEES OF SOUTHERN ILLINOIS UNIVERSITY

OFFICERS OF SOUTHERN ILLINOIS UNIVERSITY

OFFICERS OF ADMINISTRATION, SOUTHERN ILLINOIS UNIVERSITY CARBONDALE

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The University also issues an Annual Financial Report.

Southern Illinois University – Board of Trustees

Board Treasurer
1400 Douglas Drive
Mailcode 6801
Carbondale, IL 62901

Phone: 618-536-3475

FAX: 618-536-3404

September 29, 2006

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

I am pleased to submit the annual Treasurer's Report to the Bondholders for the Southern Illinois University Medical Facilities System for the fiscal year ended June 30, 2006.

A calculation of debt service coverage is included. The system exceeds the coverage required by the bond resolution.

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

Respectfully submitted,

Duane Stucky
Board Treasurer

DS/lap

TREASURER'S COMMENTS

SOUTHERN ILLINOIS UNIVERSITY MEDICAL FACILITIES SYSTEM

I. SOUTHERN ILLINOIS UNIVERSITY REVENUE BOND OPERATIONS

FACILITIES

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

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

The Richard H. Moy, M.D. Building was completed and occupied by the University in May 1993. The building now houses outpatient clinics for the departments of Internal Medicine and Surgery. In addition, the building houses offices and outpatient clinics for the Memory and Aging Center, Dermatology, and the department of Neurology. Space is also included in the building for a medical records unit and a clinical billing unit. The design of the Richard H. Moy, M.D. Building includes an allowance in the foundation and other component service areas for the addition of three more stories to the building. Each story would approximate an additional 22,000 square feet. No current plans exist for such expansion.

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

ADVANCED REFUNDING

During fiscal year 2005, the debt related to the acquisition of the original system facility has been advanced refunded without extending the final maturity date. The refunding has been undertaken by the Board of Trustees ("the Board") for the purpose of affecting a cost savings.

The proceeds of the bonds issued in the refunding were used to purchase U.S. Government securities in amounts which, together with the earnings thereon, will be sufficient to pay, when due or on their redemption date, the interest, and principal of the refunded bonds. The U.S. Government securities purchased for the Advance Refunding of 2005 are held by the LaSalle Bank, N.A., 135 South LaSalle Street, Chicago, Illinois. The principal amounts outstanding as of June 30, 2006, related to the advanced refunding is as follows:

ADVANCED REFUNDING OF 2005	
Medical Facilities System Revenue Bonds Series 1997, (Richard H. Moy Building), Final Maturity 04/10/07	$15,085,000

All of the bonds in the above advance refunding are considered "defeased" and have debt service needs covered by cash, cash equivalents and U.S. Government securities which are held in special trusts as noted above.

On June 30, 2006, the School of Medicine Medical Facilities System occupied twelve locations where clinics and/or clinical faculty were housed. Owned by the University are the Richard H. Moy, M.D. Building purchased with the Series 1997 Bonds as well as the Auburn Clinic in Auburn, Illinois. The Auburn Clinic was sold contract for deed in December, 2002. Nine of the remaining locations are leased by the University with one location being utilized for clinical purposes but neither owned nor leased.

In June 2006, the building and land at 401 N. Walnut in Springfield was purchased. This facility will primarily be used for administrative office space.

Seven of the facilities are in the city limits of Springfield and five are located elsewhere in Illinois. The lease costs for these clinical facilities are supported by revenues generated by the clinical practice of medicine.

II. INSURANCE

An insurance package policy purchased under the auspices of the Illinois Public Higher Education Cooperative (IPHEC), through the Midwestern Higher Education Commission (MHEC) program, provides all risk coverage on buildings and contents. The following insurance coverages are in force at the University (including the System facilities) through June 30, 2007:

		Approximate Amount
1.	Lexington Insurance Co. Policy No. 8755205. Primary policy providing $100,000,000 all risk coverage on scheduled buildings and other property totaling $2,082,802,000 with a general deductible of $25,000 per occurrence on all bonded buildings. A $500,000 per occurrence deductible applies for many of the non- bonded academic buildings. Coverage is first layer of a structured program providing coverage up to $1,000,000,000 per occurrence.	$100,000,000 per occurrence
1a.	Boiler & Machinery coverage is included in the Lexington policy listed above and carries a $25,000 deductible.	$100,000,000 per occurrence
1b.	Flood coverage as included in the Lexington policy listed above is limited to $100,000,000 and carries a $25,000 per occurrence deductible (2% TIV in FEMA-defined 100-year flood zone).	$100,000,000 per occurrence
1c.	Earthquake coverage as included in the Lexington policy listed above is limited to $100,000,000 and carries a $25,000 per occurrence deductible.	$100,000,000 per occurrence
2.	Allianz Global Risks, Policy No. CLP3007451; American International Special Risks, Policy No. 9794794; Lexington Insurance Co., Policy No. 8755217; and Commonwealth Insurance Company, Policy No. US6420; which furnish the secondary layer of $400,000,000 excess of the Lexington's $100,000,000 layer.	$400,000,000 per occurrence
3.	Lloyds of London, Policy No. DP523406; Allianz Global, Policy No. MQ2L9L43823616; Axis Surplus Lines, Policy No. ECF70785906; and Continental Casualty, Policy No. 2010728503; furnish the third layer of coverage, which is $500,000,000 excess of the secondary layer of $400,000,000.	$500,000,000 per occurrence

4. Self Insurance:
The University, pursuant to the provisions of Illinois Public Act 84-0010, has established a Self-Insurance Program (the "Program") for its traditional liability insurance coverages. Funds have been reserved in amounts to cover the major portion of the estimated liability as determined by the Program's actuary. The University has also purchased excess liability insurance policies to cover certain of its general liability exposures not elsewhere covered.

III. ENROLLMENTS AT SOUTHERN ILLINOIS UNIVERSITY

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

	Head Count
Fall semester 2006	289
Fall semester 2005	290

All students are enrolled full time. The first year is spent in Carbondale with a core curriculum of basic science courses. The remaining three years are spent at the Springfield campus.

IV. DEBT SERVICE COVERAGE

The bond resolution requires that debt service coverage (net revenues plus pledged tuition) be at least 200% (2.00 times) of annual debt service and that net revenues shall be at least 100% (1.00 times) of the annual debt service requirement in each fiscal year. The debt service coverage is calculated at the end of the year using cash basis data obtained from the Statement of Cash Flows. Debt service coverage for the System, as defined by the bond resolution and based on actual pledged tuition, has been calculated as follows:

TREASURER'S COMMENTS – Continued

	Year Ended June 30	
	2006	2005
Receipts:		
Revenue Account:		
Operations	$27,989,699	$25,778,165
Investment Income	85,435	6,962
Accrued and Capitalized Interest	162,035	
Retirement of Indebtedness – Investment Income	177,068	116,034
	28,414,237	25,901,161
Disbursements:		
Operation & Maintenance Account	26,893,443	22,991,506
Net Revenues	1,520,794	2,909,655
Plus: Pledged Tuition	64,665,663	5,867,000
Total Available for Debt Service	$66,186,457	$8,776,655
Annual Debt Service	$1,256,773	$1,165,043
Maximum Annual Debt Service	$1,985,750	$1,187,712
Coverage Ratio Based on Net Revenues	1.21	
Coverage Ratio Based on Annual Debt Service	52.66	
Coverage Ratio Based on Maximum Annual Debt Service	33.33	
Coverage Ratio – Annual Debt Service		739%
Coverage Ratio – Maximum Annual Debt Service		542%

The Series 2005 bond resolution changed the debt service coverage requirement. The first change was that a calculation was added based on net revenues. The second change was the pledged tuition previously was limited to the School of Medicine tuition. The tuition calculation now includes all University tuition, excluding fees and net of scholarships, after the prior pledge to the Housing & Auxiliary Facilities System.

V. RETIREMENT OF INDEBTEDNESS

The net assets are restricted for the following purposes:

	June 30	
	2006	2005
Bond and Interest Sinking Fund Account	$ 397,468	$ 510,345
Debt Service Reserve Account	-0-	1,665,030
	$ 397,468	$2,175,375

VI. RENEWALS AND REPLACEMENTS

The bond resolution requires the Treasurer to deposit with a bank designated by the Board, from the funds remaining in the Revenue Fund into the Repair and Replacement Reserve Account on or before the close of each Fiscal Year beginning in Fiscal Year 1998, not less than 10% of the Maximum Annual Debt Service, or such portion thereof as is available for transfer and deposit annually for a repair and replacement reserve. The maximum amount which may be accumulated in such account shall not exceed 5% of the replacement cost of the facilities constituting the System, as determined by the then current Engineering News Record Building Cost Index (or comparable index) plus 20% of the book value of the movable equipment within the System. All moneys and investments so credited to said Account will be used and held for use to pay the cost of unusual or extraordinary maintenance or repairs, renewals and replacements, and renovating or replacement of the furniture and equipment not paid as part of the ordinary maintenance and operation of the System.

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

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

Additions (deductions) during the year included transfers from unrestricted net assets of $369,832 ($161,989 in 2005), gains earned on investments of $18,649 in 2006 (and gains of $12,878 in 2005) and other nonoperating revenue of $18,000 ($18,000 in 2005).

Expenditures charged to the reserve amounted to $-0- ($4,657 in 2005). The restricted net assets of Renewals and Replacements consisted of the following:

	June 30	
	2006	2005
Cash	$918,457	$510,925
Pooled Cash and Investments	-0-	2,381
Accounts Receivable	2,819	1,490
Accrued Interest Receivable	3,947	4,165
Notes Receivable	186,478	196,711
Accounts Payable	-0-	-0-
Deferred Revenue	(180,884)	(191,335)
	$930,817	$524,337

VII. SCHEDULE OF BONDS PAYABLE OUTSTANDING

A Schedule of Bonds Payable Outstanding is shown as supplementary information and lists the amount of Medical Facilities System Revenue Bonds, Series 2005 issued and outstanding as of June 30, 2006.

VIII. RESTRICTED NET ASSETS - EXPENDABLE

Restricted net assets as of June 30, 2006 and 2005, are comprised of the following:

	June 30	
	2006	2005
Retirement of indebtedness	$ 397,468	$2,175,375
Renewals and replacements	930,817	524,337
Unexpended	101,560	-0-
	$1,429,845	$2,699,712

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

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Crowe

Crowe Chizek and Company LLC
Member Horwath International

Independent Auditors' Report

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

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements, as listed in the table of contents, of Southern Illinois University Medical Facilities System ("the System") as of and for the year ended June 30, 2006. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the System's 2005 financial statements and, in a report dated October 19, 2005, other auditors expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1A, the financial statements of the System are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the activities of Southern Illinois University that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of Southern Illinois University as of June 30, 2006, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2006, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2006, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the System. The accompanying Schedule of Bonds Payable Outstanding is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and in our opinion, is stated fairly, in all material respects, in relation to the financial statements taken as a whole.

In connection with our audit, nothing came to our attention that caused us to believe that the System was not in compliance with any of the fund accounting covenants of the Resolutions of the Board of Trustees of Southern Illinois University, which provided for the issuance of the Southern Illinois University Medical Facilities System Revenue Bonds Series 1997, adopted March 27, 1997. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Board of Trustees, and management of Southern Illinois University, and the bondholders and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Oak Brook, Illinois
November 10, 2006

SOUTHERN ILLINOIS UNIVERSITY
MEDICAL FACILITIES SYSTEM
STATEMENT OF NET ASSETS
June 30, 2006
(with comparative totals for 2005)

	2006	2005
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	$ 2,611,666	$ 2,266,749
Short term investments (Note 2)	7,105,833	908,171
Accounts receivable	5,029,072	1,778,316
Accrued interest receivable	121,811	31,681
Notes receivable (Note 4)	16,130	15,503
Inventories	13,110	18,560
Prepaid expenses and other assets	16,213	24,055
TOTAL CURRENT ASSETS	14,913,835	5,043,035
NONCURRENT ASSETS:		
Notes receivable (Note 4)	170,348	181,208
Long term investments (Note 2)	- ---- ---	1,015,210
Prepaid expenses and other assets	303,991	402,920
Capital assets, net: (Note 5)		
Land	2,245,000	376,542
Buildings	11,853,759	11,884,288
Equipment	705,183	694,980
TOTAL NONCURRENT ASSETS	15,278,281	14,555,148
TOTAL ASSETS	30,192,116	19,598,183
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	370,506	136,449
Accrued interest payable	244,591	219,319
Accrued payroll	33,027	23,421
Accrued compensated absences (Note 6)	179,029	160,466
Deferred revenue (Note 6)	10,536	10,127
Liabilities under capital leases (Note 6)	39,620	40,956
Revenue bonds payable (Notes 6 and 7)	637,781	325,495
TOTAL CURRENT LIABILITIES	1,515,090	916,233
NONCURRENT LIABILITIES:		
Accrued compensated absences (Note 6)	1,913,413	1,859,500
Deferred revenue (Note 6)	170,348	181,208
Liabilities under capital leases (Note 6)	59,330	- ---- ---
Revenue bonds payable (Notes 6 and 7)	19,908,878	14,702,648
TOTAL NONCURRENT LIABILITIES	22,051,969	16,743,356
TOTAL LIABILITIES	23,567,059	17,659,589
NET ASSETS		
Invested in capital assets, net of related debt-(deficit)	1,587,968	(2,113,289)
Restricted for:		
Expendable		
Capital projects and debt service	1,429,845	2,699,712
Unrestricted-(deficit)	3,607,244	1,352,171
TOTAL NET ASSETS	$ 6,625,057	$ 1,938,594

The accompanying notes are an integral part of this statement.

SOUTHERN ILLINOIS UNIVERSITY
MEDICAL FACILITIES SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2006
(with comparative totals for 2005)

	2006	2005
REVENUES		
OPERATING REVENUES		
Medical Facilities System	$ 31,236,455	$ 26,027,905
TOTAL OPERATING REVENUES	31,236,455	26,027,905
EXPENSES		
OPERATING EXPENSES		
Salaries and wages	23,924,904	22,200,669
Contractual services	8,098,996	6,189,400
Other	1,918,785	1,098,908
Depreciation (Note 5)	675,105	663,771
TOTAL OPERATING EXPENSES	34,617,790	30,152,748
OPERATING LOSS	(3,381,335)	(4,124,843)
NONOPERATING REVENUES (EXPENSES)		
Investment income (Note 3)	331,560	61,864
Interest on capital asset-related debt	(869,458)	(892,953)
Payments on behalf of the system (Notes 1H and 9)	6,728,553	6,505,635
Bond issuance costs	-	(24,055)
Other nonoperating revenue	18,000	18,000
NET NONOPERATING REVENUES	6,208,655	5,668,491
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	2,827,320	1,543,648
OTHER REVENUES, EXPENSES, GAINS OR LOSSES		
Capital assets retired (Note 5)	(4,848)	(13,698)
Additions to plant facilities from other sources (Note 8)	1,863,991	154,149
TOTAL OTHER REVENUES, EXPENSES, GAINS OR LOSSES	1,859,143	140,451
INCREASE (DECREASE) IN NET ASSETS	4,686,463	1,684,099
NET ASSETS		
Net assets at beginning of year	1,938,594	254,495
NET ASSETS AT END OF YEAR	$ 6,625,057	$ 1,938,594

The accompanying notes are an integral part of this statement.

SOUTHERN ILLINOIS UNIVERSITY

MEDICAL FACILITIES SYSTEM
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2006
(with comparative totals for 2005)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Medical Facilities System	$ 27,989,699	$ 25,778,165
Payments to employees	(17,114,755)	(15,580,454)
Payments for utilities	(241,900)	(224,131)
Payments to suppliers	(9,536,788)	(7,236,579)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,096,256	2,737,001
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from sale of capital assets	18,000	18,000
Purchases of capital assets	(606,101)	(89,442)
Principal paid on capital debt	(405,000)	(295,000)
Interest paid on capital debt	(1,139,933)	(892,173)
Retained bond proceeds (Note 7)	22,096,296	- ---- ---
Deposit to bond escrow account (Note 7)	(15,769,399)	- ---- ---
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	4,193,863	(1,258,615)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	3,009,466	1,698,755
Investment income	385,806	131,557
Purchase of investments	(8,340,474)	(1,736,618)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(4,945,202)	93,694
NET INCREASE (DECREASE) IN CASH	344,917	1,572,080
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR	2,266,749	694,669
CASH AND CASH EQUIVALENTS - END OF THE YEAR	$ 2,611,666	$ 2,266,749
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	$ (3,381,335)	$ (4,124,843)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation expense	675,105	663,771
Payments on behalf of the system	6,728,553	6,505,635
Changes in assets and liabilities:		
Receivables, net	(3,246,792)	(249,740)
Inventories	5,450	11,290
Accounts payable	233,194	(183,692)
Accrued payroll	9,605	34,564
Accrued compensated absences	72,476	80,016
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,096,256	$ 2,737,001
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
On behalf payments for fringe benefits	6,728,553	6,505,635
Gifts in kind	8,579	14,852
Capital asset acquisitions from other sources	1,855,412	139,298
Capital asset acquisitions via leaseholds payable	98,950	- ---- ---
Loss on disposal of capital assets	4,848	13,698

The accompanying notes are an integral part of this statement.

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1. Significant Accounting Policies

(A) Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities.* Additionally, the System has adopted GASB Statement No. 37, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures.* The System now follows the business-type activity reporting requirements of GASB Statement Nos. 35, 37 and 38 that provide a comprehensive, entity-wide perspective of the System's financial activities and replaces the fund group presentations previously required. Effective July 1, 2004, the System adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures.* The objective of this statement is to update the custodial credit risk disclosure requirements and to establish more comprehensive disclosure requirements addressing the common risks of deposits and investments.

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

These financial statements have been prepared to satisfy the requirements of the System's Revenue Bonds master resolution. The financial balances and activities of the System, included in these financial statements, are included in the University's financial statements. The System is not a separate legal entity and therefore has not presented management's discussion and analysis. The financial statements include prior year comparative information, which has been derived from the System's 2005 financial statements. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended June 30, 2005.

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.

The System has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The System has elected to not apply FASB pronouncements issued after the applicable date.

(B) Inventories

Inventories include various clinical supplies, which are stated at lower of cost (determined by specific identification) or market.

(C) Buildings, Improvements and Equipment

Buildings, improvements and equipment are recorded at cost less accumulated depreciation. The System's policy is to capitalize all equipment items with an acquisition cost of $5,000 or more.

(D) Revenues and Expenses

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

(E) Cash and Cash Equivalents

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

(F) Investments

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

(G) Bond Issuance Costs

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

(H) 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 revenues and expenses of the System. On-behalf payments for the year ended June 30, 2006, amounted to $6,728,553.

(I) Classification of Net Assets

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

2. Pooled Cash and Investments

The University has pooled certain cash and investments for the purpose of securing a greater return on investment and providing a more equitable distribution of investment return. Pooled investments consist principally of government securities and are stated at market. Income is distributed quarterly based upon average balances invested in the pool over the prior 13- week period. The System's pooled cash and investments are classified as Category 1 investments to reflect the System's level of risk. This category includes investments that are insured or registered, or for which the securities are held by the System or an agent, in its name. There are no investments in foreign currency. It is not feasible to separately determine the System's bank balance at June 30, 2006, due to the pooling of the University's cash and investments.

Credit Risk: Credit risk is the risk of loss due to the failure of the security issuer or backer. Credit risk is mitigated by limiting investments to those specified in the *Illinois Public Funds Investment Act*; pre-qualifying the financial institutions which are utilized; and diversifying the investment portfolio so that the failure of any one issuer or backer will not place an undue financial burden on the University. U.S. Treasuries are federal government securities that do not require the disclosure of credit risk.

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.

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 20 to 35 percent of assets held in cash equivalents; 10 to 40 percent of assets held in the short-term portfolio; and 35 to 60 percent of assets held in the intermediate-term portfolio.

Interest rate risk is disclosed below using the segmented time distribution method. As of June 30, 2006, the System had the following cash and investment balances:

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More than 10**
U.S. Treasuries	$ 7,105,833	$ 7,105,833	$ ----	$ ----	$ ----
U.S. Agencies	----	----	----	----	----
Total Investments	7,105,833	$ 7,105,833	$ ----	$ ----	$ ----
Cash and Equivalents					
The Illinois Funds	2,610,700				
Cash and Equivalents	966				
Total Cash & Equivalents	2,611,666				
Total Cash & Investments	$ 9,717,499				

This disclosure provides time horizons of investment maturities. It is not a classification of investments as current or noncurrent as presented in the Statement of Net Assets.

3. Investments and Investment Income

Southern Illinois University has adopted the provisions of GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. This statement establishes accounting and reporting standards for certain investments and securities and establishes disclosure requirements for most investments held by governmental entities. It requires that investments be recorded at fair (market) value and that unrealized gains and losses be recorded in income. The fair value is determined to be the amount at which financial instruments could be exchanged in a current transaction between willing parties, usually quoted market prices. Also, certain money market investments, having a remaining maturity of one year or less at the time of purchase and nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are carried at amortized cost. The statement has been applied to investments and income for fiscal year 2006.

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses of investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. Investment income for the fiscal year end June 30, 2006 is comprised of the following:

Interest Income	$ 360,699
Decrease in Fair Market Value	(32,454)
Gain on Investments	3,315
Net Investment Income	$ 331,560

4. Notes Receivable

The notes receivable represent the sale of the Auburn Clinic contract for deed in December 2002. The balance remaining is payable with interest at the rate of 4% per annum to be amortized over a term of ten years and paid in eighteen consecutive semi annual installments of $9,000 each, plus a final installment of $124,790 on December 19, 2011.

Current	$ 16,130
Long-Term	170,348
Total	$186,478

5. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	$ 376,542	$ 1,868,458	$ --------	$ 2,245,000
Buildings	15,029,679	345,213	--------	15,374,892
Equipment	4,207,307	314,414	4,848	4,516,873
Total cost of capital assets	$19,613,528	$ 2,528,085	$ 4,848	$22,136,765
Less accumulated depreciation for:				
Building	$ 3,145,391	$ 375,742	$ --------	$ 3,521,133
Equipment	3,512,327	299,363	$ --------	3,811,690
Total accumulated Depreciation	$ 6,657,718	$ 675,105	$ --------	$ 7,332,823
Capital assets – net	$12,955,810	$ 1,852,980	$ 4,848	$14,803,942

The following estimated useful lives are used to compute depreciation:

Buildings	40 years
Equipment	5-7 years

6. Noncurrent Liabilities

Noncurrent liability activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable	$ 15,028,143	$ 20,995,633	$ 15,477,117	$ 20,546,659	$ 637,781
Compensated absences	2,019,966	128,458	55,982	2,092,442	179,029
Deferred revenue	191,335	--------	10,451	180,884	10,536
Capitalized leases	40,956	160,096	102,102	98,950	39,620
Total	$ 17,280,400	$ 21,284,187	$ 15,645,652	$ 22,918,935	$ 866,966

Amounts shown as ending balance include both current and long-term portions. The deferred revenue is a result of the sale of the Auburn Clinic contract for deed in December 2002.

The University leases certain items of equipment that are classified as capital leases and payable over a period of years. Minimum lease payments under the capital lease together with the present value of the net minimum lease payments are:

Year Ending 2007	$42,369
Year Ending 2008	31,720
Year Ending 2009	21,072
Year Ending 2010	8,780
Total minimum lease payments	103,941
Less amount representing interest	4,991
Present value of net minimum lease payments	$98,950

7. Revenue Bonds Payable

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

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

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

The current bonds bear interest at rates ranging from 3.25% to 5.00% payable semi-annually and principal installments ranging from $265,000 to $1,825,000 are payable annually April 1 through the year 2026.

Bonds maturing after April 1, 2016 are subject to redemption at the option of the Board, on or after April 1, 2015, in whole or in part at any time, and if in part, from such maturities as determined by the Board and within any maturity by lot, at a price of 100% of the principal amount of the Series 2005 Bonds to be redeemed, plus accrued interest to the date fixed for redemption.

Year Ending June 30	Principal	Interest
2007	$ 620,000	$ 978,363
2008	660,000	958,213
2009	715,000	928,513
2010	765,000	903,488
2011	825,000	865,238
2012-2016	5,085,000	3,748,763
2017-2021	7,150,000	2,350,000
2022-2026	5,065,000	541,300
Total Payments	$20,885,000	$11,273,878
Unamortized debt premium	753,967	
Unamortized deferred amount on refunding	(1,092,308)	
Total Bonds Payable	$20,546,659	

These bonds do not constitute a debt of the State of Illinois or the individual members, officers or agents of the Board of Trustees of the University. The Series 2005 bonds are limited obligations of the Board payable by the Board from and secured by (i) Net Revenues of the Medical Facilities System, (ii) pledged tuition (subject to prior payment of operation and maintenance expenses of the Medical Facilities System and subject to the prior pledge thereof to revenue bonds of the Housing and Auxiliary Facilities System) and (iii) the Bond and Interest Sinking Fund Account.

All of the Series 1997 bonds referred to above are considered to be defeased and, accordingly, have been accounted for as if they were retired. As of June 30, 2006, $14,755,000 of the Series 1997 bonds to be refunded in 2007 was outstanding. The value of the related escrow fund is $15,167,524.

8. Related Party Transactions

Expenditures capitalized in 2006 include $1,863,991 paid for by other University funds. The expenditures were for the purchase of equipment to be utilized in the various Medical Facilities System facilities and for the purchase of land to be used as the site of the Cancer Institute.

9. Retirement and Post-Employment Benefits

Substantially all employees of the System participate in the State Universities Retirement System of Illinois (SURS), a cost-sharing multiple employer public employee retirement system, and State group insurance programs. Employer contributions to SURS and the State group insurance programs are funded through State appropriations. These contributions are included in the System's nonoperating revenues as "Payments on behalf of the System" and in its expenditures as "Salaries and Wages." These benefit costs, including funding of SURS and contributions to State health insurance, amounted to $6,728,553 for the year ended June 30, 2006. The System does not own any of the assets of SURS and has no responsibility for the obligations of SURS.

In addition to providing pension benefits, the State provides certain health, dental and life insurance benefits to annuitants who are former State employees. This includes annuitants of the System. Substantially all State employees, including the System's employees, may become eligible for post-employment benefits if they eventually become annuitants. Health and dental benefits include basic benefits for annuitants under the State's self insurance plan and insurance contracts currently in force. Life insurance benefits for annuitants under age 60 are equal to their annual salary at the time of retirement; for annuitants age 60 or older, life insurance benefits are limited to five thousand dollars per annuitant.

Currently, the State does not segregate payments made to annuitants from those made to current employees for health, dental and life insurance benefits. The cost of health, dental and life insurance benefits is recognized on a pay-as-you-go basis. Except for a portion of the health insurance costs mentioned above, these costs are funded by the State and are not an obligation of the University.

10. Insurance

The University has established a Self Insurance Program (the "Program") to cover its general liability, its hospital and medical professional liability, and certain other liability exposures. Funds for the Program have been reserved in amounts to cover the major portion of the estimated liability as determined by the Program's actuary. The University has also purchased excess insurance coverages with commercial carriers to cap the risk of loss retained by the Program. The System's buildings, contents and boilers are all directly insured with commercial insurance companies. The System's insurance coverage is detailed on page 3 of this report.

11. Contingencies

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

SUPPLEMENTARY INFORMATION

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SOUTHERN ILLINOIS UNIVERSITY
MEDICAL FACILITIES SYSTEM
SCHEDULE OF BONDS PAYABLE OUTSTANDING
June 30, 2006

	Principal Amount	Interest Rate
Interest Bearing Bonds		
Serial Bonds Maturing as follows:		
2007	$ 620,000	3.25%
2008	660,000	4.50%
2009	715,000	3.50%
2010	765,000	5.00%
2011	265,000	3.75%
2011	560,000	4.00%
2012	885,000	4.00%
2013	945,000	5.00%
2014	1,015,000	4.25%
2015	1,085,000	4.25%
2016	1,155,000	5.00%
2017	1,240,000	5.00%
2018	1,330,000	5.00%
2019	1,425,000	5.00%
2020	1,525,000	5.00%
2021	1,630,000	5.00%
2022	1,740,000	5.00%
2023	1,825,000	5.00%
Term Bonds maturing as follows:		
2024	480,000	4.500%
2025	500,000	4.500%
2026	520,000 *	4.500%
Total Interest Bearing Bonds	$ 20,885,000	

* Subject to mandatory redemption in the years indicated

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

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Crowe

Crowe Chizek and Company LLC
Member Horwath International

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of Southern Illinois University Medical Facilities System (the "System") as of and for the year ended June 30, 2006, and have issued our report thereon dated November 10, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Board of Trustees, and management of Southern Illinois University, and the bondholders and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Oak Brook, Illinois
November 10, 2006