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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, 2011

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

STATE OF ILLINOIS
SOUTHERN ILLINOIS UNIVERSITY
FINANCIAL AUDIT

For the Year Ended June 30, 2011

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

Southern Illinois University
Board of Trustees and
Officers of Administration
Fiscal Year 2011

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Southern Illinois University

Annual Financial Report

Fiscal Year 2011

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

September 30, 2011

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, 2011.

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

The financial statements of the University have been audited by Crowe Horwath LLP, Certified Public Accountants, for fiscal year 2011. 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

Duane Stucky
Board Treasurer

DS/lap

CARBONDALE P: 618.536.3475 F: 618.536.3404
CARBONDALE / EDWARDSVILLE / SPRINGFIELD / ALTON / EAST ST. LOUIS

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying basic financial statements of Southern Illinois University was conducted by Crowe Horwath LLP.

Based on their audit, and the reports of other auditors, 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 financial statements of the business-type activities 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, 2011, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the University's 2010 financial statements and, in our report dated February 25, 2011 based on our audit and the reports of other auditors, we expressed an unqualified opinion on the respective financial statements of the business-type activities and the aggregate discretely presented component units. We did not audit the financial statements of the University's discretely presented component units (the "University Related Organizations"), as described in Note 1 of the financial statements as of and for the year ended June 30, 2011. Those statements were audited by other auditors whose reports thereon has been provided to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the University Related Organizations, is based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of two University Related Organizations, Southern Illinois University Carbondale Foundation and the Southern Illinois University Carbondale Alumni Association, were not audited in accordance with *Government Auditing Standards*. 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 and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material aspects, the respective financial position of the business-type activities of the University and the aggregate discretely presented component units as of June 30, 2011, and the respective changes in financial position and, where applicable, 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 April 2, 2012, 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 5 through 10 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 Horwath LLP

Crowe Horwath LLP

Springfield, Illinois
April 2, 2012

Southern Illinois University
Management's Discussion and Analysis
For the Year Ended June 30, 2011

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, 2011. 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), a component unit of the State of Illinois which conducts instruction, research, public services and related activities principally at its campuses in Carbondale, which includes the School of Medicine in Springfield, and Edwardsville, which includes the School of Dental Medicine in Alton and the East St. Louis Center.

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 2011 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 financial statements are an integral part of the basic financial statements and provide additional details which should be included as part of any review or analysis. 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, both current and noncurrent, using the accrual basis of accounting. The statement 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.

Net assets are divided into three major categories: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Invested in capital assets, net, consists of capital assets reduced by the outstanding balances of borrowings for construction and improvements of those assets. Restricted net assets have external constraints, including grants and contracts, self insurance and capital projects. Unrestricted Net Assets are those that do not meet the definition of the first two categories.

The University's assets, liabilities and net assets at June 30, 2011 and 2010 are summarized as follows:

	June 30, 2011	June 30, 2010
Assets:		
Current assets	$ 289,668,133	$ 254,145,530
Capital assets, net	716,438,214	688,676,997
Other assets	122,044,829	119,343,174
Total Assets	$ 1,128,151,176	$ 1,062,165,701
Liabilities:		
Current liabilities	143,773,319	143,538,405
Noncurrent liabilities	355,984,432	372,775,974
Total Liabilities	$ 499,757,751	$ 516,314,379
Net Assets:		
Invested in capital assets, net	410,754,130	387,680,620
Restricted - nonexpendable	2,976,342	3,089,109
Restricted - expendable	115,669,997	70,076,968
Unrestricted	98,992,956	85,004,625
Total Net Assets	$ 628,393,425	$ 545,851,322

The University's financial position remained strong at June 30, 2011, with assets of $1,128,151,176 and liabilities of $499,757,751. Net assets, the difference between total assets and total liabilities, increased $82,542,103, or over 15%, compared to the previous year.

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.

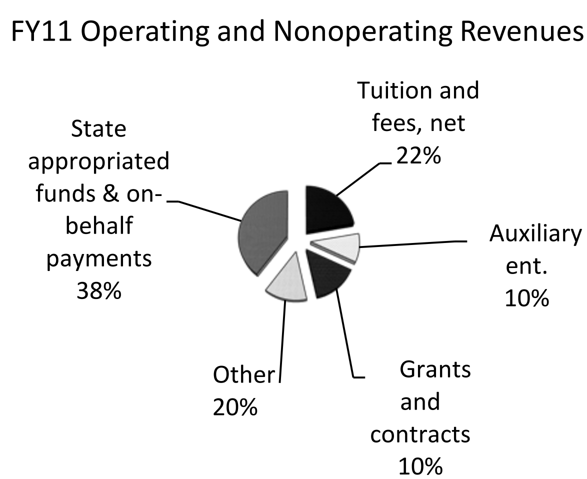
Nonoperating revenues and expenses involve non-exchange transactions and include state appropriations, investment income, payments on-behalf of the University, and gifts. State appropriations are mandated as nonoperating because they are provided by the legislature to the University without the legislature 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 2011 and 2010:

	Year Ended June 30, 2011	Year Ended June 30, 2010
Operating revenues:		
Tuition and fees, net	$ 242,813,334	$ 239,531,944
Auxiliary enterprises	107,373,101	106,461,946
Grants and contracts	109,135,111	109,919,427
Other	133,445,510	112,239,592
Operating expenses	(1,003,604,416)	(977,813,136)
Operating loss	(410,837,360)	(409,660,227)
State appropriations	222,013,500	220,753,700
State appropriations - ARRA funds	-	15,913,300
On-behalf payments	191,169,767	178,405,918
Other nonoperating revenues & expenses, net	49,928,314	49,056,317
Income (loss) before other revenues	52,274,221	54,469,008
Other revenues	30,267,882	5,329,861
Increase in net assets	82,542,103	59,798,869
Net assets at beginning of year	545,851,322	486,052,453
Net assets at end of year	$ 628,393,425	$ 545,851,322

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in net assets for the year of $82.5 million. A significant portion of this increase is in the Restricted - expendable assets of the University, which increased over $45 million.

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, 2011. The revenue from charges for tuition and fees is shown net of the scholarship allowance of $41,849,276. Student tuition and state appropriations are the primary source of funding for the University's academic programs. Other operating revenues consist primarily of income from sales and services of educational activities, investment income, and income from the Physicians & Surgeons practice plan.



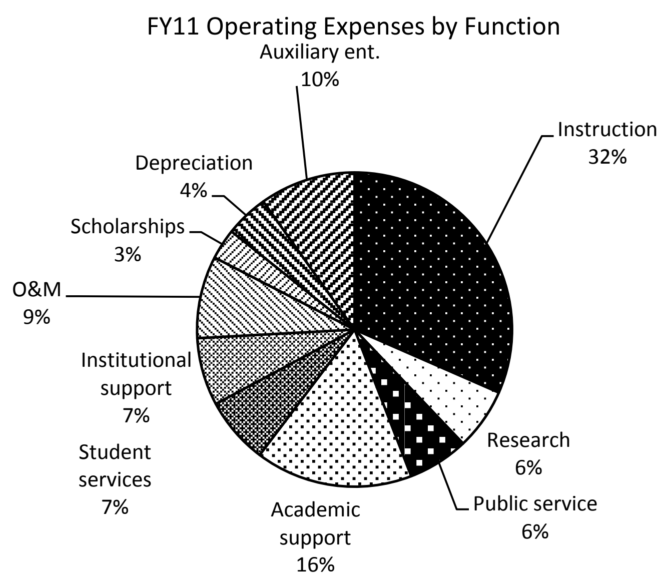
Operating Expenses

A summary of the University's operating expenses by functional classification for the years ended June 30, 2011 and 2010 is as follows:

	Year Ended June 30, 2011	Year Ended June 30, 2010
Instruction	$ 317,152,057	$ 314,929,274
Research	63,660,347	64,467,684
Public service	62,657,302	63,662,792
Academic support	161,909,517	149,910,775
Student services	69,031,681	68,648,632
Institutional support	70,058,717	69,255,532
Operation and maintenance of plant	84,188,302	78,274,816
Scholarships and fellowships	31,645,865	31,618,117
Depreciation	44,134,264	40,542,476
Auxiliary enterprises	98,759,484	96,071,371
Other expenditures	406,880	431,667
	$ 1,003,604,416	$ 977,813,136

Operating expenses include $191,169,767 for health care and retirement costs paid on-behalf of University employees by the State of Illinois. These expenses have been allocated by function.

The following is a graphic illustration of operating expenses by function for the year ended June 30, 2011:



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, 2011	Year Ended June 30, 2010
Cash provided by (used in):		
Operating activities	$ (203,953,507)	$ (236,229,643)
Noncapital financing activities	283,738,929	292,800,986
Capital and related financing activities	(70,826,713)	(100,613,717)
Investing activities	7,627,551	50,543,843
Net increase (decrease) in cash	16,586,260	6,501,469
Cash and cash equivalents, beginning of year	81,665,668	75,164,199
Cash and cash equivalents, end of year	$ 98,251,928	$ 81,665,668

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 2011, the University had $410,754,130 invested in capital assets, net of accumulated depreciation and related debt. Depreciation expense for the current year was $44,134,264, with accumulated depreciation of $773,962,451.

For additional information concerning the University's Capital Assets and Debt Administration, see Notes 6, 8, 9 and 10 in the Notes to Financial Statements.

Economic Outlook

The State of Illinois continues to have a sizable budget deficit which has resulted in mounting unpaid obligations, including extensive state appropriation payment delays to all Illinois Public Universities. As of August 31, 2011, the State of Illinois owed Southern Illinois University over $114 million in total appropriations compared to $63 million as of August 31, 2010. State appropriations represent 40% of total revenues and are the largest single source of revenue for the University. State operating appropriations for fiscal year 2011 were approved at $222.0 million. The fiscal year 2012 operating appropriation has been approved at $219.5 million, which represents a 1.1% decrease over the fiscal year 2011 appropriation level.

The State continues to appropriate on-behalf payments for University employees' benefits, but in fiscal year 2003 began requiring the University to supplement the funding. In fiscal year 2011, the State's portion of the on-behalf payments equaled $191.2 million, a 7.2% increase over fiscal year 2010 funding, and the University contributed $7 million. The University will contribute $7 million toward employee health coverage in fiscal year 2012.

Economic Outlook (continued)

As funding from the State has been reduced, gaps in the operating budget have primarily been filled by increases in tuition and fees. Fiscal year 2012 tuition increased by 6.9% for first time students and student fees increased 2.1% for full-time students at the Carbondale campus and 1.6% for full-time students at the Edwardsville campus.

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 2012 operating budget where projected increases in grants and contracts and sales and services revenues are estimated at 8.7%.

Enrollment has remained relatively flat over the past four years, with slight declines at the Carbondale campus offset by enrollment increases at the Edwardsville campus. The Fall 2011 enrollment at the Edwardsville campus was 14,235, an increase of 102 students; the highest enrollment in the school's history. Total enrollment at the Carbondale campus was 19,817, down 220 students.

The University is committed to strong fiscal stewardship of its resources and maintaining a sound financial position. To that end, University management establishes institutional priorities that are linked to additional funding, sets funding guidelines for asset maintenance of facilities and equipment, and holds 2% of State appropriated funds and tuition income as a contingency reserve for fiscal emergencies. Furthermore, SIU implemented several cost saving measures in fiscal year 2011 that are continuing into fiscal year 2012 such as a hiring freeze on non-essential positions and cost restrictions on travel and purchases to help offset anticipated budget shortfalls and to address cash flow issues created by state appropriation payment delays.

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

Southern Illinois University
Statement of Net Assets
June 30, 2011 with Comparative Totals for 2010

	UNIVERSITY		UNIVERSITY RELATED ORGANIZATIONS	
	2011	2010	2011	2010
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 98,251,928	$ 81,665,668	$ 10,178,769	$ 5,570,591
Short-term investments	14,281,384	21,863,348	29,908,944	28,792,057
Deposits with University	-	-	11,502,129	8,612,523
Appropriations receivable from State of Illinois General Revenue	38,961	275,549	-	-
Reimbursement due from State Treasurer	97,416,482	84,270,336	-	-
Accounts receivable, net	60,869,098	51,249,402	28,758,263	15,054,643
Notes receivable, net	3,257,745	3,472,210	-	-
Accrued interest receivable	68,008	181,078	185,072	174,559
Due from related organizations	5,244,633	3,110,694	34,855	43,997
Inventories	9,600,488	7,335,455	-	-
Prepaid expenses and other assets	639,406	721,790	2,813,809	2,009,887
Total Current Assets	289,668,133	254,145,530	83,381,841	60,258,257
Noncurrent Assets:				
Cash and cash equivalents	-	-	540,109	1,118,000
Long-term investments	101,178,502	97,847,393	137,762,953	111,385,848
Notes receivable, net	14,722,625	15,377,693	66,538	80,266
Prepaid expenses and other assets	6,143,702	6,118,088	16,410,309	15,669,662
Capital assets, not depreciated	87,909,529	119,498,057	315,672	315,672
Capital assets, net of depreciation	628,528,685	569,178,940	5,287,728	5,582,451
Total Noncurrent Assets	838,483,043	808,020,171	160,383,309	134,151,899
TOTAL ASSETS	1,128,151,176	1,062,165,701	243,765,150	194,410,156
LIABILITIES				
Current Liabilities:				
Accounts payable	34,515,211	38,572,249	1,213,285	2,085,656
Accrued interest payable	2,914,298	3,047,515	-	-
Accrued payroll	11,987,032	9,317,627	4,046,126	3,764,405
Accrued compensated absences	3,735,380	3,709,319	-	-
Revenue bonds payable	16,370,048	15,972,630	-	-
Certificates of participation	2,100,784	2,871,092	-	-
Liabilities under capitalized leases	122,595	170,312	-	-
Annuities payable	-	-	541,789	591,777
Accrued liability for self-insurance	12,846,252	12,272,432	-	-
Deposits held for University related organizations	11,502,129	8,612,524	-	-
Deposits held in custody for others	1,331,924	753,379	93,879	61,746
Deferred revenue	46,199,648	48,073,981	850,142	860,238
Housing deposits	140,670	129,397	-	-
Due to related organizations	7,348	35,948	5,272,140	3,118,743
Total Current Liabilities	143,773,319	143,538,405	12,017,361	10,482,565
Noncurrent Liabilities:				
Accrued compensated absences	45,866,519	47,322,138	-	-
Revenue bonds payable	269,117,679	281,300,394	-	-
Certificates of participation	17,885,949	19,986,733	-	-
Liabilities under capitalized leases	87,030	63,410	-	-
Annuities payable	-	-	3,746,173	3,877,130
Accrued liability for self-insurance	5,583,732	6,556,958	-	-
Federal loan program contributions refundable	17,271,593	17,266,223	-	-
Housing deposits	171,930	158,153	-	-
Other accrued liabilities	-	121,965	2,447,443	2,419,760
Deposits held in custody for others	-	-	2,295,626	1,911,631
Total Noncurrent Liabilities	355,984,432	372,775,974	8,489,242	8,208,521
TOTAL LIABILITIES	499,757,751	516,314,379	20,506,603	18,691,086
NET ASSETS				
Invested in capital assets, net of related debt	410,754,130	387,680,620	5,603,399	5,898,122
Restricted for:				
Nonexpendable	2,976,342	3,089,109	94,347,079	92,036,179
Expendable	115,669,997	70,076,968	74,610,363	50,622,775
Unrestricted	98,992,956	85,004,625	48,697,706	27,161,994
TOTAL NET ASSETS	$ 628,393,425	$ 545,851,322	$ 223,258,547	$ 175,719,070

The accompanying notes are an integral part of this statement.

Southern Illinois University

Statement of Revenues, Expenses and Changes in Net Assets

Year Ended June 30, 2011 with Comparative Totals for 2010

	UNIVERSITY		UNIVERSITY RELATED ORGANIZATIONS	
	2011	2010	2011	2010
REVENUES				
Operating Revenues:				
Student tuition and fees (net of scholarship allowances of $41,849,276 for 2011; $36,331,292 for 2010)	$ 242,813,334	$ 239,531,944	$ -	$ -
Federal grants and contracts	47,278,070	45,223,278	-	868,557
State of Illinois grants and contracts	34,150,739	32,826,476	-	123,000
Other government grants and contracts	7,680,891	7,220,367	-	-
Private grants and contracts	20,025,411	24,649,306	-	-
Sales and services of educational departments	78,558,753	71,146,322	-	-
Physicians and Surgeons practice plan	54,622,838	40,790,153	-	-
Patient service revenue (net)	-	-	103,376,149	82,977,271
Auxiliary enterprises:				
Funded debt enterprises (net of scholarship allowances of $7,029,568 for 2011; $6,257,656 for 2010)	97,587,220	97,528,468	-	-
Other auxiliary enterprises (net of scholarship allowances of $988,815 for 2011; $895,622 for 2010)	9,785,881	8,933,478	-	-
Loan interest income	251,714	223,773	-	-
Other operating revenues	12,205	79,344	16,241,885	15,815,997
Total Operating Revenues	592,767,056	568,152,909	119,618,034	99,784,825
EXPENSES				
Operating Expenses:				
Instruction	317,152,057	314,929,274	-	-
Research	63,660,347	64,467,684	-	-
Public service	62,657,302	63,662,792	-	-
Academic support	161,909,517	149,910,775	-	-
Student services	69,031,681	68,648,632	-	-
Institutional support	70,058,717	69,255,532	112,021,067	107,942,503
Operation and maintenance of plant	84,188,302	78,274,816	-	-
Scholarships and fellowships	31,645,865	31,618,117	-	-
Depreciation	44,134,264	40,542,476	586,011	685,577
Auxiliary enterprises:				
Funded debt enterprises	89,188,761	86,214,616	-	-
Other auxiliary enterprises	9,570,723	9,856,755	-	-
Other operating expenses	406,880	431,667	-	-
Total Operating Expenses	1,003,604,416	977,813,136	112,607,078	108,628,080
Operating Income (Loss)	(410,837,360)	(409,660,227)	7,010,956	(8,843,255)
NONOPERATING REVENUES (EXPENSES)				
State appropriations - General Revenue fund	222,013,500	220,753,700	-	-
American Recovery & Reinvestment Act of 2009 funds	-	15,913,300	-	-
Gifts and contributions	9,748,643	10,435,456	9,107,293	10,471,568
Investment income (loss)	3,414,546	6,183,396	28,358,557	17,854,787
Grants and contracts	49,275,873	43,218,693	120,455	-
Interest on capital asset-related debt	(11,030,411)	(9,615,262)	-	(26,870)
Accretion on bonds payable	(4,475,452)	(4,457,420)	-	-
University related organizations	(596,460)	(533,616)	-	-
Payments on behalf of the university	191,169,767	178,405,918	-	-
Other nonoperating revenues (expenses)	3,591,575	3,825,070	1,468,246	(3,275,540)
Net Nonoperating Revenues (Expenses)	463,111,581	464,129,235	39,054,551	25,023,945
Income (Loss) Before Other Revenues	52,274,221	54,469,008	46,065,507	16,180,690
Other Revenues:				
Capital state appropriations	26,153,991	2,588,997	-	-
Additions to permanent endowments	-	-	1,354,195	3,123,782
Capital grants and gifts	4,113,891	2,740,864	-	-
Total Other Revenues	30,267,882	5,329,861	1,354,195	3,123,782
Increase (Decrease) in Net Assets	82,542,103	59,798,869	47,419,702	19,304,472
NET ASSETS				
Net assets at beginning of year	545,851,322	486,052,453	175,719,070	156,414,598
Removal of Partnership for Connected Illinois URO (see note 16)	-	-	119,775	-
Net assets at end of year	$ 628,393,425	$ 545,851,322	$ 223,258,547	$ 175,719,070

The accompanying notes are an integral part of this statement.

Southern Illinois University
Statement of Cash Flows
Year Ended June 30, 2011 with Comparative Totals for 2010

	UNIVERSITY		UNIVERSITY RELATED ORGANIZATIONS	
	2011	2010	2011	2010
Cash Flows from Operating Activities				
Tuition and fees	$ 251,711,272	$ 245,140,790	$ -	$ -
Grants and contracts	108,833,825	98,795,248	-	-
Sales and services of educational activities	78,977,454	69,732,554	-	-
Physicians and Surgeons	40,945,064	42,173,887	-	-
Auxiliary enterprise revenues:				
Funded debt	101,740,709	100,918,569	-	-
Other auxiliary	10,742,235	9,677,238	-	-
Payments for employee salaries and benefits	(527,059,232)	(525,890,390)	(31,530,120)	(31,577,380)
Payments to suppliers	(279,800,941)	(275,016,056)	(69,779,032)	(68,759,114)
Payments for scholarships and fellowships	(80,239,460)	(71,101,300)	-	-
Loans issued to students	(1,754,709)	(2,154,379)	-	-
Interest earned on loans to students	229,012	194,622	-	-
Collection of loans from students	2,396,075	2,234,920	-	-
Patient service revenue	-	-	86,406,456	80,472,292
Other operating receipts	89,325,189	69,064,654	8,617,991	14,393,218
Net cash used in operating activities	(203,953,507)	(236,229,643)	(6,284,705)	(5,470,984)
Cash Flows from Noncapital Financing Activities				
State appropriations - General Revenue Fund	222,250,088	220,737,141	-	-
ARRA State Fiscal Stablization Fund	-	15,913,300	-	-
Direct lending receipts	231,339,629	221,770,116	-	-
Direct lending payments	(231,377,621)	(221,703,750)	-	-
Grants and contracts	49,275,873	43,218,693	-	-
Government advances for federal loan funds	(109,186)	(153,123)	-	-
Payments to annuitants	-	-	(545,733)	(586,948)
Other	602,885	(226,482)	(1,261,983)	(1,973,188)
Gifts for other than capital purposes	11,757,261	13,245,091	9,304,822	13,476,759
Net cash provided by noncapital financing activities	283,738,929	292,800,986	7,497,106	10,916,623
Cash Flows from Capital and Related Financing Activities				
Capital appropriations	18,364,538	953,780	-	-
Capital gifts received	-	-	-	-
Capital grants	-	2,880,000	120,455	-
Payments received on capital financing leases	-	-	-	-
Sale of capital assets	-	18,000	-	-
Purchases of capital assets	(60,508,046)	(80,545,283)	(226,329)	(225,805)
Proceeds from capital debt	-	-	-	-
Other	1,992,479	3,866,066	-	-
Principal paid on capital debt	(18,995,000)	(15,960,000)	-	(1,100,000)
Interest paid on capital debt	(11,680,684)	(11,826,280)	-	(26,870)
Net cash provided by (used in) capital and related financing activities	(70,826,713)	(100,613,717)	(105,874)	(1,352,675)
Cash Flows from Investing Activities				
Purchases of investments	(46,276,296)	(47,330,116)	(7,320,016)	(13,602,077)
Proceeds from sales of investments and maturities	50,169,639	91,271,510	5,856,247	8,159,075
Investment income	3,734,208	6,602,449	4,399,365	4,564,603
Net cash provided by (used in) investing activities	7,627,551	50,543,843	2,935,596	(878,399)
Net increase (decrease) in cash	16,586,260	6,501,469	4,042,123	3,214,565
Cash and cash equivalents, beginning of the year	81,665,668	75,164,199	6,688,591	3,474,026
Removal of Partnership for Connected Illinois URO beginning cash (see note 16)	-	-	(11,836)	-
Cash and cash equivalents, end of the year	$ 98,251,928	$ 81,665,668	$ 10,718,878	$ 6,688,591

Southern Illinois University
Statement of Cash Flows
Year Ended June 30, 2011 with Comparative Totals for 2010

	UNIVERSITY		UNIVERSITY RELATED ORGANIZATIONS	
	2011	**2010**	**2011**	**2010**
Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities				
Operating income (loss)	$ (410,837,360)	$ (409,660,227)	$ 7,010,956	$ (8,843,255)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:				
Depreciation expense	44,134,264	40,542,476	586,011	685,577
Amortization expense	-	-	357,126	357,126
Noncash grants to University	-	-	539,777	332,768
Noncash expenditures for the benefit of the University	-	-	647,766	240,202
Noncash contributions	-	-	(382,777)	767,123
Budget expended at University	(318,694)	(296,068)	-	-
Payments on behalf of the university	191,169,767	178,405,918	-	-
Change in assets and liabilities:				
Accounts receivable (net)	(11,722,570)	(7,492,649)	(14,108,107)	5,635,262
Deposits with University	-	-	-	(3,910,008)
Reimbursement due from State Treasurer	(13,146,146)	(40,214,571)	-	-
Inventories	(2,300,034)	(662,678)	-	-
Prepaid expenses	77,425	26,893	107	(914)
Other assets	1,417,045	(792,818)	(74,992)	11,760
Accounts payable	1,022,355	5,645,387	1,983,230	206,927
Accrued payroll	2,669,405	491,066	-	-
Deferred revenue	572,824	(1,605,435)	(2,461)	116,550
Compensated absences	(1,429,558)	767,495	-	-
Deposits held for others	(32,998)	(14,990)	32,133	(23,181)
Other liabilities	(374,356)	1,095,787	22,199	26,668
Due to/from related organizations	(4,854,876)	(2,465,229)	(2,895,673)	(1,073,589)
Net cash used in operating activities	$ (203,953,507)	$ (236,229,643)	$ (6,284,705)	$ (5,470,984)
Noncash investing, capital and financing activities:				
Payments on behalf of the university for fringe benefits	$ 191,169,767	$ 178,405,918	$ -	$ -
Accretion on bonds payable	4,475,452	4,457,420	-	-
Gifts in kind	1,532,837	1,189,189	1,187,543	1,382,256
Capital assets in accounts payable	5,009,156	12,097,802	-	-
Capital asset acquisition by CDB	26,153,991	2,588,997	-	-
Loss on disposals of capital assets	674,527	136,363	-	73,592
Other capital asset adjustments	1,359,811	72,450	-	-
Net interest capitalized	688,895	2,490,645	-	-

The accompanying notes are an integral part of this statement.

NOTE 1 - The financial reporting entity and component unit disclosures

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

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

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

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

Research Park may be obtained by writing: Southern Illinois Research Park, 150 East Pleasant Hill Road, Carbondale, IL 62901-6891.

SIU Physicians & Surgeons, Inc., d/b/a SIU HealthCare, was formed to aid in the education and training of medical students, residents, fellows, and physicians for the delivery of cost-effective, high-quality patient care and 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.

NOTE 2 - Significant accounting policies

University basis of presentation

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

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

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

The financial statements include prior year comparative information, which has been derived from the University’s 2010 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 as the Management’s Discussion and Analysis is not comparative. Accordingly, such information should be read in conjunction with the University’s financial statements for the year ended June 30, 2010.

University Related Organizations basis of presentation

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

NOTE 2 - Significant accounting policies (continued)

Beginning in fiscal year 2009, the Southern Illinois University Foundation (at Carbondale) and The Association of Alumni, Former Students and Friends of Southern Illinois University, Inc., follow Financial Accounting Standards Board (FASB) standards for financial statement presentation. Consequently, reclassifications have been made to convert their statements to the GASB format for inclusion in the University Related Organizations' column in the financial statements.

Cash and cash equivalents
Cash, deposits 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 classifies its investment in The Illinois Funds as a deposit for financial statement purposes.

Allowance for uncollectibles
The University provides allowances for uncollectible accounts and notes receivable based upon management's best estimate of uncollectible accounts and notes at the statement of net 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 $14,122,939 and $2,749,831, respectively, at June 30, 2011, compared to allowances of $12,655,420 and $2,575,247, respectively, at June 30, 2010.

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 net of depreciation with the related expense reported as operating expense.

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 20 years for infrastructure, 15 years for site or building improvements, and seven to 20 years for intangible assets. Vehicles and electronic data processing equipment are depreciated over five years. Other equipment and books are depreciated over seven years. Land, works of art, and historical treasures are 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.

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 $191,169,767 for fiscal year 2011 for health care and retirement costs, compared to $178,405,918 for fiscal year 2010. 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.

NOTE 2 - Significant accounting policies (continued)

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 $112,954,554 for the year ended June 30, 2011, and $107,143,151 for the year ended June 30, 2010. The employer contributions to these plans for employees paid from other University held funds are paid by the University. On behalf-payments of $78,215,213 for the year ended June 30, 2011, were made for retirement costs, compared to $71,262,767 for the year ended June 30, 2010.

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

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

Nonoperating: Nonoperating revenues and expenses include activities that have the characteristics of 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.

Tuition and fees are generally recognized as revenues as they are assessed. The portion of summer session tuition and fees applicable to the following fiscal year is deferred.

The University first applies restricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

Compensated absences
Accrued compensated absences for University personnel are charged to current funds based on earned but unused vacation and sick leave days including the University's share of Social Security and Medicare taxes. At June 30, 2011, the University estimates $35,585,279 will be paid from state appropriated accounts funded by the State of Illinois General Revenue Fund and the Income Fund, and $14,016,620 from local funds in subsequent years for a combined total of $49,601,899. This compares to $37,133,051 from state accounts and $13,898,406 from local funds, totaling $51,031,457, at June 30, 2010.

NOTE 2 - Significant accounting policies (continued)

New Governmental Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following statements which are effective for periods beginning July 1, 2010, or later which may impact the University:

Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*, enhances the usefulness of fund balance information by providing clearer fund balance classifications and clarifies the existing governmental fund type definitions. The statement is effective for the period beginning July 1, 2010. It did not impact the University.

Statement No. 57 – *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, amends Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, to permit an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method. The Statement also amends a Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, requirement that a defined benefit OPEB plan obtain an actuarial valuation. The statement is effective for periods beginning after June 15, 2011. It will not impact the University.

Statement No. 59 – *Financial Instruments Omnibus*, updates and improves existing standards regarding financial reporting and disclosure requirement of certain financial instruments and external investment pools. The statement is effective for periods beginning after June 15, 2010. It did not impact the University.

Statement No. 60 – *Accounting and Financial Reporting for Service Concession Arrangements*, applies to public-private partnerships in which the public institution retains specific control criteria. The standard generally applies to arrangements to provide services through the use of infrastructure or another public asset, such as a facility. The statement is effective for periods beginning after December 15, 2011. The impact on the University will be reviewed.

Statement No. 61 – *The Financial Reporting Entity: Omnibus*, which amends the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments.* The primary significance to public Universities is that Statement 61 amends the criteria for blending, or reporting component units as if they were part of the primary governments. The statement is effective for periods beginning after June 15, 2012. It is not expected to impact the University.

Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, incorporates guidance that previously could only be found in certain FASB and American Institute of Certified Public Accountants (AICPA) pronouncements. The standard supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. The statement is effective for periods beginning after December 15, 2011. The impact on the University will be reviewed.

Statement No. 63 – *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position*, addresses how to report elements of financial statements that are deferrals. The statement clarifies that amounts that are required to be reported as deferred outflows or inflows of resources should be reported in a separate section in a statement of net assets. The statement is effective for periods beginning after December 15, 2011. The impact on the University will be reviewed.

NOTE 2 - Significant accounting policies (continued)

Statement No. 64 – *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, provides guidance for circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The statement is effective for periods beginning after June 15, 2011. It is not expected to impact the University.

NOTE 3 - Cash, deposits and cash equivalents

At June 30, 2011, the actual bank balances related to the deposits of the University amounted to $109,521,823; all such balances were covered by federal depository insurance or collateral held by an agent in the University's name. The actual bank balances at June 30, 2010, were $94,745,106.

Cash, deposits and cash equivalents at June 30, 2011 and 2010 are as follows:

	2011	2010
UNIVERSITY:		
Cash and cash equivalents	$ 9,620,219	$ 2,687,556
The Illinois Funds	88,631,709	78,978,112
Total cash and cash equivalents	$ 98,251,928	$ 81,665,668
UNIVERSITY RELATED ORGANIZATIONS:		
Total cash and cash equivalents	$ 10,718,878	$ 6,688,591

NOTE 4 – Investments

University investment policy

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

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

NOTE 4 – Investments (continued)

been met. Investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

University investments

Investments are reported at fair value. The fair value is determined to be the amount, usually quoted market prices, at which financial instruments could be exchanged in a current transaction between willing partners. The investment with the Public Treasurer's Investment Pool-State Treasurer's Office is at fair value, which is the same value as the pool shares. State statutes require the Illinois Funds to comply with the *Illinois Public Funds Investment Act* (30 ILCS 235). 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. The University has pooled its operating cash for investment purposes to provide for efficiencies and economies in their management. Proceeds related to revenue bond and certificate of participation financing activities are pooled to the extent allowed under the 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.

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 an Intermediate Maturity Portfolio.

Investment income net of realized and unrealized gains and losses on investments for the years ended June 30, 2011 and 2010 are reflected below:

	2011	2010
UNIVERSITY:		
Interest earnings and realized gain on investments	$ 3,469,843	$ 6,250,984
Unrealized loss on investments	(55,297)	(67,588)
Net investment income	$ 3,414,546	$ 6,183,396
UNIVERSITY RELATED ORGANIZATIONS:		
Interest earnings and realized gain on investments	$ 13,931,006	$ 7,944,028
Unrealized gain on investments	14,427,551	9,910,759
Net investment income	$ 28,358,557	$ 17,854,787

NOTE 4 – Investments (continued)

University risk disclosures

Credit risk: Credit risk is the risk of loss due to the failure of the security issuer or backer to meet promised interest or principal payments on required dates. Credit risk is mitigated by limiting investments to those specified in the *Illinois Public Funds Investment Act,* which prohibits investment in corporate bonds with maturity dates longer than 270 days from the date of purchase; pre-qualifying the financial institutions which are utilized; and diversifying the investment portfolio so that the failure of any one issue or backer will not place an undue financial burden on the University. U.S. Treasuries are federal government securities that do not require the disclosure of credit risk. The U.S. agencies 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. The Public Treasurer's Investment Pool is also 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. While the fund's asset allocation strategy provides diversification by fixed income sector, each portfolio within the sector is also broadly diversified by security type, issue and maturity.

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

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

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

University Related Organizations investments

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

Southern Illinois University Foundation (at Carbondale)

The Foundation financial statements follow Financial Accounting Standards Board (FASB) standards; therefore, the required disclosures differ from GASB requirements. Investments are stated at fair value as determined under FASB Accounting Standards Codification ASC 820: *Fair Value Measurements and Disclosures* (previously SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations),* and are recorded on the trade date. The fair value of all debt and equity securities with a readily determinable fair value are based on quotations obtained from national securities exchanges. The alternative investments (hedge funds, limited partnerships and other private equity) for which quoted market prices are not available, are carried at estimated fair market values as provided by the external general partners or investment managers and/or audited financial statements of the fund or partnership. Such values may be based on a variety of estimates and assumptions requiring various degrees of judgment and may be subject to volatility in market conditions and the possibility that their value could substantially change in the near term and/or be materially different than the values reported in the statement of financial position. Management of the Foundation believes that the carrying amounts of these financial instruments are a reasonable estimate of fair value. Realized gains and losses on sales of investments are determined on the specific identification basis.

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

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

The Foundation measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an order transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Foundation may use valuation techniques consistent with the market, income and cost approaches to measure fair value.

Custodial credit risk is the risk that, in the event of a bank failure, the Foundation’s deposits may not be returned to the Foundation. The Foundation has a policy to require banks to collateralize balances over the FDIC insured amount. As of June 30, 2011 and June 30, 2010, the entire amount of funds held at the banks were either insured or collateralized by pledged bank assets in the Foundation’s name.

Southern Illinois University at Edwardsville Foundation
It is Foundation policy to invest funds in a manner which will provide investment returns and security consistent with good business practices, while meeting the daily cash flow demands of the Foundation. Funds are invested in accordance with the approved Board policy for investments. The Foundation’s investment policy authorizes the Foundation to invest in securities of the U.S. government or its agencies, banker’s acceptances, certificates of deposit, interest bearing savings accounts, interest bearing time deposits, and other direct obligations of any bank defined in the Illinois Banking Act. The Foundation’s policy also authorizes additional types of investments in corporate debt securities, open and closed end mutual funds, and common and preferred stocks subject to United States’ securities regulation and enforcement.

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

NOTE 4 – Investments (continued)

overall return objective to preserve the inflation adjusted value of the funds and to maximize total return net of investment expense.

Credit risk: Credit risk is mitigated by limiting investments to those specified in the Board approved policy and diversifying the investment portfolio so that the failure of any one issuer or backer will not place an undue financial burden on the Foundation. Board policy requires investments in fixed income securities or corporate securities to be purchased or retained only if the security is A2 or higher by Moody's Investor Service or is rated A or higher by Standard and Poor's Corporation (S&P), Fitch Investors Service or Duffs & Phelps Credit Rating Co. Commercial paper, money markets, and banker's acceptances must be rated at least Prime-1 by Moody's or at least A1 by S&P. U.S. Treasuries are federal government securities that do not require the disclosure of credit risk. The U.S. agencies investments include the Federal Home Loan Mortgage Corporation and the Federal Home Loan Bank, all rated AAA and Aaa by S&P and Moody's, respectively.

Concentration of credit risk: Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. The Foundation's investment policy encourages diversification and prohibits investments of five percent or more of total investments in any one issuer.

Custodial credit risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments that are in the possession of an outside party. The investment custodians hold these investments in their name for the benefit of the Foundation. The Foundation's investments are managed by three separate investment firms, each offering SIPC protection up to $500,000.

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

Foreign currency risk: The Foundation had no investment in common stocks of foreign companies at June 30, 2011. The Foundation's policy related to foreign currency risk is that no purchase of a foreign equity may be made if such purchase would cause the total value of foreign equity assets to exceed the lesser of ten percent of the total or 25 percent of the equity portion of the endowment portfolio.

Investment policies and relevant risk disclosures as described in GASB Statement No. 40 applicable to the other University Related Organizations can be obtained by contacting those entities listed in Note 1 on page 15.

NOTE 4 – Investments (continued)

Investment maturities

Interest rate risk is disclosed below using the segmented time distribution method. As of June 30, 2011 and 2010, the University had the following investment balances:

UNIVERSITY:	**AS OF JUNE 30, 2011**				
		Investment Maturities (in Years)			
Investment Type:	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**No Maturity**
U.S. Treasuries	$ 45,230,472	$ 5,834,621	$ 30,155,248	$ 9,240,603	$ -
U.S. Agencies	70,185,114	8,446,763	50,162,527	11,575,824	-
The Illinois Funds	88,631,709	88,631,709	-	-	-
Common Stock	44,300	-	-	-	44,300
Subtotal	204,091,595	$ 102,913,093	$ 80,317,775	$20,816,427	$ 44,300
Less: Investment in The Illinois Funds reported as cash	(88,631,709)				
Total Investments	$ 115,459,886				

UNIVERSITY:	**AS OF JUNE 30, 2010**				
		Investment Maturities (in Years)			
Investment Type:	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**No Maturity**
U.S. Treasuries	$ 50,965,296	$ 18,710,871	$ 23,927,379	$ 8,327,046	$ -
U.S. Agencies	68,701,145	3,152,477	49,267,463	16,281,205	-
The Illinois Funds	78,978,112	78,978,112	-	-	-
Common Stock	44,300	-	-	-	44,300
Subtotal	198,688,853	$ 100,841,460	$ 73,194,842	$24,608,251	$ 44,300
Less: Investment in The Illinois Funds reported as cash	(78,978,112)				
Total Investments	$ 119,710,741				

NOTE 4 – Investments (continued)

Investment maturities

Interest rate risk is disclosed below using the segmented time distribution method. As of June 30, 2011 and 2010, the University Related Organizations had the following investment balances:

UNIVERSITY RELATED ORGANIZATIONS:

	AS OF JUNE 30, 2011				
		Investment Maturities (in Years)			
Investment Type:	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**No Maturity**
Municipal Bonds	$ 288,911	$ -	$ 206,575	$ 82,336	$ -
Common Stock	200,675	-	-	-	200,675
Certificates of Deposit	8,392,224	1,790,984	6,576,327	24,913	-
Foreign Equity Securities	20,758,113	20,758,113	-	-	-
Corporate Equity Securities	330,135	-	265,988	64,147	-
Hedge Funds	5,434,086	3,570,379	1,863,707	-	-
Private Equity	4,291,328	4,291,328	-	-	-
Money Market Funds with Brokers	2,754,297	2,754,297	-	-	-
Mutual Funds	125,222,128	125,222,128	-	-	-
Total Investments	$ 167,671,897	$ 158,387,229	$ 8,912,597	$ 171,396	$ 200,675

UNIVERSITY RELATED ORGANIZATIONS:

	AS OF JUNE 30, 2010				
		Investment Maturities (in Years)			
Investment Type:	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
U.S. Agencies	$ 155,381	$ -	$ 155,381	$ -	$ -
Certificates of Deposit	10,298,904	2,416,863	7,882,041	-	-
Foreign Equity Securities	14,831,025	14,831,025	-	-	-
Corporate Equity Securities	125,494	-	-	-	125,494
Hedge Funds	5,164,777	5,164,777	-	-	-
Private Equity	2,915,359	1,263,592	1,651,767	-	-
Money Market Funds with Brokers	1,789,426	1,789,426	-	-	-
Mutual Funds	104,897,539	104,897,539	-	-	-
Total Investments	$ 140,177,905	$ 130,363,222	$ 9,689,189	$ -	$ 125,494

NOTE 5 - Accounts and notes receivable

Accounts and notes receivable consisted of the following at June 30, 2011 and 2010:

UNIVERSITY:

	2011		2010	
	Accounts Receivable	**Notes Receivable**	**Accounts Receivable**	**Notes Receivable**
Student tuition and fees	$ 16,499,626	$ -	$ 14,090,112	$ -
Auxiliary enterprises	10,703,293	-	9,349,550	-
Grants and contracts	19,832,477	-	22,899,212	-
General operating	27,323,351	-	16,397,267	-
Student loans	94,699	20,576,969	73,322	21,271,919
Plant funds	190,178	153,232	44,916	153,231
Other accounts receivable	348,413	-	1,050,443	-
	74,992,037	20,730,201	63,904,822	21,425,150
Less: Allowance for doubtful accounts	(14,122,939)	(2,749,831)	(12,655,420)	(2,575,247)
Net receivable	$ 60,869,098	$ 17,980,370	$ 51,249,402	$ 18,849,903

UNIVERSITY RELATED ORGANIZATIONS:

	2011		2010	
	Accounts Receivable	**Notes Receivable**	**Accounts Receivable**	**Notes Receivable**
Accounts receivable	$ 67,141,074	$ -	$ 47,413,930	$ -
Student loans	-	66,538	-	80,266
	67,141,074	66,538	47,413,930	80,266
Less: Allowances for assignment losses & doubtful accounts	(38,382,811)	-	(32,359,287)	-
Net receivable	$ 28,758,263	$ 66,538	$ 15,054,643	$ 80,266

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 was 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, 2011, the outstanding balance of the note was $146,768, compared to $153,231 at June 30, 2010. Subsequently, the balance was paid in full on September 8, 2011.

NOTE 6 - Capital assets

Capital asset activity for the University for the fiscal year ended June 30, 2011 was as follows:

UNIVERSITY:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 21,544,339	$ -	$ -	$ -	$ 21,544,339
Nondepreciable historical treasures and works of art	10,273,961	568,929	-	-	10,842,890
Construction in progress	87,679,757	53,636,719	105,093	(85,689,083)	55,522,300
Total capital assets not being depreciated	119,498,057	54,205,648	105,093	(85,689,083)	87,909,529
Capital assets being depreciated:					
Site improvements	59,671,889	631,558	1,074,348	2,539,242	61,768,341
Buildings	914,366,031	1,247,791	3,038,375	83,149,841	995,725,288
Equipment	320,320,107	16,100,597	7,371,711	-	329,048,993
Intangible assets	6,905,597	435,190	-	-	7,340,787
Infrastructure	8,607,727	-	-	-	8,607,727
Total capital assets being depreciated	1,309,871,351	18,415,136	11,484,434	85,689,083	1,402,491,136
Less accumulated depreciation for:					
Site improvements	36,197,349	2,199,885	1,074,348	-	37,322,886
Buildings	428,797,057	24,969,056	3,038,376	-	450,727,737
Equipment	266,106,569	16,133,683	6,751,500	-	275,488,752
Intangible assets	983,709	831,640	-	-	1,815,349
Infrastructure	8,607,727	-	-	-	8,607,727
Total accumulated depreciation	740,692,411	44,134,264	10,864,224	-	773,962,451
Total capital assets being depreciated, net	569,178,940	(25,719,128)	620,210	85,689,083	628,528,685
Capital assets, net	$ 688,676,997	$ 28,486,520	$ 725,303	$ -	$ 716,438,214

NOTE 6 - Capital assets (continued)

Capital asset activity for the University for the fiscal year ended June 30, 2010 was as follows:

UNIVERSITY:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 21,544,339	$ -	$ -	$ -	$ 21,544,339
Nondepreciable historical treasures and works of art	9,518,111	755,850	-	-	10,273,961
Construction in progress	62,753,099	61,155,287	919,080	(35,309,549)	87,679,757
Total capital assets not being depreciated	93,815,549	61,911,137	919,080	(35,309,549)	119,498,057
Capital assets being depreciated:					
Site improvements	52,218,198	1,507,589	-	5,946,102	59,671,889
Buildings	875,807,438	10,451,687	503,126	28,610,032	914,366,031
Equipment	317,818,011	13,058,026	4,424,585	(6,131,345)	320,320,107
Intangible assets	-	20,837	-	6,884,760	6,905,597
Infrastructure	8,607,727	-	-	-	8,607,727
Total capital assets being depreciated	1,254,451,374	25,038,139	4,927,711	35,309,549	1,309,871,351
Less accumulated depreciation for:					
Site improvements	34,401,643	1,795,803	97	-	36,197,349
Buildings	407,697,430	21,477,996	378,369	-	428,797,057
Equipment	253,981,613	16,535,853	4,160,012	(250,885)	266,106,569
Intangible assets	-	732,824	-	250,885	983,709
Infrastructure	8,607,727	-	-	-	8,607,727
Total accumulated depreciation	704,688,413	40,542,476	4,538,478	-	740,692,411
Total capital assets being depreciated, net	549,762,961	(15,504,337)	389,233	35,309,549	569,178,940
Capital assets, net	$ 643,578,510	$ 46,406,800	$ 1,308,313	$ -	$ 688,676,997

NOTE 6 - Capital assets (continued)

Capital asset activity for the University Related Organizations for the fiscal years ended June 30, 2011 and 2010 was as follows:

UNIVERSITY RELATED ORGANIZATIONS: **2011**

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	$ 315,672	$ -	$ -	$ 315,672
Total capital assets not being depreciated	315,672	-	-	315,672
Capital assets being depreciated:				
Site improvements	315,630	-	-	315,630
Buildings	4,271,676	-	-	4,271,676
Equipment	4,171,511	291,288	2,558	4,460,241
Total capital assets being depreciated	8,758,817	291,288	2,558	9,047,547
Less accumulated depreciation for:				
Site improvements	139,559	31,402	-	170,961
Buildings	795,459	120,147	-	915,606
Equipment	2,241,348	434,462	2,558	2,673,252
Total accumulated depreciation	3,176,366	586,011	2,558	3,759,819
Total capital assets being depreciated, net	5,582,451	(294,723)	-	5,287,728
Capital assets, net	$ 5,898,123	$ (294,723)	$ -	$ 5,603,400

UNIVERSITY RELATED ORGANIZATIONS: **2010**

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	$ 315,672	$ -	$ -	$ 315,672
Total capital assets not being depreciated	315,672	-	-	315,672
Capital assets being depreciated:				
Site improvements	315,630	-	-	315,630
Buildings	4,271,676	-	-	4,271,676
Equipment	4,008,054	295,948	132,491	4,171,511
Total capital assets being depreciated	8,595,360	295,948	132,491	8,758,817
Less accumulated depreciation for:				
Site improvements	108,158	31,401	-	139,559
Buildings	675,313	120,146	-	795,459
Equipment	1,766,216	534,030	58,898	2,241,348
Total accumulated depreciation	2,549,687	685,577	58,898	3,176,366
Total capital assets being depreciated, net	6,045,673	(389,629)	73,593	5,582,451
Capital assets, net	$ 6,361,345	$ (389,629)	$ 73,593	$ 5,898,123

NOTE 7 – Changes in liabilities

Liability activity for the years ended June 30, 2011 and 2010 is as follows:

2011

UNIVERSITY:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 51,031,457	$ 3,226,114	$ 4,655,672	$ 49,601,899	$ 3,735,380
Revenue bonds payable	297,273,024	4,475,452	16,260,749	285,487,727	16,370,048
Certificates of participation	22,857,825	-	2,871,092	19,986,733	2,100,784
Capitalized leases	233,722	226,761	250,858	209,625	122,595
Self insurance	18,829,390	11,347,694	11,747,100	18,429,984	12,846,252
Federal loan programs refundable	17,266,223	5,370	-	17,271,593	-
Due to related organizations	35,948	-	28,600	7,348	7,348
Other accrued liabilities	121,965	-	121,965	-	-
Housing deposits	287,550	284,623	259,573	312,600	140,670
Total long-term liabilities	$ 407,937,104	$ 19,566,014	$ 36,195,609	$ 391,307,509	$ 35,323,077

UNIVERSITY RELATED ORGANIZATIONS:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Annuities payable	$ 4,468,907	$ 343,464	$ 524,409	$ 4,287,962	$ 541,789
Other accrued liabilities	2,419,760	27,683	-	2,447,443	-
Deposits held in custody for others	1,973,377	499,521	83,393	2,389,505	93,879
Total long-term liabilities	$ 8,862,044	$ 870,668	$ 607,802	$ 9,124,910	$ 635,668

2010

UNIVERSITY:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 50,103,042	$ 4,151,523	$ 3,223,108	$ 51,031,457	$ 3,709,319
Revenue bonds payable	306,079,620	4,457,420	13,264,016	297,273,024	15,972,630
Certificates of participation	25,624,191	-	2,766,366	22,857,825	2,871,092
Capitalized leases	417,516	100,700	284,494	233,722	170,312
Self insurance	17,727,828	18,111,678	17,010,116	18,829,390	12,272,432
Federal loan programs refundable	17,243,772	22,451	-	17,266,223	-
Due to related organizations	54,109	-	18,161	35,948	35,948
Other accrued liabilities	134,703	-	12,738	121,965	-
Housing deposits	293,325	160,894	166,669	287,550	129,397
Total long-term liabilities	$ 417,678,106	$ 27,004,666	$ 36,745,668	$ 407,937,104	$ 35,161,130

UNIVERSITY RELATED ORGANIZATIONS:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes payable	$ 1,100,000	$ -	$ 1,100,000	$ -	$ -
Annuities payable	4,512,458	548,226	591,777	4,468,907	591,777
Other accrued liabilities	2,387,206	32,554	-	2,419,760	-
Deposits held in custody for others	2,984,316	197,833	1,208,772	1,973,377	61,746
Total long-term liabilities	$ 10,983,980	$ 778,613	$ 2,900,549	$ 8,862,044	$ 653,523

NOTE 8 - Revenue bonds payable

Revenue bonds payable activity for the years ended June 30, 2011 and 2010 is as follows:

UNIVERSITY: **2011**

Series	Annual Maturity To	Beginning Balance	Accretion/ New Debt	Principal Paid/Debt Refunded	Ending Balance	Current Portion
1993A	2018	$ 24,144,934	$ 1,448,476	$ 3,435,000	$ 22,158,410	$ 3,430,000
1997A	2018	19,398,036	1,060,357	3,125,000	17,333,393	3,105,000
1999A	2029	35,240,356	1,966,619	390,000	36,816,975	395,000
2001A	2017	6,190,000	-	1,455,000	4,735,000	1,465,000
2003A	2029	7,230,000	-	255,000	6,975,000	265,000
2004A	2035	36,905,000	-	920,000	35,985,000	950,000
2005	2026	18,125,000	-	825,000	17,300,000	885,000
2006A	2036	62,865,000	-	2,850,000	60,015,000	2,995,000
2008A	2028	29,090,000	-	845,000	28,245,000	975,000
2009A	2030	53,735,000	-	2,020,000	51,715,000	2,055,000
		$ 292,923,326	$ 4,475,452	$16,120,000	281,278,778	16,520,000
Unaccreted appreciation						(288,660)
Unamortized debt premium					5,569,400	314,520
Unamortized loss on refunding					(1,360,451)	(175,812)
Total					$ 285,487,727	$16,370,048

UNIVERSITY: **2010**

Series	Annual Maturity To	Beginning Balance	Accretion/ New Debt	Principal Paid/Debt Refunded	Ending Balance	Current Portion
1993A	2018	$ 22,732,311	$ 1,412,623	$ -	$ 24,144,934	$ 3,435,000
1997A	2018	21,309,052	1,163,984	3,075,000	19,398,036	3,125,000
1999A	2029	33,729,543	1,880,813	370,000	35,240,356	390,000
2000A	2010	310,000	-	310,000	-	-
2001A	2017	7,580,000	-	1,390,000	6,190,000	1,455,000
2003A	2029	10,675,000	-	3,445,000	7,230,000	255,000
2004A	2035	37,800,000	-	895,000	36,905,000	920,000
2005	2026	18,890,000	-	765,000	18,125,000	825,000
2006A	2036	65,295,000	-	2,430,000	62,865,000	2,850,000
2008A	2028	29,600,000	-	510,000	29,090,000	845,000
2009A	2030	53,735,000	-	-	53,735,000	2,020,000
		$ 301,655,906	$ 4,457,420	$13,190,000	292,923,326	16,120,000
Unaccreted appreciation						(288,118)
Unamortized debt premium					5,885,961	316,560
Unamortized loss on refunding					(1,536,263)	(175,812)
Total					$ 297,273,024	$15,972,630

NOTE 8 - 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. Interest ranges from 6.05 to 6.20 percent, approximate yield to maturity. 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 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 2009 with interest ranging from 5.52 to 5.74 percent. Interest payments are due semi-annually. The capital appreciation bonds mature at varying amounts from 1998 to 2018 with approximate yield to maturity ranges from 4.10 to 5.74 percent. They 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 with interest ranging from 4.10 to 5.55 percent. They pay no current interest. The University records the annual increase in the principal amount of these bonds as interest expense and accretion on bonds payable.

The Housing and Auxiliary Facilities System 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 with interest ranging from 4.00 to 5.50 percent. 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 with interest ranging from 1.15 to 4.85 percent. 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 with interest ranging from 3.00 to 5.00 percent. Interest payments are due semi-annually.

The Medical Facilities System Bonds, Series 2005 were authorized by the University's Board on October 13, 2005. The bonds mature at varying amounts from 2006 to 2026 with interest ranging from 4.00 to 5.00 percent. 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 March 9, 2006, as amended and restated on May 2, 2006, and as further amended on November 9, 2006. The bonds mature at varying amounts from 2007 to 2036 with interest ranging from 4.00 to 5.25 percent. Interest payments are due semi-annually.

The Housing and Auxiliary Facilities System Bonds, Series 2008A were authorized by the University's Board under the Twelfth Supplemental Bond Resolution dated April 10, 2008. The bonds mature at varying

NOTE 8 - Revenue bonds payable (continued)

amounts from 2009 to 2028 with interest ranging from 3.00 to 5.50 percent. Interest payments are due semi-annually.

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

Year Ending	Principal	Interest	Treasury Rebate	Total
2012	$ 2,055,000	$ 2,768,520	$ (968,982)	$ 3,854,538
2013	2,090,000	2,708,925	(948,124)	3,850,801
2014	2,135,000	2,641,000	(924,350)	3,851,650
2015	2,185,000	2,563,606	(897,262)	3,851,344
2016	2,245,000	2,473,475	(865,716)	3,852,759
2017-21	12,335,000	10,660,995	(3,731,349)	19,264,646
2022-26	14,690,000	7,041,835	(2,464,642)	19,267,193
2027-30	13,980,000	2,209,680	(773,388)	15,416,292
Total	$ 51,715,000	$ 33,068,036	$ (11,573,813)	$ 73,209,223

Housing and Auxiliary Facilities System: These bonds, which are payable through 2036, do not constitute a debt of the State of Illinois or the individual members, officers or agents of the Board of Trustees of the University but, together with interest thereon, are payable from and secured by a pledge of and lien on (i) the net revenues of the System, (ii) pledged tuition in an amount not to exceed maximum annual debt service (subject to prior payment of operating and maintenance expenses of the System), (iii) the Bond and Interest Sinking Fund account, and (iv) the Repair and Replacement Reserve account. Unrefunded bonds issued in 2001 and prior are additionally secured by the Debt Service Reserve. Total principal and interest remaining on the debt is $417,298,768 with annual requirements ranging from $2,604,000 to $25,267,244. For the current year, principal and interest paid was $25,090,869, and the total revenues pledged were $58,000,566. In the prior year, principal and interest paid was $22,214,184, and the total revenues pledged were $59,019,652. For fiscal year 2011, the total revenue pledged represents 100 percent of the net revenues of the System and 16 percent of net tuition revenue received, compared to 100 percent of the net revenues and 16 percent of net tuition revenue received during fiscal year 2010. Although net tuition is pledged it is not expected to be needed to meet debt service requirements.

The bond resolution requires that debt service coverage on a cash basis be at least 120 percent of the maximum annual debt service. For the year ended June 30, 2011, the maximum annual debt requirement was $25,267,244, and the coverage was 230 percent. For the year ended June 30, 2010, the maximum annual debt requirement was $25,267,244, and the coverage was 234 percent. The bond resolution also requires the Treasurer to transfer annually to Renewals and Replacements from the funds remaining in unrestricted net assets the sum of 10 percent of the maximum annual net debt service requirement or such portion thereof as is available for transfer. The net assets of Renewals and Replacements were $20,770,921 at June 30, 2011 and $18,597,589 at June 30, 2010.

NOTE 8 - 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 both June 30, 2011 and 2010, $7,850,000 of the bonds refunded in 2006 were outstanding. The market value of the related escrow fund was $7,905,680 and $7,958,924, respectively.

Medical Facilities System: These bonds, which are payable through 2026, do not constitute a debt of the State of Illinois or the individual members, officers or agents of the Board of Trustees of the University but, together with interest thereon, are payable from and secured by a pledge of and lien on (i) the net revenues of the System, (ii) pledged tuition (subject to the prior payment of necessary operating and maintenance expenses of the Housing and Auxiliary Facilities System, debt service of the Housing and Auxiliary Facilities System not to exceed the maximum annual debt service, and then necessary operating and maintenance expenses of the System), and (iii) the Bond and Interest Sinking Fund account. Total principal and interest remaining on the debt is $23,940,062 with annual requirements ranging from $543,400 to $1,985,750. For the current year, principal and interest paid was $1,690,238, and the total revenues pledged were $138,480,771. In the prior year, principal and interest paid was $1,668,487, and the total revenues pledged were $134,688,351. For fiscal year 2011, the total revenue pledged represents 100 percent of the net revenues of the System and 84 percent of net tuition revenue received, compared to 100 percent of the net revenues and 84 percent of net tuition revenue received during fiscal year 2010. Although net tuition is pledged it is not expected to be needed to meet debt service requirements.

The bond resolution requires that debt service coverage on the cash basis (net revenues plus pledged tuition) be at least 200 percent of annual debt service and that net revenues shall be at least 100 percent of the annual debt service requirement in each fiscal year. For the year ended June 30, 2011, the maximum annual debt service was $1,985,750, and the coverage was 6,974 percent. For the year ended June 30, 2010, the maximum annual debt requirement was $1,985,750, and the coverage was 6,783 percent. The bond resolution also requires the Treasurer to credit funds remaining in the revenue fund into a separate and special account designated the Medical Facilities System Repair and Replacement Reserve account on or before the close of each fiscal year, the sum of not less than 10 percent of the maximum annual debt service, or such portion thereof as is available for transfer and deposit annually, for a repair and replacement reserve. The net assets of Renewals and Replacements were $932,711 at June 30, 2011, and $726,566 at June 30, 2010.

NOTE 8 - Revenue bonds payable (continued)

As of June 30, 2011, future debt service requirements for all bonds outstanding are:

UNIVERSITY:	**June 30, 2011**	
	Principal	**Interest**
2012	$ 16,520,000	$ 10,301,144
2013	17,105,000	9,904,744
2014	17,065,000	9,478,281
2015	17,370,000	9,057,224
2016	17,770,000	8,605,136
2017-21	87,610,000	35,288,040
2022-26	76,805,000	21,825,766
2027-31	55,585,000	9,884,495
2032-36	18,405,000	2,659,000
Total payments	324,235,000	$117,003,830
Unaccreted appreciation	(42,956,222)	
Subtotal	281,278,778	
Unamortized premiums on bonds	5,569,400	
Unamortized deferred loss on refunding	(1,360,451)	
Total bonds payable	$ 285,487,727	

As of June 30, 2010, future debt service requirements for all bonds outstanding were:

UNIVERSITY:	**June 30, 2010**	
	Principal	**Interest**
2011	$ 16,120,000	$ 10,661,107
2012	16,520,000	10,301,144
2013	17,105,000	9,904,744
2014	17,065,000	9,478,281
2015	17,370,000	9,057,224
2016-20	87,845,000	37,944,484
2021-25	79,030,000	24,364,378
2026-30	67,375,000	12,198,325
2031-35	19,445,000	3,631,250
2036	2,480,000	124,000
Total payments	340,355,000	$127,664,937
Unaccreted appreciation	(47,431,674)	
Subtotal	292,923,326	
Unamortized premiums on bonds	5,885,961	
Unamortized deferred loss on refunding	(1,536,263)	
Total bonds payable	$ 297,273,024	

NOTE 9 - Capitalized leases

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

UNIVERSITY:	June 30, 2011
Year Ending	
2012	$ 129,853
2013	90,088
Total minimum lease payments	219,941
Less amount representing interest	(10,316)
Present value of net minimum lease payments	$ 209,625

Year Ending	June 30, 2010
2011	$ 178,206
2012	46,518
2013	6,753
2014	6,753
2015	6,752
Total minimum lease payments	244,982
Less amount representing interest	(11,260)
Present value of net minimum lease payments	$ 233,722

Assets held under capital lease are:

UNIVERSITY:	June 30, 2011	June 30, 2010
Equipment	$ 387,019	$ 506,971
Less accumulated depreciation	(79,964)	(215,407)
Total net assets	$ 307,055	$ 291,564

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 $15,936,493 in 2011 and $15,319,183 in 2010.

NOTE 10 - Certificates of participation payable

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, 2011 and 2010, these certificates were outstanding in the amount of $19,016,248 and $21,431,596, respectively.

NOTE 10 - Certificates of participation payable (continued)

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, 2011 and 2010, these certificates were outstanding in the amount of $970,485 and $1,426,229, respectively.

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

UNIVERSITY:

June 30, 2011	**Certificates of Participation**	
	Principal	**Interest**
2012	$ 2,105,000	$ 898,843
2013	2,190,000	812,540
2014	1,760,000	733,850
2015	1,195,000	661,250
2016	1,070,000	610,463
2017-21	6,135,000	2,284,150
2022-24	5,590,000	625,000
Total payments	20,045,000	$ 6,626,096
Unamortized premiums (discounts) on COPS	(58,267)	
Total payable	$ 19,986,733	

June 30, 2010	**Principal**	**Interest**
2011	$ 2,875,000	$ 1,015,410
2012	2,105,000	898,843
2013	2,190,000	812,540
2014	1,760,000	733,850
2015	1,195,000	661,250
2016-20	5,865,000	2,551,463
2021-24	6,930,000	968,150
Total payments	22,920,000	$ 7,641,506
Unamortized premiums (discounts) on COPS	(62,175)	
Total payable	$ 22,857,825	

NOTE 11 - 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, 2011 and 2010, the accrual for self-insurance was $16,981,334 and $17,500,528, respectively, for the general and professional liability fund and $1,448,650 and $1,328,862, respectively, for the Student Medical Insurance Plan, for a total accrued liability for self-insurance of $18,429,984 and $18,829,390. 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 years ended June 30, 2011, and June 30, 2010, are reflected below:

	June 30, 2011		
	Total	General and Professional	Student Plan
Accrued liability, June 30, 2010	$ 18,829,390	$ 17,500,528	$ 1,328,862
Current year claims and other changes	11,347,694	3,166,866	8,180,828
Payment of Claims	(11,747,100)	(3,686,060)	(8,061,040)
Accrued liability, June 30, 2011	$ 18,429,984	$ 16,981,334	$ 1,448,650

	June 30, 2010		
	Total	General and Professional	Student Plan
Accrued liability, June 30, 2009	$ 17,727,828	$ 16,198,924	$ 1,528,904
Current year claims and other changes	18,111,678	11,937,413	6,174,265
Payment of Claims	(17,010,116)	(10,635,809)	(6,374,307)
Accrued liability, June 30, 2010	$ 18,829,390	$ 17,500,528	$ 1,328,862

NOTE 12 - Net Assets

Net asset balances by major categories at June 30, 2011 and 2010:

UNIVERSITY:	June 30, 2011	June 30, 2010
Invested in capital assets, net of related debt	$ 410,754,130	$ 387,680,620
Restricted for:		
Nonexpendable	2,976,342	3,089,109
Expendable		
Quasi-endowment	243,320	205,047
Scholarships, research, instruction and other	13,104,549	10,232,909
Loans	5,060,503	4,903,183
Self insurance	8,138,679	1,719,495
Capital projects	69,276,593	33,073,353
Debt service	19,846,353	19,942,981
Unrestricted	98,992,956	85,004,625
Total	$ 628,393,425	$ 545,851,322
UNIVERSITY RELATED ORGANIZATIONS:		
Invested in capital assets, net of related debt	$ 5,603,399	$ 5,898,122
Restricted for:		
Nonexpendable	94,347,079	92,036,179
Expendable		
Scholarships, research, instruction and other	62,795,595	37,931,087
Loans	554,931	114,525
Capital projects	11,259,837	12,577,163
Unrestricted	48,697,706	27,161,994
Total	$ 223,258,547	$ 175,719,070

NOTE 13 - 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 2011, realized gains on investments totaled $106,244 and unrealized gains on investments totaled $216,491, resulting in a balance of $2,050,261 held by the Foundation at June 30, 2011. During fiscal year 2010, realized gains on investments were $41,529 and unrealized gains on investments were $156,304, resulting in a balance of $1,727,526 at June 30, 2010. The Foundation distributes earnings to the University on a quarterly basis. Payments during fiscal years 2011 and 2010 totaled $74,947 and $54,542, respectively.

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

NOTE 14 - 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 state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the state's financial reports as a pension trust fund. SURS is governed by Section 5/15, Chapter 40, of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.SURS.org or calling 1-800-275-7877.

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 for fiscal year 2012 is 24.21% 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 years ended June 30, 2011, 2010, and 2009 were $81,241,705, $74,103,976, and $47,526,941, respectively, equal to the required contributions for the year. The fiscal year 2011 contribution consisted of $78,215,213 from State appropriations and $3,026,492 from other current funds, and the fiscal year 2010 contribution consisted of $71,262,767 from State appropriations and $2,841,209 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.

NOTE 15 - Post-employment benefits

In addition to providing the above pension benefits, the State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Healthcare and Family Services along with the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Universities Retirement System do not contribute towards health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes $5,000.

The State pays the University's portion of employer costs for the benefits provided. The total costs of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as an expenditure by the

NOTE 15 - Post-employment benefits (continued)

State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Healthcare and Family Services. A copy of the financial statements of the Department of Healthcare and Family Services may be obtained by writing to the Department of Healthcare and Family Services, 201 South Grand Ave., Springfield, Illinois, 62763-3838.

NOTE 16 - University Related Organizations - transactions with related parties

The University has entered into master contracts with the University Related Organizations which specify the relationship between the University and its related organizations in accordance with the Legislative Audit Commission's University Guidelines of 1982 as amended in 1997. Significant transactions for the University during fiscal years 2011 and 2010 included the receipt of $38,300,063 and $32,805,245, respectively, from SIU Physicians & Surgeons, Inc. (SIU P&S) for services provided by the University. Also, SIU P&S contributions to the University for Academic Development for the School of Medicine during fiscal years 2011 and 2010 totaled $8,010,670 and $6,999,382, respectively.

Effective October 1, 2010, the agreement between the Partnership for a Connected Illinois (PCI) and the University was terminated; therefore, PCI is no longer a University Related Organization. The prior year net assets balance of ($119,775) has been removed from the Statement of Revenues, Expenses and Changes in Net Assets, and the prior year cash balance of $11,836 has been removed from the Statement of Cash Flows.

Additional information concerning transactions with related parties may be obtained by contacting the entities listed in Note 1 on pages 15 and 16.

NOTE 17 - Commitments and contingencies

Grants and contracts

The University receives monies from federal and state government agencies under grants and contracts for research and other activities, including medical service reimbursements and the administration of student financial aid. The costs, both direct and indirect, charged to these grants and contracts are subject to audit and disallowance by the granting agency. During fiscal year 2011, the U.S. Department of Education performed a program review at SIUE that will likely result in the return of Title IV funds by the University and the recognition of student receivables to recover the majority of that payment, but the amount of this potential liability and receivable cannot be estimated. The University administration believes that any disallowances or adjustment resulting from this review and any other reviews would not have a material effect on the University's financial position.

Legal action

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

NOTE 17 - Commitments and contingencies (continued)

Forward contract

The University has forward fixed-price purchase contracts with MidAmerican Energy Company for the procurement of electricity that is used in the normal course of operations. The University does not employ futures contracts or other derivative products. At June 30, 2011 and 2010, the University's annual commitment related to these contracts is approximately $11,500,000.

Construction projects

The University has active construction projects as of June 30, 2011. These projects include Stadium and Arena construction at the Carbondale campus and other various projects. A total of $55,522,300 has been spent on these projects through June 30, 2011. The University has $108,619,218 committed to the completion of these projects.

NOTE 18 - Subsequent event

On December 8, 2011, the Board of Trustees of Southern Illinois University authorized the issuance of the Housing and Auxiliary Facilities System Revenue Bonds, Series 2012 in an amount not exceeding $31,300,000 for the purpose of construction of the Student Services Building at the Carbondale campus, and refunding of the outstanding Housing and Auxiliary Facilities System Revenue Bonds, Series 2001. The bonds were delivered in January 2012.

NOTE 19 - 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. Additional information relating to these segments is included in Note 8, Revenue bonds payable.

Condensed financial statements for the University's two segments for fiscal year 2011, with comparative information for fiscal year 2010, are presented on the following pages.

NOTE 19 - Segment information (continued)

	Housing and Auxiliary Facilities System	
CONDENSED STATEMENTS OF NET ASSETS		
	June 30, 2011	**June 30, 2010**
Assets:		
Current assets	$ 62,356,861	$ 93,398,907
Capital assets, net	263,682,720	251,195,959
Other assets	12,741,551	6,275,691
Total Assets	338,781,132	350,870,557
Liabilities:		
Current liabilities	28,080,023	35,124,673
Noncurrent liabilities	255,519,773	266,762,325
Total Liabilities	283,599,796	301,886,998
Net Assets (Deficit)		
Invested in capital assets, net of related debt	(4,889,449)	(8,970,683)
Restricted - expendable	42,326,550	39,569,460
Unrestricted	17,744,235	18,384,782
Total Net Assets	$ 55,181,336	$ 48,983,559

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS	**Year ended June 30, 2011**	**Year ended June 30, 2010**
Operating revenues	$104,553,077	$ 103,697,258
Operating expenses	(94,690,883)	(91,937,079)
Depreciation expense	(13,049,509)	(10,804,659)
Operating gain (loss)	(3,187,315)	955,520
Nonoperating revenues and expenses - net	9,022,819	26,117,209
Income (loss) before other revenues, expenses, gains or losses	5,835,504	27,072,729
Other revenues, expenses, gains or losses - net	362,273	1,410,188
Increase in net assets	6,197,777	28,482,917
Net assets at beginning of year	48,983,559	20,500,642
Net assets at end of year	$ 55,181,336	$ 48,983,559

CONDENSED STATEMENTS OF CASH FLOWS	**Year ended June 30, 2011**	**Year ended June 30, 2010**
Cash provided by (used in):		
Operating activities	$ 23,990,228	$ 24,976,321
Noncapital financing activities	11,892,620	14,002,718
Capital financing activities	(54,664,606)	(69,403,192)
Investing activities	6,865,024	43,167,580
Net increase (decrease) in cash	(11,916,734)	12,743,427
Cash, beginning of year	62,444,245	49,700,818
Cash, end of year	$ 50,527,511	$ 62,444,245

NOTE 19 - Segment information (continued)

	Medical Facilities System	
CONDENSED STATEMENTS OF NET ASSETS		
	June 30, 2011	**June 30, 2010**
Assets:		
Current assets	$ 8,900,240	$ 7,449,360
Capital assets, net	35,886,654	34,804,271
Other assets	222,926	361,482
Total Assets	45,009,820	42,615,113
Liabilities:		
Current liabilities	2,171,340	1,820,432
Noncurrent liabilities	17,895,083	19,195,097
Total Liabilities	20,066,423	21,015,529
Net Assets (Deficit)		
Invested in capital assets, net of related debt	18,971,097	17,066,084
Restricted - expendable	1,393,159	1,248,569
Unrestricted	4,579,141	3,284,931
Total Net Assets	$ 24,943,397	$ 21,599,584

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS	**Year ended June 30, 2011**	**Year ended June 30, 2010**
Operating revenues	$ 39,196,236	$ 32,567,431
Operating expenses	(48,686,453)	(44,597,158)
Depreciation expense	(1,238,713)	(1,199,955)
Operating gain (loss)	(10,728,930)	(13,229,682)
Nonoperating revenues and expenses - net	13,595,822	12,259,424
Income (loss) before other revenues, expenses, gains or losses	2,866,892	(970,258)
Other revenues, expenses, gains or losses - net	476,921	411,817
Increase in net assets	3,343,813	(558,441)
Net assets at beginning of year	21,599,584	22,158,025
Net assets at end of year	$ 24,943,397	$ 21,599,584

CONDENSED STATEMENTS OF CASH FLOWS	**Year ended June 30, 2011**	**Year ended June 30, 2010**
Cash provided by (used in):		
Operating activities	$ 2,582,867	$ 1,879,819
Noncapital financing activities	115,842	-
Capital financing activities	(3,534,413)	(1,901,052)
Investing activities	156,137	67,120
Net increase (decrease) in cash	(679,567)	45,887
Cash, beginning of year	4,219,978	4,174,091
Cash, end of year	$ 3,540,411	$ 4,219,978

NOTE 20 - 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, 2011								
Assets:								
Current assets	$ 31,445,742	$ 6,502,882	$ 43,339,889	$ 372,799	$ 22,426	$ 239,847	$ 1,458,256	$ 83,381,841
Noncurrent assets	119,263,053	29,820,354	2,256,331	7,256,545	141,628	262,630	1,382,768	160,383,309
Total Assets	150,708,795	36,323,236	45,596,220	7,629,344	164,054	502,477	2,841,024	243,765,150
Liabilities:								
Current liabilities	653,568	351,598	9,760,834	783,353	227,188	80,540	160,280	12,017,361
Noncurrent liabilities	5,483,512	558,287	-	1,642,839	-	-	804,604	8,489,242
Total Liabilities	6,137,080	909,885	9,760,834	2,426,192	227,188	80,540	964,884	20,506,603
Net Assets:								
Invested in capital assets, net of related debt	438,806	2,238,858	1,027,790	252,547	-	262,630	1,382,768	5,603,399
Restricted - nonexpendable	78,080,232	16,266,847	-	-	-	-	-	94,347,079
Restricted - expendable	58,425,476	16,184,887	-	-	-	-	-	74,610,363
Unrestricted	7,627,201	722,759	34,807,596	4,950,605	(63,134)	159,307	493,372	48,697,706
Total Net Assets	$ 144,571,715	$ 35,413,351	$ 35,835,386	$ 5,203,152	$ (63,134)	$ 421,937	$ 1,876,140	$ 223,258,547
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS								
Year ended June 30, 2011								
Operating revenues	$ 5,473,484	$ 4,861,126	$ 105,989,374	$ 2,077,218	$ 390,064	$ 337,396	$ 489,372	$ 119,618,034
Operating expenses	15,091,400	4,277,959	89,841,164	2,010,122	488,766	365,145	532,522	112,607,078
Operating income (loss)	(9,617,916)	583,167	16,148,210	67,096	(98,702)	(27,749)	(43,150)	7,010,956
Nonoperating revenues and expenses - net	34,421,123	3,251,817	148,121	1,058,215	39,193	121,506	14,576	39,054,551
Income (loss) before other revenues	24,803,207	3,834,984	16,296,331	1,125,311	(59,509)	93,757	(28,574)	46,065,507
Other revenues	1,071,836	282,359	-	-	-	-	-	1,354,195
Increase (decrease) in net assets	25,875,043	4,117,343	16,296,331	1,125,311	(59,509)	93,757	(28,574)	47,419,702
Net assets at beginning of year	118,696,672	31,296,008	19,539,055	4,077,841	(3,625)	328,180	1,904,714	175,838,845
Net assets at end of year	$ 144,571,715	$ 35,413,351	$ 35,835,386	$ 5,203,152	$ (63,134)	$ 421,937	$ 1,876,140	$ 223,258,547
CONDENSED STATEMENTS OF CASH FLOWS								
Year ended June 30, 2011								
Cash provided by (used in):								
Operating activities	$ (8,830,583)	$ 997,479	$ 1,709,503	$ 71,756	$ (95,056)	$ (15,363)	$ (122,441)	$ (6,284,705)
Noncapital financing activities	7,176,041	281,827	(106,715)	9,041	66	-	136,846	7,497,106
Capital financing activities	(4,498)	(68,647)	(97,688)	-	-	64,959	-	(105,874)
Investing activities	2,481,708	1,203,192	(318,845)	(496,842)	51,954	1,051	13,378	2,935,596
Net increase (decrease) in cash	822,668	2,413,851	1,186,255	(416,045)	(43,036)	50,647	27,783	4,042,123
Cash, beginning of year	238,804	1,521,854	2,921,260	477,456	52,429	63,698	1,401,254	6,676,755
Cash, end of year	$ 1,061,472	$ 3,935,705	$ 4,107,515	$ 61,411	$ 9,393	$ 114,345	$ 1,429,037	$ 10,718,878

NOTE 20 - University Related Organizations (continued)

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	SIUC PCI	TOTAL
CONDENSED STATEMENTS OF NET ASSETS									
JUNE 30, 2010									
Assets:									
Current assets	$ 28,118,282	$ 4,554,748	$ 24,565,419	$ 888,869	$ 62,930	$ 165,422	$ 1,436,623	$ 465,964	$ 60,258,257
Noncurrent assets	96,730,206	27,531,643	2,514,956	5,611,013	154,236	173,252	1,436,593	-	134,151,899
Total Assets	124,848,488	32,086,391	27,080,375	6,499,882	217,166	338,674	2,873,216	465,964	194,410,156
Liabilities:									
Current liabilities	943,570	209,868	7,541,320	816,146	220,791	10,494	154,637	585,739	10,482,565
Noncurrent liabilities	5,208,246	580,515	-	1,605,895	-	-	813,865	-	8,208,521
Total Liabilities	6,151,816	790,383	7,541,320	2,422,041	220,791	10,494	968,502	585,739	18,691,086
Net Assets:									
Invested in capital assets, net of related debt	452,651	2,310,366	1,241,575	283,684	-	173,252	1,436,594	-	5,898,122
Restricted - nonexpendable	78,130,396	13,905,783	-	-	-	-	-	-	92,036,179
Restricted - expendable	35,974,161	14,648,614	-	-	-	-	-	-	50,622,775
Unrestricted	4,139,464	431,245	18,297,480	3,794,157	(3,625)	154,928	468,120	(119,775)	27,161,994
Total Net Assets	$118,696,672	$ 31,296,008	$ 19,539,055	$ 4,077,841	$ (3,625)	$ 328,180	$ 1,904,714	$ (119,775)	$175,719,070
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS									
Year ended June 30, 2010									
Operating revenues	$ 5,524,684	$ 4,602,979	$ 85,308,702	$ 2,075,405	$ 355,823	$ 341,932	$ 466,241	$1,109,059	$ 99,784,825
Operating expenses	19,114,271	3,641,817	81,561,055	1,839,548	426,567	350,929	465,059	1,228,834	108,628,080
Operating income (loss)	(13,589,587)	961,162	3,747,647	235,857	(70,744)	(8,997)	1,182	(119,775)	(8,843,255)
Nonoperating revenues and expenses - net	22,821,953	1,483,918	148,530	514,280	33,924	1,897	19,443	-	25,023,945
Income (loss) before other revenues	9,232,366	2,445,080	3,896,177	750,137	(36,820)	(7,100)	20,625	(119,775)	16,180,690
Other revenues	2,932,874	190,908	-	-	-	-	-	-	3,123,782
Increase (decrease) in net assets	12,165,240	2,635,988	3,896,177	750,137	(36,820)	(7,100)	20,625	(119,775)	19,304,472
Net assets at beginning of year	106,531,432	28,660,020	15,642,878	3,327,704	33,195	335,280	1,884,089	-	156,414,598
Net assets at end of year	$118,696,672	$ 31,296,008	$ 19,539,055	$ 4,077,841	$ (3,625)	$ 328,180	$ 1,904,714	$ (119,775)	$175,719,070
CONDENSED STATEMENTS OF CASH FLOWS									
Year ended June 30, 2010									
Cash provided by (used in):									
Operating activities	$ (12,687,824)	$ 6,475,114	$ 602,989	$ 231,787	$ (36,070)	$ 3,468	$ (72,284)	$ 11,836	$ (5,470,984)
Noncapital financing activities	10,496,361	190,908	94,259	2,483	342	-	132,270	-	10,916,623
Capital financing activities	-	(1,221,186)	(128,899)	(2,590)	-	-	-	-	(1,352,675)
Investing activities	2,143,306	(4,502,740)	1,241,658	150,437	68,809	1,897	18,234	-	(878,399)
Net increase (decrease) in cash	(48,157)	942,096	1,810,007	382,117	33,081	5,365	78,220	11,836	3,214,565
Cash, beginning of year	286,961	579,758	1,111,253	95,339	19,348	58,333	1,323,034	-	3,474,026
Cash, end of year	$ 238,804	$ 1,521,854	$ 2,921,260	$ 477,456	$ 52,429	$ 63,698	$ 1,401,254	$ 11,836	$ 6,688,591

Independent Auditors' 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 the business-type activities of Southern Illinois University (the "University") and its aggregate discretely presented component units (the "University Related Organizations"), collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2011, which collectively comprise the University's basic financial statements and have issued our report thereon dated April 2, 2012. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the University Related Organizations, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of two University Related Organizations, the Southern Illinois University Carbondale Foundation and the Southern Illinois University Carbondale Alumni Association, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the University is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted certain matters that we reported to management of the University in a separate letter dated April 2, 2012.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University'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 with 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*.

We noted certain matters that we reported to management of the University in a separate letter dated April 2, 2012.

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, University management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Springfield, Illinois
April 2, 2012

STATE OF ILLINOIS

SOUTHERN ILLINOIS UNIVERSITY

HOUSING AND AUXILIARY FACILITIES SYSTEM

Report of the Treasurer

For the Year Ended June 30, 2011

Southern Illinois University
Board of Trustees and
Officers of Administration
Fiscal Year 2011

BOARD OF TRUSTEES OF SOUTHERN ILLINOIS UNIVERSITY

Roger Herrin, Chair	Harrisburg
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Jeffrey McLellan, Interim General Counsel
Paul Sarvela, Vice President, Academic Affairs
Duane Stucky, Senior Vice President, Financial and Administrative Affairs, and Board Treasurer
Misty Whittington, Executive Secretary of the Board

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Vaughn Vandegrift, Chancellor
Paul W. Ferguson, Provost and Vice Chancellor for Academic Affairs
Narbeth Emmanuel, Vice Chancellor for Student Affairs
Patrick Hundley, Vice Chancellor for University Relations
Kenneth Neher, Vice Chancellor for Administration

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The University also issues an Annual Financial Report.

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

September 30, 2011

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, 2011.

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

CARBONDALE P: 618.536.3475 F: 618.536.3404
CARBONDALE / EDWARDSVILLE / SPRINGFIELD / ALTON / EAST ST. LOUIS

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 eleven 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; three buildings leased to national organizations of fraternities and sororities for student housing; one building which is designated as housing for professional students; and seven 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 residence hall 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. 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.

The tenth phase expanded the System to include a new Student Success Center and an expansion to the Student Fitness Center on the Edwardsville campus. This phase also includes the installation of automatic sprinkler systems in Thompson Point and University Hall and the installation of security cameras and an electronic access control system at all exterior entries to Thompson Point on the Carbondale campus. The funds for construction and improvements were provided through the issuance of bonds totaling $30,105,000.

The eleventh phase expanded the System to include a new football stadium on the Carbondale campus. This phase also includes the renovation of the SIU Arena and the construction of a new addition thereto on the Carbondale campus. The funds for construction and renovation were provided through the issuance of bonds totaling $53,735,000.

The twelfth phase expanded the System to add the housing facilities at Evergreen Terrace on the Carbondale campus.

ADVANCE REFUNDINGS

The 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 refunding has 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.

TREASURER'S COMMENTS – Continued

The proceeds of the bonds issued for the above 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, premium and principal of the refunded bonds. The U.S. Government securities purchased for the Advance Refunding of 2006 are held in trust by the Bank of America N.A., 135 South LaSalle Street, Chicago, Illinois. The principal amount outstanding as of June 30, 2011, relating to the advance refunding, is as follows:

ADVANCE REFUNDING OF 2006:

Housing and Auxiliary Facilities System Revenue Bonds of 1997, 2000 and 2001 – Final Maturity April 1, 2012	$ 7,850,000
	$ 7,850,000

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.

II. ENROLLMENTS AT SOUTHERN ILLINOIS UNIVERSITY

The University reports the following enrollments, by campus:

	Head Count*	Full-Time Equivalency**
Carbondale Campus (semester basis)		
Fall semester 2010	20,037	16,682
Fall semester 2009	20,350	16,944
Edwardsville Campus (semester basis)		
Fall semester 2010	14,133	12,003
Fall semester 2009	13,940	11,806

*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.

III. HISTORICAL OCCUPANCY OF SYSTEM FACILITIES

The occupancy charges and rates below are based on the school year (9 months) except for Southern Hills and Wall & Grand which are based on the length of the housing contract, 12 months and 10 months, respectively.

	Range of Occupancy	Occupancy Rates				
	Charges for 2011	2011	2010	2009	2008	2007
Southern Hills Apartments (C)						
155 Apartments	$5,988 - $6,900	87.4%	79.8%	80.9%	81.2%	88.4%
Evergreen Terrace (C)*						
301 Apartments	$6,912 - $7,464	89.3%	86.6%	-- --	-- --	-- --
Thompson Point (C)						
1,183 Persons	$7,886 - $11,290	90.4%	94.1%	93.9%	95.5%	94.9%
Towers (C)						
2,129 Persons	$7,624 - $10,876	92.1%	93.1%	92.6%	91.5%	88.0%
Triads (C)						
939 Persons	$7,272 - $10,320	25.9%	34.2%	34.6%	36.8%	35.7%
Greek Row (C)**		-- --	-- --	54.1%	66.2%	70.1%
University Hall (C)						
355 Persons	$7,624 - $10,876	80.4%	84.9%	83.6%	89.7%	78.0%
Wall & Grand (C)***						
396 Persons (Bldg I,II & III)	$5,738 - $6,964	89.6%	95.2%	94.2%	78.9%	90.7%
Cougar Village (E)						
496 Apartments	$3,780 - $12,250	95.3%	95.5%	93.9%	92.7%	95.8%
Woodland Hall (E)						
257 Rooms	$7,790 - $13,830	97.8%	91.7%	96.2%	86.9%	97.9%
Prairie Hall (E)						
260 Rooms	$7,790 - $13,830	98.2%	95.5%	95.6%	90.6%	97.3%
Bluff Hall (E)						
260 Rooms	$7,790 - $13,830	98.3%	94.1%	96.5%	89.3%	96.7%
Evergreen Hall (E)****						
131 Apartments	$5,280 - $9,870	97.8%	97.5%	97.7%	97.4%	-- --

(C) Carbondale Campus, (E) Edwardsville Campus

*Evergreen Terrace became part of the System in July 2010.
**Individual leases were discontinued July 2010 due to lack of demand. Certain properties are still leased to national organizations of fraternities and sororities for housing (three buildings) and to the University for administrative and student service purposes (seven buildings).
***Wall & Grand apartments (Bldg I) opened for occupancy Spring 2007; Bldg II & III opened for occupancy Fall 2007.
****Evergreen Hall apartments opened for occupancy Fall 2007.

TREASURER'S COMMENTS – Continued

IV. DEBT SERVICE COVERAGES

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

	Year ended June 30,	
	2011	2010
Receipts:		
Revenue Account:		
Operating Receipts	$ 107,001,548	$ 105,248,889
Revenue Bond Fees	1,916,577	1,966,299
Retirement of Indebtedness – Investment Income	122,156	281,163
Total Receipts	109,040,281	107,496,351
Disbursements:		
Operation and Maintenance Account	76,306,959	73,743,943
Net Revenues	32,733,322	33,752,408
Plus: Pledged Retained Tuition	25,267,244	25,267,244
Total Available for Debt Service	$ 58,000,566	$ 59,019,652
Maximum Annual Debt Service	$ 25,267,244	$ 25,267,244
Coverage Ratio Based on Net Revenues	130%	134%
Coverage Ratio as Defined in the Bond Resolution	230%	234%

V. RETIREMENT OF INDEBTEDNESS

The net assets are restricted for the following purposes:

	June 30,	
	2011	2010
Bond and Interest Sinking Fund Account	$ 9,303,188	$ 8,941,446
Debt Service Reserve Account	9,066,125	9,066,125
	$ 18,369,313	$ 18,007,571

VI. 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 $9,855,182 ($6,848,318 in 2010) and investment income of $219,924 in 2011 and $377,475 in 2010. Expenditures charged to the reserve amounted to $7,901,774 in 2011 and $5,225,185 in 2010. The net assets of Renewals and Replacements consisted of the following:

	June 30,	
	2011	2010
Pooled Cash and Investments	$ 23,072,916	$ 19,483,192
Accrued Interest Receivable	16,044	12,437
Accounts Payable	(2,318,039)	(898,040)
	$ 20,770,921	$ 18,597,589

VII. 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 2009A, 2008A, 2006A, 2004A, 2003A, 2001A, 1999A, 1997A and 1993A issued and outstanding as of June 30, 2011.

VIII. RESTRICTED NET ASSETS – EXPENDABLE

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

	2011	2010
Retirement of indebtedness	$ 18,369,313	$ 18,007,571
Renewals and replacements	20,770,921	18,597,589
Unexpended	3,186,316	2,964,300
	$ 42,326,550	$ 39,569,460

Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe 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 of the business-type activities of the Southern Illinois University Housing and Auxiliary Facilities System ("the System") as of and for the year ended June 30, 2011. 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 comparative information has been derived from the System's June 30, 2010 financial statements and, in our report dated February 25, 2011, we expressed an unqualified opinion on the financial statements of the business-type activities.

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, 2011, 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, 2011, 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 April 2, 2012, 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 taken as a whole. 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, based on our audit, are 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 2009A, Revenue Bonds Series 2008A, Revenue Bonds Series 2006A, Revenue Bonds Series 2004A, Revenue Bonds Series 2003A, Revenue Bonds Series 2001A, Revenue Bonds Series 1999A, Revenue Bonds 1997A, and Revenue Bonds Series 1993A adopted April 2, 2009, April 10, 2008, March 9, 2006, October 14, 2004, December 12, 2002, July 12, 2001, May 13, 1999, July 10, 1997, and May 13, 1993, respectively, insofar as they related to accounting matters. 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, System management, and the bondholders and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Springfield, Illinois
April 2, 2012

SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
STATEMENT OF NET ASSETS
June 30, 2011
(with comparative totals for 2010)

	2011	2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 50,527,511	$ 62,444,245
Short term investments	5,549,956	18,291,012
Accounts receivable, net	4,536,833	10,904,567
Accrued interest receivable	70,436	174,967
Merchandise for resale	1,395,992	1,309,168
Prepaid expenses and other assets	276,133	274,948
TOTAL CURRENT ASSETS	62,356,861	93,398,907
NONCURRENT ASSETS:		
Long term investments	9,202,316	2,495,036
Prepaid expenses and other assets	3,539,235	3,780,655
Capital assets, net:		
Land	605,395	605,395
Buildings	244,936,651	174,531,008
Improvements	4,910,581	5,422,236
Equipment	10,299,611	8,067,156
Construction in progress	2,930,482	62,570,164
TOTAL NONCURRENT ASSETS	276,424,271	257,471,650
TOTAL ASSETS	338,781,132	350,870,557
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	5,238,352	12,974,110
Accrued interest payable	2,367,061	2,448,967
Accrued payroll	846,724	503,346
Accrued compensated absences	173,993	169,828
Housing deposits	140,670	129,397
Deferred revenue	3,823,764	3,749,025
Revenue bonds payable	15,489,459	15,150,000
TOTAL CURRENT LIABILITIES	28,080,023	35,124,673
NONCURRENT LIABILITIES:		
Accrued compensated absences	2,265,132	2,219,335
Housing deposits	171,930	158,153
Revenue bonds payable	253,082,711	264,384,837
TOTAL NONCURRENT LIABILITIES	255,519,773	266,762,325
TOTAL LIABILITIES	283,599,796	301,886,998
NET ASSETS (DEFICIT)		
Invested in capital assets, net of related debt	(4,889,449)	(8,970,683)
Restricted for:		
Expendable		
Capital projects and debt service	42,326,550	39,569,460
Unrestricted	17,744,235	18,384,782
TOTAL NET ASSETS	$ 55,181,336	$ 48,983,559

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
Year Ended June 30, 2011
(with comparative totals for 2010)

	2011	2010
REVENUES		
OPERATING REVENUES:		
Residence halls and apartments	$ 56,218,052	$ 56,377,155
University student centers		
Sales and services	15,075,224	14,417,071
Student fees	8,594,940	8,608,714
Student recreation and fitness centers		
Sales and services	1,281,945	1,267,927
Student fees	6,454,149	6,438,247
Child care center	901,298	871,886
Student health center	9,592,852	9,458,737
Traffic and parking	2,681,734	2,590,279
Student success center	1,836,306	1,700,943
Revenue bond fees	1,916,577	1,966,299
TOTAL OPERATING REVENUES	104,553,077	103,697,258
EXPENSES		
OPERATING EXPENSES:		
Salaries and wages	46,621,284	44,574,008
Merchandise for resale	9,876,746	9,314,290
Utilities	9,507,301	10,806,475
Maintenance and repairs	12,190,747	13,192,303
Administrative	10,638,856	9,080,856
Other	5,855,949	4,969,147
Depreciation	13,049,509	10,804,659
TOTAL OPERATING EXPENSES	107,740,392	102,741,738
OPERATING INCOME (LOSS)	(3,187,315)	955,520
NONOPERATING REVENUES (EXPENSES)		
Investment income	726,718	1,300,258
Gifts and contributions	1,003,644	1,018,177
Payments on-behalf of the system	14,371,521	13,124,372
Interest on capital asset-related debt	(9,123,370)	(7,566,822)
Accretion on bonds payable	(4,475,452)	(4,457,420)
Other nonoperating revenue	6,519,758	22,698,644
NET NONOPERATING REVENUES	9,022,819	26,117,209
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	5,835,504	27,072,729
OTHER REVENUES, EXPENSES, GAINS OR LOSSES		
Capital assets retired	(116,240)	(566,818)
Additions to plant facilities from other sources	478,513	1,977,006
TOTAL OTHER REVENUES, EXPENSES, GAINS OR LOSSES	362,273	1,410,188
INCREASE IN NET ASSETS	6,197,777	28,482,917
NET ASSETS		
Net assets at beginning of year	48,983,559	20,500,642
NET ASSETS AT END OF YEAR	$ 55,181,336	$ 48,983,559

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, 2011
(with comparative totals for 2010)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Residence halls and apartments	$ 53,198,499	$ 53,179,028
University student centers		
Sales and services	15,921,345	15,298,589
Student fees	8,533,986	8,520,207
Student recreation and fitness centers		
Sales and services	1,274,818	1,287,100
Student fees	6,400,573	6,387,748
Child care center	900,113	875,231
Student health center	9,411,781	9,401,146
Traffic and parking	2,669,089	2,591,999
Student success center	1,856,829	1,713,700
Revenue bond fees	1,916,577	1,966,299
Payments to employees	(29,613,608)	(29,315,193)
Payments for utilities	(9,277,309)	(10,571,253)
Payments to suppliers	(39,202,465)	(36,358,280)
NET CASH PROVIDED BY OPERATING ACTIVITIES	23,990,228	24,976,321
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gifts for other than capital purposes	3,619	18,257
Other nonoperating revenue	11,889,001	13,984,461
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	11,892,620	14,002,718
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchases of capital assets	(31,717,662)	(51,055,179)
Principal paid on capital debt	(15,295,000)	(12,425,000)
Interest paid on capital debt	(9,795,869)	(9,789,184)
Other	2,143,925	3,866,171
NET CASH PROVIDED BY (USED IN) BY CAPITAL FINANCING ACTIVITIES	(54,664,606)	(69,403,192)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	40,363,402	76,716,582
Investment income	682,438	1,517,328
Purchase of investments	(34,180,816)	(35,066,330)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	6,865,024	43,167,580
NET INCREASE (DECREASE) IN CASH	(11,916,734)	12,743,427
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR	62,444,245	49,700,818
CASH AND CASH EQUIVALENTS - END OF THE YEAR	$ 50,527,511	$ 62,444,245
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	$ (3,187,315)	$ 955,520
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	13,049,509	10,804,659
Payments on-behalf of the system	14,371,521	13,124,372
Change in assets and liabilities:		
Receivables, net	(453,489)	(1,323,268)
Merchandise for resale	(86,824)	(173,535)
Prepaid expenses and other assets	(1,185)	17,626
Accounts payable	(195,118)	1,500,004
Accrued payroll	343,378	(57,784)
Accrued compensated absences	49,962	27,880
Housing deposits	25,050	(5,775)
Deferred revenue	74,739	106,622
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 23,990,228	$ 24,976,321
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Payments on-behalf of the system	$ 14,371,521	$ 13,124,372
Capital assets in accounts payable	2,361,897	11,390,063
Accretion on bonds payable	4,475,452	4,457,420
Net interest capitalized	688,895	2,490,645
Other capital asset adjustments	346,165	800
Loss on disposal of capital assets	116,240	179,669

The accompanying notes are an integral part of this statement.

1. Significant Accounting Policies

(A) Basis of Presentation

These financial statements include all financial activities over which the Southern Illinois University Housing and Auxiliary Facilities System (the "System") exercises direct responsibility. The System combines the operations of the individual housing units, the student centers, the student recreation center, the student fitness center, the Carbondale child care center, the Carbondale student health center, the Carbondale student information system, the Carbondale softball field, the Carbondale football stadium, the Carbondale SIU Arena, Edwardsville traffic and parking and the Edwardsville student success center into one operation. The Revenue Project Bonds of 2009A, 2008A, 2006A, 2004A, 2003A, 2001A, 1999A, 1997A and 1993A (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, 2011. The individual facilities included in the System are as follows:

Carbondale Campus
- Southern Hills Apartments
- Greek Row
- Thompson Point
- Towers
- Triads
- University Hall
- Northwest Annex
- Student Center
- Student Recreation Center
- Child Care Center
- Softball Field
- Student Health Center
- Wall and Grand Apartments
- Student Information System
- Football Stadium
- SIU Arena Renovations
- Evergreen Terrace

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

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 2010 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, 2010.

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, 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. Effective July 1, 2007, the System adopted GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. The System has disclosed pledged revenues in Note 6 to the financial statements.

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 applicable 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 inventories which are stated at the lower of cost (first-in, first-out method) or 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 capitalization policy for capital assets is as follows: buildings with an acquisition cost of $100,000 or greater, site or building improvements of $25,000 or greater, and equipment items $5,000 or greater.

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

(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. The System first applies restricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

(G) Allowance for Uncollectibles

The System provides allowances for uncollectible accounts based upon management's best estimate of uncollectible accounts at the statement of net assets date, considering type, age, collection history of receivables, and any other factors as considered appropriate. The System's accounts receivable balance is reported net of allowances of $4,780,126 at June 30, 2011.

(H) Revenue Bond Fee

Transfers from other University funds of the revenue bond fee are based upon the amount budgeted. Fees in the amount of $9,868 have been collected in excess of the budgetary transfer and are available for future budgetary transfers.

(I) 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.

(J) On-Behalf Payments

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the System reported on-behalf payments made by agencies of the State of Illinois for health care and retirement. These costs are reflected in an equal amount in both the nonoperating revenues and salaries and wages of the System. On behalf payments for the year ended June 30, 2011 amounted to $14,095,959 for group insurance, retirement and post-employment benefits, and $275,562 for social security and medicare.

(K) 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. The System first applies restricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

(L) Compensated Absences

Accrued compensated absences for University personnel are changed to current funds based on earned but unused vacation and sick leave days including the University's share of Social Security and Medicare taxes.

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. There are no investments in foreign currency. It is not feasible to separately determine the System's bank balance at June 30, 2011 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 to meet promised interest or principal payments on required dates. Credit risk is mitigated by limiting investments to those specified in the *Illinois Public Funds Investment Act*; which prohibits investment in corporate bonds with maturity dates longer than 270 days from the date of purchase; pre-qualifying the financial institutions which are utilized; and diversifying the investment portfolio so that the failure of any one 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. The Public Treasurer's Investment Pool is also 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. While the fund's asset allocation strategy provides diversification by fixed income sector, each portfolio within the sector is also broadly diversified by security type, issue and maturity.

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

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

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

Interest rate risk is disclosed below using the segmented time distribution method. As of June 30, 2011, 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	$ 14,752,272	$ 5,549,956	$ 9,202,316	-	-
Cash and Equivalents					
The Illinois Funds	17,925,270				
Cash and Equivalents	32,602,241				
Total Cash & Equivalents	50,527,511				
Total Cash & Investments	$ 65,279,783				

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. The investment with the Public Treasurer's Investment Pool (The Illinois Funds) is at fair value, which is the same value as the pool shares. State statutes require the Illinois Funds to comply with the *Illinois Public Funds Investment Act* (30 ILCS 235). 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 year 2011.

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, 2011, is reflected below.

Interest earnings	$ 686,850
Unrealized gain on investments	39,868
	$ 726,718

4. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 605,395	$ -	$ -	$ -	$ 605,395
Construction in progress	62,570,164	21,283,714	3,858	(80,919,538)	2,930,482
Total capital assets not being Depreciated	63,175,559	21,283,714	3,858	(80,919,538)	3,535,877
Capital assets being depreciated:					
Buildings	322,370,545	380,951	-	80,919,538	403,671,034
Improvements	11,007,895	-	-	-	11,007,895
Equipment	12,965,811	4,011,146	166,935	-	16,810,022
Total capital assets being Depreciated	346,344,251	4,392,097	166,935	80,919,538	431,488,951
Less accumulated depreciation for:					
Buildings	147,839,537	10,818,546	(76,300)	-	158,734,383
Improvements	5,585,659	511,655	-	-	6,097,314
Equipment	4,898,655	1,719,308	107,552	-	6,510,411
Total accumulated depreciation	158,323,851	13,049,509	31,252	-	171,342,108
Total capital assets being depreciated, net	188,020,400	(8,657,412)	135,683	80,919,538	260,146,843
Capital assets, net	$ 251,195,959	$ 12,626,302	$ 139,541	$ -	$ 263,682,720

The following estimated useful lives are used to compute depreciation:

Buildings	40 years
Improvements	15 years
Equipment	5 - 10 years

5. Noncurrent Liabilities

Noncurrent liability activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable	$ 279,534,837	$ 4,475,452	$ 15,438,119	$ 268,572,170	$ 15,489,459
Compensated absences	2,389,163	75,606	25,644	2,439,125	173,993
Housing deposits	287,550	284,623	259,573	312,600	140,670
Total noncurrent liabilities	$ 282,211,550	$ 4,835,681	$ 15,723,336	$ 271,323,895	$ 15,804,122

Note: Amounts shown in ending balance of noncurrent liabilities include both current and noncurrent portions.

6. Revenue Bonds Payable

On April 2, 2009, the Board adopted the “Thirteenth 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, as amended and restated on December 11, 2003, the Ninth Supplemental Resolution of December 12, 2002, the Tenth Supplemental Resolution of October 14, 2004, the Eleventh Supplemental Bond Resolution of March 9, 2006, as amended and restated on May 2, 2006 and November 9, 2006, and the Twelfth Supplemental Bond Resolution of April 10, 2008. The outstanding bond issues related to the respective bond resolutions of the System are as follows:

(A) Series 2009A Bonds

These bonds were authorized by the Board under the Thirteenth Supplemental Bond Resolution dated April 2, 2009 and were issued as taxable Build America Bonds in the original amount of $53,735,000. The bonds were issued as current interest bonds on May 15, 2009 at a premium of $226,028 with interest rates ranging from 2.50 to 6.20 percent. Proceeds will be used for the construction and equipping of a new football stadium on the Carbondale campus, including the relocation of certain tennis courts and playing fields from the project site and the renovation and equipping of the SIU Arena and the construction of a new addition thereto on the Carbondale Campus. As of June 30, 2011, these bonds were outstanding in the amount of $51,918,115.

(B) Series 2008A Bonds

These bonds were authorized by the Board under the Twelfth Supplemental Bond Resolution dated April 10, 2008 and were issued as current interest bonds in the original amount of $30,105,000. The bonds were sold on May 8, 2008 at a premium of $1,359,732 with interest rates ranging from 3.00 to 5.50 percent and were issued to finance the construction and equipping of a Student Success Center on the Edwardsville campus; the construction and equipping of an expansion to the Student Fitness Center on the Edwardsville campus; and the installation of sprinklers and other safety/security enhancements to housing on the Carbondale campus. As of June 30, 2011, these bonds were outstanding in the amount of $29,389,624.

(C) Series 2006A Bonds

These bonds were authorized by the Board under the Eleventh Supplemental Bond Resolution dated March 9, 2006, as amended and restated on May 2, 2006 and November 9, 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 with interest rates ranging from 4.00 to 5.25 percent. The bonds were issued for the purpose of refunding a portion of the Series 1997A, 2000A and 2001A current interest bonds; financing the construction of a student residence hall with an adjoining parking lot for the Edwardsville campus; construction of an additional 350 space parking lot for the Edwardsville campus; funding various safety/security enhancements and other replacements to, and renovations of, the facilities of the System on the Carbondale campus; and purchasing and implementing a student information system for the Carbondale campus. As of June 30, 2011, these bonds were outstanding in the amount of $62,093,662.

(D) 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, with interest rates ranging from 3.00 to 5.00 percent. 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, 2011, these bonds were outstanding in the amount of $37,040,774.

(E) 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, with interest rates ranging from 1.15 to 4.85 percent. 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, 2011, these bonds were outstanding in the amount of $6,975,000.

(F) 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 with interest rates ranging from 4.00 to 5.50 percent. 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, as amended and restated on May 2, 2006 and November 9, 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, 2011, the remaining bonds were outstanding in the amount of $4,814,152.

(G) 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 with interest rates ranging from 4.10 to 5.55 percent. 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, 2011, after accreting the capital appreciation, these bonds were outstanding in the amount of $36,849,040.

(H) 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 with interest rates ranging from 4.10 to 5.74 percent. 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, as amended and restated on May 2, 2006 and November 9, 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, 2011, after accreting the capital appreciation, the remaining bonds were outstanding in the amount of $17,333,393.

(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 with interest rates ranging from 6.05 to 6.20 percent. 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, 2011, after accreting the capital appreciation, the remaining capital appreciation bonds were outstanding in the amount of $22,158,410.

These bonds, which are payable through 2036, do not constitute a debt of the State of Illinois or the individual members, officers or agents of the Board of Trustees of the University but, together with interest thereon, are payable from and secured by a pledge of and lien on (i) the net revenues of the System, (ii) pledged tuition in an amount not to exceed maximum annual debt service (subject to prior payment of operating and maintenance expenses of the System), (iii) the Bond and Interest Sinking Fund account, and (iv) the Repair and Replacement Reserve account. Unrefunded bonds issued in 2001 and prior are additionally secured by the Debt Service Reserve. Total principal and interest remaining on the debt is $417,298,768 with annual requirements ranging from $2,604,000 to $25,267,244. For the current year, principal and interest paid was $25,090,869, and the total revenues pledged were $58,000,566. Total revenue pledged represents 100 percent of the net revenues of the System and 16 percent of net tuition revenue. Although net tuition is pledged, it is not expected to be needed to meet debt service requirements.

The bond resolution requires that debt service coverage on a cash basis be at least 120 percent of the maximum annual debt service. For the year ended June 30, 2011, the maximum annual debt service was $25,267,244 and the coverage was 230 percent. The bond resolution also requires the Treasurer to transfer annually to Renewals and Replacements from the funds remaining in unrestricted net assets the sum of 10 percent of the maximum annual net debt service requirement or such portion thereof as is available for transfer. The net assets of Renewals and Replacements were $20,770,921 at June 30, 2011.

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, 2011, $7,850,000 of the bonds refunded in 2006 was outstanding. The market value of the related escrow fund was $7,905,680.

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2012	$ 15,635,000	$ 9,468,244
2013	16,160,000	9,107,244
2014	16,050,000	8,728,031
2015	16,285,000	8,350,113
2016	16,615,000	7,944,136
2017 – 2021	80,460,000	32,938,040
2022 – 2026	71,740,000	21,284,465
2027 – 2031	55,585,000	9,884,495
2032 – 2036	18,405,000	2,659,000
Total Payments	306,935,000	$ 110,363,768
Less Unaccreted Appreciation	(42,956,222)	
Total Payable	263,978,778	
Unamortized debt premium	5,187,597	
Unamortized deferred loss on refunding	(594,205)	
Total Bonds Payable	$ 268,572,170	

7. Related Party Transactions

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

In addition, seven of the buildings on Greek Row, a portion of the Northwest Annex (29,100 net sq. ft.) 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 ($241,300 in 2011) 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 2011 include $478,513 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 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 state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the state's financial reports as a pension trust fund. SURS is governed by Section 5/15, Chapter 40, of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.SURS.org or calling 1-800-275-7877.

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 24.21% 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 of SURS for the University for the years ended June 30, 2011, 2010 and 2009 were $81,241,705, $74,103,976 and $47,526,941, respectively, equal to the required contributions for the year.

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 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.

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 insured either through self insurance or with commercial insurance companies.

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’s facilities) through June 30, 2012:

		Approximate Amount
1.	Lexington Insurance Company, Policy No. 66095349: Policy providing $100,000,000 all risk coverage on scheduled buildings and other property totaling $2,820,944,757 with a $500,000 per occurrence deductible. The University has established a self insurance reserve in amounts to cover the portion of estimated liability between $25,000 and the $500,000 per occurrence deductible. There is a shared captive retention layer of $1,000,000 per occurrence and $6,425,270 aggregate through the Midwestern Higher Education Compact (MHEC).	$100,000,000 per occurrence
1a.	Boiler & Machinery coverage included in the Lexington policy listed above carries the same deductibles as noted above.	$100,000,000 per occurrence
1b.	Flood coverage included in the Lexington policy listed above is limited to $100,000,000 and carries the same per occurrence deductible noted above unless the flood involves property located in a FEMA-defined flood hazard area which there is then a limit of $50,000,000 and a deductible of 2% of the total insured value subject to a minimum of $1,000,000 per occurrence.	$100,000,000 per occurrence
1c.	Earthquake coverage included in the Lexington policy listed above is limited to $100,000,000 and carries a per occurrence deductible of 1% of total insured value subject to a minimum of $50,000 per occurrence.	$100,000,000 per occurrence
2.	Lexington Insurance Company, Policy No. 66095363: furnishes the secondary layer of $400,000,000 excess of the Lexington’s $100,000,000 layer.	$400,000,000 per occurrence
3.	Allianz Global, Policy No. CLP3011641; Lloyds of London, Policy No. DP773110; One Beacon, Policy No. YSP3154; and RSUI Indemnity, Policy No. NHD368178: furnishes the third layer of coverage, which is $500,000,000 excess of the $500,000,000.	$500,000,000 per occurrence
4.	Endurance American Specialty, Policy No. CPN1000Z173000 and Axis Surplus, Policy No. ECF753609-10: furnishes earthquake coverage in excess of coverage included in Policy No. 66095349 with limits of $50,000,000 that is shared with the University of Illinois and the University of Missouri.	$50,000,000 per occurrence

5. 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.

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 statements.

SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
SCHEDULE OF BONDS PAYABLE OUTSTANDING
June 30, 2011

		REVENUE BONDS SERIES 1993A		
	TOTAL	Principal Amount	Accreted Value at Maturity	Interest Rate
Interest Bearing Bonds:				
Serial Bonds maturing as follows:				
2012	$ 8,705,000	$ - ----	$ - ----	- -----
2013	8,525,000	- ----	- ----	- -----
2014	8,150,000	- ----	- ----	- -----
2015	8,555,000	- ----	- ----	- -----
2016	9,050,000	- ----	- ----	- -----
2017	8,670,000	- ----	- ----	- -----
2018	9,090,000	- ----	- ----	- -----
2019	9,540,000	- ----	- ----	- -----
2020	10,000,000	- ----	- ----	- -----
2021	9,955,000	- ----	- ----	- -----
2022	8,035,000	- ----	- ----	- -----
2023	7,090,000	- ----	- ----	- -----
2024	6,250,000	- ----	- ----	- -----
2025	6,530,000	- ----	- ----	- -----
2026	1,815,000	- ----	- ----	- -----
2027	1,890,000	- ----	- ----	- -----
2028	1,970,000	- ----	- ----	- -----
Term Bonds maturing as follows:				
2012	- ----	- ----	- ----	- -----
2013	- ----	- ----	- ----	- -----
2014	- ----	- ----	- ----	- -----
2015	- ----	- ----	- ----	- -----
2016	- ----	- ----	- ----	- -----
2017	- ----	- ----	- ----	- -----
2018	- ----	- ----	- ----	- -----
2019	- ----	- ----	- ----	- -----
2020	- ----	- ----	- ----	- -----
2021	- ----	- ----	- ----	- -----
2022	- ----	- ----	- ----	- -----
2023	1,315,000	- ----	- ----	- -----
2024	1,820,000	- ----	- ----	- -----
2025	1,910,000	- ----	- ----	- -----
2026	6,975,000	- ----	- ----	- -----
2027	7,280,000	- ----	- ----	- -----
2028	7,615,000	- ----	- ----	- -----
2029	7,955,000	- ----	- ----	- -----
2030	7,055,000	- ----	- ----	- -----
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	187,670,000	- ----		
Capital Appreciation Bonds maturing as follows:				
2012	6,641,340	3,280,315	3,430,000	6.050%
2013	6,904,931	3,646,150	4,050,000	6.100%
2014	6,742,936	3,433,428	4,050,000	6.100%
2015	6,218,366	3,227,405	4,050,000	6.150%
2016	5,735,283	3,037,654	4,050,000	6.150%
2017	5,394,747	2,851,127	4,050,000	6.200%
2018	5,565,891	2,682,331	4,050,000	6.200%
2019	3,723,024	- ----	- ----	- -----
2020	3,591,831	- ----	- ----	- -----
2021	3,498,659	- ----	- ----	- -----
2022	3,337,752	- ----	- ----	- -----
2023	3,157,044	- ----	- ----	- -----
2024	2,985,636	- ----	- ----	- -----
2025	2,826,696	- ----	- ----	- -----
2026	2,672,388	- ----	- ----	- -----
2027	2,572,102	- ----	- ----	- -----
2028	2,434,974	- ----	- ----	- -----
2029	2,305,178	- ----	- ----	- -----
Total Capital Appreciation Bonds	76,308,778	22,158,410		
Total	$ 263,978,778	$ 22,158,410		

**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 1997A			REVENUE BONDS SERIES 1999A			REVENUE BONDS SERIES 2001A	
Principal Amount	Accreted Value at Maturity	Interest Rate	Principal Amount	Accreted Value at Maturity	Interest Rate	Principal Amount	Interest Rate
$ -	$ -	-	$ -	$ -	-	$ 1,465,000	5.250%
-	-	-	-	-	-	1,000,000	5.250%
-	-	-	-	-	-	1,050,000	5.250%
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,220,000	5.000%
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
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-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-			-			4,735,000	
2,980,974	3,105,000	5.520%	380,051	395,000	5.200% **	-	-
2,847,891	3,135,000	5.570%	410,890	450,000	5.250% **	-	-
2,872,338	3,345,000	5.620%	437,170	505,000	5.300% **	-	-
2,576,582	3,175,000	5.650%	414,379	505,000	5.330% **	-	-
2,274,367	2,970,000	5.700%	423,262	545,000	5.380% **	-	-
1,945,144	2,690,000	5.720%	598,476	815,000	5.430% **	-	-
1,836,097	2,690,000	5.740%	1,047,463	1,510,000	5.480% **	-	-
-	-	-	3,723,024	5,670,000	5.490% **	-	-
-	-	-	3,591,831	5,780,000	5.500% **	-	-
-	-	-	3,498,659	5,950,000	5.510% **	-	-
-	-	-	3,337,752	6,000,000	5.520% **	-	-
-	-	-	3,157,044	6,000,000	5.530% **	-	-
-	-	-	2,985,636	6,000,000	5.540% **	-	-
-	-	-	2,826,696	6,000,000	5.540% **	-	-
-	-	-	2,672,388	6,000,000	5.550% **	-	-
-	-	-	2,572,102	6,100,000	5.550% **	-	-
-	-	-	2,434,974	6,100,000	5.550% **	-	-
-	-	-	2,305,178	6,100,000	5.550% **	-	-
17,333,393			36,816,975			-	
$ 17,333,393			$ 36,816,975			$ 4,735,000	

SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
SCHEDULE OF BONDS PAYABLE OUTSTANDING
June 30, 2011

	REVENUE BONDS SERIES 2003A		REVENUE BONDS SERIES 2004A		REVENUE BONDS SERIES 2006A	
	Principal Amount	Interest Rate	Principal Amount	Interest Rate	Principal Amount	Interest Rate
Interest Bearing Bonds:						
Serial Bonds maturing as follows:						
2012	$ 265,000	3.700%	$ 950,000	3.500%	$ 2,995,000	5.000%
2013	275,000	3.850%	980,000	4.000%	3,140,000	5.000%
2014	285,000	4.000%	1,020,000	5.000%	2,550,000	5.000%
2015	295,000	4.100%	1,075,000	5.000%	3,780,000	5.000%
2016	310,000	4.200%	1,130,000	5.000%	3,975,000	5.000%
2017	320,000	4.250%	1,180,000	5.000%	2,100,000	5.250%
2018	335,000	4.350%	1,240,000	5.000%	3,495,000	5.250%
2019	350,000	4.450%	1,305,000	4.000%	3,640,000	5.250%
2020	365,000	4.500%	1,355,000	4.125%	3,835,000	5.250%
2021	385,000	4.600%	1,415,000	5.000%	3,465,000	5.250%
2022	400,000	4.700%	1,480,000	5.000%	1,255,000	5.000%
2023	420,000	4.750%	1,560,000	5.000%	- ----	- -----
2024	- ----	- -----	1,630,000	5.000%	- ----	- -----
2025	- ----	- -----	1,715,000	5.000%	- ----	- -----
2026	- ----	- -----	- ----	- -----	- ----	- -----
2027	- ----	- -----	- ----	- -----	- ----	- -----
2028	- ----	- -----	- ----	- -----	- ----	- -----
Term Bonds maturing as follows:						
2012	- ----	- -----	- ----	- -----	- ----	- -----
2013	- ----	- -----	- ----	- -----	- ----	- -----
2014	- ----	- -----	- ----	- -----	- ----	- -----
2015	- ----	- -----	- ----	- -----	- ----	- -----
2016	- ----	- -----	- ----	- -----	- ----	- -----
2017	- ----	- -----	- ----	- -----	- ----	- -----
2018	- ----	- -----	- ----	- -----	- ----	- -----
2019	- ----	- -----	- ----	- -----	- ----	- -----
2020	- ----	- -----	- ----	- -----	- ----	- -----
2021	- ----	- -----	- ----	- -----	- ----	- -----
2022	- ----	- -----	- ----	- -----	- ----	- -----
2023	- ----	- -----	- ----	- -----	1,315,000	5.000%
2024	440,000	4.800%	- ----	- -----	1,380,000	5.000%
2025	460,000	4.800%	- ----	- -----	1,450,000	5.000%
2026	480,000	4.800%	1,805,000	4.800%	1,525,000	5.000%
2027	505,000	4.850%	1,885,000	4.800%	1,600,000	5.000%
2028	530,000	4.850%	1,980,000	4.800%	1,680,000	5.000%
2029	555,000	4.850%	2,075,000	5.000%	1,765,000	5.000%
2030	- ----	- -----	1,500,000	5.000%	1,850,000	5.000%
2031	- ----	- -----	1,575,000	5.000%	1,945,000	5.000%
2032	- ----	- -----	1,655,000	5.000%	2,040,000	5.000%
2033	- ----	- -----	1,735,000	5.000%	2,145,000	5.000%
2034	- ----	- -----	1,825,000	5.000%	2,250,000	5.000%
2035	- ----	- -----	1,915,000	5.000%	2,360,000	5.000%
2036	- ----	- -----	- ----	- -----	2,480,000	5.000%
Total Interest Bearing Bonds	6,975,000		35,985,000		60,015,000	
Capital Appreciation Bonds maturing as follows:						
2012	- ----	- -----	- ----	- -----	- ----	- -----
2013	- ----	- -----	- ----	- -----	- ----	- -----
2014	- ----	- -----	- ----	- -----	- ----	- -----
2015	- ----	- -----	- ----	- -----	- ----	- -----
2016	- ----	- -----	- ----	- -----	- ----	- -----
2017	- ----	- -----	- ----	- -----	- ----	- -----
2018	- ----	- -----	- ----	- -----	- ----	- -----
2019	- ----	- -----	- ----	- -----	- ----	- -----
2020	- ----	- -----	- ----	- -----	- ----	- -----
2021	- ----	- -----	- ----	- -----	- ----	- -----
2022	- ----	- -----	- ----	- -----	- ----	- -----
2023	- ----	- -----	- ----	- -----	- ----	- -----
2024	- ----	- -----	- ----	- -----	- ----	- -----
2025	- ----	- -----	- ----	- -----	- ----	- -----
2026	- ----	- -----	- ----	- -----	- ----	- -----
2027	- ----	- -----	- ----	- -----	- ----	- -----
2028	- ----	- -----	- ----	- -----	- ----	- -----
2029	- ----	- -----	- ----	- -----	- ----	- -----
Total Capital Appreciation Bonds	- ----		- ----		- ----	
Total	$ 6,975,000		$ 35,985,000		$ 60,015,000	

REVENUE BONDS SERIES 2008A		REVENUE BONDS SERIES 2009A	
Principal Amount	Interest Rate	Principal Amount	Interest Rate
$ 975,000	3.250%	$ 2,055,000	2.900%
1,040,000	5.000%	2,090,000	3.250%
1,110,000	5.000%	2,135,000	3.650%
1,220,000	5.000%	2,185,000	4.125%
1,390,000	5.000%	2,245,000	4.550%
1,540,000	5.000%	2,310,000	4.800%
1,635,000	5.000%	2,385,000	5.000%
1,785,000	5.250%	2,460,000	5.300%
1,900,000	5.250%	2,545,000	5.250%
2,055,000	4.000%	2,635,000	5.450%
2,175,000	5.500%	2,725,000	5.600%
2,285,000	5.500%	2,825,000	5.750%
1,690,000	4.250%	2,930,000	5.900%
1,770,000	4.500%	3,045,000	6.000%
1,815,000	4.500%	- ----	- -----
1,890,000	4.500%	- ----	- -----
1,970,000	4.500%	- ----	- -----
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- ----	- -----	- ----	- -----
- ----	- -----	3,165,000	6.200%
- ----	- -----	3,290,000	6.200%
- ----	- -----	3,425,000	6.200%
- ----	- -----	3,560,000	6.200%
- ----	- -----	3,705,000	6.200%
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28,245,000		51,715,000	
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$28,245,000		$ 51,715,000	

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Independent Auditors' 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 the business-type activities of the Southern Illinois University Housing and Auxiliary Facilities System (the "System") as of and for the year ended June 30, 2011, and have issued our report thereon dated April 2, 2012. 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

Management of the System is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 with 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, System management, and bondholders and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Springfield, Illinois
April 2, 2012

Crowe Horwath LLP
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STATE OF ILLINOIS

SOUTHERN ILLINOIS UNIVERSITY

MEDICAL FACILITIES SYSTEM

Treasurer's Report to the Bondholders
For the Year Ended June 30, 2011

Board of Trustees and Officers of Administration

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The University also issues an Annual Financial Report

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

September 30, 2011

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, 2011.

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

Duane Stucky
Board Treasurer

DS/lap

CARBONDALE P: 618.536.3475 F: 618.536.3404
CARBONDALE / EDWARDSVILLE / SPRINGFIELD / ALTON / EAST ST. LOUIS

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 three phases. The first phase coincided with the creation of the system in connection with issuance of the Series 1997 bonds, in the amount of $16,855,000, pursuant to a resolution of the Board of Trustees (the "Board") adopted on October 10, 1996.

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

The Richard H. Moy, M.D. Building was completed and occupied by the University in May 1993. The building now houses outpatient clinics for the 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. 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. Additional recent improvements include renovations to the lower level for Fertility and In Vitro Fertilization Clinics.

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

The third phase expanded the system to include the purchase and renovation of property located at 401 N. Walnut in Springfield. This space is being used by clinic billing unit staff.

On June 30, 2011, the School of Medicine Medical Facilities System owned or occupied eighteen locations where clinics and/or clinical faculty and/or clinical administration were housed. Owned by the University are the Richard H. Moy, M.D. Building, the Auburn Clinic, Auburn, Illinois, 401 N. Walnut, and the Simmons Cancer Institute. The Auburn Clinic was sold contract for deed in December, 2002 and is not occupied by the School of Medicine. The fourteen remaining locations are leased by the University using revenues generated by the clinical practice of medicine. Nine of the leased facilities are in Springfield, Illinois and the remaining five are located elsewhere in Illinois.

ADVANCED REFUNDING

During fiscal year 2005, the debt related to the acquisition of the original system facility was advance refunded without extending the final maturity date. The refunding was 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, were sufficient to pay, on their redemption date of April 1, 2007, the interest, and principal of the refunded bonds.

II. ENROLLMENTS AT SOUTHERN ILLINOIS UNIVERSITY

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

	Head Count
Fall semester 2011	298
Fall semester 2010	292

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.

III. DEBT SERVICE COVERAGE

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

	Year Ended June 30	
	2011	2010
Receipts:		
Revenue Account:		
Operations	$ 37,049,646	$ 33,665,012
Investment Income	9,475	57,339
Retirement of Indebtedness – Investment Income	1,903	1,955
	37,061,024	33,724,306
Disbursements:		
Operation & Maintenance Account	34,452,996	31,707,845
Net Revenues	2,608,028	2,016,461
Plus: Pledged Tuition	135,872,743	132,671,890
Total Available for Debt Service	$138,480,771	$134,688,351
Annual Debt Service	$ 1,690,238	$ 1,668,488
Maximum Annual Debt Service	$ 1,985,750	$ 1,985,750
Coverage Ratio Based on Net Revenues	1.54	1.21
Coverage Ratio Based on Annual Debt Service	81.93	80.72
Coverage Ratio Based on Maximum Annual Debt Service	69.74	67.83

IV. RETIREMENT OF INDEBTEDNESS

The net assets are restricted for the following purposes:

	June 30	
	2011	2010
Bond and Interest Sinking Fund Account	$ 460,448	$ 461,660

V. RENEWALS AND REPLACEMENTS

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

In the event the moneys in the Bond and Interest Sinking Fund Account are reduced at any time below the amounts required to be on deposit therein, then the funds so credited to the Repair and Replacement Reserve Account may, at the discretion of the 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 $198,575 ($198,575 in 2010), interest earned on investments of $9,149 in 2011 (and interest of $13,187 in 2010) and other nonoperating revenue of $4,883 ($17,294 in 2010).

Expenditures charged to the reserve amounted to $6,463 ($22,607 in 2010). The restricted net assets of Renewals and Replacements consisted of the following:

	June 30	
	2011	2010
Cash	$ 924,216	$ 716,707
Accounts Receivable	699	483
Accrued Interest Receivable	14,259	8,998
Notes Receivable	146,768	153,231
Accounts Payable	-	-
Deferred Revenue	(153,231)	(152,853)
	$ 932,711	$ 726,566

VI. SCHEDULE OF BONDS PAYABLE OUTSTANDING

A Schedule of Bonds Payable Outstanding is shown as supplementary information and lists the amount of Medical Facilities System Revenue Bonds, Series 2005 issued and outstanding as of June 30, 2011.

VII. RESTRICTED NET ASSETS - EXPENDABLE

Restricted net assets as of June 30, 2011 and 2010 are comprised of the following:

	June 30	
	2011	2010
Retirement of indebtedness	$ 460,448	$ 461,660
Renewals and replacements	932,711	726,566
Unexpended	-	60,343
	$ 1,393,159	$ 1,248,569

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

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 of the business-type activities of the Southern Illinois University Medical Facilities System ("the System") as of and for the year ended June 30, 2011. 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 comparative information has been derived from the System's June 30, 2010 financial statements and, in a report dated February 25, 2011 we expressed an unqualified opinion on the respective financial statements of the business-type activities.

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, 2011, 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, 2011, and the respective changes in financial position and, where applicable, its 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 April 2, 2012 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 taken as a whole. 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, based on our audit, are fairly stated 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 2005, adopted October 13, 2005 insofar as they related to accounting matters. 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, System management, and the bondholders and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Springfield, Illinois
April 2, 2012

SOUTHERN ILLINOIS UNIVERSITY

MEDICAL FACILITIES SYSTEM
STATEMENT OF NET ASSETS
June 30, 2011
(with comparative totals for 2010)

	2011	2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	$ 3,540,411	$ 4,219,978
Short term investments (Note 2)	284,665	419,860
Accounts receivable	4,897,218	2,751,345
Accrued interest receivable	14,965	11,076
Notes receivable, net (Note 4)	146,768	30,888
Prepaid expenses and other assets	16,213	16,213
TOTAL CURRENT ASSETS	8,900,240	7,449,360
NONCURRENT ASSETS:		
Notes receivable, net (Note 4)	-	122,343
Prepaid expenses and other assets	222,926	239,139
Capital assets not being depreciated: (Note 5)		
Land	2,594,757	2,594,757
Construction in progress	1,764,672	-
Total capital assets not being depreciated	4,359,429	2,594,757
Capital assets being depreciated, net: (Note 5)		
Equipment	4,147,537	5,053,645
Buildings	36,920,021	36,869,259
Less accumulated depreciation	(9,540,333)	(9,713,390)
Total capital assets being depreciated, net	31,527,225	32,209,514
TOTAL NONCURRENT ASSETS	36,109,580	35,165,753
TOTAL ASSETS	45,009,820	42,615,113
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	425,207	281,721
Accrued interest payable	208,225	216,309
Accrued payroll	344,556	291,750
Accrued compensated absences (Note 6)	159,532	177,134
Deferred revenue (Note 6)	153,231	30,888
Revenue bonds payable (Notes 6 and 7)	880,589	822,630
TOTAL CURRENT LIABILITIES	2,171,340	1,820,432
NONCURRENT LIABILITIES:		
Accrued compensated absences (Note 6)	1,860,115	2,157,575
Deferred revenue (Note 6)	-	121,965
Revenue bonds payable (Notes 6 and 7)	16,034,968	16,915,557
TOTAL NONCURRENT LIABILITIES	17,895,083	19,195,097
TOTAL LIABILITIES	20,066,423	21,015,529
NET ASSETS		
Invested in capital assets, net of related debt	18,971,097	17,066,084
Restricted for:		
Expendable		
Capital projects and debt service	1,393,159	1,248,569
Unrestricted	4,579,141	3,284,931
TOTAL NET ASSETS	$ 24,943,397	$ 21,599,584

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, 2011
(with comparative totals for 2010)

	2011	2010
REVENUES		
OPERATING REVENUES		
Medical Facilities System	$ 39,196,236	$ 32,567,431
TOTAL OPERATING REVENUES	39,196,236	32,567,431
EXPENSES		
OPERATING EXPENSES		
Salaries and wages	35,894,581	34,412,976
Contractual services	10,468,338	8,230,587
Other	2,323,534	1,953,595
Depreciation (Note 5)	1,238,713	1,199,955
TOTAL OPERATING EXPENSES	49,925,166	45,797,113
OPERATING LOSS	(10,728,930)	(13,229,682)
NONOPERATING REVENUES (EXPENSES)		
Investment income (Note 3)	18,853	70,510
Gifts and contributions	115,842	-
Interest on capital asset-related debt	(875,736)	(904,080)
Payments on behalf of the system (Notes 1l and 9)	14,331,980	13,075,700
Other nonoperating revenue	4,883	17,294
NET NONOPERATING REVENUES	13,595,822	12,259,424
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	2,866,892	(970,258)
OTHER REVENUES, EXPENSES, GAINS OR LOSSES		
Capital assets retired (Note 5)	(2,619)	(3,224)
Additions to plant facilities from other sources (Note 8)	479,540	415,041
TOTAL OTHER REVENUES, EXPENSES, GAINS OR LOSSES	476,921	411,817
INCREASE (DECREASE) IN NET ASSETS	3,343,813	(558,441)
NET ASSETS		
Net assets at beginning of year	21,599,584	22,158,025
NET ASSETS AT END OF YEAR	$ 24,943,397	$ 21,599,584

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, 2011
(with comparative totals for 2010)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Medical Facilities System	$ 37,049,646	$ 33,665,012
Payments to employees	(21,825,722)	(21,346,267)
Payments for utilities	(425,457)	(290,994)
Payments to suppliers	(12,215,600)	(10,147,932)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,582,867	1,879,819
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions for other than capital purposes	115,842	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	115,842	-
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from sale of capital assets	-	18,000
Purchases of capital assets	(1,844,175)	(250,564)
Principal paid on capital debt	(825,000)	(765,000)
Interest paid on capital debt	(865,238)	(903,488)
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	(3,534,413)	(1,901,052)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	1,672,206	1,626,898
Investment income	20,383	73,133
Purchase of investments	(1,536,452)	(1,632,911)
NET CASH PROVIDED BY INVESTING ACTIVITIES	156,137	67,120
NET INCREASE/(DECREASE) IN CASH	(679,567)	45,887
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR	4,219,978	4,174,091
CASH AND CASH EQUIVALENTS - END OF THE YEAR	$ 3,540,411	$ 4,219,978

	2011	2010
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating loss	$ (10,728,930)	$ (13,229,682)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation expense	1,238,713	1,199,955
Payments on behalf of the system	14,331,980	13,075,700
Changes in assets and liabilities:		
Receivables, net	(2,140,126)	1,097,581
Accounts payable	143,486	(254,887)
Accrued payroll	52,806	(2,546)
Accrued compensated absences	(315,062)	(6,302)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 2,582,867	$ 1,879,819
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
On behalf payments for fringe benefits	$ 14,331,980	$ 13,075,700
Capital asset acquisitions from other sources	479,540	415,041
Loss on disposal of capital assets	2,619	3,224

The accompanying notes are an integral part of this statement.

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.

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 2010 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, 2010.

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 not to apply FASB pronouncements issued after the applicable date.

(B) Compensated Absences

Accrued compensated absences for University personnel are charged to current funds based on earned but unused vacation and sick leave days including the University's share of Social Security and Medicare taxes.

(C) Buildings, Improvements and Equipment

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

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

(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.

The System first applies restricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

(G) Allowance for Uncollectibles

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

(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 revenues and expenses of the System. On-behalf payments for the year ended June 30, 2011, amounted to $14,331,980.

(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 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. There are no investments in foreign currency. It is not feasible to separately determine the System's bank balance at June 30, 2011, 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 equivalents and other short maturity investments and by establishing an asset allocation policy that is consistent with the expected cash flows of the University. The internally managed portfolio is managed in accordance with covenants provided from the University's debt issuance activities. The externally managed portfolio is typically allocated with a minimum of $40 million held in cash equivalents and $65 to $105 million held in the intermediate-term portfolio. However, circumstances may occur that cause the allocations to temporarily fall outside the prescribed ranges.

Interest rate risk is disclosed below using the segmented time distribution method. As of June 30, 2011, 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	$ 284,665	$ 284,665	$ -	$ -	$ -
Total Investments	284,665	$ 284,665	$ -	$ -	$ -
Cash and Equivalents					
The Illinois Funds	3,540,411				
Total Cash & Equivalents	3,540,411				
Total Cash & Investments	$ 3,825,076				

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. The investment with the Public Treasurer's Investment Pool (The Illinois Funds) is at fair value, which is the same value as the pool shares. State statutes require the Illinois Funds to comply with the *Illinois Public Funds Investment Act* (30 ILCS 235). 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 2011.

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, 2011 is comprised of the following:

Interest Income	$ 18,788
Increase in Fair Market Value	65
Net Investment Income	$ 18,853

Credit risk: Credit risk is the risk of loss due to the failure of the security issue or backer to meet promised interest or principal payments on required dates. Credit risk is mitigated by limiting investments to those specified in the *Illinois Public Funds Investment Act*, which prohibits investment in corporate bonds with maturity dates longer than 270 days from the date of purchase; pre-qualifying the financial institutions which are utilized; and diversifying the investment portfolio so that the failure of any one issue or backer will not place an undue financial burden on the University. The Public Treasurer's Investment Pool is also rated AAA.

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 semiannual installments of $9,000 each, plus a final installment of $124,790 on December 19, 2011. As of June 30, 2011 payments were in arrears. A reduced amount has been negotiated with settlement scheduled for the first quarter of fiscal year 2012 as reflected below:

Notes receivable	$ 153,231
Estimated uncollectible	(6,463)
Notes receivable, net	$ 146,768

5. Capital Assets

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated				
Land	$ 2,594,757	$ -	$ -	$ 2,594,757
Construction in progress	-	1,764,672	-	1,764,672
Total capital assets not being depreciated	2,594,757	1,764,672	-	4,359,429
Capital assets being depreciated				
Equipment	5,053,645	508,281	1,414,389	4,147,537
Buildings	36,869,259	50,762	-	36,920,021
Total capital assets being depreciated	41,922,904	559,043	1,414,389	41,067,558
Total capital assets	44,517,661	2,323,715	1,414,389	45,426,987
Accumulated depreciation				
Equipment	3,987,868	289,289	1,411,770	2,865,387
Building	5,725,522	949,424	-	6,674,946
Total accumulated depreciation	9,713,390	$ 1,238,713	$ 1,411,770	9,540,333
Capital assets - net	$ 34,804,271			$ 35,886,654

Construction in progress represents the first phase in a three year implementation of a new practice management system. It is anticipated that the new system will be on line during fiscal year ended June 30, 2013 and have an estimated total cost of $5 million, $2 million of which is expected to be capitalized.

The following estimated useful lives are used to compute depreciation:

Buildings	40 years
Equipment	5-7 years

6. Changes in Liabilities

Liability activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable	$ 17,738,187	$ -	$ 822,630	$ 16,915,557	$ 880,589
Compensated absences	2,334,709	64,933	379,995	2,019,647	159,532
Deferred revenue	152,853	378	-	153,231	153,231
Total	$ 20,225,749	$ 65,311	$ 1,202,625	$ 19,088,435	$1,193,352

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 which was in arrears as of June 30, 2011.

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 4.00% to 5.00% payable semi-annually and principal installments ranging from $480,000 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
2012	$ 885,000	$ 832,900
2013	945,000	797,500
2014	1,015,000	750,250
2015	1,085,000	707,112
2016	1,155,000	661,000
2017-2021	7,150,000	2,350,000
2022-2026	5,065,000	541,300
Total Payments	$ 17,300,000	$ 6,640,062
Unamortized debt premium	381,803	
Unamortized deferred amount on refunding	(766,246)	
Total Bonds Payable	$ 16,915,557	

These bonds, which are payable through 2026, do not constitute a debt of the State of Illinois or the individual members, officers or agents of the Board of Trustees of the University but, together with interest thereon, are payable from and secured by a pledge of and lien on (i) the net revenues of the System, (ii) pledged tuition (subject to prior payment of necessary operating and maintenance expenses of the Housing and Auxiliary Facilities System, debt service of the Housing and Auxiliary Facilities System not to exceed the maximum annual debt service, and then necessary operating and maintenance expenses of the System), and (iii) the Bond and Interest Sinking Fund Account. Total principal and interest remaining on the debt is $23,940,062 with annual requirements ranging from $543,400 to $1,985,750. For the current year, principal and interest paid was $1,690,238, and the total revenues pledged were $138,480,771. Total revenue pledged represents 100 percent of the net revenues of the System and 84.3 percent of net tuition revenue received in fiscal year 2011. Although net tuition is pledged it is not expected to be needed to meet debt service requirements.

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

8. Related Party Transactions

Expenditures capitalized in 2011 include $479,540 paid for by other University funds. The expenditures were for the purchase of equipment to be utilized in the various Medical Facilities System facilities. In addition, $115,842 was received from other University funds and used for payment of debt.

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 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 state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the state's financial reports as a pension trust fund. SURS is governed by Section 5/15, Chapter 40, of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.SURS.org or calling 1-800-275-7877.

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 determinate rate. The current rate for fiscal year 2012 is 24.21% 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 contributions to SURS for the years ended June 30, 2011, 2010, and 2009 were $81,241,705, $74,103,976, and $47,526,941 respectively, equal to the required contributions for the year. The fiscal year 2011 contribution consisted of $78,215,213 from State appropriations and $3,026,492 from other current funds, and the fiscal year 2010 contribution consisted of $71,262,767 from State appropriations and $2,841,209 from other current funds.

In addition to providing pension benefits, the State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Healthcare and Family Services along with the Department of Central Management Services. This includes annuitants of the System. Substantially all State employees, including the System's employees, become eligible for post-employment benefits if they eventually become annuitants. Health, dental, and vision benefits include basic benefits for annuitants under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Universities Retirement System do not contribute towards health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes $5,000.

The State pays the System's portion of employer costs for the benefits provided. The total costs of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as an expenditure by the State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Healthcare and Family Services. A copy of the financial statements of the Department of Healthcare and Family Services may be obtained by writing to the Department of Healthcare and Family Services, 201 South Grand Ave., Springfield, Illinois, 62763-3838.

10. Insurance

The University has established a Self Insurance Program (the "Program") to cover its general liability, its 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 coverage with commercial carriers to cap the risk of loss retained by the Program. The System's buildings, contents and boilers are all insured through self insurance and with commercial insurance companies.

An insurance package policy purchased under the auspices of the Illinois Public Higher Education Cooperative (IPHEC), through the Midwestern Higher Education Compact (MHEC) program, provides all risk coverage on buildings and contents. The following insurance coverage is in force at the University (including the System's facilities) through June 30, 2012:

		Approximate Amount
1.	Lexington Insurance Company, Policy No. 66095349. Policy providing $100,000,000 all risk coverage on scheduled buildings and other property totaling $2,820,944,757 with a $500,000 per occurrence deductible. The University has established a self-insurance reserve in amounts to cover the portion of estimated liability between $25,000 and the $500,000 per occurrence deductible. There is a shared captive retention layer of $1,000,000,000 per occurrence and $6,425,270 aggregate through the Midwestern Higher Education Compact (MHEC).	$100,000,000 per occurrence
1a.	Boiler & Machinery coverage included in the Lexington policy listed above carries the same deductibles as noted above.	$100,000,000 per occurrence
1b.	Flood coverage included in the Lexington policy listed above is limited to $100,000,000 and carries the same per occurrence deductible noted above unless the flood involves property located in a FEMA-defined flood hazard area which there is then a limit of $50,000,000 and a deductible of 2% of the total insured value subject to a minimum of $1,000,000 per occurrence.	$100,000,000 per occurrence
1c.	Earthquake coverage included in the Lexington policy listed above is limited to $100,000,000 and carries a per occurrence deductible of 1% of total insured value subject to a minimum of $50,000 per occurrence.	$100,000,000 per occurrence
2.	Lexington Insurance Company, Policy No. 66095363: furnishes the secondary layer of $400,000,000 excess of the Lexington's $100,000,000 layer.	$400,000,000 per occurrence
3.	Allianz Global, Policy No. CLP3011641; Lloyds of London, Policy No. DP773110; One Beacon, Policy No. YSP3154; and RSUI Indemnity, Policy No. NHD368178: furnishes the third layer of coverage, which is $500,000,000 excess of the $500,000,000.	$500,000,000 per occurrence
4.	Endurance American Specialty, Policy No. CPN1000Z173000 and Axis Surplus, Policy No. ECF753609-10: furnishes earthquake coverage in excess of coverage included in Policy No. 66095349 with limits of $50,000,000 that is shared with the University of Illinois and the University of Missouri.	$50,000,000 per occurrence
5.	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 coverage. 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.	

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 statements.

SOUTHERN ILLINOIS UNIVERSITY
MEDICAL FACILITIES SYSTEM
SCHEDULE OF BONDS PAYABLE OUTSTANDING
June 30, 2011

		Principal Amount	Interest Rate
Interest Bearing Bonds			
Serial Bonds Maturing as follows:			
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	$	17,300,000	

* 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.

Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

Independent Auditors' 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 the business-type activities of the Southern Illinois University Medical Facilities System (the "System") as of and for the year ended June 30, 2011, and have issued our report thereon dated April 2, 2012. 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

Management of the System is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of System's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 with 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, System management, and bondholders and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Springfield, Illinois
April 2, 2012