Crowe Horwath™

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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, 2009

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, 2009

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

Southern Illinois University
Board of Trustees and
Officers of Administration
Fiscal Year 2009

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Duane Stucky, Senior Vice President, Financial and Administrative Affairs and Board Treasurer
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Kenneth Neher, Vice Chancellor for Administration

Southern Illinois University

Annual Financial Report

Fiscal Year 2009

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Southern Illinois University – Board of Trustees

Board Treasurer
1400 Douglas Drive
Mailcode 6801
Phone: 618-536-3475 Carbondale, IL 62901 FAX: 618-536-3404

September 30, 2009

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, 2009.

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

The financial statements of the University have been audited by Crowe Horwath LLP, Certified Public Accountants, for fiscal year 2009. As Special Assistant Auditors for the Auditor General, they have issued reports covering their audits of the compliance of the University with applicable state and federal laws and regulations and a report containing supplementary financial information and special data requested by the Auditor General. These reports are available at the Office of the Auditor General, State of Illinois.

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

Respectfully submitted,

Duane Stucky
Board Treasurer

DS/lap

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

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Crowe Horwath LLP
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Independent Auditors' Report

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

As Special Assistant Auditors for the Auditor General, we have audited the accompanying basic financial statements, as listed in the table of contents, of the business-type activities of Southern Illinois University ("the University"), which along with its discretely presented component units comprise a component unit of the State of Illinois, as of and for the year ended June 30, 2009. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the University's discretely presented component units (the "University Related Organizations"). Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the University Related Organizations, is based solely on the report of other auditors. The prior year summarized comparative information has been derived from the University's 2008 financial statements and, in our report dated February 5, 2009, we expressed an unqualified opinion on those statements prior to their restatement.

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 opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material aspects, the respective financial position of the University and of its aggregate discretely presented component units as of June 30, 2009, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The 2008 summarized comparative information for the university related organizations has been restated by other auditors as discussed in Note 2, and insofar as it relates to the amounts of the restatements is based solely on the report of the other auditors.

In accordance with *Government Auditing Standards,* we have also issued our report dated February 19, 2010, 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 as listed in the table of contents 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

Oak Brook, Illinois
February 19, 2010

Southern Illinois University

Management's Discussion and Analysis

For the Year Ended June 30, 2009

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, 2009. This discussion has been prepared by management and should be read in conjunction with the financial statements and related footnotes.

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

Using the financial statements

The University's 2009 financial report includes three basic financial statements: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. The notes to the basic financial statements include additional details and should be included as part of any review or analysis. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and provide information on the University as a whole.

FINANCIAL HIGHLIGHTS

Statement of Net Assets

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

The following summarizes the University's assets, liabilities and net assets at June 30, 2009 and 2008:

	June 30, 2009	June 30, 2008
Assets:		
Current assets	$ 240,977,805	$ 215,086,723
Capital assets, net	643,578,510	605,188,397
Other assets	121,786,644	118,129,574
Total Assets	$ 1,006,342,959	$ 938,404,694
Liabilities:		
Current liabilities	131,778,840	128,967,010
Noncurrent liabilities	388,511,666	343,188,410
Total Liabilities	$ 520,290,506	$ 472,155,420
Net Assets:		
Invested in capital assets, net	363,782,383	342,131,114
Restricted - nonexpendable	3,131,934	3,623,621
Restricted - expendable	64,679,883	68,646,681
Unrestricted	54,458,253	51,847,858
Total Net Assets	$ 486,052,453	$ 466,249,274

The University's financial position remained strong at June 30, 2009, with assets of $1,006,342,959 and liabilities of $520,290,506. Net assets, the difference between total assets and total liabilities, increased $19,803,179, or over 4%, 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.

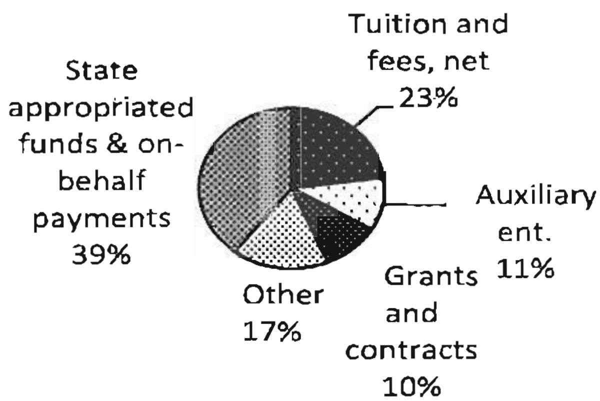
The following summarizes the University's financial activity for fiscal years 2009 and 2008:

	Year Ended June 30, 2009	Year Ended June 30, 2008
Operating revenues:		
Tuition and fees, net	$ 218,099,378	$ 207,141,669
Auxiliary enterprises	101,904,522	95,190,509
Grants and contracts	96,641,516	93,855,788
Other	109,113,830	102,928,925
Operating expenses	(909,841,565)	(860,778,633)
Operating loss	(384,082,319)	(361,661,742)
State appropriations	230,231,259	227,184,099
On-behalf payments	134,261,429	122,396,302
Other nonoperating revenues & expenses, net	33,101,777	37,421,596
Income (loss) before other revenues	13,512,146	25,340,255
Other revenues	6,291,033	14,771,583
Increase in net assets	19,803,179	40,111,838
Net assets at beginning of year	466,249,274	426,137,436
Net assets at end of year	$ 486,052,453	$ 466,249,274

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in net assets for the year of $19.8 million. A significant portion of this increase is in the capital assets of the University, which increased over $21.6 million. This was primarily due to several projects, including the renovation of Morris Library at the Carbondale campus and the Student Success Center at Edwardsville.

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, 2009. The revenue from charges for tuition and fees is shown net of the scholarship allowance of $29,580,347. 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 that includes conferences and seminars, investment income, and income from the Physicians and Surgeons practice plan.

REVENUES BY SOURCE:



Operating Expenses

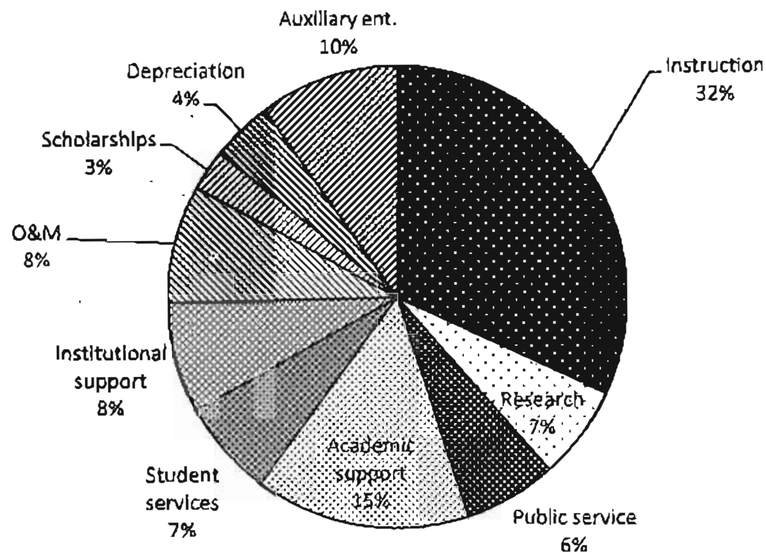
A summary of the University's operating expenses by functional classification for the years ended June 30, 2009 and 2009 is as follows:

	Year Ended June 30, 2009	Year Ended June 30, 2008
Instruction	$ 289,171,449	$ 273,275,474
Research	59,664,796	58,343,488
Public service	59,803,014	60,083,154
Academic support	138,461,274	125,357,888
Student services	61,967,394	61,419,481
Institutional support	70,590,503	58,097,621
Operation and maintenance of plant	74,428,518	75,374,645
Scholarships and fellowships	26,323,067	24,241,476
Depreciation	38,504,959	36,393,289
Auxiliary enterprises	90,532,186	87,621,293
Other expenditures	394,405	570,824
	$ 909,841,565	$ 860,778,633

Operating expenses include $134,261,429 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, 2009:

EXPENSES BY FUNCTION:



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, 2009	Year Ended June 30, 2008
Cash provided by (used in):		
Operating activities	$ (253,296,015)	$ (189,758,364)
Noncapital financing activities	265,414,086	257,788,627
Capital and related financing activities	(39,921,083)	(43,860,494)
Investing activities	(23,783,168)	(5,265,973)
Net increase (decrease) in cash	(51,586,180)	18,903,796
Cash and cash equivalents, beginning of year	126,750,379	107,846,583
Cash and cash equivalents, end of year	$ 75,164,199	$ 126,750,379

The University's cash and cash equivalents decreased by $51.6 million. Much of this can be attributed to the timing of reimbursements owed to the University at June 30, 2009, by the State Comptroller for payroll and internal service billing expenses. The amount owed was $44 million, an increase of $41 million from the prior year. 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 2009, the University had $363,782,383 invested in capital assets, net of accumulated depreciation and related debt. Depreciation expense for the current year was $38,504,959, with accumulated depreciation of $704,688,413.

The Housing and Auxiliary Facilities System Bonds, Series 2009A were authorized by the University Board under the Thirteenth Supplemental Bond Resolution approved April 2, 2009. The bonds were issued as taxable Build America Bonds (direct payment to Issuer) in the original amount of $53,735,000. The bonds were issued as current interest bonds at a premium of $226,028. The bonds were issued 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.

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

Economic Outlook

State appropriations represent 39% of total revenues and are the largest single source of revenue for the University. State operating appropriations for fiscal year 2009 were approved at $235.8 million, but later rescinded to $230 million. The fiscal year 2010 operating appropriation has been approved at $236 million, which represents a 2.64% increase over the fiscal year 2009 rescinded appropriation level and includes $15.9 million of federal stimulus funds appropriated as part of the American Recovery and Reinvestment Act. 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 2009, the State's portion of the on-behalf payments equaled $134.3 million and the University contributed $7 million. The University will contribute $7 million toward employee health coverage in fiscal year 2010.

Funding from the State has remained relatively flat since 2003. Gaps in the operating budget have primarily been filled by increases in tuition and fees, which have increased from 19% of the University's revenues to 23% during this period. Over the past five years, Southern Illinois University has approved tuition increases at an average of 11% per year. Fiscal year 2010 increases were 4.5% at the Carbondale campus and 6.0% at the Edwardsville campuses for first time resident freshmen. Student fees were increased 9.97% for full-time students at the Carbondale campus and 6.94% for full-time students at the Edwardsville campus.

The national and State economic downturn will likely pose budgetary challenges for the University in fiscal years 2010 and 2011. 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 2010 operating budget where projected increases in grants and contracts and sales and services revenues are estimated at 5.2%.

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 2009 enrollment at the Edwardsville campus was 13,940, an increase of 338 students - the highest enrollment in the school's history. Total enrollment at the Carbondale campus was 20,350, down 323 students.

Construction of a new football stadium, renovations to the arena, and construction of an addition to the arena, all on the Carbondale campus, are in progress and are being funded by a combination of revenue bonds, student fees, private donations, and athletic operating revenues. These facilities are anticipated to open in the fall of 2010. Additionally, in July 2009, the State approved the first capital bill in five years. This capital bill includes capital funding for several Southern Illinois University projects, including $56.7 million to construct a Transportation Education Center on the Carbondale campus, $79 million to renovate and construct a Science Laboratory on the Edwardsville campus, and $17.5 million to complete renovation of Morris Library on the Carbondale campus.

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.

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, 2009 with Comparative Totals for 2008

	UNIVERSITY		UNIVERSITY RELATED ORGANIZATIONS	
	2009	2008	2009	2008 (Restated)
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 75,164,199	$ 126,750,379	$ 2,600,026	$ 5,715,344
Short-term investments	64,068,956	34,958,191	26,508,009	29,696,025
Deposits with University	-	-	4,688,060	8,820,189
Appropriations receivable from State of Illinois General Revenue	258,991	107,860	-	-
Reimbursement due from State Treasurer	44,055,765	3,031,700	-	-
Accounts receivable, net	42,034,945	34,769,430	20,567,353	17,166,904
Notes receivable, net	3,484,421	4,128,379	-	-
Accrued interest receivable	251,333	321,047	277,201	217,337
Due from related organizations	4,235,266	3,668,815	263,860	124,865
Inventories	6,672,777	6,586,133	-	-
Prepaid expenses and other assets	751,152	764,789	3,971,827	1,653,673
Total Current Assets	240,977,805	215,086,723	58,876,336	63,394,337
Noncurrent Assets:				
Cash and cash equivalents	-	-	874,000	8,505
Long-term investments	99,958,215	96,799,864	93,399,347	114,536,474
Notes receivable, net	15,611,052	15,402,552	87,413	30,225
Prepaid expenses and other assets	6,217,377	5,927,158	18,214,596	21,195,648
Capital assets, not depreciated	93,815,549	92,482,061	315,672	-
Capital assets, net of depreciation	549,762,961	512,706,336	6,045,673	5,542,225
Total Noncurrent Assets	765,365,154	723,317,971	118,936,701	141,313,077
TOTAL ASSETS	1,006,342,959	938,404,694	177,813,037	204,707,414
LIABILITIES				
Current Liabilities:				
Accounts payable	36,728,481	33,510,398	1,152,832	1,538,101
Notes payable	-	-	-	88,094
Accrued interest payable	3,008,418	2,530,135	-	28,188
Accrued payroll	8,826,561	8,374,830	4,059,279	4,448,220
Accrued compensated absences	3,712,664	4,121,442	-	-
Revenue bonds payable	13,130,215	12,751,244	-	-
Certificates of participation	2,766,366	2,666,576	-	-
Liabilities under capitalized leases	231,331	1,097,077	-	-
Annuities payable	-	-	591,777	597,147
Accrued liability for self-insurance	9,139,759	7,580,149	-	-
Deposits held for University related organizations	4,688,060	8,820,189	-	-
Deposits held in custody for others	1,022,527	1,120,793	84,927	56,628
Deferred revenue	48,338,353	46,155,276	757,331	768,634
Housing deposits	131,996	128,149	-	-
Due to related organizations	54,109	110,752	4,445,017	3,682,928
Total Current Liabilities	131,778,840	128,967,010	11,091,163	11,207,940
Noncurrent Liabilities:				
Notes payable	-	-	1,100,000	1,100,000
Accrued compensated absences	46,390,378	43,845,870	-	-
Revenue bonds payable	292,949,405	247,863,404	-	-
Certificates of participation	22,857,825	25,624,191	-	-
Liabilities under capitalized leases	186,185	313,874	-	-
Annuities payable	-	-	3,920,681	4,395,061
Accrued liability for self-insurance	8,588,069	8,107,571	-	-
Federal loan program contributions refundable	17,243,772	17,129,578	-	-
Housing deposits	161,329	156,626	-	-
Other accrued liabilities	134,703	147,296	2,387,206	2,334,866
Deposits held in custody for others	-	-	2,899,389	2,337,787
Total Noncurrent Liabilities	388,511,666	343,188,410	10,307,276	10,167,714
TOTAL LIABILITIES	520,290,506	472,155,420	21,398,439	21,375,654
NET ASSETS				
Invested in capital assets, net of related debt	363,782,383	342,131,114	5,261,345	4,442,225
Restricted for:				
Nonexpendable	3,131,934	3,623,621	78,773,768	82,204,826
Expendable	64,679,883	68,646,681	53,104,160	65,984,245
Unrestricted	54,458,253	51,847,858	19,275,325	30,700,464
TOTAL NET ASSETS	$ 486,052,453	$ 466,249,274	$ 156,414,598	$ 183,331,760

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, 2009 with Comparative Totals for 2008

	UNIVERSITY		UNIVERSITY RELATED ORGANIZATIONS	
	2009	2008	2009	2008 (Restated)
REVENUES				
Operating Revenues:				
Student tuition and fees (net of scholarship allowances of $29,580,347 for 2009)	$ 218,099,378	$ 207,141,669	$ -	$ -
Federal grants and contracts	35,619,459	33,842,043	-	-
State of Illinois grants and contracts	34,278,830	34,162,589	-	-
Other government grants and contracts	6,609,336	6,854,397	-	-
Private grants and contracts	20,133,891	18,996,759	-	-
Sales and services of educational departments	64,074,603	60,638,746	-	-
Physicians and Surgeons practice plan	44,735,198	42,002,122	-	-
Patient service revenue (net)	-	-	80,454,575	77,075,400
Auxiliary enterprises:				
Funded debt enterprises (net of scholarship allowances of $5,268,687 for 2009)	91,405,999	85,065,791	-	-
Other auxiliary enterprises (net of scholarship allowances of $737,386 for 2009)	10,498,523	10,124,718	-	-
Loan interest income	211,922	177,911	-	-
Other operating revenues	92,107	110,146	18,127,959	14,336,651
Total Operating Revenues	525,759,246	499,116,891	98,582,534	91,412,051
EXPENSES				
Operating Expenses:				
Instruction	289,171,449	273,275,474	-	-
Research	59,664,796	58,343,488	-	-
Public service	59,803,014	60,083,154	-	-
Academic support	138,461,274	125,357,888	-	-
Student services	61,967,394	61,419,481	-	-
Institutional support	70,590,503	58,097,621	122,746,064	129,348,699
Operation and maintenance of plant	74,428,518	75,374,645	-	-
Scholarships and fellowships	26,323,067	24,241,476	-	-
Depreciation	38,504,959	36,393,289	516,011	433,899
Auxiliary enterprises:				
Funded debt enterprises	79,573,413	75,871,309	-	-
Other auxiliary enterprises	10,958,773	11,749,984	-	-
Other operating expenses	394,405	570,824	-	-
Total Operating Expenses	909,841,565	860,778,633	123,262,075	129,782,598
Operating Loss	(384,082,319)	(361,661,742)	(24,679,541)	(38,370,547)
NONOPERATING REVENUES (EXPENSES)				
State appropriations - General Revenue fund	230,231,259	227,184,099	-	-
Gifts and contributions	7,481,542	7,623,196	17,304,108	30,633,570
Investment income (loss)	7,715,514	11,793,641	(23,221,268)	(8,099,167)
Grants and contracts	32,154,907	28,817,856	-	-
Interest on capital asset-related debt	(9,321,227)	(9,265,951)	(45,002)	(74,912)
Accretion on bonds payable	(4,384,112)	(4,307,544)	-	-
University related organizations	(693,830)	(142,811)	-	-
Payments on behalf of the university	134,261,429	122,396,302	-	-
Other nonoperating revenues (expenses)	148,983	2,903,209	(1,622,801)	(659,636)
Net Nonoperating Revenues (Expenses)	397,594,465	387,001,997	(7,584,963)	21,799,855
Income (Loss) Before Other Revenues	13,512,146	25,340,255	(32,264,504)	(16,570,692)
Other Revenues:				
Capital state appropriations	1,401,328	13,655,093	-	-
Additions to permanent endowments	1,933	19,404	3,145,769	2,715,723
Capital grants and gifts	4,887,772	1,097,086	2,201,573	1,894,384
Total Other Revenues	6,291,033	14,771,583	5,347,342	4,610,107
Increase (decrease) in Net Assets	19,803,179	40,111,838	(26,917,162)	(11,960,585)
NET ASSETS				
Net assets at beginning of year	466,249,274	426,137,436	190,692,674	201,913,358
Prior-period adjustment - SIUE Foundation, P&S	-	-	(7,360,914)	(6,621,013)
Net assets at beginning of year, as restated	466,249,274	426,137,436	183,331,760	195,292,345
Net assets at end of year	$ 486,052,453	$ 466,249,274	$ 156,414,598	$ 183,331,760

The accompanying notes are an integral part of this statement.

Southern Illinois University
Statement of Cash Flows
Year Ended June 30, 2009 with Comparative Totals for 2008

	UNIVERSITY		UNIVERSITY RELATED ORGANIZATIONS	
	2009	2008	2009	2008 (Restated)
Cash Flows from Operating Activities				
Tuition and fees	$ 226,002,103	$ 208,022,458	$ -	$ -
Grants and contracts	87,411,050	92,194,079	-	-
Sales and services of educational activities	59,998,259	55,967,533	-	-
Physicians and Surgeons	44,178,915	40,979,286	-	-
Auxiliary enterprise revenues:				
Funded debt	94,101,715	88,246,131	-	-
Other auxiliary	11,279,013	9,856,306	-	-
Payments for employee salaries and benefits	(509,527,944)	(476,079,818)	(32,079,338)	(30,679,977)
Payments to suppliers	(274,703,869)	(241,326,777)	(69,368,903)	(68,488,843)
Payments for scholarships and fellowships	(57,786,108)	(53,399,341)	-	-
Loans issued to students	(2,236,705)	(3,188,559)	-	-
Interest earned on loans to students	167,213	177,198	-	-
Collection of loans from students	2,299,921	2,762,825	-	-
Patient service revenue	-	-	85,729,556	82,697,418
Other operating receipts	65,520,422	86,030,315	5,708,021	5,246,867
Net cash used in operating activities	(253,296,015)	(189,758,364)	(10,010,664)	(11,224,535)
Cash Flows from Noncapital Financing Activities				
State appropriations	230,080,041	227,442,327	-	-
Direct lending receipts	194,371,762	156,356,325	-	-
Direct lending payments	(194,675,976)	(156,474,818)	-	-
Grants and contracts	32,154,908	28,534,357	-	-
Government advances for federal loan funds	94,376	93,480	-	-
Payments to annuitants	-	-	(548,698)	(506,646)
Other	(491,136)	(309,644)	234,053	(61,960)
Gifts for other than capital purposes	3,880,111	2,146,600	7,610,832	10,492,856
Net cash provided by noncapital financing activities	265,414,086	257,788,627	7,296,187	9,924,250
Cash Flows from Capital and Related Financing Activities				
Capital appropriations	1,046,598	10,222,617	-	-
Capital gifts received	-	-	2,201,573	1,894,384
Capital grants	3,000,000	2,000,000	-	-
Payments received on capital financing leases	-	-	142,286	248,027
Sale of capital assets	-	18,000	-	-
Purchases of capital assets	(72,291,232)	(66,315,053)	(1,018,864)	(1,039,183)
Proceeds from capital debt	53,961,028	31,464,732	-	-
Other	(475,936)	2,638,601	(595)	-
Principal paid on capital debt	(15,485,000)	(14,405,000)	(88,094)	(716,472)
Interest paid on capital debt	(9,676,541)	(9,484,391)	(73,189)	(80,962)
Net cash provided by (used in) capital and related financing activities	(39,921,083)	(43,860,494)	1,163,117	305,794
Cash Flows from Investing Activities				
Purchases of investments	(70,446,829)	(58,345,133)	(13,764,714)	(14,497,165)
Proceeds from sales of investments and maturities	39,618,285	42,563,918	9,748,633	10,033,776
Investment income	7,045,376	10,515,242	3,317,618	4,793,787
Net cash provided by (used in) investing activities	(23,783,168)	(5,265,973)	(698,463)	330,398
Net increase (decrease) in cash	(51,586,180)	18,903,796	(2,249,823)	(664,093)
Cash and cash equivalents, beginning of the year	126,750,379	107,846,583	5,723,849	6,387,942
Cash and cash equivalents, end of the year	$ 75,164,199	$ 126,750,379	$ 3,474,026	$ 5,723,849

Southern Illinois University

Statement of Cash Flows

Year Ended June 30, 2009 with Comparative Totals for 2008

	UNIVERSITY		UNIVERSITY RELATED ORGANIZATIONS	
	2009	2008	2009	2008 (Restated)
Reconciliation of Operating Loss to Net Cash Used in Operating Activities				
Operating loss	$ (384,082,319)	$ (361,661,742)	$ (24,679,541)	$ (38,370,547)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation expense	38,504,959	36,393,289	516,011	433,899
Amortization expense	-	-	357,126	357,126
Noncash grants to University	-	-	4,006,859	1,493,213
Noncash expenditures for the benefit of the University	-	-	10,639,303	20,268,276
Noncash contributions	-	-	(1,136,534)	(1,820,637)
Budget expended at University	(223,552)	(219,516)	-	-
Payments on behalf of the university	134,261,429	122,396,302	-	-
Change in assets and liabilities:				
Accounts receivable (net)	(6,892,255)	(611,819)	(3,577,881)	(771,038)
Deposits with University	-	-	4,124,089	4,575,770
Reimbursement due from State Treasurer	(41,024,065)	(671,111)	-	-
Inventories	(60,760)	(223,797)	-	-
Prepaid expenses	75,070	170,631	1,562	(3,076)
Other assets	(44,795)	(6,984)	(345,187)	(4,240)
Accounts payable	5,238,401	8,201,215	7,569	1,781,040
Accrued payroll	453,620	1,164,345	-	-
Deferred revenue	189,849	(930,261)	10,698	61,054
Compensated absences	2,135,731	1,146,468	-	-
Deposits held for others	1,930	(33,555)	28,299	12,695
Other liabilities	2,048,658	3,005,160	21,380	757,214
Due to/from related organizations	(3,877,916)	2,123,011	15,583	4,716
Net cash used in operating activities	$ (253,296,015)	$ (189,758,364)	$ (10,010,664)	$ (11,224,535)
Noncash investing, capital and financing activities:				
Payments on behalf of the university for fringe benefits	$ 134,261,429	$ 122,396,302	$ -	$ -
Accretion on bonds payable	4,384,112	4,307,544	-	-
Gifts in kind	3,868,407	1,031,956	10,639,618	20,271,838
Capital assets in accounts payable	15,792,569	12,290,319	-	-
Capital asset acquisition by CDB	1,401,328	13,655,093	-	-
Loss on disposals of capital assets	618,487	1,615,411	-	-
Other capital asset adjustments	(47,962)	1,130,613	-	-
Net interest capitalized	1,064,327	80,028	-	-

The accompanying notes are an integral part of this statement.

Southern Illinois University
Notes to Financial Statements
June 30, 2009

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

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

The University formally recognized The Partnership for a Connected Illinois, Inc., as a University Related Organization during the May 2009 Board of Trustees meeting. The Partnership was formed to advance contemporary telecommunications including broadband internet access throughout the State of Illinois and to assist similar projects throughout the state to meet the goal of

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

full statewide connectivity. The fiscal year 2009 financial activity of The Partnership was immaterial and will be included in the fiscal year 2010 financial statements.

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

2. 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 2008 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 University's financial statements for the year ended June 30, 2008.

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.

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 $10,601,173 and $2,395,219, respectively, at June 30, 2009.

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.

2. Significant accounting policies (continued)

Capital assets

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 20 years for infrastructure, and 15 years for site or building improvements. Vehicles and electronic data processing equipment are depreciated over five years. Other equipment and books are depreciated over seven years. Land, works of art, and historical 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 $134,261,429 for fiscal year 2009 for health care and retirement costs. These costs are reflected in the Statement of Revenues, Expenses and Changes in Net Assets as nonoperating revenues entitled "Payments on behalf of the University" and as operating expenses under the appropriate functional classifications.

Substantially all employees participate in group health insurance plans administered by the State of Illinois. The employer contributions to these plans for University employees paid from State appropriations and auxiliary enterprises are paid by the State on behalf of the University. On-behalf payments for health care costs totaled $89,505,781 for the year ended June 30, 2009. The employer contributions to these plans for employees paid from other University held funds are paid by the University. On behalf-payments of $44,755,648 for the year ended June 30, 2009, were made for retirement costs.

Classification of revenues and expenses

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

Operating: Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as student tuition and fees, sales and services of educational departments, sales and services of auxiliary enterprises, and most grants and contracts. 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, 2009, the University estimates $37,911,867 will be paid from state appropriated accounts funded by the State of Illinois General Revenue Fund and the Income Fund, and $12,191,175 from local funds in subsequent years for a combined total of $50,103,042.

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, 2008, or later which may impact the University:

Statement No. 49 – *Accounting and Financial Reporting for Pollution Remediation Obligations*, addresses accounting and financial reporting standards for remediation obligations to consider the current or potential detrimental effects of existing pollution. The statement was effective for the period beginning July 1, 2008. There were no liabilities to record in FY2009.

Statement No. 51 – *Accounting and Financial Reporting for Intangible Assets*, provides guidance on the accounting for and reporting of intangible assets such as easements, computer software, water rights, timber rights, patents, and trademarks. The statement is effective for the period beginning July 1, 2009, but should be applied retroactively to intangible assets acquired since July 1, 1980. The University will identify and recognize intangible assets as required by the statement.

Statement No. 52 – *Land and Other Real Estate Held as Investments by Endowments*, establishes consistent standards for the reporting of land and other real estate held as investments. The statement was effective for the period beginning July 1, 2008. It did not impact the University.

Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments*, establishes the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments. The statement is effective for the period beginning July 1, 2009. It is not expected to 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 will not impact the University.

Statement No. 55 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature. The requirements in the statement will improve financial reporting by contributing to the GASB's efforts to codify all GAAP for state and local governments so that they derive from a single source, but it is not expected to result in a change in current practice. The statement was effective immediately upon issuance in March 2009.

Statement No. 56 – *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, incorporates into the GASB authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. The statement incorporates guidance on three issues: related party transactions, going concern considerations, and subsequent events. The requirements in the statement will improve financial reporting by contributing to the GASB's efforts to codify all GAAP for state and local governments so that they derive from a single source. The statement was effective immediately upon issuance in March 2009.

Prior period adjustments
SIU Physicians & Surgeons, Inc.: The amount of net assets at the beginning of fiscal year 2009 has been adjusted to recognize the removal of the accrual for Medicaid reimbursements that are based on an agreement between the SIU School of Medicine and the Illinois Department of Healthcare and Family Services. The effect of the restatement was to decrease net assets by $4,317,234. Also, comparative totals for fiscal year 2008 have been restated to reflect the removal of the accrual. The amount of net assets at the beginning of fiscal year 2008 has been decreased by $3,977,617 due to the effects of the restatement on prior years. The effect on the restatement for fiscal year 2008 was to decrease the change in net assets by $339,617.

Southern Illinois University at Edwardsville Foundation: The Foundation restated its net asset balance related to certain irrevocable trusts held by trustees other than the Foundation. In prior years these amounts were recorded as an asset. According to GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*, these amounts should not be recognized as assets and revenues until received. The effect of the restatement was to decrease net assets by $3,043,680. Comparative totals for fiscal year 2008 have also been restated. The amount of net assets at the beginning of fiscal year 2008 has been decreased by $2,643,396 due to the effects of the restatement on prior years. The effect of the restatement for fiscal year 2008 was to decrease the change in net assets by $400,284.

3. Cash, deposits and cash equivalents

At June 30, 2009, the actual bank balances related to the deposits of the University amounted to $82,357,222; all such balances were covered by federal depository insurance or collateral held by an agent in the University's name.

Cash, deposits and cash equivalents at June 30, 2009, are as follows:

UNIVERSITY:		
Cash and cash equivalents	$	5,116,358
The Illinois Funds		70,047,841
Total cash and cash equivalents	$	75,164,199
UNIVERSITY RELATED ORGANIZATIONS:		
Total cash and cash equivalents	$	3,474,026

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 *Illinois Public Funds Investment Act;* the policies of the Board; and covenants provided from the University's bond and certificate of participation issuance activities. The University's Investment Policy authorizes the University to invest in securities of the U.S. Government or its agencies; interest bearing savings accounts, certificates of deposit, interest bearing time deposits, and other direct obligations of any bank defined in the Illinois Banking Act; certain short term obligations of U.S. corporations rated in the highest three rating classification by at least two standard rating services provided such obligations do not mature in longer than 180 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 and U.S. Agencies; Public Treasurer's Investment Pool (The Illinois Funds); repurchase agreements of Government securities; and other specifically defined repurchase agreements.

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

University investments

Investments are reported at fair value. The fair value is determined to be the amount, usually quoted market prices, at which financial instruments could be exchanged in a current transaction between willing partners. The investment with the Public Treasurer's Investment Pool (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 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 bonds 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.

4. Investments (continued)

Investment income net of realized and unrealized gains and losses on investments for the year ended June 30, 2009, are reflected below:

UNIVERSITY:		
Interest earnings and realized gain on investments	$	6,336,039
Unrealized gain on investments		1,379,475
Net investment income	$	7,715,514
UNIVERSITY RELATED ORGANIZATIONS:		
Interest earnings and realized loss on investments	$	(4,378,056)
Unrealized loss on investments		(18,843,212)
Net investment income	$	(23,221,268)

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 six months 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 were rated AAA. The Illinois Funds are 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 $105 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 in accordance with 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 and may be subject to volatility in market conditions. Management of the Foundation believes that the carrying amounts of these financial instruments are a

4. Investments (continued)

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 reasonable possible that change 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.

In accordance with SFAS No. 157, *Fair Value Measurements*, the Foundation has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

The Foundation also adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Liabilities*, on May 1, 2008. SFAS No. 159 allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Foundation has elected to measure any existing financial instruments at fair value at May 1, 2008, as permitted under SFAS 159.

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, 2009, 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 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 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

4. Investments (continued)

these investments in their name for the benefit of the Foundation. The Foundation does not maintain a policy regarding custodial credit risk.

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, 2009. 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 14.

Investment maturities

Interest rate risk is disclosed below using the segmented time distribution method. As of June 30, 2009, the University and University Related Organizations had the following investment balances:

UNIVERSITY:

		Investment Maturities (In Years)			
Investment Type:	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**No Maturity**
U.S. Treasuries	$ 46,074,059	$ 13,968,537	$ 25,529,459	$ 6,576,063	$ -
U.S. Agencies	84,908,812	17,100,419	46,124,138	21,684,255	-
The Illinois Funds	70,047,841	70,047,841	-	-	-
Certificates of Deposit	33,000,000	33,000,000	-	-	-
Common Stock	44,300	-	-	-	44,300
Subtotal	234,075,012	$ 134,116,797	$ 71,653,597	$ 28,260,318	$ 44,300
Less: Investment in The Illinois Funds reported as cash	(70,047,841)				
Total Investments	$ 164,027,171				

UNIVERSITY RELATED ORGANIZATIONS:

		Investment Maturities (In Years)			
Investment Type:	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
U.S. Treasuries	$ -	$ -	$ -	$ -	$ -
U.S. Agencies	1,435,359	1,403,548	-	-	31,811
Certificates of Deposit	7,612,472	2,157,615	5,049,284	405,573	-
Commercial paper	9,653,548	9,653,548	-	-	-
Foreign Equity Securities	12,994,003	12,994,003			-
Corporate Equity Securities	22,164,324	22,164,324	-	-	-
Hedge Funds	4,823,498	4,823,498	-	-	-
Real Estate Investment Trust	72,275	-	-	-	72,275
Private Equity	1,645,730	707,698	938,032	-	-
Money Market Funds with Brokers	1,598,563	1,598,563	-	-	-
Mutual Funds	57,907,584	57,857,984	49,600	-	-
Total Investments	$ 119,907,356	$ 113,360,781	$ 6,036,916	$ 405,573	$ 104,086

5. Accounts and notes receivable

Accounts and notes receivable consisted of the following at June 30, 2009:

UNIVERSITY:

	Accounts Receivable	Notes Receivable
Student tuition and fees	$ 14,996,099	$ -
Auxiliary enterprises	7,793,595	-
Grants and contracts	16,587,787	-
General operating	12,552,562	-
Student loans	-	21,325,937
Plant funds	67,605	164,755
Other accounts receivable	385,994	-
	52,383,642	21,490,692
Less: Allowance for doubtful accounts	(10,348,697)	(2,395,219)
Net receivable	$ 42,034,945	$ 19,095,473

UNIVERSITY RELATED ORGANIZATIONS:

	Accounts Receivable	Notes Receivable
Accounts receivable	$ 49,091,806	$ -
Student loans	-	87,413
	49,091,806	87,413
Less: Allowances for assignment losses and doubtful accounts	(28,524,453)	-
Net receivable	$ 20,567,353	$ 87,413

During fiscal year 2003, Southern Illinois University entered into a contract for deed agreement with Equipping the Saints Ministry, International, Inc. for the sale of the Auburn Clinic building in Auburn, Illinois. The contract is in the amount of $240,000 at an interest rate of 4%, to be paid over a term of ten years in eighteen semi-annual installments of $9,000, including interest, beginning June 19, 2003, with a final installment of $124,790 due on December 19, 2011. A down payment of $24,000 was paid upon signing of the contract. As of June 30, 2009, the outstanding balance of the note was $164,755. Payments totaling $18,000 were subsequently received during July 2009.

6. Capital assets

Capital asset activity for the year ended June 30, 2009, 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	6,304,093	3,214,018	-	-	9,518,111
Construction in progress	64,633,629	51,680,334	126,687	(53,434,177)	62,753,099
Total capital assets not being depreciated	92,482,061	54,894,352	126,687	(53,434,177)	93,815,549
Capital assets being depreciated:					
Site improvements	46,617,582	457,261	492,134	5,635,489	52,218,198
Buildings	830,575,396	3,953,234	173,250	41,452,058	875,807,438
Equipment	299,835,316	18,321,214	6,685,149	6,346,630	317,818,011
Infrastructure	8,607,727	-	-	-	8,607,727
Total capital assets being depreciated	1,185,636,021	22,731,709	7,350,533	53,434,177	1,254,451,374
Less accumulated depreciation for:					
Site improvements	33,430,117	1,325,577	354,051	-	34,401,643
Buildings	387,548,724	20,155,203	6,497	-	407,697,430
Equipment	243,343,117	17,024,179	6,385,683	-	253,981,613
Infrastructure	8,607,727	-	-	-	8,607,727
Total accumulated depreciation	672,929,685	38,504,959	6,746,231	-	704,688,413
Total capital assets being depreciated, net	512,706,336	(15,773,250)	604,302	53,434,177	549,762,961
Capital assets, net	$ 605,188,397	$ 39,121,102	$ 730,989	$ -	$ 643,578,510

UNIVERSITY RELATED ORGANIZATIONS:

	Beginning Balance	Additions	Deletions	Transfers	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	3,029,615	1,019,652	41,213	-	4,008,054
Total capital assets being depreciated	7,616,921	1,019,652	41,213	-	8,595,360
Less accumulated depreciation for:					
Site improvements	76,757	31,401	-	-	108,158
Buildings	555,167	120,146	-	-	675,313
Equipment	1,442,772	364,464	41,020	-	1,766,216
Total accumulated depreciation	2,074,696	516,011	41,020	-	2,549,687
Total capital assets being depreciated, net	5,542,225	503,641	193	-	6,045,673
Capital assets, net	$ 5,542,225	$ 819,313	$ 193	$ -	$ 6,361,345

7. Changes in liabilities

Liability activity for the year ended June 30, 2009, is as follows:

UNIVERSITY:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 47,967,312	$ 5,567,960	$ 3,432,230	$ 50,103,042	$ 3,712,664
Revenue bonds payable	260,614,648	58,345,139	12,880,167	306,079,620	13,130,215
Certificates of participation	28,290,767	-	2,666,576	25,624,191	2,766,366
Capitalized leases	1,410,951	141,929	1,135,364	417,516	231,331
Self insurance	15,687,720	11,610,371	9,570,263	17,727,828	9,139,759
Federal loan programs refundable	17,129,578	114,194	-	17,243,772	-
Due to related organizations	110,752	-	56,643	54,109	54,109
Other accrued liabilities	147,296	-	12,593	134,703	-
Housing deposits	284,775	210,948	202,398	293,325	131,996
Total long-term liabilities	$ 371,643,799	$ 75,990,541	$ 29,956,234	$ 417,678,106	$ 29,166,440

UNIVERSITY RELATED ORGANIZATIONS:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes payable	$ 1,188,094	$ -	$ 88,094	$ 1,100,000	$ -
Annuities payable	4,992,208	1,724,890	2,204,640	4,512,458	591,777
Other accrued liabilities	2,334,866	52,340	-	2,387,206	-
Deposits held in custody for others	2,394,415	1,054,396	464,495	2,984,316	84,927
Total long-term liabilities	$ 10,909,583	$ 2,831,626	$ 2,757,229	$ 10,983,980	$ 676,704

8. Revenue bonds payable

Revenue bonds payable activity for the year ended June 30, 2009, is as follows:

UNIVERSITY:

Series	Annual Maturity To	Beginning Balance	Accretion/ New Debt	Principal Paid/Debt Refunded	Ending Balance	Current Portion
1993A	2018	$ 21,402,333	$ 1,329,978	$ -	$ 22,732,311	$ -
1997A	2009	605,000	-	605,000	-	-
1997A	2018	23,028,977	1,255,075	2,975,000	21,309,052	3,075,000
1999A	2029	32,300,484	1,799,059	370,000	33,729,543	370,000
2000A	2010	605,000	-	295,000	310,000	310,000
2001A	2017	9,525,000	-	1,945,000	7,580,000	1,390,000
2003A	2029	13,390,000	-	2,715,000	10,675,000	3,445,000
2004A	2035	38,670,000	-	870,000	37,800,000	895,000
2005	2026	19,605,000	-	715,000	18,890,000	765,000
2006A	2036	67,115,000	-	1,820,000	65,295,000	2,430,000
2008A	2028	30,105,000	-	505,000	29,600,000	510,000
2009A	2030	-	53,735,000	-	53,735,000	-
		$ 256,351,794	$ 58,119,112	$ 12,815,000	301,655,906	13,190,000
Unaccreted appreciation						$ (133,801)
Unamortized debt premium					6,208,185	322,224
Unamortized loss on refunding					(1,784,471)	(248,208)
Total					$ 306,079,620	$ 13,130,215

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 4.20 to 5.50 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 2000A were authorized by the University's Board under the Seventh Supplemental Bond Resolution dated May 11, 2000. The bonds mature at varying amounts from 2002 to 2010 with interest ranging from 5.25 to 5.75 percent. Interest payments are due semi-annually.

The Housing and Auxiliary Facilities System Bonds, Series 2001A were authorized by the University's Board under the Eighth Supplemental Bond Resolution dated July 12, 2001, as amended on December 11, 2003. The bonds mature at varying amounts from 2002 to 2017 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 board on October 13, 2005. The bonds mature at varying amounts from 2006 to 2026 with interest ranging from 3.25 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 Board under the Twelfth Supplemental Bond Resolution dated April 10, 2008. The bonds mature at varying 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 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.

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 $464,603,821 with annual requirements ranging from $2,604,000 to $25,267,244. For the current year, principal and interest paid was $19,608,809, and the total revenues pledged were $53,927,696. Total revenue pledged represents 100 percent of the net revenues of the System and 17 percent of net tuition revenue received during fiscal year 2009. Although net tuition is pledged it is not expected to be needed to meet debt service requirements.

8. Revenue bonds payable (continued)

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, 2009, the maximum annual debt requirement was $25,267,244, and the coverage was 213 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 $16,596,981 at June 30, 2009.

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, 2009, $12,090,000 of the bonds refunded in 2006 was outstanding. The market value of the related escrow fund was $12,302,462.

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 $27,298,787 with annual requirements ranging from $543,400 to $1,985,750. For the current year, principal and interest paid was $1,643,513, and the total revenues pledged were $124,167,336. Total revenue pledged represents 100 percent of the net revenues of the System and 83 percent of net tuition revenue received during fiscal year 2009. 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, 2009, the maximum annual debt service was $1,985,750, and the coverage was 6,253 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 $520,116 at June 30, 2009.

Future debt service requirements for all bonds outstanding are:

UNIVERSITY:

	Principal	Interest
2010	$ 13,190,000	$ 10,692,671
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
2015-19	87,910,000	40,469,747
2020-24	81,395,000	27,021,079
2025-29	75,260,000	14,580,125
2030-34	22,225,000	4,786,960
2035-36	6,755,000	461,750
Total payments	353,545,000	$ 138,357,608
Unaccreted appreciation	(51,889,094)	
Subtotal	301,655,906	
Unamortized premiums on bonds	6,208,185	
Unamortized deferred loss on refunding	(1,784,471)	
Total bonds payable	$ 306,079,620	

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:		
Year Ending		
2010	$	244,988
2011		163,425
2012		10,817
2013		6,753
2014		6,753
Later years		6,753
Total minimum lease payments		439,489
Less amount representing interest		(21,973)
Present value of net minimum lease payments	$	417,516

Assets held under capital lease are:

UNIVERSITY:		
Equipment		977,064
Less accumulated depreciation		(433,625)
Total net assets	$	543,439

The University leased the Evergreen Terrace apartment complex from Southern Illinois University Foundation (at Carbondale) under a capital lease agreement through the year 2009. It was classified and accounted for as a liability reported as an amount "Due to Related Organizations." The agreement obligated the University to make rental payments in an amount sufficient to cover principal and interest payments and the required deposits to the repair and replacement reserve and the hazard insurance escrow account. At the conclusion of the lease, the University purchased the complex from the Foundation for the sum of one dollar.

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 $16,073,677 in 2009.

10. Notes and certificates of participation payable

(A) Carbondale Foundation mortgage note payable

On July 3, 1967, the Southern Illinois University Foundation (at Carbondale) entered into a financing agreement with the Federal Housing Administration (FHA) to construct on behalf of the University a 304-unit apartment complex known as Evergreen Terrace (FHA Project No. 072-55010-NP). The original mortgage note was issued in the amount of $4,000,000 at an interest rate of 3%. It was secured by a pledge of thirty-eight acres of land, including buildings and improvements. The note was paid in full during February 2009.

(B) Edwardsville Foundation note payable

On March 1, 2008, the Southern Illinois University at Edwardsville Foundation entered into a note payable in the amount of $1,100,000 due July 2, 2008, for the purpose of refinancing the construction of an office building. The original debt issued in October 1999 was recorded as a revenue bond. The note was refinanced on July 2, 2008, in the principal amount of $1,100,000. The interest rate is 3.95%, and the note matures in 2013. Annual payment requirements range from $43,450 to $1,143,450. As of June 30, 2009, the note was outstanding in the amount of $1,100,000.

(C) Certificates of Participation

Series 2004A: On June 17, 2004, the University issued Certificates of Participation (COPS) in the par amount of $32,740,000. The COPS were issued at a discount of $91,480. The certificates were issued to finance, in combination with University funds,

10. Notes and certificates of participation payable (continued)

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, 2009, these certificates were outstanding in the amount of $23,756,944.

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, 2009, these certificates were outstanding in the amount of $1,867,247.

Annual aggregate principal and interest payments required for years subsequent to June 30, 2009, are:

UNIVERSITY:

	Certificates of Participation	
	Principal	Interest
2010	$ 2,770,000	$ 1,121,140
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
2015-19	5,780,000	2,808,763
2020-24	8,210,000	1,372,100
Total payments	25,690,000	$ 8,762,646
Unamortized premiums (discounts) on COPS	(65,809)	
Total payable	$ 25,624,191	

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, 2009, the accrual for self-insurance was $16,198,924 for the general and professional liability fund and $1,528,904 for the Student Medical Insurance Plan, for a total accrued liability for self-insurance of $17,727,828. 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.

11. Accrued self insurance (continued)

Changes in the self-insurance accrual for the years ended June 30, 2009, and June 30, 2008, are reflected below:

	June 30, 2009		
	Total	General and Professional	Student Plan
Accrued liability, June 30, 2008	$ 15,687,720	$ 13,201,868	$ 2,485,852
Current year claims and other changes	11,610,371	6,998,521	4,611,850
Payment of Claims	(9,570,263)	(4,001,465)	(5,568,798)
Accrued liability, June 30, 2009	$ 17,727,828	$ 16,198,924	$ 1,528,904

	June 30, 2008		
	Total	General and Professional	Student Plan
Accrued liability, June 30, 2007	$ 12,699,360	$ 9,689,796	$ 3,009,564
Current year claims and other changes	10,459,718	5,737,663	4,722,055
Payment of Claims	(7,471,358)	(2,225,591)	(5,245,767)
Accrued liability, June 30, 2008	$ 15,687,720	$ 13,201,868	$ 2,485,852

12. Net Assets

Net asset balances by major categories at June 30, 2009:

UNIVERSITY:	
Invested in capital assets, net of related debt	363,782,383
Restricted for:	
Nonexpendable	3,131,934
Expendable	
Quasi-endowment	180,995
Scholarships, research, instruction and other	8,314,941
Loans	4,835,702
Self insurance	4,538,267
Capital projects	27,377,569
Debt service	19,432,409
Unrestricted	54,458,253
Total	$ 486,052,453
UNIVERSITY RELATED ORGANIZATIONS:	
Invested in capital assets, net of related debt	$ 5,261,345
Restricted for:	
Nonexpendable	78,773,768
Expendable	
Scholarships, research, instruction and other	46,126,735
Loans	12,382
Capital projects	6,965,043
Unrestricted	19,275,325
Total	$ 156,414,598

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 2009, realized losses on investments totaled ($128,929), unrealized losses on investments totaled ($335,565), and an additional $1,933 was deposited with the Foundation, resulting in a balance of $1,529,693 held by the Foundation at June 30, 2009. The Foundation distributes earnings to the University on a quarterly basis. Payments during fiscal year 2009 totaled $37,422.

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 is 18.61% 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, 2009, 2008, and 2007 were $47,526,941, $36,446,327, and $27,308,064, respectively, equal to the required contributions for the year. The fiscal year 2009 contribution consisted of $44,755,648 from State appropriations and $2,771,293 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.

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 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.

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 year 2009 included the receipt of $36,871,706 from SIU Physicians & Surgeons, Inc. (SIU P&S) for services provided by the University. Also, SIU P&S contributed $7,697,271 to the University for Academic Development for the School of Medicine. Additional information concerning transactions with related parties may be obtained by contacting those entities listed in Note 1 on page 14.

16. University Related Organizations - transactions with related parties (continued)

The Southern Illinois University Foundation (at Carbondale) accepted the gift of 391.88 acres of land in Jackson County, Illinois on March 3, 2009. The property had an appraised fair market value of $1,021,728 as of November 29, 2007. The University is required to disclose this gift to comply with section VI.I.2 of the Legislative Audit Commission University Guidelines of 1982.

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. 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 2009 the U.S. Department of Education Office of Inspector General (OIG) performed an audit of the SIUE Upward Bound, Upward Bound Math-Science and Talent Search Programs. The OIG report indicated that there may be disallowed costs, but the Department of Education has not yet issued its final Program Determination Letter. Preliminary results indicate disallowed costs could range from approximately $179,239 to $931,744. The University administration believes that any disallowances or adjustment resulting from this or 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.

18. Subsequent event

On August 17, 2009, an eight-unit apartment building at Cougar Village at Edwardsville was destroyed by fire. The cause of the fire was a lightning strike. The estimated cost of replacement is $1.6 million and will be funded through insurance proceeds, SIU self-insurance, and Repair and Replacement Reserve funds. On September 10, 2009, the SIU Board of Trustees approved that the project and its proposed funding source be submitted to the Illinois Board of Higher Education for its review and approval as a non-instructional capital improvement.

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. Condensed financial statements for the University's two segments are shown below. Additional information relating to these segments is included in Note 8, Revenue bonds payable.

	Housing and Auxiliary Facilities System	Medical Facilities System
CONDENSED STATEMENTS OF NET ASSETS		
	June 30, 2009	
Assets:		
Current assets	$ 113,680,243	$ 8,497,184
Capital assets, net	206,320,564	35,350,549
Other assets	8,140,293	390,419
Total Assets	328,141,100	44,238,152
Liabilities:		
Current liabilities	30,068,982	2,046,835
Noncurrent liabilities	277,571,476	20,033,292
Total Liabilities	307,640,458	22,080,127
Net Assets (Deficit)		
Invested in capital assets, net of related debt	(28,924,612)	16,832,600
Restricted - expendable	35,034,847	1,072,322
Unrestricted	14,390,407	4,253,103
Total Net Assets	$ 20,500,642	$ 22,158,025
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS		
	Year ended June 30, 2009	
Operating revenues	$ 96,548,068	$ 39,403,287
Operating expenses	(83,470,651)	(48,116,452)
Depreciation expense	(9,513,451)	(658,046)
Operating gain (loss)	3,563,966	(9,371,211)
Nonoperating revenues and expenses - net	3,395,907	9,425,210
Gain before other revenues, expenses, gains or losses	6,959,873	53,999
Other revenues, expenses, gains or losses - net	1,260,137	371,727
Increase in net assets	8,220,010	425,726
Net assets at beginning of year	12,280,632	21,732,299
Net assets at end of year	$ 20,500,642	$ 22,158,025
CONDENSED STATEMENTS OF CASH FLOWS		
	Year ended June 30, 2009	
Cash provided by (used in):		
Operating activities	$ 22,953,232	$ (979,141)
Noncapital financing activities	3,016,663	-
Capital financing activities	4,358,097	(2,117,198)
Investing activities	(24,976,890)	81,906
Net increase (decrease) in cash	5,351,102	(3,014,433)
Cash, beginning of year	44,349,716	7,188,524
Cash, end of year	$ 49,700,818	$ 4,174,091

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, 2009								
Assets:								
Current assets	$ 26,670,959	$ 8,227,187	$21,833,750	$ 582,040	$ 32,812	$ 141,445	$1,388,143	$ 58,876,336
Noncurrent assets	87,027,638	22,470,986	2,333,695	5,220,283	188,855	204,329	1,490,915	118,936,701
Total Assets	113,698,597	30,698,173	24,167,445	5,802,323	221,667	345,774	2,879,058	177,813,037
Liabilities:								
Current liabilities	943,289	335,470	8,524,567	917,027	188,472	10,494	171,844	11,091,163
Noncurrent liabilities	6,223,876	1,702,683	-	1,557,592	-	-	823,125	10,307,276
Total Liabilities	7,167,165	2,038,153	8,524,567	2,474,619	188,472	10,494	994,969	21,398,439
Net Assets:								
Invested in capital assets, net of related debt	558,782	1,243,039	1,459,695	304,585	-	204,329	1,490,915	5,261,345
Restricted - nonexpendable	66,345,358	12,428,410	-	-	-	-	-	78,773,768
Restricted - expendable	38,838,893	14,265,267	-	-	-	-	-	53,104,160
Unrestricted	788,399	723,304	14,183,183	3,023,119	33,195	130,951	393,174	19,275,325
Total Net Assets	$106,531,432	$28,660,020	$15,642,878	$3,327,704	$ 33,195	$ 335,280	$1,884,089	$ 156,414,598
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS								
Year ended June 30, 2009								
Operating revenues	$ 5,385,787	$ 8,438,781	$81,551,071	$2,085,406	$ 337,573	$ 328,935	$ 454,981	$ 98,582,534
Operating expenses	25,868,439	6,873,379	87,028,290	2,286,819	395,767	355,820	453,561	123,262,075
Operating income (loss)	(20,482,652)	1,565,402	(5,477,219)	(201,413)	(58,194)	(26,885)	1,420	(24,679,541)
Nonoperating revenues and expenses - net	(3,897,800)	(3,124,636)	195,518	(731,237)	(59,071)	1,740	30,523	(7,584,963)
Income before other revenues	(24,380,452)	(1,559,234)	(5,281,701)	(932,650)	(117,265)	(25,145)	31,943	(32,264,504)
Other revenues	5,010,847	336,495	-	-	-	-	-	5,347,342
Increase in net assets	(19,369,605)	(1,222,739)	(5,281,701)	(932,650)	(117,265)	(25,145)	31,943	(26,917,162)
Net assets at beginning of year	125,901,037	32,926,439	25,241,813	4,260,354	150,460	360,425	1,852,146	190,692,674
Prior-period adjustment	-	(3,043,680)	(4,317,234)	-	-	-	-	(7,360,914)
Net assets at beginning of year, as restated	125,901,037	29,882,759	20,924,579	4,260,354	150,460	360,425	1,852,146	183,331,760
Net assets at end of year	$106,531,432	$28,660,020	$15,642,878	$3,327,704	$ 33,195	$ 335,280	$1,884,089	$ 156,414,598
CONDENSED STATEMENTS OF CASH FLOWS								
Year ended June 30, 2009								
Cash provided by (used in):								
Operating activities	$ (9,667,603)	$ (307,528)	$ (11,604)	$ 16,082	$ (28,079)	$ (1,410)	$ (10,522)	$ (10,010,664)
Noncapital financing activities	6,668,568	336,495	145,733	4,028	373	-	140,990	7,296,187
Capital financing activities	2,202,470	(275,732)	(711,352)	(51,674)	-	-	(595)	1,163,117
Investing activities	524,900	(2,143,983)	874,462	(14,650)	29,434	1,740	29,634	(698,463)
Net increase (decrease) in cash	(271,665)	(2,390,748)	297,239	(46,214)	1,728	330	159,507	(2,249,823)
Cash, beginning of year	558,626	2,970,506	814,014	141,553	17,620	58,003	1,163,527	5,723,849
Cash, end of year	$ 286,961	$ 579,758	$ 1,111,253	$ 95,339	$ 19,348	$ 58,333	$1,323,034	$ 3,474,026

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

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

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of Southern Illinois University (the "University") and its aggregate discretely presented component units (the "University Related Organizations"), as of and for the year ended June 30, 2009, and have issued our report thereon dated February 19, 2010. 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

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 would not necessarily identify all deficiencies in internal control that might be 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 February 19, 2010.

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*.

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

Oak Brook, Illinois
February 19, 2010

Crowe Horwath LLP
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STATE OF ILLINOIS

SOUTHERN ILLINOIS UNIVERSITY

HOUSING AND AUXILIARY FACILITIES SYSTEM

Report of the Treasurer

For the Year Ended June 30, 2009

Southern Illinois University Board of Trustees and Officers of Administration
Fiscal Year 2009

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Duane Stucky, Senior Vice President, Financial and Administrative Affairs and Board Treasurer
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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 – Board of Trustees

Board Treasurer
1400 Douglas Drive
Mailcode 6801
Carbondale, IL 62901

Phone: 618-536-3475

FAX: 618-536-3404

September 30, 2009

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, 2009.

The Series 2009A bonds were issued in May 2009 in the amount of $53,735,000. These bonds were sold to finance the construction of a new Football Stadium and renovation and construction of an addition to the Arena, all on the Carbondale campus.

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
Board Treasurer

DS/lap

TREASURER'S COMMENTS

SOUTHERN ILLINOIS UNIVERSITY HOUSING AND AUXILIARY FACILITIES SYSTEM

I. SOUTHERN ILLINOIS UNIVERSITY REVENUE BOND OPERATIONS

FACILITIES

The facilities included in the Southern Illinois University Housing and Auxiliary Facilities System (the "System") were acquired in 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 six 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.

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.

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.

TREASURER'S COMMENTS – Continued

Government securities purchased for the Advance Refunding of 2006 are held in trust by the LaSalle Bank N.A., 135 South LaSalle Street, Chicago, Illinois. The principal amount outstanding as of June 30, 2009, 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	$ 12,090,000
	$ 12,090,000

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 2008	20,673	17,428
Fall semester 2007	20,983	17,453
Edwardsville Campus (semester basis)		
Fall semester 2008	13,602	11,636
Fall semester 2007	13,398	11,280

*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 Charges for 2009	Occupancy Rates 2009	2008	2007	2006	2005
Southern Hills Apartments (C) 271 Apartments	$5,808 - $6,696	80.9%	81.2%	88.4%	89.9%	86.9%
Greek Row (C) 33 Persons*	$6,014 - $9,374	54.1%	66.2%	70.1%	81.0%	52.1%
Thompson Point (C) 1,187 Persons	$7,164 - $10,260	93.9%	95.5%	94.9%	94.3%	92.9%
Towers (C)** 2,129 Persons	$6,924 - $9,880	92.6%	91.5%	88.0%	93.2%	– –
Triads (C)** 979 Persons	$6,604 - $9,374	34.6%	36.8%	35.7%	69.4%	– –
East Campus (C)**		– –	– –	– –	– –	85.9%
University Hall (C) 359 Persons	$6,924 - $9,880	83.6%	89.7%	78.0%	81.4%	76.0%
Wall & Grand (C)*** 400 Persons (Bldg I,II & III)	$5,368 - $6,517	94.2%	78.9%	90.7%	– –	– –
Cougar Village (E) 496 Apartments	$3,560 - $11,550	93.9%	92.7%	95.8%	94.2%	94.8%
Woodland Hall (E) 257 Rooms	$7,040 - $12,430	96.2%	86.9%	97.9%	98.1%	97.2%
Prairie Hall (E) 260 Rooms	$7,040 - $12,430	95.6%	90.6%	97.3%	98.7%	97.9%
Bluff Hall (E) 260 Rooms	$7,040 - $12,430	96.5%	89.3%	96.7%	99.0%	97.5%
Evergreen Hall (E)**** 131 Apartments	$4,880 - $9,130	97.7%	97.4%	– –	– –	– –

(C) Carbondale Campus, (E) Edwardsville Campus

*Certain properties are also leased to national organizations of fraternities and sororities for housing (three buildings) and to the University for administrative and student service purposes (six buildings).
**East Campus is reported as Towers and Triads by University Housing beginning in 2006.
***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, 2009	2008
Receipts:		
Revenue Account:		
Operating Receipts	$ 96,292,430	$ 86,567,764
Revenue Bond Fees	1,809,277	2,408,845
Retirement of Indebtedness – Investment Income	464,682	839,932
Total Receipts	98,566,389	89,816,541
Disbursements:		
Operation and Maintenance Account	69,905,937	67,471,372
Net Revenues	28,660,452	22,345,169
Plus: Pledged Retained Tuition	25,267,244	20,468,319
Total Available for Debt Service	$ 53,927,696	$ 42,813,488
Maximum Annual Debt Service	$ 25,267,244	$ 20,468,319
Coverage Ratio Based on Net Revenues	113%	109%
Coverage Ratio as Defined in the Bond Resolution	213%	209%

V. RETIREMENT OF INDEBTEDNESS

The net assets are restricted for the following purposes:

	June 30, 2009	2008
Bond and Interest Sinking Fund Account	$ 7,983,191	$ 7,018,860
Debt Service Reserve Account	9,066,125	9,066,125
	$ 17,049,316	$ 16,084,985

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 $5,658,427 ($6,188,364 in 2008) and investment income of $408,208 in 2009 and $502,442 in 2008. Expenditures charged to the reserve amounted to $5,185,559 in 2009 and $2,746,439 in 2008. The net assets of Renewals and Replacements consisted of the following:

	June 30, 2009	2008
Pooled Cash and Investments	$ 17,021,632	$ 16,275,471
Accrued Interest Receivable	27,277	43,092
Accounts Payable	(451,928)	(602,658)
	$ 16,596,981	$ 15,715,905

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, 2000A, 1999A, 1997A and 1993A issued and outstanding as of June 30, 2009.

VIII. RESTRICTED NET ASSETS – EXPENDABLE

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

	2009	2008
Retirement of Indebtedness	$ 17,049,316	$ 16,084,985
Renewals and replacements	16,596,981	15,715,905
Unexpended	1,388,550	1,636,333
	$ 35,034,847	$ 33,437,223

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Independent Auditors' Report

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

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements, as listed in the table of contents, of Southern Illinois University Housing and Auxiliary Facilities System ("the System") as of and for the year ended June 30, 2009. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the System's 2008 financial statements and, in a report dated February 5, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1A, the financial statements of the System are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the activities of Southern Illinois University that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of Southern Illinois University as of June 30, 2009, 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, 2009, 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 February 19, 2010, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

In connection with our audit, nothing came to our attention that caused us to believe that the System was not in compliance with any of the fund accounting covenants of the Resolutions of the Board of Trustees of Southern Illinois University, which provided for the issuance of the Southern Illinois University Housing and Auxiliary Facilities System Revenue Bonds Series 2009A, Revenue Bonds Series 2008A, Revenue Bonds Series 2006A, Revenue Bonds Series 2004A, Revenue Bonds Series 2003A, Revenue Bonds Series 2001A, Revenue Bonds Series 2000A, Revenue Bonds Series 1999A, Revenue Bonds 1997A, Revenue Refunding Bonds Series 1996A, and Revenue Bonds Series 1993A adopted April 2, 2009, April 10, 2008, March 9, 2006, October 14, 2004, December 12, 2002, July 12, 2001, May 11, 2000, May 13, 1999, July 10, 1997, September 12, 1996, and May 13, 1993, respectively, 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, the System's 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

Oak Brook, Illinois
February 19, 2010

SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
STATEMENT OF NET ASSETS
June 30, 2009
(with comparative totals for 2008)

	2009	2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 49,700,818	$ 44,349,716
Short term investments	58,444,107	27,713,859
Accounts receivable, net	3,834,083	2,794,735
Accrued interest receivable	266,014	398,528
Merchandise for resale	1,135,633	1,060,339
Prepaid expenses and other assets	299,588	236,811
TOTAL CURRENT ASSETS	113,680,243	76,553,988
NONCURRENT ASSETS:		
Long term investments	4,118,217	7,725,557
Prepaid expenses and other assets	4,022,076	3,213,595
Capital assets, net:		
Land	605,395	605,395
Buildings	161,300,390	153,935,003
Improvements	5,377,649	5,360,928
Equipment	8,970,285	3,151,512
Construction in progress	30,066,845	17,839,087
TOTAL NONCURRENT ASSETS	214,460,857	191,831,077
TOTAL ASSETS	328,141,100	268,385,065
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	10,850,782	6,144,422
Accrued interest payable	2,361,159	1,840,921
Accrued payroll	561,130	593,853
Accrued compensated absences	162,354	185,907
Housing deposits	131,996	128,149
Deferred revenue	3,642,403	3,631,557
Revenue bonds payable	12,359,158	12,026,952
TOTAL CURRENT LIABILITIES	30,068,982	24,551,761
NONCURRENT LIABILITIES:		
Accrued compensated absences	2,198,929	2,041,885
Housing deposits	161,329	156,626
Revenue bonds payable	275,211,218	229,354,161
TOTAL NONCURRENT LIABILITIES	277,571,476	231,552,672
TOTAL LIABILITIES	307,640,458	256,104,433
NET ASSETS (DEFICIT)		
Invested in capital assets, net of related debt	(28,924,612)	(33,728,832)
Restricted for:		
Expendable		
Capital projects and debt service	35,034,847	33,437,223
Unrestricted	14,390,407	12,572,241
TOTAL NET ASSETS	$ 20,500,642	$ 12,280,632

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, 2009
(with comparative totals for 2008)

	2009	2008
REVENUES		
OPERATING REVENUES:		
Residence halls and apartments	$ 52,510,263	$ 48,480,456
University student centers		
Sales and services	14,202,117	13,125,943
Student fees	7,864,075	7,833,398
Student recreation and fitness centers		
Sales and services	1,143,822	1,185,189
Student fees	5,767,280	5,557,849
Child care center	883,716	810,967
Student health center	8,361,128	8,494,529
Traffic and parking	2,448,305	2,380,950
Student success center	1,558,085	100,528
Revenue bond fees	1,809,277	1,939,595
TOTAL OPERATING REVENUES	96,548,068	89,909,404
EXPENSES		
OPERATING EXPENSES:		
Salaries and wages	41,093,162	38,223,853
Merchandise for resale	8,927,661	9,048,402
Utilities	9,615,657	9,618,118
Maintenance and repairs	10,068,451	10,686,598
Administrative	8,436,345	8,611,078
Other	5,329,375	5,238,719
Depreciation	9,513,451	7,692,473
TOTAL OPERATING EXPENSES	92,984,102	89,119,241
OPERATING INCOME	3,563,966	790,163
NONOPERATING REVENUES (EXPENSES)		
Investment income	2,013,503	2,867,206
Gifts for other than capital purposes	5,101	50,934
Payments on-behalf of the system	10,220,458	9,250,021
Interest on capital asset-related debt	(7,115,487)	(6,857,419)
Accretion on bonds payable	(4,384,112)	(4,307,544)
Other nonoperating revenue	2,656,444	3,587,644
NET NONOPERATING REVENUES	3,395,907	4,590,842
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	6,959,873	5,381,005
OTHER REVENUES, EXPENSES, GAINS OR LOSSES		
Capital assets retired	(45,827)	(61,099)
Capital grants and gifts	-	-
Additions to plant facilities from other sources	1,305,964	243,092
TOTAL OTHER REVENUES, EXPENSES, GAINS OR LOSSES	1,260,137	181,993
INCREASE IN NET ASSETS	8,220,010	5,562,998
NET ASSETS		
Net assets at beginning of year	12,280,632	6,717,634
NET ASSETS AT END OF YEAR	$ 20,500,642	$ 12,280,632

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, 2009
(with comparative totals for 2008)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Residence halls and apartments	$ 49,662,504	$ 46,571,960
University student centers		
Sales and services	14,613,717	13,288,687
Student fees	8,018,044	7,691,010
Student recreation and fitness centers		
Sales and services	1,154,688	1,096,528
Student fees	5,881,633	5,454,177
Child care center	870,407	812,179
Student health center	8,470,190	8,216,082
Traffic and parking	2,441,188	2,358,458
Student success center	1,548,041	90,541
Revenue bond fees	1,809,277	2,408,845
Payments to employees	(28,692,760)	(26,545,180)
Payments for utilities	(9,769,091)	(9,608,314)
Payments to suppliers	(33,054,606)	(33,767,261)
NET CASH PROVIDED BY OPERATING ACTIVITIES	22,953,232	18,067,712
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gifts for other than capital purposes	51,173	4,886
Other nonoperating revenue	2,965,490	962,643
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	3,016,663	967,529
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchases of capital assets	(29,518,186)	(15,218,024)
Principal paid on capital debt	(12,100,000)	(11,155,000)
Interest paid on capital debt	(8,572,245)	(7,170,551)
Retained bond proceeds	53,961,028	31,464,732
Other	587,500	2,625,000
NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES	4,358,097	546,157
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	37,539,766	31,588,899
Investment income	2,083,902	2,944,817
Purchase of investments	(64,600,558)	(42,919,509)
NET CASH USED IN INVESTING ACTIVITIES	(24,976,890)	(8,385,793)
NET INCREASE IN CASH	5,351,102	11,195,605
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR	44,349,716	33,154,111
CASH AND CASH EQUIVALENTS - END OF THE YEAR	$ 49,700,818	$ 44,349,716
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 3,563,966	$ 790,163
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	9,513,451	7,692,473
Payments on-behalf of the system	10,220,458	9,250,021
Change in assets and liabilities:		
Receivables, net	95,256	(836,305)
Merchandise for resale	(75,294)	(17,676)
Prepaid expenses and other assets	(14,464)	12,422
Accounts payable	(470,305)	583,734
Accrued payroll	(32,723)	205,965
Accrued compensated absences	133,491	76,973
Housing deposits	8,550	16,800
Deferred revenue	10,846	292,142
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 22,953,232	$ 18,067,712
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Payments on-behalf of the system	$ 10,220,458	$ 9,250,021
Capital assets in accounts payable	9,233,977	4,221,991
Accretion on bonds payable	4,384,112	4,307,544
Net interest capitalized	1,064,327	80,028
Other capital asset adjustments	6,185	-
Loss on disposal of capital assets	12,009	-

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, 2000A, 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, 2009. 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

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 2008 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, 2008.

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 policy is to capitalize all equipment items with an acquisition cost of $5,000 or more.

(D) Classification of Revenues and Expenses

The System has classified its revenues and expenses as either operating or nonoperating. Operating revenues and expenses include activities that have characteristics of exchange transactions, such as sales and services of auxiliary enterprises. Nonoperating revenues and expenses include activities that have characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities that Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Other nonoperating revenues and expenses include transactions relating to capital and financing activities, noncapital financing activities, and investing activities. 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 stated at market. The investments, which consist of U.S. Treasury notes, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank and Certificates of Deposit, 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 $3,455,574 at June 30, 2009.

(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 $113,474 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, 2009 amounted to $9,860,155 for group insurance, retirement and post-employment benefits, and $360,303 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.

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, 2009 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 six months 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 were rated AAA. The Illinois Funds are 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 $105 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, 2009, 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	$ 14,962,247	$ 10,844,030	$ 4,118,217	$ -	$ -
U.S. Agencies	14,600,077	14,600,077	-	-	-
Certificates of Deposit	33,000,000	33,000,000	-	-	-
Total Investments	62,562,324	$ 58,444,107	$ 4,118,217	$ -	$ -
Cash and Equivalents					
The Illinois Funds	23,086,057				
Cash and Equivalents	26,614,761				
Total Cash & Equivalents	49,700,818				
Total Cash & Investments	$ 112,263,142				

3. Investments and Investment Income

Southern Illinois University has adopted the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* This statement establishes accounting and reporting standards for certain investments and securities and establishes disclosure requirements for most investments held by governmental entities. It requires that investments be recorded at fair (market) value and that unrealized gains and losses be recorded in income. The fair value is determined to be the amount at which financial instruments could be exchanged in a current transaction between willing parties, usually quoted market prices. 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 years 2009 and 2008.

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, 2009, is reflected below.

Interest earnings	$ 1,925,894
Unrealized gain on investments	87,609
	$ 2,013,503

4. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Land	$ 605,395	$ -	$ -	$ -	$ 605,395
Buildings	280,758,326	2,858,062	-	16,975,393	300,591,781
Improvements	9,950,796	-	234	329,201	10,279,763
Equipment	6,138,668	570,243	206,317	5,983,094	12,485,688
Construction in progress	17,839,087	30,432,339	-	(18,204,581)	30,066,845
Total cost of capital assets	$ 315,292,272	$ 33,860,644	$ 206,551	$ 5,083,107	$ 354,029,472
Less accumulated depreciation for:					
Buildings	$ 126,823,323	$ 8,484,366	$ -	$ 3,983,702	$ 139,291,391
Improvements	4,589,868	312,246	-	-	4,902,114
Equipment	2,987,156	716,839	188,592	-	3,515,403
Total accumulated depreciation	134,400,347	$ 9,513,451	$ 188,592	$ 3,983,702	147,708,908
Capital assets – net	$ 180,891,925				$ 206,320,564

The following estimated useful lives are used to compute depreciation:

Buildings	40 years
Improvements	15 years
Equipment	5 - 10 years

5. Changes in Liabilities

Noncurrent liability activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable	$ 241,381,113	$ 58,345,139	$ 12,155,876	$ 287,570,376	$ 12,359,158
Compensated absences	2,227,792	162,636	29,145	2,361,283	162,354
Housing deposits	284,775	210,948	202,398	293,325	131,996
Total noncurrent liabilities	$ 243,893,680	$ 58,718,723	$ 12,387,419	$ 290,224,984	$ 12,653,508

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, 2009, these bonds were outstanding in the amount of $53,959,642.

(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. The bonds 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, 2009, these bonds were outstanding in the amount of $30,881,290.

(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, 2009, these bonds were outstanding in the amount of $67,477,582.

(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, 2009, these bonds were outstanding in the amount of $38,944,678.

(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, 2009, these bonds were outstanding in the amount of $10,802,604.

(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, 2009, the remaining bonds were outstanding in the amount of $7,590,759.

(G) Series 2000A Bonds

These bonds were authorized by the Board under the Seventh Supplemental Bond Resolution dated May 11, 2000 and were issued as current interest bonds in the original amount of $6,525,000. The bonds were issued at a discount of $45,359 with interest rates ranging from 5.25 to 5.75 percent. These bonds were issued to finance energy conservation improvements at the East Campus housing area on the Carbondale 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 bonds of the Series 2000A. Bonds in the amount of $4,240,000 were advance refunded As of June 30, 2009, the remaining bonds were outstanding in the amount of $307,237.

(H) 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 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, 2009, after accreting the capital appreciation, these bonds were outstanding in the amount of $33,765,221.

(I) 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 with interest rates ranging from 4.20 to 5.50 percent while the capital appreciation bonds were issued at par with interest rates ranging from 4.10 to 5.74 percent. The capital appreciation bonds 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, 2009, after accreting the capital appreciation, the remaining bonds were outstanding in the amount of $21,309,052.

(J) 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 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, 2009, after accreting the capital appreciation, the remaining capital appreciation bonds were outstanding in the amount of $22,732,311.

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 $464,603,821 with annual requirements ranging from $2,604,000 to $25,267,244. For the current year, principal and interest paid was $19,608,809, and the total revenues pledged were $53,927,696. Total revenue pledged represents 100 percent of the net revenues of the System and 17 percent of net tuition revenue received during fiscal year 2009. 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, 2009, the maximum annual debt service was $25,267,244 and the coverage was 213 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 $16,596,981 at June 30, 2009.

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, 2009, $12,090,000 of the bonds refunded in 2006 was outstanding. The market value of the related escrow fund was $12,302,462.

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2010	12,425,000	9,789,184
2011	15,295,000	9,795,869
2012	15,635,000	9,468,244
2013	16,160,000	9,107,244
2014	16,050,000	8,728,031
2015 – 2019	81,675,000	37,482,385
2020 – 2024	74,195,000	25,818,329
2025 – 2029	74,240,000	14,510,825
2030 – 2034	22,225,000	4,786,960
2035 – 2036	6,755,000	461,750
Total Payments	$ 334,655,000	$ 129,948,821
Less Unaccreted Appreciation	(51,889,094)	
Total Payable	282,765,906	
Unamortized debt premium	5,692,271	
Unamortized deferred loss on refunding	(887,801)	
Total Bonds Payable	$ 287,570,376	

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, six 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 ($228,800 in 2009) 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 2009 include $1,305,964 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 18.61% 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 years ended June 30, 2009, 2008 and 2007 were $47,526,941, $36,446,327 and $27,308,064, 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, 2010:

		Approximate Amount
1.	Lexington Insurance Company, Policy No. 19946106: Primary policy providing $100,000,000 all risk coverage on scheduled buildings and other property totaling $2,634,293,164. Bonded buildings generally have a per occurrence deductible of $250,000. There is a $500,000 per occurrence deductible for many of the non-bonded academic buildings. The University has established a self insurance reserve in amounts to cover the portion of estimated liability between $25,000 and the per occurrence deductibles noted above. Coverage is the first layer of a structured program providing coverage up to $1,000,000,000 per occurrence.	$100,000,000 per occurrence
1a.	Boiler & Machinery coverage 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 100-year flood zone 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. 19946119: 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. CLP3010607; Lloyds of London, Policy No. DP703009; One Beacon, Policy No. YSP2330; and RSUI Indemnity, Policy No. NHD363462: furnishes the third layer of coverage, which is $500,000,000 excess of the secondary layer of $400,000,000.	$500,000,000 per occurrence
4.	Lloyds of London, Policy No. DP703109: furnishes earthquake coverage in excess of coverage included in the policies listed above, 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 position.

11. Subsequent event

On August 17, 2009, an eight-unit apartment building at Cougar Village at Edwardsville was destroyed by fire. The cause of the fire was a lightning strike. The estimated cost of replacement is $1.6 million and will be funded through insurance proceeds, SIU self-insurance, and Repair and Replacement Reserve funds. On September 10, 2009, the SIU Board of Trustees approved that the project and its proposed funding source be submitted to the Illinois Board of Higher Education for its review and approval as a non-instructional capital improvement.

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SUPPLEMENTARY INFORMATION

SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
SCHEDULE OF BONDS PAYABLE OUTSTANDING
June 30, 2009

		REVENUE BONDS			
		SERIES 1993A			
	TOTAL	Principal Amount	Accreted Value at Maturity	Interest Rate	Principal Amount
Interest Bearing Bonds:					
Serial Bonds maturing as follows:					
2010	8,980,000	—	—	—	—
2011	8,345,000	—	—	—	—
2012	8,705,000	—	—	—	—
2013	8,525,000	—	—	—	—
2014	8,160,000	—	—	—	—
2015	8,565,000	—	—	—	—
2016	9,060,000	—	—	—	—
2017	6,670,000	—	—	—	—
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	6,260,000	—	—	—	—
2025	6,530,000	—	—	—	—
2026	1,815,000	—	—	—	—
2027	1,890,000	—	—	—	—
2028	1,970,000	—	—	—	—
Term Bonds maturing as follows:					
2010	—	—	—	—	—
2011	—	—	—	—	—
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	2,460,000	—	—	—	—
Total Interest Bearing Bonds	204,995,000	—			-
Capital Appreciation Bonds maturing as follows:					
2010	3,311,199	—	—	—	2,954,817
2011	6,295,433	3,095,107	3,435,000	6.050%	2,843,637
2012	5,927,904	2,911,693	3,430,000	6.050%	2,673,380
2013	6,165,112	3,233,269	4,050,000	6.100%	2,551,545
2014	6,009,205	3,044,644	4,050,000	6.100%	2,570,954
2015	5,596,933	2,859,170	4,050,000	6.150%	2,304,865
2016	5,104,134	2,691,071	4,050,000	6.150%	2,032,655
2017	4,798,546	2,523,369	4,050,000	6.200%	1,737,670
2018	4,953,454	2,373,988	4,050,000	6.200%	1,639,609
2019	3,339,959	—	—	—	—
2020	3,221,679	—	—	—	—
2021	3,137,606	—	—	—	—
2022	2,992,692	—	—	—	—
2023	2,830,116	—	—	—	—
2024	2,675,988	—	—	—	—
2025	2,533,536	—	—	—	—
2026	2,394,780	—	—	—	—
2027	2,304,934	—	—	—	—
2028	2,182,055	—	—	—	—
2029	2,085,741	—	—	—	—
Total Capital Appreciation Bonds	77,770,[illegible]	22,732,311			21,309,052
Total	$ 282,765,906	$ 22,732,311			$ 21,309,052

**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 2000A	
Accreted Value at Maturity	Interest Rate	Principal Amount	Accreted Value at Maturity	Interest Rate	Principal Amount	Interest Rate
-	-	-	-	-	310,000	5.500%
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
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-	-	-	-	-	-	-
-	-	-	-	-	-	-
		-			310,000	
3,075,000	5.400%	356,382	370,000	5.050% **	-	-
3,125,000	5.470%	356,689	390,000	5.150% **	-	-
3,105,000	5.520%	342,831	395,000	5.200% **	-	-
3,135,000	5.570%	370,298	450,000	5.250% **	-	-
3,345,000	5.620%	393,607	505,000	5.300% **	-	-
3,175,000	5.650%	372,878	505,000	5.330% **	-	-
2,970,000	5.700%	380,508	546,000	5.380% **	-	-
2,690,000	5.720%	537,507	815,000	5.430% **	-	-
2,690,000	5.740%	939,857	1,510,000	5.480% **	-	-
-	-	3,339,959	5,570,000	5.490% **	-	-
-	-	3,221,679	5,780,000	5.500% **	-	-
-	-	3,137,506	5,950,000	5.510% **	-	-
-	-	2,992,692	6,000,000	5.520% **	-	-
-	-	2,830,116	6,000,000	5.530% **	-	-
-	-	2,675,988	6,000,000	5.540% **	-	-
-	-	2,533,636	6,000,000	5.540% **	-	-
-	-	2,394,780	6,000,000	5.550% **	-	-
-	-	2,304,934	6,100,000	5.550% **	-	-
-	-	2,182,055	6,100,000	5.550% **	-	-
-	-	2,065,741	6,100,000	5.550% **	-	-
		33,729,543			-	
		$ 33,729,543			$ 310,000	

SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
SCHEDULE OF BONDS PAYABLE OUTSTANDING
June 30, 2009

	REVENUE BONDS SERIES 2001A		REVENUE BONDS SERIES 2003A		REVENUE BONDS SERIES 2004A	
	Principal Amount	Interest Rate	Principal Amount	Interest Rate	Principal Amount	Interest Rate
Interest Bearing Bonds:						
Serial Bonds maturing as follows:						
2010	1,390,000	5.000%	3,445,000	3.250%	895,000	3.000%
2011	1,455,000	5.000%	255,000	3.500%	920,000	3.000%
2012	1,465,000	5.250%	265,000	3.700%	950,000	3.500%
2013	1,000,000	5.250%	275,000	3.850%	980,000	4.000%
2014	1,050,000	5.250%	285,000	4.000%	1,020,000	5.000%
2015	-	-	295,000	4.100%	1,075,000	5.000%
2016	-	-	310,000	4.200%	1,130,000	5.000%
2017	1,220,000	5.000%	320,000	4.250%	1,180,000	5.000%
2018	-	-	335,000	4.350%	1,240,000	5.000%
2019	-	-	350,000	4.450%	1,305,000	4.000%
2020	-	-	365,000	4.500%	1,355,000	4.125%
2021	-	-	385,000	4.600%	1,415,000	5.000%
2022	-	-	400,000	4.700%	1,480,000	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:						
2010	-	-	-	-	-	-
2011	-	-	-	-	-	-
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	440,000	4.800%	-	-
2025	-	-	460,000	4.800%	-	-
2026	-	-	480,000	4.800%	1,805,000	4.800%
2027	-	-	505,000	4.850%	1,885,000	4.800%
2028	-	-	530,000	4.850%	1,980,000	4.800%
2029	-	-	555,000	4.850%	2,075,000	5.000%
2030	-	-	-	-	1,500,000	5.000%
2031	-	-	-	-	1,575,000	5.000%
2032	-	-	-	-	1,655,000	5.000%
2033	-	-	-	-	1,735,000	5.000%
2034	-	-	-	-	1,825,000	5.000%
2035	-	-	-	-	1,915,000	5.000%
2036	-	-	-	-	-	-
Total Interest Bearing Bonds	7,580,000		10,675,000		37,800,000	
Capital Appreciation Bonds maturing as follows:						
2010	-	-	-	-	-	-
2011	-	-	-	-	-	-
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
Total Capital Appreciation Bonds	-		-		-	
Total	$ 7,580,000		$ 10,675,000		$ 37,800,000	

REVENUE BONDS SERIES 2006A		REVENUE BONDS SERIES 2008A		REVENUE BONDS SERIES 2009A	
Principal Amount	Interest Rate	Principal Amount	Interest Rate	Principal Amount	Interest Rate
2,430,000	4.000%	510,000	3.000%	-	-
2,850,000	5.000%	645,000	3.000%	2,020,000	2.500%
2,995,000	5.000%	975,000	3.250%	2,055,000	2.900%
3,140,000	5.000%	1,040,000	5.000%	2,090,000	3.250%
2,550,000	5.000%	1,110,000	5.000%	2,135,000	3.650%
3,780,000	5.000%	1,220,000	5.000%	2,165,000	4.125%
3,975,000	5.000%	1,390,000	5.000%	2,245,000	4.550%
2,100,000	5.250%	1,540,000	5.000%	2,310,000	4.800%
3,495,000	5.250%	1,635,000	5.000%	2,385,000	5.000%
3,640,000	5.250%	1,765,000	5.250%	2,460,000	5.300%
3,835,000	5.250%	1,900,000	5.250%	2,545,000	5.250%
3,465,000	5.250%	2,055,000	4.000%	2,635,000	5.450%
1,255,000	5.000%	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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-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,315,000	5.000%	-	-	-	-
1,380,000	5.000%	-	-	-	-
1,450,000	5.000%	-	-	-	-
1,525,000	5.000%	-	-	3,165,000	6.200%
1,600,000	5.000%	-	-	3,290,000	6.200%
1,680,000	5.000%	-	-	3,425,000	6.200%
1,765,000	5.000%	-	-	3,560,000	6.200%
1,860,000	5.000%	-	-	3,705,000	6.200%
1,945,000	5.000%	-	-	-	-
2,040,000	5.000%	-	-	-	-
2,145,000	5.000%	-	-	-	-
2,250,000	5.000%	-	-	-	-
2,360,000	5.000%	-	-	-	-
2,480,000	5.000%	-	-	-	-
65,295,000		29,600,000		53,735,000	
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
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-		-		-	
$ 65,295,000		$ 29,600,000		$ 53,735,000	

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

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

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of Southern Illinois University Housing and Auxiliary Facilities System (the "System") as of and for the year ended June 30, 2009, and have issued our report thereon dated February 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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, the 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

Oak Brook, Illinois
February 19, 2010

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, 2009

Board of Trustees and
Officers of Administration

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The University also Issues an Annual Financial Report

Southern Illinois University – Board of Trustees

Board Treasurer
1400 Douglas Drive
Mailcode 6801
Carbondale, IL 62901

Phone: 618-536-3475

FAX: 618-536-3404

September 30, 2009

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, 2009.

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

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

Respectfully submitted,

Duane Stucky
Board Treasurer

DS/lap

TREASURER'S COMMENTS

SOUTHERN ILLINOIS UNIVERSITY MEDICAL FACILITIES SYSTEM

I. SOUTHERN ILLINOIS UNIVERSITY REVENUE BOND OPERATIONS

FACILITIES

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

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, 2009, 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 purchased with the Series 1997 Bonds as well as the Auburn Clinic in Auburn, Illinois. The Auburn Clinic was sold contract for deed in December, 2002 and is not occupied by the School of Medicine. In June 2006, the building and land at 401 N. Walnut in Springfield was purchased. This facility is used for administrative office space. Fourteen of the remaining locations are leased by the University and the Cancer Institute was completed in 2009 but not yet occupied at June 30, 2009.

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

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 2009	294
Fall semester 2008	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	
	2009	2008
Receipts:		
Revenue Account:		
Operations	$ 38,847,003	$ 35,773,444
Investment Income	42,122	53,826
Retirement of Indebtedness – Investment Income	7,487	23,391
	38,896,612	35,850,661
Disbursements:		
Operation & Maintenance Account	36,933,374	34,064,388
Net Revenues	1,963,238	1,786,273
Plus: Pledged Tuition	122,204,098	124,686,327
Total Available for Debt Service	$124,167,336	$126,472,600
Annual Debt Service	$ 1,643,513	$ 1,618,213
Maximum Annual Debt Service	$ 1,985,750	$ 1,985,750
Coverage Ratio Based on Net Revenues	1.19	1.10
Coverage Ratio Based on Annual Debt Service	75.55	78.16
Coverage Ratio Based on Maximum Annual Debt Service	62.53	63.69

IV. RETIREMENT OF INDEBTEDNESS

The net assets are restricted for the following purposes:

	June 30	
	2009	2008
Bond and Interest Sinking Fund Account	$462,855	$ 467,362

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 2008), gains earned on investments of $17,704 in 2009 (and gains of $44,696 in 2008) and other nonoperating revenue of $541 ($18,000 in 2008).

Expenditures charged to the reserve amounted to $579,284 ($556,961 in 2008). The restricted net assets of Renewals and Replacements consisted of the following:

	June 30	
	2009	2008
Cash	$ 667,560	$ 918,668
Accounts Receivable	1,002	2,887
Accrued Interest Receivable	9,718	3,486
Notes Receivable	164,755	164,755
Accounts Payable	(158,528)	(48,515)
Deferred Revenue	(164,391)	(158,701)
	$ 520,116	$ 882,580

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, 2009.

VII. RESTRICTED NET ASSETS - EXPENDABLE

Restricted net assets as of June 30, 2009 and 2008 are comprised of the following:

	June 30	
	2009	2008
Retirement of indebtedness	$ 462,855	$ 467,362
Renewals and replacements	520,116	882,580
Unexpended	89,351	546,019
	$ 1,072,322	$ 1,895,961

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

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INDEPENDENT AUDITORS' REPORT

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

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements, as listed in the table of contents, of Southern Illinois University Medical Facilities System ("the System") as of and for the year ended June 30, 2009. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the System's 2008 financial statements and, in a report dated February 5, 2009 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1A, the financial statements of the System are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the activities of Southern Illinois University that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of Southern Illinois University as of June 30, 2009, 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, 2009, 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 February 19, 2010 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

In connection with our audit, nothing came to our attention that caused us to believe that the System was not in compliance with any of the fund accounting covenants of the Resolutions of the Board of Trustees of Southern Illinois University, which provided for the issuance of the Southern Illinois University Medical Facilities System Revenue Bonds Series 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

Oak Brook, Illinois
February 19, 2010

SOUTHERN ILLINOIS UNIVERSITY

MEDICAL FACILITIES SYSTEM

STATEMENT OF NET ASSETS

June 30, 2009

(with comparative totals for 2008)

	2009	2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	$ 4,174,091	$ 7,188,524
Short term investments (Note 2)	412,820	406,872
Accounts receivable	3,850,586	3,294,394
Accrued interest receivable	13,785	8,132
Notes receivable (Note 4)	29,689	17,459
Inventories	-	-
Prepaid expenses and other assets	16,213	16,213
TOTAL CURRENT ASSETS	8,497,184	10,931,594
NONCURRENT ASSETS:		
Notes receivable (Note 4)	135,067	147,296
Prepaid expenses and other assets	255,352	271,565
Capital assets, net (Note 5)		
Land	2,594,757	2,594,757
Buildings	32,036,683	12,501,138
Equipment	719,109	620,898
Construction in progress	-	19,466,775
TOTAL NONCURRENT ASSETS	35,740,968	35,602,429
TOTAL ASSETS	44,238,152	46,534,023
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	536,608	2,662,723
Accrued interest payable	225,872	232,128
Accrued payroll	294,296	225,860
Accrued compensated absences (Note 6)	180,609	196,231
Deferred revenue (Note 6)	29,689	11,405
Liabilities under capital leases (Note 6)	8,704	20,385
Revenue bonds payable (Notes 6 and 7)	771,057	724,291
TOTAL CURRENT LIABILITIES	2,046,835	4,073,023
NONCURRENT LIABILITIES:		
Accrued compensated absences (Note 6)	2,160,402	2,063,455
Deferred revenue (Note 6)	134,703	147,296
Liabilities under capital leases (Note 6)	-	8,705
Revenue bonds payable (Notes 6 and 7)	17,738,187	18,509,245
TOTAL NONCURRENT LIABILITIES	20,033,292	20,728,701
TOTAL LIABILITIES	22,080,127	24,801,724
NET ASSETS		
Invested in capital assets, net of related debt	16,832,600	16,264,389
Restricted for:		
Expendable		
Capital projects and debt service	1,072,322	1,895,961
Unrestricted	4,253,103	3,571,949
TOTAL NET ASSETS	$ 22,158,025	$ 21,732,299

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, 2009
(with comparative totals for 2008)

	2009	2008
REVENUES		
OPERATING REVENUES		
Medical Facilities System	$ 39,403,287	$ 36,796,147
TOTAL OPERATING REVENUES	39,403,287	36,796,147
EXPENSES		
OPERATING EXPENSES		
Salaries and wages	32,511,424	30,336,984
Contractual services	13,021,131	11,428,664
Other	2,583,897	2,894,956
Depreciation (Note 5)	658,046	645,007
TOTAL OPERATING EXPENSES	48,774,498	45,305,611
OPERATING LOSS	(9,371,211)	(8,509,464)
NONOPERATING REVENUES (EXPENSES)		
Investment income (Note 3)	87,184	369,912
Interest on capital asset-related debt	(929,178)	(951,657)
Payments on behalf of the system (Notes 11 and 9)	10,266,663	9,196,482
Other nonoperating revenue	541	18,000
NET NONOPERATING REVENUES	9,425,210	8,632,737
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	53,999	123,273
OTHER REVENUES, EXPENSES, GAINS OR LOSSES		
Capital assets retired (Note 5)	(26,797)	(34,966)
Additions to plant facilities from other sources (Note 8)	398,524	5,906,316
TOTAL OTHER REVENUES, EXPENSES, GAINS OR LOSSES	371,727	5,871,350
INCREASE (DECREASE) IN NET ASSETS	425,726	5,994,623
NET ASSETS		
Net assets at beginning of year	21,732,299	15,737,676
NET ASSETS AT END OF YEAR	$ 22,158,025	$ 21,732,299

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, 2009
(with comparative totals for 2008)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Medical Facilities System	$ 38,847,003	$ 35,773,444
Payments to employees	(22,096,088)	(21,094,399)
Payments for utilities	(315,889)	(804,043)
Payments to suppliers	(17,414,167)	(12,843,650)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(979,141)	1,031,352
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from sale of capital assets	-	18,000
Purchases of capital assets	(473,686)	(4,550,918)
Principal paid on capital debt	(715,000)	(660,000)
Interest paid on capital debt	(928,512)	(958,213)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(2,117,198)	(6,151,131)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	1,174,880	1,533,088
Investment income	88,246	374,534
Purchase of Investments	(1,181,220)	(1,538,940)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	81,906	368,682
NET INCREASE (DECREASE) IN CASH	(3,014,433)	(4,751,097)
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR	7,188,524	11,939,621
CASH AND CASH EQUIVALENTS - END OF THE YEAR	$ 4,174,091	$ 7,188,524
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	$ (9,371,211)	$ (8,509,464)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation expense	658,046	645,007
Payments on behalf of the system	10,266,663	9,196,482
Changes in assets and liabilities:		
Receivables, net	(556,283)	(1,022,836)
Inventories		12,820
Accounts payable	(2,126,115)	662,806
Accrued payroll	68,435	32,648
Accrued compensated absences	81,324	13,889
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (979,141)	$ 1,031,352
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
On behalf payments for fringe benefits	10,266,663	9,196,482
Capital asset acquisitions from other sources	398,524	5,906,316
Loss on disposal of capital assets	26,797	34,966

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. Effective July 1, 2004, the System adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. The objective of this statement is to update the custodial credit risk disclosure requirements and to establish more comprehensive disclosure requirements addressing the common risks of deposits and investments.

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

These financial statements have been prepared to satisfy the requirements of the System's Revenue Bonds master resolution. The financial balances and activities of the System, included in these financial statements, are included in the University's financial statements. The System is not a separate legal entity and therefore has not presented management's discussion and analysis. The financial statements include prior year comparative information, which has been derived from the System's 2008 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, 2008.

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

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

(B) Inventories

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

(C) Buildings, Improvements and Equipment

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

(D) Revenues and Expenses

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

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 stated at market. 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 receivables amount represents actual collections as of June 30 that have not yet been transferred from the Physicians & Surgeons 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, 2009, amounted to $10,266,663.

(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, 2009, due to the pooling of the University's cash and investments.

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

Concentration of Credit Risk: The University's investment policy states that the portfolio should consist of a mix of various types of securities, issues and maturities.

Interest Rate Risk: Interest rate risk is the risk that the market value of portfolio securities will fall or rise due to changes in general interest rates. Interest rate risk is mitigated by maintaining significant balances in cash equivalent and other short maturity investments and by establishing an asset allocation policy that is consistent with the expected cash flows of the University. The internally managed portfolio is managed in accordance with covenants provided from the University's debt issuance activities. The externally managed portfolio is typically allocated with 20 to 35 percent of assets held in cash equivalents; 10 to 40 percent of assets held in the short-term portfolio; and 35 to 60 percent of assets held in the intermediate-term portfolio.

Interest rate risk is disclosed below using the segmented time distribution method. As of June 30, 2009, 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	$ 412,820	$ 412,820	$ —	$ —	$ —
U.S. Agencies	—	—	—	—	—
Total Investments	412,820	$ 412,820	$ —	$ —	$ —
Cash and Equivalents					
The Illinois Funds	4,174,091				
Cash and Equivalents	—				
Total Cash & Equivalents	4,174,091				
Total Cash & Investments	$ 4,586,911				

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

3. Investments and Investment Income

Southern Illinois University has adopted the provisions of GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. This statement establishes accounting and reporting standards for certain investments and securities and establishes disclosure requirements for most investments held by governmental entities. It requires that investments be recorded at fair (market) value and that unrealized gains and losses be recorded in income. The fair value is determined to be the amount at which financial instruments could be exchanged in a current transaction between willing parties, usually quoted market prices. 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 2009.

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, 2009 is comprised of the following:

Interest Income	$ 87,181
Increase in Fair Market Value	3
Net Investment Income	$ 87,184

4. Notes Receivable

The notes receivable represent the sale of the Auburn Clinic contract for deed in December 2002. The balance remaining is payable with interest at the rate of 4% per annum to be amortized over a term of ten years and paid in eighteen consecutive semi annual installments of $9,000 each, plus a final installment of $124,790 on December 19, 2011. No payments were received during fiscal year 2009 but two payments were received in July 2009 (fiscal year 2010).

Current	$ 29,689
Long-Term	135,067
Total	$ 164,756

5. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Land	$ 2,594,757	$ —	$ —	$ —	$ 2,594,757
Buildings	16,833,773	—	—	19,981,545	36,815,318
Equipment	4,590,278	337,054	268,737	—	4,658,595
Construction in progress	19,466,775	514,770	—	(19,981,545)	—
Total cost of capital assets	$ 43,485,583	$ 851,824	$ 268,737	$ —	$ 44,068,670

Less accumulated depreciation for:

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Building	$ 4,332,635	$ 446,000	$ —	$ —	$ 4,778,635
Equipment	3,969,380	212,046	$ 241,940	$ —	3,939,486
Total accumulated Depreciation	$ 8,302,015	$ 658,046	$ 241,940	$ —	$ 8,718,121
Capital assets – net	$ 35,183,568				$ 35,350,549

The construction in progress transfer amount relates to the completion of the Cancer Institute, a 60,000 square foot multi-story building that will include space for clinical care and cancer treatment, patient supportive care, education and support services, research, program outreach and coordination. As of June 30, 2009, the Cancer Institute was completed but not yet occupied.

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, 2009 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable	$ 19,233,536	$ —	$ 724,292	$ 18,509,244	$ 771,057
Compensated absences	2,259,686	309,203	227,878	2,341,011	180,609
Deferred revenue	158,701	5,691	—	164,392	29,689
Capitalized leases	29,090	—	20,386	8,704	8,704
Total	$ 21,681,013	$ 314,894	$ 972,556	$ 21,023,351	$ 990,059

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, 2009.

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

Year Ending 2010	$ 8,780
Less amount representing interest	(76)
Present value of net minimum lease payments	$ 8,704

7. Revenue Bonds Payable

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

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

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

The current bonds bear interest at rates ranging from 3.75% 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
2010	$ 765,000	$ 903,488
2011	825,000	865,237
2012	885,000	832,900
2013	945,000	797,500
2014-2018	5,825,000	3,262,862
2019-2023	8,145,000	1,610,000
2024-2026	1,500,000	136,800
Total Payments	18,890,000	$ 8,408,787
Unamortized debt premium	515,915	
Unamortized deferred amount on refunding	(896,671)	
Total Bonds Payable	$ 18,509,244	

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 $27,298,787 with annual requirements ranging from $543,400 to $1,985,750. For the current year, principal and interest paid was $1,643,513, and the total revenues pledged were $122,204,098. Total revenue pledged represents 100 percent of the net revenues of the System and 83 percent of net tuition revenue received in fiscal year 2009. 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 2009 include $398,524 paid for by other University funds. The expenditures were for the purchase of equipment to be utilized in the various Medical Facilities System facilities and for construction costs for the Cancer Institute.

9. Retirement and Post-Employment Benefits

Substantially all employees of the System participate in the State Universities Retirement System of Illinois (SURS), a cost-sharing multiple employer 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 issued 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 12.88% 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 University for the years ended June 30, 2008, 2007 and 2006 were $47,526,941, $36,446,327 and $27,308,064, 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 or older, life insurance benefits are limited to five thousand dollars per annuitant.

Currently, the State does not segregate payments made to annuitants from those made to current employees for health, dental and life insurance benefits. The cost of health, dental and life insurance benefits is recognized 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.

10. Insurance

The University has established a Self Insurance Program (the "Program") to cover its general liability, its hospital and medical professional liability, and certain other liability exposures. Funds for the Program have been reserved in amounts to cover the major portion of the estimated liability as determined by the Program's actuary. The University has also purchased excess insurance coverages with commercial carriers to cap the risk of loss retained by the Program. The System's buildings, contents and boilers are all 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 facilities) through June 30, 2009:

		Approximate Amount
1.	Lexington Insurance Co. Policy No. 19946106. Primary policy providing \$100,000,000 all risk coverage on scheduled buildings and other property totaling \$2,634,293,164. Bonded buildings generally have a per occurrence deductible of \$250,000. There is a \$500,000 per occurrence deductible for many of the non-bonded academic buildings. The University has established a self-insurance reserve in amounts to cover the portion of estimated liability between \$25,000 and the per occurrence deductibles noted above. Coverage is first layer of a structured program providing coverage up to \$1,000,000,000 per occurrence.	\$100,000,000 per occurrence
1a.	Boiler & Machinery coverage 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 100-year flood zone 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. 19946119: 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. CLP3010607; Lloyds of London, Policy No. DP703009; One Beacon, Policy No. YSP2330; and RSUI Indemnity Policy No. NHD363462: furnishes the third layer of coverage, which is \$500,000,000 excess of the secondary layer of \$400,000,000.	\$500,000,000 per occurrence
4.	Lloyds of London, Policy No. DP703109: furnishes earthquake coverage in excess of coverage included in the policies listed above, 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 also has 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 position.

SUPPLEMENTARY INFORMATION

SOUTHERN ILLINOIS UNIVERSITY
MEDICAL FACILITIES SYSTEM
SCHEDULE OF BONDS PAYABLE OUTSTANDING
June 30, 2009

	Principal Amount	Interest Rate
Interest Bearing Bonds		
Serial Bonds Maturing as follows:		
2010	$ 765,000	5.00%
2011	265,000	3.75%
2011	560,000	4.00%
2012	885,000	4.00%
2013	945,000	5.00%
2014	1,015,000	4.25%
2015	1,085,000	4.25%
2016	1,155,000	5.00%
2017	1,240,000	5.00%
2018	1,330,000	5.00%
2019	1,425,000	5.00%
2020	1,525,000	5.00%
2021	1,630,000	5.00%
2022	1,740,000	5.00%
2023	1,825,000	5.00%
Term Bonds maturing as follows:		
2024	480,000	4.500%
2025	500,000	4.500%
2026	520,000 *	4.500%
Total Interest Bearing Bonds	$ 18,890,000	

* 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 LLP
Member Horwath International

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of Southern Illinois University Medical Facilities System (the "System") as of and for the year ended June 30, 2009, and have issued our report thereon dated February 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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

Oak Brook, Illinois
February 19, 2010