



Crowe Chizek and Company LLC
Member Horwath International

STATE OF ILLINOIS

**SOUTHERN ILLINOIS
RESEARCH PARK, INC.**

**FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT AUDITORS**

June 30, 2006

(With comparative totals for 2005)

Performed as special assistant auditors for the
Auditor General, State of Illinois

STATE OF ILLINOIS

SOUTHERN ILLINOIS RESEARCH PARK, INC.

FINANCIAL STATEMENTS

June 30, 2006

CONTENTS

ORGANIZATION OFFICIALS	1
SUMMARY	2
REPORT OF INDEPENDENT AUDITORS.....	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
STATEMENTS OF NET ASSETS.....	8
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS	9
STATEMENTS OF CASH FLOWS.....	10
NOTES TO FINANCIAL STATEMENTS	11
REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	17

STATE OF ILLINOIS

SOUTHERN ILLINOIS RESEARCH PARK, INC.
JUNE 30, 2006

ORGANIZATION OFFICIALS

June 30, 2006

Mr. Raymond Lenzi Executive Director

Mr. Kyle Harfst Assistant Director

Offices are located at:

Dunn-Richmond Center
150 E. Pleasant Hill Road
Carbondale, Illinois 62901

STATE OF ILLINOIS

SOUTHERN ILLINOIS RESEARCH PARK, INC.
JUNE 30, 2006

FINANCIAL STATEMENT REPORT
SUMMARY

The audit of the accompanying basic financial statements of Southern Illinois Research Park, Inc. was performed by Crowe Chizek and Company LLC.

Based on their audit, the auditors expressed an unqualified opinion of the Research Park's financial statements.



Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT AUDITORS

Honorable William G. Holland
Auditor General, State of Illinois
and
The Board of Directors
Southern Illinois Research Park, Inc.

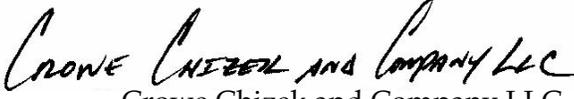
As Special Assistant Auditors for the Auditor General, we have audited the accompanying basic financial statements of Southern Illinois Research Park, Inc. (SIRP), a component unit of Southern Illinois University, as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of SIRP's management. Our responsibility is to express an opinion on these financial statements based on our audit. The summarized comparative information of Southern Illinois Research Park, Inc. as of June 30, 2005, were audited by other auditors whose report dated September 21, 2005, expressed an unqualified opinion on those 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern Illinois Research Park, Inc. as of June 30, 2006, and the changes in its net assets 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 September 29, 2006, on our consideration of SIRP'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 read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages 5 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


Crowe Chizek and Company LLC

Chicago, Illinois
September 29, 2006

STATE OF ILLINOIS

SOUTHERN ILLINOIS RESEARCH PARK, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2006

(With comparative data for 2005)

The purpose of this analysis is to provide an objective and easy-to-read analysis of the financial activities of The Southern Illinois Research Park, Inc. (SIRP), a component unit of Southern Illinois University, based on currently known facts, decisions, and/or conditions. The attached Statement of Net Assets; Statement of Revenue, Expenses, and Changes in Net Assets; Statement of Cash Flows; and Notes to Financial Statements are required by GASB (Governmental Accounting Standards Board) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. SIRP has elected to show comparable figures for the prior year. All comments are directed toward fiscal year 2006 activities unless otherwise noted.

Statements:

SIRP was incorporated in 2001. This is the fourth audit of the financial statements of the SIRP.

These statements are presented in a "business-type activities" format. The business-type activities format was developed to provide the reader with statements which would better indicate the available economic resources of the entity.

In order to understand the changes in the statements, below is a brief description of each statement. It may help you understand them better if you review the statements as you read the descriptions. The Statement of Net Assets and the Statement of Revenue, Expenses, and Changes in Net Assets have been provided for reference. See Tables A-1 and A-2 below.

STATE OF ILLINOIS

SOUTHERN ILLINOIS RESEARCH PARK, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED (UNAUDITED)

June 30, 2006
(with comparative data for 2005)
Condensed

Table A-1
Statements of Net Assets

	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Percentage Change</u>
Cash	\$ 60,358	\$ 73,272	-17.62%
Due from SIU	30,042	13,659	119.94%
Grants receivable	31,282	51,956	-39.79%
Prepaid insurance	1,106	-	100.00%
Capital Assets	278,618	80,956	244.16%
Total assets	<u>401,406</u>	<u>219,843</u>	<u>82.59%</u>
Due to SIU	31,940	-	100.00%
Accounts Payable	9,237	61,223	-84.91%
Total liabilities	<u>41,177</u>	<u>61,223</u>	<u>-32.74%</u>
Invested in Capital Assets	278,618	80,956	244.16%
Restricted Net Assets - Expendable	-	3,000	-100.00%
Unrestricted	81,611	74,664	9.30%
Total net assets	<u>\$ 360,229</u>	<u>\$ 158,620</u>	<u>127.10%</u>

The Statement of Net Assets indicates assets available for current use (current assets) and those assets to be held (noncurrent assets). This statement also indicates which liabilities are due within one year (current liabilities) and those due in more than one year (noncurrent liabilities). Net Assets, located at the bottom of the statement, are grouped by those assets available for unrestricted uses, assets restricted by an outside entity for a certain purpose which can be used for current expenditures (expendable), and those assets which are an investment in capital assets. During 2006, SIRP had an increase in net assets of \$201,609 as indicated on the Statement of Revenue, Expenses, and Changes in Net Assets.

There is a decrease in cash due to payment of SIRP obligations. There was an increase in Capital Assets during the year because the leasehold improvements that were originally expensed were more appropriately capitalized and most of the project was completed. There was a decrease in Accounts Payable because of the satisfaction of additional liabilities for leasehold improvements for SIRP.

STATE OF ILLINOIS

SOUTHERN ILLINOIS RESEARCH PARK, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED (UNAUDITED)

June 30, 2006
(With comparative data for 2005)
Condensed

Table A-2
Statements of Revenue, Expenses, and Changes in Net Assets

REVENUE	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Percentage</u> <u>Change</u>
Rental Income	\$ 56,665	\$ -	100.00%
Budget allocation from			
SIU	54,688	32,319	69.21%
Grant income	212,326	80,956	162.27%
Investment income	1,169	576	102.95%
Total revenue	<u>324,848</u>	<u>113,851</u>	<u>185.33%</u>
EXPENSES			
Budget expended at SIU	54,688	32,319	69.21%
Expenditures for the			
benefit of SIU	-	14,730	-100.00%
General and operating	40,228	10,656	277.52%
Depreciation	14,664	-	100.00%
Bad Debt	13,659	-	100.00%
Total expenses	<u>123,239</u>	<u>57,705</u>	<u>113.57%</u>
Increase in net assets	<u>\$ 201,609</u>	<u>\$ 56,146</u>	<u>259.08%</u>

The Statement of Revenue, Expenses, and Changes in Net Assets indicates the activity for the period and its net effect on net assets. The activity from operations is shown first. As stated in the Notes to the Financial Statements, Operating Revenue includes activities that have the characteristics of exchange transactions. In an exchange transaction both parties receive a material benefit from the transaction, such as SIRP receiving contract payments from Southern Illinois University. Nonoperating Revenue is listed after operating activities. Nonoperating Revenue includes activities that have the characteristics of nonexchange transactions. Nonoperating revenue is defined in 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, such as investment revenue and capital expenditures.

There are no facts, decisions, or conditions significantly affecting net assets other than those items explained in the previous section of this discussion and analysis. Please see the notes to the financial statements that include additional details and further explanations of data and should be included as part of any review or analysis.

STATE OF ILLINOIS

SOUTHERN ILLINOIS RESEARCH PARK, INC.
 STATEMENTS OF NET ASSETS
 June 30, 2006
 (With comparative totals for 2005)

	<u>2006</u>	<u>2005</u>
ASSETS		
Current assets		
Cash (Note 3)	\$ 60,358	\$ 73,272
Due from SIU (Note 5)	30,042	13,659
Grants receivable (Note 6)	31,282	51,956
Prepaid insurance	<u>1,106</u>	<u>-</u>
Total current assets	122,788	138,887
Noncurrent assets		
Capital assets (Note 4)		
Leasehold improvements	<u>278,618</u>	<u>80,956</u>
Total assets	<u>401,406</u>	<u>219,843</u>
LIABILITIES		
Current liabilities		
Due to SIU (Note 5)	31,940	-
Accounts payable	<u>9,237</u>	<u>61,223</u>
Total current liabilities	<u>41,177</u>	<u>61,223</u>
NET ASSETS		
Invested in capital assets	278,618	80,956
Restricted net assets		
Expendable - for building lighting and signage	-	3,000
Unrestricted	<u>81,611</u>	<u>74,664</u>
Total net assets	<u>\$ 360,229</u>	<u>\$ 158,620</u>

See accompanying notes to financial statements.

STATE OF ILLINOIS

SOUTHERN ILLINOIS RESEARCH PARK, INC.
 STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
 Years ended June 30, 2006
 (With comparative totals for 2005)

	<u>2006</u>	<u>2005</u>
REVENUE		
Operating revenue		
Rental income	\$ 56,665	\$ -
Budget allocation from SIU (Note 5)	<u>54,688</u>	<u>32,319</u>
Total operating revenue	111,353	32,319
EXPENSES		
Operating expenses		
Budget expended at SIU (Note 5)	54,688	32,319
Expenditures for the benefit of SIU (Note 5)	-	14,730
General and operating	40,228	10,656
Depreciation	14,664	-
Bad debt	<u>13,659</u>	<u>-</u>
Total operating expenses	<u>123,239</u>	<u>57,705</u>
Operating expenses in excess of revenue	(11,886)	(25,386)
NONOPERATING REVENUE		
Interest income (Note 3)	1,169	576
Grant income (Note 6)	<u>212,326</u>	<u>80,956</u>
Total nonoperating revenue	<u>213,495</u>	<u>81,532</u>
Increase in net assets	201,609	56,146
NET ASSETS		
Net assets at beginning of year	<u>158,620</u>	<u>102,474</u>
Net assets at end of year	<u>\$ 360,229</u>	<u>\$ 158,620</u>

See accompanying notes to financial statements.

STATE OF ILLINOIS

SOUTHERN ILLINOIS RESEARCH PARK, INC.
 STATEMENTS OF CASH FLOWS
 Years ended June 30, 2006
 (With comparative totals for 2005)

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities		
Rental income	\$ 26,623	\$ -
General and operating expenses	<u>(61,380)</u>	<u>(9,213)</u>
Net cash used in operating activities	(34,757)	(9,213)
Cash flows provided by noncapital financing activities		
Grant income	<u>233,000</u>	<u>29,000</u>
Cash flows used in capital financing activities		
Leasehold improvement expenditures	<u>(212,326)</u>	<u>(28,183)</u>
Cash flows provided by investing activities		
Interest and dividend income	<u>1,169</u>	<u>576</u>
Net decrease in cash	(12,914)	(7,820)
Cash at beginning of year	<u>73,272</u>	<u>81,092</u>
Cash at end of year	<u>\$ 60,358</u>	<u>\$ 73,272</u>
Reconciliation of operating expenses in excess of revenue to net cash used in operating activities		
Operating expenses in excess of revenue	\$ (11,886)	\$ (25,386)
Depreciation expense	14,664	-
Changes in		
Due from SIU	(16,383)	14,730
Prepaid insurance	(1,106)	-
Due to SIU	31,940	-
Accounts payable	<u>(51,986)</u>	<u>1,443</u>
Net cash used in operating activities	<u>\$ (34,757)</u>	<u>\$ (9,213)</u>

See accompanying notes to financial statements.

STATE OF ILLINOIS

SOUTHERN ILLINOIS RESEARCH PARK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity: Southern Illinois Research Park, Inc. (SIRP) located in Carbondale, Illinois exists for the primary purpose of aiding and assisting Southern Illinois University (SIU or the University) in achieving its educational, research, and service goals and responsibilities.

Due to the significance of the financial relationship with the University, SIRP is included as a component unit of the University for financial reporting purposes in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The State of Illinois stated that SIRP should be included as a component unit of the University for financial reporting purposes and report under GASB on a stand-alone basis. The financial activities included in these financial statements are reported in a separate column in the University's financial statements to emphasize that SIRP is an Illinois not-for-profit organization legally separate from the University.

These financial statements include all financial activities over which SIRP exercises direct responsibility.

Financial Statement Presentation: SIRP follows GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*; 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 financial statement presentation required by GASB Statement Nos. 35, 37, and 38 provides a comprehensive perspective of SIRP's assets, liabilities, net assets, revenue, expenses, changes in net assets and cash flows.

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

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

(Continued)

STATE OF ILLINOIS

SOUTHERN ILLINOIS RESEARCH PARK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Equivalents: For purposes of the statements of cash flows, SIRP considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Net Assets: SIRP's net assets are classified as follows:

- **Invested in capital assets:** This represents SIRP's total investment in capital assets, net of accumulated amortization.
- **Restricted net assets - expendable:** Restricted expendable net assets include resources which SIRP is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- **Unrestricted net assets:** Unrestricted net assets represent resources used for transactions relating to the educational and general operations of SIRP, and may be used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, SIRP's policy is to first apply the expense toward restricted resources, and then toward unrestricted resources. During 2006, restricted net assets of \$3,000 were released from restriction related to the purchase of lighting and signage.

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts.

Amortization is computed using the straight-line method over the estimated useful lives of the assets, generally 10 years or the life of the lease (whichever is less) for leasehold improvements.

Classification of Revenue and Expenses: SIRP has classified its revenue and expenses as either operating or nonoperating according to the following criteria:

- **Operating:** Operating revenue and expenses include activities that have the characteristics of exchange transactions, such as contract payments from Southern Illinois University.

(Continued)

STATE OF ILLINOIS

SOUTHERN ILLINOIS RESEARCH PARK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Nonoperating:** Nonoperating revenue and expenses include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenue by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and by GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, such as investment income.

Comparative Data: Comparative totals for the prior year have been presented in the accompanying financial statements to facilitate an understanding of the changes in the SIRP's financial position and its revenues, expenses and net assets between years. The 2005 information does not include sufficient detail 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 SIRP's financial statements for the year ended June 30, 2005, from which the summarized financial information was derived.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts reported therein and the disclosures provided. Actual results may differ from these estimates.

NOTE 2 - TAX STATUS

The Internal Revenue Service has issued a determination letter, dated July 19, 2001, indicating that SIRP qualifies for federal income tax exemption under Section 501(c)(3) of the Internal Revenue Code, except for income taxes associated with unrelated business income. No provision has been made as management does not believe it has significant unrelated business income.

NOTE 3 - CASH

At June 30, 2006, the carrying amount of SIRP's deposits with financial institutions was \$60,358 and the bank balance was \$56,520.

(Continued)

STATE OF ILLINOIS

SOUTHERN ILLINOIS RESEARCH PARK, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2006

NOTE 3 - CASH (Continued)

During fiscal year 2006, SIRP recognized \$1,169 in interest income.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, SIRP's deposits may not be returned to it. SIRP does have a policy to require banks to collateralize balances over the Federal Deposit Insurance Corporation (FDIC) insured amount. As of June 30, 2006, the entire amount of funds held at the bank was insured by the FDIC.

NOTE 4 - CAPITAL ASSETS

Capital assets consist of the following:

	Balance June 30, 2005	Additions	Retirement	Balance June 30, 2006
Construction in progress	\$ 80,956	212,326	(293,282)	-
Parking lot/sidewalk	-	254,939	-	254,939
Lighting	-	29,872	-	29,872
Signage	-	8,471	-	8,471
Less accumulated depreciation	-	14,664	-	14,664
	<u>\$ 80,956</u>	<u>490,944</u>	<u>(293,282)</u>	<u>278,618</u>

These leasehold improvements relate to the multi-purpose building and are funded through federal reimbursement-based grants.

Depreciation expense was \$14,664 for the year ended June 30, 2006.

NOTE 5 - TRANSACTIONS WITH RELATED PARTIES

SIRP has entered into a master contract with the Board of Trustees of SIU which specifies the relationship between the two organizations in accordance with the Legislative Audit Commission's University Guidelines, 1982 and amended in 1997. Among the provisions of the contract is a requirement that SIRP and SIU will provide services to each other. SIRP provided marketing, educational, and related services on behalf of SIU, which resulted in a due from balance in the amount of \$30,042 at June 30, 2006. SIU provided marketing, education, and related services on behalf of SIRP, which resulted in a due to balance of \$31,940 at June 30, 2006.

(Continued)

STATE OF ILLINOIS

SOUTHERN ILLINOIS RESEARCH PARK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 5 - TRANSACTIONS WITH RELATED PARTIES (Continued)

Pursuant to governmental accounting standards, SIRP is required to recognize as revenue and expense those on-behalf payments for salaries and fringe benefits made by the University for personnel at SIRP. This amount, which is reflected as budget allocation from SIU and budget expended at SIU in the accompanying statements of revenue, expenses and changes in net assets, totaled \$54,688 for the year ended June 30, 2006.

SIRP offices are located at 150 E. Pleasant Hill Road, Carbondale, Illinois, which is positioned on land for which SIRP has a 30-year ground lease, dated April 11, 2005, with the University. The lease contains renewal options for additional ten year periods. SIRP paid the University \$1 for the lease of this land. The fair value of this lease has not been determined.

SIRP entered into a facility lease with the University on December 31, 2005, covering the property located at 148 E. Pleasant Hill Road, Carbondale, Illinois. The lease is an 18 year lease with renewal options for additional ten year periods.

Future minimum rental payments for these leases are as follows:

2007	\$ 92,677
2008	161,501
2009	161,501
2010	161,501
2011	161,501
Thereafter	<u>3,263,926</u>
	<u>\$4,002,607</u>

NOTE 6 - MULTI-PURPOSE BUILDING

During fiscal year 2004, ownership plans for a 20,000 square foot multi-purpose building changed from SIRP owning the building to SIU owning it. The multi-purpose building is meant to further the mission of SIRP. SIRP is in the process of receiving United States Department of Agriculture and United States Delta Regional Authority grants. The reimbursement grants are being awarded in the amounts of \$262,000 and \$50,000, respectively. The stipulation for the grants was originally for the infrastructure of the multi-purpose building, but will now be awarded for the leasehold improvements associated with the project. As of June 30, 2006, SIRP has received grant funds in the amount of \$262,000, in partial reimbursement for eligible costs of \$293,282 incurred in fiscal year 2006.

(Continued)

STATE OF ILLINOIS

SOUTHERN ILLINOIS RESEARCH PARK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 6 - MULTI-PURPOSE BUILDING (Continued)

During fiscal year 2006, three subleases with varying terms were entered into for the occupancy of the multi-purpose building. Future rental income for these leases is as follows:

2007	\$ 97,177
2008	64,323
2009	65,216
2010	55,530
2011	<u>2,846</u>
	<u>\$ 285,092</u>

NOTE 7 - RETIREMENT PLAN

All SIRP personnel are SIU employees. Retirement benefits and post-retirement benefits other than pension are available for eligible SIU employees under a contributory retirement plan (the Plan) administered by the State Universities Retirement System. Participants of the Plan contribute 8% of their gross earnings, and SIU annually contributes an amount determined by the State Legislature from State appropriations and amounts from other current funds based on actuarially determined rates. Information pertaining to the Plan and plan benefits can be found in the SIU financial statements. SIRP does not own any of the Plan's assets and has no responsibility for the Plan's obligations.

During the year ended June 30, 2006, SIU contributed \$13,058 to the Plan on behalf of SIRP personnel. This amount is included in the amounts shown as budget allocation from SIU and budget expended at SIU in the accompanying statements of revenue, expenses, and changes in net assets.



Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT AUDITORS 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
The Board of Directors
Southern Illinois Research Park, Inc.

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of Southern Illinois Research Park, Inc. (SIRP) as of and for the year ended June 30, 2006, and have issued our report thereon dated September 29, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SIRP'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, and the Board of Directors and Management of Southern Illinois Research Park, Inc., and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "CROWE CHIZEK AND COMPANY LLC". The signature is written in a cursive, slightly slanted style.

Crowe Chizek and Company LLC

Chicago, Illinois
September 29, 2006