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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, 2011

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

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The University also issues an Annual Financial Report.

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

September 30, 2011

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

I am pleased to submit the annual Treasurer's Report to the Bondholders for the Southern Illinois University Housing and Auxiliary Facilities System for the fiscal year ended June 30, 2011.

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

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

Respectfully submitted,

Duane Stucky

Duane Stucky
Board Treasurer

DS/lap

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TREASURER'S COMMENTS

SOUTHERN ILLINOIS UNIVERSITY HOUSING AND AUXILIARY FACILITIES SYSTEM

I. SOUTHERN ILLINOIS UNIVERSITY REVENUE BOND OPERATIONS

FACILITIES

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

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

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

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

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

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

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

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

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

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

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

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

ADVANCE REFUNDINGS

The additional debt related to the System facilities has been advance refunded either partially or in full, without extending the final maturity date, in 2006. The refunding has been undertaken by the Board of Trustees (the "Board") for the purposes of consolidating the debt, effecting a cost savings, or resolving operational and parity issues related to the separate bond indentures.

The proceeds of the bonds issued for the above refunding were used to purchase U.S. Government securities in amounts which, together with the earnings thereon, will be sufficient to pay, when due or on their redemption date, the interest, premium and principal of the refunded bonds. The U.S. Government securities purchased for the Advance Refunding of 2006 are held in trust by the Bank of America N.A., 135 South LaSalle Street, Chicago, Illinois. The principal amount outstanding as of June 30, 2011, relating to the advance refunding, is as follows:

ADVANCE REFUNDING OF 2006:

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

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

II. ENROLLMENTS AT SOUTHERN ILLINOIS UNIVERSITY

The University reports the following enrollments, by campus:

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

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

III. HISTORICAL OCCUPANCY OF SYSTEM FACILITIES

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

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

(C) Carbondale Campus, (E) Edwardsville Campus

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

TREASURER'S COMMENTS – Continued

IV. DEBT SERVICE COVERAGES

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

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

V. RETIREMENT OF INDEBTEDNESS

The net assets are restricted for the following purposes:

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

VI. RENEWALS AND REPLACEMENTS

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

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

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

VII. SCHEDULE OF BONDS PAYABLE OUTSTANDING

A Schedule of Bonds Payable Outstanding is shown as supplementary information and lists the amount of Housing and Auxiliary Facilities System Revenue Project and Refunding Bonds and Revenue Bonds Series 2009A, 2008A, 2006A, 2004A, 2003A, 2001A, 1999A, 1997A and 1993A issued and outstanding as of June 30, 2011.

VIII. RESTRICTED NET ASSETS – EXPENDABLE

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

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

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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 of the business-type activities of the Southern Illinois University Housing and Auxiliary Facilities System ("the System") as of and for the year ended June 30, 2011. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the System's June 30, 2010 financial statements and, in our report dated February 25, 2011, we expressed an unqualified opinion on the financial statements of the business-type activities.

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

As discussed in note 1A, the financial statements of the System are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the activities of Southern Illinois University that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of Southern Illinois University as of June 30, 2011, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2011, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2012, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

In connection with our audit, nothing came to our attention that caused us to believe that the System was not in compliance with any of the fund accounting covenants of the Resolutions of the Board of Trustees of Southern Illinois University, which provided for the issuance of the Southern Illinois University Housing and Auxiliary Facilities System Revenue Bonds Series 2009A, Revenue Bonds Series 2008A, Revenue Bonds Series 2006A, Revenue Bonds Series 2004A, Revenue Bonds Series 2003A, Revenue Bonds Series 2001A, Revenue Bonds Series 1999A, Revenue Bonds 1997A, and Revenue Bonds Series 1993A adopted April 2, 2009, April 10, 2008, March 9, 2006, October 14, 2004, December 12, 2002, July 12, 2001, May 13, 1999, July 10, 1997, and May 13, 1993, respectively, insofar as they related to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

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

Crowe Horwath LLP

Springfield, Illinois
April 2, 2012

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

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

The accompanying notes are an integral part of this statement.

SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year Ended June 30, 2011
(with comparative totals for 2010)

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

The accompanying notes are an integral part of this statement.

SOUTHERN ILLINOIS UNIVERSITY
HOUSING AND AUXILIARY FACILITIES SYSTEM
STATEMENT OF CASH FLOWS
Year Ended June 30, 2011
(with comparative totals for 2010)

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

The accompanying notes are an integral part of this statement.

1. Significant Accounting Policies

(A) Basis of Presentation

These financial statements include all financial activities over which the Southern Illinois University Housing and Auxiliary Facilities System (the "System") exercises direct responsibility. The System combines the operations of the individual housing units, the student centers, the student recreation center, the student fitness center, the Carbondale child care center, the Carbondale student health center, the Carbondale student information system, the Carbondale softball field, the Carbondale football stadium, the Carbondale SIU Arena, Edwardsville traffic and parking and the Edwardsville student success center into one operation. The Revenue Project Bonds of 2009A, 2008A, 2006A, 2004A, 2003A, 2001A, 1999A, 1997A and 1993A (the "Bonds") are secured in part by the revenues from these operations. The financial statements reflect the combined operations of the System as of and for the year ended June 30, 2011. The individual facilities included in the System are as follows:

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

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

These financial statements have been prepared to satisfy the requirements of the System's Revenue Bonds master indenture. The financial balances and activities of the System, included in these financial statements, are included in the University's financial statements. The System is not a separate legal entity and therefore has not presented management's discussion and analysis. The financial statements include prior year comparative information, which has been derived from the System's 2010 financial statements. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended June 30, 2010.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. Additionally, effective July 1, 2001, the System adopted GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments : Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The System now follows the business-type activity reporting requirements of GASB Statements No. 35, 37 and 38 that provide a comprehensive, entity-wide perspective of the System's financial activities and replaces the fund group presentations previously required. Effective July 1, 2004, the System adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. The objective of this statement is to update the custodial credit risk disclosure requirements and to establish more comprehensive disclosure requirements addressing the common risks of deposits and investments. Effective July 1, 2007, the System adopted GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. The System has disclosed pledged revenues in Note 6 to the financial statements.

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

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

(B) Merchandise For Resale

Merchandise for resale includes inventories which are stated at the lower of cost (first-in, first-out method) or market. The Student Center University Bookstore on the Carbondale campus has been leased to Follett Higher Education Group Inc. since May 8, 2001.

(C) Buildings, Improvements and Equipment

Buildings, improvements and equipment are recorded at cost less accumulated depreciation. The buildings are located on land owned by the University except for the Northwest Annex and University Hall which were purchased in part by the System. There is no charge to the System for the use of the land other than for grounds maintenance. The System's capitalization policy for capital assets is as follows: buildings with an acquisition cost of $100,000 or greater, site or building improvements of $25,000 or greater, and equipment items $5,000 or greater.

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

(D) Classification of Revenues and Expenses

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

(E) Cash and Cash Equivalents

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

(F) Investments

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

(G) Allowance for Uncollectibles

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

(H) Revenue Bond Fee

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

(I) Bond Issuance Costs

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

(J) On-Behalf Payments

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

(K) Classification of Net Assets

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

(L) Compensated Absences

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

2. Pooled Cash and Investments

The University has pooled certain cash and investments for the purpose of securing a greater return on investment and providing a more equitable distribution of investment return. Pooled investments, which consist principally of government securities, are stated at market. Income is distributed quarterly based upon average balances invested in the pool over the prior 13 week period. There are no investments in foreign currency. It is not feasible to separately determine the System's bank balance at June 30, 2011 due to the pooling of the University's cash and investments.

Credit risk: Credit risk is the risk of loss due to the failure of the security issuer or backer to meet promised interest or principal payments on required dates. Credit risk is mitigated by limiting investments to those specified in the *Illinois Public Funds Investment Act*; which prohibits investment in corporate bonds with maturity dates longer than 270 days from the date of purchase; pre-qualifying the financial institutions which are utilized; and diversifying the investment portfolio so that the failure of any one issuer or backer will not place an undue financial burden on the University. U.S. Treasuries are federal government securities that do not require the disclosure of credit risk. The U.S. agencies investments typically include the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Federal Home Loan Bank, all of which are rated AAA. The Public Treasurer's Investment Pool is also rated AAA.

Concentration of credit risk: The University's investment policy states that the portfolio should consist of a mix of various types of securities, issues and maturities. While the fund's asset allocation strategy provides diversification by fixed income sector, each portfolio within the sector is also broadly diversified by security type, issue and maturity.

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

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

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

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

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
U.S. Treasuries	$ 14,752,272	$ 5,549,956	$ 9,202,316	-	-
Cash and Equivalents					
The Illinois Funds	17,925,270				
Cash and Equivalents	32,602,241				
Total Cash & Equivalents	50,527,511				
Total Cash & Investments	$ 65,279,783				

3. Investments and Investment Income

Southern Illinois University has adopted the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. This statement establishes accounting and reporting standards for certain investments and securities and establishes disclosure requirements for most investments held by governmental entities. It requires that investments be recorded at fair (market) value and that unrealized gains and losses be recorded in income. The fair value is determined to be the amount at which financial instruments could be exchanged in a current transaction between willing parties. The investment with the Public Treasurer's Investment Pool (The Illinois Funds) is at fair value, which is the same value as the pool shares. State statutes require the Illinois Funds to comply with the *Illinois Public Funds Investment Act* (30 ILCS 235). Also, certain money market investments having a remaining maturity of one year or less at time of purchase and nonnegotiable certificates of deposit with redemption terms that do not consider market rates are carried at amortized cost. The statement has been applied to investments and income for fiscal year 2011.

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. Investment income net of realized and unrealized gains and losses on investments for the year ended June 30, 2011, is reflected below.

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

4. Capital Assets

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

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

The following estimated useful lives are used to compute depreciation:

Buildings	40 years
Improvements	15 years
Equipment	5 - 10 years

5. Noncurrent Liabilities

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

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

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

6. Revenue Bonds Payable

On April 2, 2009, the Board adopted the “Thirteenth Supplemental System Revenue Bond Resolution” which amended and supplemented the Original Resolution of August 29, 1984, the First Supplemental Resolution of November 13, 1986, the Second Supplemental Resolution of February 13, 1992, the Third Supplemental Resolution of May 13, 1993, the Fourth Supplemental Resolution of September 12, 1996, the Fifth Supplemental Resolution of July 10, 1997, the Sixth Supplemental Resolution of May 13, 1999, the Seventh Supplemental Resolution of May 11, 2000, the Eighth Supplemental Bond Resolution of July 12, 2001, as amended and restated on December 11, 2003, the Ninth Supplemental Resolution of December 12, 2002, the Tenth Supplemental Resolution of October 14, 2004, the Eleventh Supplemental Bond Resolution of March 9, 2006, as amended and restated on May 2, 2006 and November 9, 2006, and the Twelfth Supplemental Bond Resolution of April 10, 2008. The outstanding bond issues related to the respective bond resolutions of the System are as follows:

(A) Series 2009A Bonds

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

(B) Series 2008A Bonds

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

(C) Series 2006A Bonds

These bonds were authorized by the Board under the Eleventh Supplemental Bond Resolution dated March 9, 2006, as amended and restated on May 2, 2006 and November 9, 2006, and were issued as current interest bonds in the original amount of $69,715,000. The bonds were sold on May 24, 2006 at a premium of $3,155,475 with interest rates ranging from 4.00 to 5.25 percent. The bonds were issued for the purpose of refunding a portion of the Series 1997A, 2000A and 2001A current interest bonds; financing the construction of a student residence hall with an adjoining parking lot for the Edwardsville campus; construction of an additional 350 space parking lot for the Edwardsville campus; funding various safety/security enhancements and other replacements to, and renovations of, the facilities of the System on the Carbondale campus; and purchasing and implementing a student information system for the Carbondale campus. As of June 30, 2011, these bonds were outstanding in the amount of $62,093,662.

(D) Series 2004A Bonds

These bonds were authorized by the Board under the Tenth Supplemental Bond Resolution dated October 14, 2004 and were issued as current interest bonds in the original amount of $40,390,000. The bonds were sold at a premium of $1,349,890 on February 25, 2003, with interest rates ranging from 3.00 to 5.00 percent. The bonds were issued to finance the design and construction of a new apartment-style residence hall, Wall and Grand Apartments, and install automatic sprinkler systems in three existing residence halls on the Carbondale campus; and to finance the costs to modify the HVAC systems and humidity controls in three existing residence halls and remediate damage caused by excess humidity at two of such existing residence halls on the Edwardsville campus. As of June 30, 2011, these bonds were outstanding in the amount of $37,040,774.

(E) Series 2003A Bonds

These bonds were authorized by the Board under the Ninth Supplemental Bond Resolution dated December 12, 2002 and were issued as current interest bonds in the original amount of $17,020,000. The bonds were sold at par on February 25, 2003, with interest rates ranging from 1.15 to 4.85 percent. The bonds were issued to finance the design and construction of a new Student Health Center building addition on the Carbondale campus and to redeem the Series 1993A outstanding bonds. As of June 30, 2011, these bonds were outstanding in the amount of $6,975,000.

(F) Series 2001A Bonds

These bonds were authorized by the Board under the Eighth Supplemental Bond Resolution dated July 12, 2001, as amended on December 11, 2003, and were issued as current interest bonds in the original amount of $27,730,000. The bonds were sold on January 9, 2002 at a premium of $440,042 with interest rates ranging from 4.00 to 5.50 percent. The bonds were issued to finance improvements to the University Center on the Edwardsville campus; the design and construction of a new softball complex on the Carbondale campus; a complete replacement of the turf at McAndrew Stadium on the Carbondale campus; modifications of the heating, ventilation, air conditioning and humidity control systems in Prairie Hall, Bluff Hall and Woodland Hall on the Edwardsville campus; and to redeem the Series 1992A outstanding bonds. On March 9, 2006, as amended and restated on May 2, 2006 and November 9, 2006, the Board authorized the advance refunding of a portion of the bonds of the Series 2001A. Bonds in the amount of $7,850,000 were advance refunded. As of June 30, 2011, the remaining bonds were outstanding in the amount of $4,814,152.

(G) Series 1999A Bonds

These bonds were authorized by the Board under the Sixth Supplemental Bond Resolution dated May 13, 1999 and were issued as capital appreciation bonds in the original amount of $21,001,900. The bonds were issued at a premium of $53,851 with interest rates ranging from 4.10 to 5.55 percent. The capital appreciation bonds are non-interest bearing and will accrete the interest factor as additional bonds payable over the term of the bonds. These bonds were issued to finance the construction of a residence hall and renovations of the University Center food service facilities. All projects financed by the Series 1999A bonds are associated with the Edwardsville campus. As of June 30, 2011, after accreting the capital appreciation, these bonds were outstanding in the amount of $36,849,040.

(H) Series 1997A Bonds

These bonds were authorized by the Board under the Fifth Supplemental Bond Resolution dated July 10, 1997 and were issued as current interest bonds and capital appreciation bonds in the original amounts of $8,575,000 and $29,521,284, respectively. The current interest bonds were issued at a nominal discount while the capital appreciation bonds were issued at par with interest rates ranging from 4.10 to 5.74 percent. The capital appreciation bonds are non-interest bearing and will accrete the interest factor as additional bonds payable over the term of the bonds. These bonds were issued to finance the construction of Prairie Hall, a residence hall, renovations of existing housing and food service facilities, and construction and improvement to the parking facilities. All projects financed by the Series 1997A bonds are associated with the Edwardsville campus. On March 9, 2006, as amended and restated on May 2, 2006 and November 9, 2006, the Board authorized the advance refunding of a portion of the current interest bonds of the Series 1997A. Bonds in the amount of $2,915,000 were advance refunded. As of June 30, 2011, after accreting the capital appreciation, the remaining bonds were outstanding in the amount of $17,333,393.

(I) Series 1993A Bonds

These bonds were authorized by the Board under the Third Supplemental Bond Resolution dated May 13, 1993 and were issued as current interest bonds and capital appreciation bonds in the original amounts of $8,010,000 and $8,660,506, respectively. The current interest bonds were issued at a nominal discount while the capital appreciation bonds were issued at par with interest rates ranging from 6.05 to 6.20 percent. The capital appreciation bonds are non-interest bearing and will accrete the interest factor as additional bonds payable over the term of the bonds. These bonds were issued to finance the acquisition of the Northwest Annex, an existing facility, and the construction of the Child Care Center at the Carbondale campus and the construction of Woodland Hall at the Edwardsville campus. On December 12, 2002, the Board authorized the current refunding of the current interest bond portion of the Series 1993A Bonds. The bonds were called and redeemed in full on April 1, 2003. As of June 30, 2011, after accreting the capital appreciation, the remaining capital appreciation bonds were outstanding in the amount of $22,158,410.

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

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

All of the refunded bonds are considered to be defeased and, accordingly, have been accounted for as if they were retired. As of June 30, 2011, $7,850,000 of the bonds refunded in 2006 was outstanding. The market value of the related escrow fund was $7,905,680.

Revenue bond debt service requirements to maturity are as follows:

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

7. Related Party Transactions

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

In addition, seven of the buildings on Greek Row, a portion of the Northwest Annex (29,100 net sq. ft.) and one room of the Lentz Hall dining facilities at Thompson Point are leased by the University from the System on a year-to-year basis and are used for a variety of academic, administrative, and student service purposes. The lease rentals ($241,300 in 2011) are inclusive of the debt service requirements, insurance, administrative overhead and grounds maintenance costs. In addition, the University pays all operating and building maintenance costs for the leased properties.

Expenditures capitalized in 2011 include $478,513 paid for by other University funds.

8. Retirement and Post-Employment Benefits

Substantially all employees of the System participate in the State Universities Retirement System of Illinois (SURS), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation whereby the State of Illinois makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941 to provide retirement annuities and other benefits for staff members and employees of state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the state's financial reports as a pension trust fund. SURS is governed by Section 5/15, Chapter 40, of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.SURS.org or calling 1-800-275-7877.

Plan members are required to contribute 8% of their annual covered salary, and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The current rate is 24.21% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly. The employer contribution of SURS for the University for the years ended June 30, 2011, 2010 and 2009 were $81,241,705, $74,103,976 and $47,526,941, respectively, equal to the required contributions for the year.

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

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

9. Insurance

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

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

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

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

10. Contingencies

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

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

		REVENUE BONDS SERIES 1993A		
	TOTAL	**Principal Amount**	**Accreted Value at Maturity**	**Interest Rate**
Interest Bearing Bonds:				
Serial Bonds maturing as follows:				
2012	$ 8,705,000	$ - ----	$ - ----	- -----
2013	8,525,000	- ----	- ----	- -----
2014	8,150,000	- ----	- ----	- -----
2015	8,555,000	- ----	- ----	- -----
2016	9,050,000	- ----	- ----	- -----
2017	8,670,000	- ----	- ----	- -----
2018	9,090,000	- ----	- ----	- -----
2019	9,540,000	- ----	- ----	- -----
2020	10,000,000	- ----	- ----	- -----
2021	9,955,000	- ----	- ----	- -----
2022	8,035,000	- ----	- ----	- -----
2023	7,090,000	- ----	- ----	- -----
2024	6,250,000	- ----	- ----	- -----
2025	6,530,000	- ----	- ----	- -----
2026	1,815,000	- ----	- ----	- -----
2027	1,890,000	- ----	- ----	- -----
2028	1,970,000	- ----	- ----	- -----
Term Bonds maturing as follows:				
2012	- ----	- ----	- ----	- -----
2013	- ----	- ----	- ----	- -----
2014	- ----	- ----	- ----	- -----
2015	- ----	- ----	- ----	- -----
2016	- ----	- ----	- ----	- -----
2017	- ----	- ----	- ----	- -----
2018	- ----	- ----	- ----	- -----
2019	- ----	- ----	- ----	- -----
2020	- ----	- ----	- ----	- -----
2021	- ----	- ----	- ----	- -----
2022	- ----	- ----	- ----	- -----
2023	1,315,000	- ----	- ----	- -----
2024	1,820,000	- ----	- ----	- -----
2025	1,910,000	- ----	- ----	- -----
2026	6,975,000	- ----	- ----	- -----
2027	7,280,000	- ----	- ----	- -----
2028	7,615,000	- ----	- ----	- -----
2029	7,955,000	- ----	- ----	- -----
2030	7,055,000	- ----	- ----	- -----
2031	3,520,000	- ----	- ----	- -----
2032	3,695,000	- ----	- ----	- -----
2033	3,880,000	- ----	- ----	- -----
2034	4,075,000	- ----	- ----	- -----
2035	4,275,000	- ----	- ----	- -----
2036	2,480,000	- ----	- ----	- -----
Total Interest Bearing Bonds	187,670,000	- ----		
Capital Appreciation Bonds maturing as follows:				
2012	6,641,340	3,280,315	3,430,000	6.050%
2013	6,904,931	3,646,150	4,050,000	6.100%
2014	6,742,936	3,433,428	4,050,000	6.100%
2015	6,218,366	3,227,405	4,050,000	6.150%
2016	5,735,283	3,037,654	4,050,000	6.150%
2017	5,394,747	2,851,127	4,050,000	6.200%
2018	5,565,891	2,682,331	4,050,000	6.200%
2019	3,723,024	- ----	- ----	- -----
2020	3,591,831	- ----	- ----	- -----
2021	3,498,659	- ----	- ----	- -----
2022	3,337,752	- ----	- ----	- -----
2023	3,157,044	- ----	- ----	- -----
2024	2,985,636	- ----	- ----	- -----
2025	2,826,696	- ----	- ----	- -----
2026	2,672,388	- ----	- ----	- -----
2027	2,572,102	- ----	- ----	- -----
2028	2,434,974	- ----	- ----	- -----
2029	2,305,178	- ----	- ----	- -----
Total Capital Appreciation Bonds	76,308,778	22,158,410		
Total	$ 263,978,778	$ 22,158,410		

**Approximate yield to maturity.
This schedule of bonds payable outstanding does not reflect unamortized debt premium or unamortized deferred loss on refunding.

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

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

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

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

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

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

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities of the Southern Illinois University Housing and Auxiliary Facilities System (the "System") as of and for the year ended June 30, 2011, and have issued our report thereon dated April 2, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Crowe Horwath LLP

Crowe Horwath LLP

Springfield, Illinois
April 2, 2012