

October 27, 2006

Members of the Board Finance Committee

John Simmons, Chair
Roger Tedrick
Stephen Wigginton
Marquita Wiley

Dear Members of the Finance Committee:

There will be a meeting of the Finance Committee on Thursday, November 9, 2006, at 9:00 a.m. in the Conference Center of the Delyte W. Morris University Center, Southern Illinois University Edwardsville, Edwardsville, Illinois. The following items have been suggested for the agenda:

1. Approval of Minutes of the October 12, 2006, meeting (enclosure).
2. Proposed Tuition for FY2007 Master of Science in Physician Assistant Studies, SIUC (Board Agenda Item K).
3. Revision of Refund Policy, SIUE [Amendment to 4 Policies of the Board Appendix B-3] (Board Agenda Item Q).
4. Authorization to Amend Project Description of the Housing and Auxiliary Facilities System Revenue Bonds, Series 2006A (Board Agenda Item R).
5. Revision to Financial and Administrative Matters [Amendments to 5 Policies of the Board E-3-a and E-3-b-2] (Board Agenda Item S).
6. Annual Financial Performance Report for 2006 (enclosure).
7. Investments Report (enclosure).

8. Other business.

Yours truly,

Duane Stucky
Vice President for Financial and Administrative Affairs
And Board Treasurer

DS/lap

Enclosures

cc: Samuel Goldman
Christine Guerra
Ed Hightower
Jesse Phelps

Keith Sanders
Glenn Poshard
Vaughn Vandegrift

Walter V. Wendler
Constituency Heads
Other Interested Parties

BOARD OF TRUSTEES

SOUTHERN ILLINOIS UNIVERSITY

Minutes of the Finance Committee Meeting

October 12, 2006

The Finance Committee met at 9:04 a.m. in Ballroom B of the Student Center, Southern Illinois University Carbondale. Present were: Marquita Wiley (Chair Pro Tem), John Simmons (by phone), and Roger Tedrick. Absent was: Stephen Wigginton. Other Board members present were: Samuel Goldman, Christine Guerra, Ed Hightower, Jesse Phelps and Keith Sanders. Executive Officers present were: President Glenn Poshard; Chancellor Vaughn Vandegrift, SIUE; Chancellor Walter Wendler, SIUC; Vice President for Academic Affairs John S. Haller, Jr.; and Vice President for Financial and Administrative Affairs and Board Treasurer Duane Stucky.

Minutes

The minutes of the September 14, 2006, meeting were approved as submitted.

Notice of Proposed Tuition for FY2007 Master of Science in Physician Assistant Studies, SIUC (Board Agenda Item H).

Chancellor Wendler reviewed the proposal. The matter will return for action at the November meeting.

Authorization to Purchase Electricity (Board Agenda Item Q).

Vice President Stucky explained that a consortium was formed by Southern Illinois University, Illinois State, Western and Eastern in anticipation of electric deregulation to negotiate a reduction in the cost of electricity beginning January 2007. He reviewed the Request For Proposal process and the expected cost savings. Dr. Goldman asked for clarification on what the impact would be if the Legislature continued the current rate freeze. Dr. Stucky replied that SIU would be bound by the contract if the freeze continued and did include businesses and universities.

Approval of the matter was recommended and that it be placed on the Board's omnibus motion. The motion was duly seconded and was passed by the Finance Committee.

Other Business

There being no further business, the meeting was adjourned.

DS/lap



SOUTHERN ILLINOIS UNIVERSITY



FY 2006 Financial Performance Report

Year End Report



Table of Contents

Introduction	1
Schedule A - Summary of Budgetary Adjustments by Quarter	2
Schedule B - FY 06 Net Operating Results by Fund Group	3
Schedule C - Detail Tables by Campuses	4
Statement of Financial Performance for SIU	
Statement of Financial Performance for SIU-Carbondale (excludes School of Medicine)	
Statement of Financial Performance for SIUC-School of Medicine	
Statement of Financial Performance for SIU-Edwardsville	
Statement of Financial Performance for SIU-University Administration	
Statement of Financial Performance for SIU-University Wide Service	
Appendix - Descriptions of Major Fund Group	10

INTRODUCTION
SIU FY06 FINANCIAL PERFORMANCE REPORT

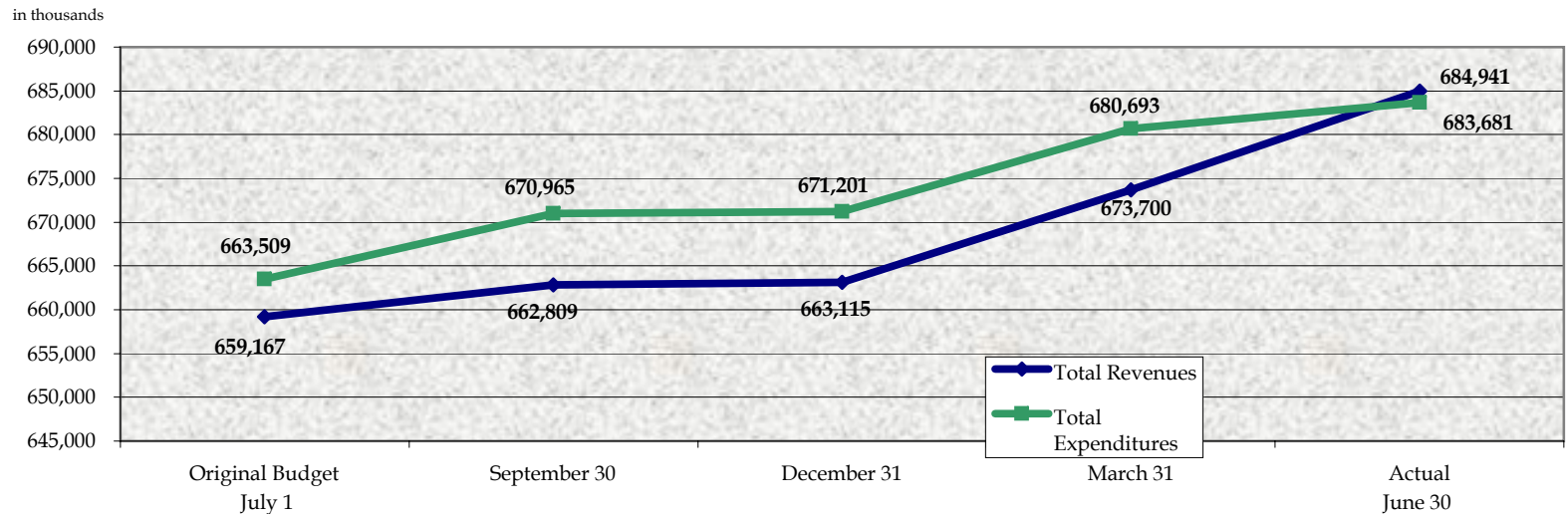
This report provides information on the financial performance of SIU's major operating fund groups for FY2006. Schedule A shows how the budget was adjusted during the year, as presented in periodic reports to the Board. It also compares revenue and expenditure estimates with actual year-end totals. Schedule B provides a University-wide summary of financial performance for each fund group. Schedule C compares FY06 results with the prior year and with budget for each fund group.

It should be noted that this report is presented on a cash basis except for the revenue bond fund group, which is on a modified accrual basis, and would, therefore, differ from the University's annual audited financial statements which are presented on an accrual basis. Also, this report deals only with operating fund groups; cash balances in this report would differ from the University's annual financial statement, which includes all funds.

SIU FINANCIAL PERFORMANCE REPORT

Southern Illinois University
Summary of Combined Budgetary Adjustments and Year End Actual Performance
(Excludes Service Departments)

Fiscal Year 2006 (\$ in thousands)	Original Budget July 1	September 30	December 31	March 31	Actual June 30 (1)	% Diff. from Revised Budget
Total Revenues	659,167	662,809	663,115	673,700	684,941	2%
Total Expenditures	663,509	670,965	671,201	680,693	683,681	0%
Net Operating Results	(4,342)	(8,155)	(8,085)	(6,994)	1,260	
Beginning Cash Balance	41,513	47,927	47,927	47,927	47,927	
Ending Cash Balance (2) (3)	37,171	39,772	39,842	40,933	49,187	20%



(1) Includes lapse period dollars.

(2) Cash balances are used for ongoing operational costs of support units and expenditures are restricted in accordance with bond covenants, Legislative Audit Commission guidelines and Illinois Statute.

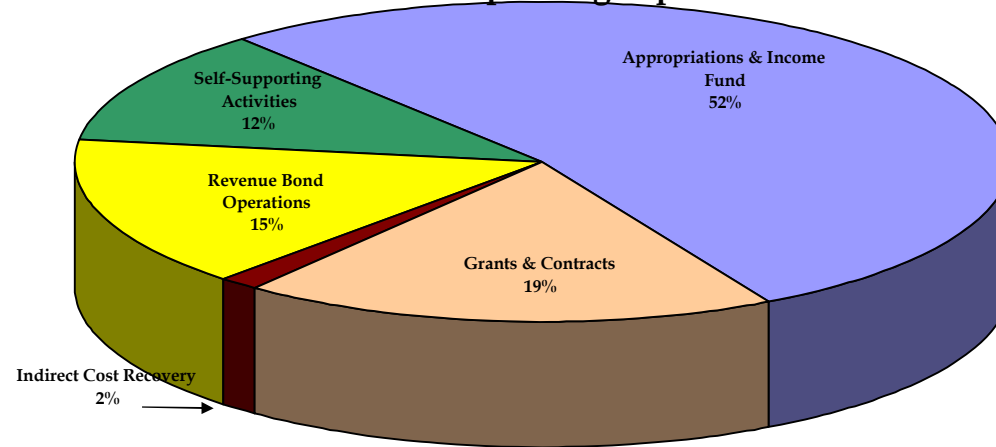
(3) Ending Cash is unaudited and has not been adjusted for transfers or other accounting adjustments.

SIU FINANCIAL PERFORMANCE REPORT

**Southern Illinois University
Fiscal Year 2006 Net Operating Results by Fund Group**

	<u>Appropriations (1) & Income Fund</u>	<u>Grants (2) and Contracts</u>	<u>Indirect Cost Recovery</u>	<u>Revenue Bond Operations</u>	<u>Self-Supporting Activities</u>	<u>Total</u>	<u>Service (3) Departments</u>
Total Revenue	361,875,600	127,247,000	11,690,300	104,313,800	79,814,500	684,941,200	153,064,400
Total Expenditures	361,876,000	127,247,000	11,092,400	103,460,800	80,004,400	683,680,600	150,667,300
Net Operating Results (+/-)	(400)	0	597,900	853,000	(189,900)	1,260,600	2,397,100
Beginning Cash Balance (4)	\$5,074,100	\$0	\$11,173,500	\$12,932,000	\$18,747,400	\$47,927,000	\$4,701,000
Ending Cash Balance (5)	<u>\$5,073,700</u>	<u>\$0</u>	<u>\$11,771,400</u>	<u>\$13,785,000</u>	<u>\$18,557,500</u>	<u>\$49,187,600</u>	<u>\$7,098,100</u>

Distribution of Operating Expenditures



Note:

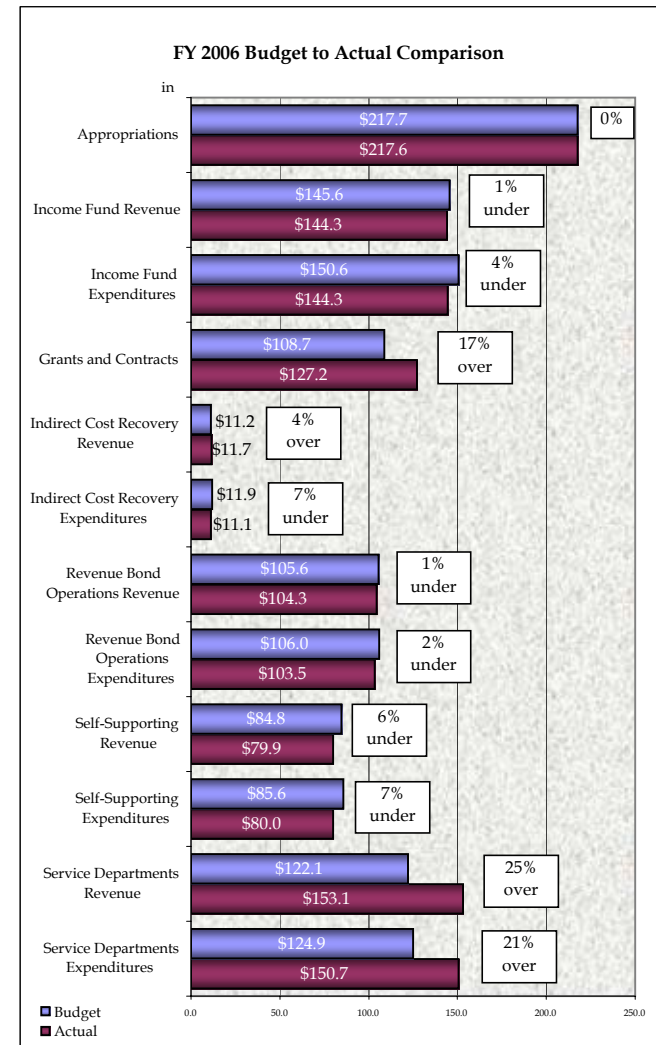
- (1) Appropriations - Direct payments by the State of Illinois for staff benefits on behalf of the University total about \$98 million.
- (2) Grants and Contracts - Revenues received from external sources match expenditures over the life of the grant, therefore the cash balance is reflected as zero.
- (3) Service Departments act as "flow through" accounts for services provided to University departments. In order to avoid double-counting of financial transactions, revenue and expenditures are not added to the University totals.
- (4) Cash balances are used for ongoing operational costs of support units and expenditures are restricted in accordance with bond covenants, Legislative Audit Commission guidelines and Illinois Statute.
- (5) Ending Cash is unaudited and has not been adjusted for transfers or other accounting adjustments. Actual Ending Cash balance will be reported as Beginning Cash balance on the First Quarter report for FY 2007.

Cash basis accounting except for Revenue Bond Operations, which are on modified accrual basis.

SIU FINANCIAL PERFORMANCE - COMPARATIVE STATEMENT

Southern Illinois University - Statement of Financial Performance for Fiscal Year 2006

Major Fund Groups	Comparison to the Prior Fiscal Year			
	FY 2005	FY 2006	\$ Change	% Change
Appropriations (a) (b)				
Expenditures	217,426,100	217,597,800	171,700	0%
Income Fund (b)				
Revenue	133,818,600	144,277,800	10,459,200	8%
Expenditures	132,045,100	144,278,200	12,233,100	9%
Net Result	1,773,500	(400)	(1,773,900)	
Grants and Contracts (c)				
Expenditures	113,725,700	127,247,000	13,521,300	12%
Indirect Cost Recovery				
Revenue	10,767,000	11,690,300	923,300	9%
Expenditures	9,556,600	11,092,400	1,535,800	16%
Net Result	1,210,400	597,900	(612,500)	
Revenue Bond Operations				
Revenue	97,736,900	104,313,800	6,576,900	7%
Expenditures	97,722,300	103,460,800	5,738,500	6%
Net Result	14,600	853,000	838,400	
Self-Supporting Activities				
Revenue	74,351,200	79,814,500	5,463,300	7%
Expenditures	73,664,200	80,004,400	6,340,200	9%
Net Result	687,000	(189,900)	(876,900)	
Service Departments				
Revenue	141,583,300	153,064,400	11,481,100	8%
Expenditures	137,930,100	150,667,300	12,737,200	9%
Net Result	3,653,200	2,397,100	(1,256,100)	



Note: Budgets as of 3/31/06 except for Appropriations, which is reported at end of lapse period.

(a) General Revenue Funds are held in the State's Treasury and funds are released when vouchered; therefore, revenue matches expenditures.

(b) Includes lapse period dollars.

(c) Grants and Contracts - Revenues received from external sources match expenditures over the life of the grant.

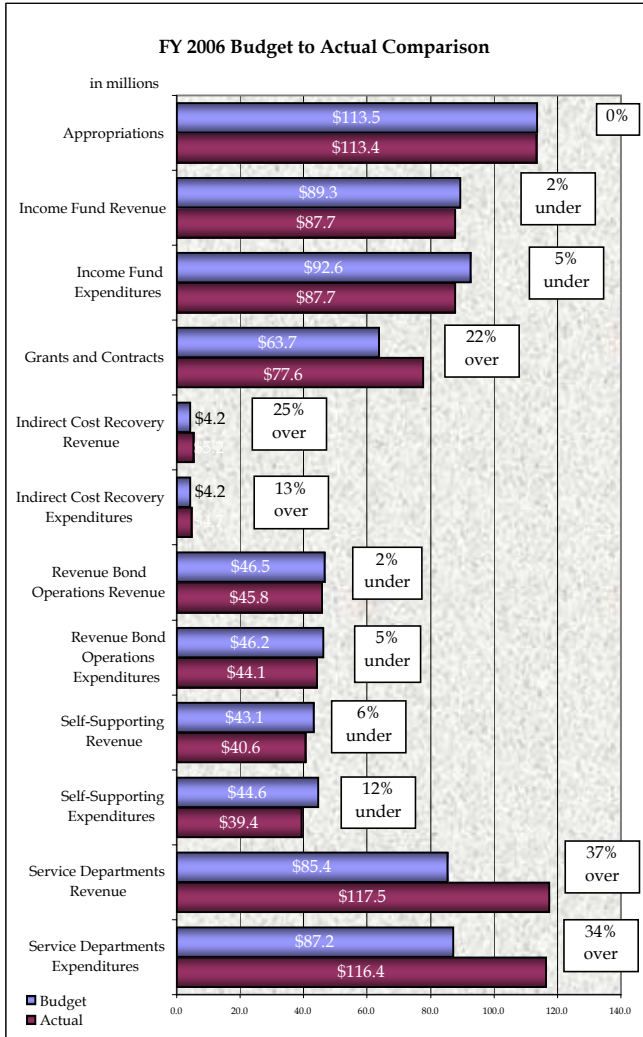
Numbers are rounded to the nearest thousand

Cash basis accounting except for Revenue Bond Operations, which are on modified accrual basis.

SIU FINANCIAL PERFORMANCE - COMPARATIVE STATEMENT

SIU Carbondale - Statement of Financial Performance for Fiscal Year 2006

Major Fund Groups	Comparison to the Prior Fiscal Year			
	FY 2005	FY 2006	\$ Change	% Change
Appropriations Expenditures	112,802,000	113,399,200	597,200	1%
Income Fund Revenue	83,004,600	87,714,600	4,710,000	6% (1)
Income Fund Expenditures	81,822,100	87,700,700	5,878,600	7% (2)
Income Fund Net Result	1,182,499	13,900	(1,168,600)	
Grants and Contracts Expenditures	68,630,700	77,629,000	8,998,300	13% (3)
Indirect Cost Recovery Revenue	4,201,000	5,216,300	1,015,300	24% (4)
Indirect Cost Recovery Expenditures	3,843,600	4,712,200	868,600	23% (4)
Indirect Cost Recovery Net Result	357,400	504,100	146,700	
Revenue Bond Operations Revenue	42,774,900	45,783,800	3,008,900	7% (5)
Revenue Bond Operations Expenditures	45,327,300	44,075,800	(1,251,500)	-3% (5)
Revenue Bond Operations Net Result	(2,552,400)	1,708,000	4,260,400	
Self-Supporting Activities Revenue	37,482,100	40,560,800	3,078,700	8% (6)
Self-Supporting Activities Expenditures	37,161,500	39,395,300	2,233,800	6% (6)
Self-Supporting Activities Net Result	320,600	1,165,500	844,900	
Service Departments Revenue	104,349,700	117,457,900	13,108,200	13% (7)
Service Departments Expenditures	104,013,700	116,376,100	12,362,400	12% (7)
Service Departments Net Result	336,000	1,081,800	745,800	

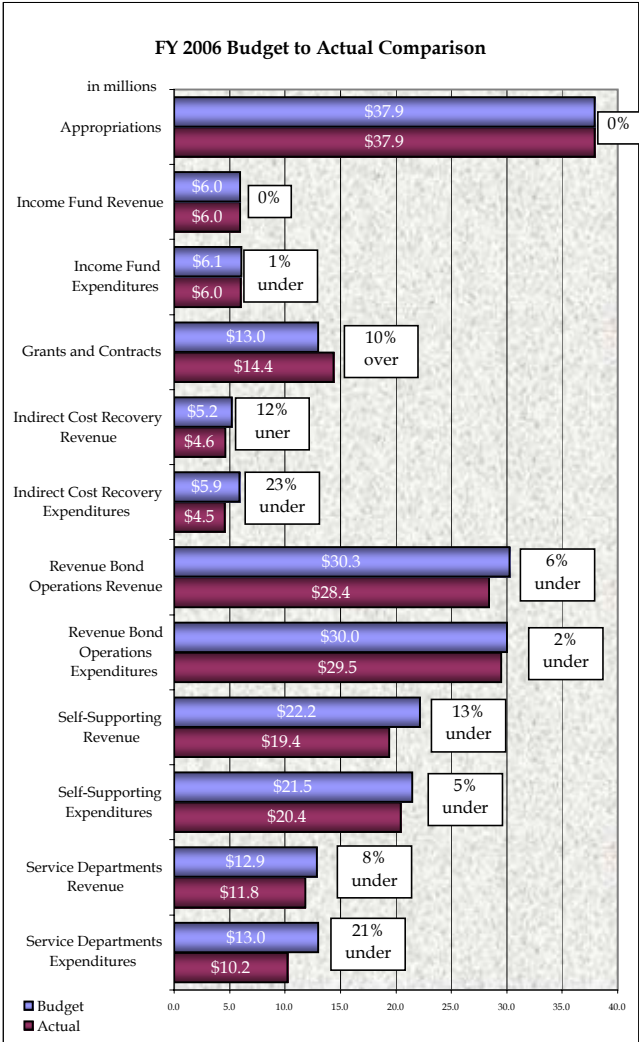


- (1) Increase due to tuition increase.
- (2) Increase due to salary increases.
- (3) Increase due to increases in the Clean Coal Program, Integrated Assessment Program, WorkNet program, Health/TDL Cluster program, and Biotech and Support at CESTRO program.
- (4) Revenues increased due to recoveries from various programs. Expenditures increased due to increase in utilities and O&M of new buildings.
- (5) Revenues increased due to increases in housing rates and student fees. Expenditures decreased due to decrease in RRR transfers that were needed in FY05 to fund RRR projects.
- (6) Revenues increased due to increase in student fees and additional events scheduled at the SIU Arena. Expenditures increased due to increased travel costs for athletics, salary increases and equipment purchases.
- (7) Increase due to construction projects, including Student Health Center, Troutt-Whittman Center, Morris Library, the Southern Illinois Research Park, School of Art Gallery, the Grand/Wall Complex and the McLafferty Annex. Also, Administrative Information Systems was transferred from UWS to the Carbondale campus.

SIU FINANCIAL PERFORMANCE - COMPARATIVE STATEMENT

SIUC School of Medicine - Statement of Financial Performance for Fiscal Year 2006

Major Fund Groups	Comparison to the Prior Fiscal Year			
	FY 2005	FY 2006	\$ Change	% Change
Appropriations				
Expenditures	37,850,200	37,934,300	84,100	0%
Income Fund				
Revenue	5,694,000	5,960,200	266,200	5%
Expenditures	5,717,000	5,984,500	267,500	5%
Net Result	(23,000)	(24,300)	(1,300)	
Grants and Contracts				
Expenditures	12,165,000	14,355,000	2,190,000	18% (1)
Indirect Cost Recovery				
Revenue	4,724,000	4,602,000	(122,000)	-3%
Expenditures	3,671,000	4,535,000	864,000	24% (2)
Net Result	1,053,000	67,000	(986,000)	
Revenue Bond Operations				
Revenue	25,865,000	28,370,000	2,505,000	10% (3)
Expenditures	24,435,000	29,484,000	5,049,000	21% (3)
Net Result	1,430,000	(1,114,000)	(2,544,000)	
Self-Supporting Activities				
Revenue	18,038,000	19,378,000	1,340,000	7% (4)
Expenditures	18,679,000	20,432,000	1,753,000	9% (4)
Net Result	(641,000)	(1,054,000)	(413,000)	
Service Departments				
Revenue	9,804,000	11,848,000	2,044,000	21% (5)
Expenditures	8,697,000	10,215,000	1,518,000	17% (5)
Net Result	1,107,000	1,633,000	526,000	



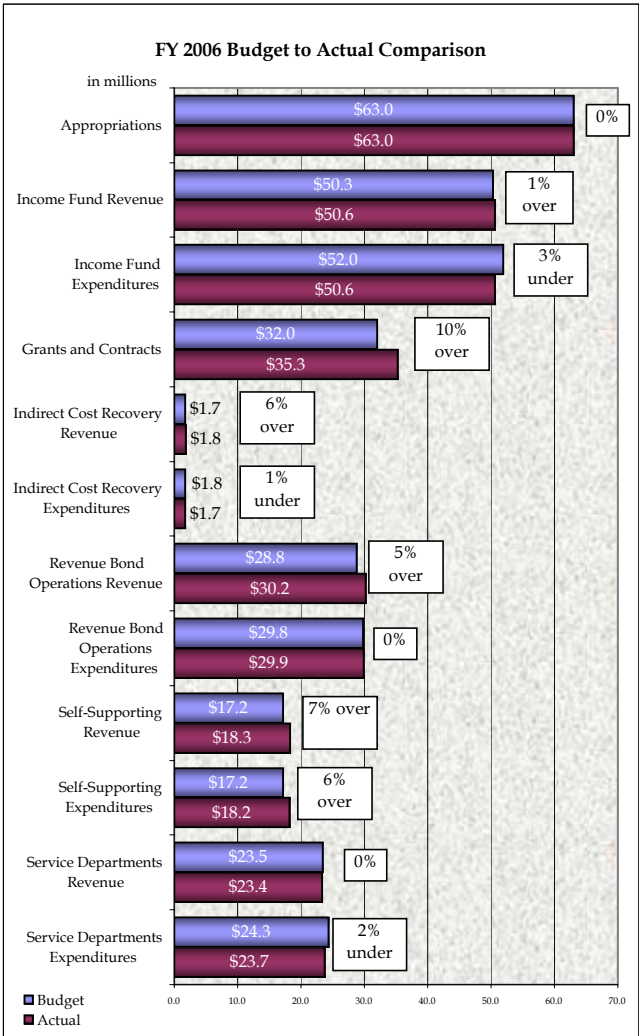
- (1) Variance due to increase in private grant funding and increase in Excellence in Academic Medicine Cancer Institute spending.
- (2) Variance due to increased reliance on local funds to support operations.
- (3) Variance due to increased clinical activities
- (4) Variance due to increase in hospital affiliations and other healthcare facilities contracts.
- (5) Variance due to increase in Physical Plant billings related to the Springfield Combined Laboratory Facility addition and increase related to the Energy Conservation Project.

Cash basis accounting except for Revenue Bond Operations, which are on modified accrual basis.

SIU FINANCIAL PERFORMANCE - COMPARATIVE STATEMENT

SIU Edwardsville - Statement of Financial Performance for Fiscal Year 2006

Major Fund Groups	Comparison to the Prior Fiscal Year			
	FY 2005	FY 2006	\$ Change	% Change
Appropriations				
Expenditures	62,820,000	62,985,600	165,600	0%
Income Fund				
Revenue	45,120,000	50,603,000	5,483,000	12% (1)
Expenditures	44,506,000	50,593,000	6,087,000	14% (2)
Net Result	614,000	10,000	(604,000)	
Grants and Contracts				
Expenditures	32,930,000	35,263,000	2,333,000	7% (3)
Indirect Cost Recovery				
Revenue	1,792,000	1,827,000	35,000	2%
Expenditures	2,022,000	1,748,000	(274,000)	-14% (4)
Net Result	(230,000)	79,000	309,000	
Revenue Bond Operations				
Revenue	29,097,000	30,160,000	1,063,000	4%
Expenditures	27,960,000	29,901,000	1,941,000	7%
Net Result	1,137,000	259,000	(878,000)	
Self-Supporting Activities				
Revenue	17,246,000	18,323,000	1,077,000	6% (5)
Expenditures	15,728,000	18,184,000	2,456,000	16% (5)
Net Result	1,518,000	139,000	(1,379,000)	
Service Departments				
Revenue	23,687,000	23,370,000	(317,000)	-1%
Expenditures	23,112,000	23,730,000	618,000	3%
Net Result	575,000	(360,000)	(935,000)	



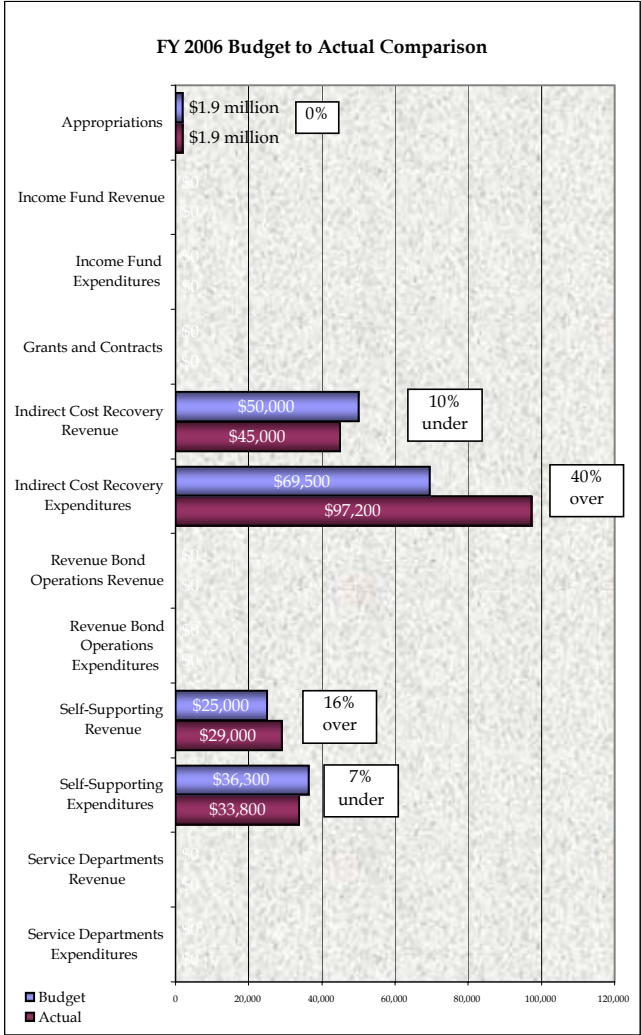
- (1) Increase due to tuition rate increase, favorable interest rates, and the implementation of the School of Pharmacy.
- (2) Increase due to use of Income Fund dollars to fund salary increases and implementation of the School of Pharmacy.
- (3) Increase due to Ethanol grants, more Alternative Loans and increase in state grants due to the School of Pharmacy and School of Education.
- (4) Decrease due to timing difference of the Banner payment in FY05.
- (5) Increases due to School of Dental Medicine Clinic expansion. Revenues also increased due to increase in student fees. Expenditures also increased due to salary increases.

Cash basis accounting except for Revenue Bond Operations, which are on modified accrual basis.

SIU FINANCIAL PERFORMANCE - COMPARATIVE STATEMENT

SIU University Administration - Statement of Financial Performance for Fiscal Year 2006

Major Fund Groups	Comparison to the Prior Fiscal Year			
	FY 2005	FY 2006	\$ Change	% Change
Appropriations				
Expenditures	1,924,100	1,924,700	600	0%
Income Fund				
Revenue	0	0	0	0%
Expenditures	0	0	0	0%
Net Result	0	0	0	
Grants and Contracts				
Expenditures	0	0	0	0%
Indirect Cost Recovery				
Revenue	50,000	45,000	(5,000)	-10%
Expenditures	20,000	97,200	77,200	over 100% (1)
Net Result	30,000	(52,200)	(82,200)	
Revenue Bond Operations				
Revenue	0	0	0	0%
Expenditures	0	0	0	0%
Net Result	0	0	0	
Self-Supporting Activities				
Revenue	28,000	29,000	1,000	4%
Expenditures	5,000	33,800	28,800	over 100% (1)
Net Result	23,000	(4,800)	(27,800)	
Service Departments				
Revenue	0	0	0	0%
Expenditures	0	0	0	0%
Net Result	0	0	0	



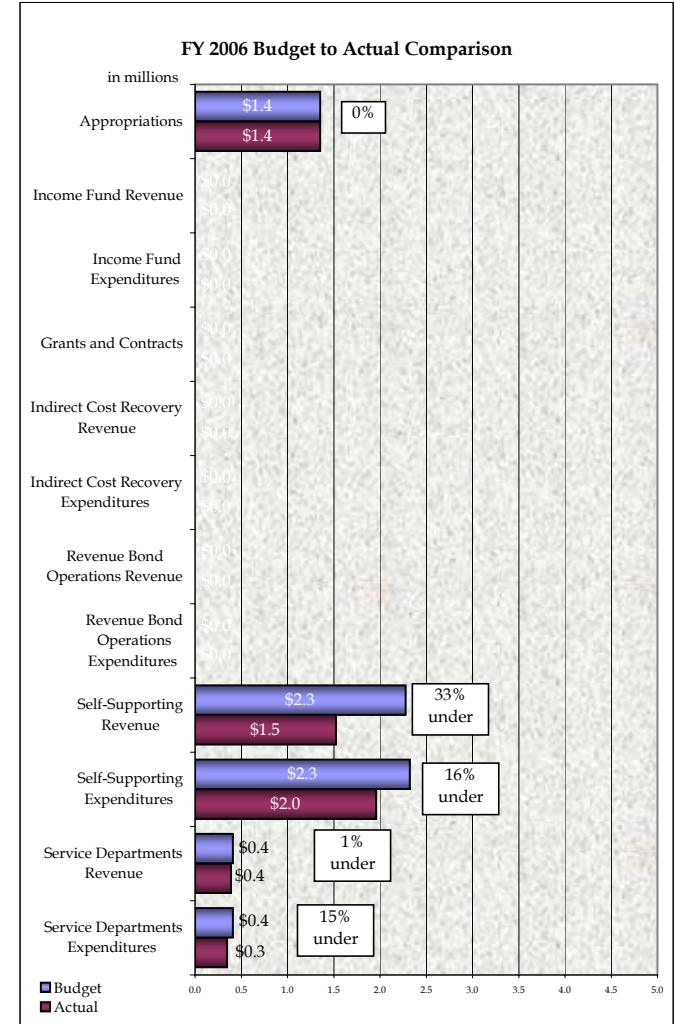
(1) FY06 included the payment of salaries due to past state reductions.

Cash basis accounting except for Revenue Bond Operations, which are on modified accrual basis.

SIU FINANCIAL PERFORMANCE - COMPARATIVE STATEMENT

SIU University Wide Services - Statement of Financial Performance for Fiscal Year 2006

Major Fund Groups	Comparison to the Prior Fiscal Year			
	FY 2005	FY 2006	\$ Change	% Change
Appropriations				
Expenditures	2,029,800	1,354,000	(675,800)	-33% (1)
Income Fund				
Revenue	0	0	0	0%
Expenditures	0	0	0	0%
Net Result	0	0	0	
Grants and Contracts				
Expenditures	0	0	0	0%
Indirect Cost Recovery				
Revenue	0	0	0	0%
Expenditures	0	0	0	0%
Net Result	0	0	0	
Revenue Bond Operations				
Revenue	0	0	0	0%
Expenditures	0	0	0	0%
Net Result	0	0	0	
Self-Supporting Activities				
Revenue	1,557,100	1,523,700	(33,400)	-2% (2)
Expenditures	2,090,700	1,959,300	(131,400)	-6% (2)
Net Result	(533,600)	(435,600)	98,000	
Service Departments				
Revenue	3,742,600	388,500	(3,354,100)	-90% (1)
Expenditures	2,107,400	346,200	(1,761,200)	-84% (1)
Net Result	1,635,200	42,300	(1,592,900)	



(1) Decrease due to Administrative Information System being moved from UWS to Carbondale.

(2) Decreases due to reclassification of Revenue Bond Administration to Service Department.

Cash basis accounting except for Revenue Bond Operations, which are on modified accrual basis.

APPENDIX

DESCRIPTION OF MAJOR FUND GROUPS

Appropriated Fund

State appropriated funds include General Revenue Funds and Educational Assistance Funds, both of which come from Illinois tax dollars.

Income Fund

Income Fund revenue includes tuition revenue, off-campus program revenue, interest earnings on income fund deposits, and certain miscellaneous fee revenue. Tuition revenue is a direct result of student enrollment, student residency, credit hours, and tuition rates. Off-campus program revenue is based on charges sufficient to cover all instructional and administrative costs of the programs. LAC guidelines require that certain fee revenue such as application fees, course-specific fees and graduation fees be deposited into the income fund.

Grants and Contracts

Grants and contracts include funds received from governmental entities and private foundations and corporations for the support of various research projects, instructional and training programs, public service activities, student financial aid, and other programs. The specific use of these funds is restricted by contractual agreement with the sponsoring agency. Generally, revenues will equal expenditures over the life of the grant or contract.

Indirect Cost Fund

Indirect cost funds are recovered as overhead allowances on grants and contracts. They are used to help cover a share of expenses for such items as operation and maintenance, library services, sponsored project administration and general administration.

Revenue Bond

Operations of revenue bond financed facilities are reported in this fund group. Revenue Bond enterprises are funded primarily from student fees, operating charges, and sales and services of various activities and include such facilities as residence halls, student centers, and student recreation centers.

Self-Supporting Activities

Self-Supporting Activities include a wide range of operations, which are directly related to Instructional, Research, or Public Service units or support the overall objectives of the University. They may be Self-Supporting in whole or in part. Revenue is generally derived through student fees or sales of services. Examples include Shryock Auditorium, textbook services and athletic fees.

Service Departments

Service Departments provide specific types of services to University departments and are supported by internal charges to using departments. Such services might be purchased from outside sources but for reasons of convenience, cost or control are often provided more effectively by an in-house service department.

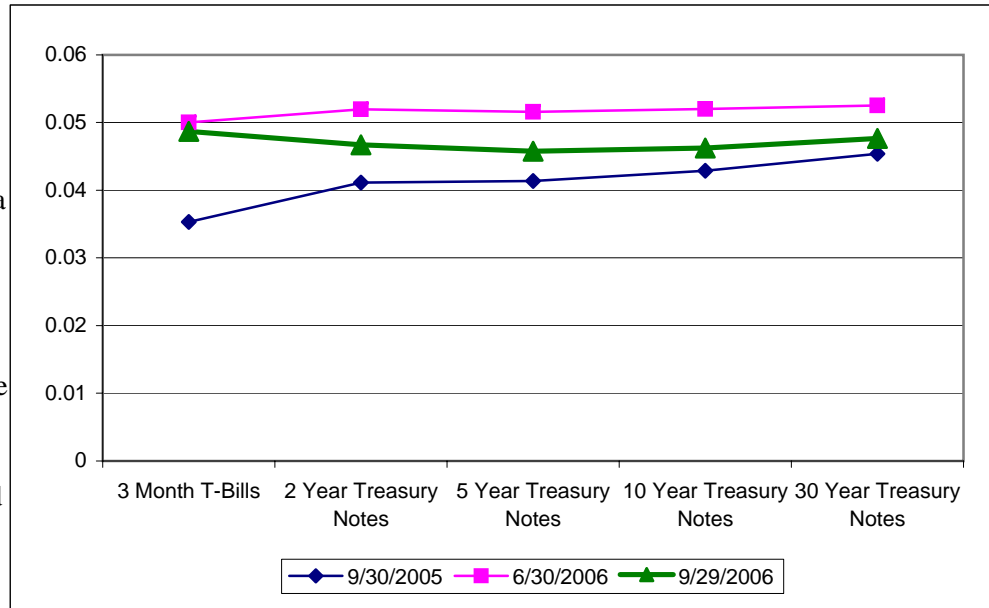


Southern Illinois University

Quarterly Investment Report
September 30, 2006

Performance Analysis

As much as longer-term interests rate rose last quarter (nearly 40 basis points through 6/30/06), they declined this quarter. The Federal Reserve left the Fed Funds rate unchanged (at 5.25%) at both its August 8 and September 20 meetings, putting to an end a track record of 17 consecutive increases since June 2004. This prompted the fixed-income markets to shift their focus from inflation concerns to economic growth. As economic growth indicators were lackluster, not only did long-term interest rates decline by some 40+ basis points, but rates in the 2-10 year range performed even better, declining by 55 basis points. Only at the very short end of the yield curve did interest rates stay steady in the 4.9-5.0% range, producing a modestly inverted treasury yield curve for most of the quarter.



The market scenario for this quarter, high and steady short-term rates with declining intermediate rates, was ideal for Southern Illinois University's current investment position, and resulted in a strong quarterly return of 2.09%. This return bested the weighted benchmark return by 9 basis points. Returns for SIU were strong and positive for each of the three main assets classes currently held by the University. Because of steady (and relatively high) short-term interest rates, SIU's assets held in the Illinois Funds (almost 51% of the overall portfolio at quarter-end) returned a healthy 1.29% for the period, beating the benchmark of the Merrill Lynch Ready Assets by 16 basis points. In addition, the declines in the interest rates in the 2-10 year range produced very favorable returns for SIU's Short-Term and Intermediate portfolios held with Western Asset Management. The Short-Term portfolio ended the quarter with a 2.06% return, slightly exceeding the Lehman Bros 1-3 yr Govt Index of 2.01%. Similarly, the Intermediate portfolio also beat its benchmark (the Lehman Bros Intermediate Govt Index) by 5 basis points, posting a return of 2.97% for the period.

John S. Vincent & Company LLC

Operating Investments

Operating Investment Position

Investment Balance

Market Value (\$ in millions)

	9/30/2005	12/31/2005	3/31/2006	6/30/2006	9/30/2006
State Treasury Fund	\$68.2	\$89.8	\$124.9	\$62.7	\$87.4
Western Asset - Short Portfolio	20.0	20.1	20.2	20.3	20.7
Western Asset - Intermediate Portfolio	61.8	62.1	61.9	62.0	63.8
Total Portfolio	\$150.0	\$172.0	\$207.0	\$145.0	\$171.9

Market Value Change (\$ in millions)

	9/30/2005	12/31/2005	3/31/2006	6/30/2006	9/30/2006
Beginning Market Value	\$ 142.0	\$ 150.0	\$ 172.0	\$ 207.0	\$145.0
Deposits (Withdrawals)	8.2	21.6	35.2	(62.2)	23.8
Interest Income, Net of Fees	0.7	0.8	0.8	0.8	1.8
Realized Gain (Loss)	(0.2)	(0.1)	(0.2)	(0.4)	0.0
Unrealized Gain (Loss)	(0.8)	(0.3)	(0.8)	(0.2)	1.3
Ending Market Value	\$ 150.0	\$ 172.0	\$ 207.0	\$ 145.0	\$ 171.9

Operating Performance

Quarterly Performance

	9/30/2005	12/31/2005	3/31/2006	6/30/2006	9/30/2006
Illinois Funds Rate of Return					
State Treasury Portfolio	0.8%	0.9%	1.0%	1.18%	1.29%
iMoney Net Money Fund	0.5%	0.6%	0.8%		
Merrill Lynch Ready Assets				1.02%	1.13%
Short Term Portfolio Rate of Return					
Western Asset Short Term Portfolio	0.3%	0.6%	0.5%	0.57%	2.06%
Lehman Bros 1-3 Year Govt Index	0.1%	0.7%	0.4%	0.66%	2.01%
Intermediate Portfolio Rate of Return					
Western Asset Intermediate Portfolio	-0.3%	0.4%	-0.3%	0.25%	2.97%
Lehman Bros Intermediate Govt Index	-0.5%	0.6%	-0.3%	0.30%	2.92%
Total Fund Rate of Return					
Total Portfolio	0.2%	0.7%	0.6%	0.80%	2.09%
Benchmark	-0.1%	0.6%	0.3%	0.76%	2.00%

Historical Performance

	FY 2003	FY 2004	FY 2005	FY 2006	Fiscal YTD ending 9/30/2006
Total Fund Rate of Return					
Total Portfolio	6.9%	0.2%	3.5%	2.36%	2.09%
Benchmark	6.2%	-0.1%	3.0%	2.08% *	2.00% *

* The Merrill Lynch Ready Assets benchmark has been used because it is more easily obtained and is comparable to the iMoney Net Money Fund.

Asset Allocation

Asset Allocation and Policy Compliance As of September 30, 2006

	Market Value (in millions)	Actual Allocation	Policy Range
State Treasury Fund	\$87.4	51%	20-35%
Western Asset - Short Term Portfolio	20.7	12%	10-40%
Western Asset - Intermediate Term Portfolio	63.8	37%	35-60%
	<u>\$171.9</u>		

The portfolio was heavily weighted to the State Treasury Fund as of September 30, 2006. The decision to keep the investment portfolio short was driven by the need to maintain liquidity for cash flow requirements, the uncertain timing of the release of state appropriated operating funds, and the flat yield curve.

Asset Allocation - Comparison for Discussion As of September 30, 2006

	Market Value (in millions)	Target (in millions)	
State Treasury Fund	\$87.4	\$40.0	Minimum
Western Asset - Short Term Portfolio	20.7	\$10.0	Minimum
Western Asset - Intermediate Term Portfolio	63.8	\$65.0	Maximum
	<u>\$171.9</u>		

Fees

Investment Manager Fees

	Basis Points	9/30/2005	12/31/2005	3/31/2006	6/30/2006	Total
State Treasury Fund	9.8	\$16,711.58	\$21,990.54	\$30,598.04	\$15,371.50	\$84,671.66
Western Asset - Short Term Portfolio	25.0	12,466.00	12,499.00	12,590.00	12,659.00	50,214.00
Western Asset - Intermediate Term Portfolio	25.0	<u>38,675.00</u>	<u>38,593.00</u>	<u>38,764.00</u>	<u>38,724.00</u>	<u>154,756.00</u>
Total Investment Manager Fees		\$67,852.58	\$73,082.54	\$81,952.04	\$66,754.50	\$289,641.66

Custody Bank Fees

	9/30/2006	12/31/2005	3/31/2006	6/30/2006	Total
Northern Trust (terminated 9/30/05)	\$10,636.65				\$10,636.65
JP Morgan Chase (effective 10/1/05)		\$5,644.89	\$6,119.19	\$6,220.42	<u>\$17,984.50</u>
Total Custody Fees					<u>\$28,621.15</u>

NOTE: Fees for the quarter ending 9/30/06 were not available at the time this report was prepared. All fees are reflected on an accrual basis

Capital Investments

Capital Investments Position

Investment Balance

Market Value (\$ in millions)

	9/30/2005	12/31/2005	3/31/2006	6/30/2006	9/30/2006
Housing & Auxiliary Facilities System					
Construction Proceeds	29.13	25.29	23.68	70.19	55.78
Interest Sinking Fund	9.86	10.28	12.75	7.59	11.03
Debt Service Reserve	10.77	10.77	10.67	9.27	9.38
Total HAFS	<u>49.76</u>	<u>46.33</u>	<u>47.10</u>	<u>87.06</u>	<u>76.19</u>
Medical Facilities System					
Construction Proceeds	0.00	7.34	7.42	7.46	7.22
Interest Sinking Fund	0.50	0.44	0.94	0.48	0.79
Debt Service Reserve	1.60	0.00	0.00	0.00	0.00
Total MFS	<u>2.11</u>	<u>7.78</u>	<u>8.36</u>	<u>7.94</u>	<u>8.01</u>
Certificates of Participation					
Construction Proceeds	19.18	16.90	15.38	14.01	13.63
Interest Sinking Fund	3.09	3.09	3.08	3.08	2.69
Debt Service Reserve	0.00	0.00	0.00	0.00	0.00
Total COPS	<u>22.27</u>	<u>19.99</u>	<u>18.46</u>	<u>17.10</u>	<u>16.32</u>
Total Capital Investment Portfolio	74.13	74.10	73.92	112.09	100.52

Capital Investments are managed internally and are invested in high quality, low risk government securities. The investment maturity, rate of return and type are limited by covenants in the debt financing documents.