UNIVERSITY OF ILLINOIS

AUXILIARY FACILITIES SYSTEM

Annual Financial Report

June 30, 2015

(With Independent Auditors' Report Thereon)

CliftonLarsonAllen

UNIVERSITY OF ILLINOIS
AUXILIARY FACILITIES SYSTEM

Annual Financial Report

June 30, 2015

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From the Vice President/Chief Financial Officer, Comptroller

UNIVERSITY OF ILLINOIS

Urbana-Champaign ● Chicago ● Springfield

Office of Vice President/Chief Financial Officer, Comptroller
349 Henry Administration Building
506 South Wright Street
Urbana, IL 61801

December 23, 2015

Holders of University of Illinois
Auxiliary Facilities System Revenue Bonds
and The Board of Trustees of the University of Illinois:

I am pleased to transmit the Annual Financial Report of the University of Illinois Auxiliary Facilities System for the fiscal year ended June 30, 2015. This report supplements the financial statements of the University of Illinois presented in the Annual Financial Report.

The 2015 financial statements and accompanying notes appearing on pages 4 through 25 have been audited by CliftonLarsonAllen LLP, Independent Certified Public Accountants, as special assistants to the Auditor General of the State of Illinois, whose report on the financial statements appears on pages 2 and 3.

CliftonLarsonAllen LLP will also prepare a report for the year ended June 30, 2015, containing special data requested by the Auditor General and another report covering their audit of the compliance of the University with applicable state and federal laws and regulations for the year ended June 30, 2015. These reports, which include some data related to the Auxiliary Facilities System, are not contained herein and are primarily for the use of the Auditor General and state and federal agencies.

Very truly yours,

Walter K. Knorr,
Vice President/Chief Financial Officer,
Comptroller

CliftonLarsonAllen

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities of the University of Illinois Auxiliary Facilities System ("the System") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities for the System as of June 30, 2015, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The June 30, 2014 financial statements of the System were audited by other auditors whose report dated December 19, 2014 expressed an unmodified opinion. Based on the report from other auditors, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

During fiscal year ended June 30, 2015, the System adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — an amendment of GASB Statement No. 68.* As a result of the implementation of these standards, the University reported a restatement for the change in accounting principle. See Note 1. Our auditors' opinion was not modified with respect to the restatement

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 business-type activities of University of Illinois that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of University of Illinois as of June 30, 2015 and 2014, and its changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated December 23, 2015, 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* in considering the System's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Peoria, Illinois
December 23, 2015

UNIVERSITY OF ILLINOIS
AUXILIARY FACILITIES SYSTEM

Statement of Net Position

June 30, 2015
(with comparative totals for June 30, 2014)

Assets and Deferred Outflow of Resources		2015	2014
Current assets:			
Claim on cash and on pooled investments	$	174,388,755	158,281,598
Cash and cash equivalents		11,083,464	10,527,002
Investments		1,501,755	677,763
Investments, restricted			1,324,151
Accrued investment income		979,807	969,697
Accounts receivable, net of allowance for uncollectible of $4,234,089 in 2015		7,299,374	7,080,346
Inventories		6,854,470	7,480,327
Prepaid expenses		548,625	316,122
Total current assets		202,656,250	186,657,006
Noncurrent assets:			
Cash and cash equivalents		16,098,521	24,814,763
Investments		4,067,139	
Investments, restricted		142,717,250	223,633,241
Capital assets:			
Land		19,238,069	19,238,069
Buildings, net of accumulated depreciation		893,101,718	919,031,036
Improvements, net of accumulated depreciation		16,417,407	17,750,690
Equipment, net of accumulated depreciation		5,847,835	5,248,072
Construction in progress		141,379,873	47,948,745
Subtotal for capital assets		1,075,984,902	1,009,216,612
Total noncurrent assets		1,238,867,812	1,257,664,616
Deferred outflow of resources		37,257,159	27,652,855
Total assets and deferred outflow of resources	$	1,478,781,221	1,471,974,477

Liabilities and Net Position		2015	2014
Current liabilities:			
Accounts payable	$	36,356,890	30,099,195
Accrued liabilities		4,563,762	4,543,525
Accrued compensated absences		545,819	651,271
Accrued interest		11,881,792	12,105,260
Unearned revenues		15,719,286	8,294,136
Notes payable to the University		2,418,548	2,654,013
Bonds and leaseholds payable		51,493,455	40,979,983
Total current liabilities		122,979,552	99,327,383
Noncurrent liabilities:			
Accrued compensated absences		5,765,390	5,433,898
Notes payable to the University		7,907,431	8,554,015
Bonds and leaseholds payable		1,158,932,274	1,190,187,880
Total noncurrent liabilities		1,172,605,095	1,204,175,793
Total liabilities		1,295,584,647	1,303,503,176
Net investment in capital assets		21,203,093	10,952,416
Restricted:			
Expendable for debt service		24,664,207	25,492,766
Unrestricted		137,329,274	132,026,119
Total net position		183,196,574	168,471,301
Total liabilities and net position	$	1,478,781,221	1,471,974,477

See accompanying notes to financial statements.

UNIVERSITY OF ILLINOIS
AUXILIARY FACILITIES SYSTEM

Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2015
(with comparative totals for the year ended June 30, 2014)

	2015	2014
Operating revenues:		
Room and board, net	$ 141,495,946	139,170,736
Merchandise and retail food sales	35,726,340	34,230,416
Student service fees	95,824,279	92,721,641
Public events and recreation fees	5,567,387	6,943,194
Parking income	26,665,333	25,971,705
Rental and lease income	25,184,158	22,302,271
Vending income	1,969,727	2,234,529
Other operating revenue	12,656,613	10,960,814
Total operating revenues	345,089,783	334,535,306
Operating expenses:		
Salaries and wages	91,911,015	90,708,702
Merchandise and food for resale	36,592,720	36,096,483
Repair and maintenance	5,795,556	5,539,503
Professional and other contractual services	34,672,162	39,137,663
Utilities	30,368,219	30,207,763
Supplies	10,960,625	12,867,363
Noncapitalized renovations and equipment	20,007,082	11,900,464
Administrative services	15,670,039	16,191,579
Other operating expense	4,956,647	4,864,518
Depreciation	33,516,002	32,580,892
On-behalf payments for fringe benefits	48,304,812	45,590,951
Total operating expenses	332,754,879	325,685,881
Operating income	12,334,904	8,849,425
Nonoperating revenues (expenses):		
On-behalf payments for fringe benefits	48,304,812	45,590,951
Investment income, net of related expenses	1,830,781	3,691,656
Interest on capital asset-related debt	(46,936,267)	(47,989,397)
Loss on disposal of capital assets	(183,189)	(89,135)
Other nonoperating expenses, net	(625,768)	(1,371,312)
Net nonoperating revenues (expenses)	2,390,369	(167,237)
Increase in net position	14,725,273	8,682,188
Net position, beginning of year	168,471,301	159,789,113
Net position, end of year	$ 183,196,574	168,471,301

See accompanying notes to financial statements.

UNIVERSITY OF ILLINOIS
AUXILIARY FACILITIES SYSTEM

Statement of Cash Flows

Year ended June 30, 2015
(with comparative totals for the year ended June 30, 2014)

	2015	2014
Cash flows from operating activities:		
Room and board	$ 141,908,827	139,562,842
Merchandise and retail food sales	35,733,987	34,310,367
Student service fees	95,778,917	92,922,787
Public events and recreation fees	5,564,210	6,958,336
Parking income	26,502,607	25,741,586
Rental and lease income	32,188,038	22,346,831
Vending income	1,970,172	2,239,758
Other sources	12,649,148	10,992,063
Payments to employees and for benefits	(91,664,739)	(90,585,623)
Payments to suppliers	(158,940,215)	(156,969,547)
Net cash provided by operating activities	101,690,952	87,519,400
Cash flows from noncapital financing activities:		
Other receipts (disbursements), net	147,016	(37,710)
Net cash provided by (used in) noncapital financing activities	147,016	(37,710)
Cash flows from capital and related financing activities:		
Proceeds from issuance of bonds	117,683,225	234,542,549
Purchase of capital assets	(87,357,573)	(44,816,222)
Principal paid on bonds and capital leases	(155,655,070)	(38,196,806)
Proceeds from notes payable to the University	2,038,764	3,725,107
Repayment of notes payable to the University	(2,920,812)	(2,519,711)
Interest paid on bonds and notes payable	(46,076,023)	(41,081,867)
Payments of bond issuance costs	(772,785)	(981,969)
Net cash (used in) provided by capital and related financing activities	(173,060,274)	110,671,081
Cash flows from investing activities:		
Interest on investments	4,488,943	1,119,888
Pooled cash allocated (to) from University related to unrealized (losses) gains	(639,942)	2,499,078
Proceeds from sales and maturities of investments	199,483,609	54,198,355
Purchase of investments	(124,162,927)	(250,849,288)
Net cash provided by (used in) investing activities	79,169,683	(193,031,967)
Net increase in cash and cash equivalents	7,947,377	5,120,804
Cash and cash equivalents, beginning of year	193,623,363	188,502,559
Cash and cash equivalents, end of year	$ 201,570,740	193,623,363

(Continued)

UNIVERSITY OF ILLINOIS
AUXILIARY FACILITIES SYSTEM

Statement of Cash Flows

Year ended June 30, 2015
(with comparative totals for the year ended June 30, 2014)

	2015	2014
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 12,334,904	8,849,425
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	33,516,002	32,580,892
On-behalf payment of fringe benefits	48,304,812	45,590,951
Changes in assets and liabilities:		
Accounts receivable (net)	(219,028)	(744,789)
Inventories	625,857	497,884
Prepaid expenses and deferred charges	(232,503)	(75,043)
Accounts payable	(310,519)	(587,051)
Accrued liabilities	246,277	123,080
Unearned revenue	7,425,150	1,284,051
Net cash provided by operating activities	$ 101,690,952	87,519,400
Noncash investing, capital and financing activities:		
On-behalf payments for fringe benefits	$ 48,304,812	45,590,951
Change in fair value of investments	(2,028,329)	(452,521)
Increase of capital assets obligations in accounts payable	6,568,214	8,317,311
Capital appreciation on bonds payable	7,782,738	8,404,043
Net interest capitalized	6,457,180	2,754,051
Other capital asset adjustments		219,184
Loss on disposal of capital assets	(183,189)	(89,135)

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

Organizational Background and Basis of Presentation

The University of Illinois (University) Auxiliary Facilities System (System) was created in June 1978 pursuant to the University of Illinois Revenue Bond Financing Act for Auxiliary Facilities, 110 ILCS 405/1, which authorized the University's Board of Trustees (Board) to combine and consolidate facilities into a single system. 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 financial statements of the System are prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The System is not a separate legal entity and has not presented management's discussion and analysis.

System financial activity mainly comprises housing, parking and student activities, which span across the three campuses of the University. The operating revenues of the System largely consist of student service fees, various user fees, room and board charges, sales from merchandise/vending and rental of certain facilities. Facilities primarily consist of buildings and other structures that have been constructed or remodeled with funding provided from issuance of related revenue bonds. System facilities include Memorial Stadium, the State Farm Center, student unions, housing residence halls, parking and other structures.

Certain System revenues are derived from the rental of Memorial Stadium and the State Farm Center, directly from the University's Division of Intercollegiate Athletics, and are reflected as rental income within the System's financial statements. Such rental payments are determined based on the amount of debt service requirements and/or certain operation and maintenance considerations that apply to the facilities. Ticket revenues received by the University for events occurring at these facilities are not included within the System's reporting structure, in accordance with the related bond indentures. Housing revenues consist of charges for room, board and meal plans. Student activities buildings consist of student unions, recreation and athletic facilities and student service buildings that generate lease and rental income, student fees and various other types of revenue. Operating expenses of the System include all necessary current maintenance charges, expenses of reasonable upkeep and repairs, allocations of a share of certain charges for insurance and other expenses incidental to the operations of all of the various activities and facilities of the System in accordance with the bond indentures.

The financial statements include certain prior year comparative information, which has been derived from the System's 2014 financial statements. Such information does not include all of the information required to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended June 30, 2014.

(Continued)

Significant Accounting Policies

(a) Financial Statement Presentation and Basis of Accounting

The System prepared its financial statements as a Business Type Activity, as defined by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, using the economic resources measurement focus and the accrual basis of accounting. Business Type Activities are those financed in whole or in part by fees charged to external parties for goods and services.

Under the accrual basis, revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Advances are classified as unearned revenue.

(b) Cash and Cash Equivalents

The Statement of Cash Flows details the change in the cash and cash equivalents balance for the fiscal year. Cash and all liquid investments with original maturities of 90 days or less are defined as cash and cash equivalents.

(c) Investments

Investments are recorded at fair value. Fair value is determined by quoted market prices for most of the System's investments. Fair value for investments in certain mutual funds is determined using net asset values as provided by external investment managers.

(d) Inventories

Inventories are stated at the lower of cost or market with cost determined as follows:

- Books and other merchandise for resale – principally the retail inventory method
- Food – average cost method
- Other inventories – principally the first-in, first-out method

(e) Capital Assets

Capital assets are recorded at cost or, if donated, at fair value at the date of a gift. Depreciation of the capital assets is calculated on a straight-line basis over the estimated useful lives (see below) of the respective assets. The System's policy requires the capitalization of land and collection purchases regardless of cost, equipment over $5,000, software, easements, buildings and improvements over $100,000 and infrastructure over $1,000,000. The System does not capitalize collections of works of art or historical treasures held for public exhibition, education or research in furtherance of public service rather than capital gain, unless they were previously capitalized as of June 30, 1999. Proceeds from the sale, exchange, or other disposal of any item belonging to a collection of works of art or historical treasures must be applied to the acquisition of additional items for the same collection.

Estimated useful lives for capital assets are as follows:

	Useful life (in years)		Useful life (in years)
Buildings:		Improvements other than buildings:	
Shell	50	Site improvements	20
Service systems	25	Infrastructure	25
Fixed equipment	15	Moveable equipment:	
Remodeling	25	Equipment	3 – 20

(f) Deferred Outflow of Resources

Losses on refundings for the System's bonds are reported as deferred outflow of resources on the accompanying Statement of Net Position. The losses on refundings are amortized over the life of the debt using the straight-line method.

Deferred Outflow of Resources

	Beginning balance	Additions	Deductions	Ending balance
Unamortized deferred loss on refunding	$ 27,652,855	13,593,122	(3,988,818)	$ 37,257,159

(g) Compensated Absences

Accrued compensated absences for System personnel are charged to operations using the vested method based on earned but unused vacation and sick leave days including the System's share of Social Security and Medicare taxes.

Changes in Compensated Absences Balance

Balance, beginning of year	$ 6,085,169
Additions	607,629
Deductions	(381,589)
Balance, end of year	6,311,209
Less current portion	545,819
Balance, end of year – noncurrent portion	$ 5,765,390

(h) Premiums

Premiums for the System's bonds are reported within bonds and leaseholds payable and amortized over the life of the debt issue using the straight-line method.

(i) Net Position

The System's resources are classified into net position categories and reported in the Statement of Net Position. These categories are defined as (a) Net investment in capital assets – capital assets net of accumulated depreciation and related outstanding debt balances attributable to the acquisition, construction, or improvement of those assets, (b) Restricted – net position subject to externally imposed restrictions that can be fulfilled by actions of the System pursuant to those stipulations or that expire by the passage of time, and (c) Unrestricted – net position not subject to externally imposed stipulations but may be designated for specific purposes by action of management or the Board. The System first applies resources included in restricted net position when an expense or outlay is incurred for purposes for which resources in both restricted and unrestricted net positions are available.

(j) Classification of Revenues

The Statement of Revenues, Expenses and Changes in Net Position classifies the System's fiscal year activity as operating and nonoperating. Operating revenues generally result from exchange transactions such as payments received for providing goods and services.

Certain revenue sources that the System relies on for operations, including on-behalf payments for fringe benefits and investment income, are defined by GASB Statement No. 35 as nonoperating. In addition, certain transactions related to capital and financing activities are components of net nonoperating revenue.

Housing charges billed or received in advance are unearned and recognized as revenue during the period of occupancy. Student service fees for the summer academic term are unearned and recognized as revenue over the summer semester.

(k) Classification of Expenses

The majority of the System's expenses are exchange transactions which GASB defines as operating expenses for financial statement presentation. Nonoperating expenses include capital financing costs.

(l) On-Behalf Payments for Fringe Benefits

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the System reported payments made by the State of Illinois (State) on behalf of the System for contributions to State group insurance and retirement programs, including postemployment benefits, for System employees and its retirees of $48,304,812 for the year ended June 30, 2015. On-behalf payments are classified as nonoperating revenues and the corresponding expenses are reported as operating expenses.

(m) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the plan net position of the State Universities Retirement System (SURS) and additions to/deductions from SURS' plan net position has been determined on the same basis as they are reported by SURS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For the purposes of financial reporting, the State of Illinois and participating employers are considered to be under a special funding situation. A special funding situation is defined as a circumstance in which a non-employer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either (1) the amount of the contributions for which the non-employer entity is legally responsible is not dependent upon one or more events unrelated to pensions or (2) the non-employer is the only entity with a legal obligation to make contributions directly to a pension plan. The State of Illinois is considered a non-employer contributing entity. Participating employers are considered employer contributing entities.

(n) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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

(o) New Accounting Pronouncements

The System adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* which was effective for periods beginning after June 15, 2014. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. Implementation of this pronouncement required a change in the notes to the System's financial statements.

The System adopted the provisions of GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, which was effective for periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. Implementation of this pronouncement did not impact the System's financial statements.

The System adopted the provisions of GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date,* which was effective for periods beginning after June 15, 2014. This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. Implementation of this pronouncement required a change in the notes to the System's financial statements.

(2) Cash, Cash Equivalents and Investments

The System has cash and certain investments which are pooled with other University funds for the purpose of securing a greater return on investment and providing an equitable distribution of investment return. Income is distributed based upon average quarterly balances invested in the investment pool.

Nearly all of the University's investments are managed by external professional investment managers, who have full discretion to manage their portfolios subject to investment policy and manager guidelines established by the University, and in the case of mutual funds and other commingled vehicles, in accordance with the applicable prospectus or limited partnership agreement.

The Board develops University policy on investments and delegates the execution of those policies to its administrative agents. The University follows the State of Illinois Uniform Prudent Management of Institutional Funds Act and the State of Illinois Public Funds Investment Act when investing its funds.

The following details the carrying value of the System's cash, cash equivalents and investments as of June 30, 2015:

U.S. government securities	$ 80,004,034
U.S. government treasuries	55,579,251
Corporate bonds	911,508
Mutual funds – money market	22,483,919
Commercial paper	16,489,417
Subtotal	175,468,129
Claim on cash and on pooled investments	174,388,755
Total	$ 349,856,884

(a) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the University employs multiple investment managers, of which each has specific maturity assignments related to the operating funds. The funds are structured with different layers of liquidity. Funds expected to be used within one year are invested using the Barclay's Capital 90-Day and Bank of America Merrill Lynch 12 month Treasury Bill Index as performance benchmarks. Core operating funds are invested in longer maturity investments. Core operating funds investment manager's performance benchmarks are the Barclays Capital one-year to three-year Government Bond Index, the Barclays Capital one-year to three-year Government Credit Bond Index and the Barclays Capital Intermediate Aggregate Bond Index.

The System's nonpooled investments and maturities of June 30, 2015 are illustrated as follows:

	Maturities (in years)			
	Total	**Less than 1**	**1 – 5**	**6 – 10**
U.S. government securities	$ 80,004,034	66,764,940	13,239,094	
U.S. government treasuries	55,579,251	37,816,942	17,762,309	
Corporate bonds	911,508			911,508
Mutual funds – money markets	22,483,919	22,483,919		
Commercial paper	16,489,417	16,489,417		
Total cash equivalents and investments	$ 175,468,129	143,555,218	31,001,403	911,508

Claim on cash and on pooled investments represents the System's share of participation in the University's operating internal investment pool. At June 30, 2015, the University's operating funds internal investment portfolio had an effective duration of 1.4 years. The operating internal investment pool consists of money market funds and other short-term investments (38%), stocks (10%) and long-term investments such as corporate bonds and government securities (52%).

(b) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's investment policy requires that the University's primary liquidity, liquid core and core layers of operating funds be invested in fixed income securities and short-term (e.g. money market, certificates of deposit) instruments. Fixed income securities shall be rated investment-grade or better by one or more nationally recognized statistical rating organizations. Securities not covered by the investment grade standard are allowed if, in the manager's judgment, those instruments are of comparable credit quality. Securities that fall below the stated minimum credit requirements subsequent to initial purchase may be held at the manager's discretion. At June 30, 2015, all of the System's nonpooled investments carried an A or better quality rating. At June 30, 2015, the University's operating internal investment pool mostly consisted of securities with quality ratings of A or better.

(c) Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk relates to investment securities that are held by someone other than the University and are not registered in the University's name. The University's investment policy does not limit the value of investments that may be held by an outside party. At June 30, 2015, the System's investments and deposits had no custodial credit risk exposure.

(d) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer. The University's investment policy provides that the total operating funds portfolio will be broadly diversified across securities in a manner that is consistent with fiduciary standards of diversification. Issuer concentrations are limited to 5% per issuer of the total market value of the portfolio at the time of purchase, or in the case of securitized securities, an individual issuance trust. These concentration limits do not apply to investments in mutual funds, exchange traded funds, or other pooled investment products or obligations of, and issues guaranteed by, the U.S. Treasury, U.S. agencies or U.S. government sponsored enterprises.

As of June 30, 2015, not more than 5% of the University's total investments were invested in securities of any one issuer, excluding securities issued or guaranteed by the U.S. government, mutual funds and external investment pools or other pooled investments.

(e) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University does not have an overarching policy related to foreign currency risk; however, under each investment manager's respective fund agreement, the portfolio's foreign currency exposure may be unhedged or hedged back into U.S. dollars. The University's operating fund investments generally are not exposed to foreign currency risk.

(3) Capital Assets

Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Net interest of $6,457,180 was capitalized during the year ended June 30, 2015. The capital assets of the System are not pledged to secure outstanding indebtedness of the Board.

Capital asset activity for the year ended June 30, 2015 is summarized as follows:

Capital assets	Beginning balance	Additions	Retirements	Transfers	Ending balance
Nondepreciable capital assets:					
Land	$ 19,238,069				19,238,069
Construction in progress	47,948,745	98,382,886		(4,951,758)	141,379,873
Total nondepreciable capital assets	67,186,814	98,382,886	—	(4,951,758)	160,617,942
Depreciable capital assets:					
Buildings	1,301,273,230			4,951,758	1,306,224,988
Improvements	53,187,425				53,187,425
Equipment	16,085,053	2,084,595	910,926		17,258,722
Total depreciable capital assets	1,370,545,708	2,084,595	910,926	4,951,758	1,376,671,135
Less accumulated depreciation:					
Buildings	382,242,194	30,881,076			413,123,270
Improvements	35,436,735	1,333,283			36,770,018
Equipment	10,836,981	1,301,643	727,737		11,410,887
Total accumulated depreciation	428,515,910	33,516,002	727,737	—	461,304,175
Total net depreciable capital assets	942,029,798	(31,431,407)	183,189	4,951,758	915,366,960
Total	$ 1,009,216,612	66,951,479	183,189	—	1,075,984,902

(4) Bonds Payable

On February 11, 2015, the University issued $109,340,000 of AFS Revenue Bonds, Series 2015A. Proceeds of these bonds were used to provide for the partial refunding of the outstanding principal of two different Series of AFS Revenue Bonds, Series 2005A and Series 2009A. Proceeds were also used to fund all costs incidental to the issuance of the Series 2015A Bonds. The refunding resulted in a projected savings of $12,590,088 over the life of the issue at a present value of $9,792,242. The difference between the reacquisition price and the net carrying amount of the old debt, (gain) loss on refunding for each Series, was $(658,190) and $14,251,312, respectively. This (gain) loss is deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Bonds payable activity for the year ended June 30, 2015 was as follows:

Bonds payable							
Series	Rate on June 30 outstanding debt	Fiscal year maturity dates	Beginning balance	Additions	Deductions	Ending balance	Current portion
1991	7.35%	2016 – 2021	$ 113,890,000		16,270,000	97,620,000	16,270,000
1999A	6.10% to 6.33%	2016 – 2030	39,820,000		1,460,000	38,360,000	1,545,000
1999B		N/A	330,000		330,000		
2001A	5.50%	2016 – 2024	42,845,000		3,860,000	38,985,000	4,580,000
2001B	5.50%	2016 – 2019	9,590,000		1,655,000	7,935,000	1,740,000
2003A	5.25% to 5.50%	2018 – 2034	38,285,000			38,285,000	
2005A	5.50%	2019 – 2023	72,495,000		30,090,000	42,405,000	
2006	4.00% to 5.00%	2016 – 2036	142,190,000		3,305,000	138,885,000	3,525,000
2008	variable	2016 – 2038	18,495,000		450,000	18,045,000	465,000
2009A	4.00%	2016 – 2019	80,450,000		77,090,000	3,360,000	805,000
2010A	4.00% to 5.25%	2016 – 2030	54,415,000		1,140,000	53,275,000	1,185,000
2011A	5.00% to 5.50%	2016 – 2041	79,890,000		1,220,000	78,670,000	1,270,000
2011B	2.896% to 4.517%	2016 – 2021	7,595,000		980,000	6,615,000	1,070,000
2011C	2.00% to 5.00%	2016 – 2032	70,020,000		1,735,000	68,285,000	1,770,000
2013A	3.00% to 5.00%	2016 – 2032	211,580,000		5,000	211,575,000	5,000
2014A	5.00%	2024 – 2044	159,985,000			159,985,000	
2014B	0.862% to 3.926%	2016 – 2023	17,845,000			17,845,000	1,590,000
2014C	variable	2037 – 2044	50,000,000			50,000,000	7,000,000
2015A	2.00% to 5.00%	2016 - 2038		109,340,000		109,340,000	5,880,000
			1,209,720,000	109,340,000	139,590,000	1,179,470,000	48,700,000
Unaccreted appreciation			(41,770,277)	7,782,738		(33,987,539)	(922,793)
			1,167,949,723	117,122,738	139,590,000	1,145,482,461	47,777,207
Unamortized debt premium			63,154,507	8,343,225	6,667,337	64,830,395	3,676,550
Total bonds payable			$ 1,231,104,230	125,465,963	146,257,337	1,210,312,856	51,453,757

Capital appreciation bonds (Series 1991 and 1999A) of $135,980,000 outstanding at June 30, 2015 do not require current interest payments and have a net unappreciated value of $101,992,461. The University records the annual increase in the principal amount of these bonds as interest expense and accretion on bonds payable.

Certain bonds of the System (Series 1991) have debt service reserve requirements. The Maximum Annual Net Debt Service for those bonds, as defined, is $14,926,605.

None of the System’s bonds constitute obligations of the State of Illinois, but are payable solely by the Board from net revenues of the System, student tuition and fees and debt service funds.

The resolutions authorizing the University of Illinois Auxiliary Facilities System Revenue Bonds provide for the establishment of separate funds as follows: Current Unrestricted Fund, Unexpended Fund, Repair and Replacement Reserve, Equipment Reserve, Bond and Interest Sinking Fund, Debt Service Reserve and Development Reserve. All System revenues, including student tuition and fees as provided for by the Bond Resolutions are to be deposited in the Current Unrestricted Fund and used to pay necessary operation and maintenance expenses of the System. The Bond Resolutions also require transfers to funds as follows:

Unexpended Fund – amounts, as determined by the Board, not needed to complete construction and renovation projects specified in the Bond Resolutions are required to be transferred from the Unexpended Fund to the Bond and Interest Sinking Fund.

Repair and Replacement Reserve – an amount calculated as specified in the Bond Resolutions to provide for the cost of unusual maintenance and repairs.

Equipment Reserve – an amount approved by the Board for the acquisition of movable equipment to be installed in the facilities constituting the System. The reserve may not exceed 20% of the book value of the movable equipment of the System. Additions of $910,856 were made to the Equipment Reserve and expenses of $349,363 were incurred to replace movable equipment during the year ended June 30, 2015. The fund balance of the Equipment Reserve was $6,633,989 at June 30, 2015.

Bond and Interest Sinking Fund and Debt Service Reserve – amounts are transferred into the Bond and Interest Sinking Fund sufficient to pay principal and interest as it becomes due on the outstanding bonds and amounts fund a Debt Service Reserve at least equal to the Maximum Annual Net Debt Service, as defined. At June 30, 2015, the Debt Service Reserve was funded in excess of the Maximum Annual Net Debt Service. If at any time the Debt Service Reserve is less than the Maximum Annual Net Debt Service, the System is required to restore the Debt Service Reserve to the Maximum Annual Net Debt Service by the end of the next fiscal year.

Development Reserve – an amount approved by the Board for System development. No transfers were authorized by the Board during the year ended June 30, 2015, and there was no balance in the reserve at June 30, 2015.

The System made all required transfers for the year ended June 30, 2015.

The table below shows the amount of revenues pledged for future principal and interest payments on the bonds:

Pledged revenues

Bond issue(s)	**Purpose**	**Source of revenue pledged**	**Future revenues pledged[1]**	**Term of commitment**	**Debt service to pledged revenues (current year)**
Auxiliary facilities system (AFS)	Refundings, various improvements and additions to the System	Net AFS revenue, student tuition and fees	$ 1,823,306	2044	7.53%

[1] Total future principal and interest payments on debt (in thousands).

After fulfillment of the provisions described above, the surplus, if any, remaining in the Current Unrestricted Fund may be used (a) to redeem bonds of the System which are subject to early redemption, (b) to purchase any outstanding bonds for cancellation, or (c) to advance refund any bonds outstanding.

(a) Debt Service Requirements

Future debt service requirements for all bonds outstanding at June 30, 2015 are as follows:

Debt service requirements

		Principal		Interest
Years:				
2016	$	48,700,000		46,974,645
2017		45,545,000		45,468,118
2018		45,730,000		44,382,221
2019		46,040,000		43,184,131
2020		47,835,000		41,825,699
2021 – 2025		255,520,000		181,322,180
2026 – 2030		254,550,000		125,706,824
2031 – 2035		218,905,000		72,083,130
2036 – 2040		108,695,000		32,543,651
2041 – 2044		107,950,000		10,345,843
Total debt service		1,179,470,000	$	643,836,442
Unaccreted appreciation		(33,987,539)		
Unamortized debt premium		64,830,395		
Total bonds payable	$	1,210,312,856		

(b) Auxiliary Facilities System Variable-Rate Debt

The System's variable-rate bonds mature serially through April 2044 and have variable interest rates that are adjusted periodically (i.e., daily, weekly, or monthly), generally with interest paid at the beginning of each month. The bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days notice and delivery to the System's remarketing agents. The System pays the remarketing agent fees on the outstanding bond balance. If the remarketing agent is unable to resell any bonds that are "put" to the agent, the System has a standby bond purchase agreement with a liquidity facility entity.

The System, in the event a liquidity facility is utilized, has a reimbursement agreement with different financial entities. Generally, the payback period is five to seven years, at an interest rate initially set at slightly above prime or the federal funds rate. The required future interest payments for these variable-rate bonds have been calculated using the current interest rate, based upon short-term rates, or the synthetic fixed rate, as illustrated in the table below:

Variable-rate bonds at June 30, 2015

Bond issue	Interest rate at June 30, 2015	Remarketing agent	Remarketing fee	Liquidity facility			
				Bank	Expiration	Insured by	Fee
AFS, Series 2008	0.07%	Loop Capital	0.075%	JPMorgan Chase	5/19/2016	None	0.525%
AFS, Series 2014C	0.15%	Wells Fargo	0.080%	Northern Trust	2/19/2019	Letter of Credit	0.350%

(c) Advanced Refunded Bonds Payable

The System defeased bonds through advance refunding during fiscal year 2015 and in prior years, and accordingly, they are not reflected in the accompanying financial statements. The amount of bonds that have been advance refunded as of June 30, 2015 is as follows:

Advanced Refunded Bonds

Series		Outstanding at June 30, 2015
2006	$	160,460,000
2009A		76,305,000
Total	$	236,765,000

(5) Leaseholds Payable

Leaseholds payable activity for the year ended June 30, 2015 consisted of the following:

Leaseholds payable

	Beginning balance	Additions	Deductions	Ending balance	Current portion
$	63,633	84,513	35,273	112,873	39,698

The capital lease obligations have maturity dates from 2017 through 2020 and have interest rates ranging from 4.1% to 4.9%. As of June 30, 2015, future minimum lease payments are as follows:

		Principal	Interest
2016	$	39,698	5,454
2017		33,351	3,287
2018		17,746	1,898
2019		18,896	748
2020		3,182	93
Total minimum payments	$	112,873	11,480

(6) Related-Party Transactions

The University charged the System administrative service charges totaling $15,670,039 in 2015, based upon the gross expenditures and debt service transfers of various operations of the System. These charges represent a portion of estimated administrative and other service costs incurred by the University in support of the System and are reported as administrative services expense in the accompanying financial statements.

The System includes certain athletic facilities and office space utilized by the Division of Intercollegiate Athletics. Student fees provide the primary funding for the operation of these athletic facilities and office space. The Division of Intercollegiate Athletics transferred funds to the System of $13,230,708 in 2015 to fund the operations not covered by student fees. This transfer has been reported as rental and lease income in the accompanying financial statements.

At June 30, 2015, the System had borrowings of $10,325,979 under multiple internal financing notes with the University for the construction of System facilities. The notes all have repayment terms and interest rates of 3.0%.

Notes payable to the University

	Maturity date	Beginning balance	New debt	Principal paid/debt refunded	Ending balance	Current portion
Payable to the University	2016 – 2024	$ 11,208,028	2,038,763	2,920,812	10,325,979	2,418,548

Future debt service requirements for the outstanding notes payable as of June 30, 2015 are as follows:

Notes payable to the University
Debt service requirements

	Principal	Interest
Years:		
2016	$ 2,418,548	309,221
2017	1,194,251	236,648
2018	1,042,817	201,395
2019	1,074,102	170,111
2020	1,106,326	137,888
2021 -2024	3,489,935	213,344
Total	$ 10,325,979	1,268,607

(7) Retirement and Postemployment Benefits

(a) Retirement Benefits

General Information about the Pension Plan

Plan Description: The University contributes to the State Universities Retirement System of Illinois, a cost-sharing multiple-employer defined benefit plan with a special funding situation whereby the State of Illinois (the State) 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 the 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.

Benefits Provided: A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed 6 months after their date of hire to make an irrevocable election. A summary of the benefit provisions as of June 30, 2014 can be found in the SURS' comprehensive annual financial report (CAFR) Notes to the Financial Statements.

Eligible employees must participate upon initial employment. Employees are ineligible to participate if (a) employed after having attained age 68; (b) employed less than 50% of full time; or (c) employed less than full time and attending classes with an employer. Of those University employees ineligible to participate, the majority are students at the University.

Contributions: The State of Illinois is primarily responsible for funding the System on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a Statutory Funding Plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members of the System to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from "trust, federal, and other funds" are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for fiscal year 2014 and 2015 respectively, was 11.91% and 11.71% of employees payroll. The normal cost is equal to the value of current year's pension benefit and does not include any allocation for past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

Participating employers make contributions toward separately financed specific liabilities under Section 15.139.5(e) of the Illinois Pension Code (relating to contributions payable due to the employment of "affected annuitants" or specific return to work annuitants) and Section 15.155(g) (relating to contributions payable due to earning increases exceeding 6% during the final rate of earnings period).

Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Net Pension Liability: At June 30, 2014, SURS reported a net pension liability (NPL) of $21,790,983,000. The net pension liability was measured as of June 30, 2013.

Employer Proportionate Share of Net Pension Liability: The amount of the proportionate share of the net pension liability to be recognized for the System is $0. The proportionate share of the State's net pension liability associated with the System is $376,037,733. This amount should not be recognized in the financial statement. The net pension liability was measured as of June 30, 2014, and the total pension used to calculate the net pension liability was determined based on the June 30, 2013 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable earnings made to SURS during fiscal year 2014.

Pension Expense: At June 30, 2014 SURS reported a collective net pension expense of $1,650,338,000.

Employer Proportionate Share of Pension Expense: The employer proportionate share of collective pension expense should be recognized similarly to on-behalf payments as both revenue and matching expenditure in the financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported pensionable contributions made to SURS during fiscal year 2014. As a result, the University recognized on-behalf revenue and pension expense of $681,300,000 for fiscal year ended June 30, 2015, of which $28,479,000 was related to the System.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: Deferred Outflows of resources are the consumption of net position by SURS that is applicable to future reporting periods.

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Sources (nearest thousand)

		Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumption	$	88,941	
Net difference between projected and actual earnings on pension plan investments			1,271,106
Total	$	88,941	1,271,106

Assumptions and Other Inputs

Actuarial assumptions: The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period June 30, 2006 – 2010 and an economic study completed June 2014. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.75 to 12.00 percent, including inflation
Investment rate of return	7.25 percent beginning with the actuarial valuation as of June 30, 2014

Mortality rates were based on the RP2000 Combined Mortality Table, projected with Scale AA to 2017, sex-distinct, with rates multiplied by 0.80 for males and 0.85 for females.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary(s). For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2014, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	31%	7.65%
Private Equity	6%	8.65%
Non-U.S. Equity	21%	7.85%
Global Equity	8%	7.90%
Fixed Income	19%	2.50%
Treasury-Inflation Protected Securities	4%	2.30%
Real Estate	6%	6.20%
REITS	4%	6.20%
Opportunity Fund	1%	2.50%
Total	100%	5.00%
Inflation		2.75%
Expected Geometrical Normal Return		**7.75%**

Discount Rate: A single discount rate of 7.090% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 7.250% and a municipal bond rate of 4.290% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under the SURS' funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2065. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2065, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the SURS' Net Pension Liability to Changes in the Discount Rate: Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.09%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease 6.09%	Current Single Discount Rate Assumption 7.09%	1% Increase 8.09%
$26,583,701,134	$21,790,983,139	$17,796,570,836

Additional information regarding the SURS basic financial statements including the Plan Net Position can be found in the SURS comprehensive annual financial report by accessing the website at www.SURS.org.

(b) Postemployment Benefits

The State Employees Group Insurance Act of 1971 (Act), as amended, authorizes the State to provide health, dental, vision and life insurance benefits for certain retirees and their dependents. Substantially all State and university component unit employees become eligible for these other postemployment benefits (OPEB) if they eventually become annuitants of one of the State sponsored pension plans. The Department of Central Management Services administer these benefits for annuitants with the assistance of the State's sponsored pension plans. The portions of

the Act related to OPEB establish a cost-sharing multiple-employer defined-benefit OPEB plan (plan) with a special funding situation in which the State funds substantially all nonparticipant contributions. The plan does not issue a stand-alone financial report but is included as a part of the State's financial statements. A copy of the financial statements of the State can be obtained at www.ioc.state.il.us.

The health, dental and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and various unions that represent the State and the university employees in accordance with limitations established in the Act. Therefore, the benefits provided and contribution amounts are subject to periodic change. The Act requires the State to provide life insurance benefits for annuitants equal to their annual salary as of the last day of employment until age 60, at which time the benefit amount becomes $5,000.

The State makes substantially all of the contributions for OPEB on behalf of the State universities. Since the State contributes substantially all of the employer contributions, the single-employer provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, have been followed for reporting the plan. The State is not required to and does not fund the plan other than the pay-as-you-go amount necessary to provide the current benefits.

(8) Commitments

At June 30, 2015, the System had commitments on various construction projects and contracts for repairs and renovation of auxiliary facilities of $112,717,530 These projects will be funded from the unexpended bond proceeds of Series 2014A, 2014B and 2014C along with certain unexpended unrestricted funds and renewal and replacement funds set aside for construction costs.

Required Supplementary Information

	Schedule of University of Illinois Auxiliary Facilities System Proportionate Share of the Net Pension Liability	Fiscal Year 2014
(a)	Proportion Percentage of the Collective Net Pension Liability	0%
(b)	Proportion Amount of the Collective Net Pension Liability	$0
(c)	Portion of Nonemployer Contributing Entities' Total Proportion of Collective Net Pension Liability associated with Employer	$376,037,733
Total (b) + (c)		$376,037,733
Employer Covered-employee payroll		$68,282,430
Proportion of Collective Net Pension Liability associated With Employer as a percentage of covered-employee payroll		550.71%

Schedule of Contributions

SURS Plan Net Position as a Percentage of Total Pension Liability	44.39%

Changes of benefit terms. There were no benefit changes recognized in the Total Pension Liability as of June 30, 2014.

Changes of assumptions. In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every five years to determine the reasonableness of actuarial assumptions regarding the retirement, disability, mortality, turnover, interest and salary of the members and benefit recipients of SURS. An experience review for the years June 30, 2010 to June 30, 2014 was performed in February 2015, resulting in the adoption of new assumptions as of June 30, 2015. There are no changes of assumptions that affect measurement of the total collective pension liability since the prior measurement date.

*Note: The System implemented GASB No. 68 in fiscal year 2015. The information above is presented for as many years as available. The Schedule is intended to show information for 10 years.