

University of Illinois

**Annual Financial Report
Auxiliary Facilities System**

**Year Ended June 30, 2006 with
Comparative Totals for 2005**

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From the Vice President for Administration, Comptroller

UNIVERSITY OF ILLINOIS
Chicago • Springfield • Urbana-Champaign

Office of Vice President for Administration, Comptroller
349 Henry Administration Building
506 South Wright Street
Urbana, IL 61801

October 4, 2006

Holders of University of Illinois
Auxiliary Facilities System Revenue Bonds
and
The Board of Trustees
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, 2006. This report supplements the financial statements of the University of Illinois presented in the Annual Financial Report.

The 2006 financial statements and accompanying notes appearing on pages 6 through 18 have been audited by Clifton Gunderson LLP, Independent Certified Public Accountants, as special assistants to the Auditor General of the State of Illinois, whose report on the financial statements and applicable notes appears on pages 4 and 5. The remainder of this report, which is unaudited, was compiled by the University and consists of ancillary data concerning operations.

Clifton Gunderson LLP will also prepare a report for the year ended June 30, 2006, 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, 2006. 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.

Respectfully submitted,



Stephen K. Rugg,
Vice President for
Administration,
Comptroller

Independent Auditor's Report



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

As Special Assistant Auditors for the Auditor General, we have audited the accompanying statement of net assets of the University of Illinois Auxiliary Facilities System (System), as of June 30, 2006, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the System's 2005 financial statements and, in our report dated September 28, 2005 we expressed an unqualified opinion on those financial statements.

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

The accompanying financial statements were prepared for the purpose of complying with the requirements of the indenture for the System's Revenue Bonds, as described in Note 1, and are not intended to be a complete presentation of the University of Illinois' assets, liabilities, revenues, and expenses.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2006, and its changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In connection with our audit, nothing came to our attention that caused us to believe that the System failed to comply with the terms, covenants, provisions, or conditions of the Resolutions of the Board of Trustees of the University of Illinois which provided for the issuance of the outstanding University of Illinois Auxiliary Facilities System Revenue Bonds insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

In accordance with *Government Auditing Standards*, a report 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 will be issued under separate cover. 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, upon issuance, is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

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

Clifton Gunderson LLP

Peoria, Illinois
October 4, 2006

**Statement of Net Assets as of June 30, 2006
with Comparative Totals for 2005**

| | <u>2006</u> | <u>2005</u> |
|--|------------------------------|------------------------------|
| Assets: | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 83,655,192 | \$ 78,303,402 |
| Investments | 56,855,695 | 35,170,886 |
| Investments, restricted | 80,859,274 | 94,057,717 |
| Accrued investment income | 1,389,963 | 1,104,272 |
| Trade receivables, net of allowance of \$1,162,828 | 6,238,488 | 6,131,313 |
| Inventories | 7,410,232 | 6,797,637 |
| Prepaid expenses and deferred charges | 460,527 | 368,626 |
| | | |
| Total current assets | <u>236,869,371</u> | <u>221,933,853</u> |
| Noncurrent assets: | | |
| Investments, restricted | 26,426,898 | 35,381,731 |
| Land | 17,400,667 | 17,400,667 |
| Buildings, net of accumulated depreciation | 478,579,420 | 456,836,401 |
| Improvements, net of accumulated depreciation | 9,875,234 | 9,599,810 |
| Equipment, net of accumulated depreciation | 5,092,233 | 5,588,649 |
| Construction in progress | 64,735,444 | 30,127,350 |
| Prepaid expenses and deferred charges | 4,334,058 | 3,859,550 |
| | | |
| Total noncurrent assets | <u>606,443,954</u> | <u>558,794,158</u> |
| | | |
| Total assets | <u><u>\$ 843,313,325</u></u> | <u><u>\$ 780,728,011</u></u> |
| | | |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable | \$ 32,895,666 | \$ 23,997,214 |
| Accrued liabilities | 2,772,624 | 2,538,369 |
| Accrued interest | 6,180,698 | 6,215,924 |
| Deferred revenue | 5,389,048 | 5,383,276 |
| Long term liabilities - current portion | 25,314,298 | 19,808,610 |
| | | |
| Total current liabilities | <u>72,552,334</u> | <u>57,943,393</u> |
| Noncurrent liabilities | | |
| Accrued compensated absences | 5,291,281 | 5,405,860 |
| Notes payable to the University | 3,022,937 | 2,895,993 |
| Bonds and leaseholds payable | 670,897,359 | 617,123,112 |
| | | |
| Total noncurrent liabilities | <u>679,211,577</u> | <u>625,424,965</u> |
| | | |
| Total liabilities | <u>751,763,911</u> | <u>683,368,358</u> |
| | | |
| Net assets: | | |
| Invested in capital assets, net of related debt | (1,536,013) | 7,699,293 |
| Restricted - | | |
| Expendable for debt service | 16,303,928 | 23,013,251 |
| Unrestricted | 76,781,499 | 66,647,109 |
| | | |
| Total net assets | <u>91,549,414</u> | <u>97,359,653</u> |
| | | |
| Total liabilities and net assets | <u><u>\$ 843,313,325</u></u> | <u><u>\$ 780,728,011</u></u> |

See accompanying notes to financial statements.

Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2006 with Comparative Totals for 2005

| | <u>2006</u> | <u>2005</u> |
|---|----------------------|----------------------|
| Operating revenues: | | |
| Room and board, net of waivers of \$2,186,107 | \$ 89,328,103 | \$ 83,219,399 |
| Merchandise and food sales | 30,495,719 | 29,780,749 |
| Student service fees | 65,422,911 | 57,480,762 |
| Public events and recreation fees | 6,823,780 | 7,124,581 |
| Parking charges | 18,510,838 | 17,776,311 |
| Rental and lease income | 5,922,765 | 6,159,203 |
| Vending income | 1,486,412 | 1,323,903 |
| Other operating revenue | 9,045,308 | 8,159,477 |
| Total operating revenues | <u>227,035,836</u> | <u>211,024,385</u> |
| Operating expenses: | | |
| Salaries and wages | 63,552,923 | 61,511,840 |
| Merchandise and food for resale | 28,554,600 | 28,604,136 |
| Repair and maintenance | 2,174,619 | 3,211,952 |
| Professional and other contractual services | 40,196,469 | 40,278,204 |
| Utilities | 23,886,593 | 17,062,741 |
| Supplies | 11,819,662 | 9,735,149 |
| Equipment rental | 1,998,963 | 2,809,943 |
| Administrative services | 11,769,218 | 10,648,051 |
| Other operating expense | 5,299,814 | 3,342,839 |
| Depreciation and amortization | 16,601,204 | 14,249,756 |
| Payments on behalf of the Facility | 13,974,097 | 15,082,028 |
| Total operating expenses | <u>219,828,162</u> | <u>206,536,639</u> |
| Operating income | <u>7,207,674</u> | <u>4,487,746</u> |
| Nonoperating revenues (expenses): | | |
| Payments on behalf of the Facility | 13,974,097 | 15,082,028 |
| Investment income (net of related expenses) | 8,292,467 | 6,939,902 |
| Interest on capital asset-related debt | (38,116,746) | (33,212,357) |
| Amortization of issuance costs | (199,192) | (171,811) |
| Loss on disposal of capital assets | (286,951) | (77,402) |
| Other nonoperating revenues | 5,036,663 | 5,258,337 |
| Other nonoperating expenses | (1,718,251) | (956,480) |
| Net nonoperating expenses | <u>(13,017,913)</u> | <u>(7,137,783)</u> |
| Decrease in net assets | (5,810,239) | (2,650,037) |
| Net assets, beginning of year | <u>97,359,653</u> | <u>100,009,690</u> |
| Net assets, end of year | <u>\$ 91,549,414</u> | <u>\$ 97,359,653</u> |

See accompanying notes to financial statements.

Statement of Cash Flows
Year Ended June 30, 2006 with Comparative Totals for 2005

| | <u>2006</u> | <u>2005</u> |
|---|----------------------|----------------------|
| Cash flows from operating activities: | | |
| Room and board | \$ 89,222,255 | \$ 84,012,717 |
| Merchandise and food sales | 30,496,874 | 29,704,745 |
| Student service fees | 65,424,527 | 57,374,357 |
| Public events and recreation fees | 6,822,972 | 7,177,783 |
| Parking charges | 18,513,147 | 17,624,304 |
| Rental and lease income | 5,922,765 | 6,159,203 |
| Vending income | 1,486,585 | 1,312,502 |
| Other sources | 9,045,309 | 8,159,477 |
| Payments to employees and benefits | (63,552,923) | (61,511,840) |
| Payments to suppliers | (127,432,479) | (113,580,057) |
| Net cash provided by operating activities | <u>35,949,032</u> | <u>36,433,191</u> |
| Cash flows from noncapital financing activities: | | |
| Other, net | 1,508,454 | 3,188,351 |
| Net cash provided by noncapital financing activities | <u>1,508,454</u> | <u>3,188,351</u> |
| Cash flows from capital and related financing activities: | | |
| Proceeds from issuance of bonds | 67,305,000 | 172,624,102 |
| Purchase of capital assets | (59,644,046) | (53,498,002) |
| Principal paid on bonds and capital leases | (19,052,630) | (93,674,545) |
| Repayment of notes payable to the University | (1,034,951) | (1,658,970) |
| Interest paid on bonds and notes payable | (27,460,108) | (21,973,779) |
| Payments of bond issuance costs | (694,204) | (1,113,378) |
| Net cash provided (used) by capital and related financing activities | <u>(40,580,939)</u> | <u>705,428</u> |
| Cash flows from investing activities: | | |
| Interest and dividends on investments, net | 9,038,616 | 6,109,928 |
| Proceeds from sales and maturities of investments | 791,884,328 | 423,439,458 |
| Purchase of investments | (792,447,701) | (466,034,181) |
| Net cash provided (used) by investing activities | <u>8,475,243</u> | <u>(36,484,795)</u> |
| Net increase in cash and cash equivalents | <u>5,351,790</u> | <u>3,842,175</u> |
| Cash and cash equivalents, beginning of year | <u>78,303,402</u> | <u>74,461,227</u> |
| Cash and cash equivalents, end of year | <u>\$ 83,655,192</u> | <u>\$ 78,303,402</u> |

Statement of Cash Flows
Year Ended June 30, 2006 with Comparative Totals for 2005 (cont)

| | <u>2006</u> | <u>2005</u> |
|--|----------------------|----------------------|
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | \$ 7,207,674 | \$ 4,487,746 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation and amortization | 16,601,204 | 14,249,756 |
| On-behalf payment of fringe benefits | 13,974,097 | 15,082,028 |
| Changes in assets and liabilities: | | |
| Accounts receivable (net) | (107,175) | 880,722 |
| Inventories | (612,595) | 791,952 |
| Prepaid expenses and deferred charges | (71,397) | 423,719 |
| Accounts payable | (1,168,223) | 690,028 |
| Accrued liabilities | 119,675 | 207,258 |
| Deferred revenue | 5,772 | (380,018) |
| Net cash provided by operating activities | \$ 35,949,032 | \$ 36,433,191 |
| Noncash investing, capital, and financing activities: | | |
| On-behalf payment of fringe benefits | \$ 13,974,097 | \$ 15,082,028 |
| Capital asset acquired through capital lease | 113,981 | |
| Capital asset acquisition via notes payable to the University | 1,738,846 | 890,992 |
| Capital assets in accounts payable | 28,837,039 | 18,770,363 |
| Capital appreciation on bonds payable | 10,662,982 | 10,216,989 |
| Net interest capitalized | 1,262,814 | 1,832,192 |
| Other capital asset adjustments | 191,913 | 506,330 |
| Loss on disposal of capital assets | (286,951) | (77,402) |

See accompanying notes to financial statements.

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizational Background and Basis of Presentation

The University of Illinois Auxiliary Facilities System (System) is comprised of all University of Illinois (University) owned housing units, student unions and similar auxiliary service units, including parking, at the three campuses; recreation and athletic facilities, including the Assembly Hall, Intramural Physical Education facility, Ice Rink Arena, and Memorial Stadium at the Urbana-Champaign campus; the Pavilion, Recreation Center East, and Flames Athletic Center at the Chicago campus; and the Gymnasium at the Springfield campus.

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 accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The System is not a separate legal entity and therefore has not presented management's discussion and analysis.

The financial statements include prior year comparative information, which has been derived from the System's 2005 financial statements. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended June 30, 2005.

Certain items in the June 30, 2005 financial statements have been reclassified to correspond to the June 30, 2006 presentation.

The System's resources are classified into net asset categories and reported in the Statement of Net Assets. These categories are defined as (a) Invested in capital assets, net of related debt - capital assets net of accumulated depreciation and outstanding debt balances (b) Restricted nonexpendable - assets restricted by externally imposed stipulations (c) Restricted expendable - assets 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 (d) Unrestricted - assets not subject to externally imposed stipulations but may be designated for specific purposes by action of management or the Board of Trustees.

Significant Accounting Policies

The System prepared its financial statements as a Business Type Activity, as defined by GASB Statement No. 35, 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.

The Statement of Revenues, Expenses, and Changes in Net Assets 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. The majority of the System's expenses are exchange transactions which GASB defines as operating expenses for financial statement presentation.

Certain revenue sources that the System relies on for operations including state appropriations and investment income are defined by GASB Statement No. 35 as nonoperating. In addition, transactions related to capital and financing activities are components of nonoperating revenues.

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

In accordance with GASB No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the System reported payments made by the State on behalf of the System for contributions to State group insurance and retirement programs for System employees of \$13,974,097 for the year ended June 30, 2006. On behalf payments are classified as nonoperating revenues and the corresponding expenses are reported in payments on behalf of the System as operating expenses.

The System first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

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 ninety days or less are defined as cash and cash equivalents.

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.

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

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the System follows all applicable GASB pronouncements. In addition, the System follows all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The System has elected not to apply FASB pronouncements issued after November 30, 1989.

NOTE 2 - CASH AND CASH EQUIVALENTS

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. Pooled investments, which consist principally of U. S. Government and government agency securities and time deposits, are stated at fair value as determined by quoted market price. Income is distributed based upon average quarterly balances invested in the pool. It is not feasible to separately categorize the System's claim on cash and pooled investments by level of custodial credit risk assumed.

NOTE 3 - INVESTMENTS

Illinois Statutes and Board policy authorize the University to invest in obligations of the U. S. Treasury, agencies and instrumentalities (U.S. Government securities); bank and savings and loan time deposits; corporate bonds, stock and commercial paper; repurchase agreements; and mutual funds. These investments are stated at fair value, as determined by quoted market price. Investment income and the change in fair value of investments is recognized in the fund which owned such investments. Illinois Statutes require a third party custodian to perfect the University's security interest under repurchase agreements. The University follows industry standards and requires that securities underlying repurchase agreements must have a fair value of at least 102% of the cost of the repurchase agreement. At June 30, 2006, the System had no repurchase agreements.

Nearly all of the University's investments are managed by external professional investment managers. Many of these investments are made through commingled investment vehicles such as common trust funds and mutual funds. A number of the investment managers utilize derivatives in the execution of their investment strategies. In general, managers utilize derivatives to reduce or eliminate undesirable risks, to increase portfolio liquidity and flexibility or to increase investment return within the level of risk defined in the manager's investment guidelines. Examples of authorized derivative transactions would be the hedging of foreign currency exposure through the use of currency forwards, owning mortgage securities with embedded prepayment options or utilizing treasury futures to change the duration of a fixed income portfolio. The System did not engage in any other significant derivative transactions during 2006.

The University, by authorization of the Board, increases its investment income by lending the University's securities, through its custodian, to independent third parties. Such loans are secured by collateral consisting of cash, cash equivalents or U.S. Government securities and irrevocable bank letters of credit in an amount not less than 102% of the fair value of the securities loaned. Any collateral securities cannot be pledged or sold by the University unless the borrower defaults. The University receives interest and dividends during the loan period as well as a fee from the custodian. At June 30, 2006, the University has no credit risk exposure to borrowers because the amounts the University owes the borrowers exceed the amounts the borrowers owe the University. As of June 30, 2006, approximately \$212,997,000 of the investments reported on the University's Statement of Net Assets were on loan, secured by collateral with a fair value of approximately \$216,478,000. The System does not participate in security lending transactions.

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 Management of Institutional Funds Act when investing its endowment and operating funds. The State of Illinois Public Funds Investment Act provides the context and framework for plant fund investments. The following details the carrying value of the System's investments as of June 30, 2006:

| | |
|------------------------------------|----------------|
| U.S. Government Securities | \$ 104,882,337 |
| Commercial Paper | 42,657,845 |
| Certificates of Deposit | 4,345,000 |
| Sub Total | 151,885,182 |
| Mutual Funds - Money Market | 8,273,786 |
| Consolidated Group Investment Pool | 3,982,899 |
| Total | \$ 164,141,867 |

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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 in money market instruments. Core operating funds are invested in longer maturity investments. Core operating funds investment manager's performance benchmarks are Lehman Brothers 1-3 year Government Credit Bond Index and the Lehman Brothers Intermediate Aggregate Bond Index. The University's manager guidelines provide that the average weighted duration of the portfolio, including options positions, not vary from that of their respective performance benchmarks by more than +/-20 percent. At June 30, 2006, the University's operating funds pool portfolio had an effective duration of 1.8 years. The System's investments and maturities at June 30, 2006 are illustrated below:

| | Maturities | | | Total |
|----------------------------|----------------|---------------|--------------|----------------|
| | Less than 1 | 1 - 5 | 6 - 10 | |
| U.S. Government Securities | \$ 78,455,439 | \$ 17,269,203 | \$ 9,157,695 | \$ 104,882,337 |
| Commercial Paper | 42,657,845 | | | 42,657,845 |
| Certificates of Deposit | 4,345,000 | | | 4,345,000 |
| Total | \$ 125,458,284 | \$ 17,269,203 | \$ 9,157,695 | \$ 151,885,182 |

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's policy requires that operating funds be invested in fixed income securities and money market 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 which fall below the stated minimum credit requirements subsequent to initial purchase may be held at the manager's discretion. It is expected that the average credit quality of the operating funds will not fall below Standard & Poor's AA- or equivalent. At June 30, 2006 all of the System's investments carried a AAA quality rating.

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 has no formal policy in regard to custodial credit risk. At June 30, 2006, the System's investments and deposits have no custodial credit risk exposure.

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 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. This diversification is achieved by employing multiple investment managers and imposing maximum position limits for each manager. The University's manager guidelines for operating investments provide that non-U.S. government obligations may not exceed 10% per issuer and private mortgage-backed and asset-backed securities may not exceed 10% per issuer (unless collateral is credit independent of the issuer and the security's credit enhancement is generated internally, in which case the limit is 25% per issuer). Obligations with other issuers, other than the U.S. government, U.S. agencies, or U.S. government sponsored corporations and agencies, may not exceed 5%. As of June 30, 2006, not more than 5% of the System'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.

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's operating fund investments generally are not exposed to foreign currency risk. Under the manager's guidelines, the portfolio's foreign currency exposure may be unhedged or hedged back into U.S. dollars. Cross hedging is not permitted. The manager may invest up to 20% of the portfolio in emerging market securities. As of June 30, 2006 the System was not exposed to foreign currency risk.

NOTE 4 - CAPITAL ASSETS

Capital assets are carried at the System's cost or fair value at the date of a gift. System interest is charged to expense as incurred except for interest related to borrowings used for construction projects which is capitalized net of interest earned on construction funds borrowed. Net interest capitalized during fiscal year 2006 amounted to a net increase in construction costs of \$1,262,814. University policy requires the System to capitalize all land and collection purchases, equipment at \$5,000, buildings and improvements at \$100,000, and infrastructure at \$1,000,000. Depreciation of the capital assets is calculated on a straight-line basis over the estimated useful lives (three to fifty years) of the respective assets. The buildings are located on land primarily owned by the University for which there is no charge to the System other than for maintenance.

Capital asset activity for the year ended June 30, 2006 is summarized as follows:

Capital Assets for the System

| | Beginning Balance | Additions | Retirements | Transfers | Ending Balance |
|---|-----------------------|----------------------|-------------------|---------------------|-----------------------|
| Nondepreciable Capital Assets: | | | | | |
| Land | \$ 17,400,667 | | | | \$ 17,400,667 |
| Construction in progress | 30,127,350 | 72,360,243 | | (37,752,149) | 64,735,444 |
| Total nondepreciable capital assets | 47,528,017 | 72,360,243 | - | (37,752,149) | 82,136,111 |
| Depreciable Capital Assets: | | | | | |
| Buildings | 633,364,955 | | | 36,110,378 | 669,475,333 |
| Improvements | 33,033,522 | | | 1,641,771 | 34,675,293 |
| Equipment | 12,964,456 | 658,033 | 1,049,430 | | 12,573,059 |
| Subtotal | 679,362,933 | 658,033 | 1,049,430 | 37,752,149 | 716,723,685 |
| Less accumulated depreciation | 207,338,073 | 16,601,204 | 762,479 | | 223,176,798 |
| Total net depreciable capital assets | 472,024,860 | (15,943,171) | 286,951 | 37,752,149 | 493,546,887 |
| Total Capital Assets | \$ 519,552,877 | \$ 56,417,072 | \$ 286,951 | \$ - | \$ 575,682,998 |

NOTE 5 - BONDS PAYABLE

On August 10, 2005 the University issued Auxiliary Facilities System Revenue Bonds Series 2005B in the amount of \$67,305,000. Series 2005B Bonds were issued to fund various additions and improvements to the System, to pay debt service during construction, and to pay all costs incidental to the issuance of the bonds.

Bonds payable activity for the year ended June 30, 2006 was as follows:

| Bonds Payable | | | | | | | |
|--|------------------------------|-------------------|-----------------------|----------------------|------------------------------------|-----------------------|----------------------|
| Series | Yield on Outstanding Debt | Maturity Dates | Beginning Balance | New Debt | Principal Paid/Debt Refunded | Ending Balance | Current Portion |
| 1979 | 3.00% | 2007-2018 | \$ 900,000 | \$ | \$ 60,000 | \$ 840,000 | \$ 60,000 |
| 1991 | 5.95% - 7.35% | 2007-2021 | 210,690,000 | | 3,890,000 | 206,800,000 | 3,870,000 |
| 1993 | 5.15% - 5.25% | 2007 | 535,000 | | 535,000 | - | |
| 1993 | 5.70% - 5.95% | 2007-2009 | 33,435,000 | | | 33,435,000 | 11,145,000 |
| 1996 | 4.00% - 5.60% | 2007-2017 | 3,145,000 | | 175,000 | 2,970,000 | 185,000 |
| 1999A | 5.10% - 5.20% | 2007-2010 | 7,185,000 | | 145,000 | 7,040,000 | 1,845,000 |
| 1999A | 6.05% - 6.33% | 2015-2030 | 39,820,000 | | | 39,820,000 | |
| 1999B | 7.41% - 7.56% | 2007-2015 | 5,900,000 | | 195,000 | 5,705,000 | 305,000 |
| 2000 | 5.50% | 2007-2010 | 620,000 | | 75,000 | 545,000 | 95,000 |
| 2001A | 4.00% - 5.50% | 2007-2030 | 106,030,000 | | 220,000 | 105,810,000 | 1,950,000 |
| 2001B | 5.20% - 5.25% | 2007-2032 | 103,530,000 | | 11,595,000 | 91,935,000 | 520,000 |
| 2001C | 5.08% - 7.00% | 2007-2021 | 17,135,000 | | 1,045,000 | 16,090,000 | 1,165,000 |
| 2003A | 2.00% - 5.50% | 2007-2034 | 65,150,000 | | 1,075,000 | 64,075,000 | 1,130,000 |
| 2005A | 4.625% - 5.50% | 2007-2031 | 163,905,000 | | | 163,905,000 | 2,260,000 |
| 2005B | variable | 2007-2035 | | 67,305,000 | | 67,305,000 | |
| | | | <u>\$ 757,980,000</u> | <u>\$ 67,305,000</u> | <u>\$ 19,010,000</u> | 806,275,000 | 24,530,000 |
| Unaccrued Appreciation | | | | | | (120,729,409) | (453,017) |
| | | | | | | 685,545,591 | 24,076,983 |
| Unamortized Debt Premium | | | | | | 21,805,233 | 816,776 |
| Unamortized Deferred Loss on Refunding | | | | | | (12,484,222) | (845,659) |
| Total Bonds Payable | | | | | | <u>\$ 694,866,602</u> | <u>\$ 24,048,100</u> |

The \$206,800,000, \$33,435,000, and \$39,820,000 of Series 1991, Series 1993, and Series 1999A Bonds, respectively, outstanding at June 30, 2006, are capital appreciation bonds which do not require current interest payments and have net unappreciated values of \$113,722,610, \$30,848,423, and \$14,754,558, respectively. The System records the annual increase in the principal amount of these bonds as interest expense on bonds payable.

Costs associated with the issuance of the Series 1991, Series 1993, Series 1996, Series 1999A, Series 1999B, Series 2000, Series 2001A, Series 2001B, Series 2001C, Series 2003A, Series 2005A, and Series 2005B Bonds have been recorded as a prepaid expense and are being amortized over the life of the related bond issue.

Certain bonds of the System (Series 1991, Series 1993, and Series 1996 Bonds) have debt service reserve requirements. The Maximum Annual Net Debt Service for those bonds, as defined, is \$15,237,107.

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 Retirement of Indebtedness 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 \$862,914 were made to the Equipment Reserve during the year ended June 30, 2006. Expenditures of \$16,500 were made to replace movable equipment during the year ended June 30, 2006. The fund balance of the Equipment Reserve was \$4,180,347 at June 30, 2006.

Bond and Interest Sinking Fund and Debt Service Reserve - amounts into the Bond and Interest Sinking Fund sufficient to pay principal and interest as it becomes due on the outstanding bonds and amounts to fund a Debt Service Reserve at least equal to the Maximum Annual Net Debt Service, as defined. At June 30, 2006 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 of Trustees of the University of Illinois (Board) for System development. No transfers were authorized by the Board during the year ended June 30, 2006, and there was no balance in the reserve at June 30, 2006.

The System made all required transfers for the year ended June 30, 2006.

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.

Advance Refunded Bonds

The System has defeased bonds through advance refunding in prior years and, accordingly, they are not reflected in the accompanying financial statements. The amount of bonds which have been advance refunded as of June 30, 2006 are as follows:

| Advance Refunded Bonds | |
|----------------------------------|---------------------------------|
| Series | Outstanding at June 30, 2006 |
| 1978-M | \$ 40,735,000 |
| 1996 | 43,110,000 |
| 1999A | 85,300,000 |
| 2000 | 10,785,000 |
| 2001B | 3,625,000 |
| Total Advance Refunded Bonds | <u>\$ 183,555,000</u> |

Debt Service Requirements and Security

Future debt service requirements for the Series 1979, 1991, 1993, 1996, 1999A, 1999B, 2000, 2001A, 2001B, 2001C, 2003A, 2005A, and 2005B Bonds are as follows:

Debt Service Requirements

| | Principal | Interest |
|--|----------------|----------------|
| 2007 | \$ 24,530,000 | \$ 26,694,604 |
| 2008 | 25,965,000 | 26,117,375 |
| 2009 | 26,745,000 | 25,542,974 |
| 2010 | 27,625,000 | 24,932,744 |
| 2011 | 27,960,000 | 24,332,687 |
| 2012-2016 | 155,370,000 | 111,250,960 |
| 2017-2021 | 182,450,000 | 90,179,736 |
| 2022-2026 | 135,615,000 | 60,990,061 |
| 2027-2031 | 136,665,000 | 30,735,638 |
| 2032-2036 | 63,350,000 | 5,521,557 |
| Total Debt Service | \$ 806,275,000 | \$ 426,298,336 |
| Unaccreted Appreciation | (120,729,409) | |
| Unamortized Debt Premium | 21,805,233 | |
| Unamortized Deferred Loss on Refunding | (12,484,222) | |
| Total Bonds Payable | \$ 694,866,602 | |

NOTE 6 - LEASEHOLDS PAYABLE

Leaseholds payable activity for the year ended June 30, 2006 consists of the following:

Leaseholds Payable

| Beginning Balance | Additions | Deductions | Ending Balance | Current Portion |
|----------------------|------------|------------|-------------------|--------------------|
| \$28,066 | \$ 113,981 | \$42,630 | \$99,417 | \$20,560 |

Capital lease obligations have maturity dates from 2007 through 2011 and have interest rates ranging from 4.6% to 9%. As of June 30, 2006, future minimum lease payments are as follows:

| | Principal | Interest |
|------------------------|-----------|-----------|
| 2007 | \$ 20,560 | \$ 4,863 |
| 2008 | 19,438 | 3,501 |
| 2009 | 20,432 | 2,507 |
| 2010 | 21,478 | 1,462 |
| 2011 | 17,509 | 381 |
| Total minimum payments | \$ 99,417 | \$ 12,714 |

NOTE 7 - RELATED PARTY TRANSACTIONS

The University charged the System administrative and other service charges totaling \$11,769,218 in 2006, 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.

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 \$1,417,000 in 2006, to fund the operations not covered by student fees.

At June 30, 2006, the System had borrowings of \$4,268,575 under multiple internal financing notes with the University for construction of System facilities. The notes have varying repayment terms and interest rates.

| Notes Payable | | | | | | |
|----------------|---------------|-------------------|--------------|------------------------------|----------------|-----------------|
| | Maturity Date | Beginning Balance | New Debt | Principal Paid/Debt Refunded | Ending Balance | Current Portion |
| Payable to the | | | | | | |
| University - | 2007-2011 | \$3,919,912 | \$ 1,383,615 | \$1,034,952 | \$4,268,575 | \$1,245,638 |

Future Debt Service requirements for the outstanding loans as of June 30, 2006 is as follows:

| Notes Payable to the University | | | |
|---------------------------------|-----------|-----------|------------|
| Debt Service Requirements | | | |
| | Principal | | Interest |
| 2007 | \$ | 1,245,638 | \$ 158,669 |
| 2008 | | 1,292,816 | 121,813 |
| 2009 | | 790,478 | 77,476 |
| 2010 | | 429,016 | 42,284 |
| 2011 | | 510,628 | 22,978 |
| TOTAL | \$ | 4,268,576 | \$ 423,220 |

NOTE 8 - RETIREMENT AND POSTEMPLOYMENT BENEFITS

Substantially all employees of the System participate in the State Universities Retirement System of Illinois (SURS), a cost-sharing multiple-employer defined-benefit pension plan. The University contributes to the plan with a special funding situation whereby the State of Illinois makes substantially all actuarially determined required contributions on behalf of the participating employers. The University contributions include payments for System employees covered under the plan.

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 writing to SURS, 1901 Fox Drive, Champaign, IL 61820 or by calling 1-800-275-7877.

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.

Plan members are required to contribute 8.0% of their annual covered salary and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The current rate is 10.18% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly. The University's contributions to SURS for the years ended June 30, 2006, 2005, and 2004 were \$101,570,000, \$145,752,000, and \$755,398,000, respectively, equal to the required contributions for each year. The 2004 contribution included an annual calculated contribution of \$158,153,000 and additional funding from the State of Illinois of \$597,245,000.

In addition to providing pension benefits, the State provides certain health, dental and life insurance benefits to annuitants who are former State employees. This includes annuitants of the System. Substantially all State employees, including the employees of the System, may become eligible for postemployment benefits if they eventually become annuitants. Health and dental benefits include basic benefits for annuitants under the State's self-insurance plan and insurance contracts currently in force. Life insurance benefits for annuitants under age 60 are equal to their annual salary at the time of retirement; life insurance benefits for annuitants age 60 and older are limited to \$5,000 per annuitant.

Currently the State does not segregate payments made to annuitants from those made to current employees for health, dental and life insurance benefits. The cost of health, dental and life insurance benefits is recognized by the State as incurred. These costs are funded by the State and are not an obligation of the System or the University.

NOTE 9 - CONSTRUCTION AND COMMITMENTS

At June 30, 2006, the System had commitments on various construction projects and contracts for repairs and renovation of auxiliary facilities of \$43,453,000. These projects will be funded from the proceeds of the Series 1999B, 2001B, 2001C, 2003A, 2005A, and 2005B Bonds Unexpended Fund and the Repair and Replacement Reserve.

NOTE 10 - SUBSEQUENT EVENTS

On September 13, 2006, the University sold Auxiliary Facilities System Revenue Bonds Series 2006 in the amount of \$318,155,000. The anticipated closing date is October 5, 2006. The proceeds of the Series 2006 Bonds will be used to fund various improvements and additions to the System, fund the cost of refunding portions of the outstanding Auxiliary Facilities System Revenue Bonds, pay a portion of the interest during construction, and to pay all costs incidental to the issuance of the bonds.

This information is an integral part of the accompanying financial statements.

Supplemental Information
University Enrollment Data as of October 2005 (unaudited)

| | Undergraduate | | | Graduate & Professional | | | Total Enrollment |
|--|------------------------|-------------|-----------------------|-------------------------|-------------|-----------------------|------------------|
| | Chicago ⁽¹⁾ | Springfield | Urbana - Champaign | Chicago ⁽²⁾ | Springfield | Urbana - Champaign | |
| Headcount | | | | | | | |
| Fall - | | | | | | | |
| 2001 | 15,887 | 1,889 | 28,110 | 9,625 | 1,702 | 9,569 | 66,782 |
| 2002 | 16,543 | 1,999 | 28,243 | 10,129 | 1,658 | 10,010 | 68,582 |
| 2003 | 16,012 | 2,052 | 28,589 | 10,198 | 1,588 | 10,275 | 68,714 |
| 2004 | 15,448 | 1,965 | 29,287 | 8,959 | 1,419 | 10,258 | 67,336 |
| 2005 | 15,148 | 2,005 | 30,453 | 9,205 | 1,373 | 10,141 | 68,325 |
| Full-time Equivalent ⁽³⁾ | | | | | | | |
| Fall - | | | | | | | |
| 2001 | 14,499 | 1,296 | 28,244 | 10,030 | 833 | 11,142 | 66,044 |
| 2002 | 14,990 | 1,416 | 28,343 | 10,533 | 836 | 11,755 | 67,873 |
| 2003 | 14,602 | 1,481 | 28,795 | 10,583 | 788 | 12,034 | 68,283 |
| 2004 | 14,389 | 1,536 | 29,544 | 9,367 | 772 | 11,679 | 67,287 |
| 2005 | 14,212 | 1,603 | 30,991 | 9,611 | 815 | 11,485 | 68,717 |

(1) Regional Nursing enrollments are included.

(2) Residents completing internships in Medicine, Dentistry, and Pharmacy are included in the counts for Fall 2001-Fall 2003.

(3) Based on Illinois Board of Higher Education definition of full-time equivalency. Undergraduate student full-time equivalent is computed as the total number of fall term semester and quarter credit hours divided by 15. Graduate and professional student full-time equivalent is computed as the total number of fall semester and quarter credit hours divided by 12.

Schedule of Insurance in Force as of July 1, 2006 (unaudited)

| | Insurance Valuation | | | Total |
|--|-----------------------|----------------------|-----------------------|-------------------------|
| | Buildings | Contents | Business Interruption | |
| Property | | | | |
| Urbana Campus | | | | |
| Allen Hall | \$ 19,888,564 | \$ 1,310,700 | \$ ----(1)---- | \$ 21,199,264 |
| Busey-Evans Residence Halls | 20,200,837 | 1,466,900 | 1,971,500 | 23,639,237 |
| Central Food Stores | 8,889,697 | 3,270,200 | 2,519,700 | 14,679,597 |
| Florida Avenue Residence Hall | 40,974,299 | 4,509,600 | 6,831,400 | 52,315,299 |
| Fourth Street Residence Halls | 14,507,123 | 960,700 | 643,300 | 16,111,123 |
| Goodwin-Green Street Apartments | 22,127,713 | 636,400 | 1,041,600 | 23,805,713 |
| Graduate Student Residence | 27,903,411 | 997,600 | 1,027,400 | 29,928,411 |
| Gregory Drive Residence Halls | 44,488,189 | 4,818,400 | 7,893,100 | 57,199,689 |
| Illinois Street Residence Hall | 36,766,957 | 4,196,400 | 6,315,200 | 47,278,557 |
| Lincoln Avenue Residence Hall | 32,600,660 | 3,022,800 | 4,015,600 | 39,639,060 |
| Orchard Apartments - Phase IV | 10,782,240 | 293,100 | ----(2)---- | 11,075,340 |
| Orchard Downs Apartments | 31,398,346 | 2,908,600 | 1,056,900 | 35,363,846 |
| Orchard Place Apartments | 7,407,249 | 645,400 | 4,227,300 | 12,279,949 |
| Peabody Drive Residence Halls | 41,457,840 | 4,833,900 | 7,713,700 | 54,005,440 |
| Pennsylvania Avenue Residence Halls | 33,093,204 | 3,934,500 | 3,783,600 | 40,811,304 |
| Post Office and Snack Bar | 3,149,063 | 1,258,400 | 447,100 | 4,854,563 |
| Stuart Pratt Sherman Hall | 19,787,517 | 896,100 | 1,231,900 | 21,915,517 |
| Taft and Van Doren Residence Halls | 9,266,468 | 866,000 | 1,008,400 | 11,140,868 |
| Admissions and Records Building | 3,600,337 | | | 3,600,337 |
| Assembly Hall | 47,681,637 | 2,200,000 | 5,000,000 | 54,881,637 |
| Atkins Tennis Facility | 4,773,612 | 130,000 | 400,000 | 5,303,612 |
| Baseball Stadium | 3,152,412 | 115,000 | | 3,267,412 |
| Bielfeldt Athletic Administration Building | 6,004,657 | 1,663,444 | | 7,668,101 |
| Campus Bookstore | 15,377,320 | 5,500,000 | 4,000,000 | 24,877,320 |
| Ice Rink Arena | 10,454,313 | 450,000 | 2,000,000 | 12,904,313 |
| Illini Union Building | 67,872,660 | 7,700,000 | 6,000,000 | 81,572,660 |
| Illini Union Warehouse | 1,214,729 | 890,000 | 125,000 | 2,229,729 |
| Intramural Physical Education Building | 41,001,919 | 1,000,000 | 3,000,000 | 45,001,919 |
| Irwin Academic Services Center | 2,049,068 | 100,000 | | 2,149,068 |
| Irwin Indoor Football Facility | 13,260,000 | 100,000 | 1,500,000 | 14,860,000 |
| McKinley Hospital and Health Center Addition | 25,041,489 | 2,500,000 | 5,000,000 | 32,541,489 |
| Memorial Stadium | 78,928,761 | 3,265,000 | 5,000,000 | 87,193,761 |
| Satellite Recreation Facility | 38,630,024 | 750,000 | 1,000,000 | 40,380,024 |
| Student Services Arcade Building | 7,804,512 | 500,000 | | 8,304,512 |
| Student Services Building | 8,480,529 | 547,400 | | 9,027,929 |
| Ubben Basketball Complex | 5,823,659 | 500,000 | | 6,323,659 |
| Krannert Center Parking | 6,933,200 | | 500,000 | 7,433,200 |
| North Campus Parking Structure | 20,814,640 | | 1,000,000 | 21,814,640 |
| Parking Structure, Lot C10 | 4,969,718 | | 1,000,000 | 5,969,718 |
| Parking Structure, Lot C7 | 4,774,827 | | 1,000,000 | 5,774,827 |
| Parking Structure, Lot F29 | 14,227,886 | | 1,000,000 | 15,227,886 |
| Total Urbana Campus | \$ 857,561,286 | \$ 68,736,544 | \$ 89,252,700 | \$ 1,015,550,530 |

| | Insurance Valuation | | | Total |
|---|-------------------------|----------------------|-----------------------|-------------------------|
| | Buildings | Contents | Business Interruption | |
| Chicago Campus | | | | |
| Residence Hall for Men | \$ 20,306,293 | \$ 1,571,614 | \$ 810,243 | \$ 22,688,150 |
| Women's Residence Hall | 10,843,613 | 376,548 | 531,306 | 11,751,467 |
| Single Student Residence Hall - | | | | |
| Health Sciences Center | 28,434,195 | 1,748,503 | 2,523,707 | 32,706,405 |
| South Campus Student Residence Phase I | 41,292,216 | 1,868,400 | 1,131,200 | 44,291,816 |
| South Campus Student Residence Phase II | 26,812,669 | 1,353,091 | 808,000 | 28,973,760 |
| Student Residence & Commons | 37,203,274 | 4,216,076 | 2,508,948 | 43,928,298 |
| Chilled Water Facility | 761,839 | 3,600,000 | 1,000,000 | 5,361,839 |
| Flames Athletic Center | 12,319,951 | | 3,000,000 | 15,319,951 |
| Pavilion | 23,518,235 | 1,121,208 | 2,213,779 | 26,853,222 |
| Satellite Union | 821,635 | 246,655 | 1,000,000 | 2,068,290 |
| Student Services Building | 24,297,068 | 2,953,820 | 878,405 | 28,129,293 |
| Union Building - Health Sciences Center | 26,155,687 | 5,816,703 | 5,000,000 | 36,972,390 |
| University Center | 72,579,862 | 18,307,244 | 6,641,887 | 97,528,993 |
| Recreation Center East | 35,553,200 | | | 35,553,200 |
| Parking Structure - Health Sciences Center | 13,481,892 | 70,842 | 570,891 | 14,123,625 |
| Parking Structure - South Campus | 23,194,800 | 410,000 | 2,000,000 | 25,604,800 |
| Parking Structure - University Center | 10,191,208 | 55,162 | 2,000,000 | 12,246,370 |
| Parking Structure #2 - University Center | 11,954,263 | 92,934 | 2,000,000 | 14,047,197 |
| Parking Structure - Wood & Taylor | 26,884,347 | 59,795 | 1,000,000 | 27,944,142 |
| Total Chicago Campus | 446,606,247 | 43,868,595 | 35,618,366 | 526,093,208 |
| Springfield Campus | | | | |
| Homer L. Butler Housing Commons | 632,803 | 44,466 | | 677,269 |
| Student Apartments | 13,930,762 | 897,120 | 1,144,692 | 15,972,574 |
| Student Life Building | 2,697,986 | 178,311 | 500,000 | 3,376,297 |
| Pennyroyal Cr. Townhouse Apts. | 3,017,126 | 164,700 | 285,117 | 3,466,943 |
| Marigold Cr. Townhouse Apts. | 5,505,724 | 350,000 | 288,576 | 6,144,300 |
| Vachel Lindsay Dr. Townhouse Apts. | 4,672,467 | 350,000 | 276,552 | 5,299,019 |
| Lincoln Residence Hall | 10,492,278 | 460,400 | 974,835 | 11,927,513 |
| Total Springfield Campus | 40,949,146 | 2,444,997 | 3,469,772 | 46,863,915 |
| Total (3) | \$ 1,345,116,679 | \$115,050,136 | \$ 128,340,838 | \$ 1,588,507,653 |
| Total amount of insurance (100%) (4) | | | | \$ 1,588,507,653 |

(1) Included with Lincoln Avenue Residence Hall.

(2) Included with Orchard Place Apartments.

(3) The buildings are valued at replacement costs, which are predicated on the Engineering News Record (ENR) building replacement cost index and insurer recommendations. This value approximates the replacement value at June 30, 2006. The contents are also valued at replacement value.

(4) An insurance policy was issued by Lexington Insurance for the policy period July 1, 2006 through June 30, 2007.

Occupancy Report for Fiscal Year 2006 (unaudited)

| | Normal Capacity ⁽¹⁾ | Average Occupancy ⁽²⁾ | Percent of Occupancy |
|-------------------------------------|-----------------------------------|-------------------------------------|-------------------------|
| Urbana-Champaign Campus: | | | |
| Residence Halls - | | | |
| Busey-Evans Halls | 398 | 385 | 96.73% |
| Lincoln-Allen Residence Halls | 1,158 | 1,107 | 95.60% |
| Fourth Street Halls | 275 | 267 | 97.09% |
| Taft and Van Doren Halls | 408 | 397 | 97.30% |
| Gregory Drive Residence Halls | 1,403 | 1,415 | 100.86% |
| Daniels Hall Units #1 and #2 | 266 | 249 | 93.61% |
| Peabody Drive Residence Halls | 1,407 | 1,399 | 99.43% |
| Pennsylvania Avenue Residence Halls | 1,042 | 996 | 95.59% |
| Illinois Street Residence Halls | 1,198 | 1,184 | 98.83% |
| Sherman Hall | 453 | 440 | 97.13% |
| Florida Avenue Residence Halls | 1,263 | 1,232 | 97.55% |
| Total Residence Halls | 9,271 | 9,071 | 97.84% |
| Student-Staff Apartments - | | | |
| Goodwin-Green Street Apartments | 200 | 175 | 87.50% |
| Orchard Downs Apartments | 747 | 590 | 78.98% |
| Total Apartments | 947 | 765 | 80.78% |
| Chicago Campus: | | | |
| Residence Halls - | | | |
| Student Residence Hall | 285 | 262 | 91.93% |
| Polk Street Residence | 125 | 122 | 97.60% |
| Single Student Residence | 570 | 460 | 80.70% |
| Student Residence and Commons | 1,332 | 1,307 | 98.12% |
| Thomas Beckham Hall | 443 | 438 | 98.87% |
| Marie Robinson Hall | 349 | 340 | 97.42% |
| Total Residence Halls | 3,104 | 2,929 | 94.36% |
| Springfield Campus: | | | |
| Apartments - | | | |
| Single Units | 580 | 560 | 96.55% |
| Family Units | 34 | 34 | 100.00% |
| Total Apartments | 614 | 594 | 96.74% |
| Residence Hall - | | | |
| Lincoln | 214 | 210 | 98.13% |
| Total Residence Halls | 214 | 210 | 98.13% |

⁽¹⁾ Number of rentable spaces

Rental Rates for Residence Halls and Student-Staff Apartments (unaudited)

| | <u>2005-06</u> <u>Rates</u> |
|---|--------------------------------|
| Urbana-Champaign Campus | |
| Residence Halls (room and board for the academic year) | |
| Singles | \$ 7,672 |
| Doubles | 6,710 |
| Triples | 6,336 |
| Quadruples | 6,070 |
| Rates are \$100 more for comparable space in air conditioned halls | |
| Residence halls (room only for academic year) | |
| Singles | |
| Daniels Hall | 4,914 |
| Sherman Hall | 3,896 |
| Doubles | |
| Daniels Hall (large) | 4,482 |
| Daniels Hall (standard) | 3,728 |
| Sherman Hall | 3,728 |
| Apartments (monthly rates, heat included) | |
| Student Rate | |
| Sleeping | |
| Zero Bedroom | 555 |
| One Bedroom | 658 |
| Staff Rate | |
| Sleeping | |
| Zero Bedroom | 583 |
| One Bedroom | 697 |
| Orchard Place, Orchard Downs and Orchard Downs Addition Apartments (monthly rates - per unit) | |
| One Bedroom (Furnished) | 549 |
| Two Bedroom (Furnished) | 614 |
| Two Bedroom (Unfurnished) | 491 |

Rental Rates for Residence Halls and Student-Staff Apartments (unaudited) - continued

| | <u>2005-06</u> <u>Rates</u> |
|--|--------------------------------|
| Chicago Campus - Health Sciences Center | |
| Residence Halls | |
| (room only for the academic year) | |
| Singles | |
| Student Residence Hall | \$ 5,412 |
| Student Residence Hall and Commons | 5,580 |
| Doubles | |
| Student Residence Hall | 4,790 |
| Polk Street Residence Hall | 5,132 |
| Student Residence Hall and Commons | 5,034 |
| Apartments - (SSR) | |
| (monthly rates - per unit) | |
| Two Person Apartment | 1,374 |
| Three Person Apartment | 2,021 |
| Four Person Apartment | 2,725 |
| Two Person Suite | 1,175 |
| Three Person Suite | 1,762 |
| Apartments - (South Campus) | |
| (monthly rates - per unit) | |
| One Person Apartment | 878 |
| Two Person Apartment | 1,485 |
| Four Person Apartment | 2,917 |
| Springfield Campus | |
| Apartments - Family | |
| (unit only for the academic year) | |
| One Bedroom (Furnished) | \$ 4,940 |
| Two Bedroom (Furnished) | 6,200 |
| One Bedroom (Unfurnished) | 4,570 |
| Two Bedroom (Unfurnished) | 5,690 |
| Apartments - Other | |
| (per person for the academic year) | |
| Two Bedroom - Four Person | 1,860 |
| Four Bedroom - Four Person | 3,270 |
| Four Bedroom - Four Person - Townhouse | 3,660 |
| Residence Hall | |
| Lincoln | 4,760 |

*Average of 2 rates for renovated units.