



**UNIVERSITY OF ILLINOIS
AUXILIARY FACILITIES SYSTEM**

Annual Financial Report

June 30, 2014

(With Independent Auditors' Report Thereon)

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**UNIVERSITY OF ILLINOIS
AUXILIARY FACILITIES SYSTEM**

Annual Financial Report

June 30, 2014

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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 19, 2014

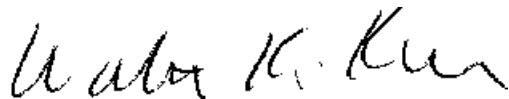
Holders of University of Illinois
Auxiliary Facilities System Revenue Bonds
and The Board of Trustees of the University of Illinois:

I am pleased to transmit the Annual Financial Report of the University of Illinois Auxiliary Facilities System for the fiscal year ended June 30, 2014. This report supplements the financial statements of the University of Illinois presented in the Annual Financial Report.

The 2014 financial statements and accompanying notes appearing on pages 4 through 23 have been audited by KPMG 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.

KPMG LLP will also prepare a report for the year ended June 30, 2014, 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, 2014. 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



KPMG LLP
Aon Center
Suite 5500
200 East Randolph Drive
Chicago, IL 60601-6436

Independent Auditors' Report

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

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General of the State of Illinois, we have audited the accompanying financial statements of the University of Illinois Auxiliary Facilities System (the System), a segment of the University of Illinois, which comprise the statement of net position as of June 30, 2014, and the related statements of revenue, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The System's management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 audit. 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 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 System'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 University of Illinois Auxiliary Facilities System as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.



Emphasis of Matters

As discussed in note 1 to the financial statements, the financial statements of the System are intended to present the financial position, the changes in its financial position, and cash flows of only that portion of the business-type activities of the University of Illinois that are attributable to the transactions of the System relating to complying with the requirements of the indentures for the System’s Revenue Bonds. The financial statements do not purport to, and do not, present fairly the financial position of the University of Illinois as of June 30, 2014, or the changes in its financial position or its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Additionally, as discussed in note 1(n) to the financial statements, in 2014, the System adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Report on Summarized Comparative Information

We have previously audited the System’s 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 20, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived, with the exception of the effects of the implementation of GASB Statement No. 65 as discussed in the *Emphasis of Matters* paragraph immediately preceding this section.

Required Supplementary Information

Management of the System 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 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 dated December 19, 2014, 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.

KPMG LLP

Chicago, Illinois
December 19, 2014

**UNIVERSITY OF ILLINOIS
AUXILIARY FACILITIES SYSTEM**

Statement of Net Position

June 30, 2014

(with comparative totals for June 30, 2013)

Assets and Deferred Outflow of Resources	2014	2013
Current assets:		
Claim on cash and on pooled investments	\$ 158,281,598	160,680,185
Cash and cash equivalents	10,527,002	7,596,218
Investments	677,763	3,875,102
Investments, restricted	1,324,151	1,356,564
Accrued investment income	969,697	444,486
Accounts receivable, net of allowance for uncollectible of \$3,890,573 in 2014	7,080,346	6,924,243
Inventories	7,480,327	7,978,211
Prepaid expenses	316,122	241,079
Total current assets	<u>186,657,006</u>	<u>189,096,088</u>
Noncurrent assets:		
Cash and cash equivalents	24,814,763	
Cash and cash equivalents, restricted		20,226,156
Investments, restricted	223,633,241	24,205,078
Capital assets:		
Land	19,238,069	19,238,069
Buildings, net of accumulated depreciation	919,031,036	874,667,233
Improvements, net of accumulated depreciation	17,750,690	19,149,778
Equipment, net of accumulated depreciation	5,248,072	4,478,857
Construction in progress	47,948,745	68,245,934
Subtotal for capital assets	<u>1,009,216,612</u>	<u>985,779,871</u>
Total noncurrent assets	<u>1,257,664,616</u>	<u>1,030,211,105</u>
Deferred outflow of resources	<u>27,652,855</u>	<u>29,571,846</u>
Total assets and deferred outflow of resources	<u>\$ 1,471,974,477</u>	<u>1,248,879,039</u>

Liabilities and Net Position

Current liabilities:		
Accounts payable	\$ 30,099,195	22,368,936
Accrued liabilities	4,543,525	4,539,375
Accrued compensated absences	651,271	740,487
Accrued interest	12,105,260	9,629,735
Unearned revenues	8,294,136	7,010,085
Notes payable to the University	2,654,013	2,502,017
Bonds and leaseholds payable	40,979,983	40,403,345
Total current liabilities	<u>99,327,383</u>	<u>87,193,980</u>
Noncurrent liabilities:		
Accrued compensated absences	5,433,898	5,225,752
Notes payable to the University	8,554,015	7,518,484
Bonds and leaseholds payable	1,190,187,880	989,151,710
Total noncurrent liabilities	<u>1,204,175,793</u>	<u>1,001,895,946</u>
Total liabilities	<u>1,303,503,176</u>	<u>1,089,089,926</u>
Net investment in capital assets	10,952,416	10,498,509
Restricted:		
Expendable for debt service	25,492,766	23,924,710
Unrestricted	132,026,119	125,365,894
Total net position	<u>168,471,301</u>	<u>159,789,113</u>
Total liabilities and net position	<u>\$ 1,471,974,477</u>	<u>1,248,879,039</u>

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, 2014

(with comparative totals for the year ended June 30, 2013)

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Room and board, net	\$ 139,170,736	132,752,112
Merchandise and retail food sales	34,230,416	35,174,489
Student service fees	92,721,641	92,896,878
Public events and recreation fees	6,943,194	8,131,988
Parking income	25,971,705	25,639,299
Rental and lease income	22,302,271	20,022,277
Vending income	2,234,529	1,802,693
Other operating revenue	10,960,814	9,634,172
	<u>334,535,306</u>	<u>326,053,908</u>
Total operating revenues		
Operating expenses:		
Salaries and wages	90,708,702	87,887,020
Merchandise and food for resale	36,096,483	37,463,516
Repair and maintenance	5,539,503	5,256,655
Professional and other contractual services	39,137,663	35,566,607
Utilities	30,207,763	27,949,356
Supplies	12,867,363	11,586,743
Noncapitalized renovations and equipment	11,900,464	11,001,628
Administrative services	16,191,579	15,167,503
Other operating expense	4,864,518	4,180,348
Depreciation	32,580,892	31,227,774
On-behalf payments for fringe benefits	45,590,951	45,845,260
	<u>325,685,881</u>	<u>313,132,410</u>
Total operating expenses		
Operating income	<u>8,849,425</u>	<u>12,921,498</u>
Nonoperating revenues (expenses):		
On-behalf payments for fringe benefits	45,590,951	45,845,260
Investment income (net of related expenses)	3,691,656	1,767,939
Interest on capital asset-related debt	(47,989,397)	(46,896,806)
Loss on disposal of capital assets	(89,135)	(732,416)
Other nonoperating expenses, net	(1,371,312)	(3,380,541)
	<u>(167,237)</u>	<u>(3,396,564)</u>
Net nonoperating expenses		
Increase in net position	<u>8,682,188</u>	<u>9,524,934</u>
Net position, beginning of year	159,789,113	155,934,437
Cumulative effect of change in accounting principle		<u>(5,670,258)</u>
Net position, beginning of year, as adjusted (note 1(n))	<u>159,789,113</u>	<u>150,264,179</u>
Net position, end of year	<u>\$ 168,471,301</u>	<u>159,789,113</u>

See accompanying notes to financial statements.

**UNIVERSITY OF ILLINOIS
AUXILIARY FACILITIES SYSTEM**

Statement of Cash Flows

Year ended June 30, 2014

(with comparative totals for the year ended June 30, 2013)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Room and board	\$ 139,562,842	132,741,358
Merchandise and retail food sales	34,310,367	35,176,775
Student service fees	92,922,787	92,905,664
Public events and recreation fees	6,958,336	8,132,816
Parking income	25,741,586	25,425,833
Rental and lease income	22,346,831	20,020,226
Vending income	2,239,758	1,802,796
Other sources	10,992,063	9,616,526
Payments to employees and for benefits	(90,585,623)	(86,972,722)
Payments to suppliers	(156,969,547)	(145,963,332)
Net cash provided by operating activities	<u>87,519,400</u>	<u>92,885,940</u>
Cash flows from noncapital financing activities:		
Other disbursements, net	(37,710)	(44,801)
Net cash used in noncapital financing activities	<u>(37,710)</u>	<u>(44,801)</u>
Cash flows from capital and related financing activities:		
Proceeds from issuance of bonds	234,542,549	248,899,381
Purchase of capital assets	(44,816,222)	(37,559,046)
Principal paid on bonds and capital leases	(38,196,806)	(280,871,058)
Proceeds from notes payable to the University	3,725,107	4,273,287
Repayment of notes payable to the University	(2,519,711)	(2,245,329)
Interest paid on bonds and notes payable	(41,081,867)	(43,068,731)
Payments of bond issuance costs	(981,969)	(2,744,089)
Net cash provided by (used in) capital and related financing activities	<u>110,671,081</u>	<u>(113,315,585)</u>
Cash flows from investing activities:		
Interest on investments	1,119,888	845,425
Pooled cash allocated from University related to unrealized gains	2,499,078	1,621,355
Proceeds from sales and maturities of investments	54,198,355	65,474,091
Purchase of investments	(250,849,288)	(20,824,194)
Net cash (used in) provided by investing activities	<u>(193,031,967)</u>	<u>47,116,677</u>
Net increase in cash and cash equivalents	5,120,804	26,642,231
Cash and cash equivalents, beginning of year	<u>188,502,559</u>	<u>161,860,328</u>
Cash and cash equivalents, end of year	<u>\$ 193,623,363</u>	<u>188,502,559</u>

**UNIVERSITY OF ILLINOIS
AUXILIARY FACILITIES SYSTEM**

Statement of Cash Flows

Year ended June 30, 2014

(with comparative totals for the year ended June 30, 2013)

	<u>2014</u>	<u>2013</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 8,849,425	12,921,498
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	32,580,892	31,227,774
On-behalf payment of fringe benefits	45,590,951	45,845,260
Changes in assets and liabilities:		
Accounts receivable (net)	(744,789)	2,240
Inventories	497,884	2,007,752
Prepaid expenses	(75,043)	(13,733)
Accounts payable	(587,051)	215,007
Accrued liabilities	123,080	914,299
Unearned revenue	1,284,051	(234,157)
Net cash provided by operating activities	<u>\$ 87,519,400</u>	<u>92,885,940</u>
Noncash investing, capital and financing activities:		
On-behalf payments for fringe benefits	\$ 45,590,951	45,845,260
Change in fair value of investments	(452,521)	(512,817)
Adjustments to notes payable to the University		5,453,625
Increase of capital assets obligations in accounts payable	8,317,311	4,581,369
Capital appreciation on bonds payable	8,404,043	8,959,170
Net interest capitalized	2,754,051	3,323,972
Other capital asset adjustments	219,184	
Loss on disposal of capital assets	(89,135)	(732,416)

See accompanying notes to financial statements.

**UNIVERSITY OF ILLINOIS
AUXILIARY FACILITIES SYSTEM**

Notes to Financial Statements

June 30, 2014

(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 (formerly Assembly Hall), 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 2013 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, 2013. Due to the implementation of GASB Statement No. 65, as discussed in note 1(n), a restatement was made to the 2013 financial statement amounts. Specifically, the July 1, 2012 net position was restated to reflect the impact of writing off the unamortized bond issuance costs that were previously capitalized. Additionally, the 2013 statement of net position was changed to reflect losses on refundings for the System's bonds as a deferred outflow of resources, as required by GASB Statement No. 65.

Certain other items in the June 30, 2013 comparative information have been reclassified to correspond to the June 30, 2014 financial statement presentation.

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:

	<u>Useful life (in years)</u>		<u>Useful life (in years)</u>
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*

With the adoption of GASB Statement No. 65 (note 1(n)), 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 for the year ended June 30, 2014 was as follows:

<u>Deferred Outflow of Resources</u>				
	<u>Beginning balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending balance</u>
Unamortized deferred loss on refunding	\$ 29,571,846		(1,918,991)	\$ 27,652,855

(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.

<u>Changes in Compensated Absences Balance</u>	
Balance, beginning of year	\$ 5,966,239
Additions	691,739
Deductions	(572,809)
Balance, end of year	6,085,169
Less current portion	651,271
Balance, end of year – noncurrent portion	\$ 5,433,898

(h) *Premiums*

Premiums for the System's bonds are reported within bonds and leaseholds payable and amortized over the life of the related 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 \$45,590,951 for the year ended June 30, 2014. On-behalf payments are classified as nonoperating revenues and the corresponding expenses are reported in on-behalf payments for fringe benefits of the System as operating expenses.

(m) *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.

(n) *New Accounting Pronouncements*

The System adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which was effective for periods beginning after December 15, 2012. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. In implementing this pronouncement, the System recorded an effect of a change in accounting principle to beginning of the year net position

for fiscal year 2013 by \$(5,670,258). A retroactive adjustment of \$(5,670,258) represents the July 1, 2012 unamortized prepaid debt issuance costs that were being amortized over the term of the debt and are to be expensed as incurred in accordance with the provisions of GASB Statement No. 65.

Net position, July 1, 2012, as previously reported	\$ 155,934,437
Cumulative effect of change in accounting principle	<u>(5,670,258)</u>
Net position, July 1, 2012, as adjusted	<u><u>\$ 150,264,179</u></u>

The System adopted provisions of GASB Statement No. 66, *Technical Corrections – 2012 an amendment of GASB Statements No. 10 and No. 62*, which was effective for periods beginning after December 15, 2012. This statement amends GASB Statement No. 10 by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. This GASB Statement No. 66 also amends GASB Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. Implementation of GASB Statement No. 66 did not impact 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.

Illinois Statutes govern the investment policies of the University. Allowable investments under these policies include:

- Obligations of the U.S. Treasury, other federal agencies and instrumentalities
- Interest-bearing savings accounts and time deposits of any bank as defined by the Illinois Banking Act
- Asset-backed securities
- Corporate bonds, stocks and equities
- Commercial paper
- Repurchase agreements
- Mutual funds

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.

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, 2014:

U.S. government securities	\$	90,305,855
U.S. government treasuries		68,400,606
Corporate bonds		875,746
Mutual funds – money market		29,843,958
Commercial paper		71,550,755
		<u>260,976,920</u>
Subtotal		260,976,920
Claim on cash and on pooled investments		158,281,598
		<u>158,281,598</u>
Total	\$	<u><u>419,258,518</u></u>

These cash, cash equivalents and investments are classified in the Statement of Net Position as follows:

Current assets:		
Claim on cash and on pooled investments	\$	158,281,598
Cash and cash equivalents		10,527,002
Investments		677,763
Investments, restricted		1,324,151
Noncurrent assets:		
Cash and cash equivalents		24,814,763
Investments, restricted		223,633,241
		<u>223,633,241</u>
Total	\$	<u><u>419,258,518</u></u>

(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 Barclays 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 University's manager guidelines provide that the average weighted duration of the portfolio, including option positions, not vary from that of their respective performance benchmarks by more than +/-20%.

The System's nonpooled investments and maturities as of June 30, 2014 are illustrated as follows:

	Maturities (in years)			
	Total	Less than 1	1 – 5	6 – 10
U.S. government securities	\$ 90,305,855	32,483,126	57,822,729	
U.S. government treasuries	68,400,606	19,897,806	43,922,373	4,580,427
Corporate bonds	875,746			875,746
Mutual funds – money markets	29,843,958	29,843,958		
Commercial paper	71,550,755	71,550,755		
Total cash equivalents and investments	\$ 260,976,920	153,775,645	101,745,102	5,456,173

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, 2014, the University's operating funds internal investment portfolio had an effective duration of 1.5 years. The operating internal investment pool consists of money market funds and other short-term investments (25%), stocks (9%) and long-term investments such as corporate bonds and government securities (66%).

(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 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 that 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, 2014, all of the System's nonpooled investments carried an A or better quality rating. At June 30, 2014, the University's operating internal investment pool mostly consisted of securities with quality ratings of AA 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, 2014, 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. This diversification is achieved by employing multiple investment managers and by imposing 5% maximum position limits with the exception of U.S. Treasury and agency securities for each manager. As of June 30, 2014, 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 the investment 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 University's operating fund investments generally are not exposed to foreign currency risk.

(f) ***Securities Lending***

To enhance the return on investments, the Board has authorized participation in a securities lending program. Through its custodian bank, the University loans securities 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. Noncash collateral cannot be pledged or sold by the University unless the borrower defaults. Cash collateral is invested by the custodian bank in a short-term investment pool. As of June 30, 2014, the short-term investment pool has a weighted average maturity of 91 days. The University receives interest and dividends during the loan period as well as a fee from the custodian. Marking to market is performed every business day and the borrower is required to deliver additional collateral when necessary so that the total collateral held by the custodian will equal at least the fair value plus accrued interest of the borrowed securities. All security loans can be terminated on demand by either the University or the borrowers. The University's pro rata share of cash received as securities lending collateral was approximately \$25,544,000 at June 30, 2014, and is reported as an asset and corresponding liability on the University's Statement of Net Position. As of June 30, 2014, approximately \$25,026,000 of the investments reported on the University's Statement of Net Position was on loan, secured by collateral with a fair value of approximately \$25,544,000. At June 30, 2014, 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. The System does not directly participate in this securities lending program, and hence, no amounts have been reported in the accompanying financial statements related to securities lending transactions.

(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 \$2,754,051 was capitalized during the year ended June 30, 2014. 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, 2014 is summarized as follows:

	Capital assets				Ending balance
	Beginning balance	Additions	Retirements	Transfers	
Nondepreciable capital assets:					
Land	\$ 19,238,069				19,238,069
Construction in progress	68,245,934	53,877,992		(74,175,181)	47,948,745
Total nondepreciable capital assets	<u>87,484,003</u>	<u>53,877,992</u>	<u>—</u>	<u>(74,175,181)</u>	<u>67,186,814</u>
Depreciable capital assets:					
Buildings	1,226,801,854	296,195		74,175,181	1,301,273,230
Improvements	53,187,425				53,187,425
Equipment	14,636,375	2,009,592	560,914		16,085,053
Total depreciable capital assets	<u>1,294,625,654</u>	<u>2,305,787</u>	<u>560,914</u>	<u>74,175,181</u>	<u>1,370,545,708</u>
Less accumulated depreciation:					
Buildings	352,134,621	30,107,573			382,242,194
Improvements	34,037,647	1,399,088			35,436,735
Equipment	10,157,518	1,151,242	471,779		10,836,981
Total accumulated depreciation	<u>396,329,786</u>	<u>32,657,903</u>	<u>471,779</u>	<u>—</u>	<u>428,515,910</u>
Total net depreciable capital assets	<u>898,295,868</u>	<u>(30,352,116)</u>	<u>89,135</u>	<u>74,175,181</u>	<u>942,029,798</u>
Total	<u>\$ 985,779,871</u>	<u>23,525,876</u>	<u>89,135</u>	<u>—</u>	<u>1,009,216,612</u>

(4) Bonds Payable

On February 19, 2014, the University issued \$159,985,000 of Auxiliary Facilities System (AFS) Revenue Bonds, Series 2014A, \$17,845,000 of AFS, Series 2014B and \$50,000,000 of AFS, Series 2014C. Proceeds from the bonds are to be used to fund the State Farm Center renovation and addition project and the Stanley O. Ikenberry Commons – Residence Hall No. 3 project. Proceeds were also used to fund all costs incidental to the issuance of the Series 2014A, B and C bonds.

Bonds payable activity for the year ended June 30, 2014 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%	2015 – 2021	\$ 130,160,000		16,270,000	113,890,000	16,270,000
1999A	6.05% to 6.33%	2015 – 2030	39,820,000			39,820,000	1,460,000
1999B	7.56%	2015 – 2015	895,000		565,000	330,000	330,000
2001A	5.50%	2015 – 2024	47,425,000		4,580,000	42,845,000	3,860,000
2001B	5.50%	2015 – 2019	11,160,000		1,570,000	9,590,000	1,655,000
2003A	5.25% to 5.50%	2018 – 2034	38,285,000			38,285,000	
2005A	4.625% to 5.50%	2015 – 2031	77,565,000		5,070,000	72,495,000	5,400,000
2006	4.00% to 5.00%	2015 – 2036	145,275,000		3,085,000	142,190,000	3,305,000
2008	variable	2015 – 2038	18,925,000		430,000	18,495,000	450,000
2009A	3.10% to 5.75%	2015 – 2038	81,220,000		770,000	80,450,000	785,000
2010A	4.00% to 5.25%	2015 – 2030	55,510,000		1,095,000	54,415,000	1,140,000
2011A	4.00% to 5.50%	2015 – 2041	81,075,000		1,185,000	79,890,000	1,220,000
2011B	2.105% to 4.517%	2015 – 2021	8,490,000		895,000	7,595,000	980,000
2011C	2.00% to 5.00%	2015 – 2032	71,720,000		1,700,000	70,020,000	1,735,000
2013A	3.00% to 5.00%	2015 – 2032	212,540,000		960,000	211,580,000	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	
2014C	variable	2037 – 2044		50,000,000		50,000,000	
			1,020,065,000	227,830,000	38,175,000	1,209,720,000	38,595,000
Unaccrued appreciation			(50,174,320)	8,404,043		(41,770,277)	(918,576)
			969,890,680	236,234,043	38,175,000	1,167,949,723	37,676,424
Unamortized debt premium			59,578,935	6,712,550	3,136,978	63,154,507	3,280,659
Total bonds payable			\$ 1,029,469,615	242,946,593	41,311,978	1,231,104,230	40,957,083

Capital appreciation bonds (Series 1991 and 1999A) of \$153,710,000 outstanding at June 30, 2014 do not require current interest payments and have a net unappreciated value of \$111,939,723. 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 \$19,501 were made to the Equipment Reserve and expenses of \$867,375 were incurred to replace movable equipment during the year ended June 30, 2014. The fund balance of the Equipment Reserve was \$6,072,496 at June 30, 2014.

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, 2014, 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, 2014, and there was no balance in the reserve at June 30, 2014.

The System made all required transfers for the year ended June 30, 2014.

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 pledged¹	Term of commitment	Debt service to pledged revenues (current year)
System	Refundings, various improvements and additions to the System	Net System revenue, student tuition and fees	\$ 1,919,757	2044	7.31%

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 to (a) redeem bonds of the System which are subject to early redemption, (b) purchase any outstanding bonds for cancellation, or (c) advance refund any bonds outstanding.

(a) **Debt Service Requirements**

Future debt service requirements for all bonds outstanding at June 30, 2014 are as follows:

Debt service requirements		
	Principal	Interest
Years:		
2015	\$ 38,595,000	48,462,639
2016	41,535,000	47,546,151
2017	44,950,000	46,475,678
2018	45,175,000	45,350,531
2019	45,530,000	44,106,901
2020 – 2024	251,725,000	196,033,411
2025 – 2029	244,350,000	141,699,862
2030 – 2034	230,925,000	86,613,083
2035 – 2039	137,205,000	38,534,392
2040 – 2044	129,730,000	15,214,297
Total debt service	1,209,720,000	\$ 710,036,945
Unaccreted appreciation	(41,770,277)	
Unamortized debt premium	63,154,507	
Total bonds payable	\$ 1,231,104,230	

(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, 2014							
Bond issue	Interest rate at June 30, 2014	Remarketing agent	Remarketing fee	Liquidity facility			
				Bank	Expiration	Insured by	Fee
AFS, Series 2008	0.06%	Loop Capital	0.075%	JPMorgan Chase	5/19/2016	None	0.525%
AFS, Series 2014C	0.10%	Wells Fargo	0.080%	Northern Trust	2/19/2019	Letter of Credit	0.350%

(c) **Advanced Refunded Bonds Payable**

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 that have been advance refunded as of June 30, 2014 is as follows:

Advanced Refunded Bonds		
Series		Outstanding at June 30, 2014
2005A		\$ 54,950,000
2006		160,460,000
	Total	\$ <u>215,410,000</u>

(5) **Leaseholds Payable**

Leaseholds payable activity for the year ended June 30, 2014 consisted of the following:

Leaseholds payable				
Beginning balance	Additions	Deductions	Ending balance	Current portion
\$ 85,439		21,806	63,633	22,900

The capital lease obligation matures in 2017 and has an interest rate of 4.9%. As of June 30, 2014, future minimum lease payments are as follows:

	Principal	Interest
2015	\$ 22,900	2,608
2016	24,047	1,461
2017	16,686	308
Total minimum payments	\$ <u>63,633</u>	<u>4,377</u>

(6) **Related-Party Transactions**

The University charged the System administrative service charges totaling \$16,191,579 in 2014, 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 \$10,154,465 in 2014 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, 2014, the System had borrowings of \$11,208,028 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						
	<u>Maturity date</u>	<u>Beginning balance</u>	<u>New debt</u>	<u>Principal paid/debt refunded</u>	<u>Ending balance</u>	<u>Current portion</u>
Payable to the University	2015 – 2024	\$ 10,020,501	3,707,238	2,519,711	11,208,028	2,654,013

Future debt service requirements for the outstanding notes payable as of June 30, 2014 are as follows:

Notes payable to the University			Debt service requirements	
			<u>Principal</u>	<u>Interest</u>
Years:				
2015			\$ 2,654,013	335,700
2016			2,178,633	256,063
2017			1,102,030	190,688
2018			945,335	158,201
2019			973,696	129,841
2020 -2024			3,354,321	218,431
Total			<u>\$ 11,208,028</u>	<u>1,288,924</u>

(7) Retirement and Postemployment Benefits

(a) Retirement 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 on 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, 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 35.8% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the Illinois

General Assembly. The employer's contributions to SURS for the years ended June 30, 2014, 2013 and 2012 were \$678,531,000, \$622,664,000 and \$439,316,000, respectively, equal to the required contributions for each year. The calculated allocation of these contributions that relate to the System was \$27,740,151 for the year ended June 30, 2014, and is reported as on-behalf payments for fringe benefits expense in the accompanying financial statements.

(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 administers 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.

Annuitants may be required to contribute toward health, dental and vision benefits with the amounts based on factors such as date of retirement, years of credited service with the State or a university, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed healthcare plan. For fiscal year 2014, the annual cost of health, dental and vision benefits before the State's contribution was \$8,869 (\$4,543 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization (HMO) and \$11,536 (\$4,421 if Medicare eligible) if the annuitant chose other benefits. Additional contributions by annuitants for dependents ranging from \$1,152 to \$3,546 (\$900 to \$2,538 if Medicare eligible) are also required depending on the benefits selected and whether there is one or multiple dependents.

For current employees, contributions are dependent upon annual salary and whether or not the employee chooses to receive benefits through an HMO. Current employee contribution amounts to the plan for fiscal year 2014 are shown as follows:

	Annual Employee Health, Dental, and Vision Contribution Requirements	
	Benefits provided through	
	HMO	Others
Employee annual salary:		
\$30,200 and below	\$ 948	1,248
\$30,201 – \$45,600	1,164	1,464
\$45,601 – \$60,700	1,368	1,656
\$60,701 – \$75,900	1,560	1,860
\$75,901 – \$100,000	1,776	2,076
\$100,001 and above	2,364	2,664

Additional contributions by employees for dependents ranging from \$1,152 to \$3,546 (\$900 to \$2,538 if Medicare eligible) are also required depending on the benefits selected and whether there is one or multiple dependents.

(8) Commitments

At June 30, 2014, the System had commitments on various construction projects and contracts for repairs and renovation of auxiliary facilities of \$179,174,601. These projects will be funded from the unexpended bond proceeds of Series 2010A, 2011A, 2014A, 2014B and 2014C along with certain renewal and replacement funds set aside for construction costs.