University of Illinois

Annual Financial Report
Willard Airport Facility

Year Ended June 30, 2008
with Comparative Totals for 2007

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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 30, 2008

Holders of University of Illinois
Willard Airport Project Revenue Refunding Bonds
and
The Board of Trustees
University of Illinois

I am pleased to transmit the Annual Financial Report of the University of Illinois Willard Airport Facility for the fiscal year ended June 30, 2008. This report supplements the financial statements of the University of Illinois presented in the Annual Financial Report.

The 2008 financial statements and accompanying notes appearing on pages 7 through 16 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 5 and 6. 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, 2008, 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, 2008. These reports, which include some data related to the Willard Airport Facility, are not contained herein and are primarily for the use of the Auditor General and state and federal agencies.

Respectfully submitted,

Walter K. Knorr

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

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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 Willard Airport Facility (Facility), as of June 30, 2008, 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 Facility'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 Facility's 2007 financial statements and, in our report dated February 8, 2008 we expressed an unqualified opinion on those financial statments.

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 Facility's Series 1997 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 Facility as of June 30, 2008, and the 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 Facility 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 University of Illinois Willard Airport Project Revenue Refunding Bonds, Series 1997 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*, we have also issued a report dated December 30, 2008 on our consideration of the Facility'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, which has been issued under separate cover, 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 on 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
December 30, 2008

Statement of Net Assets as of June 30, 2008 with Comparative Totals for 2007

	2008	2007
Assets:		
Current assets		
Cash and cash equivalents	$ 259,602	$ 911,383
Cash and cash equivalents, restricted	1,268,402	1,247,162
Accrued investment income	487	6,043
Accounts receivable	110,363	80,925
Prepaid expenses	4,522	4,522
Total current assets	1,643,376	2,250,035
Noncurrent assets		
Capital assets, net of accumulated depreciation	32,665,842	33,440,617
Prepaid expenses	-	4,522
Total noncurrent assets	32,665,842	33,445,139
Total assets	$ 34,309,218	$ 35,695,174
Liabilities:		
Current liabilities		
Accounts payable	$ 14,760	$ 14,238
Accrued liabilities	118,559	86,540
Accrued interest	3,250	6,375
Long term liabilities - current portion	284,413	539,799
Total current liabilities	420,982	646,952
Noncurrent liabilities		
Deferred revenue	740,524	740,524
Long term debt, net of current portion	133,618	259,413
Total noncurrent liabilities	874,142	999,937
Total liabilities	1,295,124	1,646,889
Net assets:		
Invested in capital assets, net of related debt	32,247,811	32,641,405
Restricted -		
Expendable for capital projects	257,878	236,638
Expendable for debt service	270,000	269,982
Unrestricted	238,405	900,260
Total net assets	33,014,094	34,048,285
Total liabilities and net assets	$ 34,309,218	$ 35,695,174

See accompanying notes to financial statements.

Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2008 with Comparative Totals for 2007

	2008	2007
Operating revenues:		
Rental and lease income	$ 1,911,452	$ 1,769,159
Parking operations	589,157	551,163
Farm sales	120,000	135,000
Other operating revenue	47,382	29,332
Total operating revenues	2,667,991	2,484,654
Operating expenses:		
Salaries and wages	1,218,288	1,297,864
Fringe benefits	313,585	200,320
Professional and other contractual services	243,389	122,782
Utilities	355,121	312,122
Supplies	176,768	148,017
Repairs and maintenance	305,658	427,479
Other operating expense	127,770	114,349
Depreciation	1,955,512	1,807,119
Payments on behalf of the Facility	138,140	124,461
Total operating expenses	4,834,231	4,554,513
Operating loss	(2,166,240)	(2,069,859)
Nonoperating revenues (expenses):		
State appropriations	431,933	446,922
Payments on behalf of the Facility	138,140	124,461
Investment income (net of related expenses)	48,098	68,312
Interest on capital asset-related debt	(28,329)	(42,404)
Other nonoperating expenses	(5,109)	(5,109)
Net nonoperating revenues	584,733	592,182
Capital federal grants	547,316	3,978,727
Increase (decrease) in net assets	(1,034,191)	2,501,050
Net assets, beginning of year	34,048,285	31,547,235
Net assets, end of year	$ 33,014,094	$ 34,048,285

See accompanying notes to financial statements.

Statement of Cash Flows
Year Ended June 30, 2008 with Comparative Totals for 2007

	2008	2007
Cash flows from operating activities:		
Facility revenues	$ 2,638,552	$ 2,459,608
Payments to suppliers	(1,208,184)	(1,128,608)
Payments to employees and benefits	(1,499,853)	(1,581,295)
Net cash used by operating activities	(69,485)	(250,295)
Cash flows from noncapital financing activities:		
State appropriations	431,933	446,922
Proceeds from note payable	203,474	422,202
Net cash provided by noncapital financing activities	635,407	869,124
Cash flows from capital and related financing activities:		
Purchases of capital assets	(633,421)	
Principal paid on capital debt and leases	(585,242)	(381,666)
Interest paid on capital debt and leases	(31,454)	(45,342)
Net cash used by capital and related financing activities	(1,250,117)	(427,008)
Cash flows from investing activities:		
Interest on investments	53,654	66,944
Net cash provided by investing activities	53,654	66,944
Net increase (decrease) in cash and cash equivalents	(630,541)	258,765
Cash and cash equivalents, beginning of year	2,158,545	1,899,780
Cash and cash equivalents, end of year	$ 1,528,004	$ 2,158,545
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$ (2,166,240)	$ (2,069,859)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	1,955,512	1,807,119
On-behalf payment of fringe benefits	138,140	124,461
Changes in assets and liabilities:		
Accounts receivable	(29,438)	(25,046)
Accounts payable and accrued liabilities	32,541	(86,970)
Net cash used by operating activities	$ (69,485)	$ (250,295)
Noncash investing, capital, and financing activities:		
State Appropriations for on-behalf payment of fringe benefits	$ 138,140	$ 124,461
Capital assets acquired from the Federal Aviation Administration	$ 547,316	$ 3,978,727

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizational Background and Basis of Presentation

On May 8, 1943, the Illinois General Assembly authorized The Board of Trustees of the University of Illinois (Board) to purchase land for use as the site of an airport. During early 1944, under the Defense Landing Area Program of the federal government, the Board approved an agreement whereby federal funds would be appropriated for the construction of an airfield for potential defense use on land provided by a local government and after completion, the Board would subsequently own and operate the airport.

The initial construction of the University of Illinois Willard Airport Facility (Facility) began in May 1944, on land located in Champaign County approximately five miles south of the main campus of the University of Illinois (University). Dedication of the Facility occurred October 26, 1945 and commercial air service was initiated in the early 1950's.

The Facility is comprised of land, hangars, T-hangars, a terminal building, parking lots, runways, taxiways and related apron areas.

During April 1987, the Board and the County of Champaign, Illinois (County) entered into an intergovernmental agreement (Agreement) regarding the financing of a public airport expansion within the County. The Agreement specifically detailed the application of the revenues and resources of the Board and the County to fund the costs of the project and to service any debt requirements.

These financial statements have been prepared to satisfy the requirements of the Series 1997 bond indenture. The financial balances and activities of the Facility, included in these financial statements, are included in the University's financial statements. The financial statements of the Facility 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 Facility 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 Facility's 2007 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 Facility's financial statements for the year ended June 30, 2007.

Certain items in the June 30, 2007 financial statements have been reclassified to correspond to the June 30, 2008 presentation.

The Facility'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 Facility 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 Facility 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 Facility'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 Facility's expenses are exchange transactions which GASB defines as operating expenses for financial statement presentation.

Grant and contract revenues which are received or receivable from external sources are recognized as revenues when all applicable eligibility requirements are met on the accrual basis. Advances are classified as deferred revenue.

Certain revenue sources that the Facility 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 net nonoperating revenues.

Appropriations made from the State of Illinois General Revenue Fund for the benefit of the Facility are recognized as nonoperating revenues when eligibility requirements are satisfied.

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the Facility reported payments made by the State on behalf of the Facility for contributions to State group insurance and retirement programs for Facility employees of $138,140 for the year ended June 30, 2008. On behalf payments are classified as nonoperating revenues and the corresponding expenses are reported in payments on behalf of the Facility as operating expenses.

The Facility 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.

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 Facility follows all applicable GASB pronouncements. In addition, the Facility 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 Facility has elected not to apply FASB pronouncements issued after November 30, 1989.

NOTE 2 - CASH AND CASH EQUIVALENTS

The Facility 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 allowable investments stated in Note 3, 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 Facility's claim on cash and pooled investments by level of custodial credit risk assumed.

NOTE 3 - INVESTMENTS

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 Illinois Banking Act
- Corporate bonds and stocks
- Commercial paper
- Repurchase agreements
- Mutual funds

Additionally, the University has investments in real estate and farm properties that are carried at cost, or when donated, at the fair value at the date of donation. All other investments are carried at their fair value, as determined by quoted market prices when available, and otherwise by generally accepted valuation principles. Investment income and the change in fair value of investments are 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, 2008, the Facility had no repurchase agreements.

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 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. At June 30, 2008, the Facility had $1,181,010 invested in money market mutual funds and $154 invested in the consolidated group investment pool. These are presented as cash equivalents on the accompanying Statement of Net Assets.

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 the 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 option positions, not vary from that of their respective performance benchmarks by more than +/-20 percent. At June 30, 2008, the University's operating funds pool portfolio had an effective duration of 1.6 years.

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. All of the Facility's money market mutual funds have a credit rating of AAA.

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 investment policy does not limit the value of investments that may be held by an outside party. At June 30, 2008, the Facility's cash equivalents 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, 2008, 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.

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. At June 30, 2008, the Facility was not exposed to foreign currency risk.

NOTE 4 - CAPITAL ASSETS

Capital assets are carried at the Facility's cost or fair value at the date of a gift. University policy requires the Facility 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. A majority of the recent capital asset acquisitions have been funded and administered by the Federal Aviation Adminstration.

Capital asset activity for the year ended June 30, 2008 is summarized as follows:

Capital Assets for the Facility

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Nondepreciable Capital Assets:					
Land	$ 3,073,119	$ -	$ -	$ -	$ 3,073,119
Construction in process	2,927,278	754,935		(3,240,058)	442,155
Total nondepreciable capital assets	6,000,397	754,935	-	(3,240,058)	3,515,274
Depreciable Capital Assets:					
Buildings	13,629,941				13,629,941
Improvements	40,307,262		(49,000)	3,240,058	43,498,320
Equipment	2,430,980	474,802	(38,599)		2,867,183
Total depreciable capital assets	56,368,183	474,802	(87,599)	3,240,058	59,995,444
Less accumulated depreciation:					
Buildings	(4,615,190)	(275,235)			(4,890,425)
Improvements	(22,177,489)	(1,511,818)			(23,689,307)
Equipment	(2,135,284)	(168,459)	38,599		(2,265,144)
Total accumulated depreciation	(28,927,963)	(1,955,512)	38,599		(30,844,876)
Total net depreciable capital assets	27,440,220	(1,480,710)	(49,000)	3,240,058	29,150,568
Total Capital Assets	$ 33,440,617	$ (725,775)	$ (49,000)	$ -	$ 32,665,842

NOTE 5 - BONDS PAYABLE

On July 16, 1997, the University of Illinois Willard Airport Project Revenue Refunding Bonds, Series 1997 (Series 1997 Bonds) were issued in the principal amount of $4,155,000. The Series 1997 Bonds bear interest at rates ranging from 3.95% to 5.00% per annum, payable semi-annually, commencing October 1, 1997. They mature annually, beginning April 1, 1998 through April 1, 2009. At June 30, 2008, the Facility had $260,000 principal outstanding on the Series 1997 Bonds. Costs associated with the issuance of the Series 1997 Bonds have been recorded as prepaid expense and are being amortized over the life of the bond issue. Bonds payable activity for the year ended June 30, 2008 was as follows:

Bonds Payable

	Maturity Dates	Beginning Balance	Principal Paid	Ending Balance	Current Portion
Series 1997 Bonds -	2009	$ 510,000	$ 250,000	$ 260,000	$ 260,000
Unamortized Debt Discount				(587)	(587)
Total Bonds Payable				$ 259,413	$ 259,413

Proceeds from the sale of the Series 1997 Bonds, were used (a) to fund the full retirement of The Board of Trustees of the University of Illinois Willard Airport Project Revenue Bonds, Series 1987, and (b) to pay certain expenses relating to the issuance of the Series 1997 Bonds.

The resolution authorizing the University of Illinois Willard Airport Project Revenue Bonds provides 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 Facility revenues, including student tuition and fees as provided for by the Bond Resolution, are to be deposited in the Current Unrestricted Fund and used to pay necessary operation and maintenance expenses of the Facility. The Bond Resolution also requires 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 Resolution 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 Resolution 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 Facility. The reserve may not exceed 20% of the book value of the movable equipment of the Facility. Additions of $84 were made to the Equipment Reserve during the year ended June 30, 2008. No expenditures were made to replace movable equipment during the year ended June 30, 2008. The fund balance of the Equipment Reserve was $23,489 at June 30, 2008.

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 Debt Service Reserve Requirement, as defined. The Debt Service Reserve Requirement means the lesser of (a) the amount transferred from the refunded bond's Debt Service Reserve, or (b) Maximum Annual Net Debt Service. Maximum Annual Net Debt Service means the Maximum Annual Net Debt Service payable in any future fiscal year. As of June 30, 2008, the Debt Service Reserve was funded in excess of the Debt Service Reserve Requirement. If at any time the Debt Service Reserve is less than the Debt Service Reserve Requirement, the Facility is required to restore the Debt Service Reserve to the Debt Service Reserve Requirement by the end of the next fiscal year.

Development Reserve - an amount approved by the Board for Facility development. No transfers were authorized by the Board during the year ended June 30, 2008 and there was no balance in the reserve at June 30, 2008.

The Facility made all required transfers for the year ended June 30, 2008.

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 Facility which are subject to early redemption, (b) to purchase any outstanding bonds for cancellation, or (c) to advance refund any bonds outstanding.

Debt Service Requirements and Security

Future debt service requirements for the Series 1997 Bonds at June 30, 2008 are as follows:

Debt Service Requirements

	Principal	Interest
2009	$ 260,000	$ 13,000
Total Debt Service	$ 260,000	$ 13,000
Unamortized Discount	(587)	
Total Bonds Payable	$ 259,413	

The Maximum Annual Net Debt Service, as defined, for the Series 1997 Bonds is $250,459.

The Series 1997 Bonds do not constitute obligations of the State of Illinois, but are payable solely by the Board from net revenues of the Facility.

NOTE 6 - OTHER OBLIGATIONS

In June 2006, the Facility financed construction costs related to FAA-approved infrastructure projects and a new T-hanger with two internal financing notes with the University. The notes have varying repayment terms and interest rates. The approved loan amounts total $2,290,000 and are being drawn down over a construction period of approximately twenty-eight months which started in June 2006.

Notes Payable

	Maturity Dates	Beginning Balance	New Debt	Principal Paid	Ending Balance	Current Portion
Payable to the University -	2009-2018	$ 290,386	$ 203,474	$ 335,242	$ 158,618	$ 25,000

NOTE 7 - RETIREMENT AND POSTEMPLOYMENT BENEFITS

Substantially all employees of the Facility 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 Facility 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 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 12.88% 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, 2008, 2007, and 2006 were \$174,317,903, \$138,499,000, and \$101,570,000, respectively, equal to the required contributions for each year.

The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Healthcare and Family Services along with the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute towards health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes \$5,000.

The State pays the Facility's portion of employer costs for the benefits provided. The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as an expenditure by the State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Healthcare and Family Services. A copy of the financial statements of the Department of Healthcare and Family Services may be obtained by writing to the Department of Healthcare and Family Services, 201 South Grand Ave., Springfield, Illinois, 62763-3838.

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

Supplemental Information
Schedule of Insurance in Force as of July 1, 2008 (unaudited)

	Insurance Valuation FY08			
Property	Building	Contents	Business Interruption	Total
Airport operations garage (657)	$ 862,835	$ 20,000	$ 20,000	$ 902,835
Airport rescue and firefighting (677)	792,449	95,000	50,000	$ 937,449
Airport residence (684)	186,839	0	0	$ 186,839
Hangars (678/679/680)	2,342,414	0	38,400	$ 2,380,814
Parking lot booth and related equipment (662)	60,480	25,000	75,000	$ 160,480
Snow removal equipment building (656)	1,313,867	50,000	100,000	$ 1,463,867
Terminal building (675)	14,386,257	1,250,000	700,000	$ 16,336,257
Total (1)	$ 19,945,141	$ 1,440,000	$ 983,400	$ 22,368,541
Total amount of insurance (100%)(2)				$ 22,368,541

(1) 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, 2008. The contents are also valued at replacement value.

(2) An insurance policy was issued by Lexington Insurance for the policy period July 1, 2007 through June 30, 2008.

Rental Rates and Occupancy Report
Year Ended June 30, 2008 (unaudited)

Facility	Normal Rental Rates		Average Capacity		Occupancy
Terminal building	$ 29.68 (maximum)	per sq. ft./ per year	18,364	sq. ft.	70%
Parking -					
Commercial spaces -					
Long term and	$ 5.00	per day	550	spaces	50%
Short term combined	$ 1.50	per hour	Shared		Shared
University departments and special	$ 324.00	per year			
Employees	$ 124.00	per year	300	spaces	40%
Students	$ 67.00	per year	Shared		
Control tower	$ 5.09	per sq. ft./ per year	4,913	sq. ft.	100%
T-hangars	$ 115.00	per month	25	planes	100%
	$ 150.00	per month	5	planes	100%
	$ 160.00	per month	2	planes	100%
Fixed base operation -	(Flightstar Corporation)				
Land and building lease - fixed	$56,178				
Commissions	$296,618				
Total	$352,796	per year			

University Enrollment Data as of October 2007(unaudited)

	Undergraduate			Graduate & Professional			
	Urbana - Champaign	Chicago(1)	Springfield	Urbana - Champaign	Chicago(2)	Springfield	Total Enrollment
Headcount							
Fall -							
2003	28,589	16,012	2,052	10,275	10,198	1,588	68,714
2004	29,287	15,448	1,965	10,258	8,959	1,419	67,336
2005	30,453	15,148	2,005	10,141	9,205	1,373	68,325
2006	30,935	14,999	1,987	10,312	9,201	1,375	68,809
2007	30,695	15,672	2,038	10,325	9,453	1,148	69,331
Full-time Equivalent(3)							
Fall -							
2003	28,795	14,602	1,481	12,034	10,583	788	68,283
2004	29,544	14,389	1,536	11,679	9,367	772	67,287
2005	30,991	14,212	1,603	11,485	9,611	815	68,717
2006	31,404	14,171	1,610	11,752	9,606	811	69,354
2007	31,310	14,881	1,657	11,504	9,687	730	69,769

Note: Excludes the following Fall 2007 off-campus enrollments by campus:

UIS - excludes 1,669 off-campus undergraduate and graduate students.

UIUC - excludes 115 students enrolled at the Illini Center (101 Executive MBA and 14 MS Accountancy-Tax), and 1,191 Guided Individual Study and Extramural students.

UIC - Excludes 622 off-campus students.

1) Excludes Residents.

2) Students enrolled in post-professional Dentistry programs are classified as professional students.

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 credit hours divided by 15.

Graduate and Professional student full-time equivalent is computed as the total number of semester credit hours divided by 12. The calculation includes imputed credit hours for students enrolled in coursework for zero credit.