

University of Illinois  
at Urbana-Champaign

Department of  
Nuclear Engineering  
214 Nuclear Engineering  
Laboratory  
103 South Goodwin Avenue  
Urbana, IL 61801-2984

College of Engineering  
217 333-2295  
217 333-2906 fax

29 September 1989

Director  
Office of Nuclear Reactor Regulation  
United States Nuclear Regulatory Commission  
1 White Flint North  
11555 Rockeville Pike  
Rockeville MD 20852  
Attn: Document Control Desk

Dear Sir:

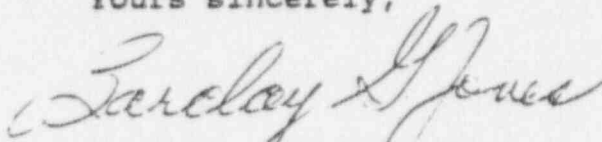
Subject: Request for Renewal Of Operating License R-117  
Docket No. 50-356

The University of Illinois requests that the Reactor License R-117 for the Low Power Reactor Assembly (LOPRA) be renewed for the period 1 November 1989 to 1 November 2009.

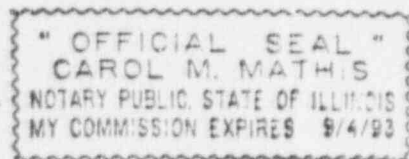
The renewal is primarily intended to continue the utilization of the facility for educational and training purposes. The reactor is ideally suited for this purpose owing to its low gamma background and low fuel burnup. The facility would also be available for student projects and research within the provisions of the present license.

Attached to this request is the information requested in the letter of guidance dated 5 December 1988 from your office.

Yours sincerely,

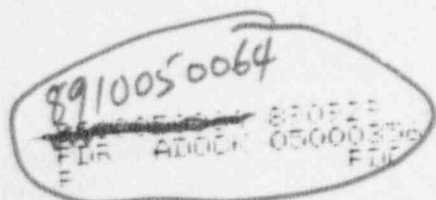


Barclay G. Jones, Head  
Department of Nuclear Engineering



After being duly sworn, the person known to me to be Barclay G. Jones, Head, Department of Nuclear Engineering, University of Illinois at Urbana-Champaign, signed the above this 29<sup>th</sup> day of September, 1989.

*Carol M. Mathis*  
Notary Public



A020  
11

cc: Alexander Adams, Jr., Project Manager  
Standardization and Non-Power Reactor Project  
Directorate  
Division of Reactor Projects - III, IV, V and  
Special Projects  
Office of Nuclear Reactor Projects  
United States Nuclear Regulatory Commission  
Washington, D.C. 20555

Regional Administrator, Region III  
U.S. Nuclear Regulatory Commission  
799 Roosevelt Road  
Glen Ellyn, IL 60137

cc (without attachments):  
Honorable Jeffrey T. Markland  
City Hall  
Post Office Box 219  
Urbana, Illinois 61801

Illinois Department of Nuclear Safety  
Manager, Office of Nuclear Facility Safety  
1035 Outer Park Drive  
Springfield, Illinois 62705

## LICENSE RENEWAL REVIEW ITEMS

### 1. Updated Safety Analysis Report (SAR)

An updated Safety Analysis Report (SAR) is attached. There have been no significant changes in the facility since the previous license renewal on 1 November 1979, and no significant changes in demographic, meteorological, geological, seismological or other phenomenological data.

### 2. Financial Qualifications to Continue Operation

a. The most recently published annual financial statement of the University of Illinois is that for the year ended June 30, 1988 and is attached. The source of funds utilized to cover costs of operation of the LOPRA is primarily State of Illinois appropriations. The reactor is budgeted within the Department of Nuclear Engineering, which had a total income of \$2410289 for the year ended June 30, 1989. The Nuclear Reactor Laboratory income for the same period was \$173690 (\$109288 State appropriation). The share of the Nuclear Reactor Laboratory funding which is required to operate the LOPRA is estimated as 10%, the remainder being attributed to the larger TRIGA facility.

b. The estimated annual cost to operate the LOPRA is \$17369, based on previous budgetary data. Future budgets will include these funds, which primarily include a share of permanent position salaries funded by State appropriations.

c. The estimated costs of decommissioning the reactor are based on DECON criteria (removal of all radioactive and contaminated material down to levels acceptable for unrestricted use) and include the costs of dismantling, packaging, transport, and disposal of the core support structure and instrumentation. The cost of transport and disposal of the fuel elements are not included, this responsibility resting with the Contractor under Subcontract no C87-101376 (DE-AC07-76ER01623) for Reactor Fuel Assistance. The LOPRA is housed in the Bulk Shielding Tank (BST) of the TRIGA reactor. Removal of the BST is not considered to be part of the decommissioning of the LOPRA. The total cost estimate is \$20,000, the greater part of which is labor cost for University employees. The work would be scheduled over a period of two years to allow for decay of some components and to allow for work schedules of existing employees. Thus the cost will not exceed the annually budgeted cost of operation and will not be dependent on special, additional appropriations.

It is also possible that if the LOPRA were to be decommissioned, it could be converted to an unlicensed

subcritical experiment from which it evolved, and which is still authorized under the Advanced TRIGA license, No. R-115.

3. Environmental Report (10 CFR 51)

The LOPRA is housed in the existing structure that was built for the TRIGA reactor (license no. R-115). A complete description of the site is contained in Section II of the "Safety Analysis Report for the Illinois Advanced TRIGA". There were no environmental effects on the area resulting from the installation of the LOPRA facility.

The only utility services attached to the building are those required for the operation of a laboratory facility. Heat is dissipated from the building through the use of air conditioners and an exhaust system that passes through normal and absolute filters. Because of the reactor's low power, there is no cooling system other than the evaporation of water from the pool. Make-up water is supplied by demineralizing city water. The radioactive effluents and wastes are negligible in comparison with the TRIGA operation.

Above normal dose rates can be measured in the vicinity of the pool and just outside the building when the LOPRA is operated above 1.0 kW. During the seventeen years of operation, the average reactor energy output has been 8 kw-hours per year. Thus, the total dose equivalent adjacent to the outside of the building has been less than 2 mrem per year. This area is a service and parking area where normal occupancy by individuals is less than five minutes per day. Direct supervisory restrictions, in accordance with ALARA principles, are placed on the movements of individuals within the building when operating power exceeds 1.0 kW.

There are negligible effects from any accident that could result in the rupture of fuel element cladding. Reference is made to a May 7, 1975 report (attached) in which replacement of cladding on several fuel elements was described. Elements with perforations in the cladding were heated while the exhaust was drawn directly to a CAM filter. During that time there was no change noted in the CAM counting rate. There have been no subsequent instances in which cladding leaks have been suspected.

The benefits of the operation far exceed the small financial and negligible environmental costs of operation. The major benefit from the facility is the educational and training benefit to students in the Nuclear Engineering

Department and to those in training for a reactor operating license. These benefits arise from the high precision with which reactor parameters can be demonstrated during approach to critical and on attaining criticality.

4. Technical Specifications

Technical Specifications for the LOPRA, Amendment No. 5, are submitted herewith. No substantive changes are proposed from the previously approved Technical Specifications, Amendment No. 4.

5. Operator Regualification Program

Enclosed for review is a copy our currently approved Operator Regualification Program as approved by USNRC dated January 10, 1975.

6. Physical Security Plan

The University of Illinois Physical Security Plan has been approved by the USNRC and is part of the licence (R-115, Docket No. 50-151) for the University of Illinois Advanced TRIGA nuclear reactor. The Physical Security Plan became part of Licence R-115 as Amendment # 4, effective date 03-08-81. This plan was last reviewed on 02-09-89.

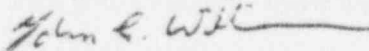
7. Emergency Plan

The University of Illinois Emergency Plan for the University of Illinois Advanced TRIGA and LOPRA nuclear reactors (R-115, Docket No. 50-151 and R-117, Docket Number 50-356) was accepted and approved by USNRC on November 16, 1984. The Emergency Plan was fully implemented as of March 16, 1985. This plan was last reviewed on 05-11-89.

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Financial data contained herein have been prepared from departmental records and other data by the undersigned,

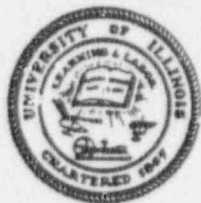
Respectfully submitted,



John G. Williams, Director  
Nuclear Reactor Laboratory

Date: 28 Sept 1989

UNIVERSITY OF ILLINOIS



**REPORT OF THE  
COMPTROLLER**

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**YEAR ENDED JUNE 30, 1988**

**CRAIG S. BAZZANI, COMPTROLLER**

UNIVERSITY OF ILLINOIS



# REPORT OF THE COMPTROLLER

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YEAR ENDED JUNE 30, 1988

CRAIG S. BAZZANI, COMPTROLLER

PUBLISHED BY THE UNIVERSITY OF ILLINOIS  
URBANA, ILLINOIS 1988

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UNIVERSITY OF ILLINOIS

OFFICE OF

Vice President for Business and Finance, Comptroller

CHICAGO

URBANA CHAMPAIGN

349 Administration Building · 506 South Wright Street · Urbana, Illinois 61801

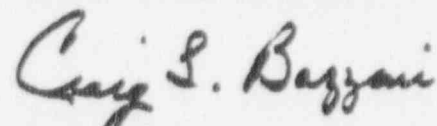
President Stanley O. Ikenberry  
and  
The Board of Trustees  
University of Illinois

I am pleased to transmit the Annual Report of the Comptroller of the University of Illinois for the fiscal year ended June 30, 1988. This report is supplemented by the Annual Report of the University of Illinois Auxiliary Facilities System, the Annual Report of the Construction Engineering Research Laboratory, and the Annual Report of the Willard Airport Facility, which are issued under separate cover.

The year 1987-88 marks the 120th year of the operation of the University. Prior to 1911, statements of the financial operations appeared only in the proceedings of The Board of Trustees which since 1909 have contained the annual and biennial budgets. Since July 1, 1911, separate reports have been published showing the financial operations of each year. These reports are intended to form a comprehensive and permanent record of the finances of the University for the periods covered for the information and reference of all persons concerned or interested.

The financial statements of the University for the past year have been examined by Grant Thornton, Certified Public Accountants, and their report follows. Grant Thornton has also prepared a report for the year ended June 30, 1988 containing special data requested by the Auditor General of the State of Illinois and another report covering their audit of the compliance of the University with applicable state and federal laws and regulations for the two years ended June 30, 1988. These reports are not contained herein and are primarily for the use of the State Auditor General and federal agencies.

Respectfully submitted,




Craig S. Bazzani  
Vice President for  
Business and Finance,  
Comptroller

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Grant Thornton 

Accountants and  
Management Consultants

The U.S. Member Firm of  
Grant Thornton International

The Honorable Robert G. Cronson  
Auditor General, State of Illinois  
and  
The Board of Trustees  
University of Illinois

As Special Assistant Auditors for the Auditor General, State of Illinois, we have audited the accompanying balance sheets of the University of Illinois (University) as of June 30, 1988 and 1987, and the related statement of changes in fund balances (deficit) and the statement of current funds revenues, expenditures and other changes for the year ended June 30, 1988. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the "Standards for Audits of Governmental Organizations, Programs, Activities and Functions" 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 that our audits provide a reasonable basis for our opinion. We previously audited the financial statements of the University as of June 30, 1987 and for the year then ended, from which the accompanying comparative totals for 1987 were derived.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University at June 30, 1988 and 1987, and the changes in fund balances (deficit) and current funds revenues, expenditures and other changes for the year ended June 30, 1988, in conformity with generally accepted accounting principles.

*Grant Thornton*

Chicago, Illinois  
November 3, 1988

ASSETS

	<u>1988</u>	<u>1987</u>
Current funds:		
Unrestricted -		
Assets held by State Treasurer - University Income Fund . . . . .	\$ 17,893,340	\$ 15,341,462
Claim on cash and pooled investments . . . . .	17,643,827	15,889,847
Investments . . . . .	30,537,525	16,129,694
Accrued investment income . . . . .	540,410	386,063
Receivable from State of Illinois General Revenue Fund . . . . .	9,402,778	10,075,801
Accounts receivable (less allowance for doubtful accounts of \$110,256,000 in 1988 and \$107,900,000 in 1987) . . . . .	65,179,617	57,617,654
Inventories and deferred charges . . . . .	22,541,011	22,739,643
Total unrestricted . . . . .	<u>163,738,608</u>	<u>138,180,164</u>
Restricted -		
Claim on cash and pooled investments . . . . .	31,678,240	23,172,024
Investments . . . . .	13,634,543	17,897,739
Accrued investment income . . . . .	586,215	829,667
Accounts receivable (less allowance for doubtful accounts of \$14,832,000 in 1988 and \$16,850,000 in 1987) . . . . .	39,838,157	39,137,035
Inventories . . . . .	350,247	12,171
Total restricted . . . . .	<u>86,087,402</u>	<u>81,048,636</u>
Total current funds . . . . .	<u>\$ 249,826,010</u>	<u>\$ 219,228,800</u>
Loan funds:		
Claim on cash and pooled investments . . . . .	\$ 4,421,844	\$ 5,142,766
Investments . . . . .	193,031	469,846
Accrued investment income . . . . .	33,788	31,739
Notes receivable (less allowance for doubtful notes of \$5,332,000 in 1988 and \$5,640,000 in 1987) . . . . .	29,264,681	26,578,085
Other assets . . . . .	69,100	69,100
Total loan funds . . . . .	<u>\$ 34,082,444</u>	<u>\$ 32,291,536</u>
Endowment and similar funds:		
Claim on cash . . . . .	\$ 51,412	\$ 245,231
Investments . . . . .	34,609,142	29,879,713
Real estate and farm properties . . . . .	5,724,267	5,723,562
Accrued investment income . . . . .	893	
United States land grant fund assumed by State of Illinois . . . . .	649,013	649,013
Total endowment and similar funds . . . . .	<u>\$ 41,034,827</u>	<u>\$ 36,597,519</u>
Plant funds:		
Claim on cash and pooled investments . . . . .	\$ 17,735,075	\$ 17,448,633
Investments . . . . .	49,160,899	64,632,126
Accounts receivable . . . . .	1,009,376	
Accrued investment income . . . . .	890,439	1,605,608
Prepaid expense . . . . .	13,320,000	14,800,000
Investment in plant -		
Land . . . . .	37,170,699	32,728,325
Buildings . . . . .	802,876,931	777,207,759
Improvements other than buildings . . . . .	80,547,234	78,094,982
Equipment . . . . .	711,502,985	643,785,269
Construction in progress . . . . .	93,242,933	41,108,840
Total plant funds . . . . .	<u>\$1,807,556,571</u>	<u>\$1,691,409,542</u>
Agency funds:		
Claim on cash and pooled investments . . . . .	<u>\$ 1,855,486</u>	<u>\$ 3,854,989</u>

See accompanying notes to financial statements.

LIABILITIES AND FUND BALANCES (Deficit)

	1988	1987
Current funds:		
Unrestricted -		
Accounts payable . . . . .	\$ 29,652,873	\$ 28,085,881
Accrued payroll . . . . .	35,613,987	35,778,837
Accrued compensated absences . . . . .	63,858,759	55,665,044
Deferred revenue and student deposits . . . . .	14,206,034	13,610,337
Accrued self insurance . . . . .	40,652,836	24,704,347
Fund deficits . . . . .	(20,375,881)	(18,664,282)
Total unrestricted . . . . .	163,738,808	138,180,164
Restricted -		
Accounts payable . . . . .	5,497,730	5,378,153
Accrued payroll . . . . .	4,446,157	4,623,440
Accrued compensated absences . . . . .	3,252,880	2,718,882
Fund balances . . . . .	72,890,635	68,328,161
Total restricted . . . . .	86,087,402	81,048,636
Total current funds . . . . .	\$ 249,826,010	\$ 219,228,800
Loan funds:		
Accounts payable . . . . .	\$ 48,387	\$ 198,736
Fund balances -		
Fundable Federal loan funds - restricted . . . . .	23,665,610	22,459,061
Private gifts and other - restricted . . . . .	7,720,893	7,145,303
State matching funds . . . . .	2,647,574	2,488,936
Total fund balances . . . . .	34,034,077	32,083,300
Total loan funds . . . . .	\$ 34,082,444	\$ 32,291,536
Endowment and similar funds:		
Fund balances -		
Endowments - restricted . . . . .	\$ 18,093,415	\$ 16,669,247
Quasi-endowments - restricted . . . . .	22,156,332	19,143,251
Living trusts - restricted . . . . .	136,067	136,008
United States land grant - unrestricted . . . . .	649,013	649,013
Total endowment and similar funds . . . . .	\$ 41,034,827	\$ 36,597,519
Plant funds:		
Accounts payable . . . . .	\$ 8,986,625	\$ 7,226,793
Accrued interest . . . . .	733,621	782,767
Bonds payable . . . . .	138,608,082	133,276,357
Leaseholds payable . . . . .	60,772,687	60,932,766
Fund balances -		
Unexpended - restricted . . . . .	12,018,128	38,995,550
Renewals and replacements - restricted . . . . .	10,863,872	11,874,894
Retirement of indebtedness - restricted . . . . .	21,359,316	20,242,066
Net investment in plant . . . . .	1,553,313,040	1,417,968,347
Total plant funds . . . . .	\$1,557,556,571	\$1,691,409,542
Agency funds:		
Assets held in custody for others . . . . .	\$ 1,955,486	\$ 3,854,989

UNIVERSITY OF ILLINOIS  
 STATEMENT OF CHANGES IN FUND BALANCES (DEFICIT)  
 YEAR ENDED JUNE 30, 1988 WITH COMPARATIVE TOTALS FOR 1987

	CURRENT FUNDS		LOAN FUNDS
	UNRESTRICTED	RESTRICTED	
<b>Revenues and other additions:</b>			
Unrestricted current funds revenues . . . . .	\$21,759,846	\$	\$
Federal appropriations . . . . .		15,461,864	
Medical service plan . . . . .		33,418,598	
Restricted gifts, grants and contracts -			
Private . . . . .		77,853,225	596,633
Federal . . . . .		180,211,354	603,215
State of Illinois . . . . .		27,857,107	
Investment income - restricted . . . . .		5,777,242	695,171
Net realized gains on investments - restricted . . . . .			
State appropriations, restricted . . . . .			
Interest and service charges on student loans . . . . .			680,743
Decrease in allowance for uncollectable notes . . . . .			307,796
Additions to plant facilities -			
From current funds expenditures . . . . .			
From plant funds expenditures . . . . .			
From other State of Illinois agencies, principally Capital Development Board . . . . .			
Acquired through capital leases . . . . .			
Retirement of indebtedness -			
Bonds defeased . . . . .			
Bond principal payments . . . . .			
Bond proceeds net of underwriters' fees (50 in 1988 and \$1,072,619 in 1987) . . . . .			
Increase of equity in capitalized leased assets -			
Adjustment in equity in capitalized leased assets . . . . .			
Lease principal payments . . . . .			
Other . . . . .		1,457,066	476
<b>Total revenues and other additions . . . . .</b>	<b>\$21,759,846</b>	<b>341,857,476</b>	<b>2,684,034</b>
<b>Expenditures and other deductions:</b>			
Educational and general expenditures . . . . .	668,676,821	278,610,128	
Auxiliary enterprises expenditures . . . . .	99,307,669	2,208	
Hospital expenditures . . . . .	120,357,231	57,384	
Independent operations expenditures . . . . .	4,580,976	22,950	
Indirect costs recovered . . . . .		48,472,078	
Educational and administrative allowances recovered . . . . .		590,201	
Refunds to grantors . . . . .		518,515	230,478
Student notes receivable assigned to U. S. Government . . . . .			107,413
Cancellation of loans under terms of gifts and grants . . . . .			81,752
Increase in leaseholds payable . . . . .			
Expended for plant facilities -			
Capitalized expenditures -			
Land . . . . .			
Buildings . . . . .			
Improvements other than buildings . . . . .			
Equipment . . . . .			
Noncapitalized expenditures . . . . .			
Deposit to advance refunding escrow . . . . .			
Retirement of indebtedness . . . . .			
Interest on indebtedness . . . . .			
Bonds issued . . . . .			
Capital appreciation on bonds payable . . . . .			
Trade-ins, disposals and property adjustments . . . . .			
Payments to beneficiaries of life income trusts . . . . .			
Amortization of prepaid expense . . . . .			
Other deductions . . . . .			
<b>Total expenditures and other deductions . . . . .</b>	<b>\$22,922,697</b>	<b>328,273,364</b>	<b>419,643</b>

Continued on following page.

ENDOWMENT AND SIMILAR FUNDS	PLANT FUNDS				COMBINED TOTALS 1968	COMBINED TOTALS 1967 (MEMO ONLY)
	UNEXPENDED	RENEWALS AND REPLACEMENTS	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT		
\$	\$	\$	\$	\$	\$ 921,759,846	\$ 905,311,786
					15,481,884	14,136,400
					33,419,598	31,626,822
182,060	3,283,009	65,000		9,508,170	91,488,097	118,112,618
	3,466,636			2,113,379	186,394,584	168,859,740
	32,380				27,689,487	26,399,714
	3,161,874	657,888	814,103		11,106,378	11,812,261
2,768,044					2,768,044	1,667,449
	1,043,526				1,043,526	8,747,178
					880,743	800,546
					307,186	1,050,789
				64,397,527	64,397,527	77,655,032
				56,864,534	56,864,534	41,706,639
		16,547,528		15,442,255	31,989,783	11,316,796
				13,424,176	13,424,176	53,265,487
				10,335,000	10,335,000	28,576,662
	6,907,500		793,526		7,701,026	45,562,979
				56,500	56,500	6,742,764
				13,527,757	13,527,757	14,384,400
705			291,567		1,749,814	1,067,547
2,950,809	17,894,825	17,270,516	1,899,198	185,669,298	1,492,186,102	1,579,147,609
					147,286,949	920,585,948
					29,309,877	92,308,172
					120,414,615	118,669,329
					4,803,926	4,336,139
					48,472,078	43,935,946
					590,201	277,299
	12,071				760,964	646,664
					107,413	1,403,600
					81,752	44,201
				13,424,176	13,424,176	57,465,487
	1,621,249				1,621,249	3,824,403
	50,512,284	1,444,742			51,957,026	35,069,437
	2,160,303	(3,366)			2,156,937	1,333,097
	724,977	404,345			1,129,322	1,479,702
	1,564,174	20,489,621			22,053,795	7,158,518
			293,175		293,175	39,913,064
			23,862,757		23,862,757	24,398,400
			8,158,266		8,158,266	5,619,625
	6,907,500			767,500	7,675,000	46,635,598
				7,991,725	7,991,725	7,310,468
				9,232,434	9,232,434	46,462,061
18,719					18,719	20,191
				1,480,000	1,480,000	
267					267	703
19,006	63,502,558	22,335,342	32,314,198	32,895,835	1,372,862,643	1,458,898,052

UNIVERSITY OF ILLINOIS  
 STATEMENT OF CHANGES IN FUND BALANCES (DEFICIT) (Continued)  
 YEAR ENDED JUNE 30, 1988 WITH COMPARATIVE TOTALS FOR 1987

	CURRENT FUNDS		LOAN FUNDS
	UNRESTRICTED	RESTRICTED	
Transfers - additions (deductions):			
Mandatory -			
Renewals and replacements . . . . .	\$ (3,589,170)	\$	\$
Retirement of indebtedness . . . . .	(24,299,338)	(5,760,517)	
Student loan matching . . . . .	(50,000)		50,000
Investment income utilized for bond and interest sinking fund . . . . .			
Bond principal utilized for bond and interest sinking fund . . . . .			
Non-mandatory -			
Bond principal utilized for capitalized and noncapitalized expenditures . . . . .	(367,367)		
Renewals and replacements . . . . .	(1,242,873)	(3,261,121)	(573,614)
Other, net . . . . .			
Total transfers . . . . .	<u>(29,548,748)</u>	<u>(8,221,638)</u>	<u>(523,614)</u>
Increase (decrease) in fund balances . . . . .	(711,599)	4,562,474	1,940,777
Fund balances (deficit) at beginning of year . . . . .	<u>(19,664,282)</u>	<u>68,328,161</u>	<u>32,093,300</u>
Fund balances (deficit) at end of year . . . . .	<u><u>\$(20,375,881)</u></u>	<u><u>\$ 72,890,635</u></u>	<u><u>\$34,034,077</u></u>

See accompanying notes to financial statements.



ENDOWMENT AND SIMILAR FUNDS	PLANT FUNDS				COMBINED TOTALS 1988	COMBINED TOTALS 1987 (MEMO ONLY)
	UNEXPENDED	RENEWALS AND REPLACEMENTS	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT		
\$	\$	\$ 3,589,170	\$	\$	\$	\$
	(527,782)		30,587,817			
	(941,013)		941,013			
	(3,620)		3,620			
	17,426,770			(17,426,770)		
		367,367				
1,505,505	3,575,836	(3,733)				
1,505,505	19,530,211	3,952,804	31,532,250	(17,426,770)		
4,437,308	(26,077,422)	(1,112,022)	1,117,250	135,346,893	119,503,459	120,249,557
36,597,519	38,995,550	11,974,894	20,242,066	1,417,988,347	1,606,535,555	1,486,285,898
\$41,034,827	\$ 12,918,128	\$10,862,872	\$21,359,316	\$1,553,315,040	\$1,726,039,014	\$1,606,535,555

UNIVERSITY OF ILLINOIS  
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES  
YEAR ENDED JUNE 30, 1988 WITH COMPARATIVE TOTALS FOR 1987

	UNRESTRICTED			TOTAL 1988	COMBINED TOTAL 1987 (MEMO ONLY)
	STATE APPROPRIATIONS	OTHER	RESTRICTED		
<b>Revenues:</b>					
Educational and general -					
Student tuition and fees . . . . .	\$128,889,005	\$	\$	\$ 128,889,005	\$ 112,596,902
State appropriations . . . . .	464,953,333			464,953,333	486,042,142
Federal appropriations . . . . .			15,099,236	15,099,236	15,801,149
Federal grants and contracts . . . . .		42,609,879	137,515,249	180,125,128	168,449,087
State of Illinois grants and contracts . . . . .		1,379,710	26,010,465	27,390,195	26,387,863
Private gifts, grants and contracts . . . . .		5,503,345	65,765,911	71,269,256	66,569,690
Endowment income . . . . .	32,451		2,984,518	3,016,969	3,212,886
Other sources . . . . .	4,047,667	45,491,760	37,077,788	86,617,415	70,080,243
<b>Total educational and general revenue . . . . .</b>	<b>597,722,656</b>	<b>94,984,694</b>	<b>284,453,187</b>	<b>977,160,537</b>	<b>949,133,962</b>
Sales and services of auxiliary enterprises . . . . .		118,904,356		118,904,356	113,790,654
Sales and services of hospital . . . . .		105,465,415		105,465,415	105,266,978
Independent operations . . . . .		4,682,725		4,682,725	4,148,169
<b>Total revenues . . . . .</b>	<b>597,722,656</b>	<b>324,037,190</b>	<b>284,453,187</b>	<b>1,206,213,039</b>	<b>1,172,339,763</b>
<b>Expenditures and mandatory transfers:</b>					
Educational and general -					
Instruction . . . . .	249,807,327	7,971,168	44,752,246	302,530,741	298,506,264
Research . . . . .	32,472,012	21,783,566	157,045,692	211,311,270	199,647,690
Public service . . . . .	33,851,695	20,525,063	47,686,007	102,062,765	93,851,174
Academic support . . . . .	87,529,179	11,536,636	2,341,246	101,407,061	105,844,996
Student services . . . . .	15,059,011	477,620	735,524	16,272,155	15,743,193
Institutional support . . . . .	54,071,078	10,715,790	2,094,845	66,881,713	67,867,281
Operation and maintenance of plant . . . . .	72,439,859	23,792,922	307,532	86,540,413	85,009,218
Scholarships and fellowships . . . . .	34,682,699	1,951,096	23,647,036	60,280,831	54,116,132
<b>Total educational and general expenditures . . . . .</b>	<b>579,912,960</b>	<b>88,763,861</b>	<b>276,610,128</b>	<b>947,286,949</b>	<b>920,565,948</b>
Mandatory transfers for -					
Retirement of indebtedness . . . . .	3,213,462	7,762,754	5,760,517	16,736,733	14,921,489
Student loan matching grant . . . . .	50,000			50,000	15,158
<b>Total educational and general . . . . .</b>	<b>583,176,422</b>	<b>96,526,615</b>	<b>284,370,645</b>	<b>964,073,682</b>	<b>935,522,595</b>
Auxiliary enterprises -					
Expenditures . . . . .		99,307,669	2,208	99,309,877	92,308,172
Mandatory transfers for -					
Renewals and replacements . . . . .		3,589,170		3,589,170	3,429,450
Retirement of indebtedness . . . . .		12,040,692		12,040,692	9,001,634
<b>Total auxiliary enterprises . . . . .</b>		<b>114,937,531</b>	<b>2,208</b>	<b>114,939,739</b>	<b>104,739,256</b>
Hospital -					
Expenditures . . . . .	15,509,933	104,847,298	57,384	120,414,615	118,669,329
Mandatory transfers for retirement of indebtedness . . . . .		1,192,244		1,192,244	1,531,934
<b>Total hospital . . . . .</b>	<b>15,509,933</b>	<b>106,039,542</b>	<b>57,384</b>	<b>121,606,859</b>	<b>120,201,263</b>
Independent operations -					
Expenditures . . . . .	402,822	4,178,154	22,850	4,603,826	4,336,139
Mandatory transfers for retirement of indebtedness . . . . .		90,186		90,186	62,960
<b>Total independent operations . . . . .</b>	<b>402,822</b>	<b>4,268,340</b>	<b>22,850</b>	<b>4,694,112</b>	<b>4,399,100</b>
<b>Total expenditures and mandatory transfers . . . . .</b>	<b>599,089,177</b>	<b>321,772,028</b>	<b>284,453,187</b>	<b>1,205,314,392</b>	<b>1,164,861,613</b>

UNIVERSITY OF ILLINOIS  
 STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES (Continued)  
 YEAR ENDED JUNE 30, 1988 WITH COMPARATIVE TOTALS FOR 1987

	UNRESTRICTED			TOTAL 1988	COMBINED TOTAL 1987 (MEMO ONLY)
	STATE APPROPRIATIONS	OTHER	RESTRICTED		
Other transfers and additions (deductions):					
Excess of restricted receipts over					
transfers to revenues . . . . .	\$	\$	\$ 8,342,010	\$ 8,342,010	\$ 7,723,690
Refunds to grantors . . . . .			(518,415)	(518,415)	(198,029)
Inter-fund transfers -					
Current funds . . . . .	(1,370,699)	2,542,877	(1,172,178)	573,317	280,356
Loan funds . . . . .		653,877	(80,656)	(1,505,207)	(105,011)
Endowment and similar funds . . . . .					
Plant funds -					
Unexpended . . . . .		(3,072,759)	(503,078)	(3,575,837)	(2,425,002)
Renewals and replacements . . . . .		(363,634)		(363,634)	(2,283,195)
Total other transfers and					
additions (deductions) . . . . .	(1,370,699)	(239,541)	4,562,474	2,952,234	2,994,808
Total increase (decrease) in					
fund balances . . . . .	\$ (2,737,220)	\$ 2,025,621	\$ 4,562,474	\$ 3,850,875	\$ 10,472,958

See accompanying notes to financial statements.

UNIVERSITY OF ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

1 - Summary of Significant Accounting Policies

The University of Illinois (University), a federal land grant institution and an agency of the State of Illinois, conducts education, research and public service and related activities principally at its two campuses in Urbana-Champaign and Chicago which includes the University of Illinois Hospital (Hospital) and other health care facilities. The governing body of the University is The Board of Trustees of the University of Illinois (Board). The accompanying financial statements present the combined financial position and financial activities of the University's various operations, including certain activities and expenditures funded by other State agencies on behalf of the University or its employees. The accounts of the University of Illinois Foundation, The Athletic Association of the University of Illinois at Urbana-Champaign and The University of Illinois Alumni Association, related organizations which conduct principally fund raising activities and collegiate athletics on behalf of the University, are not included in the accompanying financial statements (Note 7).

Basis of presentation

The financial statements of the University are prepared on the accrual basis of accounting, except for depreciation accounting as explained below.

The accounts of the University are maintained in accordance with the principles of fund accounting. Under fund accounting, resources are classified for accounting and reporting purposes into funds according to specified activities or objectives. Separate accounts are maintained for each fund; however, funds with similar characteristics are combined into fund groups in the accompanying financial statements.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds. Restricted resources may only be used for the purposes established by the source of such funds. Included in Current Unrestricted Funds is the University of Illinois Income Fund (University Income Fund) which consists of student tuition and fees that, by law, are deposited with the State Treasurer. These funds must be appropriated by the State Legislature before they can be expended.

The Statement of Current Funds Revenues, Expenditures and Other Changes is a statement of financial activities of the Current Funds. It does not purport to present the overall results of operations of the University as would a statement of revenues and expenses. In the accompanying financial statements, the use of Current Funds to acquire or finance assets of the Plant Funds is accounted for as (a) expenditures in the case of the normal replacement of equipment and ordinary repairs and maintenance and (b) mandatory and other transfers when providing for debt service, repair and replacement reserves and all other cases.

Claim on cash and pooled investments

Various University funds have cash and certain investments which are pooled for the purpose of securing a greater return on investment and providing an equitable distribution of investment return. Pooled investments, which consist principally of U. S. Government and government agency securities, time deposits, corporate commercial paper, and short to intermediate term mutual fund investments, are stated at cost which approximates market. Income is distributed based upon average quarterly balances invested in the pool. Total claim on cash and pooled investments included net cash overdraft book balances of \$8,478,115 and net cash balances of \$3,156,340 at June 30, 1988 and 1987, respectively. Total bank balance at June 30, 1988 was \$2,858,754 of which \$1,166,755 was covered by federal depository insurance or collateral held by a third party, \$187,779 was covered by collateral held in the pledging bank's trust department in the University's name, and \$1,504,220 was uninsured and uncollateralized.

Investments

Investments, including real estate and farm properties, are stated at cost or, when donated, at the fair market value at the date of donation. Investment income, including gains and losses resulting from the sale or other disposition of investments, is recognized in the fund which owned such investments, except for income derived from investments of the Endowment and Similar funds which is recognized in the funds to which the income is restricted.

Illinois Statutes and Board of Trustee's policy authorize the University to invest in obligations of the U. S. Treasury, agencies, and instrumentalities, bank and savings and loan time deposits, corporate bonds, stock and commercial paper, repurchase agreements, and mutual funds. The University did not enter into any repurchase agreements for the year ended June 30, 1988.

The University's investments, including pooled investments but excluding real estate and farm properties, are categorized below to give an indication of the level of risk assumed by the University at June 30, 1988. Category 1 includes investments that are insured or registered or for which the securities are held by the University or its agent in the University's name. Category 2 includes uninsured and unregistered investments for which the securities (or collateral) are held by the broker's or dealer's trust department or agent in the University's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the University's name.

	Category			Carrying Amount	Market Value
	1	2	3		
Certificate of Deposits	\$400,000	\$ 3,000,000		\$ 3,400,000	\$ 3,400,000
U. S. Government Securities		\$9,139,304	\$ 1,063,767	70,203,071	70,098,909
Commercial Paper			33,438,631	33,438,631	33,476,250
Corporate Bonds			1,700	1,700	85
Corporate Stock		179,250	9,135	188,385	279,343
	<u>\$400,000</u>	<u>\$72,318,554</u>	<u>\$34,513,233</u>	<u>107,231,787</u>	<u>107,254,587</u>
Mutual Funds - Bonds				21,461,410	21,943,625
Mutual Funds - Stocks				20,588,958	17,943,833
Mutual Funds - Money Market				60,127,314	60,127,314
Equity in UI HMO				390,770	390,770
Equity in MedCare HMO				300,000	300,000
Total Investments				<u>\$210,100,239</u>	<u>\$207,960,129</u>

#### Inventories

Inventories are stated at the lower of cost or market.

#### Investment in plant

Investment in plant is carried at cost or, when donated, at the fair market value at the date of donation. In accordance with generally accepted accounting principles for colleges and universities, the University does not record depreciation on these assets.

Additions to the University's investment in plant financed by the State of Illinois Capital Development Board (CDB) are recorded by the University as the funds are expended by the CDB. Expenditures of the CDB for University-related repair and maintenance projects are recorded as expenditures from and additions to the University's Plant Funds.

#### Accrued self insurance

Accrued self insurance of \$40,652,836 and \$24,704,347 for the years ended June 30, 1988 and 1987, respectively, covers hospital patient liability; hospital and medical professional liability; estimated general and contract liability; and workers' compensation liability relative to employees paid from local funds. Amounts increasing the self-insurance liability are charged to Current Funds expenditures based upon estimates made by actuaries. Workers' compensation self insurance of \$3,900,000 and \$4,800,000 at June 30, 1988 and 1987, respectively, for the estimated liability related to employees who are paid from State appropriations are included in Accounts Payable. These claims will be paid from State appropriations in the year in which the claims are finalized, rather than from the current unrestricted funds at June 30, 1988 and 1987.

Accrued self insurance includes \$30,091,899 and \$16,866,754 at June 30, 1988 and 1987, respectively, for the most probable and reasonably estimable ultimate cost of uninsured medical malpractice liabilities recorded in accordance with the American Institute of Certified Public Accountants Statement of Position 87-1, "Accounting for Asserted and Unasserted Material Malpractice Claims of Health Care Providers and Related Issues". Ultimate cost consists of amounts determined by actuaries, using relevant industry data and hospital specific data to cover asserted claims, reported unasserted claims, projected losses for claims incurred but not reported, and estimated litigation expenses. The University has contracted with several commercial carriers to provide varying levels and upper limits of excess indemnity coverage. These coverages have been considered by the actuaries in determining the required self-insurance liability balances.

As of June 30, 1988, the self-insurance liability of \$40,652,836 has been fully funded. This amount has been discounted to account for future expected earnings on invested assets. The undiscounted carrying amount of the self-insurance liability is \$51,588,717 and \$33,041,711 at June 30, 1988 and 1987, respectively.

### Revenue recognition

Appropriations made from the State of Illinois General Revenue Fund for the benefit of the University are recognized as revenues to the extent expended, limited to available appropriations.

Tuition and fees, except for the Summer Session, are recognized as revenues as they are assessed. The portion of Summer Session tuition and fees applicable to the following fiscal year is deferred. The value of tuition and fee exemptions awarded to graduate assistants, staff members and others is included in both revenues from student tuition and fees and in expenditures for scholarships and fellowships. These exemptions amounted to \$32,858,680 and \$27,741,101 in 1986 and 1987, respectively.

Current Restricted Funds which are received or receivable from external sources are recognized as revenues to the extent of related expenditures on the accrual basis and as additions to fund balance (excess of restricted receipts over transfers to revenues) to the extent funds are received in excess of expenditures.

### Expenditure recognition

Employment contracts for certain academic personnel provide for twelve monthly salary payments, although the contracted services are rendered during a nine month period. The liability for those employees who have completed their contracted services, but have not yet received final payment, was approximately \$18,900,000 and \$18,600,000 at June 30, 1986 and 1987, respectively, and is recorded in the accompanying financial statements. These amounts were subsequently paid from amounts specifically included in State of Illinois General Revenue Fund appropriations to the University for fiscal years 1989 and 1988, respectively, rather than from the Current Unrestricted Funds at June 30, 1986 and 1987.

Substantially all employees participate in group health insurance plans administered by the State of Illinois. The employer contributions to these plans on behalf of University employees paid by State appropriations and auxiliary enterprises are funded from separate State appropriations to another State agency and are not reflected in the accompanying financial statements. The amount of such contributions cannot be determined. The employer contributions to these plans on behalf of employees paid from other University-held funds are paid by the University.

Accrued compensated absences for University personnel are charged to Current Funds based on earned but unused vacation and sick leave days. At June 30, 1986 and 1987, the University estimates that \$34,000,000 and \$39,000,000, respectively, of the accrued compensated absences liability will be paid out of State of Illinois General Revenue Fund appropriations to the University in years subsequent to June 30, 1986 and 1987, respectively, rather than from Current Unrestricted Funds available at June 30, 1986 and 1987.

### 2 - Investments

Investments of the Current, Loan and Plant Funds consist principally of United States Government and government agency securities, certificates of deposit and similar short-term investments. The carrying value of these investments approximates market value.

The carrying value and approximate market value of investments of Endowment and Similar Funds at June 30, 1986 and 1987 were as follows:

	<u>1986</u>		<u>1987</u>	
	<u>Carrying Value</u>	<u>Market</u>	<u>Carrying Value</u>	<u>Market</u>
Certificates of Deposit and Money Market funds	\$ 3,501,013	\$ 3,501,013		
United States Government and government agency securities			\$14,289,339	\$14,794,933
Corporate bonds and commercial paper	10,340,671	11,038,804	7,657,836	7,550,756
Common and preferred stocks	20,767,428	18,219,673	6,032,536	10,892,115
Total	<u>\$34,609,142</u>	<u>\$32,759,790</u>	<u>\$29,979,713</u>	<u>\$33,237,804</u>

Endowment and Similar Funds also include real estate and farm properties, the income from which is included in endowment income.

### 3 - Funds Held in Trust by Others

The University is an income beneficiary of several irrevocable trusts which are held and administered by outside fiscal agents. The University has no control over these funds as to either investment decisions or income distributions, thus the principal is not recorded in the accompanying

financial statements. The market value of these funds at June 30, 1986 and 1987 and the amount of income received from their trustees during the years then ended were as follows:

	<u>1986</u>	<u>1987</u>
Market value of funds held in trust by others	\$11,107,128	\$10,753,352
Income received from funds held in trust by others	460,716	554,839

#### 4 - Bonds Payable

At June 30, 1988, bonds payable consist of University of Illinois Auxiliary Facilities System (System) Revenue Bonds, Series 1984, Series 1985, and Series 1986 (Series 1984, 1985, and 1986 Bonds); University of Illinois Revenue Bonds, Series 1985A and Series 1985B (Series 1985A and 1985B Bonds); and University of Illinois Revenue Bonds, Series 1987 (Series 1987 Bonds).

##### Series 1984 Bonds -

On September 27, 1984, the Series 1984 Bonds were issued in the principal amount of \$55,267,802. The Series 1984 Bonds are capital appreciation bonds which do not require current interest payments. They mature semi-annually, commencing October 1, 1990, at amounts sufficient to produce yields ranging from 8.75% to 11.40%. The University records the annual increase in the principal amount of the bonds as capital appreciation on bonds payable.

Proceeds from the sale of the Series 1984 Bonds, together with other available funds from the System, were used to advance refund the University of Illinois Auxiliary Facilities System Revenue Bonds, Series M and N (Series M and N Bonds), to fund a debt service reserve, to pay all costs incidental to the issuance of the Series 1984 Bonds and advance refunding, and to finance certain expenditures related to the planning and development of various proposed additions to the System.

##### Series 1985 Bonds -

On July 25, 1985 the Series 1985 Bonds were issued in the principal amount of \$56,750,000. The Series 1985 Bonds were issued as parity bonds pursuant to the Bond Resolution authorizing the issuance of the Series 1984 Bonds. They bear interest at rates ranging from 9.01% to 8.01% per annum, payable semi-annually, commencing October 1, 1985. The Series 1985 Bonds mature semi-annually, beginning October 1, 1985 through April 1, 2009.

Proceeds from the sale of the Series 1985 Bonds are being used (a) for remodeling, repair, equipment replacement and improvement of certain existing facilities of the System; (b) for construction of facilities which will become part of the System including construction of a residence hall and new parking facilities on the Chicago campus, renovation of an ice arena, construction of a recreation structure and improvements and additions to athletic facilities at the Urbana-Champaign campus; (c) to fund the Debt Service Reserve in an amount equal to the difference between the Maximum Annual Net Debt Service and the balance in such account at the time of delivery of the Series 1985 Bonds; and (d) to pay certain expenses relating to the issuance of the Series 1985 Bonds.

##### Series 1985A and 1985B Bonds -

On June 12, 1985, the Series 1985A Bonds were issued in the principal amount of \$2,700,000. On July 25, 1985, the Board issued the Series 1985B Bonds in the principal amount of \$2,025,000. The Series 1985A Bonds bear interest at 9.70% per annum, and the Series 1985B Bonds bear interest at rates ranging from 6.25% to 8.90% per annum, both payable semi-annually, commencing October 1, 1985. The Series 1985A Bonds mature semi-annually, beginning October 1, 1986 through April 1, 2003 and the Series 1985B Bonds mature semi-annually, beginning October 1, 1986 through April 1, 1996.

The Series 1985A and 1985B Bonds were issued in connection with the advance refunding of debt relating to the Construction Engineering Research Laboratory (CERL) and to fund future additions to CERL.

##### Series 1986 Bonds -

On August 14, 1986, the Series 1986 Bonds were issued in the principal amount of \$46,835,596. The Series 1986 Bonds are capital appreciation bonds which do not require current interest payments. They mature semi-annually, commencing October 1, 1996 through April 1, 2009, at amounts sufficient to produce yields ranging from 7.2% to 8.125%.

Proceeds from the sale of the Series 1986 Bonds were used (a) to advance refund the Series 1984 Bonds due October 1, 1996 through April 1, 2009; (b) to finance various additions and enhancements to the System; and (c) to pay all costs incidental to the issuance of the Series 1986 Bonds and the advance refunding. The annual net Debt Service was not changed by the refunding.

Series 1987 Bonds -

On September 17, 1987, the Series 1987 Bonds were issued in the principal amount of \$7,675,000. The Series 1987 Bonds bear interest at rates ranging from 7.30% to 8.40% per annum, payable semi-annually, commencing April 1, 1988. They mature annually, beginning April 1, 1990 through April 1, 2009.

Proceeds from the sale of the Series 1987 Bonds are being used (a) for Willard Airport expansion project cost; (b) to fund a Debt Service Reserve; (c) to purchase bond insurance; and (d) to pay certain expenses relating to the issuance of the Series 1987 Bonds.

Advance refunded bonds -

Certain revenue bonds of the Board have been defeased through advance refundings and, accordingly, have been accounted for as if they were retired. The principal amount of advance refunded bonds outstanding at June 30, 1988 is \$143,741,484.

Debt service requirements and security -

Future debt service requirements for all bonds outstanding are as follow:

	<u>Principal</u>	<u>Interest and Capital Appreciation</u>
1989	\$ 11,000,000	\$ 2,855,723
1990	12,115,000	1,846,573
1991	10,410,859	3,548,561
1992	9,545,674	4,416,277
1993	8,703,171	5,247,062
1994-2009	<u>86,833,378</u>	<u>121,566,684</u>
Total	<u>\$138,608,082</u>	<u>\$145,280,880</u>

The Maximum Annual Net Debt Service, as defined, for all outstanding debt is \$12,939,215.

None of the bonds described above constitute obligations of the State of Illinois or of the Board. Series 1984, 1985 and 1986 Bonds are payable solely by the Board from net revenues of the System, student tuition and fees and certain restricted plant funds. Series 1985A and Series 1985B Bonds are payable solely from the net revenues of CERL and, under certain circumstances, the net revenues of the System, student tuition and fees and certain restricted plant funds. Series 1987 Bonds are payable solely from the net revenues of the airport facilities and related restricted plant funds.

5 - Leases

The University leases various plant facilities and equipment under capital leases. Assets held under capital leases are included in investment in plant as follows:

	<u>1986</u>	<u>1987</u>
Land	\$ 744,716	\$ 703,642
Equipment	53,985,876	51,830,526
Telecommunications System	<u>34,870,000</u>	<u>34,870,000</u>
Total	<u>\$89,600,592</u>	<u>\$87,404,168</u>

As of June 30, 1988, future minimum lease payments under capital leases are as follows:

1989	\$16,664,722
1990	13,822,236
1991	11,780,087
1992	9,730,820
1993	8,843,235
Later years	<u>19,538,266</u>
Total minimum lease payments	78,359,366
Amount representing interest	<u>17,586,679</u>
Net present value	<u>\$60,772,687</u>



## 6 - State Universities Retirement System

The University participates in the State Universities Retirement System of Illinois (SURS), a cost-sharing multiple employer public employee retirement system.

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 percent 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. For the year ended June 30, 1988, total University payroll was \$701,518,000; of this amount, \$568,338,000 represented earnings for covered employees and was reported to SURS.

Participants are required by statute to contribute 8% of their gross earnings to SURS. For the year ended June 30, 1988, this amounted to \$45,451,000. The University contributes annually an amount determined by the State Legislature from State appropriations and amounts from other current funds based on actuarially determined rates. Contributions by the University to SURS for the year ended June 30, 1988 were \$38,784,000 which consisted of \$37,237,000 from State appropriations and \$1,547,000 from other current funds; these contributions represented 6.8% of covered payroll. The University contributes 14.5% of the actuarially determined contributions required from all participating employers. Contributions by the University to SURS for the year ended June 30, 1987 were \$45,876,000 which consisted of \$37,276,000 from State appropriations and \$8,600,000 from other current funds.

SURS provides retirement, disability and death benefits. Members are eligible for normal retirement at any age after 35 years of service, at age 60 after 8 years of service or at age 62 after 9 years of service. There are also provisions for early retirement. Retirement benefits are based on certain formulas that generally are a function of years of service and the average salary based on the highest earnings of any four consecutive years. Disability benefits are paid to disabled members with two years of covered service, generally at 50 percent of basic compensation until the total benefits paid equal 50 percent of the total earnings in covered service. Death benefits are payable to survivors of an active member with one and one half years of covered service or of a former member with ten years of covered service. These benefits are payable until children attain the age of 18, to a spouse after age 50 and to a dependent parent after age 55. Benefits are equal to the retirement contributions and interest, a lump sum payment of \$1,000, and a monthly annuity equal to a portion of the accrued normal retirement benefit based on specified formulas.

The pension benefit obligation shown below for SURS as a whole is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess SURS' funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems. The SURS does not make separate measurements of assets and pension benefits obligations for individual employees. This information is based on the most recent information available from the SURS Component Unit Financial Report for the year ended June 30, 1987.

Total pension benefit obligation	\$4,234,900,000
Net assets available for benefits	<u>2,470,500,000</u>
Unfunded pension obligation	<u>\$1,764,400,000</u>

Ten-year historical trend information is available in the above-mentioned SURS report.

University employees are exempt from contributing to Social Security.

Employees of the University may also elect to participate in certain tax-sheltered retirement plans under Section 403(b) of the Internal Revenue Code. These voluntary plans permit employees to designate a part of their earnings into tax-sheltered investments and thus defer federal and state income taxes on their contributions and the accumulated earnings under the plans. Participation and the level of employee contributions are voluntary. The University is not required to make contributions to these plans.

## 7 - Transactions with Related Organizations

The University of Illinois Alumni Association (Alumni Association), The Athletic Association of the University of Illinois at Urbana-Champaign (Athletic Association), and the University of Illinois Foundation (Foundation) are related organizations formed to support in various ways the University's instructional, research and public service missions.

The University provides these organizations with office space, facilities use, and various goods and services at charges approximating the University's cost and has also provided other items at no charge. These transactions are not material to the University's financial statements.

The University leases various properties from the Foundation under capital lease obligations amounting to \$745,000 and \$704,000 at June 30, 1988 and 1987, respectively. There were no principal payments made under these leases in 1988 and in 1987.

The following financial information is summarized from the audited financial statements of the Foundation, Athletic Association and Alumni Association:

	<u>Foundation</u>	<u>Athletic Association</u>	<u>Alumni Association</u>
At June 30, 1988 -			
Total Assets (primarily cash and investments)	\$136,313,000	\$ 5,799,000	\$ 6,937,000
Liabilities	\$ 5,060,000	\$ 6,000,000	\$ 179,000
Fund balances:			
Current -			
Unrestricted	144,000	(2,833,000)	46,000
Restricted	11,670,000		6,494,000
Endowment and similar funds	106,211,000		
Annuity and life income funds	9,128,000		
Plant funds	4,100,000	2,632,000	216,000
Total fund balances	<u>131,253,000</u>	<u>(201,000)</u>	<u>6,758,000</u>
Total liabilities and fund balances	<u>\$136,313,000</u>	<u>\$5,799,000</u>	<u>\$6,937,000</u>
At June 30, 1987 -			
Total Assets (primarily cash and investments)	\$128,916,000	\$6,954,000	\$6,387,000
Liabilities	\$ 4,720,000	\$5,159,000	\$ 161,000
Fund balances:			
Current -			
Unrestricted	178,000	(683,000)	13,000
Restricted	9,979,000		6,027,000
Endowment and similar funds	94,341,000		
Annuity and life income funds	8,153,000		
Plant funds	11,545,000	2,476,000	186,000
Total fund balances	<u>124,196,000</u>	<u>1,793,000</u>	<u>6,226,000</u>
Total liabilities and fund balances	<u>\$128,916,000</u>	<u>\$6,954,000</u>	<u>\$6,387,000</u>
For the year ended June 30, 1988 -			
Revenues and other additions -			
From the University	\$ 1,516,000	\$ 1,636,000	\$ 60,000
Others	27,669,000	11,764,000	2,188,000
Total revenues and other additions	39,185,000	13,400,000	2,256,000
Expenditures and other deductions -			
Gifts to the University -			
Restricted	28,916,000		
Unrestricted	485,000		
Rental and other payments to the University	117,000	1,839,000	63,000
Others	2,609,000	13,257,000	1,661,000
Total expenditures and other deductions	<u>32,127,000</u>	<u>15,096,000</u>	<u>1,724,000</u>
Increase (decrease) in fund balances	<u>\$ 7,057,000</u>	<u>\$ (1,696,000)</u>	<u>\$ 532,000</u>

	<u>Foundation</u>	<u>Athletic Association</u>	<u>Alumni Association</u>
For the year ended June 30, 1987 -			
Revenues and other additions -			
From the University	\$ 1,435,000	\$ 1,305,000	\$ 83,000
Others	<u>68,492,000</u>	<u>13,333,000</u>	<u>2,317,000</u>
Total revenues and other additions	69,927,000	15,137,000	2,400,000
Expenditures and other deductions -			
Gifts to the University -			
Restricted	61,940,000		
Unrestricted	769,000		
Rental and other payments to the University	55,000	1,626,000	62,000
Others	<u>2,840,000</u>	<u>13,700,000</u>	<u>1,646,000</u>
Total expenditures and other deductions	<u>65,614,000</u>	<u>15,326,000</u>	<u>1,708,000</u>
Increase (decrease) in fund balances	<u>\$ 4,313,000</u>	<u>\$ (389,000)</u>	<u>\$ 692,000</u>

Revenues of the Foundation consist primarily of restricted and restricted gifts for the benefit of the University. Revenues of the Athletic Association are related to athletic activities, principally intercollegiate. Revenues of the Alumni Association relate principally to alumni memberships.

For the Athletic Association certain account classifications were changed in 1987 to agree with 1986 classification.

#### Subsequent event

The University formed a task force in July 1988 for the intercollegiate athletic programs of the Urbana-Champaign campus. The objective of the task force is to bring the governance of intercollegiate athletics from its current stand-alone structure to a position within the structure of the University.

#### 8 - Commitments and Contingencies

##### Encumbrances

Encumbrances which represent goods or services that have been ordered for which delivery has not been made or the services have not been rendered at June 30, 1988 are not recorded in the accompanying financial statements. Encumbrances of the Current Funds were approximately \$17,910,000 at June 30, 1988.

##### Contracts and grants

The University receives monies from Federal and State government agencies under grants and contracts for research and other activities, including medical service reimbursements. The costs, both direct and indirect, charged to these grants and contracts are subject to audit and disallowance by the granting agency. The University administration believes that any disallowances or adjustments would not have a material effect on the University's financial position.

##### Legal actions

The University is a defendant in a number of legal actions primarily related to medical malpractice. These legal actions have been considered in estimating and funding the University's self-insurance liability program. The total of amounts claimed under these legal actions, plus potential settlements and amounts relating to losses incurred but not reported, could materially exceed the amount of the self-insurance liability accrual. In the opinion of the University's legal counsel and its administrative officers, the University's self-insurance liability fund and limited excess indemnity insurance coverage from commercial carriers are adequate to cover the ultimate liability of these legal actions, in all material respects.

Currently, the financial stability is uncertain for one of the commercial carriers providing excess indemnity coverage to the University. Also, a second carrier is in liquidation and a third is experiencing financial difficulty and is currently being supported by the Irish government. The University's self-insurance liability accrual has been reduced by \$12.7 million and \$7.5 million for anticipated recoveries from these commercial carriers for the years ended June 30, 1988 and 1987, respectively. However, because of the potential insolvency of the carriers and certain instances in which commercial carriers have sought to impose limits or reservations on their coverage, the University is unable to determine the eventual collectibility of these anticipated recoveries.

Excess funds

The University is required by legislation to deposit funds in excess of current requirements (excess funds) with the State Treasurer into the University Income Fund or in certain circumstances into the State of Illinois General Revenue Fund. No such deposits were made for the year ended June 30, 1988.

In November 1982 the Legislative Audit Commission of the State of Illinois approved the "University Guidelines - 1982" (Guidelines) which contain criteria for computing certain excess funds. The Guidelines were adopted by the University effective June 30, 1983.