



**STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD**

FINANCIAL AUDIT

For the Year Ended June 30, 2023

Performed as Special Assistant Auditors for the
Auditor General, State of Illinois

[SIKICH.COM](https://www.sikich.com)

**STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD**

FINANCIAL AUDIT
For the Year Ended June 30, 2023

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STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
FINANCIAL AUDIT
For the Year Ended June 30, 2023

BOARD OFFICIALS

| | |
|--|-----------------|
| Director | James Underwood |
| Chief of Staff (9/1/2023 – Present) | Darnita A. Lee |
| Chief of Staff (5/13/2023 – 8/31/2023) | Vacant |
| Chief of Staff (8/17/2020 – 05/12/2023) | Tamakia Edwards |
| Chief Financial Officer | Paula Sorensen |
| General Counsel | Amy Romano |
| Deputy Director of Operations | Kathryn Martin |
| Deputy Director of Construction (1/1/23 – Present) | Lisa Hennigh |
| Deputy Director of Construction (8/15/20 – 12/31/22) | Vacant |
| Chief Internal Auditor | Jennifer Boen |

CDB BOARD MEMBERS

| | |
|---------------------------------|------------------------|
| Chair | Eileen Rhodes |
| Member | Glyn Ramage |
| Member | Pamela McDonough |
| Member | Beverly Potts |
| Member | Saul J. Morse |
| Member | Hipolito (Paul) Roldan |
| Member (1/28/2022 – 06/30/2023) | David Sidney |
| Member (11/09/2023 – Present) | Tamakia Edwards |

BOARD OFFICE

The Board's primary administrative office is located at:

300 William G. Stratton Building
401 South Spring Street
Springfield, Illinois 62706

**STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD**

FINANCIAL AUDIT
For the Year Ended June 30, 2023

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the State of Illinois, Capital Development Board (CDB) was performed by Sikich LLP.

Based on their audit, the auditors expressed an unmodified opinion on the CDB’s basic financial statements.

SUMMARY OF FINDINGS

| Number of | <u>Current Report</u> | <u>Prior Report(s)</u> |
|---|------------------------------|-------------------------------|
| Findings | 0 | 0 |
| Repeated Findings | 0 | 0 |
| Prior Recommendations Implemented or Not Repeated | 0 | 2 |

SCHEDULE OF FINDINGS

| <u>Item No.</u> | <u>Page</u> | <u>Last/First Reported</u> | <u>Description</u> | <u>Finding Type</u> |
|------------------------|--------------------|---------------------------------------|---------------------------|----------------------------|
|------------------------|--------------------|---------------------------------------|---------------------------|----------------------------|

Current Findings

None.

Prior Findings Not Repeated

None.

EXIT CONFERENCE

CDB waived an exit conference in a correspondence from Jennifer Boen, Chief Internal Auditor, on January 3, 2024.

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Springfield, IL 62704
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INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Capital Development Board
State of Illinois

Report on the Audit of the Financial Statements

Opinion

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Capital Development Board (CDB), as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the CDB, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the CDB, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 2, the financial statements of the CDB are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the CDB. They do not purport to, and do not, present fairly the financial position of the State of Illinois, as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Further, as discussed in Note 2 to the financial statements of the CDB, in Fiscal Year 2023 the CDB adopted new accounting guidance from GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which is intended to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The requirements of this statement resulted in the restatement of beginning SBITA's assets and obligations as discussed in Note 13. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgement and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the CDB's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted a management's discussion and analysis, budgetary comparison information, pension-related, and other postemployment benefit-related supplementary information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements of the CDB in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by the missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CDB's financial statements. The accompanying supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the agency officials page but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2024 on our consideration of the CDB'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 solely 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 effectiveness of the CDB's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CDB's internal control over financial reporting and compliance.

Restricted Use of this Auditor's Report

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Comptroller, CDB management, and CDB's Board Members and is not intended to be and should not be used by anyone other than these specified parties.

SIGNED ORIGINAL ON FILE

Springfield, Illinois
January 4, 2024

BASIC FINANCIAL STATEMENTS

State of Illinois
Capital Development Board

Statement of Net Position

June 30, 2023

(Expressed in Thousands)

| | Governmental Activities |
|--|------------------------------------|
| ASSETS | |
| Unexpended appropriations | \$ 140,476 |
| Cash equity with State Treasurer | 119,462 |
| Cash and cash equivalents | 9,560 |
| Intergovernmental receivables, net | 4,426 |
| Other receivables, net | 11,391 |
| Due from other State funds | 375 |
| Capital assets not being depreciated or amortized | 337,833 |
| Capital assets being depreciated, net | 124 |
| TOTAL ASSETS | 623,647 |
| DEFERRED OUTFLOWS OF RESOURCES - PENSIONS | 21,327 |
| DEFERRED OUTFLOWS OF RESOURCES - OPEB | 17,662 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 38,989 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 662,636 |
| LIABILITIES | |
| Accounts payable and accrued liabilities | 156,322 |
| Due to other State funds | 1,406 |
| Unearned revenue | 379 |
| SBITA Liability | |
| Due within one year | 116 |
| Pension Liability | |
| Due subsequent to one year | 82,750 |
| OPEB Liability | |
| Due within one year | 3,536 |
| Due subsequent to one year | 18,788 |
| Compensated Absences | |
| Due within one year | 143 |
| Due subsequent to one year | 1,310 |
| TOTAL LIABILITIES | 264,750 |
| DEFERRED INFLOWS OF RESOURCES - PENSIONS | 9,591 |
| DEFERRED INFLOWS OF RESOURCES - OPEB | 29,711 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 39,302 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | \$ 304,052 |
| NET POSITION | |
| Invested in capital assets | 337,841 |
| Restricted assets | 362 |
| Unrestricted net position | 20,381 |
| TOTAL NET POSITION | \$ 358,584 |

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois
Capital Development Board

Statement of Activities

FOR THE YEAR ENDED JUNE 30, 2023

| FUNCTIONS/PROGRAMS | Expenses | Program Revenues | | Net (Expense) Revenue |
|--|-------------------|-------------------------|--|-----------------------------|
| | | Charges for Services | Capital Grants and Contributions | |
| GOVERNMENTAL ACTIVITIES | | | | |
| Education | \$ 199,031 | \$ 40,418 | \$ 65,773 | \$ (92,840) |
| General government | 40,154 | - | - | (40,154) |
| Total governmental activities | <u>\$ 239,185</u> | <u>\$ 40,418</u> | <u>\$ 65,773</u> | <u>(132,994)</u> |
| GENERAL REVENUES | | | | |
| Appropriations from State Resources | | | | 9,345,488 |
| Reappropriations to future year(s) | | | | (8,698,716) |
| Lapsed appropriations | | | | (89,412) |
| Net change in liabilities for reappropriated accounts | | | | 65,299 |
| TRANSFERS | | | | |
| Receipts collected and transmitted to State Treasury | | | | (364) |
| Capital transfers to other State Agencies | | | | (485,774) |
| Transfers-out/Transfers In | | | | <u>224</u> |
| Total general revenues and transfers | | | | <u>136,745</u> |
| CHANGE IN NET POSITION | | | | 3,751 |
| NET POSITION, JUNE 30, 2022 | | | | 354,833 |
| NET POSITION, JUNE 30, 2023 | | | | <u>\$ 358,584</u> |

The accompanying notes to the financial statements are an integral part of this statement.

**State of Illinois
Capital Development Board**

**Balance Sheet -
Governmental Funds**

June 30, 2023 (Expressed in Thousands)

| | General Fund | Nonmajor Funds | Total Governmental Funds |
|--|-------------------------|---------------------------|---|
| ASSETS | | | |
| Unexpended appropriations | \$ - | \$ 140,476 | \$ 140,476 |
| Cash equity with State Treasurer | - | 119,462 | 119,462 |
| Cash and cash equivalents | - | 9,560 | 9,560 |
| Intergovernmental receivables, net | - | 4,426 | 4,426 |
| Other receivables, net | - | 11,391 | 11,391 |
| Due from other State funds | - | 375 | 375 |
| TOTAL ASSETS | \$ - | \$ 285,690 | \$ 285,690 |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | \$ - | \$ 156,322 | \$ 156,322 |
| Due to other State funds | - | 1,406 | 1,406 |
| Unearned revenue | - | 379 | 379 |
| TOTAL LIABILITIES | - | 158,107 | 158,107 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue | - | 9,844 | 9,844 |
| Total deferred inflows of resources | - | 9,844 | 9,844 |
| FUND BALANCES (DEFICITS) | | | |
| Restricted | - | 362 | 362 |
| Committed | - | 117,377 | 117,377 |
| Total fund balances (deficits) | - | 117,739 | 117,739 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESROUCES, AND FUND BALANCES | \$ - | \$ 285,690 | \$ 285,690 |

The accompanying notes to the financial statements are an integral part of this statement.

**State of Illinois
Capital Development Board
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
(Expressed in Thousands)
June 30, 2023**

| | | |
|---|-----------|-----------------------|
| Total fund balances-governmental funds | \$ | 117,739 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 337,957 |
| Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds. | | 9,844 |
| Deferred Outflows of Resources for Pensions that do not use current financial resources are deferred in the funds. | | 21,327 |
| Deferred Outflows of Resources for OPEB that do not use current financial resources are deferred in the funds. | | 17,662 |
| Deferred Inflows of Resources for Pensions do not require the use of current financial resources in the funds. | | (9,591) |
| Deferred Inflows of Resources for OPEB do not require the use of current financial resources in the funds. | | (29,711) |
| Some liabilities reported in the Statement of Net Position do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These liabilities consist of: | | |
| SBITA Liability | | (116) |
| Net Pension Liability | | (82,750) |
| Net OPEB Liability | | (22,324) |
| Compensated Absences | | (1,453) |
| Net position of governmental activities | \$ | <u>358,584</u> |

The accompanying notes to the financial statements are an integral part of this statement.

**State of Illinois
Capital Development Board**

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Governmental Funds**

For the Year Ended June 30, 2023
(Expressed in Thousands)

| | <u>General Fund</u> | <u>Nonmajor funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|---------------------------|---|
| REVENUES | | | |
| Federal capital grants | \$ - | \$ 65,773 | \$ 65,773 |
| Licenses and fees | - | 23,866 | 23,866 |
| Other charges for services | 5 | 15,870 | 15,875 |
| Total revenues | <u>5</u> | <u>105,509</u> | <u>105,514</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Education | 13,272 | 185,759 | 199,031 |
| General government | - | 44,479 | 44,479 |
| Capital outlays | - | 419,799 | 419,799 |
| Total expenditures | <u>13,272</u> | <u>650,037</u> | <u>663,309</u> |
| Deficiency of revenues over expenditures | <u>(13,267)</u> | <u>(544,528)</u> | <u>(557,795)</u> |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES | | | |
| Appropriations from State resources | 100,600 | 9,244,888 | 9,345,488 |
| Reappropriation to future year(s) | - | (8,698,716) | (8,698,716) |
| Lapsed appropriations | (87,328) | (2,084) | (89,412) |
| Receipts collected and transmitted to State Treasury | (5) | (359) | (364) |
| Net change in liabilities for reappropriated accounts | - | 65,299 | 65,299 |
| Transfers-out/Transfers In | - | 224 | 224 |
| Net other sources of financial resources | <u>13,267</u> | <u>609,252</u> | <u>622,519</u> |
| Net change in fund balances | - | 64,724 | 64,724 |
| FUND BALANCES, JULY 1, 2022 | <u>-</u> | <u>53,015</u> | <u>53,015</u> |
| FUND BALANCES, JUNE 30, 2023 | <u>\$ -</u> | <u>\$ 117,739</u> | <u>\$ 117,739</u> |

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois
Capital Development Board
Reconciliation of Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to Statement of Activities
For the Year Ended June 30, 2023
(Expressed in Thousands)

| | |
|--|------------------|
| Net change in fund balances | \$ 64,724 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays exceeded depreciation in the current period. | 419,330 |
| Some capital assets were transferred out to other State agencies and, therefore, were removed from net position without any corresponding proceeds. | (485,774) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the increase in unavailable revenue over the prior year. | 677 |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Below are such activities. | |
| Increase in compensated absences obligation | (96) |
| Decrease in net pension liability | 1,293 |
| Decrease in OPEB liability | 18,010 |
| Decrease in SBITA liability | 462 |
| Change in deferred outflows of resources related to pensions | (2,453) |
| Change in deferred outflows of resources related to OPEB | 2,445 |
| Change in deferred inflows of resources related to pensions | 789 |
| Change in deferred inflows of resources related to OPEB | (15,656) |
| | (15,656) |
| Change in net position of governmental activities | \$ 3,751 |

The accompanying notes to the financial statements are an integral part of this statement.

**STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 – ORGANIZATION

The Capital Development Board (CDB) is a part of the executive branch of government of the State of Illinois (State) and operates under the authority of and review by the Illinois General Assembly. The CDB operates under a budget approved by the General Assembly in which resources primarily from the Capital Development Fund and the School Construction Fund are appropriated for the use of the CDB. Activities of the CDB are subject to the authority of the Office of the Governor, the State's chief executive officer, and other departments of the executive and legislative branches of government (such as the Department of Central Management Services, the Governor's Office of Management and Budget, the State Treasurer's Office, and the State Comptroller's Office) as defined by the Illinois General Assembly. All funds appropriated to the CDB, and all other cash received are under the custody and control of the State Treasurer with the exception of locally held retainage accounts as authorized by State law.

The CDB's principal statutory functions and responsibilities are:

- To build or otherwise provide capital facilities and improvements for which money has been appropriated by the General Assembly.
- To conduct continuous studies into the costs of building or otherwise providing capital facilities.
- To conduct research for improvements in choice of materials and systems and in construction methods for reducing construction costs and operating and maintenance costs of capital expenditure plans.
- To review and recommend periodic revisions in establishing building and construction codes, to promote public safety, energy efficiency and economy, including the use of solar energy, and reduce construction costs and operating and maintenance costs of capital facilities.
- To advise State agencies and units of local government, on request, on any matter related to the purpose of CDB and to assist State agencies in the preparation of their annual long-range capital expenditure plans.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the CDB have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

**STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

A. Financial Reporting Entity

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- (1) Appointment of a voting majority of the component unit's board and either (a) the primary government's ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- (2) Fiscal dependency on the primary government.

Based upon the required criteria, the CDB has no component units and is not a component unit of any other entity. However, because the CDB is not legally separate from the State of Illinois, the financial statements of the CDB are included in the financial statements of the State of Illinois. The State of Illinois' Annual Comprehensive Financial Report may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois 62704-1871.

B. Basis of Presentation

The financial statements of the CDB are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund of the State of Illinois, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the CDB. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2023, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The financial activities of the CDB, which consist only of governmental activities, are reported under the general government and education functions in the Annual Comprehensive Financial Report. A brief description of the CDB's government-wide and fund financial statements is as follows:

Government-Wide Statements

The government-wide Statement of Net Position and Statement of Activities report the overall financial activity of the CDB. Eliminations have been made to minimize the double-counting of internal activities of the CDB.

**STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

The Statement of Net Position presents the assets and liabilities of the CDB's governmental activities with the difference being reported as Net Position. The assets and liabilities are presented in order of their relative liquidity by class of asset or liability with liabilities whose average maturities are greater than one year reported in two components – the amount due within one year and the amount due in more than one year.

The Statement of Activities presents a comparison between direct expenses and program revenues for the general government and education functions of the CDB's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the CDB's funds. The emphasis on fund financial statements is the major governmental fund, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The CDB administers the following major governmental fund (or portion thereof in the case of shared funds – see Note 2 (D) of the State):

General – This is the State's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund. The services which are administered by the CDB and accounted for in the general fund include, among others, general government, and education. CDB's portion of the General Fund is composed of two primary sub-accounts (General Revenue and School Infrastructure).

Additionally, CDB administers the following fund types:

Governmental Fund Types:

Special Revenue Funds – Transactions to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes pursuant to the Capital Development Board Revolving Fund Act and the Capital Development Board Act are accounted for in the special revenue fund. The special revenue funds in the report are appropriated and held in the State Treasury except, Fund 170 CDB Special Projects which is nonappropriated. The special revenue fund type includes the following funds:

**STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

CDB Special Projects Fund (170) is a non-shared fund that accounts for the receipts of grant funds from other State agencies and is governed by the Capital Development Board Act.

CDB Revolving Fund (215) is a non-shared fund that accounts for a three (3) percent contract administration fee assessed on most CDB contracts in order to fund the internal operations of the CDB.

Capital Projects Funds – Transactions related to resources obtained and used for the acquisition or construction of major capital facilities, including those provided to political subdivisions and other public organizations, are accounted for in capital projects funds. Such resources are derived principally from proceeds of general obligation bond issues, federal grants, public school district contributions, and operating transfers from general funds of the State. All the capital projects funds in the report are held in the State Treasury with the exception of retention trust balances which are held in local bank accounts as retainage due to contractors. Capital expenditures from the capital projects funds, except Fund 617 CDB Contributory Trust Fund which is nonappropriated, are appropriated for projects extending beyond the current budget year. The capital projects fund type includes the following funds:

Capital Development Fund (141) is a shared fund that receives general obligation bond proceeds in order to build capital facilities for the State and is governed by the General Obligation Bond Act.

School Construction Fund (143) is a shared fund that receives general obligation bond proceeds in order to build elementary and secondary schools in the State and is governed by the General Obligation Bond Act.

CDB Contributory Trust Fund (617) is a non-shared fund that receives reimbursements from other State agencies for projects financed under various federal programs, public school district contributions, insurance proceeds, and settlements in order to build capital facilities in the State and is governed by the State Finance Act.

Build Illinois Bond Fund (971) is a shared fund that receives Build Illinois Bond proceeds in order to build capital facilities for State universities and local units of government in the State and is governed by the Build Illinois Bond Act.

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Rebuild Illinois Projects (972) is a shared fund that receives moneys from the collection of licenses, or any other moneys appropriated or transferred to it as provided by law. Money in the fund shall be used, subject to appropriation, for grants that support community development.

Debt Service Funds - This fund accounts for and report governmental resources obtained and restricted, committed, or assigned to pay interest and principal on general long-term debt (other than leases, financed purchases, workers' compensation, net pension liability, and other postemployment benefit liability). The debt service fund type includes the following fund:

General Obligation Bond Retirement and Interest (0101) is a shared fund that pays the principal of interest on and premium on bonds sold under the general obligation bond act and is governed by the General Obligation Bond Act.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions in which the CDB gives (or receives) value without receiving (or giving) equal value in exchange include intergovernmental grants. Revenue from grants, entitlements, and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, (1) principal and interest on formal debt issues, such as bonds and leases, are recorded only when payment is due and (2) compensated absences and claims and judgments are recorded when they are expected to be liquidated with expendable available financial resources. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under leases are reported as other financing sources.

Significant revenue sources which are susceptible to accrual include fees, charges for services, and intergovernmental grants. All other revenue sources are considered to be measurable and available when cash is received.

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D. Shared Fund Presentation

The financial statement presentation for the General Revenue Fund, Capital Development Fund, School Construction Fund, School Infrastructure Fund and Build Illinois Bond Fund represents only the portion of certain shared funds that can be directly attributed to the operations of the CDB. Financial statements for total fund operations of the shared State funds are presented in the Annual Comprehensive Financial Report.

In presenting these financial statements, certain unique accounts are used for the presentation of shared funds. The following accounts are used in these financial statements to present the CDB's portion of shared funds:

Unexpended Appropriations

This "asset" account represents lapse period warrants issued between July and August annually in accordance with the Statewide Accounting Management System (SAMS) records plus any liabilities relating to obligations reappropriated to the subsequent fiscal year.

Appropriations from State Resources

This "other financing source" account represents the final legally adopted appropriation according to SAMS records. The amounts reported are net of any reappropriations to subsequent years and the difference between current and prior year liabilities for reappropriated accounts.

Reappropriation to Future Year(s)

This contra revenue account reduces current year appropriations by the amount of the reappropriation to reflect the State's realignment of the budgetary needs to the subsequent year and avoid double counting of a portion of the appropriation in more than one fiscal year.

Lapsed Appropriations

Lapsed appropriations are the legally adopted appropriations less net warrants issued for the 14-month period from July to August of the following year and reappropriations to subsequent years according to SAMS records.

Receipts Collected and Transmitted to State Treasury

This "other financing use" account represents all cash receipts received during the fiscal year from SAMS records.

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Net Change in Liabilities for Reappropriated Accounts

This account reflects the amount which should be added to or subtracted from the current year appropriation for shared funds to reflect the increase or decrease from prior year to current year for amounts included in obligations for reappropriated accounts which are liabilities at June 30 of the prior year and June 30 of the current year.

E. Eliminations

Eliminations have been made in the government-wide Statement of Net Position to minimize the “grossing-up” effect on assets and liabilities within the governmental activities’ column of the CDB. As a result, amounts reported in the governmental funds balance sheet as interdepartmental interfund receivables and payables have been eliminated in the government-wide Statement of Net Position.

F. Cash Equity with State Treasurer

Cash equity with State Treasurer consists of deposits held in the State Treasury.

G. Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments readily convertible to cash with maturities of less than 90 days at the time of purchase. Cash and cash equivalents consist principally of cash held in local bank accounts as retainage due to contractors.

H. Interfund Transactions and Transactions with State of Illinois Component Units

The CDB has the following types of interfund transactions between CDB funds and funds of other State agencies:

Services provided and used – sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the governmental funds Balance Sheet or the government-wide Statements of Net Position.

Reimbursements – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

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Transfers – flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

The CDB also has activity with various component units of the State of Illinois for capital programs appropriated by the General Assembly.

I. Capital Assets

Capital assets, which include construction in progress and equipment, are reported at cost. Contributed assets are reported at acquisition value at the time received. Capital assets are depreciated using the straight-line method. Construction in progress is capitalized as project costs are incurred and is transferred to the administering State agency upon substantial completion.

Capitalization thresholds and the estimated useful lives are as follows:

| <u>Capital Asset Category</u> | <u>Capitalization Threshold</u> | <u>Estimated Useful Life (In Years)</u> |
|--|---------------------------------|---|
| Construction in progress | \$ 25,000 | N/A |
| Equipment | 5,000 | 3-25 |
| Intangible Assets – SBITA & Right to Use | 25,000 | 3-25 |

J. Compensated Absences

The liability for compensated absences reported in the government-wide Statement of Net Position consists of unpaid, accumulated vacation and sick leave balances for CDB employees. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g., Social Security and Medicare taxes).

Legislation that become effective January 1, 1998, capped the paid sick leave for all State Employees' Retirement System (SERS) members at December 31, 1997. Employees continue to accrue twelve sick days per year but will not receive monetary compensation for any additional time earned after December 31, 1997. Sick days earned between 1984 and December 31, 1997 (with a 50 percent cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997, will be converted to service time for purposes of calculating employee pension benefits.

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K. Pensions

In accordance with CDB's adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense have been recognized in the government-wide financial statements.

The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of service and the plans' fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expenses, current year benefit changes, and other changes in plan fiduciary net position less employee contributions and projected earnings on plan investments. Additionally, the total pension expense includes the annual recognition of outflows and inflows of resources due to pension assets and liabilities.

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense and expenditures associated with CDB's contribution requirements, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported within the separately issued plan financial statements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with terms of the plan. Investments are reported at fair value.

L. Post-Employment Benefits Other Than Pensions (OPEB)

The State provides health, dental, vision and life insurance benefits for certain retirees and their dependents through the State Employees Group Insurance Program ("SEGIP"). The total OPEB liability, deferred outflows of resources, deferred inflows of resources, expense, and expenditures associated with the program have been determined through an actuarial valuation using certain actuarial assumptions as applicable to the current measurement period. (See Note 8).

The OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and OPEB expense have been recognized in the government-wide financial statements.

M. Governmental Fund Balances

In the fund financial statements, governmental funds report fund balances in the following categories:

Nonspendable – This consists of amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact. There were no nonspendable fund balances as of June 30, 2023.

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Restricted – This consists of amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. The Build Illinois Bond Fund (971) comprises the restricted fund balance as of June 30, 2023.

Committed – This consists of amounts with self-imposed constraints or limitations that have been placed at the highest level of decision making. The following funds comprise committed fund balances as of June 30, 2023: CDB Special Projects Fund (170), CDB Revolving Fund (215) and CDB Contributory Trust Fund (617). These funds are restricted through enabling legislations but have been subject to fund sweeps in previous years and therefore are classified as committed. These committed funds cannot be used for any other purpose unless Capital Development Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – This consists of net amounts that are constrained by the CDB’s intent to be used for specific purposes, but that are neither restricted nor committed. There were no assigned fund balances as of June 30, 2023.

Unassigned – This consists of amounts that are available financial resources and are not designated for a specific purpose. There were no unassigned fund balances as of June 30, 2023.

CDB applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. Net Position

In the government-wide financial statements, equity is displayed in the components as follows:

Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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Restricted – This consists of Net Position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the CDB’s policy to use restricted funds first, then unrestricted resources when they are needed.

Unrestricted – This consists of Net Position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

O. Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

P. Adoption of Governmental Accounting Standards Board (GASB) Statements

Effective for the year ending June 30, 2023, CDB adopted GASB Statement No. 91, *Conduit Debt Obligations*. This Statement defines conduit debt obligations as a debt instrument issued in the name of the State that is for the benefit of a third party primarily liable for repayment of the debt instrument. The Statement establishes standards for recognition, measurement, and disclosure for issuers. The Statement is also intended to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. There was no significant impact on the CDB’s Financial statements as a result of adopting this Statement.

Effective for the year ending June 30, 2023, CDB adopted GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Available Payment Arrangements*. This Statement establishes standards of reporting for PPPs and APAs to improve comparability of financial statements among governments that enter into these types of agreements. The Statement is intended to improve financial reporting by addressing issues related to public-private and public-public partnerships (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). It will enhance the understandability, reliability, relevance, and consistency of information about PPPs and APAs. There was no significant impact on the CDB’s Financial statements as a result of adopting this Statement.

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Effective for the year ending June 30, 2023, CDB adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement establishes a definition for SBITAs. This Statement is intended to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). SBITAs provide governments with access to IT software and associated capital assets without granting governments a perpetual license or title to the software and assets. It establishes that a SBITA results in a right-to-use subscription asset (intangible asset) and a corresponding subscription liability. The implementation of this Statement significantly impacted the CDB's government-wide financial statements and footnote disclosures with the recognition of a net SBITA liability and SBITA expense on the Statement of Activities. Additionally, the requirements of this statement resulted in the restatement of the beginning balance of Capital Assets and Long-Term Liability.

Effective for the year ending June 30, 2023, CDB adopted GASB Statement No. 99, *Omnibus 2022*. The portion of this Statement adds clarification to GASB 87, GASB 94 and GASB 96. GASB 87 – Clarification related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives. GASB 94 – Clarification related to the determination of the PPP term and recognition and measurement of installment payments and the transfer of the underlying PPP asset. GASB 96 – Clarification of the SBITA term, classification of SBITA as a short-term SBITA, and recognition and measurement of a subscription liability. There was no significant impact on the CDB's Financial statements as a result of adopting this Statement.

Q. Future Adoption of Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 99, *Omnibus 2022*, will be effective for CDB for its year ending June 30, 2024. The portion of this Statement provides updates to the requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB 53 that do not meet the definition of either an investment derivative or hedging derivative.

GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*, will be effective for CDB for its year ending June 30, 2024. This Statement improves accounting and financial reporting for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information of making decisions or assessing accountability. The statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity. In addition, the statement defines instances that can result in the need for reporting an error correction; provides for the accounting and financial reporting for each type of accounting change or error correction and provides information on the required disclosure in the notes to the financial statements and required supplementary information.

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GASB Statement No. 101, *Compensated Absences*, will be effective for CDB for its year ending June 30, 2025. This Statement updates the recognition and measurement guidance for compensated absences. It defines compensated absence as leave for which employees receive one or more of the following: cash payments when leave is used for time off; other cash payments – payment for unused leave upon termination; or noncash settlements such as conversion to a defined benefit postemployment benefit. The Statement includes recognition of a liability when leave has not been used or leave has been used but not yet paid; provides information on how to calculate the liability; and revises guidance to allow for either a net increase or net decrease to be reported or the separate increases or decreases in liabilities to be reported.

Management has not determined the total impact these Statements may have on its financial statements.

NOTE 3 – DEPOSITS AND INVESTMENTS

The State Treasurer is the custodian of the State’s deposit and investments for funds maintained in the State Treasury. Section 2 of the Public Funds Investment Act limits the State’s investments, both inside and outside the State Treasury, to securities of the U.S. government or its agencies, short-term obligations of domestic corporations exceeding \$500 million in assets that are rated in the three highest categories by at least two nationally recognized statistical ratings organizations not to exceed ten percent of the domestic corporation’s outstanding obligations, money market mutual funds invested in the U.S. government and/or its agencies, and repurchase agreements securities of the U.S. government or money market mutual funds invested in the U.S. government or its agencies. The CDB independently manages cash and cash equivalents maintained outside the State Treasury that are held in trust agreements for the retention of a percentage of construction contract prices.

Cash on deposit for locally held funds has a carrying amount and bank balance of \$9.56 million at June 30, 2023. Custodial credit risk is the risk that, in the event of a bank failure, the government’s deposits may not be returned to it. Prior to July 1, 2007, CDB did not have a deposit policy for custodial credit risk. Retention accounts opened subsequent to June 30, 2007, are required to be insured or fully collateralized. Of the total bank balance, \$0 was exposed to custodial credit risk as uninsured with collateral held by the pledging financial institutions in the State’s name, and \$1.690 million was exposed to custodial credit risk as uninsured with collateral held by the pledging financial institution’s trust department not in the State’s name.

Deposits in the custody of the State Treasurer, or in transit, totaled \$119.462 million at June 30, 2023. These deposits are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the CDB does not own individual securities. Details on the nature of these deposits and investments are available within the Annual Comprehensive Financial Report.

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NOTE 4 – INTERFUND BALANCES AND ACTIVITIES

A. Due from Other State Funds

The following balance (amount expressed in thousands) at June 30, 2023, represents amounts due from State of Illinois funds:

| Fund | Due From Other State Funds | Description/Purpose |
|-----------------------------|-------------------------------|--|
| Nonmajor governmental funds | \$ 375 | Due from nonmajor governmental funds for capital project grants and contracts and for short-term borrowings. |

B. Due to Other State Funds

The following balance (amount expressed in thousands) at June 30, 2023, represents amounts due to other State of Illinois's funds:

| Fund | Due To Other State Funds | Description/Purpose |
|-----------------------------|-----------------------------|--|
| Nonmajor governmental funds | \$ 1,406 | Due to internal service funds of the State for purchases of services and goods, reimbursements of capital grant to outside entities and for costs incurred, and overpayment of construction costs. |

NOTE 5 – CAPITAL ASSETS

Capital asset activities (amounts expressed in thousands) for the year ended June 30, 2023, were as follows:

| | Balance July 1, 2022, as restated | Additions | Deletions | Net Transfers | Balance June 30, 2023 |
|--|---|------------|-----------|------------------|--------------------------|
| Governmental activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Construction in progress | \$ 403,816 | \$ 419,791 | \$ - | \$ (485,774) | \$ 337,833 |
| Capital assets being depreciated/amortized | | | | | |
| Equipment & Subscription Based | | | | | |
| IT Arrangements | 658 | 8 | 18 | - | 648 |
| Less accumulated depreciation/amortization | 73 | 466 | 15 | - | 524 |
| Capital assets being depreciated/amortized, net | 585 | (458) | 3 | - | 124 |
| Governmental activity Capital assets, net | \$ 404,401 | \$ 419,333 | \$ 3 | \$ (485,774) | \$ 337,957 |

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Beginning balances as of July 1, 2022, were restated due to the implementation of GASB 96 Subscription-Based Information Technology Arrangements. Depreciation expense charged to governmental activities – general government totaled \$469 (amount expressed in thousands) for the year.

NOTE 6 – LONG-TERM OBLIGATIONS

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2023, was as follows:

| | Balance July 1, 2022, as restated | Additions | Deletions | Balance June 30, 2023 | Amount Due Within One Year |
|-------------------------------|---|---------------|------------------|--------------------------|----------------------------------|
| Governmental activities: | | | | | |
| Compensated absences | \$ 1,357 | \$ 903 | \$ 807 | \$ 1,453 | \$ 143 |
| SBITA | 578 | - | 462 | 116 | 116 |
| Net pension liability | 84,043 | - | 1,293 | 82,750 | - |
| Total OPEB liability | 40,334 | - | 18,010 | 22,324 | 3,536 |
| Total governmental activities | <u>\$ 126,312</u> | <u>\$ 903</u> | <u>\$ 20,572</u> | <u>\$ 106,643</u> | <u>\$ 3,679</u> |

Beginning balances as of July 1, 2022, were restated due to the implementation of GASB 96.

Compensated absences, the net pension liability and the OPEB liability will be liquidated by the applicable governmental funds that account for the salaries and wages of the related employees.

NOTE 7 – DEFINED BENEFIT PENSION PLAN

A. Plan Description

Substantially all of CDB’s full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a single-employer defined benefit pension trust fund in the State of Illinois reporting entity and it is treated as a cost sharing plan by CDB. SERS is governed by article 14 of the Illinois Pension Code (40 ILCS 5/1, et seq.). The plan consists of two tiers of contribution requirements and benefit levels based on when an employee was hired. Members who first become an employee and participate under any of the State’s retirement plans on or after January 1, 2011, are members of Tier 2, while Tier 1 consists of employees hired before January 1, 2011, or those who have service credit prior to January 1, 2011. The provisions below apply to both Tier 1 and 2 members, except where noted. The SERS issues a separate Annual Comprehensive Financial Report available at www.srs.illinois.gov or that may be obtained by writing to the SERS, 2101 South Veterans Parkway, PO Box 19255, Springfield, Illinois, 62794-9255.

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B. Benefit Provisions

SERS provides retirement benefits based on the member’s final average compensation and the number of years of credited service that have been established. The retirement benefit formula available to general State employees that are covered under the Federal Social Security Act is 1.67% for each year of covered service and for noncovered employees it is 2.2% for each year of service. The maximum retirement annuity payable is 75% of final average compensation for regular employees and 80% for alternative formula employees. The minimum monthly retirement annuity payable is \$15.00 for each year of covered service and \$25.00 for each year of noncovered service. Members in SERS under Tier 1 and Tier 2 receive the following levels of benefits based on the respective age and years of service credits.

| Regular Formula Tier 1 | Regular Formula Tier 2 |
|--|---|
| <p>A member must have a minimum of eight years of service credit and may retire at:</p> <ul style="list-style-type: none"> • Age 60, with 8 years of service credit. • Any age, when the member’s age (years & whole months) plus years of service credit (years & whole months) equal 85 years (1,020 months) (Rule of 85) with eight years of credited service. • Between ages 55-60 with 25-30 years of service credit (reduced 1/2 of 1% for each month under age 60). <p>The retirement benefit is based on final average compensation and credited service. Final average compensation is the 48 highest consecutive months of service within the last 120 months of service.</p> <p>Under the Rule of 85, a member is eligible for the first 3% increase on January 1 following the first full year of retirement, even if the member is not age 60. If the member retires at age 60 or older, he/she will receive a 3% pension increase every year on January 1, following the first full year of retirement.</p> | <p>A member must have a minimum of 10 years of credited service and may retire at:</p> <ul style="list-style-type: none"> • Age 67, with 10 years of credited service. • Between ages 62-67 with 10 years of credited service (reduced 1/2 of 1% for each month under age 67). <p>The retirement benefit is based on final average compensation and credited service. For regular formula employees, final average compensation is the average of the 96 highest consecutive months of service within the last 120 months of service. The retirement benefit is calculated on a maximum salary of \$106,800. This amount increases annually by 3% or one-half of the Consumer Price Index, whichever is less.</p> <p>If the member retires at age 67 or older, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every year on January 1, following the first full year of retirement. The calendar year 2022 rate is \$119,892.</p> |

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| Regular Formula Tier 1 | Regular Formula Tier 2 |
|---|--|
| If the member retires before age 60 with a reduced retirement benefit, he/she will receive a 3% pension increase every January 1 after the member turns age 60 and has been retired at least one full year. These pension increases are not limited by the 75% maximum. | If the member retires before age 67 with a reduced retirement benefit, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every January 1 after the member turns age 67 and has been retired at least one full year. These pension increases are not limited by the 75% maximum. |

Additionally, the Plan provides an alternative retirement formula for State employees in high-risk jobs, such as State policemen, fire fighters, and security employees. Employees qualifying for benefits under the alternative formula may retire at an earlier age depending on membership in Tier 1 or Tier 2. The retirement formula is 2.5% for each year of covered service and 3.0% for each year of non-covered service. The maximum retirement annuity payable is 80% of final average compensation as calculated under the alternative formula.

SERS also provides occupational and nonoccupational (including temporary) disability benefits. To be eligible for nonoccupational (including temporary) disability benefits, an employee must have at least eighteen months of credited service to the System. The nonoccupational (including temporary) disability benefit is equal to 50% of the monthly rate of compensation of the employee on the date of removal from the payroll. Occupational disability benefits are provided when the member becomes disabled as a direct result of injuries or diseases arising out of and during State employment. The monthly benefit is equal to 75% of the monthly rate of compensation on the date of removal from the payroll. This benefit amount is reduced by Workers' Compensation or payments under the Occupational Diseases Act.

Occupational and nonoccupational death benefits are also available through the System. Certain nonoccupational death benefits vest after eighteen months of credited service. Occupational death benefits are provided from the date of employment.

C. Contributions

Contribution requirements of active employees and the State are established in accordance with Chapter 40, section 5/14-133 of the Illinois Compiled Statutes. Member contributions are based on fixed percentages of covered payroll ranging between 4.00% and 12.50%. Employee contributions are fully refundable, without interest, upon withdrawal from State employment. Tier 1 members contribute based on total annual compensation. Tier 2 members contribute based on an annual compensation rate not to exceed \$106,800 with limitations for future years increased by the lesser of 3% or one-half of the annual percentage increase in the Consumer Price Index. For 2023, this amount was \$123,489.

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The State is required to make payment for the required departmental employer contributions, all allowances, annuities, any benefits granted under Chapter 40, Article 5/14 of the ILCS and all administrative expenses of the System to the extent specified in the ILCS. State law provides that the employer contribution rate be determined based upon the results of each annual actuarial valuation.

For fiscal year 2023, the required employer contributions were computed in accordance with the State's funding plan. This funding legislation provides for a systematic 50-year funding plan with an ultimate goal to achieve 90% funding of the plan's liabilities. In addition, the funding plan provided for a 15-year phase-in period to allow the State to adapt to the increased financial commitment. Since the 15-year phase-in period ended June 30, 2010, the State's contribution will remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved. For fiscal year 2023, the employer contribution rate was 53.258%. CDB's contribution amount for fiscal year 2023 was \$7,199.

D. Pension Liability, Deferred Outflows of Resources, Deferred Inflows of Resources and Expense Related to Pensions

At June 30, 2023, CDB reported a liability of \$82,750 million for its proportionate share of the State's net pension liability for SERS on the statement of net position. The net pension liability was measured as of June 30, 2022 (current year measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. CDB's portion of the net pension liability was based on CDB's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2022. As of the current year measurement date of June 30, 2022, CDB's proportion was .2559%, which was an increase of .0020% from its proportion measured as of the prior year measurement date of June 30, 2021.

For the year ended June 30, 2023, CDB recognized pension expense of \$(371) thousand. At June 30, 2023, CDB reported deferred outflows and deferred inflows of resources related to the pension liability as of the measurement date of June 30, 2023, from the following sources (amounts expressed in thousands):

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 932 | \$ 9 |
| Changes of assumptions | 2,148 | 7,087 |
| Net difference between projected and actual investment earnings on pension plan investments | 1,590 | - |
| Changes in proportion | 9,459 | 2,495 |
| Board contributions subsequent to the measurement date | 7,199 | - |
| Total | \$ 21,327 | \$ 9,591 |

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\$7,199 reported as deferred outflows of resources related to pensions resulting from CDB contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows (amounts expressed in thousands):

| <u>Year ended June 30,</u> | |
|----------------------------|---------------------|
| 2024 | \$ 2,260 |
| 2025 | 1,907 |
| 2026 | (318) |
| 2027 | <u>688</u> |
| Total | <u>\$ 4,537</u> |

E. Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

| SERS | |
|----------------------------------|---|
| Valuation date | 6/30/2022 |
| Measurement date | 6/30/2022 |
| Actuarial cost method | Entry Age |
| Actuarial assumptions: | |
| Investment rate of return | 6.75% |
| Projected salary increases* | 2.50% - 7.41% |
| Inflation rate | 2.25% |
| Postretirement benefit increases | |
| Tier 1 | 3%, compounded |
| Tier 2 | Lesser of 3% or 1/2 of CPI [^] , on original benefit |
| Retirement age experience study | July 2018 - June 2021 |
| Mortality ^{^^^} | |
| SERS | Pub-2010 General and Public Safety Healthy Retiree mortality tables, sex distinct, with rates projected to 2021 generational mortality improvement factors were updated to projection scale MP-2021 |

Note: the above actuarial assumptions were used to calculate the total pension liability as of the current year measurement date and are consistent with the actuarial assumptions used to calculate the total pension liability as of the prior year measurement date except for the following:

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| | |
|---|---|
| Projected salary increases* | 2.75% - 7.17% |
| Retirement age experience study | July 2015 - June 2018 |
| Mortality ^{^^} | Pub-2010 General and Public Safety Healthy Retiree mortality tables, sex distinct, with rates projected to 2018 generational mortality improvement factors were updated to projection scale MP-2018 |
| * Includes inflation rate listed. | |
| ^ Consumer Price Index | |
| ^{^^} The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined. | |
| ^{^^^} Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee. | |

The long-term expected real rate of return on pension plan investments was determined using the best estimates of geometric real rates of return for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation, calculated as of the measurement date of June 30, 2022, the best estimates of the geometric real rates of return as summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-------------------------------------|--------------------------|---|
| U.S. Equity | 23% | 4.60% |
| Developed Foreign Equity | 13% | 4.90% |
| Emerging Market Equity | 8% | 5.90% |
| Private Equity | 9% | 6.90% |
| Intermediate Investment Grade Bonds | 15% | -0.50% |
| Long-term Government Bonds | 5% | 0.30% |
| TIPS | 3% | -0.50% |
| High Yield and Bank Loans | 2% | 1.90% |
| Opportunistic Debt | 9% | 4.40% |
| Emerging Market Debt | 0% | 0% |
| Real Estate | 10% | 3.30% |
| Infrastructure | 3% | 6.80% |
| Total | <u>100%</u> | |

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F. Discount Rate

A discount rate of 6.58% was used to measure the total pension liability as of the measurement date of June 30, 2022, as compared to a discount rate of 6.20% used to measure the total pension liability as of the prior year measurement date. The June 30, 2022, single blended discount rate was based on the expected rate of return on pension plan investments of 6.75% and a municipal bond rate of 3.69%, based on an index of 20-year general obligation bonds with an average AA credit rating as published by the Federal Reserve. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the statutory contributions and the member rate. Based on these assumptions, the pension plan's fiduciary net position and future contributions will be sufficient to finance the benefit payments through the year 2076. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2076, and the municipal bond rate was applied to all benefit payments after that date.

G. Sensitivity of Net Pension Liability to Changes in the Discount Rate

The net pension liability for the plan was calculated using the stated discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate as shown below (amounts expressed in thousands):

| | 1% Decrease 5.58% | Discount Rate 6.58% | 1% Increase 7.58% | |
|--|-------------------------|------------------------|-------------------------|--|
| Board's proportionate share of the net pension liability | \$ 100,681 | \$ 82,750 | \$ 67,921 | |

Payables to the pension plan. At June 30, 2023, CDB reported a payable of \$76 thousand to SERS for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2023.

NOTE 8 – POST-EMPLOYMENT BENEFITS

Plan description. The State Employees Group Insurance Act of 1971 (Act), as amended, authorizes the Illinois State Employees Group Insurance Program (SEGIP) to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all of the CDB's full-time employees are members of SEGIP. Members receiving monthly benefits from the General Assembly Retirement System (GARS), Judges Retirement System (JRS), State Employees' Retirement System of Illinois (SERS), Teachers' Retirement System (TRS), and State Universities Retirement System of Illinois (SURS) are eligible for these other post-employment benefits (OPEB).

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The eligibility provisions for each of the retirement systems are defined within their Pension Footnotes. Certain TRS members eligible for coverage under SEGIP include certified teachers employed by certain State agencies, executives employed by the Board of Education, regional superintendents, regional assistant superintendents, TRS employees and members with certain reciprocal service.

The Department of Central Management Services administers these benefits for annuitants with the assistance of the public retirement systems sponsored by the State (GARS, JRS, SERS, TRS and SURS). The State recognizes SEGIP OPEB benefits as a single employer defined benefit plan. The plan does not issue a stand-alone financial report.

Benefits provided. The health, dental, and vision benefits provided to, and contribution amounts required from annuitants are the result of collective bargaining between the State and the various unions representing the State's and the university component units' employees in accordance with limitations established in the Act. Therefore, the benefits provided, and contribution amounts are subject to periodic change. Coverage through SEGIP becomes secondary to Medicare after Medicare eligibility has been reached. Members must enroll in Medicare Parts A and B to receive the subsidized SEGIP premium available to Medicare eligible participants. The Act requires the State to provide life insurance benefits for annuitants equal to their annual salary as of the last day of employment until age 60, at which time; the benefit amount becomes \$5,000.

Funding policy and annual other postemployment benefit cost. OPEB offered through SEGIP are financed through a combination of retiree premiums, State contributions and Federal government subsidies from the Medicare Part D program. Contributions are deposited in the Health Insurance Reserve Fund, which covers both active State employees and retirement members. Annuitants may be required to contribute towards health 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 toward health 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 and vision benefits. All annuitants are required to pay for dental benefits regardless of retirement date. The Director of Central Management Services shall, on an annual basis, determine the amount the State shall contribute toward the basic program of group health benefits. State contributions are made primarily from the General Revenue Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree health insurance benefit and a separate trust has not been established for the funding of OPEB.

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For fiscal year 2023, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was \$12,635.52 (\$6,989.76 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and \$14,646.00 (\$5,882.40 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

Total OPEB liability, deferred outflows of resources, deferred inflows of resources and expense related to OPEB. The total OPEB liability, as reported at June 30, 2023, was measured as of June 30, 2022, with an actuarial valuation as of June 30, 2021. On June 30, 2023, CDB recorded a liability of \$22,324 million for its proportionate share of the State's total OPEB liability. CDB's portion of the OPEB liability was based on CDB's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2022. As of the current year measurement date of June 30, 2022, CDB's proportion was .1307%, which was an increase of .0152% from its proportion measured as of the prior year measurement date of June 30, 2021.

CDB recognized an OPEB expense for the year ended June 30, 2023, of \$3,430 thousand. At June 30, 2023, CDB reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2022, from the following sources (amounts expressed in thousands):

Deferred outflows of resources

| | | |
|---|-----------|----------------------|
| Differences between expected and actual experience | \$ | 229 |
| Changes of assumptions | | 551 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | | 13,346 |
| Board contributions subsequent to the measurement date | | 3,536 |
| Total deferred outflows of resources | \$ | <u>17,662</u> |

Deferred inflows of resources

| | | |
|---|-----------|----------------------|
| Differences between expected and actual experience | \$ | 6,104 |
| Changes of assumptions | | 21,867 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | | 1,740 |
| Total deferred inflows of resources | \$ | <u>29,711</u> |

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The amounts reported as deferred outflows of resources related to OPEB resulting from CDB's contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (amounts expressed in thousands):

Year ended June 30,

| | |
|-------|--------------------|
| 2024 | \$ (3,779) |
| 2025 | (4,410) |
| 2026 | (3,306) |
| 2027 | (3,201) |
| 2028 | <u>(889)</u> |
| Total | <u>\$ (15,585)</u> |

Actuarial methods and assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified. The actuarial valuation for the SEGIP was based on GARS, JRS, SERS, TRS, and SURS active, inactive, and retiree data as of June 30, 2021, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2021.

**STATE OF ILLINOIS
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

| | |
|---|--|
| Valuation Date | June 30, 2021 |
| Measurement Date | June 30, 2022 |
| Actuarial Cost Method | Entry Age Normal |
| Actuarial assumptions: | |
| Inflation Rate | 2.25% |
| Projected Salary Increases* | 2.50% - 12.75% |
| Healthcare Cost Trend Rate: | |
| Medical and RX | |
| Pre-Medicare - QCHP** | Trend rates start at 8.00% in 2024, decreasing by 0.25% per year to an ultimate trend rate of 4.25% in year 2039. |
| Post-Medicare - MAPD*** | Trend rates are 0.00% in years 2024 to 2028, 19.42% from 2029 to 2033, then 5.77% in 2034 decreasing ratably to an ultimate trend rate of 4.25% in 2039. |
| Retirees' share of benefit-related costs | Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5 percent for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100 percent of the required dependent premium. Premiums for plan year 2022 and 2023 are based on actual premiums. Premiums after 2023 were projected based on the same healthcare cost trend rates applied to per capita claim costs. |
| <p>Note: the above actuarial assumptions were used to calculate the OPEB liability as of the current year measurement date and are consistent with the actuarial assumptions used to calculate the OPEB liability as of the prior year measurement date except for the following:</p> | |
| Healthcare Cost Trend Rate: | |
| Medical and Rx (Pre-Medicare & Post-Medicare) | 1.80% grading up 6.20% in the first year to 8.00%, then grading down 0.25% per year to an ultimate trend of 4.25% in year 2038. There is no additional trend rate adjustment due to the repeal of the Excise Tax. |
| Medical and Rx (Post-Medicare) | -7.56% grading up 15.56% in the first year to 8.00%, then grading down 0.25% per year to an ultimate trend of 4.25% in year 2038. |
| Dental and Vision | 3.75% grading up 0.25% in the first year to 4.00% through 2038. |
| <p>* Dependent upon service and participation in the respective retirement systems. Includes inflation rate listed. ** Quality Care Health Plan *** Medicare Advantage Prescription Drug</p> | |

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JUNE 30, 2023**

| | <u>Retirement age experience study[^]</u> | <u>Mortality^{^^}</u> |
|--|--|---|
| GARS | July 2018 - June 2021 | Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, scaling factors of 99% for males and females, and the MP-2018 two-dimensional generational mortality improvement scales |
| JRS | July 2018 - June 2021 | Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, scaling factors of 102% for males and 98% for females, and the MP-2018 two-dimensional generational mortality improvement scales |
| SERS | July 2018 - June 2021 | Pub-2010 General and Public Safety Healthy Retiree mortality tables, sex distinct, with rates projected to 2018 generational mortality improvement factors were updated to projection scale MP-2018 |
| TRS | July 2017 - June 2020 | Pub-2010 adjusted for TRS experience for future mortality improvements on a fully generational basis using projection table MP-2020 |
| SURS | July 2017 - June 2020 | Rates based on Pub-2010 Healthy Retiree Mortality tables and the most recent MP-2020 projection scale. Teachers table was used for Academic members and General |
| [^] The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined. | | |
| ^{^^} Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee. | | |

Demographic assumptions used in OPEB valuation are identical to those used in the June 30, 2021, valuations for Pensions. Thus, for GARS, JRS and SERS, the 2021 valuation information for pensions is presented in the FY 2022 ACFR in FN16. For TRS and SURS, the total pension liability presented in the June 30, 2021, actuarial valuation is based on census data as of June 30, 2020, rolled-forward to the measurement date of June 30, 2021.

Discount rate. Retirees contribute a percentage of the premium rate based on service at retirement. The State contributes additional amounts to cover claims and expenses in excess of retiree contributions. Because plan benefits are financed on a pay-as-you-go basis, the single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. A single discount rate of 1.92% at June 30, 2021, and 3.69% at June 30, 2022, was used to measure the total OPEB liability.

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Sensitivity of total OPEB liability to changes in the single discount rate. The following presents the plan's total OPEB liability, calculated using a Single Discount Rate of 3.69%, as well as what the plan's total OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (4.69%) or lower (2.69%) than the current rate (amounts expressed in thousands):

| | 1% Decrease (2.69%) | Current Single Discount Rate Assumption (3.69%) | 1% Increase (4.69%) |
|---|------------------------------------|--|------------------------------------|
| Board's proportionate share of total OPEB liability | \$ 24,630 | \$ 22,324 | \$ 19,828 |

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The following presents the plan's total OPEB liability, calculated using the healthcare cost trend rates as well as what the plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or lower, than the current healthcare cost trend rates (amounts in table expressed in thousands). The key trend rates are 8.00% in 2024 decreasing to an ultimate trend rate of 4.25% in 2039. A one percentage point decrease in healthcare trend rates is 7.00% in plan year end 2024 decreasing to an ultimate trend rate of 3.25% in plan year end 2039. A one percentage point increase in healthcare trend rates is 9.00% in plan year end 2024 decreasing to an ultimate trend rate of 5.25% in plan year 2039.

| | 1% Decrease | Current Healthcare Cost Trend Rates Assumption | 1% Increase |
|---|------------------------|---|------------------------|
| Board's proportionate share of total OPEB liability | \$ 19,328 | \$ 22,324 | \$ 25,360 |

**STATE OF ILLINOIS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 – FUND BALANCE

At June 30, 2023, CDB’s fund balances were classified as follows:

| | General Fund | Nonmajor Funds | Total |
|--------------------|-----------------|-------------------|------------|
| Restricted: | | | |
| General government | \$ - | \$ - | \$ - |
| Debt service | - | 362 | 362 |
| Total restricted | - | 362 | 362 |
| Committed purpose: | | | |
| Education | - | 38,207 | 38,207 |
| General government | - | 38,633 | 38,633 |
| Capital outlays | - | 40,537 | 40,537 |
| Total committed | - | 117,377 | 117,377 |
| Total fund balance | \$ - | \$ 117,739 | \$ 117,739 |

NOTE 10 – RISK MANAGEMENT

The CDB is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; workers compensation; and natural disasters. The State retains the risk of loss (i.e., self-insured).

The CDB’s risk management activities for 2023 are financed through appropriations to the Illinois Department of Central Management Services and are accounted for in the general fund of the State. The claims are not considered to be a liability of the CDB and, accordingly, have not been reported in the CDB’s financial statements for the year ended June 30, 2023. There have been no settlements that exceeded insurance coverage during the last three fiscal years.

CDB is exposed to various risks of loss related to employee health and dental insurance programs. The State uses the Health Insurance Reserve Fund to account for employee health and dental insurance benefit programs, which are partially self-funded. The Department of Central Management Services administers and reports the Health Insurance Reserve Fund.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Short-Term Leases

The CDB leases equipment and office space under the terms of noncancelable short-term lease agreements not extending past the end of the fiscal year, that require the CDB to make minimum lease payments plus pay a pro rata share of certain operation costs. Rent expense under short-term leases was \$264 (amount expressed in thousands) for the year ended June 30, 2023.

**STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

B. Construction Commitments

The CDB has outstanding construction projects for State and other facilities in which it has entered into future commitments. The amount of CDB's commitment which includes amounts related to projects for the State's component units was \$1,118.1 million at June 30, 2023.

Components of Construction in Progress

| Project | As of June 30, 2023 (Expressed in Thousands) | | | |
|--|---|--------------------------|----------------------|-------------------------|
| | Project Authorization | Expended Through June 30 | Committed at June 30 | Available Authorization |
| Menard Correctional Center Replace General Store & Kitchen/Dining Complex | \$ 24,682 | \$ 197 | \$ 1,791 | \$ 22,694 |
| Construct New Nursing Home - Quincy Veterans Home - Demolish Buildings & Construct New Illinois Youth Center | 273,315 | 151,692 | 117,265 | 4,358 |
| Construct & Renovate Facilities Lincoln Site | 25,421 | 498 | 1,436 | 23,487 |
| Renovate & Upgrade Willard Ice Revenue Building | 57,970 | 1,226 | 53,240 | 3,324 |
| Repair the Underground Parking Capitol Complex | 45,183 | 900 | 2,064 | 42,219 |
| Property Purchase – Development | 22,773 | 185 | 409 | 22,179 |
| Construct Central Computing - Facility | 80,000 | 50,000 | 30,000 | - |
| Renovate the Bilandic - Building | 80,500 | 2,827 | 1,339 | 76,334 |
| Renovate the State Armory - Building | 27,000 | 17,590 | 2,425 | 6,985 |
| Replace Power Plant Elgin Mental Health Center | 122,000 | 15,342 | 17,434 | 89,224 |
| Construct an Addition to the - Treatment Detention Facility | 29,064 | 588 | 28,476 | - |
| Construct State Police New Crime Lab | 30,660 | 131 | - | 30,529 |
| Others (less than \$10,000) | 76,550 | 3,602 | 6,459 | 66,489 |
| | <u>1,393,261</u> | <u>93,055</u> | <u>346,081</u> | <u>954,305</u> |
| Total | <u>\$ 2,288,379</u> | <u>\$ 337,833</u> | <u>\$ 608,419</u> | <u>\$ 1,342,127</u> |

**STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

C. Litigation

The CDB is routinely involved in several legal proceedings and claims that cover a wide range of matters. In the opinion of management, the outcome of these additional matters is not expected to have a material effect on the financial position or results of operations of the CDB.

NOTE 12 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

Capital Development Board department has entered one SBITA with remaining contract terms of less than 2 years. Although subscription terms vary, certain agreements are renewable subject to appropriation by the General Assembly. If renewal is reasonably assured, agreements requiring appropriation by the General Assembly are considered noncancelable agreements for financial reporting purposes. The renewal and termination options are not included in the subscription asset or subscription liability balance until they are reasonably certain of exercise.

At June 30, 2023, subscription assets under SBITAs are as follows:

| | |
|---|---------------|
| SBITAs (amounts expressed in thousands) | |
| Subscription Assets | \$ 578 |
| Less: Accumulated amortization | 462 |
| | <u>\$ 116</u> |

NOTE 13 - RESTATEMENT

CDB’s financial statements and notes to the financial statements have been restated as of July 1, 2022, due to the following:

Implementation of GASB Statement No. 96, SBITAs

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, requires the recognition of a right-to-use subscription asset-an intangible asset- and a corresponding subscription liability. A SBITA is defined as a contract that conveys control of the right to use another party, E-Builder, information technology (IT) software alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Implementation of Statement No. 96 resulted in a restatement to the Board’s certain financial statement note tables: Note 5, Capital Assets, and Note 6, Long-Term Obligations, were restated at June 30, 2022.

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Recognition of beginning assets and obligations were recognized as follows:

| | <u>Note 5</u> | <u>Note 6</u> |
|--|--|----------------------------------|
| | <u>Capital Assets</u> (Expressed in thousands) | <u>Long-Term Obligations</u> |
| June 30, 2022 as previously reported | \$ 403,823 | \$ 125,734 |
| Implementation of GASB 96 Right-to use subscription asset | <u>578</u> | <u>578</u> |
| June 30, 2022, as restated | <u>\$ 404,401</u> | <u>\$ 126,312</u> |

SUPPLEMENTARY INFORMATION

**State of Illinois
Capital Development Board**

Combining Schedule of Accounts

General Fund

June 30, 2023

(Expressed in Thousands)

| | General Revenue 001 | School Infrastructure 568 | Total |
|--|------------------------------------|--|--------------|
| ASSETS | | | |
| Unexpended appropriations | \$ - | \$ - | \$ - |
| TOTAL ASSETS | \$ - | \$ - | \$ - |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | \$ - | \$ - | \$ - |
| TOTAL LIABILITIES | - | - | - |
| FUND BALANCES | | | |
| Restricted | - | - | - |
| Committed | - | - | - |
| Unassigned | - | - | - |
| TOTAL FUND BALANCES | - | - | - |
| TOTAL LIABILITIES AND FUND BALANCES | \$ - | \$ - | \$ - |

State of Illinois
Capital Development Board

**Combining Statement of Revenues,
Expenditures and Changes in Fund Balance -
General Fund**

FOR THE YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

| | General Revenue 001 | School Infrastructure 568 | Total |
|--|---------------------------|---------------------------------|---------------|
| REVENUES | | | |
| Other Revenues | 5 | - | 5 |
| TOTAL REVENUES | <u>\$ 5</u> | <u>\$ -</u> | <u>\$ 5</u> |
| EXPENDITURES | | | |
| Education | - | 13,272 | 13,272 |
| General Government | - | - | - |
| TOTAL EXPENDITURE | <u>-</u> | <u>13,272</u> | <u>13,272</u> |
| Deficiency of revenues over expenditures | 5 | (13,272) | (13,267) |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES | | | |
| Appropriation from State resources | - | 100,600 | 100,600 |
| Receipts collected/transmitted to State Treasury | (5) | - | (5) |
| Lapsed appropriations | - | (87,328) | (87,328) |
| Net other sources of financial resources | <u>(5)</u> | <u>13,272</u> | <u>13,267</u> |
| Net change in fund balances | - | - | - |
| FUND BALANCES JULY 1, 2022 | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES JUNE 30, 2023 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

**State of Illinois
Capital Development Board**

**Combining Balance Sheet -
Nonmajor Governmental Funds**

June 30, 2023
(Expressed in Thousands)

| | Special Revenue | Capital Projects | Debt Service General Obligation Bond Retirement and Interest 0101 | Total |
|--|----------------------------|-----------------------------|--|-------------------|
| ASSETS | | | | |
| Unexpended appropriations | \$ - | \$ 140,476 | \$ - | \$ 140,476 |
| Cash equity with State Treasurer | 35,638 | 83,824 | - | 119,462 |
| Cash and cash equivalents | - | 9,560 | - | 9,560 |
| Intergovernmental receivables, net | - | 4,426 | - | 4,426 |
| Other receivables, net | 11,391 | - | - | 11,391 |
| Due from other State funds | - | 375 | - | 375 |
| Total assets | 47,029 | 238,661 | - | 285,690 |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | 483 | 155,839 | - | 156,322 |
| Due to other State funds | 512 | 894 | - | 1,406 |
| Unearned revenue | - | 379 | - | 379 |
| TOTAL LIABILITIES | 995 | 157,112 | - | 158,107 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue | 6,631 | 3,213 | - | 9,844 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 6,631 | 3,213 | - | 9,844 |
| FUND BALANCES | | | | |
| Restricted | - | 362 | - | 362 |
| Committed | 39,403 | 77,974 | - | 117,377 |
| TOTAL FUND BALANCES | 39,403 | 78,336 | - | 117,739 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ 47,029 | \$ 238,661 | \$ - | \$ 285,690 |

State of Illinois
Capital Development Board

**Combining Statement of Revenues,
Expenditures and Changes in Fund Balance -
Nonmajor Governmental Funds**

FOR THE YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

| | Special Revenue | Capital Projects | Debt Service General Obligation Bond Retirement and Interest 0101 | Total |
|--|--------------------|---------------------|---|-------------------|
| REVENUES | | | | |
| Federal capital grants | \$ - | \$ 65,773 | \$ - | \$ 65,773 |
| Licenses and fees | 23,866 | - | - | 23,866 |
| Other charges for services | - | 15,545 | 325 | 15,870 |
| Total revenues | <u>23,866</u> | <u>81,318</u> | <u>325</u> | <u>105,509</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Education | - | 185,759 | - | 185,759 |
| General government | 8,977 | 35,502 | - | 44,479 |
| Capital outlays | 7 | 419,792 | - | 419,799 |
| Total expenditures | <u>8,984</u> | <u>641,053</u> | <u>-</u> | <u>650,037</u> |
| Excess (deficiency) of revenues over (under) expenditures | 14,882 | (559,735) | 325 | (544,528) |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES | | | | |
| Appropriations from State resources | - | 9,244,888 | - | 9,244,888 |
| Reappropriation to future year(s) | - | (8,698,716) | - | (8,698,716) |
| Lapsed appropriations | - | (2,084) | - | (2,084) |
| Receipts collected and transmitted to State Treasury | - | (34) | (325) | (359) |
| Net change in liabilities for reappropriated accounts | - | 65,299 | - | 65,299 |
| Transfers-out/Transfers In | - | 224 | - | 224 |
| Net other sources of financial resources | <u>-</u> | <u>609,577</u> | <u>(325)</u> | <u>609,252</u> |
| Net change in fund balances | 14,882 | 49,842 | - | 64,724 |
| FUND BALANCES JULY 1, 2022 | <u>24,521</u> | <u>28,494</u> | <u>-</u> | <u>53,015</u> |
| FUND BALANCES JUNE 30, 2023 | <u>\$ 39,403</u> | <u>\$ 78,336</u> | <u>\$ -</u> | <u>\$ 117,739</u> |

State of Illinois
Capital Development Board

Combining Balance Sheets
Special Revenue Funds

June 30, 2023

(Expressed in Thousands)

| | CDB Special Projects 170 | CDB Revolving 215 | Total |
|--|---|----------------------------------|------------------|
| ASSETS | | | |
| Cash equity with State Treasurer | \$ 770 | \$ 34,868 | \$ 35,638 |
| Other, receivables, net | - | 11,391 | 11,391 |
| TOTAL ASSETS | <u>770</u> | <u>46,259</u> | <u>47,029</u> |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | - | 483 | 483 |
| Due to other state funds | - | 512 | 512 |
| TOTAL LIABILITIES | <u>-</u> | <u>995</u> | <u>995</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable Revenue | - | 6,631 | 6,631 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>-</u> | <u>6,631</u> | <u>6,631</u> |
| FUND BALANCE | | | |
| Committed | 770 | 38,633 | 39,403 |
| TOTAL FUND BALANCES | <u>770</u> | <u>38,633</u> | <u>39,403</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | <u>\$ 770</u> | <u>\$ 46,259</u> | <u>\$ 47,029</u> |

State of Illinois
Capital Development Board

**Combining Statement of Revenues,
Expenditures and Changes in Fund Balance -
Special Revenue Funds**

FOR THE YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

| | CDB Special Projects 170 | CDB Revolving 215 | Total |
|--|---|----------------------------------|------------------|
| REVENUES | | | |
| Licenses and Fees | \$ 126 | \$ 23,740 | \$ 23,866 |
| TOTAL REVENUES | <u>126</u> | <u>23,740</u> | <u>23,866</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | - | 8,977 | 8,977 |
| Capital outlays | - | 7 | 7 |
| TOTAL EXPENDITURES | <u>-</u> | <u>8,984</u> | <u>8,984</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>126</u> | <u>14,756</u> | <u>14,882</u> |
| Net change in fund balances | 126 | 14,756 | 14,882 |
| FUND BALANCES, JULY 1, 2022 | <u>644</u> | <u>23,877</u> | <u>24,521</u> |
| FUND BALANCES JUNE 30, 2023 | <u>\$ 770</u> | <u>\$ 38,633</u> | <u>\$ 39,403</u> |

**State of Illinois
Capital Development Board**

**Combining Balance Sheets
Capital Project Funds**

June 30, 2023

(Expressed in Thousands)

| | Capital Projects | | | | | |
|--|--|--|---|--|--|-------------------|
| | Capital Development 141 | School Construction 143 | CDB Contributory Trust 617 | Build Illinois Bond 971 | Rebuild Illinois Projects 972 | Total |
| ASSETS | | | | | | |
| Unexpended appropriations | \$ 137,790 | \$ - | \$ - | \$ 2,686 | \$ - | \$ 140,476 |
| Cash equity with State Treasurer | - | - | 83,824 | - | - | 83,824 |
| Cash and cash equivalents | 9,560 | - | - | - | - | 9,560 |
| Intergovernmental receivables, net | - | - | 4,426 | - | - | 4,426 |
| Due from other State funds | - | - | 13 | 362 | - | 375 |
| TOTAL ASSETS | \$ 147,350 | \$ - | \$ 88,263 | \$ 3,048 | \$ - | \$ 238,661 |
| LIABILITIES | | | | | | |
| Accounts payable and accrued liabilities | \$ 147,279 | \$ - | \$ 5,874 | \$ 2,686 | \$ - | \$ 155,839 |
| Due to other State funds | 71 | - | 823 | - | - | 894 |
| Unearned revenue | - | - | 379 | - | - | 379 |
| TOTAL LIABILITIES | 147,350 | - | 7,076 | 2,686 | - | 157,112 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable Revenue | - | - | 3,213 | - | - | 3,213 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | - | - | 3,213 | - | - | 3,213 |
| FUND BALANCES | | | | | | |
| Restricted | - | - | - | 362 | - | 362 |
| Committed | - | - | 77,974 | - | - | 77,974 |
| TOTAL FUND BALANCES | - | - | 77,974 | 362 | - | 78,336 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 147,350 | \$ - | \$ 88,263 | \$ 3,048 | \$ - | \$ 238,661 |

**State of Illinois
Capital Development Board**

**Combining Statement of Revenues,
Expenditures and Changes in Fund Balance -
Capital Project Funds**

FOR THE YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

| | Capital Projects | | | | | |
|--|--|--|---|--|--|------------------|
| | Capital Development 141 | School Construction 143 | CDB Contributory Trust 617 | Build Illinois Bond 971 | Rebuild Illinois Projects 972 | Total |
| REVENUES | | | | | | |
| Federal capital grants | \$ - | \$ - | \$ 65,773 | \$ - | \$ - | \$ 65,773 |
| Other charges for other services | - | - | 15,545 | - | - | 15,545 |
| TOTAL REVENUES | - | - | 81,318 | - | - | 81,318 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Education | 154,452 | 4,709 | 16,897 | 9,701 | - | 185,759 |
| General government | 31,070 | - | 325 | 4,107 | - | 35,502 |
| Capital outlays | 404,877 | - | 14,325 | 299 | 291 | 419,792 |
| TOTAL EXPENDITURES | 590,399 | 4,709 | 31,547 | 14,107 | 291 | 641,053 |
| Excess (deficiency) of revenues over (under) expenditures | (590,399) | (4,709) | 49,771 | (14,107) | (291) | (559,735) |
| OTHER SOURCES (USES) OF FINANCIAL RESOURCES | | | | | | |
| Appropriations from State resources | 7,502,700 | 341,932 | - | 1,350,256 | 50,000 | 9,244,888 |
| Reappropriation to future year(s) | (6,973,871) | (337,223) | - | (1,337,913) | (49,709) | (8,698,716) |
| Lapsed appropriations | (2,084) | - | - | - | - | (2,084) |
| Receipts collected/transmitted to State Treasury | - | - | - | (34) | - | (34) |
| Net change in liabilities for reappropriated accounts | 63,430 | - | - | 1,869 | - | 65,299 |
| Transfers-out/Transfers In | 224 | - | - | - | - | 224 |
| Net other sources of financial resources | 590,399 | 4,709 | - | 14,178 | 291 | 609,577 |
| Net change in fund balances | - | - | 49,771 | 71 | - | 49,842 |
| FUND BALANCES JULY 1, 2022 | - | - | 28,203 | 291 | - | 28,494 |
| FUND BALANCES JULY 1, 2023 | \$ - | \$ - | \$ 77,974 | \$ 362 | \$ - | \$ 78,336 |

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**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Capital Development Board
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Capital Development Board (CDB), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the CDB’s basic financial statements, and we have issued our report thereon dated January 4, 2024.

Report on Internal Control Over Financial Reporting

Management of the CDB is responsible for establishing and maintaining effective internal control over financial reporting (internal control).

In planning and performing our audit of the financial statements, we considered the CDB’s internal control as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CDB’s internal control. Accordingly, we do not express an opinion on the effectiveness of the CDB’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CDB's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Restricted Use of this Report

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

SIGNED ORIGINAL ON FILE

Springfield, Illinois
January 4, 2024