

**WESTERN ILLINOIS UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF ILLINOIS**

**FINANCIAL AUDIT  
FOR THE YEAR ENDED JUNE 30, 2022**

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

**WESTERN ILLINOIS UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF ILLINOIS**  
**FINANCIAL AUDIT**  
**For the Year Ended June 30, 2022**

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**WESTERN ILLINOIS UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF ILLINOIS**  
**FINANCIAL AUDIT**  
**For the Year Ended June 30, 2022**

**University Officials**

|   |  |
|---|--|
| President   | Dr. Guiyou Huang                         |
| Provost and Academic Vice President                     | Mr. William Clow, Interim                |
| Vice President for Student Success                      | Dr. David Braverman                      |
| Vice President for Finance<br>and Administration        | Ms. Shannon Sutton, Interim              |
| Vice President of Enrollment<br>Management              | Dr. Amber Schultz (08/01/21 – Present)   |
| Vice President of Quad Cities<br>Campus Operations      | Dr. Kristi Mindrup (02/01/22 – Present)  |
| Interim Administrator in Charge,<br>Quad Cities Campus* | Dr. Kristi Mindrup (07/01/20 – 01/31/22) |
| Associate Vice President of Enrollment<br>Management**  | Mr. Gary Swegan (07/01/20 - 08/06/21)    |
| Executive Director of Financial Affairs                 | Ms. Ketra Roselieb                       |
| Director of Internal Auditing                           | Mr. Michael Sowinski                     |
| General Counsel   | Ms. Elizabeth Duvall                     |

\*Position renamed Vice President of Quad Cities Campus Operations on 08/01/21

\*\*Position renamed Vice President of Enrollment Management on 08/01/21

**WESTERN ILLINOIS UNIVERSITY  
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FINANCIAL AUDIT  
For the Year Ended June 30, 2022**

**Board of Trustees (as of June 30, 2022)**

|                |                           |
|----------------|---------------------------|
| Chair          | Doug Shaw, Peoria         |
| Vice Chair     | Erik Dolieslager, Quincy  |
| Secretary      | Kisha M.J. Lang, Maywood  |
| Member         | Greg Aguilar, East Moline |
| Member         | Polly Radosh, Good Hope   |
| Member         | Carin Stutz, Chicago      |
| Member         | Patrick M. Twomey, Macomb |
| Student Member | Kinsey Tiemann, LaGrange  |

University offices are located at:

Macomb Campus  
1 University Circle  
Macomb, Illinois 61455-1390

Quad Cities Campus  
3300 River Drive  
Moline, Illinois 61265-588

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
FINANCIAL AUDIT  
For the Year Ended June 30, 2022**

**FINANCIAL STATEMENT REPORT**

**SUMMARY**

The audit of the accompanying financial statements of Western Illinois University (University) was performed by Plante & Moran, PLLC.

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

**SUMMARY OF FINDINGS**

| <b>Number of</b>                                  | <b><u>Current Report</u></b> | <b><u>Prior Report</u></b> |
|---|------------------------------|----------------------------|
| Findings  | 1                            | 2                          |
| Repeated Findings                                 | 1                            | 1                          |
| Prior Recommendations Implemented or Not Repeated | 1                            | -                          |

**SCHEDULE OF FINDINGS**

| <u>Item No.</u>         | <u>Page</u> | <u>Last/First Reported</u> | <u>Description</u>                            | <u>Finding Type</u>                 |
|-------------------------|-------------|----------------------------|---|-------------------------------------|
| <b>Current Findings</b> |             |                            |   |                                     |
| 2022-001                | 71          | 2022/2020                  | Inadequate Internal Controls over Census Data | Material Weakness and Noncompliance |

**SCHEDULE OF FINDINGS**

| <u>Item No.</u>                    | <u>Page</u> | <u>Last/First Reported</u> | <u>Description</u>  |
|------------------------------------|-------------|----------------------------|---|
| <b>Prior Findings Not Repeated</b> |             |                            |   |
| A                                  | 73          | 2021/2021                  | Failure to Apply Appropriate Generally Accepted Accounting Principles |

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
FINANCIAL AUDIT  
For the Year Ended June 30, 2022**

**EXIT CONFERENCE**

The University waived an exit conference in a correspondence from Dr. Guiyou Huang, President, on February 21, 2023. The responses to the recommendations were provided by Ms. Ketra Roselieb, Executive Director of Financial Affairs, in a correspondence dated February 21, 2023.

## Independent Auditor's Report

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

and

Board of Trustees  
Western Illinois University

### Report on the Audit of the Financial Statements

#### *Opinions*

As Special Assistant Auditors for the Auditor General, we have we have audited the financial statements of the business-type activities, fiduciary activities and the discretely presented component unit of Western Illinois University (the "University") a component unit of the State of Illinois, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the University's basic financial statements, as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, fiduciary activities and the discretely presented component unit of the University as of June 30, 2022 and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the discretely presented component unit, Western Illinois University Foundation, which represents 100% of the assets and revenues of the discretely presented component unit, as of and for the year ended June 30, 2022 and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors in accordance with auditing standards generally accepted in the United States of America (GAAS), whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Western Illinois University Foundation are based solely on the report of the other auditor.

#### *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 University and to meet our other 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*

Further, as discussed in Note 17 to the financial statements, in Fiscal Year 2022, the University adopted new accounting guidance for reporting leases which did not result in a restatement to net position. Our opinions are not modified with respect to this matter.

To the Honorable Frank J. Mautino  
Auditor General  
State of Illinois

and

Board of Trustees  
Western Illinois University

### ***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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***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 judgment 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 judgment 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 the purpose of expressing an opinion on the effectiveness of the University'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.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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.

To the Honorable Frank J. Mautino  
Auditor General  
State of Illinois

and

Board of Trustees  
Western Illinois University

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 9-16, the Schedule of Share of the Net Pension Liability and the Schedule of Contributions on page 62, and the Schedule of Share of the Collective Total OPEB liability on page 66 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Table of Operating Expenses on page 68 is presented for the purpose of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Table of Operating Expenses is fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Information***

Management is responsible for the other information included in this report. The other information comprises the University officials and Board of Trustees. Our opinions on the basic 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or whether 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.

To the Honorable Frank J. Mautino  
Auditor General  
State of Illinois

and

Board of Trustees  
Western Illinois University

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2023 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 University'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 University's internal control over financial reporting and compliance.

**Original Signature on File**

Plante & Moran, PLLC

Cincinnati, Ohio

March 2, 2023

**WESTERN ILLINOIS UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For the Year Ended June 30, 2022**

This section of the Western Illinois University (University) annual financial report presents management's discussion and analysis (MD&A) of the financial performance of the University during the fiscal year ended June 30, 2022. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The discussion and analysis are designed to focus on current activities, resulting change, current known facts, and future outlook. The financial statements, footnotes, and this discussion are the responsibility of University management.

This MD&A focuses on the University. The University's component unit, Western Illinois University Foundation (Foundation), issues separate financial statements that may be obtained at the Foundation's administrative office as summarized in Note 1.

**Using the Financial Report**

The University's annual report includes the following financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; the Statement of Cash Flows; the Statement of Fiduciary Net Position; and the Statement of Changes in Fiduciary Net Position. The financial statements are prepared in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) which require that financial statements be presented on a consolidated basis to focus on the University as a whole.

The financial statements are prepared under the accrual basis of accounting. Assets, deferred outflows of resources, liabilities, and deferred inflows of resources are categorized as current (due within one year) and noncurrent (due in greater than one year). Current year revenues and expenses are recognized when earned or incurred, regardless of when cash is exchanged. Revenues and expenses are reported as either operating or nonoperating. Significant recurring sources of the University's revenues, including State appropriations, gifts and investment income, are nonoperating as defined by GASB. Scholarship discounts and allowances applied to student accounts are shown as a reduction of tuition and fee revenue and auxiliary enterprise revenue. Stipends and other payments made directly to students are presented as student aid expenses. Depreciation is considered an operating expense and capital assets are reported at cost less accumulated depreciation.

**Financial Highlights**

**Statement of Net Position**

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources, net position, is one indicator of the financial condition of the University, while the change in net position that occurs over time indicates improvement or deterioration in the University's financial condition. Non-financial factors such as enrollment levels and the condition of facilities are relevant when assessing the overall health of the University. Net position is divided into three major categories, as follows: net investment in capital

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**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Year Ended June 30, 2022**

assets reflects the University’s equity in capital assets; restricted net position is available for expenditure by the University, but must be spent for purposes as determined by law, donors and/or external entities that have placed time or purpose restrictions on the use of the assets; and unrestricted net position is available to the University for any lawful purpose of the University.

A summary of the condensed Statement of Net Position for the years ended June 30, 2022 and 2021 is as follows:

Condensed Statement of Net Position

|   | <u>2022</u>           | <u>2021</u>           |
|---|-----------------------|-----------------------|
| Assets  |                       |                       |
| Current assets                                  | \$ 57,018,586         | \$ 58,932,566         |
| Capital assets, net of accumulated depreciation | 182,694,437           | 185,561,721           |
| Other assets                                    | 1,452,528             | 983,872               |
| Total assets                                    | <u>241,165,551</u>    | <u>245,478,159</u>    |
| Deferred outflow of resources                   | 4,148,963             | 2,412,843             |
| Liabilities                                     |                       |                       |
| Current liabilities                             | 30,621,665            | 31,945,623            |
| Noncurrent liabilities                          | 64,719,198            | 70,035,335            |
| Total liabilities                               | <u>95,340,863</u>     | <u>101,980,958</u>    |
| Deferred inflow of resources                    | 5,517,629             | 2,478,955             |
| Net position                                    |                       |                       |
| Net investment in capital assets                | 133,540,268           | 130,900,204           |
| Restricted                                      | 25,238,507            | 23,605,099            |
| Unrestricted                                    | (14,322,753)          | (11,074,214)          |
| Total net position                              | <u>\$ 144,456,022</u> | <u>\$ 143,431,089</u> |

A review of the University’s Statement of Net Position at June 30, 2022 shows that the University’s financial foundation remains strong with assets and deferred outflows of resources of \$245.3 million and liabilities and deferred inflows of resources of \$100.9 million. Net position, the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources, increased by approximately \$1.0 million or 0.7% over the previous year.

Total assets and deferred outflows of resources decreased \$2.6 million or 1.0% during Fiscal Year 2022. Cash and cash equivalents increased \$4.0 million primarily due to an increase in Higher Education Emergency Relief Funds (HEERF) received in FY22. Capital assets decreased \$2.9 million mainly due to depreciation expense of \$14.0 million offset by asset additions of \$9.8 million and an increase in right-to-use assets of \$1.8 million due to the implementation of GASB Statement No. 87, *Leases* (see Note 17).

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Year Ended June 30, 2022**

Total liabilities and deferred inflows of resources decreased \$3.6 million or 3.4% during Fiscal Year 2022. The decrease in liabilities and deferred inflows of resources is mostly due to scheduled debt payments, a decrease in other post-employment benefits and a decrease in unearned revenue as a result of an earlier start date for the summer session.

**Statement of Revenues, Expenses and Changes in Net Position**

The Statement of Revenues, Expenses and Changes in Net Position presents the University's changes in financial position. Revenues and expenses are classified as operating or nonoperating. A public University's dependency on State appropriations and gifts usually results in operating deficits because the GASB reporting standards classify these revenue sources as nonoperating.

A comparative summary of the condensed Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2022 and 2021 is as follows:

Condensed Statement of Revenues, Expenses and Changes in Net Position

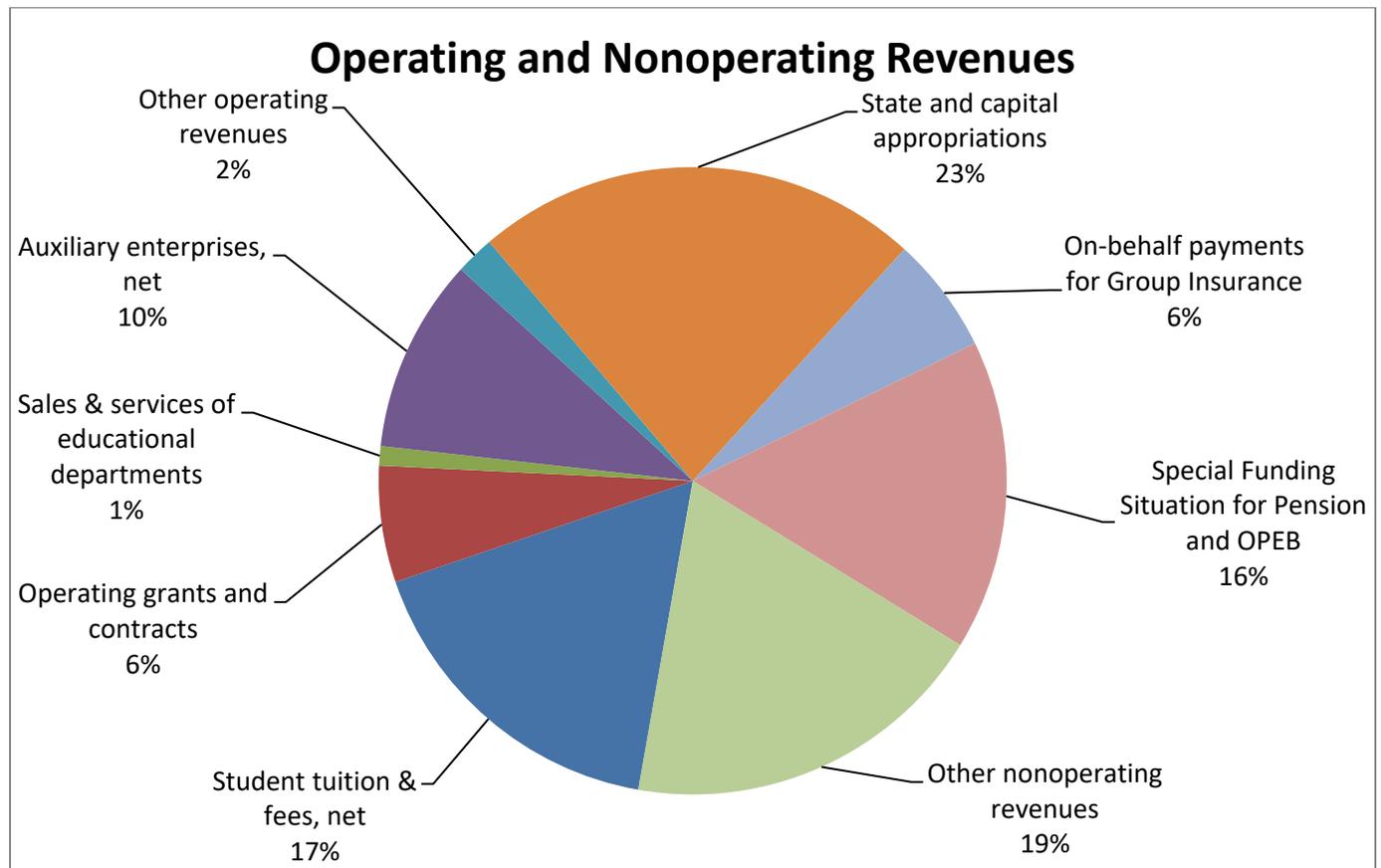
|  | <u>2022</u>           | <u>2021</u>           |
|--|-----------------------|-----------------------|
| Total operating revenues                               | \$ 90,467,103         | \$ 81,942,307         |
| Total operating expenses                               | <u>(250,784,871)</u>  | <u>(257,765,831)</u>  |
| Operating loss   | (160,317,768)         | (175,823,524)         |
| Nonoperating revenues                                  | 157,564,119           | 168,288,198           |
| Nonoperating expenses                                  | <u>(1,659,643)</u>    | <u>(1,979,995)</u>    |
| Loss before capital items                              | (4,413,292)           | (9,515,321)           |
| Capital state appropriations                           | <u>5,438,225</u>      | <u>2,583,419</u>      |
| Decrease in net position                               | 1,024,933             | (6,931,902)           |
| Net position, beginning of year as previously reported | 143,431,089           | 147,824,230           |
| Prior period adjustments                               | -                     | 2,538,761             |
| Net position, end of year                              | <u>\$ 144,456,022</u> | <u>\$ 143,431,089</u> |

Total operating revenues increased by \$8.5 million or 10.4% in 2022 primarily due to an increase in tuition and fees of \$2.1 million and auxiliary enterprises revenue of \$4.5 million. These increases are due to a matriculation of increased rates. Total nonoperating revenues decreased \$10.7 million or 6.4% due to the following: an increase in state appropriations of \$2.5 million, capital appropriations of \$2.9 million, nonoperating grants of \$11.5 million and on-behalf payment for group insurance of \$1.1 million. These increases were offset by a decrease in special funding situation for pension and OPEB of \$26.1 million. Total operating expenses decreased by \$7.0 million or 2.7% in 2022 primarily due to a decrease in special funding situation for pension and OPEB of \$26.1 million offset by an increase in salaries and benefits of \$2.9 million, supplies and services of \$6.6, and scholarships of \$8.8 million.

**WESTERN ILLINOIS UNIVERSITY**  
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**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Year Ended June 30, 2022**

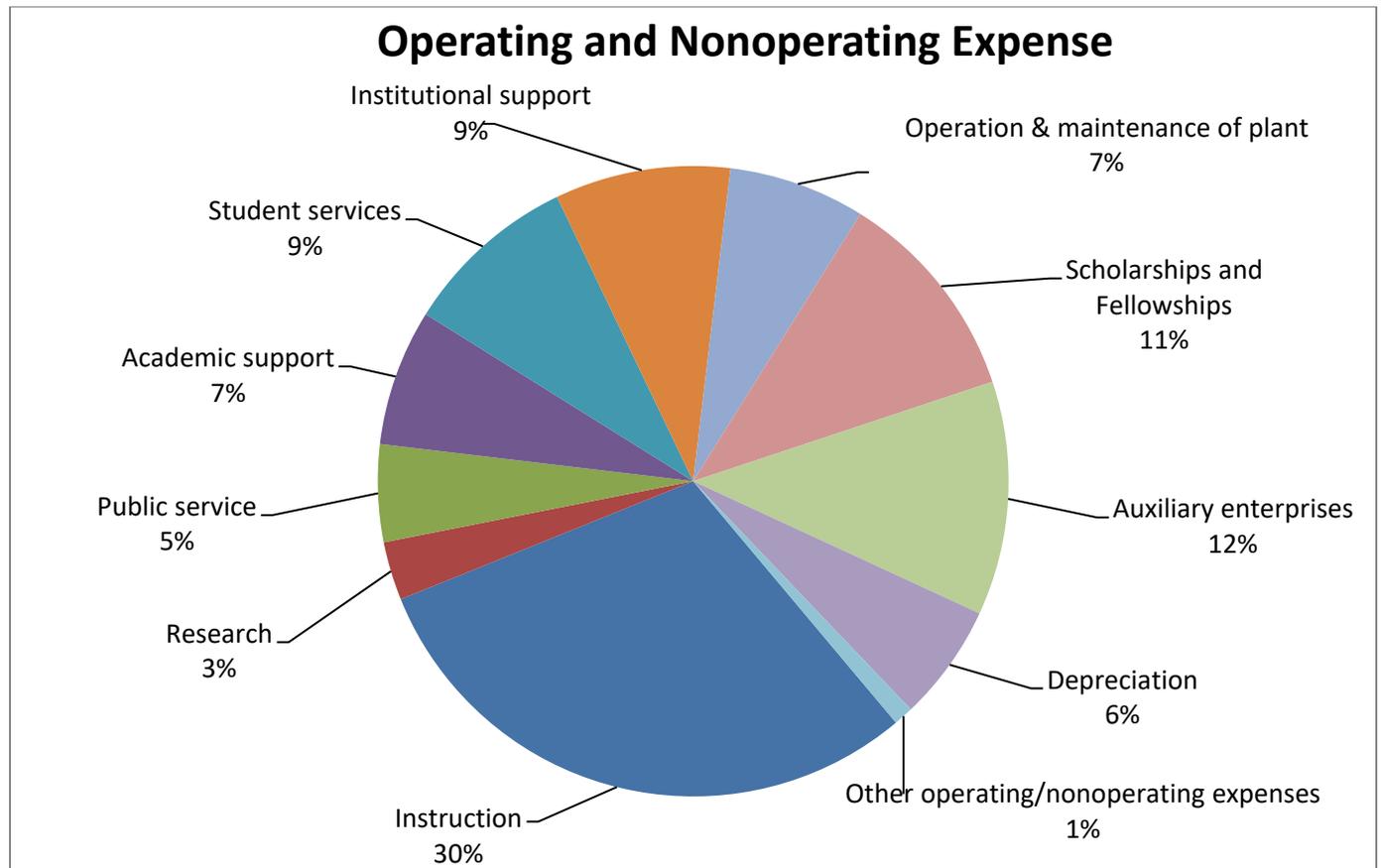
During Fiscal Year 2021, an error correction impacting the State Employees Group Insurance Program’s (SEGIP) cost-sharing proportionate share allocation that is used to record other post-employment benefits (OPEB activity by public universities resulted in a restatement to beginning net position of \$2,538,761, as shown above in the Condensed Statement of Revenues, Expenses and Changes in Net Position.

For the fiscal year ended June 30, 2022 all sources of revenues totaled \$253.5 million. The following is a graphical illustration of revenues by source:



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**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Year Ended June 30, 2022**

For the fiscal year ended June 30, 2022, expenses totaled \$252.4 million. The following is a graphical illustration of expenses:



**Statement of Cash Flows**

The Statement of Cash Flows presents information related to the University’s cash receipts and disbursements during the fiscal year. This provides an assessment of the University’s ability to generate future cash flows and meet obligations as they come due.

A comparative summary of the condensed Statement of Cash Flows for the years ended June 30, 2022, and 2021 is as follows:

**WESTERN ILLINOIS UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF ILLINOIS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Year Ended June 30, 2022**

Condensed Statement of Cash Flows

|  | 2022            | 2021            |
|--|-----------------|-----------------|
| Cash provided by (used in):                          |                 |                 |
| Operating activities                                 | \$ (88,851,520) | \$ (78,613,466) |
| Noncapital financing activities                      | 105,012,249     | 88,082,837      |
| Capital and related financing activities             | (12,323,033)    | (11,198,827)    |
| Investing activities                                 | 183,947         | 86,333          |
| Net increase (decrease) in cash and cash equivalents | 4,021,643       | (1,643,123)     |
| Cash and cash equivalents, beginning of year         | 39,094,623      | 40,737,746      |
| Cash and cash equivalents, end of year               | \$ 43,116,266   | \$ 39,094,623   |

Major sources of funds included in operating activity are student tuition and fees, grants and contracts, and auxiliary enterprises. Payment for employee salaries and benefits, goods and services, and scholarships and fellowships continue to comprise the major use of operating funds.

Cash used in operating activities increased \$10.2 million primarily due to an increase in payments for goods and services and scholarships and fellowships offset partly by an increase in cash inflows from auxiliary enterprise charges and sales and services of educational departments.

Cash inflows from noncapital financing activities consist primarily of State appropriations, Monetary Award Program awards, Pell grant revenues, and funds received from the Higher Education Emergency Relief Fund. Cash provided by noncapital financing activities increased \$16.9 million primarily due to an increase in cash inflows from nonoperating grants.

An increase in capital assets acquired compared to the prior year contributed to the increase of \$1.1 million in cash used in capital and related financing activities.

Cash provided by investing activity increased by \$98 thousand from the prior year due to an increase in earnings on investments.

**Capital Assets and Debt Administration**

The University had \$519.5 million invested in capital assets which includes \$1.8 million of right-to-use lease assets at the end of Fiscal Year 2022. Total capital assets net of accumulated depreciation totaled \$182.7 million. Depreciation expense for the current year was \$14 million.

Major construction projects during Fiscal Year 2022 included roof replacements, water piping upgrades, and the engineering and planning costs associated with the construction of a new performing arts center. For the year ended June 30, 2022 construction in progress included engineering and planning costs associated with a new performing arts center with a balance of \$9.6 million, roof replacements with a balance of \$2.3 million, and water piping upgrades with a balance of \$2 million.

**WESTERN ILLINOIS UNIVERSITY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For the Year Ended June 30, 2022**

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the University. Fiduciary funds are not available to support the University's own programs. Accordingly, separate fiduciary fund statements can be found immediately following the statement of cash flows, and include information on funds held for student organizations, faculty and staff organizations, professional organizations, and others.

**Economic Outlook**

The ability of the University to fulfill its mission and execute its strategic plan is directly influenced by enrollment, State support and the cost of health care, utilities, employee compensation and benefits and State and federal mandates.

A crucial element to the University's future will continue to be our relationship with the State of Illinois, as we work to manage tuition to make it competitive while providing an outstanding college education for our students. There is a direct relationship between the growth or decline of State support, the impact of State regulations and the University's ability to control tuition growth. The trend of State support in appropriations, capital investment, and student financial assistance, as well as the increase in regulations have and will continue to create more pressures on the cost of attendance.

State appropriations represent operating support provided by the Governor and General Assembly for University programs. A Fiscal Year 2023 budget of \$52.1 million was passed into law by the General Assembly. This appropriation is level with Fiscal Year 2022 appropriations provided from the State of Illinois to Western Illinois University, which included a supplemental appropriation from the original budget passed.

The University projects tuition and miscellaneous revenues to remain level as compared to Fiscal Year 2022. In March of 2022, the Board of Trustees passed a resolution to increase the tuition rate for new undergraduate and graduate students by 3%. The University offers guaranteed tuition and fees, as well as guaranteed room and board rates for each new class of entering undergraduate students.

The University's Auxiliary Enterprises projects revenues to increase slightly as compared to Fiscal Year 2022, due to an increase in the rates assessed for room, board and fees, as well as an increase in the overall number of fee-paying students and on-campus residents. Other institutional funds include revenues from sponsored projects and departmental activity revenues. The Fiscal Year 2023 budget for these funds as approved by the Board of Trustees reflects a slightly higher-level spending compared to Fiscal Year 2022.

Private gifts are an important supplement to the University's sources of funding for operating costs. In Fiscal Year 2022, alumni, friends, staff, corporations, and other organizations contributed nearly

**WESTERN ILLINOIS UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For the Year Ended June 30, 2022**

\$7.9 million to the Foundation in support of the University. These contributions include gifts and additions to permanent endowments. The Foundation distributed nearly \$7.3 million in Fiscal Year 2022 to support academic enhancement and instructional initiatives, student scholarships, capital improvements, cultural activities, athletics, regional outreach efforts, and alumni and Foundation-sponsored programs at Western Illinois University.

Fiscal Year 2022 continued to be impacted by the COVID-19 pandemic. The crisis has continued to present a large financial burden to the University between adapting to recruitment and retention of students, keeping up with newly implemented standards, and the extreme rise in inflation of normal operating costs. This is and will continue to generate the need to align budget to meet these new expenditures.

The University is committed to pursuing its goal of increasing enrollment across both campuses while strategically adding, and when appropriate, strategically restructuring programs. Cost containment and revenue initiatives are the challenges the University continues to encounter. Management has historically made the necessary decisions to ensure the strength of the University.

**WESTERN ILLINOIS UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF ILLINOIS**  
**STATEMENT OF NET POSITION**  
**For the Year Ended June 30, 2022**

|   | <u>University</u>     | <u>Component Unit</u> |
|---|-----------------------|-----------------------|
| <b>ASSETS</b>                                   |                       |                       |
| <i>Current assets:</i>                          |                       |                       |
| Cash and cash equivalents                       | \$ 18,668,324         | \$ 2,364,434          |
| Cash and cash equivalents, restricted           | 24,447,942            | -                     |
| Investments                                     | -                     | 1,594,508             |
| Accounts receivable, net                        | 9,174,504             | 434,808               |
| Student loans receivable, net                   | 271,030               | -                     |
| Due from component unit                         | 117,449               | -                     |
| Due from primary government                     | 2,135,191             | -                     |
| Inventories                                     | 2,009,543             | -                     |
| Prepaid expenses and other assets               | 194,603               | 82,868                |
| <i>Total current assets</i>                     | <u>57,018,586</u>     | <u>4,476,618</u>      |
| <i>Noncurrent assets:</i>                       |                       |                       |
| Investments                                     | -                     | 4,500,495             |
| Endowment investments                           | -                     | 5,777,409             |
| Endowment investments, restricted               | -                     | 73,496,036            |
| Charitable remainder trusts, restricted         | -                     | 5,959,816             |
| Accounts receivable, net                        | -                     | 138,038               |
| Student loans receivable, net                   | 204,097               | 26,678                |
| Capital assets, net of accumulated depreciation | 182,694,437           | 1,227,191             |
| Other assets                                    | 1,248,431             | 759,071               |
| <i>Total noncurrent assets</i>                  | <u>184,146,965</u>    | <u>91,884,734</u>     |
| <b>TOTAL ASSETS</b>                             | <u>241,165,551</u>    | <u>96,361,352</u>     |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>           |                       |                       |
| Unamortized losses on debt refunding            | 323,132               | -                     |
| Pension   | 455,776               | -                     |
| Other Post-Employment Benefits                  | 3,370,055             | -                     |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>     | <u>4,148,963</u>      | <u>-</u>              |
| <b>LIABILITIES</b>                              |                       |                       |
| <i>Current liabilities:</i>                     |                       |                       |
| Accounts payable and accrued liabilities        | 2,825,237             | 90,282                |
| Accrued payroll                                 | 12,818,658            | -                     |
| Due to primary government                       | 80,513                | 117,449               |
| Unearned revenue                                | 5,558,214             | 338,279               |
| Other liabilities                               | 1,653,932             | 57,913                |
| Notes payable                                   | -                     | 66,240                |
| Leases payable                                  | 303,325               | -                     |
| Revenue bonds payable                           | 3,460,000             | -                     |
| Certificates of participation                   | 2,200,000             | -                     |
| Compensated absences                            | 1,324,676             | -                     |
| Other Post-Employment Benefits                  | 397,110               | -                     |
| <i>Total current liabilities</i>                | <u>30,621,665</u>     | <u>670,163</u>        |
| <i>Noncurrent liabilities:</i>                  |                       |                       |
| Notes payable                                   | -                     | 495,893               |
| Leases payable                                  | 1,123,788             | -                     |
| Revenue bonds payable                           | 33,839,651            | -                     |
| Certificates of participation                   | 8,552,617             | -                     |
| Other liabilities                               | -                     | 227,875               |
| Compensated absences                            | 6,397,589             | -                     |
| Other Post-Employment Benefits                  | 14,805,553            | -                     |
| <i>Total noncurrent liabilities</i>             | <u>64,719,198</u>     | <u>723,768</u>        |
| <b>TOTAL LIABILITIES</b>                        | <u>95,340,863</u>     | <u>1,393,931</u>      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>            |                       |                       |
| Other Post-Employment Benefits                  | 4,811,071             | -                     |
| Leases  | 706,558               | -                     |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>      | <u>5,517,629</u>      | <u>-</u>              |
| <b>NET POSITION</b>                             |                       |                       |
| Net investment in capital assets                | 133,540,268           | 665,059               |
| Restricted for:                                 |                       |                       |
| Nonexpendable                                   | -                     | 36,601,653            |
| Expendable:                                     |                       |                       |
| Auxiliary Facilities System                     | 24,379,216            | -                     |
| Loans   | 698,681               | -                     |
| Grants  | 160,610               | 52,475                |
| Scholarships, research, instruction and other   | -                     | 46,847,495            |
| Unrestricted                                    | (14,322,753)          | 10,800,739            |
| <b>TOTAL NET POSITION</b>                       | <u>\$ 144,456,022</u> | <u>\$ 94,967,421</u>  |

*See accompanying notes to the basic financial statements*

**WESTERN ILLINOIS UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF ILLINOIS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Year Ended June 30, 2022**

|  | <u>University</u>     | <u>Component Unit</u> |
|--|-----------------------|-----------------------|
| <b>OPERATING REVENUES</b>                      |                       |                       |
| Tuition and fees, net                          | \$ 42,524,007         | \$ -                  |
| Grants and contracts                           | 16,213,557            | -                     |
| Sales and services of educational departments  | 3,279,695             | -                     |
| Auxiliary enterprises, net                     | 24,514,776            | -                     |
| Student loan activities                        | 213,104               | -                     |
| Other operating revenues                       | 3,721,964             | 6,291,636             |
| <b>Total operating revenues</b>                | <u>90,467,103</u>     | <u>6,291,636</u>      |
| <b>OPERATING EXPENSES</b>                      |                       |                       |
| Instruction                                    | 76,590,741            | 749,646               |
| Research                                       | 6,185,675             | 179,241               |
| Public service                                 | 12,791,214            | 1,193,211             |
| Academic support                               | 18,569,300            | 206,476               |
| Student services                               | 23,830,776            | 606,859               |
| Institutional support                          | 22,632,762            | 1,149,914             |
| Operation and maintenance of plant             | 16,731,010            | 560,417               |
| Scholarships and Fellowships                   | 28,877,269            | 2,657,831             |
| Auxiliary enterprises                          | 30,552,051            | -                     |
| Depreciation                                   | 14,024,073            | 1,254                 |
| <b>Total operating expenses</b>                | <u>250,784,871</u>    | <u>7,304,849</u>      |
| <b>OPERATING LOSS</b>                          | <u>(160,317,768)</u>  | <u>(1,013,213)</u>    |
| <b>NONOPERATING REVENUES (EXPENSES)</b>        |                       |                       |
| State appropriations                           | 52,077,400            | -                     |
| On-behalf payments for Group Insurance         | 16,600,342            | -                     |
| Special Funding Situation for Pension and OPEB | 40,304,732            | -                     |
| Gifts  | 1,006,066             | -                     |
| Nonoperating grants                            | 47,391,632            | -                     |
| Gain (loss) on disposal of capital assets      | (265,977)             | -                     |
| Investment income (loss)                       | 183,947               | (5,014,165)           |
| Interest on capital asset - related debt       | (1,287,543)           | (26,104)              |
| Change in value of charitable remainder trusts | -                     | (518,371)             |
| Change in value of land held for investment    | -                     | 504,725               |
| Other nonoperating revenues (expenses)         | (106,123)             | 379,189               |
| <b>Net nonoperating revenues</b>               | <u>155,904,476</u>    | <u>(4,674,726)</u>    |
| <b>INCOME (LOSS) BEFORE CAPITAL ITEMS</b>      | (4,413,292)           | (5,687,939)           |
| Capital State appropriations                   | 5,438,225             | -                     |
| Additions to permanent endowments              | -                     | 1,992,193             |
| <b>Total capital items</b>                     | <u>5,438,225</u>      | <u>1,992,193</u>      |
| <b>INCREASE (DECREASE) IN NET POSITION</b>     | 1,024,933             | (3,695,746)           |
| <b>NET POSITION, BEGINNING OF YEAR</b>         | <u>143,431,089</u>    | <u>98,663,167</u>     |
| <b>NET POSITION, END OF YEAR</b>               | <u>\$ 144,456,022</u> | <u>\$ 94,967,421</u>  |

*See accompanying notes to the basic financial statements*

**WESTERN ILLINOIS UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF ILLINOIS**  
**STATEMENT OF CASHFLOWS**  
**For the Year Ended June 30, 2022**

|   | <u>University</u>           | <u>Component Unit</u>      |
|---|-----------------------------|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |                             |                            |
| Tuition and fees, net   | \$ 42,161,076               | \$ -                       |
| Grants and contracts  | 13,855,116                  | -                          |
| Gifts for other than capital and endowment purposes             | -                           | 4,369,522                  |
| Payments for employee salaries and benefits                     | (101,658,492)               | -                          |
| Payments for goods and services                                 | (48,591,475)                | (4,293,084)                |
| Payments to annuitants  | -                           | (57,913)                   |
| Payments for scholarships and fellowships                       | (28,885,856)                | (2,657,831)                |
| Direct lending receipts   | 30,441,521                  | -                          |
| Direct lending payments   | (30,580,765)                | -                          |
| Student loans issued  | (12,129)                    | -                          |
| Student loans collected   | 145,493                     | -                          |
| Student loans interest and fees collected                       | 213,104                     | -                          |
| Auxiliary enterprises charges                                   | 26,089,174                  | -                          |
| Sales and services of educational departments                   | 4,249,749                   | 419,806                    |
| Other receipts  | 3,721,964                   | -                          |
| Net cash used in operating activities                           | <u>(88,851,520)</u>         | <u>(2,219,500)</u>         |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>          |                             |                            |
| State appropriations  | 52,077,400                  | -                          |
| Gifts   | 341,143                     | 1,992,193                  |
| Nonoperating grants   | 52,747,214                  | -                          |
| Nonoperating revenues, net                                      | (153,508)                   | 224,458                    |
| Cash provided by noncapital financing activities                | <u>105,012,249</u>          | <u>2,216,651</u>           |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b> |                             |                            |
| Acquisition of capital assets                                   | (3,698,121)                 | -                          |
| Proceeds from sale of capital assets                            | 10,318                      | -                          |
| Principal paid on capital debt                                  | (6,652,491)                 | -                          |
| Interest paid on capital debt                                   | (2,077,739)                 | (26,104)                   |
| COPS refunded   | (6,260,000)                 | -                          |
| Proceeds from issuance of certificates of participation         | 6,355,000                   | -                          |
| Payments made on note payable                                   | -                           | (63,482)                   |
| Net cash used in capital and related financing activities       | <u>(12,323,033)</u>         | <u>(89,586)</u>            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |                             |                            |
| Proceeds from sales and maturities of investments               | -                           | 30,533,799                 |
| Earnings on investments   | 183,947                     | 3,815,374                  |
| Purchase of investments   | -                           | (33,536,187)               |
| Net cash provided by (used in) investing activities             | <u>183,947</u>              | <u>812,986</u>             |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                | <b>4,021,643</b>            | <b>720,551</b>             |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>             | <b><u>39,094,623</u></b>    | <b><u>1,643,883</u></b>    |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>                   | <b><u>\$ 43,116,266</u></b> | <b><u>\$ 2,364,434</u></b> |

*See accompanying notes to the basic financial statements*

**WESTERN ILLINOIS UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF ILLINOIS**  
**STATEMENT OF CASHFLOWS**  
**For the Year Ended June 30, 2022**

|   | <u>University</u>      | <u>Component Unit</u> |
|---|------------------------|-----------------------|
| <b>Reconciliation of operating loss to net cash used in operating activities:</b> |                        |                       |
| Operating loss  | \$ (160,317,768)       | \$ (1,013,213)        |
| Adjustments to reconcile operating loss to net cash used in operating activities: |                        |                       |
| On-behalf and special funding situation payments                                  | 56,905,074             | -                     |
| Charitable remainder trust assets donated   | -                      | (1,393,661)           |
| Depreciation  | 14,024,073             | 1,254                 |
| Amortization  | 72,845                 | -                     |
| Actuarial adjustment to annuities payable   | -                      | (17,542)              |
| Changes in assets, deferred outflows liabilities and deferred inflows:            |                        |                       |
| Receivables, net  | 248,355                | 259,625               |
| Student loans receivables, net  | 124,777                | -                     |
| Inventories   | (145,287)              | -                     |
| Prepaid expenses and other assets   | 601,855                | 49,806                |
| Pension   | (97,212)               | -                     |
| Deferred outflows - OPEB  | (1,740,735)            | -                     |
| Accounts payable and accrued liabilities  | (215,444)              | (27,199)              |
| Accrued payroll   | 980,545                | -                     |
| Due to primary government, net  | -                      | (68,875)              |
| Unearned revenue  | (891,956)              | (9,695)               |
| Other liabilities   | 329,970                | -                     |
| Compensated absences  | (72,840)               | -                     |
| OPEB liabilities and deferred inflows   | 1,426,832              | -                     |
| Deferred inflows - Leases   | (84,604)               | -                     |
| Net cash used in operating activities   | <u>\$ (88,851,520)</u> | <u>\$ (2,219,500)</u> |

**NONCASH OPERATING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING ACTIVITIES**

|   |            |         |
|---|------------|---------|
| On-behalf and special funding situation payments      | 56,905,074 | -       |
| Capital asset acquisition via capital appropriations  | 5,438,225  | -       |
| Capital asset acquisition via support from Foundation | 664,923    | -       |
| Capital asset changes in accounts payable             | (99,949)   | -       |
| Gifts in kind   | -          | 358,577 |
| Gain on disposal of capital assets                    | (265,977)  | -       |

*See accompanying notes to the basic financial statements*

**WESTERN ILLINOIS UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF ILLINOIS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**For the Year Ended June 30, 2022**

|   | <b>Custodial Funds</b>           |  |                                       |                      | <b>Total Other<br/>Custodial<br/>Funds</b> |
|---|----------------------------------|--|---------------------------------------|----------------------|--|
|   | <b>Student<br/>Organizations</b> | <b>Faculty &amp; Staff<br/>Organizations</b> | <b>Professional<br/>Organizations</b> | <b>Miscellaneous</b> |  |
| <b>ASSETS</b>                                 |                                  |  |                                       |                      |  |
| Cash  | \$ 8,486                         | \$ 1,294                                     | \$ 227,873                            | \$ 163,666           | \$ 401,319                                 |
| <b>TOTAL ASSETS</b>                           | <u>8,486</u>                     | <u>1,294</u>                                 | <u>227,873</u>                        | <u>163,666</u>       | <u>401,319</u>                             |
| <b>LIABILITIES</b>                            |                                  |  |                                       |                      |  |
| Accounts payable                              | -                                | -  | 1,000                                 | 744                  | 1,744                                      |
| Due to other governments                      | -                                | -  | -                                     | 59,462               | 59,462                                     |
| <b>TOTAL LIABILITIES</b>                      | <u>-</u>                         | <u>-</u>                                     | <u>1,000</u>                          | <u>60,206</u>        | <u>61,206</u>                              |
| <b>NET POSITION</b>                           |                                  |  |                                       |                      |  |
| Restricted for:                               |                                  |  |                                       |                      |  |
| Individuals, organizations, other governments | 8,486                            | 1,294  | 226,873                               | 103,460              | 340,113                                    |
| <b>TOTAL NET POSITION</b>                     | <u>\$ 8,486</u>                  | <u>\$ 1,294</u>                              | <u>\$ 226,873</u>                     | <u>\$ 103,460</u>    | <u>\$ 340,113</u>                          |

*See accompanying notes to the basic financial statements*

**WESTERN ILLINOIS UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF ILLINOIS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**For the Year Ended June 30, 2022**

|  | <b>Custodial Funds</b>           |  |                                       |                      | <b>Total Other<br/>Custodial<br/>Funds</b> |
|--|----------------------------------|--|---------------------------------------|----------------------|--|
|  | <b>Student<br/>Organizations</b> | <b>Faculty &amp; Staff<br/>Organizations</b> | <b>Professional<br/>Organizations</b> | <b>Miscellaneous</b> |  |
| <b>ADDITIONS</b>                       |                                  |  |                                       |                      |  |
| Sales                                  | \$ 120                           | \$ -   | \$ -                                  | \$ -                 | \$ 120                                     |
| Program & Registration Charges         | 480                              | -  | 835                                   | -                    | 1,315                                      |
| Memberships                            | 300                              | -  | 56,268                                | 1,020                | 57,588                                     |
| Other Services                         | 1,250                            | 258  | 7,693                                 | -                    | 9,201                                      |
| Other Income                           | -                                | -  | -                                     | 204                  | 204  |
| <b>TOTAL ADDITIONS</b>                 | <b>2,150</b>                     | <b>258</b>                                   | <b>64,796</b>                         | <b>1,224</b>         | <b>68,428</b>                              |
| <b>DEDUCTIONS</b>                      |                                  |  |                                       |                      |  |
| Commodities                            | 345                              | -  | -                                     | -                    | 345  |
| Travel                                 | 281                              | 39   | -                                     | -                    | 320  |
| Contractual Services                   | 397                              | -  | 45,297                                | 19                   | 45,713                                     |
| Miscellaneous                          | 969                              | -  | -                                     | -                    | 969  |
| <b>TOTAL DEDUCTIONS</b>                | <b>1,992</b>                     | <b>39</b>                                    | <b>45,297</b>                         | <b>19</b>            | <b>47,347</b>                              |
| <b>CHANGE IN NET POSITION</b>          | <b>158</b>                       | <b>219</b>                                   | <b>19,499</b>                         | <b>1,205</b>         | <b>21,081</b>                              |
| <b>NET POSITION, BEGINNING OF YEAR</b> | <b>8,328</b>                     | <b>1,075</b>                                 | <b>207,374</b>                        | <b>102,255</b>       | <b>319,032</b>                             |
| <b>NET POSITION, END OF YEAR</b>       | <b>\$ 8,486</b>                  | <b>\$ 1,294</b>                              | <b>\$ 226,873</b>                     | <b>\$ 103,460</b>    | <b>\$ 340,113</b>                          |

*See accompanying notes to the basic financial statements*

**WESTERN ILLINOIS UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF ILLINOIS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Reporting Entity**

Western Illinois University (University), a component unit of the State of Illinois (State), with a primary focus on instruction and an additional commitment to research and public service, has campuses located in Macomb and Moline, Illinois. The governing body of the University is the Board of Trustees of Western Illinois University (Board). As required by accounting principles generally accepted in the United States of America, these financial statements present the financial position and financial activities of the University and its discretely presented component unit, the Western Illinois University Foundation (Foundation). The Foundation is a legally separate, tax-exempt component unit included in the University's reporting entity because of the significance of its financial relationship with the University. Complete financial statements for the Foundation may be obtained by contacting the Foundation located at 1 University Circle, Macomb, IL 61455-1390.

The Foundation is a University-related organization as defined under *University Guidelines* adopted by the State of Illinois Legislative Audit Commission in 1982 as amended in 1997 and 2020. The Foundation was formed for the purpose of providing fundraising and other assistance to the University in order to attract private gifts to support the University's instructional, research and public service activities. In this capacity, the Foundation solicits, receives, holds and administers gifts for the benefit of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources and income thereon that the Foundation holds and invests are restricted to the activities of the University by the donors.

The University is a component unit of the State of Illinois for financial reporting purposes. The financial balances and activities included in these financial statements are, therefore, also included in the State's annual comprehensive financial report.

**Basis of Accounting and Presentation**

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities, as defined by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. Business-type activities are those financed in whole or in part by fees charged to external parties for goods and services. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenue is recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

The Foundation is a private nonprofit organization that reports under accounting standards promulgated by the Financial Accounting Standards Board (FASB). As such, certain revenue recognition criteria and other accounting rules are different from the revenue recognition criteria and accounting rules promulgated by the Governmental Accounting Standards Board (GASB) that

**WESTERN ILLINOIS UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF ILLINOIS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2022**

the University follows. Beginning in Fiscal Year 2018, the Foundation follows Financial Accounting Standards Board (FASB) standards for financial statement presentation. Consequently, reclassifications have been made to convert their statements to the GASB format for inclusion in the Component Unit column of the financial statements and disclosures. Except for reclassifying the Foundation's FASB presentation into the University's GASB presentation, no modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

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

**Deferred Outflows of Resources**

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The University deferred outflows of resources include a loss on refunding of bonds payable of \$174,321 and a loss on refunding of Certificates of Participation payable of \$148,811 at June 30, 2022. The loss on refunding resulted from the difference between the reacquisition price and the net carrying amount of the old debt. Total amortization included in interest on capital asset related debt for the year ended June 30, 2022 was \$104,922. Also included in deferred outflows of resources are pension activities of \$455,776 (see Note 10 for more information) at June 30, 2022 and OPEB activities of \$3,370,055 (see Note 11 for more information) at June 30, 2022.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

**Cash Equivalents**

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2022, cash equivalents consisted primarily of money market and similar funds. Restricted cash and cash equivalents relate to the University's Auxiliary Facilities System and unspent loan funds.

**WESTERN ILLINOIS UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF ILLINOIS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2022**

**Investments**

The University accounts for its investments at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease in investment assets and investment income.

Illinois statutes and Board policy authorize the University to invest in certificates of deposit, The Illinois Funds, United States Government Securities, securities guaranteed by the full faith and credit of the United States government, and any other security permitted by law and approved by the Board.

**Accounts Receivable**

Accounts receivable consists of tuition and fee charges to students, amounts receivable from funding agencies for grants, amounts receivable from third parties and charges for auxiliary enterprise services provided to students, faculty and staff. Accounts receivable is presented net of estimated uncollectible amounts.

**Bonds and Certificates of Participation Issue Costs**

The insurance premium on the bonds and certificates of participation issue costs incurred on the revenue bonds and certificates of participation are being amortized over the life of the bonds/certificates of participation using the straight-line method. Included in operating expenses on the Statement of Revenues, Expenses and Changes in Net Position is total amortization for the year ended June 30, 2022 of \$72,845.

**Student Loans Receivable**

The University makes loans to students under various federal and other loan programs. Such loans receivable is presented net of estimated uncollectible amounts.

**Inventories**

Inventories are carried at the lower of cost (determined by first-in, first-out or average cost method, depending on the nature of the inventory item) or market.

**Capital Assets**

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation. The University's capitalization policy for capital assets is as follows: equipment - \$5,000 or greater; land or buildings - \$100,000 or greater; and site, infrastructure, or building improvements - \$25,000 or greater. Intangible assets which are purchased are capitalized at \$100,000 or greater. Internally-generated intangible assets which are primarily software are capitalized at \$1,000,000 or greater. Renovations to buildings and land improvements that increase

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the value or extend the useful life are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is calculated on a straight-line basis over the estimated useful lives of the class of assets.

The following estimated useful lives are being used by the University:

|                           |                                      |
|---------------------------|--------------------------------------|
| Site improvements         | 25 years                             |
| Buildings                 | 60 years                             |
| Building improvements     | 20 years                             |
| Computer equipment        | 3 years                              |
| Trucks greater than 1 ton | 12 years                             |
| Right to Use Asset        | Shorter of lease term or useful life |
| All other equipment       | 7 years                              |

University capital assets financed by the State of Illinois Capital Development Board (CDB) are recorded by the University as the funds are expended by the CDB.

**Unearned Revenue**

Unearned revenue represents unearned student tuition and fees and advances on grants and contract awards for which the University has not met all of the applicable eligibility requirements.

**Compensated Absences**

University policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absences liabilities are computed using the regular pay and termination pay rates in effect at the Statement of Net Position date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

**Net Position**

The University's net position is classified as follows:

*Net investment in capital assets* - consists of capital assets and right-to-use assets net of accumulated depreciation and reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets and deferred outflows of resources and deferred inflows of resources that are attributable to the

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acquisition, construction, or improvement of those assets or related debt.

*Restricted net position - nonexpendable* – represents endowed funds where the donors have stipulated, as a condition of the gift instrument, that the principal be maintained in perpetuity and invested for the purpose of producing income, which may either be expended or added to the principal.

*Restricted net position - expendable* – net position subject to externally imposed restrictions that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

*Unrestricted* – net position not subject to externally imposed stipulations but may be designated for specific purposes by action of management or the Board of Trustees.

**On-behalf Payments for Group Insurance**

The University had outside sources of financial assistance provided by the State on behalf of the University during the year ended June 30, 2022.

Substantially all active employees participate in group insurance plans provided by the State and administered by the Department of Central Management Services (CMS), primary providing healthcare benefits. In order to fund the State Employee's Group Insurance Program's (SEGIP) pay-as-you-go obligations for both current employees and retirees, the State Employees Group Insurance Act of 1971 (SEGIA) (5 ILCS 375/11) requires contributions based upon total employee compensation paid from any State fund or university component unit, except the university component units shall not be required to make contributions for employees who are totally compensated from each individual university's Income Fund and auxiliary enterprises. Pursuant to a long-standing State policy, the State's General Fund covers the contributions for employees who are totally compensated from each individual university's Income Fund and auxiliary enterprises. This relationship may be modified through the enactment of a Public Act by the State's highest level of decision-making authority exercised by the Governor and the General Assembly pursuant to the State's Constitution.

During the year ended June 30, 2022, total estimated group insurance contributions for the University's employees paid from the University's Income Fund and auxiliary enterprises were \$18,046,493. The University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of \$1,446,151 to help offset the amount the State needed to provide for current employees under the situation described in the preceding paragraph. As such, the State contributed the estimated remaining balance of \$16,600,342 on-behalf of the University to meet this obligation for current employees. As the University is not legally responsible to pay for the on-behalf support provided by the State, the University recognizes non-operating revenues and operating expenses allocated to the related function performed by the employees within the University's financial statements for its current employees' participation in group insurance.

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**Pensions**

For the purpose of measuring the net pension liability, deferred outflows and deferred inflows of resources related to pensions, and pension expense, information about the plan net position of the State Universities Retirement System (SURS or the System) and additions to/deductions from SURS' plan net position has been determined on the same basis as they are reported by SURS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For financial reporting purposes, the State of Illinois and its public universities and community colleges are under a special funding situation. A special funding situation exists when a non-employer entity (the State) is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity (the University) and the non-employer (the State) is the only entity with a legal obligation to make contributions directly to a pension plan. The University recognizes its proportionate share of the State's pension expense relative to the University's employees as non-operating revenue and pension expense, with the expense further allocated to the related function performed by employees.

**Other Postemployment Benefits (OPEB)**

SEGIA (5 ILCS 375), as amended, authorizes the SEGIP, which includes activity for both active employees and retirees, to provide health, dental, vision and life insurance benefits as a single-employer defined benefit OPEB plan not administered as a trust. Substantially all State and university component unit employees become eligible for these OPEB plan benefits when they become annuitants of one of the State sponsored pension plans. CMS administers these benefits for the annuitants with the assistance of the public retirement systems sponsored by the State, including the General Assembly Retirement System (GARS), Judges Retirement System (JRS), State Employees Retirement System (SERS), Teachers' Retirement System (TRS), and SURS.

In order to fund SEGIP's pay-as-you-go obligations for both current employees and retirees, SEGIA (5 ILCS 375/11) requires contributions based upon total employee compensation paid from any State fund or university component unit, except the university component units shall not be required to make contributions for employees who are totally compensated from each individual university's Income Fund and auxiliary enterprises. Pursuant to a long-standing State policy, the State's General Fund covers the contributions for employees who are totally compensated from each individual university's Income Fund and auxiliary enterprises. This relationship may be modified through the enactment of a Public Act by the State's highest level of decision-making authority exercised by the Governor and the General Assembly pursuant to the State's Constitution.

Given the preceding environment, the University has two separate components of OPEB administered within SEGIP. The (1) State of Illinois and its public universities are under a special funding situation for employees paid from the University's Income Fund or auxiliary enterprises, while (2) the University is responsible for OPEB employer contributions for employees paid from trust, federal, and other funds.

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*Special Funding Situation Portion of OPEB*

A special funding situation exists when a non-employer entity (the State) is legally responsible for making contributions directly to an OPEB plan that is used to provide OPEB to the employees of another entity (the University) and the non-employer (the State) is the only entity with a legal obligation to make contributions directly to an OPEB plan.

During the OPEB measurement period ended June 30, 2021, the University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of \$617,005 to help offset the amount the State needed to provide for retirees under the special funding situation described in the preceding paragraph.

The University recognizes the proportionate share of the State's OPEB expense relative to the University's employees as non-operating revenue and OPEB expense, with the expense further allocated to the related function performed by the employees.

*University's Portion of OPEB*

The University reports a liability, expense allocated to the related function performed by the employees, and related deferred inflows and outflows of resources for OPEB based on the University's proportionate share of amounts paid to SEGIP pursuant to SEGIA for its employees paid from trust, federal, and other funds compared to the collective amounts paid to SEGIP pursuant to SEGIA. The collective amounts paid to SEGIP pursuant to SEGIA includes (1) payments from State agencies for State employees, (2) the amount calculated by CMS to represent the amount paid by the General Fund related to the special funding situation, (3) the total voluntary appropriation repayment from all of the universities, and (4) the total of all payments from the universities for employees paid from trust, federal, and other funds. This methodology has been determined by the State to be the best estimate of how future OPEB payments will be determined.

Deferred inflows and outflows of resources are recognized in OPEB expense at the beginning of the current period, using a systematic and rational method over a closed period, equal to the average expected remaining service lives of all employees, either active or inactive, provided with OPEB through SEGIP, determined as of the beginning of the measurement period.

**Classification of Revenues**

The University has classified its revenues as either operating or nonoperating according to the following criteria:

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*Operating revenues* include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises, (3) most federal, State and local grants and contracts except for certain student financial aid classified as nonoperating revenues, and (4) interest on student loans.

*Nonoperating revenues* include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources, such as State appropriations, Pell grants, and investment income, that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The State of Illinois General Revenue Fund appropriations are reported as nonoperating revenues to the extent that they are expended during the current fiscal year. The University relies on these appropriations to provide funding for operations.

### **Scholarship Discounts and Allowances**

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, State or nongovernmental programs are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship allowance.

The scholarship allowances on tuition and fees and housing for the year ended June 30, 2022 were \$22,067,241 and \$6,144,820, respectively.

### **Collections**

The University has collections of rare manuscripts and art that it does not depreciate. These collections adhere to the University's policy to (a) maintain them for public exhibition, education or research, (b) protect, keep unencumbered, care for and preserve them, and (c) require proceeds from their sale to be used to acquire other collection items.

### **Endowments**

On June 30, 2009, the Illinois Governor signed the Uniform Prudent Management of Institutional Funds Act (UPMIFA) into law. UPMIFA replaced the Uniform Management of Institutional Funds Act and eliminates the historic dollar value rule with respect to endowment fund spending. UPMIFA also updated the prudence standard for the management and investment of charitable funds. The Foundation Board utilizes UPMIFA's provisions in spending decisions regarding the Foundation's endowment funds.

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For donor restricted endowments, UPMIFA permits the Board of Directors of the Foundation to appropriate an amount of donor restricted endowments. The Board of Directors has established an investment policy with the objectives of protecting the principal of these funds and maximizing total investment return without assuming extraordinary risks. A similar strategy has been implemented for Foundation designated endowments.

For both donor restricted endowments and Foundation designated endowments, it is the goal of the Foundation to provide spendable income levels that are reasonably stable and sufficient to meet budgetary requirements and to maintain a spending rate, currently established at 4.25% for endowment purposes and 1.50% for operational purposes, of a 36-month moving average of endowment market value, which ensures a proper balance between the preservation of corpus and enhancement of the purchasing power of investment earnings. The Foundation's policy is to retain the endowments' unrealized appreciation with the endowment (either donor restricted or Foundation designated) after spending rule distributions. As of June 30, 2022, the Foundation had a total of \$26,330,322 of net cumulative appreciation from investment of donor-restricted endowments and Foundation designated endowments available for expenditure. This amount is allocated between expendable restricted net position and unrestricted net position in the Statement of Net Position based on the classification of the underlying asset upon which the income was earned.

### **Split-Interest Agreements**

The Foundation's split-interest agreements with donors consist of irrevocable charitable remainder trusts and irrevocable charitable trusts for which the Foundation is a beneficiary. The fair value of the trust assets are reported in the Statement of Net Position and changes in the fair value of the assets are recognized in the Statement of Revenues, Expenses, and Changes in Net Position. It is management's intent to record the contribution income from these agreements in the fiscal year the Foundation becomes the irrevocable beneficiary. The Foundation received new contribution income of \$1,393,661 during Fiscal Year 2022. Any outstanding liabilities relating to the annual distributions required by the trust agreements have been netted with the charitable remainder trust assets in the Statement of Net Position.

### **Taxes**

As a State institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(1) of the Internal Revenue Code and a similar provision of state law. However, some activities may be subject to taxation as unrelated business income under the Internal Revenue Code and certain activities are subject to State sales tax. No provision has been made for income taxes in the accompanying statements, as the University had no significant unrelated business income during the year.

The U.S. Treasury Department issued a determination letter dated January of 1948 that the Foundation is exempt from Federal income taxes under what is now Section 501(c)(3) of the Internal Revenue Code.

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**Deferred Inflows of Resources**

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until then. Deferred inflows of resources consist of activities related to OPEB and right-to-use lease assets.

**Fiduciary Funds**

The University acts as a fiduciary for the custodial funds meeting the criteria under GASB 84 to be classified as a fiduciary activity. Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. For Western Illinois University, this includes various student, professional, and faculty and staff organizations in which the University has no administrative or financial involvement and is also not the beneficiary of these funds. These fiduciary fund activities and balances are excluded from the University's financial statements because these assets are restricted in purpose and do not represent assets of the University.

The University participates in the U.S. Department of Education's Direct Student Loan Program. While direct loans are considered fiduciary funds by the University, they are normally expected to be held for three months or less and therefore not required to be reported in the fiduciary fund statements.

**New Governmental Accounting Standards**

The Governmental Accounting Standards Board (GASB) has issued the following statements which are effective for periods beginning July 1, 2022, or later which may impact the University:

Statement No. 96 – *Subscription-Based Information Technology Arrangements (SBITAs)*, the statement defines a SBITA, establishes that a SBITA results in a right-to-use subscription—an intangible asset—and a corresponding subscription liability, and provides the capitalization criteria for the intangible asset. The statement is effective for fiscal years beginning after June 15, 2022. The impact on the University is being reviewed.

Statement No. 101 – *Compensated Absences*, the statement updates the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model. The statement is effective for fiscal years beginning after December 15, 2023. The impact on the University has not yet been determined.

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**NOTE 2 – DEPOSITS**

**University**

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Illinois; bonds of any city, county, school district or special road district of the State of Illinois; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At June 30, 2022, the book balance of various University bank accounts and certificates of deposit was \$41,883,710, while the bank balance was \$43,139,919. The difference between these amounts represents deposits in transit and a transfer to a money market account in transit as of June 30, 2022. In addition, the University had cash on hand in various petty cash and change funds in the amount of \$57,391 as of June 30, 2022.

**Foundation**

At June 30, 2022, the book balance of the Foundation’s various bank accounts was \$2,364,434, while the bank balance was \$2,340,169. The difference between these amounts primarily represents checks that have been issued, but have not yet cleared the bank, and deposits in transit as of June 30, 2022.

Reconciliation of cash and cash equivalents to deposits:

|   | <u>University</u> | <u>Foundation</u>   |
|---|-------------------|---------------------|
| Cash and cash equivalents   | \$ 18,668,324     | \$ 2,364,434        |
| Cash and cash equivalents, restricted                               | 24,447,942        | -                   |
| Less: Money market funds classified as cash<br>and cash equivalents | (42,808,194)      | -                   |
| Cash on hand  | (57,391)          | -                   |
| Carrying amount of deposits   | <u>\$ 250,681</u> | <u>\$ 2,364,434</u> |

**NOTE 3 - INVESTMENTS**

**University**

As of June 30, 2022, the University held investments in the Illinois Funds Investment Pool of \$1,175,165 which are classified as cash and cash equivalents on the University’s Statement of Net Position. The Illinois Funds is an external investment pool administered by the State Treasurer. The fair value of the University’s investment fund is the same as the value of pool shares and the investments are reported by the State Treasurer at amortized cost. For the year ended June 30, 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemptions gates. The fund is administered in accordance with the provisions of the Public Funds Investment Act (30 ILCS 235). The Illinois Funds is rated AAmmf by Fitch.

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*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a financial institution's failure, a government's deposits, investments or collateral securities that are in the possession of an outside party may not be returned to it. The University's policy for custodial credit risk requires compliance with the provisions of State law.

*Interest Rate Risk*

As a means of limiting its exposure to fair value losses arising from rising interest rates, the University's investment policy limits maturity of its investments to five years or less from the date of purchase.

*Credit Risk*

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The University's policy limits its investments to the Illinois Funds investment pool, United States Treasury bills, United States Treasury notes, United States Treasury bonds, Federal Farm Credit Banks bonds, Federal Home Loan Banks notes, Federal National Mortgage Association, Federal Land Bank bonds, Government National Mortgage Association, and Federal Home Loan Mortgage Corporation.

**Foundation**

At June 30, 2022, the Foundation held investments with the following maturities:

| Type  | Total                | Maturities in Years                     |                     |                      |                     |
|---|----------------------|---|---------------------|----------------------|---------------------|
|   |                      | Less Than<br>One Year or<br>No Maturity | 1-5 Years           | 6-10 Years           | Over 10<br>Years    |
| Cash equivalents held in<br>investment accounts | \$ 2,318,052         | \$ 2,318,052                            | \$ -                | \$ -                 | \$ -                |
| U.S. Treasury notes                             | 2,614,987            | -                                       | 1,675,070           | 939,917              | -                   |
| U.S. agency obligations<br>(FHLM, FNMA)         | 3,257,258            | -                                       | 1,989,644           | 1,043,288            | 224,326             |
| Corporate debt securities                       | 6,042,104            | 570,545                                 | 4,609,275           | 862,284              | -                   |
| International equity securities                 | 16,355,205           | 16,355,205                              | -                   | -                    | -                   |
| Mutual funds, domestic equity                   | 18,824,405           | 18,824,405                              | -                   | -                    | -                   |
| Mutual funds, domestic debt                     | 2,328,433            | 2,328,433                               | -                   | -                    | -                   |
| Real assets funds                               | 2,606,953            | -                                       | 1,337,526           | 1,269,427            | -                   |
| Private equity funds                            | 17,577,382           | -                                       | 7,235,875           | 7,984,085            | 2,357,422           |
| Absolute return (hedge funds)                   | 8,133,138            | 8,133,138                               | -                   | -                    | -                   |
| Real Estate (farm land)                         | 5,310,531            | -                                       | -                   | -                    | 5,310,531           |
| <b>Total investments</b>                        | <b>\$ 85,368,448</b> | <b>\$ 48,529,778</b>                    | <b>\$16,847,390</b> | <b>\$ 12,099,001</b> | <b>\$ 7,892,279</b> |

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The Foundation adheres to the total return concept of investment management. Total return is defined as the aggregate sum of current income and changes in the market value of the assets under management.

*Custodial Credit Risk*

Custodial credit risk is the risk that when, in the event a financial institution or counterparty fails, the Foundation would not be able to recover the value of deposits, investments, or collateral securities that are in the possession of an outside party. The Federal Deposit Insurance Corporation insured account balances of \$2,340,169 as of June 30, 2022.

*Concentration Risk*

Concentration risk exists when a significant portion of the portfolio is invested in items with similar characteristics or subject to similar economic, political, or other conditions. As of June 30, 2022, the Foundation has three single issuer investments that each represents over 5% of the total assets of the Foundation. Foundation management believes these concentration risks represented below are not excessive when considering the overall diversification of the entire investment portfolio.

The following issuers hold more than 5% of total Foundation assets as of June 30, 2022:

|                                   |               |       |
|-----------------------------------|---------------|-------|
| Vanguard Total Stock Market Index | \$ 15,042,042 | 15.8% |
| Mercer Hedge Fund Investors SPC   | 8,133,138     | 8.6%  |
| NB Crossroads Private Equity XXII | \$5,069,825   | 5.3%  |

*Interest Rate Risk*

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's value. The Foundation does not have a policy that specifically addresses interest rate risk. The Foundation had the following assets, at fair values, exposed to interest rate risk at June 30, 2022:

|  |                             |
|--|-----------------------------|
| Cash equivalents held in investment accounts | \$ 2,318,052                |
| U.S. Treasury notes                          | 2,614,987                   |
| U.S. agency obligations (FHLM, FNMA)         | 3,257,258                   |
| Corporate debt securities                    | 6,042,104                   |
| Mutual funds, domestic debt                  | 2,328,433                   |
| Sub-total investments                        | <u>16,560,834</u>           |
| Demand Deposit Interest Bearing Funds        | 2,364,434                   |
| Total asset subject to interest rate risk    | <u><u>\$ 18,925,268</u></u> |

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*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligations. Credit quality ratings are not required for U.S. government securities that are explicitly guaranteed by the U.S. government.

At June 30, 2022, the Foundation had the following investments and their ratings:

| Credit Rating per Standard and Poor's |                  |                     |                                      |                           |                           |               |
|---------------------------------------|------------------|---------------------|--------------------------------------|---------------------------|---------------------------|---------------|
|                                       | Cash Equivalents | U.S. Treasury Notes | U.S. Agency Obligations (FHLM, FNMA) | Corporate Debt Securities | Mutual Fund Domestic Debt | Total         |
| Not Rated                             | \$ 4,682,486     | \$ 2,614,987        | \$ 1,360,031                         | \$ 4,123,506              | \$ 2,328,433              | \$ 15,109,443 |
| AA+                                   | -                | -                   | 1,897,227                            | -                         | -                         | 1,897,227     |
| A                                     | -                | -                   | -                                    | 468,798                   | -                         | 468,798       |
| A+                                    | -                | -                   | -                                    | 245,713                   | -                         | 245,713       |
| A-                                    | -                | -                   | -                                    | 722,295                   | -                         | 722,295       |
| BBB+                                  | -                | -                   | -                                    | 481,792                   | -                         | 481,792       |
| Total                                 | \$ 4,682,486     | \$ 2,614,987        | \$ 3,257,258                         | \$ 6,042,104              | \$ 2,328,433              | \$ 18,925,268 |

| Credit Rating per Moody's |                  |                     |                                      |                           |                           |               |
|---------------------------|------------------|---------------------|--------------------------------------|---------------------------|---------------------------|---------------|
|                           | Cash Equivalents | U.S. Treasury Notes | U.S. Agency Obligations (FHLM, FNMA) | Corporate Debt Securities | Mutual Fund Domestic Debt | Total         |
| Not Rated                 | \$ 4,682,486     | \$ 2,319,359        | \$ 1,360,031                         | \$ 4,103,206              | \$ 2,328,433              | \$ 14,793,515 |
| Aaa                       | -                | 295,628             | 1,897,227                            | -                         | -                         | 2,192,855     |
| A1                        | -                | -                   | -                                    | 468,164                   | -                         | 468,164       |
| A2                        | -                | -                   | -                                    | 967,659                   | -                         | 967,659       |
| A3                        | -                | -                   | -                                    | 243,614                   | -                         | 243,614       |
| Baa1                      | -                | -                   | -                                    | 239,161                   | -                         | 239,161       |
| Baa2                      | -                | -                   | -                                    | 20,300                    | -                         | 20,300        |
| Total                     | \$ 4,682,486     | \$ 2,614,987        | \$ 3,257,258                         | \$ 6,042,104              | \$ 2,328,433              | \$ 18,925,268 |

*Fair Value Measurements*

The Foundation measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles.

These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1 - Quoted prices for identical investments in active markets
- Level 2 - Observable inputs other than quoted market prices
- Level 3 - Unobservable inputs

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At June 30, 2022, the Foundation had the following recurring fair value measurements:

|  | Total                | Fair Value Measurements Using |                      |                     |
|--|----------------------|-------------------------------|----------------------|---------------------|
|  |                      | Level 1                       | Level 2              | Level 3             |
| Debt securities                                      |                      |                               |                      |                     |
| U.S. Treasury notes                                  | \$ 2,614,987         | \$ -                          | \$ 2,614,987         | \$ -                |
| U.S. agency obligations<br>(FHLM, FNMA)              | 3,257,258            | -                             | 3,257,258            | -                   |
| Corporate debt securities                            | 6,042,104            | -                             | 6,042,104            | -                   |
| Mutual funds, domestic debt                          | 2,328,433            | 2,328,433                     | -                    | -                   |
| Total debt securities                                | <u>14,242,782</u>    | <u>2,328,433</u>              | <u>11,914,349</u>    | <u>-</u>            |
| Equity securities                                    |                      |                               |                      |                     |
| Mutual funds, domestic equity                        | 18,824,405           | 18,824,405                    | -                    | -                   |
| International equity securities                      | 16,355,205           | 16,355,205                    | -                    | -                   |
| Total equity securities                              | <u>35,179,610</u>    | <u>35,179,610</u>             | <u>-</u>             | <u>-</u>            |
| Real estate (farm land)                              | 5,310,531            | -                             | 5,310,531            | -                   |
| Charitable remainder trusts, net                     | 5,959,816            | -                             | -                    | 5,959,816           |
|  | <u>\$ 60,692,739</u> | <u>\$ 37,508,043</u>          | <u>\$ 17,224,880</u> | <u>\$ 5,959,816</u> |
| Investments measured at net asset value (NAV)        |                      |                               |                      |                     |
| Real assets funds                                    | 2,606,953            |                               |                      |                     |
| Private equity funds                                 | 17,577,382           |                               |                      |                     |
| Absolute return (hedge funds)                        | 8,133,138            |                               |                      |                     |
| Total investments by NAV                             | <u>28,317,473</u>    |                               |                      |                     |
| Total  | 89,010,212           |                               |                      |                     |
| Plus cash equivalents held in<br>investment accounts | 2,318,052            |                               |                      |                     |
| Less charitable remainder trusts                     | (5,959,816)          |                               |                      |                     |
| Total investments                                    | <u>\$ 85,368,448</u> |                               |                      |                     |

Debt and equity securities and real estate exchange traded funds classified in Level 1 are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 are valued using quoted prices for identical securities in markets that are not active, quoted prices for similar securities in active markets, and matrix pricing based on the securities' relationship to benchmark quoted prices. Real estate classified in Level 2 is valued using similar processes of comparable real estate properties. Charitable remainder trusts classified in Level 3 are valued at the present value of the estimated future cash receipts from the trust assets. Such present values are generally assumed to be the fair market value of the percentage interest of the underlying assets of the trust.

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Investments valued using the net asset value (NAV) per share (or its equivalent) are considered “alternative investments” and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. The following provides additional information related to investments measured at NAV as of June 30, 2022:

|                               | Fair Value    | Unfunded<br>Commitments | Redemption<br>Frequency | Redemption<br>Notice Period |
|-------------------------------|---------------|-------------------------|-------------------------|-----------------------------|
| Real assets funds             | \$ 2,606,953  | \$ 1,370,611            | -                       | -                           |
| Private equity funds          | 17,577,382    | 9,843,628               | -                       | -                           |
| Absolute return (hedge funds) | 8,133,138     | -                       | Quarterly               | 100 Days                    |
| Total                         | \$ 28,317,473 | \$ 11,214,239           |                         |                             |

Real asset funds – This type includes seven real asset funds that invest in global real estate, natural resources, and infrastructure. The fair values of the investments in this type have been determined using the NAV per share (or is equivalent) of the Foundation’s ownership interest in partners’ capital. The fair values of the investments in this type have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments. These investments can never be redeemed with the funds, with the exception of Prudential Real Estate Investors. Distribution from each fund will be received as underlying assets of the funds are liquidated. Each fund is expected to have an approximate ten-year life.

Private equity funds – This type includes ten private equity funds that invest in global buyouts, venture capital, special situations, and secondaries and co-investments. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Foundation’s ownership interest in partners’ capital. The fair values of the investments in this type have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments. These investments can never be redeemed with the funds. Distributions from each fund will be received as underlying assets of the funds are liquidated. Each fund is expected to have an approximate ten-year life.

Absolute return (hedge funds) – This type includes one hedge fund that pursues multiple strategies to diversify risks and reduce volatility. The strategy mix includes investments in long/short equity, long/short credit, relative value arbitrage, merger arbitrage, convertible arbitrage, capital structure arbitrage, fixed income arbitrage, short credit, distressed debt, global macro, special situations, and private investments. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments. This type allows for quarterly redemptions with 100 days’ notice.

*Summary of Carrying Values*

The carrying values of cash and cash equivalents shown on previous pages are included in the Statement of Net Position as follows:

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|                                       | <u>University</u>    | <u>Foundation</u>   |
|---------------------------------------|----------------------|---------------------|
| Cash and cash equivalents             | \$ 18,668,324        | \$ 2,364,434        |
| Cash and cash equivalents, restricted | 24,447,942           | -                   |
| Total                                 | <u>\$ 43,116,266</u> | <u>\$ 2,364,434</u> |

The carrying values of investments shown on previous pages are included in the Statement of Net Position as follows:

|                                   | <u>University</u> | <u>Foundation</u>    |
|-----------------------------------|-------------------|----------------------|
| Current:                          |                   |                      |
| Investments                       | \$ -              | \$ 1,594,508         |
| Noncurrent:                       |                   |                      |
| Endowment Investments             | -                 | 5,777,409            |
| Endowment Investments, restricted | -                 | 73,496,036           |
| Investments                       | -                 | 4,500,495            |
| Total Noncurrent                  | <u>\$ -</u>       | <u>\$ 83,773,940</u> |
| Total investments                 | <u>\$ -</u>       | <u>\$ 85,368,448</u> |

Investment income for the year ended June 30, 2022 consisted of:

|   | <u>University</u> | <u>Foundation</u> |
|---|-------------------|-------------------|
| Interest, dividends, realized gains<br>and market value changes | \$ 183,947        | \$ (4,509,440)    |

**NOTE 4 - ACCOUNTS AND STUDENT LOANS RECEIVABLE**

Accounts receivable are reported net of allowances for uncollectible accounts. Accounts receivable consisted of the following as of June 30, 2022:

|                                  |                     |
|----------------------------------|---------------------|
| Receivable from students         | \$ 10,801,868       |
| Receivable from third parties    | 730,413             |
| Receivable from funding agencies | <u>3,363,523</u>    |
| Total gross receivables          | 14,895,804          |
| Allowance for doubtful accounts  | <u>(5,721,300)</u>  |
| Total net receivables            | <u>\$ 9,174,504</u> |

Student loans receivable totaling \$880,627 is reported net of allowance for uncollectible loans of \$405,500 at June 30, 2022.

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**NOTE 5 - CAPITAL ASSETS**

Capital asset activities for the University for the year ended June 30, 2022 were as follows:

|                                       | Balance<br>July 1, 2021 | Additions      | Retirements/<br>Adjustments | Transfers   | Balance<br>June 30, 2022 |
|---------------------------------------|-------------------------|----------------|-----------------------------|-------------|--------------------------|
| Non-depreciable capital assets:       |                         |                |                             |             |                          |
| Land and land improvements            | \$ 3,603,000            | \$ -           | \$ -                        | \$ -        | \$ 3,603,000             |
| Works of art and historical treasures | 659,430                 |                |                             |             | 659,430                  |
| Construction in progress              | 10,047,332              | 6,199,556      | (283,367)                   | (1,111,419) | 14,852,102               |
| Total non-depreciable capital assets  | 14,309,762              | 6,199,556      | (283,367)                   | (1,111,419) | 19,114,532               |
| Depreciable capital assets            |                         |                |                             |             |                          |
| Site improvements                     | 47,270,180              | 192,614        | -                           | 83,915      | 47,546,709               |
| Buildings and building improvements   | 367,419,862             | 45,457         | -                           | 1,027,504   | 368,492,823              |
| Equipment                             | 81,050,464              | 3,316,092      | (1,761,403)                 | -           | 82,605,153               |
| Right-to-use lease assets             | 1,949,061               | -              | (174,457)                   | -           | 1,774,604                |
| Total depreciable capital assets      | 497,689,567             | 3,554,163      | (1,935,860)                 | 1,111,419   | 500,419,289              |
| Less accumulated depreciation:        |                         |                |                             |             |                          |
| Site improvements                     | 29,703,125              | 1,505,643      | -                           | -           | 31,208,768               |
| Buildings and building improvements   | 218,845,638             | 10,602,836     | -                           | -           | 229,448,474              |
| Equipment                             | 75,965,953              | 1,526,529      | (1,699,405)                 | -           | 75,793,077               |
| Right-to-use lease assets             | 148,288                 | 389,065        | (148,288)                   | -           | 389,065                  |
| Total accumulated depreciation        | 324,663,004             | 14,024,073     | (1,847,693)                 | -           | 336,839,384              |
| Total depreciable capital assets, net | 173,026,563             | (10,469,910)   | (88,167)                    | 1,111,419   | 163,579,905              |
| Capital assets, net                   | \$ 187,336,325          | \$ (4,270,354) | \$ (371,534)                | \$ -        | \$ 182,694,437           |

Three residential buildings with a combined net book value of \$3,879,578 at June 30, 2022 were taken offline in August 2019. These buildings are being maintained and utilized for alternate housing needs with COVID, with the intent that they will be occupied as residential units in the future.

Construction in progress included engineering and planning costs associated with a new performing arts center with a balance of \$9.6 million, roof replacements with a balance of \$2.3 million, and water piping upgrades with a balance of \$2 million. These projects are funded by the Illinois Capital Development Board.

*Lessee Arrangements*

The University has entered into various leases for land, communication towers, billboards, warehouse and office facilities, and office equipment. The University makes fixed lease payments on a monthly, quarterly, or annual basis depending on the lease terms. Right-to-use assets are

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reported in Capital assets, net of accumulated depreciation on the Statement of Net Position. At June 30, 2022, right-to-use assets under leases are as follows:

|                                    |    |                  |
|------------------------------------|----|------------------|
| Land and land improvements         | \$ | 61,506           |
| Site improvements                  |    | 1,266,609        |
| Building and building improvements |    | 247,412          |
| Equipment                          |    | 199,077          |
|                                    |    | <u>1,774,604</u> |
| Less: Accumulated amortization     |    | 389,065          |
|                                    | \$ | <u>1,385,539</u> |

Future principal and interest payment requirements related to the University's lease liability at June 30, 2022 are as follows:

| Year ending                  | Principal      | Interest      |
|------------------------------|----------------|---------------|
| June 30                      |                |               |
| 2023                         | \$ 303,325     | \$ 48,651     |
| 2024                         | 241,939        | 39,066        |
| 2025                         | 170,249        | 31,592        |
| 2026                         | 176,142        | 25,116        |
| 2027                         | 172,391        | 18,438        |
| 2028 - 2032                  | <u>363,067</u> | <u>23,698</u> |
| Total minimum lease payments | \$ 1,427,113   | \$ 186,561    |

*Lessor Arrangements*

The University leases office space and space on communication towers to various third parties. At June 30, 2022, the receivable balance was \$717,818 which is included in other assets and the deferred inflow balance was \$706,558. The University recognized \$117,162 in lease revenue for the period ending June 30, 2022. Fixed lease payments were received on a monthly basis.

*Foundation*

Capital asset activities for the Foundation for the year ended June 30, 2022 were as follows:

|                                     | Balance<br>June 30, 2021 | Additions         | Retirements | Transfers   | Balance<br>June 30, 2022 |
|-------------------------------------|--------------------------|-------------------|-------------|-------------|--------------------------|
| Land and land improvements          | \$ 1,154,929             | \$ -              | \$ -        | \$ -        | \$ 1,154,929             |
| Building                            | 75,187                   | -                 | -           | -           | 75,187                   |
| Accumulated depreciation - building | (1,671)                  | (1,254)           | -           | -           | (2,925)                  |
|                                     | <u>\$ 1,228,445</u>      | <u>\$ (1,254)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,227,191</u>      |

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**NOTE 6 - UNEARNED REVENUE**

Unearned revenues consist of the following as of June 30, 2022:

|   |                     |
|---|---------------------|
| Tuition and fees                              | \$ 2,445,531        |
| Grants and contracts                          | 2,775,669           |
| Sales and services of educational departments | 33,330              |
| Auxiliary enterprises                         | 303,684             |
| Total   | <u>\$ 5,558,214</u> |

**NOTE 7 - REVENUE BONDS PAYABLE**

*General*

At June 30, 2022, revenue bonds payable consists of Western Illinois University Auxiliary Facilities System Revenue Bonds, Series 2020 and Western Illinois University Auxiliary Facilities System Revenue Bonds, Series 2016.

*Series 2020 Bonds*

On March 31, 2020, the Series 2020 Revenue Bonds were issued in the principal amount of \$36,765,000. The Series 2020 bonds are due April 1, 2033, with annual principal payments ranging from \$1,835,000 to \$3,420,000 commencing on April 1, 2021 and semi-annual interest payments beginning October 1, 2020 at 2.4% to 5.0%.

Proceeds from the sale of the Series 2020 Bonds were used to provide for the current refunding of the outstanding Series 2010 Bonds and Series 2012 Bonds in the principal amounts of \$20,830,000 and \$19,455,000, respectively, and to pay certain expenses related to the issuance of the bonds. The total principal amount was deposited into the Series 2010 and 2012 Bond Accounts to redeem all of the Refunded Series 2005 bonds on their redemption date at a price equal to the principal amount thereof. As a result, the Series 2010 Bonds and Series 2012 Bonds are considered defeased and the liability for that portion of the bonds has been removed from the University's Statement of Net Position.

*Series 2016 Bonds*

On February 4, 2016, the Series 2016 Revenue Bonds were issued in the principal amount of \$8,990,000. The Series 2016 bonds are due April 1, 2027, with annual principal payments ranging from \$450,000 to \$1,125,000 commencing on April 1, 2017 and semi-annual interest payments beginning October 1, 2016 at 3.00% to 5.00%.

Proceeds from the sale of the Series 2016 Bonds were used to provide for the current refunding of the outstanding Series 2006 Bonds in the principal amount of \$9,660,000 and to pay certain expenses related to the issuance of the bonds. The total principal amount was deposited into the Series 2006 Bond Account to redeem all of the Refunded Series 2006 bonds on their redemption date at a price equal to the principal amount thereof. As a result, the Series 2006 Bonds are

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considered defeased and the liability for that portion of the bonds has been removed from the University's Statement of Net Position.

*Advance Refunded Bonds*

Certain revenue bonds of the University have been defeased in prior years through advance refunding and, accordingly, have been accounted for as if they were retired. The principal amount of advance refunded bonds was fully paid.

*Debt Service Activity Requirements and Collateral*

Following is a schedule depicting Revenue Bonds Payable activities for the year ended June 30, 2022:

|                     | Beginning Balance    | Additions   | Deletions             | Ending Balance       | Current Portion     |
|---------------------|----------------------|-------------|-----------------------|----------------------|---------------------|
| Series 2016 Bonds   | \$ 4,620,000         | \$ -        | \$ (1,015,000)        | \$ 3,605,000         | \$ 1,065,000        |
| Series 2020 Bonds   | 33,705,000           | -           | (3,185,000)           | 30,520,000           | 2,395,000           |
| Unamortized premium | 3,909,122            | -           | (734,471)             | 3,174,651            | -                   |
|                     | <u>\$ 42,234,122</u> | <u>\$ -</u> | <u>\$ (4,934,471)</u> | <u>\$ 37,299,651</u> | <u>\$ 3,460,000</u> |

The University does not have an outstanding line of credit.

Aggregate maturities of the bonds outstanding as of June 30, 2022 are as follows:

|                     | <b>Bonds</b>      |                  |
|---------------------|-------------------|------------------|
|                     | <u>Principal</u>  | <u>Interest</u>  |
| 2023                | 3,460,000         | 1,385,040        |
| 2024                | 3,605,000         | 1,235,990        |
| 2025                | 3,035,000         | 1,080,540        |
| 2026                | 3,165,000         | 954,640          |
| 2027                | 3,280,000         | 832,790          |
| 2028-2032           | 15,745,000        | 2,291,400        |
| 2033                | 1,835,000         | 44,040           |
|                     | <u>34,125,000</u> | <u>7,824,440</u> |
| Unamortized premium | 3,174,651         | -                |
|                     | <u>37,299,651</u> | <u>7,824,440</u> |

None of the bonds described above constitute obligations of either the State of Illinois or the Board of Trustees of Western Illinois University, but together with interest thereon, are payable solely from and are collateralized by: a) the net revenues of the Western Illinois University Auxiliary Facilities System, b) certain pledged student fees, and c) a pledge of student tuition. Maximum annual debt service as defined for all outstanding revenue bonds is \$4,845,040. The estimated debt service coverage ratio based on revenues generated from operations is 1.67. The future pledged

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revenues for principal and interest in Fiscal Year 2022 are \$41,949,440. Pledged revenue coverage is 13.24 in Fiscal Year 2022. Pledged revenues have a term of commitment through 2033.

**NOTE 8 - CERTIFICATES OF PARTICIPATION PAYABLE**

*General*

At June 30, 2022, certificates of participation consist of Western Illinois University Series 2021 Certificates of Participation and Western Illinois University Series 2015 Certificates of Participation.

*Series 2021 Certificates of Participation*

On July 9, 2021, the Series 2021 Certificates of Participation were issued via a direct bank placement in the principal amount of \$6,355,000. The Series 2021 Certificates of Participation are due October 1, 2029 with annual principal payments ranging from \$600,000 to \$800,000 commencing October 1, 2021 and semi-annual interest payments beginning October 1, 2021 at 2.66%.

Proceeds from the sale of the Series 2021 Certificates of Participation were used to provide for the current refunding of the outstanding Series 2010 Certificates of Participation in the principal amount of \$6,260,000 and to pay certain expenses related to the issuance of the certificates. The net proceeds were deposited into the Series 2010 Installment Payment Fund to redeem all of the Refunded Series 2010 Certificates of Participation on their redemption date at a price equal to the principal amount thereof. As a result, the Series 2010 Certificates of Participation are considered defeased and the liability for that portion of the certificates has been removed from the University's Statement of Net Position.

Although the refunding resulted in the recognition of an accounting loss of \$3,095, the University in effect reduced its aggregate debt service payments by \$319,249 over the next 8 years and obtained an economic gain of \$317,685.

*Series 2015 Certificates of Participation*

On July 14, 2015, the Series 2015 Certificates of Participation were issued in the principal amount of \$15,100,000. The Series 2015 Certificates of Participation are due October 1, 2024 with annual principal payments ranging from \$1,470,000 to \$1,890,000 commencing October 1, 2016 and semi-annual interest payments beginning October 1, 2016 at 3.00% to 5.00%.

Proceeds from the sale of the Series 2015 Certificates of Participation were used to provide for the current refunding of the outstanding Series 2005 Certificates of Participation in the principal amount of \$7,160,000, the advance refunding of the outstanding Series 2011 Certificates of Participation in the principal amount of \$9,265,000, and to pay certain expenses related to the issuance of the certificates. The net proceeds plus funds provided by the University were deposited into the Series 2005 Installment Payment Fund and the 2011 Installment Payment Fund to redeem all of the Refunded Series 2005 and 2011 Certificates of Participation on their redemption date at

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a price equal to the principal amount thereof. As a result, the Series 2005 and 2011 Certificates of Participation are considered defeased and the liability for that portion of the certificates has been removed from the University's Statement of Net Position.

*Debt Service Activity Requirements and Collateral*

Following is a schedule depicting Certificates of Participation activities for the year ended June 30, 2022:

|                              | Beginning Balance    | Additions           | Deletions             | Ending Balance       | Current Portion     |
|------------------------------|----------------------|---------------------|-----------------------|----------------------|---------------------|
| Series 2010                  | \$ 6,260,000         | \$ -                | \$ (6,260,000)        | \$ -                 | \$ -                |
| Series 2015                  | 6,390,000            | -                   | (1,505,000)           | 4,885,000            | 1,555,000           |
| Series 2021 Direct Placement | -                    | 6,355,000           | (600,000)             | 5,755,000            | 645,000             |
| Unamortized premium          | 162,608              | -                   | (49,991)              | 112,617              | -                   |
| Unamortized discount         | (3,094)              | -                   | 3,094                 | -                    | -                   |
|                              | <u>\$ 12,809,514</u> | <u>\$ 6,355,000</u> | <u>\$ (8,411,897)</u> | <u>\$ 10,752,617</u> | <u>\$ 2,200,000</u> |

The University does not have an outstanding line of credit.

Aggregate maturities of the certificates of participation outstanding as of June 30, 2022 are as follows:

|                     | <b>Certificates of Participation</b>                    |                 |
|---------------------|---|-----------------|
|                     | <u>Principal</u>  | <u>Interest</u> |
| 2023                | 1,555,000   | 189,825         |
| 2024                | 1,620,000   | 125,999         |
| 2025                | 1,710,000   | 42,750          |
|                     | <u>4,885,000</u>  | <u>358,574</u>  |
| Unamortized premium | 112,617   | -               |
|                     | <u>4,997,617</u>  | <u>358,574</u>  |
|                     | <b>Certificates of Participation - Direct Placement</b> |                 |
|                     | <u>Principal</u>  | <u>Interest</u> |
| 2023                | 645,000   | 144,505         |
| 2024                | 665,000   | 127,082         |
| 2025                | 685,000   | 109,127         |
| 2026                | 710,000   | 90,573          |
| 2027                | 730,000   | 71,421          |
| 2028-2030           | 2,320,000   | 93,898          |
|                     | <u>5,755,000</u>  | <u>636,606</u>  |

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The Certificates of Participation described above do not constitute obligations of either the State of Illinois or the Board of Trustees of Western Illinois University, but together with interest thereon, are payable solely from and are collateralized by lawful appropriations by the General Assembly for such purposes and legally available nonappropriated funds on an annual basis.

**NOTE 9 - ACCRUED COMPENSATED ABSENCES**

Vacation pay earned but not taken may be accumulated up to a specified maximum from 24 to 56 work days, and received as a lump sum payment upon termination. At June 30, 2022, such accumulated benefits totaled \$7,082,105.

Administrative and faculty unused sick leave may be accumulated up to a specified maximum, generally 360 calendar days. Unused and unpaid sick leave can be applied toward the service time requirements for computing retirement benefits. Civil service exempt and nonexempt employees have no specified maximum accumulation of unused sick leave days. One-half of any unused sick leave earned from January 1, 1984 and prior to January 1, 1998 can be received as a lump sum payment upon termination. At June 30, 2022, such accumulated benefits totaled \$640,160.

Compensated absences activity for the year ended June 30, 2022 was as follows:

|   |                     |
|---|---------------------|
| Balance, beginning of year                | \$ 7,795,106        |
| Additions                                 | 789,892             |
| Deductions                                | <u>(862,733)</u>    |
| Balance, end of year                      | 7,722,265           |
| Less: current portion                     | <u>(1,324,676)</u>  |
| Balance, end of year - noncurrent portion | <u>\$ 6,397,589</u> |

**NOTE 10 – PENSION PLANS**

**DEFINED BENEFIT PENSION PLAN**

**General Information about the Pension Plan**

*Plan Description*

The University contributes to the State Universities Retirement System of Illinois (the System or “SURS”), a cost-sharing multiple-employer defined benefit plan with a special funding situation whereby the State makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941 to provide retirement annuities and other benefits for staff members and employees of state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois’ financial reporting entity and is included in the state’s financial reports as a pension trust fund. SURS is governed by Chapter 40, Act 5, Article 15 of the *Illinois Compiled*

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*Statutes.* SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at [www.SURS.org](http://www.SURS.org).

*Benefits Provided*

A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed 6 months after their date of hire to make an irrevocable election. A summary of the benefit provisions as of June 30, 2021 can be found in SURS's annual comprehensive financial report Notes to the Financial Statements.

*Contributions*

The State of Illinois is primarily responsible for funding the System on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a Statutory Funding Plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members of the System to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from "trust, federal, and other funds" are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for Fiscal Year 2021 and 2022 respectively, was 12.70% and 12.32% of employee payroll. The normal cost is equal to the value of current year's pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary except for police officers and fire fighters who contribute 9.5% of their earnings. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

Participating employers make contributions toward separately financed specific liabilities under Section 15-139.5(e) of the Illinois Pension Code (relating to contributions payable due to the employment of "affected annuitants" or specific return to work annuitants) and Section 15-155(g) (relating to contributions payable due to earning increases exceeding 6% during the final rate of earnings period).

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**Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Defined Benefit Pensions**

*Net Pension Liability*

The net pension liability (NPL) was measured as of June 30, 2021. At June 30, 2021, SURS defined benefit plan reported an NPL of \$28,528,477,079.

*Employer Proportionate Share of Net Pension Liability*

The amount of the proportionate share of the net pension liability to be recognized for the University is \$0. The proportionate share of the State's net pension liability associated with the University is \$516,798,212 or 1.8115%. The University's proportionate share changed by 0.0000% from 1.8115% since the last measurement date on June 30, 2020. This amount is not recognized in the University's financial statements. The net pension liability and total pension liability as of June 30, 2021, was determined based on the June 30, 2020, actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS defined benefit plan during fiscal year 2020.

*Defined Benefit Pension Expense*

At June 30, 2021 SURS defined benefit plan reported a collective net pension expense of \$2,342,460,058.

*Employer Proportionate Share of Defined Benefit Pension Expense*

The employer proportionate share of collective defined benefit pension expense is recognized as nonoperating revenue with matching operating expense (compensation and benefits) in the financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported pensionable contributions made to SURS defined benefit plan during Fiscal Year 2020. As a result, the University recognized revenue and defined benefit pension expense of \$42,434,062 from this special funding situation during the year ended June 30, 2022.

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to Defined Benefit Pensions*

Deferred outflows of resources are the consumption of net position by SURS that is applicable to future reporting periods. Conversely, deferred inflows of resources are the acquisition of net position by SURS that is applicable to future reporting periods.

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SURS Collective Deferred Outflows and Deferred Inflows of Resources by Sources:

|  | <b>Deferred<br/>Outflows<br/>of Resources</b> | <b>Deferred<br/>Inflows<br/>of Resources</b> |
|--|---|--|
| Difference between expected and actual experience                                | \$ 113,467,689                                | \$ -   |
| Changes in assumption  | 776,968,084                                   | -  |
| Net difference between projected and actual earnings on pension plan investments | -   | 2,283,514,660                                |
| Total  | <u>\$ 890,435,773</u>                         | <u>\$ 2,283,514,660</u>                      |

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Year to be Recognized in Future Pension Expenses:

| <b>Year Ending June 30</b> | <b>Net Deferred<br/>Outflows of<br/>Resources</b> |
|----------------------------|---|
| 2022                       | \$ 34,095,451                                     |
| 2023                       | (197,005,703)                                     |
| 2024                       | (538,343,058)                                     |
| 2025                       | (691,825,577)                                     |
| 2026                       | -   |
| Thereafter                 | -   |
| Total                      | <u>\$ (1,393,078,887)</u>                         |

**Employer Deferral of Fiscal Year 2022 Contributions**

The University paid \$455,776 in federal, trust or grant contributions to SURS defined benefit pension plan for the fiscal year ended June 30, 2022. These contributions were made subsequent to the pension liability date of June 30, 2021 and are recognized as Deferred Outflows of Resources as of June 30, 2022.

**Assumptions and Other Inputs**

*Actuarial assumptions*

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period June 30, 2017 through June 30, 2020. The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |   |
|---------------------------|---|
| Inflation                 | 2.25 percent  |
| Salary increases          | 3.00 to 12.75 percent, including inflation                              |
| Investment rate of return | 6.50 percent beginning with the actuarial valuation as of June 30, 2021 |

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Mortality rates were based on the RP-2010 employee and retiree gender distinct tables with projected generational mortality and a separate mortality assumption for disabled participants.

The long-term expected rate of return on defined benefit pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges 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. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultants and actuary.

For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2021, these best estimates are summarized in the following table:

| <b>Defined Benefit Plan</b>       | <b>Strategic Policy Allocation</b> | <b>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</b> |
|-----------------------------------|------------------------------------|---|
| <b>Traditional Growth</b>         |                                    |   |
| Global Public Equity              | 41.0%                              | 6.30%   |
| <b>Stabalized Growth</b>          |                                    |   |
| Credit Fixed Income               | 14.0                               | 1.82  |
| Core Real Assets                  | 5.0                                | 3.92  |
| Options Strategies                | 6.0                                | 4.20  |
| <b>Non-Traditional Growth</b>     |                                    |   |
| Private Equity                    | 7.5                                | 10.45   |
| Non-Core Real Assets Growth       | 2.5                                | 8.83  |
| <b>Inflation Sensitive</b>        |                                    |   |
| U.S. TIPS                         | 6.0                                | (0.22)  |
| <b>Principal Protection</b>       |                                    |   |
| Core Fixed Income                 | 8.0                                | (0.81)  |
| <b>Crisis Risk offset</b>         |                                    |   |
| Systematic Trend Following        | 3.5                                | 3.45  |
| Alternative Risk Premia           | 3.0                                | 2.30  |
| Long Duration                     | 3.5                                | 0.91  |
| <b>Total</b>                      | <b>100.0%</b>                      | <b>4.43%</b>  |
| <b>Inflation</b>                  |                                    | <b>2.25%</b>  |
| <b>Expected arithmetic return</b> |                                    | <b>6.68%</b>  |

*Discount Rate*

A single discount rate of 6.12% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 6.50% and a municipal

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bond rate of 1.92% (based on the Fidelity 20-Year Municipal GO AA Index as of June 30, 2021). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and 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 statutory contribution rates under the SURS funding policy. Based on these assumptions, the pension plan’s fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2075. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2075, and the municipal bond rate was applied to all benefit payments after that date.

*Sensitivity of the System’s Net Pension Liability to Changes in the Discount Rate*

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan’s net pension liability, calculated using a single discount rate of 6.12%, as well as what the plan’s net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

| 1% Decrease<br>5.12% | Current Single Discount<br>Rate Assumption<br>6.12% | 1% Increase<br>7.12% |
|----------------------|---|----------------------|
| \$ 35,000,704,353    | \$ 28,528,477,079                                   | \$ 23,155,085,730    |

Additional information regarding the SURS basic financial statements including the Plan Net Position can be found in the SURS annual comprehensive financial report by accessing the website at [www.SURS.org](http://www.SURS.org).

**DEFINED CONTRIBUTION PENSION PLAN**

**General Information about the Pension Plan**

*Plan Description*

The University contributes to the Retirement Savings Plan (RSP) administered by SURS, a cost-sharing multiple-employer defined contribution pension plan with a special funding situation whereby the State makes substantially all required contributions on behalf of the participating employers. SURS was established July 21, 1941, to provide retirement annuities and other benefits for staff members and employees of state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is governed by Chapter 40, Act 5, Article 15 of the Illinois Compiled Statutes. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at [www.SURS.org](http://www.SURS.org). The RSP and its benefit terms were established and may be amended by the State’s General Assembly.

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*Benefits Provided*

A defined contribution pension plan, originally called the Self-Managed Plan, was added to SURS benefit offerings as a result of Public Act 90-0448 enacted effective January 1, 1998. The plan was renamed the RSP effective September 1, 2020, after an extensive plan redesign. New employees are allowed six months after their date of hire to make an irrevocable election whether to participate in either the traditional or portable defined benefit pension plans or the RSP. A summary of the benefit provisions as of June 30, 2021, can be found in SURS Annual Comprehensive Financial Report- Notes to the Financial Statements.

*Contributions*

All employees who have elected to participate in the RSP are required to contribute 8.0% of their annual covered earnings. Section 15-158.2(h) of the Illinois Pension Code provides for an employer contribution to the RSP of 7.6% of employee earnings. The State is primarily responsible for contributing to the RSP on behalf of the individual employers. Employers are required to make the 7.6% contribution for employee earnings paid from “trust, federal, and other funds” as described in Section 15-155(b) of the Illinois Pension Code. The contribution requirements of plan members and employers were established and may be amended by the State’s General Assembly.

*Forfeitures*

Employees are not vested in employer contributions to the RSP until they have attained five years of service credit. Should an employee leave SURS-covered employment with less than five years of service credit, the portion of the employee’s RSP account designated as employer contributions is forfeited. Employees who later return to SURS-covered employment will have these forfeited employer contributions reinstated to their account, so long as the employee’s own contributions remain in the account. Forfeited employer contributions are managed by SURS and are used both to reinstate previously forfeited contributions and to fund a portion of the State’s contributions on behalf of the individual employers. The vesting and forfeiture provisions of the RSP were established and may be amended by the State’s General Assembly.

**Pension Expense Related to Defined Contribution Pensions**

*Defined Contribution Pension Expense*

For the year ended June 30, 2021, the State’s contributions to the RSP on behalf of individual employers totaled \$76,280,832. Of this amount, \$70,403,460 was funded via an appropriation from the State and \$5,877,372 was funded from previously forfeited contributions.

*Employer Proportionate Share of Defined Contribution Pension Expense*

The employer proportionate share of collective defined contribution pension expense is recognized as nonoperating revenue with matching operating expense (compensation and benefits) in the

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financial statements. The basis of allocation used in the proportionate share of collective defined contribution pension expense is the actual reported pensionable contributions made to the RSP during fiscal year 2021. The University's share of pensionable contributions was 1.8490%. As a result, the University recognized revenue and defined contribution pension expense of \$1,410,452 from this special funding situation during the year ended June 30, 2022, of which \$108,674 constituted forfeitures.

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS**

**Plan description.** The State Employees Group Insurance Act of 1971 (“SEGIA”), 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 University'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”). The eligibility provisions for each of the retirement systems are defined within Note 10. 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 (“CMS”) 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 SEGIA. 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. SEGIA 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 OPEB cost.** OPEB offered through SEGIP are financed through a combination of retiree premiums, SEGIP contributions pursuant to SEGIA (5 ILCS 375/11), and Federal government subsidies from the Medicare Part D program. These contributions are deposited in the Health Insurance Reserve Fund, which covers both active employees and retired 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 GARS, JRS, SERS,

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TRS, and SURS 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. CMS’ Director, on an annual basis, determines the amount of contributions necessary to fund the basic program of group benefits. The State’s contributions are made primarily from the State’s General Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree benefits and a separate trust has not been established for the funding of OPEB.

For fiscal year 2022, the annual cost of the basic program of group health, dental, and vision benefits before the State’s contribution was \$11,363 (\$6,290 if Medicare eligible) per member if the annuitant chose benefits provided by a health maintenance organization and \$13,619 (\$5,623 if Medicare eligible) per member 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.

**Special Funding Situation Portion of OPEB.** The proportionate share of the State’s OPEB expense relative to the University’s employees totaled (\$3,539,782) during the year ended June 30, 2022. This amount was recognized by the University as non-operating special funding situation revenue and operating expense allocated to the related function performed by the employees during the year ended June 30, 2022.

While the University is not required to record the portion of the State’s OPEB liability related to the University’s employees resulting from the special funding situation, the University is required to disclose this amount. The following chart displays the proportionate share of the State’s contributions related to the University’s special funding situation relative to all employer contributions during the year ended June 30, 2021 based on the June 30, 2020 actuarial valuation rolled forward:

|   |                |
|---|----------------|
| Measurement Date:   | June 30, 2021  |
| State of Illinois’ OPEB liability related to the University under the Special Funding Situation | \$ 340,529,170 |
| SEGIP total OPEB liability  | 34,911,897,307 |
| Proportionate share of the total OPEB liability   | 0.98%          |

**University’s Portion of OPEB and Disclosures Related to SEGIP Generally:**  
**Total OPEB liability, deferred outflows of resources, deferred inflows of resources, and expense related to OPEB.** The University’s total OPEB liability, as reported at June 30, 2022, was measured as of the measurement date on June 30, 2021, with an actuarial valuation as of June 30, 2020. The following chart displays the proportionate share of the University’s contributions relative to all employer contributions during the year ended June 30, 2021 based on the June 30, 2020 actuarial valuation rolled forward:

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|   |                       |
|---|-----------------------|
| Measurement Date:                               | <u>June 30, 2021</u>  |
| University's OPEB liability                     | \$ 15,202,663         |
| SEGIP total OPEB liability                      | <u>34,911,897,307</u> |
| Proportionate share of the total OPEB liability | 0.0435%               |

The University's portion of the OPEB liability was based on the University's proportion share amount determined under the methodology described in Note 1 during the year ended June 30, 2021. As of the current year measurement date of June 30, 2021, the University's proportion increased 0.0055% from its proportion measured as of the prior year measurement date of June 30, 2020.

The University recognized OPEB expense for the year ended June 30, 2022, of \$99,775. In addition, the University recorded \$660,712 of revenue and expenditures in the General Revenue account of the General Fund to account for contributions to SEGIP for University employees that were paid from statewide General Revenue Fund appropriations. At June 30, 2022, the University reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2021, from the following sources:

**Deferred outflows of resources**

|   |                            |
|---|----------------------------|
| Differences between expected and actual experience  | \$ 111,046                 |
| Changes of assumptions  | 343,880                    |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 2,518,019                  |
| Department contributions subsequent to the measurement date   | <u>397,110</u>             |
| <b>Total deferred outflows of resources</b>   | <u><u>\$ 3,370,055</u></u> |

**Deferred inflows of resources**

|   |                            |
|---|----------------------------|
| Differences between expected and actual experience  | \$ 105,770                 |
| Changes of assumptions  | 4,184,000                  |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | <u>521,301</u>             |
| <b>Total deferred inflows of resources</b>  | <u><u>\$ 4,811,071</u></u> |

The amounts reported as deferred outflows of resources related to OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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| <u>Fiscal Year Ended June 30,</u> | <u>Total Amount Recognized of Deferred Inflows and Outflows Over the<br/>Remaining Service Life of All Employees (5.138662 years)</u> |
|-----------------------------------|---|
| 2023                              | \$ (608,684)  |
| 2024                              | (291,432)   |
| 2025                              | (601,396)   |
| 2026                              | (291,987)   |
| 2027                              | (44,625)  |
| <b>Total</b>                      | <u>\$ (1,838,124)</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, 2020, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2020.

|  |  |
|--|--|
| <b>Valuation Date</b>  | June 30, 2020  |
| <b>Measurement Date</b>  | June 30, 2021  |
| <b>Actuarial Cost Method</b>   | Entry Age Normal   |
| <b>Actuarial assumptions:</b>  |  |
| <b>Inflation Rate</b>  | 2.25%  |
| <b>Projected Salary Increases*</b>   | 2.50% - 12.25%   |
| <b>Healthcare Cost Trend Rate:</b>   |  |
| Medical & Rx<br>(Pre-Medicare & Post-Medicare)   | 8.00% grading down 0.25% per year over 15 years to 4.25% in year 2038. There is no additional trend rate adjustment due to the repeal of the Excise Tax.   |
| Dental and Vision  | 3.75% grading up 0.25% in the first year to 4.00% through 2038.  |
| <b>Retirees' share of benefit-related costs</b>  | 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 2021 and 2022 are based on actual premiums. Premiums after 2022 were projected based on the same healthcare cost trend rates applied to per capita claim costs. |
| * Dependent upon service and participation in the respective retirement systems. Includes inflation rate listed. |  |

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Additionally, the demographic assumptions used in the OPEB valuation are identical to those used in the June 30, 2020 valuations for GARS, JRS, SERS, TRS, and SURS as follows:

|  | <u>Retirement age<br/>experience study<sup>^</sup></u> | <u>Mortality<sup>^^</sup></u>   |
|--|--|---|
| <b>GARS</b>  | July 2015 - June 2018                                  | Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, scaling factors of 99% for males and females and generational mortality improvements using MP-2018 two-dimensional mortality improvement scales          |
| <b>JRS</b>   | July 2015 - June 2018                                  | Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, scaling factors of 102% for males and 98% for females and generational mortality improvements using MP-2018 two-dimensional mortality improvement scales |
| <b>SERS</b>  | July 2015 - June 2018                                  | 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   |
| <b>TRS</b>   | July 2014 - June 2017                                  | RP-2014 with future mortality improvements on a fully generational basis using projection table MP-2017   |
| <b>SURS</b>  | July 2014 - June 2017                                  | RP-2014 White Collar, gender distinct, projected using MP-2014 two dimensional mortality improvement scale, set forward one year for male and female annuitants   |
| <sup>^</sup> The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined. |  |   |
| <sup>^^</sup> Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee.                            |  |   |

**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 2.45% at June 30, 2020, and 1.92% at June 30, 2021, was used to measure the total OPEB liability.

**Sensitivity of total OPEB liability to changes in the single discount rate.** The following presents the University's proportionate share of the plan's total OPEB liability measured as of June 30, 2021, calculated using a Single Discount Rate of 1.92%, as well as what the University's proportionate share of the plan's total OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (2.92%) or lower (.92%) than the current rate:

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|   | 1% Decrease<br><u>(.92%)</u> | Current Single Discount<br>Rate Assumption<br><u>(1.92%)</u> | 1% Increase<br><u>(2.92%)</u> |
|---|------------------------------|--|-------------------------------|
| University's proportionate share of<br>total OPEB liability | 17,954,233                   | 15,202,663   | 13,025,591                    |

**Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate.** The following presents the plans 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. The key trend rates are 8.00% in 2023 decreasing to an ultimate trend rate of 4.25% in 2038,

|   | 1% Decrease<br><u></u> | Healthcare Cost Trend<br>Rates Assumption<br><u></u> | 1% Increase<br><u></u> |
|---|------------------------|--|------------------------|
| University's proportionate share of<br>total OPEB liability | 12,686,147             | 15,202,663   | 18,532,643             |

**Total OPEB Liability Associated with the University, Regardless of Funding Source.** The University is required to disclose all OPEB liabilities related to it, including (1) the portion of the State's OPEB liability related to the University's employees resulting from the special funding situation the University is not required to record and (2) the portion of OPEB liability recorded by the University for its employees paid from trust, federal, and other funds. The following chart displays the proportionate share of contributions, regardless of funding source, associated with the University's employees relative to all employer contributions during the year ended June 30, 2021 based on the June 30, 2020 actuarial valuation rolled forward:

|   |                       |
|---|-----------------------|
| Measurement Date:   | <u>June 30, 2021</u>  |
| State of Illinois' OPEB liability related<br>to the University under the Special<br>Funding Situation | \$ 340,529,170        |
| University's OPEB liability   | <u>15,202,663</u>     |
| Total OPEB liability associated with the<br>University  | 355,731,833           |
| SEGIP total OPEB liability  | <u>34,911,897,307</u> |
| Proportionate share of the OPEB<br>liability associated with the University                           | 1.02%                 |

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**NOTE 12 – INSURANCE**

Through its participation in the Illinois Public Higher Education Cooperative (IPHEC), the University has contracted with commercial carriers to provide various insurance coverages, including educators’ legal and other general liability insurance. The University’s liability coverages have a \$250,000 to \$350,000 deductible per occurrence. Additionally, the University purchases property insurance coverage for the replacement value of University real property and contents. Settled claims have not exceeded commercial coverage in any of the three preceding years.

**NOTE 13 - OPERATING EXPENSES BY NATURAL CLASSIFICATION**

Operating expenses by natural classification for the year ended June 30, 2022 for the University are summarized as follows:

|                                       | Compensation &<br>Benefits | Supplies<br>& Services | Scholarships &<br>Fellowships | Depreciation  | Total          |
|---------------------------------------|----------------------------|------------------------|-------------------------------|---------------|----------------|
| Instruction                           | \$ 74,862,099              | \$ 1,728,642           | \$ -                          | \$ -          | \$ 76,590,741  |
| Research                              | 3,268,712                  | 2,916,963              | -                             | -             | 6,185,675      |
| Public service                        | 9,655,616                  | 3,135,598              | -                             | -             | 12,791,214     |
| Academic support                      | 14,914,759                 | 3,654,541              | -                             | -             | 18,569,300     |
| Student services                      | 15,990,658                 | 7,840,118              | -                             | -             | 23,830,776     |
| Institutional support                 | 15,500,435                 | 7,132,327              | -                             | -             | 22,632,762     |
| Operation and<br>maintenance of plant | 10,552,535                 | 6,178,475              | -                             | -             | 16,731,010     |
| Scholarships & Fellowships            | 667,301                    | -                      | 28,209,968                    | -             | 28,877,269     |
| Auxiliary enterprises                 | 14,302,058                 | 16,249,993             | -                             | -             | 30,552,051     |
| Depreciation                          | -                          | -                      | -                             | 14,024,073    | 14,024,073     |
| Total                                 | \$ 159,714,173             | \$ 48,836,657          | \$ 28,209,968                 | \$ 14,024,073 | \$ 250,784,871 |

**NOTE 14 - CONTRACT WITH WESTERN ILLINOIS UNIVERSITY FOUNDATION**

The University has a contract with the Western Illinois University Foundation in which the Foundation has agreed to aid and assist the University in achieving its educational, research, and service goals by developing and administering its gifts. These gifts received by the Foundation are to be used for the benefit of the University in its scholarship, loan, grant and other supporting programs. The University agreed, as part of this contract, to furnish certain services necessary to the operation of the Foundation.

For Fiscal Year 2022, the Foundation did not specifically reimburse the University for \$1,147,962 of personal service costs, facility use and other costs provided by the University. However, the Foundation directly paid expenses for certain University activity from contributions held at the Foundation in the amount of \$3,556,075 for Fiscal Year 2022.

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During the year ended June 30, 2022, the University and Foundation had the following inter-entity transactions:

|                                    | <u>University</u> | <u>Foundation</u> |
|------------------------------------|-------------------|-------------------|
| Nonoperating Revenues - Gifts      | \$ 997,224        | \$ -              |
| Operating Expenses:                |                   |                   |
| Instruction                        | -                 | 79,901            |
| Research                           | -                 | 137,875           |
| Public service                     | -                 | 286,384           |
| Academic support                   | -                 | 108,358           |
| Student services                   | -                 | 204,660           |
| Institutional support              | -                 | 45,500            |
| Operation and maintenance of plant | -                 | 134,546           |
|                                    | <u>\$ 997,224</u> | <u>\$ 997,224</u> |

**NOTE 15 - COMMITMENTS AND CONTINGENCIES**

*Claims and Litigation*

The University is currently involved in various claims and pending legal actions related to matters arising from the ordinary conduct of business. The University administration believes that ultimate disposition of the actions will not have a material effect on the financial statements of the University.

*Government Grants*

The University is currently participating in numerous grants from various departments and agencies of the federal and State governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursements of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

**NOTE 16 – HIGHER EDUCATION EMERGENCY RELIEF FUND**

The University has received three separate awards (consisting of an initial award and two supplemental awards) from the Higher Education Emergency Relief Fund as part of the federal government's response to the COVID-19 pandemic. The University's period of availability for using these federal funds is set to expire on June 30, 2023. The following chart reflects the remaining balance of this activity at June 30, 2022.

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|              | <b>Original Award</b>   |                        | <b>Remaining Balance</b> |                        |
|--------------|-------------------------|------------------------|--------------------------|------------------------|
|              | University's<br>Portion | Student Aid<br>Portion | University's<br>Portion  | Student Aid<br>Portion |
| HEERF 1      | \$ 3,998,546            | \$ 3,998,547           | \$ -                     | \$ -                   |
| HEERF 2      | 8,859,273               | 3,998,547              | -                        | -                      |
| HEERF 3      | 10,910,447              | 11,273,110             | -                        | -                      |
| <b>Total</b> | <b>\$ 23,768,266</b>    | <b>\$ 19,270,204</b>   | <b>\$ -</b>              | <b>\$ -</b>            |

The University also received a Strengthening Institutions Program HEERF award (initial grant and two supplemental awards) with a current end date of June 30, 2023. The original awards were \$395,644, \$540,369 and \$968,163 had remaining balances as of June 30, 2022 of \$41,079, \$40,788 and \$968,163, respectively. The University intends to fully spend the award during Fiscal Year 2023.

**NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLE**

As of July 1, 2021, the University implemented GASB Statement No. 87, *Leases*. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The University restated the statement of net position as indicated below to appropriately reflect the July 1, 2021 balances as follows:

|   | As Previously<br>Reported | Right-to-use<br>lease asset | GASB 87 Adjustment |                     | Deferred<br>inflow | Restated as of<br>July 1, 2021 |
|---|---------------------------|-----------------------------|--------------------|---------------------|--------------------|--------------------------------|
|   |                           |                             | Lease liability    | Lease<br>Receivable |                    |                                |
| Capital Assets, net of accumulated depreciation | \$ 185,561,721            | 1,774,604                   |                    |                     |                    | \$ 187,336,325                 |
| Leases payable, noncurrent                      | \$ 3,473                  |                             | 1,774,604          |                     |                    | \$ 1,778,077                   |
| Prepaid expenses and other assets, noncurrent   | \$ 677,171                |                             |                    | 791,162             |                    | \$ 1,468,333                   |
| Deferred Inflow of resources - leases           | \$ -                      |                             |                    |                     | 791,162            | \$ 791,162                     |

**WESTERN ILLINOIS UNIVERSITY**  
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**REQUIRED SUPPLEMENTARY INFORMATION –PENSION (UNAUDITED)**  
**For the Year Ended June 30, 2022**

**Schedule of Share of Net Pension Liability**

|   | <u>2014</u>        | <u>2015</u>        | <u>2016</u>        | <u>2017</u>        | <u>2018</u>        | <u>2019</u>        | <u>2020</u>        | <u>2021</u>        |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| (a) Proportion percentage of the collective net pension liability   | 0%                 | 0%                 | 0%                 | 0%                 | 0%                 | 0%                 | 0%                 | 0%                 |
| (b) Proportion amount of the collective net pension liability   | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               |
| (c) Portion of nonemployer contributing entities' total proportion of collective net pension liability associated with employer | <u>586,649,047</u> | <u>628,376,573</u> | <u>665,077,569</u> | <u>607,342,161</u> | <u>635,454,194</u> | <u>617,854,891</u> | <u>554,679,669</u> | <u>516,798,212</u> |
| Total (b) + (c)   | <u>586,649,047</u> | <u>628,376,573</u> | <u>665,077,569</u> | <u>607,342,161</u> | <u>635,454,194</u> | <u>617,854,891</u> | <u>554,679,669</u> | <u>516,798,212</u> |
| Employer covered-employee payroll   | \$ 97,810,421      | \$ 96,318,804      | \$ 92,521,052      | \$ 84,155,043      | \$ 82,557,481      | \$ 77,731,369      | \$ 67,269,966      | \$ 64,182,647      |
| Proportion of collective net pension liability associated with employer as a percentage of DB covered-employee payroll          | 599.78%            | 652.39%            | 718.84%            | 721.69%            | 769.71%            | 794.86%            | 824.56%            | 805.20%            |
| SURS plan net position as a percentage of total pension liability   | 44.39%             | 42.37%             | 39.57%             | 42.04%             | 41.27%             | 40.71%             | 39.05%             | 45.45%             |

**Schedule of Contributions**

|   | <u>2014</u>    | <u>2015</u>    | <u>2016</u>    | <u>2017</u>    | <u>2018</u>    | <u>2019</u>    | <u>2020</u>   | <u>2021</u>   | <u>2022</u>   |
|---|----------------|----------------|----------------|----------------|----------------|----------------|---------------|---------------|---------------|
| Federal, trust, grant, and other contribution     | \$ 305,959     | \$ 329,255     | \$ 360,777     | \$ 368,321     | \$ 369,915     | \$ 418,858     | \$ 441,931    | \$ 358,564    | \$ 455,776    |
| Contribution in relation to required contribution | 305,959        | 329,255        | 360,777        | 368,321        | 369,915        | 418,858        | 441,931       | 358,564       | 455,776       |
| Contribution deficiency (excess)                  | -              | -              | -              | -              | -              | -              | -             | -             | -             |
| Employer covered payroll                          | \$ 121,080,877 | \$ 120,107,278 | \$ 115,835,988 | \$ 106,343,389 | \$ 104,591,344 | \$ 100,600,980 | \$ 88,511,533 | \$ 85,782,466 | \$ 87,344,822 |
| Contributions as a percentage of covered payroll  | 0.25%          | 0.27%          | 0.31%          | 0.35%          | 0.35%          | 0.42%          | 0.50%         | 0.42%         | 0.52%         |

\*Note: SURS implemented GASB No. 68 in fiscal year 2015. The information above is presented for as many years as available. This schedule is intended to show information for 10 years.

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**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION**  
**(UNAUDITED)**  
**For the Year Ended June 30, 2022**

1. Changes of Benefit Terms

There were no benefit changes recognized in the Total Pension Liability as of June 30, 2021, June 30, 2020, June 30, 2019, June 30, 2018 or June 30, 2017.

2. Changes of Assumptions (Fiscal Year 2021)

In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every three years to determine the reasonableness of actuarial assumptions regarding the retirement, disability, mortality, turnover, interest and salary of the members and benefit recipients of SURS. An experience review for the years June 30, 2017 to June 30, 2020 was performed in Spring 2021, resulting in the adoption of new assumptions as of June 30, 2021.

- Salary increase. Change in the overall assumed salary increase rates, ranging from 3.00 percent to 12.75 percent based on years of service, while maintaining the underlying wage inflation rate of 2.25 percent.
- Investment return. Decrease the investment return assumption to 6.50 percent. This reflects decreasing the assumed real rate of return of 4.25 percent and maintaining the underlying assumed price inflation of 2.25 percent.
- Effective rate of interest. Decrease the long-term assumption for the effective rate of interest for crediting the money purchase accounts to 6.50 percent.
- Normal retirement rates. Establish separate rates for members in academic positions and non-academic positions to reflect that retirement rates for academic positions are lower than for non-academic positions.
- Early retirement rates. Establish separate rates for members in academic positions and non-academic positions to reflect that retirement rates for academic positions are lower than for non-academic positions.
- Turnover rates. Change rates to produce slightly lower expected turnover for most members, while maintaining pattern of decreasing termination rates as years of service increase.
- Mortality rates. Change from the RP-2014 to the Pub-2010 mortality tables to reflect the latter's higher applicability to public pensions. Update the projection scale from the MP-2017 to the MP-2020 scale.
- Disability rates. Establish separate rates for members in academic positions and non-academic positions and maintain separate rates for males and females.
- Plan election. Change plan election assumptions to 75 percent Tier 2 and 25 percent Retirement Savings Plan (RSP) for non-academic members. Change plan election assumption to 55 percent Tier 2 and 45 percent Retirement Savings Plan (RSP) for academic members.

Changes of Assumptions (Fiscal Year 2019)

In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every three years to determine the reasonableness of actuarial assumptions regarding the retirement, disability, mortality, turnover, interest and salary of the members and benefit recipients of SURS. An experience review for the years June 30, 2014 to June 30, 2017 was

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**(UNAUDITED)**  
**For the Year Ended June 30, 2022**

performed in February 2018, resulting in the adoption of new assumptions as of June 30, 2018.

- Salary increase. Decrease in the overall assumed salary increase rates, ranging from 3.25 percent to 12.25 percent based on years of service, with underlying wage inflation of 2.25 percent.
- Investment return. Decrease the investment return assumption to 6.75 percent. This reflects maintaining an assumed real rate of return of 4.50 percent and decreasing the underlying assumed price inflation to 2.25 percent.
- Effective rate of interest. Decrease the long-term assumption for the effective rate of interest for crediting the money purchase accounts to 6.75 percent (effective July 2, 2019).
- Normal retirement rates. A slight increase in the retirement rate at age 50. No change to the rates for ages 60-61, 67-74, and 80+, but a slight decrease in rates at all other ages. A rate of 50 percent if the member has 40 or more years of service and is younger than age 80.
- Early retirement rates. Decrease in rates for all Tier 1 early retirement eligibility ages (55-59).
- Turnover rates. Change rates to produce lower expected turnover for members with less than 10 years of service and higher turnover for members with more than 10 years of service.
- Mortality rates. Maintain the RP-2014 mortality tables with projected generational mortality improvement. Update the projection scale from the MP-2014 to the MP-2017 scale.
- Disability rates. Decrease current rates to reflect that certain members who receive disability benefits do not receive the benefits on a long-term basis.

Changes of Assumptions (Fiscal Year 2018)

In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every three years to determine the reasonableness of actuarial assumptions regarding the retirement, disability, mortality, turnover, interest and salary of the members and benefit recipients of SURS. An experience review for the years June 30, 2010 to June 30, 2014 was performed in February 2015, resulting in the adoption of new assumptions as of June 30, 2015.

- Mortality rates. Change from the RP 2000 Mortality table projected to 2017, sex distinct, to the RP-2014 mortality tables with projected generational mortality improvement. Change to a separate mortality assumption for disabled participants.
- Salary increase. Change assumption to service-based rates, ranging from 3.75 percent to 15.00 percent based on years of service, with underlying wage inflation of 3.75 percent.
- Normal retirement rates. Change to retirement rates at ages younger than 60, age 66,

**WESTERN ILLINOIS UNIVERSITY**  
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**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION**  
**(UNAUDITED)**  
**For the Year Ended June 30, 2022**

and ages 70-79 to reflect observed experiences.

- Early retirement rates. Change to a slight increase to the rates at ages 55 and 56.
- Turnover rates. Change to produce lower expected turnover for members with less than 10 years of service and higher turnover for members with more than 10 years of service than the currently assumed rates.
- Disability rates. Decrease rates and have separate rates for males and females to reflect observed experience.
- Dependent assumption. Maintain the current assumption on marital status that varies by age and sex and the assumption that males are three years older than their spouse.

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**REQUIRED SUPPLEMENTARY INFORMATION – OPEB (UNAUDITED)**  
**For the Year Ended June 30, 2022**

**Schedule of Share of the Collective Total OPEB Liability**

|  | <u>2017</u>          | <u>2018</u>           | <u>2019</u>           | <u>2020</u>           | <u>2021</u>           |
|--|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Proportion percentage of the collective total OPEB liability   | 0.0403%              | 0.0377%               | 0.0403%               | 0.0385%               | 0.0441%               |
| Proportionate share of the collective total OPEB liability   | \$ 16,653,514        | \$ 15,115,155         | \$ 17,507,793         | \$ 16,107,947         | \$ 15,202,663         |
| Estimated proportionate amount of collective total OPEB liability associated with the University - State supported portion | \$ -                 | \$ 502,678,599        | \$ 494,255,011        | \$ 375,665,635        | \$ 340,529,170        |
| Total  | <u>\$ 16,653,514</u> | <u>\$ 517,793,754</u> | <u>\$ 511,762,804</u> | <u>\$ 391,773,582</u> | <u>\$ 355,731,833</u> |
| Employer covered payroll   | \$ 98,307,385        | \$ 96,093,044         | \$ 91,994,282         | \$ 80,834,491         | \$ 78,555,905         |
| Proportionate share of the collective total OPEB liability as a percentage of employer covered-employee payroll            | 16.94%               | 15.73%                | 19.03%                | 19.93%                | 19.35%                |

\*Note: GASB No. 75 was implemented in fiscal year 2018. The information above is presented for as many years as available. This schedule is intended to show information for 10 years.

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**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB (UNAUDITED)**  
**For the Year Ended June 30, 2022**

There are no assets accumulated in a trust to pay University employees' other post-employment benefits.

Changes of Assumptions

The single discount rate was changed from 2.45% to 1.92% for fiscal year 2021.

The single discount rate was changed from 3.13% to 2.45% for fiscal year 2020.

The single discount rate was changed from 3.62% to 3.13% for fiscal year 2019.

The single discount rate was changed from 3.56% to 3.62% for fiscal year 2018.

The single discount rate was changed from 2.85% to 3.56% for fiscal year 2017.

The healthcare trend assumptions were updated based on claim and enrollment experience through June 30, 2020, projected plan costs for plan year end June 30, 2021, premium changes through plan year end 2022, and expectation of future trend increases after June 30, 2021.

Per capita claim costs for plan year end June 30, 2021, were updated based on projected claims and enrollment experience through June 30, 2021, and updated premium rates through plan year 2022.

Healthcare plan participation rates by plan were updated based on observed experience.

**WESTERN ILLINOIS UNIVERSITY**  
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**SUPPLEMENTARY INFORMATION – TABLE OF OPERATING EXPENSES**  
**For the Year Ended June 30, 2022**

The following table presents a break-down of the various types of expenses which collectively comprise the University’s functional operating expense accounts for the year ended June 30, 2022:

|                                    | Compensation and Benefits              |                       |                   |         |             |                             |                   |            |            |             | Other Expenses | Total Operating Expenses |
|------------------------------------|--|-----------------------|-------------------|---------|-------------|-----------------------------|-------------------|------------|------------|-------------|----------------|--------------------------|
|                                    | Western Illinois University's Expenses |                       |                   |         |             | State of Illinois' Expenses |                   |            |            | Total       |                |                          |
|                                    | Salaries <sup>1</sup>                  | Benefits <sup>2</sup> | OPEB <sup>3</sup> | Pension | Sub-Total   | Benefits <sup>2</sup>       | OPEB <sup>3</sup> | Pension    | Sub-Total  |             |                |                          |
| Instruction                        | 46,305,333                             | 801,637               | 49,129            | 41,083  | 47,197,182  | 8,174,008                   | (1,742,989)       | 21,233,898 | 27,664,917 | 74,862,099  | 1,728,642      | 76,590,741               |
| Research                           | 2,127,689                              | 108,848               | 1,606             | 31,093  | 2,269,236   | 267,266                     | (56,991)          | 789,201    | 999,476    | 3,268,712   | 2,916,963      | 6,185,675                |
| Public service                     | 5,212,325                              | 982,662               | 5,458             | 342,463 | 6,542,908   | 908,039                     | (193,626)         | 2,398,295  | 3,112,708  | 9,655,616   | 3,135,598      | 12,791,214               |
| Academic support                   | 9,375,736                              | 154,690               | 9,508             | -       | 9,539,934   | 1,582,013                   | (337,341)         | 4,130,153  | 5,374,825  | 14,914,759  | 3,654,541      | 18,569,300               |
| Student services                   | 10,189,229                             | 161,889               | 9,948             | -       | 10,361,066  | 1,655,054                   | (352,916)         | 4,327,454  | 5,629,592  | 15,990,658  | 7,840,118      | 23,830,776               |
| Institutional support              | 9,481,896                              | 362,601               | 9,558             | 80,878  | 9,934,933   | 1,590,313                   | (339,111)         | 4,314,300  | 5,565,502  | 15,500,435  | 7,132,327      | 22,632,762               |
| Operation and maintenance of plant | 6,425,547                              | 111,228               | 6,845             | -       | 6,543,620   | 1,138,783                   | (242,829)         | 3,112,961  | 4,008,915  | 10,552,535  | 6,178,475      | 16,731,010               |
| Scholarships and Fellowships       | 647,563                                | 6,115                 | 20                | 2,222   | 655,920     | 3,320                       | (708)             | 8,769      | 11,381     | 667,301     | 28,209,968     | 28,877,269               |
| Auxiliary enterprises              | 9,631,281                              | 125,316               | 7,703             | -       | 9,764,300   | 1,281,546                   | (273,271)         | 3,529,483  | 4,537,758  | 14,302,058  | 16,249,993     | 30,552,051               |
| Depreciation                       | -                                      | -                     | -                 | -       | -           | -                           | -                 | -          | -          | -           | 14,024,073     | 14,024,073               |
| Total                              | 99,396,599                             | 2,814,986             | 99,775            | 497,739 | 102,809,099 | 16,600,342                  | (3,539,782)       | 43,844,514 | 56,905,074 | 159,714,173 | 91,070,698     | 250,784,871              |

<sup>1</sup> Salaries includes employer contributions for Social Security, Medicare, and unemployment.

<sup>2</sup> Benefits includes certain group insurance costs, such as healthcare and life insurance.

<sup>3</sup> OPEB refers to other post-employment benefits.

**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

Board of Trustees  
Western Illinois University

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, financial statements of the business-type activities, fiduciary activities, and the discretely presented component unit of Western Illinois University (the "University"), a component unit of the State of Illinois, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated March 2, 2023.

Our report includes a reference to another auditor who audited the financial statements of the Western Illinois University Foundation, the discretely presented component unit, as described in our report on the University's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by that auditor.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (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 University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University'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 University'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.

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

and

Board of Trustees  
Western Illinois University

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings as item 2022-001 that we consider to be a material weakness.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 2022-001.

### **The University's Response to the Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the University's response to the findings identified in our audit and described in the accompanying schedule of findings. The University's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

### **Original Signature on File**

**Plante & Moran, PLLC**

Cincinnati, Ohio  
March 2, 2023

**WESTERN ILLINOIS UNIVERSITY**  
A Component Unit of the State of Illinois  
**SCHEDULE OF FINDINGS – GOVERNMENT AUDITING STANDARDS FINDING**  
For the Year Ended June 30, 2022

**2022-001. FINDING: Inadequate Internal Controls over Census Data**

The Western Illinois University (University) did not have adequate internal control over reporting its census data and did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

Census data is demographic data (date of birth, gender, years of service, etc.) of the active, inactive, or retired members of a pension or OPEB plan. The accumulation of inactive or retired members' census data occurs before the current accumulation period of census data used in the plan's actuarial valuation (which eventually flows into each employer's financial statements), meaning the plan is solely responsible for establishing internal controls over these records and transmitting the data to the plan's actuary. In contrast, responsibility for active members' census data during the current accumulation period is split among the plan and each member's current employer(s). Initially, employers must accurately transmit census data elements of their employees to the plan. Then, the plan must record and retain these records for active employees and then transmit this census data to the plan's actuary.

We noted the University's employees are members of the State Universities Retirement System (SURS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple- employer plans. Additionally, CMS' actuary uses census data for employees of the State's public universities provided by SURS, along with census data for the other participating members provided by the State's four other pensions plans, to prepare their projection of the liabilities of CMS' plan. Finally, SURS' actuary and CMS' actuary used census data transmitted by the University during Fiscal Year 2020 to project pension and OPEB-related balances and activity at the plans during Fiscal Year 2021, which is incorporated into the University's Fiscal Year 2022 financial statements.

During testing, we noted the following:

- The University had not performed an initial complete reconciliation of its census data recorded by SURS to its internal records to establish a base year of complete and accurate census data.
- After establishing a base year, the University had not developed a process to annually obtain from SURS the incremental changes recorded by SURS in their census data records and reconcile these changes back to the University's internal supporting records.
- During our cut-off testing of data transmitted by the University to SURS, we noted 8 instances of an active employee becoming inactive or part-time and 1 instance of an inactive employee becoming retired were reported to SURS after the close of the fiscal year in which the event occurred.

We provided SURS' actuary and CMS' actuary with the exceptions we identified during our testing, along with the results of census data testing at the State Employees Retirement System of Illinois, and determined the net effect of these errors, along with the errors of other plan participants, was immaterial to SURS' and CMS' pension and OPEB-related balances and activity at the plans during Fiscal Year 2021.

**WESTERN ILLINOIS UNIVERSITY**  
A Component Unit of the State of Illinois  
**SCHEDULE OF FINDINGS – GOVERNMENT AUDITING STANDARDS FINDING**  
**(CONTINUED)**  
For the Year Ended June 30, 2022

**2022-001. FINDING: Inadequate Internal Controls over Census Data (Continued)**

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial reports and to maintain accountability over the State's resources.

University officials indicated the base year reconciliation process was not established until Fiscal Year 2021, which is currently being performed by University staff. In addition, they indicated the late reported events were due to the difficulty in timely reporting events which occur near the end of the fiscal year to SURS.

Failure to ensure complete and accurate census data was reported to SURS reduces the overall reliability of pension and OPEB-related balances and activity reported in the University's financial statements, the financial statements of other employers within both plans, and the State of Illinois' Annual Comprehensive Financial Report. (Finding Code No. 2022-001, 2021-001, 2020-001)

**RECOMMENDATION**

We recommend the University continue to work with SURS to complete the base year reconciliation of Fiscal Year 2021 active members' census data from its underlying records to a report of census data submitted to SURS' actuary and CMS' actuary. After completing an initial full reconciliation, the University may limit the annual reconciliations to focus on the incremental changes to the census data file from the prior actuarial valuation, provided no risks are identified that incomplete or inaccurate reporting of census data may have occurred during prior periods. Any errors identified during this process should be promptly corrected by either the University or SURS, with the impact of these errors communicated to both SURS' actuary and CMS' actuary.

Further, we recommend the University ensure all events occurring within a census data accumulation year are timely reported to SURS so these events can be incorporated into the census data provided to SURS' actuary and CMS' actuary.

**UNIVERSITY RESPONSE**

The University agrees with the finding and has submitted all data to SURS as part of a baseline reconciliation process. Once this baseline is established and complete, an annual reconciliation process will be created and enacted moving forward.

**WESTERN ILLINOIS UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF ILLINOIS**  
**SCHEDULE OF FINDINGS – PRIOR FINDING NOT REPEATED**  
**For the Year Ended June 30, 2022**

A. **FINDING** (Failure to Apply Appropriate Generally Accepted Accounting Principles)

During the previous audit period, the University did not properly record several transactions and, as a result, did not properly apply the appropriate generally accepted accounting principles (GAAP) to their financial statement reporting process.

During the current audit period, our sampling and testing did not identify transactions in which the University did not properly apply generally accepted accounting principles (Finding Code No. 2021-002).