



**STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD**

FINANCIAL AUDIT

For the Year Ended June 30, 2021

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

SIKICH.COM

STATE OF ILLINOIS
 CAPITAL DEVELOPMENT BOARD
 FINANCIAL AUDIT
 For the Year Ended June 30, 2021

TABLE OF CONTENTS

	<u>Page(s)</u>
Board Officials	1
Financial Statement Report	
Summary	2-3
Independent Auditor’s Report.....	4-7
Basic Financial Statements	
Statement of Net Position.....	8
Statement of Activities	9
Balance Sheet - Governmental Funds	10
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds.....	12
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities.....	13
Notes to Financial Statements.....	14-43
Supplementary Information	
Combining Schedule of Accounts – General Fund	44
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund.....	45
Combining Balance Sheet – Nonmajor Governmental Funds	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds	47
Combining Balance Sheets – Special Revenue Funds	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Special Revenue Funds	49
Combining Balance Sheets – Capital Project Funds	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Capital Project Funds.....	51
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 <i>Government Auditing Standards</i>	52-53
Schedule of Findings	
Current Findings	54-57
Prior Findings Not Repeated.....	58

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
FINANCIAL AUDIT
For the Year Ended June 30, 2021

BOARD OFFICIALS

Director	James Underwood
Chief of Staff (8/17/20 – present)	Tamakia Edwards
Chief Financial Officer	Paula Sorensen
General Counsel	Amy Romano
Deputy Director of Operations	Kathryn Martin
Deputy Director of Construction (7/1/20 – 8/15/20)	Michael Wilson
Chief Internal Auditor	Jennifer Boen

CDB BOARD MEMBERS

Chair	Eileen Rhodes
Member	Glyn Ramage
Member	Pamela McDonough
Member (07/01/2019 – 02/21/2021)	Martesha Brown
Member	David Arenas
Member	Beverly Potts
Member (5/14/2021– Present)	Saul J. Morse
Member (07/01/2020 – 06/30/2021)	Vacant

BOARD OFFICE

The Board's primary administrative office is located at:

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

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
FINANCIAL AUDIT
For the Year Ended June 30, 2021

FINANCIAL STATEMENT REPORT

SUMMARY

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

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

SUMMARY OF FINDINGS

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

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2021-001	54	2021/2020	Inadequate Fiduciary Oversight	Significant Deficiency
2021-002	56	2021/2020	Inadequate Internal Control over Census Data	Significant Deficiency and Noncompliance

PRIOR FINDINGS NOT REPEATED

None.

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on May 6, 2022.

Attending were:

Capital Development Board

Jennifer Boen, Chief Internal Auditor,
Nadine Voyles, Controller
Lisa Garrett, DoIT assigned to CDB
Jim Underwood, Executive Director

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
FINANCIAL AUDIT
For the Year Ended June 30, 2021

EXIT CONFERENCE (Continued)

Capital Development Board (Continued)

Donna Rogers, HR Director
Kathryn Martin, Deputy Director of Operations
TJ Edwards, Chief of Staff
Paula Sorensen, Chief Financial Officer

Office of the Auditor General

Megan Green, Audit Manager
Joe Gudgel, IT Audit Manager

Sikich LLP

Amy Sherwood, Partner
Naomi Burmeister, Staff Accountant

The responses to the recommendations were provided by Jennifer Boen, Chief Internal Auditor, CDB, in a correspondence dated May 6, 2022.

3201 W. White Oaks Dr., Suite 102
Springfield, IL 62704
217.793.3363

SIKICH.COM

INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Capital Development Board
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Capital Development Board (CDB), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the CDB's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the CDB as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements of the CDB are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the CDB. These financial statements do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2021, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Further, as discussed in Note 12 to the financial statements, prior to Fiscal Year 2021, the Illinois State Toll Highway Authority (Tollway) and the CDB did not separately state OPEB balances for Tollway employees who only partake in the State Employees Group Insurance Program (SEGIP) upon their retirement from the Tollway from other employees accounted for within SEGIP's cost-sharing proportionate share allocation of OPEB balances. This error impacted SEGIP's cost-sharing proportionate share allocation, which is used by the State of Illinois' agencies and public universities to record their OPEB activity. The CDB's financial statements have been restated to correct a material misstatement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CDB's basic financial statements.

The accompanying supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary 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. Such 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 information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2022, on our consideration of the CDB's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CDB's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CDB's internal control over financial reporting and compliance.

Restricted Use of this Auditor's Report

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

SIGNED ORIGINAL ON FILE

Springfield, Illinois
May 6, 2022

BASIC FINANCIAL STATEMENTS

State of Illinois
Capital Development Board

Statement of Net Position

June 30, 2021

(Expressed in Thousands)

	Governmental Activities
ASSETS	
Unexpended appropriations	\$ 54,029
Cash equity with State Treasurer	71,658
Cash and cash equivalents	11,165
Intergovernmental receivables, net	2,559
Other receivables, net	8,294
Due from Federal funds	-
Due from other State funds	2,364
Capital assets not being depreciated	350,276
Capital assets being depreciated, net	13
TOTAL ASSETS	500,358
DEFERRED OUTFLOWS OF RESOURCES - PENSIONS	15,694
DEFERRED OUTFLOWS OF RESOURCES - OPEB	6,144
TOTAL DEFERRED OUTFLOWS OF RESOURCES	21,838
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 522,196
LIABILITIES	
Accounts payable and accrued liabilities	70,793
Intergovernmental payables	-
Due to other State funds	2,420
Unearned revenue	843
Pension Liability	
Due subsequent to one year	77,130
OPEB Liability	
Due within one year	2,908
Due subsequent to one year	35,123
Capital Lease Obligation	
Due within one year	6
Due subsequent to one year	4
Compensated Absences	
Due within one year	135
Due subsequent to one year	1,217
TOTAL LIABILITIES	190,579
DEFERRED INFLOWS OF RESOURCES - PENSIONS	9,419
DEFERRED INFLOWS OF RESOURCES - OPEB	7,854
TOTAL DEFERRED INFLOWS OF RESOURCES	17,273
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	\$ 207,852
NET POSITION	
Invested in capital assets	350,279
Restricted net position	412
Unrestricted net position	(36,347)
TOTAL NET POSITION	\$ 314,344

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

State of Illinois
Capital Development Board

Statement of Activities

FOR THE YEAR ENDED JUNE 30, 2021

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
Education	\$ 79,415	\$ 15,190	\$ 61,347	\$ (2,878)
General government	25,109	-	-	(25,109)
Capital outlays	(3,747)	-	-	3,747
Total governmental activities	<u>\$ 100,777</u>	<u>\$ 15,190</u>	<u>\$ 61,347</u>	<u>(24,240)</u>
GENERAL REVENUES				
Appropriations from State Resources				9,968,084
Reappropriations to future year(s)				(9,407,685)
Lapsed appropriations				(205,773)
Net change in liabilities for reappropriated accounts				2,785
Proceeds from capital lease financing				12
TRANSFERS				
Receipts collected and transmitted to State Treasury				(831)
Capital transfers to other State Agencies				(199,055)
Amount of SAMS Transfers-in				<u>(18,395)</u>
Total general revenues and transfers				<u>139,142</u>
CHANGE IN NET POSITION				
				114,902
NET POSITION, JUNE 30, 2020, as Restated				
				199,442
NET POSITION, JUNE 30, 2021				
				<u><u>\$ 314,344</u></u>

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

State of Illinois
Capital Development Board

**Balance Sheet -
Governmental Funds**

June 30, 2021 (Expressed in Thousands)

	General Fund	Nonmajor Funds	Total Governmental Funds
ASSETS			
Unexpended appropriations	\$ -	\$ 54,029	\$ 54,029
Cash equity with State Treasurer	-	71,658	71,658
Cash and cash equivalents	-	11,165	11,165
Intergovernmental receivables, net	-	2,559	2,559
Other receivables, net	-	8,294	8,294
Due from other State funds	-	2,364	2,364
TOTAL ASSETS	\$ -	\$ 150,069	\$ 150,069
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	\$ -	\$ 70,793	\$ 70,793
Due to other State funds	-	2,420	2,420
Unearned revenue	-	843	843
TOTAL LIABILITIES	-	74,056	74,056
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	7,302	7,302
Total deferred inflows of resources	-	7,302	7,302
FUND BALANCES (DEFICITS)			
Restricted	-	412	412
Committed	-	68,299	68,299
Total fund balances (deficits)	-	68,711	68,711
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ -	\$ 150,069	\$ 150,069

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

**State of Illinois
Capital Development Board
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
(Expressed in Thousands)
June 30, 2021**

Total fund balances-governmental funds	\$	68,711
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		350,289
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.		7,302
Deferred Outflows of Resources for Pensions that do not use current financial resources are deferred in the funds.		15,694
Deferred Outflows of Resources for OPEB that do not use current financial resources are deferred in the funds.		6,144
Deferred Inflows of Resources for Pensions do not require the use of current financial resources in the funds.		(9,419)
Deferred Inflows of Resources for OPEB do not require the use of current financial resources in the funds.		(7,854)
Some liabilities reported in the Statement of Net Assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These liabilities consist of:		
Net Pension Liability		(77,130)
Net OPEB Liability		(38,031)
Compensated Absences		(1,352)
Capital Lease Obligation		(10)
Net position of governmental activities	\$	<u>314,344</u>

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

State of Illinois
Capital Development Board

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

For the Year Ended June 30, 2021

(Expressed in Thousands)

	<u>General Fund</u>	<u>Nonmajor funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Federal capital grants	\$ -	\$ 53,733	\$ 53,733
Federal operating grants	-	7,614	7,614
Licenses and fees	-	5,989	5,989
Other charges for services	-	4,072	4,072
Total revenues	<u>-</u>	<u>71,408</u>	<u>71,408</u>
EXPENDITURES			
Current:			
Education	16,590	62,825	79,415
General government	-	27,207	27,207
Capital outlays	-	265,272	265,272
Total expenditures	<u>16,590</u>	<u>355,304</u>	<u>371,894</u>
Deficiency of revenues over expenditures	<u>(16,590)</u>	<u>(283,896)</u>	<u>(300,486)</u>
OTHER SOURCES (USES) OF FINANCIAL RESOURCES			
Appropriations from State resources	100,600	9,867,484	9,968,084
Reappropriation to future year(s)	-	(9,407,685)	(9,407,685)
Lapsed appropriations	(84,010)	(121,763)	(205,773)
Proceeds from capital lease financing	-	12	12
Receipts collected and transmitted to State Treasury	-	(831)	(831)
Net change in liabilities for reappropriated accounts	-	2,785	2,785
Amount of SAMS Transfers-in	-	(18,395)	(18,395)
Net other sources of financial resources	<u>16,590</u>	<u>321,607</u>	<u>338,197</u>
Net change in fund balances	-	37,711	37,711
FUND BALANCES, JULY 1, 2020	<u>-</u>	<u>31,000</u>	<u>31,000</u>
FUND BALANCES, JUNE 30, 2021	<u>\$ -</u>	<u>\$ 68,711</u>	<u>\$ 68,711</u>

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

State of Illinois
Capital Development Board
Reconciliation of Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to Statement of Activities
For the Year Ended June 30, 2021
(Expressed in Thousands)

Net change in fund balances	\$ 37,711
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays exceeded depreciation in the current period.	269,017
Some capital assets were transferred out to other State agencies and, therefore, were removed from net position without any corresponding proceeds.	(199,055)
Some capital additions were financed through other financing arrangements. In governmental funds these other financing arrangements are considered a source of financing, but in the Statement of Net Position, the lease obligation is reported as a liability.	(12)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the increase in unavailable revenue over the prior year.	5,129
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Below are such activities.	
Increase in compensated absences obligation	(285)
Increase in net pension liability	(4,518)
Decrease in OPEB liability	4,535
Decrease in Capital Lease Obligation	8
Change in deferred outflows of resources related to pensions	(623)
Change in deferred outflows of resources related to OPEB	(291)
Change in deferred inflows of resources related to pensions	6,591
Change in deferred inflows of resources related to OPEB	(3,305)
	(3,305)
Change in net position of governmental activities	\$ 114,902

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

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – ORGANIZATION

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

The CDB's principal statutory functions and responsibilities are:

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

A. Financial Reporting Entity

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

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

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

B. Basis of Presentation

The financial statements of the CDB are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund of the State of Illinois, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the CDB. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2021, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Government-Wide Statements

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

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

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

Fund Financial Statements

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

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

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

Additionally, CDB administers the following fund types:

Governmental Fund Types:

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

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

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

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

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

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

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

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

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

C. Measurement Focus and Basis of Accounting

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

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

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

D. Shared Fund Presentation

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

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

Unexpended Appropriations

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

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Appropriations from State Resources

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

Reappropriation to Future Year(s)

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

Lapsed Appropriations

Lapsed appropriations are the legally adopted appropriations less net warrants issued for the 14-month period from July to August of the following year and reappropriations to subsequent years according to SAMS records. For fiscal year 2021, the lapse period was extended through September.

Receipts Collected and Transmitted to State Treasury

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

Net Change in Liabilities for Reappropriated Accounts

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

E. Eliminations

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

F. Cash Equity with State Treasurer

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

STATE OF ILLINOIS
 CAPITAL DEVELOPMENT BOARD
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021

G. Cash and Cash Equivalents

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

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

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

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

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

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

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

I. Capital Assets

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

Capitalization thresholds and the estimated useful lives are as follows:

<u>Capital Asset Category</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Life (In Years)</u>
Construction in progress	\$ 25,000	N/A
Equipment	5,000	3-25

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

J. Compensated Absences

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

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

K. Pensions

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

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

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

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

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

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

M. Governmental Fund Balances

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

Nonspendable – This consists of amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact. There were no nonspendable fund balances as of June 30, 2021.

Restricted – This consists of amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. The CDB Capital Development Fund (141) and Build Illinois Bond Fund (971) comprise the restricted fund balance as of June 30, 2021.

Committed – This consists of amounts with self-imposed constraints or limitations that have been placed at the highest level of decision making. The following funds comprise committed fund balances as of June 30, 2021: CDB Special Projects Fund (170), CDB Revolving Fund (215) and CDB Contributory Trust Fund (617). These funds are restricted through enabling legislations but have been subject to fund sweeps in previous years and therefore are classified as committed. These committed funds cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – This consists of net amounts that are constrained by the CDB’s intent to be used for specific purposes, but that are neither restricted nor committed. There were no assigned fund balances as of June 30, 2021.

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Unassigned – This consists of amounts that are available financial resources and are not designated for a specific purpose. There were no unassigned fund balances as of June 30, 2021.

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

N. Net Position

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

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

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

Unrestricted – This consists of Net Position that do not meet the definition of “restricted” or “Net Investment in Capital Assets.”

O. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Effective for the year ending June 30, 2021, CDB adopted GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists.

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

The Statement redefines the fiduciary fund types focusing on the resources to be reported within each: Pension (and other employee benefit) trust funds, Investment trust funds, Private-purpose trust funds and Custodial trust funds (previously agency funds). Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. A liability to beneficiaries will be recognized when due and payable and any other liabilities should be included in the balance of fiduciary net position. There was no significant impact on the CDB's Financial statements as a result of adopting this Statement.

Effective for the year ending June 30, 2021, CDB adopted GASB Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No.14 and No.61*. This Statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, an endowment fund, or permanent fund. Those governments and funds should measure the majority equity interest at fair value. All other holdings of a majority equity interest should be reported as a component unit, and the government that holds the equity interest should report an asset related to the majority equity interest. There was no significant impact on the CDB's financial statements as a result of adopting this Statement.

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

GASB Statement No. 87, *Leases*, will be effective for CDB with its year ending June 30, 2022. This Statement will increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, 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, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, will be effective for CDB with its year ending June 30, 2022. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement.

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

The Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Changes should be applied prospectively. The Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

GASB Statement No. 92, *Omnibus 2020*, will be effective for CDB for its year ending June 30, 2022. This Statement addresses a variety of topics and includes specific provisions, including the following: Reporting of intra-entity transfers of assets between the primary government and Pensions/OPEB plans; reporting of assets accumulated for defined benefit postemployment benefits through plans not administered through a trust; exception to acquisition value in a government acquisition, as it relates to Asset Retirement Obligations (AROs); and the terms derivative and derivatives should be replaced with derivative instrument and derivative instruments.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, will be effective for CDB for its year ending June 30, 2022. This Statement affects agreements in which variable payments made or received are based on the London Interbank Offered Rate (LIBOR). LIBOR is expected to cease to exist in its current form at the end of 2021. The Statement provides: an exception to the lease modification guidance in Statement No. 87, for certain lease contracts that are amended solely to replace the rate upon which variable payments depend; exceptions for certain hedging derivative instruments to the termination provisions when a rate is replaced and removes LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of an interest rate swap.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32* will be effective for CDB for its year ending June 30, 2022. The objectives of this Statement include: Increase consistency and comparability related to the reporting of fiduciary component units when a component unit does not have a governing board and the primary government performs the duties that a governing board would typically perform; mitigate costs associated with the reporting of certain defined contribution plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans: as fiduciary component units in fiduciary fund financial statements; and enhance the relevance, consistency and comparability of reporting of deferred compensation plans (457 plans) that meet the definition of a pension plan.

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

GASB Statement No. 91, *Conduit Debt Obligations*, will be effective for CDB for its year ending June 30, 2023. This Statement defines conduit debt obligations as a debt instrument issued in the name of the State that is for the benefit of a third party primarily liable for repayment of the debt instrument. The Statement establishes standards for recognition, measurement, and disclosure for issuers. The Statement is also intended to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Available Payment Arrangements*, will be effective for CDB for its year ending June 30, 2023. This Statement establishes standards of reporting for PPPs and APAs to improve comparability of financial statements among governments that enter into these types of agreements. The Statement is intended to improve financial reporting by addressing issues related to public-private and public-public partnerships (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). It will enhance the understandability, reliability, relevance, and consistency of information about PPPs and APAs.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, will be effective for CDB for its year ending June 30, 2023. This Statement establishes a definition for Subscription-Based Information Technology Arrangements (SBITAs). This Statement is intended to provide guidance on the accounting and financial reporting for SBITAs for government end users (governments). SBITAs provide governments with access to IT software and associated capital assets without granting governments a perpetual license or title to the software and assets. It establishes that a SBITA results in a right-to-use subscription asset (intangible asset) and a corresponding subscription liability.

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

NOTE 3 – DEPOSITS AND INVESTMENTS

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

STATE OF ILLINOIS
 CAPITAL DEVELOPMENT BOARD
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021

Cash on deposit for locally held funds has a carrying amount and bank balance of \$11.165 million at June 30, 2021. Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. Prior to July 1, 2007, CDB did not have a deposit policy for custodial credit risk. Retention accounts opened subsequent to June 30, 2007 are required to be insured or fully collateralized. Of the total bank balance, \$0 was exposed to custodial credit risk as uninsured with collateral held by the pledging financial institutions in the State's name, and \$10.621 million was exposed to custodial credit risk as uninsured with collateral held by the pledging financial institution's trust department not in the State's name.

Deposits in the custody of the State Treasurer, or in transit, totaled \$71.658 million at June 30, 2021. These deposits are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the CDB does not own individual securities. Details on the nature of these deposits and investments are available within the Annual Comprehensive Financial Report.

NOTE 4 – INTERFUND BALANCES AND ACTIVITIES

A. Due from Other State Funds

The following balance (amount expressed in thousands) at June 30, 2021 represents amounts due from State of Illinois funds:

Fund	Due From Other State Funds	Description/Purpose
Nonmajor governmental funds	\$ 2,364	Due from nonmajor governmental funds for capital project grants and contracts and for short-term borrowings.

C. Due to Other State Funds

The following balance (amount expressed in thousands) at June 30, 2021 represents amounts due to other State of Illinois funds:

Fund	Due To Other State Funds	Description/Purpose
Nonmajor governmental funds	\$ 2,420	Due to internal service funds of the State for purchases of services and goods, reimbursements of capital grant to outside entities and for costs incurred, and overpayment of construction costs.

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 – CAPITAL ASSETS

Capital asset activities (amounts expressed in thousands) for the year ended June 30, 2021 were as follows:

	Balance July 1, 2020	Additions	Deletions	Net Transfers	Balance June 30, 2021
Governmental activities:					
Capital assets not being depreciated:					
Construction in progress	\$ 280,312	\$ 269,019	\$ -	\$(199,055)	\$ 350,276
Capital assets being depreciated:					
Equipment	113	12	5	-	120
Less accumulated depreciation	98	14	5	-	107
Capital assets being depreciated, net	15	(2)	-	-	13
Governmental activity					
Capital assets, net	\$ 280,327	\$ 269,017	\$ -	\$(199,055)	\$ 350,289

Depreciation expense charged to governmental activities – general government totaled \$14 (amount expressed in thousands) for the year.

NOTE 6 – LONG-TERM OBLIGATIONS

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Amount Due Within One Year
Governmental activities:					
Compensated absences	\$ 1,067	\$ 809	\$ 524	\$ 1,352	\$ 135
Net pension liability	72,612	4,518	0	77,130	-
Total OPEB liability, as restated	42,566	0	4,535	38,031	2,908
Capital lease obligations	6	12	8	10	6
Total governmental activities	\$ 116,251	\$ 5,339	\$ 5,067	\$ 116,523	\$ 3,049

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

STATE OF ILLINOIS
 CAPITAL DEVELOPMENT BOARD
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021

NOTE 7 – DEFINED BENEFIT PENSION PLAN

A. Plan Description

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

B. Benefit Provisions

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

Regular Formula Tier 1	Regular Formula Tier 2
<p>A member must have a minimum of eight years of service credit and may retire at:</p> <ul style="list-style-type: none"> • Age 60, with 8 years of service credit. • Any age, when the member’s age (years & whole months) plus years of service credit (years & whole months) equal 85 years (1,020 months) (Rule of 85) with eight years of credited service. • Between ages 55-60 with 25-30 years of service credit (reduced 1/2 of 1% for each month under age 60). <p>The retirement benefit is based on final average compensation and credited service. Final average compensation is the 48 highest</p>	<p>A member must have a minimum of 10 years of credited service and may retire at:</p> <ul style="list-style-type: none"> • Age 67, with 10 years of credited service. • Between ages 62-67 with 10 years of credited service (reduced 1/2 of 1% for each month under age 67). <p>The retirement benefit is based on final average compensation and credited service. For regular formula employees, final average compensation is the average of the 96 highest consecutive months of service within the last 120 months of service. The retirement benefit is calculated on a maximum salary of \$106,800. This amount increases annually by</p>

STATE OF ILLINOIS
 CAPITAL DEVELOPMENT BOARD
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021

<p>consecutive months of service within the last 120 months of service.</p> <p>Under the Rule of 85, a member is eligible for the first 3% increase on January 1 following the first full year of retirement, even if the member is not age 60. If the member retires at age 60 or older, he/she will receive a 3% pension increase every year on January 1, following the first full year of retirement.</p> <p>If the member retires before age 60 with a reduced retirement benefit, he/she will receive a 3% pension increase every January 1 after the member turns age 60 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.</p>	<p>3% or one-half of the Consumer Price Index, whichever is less.</p> <p>If the member retires at age 67 or older, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every year on January 1, following the first full year of retirement. The calendar year 2020 rate is \$115,929.</p> <p>If the member retires before age 67 with a reduced retirement benefit, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every January 1 after the member turns age 67 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.</p>
--	---

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

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

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

C. Contributions

Contribution requirements of active employees and the State are established in accordance with Chapter 40, section 5/14-133 of the Illinois Compiled Statutes. Member contributions are based on fixed percentages of covered payroll ranging between 4.00% and 12.50%. Employee contributions are fully refundable, without interest, upon withdrawal from State employment. Tier 1 members contribute based on total annual compensation. Tier 2 members contribute based on an annual compensation rate not to exceed \$106,800 with limitations for future years increased by the lesser of 3% or one-half of the annual percentage increase in the Consumer Price Index. For 2021, this amount was \$116,740.

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

For fiscal year 2021, the required employer contributions were computed in accordance with the State's funding plan. This funding legislation provides for a systematic 50-year funding plan with an ultimate goal to achieve 90% funding of the plan's liabilities. In addition, the funding plan provided for a 15-year phase-in period to allow the State to adapt to the increased financial commitment. Since the 15-year phase-in period ended June 30, 2010, the State's contribution will remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved. For fiscal year 2021, the employer contribution rate was 54.831%. CDB's contribution amount for fiscal year 2021 was \$6,162.

STATE OF ILLINOIS
 CAPITAL DEVELOPMENT BOARD
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021

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

At June 30, 2021, CDB reported a liability of \$77,130 million for its proportionate share of the State's net pension liability for SERS on the statement of net position. The net pension liability was measured as of June 30, 2020 (current year measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. CDB's portion of the net pension liability was based on CDB's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2020. As of the current year measurement date of June 30, 2020, CDB's proportion was .2212%, which was an increase of .0038% from its proportion measured as of the prior year measurement date of June 30, 2019.

For the year ended June 30, 2021, CDB recognized pension expense of \$1.450 million. At June 30, 2021, the Board reported deferred outflows and deferred inflows of resources related to the pension liability as of the measurement date of June 30, 2021, from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 197	\$ 303
Changes of assumptions	1,627	455
Net difference between projected and actual investment earnings on pension plan investments	428	0
Changes in proportion	7,280	8,661
Board contributions subsequent to the measurement date	6,162	-
Total	<u>\$ 15,694</u>	<u>\$ 9,419</u>

\$6,162 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows (amounts expressed in thousands):

Year ended June 30,	
2022	\$ (1,439)
2023	231
2024	810
2025	512
Total	<u>\$ 114</u>

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

E. Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.25%

Investment Rate of Return: 6.75%, net of pension plan investment expense, including inflation.

Salary increases: 2.75% - 7.17%, salary increase rates based on age related productivity and merit rates plus inflation.

Post-retirement benefit increases of 3.00%, compounded, for Tier 1 and the lessor of 3.00% or one-half of the annual increase in the Consumer Price Index for Tier 2.

Retirement Age: Experience-based table of rates specific to the type of eligibility condition. Table was last updated for the June 30, 2019, valuation pursuant to an experience study of the period July 1, 2015 to June 30, 2018.

Mortality: Pub-2010 General and Public Safety Healthy Retiree mortality tables, sex distinct, with rates projected to 2018 generational mortality improvement factors were updated to projection scale MP-2018.

The actuarial assumptions used to calculate the total pension liability as of the current year measurement date are consistent with the actuarial assumptions used to calculate the total pension liability as of the prior year measurement date.

The long-term expected real rate of return on pension plan investments was determined using the best estimates of geometric real rates of return for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation, calculated as of the measurement date of June 30, 2020, the best estimates of the geometric real rates of return as summarized in the following table:

STATE OF ILLINOIS
 CAPITAL DEVELOPMENT BOARD
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	23%	5.50%
Developed Foreign Equity	13%	5.90%
Emerging Market Equity	8%	7.80%
Private Equity	7%	7.50%
Intermediate Investment Grade Bonds	14%	1.10%
Long-term Government Bonds	4%	1.10%
TIPS	4%	1.00%
High Yield and Bank Loans	5%	3.70%
Opportunistic Debt	8%	4.70%
Emerging Market Debt	2%	2.70%
Real Estate	10%	3.20%
Infrastructure	2%	3.90%
Total	100%	

F. Discount Rate

A discount rate of 6.35% was used to measure the total pension liability as of the measurement date of June 30, 2020 as compared to a discount rate of 6.47% used to measure the total pension liability as of the prior year measurement date. The June 30, 2020 single blended discount rate was based on the expected rate of return on pension plan investments of 6.75% and a municipal bond rate of 2.45%, based on an index of 20-year general obligation bonds with an average AA credit rating as published by the Federal Reserve. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made based on the statutorily required rates under Illinois law. Based on these assumptions, the pension plan's fiduciary net position and future contributions will be sufficient to finance the benefit payments through the year 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.

STATE OF ILLINOIS
 CAPITAL DEVELOPMENT BOARD
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021

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

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

	1% Decrease 5.35%	Discount Rate 6.35%	1% Increase 7.35%
Board's proportionate share of the net pension liability	\$ 93,235	\$ 77,130	\$ 63,891

Payables to the pension plan. At June 30, 2021, CDB reported a payable of \$25 thousand to SERS for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2021.

NOTE 8 – POST-EMPLOYMENT BENEFITS

Plan description. The State Employees Group Insurance Act of 1971 (“Act”), as amended, authorizes the Illinois State Employees Group Insurance Program (“SEGIP”) to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all of the CDB’s full-time employees are members of SEGIP. Members receiving monthly benefits from the General Assembly Retirement System (“GARS”), Judges Retirement System (“JRS”), State Employees’ Retirement System of Illinois (“SERS”), Teachers’ Retirement System (“TRS”), and State Universities Retirement System of Illinois (“SURS”) are eligible for these other post-employment benefits (“OPEB”). The eligibility provisions for each of the retirement systems are defined within their Pension Footnotes. Certain TRS members eligible for coverage under SEGIP include: certified teachers employed by certain State agencies, executives employed by the Board of Education, regional superintendents, regional assistant superintendents, TRS employees and members with certain reciprocal service.

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

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

Funding policy and annual other postemployment benefit cost. OPEB offered through SEGIP are financed through a combination of retiree premiums, State contributions and Federal government subsidies from the Medicare Part D program. Contributions are deposited in the Health Insurance Reserve Fund, which covers both active State employees and retirement members. Annuitants may be required to contribute towards health and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute toward health and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health and vision benefits. All annuitants are required to pay for dental benefits regardless of retirement date. The Director of Central Management Services shall, on an annual basis, determine the amount the State shall contribute toward the basic program of group health benefits. State contributions are made primarily from the General Revenue Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree health insurance benefit and a separate trust has not been established for the funding of OPEB.

For fiscal year 2021, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was \$12,260.64 (\$6,910.32 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and \$15,224.16 (\$6,449.28 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

Total OPEB liability, deferred outflows of resources, deferred inflows of resources and expense related to OPEB. The total OPEB liability, as reported at June 30, 2021, was measured as of June 30, 2020, with an actuarial valuation as of June 30, 2019. At June 30, 2021, CDB recorded a liability of \$38,031 million for its proportionate share of the State's total OPEB liability. CDB's portion of the OPEB liability was based on CDB's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2020. As of the current year measurement date of June 30, 2020, the Board's proportion was .0898%, which was a decrease of .0072% from its proportion measured as of the prior year measurement date of June 30, 2019.

STATE OF ILLINOIS
 CAPITAL DEVELOPMENT BOARD
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021

The Board recognized an OPEB expense for the year ended June 30, 2021, of \$702 thousand. At June 30, 2021, the Board reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2020, from the following sources (amounts expressed in thousands):

Deferred outflows of resources	
Differences between expected and actual experience	\$ 215
Changes of assumptions	1,039
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,982
Board contributions subsequent to the measurement date	<u>2,908</u>
Total deferred outflows of resources	<u><u>\$ 6,144</u></u>
Deferred inflows of resources	
Differences between expected and actual experience	\$ 410
Changes of assumptions	3,819
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>3,625</u>
Total deferred inflows of resources	<u><u>\$ 7,854</u></u>

The amounts reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (amounts expressed in thousands):

Year ended June 30,	
2022	\$ (1,640)
2023	(1,205)
2024	(551)
2025	(1,070)
2026	<u>(151)</u>
Total	<u><u>\$ (4,617)</u></u>

STATE OF ILLINOIS
 CAPITAL DEVELOPMENT BOARD
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021

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, 2019, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2019.

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.25%
Projected Salary Increases*	2.50% – 12.25%
Discount Rate	2.45%

Healthcare Cost Trend Rate:	
Medical (Pre-Medicare)	8.25% grading down 0.25% per year over 16 years to 4.25% in year 2037. The Excise Tax has been repealed and no longer affects the trend rates.
Medical (Post-Medicare)	8.25% grading down 0.25% per year over 16 years to 4.25% in year 2037.
Dental and Vision	4.00% grading up 0.25% in the first year 4.25%.
Retirees' share of benefit-related costs	Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5 percent for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100 percent of the required dependent premium. Premiums for plan year 2020 and 2021 are based on actual premiums. Premiums after 2021 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.	

STATE OF ILLINOIS
 CAPITAL DEVELOPMENT BOARD
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021

Additionally, the demographic assumptions used in the OPEB valuation are identical to those used in the June 30, 2019 valuations for GARS, JRS, SERS, TRS, and SURS as follows:

	<u>Retirement age experience study[^]</u>	<u>Mortality^{^^}</u>
GARS	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
JRS	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
SERS	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
TRS	July 2014 - June 2017	RP-2014 with future mortality improvements on a fully generational basis using projection table MP-2017
SURS	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
<p>[^] The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined.</p> <p>^{^^} Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee.</p>		

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 3.13% at June 30, 2019, and 2.45% at June 30, 2020, was used to measure the total OPEB liability.

STATE OF ILLINOIS
 CAPITAL DEVELOPMENT BOARD
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021

Sensitivity of total OPEB liability to changes in the single discount rate. The following presents the plan's total OPEB liability, calculated using a Single Discount Rate of 2.45%, as well as what the plan's total OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (3.45%) or lower (1.45%) than the current rate (amounts expressed in thousands):

	<u>1% Decrease (1.45%)</u>	<u>Current Single Discount Rate Assumption (2.45%)</u>	<u>1% Increase (3.45%)</u>
Board's proportionate share of total OPEB liability	\$ 44,766	\$ 38,031	\$ 32,660

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The following presents the plan's total OPEB liability, calculated using the healthcare cost trend rates as well as what the plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or lower, than the current healthcare cost trend rates (amounts in table expressed in thousands). The key trend rates are 8.25% in 2021 decreasing to an ultimate trend rate of 4.25% in 2037.

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates Assumption</u>	<u>1% Increase</u>
Board's proportionate share of total OPEB liability	\$ 31,838	\$ 38,031	\$ 46,153

STATE OF ILLINOIS
 CAPITAL DEVELOPMENT BOARD
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021

NOTE 9 – FUND BALANCE

At June 30, 2021, CDB’s fund balances were classified as follows:

	General Fund	Nonmajor Funds	Total
Restricted:			
Capital outlays	\$ -	\$ 138	\$ 138
Debt service	-	274	274
Total restricted	<u>\$ -</u>	<u>\$ 412</u>	<u>\$ 412</u>
Committed purpose:			
Education	-	21,352	21,352
General government	-	15,958	15,958
Capital outlays	-	30,989	30,989
Total committed	<u>\$ -</u>	<u>\$ 68,299</u>	<u>\$ 68,299</u>
Total fund balance	<u>\$ -</u>	<u>\$ 68,711</u>	<u>\$ 68,711</u>

NOTE 10 – RISK MANAGEMENT

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

The CDB’s risk management activities for 2021 are financed through appropriations to the Illinois Department of Central Management Services and are accounted for in the general fund of the State. The claims are not considered to be a liability of the CDB and, accordingly, have not been reported in the CDB’s financial statements for the year ended June 30, 2021. There have been no settlements that exceeded insurance coverage during the last three fiscal years.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Operating Leases

The CDB leases equipment and office space under the terms of noncancelable operating lease agreements not extending past the end of the fiscal year, that require the CDB to make minimum lease payments plus pay a pro rata share of certain operation costs. Rent expense under operating leases was \$280 (amount expressed in thousands) for the year ended June 30, 2021.

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

B. Construction Commitments

The CDB has outstanding construction projects for State and other facilities in which it has entered into future commitments. The amount of CDB's commitment which includes amounts related to projects for the State's component units was \$515.1 million at June 30, 2021.

Components of Construction in Progress

Project	As of June 30, 2021 (Expressed in Thousands)			
	Project Authorization	Expended Through June 30	Committed at June 30	Available Authorization
Chicago Veterans' Home - Cook County	\$ 120,524	\$106,438	\$ 11,612	\$ 2,474
Menard Correctional Center Replace General Store & Kitchen/Dining Complex	24,682	0	0	24,682
Construct New Nursing Home - Quincy Veterans Home - Lincoln's Challenge Academy - Military Affairs Rantoul	240,774	8,512	227,175	5,087
Construct In-Patient Treatment Center - Joliet	48,998	41,915	14	7,069
Construct Central Computing Facility	174,437	153,446	20,634	357
Renovate the Bilandic Building	80,500	151	0	80,349
Renovate the State Armory Building	27,000	648	1,648	24,704
Construct State Police Facility	122,000	650	688	120,662
Replace Power Plant Elgin Mental Health Center	55,000	0	0	55,000
Construct an Addition to the Treatment Detention Facility	22,700	438	468	21,794
Construct State Police New Crime Lab	30,660	0	0	30,660
Others (less than \$10,000)	65,500	237	1,962	63,301
	1,009,274	37,841	108,683	862,750
Total	\$ 2,022,049	\$ 350,276	\$ 372,884	\$ 1,298,889

C. Litigation

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

STATE OF ILLINOIS
 CAPITAL DEVELOPMENT BOARD
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021

NOTE 12 – RESTATEMENT

During Fiscal Year 2021, an OPEB error correction resulted in a restatement to beginning net position, as follows:

	Reporting Unit Affected by the Restatement to Beginning Balances Governmental Activities
Net Position, June 30, 2020, as previously reported	\$ 189,526
OPEB Error Correction (A)	9,916
Net Position, June 30, 2020, as restated	\$ 199,442

(A) This error correction occurred due to the Illinois State Toll Highway Authority (Tollway) and the State of Illinois, Department of Central Management Services not separately stating OPEB balances for Tollway employees who only partake in the State Employees Group Insurance Program (SEGIP) upon their retirement from the Tollway from other employees accounted for within SEGIP’s cost-sharing proportionate share allocation of OPEB balances. This error impacted SEGIP’s cost-sharing proportionate share allocation, which is used by the State of Illinois’ agencies and public universities to record their OPEB activity. At the Capital Development Board, this correction also impacted the beginning OPEB liability and the related deferred inflows of resources and deferred outflows of resources.

SUPPLEMENTARY INFORMATION

State of Illinois
Capital Development Board

Combining Schedule of Accounts

General Fund

June 30, 2021

(Expressed in Thousands)

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

State of Illinois
Capital Development Board

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

FOR THE YEAR ENDED JUNE 30, 2021
(Expressed in Thousands)

	General Revenue 001	School Infrastructure 568	Total
REVENUES			
TOTAL REVENUES	\$ -	\$ -	\$ -
EXPENDITURES			
Education	-	16,590	16,590
TOTAL EXPENDITURE	-	16,590	16,590
Deficiency of revenues over expenditures	-	(16,590)	(16,590)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES			
Appropriation from State resources	-	100,600	100,600
Lapsed appropriations	-	(84,010)	(84,010)
Net other sources of financial resources	-	16,590	16,590
Net change in fund balances	-	-	-
FUND BALANCES JULY 1, 2020	-	-	-
FUND BALANCES JUNE 30, 2021	\$ -	\$ -	\$ -

State of Illinois
Capital Development Board

**Combining Balance Sheet -
 Nonmajor Governmental Funds**

June 30, 2021

(Expressed in Thousands)

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS			
Unexpended appropriations	\$ -	\$ 54,029	\$ 54,029
Cash equity with State Treasurer	16,999	54,659	71,658
Cash and cash equivalents	-	11,165	11,165
Intergovernmental receivables, net	-	2,559	2,559
Other receivables, net	8,294	-	8,294
Due from other State funds	-	2,364	2,364
Total assets	<u>25,293</u>	<u>124,776</u>	<u>150,069</u>
LIABILITIES			
Accounts payable and accrued liabilities	198	70,595	70,793
Due to other State funds	1,571	849	2,420
Unearned revenue	-	843	843
TOTAL LIABILITIES	<u>1,769</u>	<u>72,287</u>	<u>74,056</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	7,302	-	7,302
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>7,302</u>	<u>-</u>	<u>7,302</u>
FUND BALANCES			
Restricted	-	412	412
Committed	16,222	52,077	68,299
TOTAL FUND BALANCES	<u>16,222</u>	<u>52,489</u>	<u>68,711</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 25,293</u>	<u>\$ 124,776</u>	<u>\$ 150,069</u>

State of Illinois
Capital Development Board

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

FOR THE YEAR ENDED JUNE 30, 2021
(Expressed in Thousands)

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
REVENUES			
Federal capital grants	\$ -	\$ 53,733	\$ 53,733
Federal operating grants	12	7,602	7,614
Licenses and fees	5,989	-	5,989
Other charges for services	-	4,072	4,072
Total revenues	<u>6,001</u>	<u>65,407</u>	<u>71,408</u>
EXPENDITURES			
Current:			
Education	-	62,825	62,825
General government	(491)	27,698	27,207
Capital outlays	4,191	261,081	265,272
Total expenditures	<u>3,700</u>	<u>351,604</u>	<u>355,304</u>
Excess (deficiency) of revenues over (under) expenditures	2,301	(286,197)	(283,896)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES			
Appropriations from State resources	-	9,867,484	9,867,484
Reappropriation to future year(s)	-	(9,407,685)	(9,407,685)
Lapsed appropriations	-	(121,763)	(121,763)
Proceeds from capital lease financing	12	-	12
Receipts collected and transmitted to State Treasury	-	(831)	(831)
Net change in liabilities for reappropriated accounts	-	2,785	2,785
Amount of SAMS Transfers-in	-	(18,395)	(18,395)
Net other sources of financial resources	<u>12</u>	<u>321,595</u>	<u>321,607</u>
Net change in fund balances	2,313	35,398	37,711
FUND BALANCES JULY 1, 2020	<u>13,909</u>	<u>17,091</u>	<u>31,000</u>
FUND BALANCES JUNE 30, 2021	<u>\$ 16,222</u>	<u>\$ 52,489</u>	<u>\$ 68,711</u>

State of Illinois
Capital Development Board

Combining Balance Sheets
Special Revenue Funds

June 30, 2021

(Expressed in Thousands)

	CDB Special Projects 170	CDB Revolving 215	Total
ASSETS			
Cash equity with State Treasurer	\$ 1,461	\$ 15,538	\$ 16,999
Other, receivables, net	-	8,294	8,294
TOTAL ASSETS	<u>1,461</u>	<u>23,832</u>	<u>25,293</u>
LIABILITIES			
Accounts payable and accrued liabilities	154	44	198
Due to other state funds	1,043	528	1,571
TOTAL LIABILITIES	<u>1,197</u>	<u>572</u>	<u>1,769</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	-	7,302	7,302
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>7,302</u>	<u>7,302</u>
FUND BALANCE			
Committed	264	15,958	16,222
TOTAL FUND BALANCES	<u>264</u>	<u>15,958</u>	<u>16,222</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,461</u>	<u>\$ 23,832</u>	<u>\$ 25,293</u>

State of Illinois
Capital Development Board

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

FOR THE YEAR ENDED JUNE 30, 2021
(Expressed in Thousands)

	CDB Special Projects 170	CDB Revolving 215	Total
REVENUES			
Licenses and Fees	\$ 35	\$ 5,954	\$ 5,989
Federal Operating Grants	-	12	12
TOTAL REVENUES	35	5,966	6,001
EXPENDITURES			
Current:			
General government	(4,179)	3,688	(491)
Capital outlays	4,179	12	4,191
TOTAL EXPENDITURES	-	3,700	3,700
Excess (deficiency) of revenues over (under) expenditures	35	2,266	2,301
OTHER SOURCES (USES) OF FINANCIAL RESOURCES			
Proceeds from capital lease financing	-	12	12
Net other sources of financial resources	-	12	12
Net change in fund balances	35	2,278	2,313
FUND BALANCES, JULY 1, 2020	229	13,680	13,909
FUND BALANCES JUNE 30, 2021	\$ 264	\$ 15,958	\$ 16,222

State of Illinois
Capital Development Board

Combining Balance Sheets

Capital Project Funds

June 30, 2021

(Expressed in Thousands)

	Capital Development 141	School Construction 143	CDB Contributory Trust 617	Build Illinois Bond 971	Total
ASSETS					
Unexpended appropriations	\$ 54,009	\$ -	\$ -	\$ 20	\$ 54,029
Cash equity with State Treasurer	-	-	54,659	-	54,659
Cash and cash equivalents	11,165	-	-	-	11,165
Intergovernmental receivables, net	-	-	2,559	-	2,559
Due from other State funds	86	-	1,987	291	2,364
TOTAL ASSETS	\$ 65,260	\$ -	\$ 59,205	\$ 311	\$ 124,776
LIABILITIES					
Accounts payable and accrued liabilities	\$ 65,096	\$ -	\$ 5,462	\$ 37	\$ 70,595
Due to other State funds	26	-	823	-	849
Unearned revenue	-	-	843	-	843
TOTAL LIABILITIES	65,122	-	7,128	37	72,287
FUND BALANCES					
Restricted	138	-	-	274	412
Committed	-	-	52,077	-	52,077
TOTAL FUND BALANCES	138	-	52,077	274	52,489
TOTAL LIABILITIES AND FUND BALANCES	\$ 65,260	\$ -	\$ 59,205	\$ 311	\$ 124,776

State of Illinois
Capital Development Board

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

FOR THE YEAR ENDED JUNE 30, 2021

(Expressed in Thousands)

	Capital Development 141	School Construction 143	CDB Contributory Trust 617	Build Illinois Bond 971	Total
REVENUES					
Federal capital grants	\$ -	\$ -	\$ 53,733	\$ -	\$ 53,733
Federal operating grants	7,602	-	-	-	7,602
Other charges for other services	-	-	4,072	-	4,072
TOTAL REVENUES	7,602	-	57,805	-	65,407
EXPENDITURES					
Current:					
Education	58,286	490	4,049	-	62,825
General government	23,448	-	40	4,210	27,698
Capital outlays	253,543	-	7,560	(22)	261,081
TOTAL EXPENDITURES	335,277	490	11,649	4,188	351,604
Excess (deficiency) of revenues over (under) expenditures	(327,675)	(490)	46,156	(4,188)	(286,197)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES					
Appropriations from State resources	8,309,207	360,582	-	1,197,695	9,867,484
Reappropriation to future year(s)	(7,854,442)	(360,092)	-	(1,193,151)	(9,407,685)
Lapsed appropriations	(121,763)	-	-	-	(121,763)
Receipts collected/transmitted to State Treasury	(831)	-	-	-	(831)
Net change in liabilities for reappropriated accounts	3,158	-	-	(373)	2,785
Amount of SAMS Transfers-in	(18,395)	-	-	-	(18,395)
Net other sources of financial resources	316,934	490	-	4,171	321,595
Net change in fund balances	(10,741)	-	46,156	(17)	35,398
FUND BALANCES JULY 1, 2020	10,879	-	5,921	291	17,091
FUND BALANCES JUNE 30, 2021	\$ 138	\$ -	\$ 52,077	\$ 274	\$ 52,489

3201 W. White Oaks Dr., Suite 102
Springfield, IL 62704
217.793.3363

SIKICH.COM

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Capital Development Board
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Capital Development Board (CDB), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the CDB’s basic financial statements, and have issued our report thereon dated May 6, 2022.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CDB’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 2021-002.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying Schedule Findings as items 2021-001 and 2021-002 to be significant deficiencies.

CDB's Responses to the Findings

The CDB's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The CDB's responses was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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

SIGNED ORIGINAL ON FILE

Springfield, Illinois
May 6, 2022

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
FINANCIAL AUDIT
For the Year Ended June 30, 2021

SCHEDULE OF FINDINGS

CURRENT FINDINGS – *GOVERNMENT AUDITING STANDARDS*

2021-001. **FINDING** (Inadequate Fiduciary Oversight)

The Capital Development Board (CDB) failed to provide appropriate oversight over certain accounts for which it has fiduciary responsibility.

During the audit of CDB's June 30, 2021 financial statements, we noted CDB allows contractors for projects that meet certain criteria to establish a trust agreement in which the retainage withheld for that project is deposited into a bank account that can only be accessed by CDB. Through testing, we noted approximately \$326,724 in retainage related to two projects had been erroneously deposited into the contractor's operating account rather than the retention trust account. The retention trust accounts are reported on CDB's financial statements as cash and cash equivalents in the nonmajor governmental funds. CDB determined these errors immaterial and did not revise its financial statements.

In accordance with the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001), management is responsible for establishing and maintaining a system, or systems, of internal fiscal and administrative controls, to provide assurance that, among other things, revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

In accordance with CDB's Standard Documents for Construction, CDB will retain 10% of each progress payment to project contractor's as retainage. Strong management controls, due diligence and fiduciary responsibility require adequate monitoring of retainage payments to ensure they are properly recorded and accounted for.

CDB management indicated the errors noted related to the retention trust accounts were due to remaining difficulties encountered in the transition from the legacy accounting system to the present Enterprise Resource Planning accounting system. In addition, the retention trust account for one of the projects changed banks in March 2020, and exacerbated the problem.

Failure to properly monitor the retention trust account could result in errors which impact the CDB's fiduciary responsibilities to its contractors. (Finding Code No. 2021-001, 2020-001)

RECOMMENDATION

We recommend the CDB implement procedures to ensure GAAP reporting packages and financial statements are prepared in a complete and accurate manner. These procedures should address all elements of CDB financial reporting process, including its fiduciary responsibilities over the retention trust accounts.

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
FINANCIAL AUDIT
For the Year Ended June 30, 2021

2021-001. **FINDING** (Inadequate Fiduciary Oversight) (Continued)

CDB RESPONSE

CDB accepts the recommendation and continues to make every effort to ensure that retention trust account balances are accurate. The discrepancies have been addressed and CDB is now performing retention trust confirmations on a quarterly basis to ensure accounts reconcile.

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
FINANCIAL AUDIT
For the Year Ended June 30, 2021

2021-002. **FINDING** (Inadequate Internal Controls over Census Data)

The Capital Development Board (CDB) 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 this 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 CDB's employees are members of both the State Employees' Retirement System of Illinois (SERS) 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.

During testing, we noted the CDB had not performed an initial complete reconciliation of its census data recorded by SERS and CMS to its internal records to establish a base year of complete and accurate census data. We noted the CDB had not performed a Fiscal Year 2019 reconciliation. A partial reconciliation was performed of Fiscal Year 2020, but because CDB utilized the SERS data as of September 15, 2020, not all categories were reconciled. A full reconciliation was performed for Fiscal Year 2021.

For employers where their employees participate in plans with multiple-employer and cost-sharing features, the American Institute of Certified Public Accountants' Audit and Accounting Guide: State and Local Governments (AAG-SLG) (§ 13.177 for pensions and § 14.184 for OPEB) notes the determination of net pension/OPEB liability, pension/OPEB expense, and the associated deferred inflows and deferred outflows of resources depends on employer-provided census data reported to the plan being complete and accurate along with the accumulation and maintenance of this data by the plan being complete and accurate. To help mitigate against the risk of a plan's actuary using incomplete or inaccurate census data within similar agent multiple-employer plans, the AAG-SLG (§ 13.181 (A-27) for pensions and § 14.141 for OPEB) recommends an employer annually reconcile its active members' census data to a report from the plan of census data submitted to the plan's actuary, by comparing the current year's census data file to both the prior year's census data file and its underlying records for changes occurring during the current year.

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
FINANCIAL AUDIT
For the Year Ended June 30, 2021

2021-002. **FINDING** (Inadequate Internal Controls over Census Data) (Continued)

Further, the Illinois Pension Code (40 ILCS 5/14-133(a)) requires contributions of each employee's total compensation of 4% and 12.5% to SERS for regular retirement formula members covered by Social Security and alternative retirement formula members not covered by Social Security, respectively.

Additionally, the State Records Act (5 ILCS 160/8) requires the CDB make and preserve records containing adequate and proper documentation of its essential transactions to protect the legal and financial rights of the State and of persons directly affected by the CDB's activities.

Finally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the CDB 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 and statistical reports.

CDB management stated this exception was due to lack of time to correct all of the issues noted in the review process of entering personnel data including new hires, salary changes, and step increases.

Failure to reconcile active members' census data reported to and held by SERS to the CDB's records could result in each plan's actuary relying on incomplete or inaccurate census data in the calculation of the CDB's pension and OPEB balances, which may result in a misstatement of these amounts. (Finding Code No. 2021-002, 2020-002)

RECOMMENDATION

We recommend the CDB continue to work with SERS on reconciling its census data from its underlying records to a report from each plan of census data submitted to the plan's actuary.

CDB RESPONSE

CDB accepts the recommendation. CDB continues to work with SERS toward reconciliation.

STATE OF ILLINOIS
CAPITAL DEVELOPMENT BOARD
FINANCIAL AUDIT
For the Year Ended June 30, 2021

PRIOR FINDINGS NOT REPEATED

None.