UNIVERSITY OF ILLINOIS

AUXILIARY FACILITIES SYSTEM

Annual Financial Report

June 30, 2022

(With Independent Auditors' Report Thereon)

UNIVERSITY OF ILLINOIS
AUXILIARY FACILITIES SYSTEM

Annual Financial Report

June 30, 2022

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UNIVERSITY OF ILLINOIS SYSTEM

Office of the Vice President, Chief Financial Officer and Comptroller

February 3, 2023

Holders of University of Illinois
Auxiliary Facilities System Revenue Bonds
and The Board of Trustees of the University of Illinois:

I am pleased to transmit the Annual Financial Report of the University of Illinois Auxiliary Facilities System for the fiscal year ending June 30, 2022. This report supplements the Annual Financial Report of the University of Illinois.

The Auxiliary Facilities System includes housing, recreational and athletic facilities utilized by students, staff, faculty, alumni, and university guests. After a significant disruption of auxiliary operations in the fiscal year 2021 due to the COVID-19 pandemic, in-person activities resumed in the fall 2021. As a result, the Auxiliary Facilities System had positive financial results in the fiscal year 2022.

The 2022 financial statements, accompanying notes and required supplementary information appearing on pages 5 through 36 have been audited by RSM US LLP, Independent Certified Public Accountants, as special assistants to the Auditor General of the State of Illinois, whose report on the financial statements appears on pages 2 through 4.

Respectfully,

SIGNED ORIGINAL ON FILE

Paul Ellinger
Vice President, Chief Financial Officer, and Comptroller

349 Henry Administration Building • 506 South Wright Street • Urbana, Illinois 61801
Office (217) 333-1560 • Fax (217) 244-8108

Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
University of Illinois

Report on the Audit of the Financial Statements

Opinion
As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities of the University of Illinois Auxiliary Facilities System (System), a segment of the University of Illinois, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion based on our audit, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of, the business-type activities of the System, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAS).

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

Emphasis of Matter
As discussed in Note 1(a), the financial statements of the System are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the University of Illinois that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of the University of Illinois as of June 30, 2022, and the changes in its financial position or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1(r) to the financial statements of the System, in Fiscal Year 2022, the System adopted Governmental Accounting Standards Board's Statement No. 87, *Leases*. The adoption of this statement resulted in the inclusion of intangible right-to-use assets, lease receivable, deferred inflow of resources, and a lease liability. Our opinions are not modified with respect to this matter.

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

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Schedule of University of Illinois Auxiliary Facilities System Proportionate Share of the Net Pension Liability on page 35 and the Notes to the Required Supplementary Information on page 36 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2023 on our consideration of the System'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 System'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 System's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
February 3, 2023

UNIVERSITY OF ILLINOIS
AUXILIARY FACILITIES SYSTEM

Statement of Net Position

June 30, 2022

Assets and Deferred Outflows of Resources		**2022**
Current assets:		
Claim on cash and pooled investments	$	199,990,377
Claim on cash and pooled investments, restricted		3,654,715
Cash and cash equivalents, restricted		8,621
Accrued investment income		395,670
Accounts receivable, net of allowance for uncollectible		7,605,870
Leases receivable		1,886,181
Inventories		3,509,371
Prepaid expenses		1,173,113
Total current assets		218,223,918
Noncurrent assets:		
Cash and cash equivalents		5,450,748
Cash and cash equivalents, restricted		8,478,009
Investments, restricted		13,379,175
Leases receivable		3,199,202
Capital assets, nondepreciable		45,192,073
Depreciable and amortizable capital assets, net		1,164,272,095
Total noncurrent assets		1,239,971,302
Deferred outflows of resources		10,959,583
Total assets and deferred outflows of resources	$	1,469,154,803
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Accounts payable	$	22,576,803
Accrued liabilities		4,142,305
Accrued compensated absences		594,383
Accrued interest		11,163,111
Unearned revenues		8,089,243
Leases payable		137,235
Notes payable to the University		2,190,985
Bonds payable, net		45,244,898
Total current liabilities		94,138,963
Noncurrent liabilities:		
Accrued compensated absences		6,173,164
Leases payable		172,666
Notes payable to the University		6,109,920
Bonds payable, net		1,049,404,395
Total noncurrent liabilities		1,061,860,145
Deferred inflows of resources		5,030,264
Total liabilities and deferred inflows of resources		1,161,029,372
Net investment in capital assets		158,014,674
Restricted - Expendable for debt service		3,663,335
Unrestricted		146,447,422
Total net position		308,125,431
Total liabilities, deferred inflows of resources and net position	$	1,469,154,803

See accompanying notes to financial statements.

UNIVERSITY OF ILLINOIS
AUXILIARY FACILITIES SYSTEM

Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2022

		2022
Operating revenues:		
Room and board, net	$	154,493,734
Merchandise and retail food sales		28,114,673
Student service fees		111,370,025
Public events and recreation fees		8,075,122
Parking		27,628,522
Rental and lease		28,885,694
Other revenues		9,534,891
Total operating revenues		368,102,661
Operating expenses:		
Salaries, wages and benefits		90,938,510
Merchandise and food for resale		31,511,637
Repair and maintenance		7,638,744
Professional and other contractual services		39,716,798
Utilities		28,341,863
Supplies		9,831,861
Noncapitalized renovations and equipment		12,035,952
Administrative services		15,748,752
Other operating expense		6,777,837
Depreciation and amortization		49,361,300
On-behalf for fringe benefits		10,884,789
Special funding situation for fringe benefits		34,703,995
Total operating expenses		337,492,038
Operating income		30,610,623
Nonoperating revenues (expenses):		
On-behalf for fringe benefits		10,884,789
Special funding situation for fringe benefits		34,703,995
Federal grants		23,701,070
Investment income, net of related expenses		1,003,716
Net decrease in fair value of investments		(6,106,085)
Interest on capital asset-related debt		(37,654,605)
Loss on disposal of capital assets		(197,365)
Other nonoperating expenses, net		(1,903,019)
Net nonoperating revenues		24,432,496
Increase in net position		55,043,119
Net position, beginning of year		253,054,799
Cummulative effect of change in accounting principle		27,513
Net position, beginning of year, restated		253,082,312
Net position, end of year	$	308,125,431

See accompanying notes to financial statements.

UNIVERSITY OF ILLINOIS
AUXILIARY FACILITIES SYSTEM

Statement of Cash Flows

Year ended June 30, 2022

		2022
Cash flows from operating activities:		
Room and board	$	155,140,942
Merchandise and retail food sales		28,294,537
Student service fees		112,136,039
Public events and recreation fees		8,114,022
Parking		27,433,150
Rental and lease		29,005,631
Other revenue		9,602,595
Payments to employees and for benefits		(90,431,866)
Payments to suppliers		(146,248,501)
Net cash provided by operating activities		133,046,549
Cash flows from noncapital financing activities:		
Federal grants		23,701,070
Other receipts, net		2,088
Net cash provided by noncapital financing activities		23,703,158
Cash flows from capital and related financing activities:		
Proceeds from the issuance of bonds including premiums		158,320,817
Payment of bond issuance costs		(1,900,171)
Purchase of capital assets		(37,598,623)
Principal paid on bonds and leases		(189,868,902)
Proceeds from notes payable to the University		7,770,391
Repayment of notes payable to the University		(2,568,251)
Interest paid on bonds, notes payable, and leases		(48,278,371)
Net cash used in capital and related financing activities		(114,123,110)
Cash flows from investing activities:		
Interest and other earnings on investments		891,173
Pooled cash allocated from University related to unrealized losses		(6,081,952)
Proceeds from sales and maturities of investments		79,769,873
Purchase of investments		(87,323,560)
Net cash used by investing activities		(12,744,466)
Net increase in cash and cash equivalents		29,882,131
Cash and cash equivalents, beginning of year		187,700,339
Cash and cash equivalents, end of year	$	217,582,470

(Continued)

UNIVERSITY OF ILLINOIS
AUXILIARY FACILITIES SYSTEM

Statement of Cash Flows

Year ended June 30, 2022

		2022
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	30,610,623
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization		49,361,300
On-behalf for fringe benefits		10,884,789
Special funding situation for fringe benefits		34,703,995
Changes in assets, liabilities, and deferred inflows of resources:		
Accounts receivable (net)		(208,473)
Leases receivable		2,139,337
Inventories		1,521,821
Prepaid expenses		(406,984)
Accounts payable		4,240,106
Accrued liabilities		506,644
Unearned revenues		1,892,784
Deferred inflows of resources		(2,199,393)
Net cash provided by operating activities	$	133,046,549
Noncash investing, capital and financing activities:		
On-behalf for fringe benefits	$	10,884,789
Special funding situation for fringe benefits		34,703,995
Change in fair value of non-pooled investments		(24,133)
Decrease of capital assets obligations in accounts payable		(3,609,436)
Capital appreciation on bonds payable		1,018,830
Loss on disposal of capital assets		(197,365)
Capital assets leased	$	129,111

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

Organizational Background and Basis of Presentation

The University of Illinois (University) Auxiliary Facilities System (System) was created in June 1978 pursuant to the University of Illinois Revenue Bond Financing Act for Auxiliary Facilities, 110 ILCS 405/1, which authorized the University's Board of Trustees (Board) to combine and consolidate facilities into a single system. These financial statements have been prepared to satisfy the requirements of the System's Revenue Bonds master indenture. The financial balances and activities of the System, included in these financial statements, are included in the University's financial statements. The financial statements of the System are prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The System is not a separate legal entity and has not presented management's discussion and analysis.

System financial activity mainly comprises housing, parking and student activities, which span across the three campuses of the University. The operating revenues of the System largely consist of student service fees, various user fees, room and board charges, sales from merchandise/vending and rental of certain facilities. Facilities primarily consist of buildings and other structures that have been constructed or remodeled with funding provided from issuance of related revenue bonds. System facilities include Memorial Stadium, the State Farm Center, student unions, housing residence halls, parking and other structures.

Certain System revenues are derived from the rental of Memorial Stadium and the State Farm Center, directly from the University's Division of Intercollegiate Athletics, and are reflected as rental income within the System's financial statements. Such rental payments are determined based on the amount of debt service requirements and/or certain operation and maintenance considerations that apply to the facilities. Ticket revenues received by the University for events occurring at these facilities are not included within the System's reporting structure, in accordance with the related bond indentures. Housing revenues consist of charges for room, board and meal plans. Student activities buildings consist of student unions, recreation and athletic facilities and student service buildings that generate lease and rental income, student fees and various other types of revenue. Operating expenses of the System include all necessary current maintenance charges, expenses of reasonable upkeep and repairs, allocations of a share of certain charges for insurance and other expenses incidental to the operations of all of the various activities and facilities of the System in accordance with the bond indentures.

Significant Accounting Policies

(a) Financial Statement Presentation and Basis of Accounting

The System prepared its financial statements as a business-type activity, as defined by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, using the economic resources measurement focus and the accrual basis of accounting. Business-type activities are those financed in whole or in part by fees charged to external parties for goods and services.

The financial statements of the System are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the University of Illinois that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of the University as of June 30, 2022, and its changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Under the accrual basis, revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grant and contract revenues, which are received or receivable from external sources, are recognized as revenues to the extent of related expenses and/or satisfaction of eligibility requirements. Advances are classified as unearned revenue.

(b) Cash and Cash Equivalents

The Statement of Cash Flows details the change in the cash and cash equivalents balance for the fiscal year. Cash and all liquid investments with original maturities of 90 days or less are defined as cash and cash equivalents.

(c) Investments

Investments are reported at fair value in accordance with guidelines defined by GASB Statement No. 72. Fair value is determined for the System's investments based upon a framework described in Note 2(f). Bank deposits and money market funds are recorded at cost.

Changes in fair value during the reporting period are reported as a net increase (decrease) in the fair value of investments. Net investment income includes interest, dividends, and realized gains and losses.

(d) Accounts Receivable

Accounts receivable are reported net of allowance for uncollectible. This allowance was $4,913,977 at June 30, 2022. Accounts receivable consists of the following.

- Housing operations – room and board
- Student fees – service and general fees (assessed with tuition)
- Parking operations – space rental and related fees
- Other miscellaneous – includes health and recreation fees

(e) Inventories

Inventories are stated at the lower of cost or market with cost determined as follows:

- Books and other merchandise for resale – principally the retail inventory method
- Food – average cost method
- Other inventories – principally the first-in, first-out method

(f) Capital Assets

Capital assets, which will be owned by the University, are recorded at cost or, if donated, at acquisition value at the date of a gift. Intangible right-of-use lease assets are recorded at cost based on the present value of expected payments over the term of the respective lease plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs that are ancillary charges necessary to place the lease asset into service. Depreciation and amortization of capital assets is calculated on a straight-line basis over the estimated useful lives (see below) of the assets, or over the shorter of the estimated useful lives or over the lease term and collection purchases regardless of cost, equipment and all intangible right-of-use assets over $5,000, software, easements, buildings and improvements over $250,000 and infrastructure over $1,000,000. The System does not capitalize collections, such as works of art or historical treasures, which are held for public exhibition, education or research in furtherance of public service rather than capital gain, unless they were previously capitalized as of June 30, 1999. Proceeds from the sale, exchange or other disposal of any item belonging to a collection must be applied to the acquisition of additional items for the same collection.

Estimated useful lives for capital assets are as follows:

	Useful life (in years)		Useful life (in years)
Buildings:		Improvements other than buildings:	
Shell	50	Site improvements	20
Service systems	25	Infrastructure	25
Fixed equipment	15		
Remodeling	25		
Intangibles:		Moveable equipment:	
Software	5 – 10	Equipment	3 – 20
Right-of-use lease	Shorter of the estimated useful lives or the lease term		

(g) Deferred Outflow of Resources

Unamortized losses on refundings for the System's bonds of $10,959,583 are reported as deferred outflow of resources on the accompanying Statement of Net Position. The losses on refundings are amortized over the life of the debt using the straight-line method.

(h) Deferred Inflows of Resources

Deferred inflows of resources of $5,030,264 related to leases in which the System is lessor are measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. The deferred inflows of resources are recognized as revenue over the term of the lease.

(i) Compensated Absences

Accrued compensated absences for System personnel are charged as an operating expense, using the vested method based on earned and unused vacation and sick leave days including the System's share of Medicare taxes.

Section 14a of the State Finance Act (30 ILCS 105/14a) provides that employees eligible to participate in the State Universities Retirement System or the Federal Retirement System are eligible for compensation at time of resignation, retirement, death or other termination of System employment for one-half (1/2) of the unused sick leave earned between January 1, 1984 and December 31, 1997. Any sick leave days that were earned before or after this period of time are noncompensable.

Changes in Compensated Absences Balance		
Balance, beginning of year	$	6,882,933
Additions		528,658
Deductions		(644,044)
Balance, end of year		6,767,547
Less current portion		594,383
Balance, end of year – noncurrent portion	$	6,173,164

(j) Premiums

Premiums for the System's bonds are reported within bonds payable and amortized over the life of the debt issue using the effective interest method.

(k) Net Position

The System's resources are classified into net position categories and reported in the Statement of Net Position. These categories are defined as (a) Net investment in capital assets – capital assets net of accumulated depreciation and amortization and related outstanding debt balances attributable to the acquisition, construction, or improvement of those assets, (b) Restricted – net position subject to externally imposed restrictions that can be fulfilled by actions of the System pursuant to those stipulations or that expire by the passage of time, and (c) Unrestricted – net position not subject to externally imposed stipulations but may be designated for specific purposes by action of management or the Board. The System first applies resources included in restricted net position when an expense or outlay is incurred for purposes for which resources in both restricted and unrestricted net positions are available.

(l) Classification of Revenues

The Statement of Revenues, Expenses and Changes in Net Position classifies the System's fiscal year activity as operating and nonoperating. Operating revenues generally result from exchange transactions such as payments received for providing goods and services.

Certain revenue sources that the System relies on for operations, including on-behalf for fringe benefits, special funding situation for fringe benefits, certain federal grants and investment income, are defined by GASB Statement No. 35 as nonoperating. In addition, certain transactions related to capital and financing activities are components of net nonoperating revenue.

Housing charges billed or received in advance are unearned and recognized as revenue during the period of occupancy. Student service fees for the summer academic term are unearned and recognized as revenue over the summer semester.

(m) Classification of Expenses

The majority of the System's expenses are exchange transactions which GASB defines as operating expenses for financial statement presentation. Nonoperating expenses include capital financing costs.

(n) On-Behalf for Fringe Benefits

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the System has reported outside sources of financial assistance provided by other entities on behalf of the System during the year ended June 30, 2022, as described below.

Substantially all active employees participate in group health insurance plans provided by the State and administered by the Illinois Department of Central Management Services (CMS). The State contributed, on-behalf of the System, an estimated $10,884,789 which is reflected as nonoperating revenues and operating expenses within the System's financial statements.

(o) Pensions

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

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

(p) Other postemployment benefits (OPEB)

The State Employees Group Insurance Act of 1971 (Act) (5 ILCS 375) authorizes the State Employees Group Insurance Program (SEGIP), which includes activity for both active employees and retirees, as a single-employer defined benefit OPEB plan not administered as a trust. Substantially all State and state public universities' unit employees become eligible for these OPEB plan benefits when they become annuitants of one of the State sponsored pension plans. CMS administers these benefits for the annuitants with the assistance of the public retirement systems sponsored by the State General Assembly Retirement System (GARS), Judges Retirement System (JRS), State Employees Retirement System (SERS), Teachers' Retirement System (TRS), and SURS.

In order to fund SEGIP's pay-as-you-go obligations for both current employees and retirees, the Act (5 ILCS 375/11) requires contributions based upon total employee compensation paid from any State fund, including the University's State Appropriations Funds. Additionally, the University shall not be required to make contributions for employees who are fully compensated from the System's operating funds. Pursuant to a long-standing State policy, the State's General Fund covers the contributions for employees who are fully compensated from the System's operating funds. This relationship may be modified through the enactment of a Public Act by the State's highest level of decision-making authority exercised by the Governor and the General Assembly pursuant to the State's Constitution.

The University has two separate components of OPEB administered within SEGIP. The (1) State of Illinois and its public universities are under a special funding situation for employees not paid from trust, federal, and other similar funds, while (2) the University is responsible for OPEB employer contributions when University employees are paid from trust, federal, and other similar funds. The System is under a special funding situation since its employees are not paid from trust, federal, and other similar funds.

A special funding situation exists when a non-employer entity (the State) is legally responsible for making contributions directly to an OPEB plan that is used to provide OPEB to the employees of another entity (the University, including the System) and the non-employer (the State) is the only entity with a legal obligation to make contributions directly to an OPEB plan. The System recognizes the proportionate share of the State's OPEB expense relative to the System's employees as non-operating revenue and special funding situation for fringe benefits operating expense.

(q) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(r) New Accounting Pronouncements

The System adopted the provisions of GASB Statement No. 87, *Leases*, which was effective for periods beginning after June 15, 2021. This Statement increases 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-of-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. The System has included lessee and lessor leases within the Statement of Net Position and within the Statement of Revenues, Expenses and Changes in Net Position. See note 1(s) for impact to fiscal year 2022 related to implementation of this standard.

The System adopted the provisions of GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which was effective for periods beginning after December 15, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. 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. This 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. Implementation of this pronouncement did not materially impact the System's financial statements.

The System adopted certain provisions of GASB Statement No. 92, *Omnibus 2020* which was effective for periods beginning after June 15, 2021. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about leases, intra-entity transfers, pensions, postemployment benefit arrangements, asset retirement obligations, public entity risk pool reporting, nonrecurring fair value measurements, and terminology related to derivative instruments. Implementation of this pronouncement did not materially impact the System's financial statements.

The System adopted the provisions of GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which was effective for periods beginning after June 15, 2021 and certain provisions of GASB Statement No. 99, *Omnibus*, paragraph 26 related to the replacement of LIBOR. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, *Leases,* as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including re-measurement of the lease liability or lease receivable. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. Once the LIBOR ceases to exist, this Statement will achieve that objective by removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap and identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap. Implementation of this pronouncement did not materially impact the System's financial statements.

The System adopted the provisions of 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 Statement No.14 and No.84, and a supersession of GASB Statement No.32*, which was effective for periods beginning after June 15, 2021. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension 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 (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. Implementation of this pronouncement did not materially impact the System's financial statements.

(s) Change in Accounting Policy

Effective for the fiscal year ended June 30, 2022, the System adopted GASB Statement No. 87, *Leases*, (GASB 87). This statement superseded GASB Statement No. 62 and established new requirements for calculating and reporting the System's lease activities. The adoption of GASB

87 has been reflected as of July 1, 2021. As reported on the Statement of Revenues, Expenses, and Changes in Net Position, beginning net position as of July 1, 2021 was restated for the effects of the University's adoption of GASB 87.

Balances, including beginning net position, impacted by the adoption of GASB Statement No. 87, as of July 1, 2021, were as follows:

	July 1, 2021 as Previously Stated	GASB Statement No. 87 Impact	July 1, 2021 as Restated
Current assets	$ 174,122,044	$ 1,886,181	$ 176,008,225
Noncurrent assets	1,257,552,985	6,485,910	1,264,038,895
Total assets	1,431,675,029	8,372,091	1,440,047,120
Deferred outflows of resources	12,951,766		12,951,766
Total assets and deferred outflows of resources	$ 1,444,626,795	$ 8,372,091	$ 1,452,998,886
Current liabilities	$ 106,783,855	$ 43,751	$ 106,827,606
Noncurrent liabilities	1,084,788,141	186,047	1,084,974,188
Total liabilities	1,191,571,996	229,798	1,191,801,794
Deferred inflows of resources	-	8,114,780	8,114,780
Net position	253,054,799	27,513	253,082,312
Total liabilities, deferred inflows of resources, and net position	$ 1,444,626,795	$ 8,372,091	$ 1,452,998,886

(2) Cash, Cash Equivalents and Investments

The System has cash and certain investments that are pooled with other University funds for the purpose of securing a greater return on investment and providing an equitable distribution of investment return. Income is distributed based upon average quarterly balances invested in the investment pool.

Nearly all of the University's investments are managed by external professional investment managers, who have full discretion to manage their portfolios subject to investment policy and manager guidelines established by the University, and in the case of mutual funds and other commingled vehicles, in accordance with the applicable prospectus or limited partnership agreement.

The Board follows the State of Illinois Uniform Prudent Management of Institutional Funds Act, 760 ILCS 51/1-11, when managing the University's investments. The Board fulfills its fiduciary responsibility for the management of investments, including endowment farm real estate, by adopting policies to maximize investment return with a prudent level of risk.

The following details the carrying value of the System's cash, cash equivalents and investments as of June 30, 2022:

U.S. Treasury bonds and bills	$ 8,579,298
Money market funds	13,937,379
Commercial paper	4,799,876
Subtotal	27,316,553
Claim on cash and on pooled investments	203,645,092
Total cash, cash equivalents and investments	$ 230,961,645

(a) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the University employs multiple investment managers, of which each has specific maturity assignments related to the operating funds. The funds are structured with different layers of liquidity. Funds expected to be used within one year are invested using the Barclay's Capital 90-Day and Bank of America Merrill Lynch 12-month Treasury Bill Index as performance benchmarks. Core operating funds are invested in longer maturity investments. Core operating funds investment managers' performance benchmarks are the Barclays Capital one-year to three-year Government Bond Index, the Barclays Capital one-year-to-three-year Government Credit Bond Index, Barclays Capital Intermediate Government Credit Bond Index and the Barclays Capital Intermediate Aggregate Bond Index.

The System's nonpooled investments and maturities as of June 30, 2022 are illustrated as follows:

	Total	Less than 1	1 to 5 years
U.S. Treasury bonds and bills	$ 8,579,298	$ 1,332,695	$ 7,246,603
Money market funds	13,937,379	13,937,379	
Commercial paper	4,799,876	4,799,876	
Total cash equivalents and investments	$ 27,316,553	$ 20,069,950	$ 7,246,603

Claim on cash and on pooled investments represents the System's share of participation in the University's operating internal investment pool. At June 30, 2022, the University's operating funds internal investment portfolio had an effective duration for its interest bearing securities of 1.1 years.

(b) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's investment policy requires that the University's short-term operating funds be invested in fixed income securities and other short-term fixed income instruments (e.g. money markets). Fixed income securities shall be rated investment grade or better by one or more nationally recognized statistical rating organizations. Unrated securities are not allowed unless specifically permitted by an individual manager's guidelines. Securities that fall below the stated minimum credit requirements subsequent to initial purchase may be held at the manager's discretion.

The University reports the credit ratings of fixed income securities and short-term instruments using Standard and Poor's and Moody's ratings. Securities with split ratings or with a different rating assignment are disclosed using the rating indicative of the greatest degree of risk. At June 30, 2022, the University's operating internal investment pool securities had the following credit ratings (reported as a percent of the pool): AAA – 45.03%, AA – 19.49%, A – 15.04%, BBB – 10.23%, BB – 0.14% and less than BB or not rated – 10.07%. The System's non-pooled investments, U.S. Treasury bonds and bills are rated of AA, commercial paper is rated AA ($879,288) and A ($3,920,588) and money market funds have a credit rating of AAA.

(c) Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk relates to investment securities that are held by someone other than the University and are not registered in the University's name. The University's investment policy does not limit the value of investments that may be held by an outside party. At June 30, 2022, the System's investments and deposits had no custodial credit risk exposure.

(d) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer. The University's investment policy provides that the total operating funds portfolio will be broadly diversified across securities in a manner that is consistent with fiduciary standards of diversification. Issuer concentrations are limited to 5% per issuer of the total market value of the portfolio at the time of purchase, or in the case of securitized investments (e.g. mortgage-backed securities), concentration is limited to an individual issuance trust (e.g. pooled receivables). These concentration limits do not apply to investments in pooled investment products, tri-party repurchase agreements or obligations of, or issues guaranteed by, the U.S. Treasury, U.S. agencies or U.S. government sponsored enterprises.

As of June 30, 2022, not more than 5% of the University's total investments were invested in securities of any one issuer, excluding pooled investment products, tri-party repurchase agreements or obligations of, or issues guaranteed by, the U.S. Treasury, U.S. agencies or U.S. government sponsored enterprises.

(e) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University's operating fund investments generally are not exposed to foreign currency risk. The University does not have an overarching policy related to foreign currency risk; however, under each investment manager's respective fund agreement, the portfolio's foreign currency exposure may be unhedged or hedged back into U.S. dollars.

The University invests in non-U.S. developed and emerging markets through commingled funds invested in non-U.S. equities, fixed income, private markets and hedge funds. As these funds are reported in U.S. dollars, both price changes of the underlying securities in local markets and changes to the value of local currencies relative to the U.S. dollar are embedded in investment returns.

(f) Investments and Fair Value Measurements

Accounting guidance for fair value establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The fair value hierarchy is as follows:

Level 1 - Quoted prices (unadjusted) for identical assets or liabilities in active markets that the University has the ability to access as of the measurement date. Level 1 inputs would also include investments valued at prices in active markets that the University has access to where transactions occur with sufficient frequency and volume to provide reliable pricing information.

Level 2 - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs that reflect a reporting entity's own assumptions about what market participants would use in pricing an asset or liability.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Investments may be classified as Level 1 when the values are based upon unadjusted quoted prices in active markets for identical assets and generally include active listed equities. Publicly-traded investments that have no or insignificant restrictions are classified in Level 1 of the fair value hierarchy.

Investments may be classified as Level 2 when the values include inputs that are directly observable for an asset (including quoted prices for similar assets), as well as inputs that are not directly observable for the asset. These inputs are derived principally from or corroborated by observable market data through correlation or by other means (market corroborated inputs). The concept of market-corroborated inputs is intended to incorporate observable market data (such as interest rates and yield curves that are observable at commonly quoted intervals) based upon an assessment of factors relevant to the asset or liability.

Investments may be classified as Level 3 when the values include inputs that are unobservable and Level 1 and Level 2 inputs are not available. The values are based upon the best information available under the circumstances and may include management's own data.

The following table summarizes assets measured at fair value as of June 30, 2022, based on the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

Fair Value Measurements as of June 30, 2022

Investments in which fair value was measured based on significant other observable inputs (Level 2):		
U.S. Treasury bonds and bills	$	8,579,298
Commercial paper		4,799,876
Total subject to fair value hierarchy		13,379,174
Investments measured at cost:		
Money market funds		13,937,379
Total cash equivalents and investments	$	27,316,553

(3) Capital Assets

The capital assets of the System are not pledged to secure outstanding indebtedness of the Board. In accordance with GASB 87, the System records right-of-use assets based on the present value of expected payments over the term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, and are otherwise discounted using the System's incremental borrowing rate. The System does not have any leases subject to a residual value guarantee.

Capital asset activity for the year ended June 30, 2022 is summarized as follows:

Capital Assets

	Beginning balance, restated	Additions	Retirements	Transfers	Ending balance
Nondepreciable capital assets:					
Land	$ 19,249,334	$	$	$	$ 19,249,334
Construction in process	82,672,700	33,056,390		(89,786,351)	25,942,739
Total nondepreciable capital assets	101,922,034	33,056,390	—	(89,786,351)	45,192,073
Depreciable capital assets:					
Buildings	1,742,254,367			84,212,954	1,826,467,321
Improvements	64,325,381		(1,075,439)	5,573,397	68,823,339
Equipment	20,423,629	932,797	(746,155)		20,610,271
Total depreciable capital assets	1,827,003,377	932,797	(1,821,594)	89,786,351	1,915,900,931
Less accumulated depreciation:					
Buildings	643,975,022	46,284,329			690,259,351
Improvements	45,585,451	1,782,593	(1,075,439)		46,292,605
Equipment	14,770,095	1,163,357	(548,790)		15,384,662
Total accumulated depreciation	704,330,568	49,230,279	(1,624,229)	—	751,936,618
Total depreciable capital assets, net	1,122,672,809	(48,297,482)	(197,365)	89,786,351	1,163,964,313
Amortizable capital assets:					
Right-to-use buildings	111,224				111,224
Right-to-use equipment	198,468	129,111			327,579
Total amortizable capital assets	309,692	129,111	—	—	438,803
Less accumulated amortization:					
Right-to-use buildings		27,806			27,806
Right-to-use equipment		103,215			103,215
Total accumulated amortization	—	131,021	—	—	131,021
Total amortizable capital assets, net	309,692	(1,910)	—	—	307,782
Total net depreciable and amortizable capital assets	$ 1,122,982,501	$ (48,299,392)	$ (197,365)	$ 89,786,351	$ 1,164,272,095

(4) Bonds Payable

On July 8, 2021, the University issued $135,355,000 of Auxiliary Facilities System Revenue Bonds, Series 2021A. Proceeds of these bonds are or were being used to (1) renovate two parking garages at the University of Illinois Urbana Champaign, (2) currently refund the Series 2011A and 2011C Bonds, and (3) pay costs of issuing the Series 2021A Bonds. The refunding of Series 2021A resulted in a saving of $35,962,272 over the life of the issue at a present value of $29,852,390. The difference between the reacquisition price and the net carrying amount of the old debt, gain on refunding, was $425,055. This gain on refunding is deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Bonds payable activity for the year ended June 30, 2022 was as follows:

			Bonds payable				
Series	Rate on June 30 outstanding debt	Fiscal year maturity dates	Beginning balance	Additions	Deductions	Ending balance	Current portion
1999A	6.29% to 6.33%	2023 – 2030	$ 22,100,000	$	$ 2,930,000	$ 19,170,000	$ 2,110,000
2001A	5.50%	2023 – 2024	17,425,000		6,160,000	11,265,000	5,395,000
2003A	5.50%	2027 – 2034	30,285,000		2,270,000	28,015,000	
2005A	5.50%	2023	18,220,000		7,805,000	10,415,000	10,415,000
2011A	n/a	NA	68,630,000		68,630,000		
2011C	n/a	NA	64,355,000		64,355,000		
2013A	3.25% to 5.00%	2023 – 2032	192,895,000		15,665,000	177,230,000	10,985,000
2014A	5.00%	2024 – 2044	159,985,000			159,985,000	
2014B	3.926%	2023	4,370,000		2,145,000	2,225,000	2,225,000
2015A	3.00% to 5.00%	2023 – 2038	85,815,000		1,505,000	84,310,000	1,545,000
2016A	4.00% to 5.00%	2023 – 2036	122,975,000		3,085,000	119,890,000	2,135,000
2016B	3.00% to 5.00%	2023 – 2046	18,990,000		460,000	18,530,000	485,000
2018A	4.00% to 5.00%	2023 – 2048	133,520,000		2,870,000	130,650,000	3,010,000
2018B	3.00% to 5.00%	2023 – 2048	18,840,000		405,000	18,435,000	420,000
2019A	3.00% to 5.00%	2023 – 2049	41,175,000		795,000	40,380,000	835,000
2020A	4.00% to 5.00%	2023 – 2050	57,880,000		1,710,000	56,170,000	1,800,000
2020B	2.95% to 4.00%	2024 --2044	31,175,000			31,175,000	
2021A	2.125% to 5.00%	2023 --2051	-	135,355,000	8,950,000	126,405,000	4,795,000
			1,088,635,000	135,355,000	189,740,000	1,034,250,000	46,155,000
Unaccreted appreciation			(5,488,306)	1,018,830		(4,469,476)	(910,102)
			1,083,146,694	136,373,830	189,740,000	1,029,780,524	45,244,898
Unamortized debt premium			54,700,990	22,965,817	12,798,038	64,868,769	
Total bonds payable			$ 1,137,847,684	$ 159,339,647	$ 202,538,038	$ 1,094,649,293	$ 45,244,898

Capital appreciation bonds (Series 1999A) of $19,170,000 outstanding at June 30, 2022 do not require current interest payments and have a net unappreciated value of $14,700,524. The University records the annual increase in the principal amount of these bonds as interest expense and accretion on bonds payable.

None of the System's bonds constitute obligations of the State of Illinois but are payable solely by the Board from net revenues of the System, student tuition and fees and debt service funds.

The resolutions authorizing the University of Illinois Auxiliary Facilities System Revenue Bonds provide for the establishment of separate funds as follows: Current Unrestricted Fund, Unexpended Fund, Repair and Replacement Reserve, Equipment Reserve, Bond and Interest Sinking Fund, and Development Reserve. All System revenues, including student tuition and fees as provided for by the Bond Resolutions are to be deposited in the Current Unrestricted Fund and used to pay necessary operation and maintenance expenses of the System. In the event of default, the bond owners may sue to command performance.

The Bond Resolutions also require transfers to funds as follows:

Unexpended Fund – amounts, as determined by the Board, not needed to complete construction and renovation projects specified in the Bond Resolutions are required to be transferred from the Unexpended Fund to the Bond and Interest Sinking Fund.

Repair and Replacement Reserve – an amount calculated as specified in the Bond Resolutions to provide for the cost of maintenance and repairs.

Equipment Reserve – an amount approved by the Board for the acquisition of movable equipment to be installed in the facilities constituting the System. The reserve may not exceed 20% of the book value of the movable equipment of the System. Additions of $1,548,281 were made to the Equipment Reserve and expenses of $144,283 were incurred to replace movable equipment during the year ended June 30, 2022. The fund balance of the Equipment Reserve was $8,162,336 at June 30, 2022.

Bond and Interest Sinking Fund – amounts are transferred into the Bond and Interest Sinking Fund sufficient to pay principal and interest as it becomes due on the outstanding bonds.

Development Reserve – an amount approved by the Board for System development. No transfers were authorized by the Board during the year ended June 30, 2022, and there was no balance in the reserve at June 30, 2022.

The System made all required transfers for the year ended June 30, 2022.

The table below shows the amount of revenues pledged for future principal and interest payments on the bonds:

Pledged revenues

Bond issue(s)	Purpose	Source of revenue pledged	Future revenues pledged[1]	Term of commitment	Debt service to pledged revenues (current year)
System	Refundings, various improvements and additions to the System	Net System revenue, student tuition and fees	$ 1,519,172,325	2051	7.47%

[1] Total future principal and interest payments

After fulfillment of the provisions described above, the surplus, if any, remaining in the Current Unrestricted Fund may be used (a) to redeem bonds of the System which are subject to early redemption, (b) to purchase any outstanding bonds for cancellation, or (c) to advance refund any bonds outstanding.

Debt Service Requirements

Future debt service requirements for all bonds outstanding at June 30, 2022 are as follows:

Debt service requirements		
	Principal	**Interest**
Years:		
2023	46,155,000	44,652,445
2024	45,155,000	42,425,941
2025	47,760,000	40,299,941
2026	50,200,000	38,269,341
2027	53,195,000	35,897,841
2028-2032	286,480,000	140,883,485
2033-2037	231,305,000	82,679,427
2038-2042	150,705,000	45,362,140
2043-2047	104,045,000	13,454,151
2048-2051	19,250,000	997,613
Total debt service	$ 1,034,250,000	$ 484,922,325
Unaccreted appreciation	(4,469,476)	
Unamortized debt premium	64,868,769	
Total bonds payable	$ 1,094,649,293	

(5) Leases

(a) Lessee Arrangements

The System leases office space and equipment with remaining lease terms ranging from less than one year to four years from external parties. The renewal and termination options are not included in the right-of-use assets or lease liability balance until they are reasonably certain of exercise. The lease term does not include periods of a lease that include a mutual termination option. Variable payments that are not fixed in nature and non-rent charges are not included in leases payable. The System did not have any leases with variable lease payments as of June 30, 2022.

In accordance with GASB 87, the System records lease liabilities based on the present value of expected payments over the term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, and are otherwise discounted using the System's incremental borrowing rate.

Leases payable activity for the year ended June 30, 2022 was as follows:

Leases Payable					
	Beginning balance, restated	**Additions**	**Deductions**	**Ending balance**	**Current portion**
Leases payable	$ 309,692	$ 129,111	$ 128,902	$ 309,901	$ 137,235

As of June 30, 2022, the scheduled fiscal year maturities of lease liabilities and related interest expense are as follows:

		Principal	Interest
2023	$	137,235	6,989
2024		125,220	3,239
2025		46,824	699
2026		622	2
	$	309,901	10,929

(b) Lessor Arrangements

The System leases space within and attached to its buildings to external parties. These arrangements have terms ranging from less than one year to three years. In accordance with GASB 87, the System records lease receivables and deferred inflows of resources based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using the interest rate charged on the lease. During the fiscal year ended June 30, 2022, the System recognized revenues related to these lease agreements totaling $2,385,040, including interest and other related revenues. Of these amounts recognized during the fiscal year ended June 30, 2022, the System recognized no revenue related to variable receipts that were not previously included in the measurement of the lease receivable.

(6) Related-Party Transactions

The University charged the System administrative service charges totaling $15,748,752 in 2022, based upon the gross expenditures and debt service transfers of various operations of the System. These charges represent a portion of estimated administrative and other service costs incurred by the University in support of the System and are reported as administrative services expense in the accompanying financial statements.

The System includes certain athletic facilities and office space utilized by the Division of Intercollegiate Athletics. Student fees provide the primary funding for the operation of these athletic facilities and office space. The Division of Intercollegiate Athletics transferred funds to the System of $15,215,492 in 2022 to fund the operations not covered by student fees. This transfer has been reported as rental and lease income in the accompanying financial statements.

At June 30, 2022, the System had borrowings under multiple internal financing notes with the University in order to finance acquisition, construction, and renovation of System facilities. The notes have repayment terms and interest rates ranging from 3.0% to 3.17%

Notes payable to the University

	Maturity date		Beginning balance	New debt	Principal paid/debt refunded		Ending balance		Current portion
Payable to the University	2023 – 2025	$	3,098,765	7,770,391	2,568,251	$	8,300,905	$	2,190,985

Future debt service requirements for the outstanding notes payable as of June 30, 2022 are as follows:

Notes payable to the University
Debt service requirements

		Principal		Interest
Years:				
2023	$	2,190,985	$	252,491
2024		3,540,997		185,227
2025		2,568,923		77,487
Total	$	8,300,905	$	515,205

The University (including the System) is a defendant in a number of legal actions. These legal actions have been considered in estimating the University's accrued self-insurance liability, which covers hospital and medical professional/general liability; estimated general and contractual liability, and workers' compensation liability. At June 30, 2022, the University's total accrued self-insurance liability was $277,265,539.

Ultimate cost consists of amounts estimated by the University's risk management division and actuaries for asserted claims, unasserted claims arising from reported incidents, expected litigation expenses and amounts determined by actuaries using relevant industry data and System specific data to cover projected losses for claims incurred but not yet reported. The System contributes to the University's self-insurance reserve through annual assessments. The entire self-insurance liability is reflected in the University's financial statements.

(7) Retirement and Postemployment Benefits

(a) Defined Benefit Pension Plan

General Information about the Defined Benefit Pension Plan

Plan Description: The University contributes to the SURS, a cost-sharing multiple-employer defined benefit plan with a special funding situation whereby the State makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941 to provide retirement annuities and other benefits for staff members and employees of State universities, certain affiliated organizations, and certain other State educational and scientific agencies and for survivors, dependents and other beneficiaries of such employees. SURS is considered a component unit of the State's financial reporting entity and is included in the State's Annual Comprehensive Financial Report as a pension trust fund. SURS is governed by Chapter 40, Act 5, Article 15 of the Illinois Compiled Statutes. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.surs.org.

Benefits Provided: A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have eligible reciprocal system service. The revised plan is referred to as Tier 2. New employees are allowed six months after their date of hire to make an irrevocable election whether to participate in either the traditional or portable benefit plans. A summary of the benefit provisions as of June 30, 2021 can be found in the SURS Annual Comprehensive Financial Report Notes to the Financial Statements.

Eligible employees must participate upon initial employment. Employees are ineligible to participate if (a) employed after having attained age 68; (b) employed less than 50% of full time; or (c) employed less than full time and attending classes with an employer. Of those University employees ineligible to participate, the majority are students at the University.

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

Participating employers make contributions toward separately financed specific liabilities under Section 15-139.5(e) of the Illinois Pension Code (relating to contributions payable due to the employment of "affected annuitants" or specific return to work annuitants), Section 15-155(g) (relating to contributions payable due to earning increases exceeding 6% during the final rate of earnings period), and Section 15-155 (j-5) (relating to contributions payable due to earnings exceeding the salary set for the Governor).

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

Net Pension Liability: The net pension liability (NPL) was measured as of June 30, 2021. At June 30, 2021, the SURS reported a NPL of $28,528,477,079.

Employer Proportionate Share of Net Pension Liability: The amount of the proportionate share of the NPL to be recognized for the System is $0. The proportionate share of the State's NPL associated with the System is $435,926,154. This amount is not recognized in the System's financial statements. The NPL and total pension liability as of June 30, 2021 was determined based on the June 30, 2020 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to the SURS during fiscal year 2021.

Defined Benefit Pension Expense: At June 30, 2021 SURS defined benefit plan reported a collective net pension expense of $2,342,460,058.

Employer Proportionate Share of Defined Benefit Pension Expense: The employer proportionate share of collective defined benefit pension expense is recognized as nonoperating revenue with matching operating expense (special funding situation for fringe benefits) in the financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported pensionable contributions made to the SURS during fiscal year 2021. As a result, the University recognized revenue and defined benefit pension expense of $1,055,037,000 from this special funding situation during the year ended June 30, 2022, of which $35,793,679 was related to the System.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Defined Benefit Pensions: Deferred outflows of resources are the consumption of net position by the SURS that is applicable to future reporting periods. Conversely, deferred inflows of resources are the acquisition of net position by SURS that is applicable to future reporting periods.

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Sources

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

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

Year Ending June 30	Net Deferred Outflows and Deferred Inflows of Resources
2022	$ 34,095,451
2023	(197,005,703)
2024	(538,343,058)
2025	(691,825,577)
2026	
Thereafter	
Total	$ (1,393,078,887)

Assumptions and Other Inputs

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

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

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

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

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

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

Discount Rate: A single discount rate of 6.12% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 6.50% and a municipal bond rate of 1.92% (based on the Fidelity 20-Year Municipal GO AA Index as of June 30, 2021). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under SURS funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2075. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2075, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the SURS Net Pension Liability to Changes in the Discount Rate: Regarding the sensitivity of the NPL to changes in the single discount rate, the following presents the State's NPL, calculated using a single discount rate of 6.12%, as well as what the State's NPL would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

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

Additional information regarding the SURS basic financial statements including the plan net position can be found in the SURS Annual Comprehensive Financial Report by accessing the website at www.SURS.org.

(b) Defined Contribution Pension Plan

General Information about the Defined Contribution Pension Plan

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

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

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

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

Pension Expense Related to Defined Contribution Pensions

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

Employer Proportionate Share of Defined Contribution Pension Expense: The employer proportionate share of collective defined contribution pension expense is recognized as nonoperating revenue with matching operating expense (special funding situation for fringe benefits) in the financial statements. The basis of allocation used in the proportionate share of collective defined contribution pension expense is the actual reported pensionable contributions made to the RSP during fiscal year 2021. The University's share of pensionable contributions was 55.9351%. As a result, the University recognized revenue and defined contribution pension expense of $42,667,741 from this special funding situation during the year ended June 30, 2022, of which $1,447,574 was related to the System. The amount that constituted forfeitures for the University was $3,287,513.

(c) Postemployment Benefits

Plan description: The State Employees Group Insurance Act of 1971 (Act), as amended, authorizes the SEGIP to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all of the University's full-time employees are members of SEGIP. Members receiving monthly benefits from the GARS, JRS, SERS, TRS, and SURS are eligible for these other post-employment benefits ("OPEB"). The eligibility provisions for the SURS members were defined within Note 7(a).

The State recognizes SEGIP OPEB benefits as a single-employer defined benefit plan, which does not issue a stand-alone financial report.

Benefits provided: The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and the various unions representing the State's and the State universities' 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 CMS shall, on an annual basis, determine the amount the State shall contribute toward funding the basic program of group health benefits. State contributions are made primarily from the State's General Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree health insurance benefit and a separate trust has not been established for the funding of OPEB.

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

Special funding situation of OPEB: The proportionate share of the State's OPEB expense relative to the System's former employees or retirees was estimated to be ($2,537,258) during the year ended June 30, 2022. The amount of the total proportionate share of the total OPEB liability to be recognized by the System related to the special funding situation is $0.

Actuarial Methods and Assumptions: The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified. The actuarial valuation for the SEGIP was based on GARS, JRS, SERS, TRS, and SURS active, inactive, and retiree data as of June 30, 2020, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2020.

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.25%
Projected Salary Increases*	2.50% - 12.25%
Healthcare Cost Trend Rate:	
Medical & Rx (Pre-Medicare & Post Medicare)	8.00% grading down 0.25% per year over 15 years to 4.25% in year 2038. There is no additional trend rate adjustment due to the repeal of the Excise Tax.
Dental and Vision	3.75% grading up 0.25% in the first year 4.25% through 2038.
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 2021 and 2022 are based on actual premiums. Premiums after 2022 were projected based on the same healthcare cost trend rates applied to per capita claim costs.

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

Healthcare Cost Trend Rate:	
Medical & Rx (Pre-Medicare)	8.25% grading down 0.25% per year over 16 years to an ultimate trend of 4.25% in the year 2037. there is no additional trend rate adjustment due to the repeal of the Excise Tax.
Dental and Vision	4.00% grading up 0.25% in the first year to 4.25% through 2037.

*Dependent upon service and participation in the respective retirement systems. Includes inflation rate listed.

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

	Retirement age experience study^	Mortality^^
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 table, 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 table, 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

^ The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined.

^^ Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee.

Discount Rate: Retirees contribute a percentage of the premium rate based on service at retirement. The State contributes additional amounts to cover claims and expenses in excess of retiree contributions. Because plan benefits are financed on a pay-as-you-go basis, the single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. A single discount rate of 2.45% at June 30, 2020, and 1.92% at June 30, 2021, was used to measure the total OPEB liability.

(8) Commitments

At June 30, 2022, the System had commitments on various construction projects and contracts for repairs and renovation of auxiliary facilities of $30,714,974.

(9) Subsequent Event

On November 17, 2022, the University entered into a public-private partnership in order to finance, design, develop, construct, equip, and own: (1) an instructional facility to be known as the South Campus Center for Interdisciplinary Learning, along with associated site development and various related amenities and improvements (Learning Facility); and (2) a standalone parking facility, along with associated site development and various related amenities and improvements (Parking Facility). The Parking Facility will replace existing System surface parking spaces that will be removed to allow for the construction of the Learning Facility. Once completed, the Parking Facility will be part of the System.

Required Supplementary Information
Year Ended June 30, 2022

Schedule of University of Illinois Auxiliary Facilities System Proportionate Share of the Net Pension Liability

Measurement Date:	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
(a) Proportion Percentage of the Collective Net Pension Liability	0%	0%	0%	0%	0%	0%	0%	0%
(b) Proportion Amount of the Collective Net Pension Liability	$0	$0	$0	$0	$0	$0	$0	$0
(c) Portion of Nonemployer Contributing Entities' Total Proportion of Collective Net Pension Liability associated with Employer	$435,926,154	$463,708,982	$469,646,501	$481,127,752	$439,226,001	$454,842,862	$405,968,461	$376,037,733
Total (b) + (c)	$435,926,154	$463,708,982	$469,646,501	$481,127,752	$439,226,001	$454,842,862	$405,968,461	$376,037,733
Employer defined benefit covered payroll	$58,031,406	$62,611,182	$63,305,672	$61,876,367	$61,699,212	$60,763,503	$61,425,191	$60,842,520
Proportion of Collective Net Pension Liability associated with Employer as a percentage of defined benefit covered payroll	751.19%	740.62%	741.87%	777.56%	711.88%	748.55%	660.92%	618.05%
SURS Plan Net Position as a Percentage of Total Pension Liability	45.45%	39.05%	40.71%	41.27%	42.04%	39.57%	42.37%	44.39%

* GASB Statement #82 amended GASB Statements #67 & #68 to require the presentation of covered payroll, defined as payroll on which contributions to a pension plan are based, and ratios that use that measure. For the SURS plans, the covered payroll are those employees within the defined benefit plan.

(Continued)

Notes to Required Supplementary Information
June 30, 2022

The pension schedules above are presented to illustrate the requirements of the Governmental Accounting Standards Board's Statement No. 68 to show information for 10 years. However, until a full 10-year trend is compiled, the University will only present available information measured in accordance with the requirements of Statement No. 68.

Changes of benefit terms. There were no benefit changes recognized in the Total Pension Liability as of June 30, 2021.

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

- Salary increase. Change in the overall assumed salary increase rates, ranging from 3.00 percent to 12.75 percent based on years of service, while maintaining the underlying wage inflation rate of 2.25 percent.

- Investment return. Decrease the investment return assumption to 6.50 percent. This reflects decreasing the assumed real rate of return to 4.25 percent and maintaining the underlying assumed price inflation of 2.25 percent.

- Effective rate of interest. Decrease the long-term assumption for the effective rate of interest for crediting the money purchase accounts to 6.50 percent.

- Normal retirement rates. Establish separate rates for members in academic positions and non-academic positions to reflect that retirement rates for academic positions are lower than for non-academic positions.

- Early retirement rates. Establish separate rates for members in academic positions and non-academic positions to reflect that retirement rates for academic positions are lower than for non-academic positions.

- Turnover rates. Change rates to produce slightly lower expected turnover for most members, while maintaining a pattern of decreasing termination rates as years of service increase.

- Mortality rates. Change from the RP-2014 to the Pub-2010 mortality tables to reflect the latter's higher applicability to public pensions. Update the projection scale from the MP-2017 to the MP-2020 scale.

- Disability rates. Establish separate rates for members in academic positions and non-academic positions and maintain separate rates for males and females.

- Plan election. Change plan election assumptions to 75 percent Tier 2 and 25 percent Retirement Savings Plan (RSP) for non-academic members. Change plan election assumptions to 55 percent Tier 2 and 45 percent Retirement Savings Plan (RSP) for academic members.