STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY

FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2018

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

State of Illinois
Chicago State University
Financial Audit
For the Year Ended June 30, 2018

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Other Report Issued Under Separate Cover

State of Illinois
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University Officials

President	Ms. Zaldwaynaka Scott, Esq. (07/01/18 to Present)
Interim President	Dr. Rachel Lindsey, PhD (04/17/17 to 06/30/18)
President Emeritus	Dr. Wayne Watson (12/31/15 to Present)
Interim Provost and V.P. for Academic Affairs	Dr. Leslie Roundtree (07/27/18 to Present)
Provost and Senior V.P. for Academic Affairs	Dr. Angela M. Henderson (12/16/14 to 07/26/18)
General Counsel, V.P. of Legal Affairs and Chief Compliance Officer	Ms. Stephanie Kelly, Esq. (11/16/18 to Present)
Acting General Counsel and V.P. of Legal Affairs	Ms. Stephanie Kelly, Esq. (04/01/18 to 11/15/18)
Deputy General Counsel	Ms. Stephanie Kelly, Esq. (09/01/17 to 03/31/18)
Vice President and General Counsel	Vacant (05/23/17 to 8/31/17)
Chief Administrative Officer	Mr. Paul Vallas (04/24/17 to 02/15/18)
V.P. of Administration and Finance	Ms. Simone A. Edwards (12/01/17 to Present)
Acting Chief Financial Officer	Ms. Arrileen Patawaran (06/29/17 to 11/30/17)
Associate V.P. of Administration and Finance	Ms. Maricela Aranda (08/08/11 to 02/15/18)
Interim Executive Director/Controller	Mr. Larry D. Owens, CPA (06/13/16 to Present)
Acting Chief Internal Auditor	Ms. Michelle Wilson, MBA (08/01/18 to Present)
Chief Internal Auditor	Mr. Michael N. Mayo, CPA (02/13/14 to 07/31/18)

University offices are located at:

9501 South Martin Luther King Drive
Chicago, Illinois 60628

State of Illinois
Chicago State University
Financial Audit
For the Year Ended June 30, 2018

Financial Statement Report

Summary

The audit of the accompanying basic financial statements of Chicago State University (University) was performed by E. C. Ortiz and Co., LLP.

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

Summary of Finding

The auditors identified a matter involving the University's internal control over financial reporting that they considered to be a significant deficiency. The significant deficiency is described in the accompanying Schedule of Findings on pages 58 through 60 of this report as item 2018-001, *Inadequate Control over Unclaimed Property*.

Exit Conference

The finding and recommendation appearing in this report was discussed with University personnel at an exit conference on December 20, 2018.

Attending were:

Chicago State University

Zaldwaynaka Scott, President
Ryan Green, Chief of Staff
Jimell Byrd-Reno, Special Assistant to President
Kim Tran, Deputy Chief of Staff
Stephanie Kelly, General Counsel, V.P. of Legal Affairs and Chief Compliance Officer
Michelle Wilson, Acting Chief Internal Auditor
Simone Edwards, V.P. of Administration and Finance
Larry Owens, Interim Executive Director/Controller
Deidre Cato-Baker, Director of Judicial Affairs/Compliance

Exit Conference (Continued)

Office of the Auditor General

Thomas Kizziah, Senior Audit Manager (via teleconference)

E. C. Ortiz & Co., LLP

Leilani Rodrigo, Partner
Kriss Suarez, Senior

The response to the recommendation was provided by Deidre Cato-Baker, Director of Judicial Affairs/Compliance, in a letter dated December 20, 2018.

E.C. ORTIZ & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

The Board of Trustees
Chicago State University

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Chicago State University (University), a component unit of the State of Illinois, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

333 SOUTH DES PLAINES STREET, SUITE 2-N CHICAGO, IL 60661 tel: 312.876.1900 fax: 312.876.1911

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the University and its discretely presented component unit, as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the University adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017. The implementation of this statement resulted in a restatement of net position as of June 30, 2017 in the amount of $16,914,611. Our opinions are not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the University's 2017 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the business-type activities and discretely presented component units of the University in our report dated February 14, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 8 through 15, Schedule of Share of Net Pension Liability, Schedule of Contributions, Notes to Required Supplementary Information - Pension on pages 49 through 50, Schedule of the University's Proportionate Share of the Net OPEB Liability, and Notes to Required Supplementary Information - OPEB on page 51, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The University Auxiliary Facilities System Revenue Bond Fund, Series 1998 financial statements on pages 52 through 54 and the other information on page 55 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The University Auxiliary Facilities System Revenue Bond Fund, Series 1998 financial statements on pages 52 through 54 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, the University Auxiliary Facilities System Revenue Bond Fund, Series 1998 financial statements on pages 52 through 54 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The "Unaudited" other information on page 55 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
December 21, 2018

State of Illinois
Chicago State University
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2018

Background

Chicago State University (CSU or University) was founded as a teacher-training school over 140 years ago. It is located in a residential community on the south side of Chicago, approximately 12 miles south of downtown Chicago. Today the University is composed of five colleges - the College of Arts & Sciences, the College of Business, the College of Education, the College of Health Sciences, and the College of Pharmacy. CSU offers thirty-six undergraduate degrees, twenty-two graduate degrees, and two doctoral degrees (the Doctorate of Education in Educational Leadership and the Doctor of Pharmacy). It also offers an interdisciplinary Honors College for highly motivated students in all areas of study and has a Division of Continuing Education. CSU has been accredited through the 2022 – 2023 academic year by the Higher Learning Commission.

Operational and Financial Highlights

The Fiscal Year 2018 operating loss ($84.9 million) increased by $2.8 million compared to the previous fiscal year's operating loss ($82.1 million). This increase is mostly attributed to reduction in revenues from State and local grants ($3.0 million) and reduced student-related revenues due to declining student enrollment (net tuition and fees $1.9 million lower and net auxiliary revenues $1.0 million lower), slightly offset by savings from overall reduction in operating expenses ($2.7 million). The net increase in nonoperating revenues ($37.9 million) is primarily attributed to the increase in State appropriation funding ($44.1 million). The increase in other operating revenues ($0.7 million) is mainly attributed to the lack of loss on disposal of assets that occurred in Fiscal Year 2017. The following is a financial comparison for the twelve months ended June 30, 2018 and 2017.

	2018 (in thousands)	2017 (in thousands)	Increase (Decrease)
Operating loss	$ (84,859)	$ (82,065)	$ (2,794)
Nonoperating revenues	108,094	70,163	37,931
Other revenues, expenses, gains or losses	146	(525)	671
Increase (Decrease) in net position	$ 23,381	$ (12,427)	$ 35,808

Management's Discussion and Analysis

The management's discussion and analysis (MD&A) section of this report presents the University's financial information in a condensed financial presentation format for fiscal years ended June 30, 2018 and 2017. This section of the report is designed to provide an overview of the changes in financial activities from one year to the next, and should be read in conjunction with the University's basic financial statements. The University's management is responsible for the completeness and fairness of this information.

The MD&A focuses on the University and excludes the discretely presented component unit, the Chicago State Foundation (formerly known as The University Foundation at Chicago State). MD&A for the component unit is included in its separately issued financial statements. Refer to the Notes to the Basic Financial Statements (Note 1 on page 19) for information on how to obtain the financial statements of the component unit.

Using the Financial Statements

The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows emulate the corporate presentation models whereby all of the University's activities are consolidated into one total. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements–and Management's Discussion and Analysis–for Public Colleges and Universities–an amendment of GASB Statement No. 34*. The financial statements encompass the University and its discretely presented component unit.

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the University using the accrual basis of accounting and reflects the financial position of the University at the end of the fiscal year. The statement reflects the University's financial position at a certain date. Net position, consisting of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one indicator of the current financial condition of the University, while the change in net position that occurs over time is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. Net position has been further categorized as (i) Net investment in capital assets, (ii) Restricted nonexpendable – net position that are permanently restricted by externally imposed stipulations, (iii) Restricted expendable – net position subject to externally imposed restrictions that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time and (iv) Unrestricted – net position that are not subject to externally imposed stipulations and may be used at the discretion of the governing board to meet current expenses for any purpose.

A summary of the University's assets, deferred outflows, liabilities, deferred inflows of resources, and net position for the year ended June 30, 2018 in comparison with June 30, 2017 are as follows:

	2018 (in millions)	2017 (in millions)	Change (in millions)
Assets			
Current assets	$ 38.8	$ 17.7	$ 21.1
Noncurrent assets:			
Capital assets, net	146.2	149.1	(2.9)
Other	3.2	2.4	0.8
Total Assets	188.2	169.2	19.0
Deferred outflows for OPEB and pension expense	0.3	0.2	0.1
Liabilities			
Current liabilities	12.9	15.1	(2.2)
Noncurrent liabilities	18.7	12.4	6.3
Total Liabilities	31.6	27.5	4.1
Deferred inflows for OPEB expense	8.4	–	8.4
Net Position			
Net investment in capital assets	136.5	138.0	(1.5)
Restricted, expendable	1.8	2.9	(1.1)
Unrestricted	10.2	1.0	9.2
Total Net Position	$ 148.5	$ 141.9	$ 6.6

Current Assets

Current assets increased by $21.1 million from the balance one year ago ($17.7 million) to the current balance ($38.8 million). The increase is attributable to cash inflow from increase in State appropriations.

Noncurrent Assets (Capital assets, net)

Noncurrent assets (Capital) decreased by $2.9 million from the balance one year ago ($149.1 million) to the current balance ($146.2 million). The decrease consists of annual depreciation charges ($5.9 million), slightly offset by net capital additions ($2.9 million).

Current Liabilities

Current liabilities decreased by $2.2 million from the balance one year ago ($15.1 million) to the current balance ($12.9 million) mainly due to the decrease in operating vendor and supplier commitments at yearend, along with an increase in accrued wages and unearned revenue.

Noncurrent Liabilities

Noncurrent liabilities increased by $6.3 million from the balance one year ago ($12.4 million) to the current balance ($18.7 million) and is attributed to the prior period adjustment related to the net OPEB liability.

Net Position (Net investment in capital assets)

Capital net position ($136.5 million) decreased by $1.5 million from the balance one year ago ($138.0 million). Capital assets decreased by $2.9 million and related debt decreased by $1.5 million.

Net Position (Unrestricted)

Unrestricted net position ($10.2 million) increased by $9.2 million from the balance one year ago ($1.0 million). This is predominantly attributed to the restatement of the prior balance, coupled with increased operating results from higher State appropriations.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position focuses on the gross costs and the net costs of the University's activities that are supported substantially by student tuition and fees, state and federal grants and contracts, auxiliary enterprise revenues, and state appropriations. The purpose of the statement is to present the revenues earned and expenses incurred by the University, both operating and nonoperating.

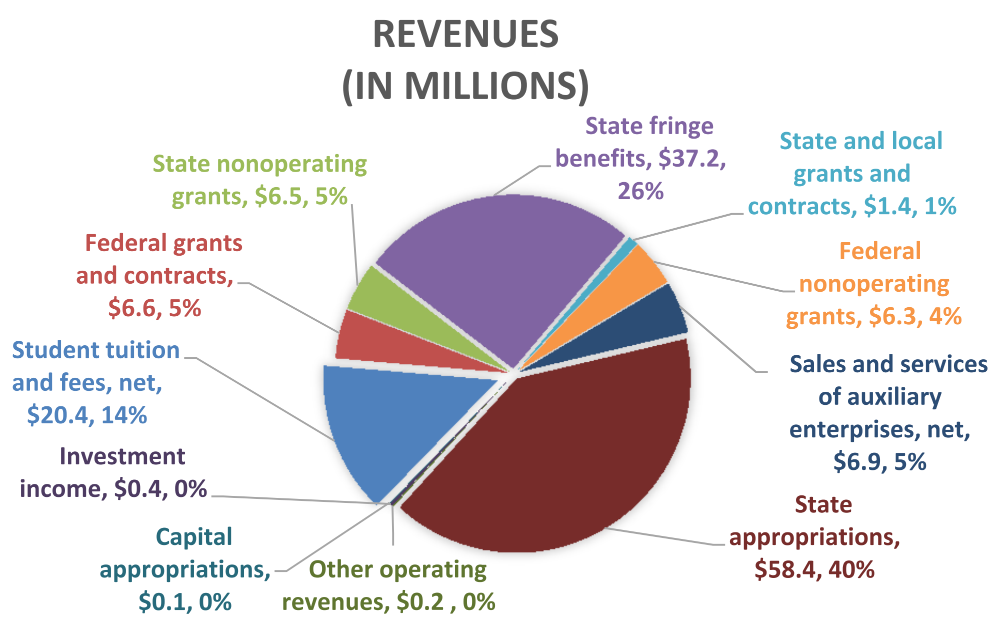
Operating revenues primarily result from exchange transactions where each of the parties to the transaction either gives up or receives something of equal or similar value. The major sources of the University's operating revenues are student tuition and fees, certain grants, and auxiliary revenues.

Nonoperating revenues primarily result from non-exchange transactions and are revenues received for which goods and services are not provided in return. The most significant sources of nonoperating revenues that the University relies on to provide funding for operations are State appropriations and on-behalf payments for fringe benefits.

Revenues

A summary of the University's revenues for the fiscal year ended June 30, 2018 in comparison with the fiscal year ended June 30, 2017 is as follows:

	2018 (in millions)	2017 (in millions)	Change (in millions)
Operating Revenues			
Student tuition and fees, net	$ 20.4	$ 22.3	$ (1.9)
Federal grants and contracts	6.6	6.4	0.2
State and local grants and contracts	1.4	4.5	(3.1)
Sales and services of auxiliary enterprises, net	6.9	7.9	(1.0)
Other operating revenues	0.2	–	0.2
Total Operating Revenues	35.5	41.1	(5.6)
Nonoperating Revenues			
State appropriations	58.4	14.3	44.1
State fringe benefits	37.2	48.0	(10.8)
State nonoperating grants	6.5	2.1	4.4
Federal nonoperating grants	6.3	6.6	(0.3)
Investment income	0.4	0.1	0.3
Total Nonoperating Revenues	108.8	71.1	37.7
Other Capital Revenues			
Capital appropriations	0.1	0.3	(0.2)
Capital grants and gifts	–	0.1	(0.1)
Total Other Revenues	0.1	0.4	(0.3)
Total Revenues	$ 144.4	$ 112.6	$ 31.8



Student Enrollment

	Head Count		Change	Credit Hours		Change
Terms	**FY 2018**	**FY 2017**	**%**	**FY 2018**	**FY 2017**	**%**
Fall	3,101	3,578	(13.3%)	33,228	37,967	(12.5%)
Spring	2,844	3,244	(12.3%)	30,928	34,288	(9.8%)
Summer	1,000	1,026	(2.5%)	5,488	5,526	(0.7%)

Operating Revenues

Operating revenues ($35.5 million) decreased by $5.6 million from the prior year's amount ($41.1 million) for the following reasons:

- Tuition decreased ($1.9 million) due mostly to the decline in tuition and fees as a result of declining enrollment, particularly in the undergraduate programs.

- Revenues from State and local grants decreased by $3.1 million, due to a one time IBHE grant received in Fiscal Year 2017.

Nonoperating Revenues

Nonoperating revenues ($108.8 million) increased by $37.7 million from the prior year's amount ($71.1 million) for the following main reasons:

- The State appropriations revenue increase ($44.1 million) is due to the increase in State financial support as a result of full funding for fiscal year 2018, along with additional Fiscal Year 2017 funding received in Fiscal Year 2018.

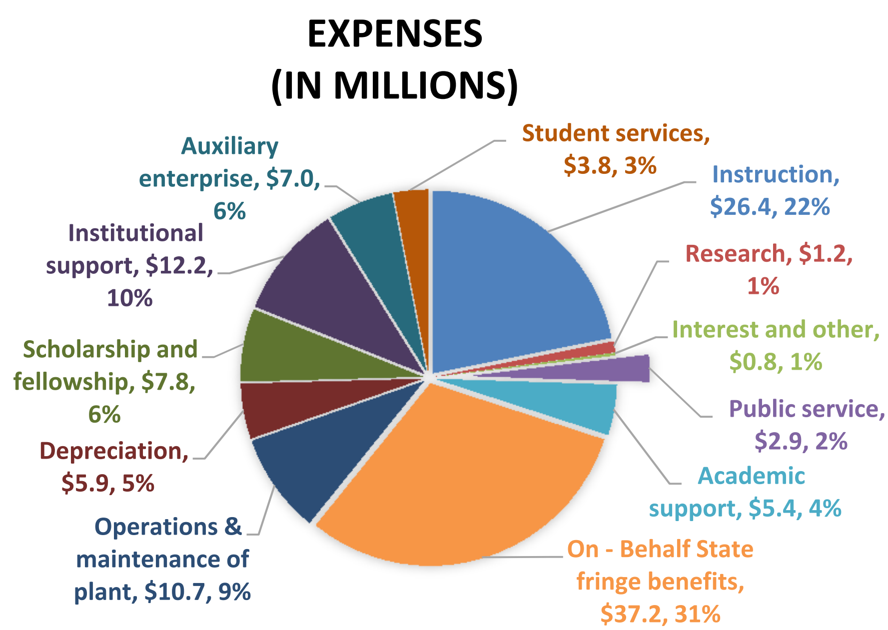
- State fringe benefits revenues decreased by $10.8 million. The revenue represents the State of Illinois' direct contributions towards the University's employees' retirement and healthcare benefits. The change in the level of State's funding is determined by the cost of the benefits and the State of Illinois' ability to pay for the benefits. Lastly, the related employee benefit cost is reported as On-behalf State Fringe Benefits of the Educational and General Operating Expenses section of the report.

Expenses

A summary of the University's operating expenses for the fiscal year ended June 30, 2018 in comparison with the fiscal year ended June 30, 2017 is as follows:

	2018 (in millions)	2017 (in millions)	Increase (Decrease)
Operating Expenses			
Education and general:			
Instruction	$ 26.4	$ 25.6	$ 0.8
Research	1.2	1.1	0.1
Public service	2.9	2.2	0.7
Academic support	5.4	4.3	1.1
Student services	3.8	2.5	1.3
Institutional support	12.2	8.9	3.3
Operations and maintenance of plant	10.7	11.0	(0.3)
Depreciation	5.9	6.2	(0.3)
Scholarship and fellowship	7.8	6.7	1.1
Auxiliary enterprise expenses	7.0	6.5	0.5
On-behalf State fringe benefits	37.2	48.0	(10.8)
Total Operating Expenses	120.5	123.0	(2.5)
Other Nonoperating Expenses			
Interest and other expenses	0.8	1.0	(0.2)
Other Capital Expenses			
Loss on disposal of capital assets	–	0.9	(0.9)
Total Expenses	$ 121.3	$ 124.9	$ (3.6)

The following graphic illustration presents the operating expenses by function.



Operating Expenses

Operating expenses decreased by $2.5 million from the balance one year ago ($123.0 million) to the current balance ($120.5 million). The decrease is mainly related to reduction in State fringe benefits, slightly offset against increased student services related costs, and fall into the following areas:

- On-behalf State fringe benefits decreased by $10.8 million. Since this benefit is managed and funded by the State of Illinois, under generally accepted accounting principles, the expense relating to University employees is reflected in the financial statements with an offset to revenue on the State fringe benefits line item reported in the nonoperating revenue (expenses) section of the financial statements.

- Increase in expenses incurred over the previous fiscal year of approximately $6.8 million were realized in Institutional support ($3.3 million), Academic support ($1.1 million), Scholarship and fellowship ($1.1 million), and Student services ($1.3 million), as the University implemented a focus to improve student related resources and services.

Economic Factors That Will Affect the Future

The State of Illinois has made progress in exhibiting sound fiscal management. In early July 2017, the State passed appropriations for both fiscal years 2017 and 2018. However, it continues to face economic challenges, including escalating employee benefit costs and clearing its back log of obligations. The State of Illinois continues to lag in the unemployment economic indicator relative to its neighboring states. For the month ended August 2018, the Illinois unemployment rate was 4.1% while its neighboring states unemployment rate ranged from 2.5% to 3.5%.

The University believes that despite the financial affairs of the State, higher education will continue to play a vital role in developing a well-educated workforce to compete in a modern economy in various industries including healthcare, information technology, distribution and logistics, and manufacturing. Accordingly, the University in coordination with other sister higher education institutions continue to advocate for continued State financial support.

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2018
(With Summarized Comparative Information as of June 30, 2017)

	2018		2017		
	University	**CSF**	**University**	**CSUF**	**CSF**
ASSETS					
Current Assets					
Cash equity with State Treasurer	$ 642,309	$ -	$ 598,094	$ -	$ -
Cash and cash equivalents (Note 2)	30,025,105	-	10,126,127	-	150,216
Cash and cash equivalents - restricted (Note 2)	756,945	1,363,969	1,938,884	-	980,507
Securities lending collateral equity of State Treasurer (Note 2)	502,249	-	196,073	-	-
Balance in State Appropriation	653,719	-	153,500	-	-
Accounts receivable, net (Note 3)	5,788,741	111,718	4,216,106	-	-
Accounts receivable, net - restricted (Note 3)	3,267	-	5,780	-	-
Inventories	18,386	-	20,682	-	-
Loans and notes receivable, net (Note 3)	21,525	-	25,571	-	-
Prepaid expenses and other assets	349,333	-	356,134	-	-
Prepaid expenses and other assets - restricted	58,354	-	57,338	-	-
Total current assets	38,819,933	1,475,687	17,694,289	-	1,130,723
Noncurrent Assets					
Cash and cash equivalents - restricted (Note 2)	2,684,834	-	1,990,196	-	-
Endowment investments (Note 2)	-	5,263,068	-	-	4,885,973
Loans and notes receivable, net (Note 3)	528,513	-	484,504	-	-
Capital assets, net (Note 4)	146,185,230	-	149,088,569	-	-
Total noncurrent assets	149,398,577	5,263,068	151,563,269	-	4,885,973
Total Assets	188,218,510	6,738,755	169,257,558	-	6,016,696
DEFERRED OUTFLOWS FOR OPEB AND PENSION EXPENSE	319,161	-	165,753	-	-
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	5,808,793	124,966	9,324,969	-	106,425
Obligations under securities lending collateral equity of State Treasurer	502,249	-	196,073	-	-
Accrued wages (Note 5)	1,903,684	-	957,840	-	-
Unearned revenue (Note 6)	2,413,923	-	2,248,565	-	-
Long-term liabilities - current portion (Note 7)	2,300,799	-	2,394,822	-	-
Total current liabilities	12,929,448	124,966	15,122,269	-	106,425
Noncurrent Liabilities					
Accrued compensated absences (Note 7)	3,221,733	-	2,692,405	-	-
Net OPEB liability	7,272,999	-	-	-	-
Bonds payable (Note 7)	8,085,000	-	9,455,000	-	-
Premium on bonds (Note 7)	101,054	-	123,510	-	-
Intangible asset payable (Note 7)	-	-	99,794	-	-
Total noncurrent liabilities	18,680,786	-	12,370,709	-	-
Total Liabilities	31,610,234	124,966	27,492,978	-	106,425
DEFERRED INFLOWS FOR OPEB EXPENSE	8,397,460	-	-	-	-
NET POSITION					
Net investment in capital assets	136,506,926	-	137,979,463	-	-
Restricted for:					
Nonexpendable					
Endowments	-	-	-	-	-
Scholarships and academic support	-	3,570,847	-	-	2,967,468
Expendable					
Direct programs and scholarships	57,087	3,940,545	57,087	-	3,465,550
Loans	767,028	-	548,882	-	-
Capital projects	450,038	-	438,997	-	-
Auxiliary services	512,537	-	1,832,673	-	-
Unrestricted	10,236,361	(897,603)	1,073,231	-	(522,747)
Total Net Position	$ 148,529,977	$ 6,613,789	$ 141,930,333	$ -	$ 5,910,271

The accompanying Notes are an integral part of these financial statements.

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018
(With Summarized Comparative Information for the Year Ended June 30, 2017)

	2018		2017		
	University	CSF	University	CSUF	CSF
OPERATING REVENUES					
Student tuition and fees (net of scholarship allowances of $8,299,090 for 2018 and $8,983,799 for 2017)	$ 20,406,694	$ -	$ 22,265,078	$ -	$ -
Federal grants and contracts	6,612,411	-	6,448,567	-	-
State and local grants and contracts	1,396,486	-	4,451,978	-	-
Nongovernmental grants and contracts	11,560	-	6,812	-	-
Sales and services of auxiliary enterprises (net of scholarship allowances of $61,023 for 2018 and $95,072 for 2017)	6,944,730	-	7,901,488	-	-
Other operating revenues	189,080	61,628	4,499	272,023	-
Total operating revenues	35,560,961	61,628	41,078,422	272,023	-
OPERATING EXPENSES					
Educational and general					
Instruction	26,386,651	-	25,628,589	-	-
Research	1,239,760	-	1,147,619	-	-
Public service	2,874,907	-	2,192,976	-	-
Academic support	5,431,013	-	4,281,785	-	-
Student services	3,760,175	-	2,542,950	-	-
Institutional support	12,172,442	-	8,905,865	-	-
Operations and maintenance of plant	10,658,616	-	11,035,916	-	-
Depreciation	5,893,877	-	6,197,787	-	-
Scholarship and fellowship	7,806,382	90,951	6,679,700	-	71,165
Auxiliary enterprise expenses	7,000,954	-	6,514,060	-	-
On-behalf State fringe benefits (Note 9)	37,195,239	-	48,015,921	-	-
Total operating expenses	120,420,016	90,951	123,143,168	-	71,165
OPERATING INCOME (LOSS)	(84,859,055)	(29,323)	(82,064,746)	272,023	(71,165)
NONOPERATING REVENUES (EXPENSES)					
State appropriations	58,427,275	-	14,343,500	-	-
State fringe benefits	37,195,239	-	48,015,921	-	-
State nonoperating grants	6,549,484	-	2,106,107	-	-
Federal nonoperating grants	6,302,790	-	6,578,930	-	-
Gifts and contributions	-	751,892	-	-	929,525
Investment income	402,288	428,828	93,982	-	339,707
Interest on capital asset - related debt	(517,915)	-	(582,530)	-	-
Other nonoperating expenses	(264,780)	(1,047,879)	(392,594)	-	(1,182,663)
Net nonoperating revenues (expenses)	108,094,381	132,841	70,163,316	-	86,569
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	23,235,326	103,518	(11,901,430)	272,023	15,404
Capital appropriations	131,306	-	308,581	-	-
Capital grants and gifts	-	-	71,126	-	-
Endowment contributions	-	600,000	-	-	-
Gain (loss) on disposal of capital assets	14,623	-	(904,530)	-	-
Equity transfer	-	-	-	(5,036,281)	5,036,281
INCREASE (DECREASE) IN NET POSITION	23,381,255	703,518	(12,426,253)	(4,764,258)	5,051,685
NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	141,930,333	5,910,271	153,332,586	4,764,258	858,586
PRIOR PERIOD ADJUSTMENT (Note 20)	(16,781,611)	-	1,024,000	-	-
NET POSITION, BEGINNING OF YEAR, AS RESTATED	125,148,722	5,910,271	154,356,586	4,764,258	858,586
NET POSITION, END OF YEAR	$148,529,977	$6,613,789	$ 141,930,333	$ -	$ 5,910,271

The accompanying Notes are an integral part of these financial statements.

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
(With Summarized Comparative Information for the Year Ended June 30, 2017)

	2018 University	2017 University
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 20,806,490	$ 22,279,619
Grants and contracts	6,606,915	12,927,599
Payment to suppliers for goods and services	(23,176,454)	(15,275,530)
Payments to employees for services	(49,854,878)	(47,040,930)
Payments for scholarship and fellowship	(7,806,382)	(6,679,700)
Loans issued to students and employees	(61,298)	(96,553)
Loans collected from students	211,972	98,557
Student direct lending receipts	34,699,199	38,758,780
Student direct lending disbursements	(34,699,199)	(38,758,780)
Sales and services of auxiliary enterprises	6,958,939	8,040,610
Other receipts (disbursements)	78,994	314,996
Net cash used in operating activities	(46,235,702)	(25,431,332)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	57,926,412	14,214,279
State nonoperating grants	6,546,395	2,106,107
Federal nonoperating grants	5,794,096	6,569,906
Other noncapital financing activities	(205,480)	(392,594)
Net cash provided by noncapital financing activities	70,061,423	22,497,698
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from disposal of equipment	18,500	-
Purchases of capital assets	(2,863,109)	(1,174,393)
Capital grants	26,649	-
Principal paid on capital debt and leases	(1,408,346)	(1,452,183)
Interest paid on capital debt and leases	(545,811)	(610,554)
Net cash used in capital financing activities	(4,772,117)	(3,237,130)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and/or dividends on investments	402,288	93,982
Net cash provided by investing activities	402,288	93,982
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	19,455,892	(6,076,782)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	14,653,301	20,730,083
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 34,109,193	$ 14,653,301
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (84,859,055)	$ (82,064,746)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	5,893,877	6,197,787
Noncash for donated equipment (not capitalized)	-	21,125
State fringe benefits	37,195,239	48,015,921
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivables, net	(1,061,192)	2,704,158
Inventories	2,296	3,024
Prepaid expenses and other assets	5,785	(145,519)
Deferred outflows for OPEB and pension expense	(32,037)	121,918
Loans and notes receivable	(39,963)	139,591
Accounts payable and accrued liabilities	(3,437,036)	1,536,043
Accrued wages	945,844	(1,185,571)
Unearned revenue	142,206	(357,343)
Accrued compensated absences	373,857	(417,720)
Net OPEB liability	(9,762,983)	-
Deferred inflows for OPEB expense	8,397,460	-
Net cash used in operating activities	$ (46,235,702)	$ (25,431,332)
NONCASH INVESTING AND NONCAPITAL FINANCING ACTIVITIES		
Capital appropriations	$ 131,306	$ 283,784
Capital grants and gifts	-	71,126
State fringe benefits	37,195,239	48,015,921
Loss (gain) on disposal of capital assets	(14,623)	904,530

The accompanying Notes are an integral part of these financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Chicago State University (the "University") is a public, comprehensive, urban institution of higher learning located on the south side of Chicago. The University serves the State, national and international communities by providing its students with academic instruction, by conducting research and other activities that advance fundamental knowledge, and by disseminating knowledge to residents of the region, the State of Illinois and beyond.

The University was established in 1867 as an experimental teacher-training school. The Chicago State University Board of Trustees, established in January 1996 by an act of the Illinois General Assembly, governs the University. The Board consists of seven members appointed by the Governor and one student member elected by the student population.

Reporting Entity - The financial reporting entity, as defined by the Governmental Accounting Standards Board (GASB), consists of the primary government entity, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of all agencies of Chicago State University, as the primary government, the accounts of the Chicago State University Foundation (CSUF), the accounts of the Chicago State Foundation (formerly The University Foundation at Chicago State or TUFCS) (collectively the "Foundation"), and the accounts of the University Auxiliary Facilities System Revenue Bond Fund, Series 1998.

On September 20, 2017, The University Foundation at Chicago State changed its corporate name to Chicago State Foundation (CSF). CSF was established on March 24, 2015 for the purpose of providing the University's students, faculty, and staff financial support through fund raising activities. CSF is a non-profit tax-exempt 501(c)(3) organization. CSUF, the predecessor to CSF, was incorporated in December 1968, as an independent, charitable, educational, and non-profit 501(c)(3) corporation. CSUF was voluntarily dissolved on April 27, 2016. The University elected to terminate its contractual agreement with the CSUF effective June 30, 2015. The dissolution of CSUF and the transfer of its assets and related obligations to CSF was completed during fiscal year 2017. CSUF and CSF are reported as discretely-presented component units in the University's financial statements, where applicable. Certain items in the CSF's June 30, 2017 comparative information have been reclassified to conform to the current presentation.

The financial statements for the Foundation may be obtained at the Foundation's administrative office: Executive Director, Chicago State Foundation, Cook Administration Building, 9501 South Martin Luther King Drive, Chicago, Illinois, 60628.

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

Financial Statement Presentation - The University follows the financial statement presentation requirements prescribed by GASB Statement No. 35, *Basic Financial Statements–and Management's Discussion and Analysis–for Public Colleges and Universities–an amendment of GASB Statement No. 34,* and subsequent amendments. This statement requires the University's resources be classified into net position categories and reported in the Statement of Net Position. These categories are defined as (a) Net investment in capital assets (b) Restricted nonexpendable - net position restricted by externally imposed stipulations (c) Restricted expendable - net position subject to externally imposed restrictions that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time, and (d) Unrestricted - net position not subject to externally imposed stipulations but may be designated for specific purposes by action of the Board of Trustees. The University first applies restricted resources when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

The financial statements include certain prior period comparative information, which has been derived from the University's 2017 financial statements. Such information does not include all of the information required to constitute a complete presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2017.

Reclassifications - Certain items in the June 30, 2017 comparative information have been reclassified to conform to the current presentation.

Basis of Accounting - For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near to maturity that they present insignificant risk of changes in value because of changes in interest rates. The University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the Illinois Funds are considered cash equivalents.

Investments - The University accounts for its investments at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the changes in fair value of investments are reported as an increase or decrease to investment assets and a component of investment income in the Statement of Revenues, Expenses and Changes in Net Position.

Accounts Receivable - Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of which reside in the State of Illinois. Accounts receivable also includes amounts due from federal, state and local governments, or private sources, in connection with the reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable is presented net of estimated uncollectible accounts. Allowances for doubtful accounts are charged against revenues when estimated or determined to be uncollectible.

Inventories - Inventories are determined on the first in, first out (FIFO) method and stated at the lower of cost or market. The cost is recorded as an expense as the inventory is consumed.

Prepaid Expenses and Other Assets - Prepaid expenses include amounts paid in advance for services benefitting future periods. Other assets consist of a meal plan deposit with the University's food service provider.

Capital Assets - Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life greater than one year. Intangible assets greater than $100,000 are capitalized. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expenses in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 60 years for buildings, 5 to 50 years for infrastructure and site improvements, 5 to 7 years for library books, and 3 to 15 years for equipment and intangible assets.

Unearned Revenue - Unearned revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year that are related to the subsequent accounting period. Unearned revenue also includes amounts received from grant and contract sponsors that have not yet been recognized because eligibility requirements have not been met.

Accrued Compensated Absences - Employee sick and vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences.

Net accrued compensated absences charges are as follows:

	2018	2017	Net Change
Vacation leave	$ 3,260,054	$ 2,789,219	$ 470,835
Sick leave	770,227	867,205	(96,978)
Total	$ 4,030,281	$ 3,656,424	$ 373,857

Noncurrent Liabilities - Noncurrent liabilities include (1) principal amounts of revenue bonds payable, capital leases with contractual maturities greater than one year, and the implicit liability related to an intangible asset license in accordance with GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) the premium on the revenue bonds payable (which are being amortized over the term of the bonds using the straight line method).

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

For the purposes of financial reporting, the State of Illinois and participating employers are considered to be under a special funding situation. A special funding situation is defined as a circumstance in which a non-employer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either (1) the amount of the contributions for which the non-employer entity is legally responsible is not dependent upon one or more events unrelated to pensions or (2) the non-employer is the only entity with a legal obligation to make contributions directly to a pension plan. The State of Illinois is considered a non-employer contributing entity. Participating employers are considered employer contributing entities.

Scholarship Allowances and Student Aid - Financial aid to students is reported in the financial statements and is calculated by the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid, such as loans and funds provided to students as awarded by third parties and Federal Direct Lending, are accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances, which reduce revenues. The amount reported as an operating expense represents the portion of the aid provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a university basis by allocating the cash payments to students, excluding payments for the services, calculated by a ratio of total aid to the aid not considered to be third party aid.

Net Position - GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, reports equity as "Net Position." The University's net position is classified as follows:

Net investment in capital assets - This represents the University's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of "net investment in capital assets."

Restricted net position - nonexpendable - Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to the principal.

Restricted net position - **expendable** - Restricted expendable net position includes resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. These resources include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

Unrestricted net position - Unrestricted net position represents resources derived from student tuition and fees, sales and service of educational departments and auxiliary enterprises, and unrestricted gifts from donors. These resources are used for transactions relating to the educational and general operations of the University and Foundation and may be used at the discretion of the governing board to meet current expenses for any purpose.

Income Taxes - The University, as a political subdivision of the State of Illinois, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue code, as amended. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

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

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) certain federal, state and local grants and contracts, and (4) interest on institutional student loans.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, and GASB Statement No. 35, *Basic Financial Statements–and Management's Discussion and Analysis–for Public Colleges and Universities–an amendment of GASB Statement No. 34*, such as State appropriations, pass-through grants, and investment income.

New Accounting Pronouncements - The University adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* GASB Statement No. 81, *Irrevocable Split-Interest Agreements,* GASB Statement No. 85, *Omnibus 2017,* and GASB Statement No. 86, *Certain Debt Extinguishment Issues*, during the fiscal year ended June 30, 2018. GASB Statement No. 75 seeks to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB) by establishing standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. It also improves information provided by state and local government employers about financial support for OPEB that is provided by other entities. GASB Statement No. 81 seeks to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other OPEB). GASB Statement No. 86 seeks to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources–resources other than the proceeds of refunding debt–are placed in an irrevocable trust for the sole purpose of extinguishing debt. Other than GASB Statement No. 75, the impact of adoption of these statements has been deemed to be minimal to the reporting of the University. In addition, the University will be required to implement GASB Statement No. 83, *Certain Asset Retirement Obligations* in Fiscal Year 2019. The University has not yet evaluated the impact of adopting future pronouncements on its financial statements.

NOTE 2 - DEPOSITS AND INVESTMENTS

GASB Statement No. 40, *Deposit and Investment Risk Disclosures* requires general disclosures by investment type with disclosures of the specific risk exposures of those investments. Investments exposed to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk must be disclosed, and the deposit and investment policies (or the lack of a policy) that relate to these risks must be described if the reporting entity is exposed to them.

The Public Funds Investment Act (30 ILCS 235) authorized the University and its Board of Trustees to invest in bonds, notes, certificates of indebtedness, treasury bills, or other securities guaranteed by the United States; interest-bearing savings accounts, certificates of deposit, interest-bearing deposits, or any other investment that constitutes direct obligations of any bank; short-term discount obligations of the Federal National Mortgage Association; shares or other securities legally issued by certain state or federal savings and loan associations; insured dividend-bearing share accounts and certain other accounts of chartered credit unions; certain money market mutual funds; the Illinois Funds Money Market Funds; and repurchase agreements that meet certain instrument and transaction requirements. The Foundation is not subject to such restrictions.

Cash Equity with State Treasurer - The State Treasurer is the custodian of the State's cash and cash equivalents for funds maintained in the State Treasury. Deposits in custody of the State Treasurer are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the University does not own individual securities. Details on the nature of these deposits and investments are available within the State of Illinois' Comprehensive Annual Financial Report.

Deposits - At June 30, 2018, the carrying amount of the University and the CSF deposits with private financial institutions were \$33,423,748 and \$1,363,969, respectively. This amount consisted of cash and certificates of deposit deposited with the financial institutions.

For financial reporting purposes, these deposits have been classified as cash and cash equivalents or investments, depending upon the original maturity of the financial instrument.

Carrying amounts at year-end of the above deposits, pooled investments and cash on hand consisted of:

	University		CSF	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Deposit Type				
Cash in bank	$13,114,312	$15,789,594	$ 1,363,969	$ 1,469,711
Add: Investments classified as cash equivalents (maturity < 90 90 days) - Illinois Funds - Standard & Poor's AAAm	20,309,436			
Add: Cash on hand	43,136			
Total cash and cash equivalents	$33,466,884		$ 1,363,969	

	Carrying Amount	
	University	CSF
Cash and cash equivalents - current	$ 30,025,105	$ –
Cash and cash equivalents - restricted - current	756,945	1,363,969
Cash and cash equivalents - restricted - noncurrent	2,684,834	–
Total	$ 33,466,884	$ 1,363,969

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, deposits may not be returned. The University requires that balances on deposit with financial institutions be either insured by the Federal Deposit Insurance Corporation (FDIC), collateralized by securities held by the Federal Reserve Bank, or invested in U.S. Government obligations, in the University's name. The University maintains cash deposits at certain Chicago-area financial institutions. The FDIC insured bank balances totaled $1,000,254 and $500,000 for the University and CSF at June 30, 2018, respectively. Another $14,789,340 in the University's bank balances were covered by pledged collateral in the University's name. The remaining $969,711 in the CSF's bank balance was not covered by pledged collateral in CSF's name.

Interest Rate Risk - Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's value. The Illinois Funds has a weighted average maturity of less than one year.

Investments

The carrying value (and market value) of the investment portfolio of the University and CSF at June 30, 2018 consisted of the following:

	University Fair Value	CSF Fair Value
Money market funds and other	$ –	$ 1,358,090
U.S. Treasury & agency obligations	–	738,900
Common stock	–	2,575,124
Corporate debt securities	–	590,954
Illinois Funds (Standard & Poor's AAAm)	20,309,436	–
Total	20,309,436	5,263,068
Less: Investments classified as cash equivalents (maturity < 90 days)	(20,309,436)	–
Total investments	$ –	$ 5,263,068

The Illinois Funds is an external investment pool administered by the State Treasurer. The value of the University's investment fund is the same as the value of pool shares and the investments are reported by the State Treasurer at amortized cost. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provisions of the Public Funds Investment Act (30 ILCS 235), the State Treasurer Act (15 ILCS 505/17) and the Deposit of State Moneys Act (15 ILCS 520/22.5).

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the fair value of investments is further categorized by levels depending on the type of inputs used for their valuation.

- Level 1: Unadjusted quoted prices for identical assets in active markets that are accessible at the date of measurement.

- Level 2: Quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the assets.

- Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (that is, the inputs are supported by little or no market activity).

The fair value of CSF's equity securities, totaling $4,672,114, is based on an observable unadjusted quoted market price in an active market therefore this investment has been categorized as Level 1 in the fair value hierarchy. While the fair value of CSF's corporate debt securities totaling $590,954, has been categorized as Level 2 in the fair value hierarchy.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of an agency's investment in a single user. All investments are insured or registered and held by CSF or its agent in CSF's name. CSF does not have a policy limiting its exposure to concentration of credit risk.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligation. CSF's statement of investment objectives and guidelines states that investments in non-convertible fixed income securities other than short-term securities will be restricted to issues within a maximum fixed or expected average maturity of ten years and will be made primarily in (1) securities issued or guaranteed by the U.S. government or its agencies, (2) marketable issues of non-nuclear utility companies rated at the time of purchase within the three highest grades assigned by Moody's Investor Services, Inc. (Aaa, Aa, or A) or by Standard & Poors (AAA, AA or A), and (3) bond mutual funds which invest primarily in bonds with rating of A and higher. The University's Funds expected to be used within one year are invested in the Illinois Funds, which is fully collateralized and has a Standard & Poors credit rating of AAAm.

Details of CSF investment portfolio follow:

Type	FMV	Less than 1 year	1 to 5 years	6 to 10 years	More than 10 years	S&P/Moody's Rating
U.S. Treasury obligations	$ 398,198	$ 30,000	$202,489	$165,709	$ –	No rating
U.S. agency/guaranteed obligations	340,702	39,420	262,018	39,264	–	AAA
Total U.S. Treasury/agency	738,900	69,420	464,507	204,973	–	
Corporate debt securities	590.954	–	344,620	212,511	33,823	A1 to Baa3
Total	$1,329,854	$ 69,420	$809,127	$417,484	$ 33,823	

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. CSF does not have a policy limiting its exposure to foreign currency risk and has not exposure to foreign currency risk (valued in U.S. dollars).

Investment return at June 30, 2018 and its classification in the CSF financial statements are shown below:

Interest and dividends	$ 91,832
Net realized and unrealized gain	336,129
Total investment return	$ 427,961

Securities Lending Transactions

The State Treasurer lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The State Treasurer has, through a Securities Lending Agreement, authorized Deutsche Bank Group to lend the State Treasurer's securities to broker-dealers and banks pursuant to a form of loan agreement.

During Fiscal Year 2018, Deutsche Bank Group lent U.S. Agency securities and U.S. Treasury securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate fair value of the loaned securities. Loans are marked to market daily. If the fair value of collateral falls below 100%, the borrower must provide additional collateral to raise the fair value to 100%. The State Treasurer did not impose any restrictions on loan amounts of available and eligible securities during Fiscal Year 2018. In the event of borrower default, Deutsche Bank Group provides the State Treasurer with counterparty default indemnification. In addition, Deutsche Bank Group is obligated to indemnify the State Treasurer if Deutsche Bank Group loses any securities, collateral or investments of the State Treasurer in Deutsche Bank Group's custody. Moreover, there were no losses during Fiscal Year 2018 resulting from a default of the borrowers or Deutsche Bank Group.

During Fiscal Year 2018, the State Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank Group and marked to market daily at no less than 102%. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The State Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent. The securities lending collateral invested in repurchase agreements and the fair value of securities on loan for the State Treasurer as of June 30, 2018 were $4,521,091,000 and $4,451,198,793, respectively.

In accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, paragraph 9, the State Treasurer has allocated the assets and obligations at June 30, 2018 arising from securities lending agreements to the various funds of the State. The total allocated to the University at June 30, 2018 was $502,249.

NOTE 3 - ACCOUNTS, PLEDGES AND LOANS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2018:

Student tuition and fees	$ 12,594,382
Federal, state and private grants and contracts	4,568,515
Third party and other receivable	728,380
Total Gross Receivable	17,891,277
Less allowance for doubtful accounts	(12,099,269)
Net Accounts Receivable	$ 5,792,008

Loans receivable (Federal Perkins Loans) consisted of the following at June 30, 2018:

Loans receivable	$ 1,576,132
Less allowance for doubtful accounts	(1,026,094)
Net Loans Receivable	$ 550,038
Current portion	$ 21,525
Noncurrent portion	528,513
Net Loans Receivable	$ 550,038

On February 17, 2016, a Dear Colleague Letter Gen-16-05 notified schools that the Federal Perkins Loan Program Extension Act of 2015 (Public Law 114-105), enacted on December 18, 2015, extends the Perkins Loan Program through September 30, 2017. The Extension Act establishes new eligibility requirements for undergraduate and graduate students to receive Perkins Loans. The grandfathering guidance is no longer applicable to the Perkins Loan Program. Schools participating in the Perkins Loan Program may make Perkins Loan through September 30, 2017 (undergraduate students) and September 30, 2016 (graduate students). The University still maintains notes receivable related to this program. New loans issued through the program will be limited to prescribed requirements.

NOTE 4 - CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2018:

	Amount in thousands				
	Balance June 30, 2017	Additions	Retirements	Net Transfers	Balance June 30, 2018
Capital assets not being depreciated:					
Land	$ 9,611	$ –	$ –	$ –	$ 9,611
Work of art	41	–	–	–	41
Construction in progress	13,030	125	–	(762)	12,393
Total capital assets not being depreciated	$ 22,682	$ 125	$ –	$ (762)	$ 22,045

	Amount in thousands				
	Balance June 30, 2017	Additions	Retirements	Net Transfers	Balance June 30, 2018
Other capital assets:					
Site improvements	$ 15,847	$ 981	$ –	$ 594	$ 17,422
Buildings and building improvements	187,962	1,178	–	168	189,308
Equipment	19,696	464	(234)	35	19,961
Intangible assets	1,490	–	–	–	1,490
Library books	13,288	246	–	–	13,534
Capital leases - equipment	35	–	–	(35)	–
Total other capital assets	238,318	2,869	(234)	762	241,715
Less accumulated depreciation	(111,911)	(5,894)	230	–	(117,575)
Total other capital assets, net	126,407	(3,025)	(4)	762	124,140
Capital assets, net	$ 149,089	$ (2,900)	$ (4)	$ –	$ 146,185

NOTE 5 - ACCRUED WAGES

Accrued wages include employee contracts for certain academic personnel that provide for twelve month salary payments, although the contracted services are rendered during a nine-month period and services provided by hourly employees that were paid after June 30. The liability for those employees who are on a deferred pay schedule and those that have completed their contracted services, but have not yet received final payment totaled $1,573,649 at June 30, 2018. Accrued wages also includes unpaid insurance benefits as of June 30, 2018 totaling $330,035.

NOTE 6 - UNEARNED REVENUE

Unearned revenue consists of the following at June 30, 2018:

Tuition and fees	$ 723,825
Grants and contracts	1,690,098
Total Unearned Revenue	$ 2,413,923

NOTE 7 – LONG-TERM LIABILITIES

Long-term liabilities as of June 30, 2018 consist of the following:

	June 30, 2018	Current Portion	Non-current Portion
Accrued compensated absences	$ 4,030,281	$ 808,548	$ 3,221,733
Bonds payable	9,455,000	1,370,000	8,085,000
Premium on bonds	123,511	22,457	101,054
Intangible asset payable	99,794	99,794	–
Total Long Term Liabilities	$ 13,708,586	$ 2,300,799	$11,407,787

The changes in long-term liabilities are as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Accrued compensated absences	$ 3,656,424	$763,375	$ (389,518) *	$ 4,030,281
Bonds payable	10,760,000	–	(1,305,000)	9,455,000
Premium on bonds	145,967	–	(22,456)	123,511
Capital leases payable	3,552	–	(3,552)	–
Intangible asset payable	199,588	–	(99,794)	99,794
Total Long Term Liabilities	$14,765,531	$763,375	$(1,820,320)	$13,708,586

* *Payments for accrued compensated absences include lump sum payouts for vacation and sick time only. Additions include vacation earned in excess of days used.*

Bonds Payable

On December 23, 1998, the University issued $25,650,000 of Auxiliary Facilities Revenue Bonds with an average interest rate of 4.84% to advance refund $22,620,000 of outstanding 1994 Series Bonds.

Optional Redemption **-** The Series 1998 Bonds maturing on December 1, 2009, through December 1, 2018, are subject to redemption at the option of the Board of Trustees on or after December 1, 2008. The Series 1998 Bonds maturing after December 1, 2018, are not subject to optional redemption prior to maturity.

Mandatory Redemption - The Series 1998 Term Bonds maturing on December 1, 2018, and December 1, 2023, are subject to mandatory redemption through the application of sinking payments, at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, in the following principal amounts on December 1, in each of the years as follows:

Bonds Maturing December 1, 2018	
Year	Principal Amount
2018	$ 1,370,000

Bonds Maturing December 1, 2023	
Year	Principal Amount
2019	$ 1,445,000
2020	1,525,000
2021	1,610,000
2022	1,705,000
2023	1,800,000

Bond Insurance Rating - The bonds are insured by MBIA Corp. and National Public Finance Guarantee. Both Moody's Investor Service and Standard and Poor's Rating Services have indicated that they will apply the National Public Finance Guarantee rating to municipal bonds subject to the reinsurance agreement with MBIA Corp.

As of June 30, 2018, the Moody's ratings are Ba3 for MBIA Corp. and Baa2 for National Public Finance Guarantee. The S&P rating for MBIA was BBB and the rating for National Public Finance Guarantee was A, until the ratings were withdrawn at the issuer's request on December 1, 2017.

Maturity Information

The scheduled maturities of the bonds payable are as follows:

Fiscal Year	Revenue Bonds	Interest	Total Payments
2019	$ 1,370,000	$ 478,925	$ 1,848,925
2020	1,445,000	404,938	1,849,938
2021	1,525,000	323,263	1,848,263
2022	1,610,000	237,050	1,847,050
2023	1,705,000	145,887	1,850,887
2024	1,800,000	49,500	1,849,500
Total	$ 9,455,000	$1,639,563	$ 11,094,563

Intangible Asset Payable

In accordance with GASB Statement No. 51, the University has recorded a liability for future payments under a license agreement with a software vendor dated December 22, 2014. The license agreement is for 60 months and requires various payments over the term of the agreement and at certain milestones. Implicit interest is considered immaterial. The scheduled maturities of the intangible asset payable are as follows :

Fiscal Year	Principal	Interest	Total Payments
2019	$ 99,794	$ –	$ 99,794

NOTE 8 - NATURAL CLASSIFICATIONS

The University's operating expenses by natural classification were as follows:

Compensation and benefits	$ 86,972,258
Contractual services	16,529,396
Commodities	1,529,195
Awards and grants	7,806,382
Telecommunication	481,801
Other operating expenses	1,207,107
Depreciation	5,893,877
Total Operating Expenses	$ 120,420,016

NOTE 9 - STATE FRINGE BENEFITS

GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance* requires the University to report "on-behalf payments" for fringe benefits and salaries by legally separate entities as revenue and expenditures of the University. The University reported group insurance on-behalf payments of $11,398,731 for the year ended June 30, 2018. The University also reported on-behalf payments of $25,796,508 for its proportionate share of the State's collective pension expense as described in Note 10. The on-behalf payments amount that relates to State group health insurance is an allocation of estimated costs incurred by the Department of Central Management Services on-behalf of the University.

On-behalf payments for fringe benefits are reflected as nonoperating revenues and corresponding on-behalf expense is reflected as an operating expense.

NOTE 10 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description - The University contributes to the State Universities Retirement System of Illinois (SURS or System), a cost-sharing multiple-employer defined benefit plan with a special funding situation whereby the State of Illinois (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 financial reports 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 other eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed 6 months after their date of hire to make an irrevocable election. A summary of the benefit provisions as of June 30, 2017 can be found in the System's comprehensive annual financial report (CAFR) Notes to the Financial Statements.

Contributions - The State of Illinois is primarily responsible for funding the System on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a Statutory Funding Plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members of the System to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from "trust, federal, and other funds" are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for Fiscal Year 2017 and Fiscal Year 2018 respectively, was 12.53% and 12.46% 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. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

Participating employers make contributions toward separately financed specific liabilities under Section 15.139.5(e) of the Illinois Pension Code (relating to contributions payable due to the employment of "affected annuitants" or specific return to work annuitants) and Section 15.155(g) (relating to contributions payable due to earning increases exceeding 6% during the final rate of earnings period).

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

Net Pension Liability

The net pension liability (NPL) was measured as of June 30, 2017. At June 30, 2017, SURS reported an NPL of $25,481,105,995.

Employer Proportionate Share of Net Pension Liability

The amount of the proportionate share of the net pension liability to be recognized for the University is $0. The proportionate share of the State's net pension liability associated with the University is $272,418,504 or 1.0691%. This amount is not recognized in the University's financial statements. The net pension liability and total pension liability as of June 30, 2017, was determined based on the June 30, 2016 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS during Fiscal Year 2017.

Pension Expense

At June 30, 2017, SURS reported a collective net pension expense of $2,412,918,129.

Employer Proportionate Share of Pension Expense

The University's proportionate share of collective pension expense is recognized similarly to on-behalf payments as both revenue and matching expenditure in the financial statements. The basis of allocation used for the proportionate share of collective pension expense is the actual reported pensionable contributions made to SURS during Fiscal Year 2017. As a result, the University recognized on-behalf revenue and pension expense of $25,796,508 for the fiscal year ended June 30, 2018.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Deferred outflows of resources are the consumption of net position by the System 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	$ 139,193,227	$ 1,170,771
Changes in assumption	205,004,315	259,657,577
Net difference between projected and actual earnings on pension plan investments	94,620,827	–
Total	$ 438,818,369	$ 260,828,348

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 of Resources
2018	$ 55,589,850
2019	187,874,276
2020	90,475,551
2021	(155,949,656)
2022	–
Thereafter	–
Total	$ 177,990,021

Employer Deferral of Fiscal Year 2018 Pension Expenses

The University paid $179,185 in federal, trust or grant contributions for the fiscal year ended June 30, 2018. These contributions were made subsequent to the pension liability measurement date of June 30, 2017 and are recognized as deferred outflows of resources as of June 30, 2018.

Assumptions and Other Inputs

Actuarial assumptions - The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period June 30, 2010 - 2014. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.75 to 15.00 percent, including inflation
Investment rate of return	7.25 percent beginning with the actuarial valuation as of June 30, 2014

Mortality rates were based on the RP2014 Combined Mortality Table with projected generational mortality and a separate mortality assumption for disabled participants.

The long-term expected rate of return on 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 consultant(s) and actuary(s). For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2017, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-term Expected Real Rate of Return
U.S. equity	23%	6.08%
Private equity	6%	8.73%
Non-U.S. equity	19%	7.34%
Global equity	8%	6.85%
Fixed income	19%	1.38%
Treasury-inflation protected securities	4%	1.17%
Emerging market debt	3%	4.14%
Real estate REITS	4%	5.75%
Direct real estate	6%	4.62%
Commodities	2%	4.23%
Hedged strategies	5%	3.95%
Opportunity fund	1%	6.71%
Total	100%	5.20%
Inflation		2.75%
Expected arithmetic return		7.95%

Discount Rate - A single discount rate of 7.09% 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 7.25% and a municipal bond rate of 3.56% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under the System's 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 2073. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2073, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the System's Net Pension Liability to Changes in the Discount Rate - Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.09%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease 6.09%	Current Single Discount Rate Assumption 7.09%	1% Increase 8.09%
$ 30,885,146,279	$ 25,481,105,995	$ 20,997,457,586

Additional information regarding the SURS basic financial statements including the Plan Net Position can be found in the SURS comprehensive annual financial report by accessing the website at www.SURS.org.

NOTE 11 - POSTEMPLOYMENT BENEFITS

General Information about the Postemployment Benefits Other Than Pension (OPEB)

The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Central Management Services. Substantially all State employees become eligible for postemployment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Effective July 1, 2013, annuitants were required to contribute towards health, dental, and vision benefits with the amount based on factors such as years of credited service, additional dependent coverage, annuitant's Medicare participation, and the type of health plan elected. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit reduces to $5,000.

The State pays the University's portion of employer costs for the benefits provided. The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as an expenditure by the State in the State's Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of postemployment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Central Management Services. A copy of the financial statements of the Department of Central Management Services may be obtained by writing to the Department of Central Management Services, 715 Stratton Building, 401 South Spring Street, Springfield, Illinois, 62706.

Plan description. The State Employees Group Insurance Act of 1971 (Act), as amended, authorizes the Illinois State Employees Group Insurance Program (SEGIP) to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all of the University's full-time employees are members of SEGIP. Members receiving monthly benefits from the General Assembly Retirement System (GARS), Judges

Retirement System (JRS), State Employees' Retirement System of Illinois (SERS), Teachers' Retirement System (TRS), and State Universities Retirement System of Illinois (SURS) are eligible for these other post-employment benefits. The eligibility provisions for the SURS are defined within Note 10. Certain TRS members eligible for coverage under SEGIP include: certified teachers employed by certain State agencies, executives employed by the Board of Education, regional superintendents, regional assistant superintendents, TRS employees and members with certain reciprocal service.

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

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

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

For Fiscal Year 2018, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $10,926 ($6,146 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and $14,939 ($5,165 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

Total OPEB liability, deferred outflows of resources, deferred inflows of resources and expense related to OPEB. The total OPEB liability, as reported at June 30, 2018, was measured as of June 30, 2017, with an actuarial valuation as of June 30, 2016. At June 30, 2018, the University recorded a liability of $7,272,999 for its proportionate share of the State's total OPEB liability. The University's portion of the OPEB liability was based on the University's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2017. As of the current year measurement date of June 30, 2017, the University's proportion was .0176%, which was a decrease of .0217% from its proportion measured as of the prior year measurement date of June 30, 2016.

The University recognized OPEB expense for the year ended June 30, 2018, of $1,384,128. At June 30, 2018, the University reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2017, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,331	$ –
Changes in assumptions	–	690,569
Changes in proportion and differences between University contributions and proportionate share of contributions	–	7,706,891
University contributions subsequent to the measurement date	137,645	–
Total	$ 139,976	$ 8,397,460

$137,645 reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	Net Deferred Inflows of Resources
2019	$ (1,887,188)
2020	(1,887,188)
2021	(1,887,188)
2022	(1,887,188)
2023	(846,377)
Total	$ (8,395,129)

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, 2016, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2016.

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Inflation	2.75%
Projected Salary Increases*	3.00% - 15.00%
Discount Rate	3.56%
Healthcare Cost Trend Rate:	
Medical (Pre-Medicare)	8% grading down 0.5% in the first year to 7.5%, then grading down 0.01% in the second year to 7.49%, followed by grading down of 0.5% per year over 5 years to 4.99% in year 7
Medical (Post-Medicare)	9% grading down 0.5% per year over 9 years to 4.5%
Dental	7.5% grading down 0.5% per year over 6 years to 4.5%
Vision	3%
Retiree's share of benefit-related costs	Healthcare premium rates for members depend on the date of retirement and the years of services 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 2017 and 2018 are based on actual premiums. Premiums after 2018 were projected based on the same healthcare cost trend rates applied to per capita claim costs but excluding the additional trend rate that estimates the impact of the Excise Tax.

* 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, 2016 valuations for GARS, JRS, SERS, TRS, and SURS as follows:

	Retirement age Experience study^	Mortality^^
GARS	July 2012 - June 2015	RP-2014 White Collar Total Healthy Annuitant mortality table, sex, distinct, set forward 1 year for males and set back 1 year for females and generational mortality improvements using MP-2014 two-dimensional mortality improvement scales
JRS	July 2012 - June 2015	RP-2014 White Collar Total Healthy Annuitant mortality table, sex, distinct, set forward 1 year for males and set back 1 year for females and generational mortality improvements using MP-2014 two-dimensional mortality improvement scales
SERS	July 2009 - June 2013	105 percent of the RP 2014 Healthy Annuitant mortality table, sex, distinct, with rates projected to 2015; generational mortality improvement factors were added
TRS	July 2011 - June 2014	RP-2014 with future mortality improvements on a fully generational basis using projection table MP-2014
SURS	July 2010 - June 2014	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. A modified experience review was completed for SERS for the 3-year period ending June 30, 2015. Changes were made to the assumptions regarding investment rate of return, projected salary increases, inflation rate, and mortality based on this review. All other assumptions remained unchanged.

^^ 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 2.85% at June 30, 2016, and 3.56% at June 30, 2017, was used to measure the total OPEB liability.

Sensitivity of total OPEB liability to changes in the single discount rate. The following presents the plan's total OPEB liability, calculated using a Single Discount Rate of 3.56%, as well as what the plan's total OPEB liability would be if it were calculated using a Single

Discount rate that is one percentage point higher (4.56%) or lower (2.56%) than the current rate:

	1% Decrease (2.56%)	Current Single Discount Rate Assumption (3.56%)	1% Increase (4.56%)
University's proportionate share of total OPEB liability	$ 8,251,158	$ 7,272,999	$ 6,300,348

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The following presents the plans total OPEB liability, calculated using the healthcare cost trend rates as well as what the plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or lower, than the current healthcare cost trend rates. The key trend rates are 8.0% in 2018 decreasing to an ultimate trend rate of 4.99% in 2025, for non-Medicare coverage, and 9.0% decreasing to an ultimate trend rate of 4.5% in 2027 for Medicare coverage.

	1% Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
University's proportionate share of total OPEB liability	$ 6,214,718	$ 7,272,999	$ 8,146,686

NOTE 12 - LIABILITY INSURANCE

The University participates in a statutory cooperative known as the Illinois Public Higher Education Cooperative (IPHEC). Through IPHEC, the University has contracted with commercial insurance carriers to provide liability insurance coverages, including educators' legal and other general liability insurance. The University purchases commercial excess general liability coverage of $10.65 million. The University's liability coverages have a general $350,000 deductible per occurrence. The University also has commercial general property insurance coverage for the replacement value of the University's property.

NOTE 13 - RELATED PARTY TRANSACTIONS

A summary of related party transactions during the year ended June 30, 2018, is as follows:

The University and CSF agreed to a master contract, effective November 2, 2016, which specified the relationship between the two organizations, as required by the University Guidelines adopted on November 30, 1982, and revised on September 10, 1997, by the Legislative Audit Commission. Under the terms of the contract, CSF is provided administrative support services by the University, such as maintenance, telephone, personnel, and property control. CSF does not directly pay the University for these services, which were valued at $20,613 for the current fiscal year.

CSF reciprocates by providing fundraising and other services to the University. These services were valued at $1,496,541 for the year ended June 30, 2018. Scholarships or stipends provided by CSF, which benefited the University, totaled $144,726 for the year ended June 30, 2018. In addition, the University had an accounts receivable totaling $18,541 due from CSF, at June 30, 2018.

NOTE 14 - STUDENT FINANCIAL ASSISTANCE

The University participates in the U.S. Department of Education's Direct Student Loan Program. The University awarded $34,699,199 in direct student loans for the year ended June 30, 2018. The University classified this loan program as noncash federal awards and it is disclosed in the footnotes to the University's Schedule of Expenditures of Federal Awards in the University's *Compliance Examination Report*. Accordingly, no revenue or expenses are included in the financial statements of the University. All cash flows associated with these amounts have been reported as cash flows from operating activities as either tuition and fees or as payments for scholarships and fellowships.

NOTE 15 - SEGMENT INFORMATION

A segment is an identifiable activity for which one or more revenue bonds or other revenue-backed debt instruments are outstanding. A segment has a specific, identifiable revenue stream pledged in support of the revenue bonds and has related expenses, gains and losses, assets and liabilities that can be identified.

The Chicago State University, University Auxiliary Facilities System Revenue, Bond Fund, Series 1998 (Revenue Bond Fund), an integral part of Chicago State University, has replaced the Revenue Bond Series of 1971 and includes all operations of the Cordell Reed Student Union Building. Its revenues are principally University Center fees, rental and use fees, leased food services, bookstore commissions, and parking fees. The associated expenditures are principally personnel costs, contracted services and travel incurred in support of those auxiliary operations.

As a requirement of issuing certain revenue bonds, the University is subject to certain covenants. The University regularly monitors its compliance with those covenants.

Condensed financial statement information for the University Auxiliary Facilities System Revenue Bond Fund Series 1998 is as follows:

Condensed Statement of Net Position	As of June 30, 2018
Assets	
Current assets - restricted	$ 818,566
Capital assets, net	11,268,926
Total Assets	12,087,492
Liabilities	
Current liabilities	1,602,652
Noncurrent liabilities	8,281,887
Total Liabilities	9,884,539
Net Position	
Net investment in capital assets	1,690,416
Restricted for auxiliary services	512,537
Total Net Position	$ 2,202,953

Condensed Statement of Revenues, Expenses, and Changes in Net Position	Year Ended June 30, 2018
Operating revenues	$ 3,580,404
Operating expenses	2,977,681
Operating income	602,723
Nonoperating expenses, net	(884,287)
Decrease in net position	(281,564)
Net position, beginning of year	2,484,517
Net position, end of year	$ 2,202,953

Condensed Statement of Cash Flows	Year Ended June 30, 2018
Net cash provided by:	
Operating activities	$ 1,296,427
Capital financing activities	(2,111,985)
Investing activity	2,669
Transfers	(369,050)
Net decrease in cash	(1,181,939)
Cash and cash equivalents, beginning of year	1,938,884
Cash and cash equivalents, end of year	$ 756,945

NOTE 16 - COMMITMENTS AND CONTINGENCIES

The University is named as a defendant in several pending lawsuits. The University believes that these matters will generally be settled in favor of the University and will not result in any significant liabilities to the University.

In addition to potential legal matters, the University also receives monies from federal and State government agencies under grants and contracts. The costs charged to these grants are subject to audit and disallowance by the granting agency. The University administration believes any disallowance or adjustment would not have a material effect on the University's financial position.

NOTE 17 - ENDOWMENT

The CSF Board of Trustees resolved that endowments' dividend and interest income be used for scholarships and that a reasonable amount of dividends and interest be added back to the endowment principal. The portion of dividends and interest available for scholarships is transferred to unrestricted funds. For the year ended June 30, 2018, no such endowment dividends and interest were transferred to the unrestricted funds for CSF.

Gains or losses on sales of investments are retained and reported as part of the net position restricted expendable. Although not required by law, it is the intent of the CSF to maintain the corpus of both donor restricted endowment funds and endowment funds designated by the CSF Board of Trustees.

NOTE 18 - PLEDGED REVENUES AND DEBT SERVICE REQUIREMENTS

The University has pledged specific revenue, net of specific operating expenses, to repay the principal and interest of revenue bonds. The following is a schedule of the pledged revenues and related debt:

Bond Issue	Purpose	Source of Revenue Pledged	Future Net Revenues Pledged (1)	Term of Commitment	Current Year Pledged Net Revenue to Debt Service (2)
Auxiliary Facilities System Revenue Bonds, Series 1998	Advance refund the Series 1994 Bonds and various improvements to the University facilities.	Net revenues of the University Center, Housing, Bookstore, Child Care, Facilities Rental and Parking.	$ 11,094,563	2024	10.39%

(1) Total future principal and interest payments on debt.
(2) Current year pledged net operating revenue (excluding depreciation) vs. total future debt service.

NOTE 19 - STATE OF ILLINOIS APPROPRIATIONS

In July 2017, the General Assembly passed SB 0006, Public Act 100-0021 (Act). In this Act, the University received Fiscal Year 2018 appropriations as follows: $32,257,500 from the Education Assistance Fund, $1,600,000 appropriation from the Education Improvement Fund, $307,000 from the General Professional Dedicated Fund and $439,000 appropriated from the Education Assistance Fund for a grant to Financial Assistance Outreach Center. In addition, the Act amended Public Act 099-0524, originally approved on June 30, 2016. The University received Fiscal Year 2017 appropriations as follows: $18,942,700 appropriation from the General Revenue Fund, $4,797,800 from the Education Assistance Fund and $153,500 from the General Professions Dedicated Fund. Consistent with Public Act 099-0524 treatment, the Fiscal Year 2017 revenues approved in Public Act 100-0021 were recognized in Fiscal Year 2018.

NOTE 20 - PRIOR PERIOD ADJUSTMENTS

The University restated its net position as of July 1, 2017 due to the following:

A. The University implemented GASB Statement No. 75 and consequently recognized deferred outflows of resources, deferred inflows of resources, and net OPEB liability in the current year. The net opening balance of deferred outflows of resources, deferred inflows of resources, and net OPEB liability in the Statement on Net Position was $0. Because these OPEB-related opening balances reflect OPEB expenses not previously recognized, the University restated its beginning net position to reflect the impact of their share in the net OPEB liabilities as allocated by the Department of Central Management Services. This adjustment decreased the University's net position by $16,914,611.

B. The University began an analysis of its stale checks during Fiscal Year 2018 that concluded during Fiscal Year 2019 and determined $133,000 in stale checks should be written off as the University had already settled these stale checks with the vendor, student, or employee. As it had previously recognized an expense for these transactions when the amount was repaid during prior periods, the University restated its beginning net position to reflect the write-off. This adjustment increased the University's net position by $133,000.

A reconciliation of net position reported in prior period financial statements and as restated follows:

Net position, beginning of year, as previously reported	$ 141,930,333
Cumulative effect of change in accounting principle	(16,914,611)
Effect of correction of an error	133,000
Net position, beginning of year, as restated	$ 125,148,722

REQUIRED SUPPLEMENTARY INFORMATION

State of Illinois
Chicago State University
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2018

Schedule of Share of Net Pension Liability (Unaudited)

	FY 2017	FY 2016	FY 2015	FY 2014
Schedule of Pension Allocations				
(a) Proportional percentage of the collective net pension liability	0%	0%	0%	0%
(b) Proportional amount of the collective net pension liability	$ –	$ –	$ –	$ –
(c) Portion of nonemployer contributing entities' total proportion of collective net pension a liability associated with employer	272,418,504	348,769,627	346,747,343	342,183,267
Total (b) + (c)	$272,418,504	$348,769,627	$346,747,343	$342,183,267
Employer defined benefit covered payroll	$ 37,412,339	$ 48,247,884	$ 52,894,247	$ 56,869,819
Proportion of collective net pension liability associated with employer as a percentage of defined benefit covered payroll	13.73%	13.83%	15.25%	16.62%
SURS plan net position as a percentage of total pension liability	42.04%	39.57%	42.37%	44.39%

Schedule of Contributions (Unaudited)

	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Federal, trust, grant and other contribution	$ 179,185	$ 165,753	$ 287,671	$ 318,777	$ 348,064
Contribution in relation to required contribution	179,185	165,753	287,671	318,777	348,064
Contribution deficiency (excess)	–	–	–	–	–
Employer covered-employee payroll	$1,690,851	$2,531,033	$3,538,415	$4,104,465	$4,533,557
Contributions as a percentage of covered payroll	10.60%	6.55%	8.13%	7.77%	7.68%

* *Note: The System implemented GASB Statement No. 68 in Fiscal Year 2015. The information above is presented for as many years as available. The Schedule is intended to show information for 10 years.*

Fiscal Year 2018 total defined benefit contributions: $3,102,518

Fiscal Year 2018 self-managed plan total contributions: $ 330,534

State of Illinois
Chicago State University
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2018

Notes to Required Supplementary Information - Pension (Unaudited)

Changes of Benefit Terms

There were no benefit changes recognized in the Total Pension Liability as of June 30, 2017.

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, 2010 to June 30, 2014 was performed in February 2015, resulting in the adoption of new assumptions as of June 30, 2015.

- Mortality rates. Change from the RP2000 Mortality table projected to 2017, sex distinct, to the RP-2014 mortality tables with projected generational mortality improvement. Change to a separate mortality assumption for disabled participants.
- Salary increase. Change assumption to service-based rates, ranging from 3.75 percent to 15.00 percent based on years of service, with underlying wage inflation of 3.75 percent.
- Normal retirement rates. Change to retirement rates at ages younger than 60, age 66, and ages 70-79 to reflect observed experiences.
- Early retirement rates. Change to a slight increase to the rates at ages 55 and 56.
- Turnover rates. Change to produce lower expected turnover for members with less than 10 years of service and higher turnover for members with more than 10 years of service than the currently assumed rates.
- Disability rates. Decrease rates and have separate rates for males and females to reflect observed experience.
- Dependent assumption. Main the current assumption on marital status that varies by age and sex and the assumption that males are three years older than their spouses.

State of Illinois
Chicago State University
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2018

Schedule of the University's Proportionate Share of the Net OPEB Liability (Unaudited)
State Employees Group Insurance Program
Last Two Fiscal Years*

	FY 2017	FY 2016
University's proportion of the collective net OPEB liability	0.0176%	0.0393%
University's proportion share of the collective net OPEB liability	$ 7,272,999	$ 17,095,246
University's covered-employee payroll	$ 41,994,503	$ 53,274,034
University's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	17.32%	32.09%

* *The amounts presented for each fiscal year were determined as of the prior fiscal year end.*

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Notes to Required Supplementary Information - OPEB (Unaudited)

Asset Accumulated in the Plan

Contributions are made on a pay-as-you-go basis. No assets are accumulated or dedicated to fund the retiree health insurance benefit and a separate trust has not been established.

Changes of Benefit Terms

There were no benefit changes recognized in the Total Net OPBE Liability as of June 30, 2017.

Changes of Assumptions

Change of assumptions and other inputs reflect the effects of changes in the discounts rate each period. The following are the discount rates used in each period:

2017	3.56%
2016	2.85%

SUPPLEMENTARY INFORMATION

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
University Auxiliary Faciilites System Revenue Bond Fund, Series 1998
Statement of Net Position
As of June 30, 2018
(With Comparative Totals as of June 30, 2017)

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents - restricted	$ 756,945	$ 1,938,884
Accounts receivable, net - restricted	3,267	5,780
Prepaid expenses - restricted	58,354	57,338
Total Current Assets	818,566	2,002,002
Noncurrent Assets		
Land improvements	596,600	538,481
Buildings and improvements	20,707,423	20,504,357
Furniture and equipment	487,930	487,930
Less: accumulated depreciation	(10,523,027)	(9,972,958)
Total Noncurrent Assets	11,268,926	11,557,810
Total Assets	12,087,492	13,559,812
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	201,952	105,163
Unearned revenue	8,244	9,721
Long-term liabilities - current portion	1,392,456	1,327,456
Total Current Liabilities	1,602,652	1,442,340
Noncurrent Liabilities		
Accrued compensated absences	95,833	54,445
Bonds payable	8,085,000	9,455,000
Premium on bonds	101,054	123,510
Total Noncurrent Liabilities	8,281,887	9,632,955
Total Liabilities	9,884,539	11,075,295
NET POSITION		
Net investment in capital assets	1,690,416	651,844
Restricted for auxiliary services	512,537	1,832,673
	$ 2,202,953	$ 2,484,517

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
University Auxiliary Facilities System Revenue Bond Fund, Series 1998
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018	2017
OPERATING REVENUES		
Room and board (net of scholarship allowances of $61,023)	$ 1,651,471	$ 1,525,001
Bookstore commissions	58,142	71,658
Vending and catering commissions	43,456	39,829
Parking fees	545,821	489,998
University center fees	1,281,514	1,435,563
Total operating revenues	3,580,404	3,562,049
OPERATING EXPENSES		
Personal services	936,869	893,069
Expended for plant	24,505	8,618
Commodities	72,088	55,546
Contractual services	1,346,176	1,472,836
Depreciation	550,069	553,491
Miscellaneous	47,974	66,360
Total operating expenses	2,977,681	3,049,920
OPERATING INCOME	602,723	512,129
NONOPERATING REVENUES (EXPENSES)		
Investment income	2,669	270
Transfers in (out), net	(369,050)	963,798
Interest on capital asset - related debt	(517,906)	(581,802)
Net nonoperating revenue (expenses)	(884,287)	382,266
INCREASE (DECREASE) IN NET POSITION	(281,564)	894,395
NET POSITION, BEGINNING OF YEAR	2,484,517	1,590,122
NET POSITION, END OF YEAR	$ 2,202,953	$ 2,484,517

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
University Auxiliary Facilities System Revenue Bond Fund, Series 1998
Statement of Cash Flows
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Room and board	$ 1,651,471	$ 1,525,001
Bookstore commissions	59,550	129,657
Vending and catering commissions	43,456	39,829
Parking fees	546,579	489,577
University center fees	1,280,384	1,500,763
Payment to suppliers for goods and services	(1,389,532)	(1,629,822)
Payments to employees for services	(895,481)	(923,453)
Net cash provided by operating activities	1,296,427	1,131,552
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from (to) local income fund	(369,050)	963,798
Net cash provided by noncapital financing activities	(369,050)	963,798
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(261,185)	-
Principal paid on capital debt	(1,305,000)	(1,240,000)
Interest paid on capital debt	(545,800)	(609,426)
Net cash used by capital financing activities	(2,111,985)	(1,849,426)
CASH FLOWS FROM INVESTING ACTIVITY		
Interest on investments	2,669	270
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,181,939)	246,194
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,938,884	1,692,690
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 756,945	$ 1,938,884
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 602,723	$ 512,129
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	550,069	553,491
Changes in assets and liabilities:		
Accounts receivables, net - restricted	2,513	120,638
Prepaid expenses - restricted	(1,016)	(1,058)
Accounts payable and accrued liabilities	102,227	(25,404)
Unearned revenue	(1,477)	2,140
Accrued compensated absences	41,388	(30,384)
Net cash provided by operating activities	$ 1,296,427	$ 1,131,552

OTHER INFORMATION

State of Illinois
Chicago State University
Other Information (Unaudited)
For the Year Ended June 30, 2018

Student Enrollment by Term (Unaudited)

	Total Enrollment	Unduplicated Full-Time Equivalent
Fall session, 2017	3,101	2,392
Spring session, 2018	2,844	2,237
Summer session, 2018	1,000	341

University Center Fee (Unaudited)

For each term, the University Center Fee is assessed based upon enrollment status:

	Full-Time Student	Part-Time Student
Fall session, 2017	$ 199	$ 128
Spring session, 2018	199	128
Summer session, 2018	159	102

Rental Disclosures (Unaudited)

On July 1, 1995, the Revenue Bond Fund renewed an annual rental agreement to provide the University with office space and meeting rooms to conduct certain University activities in the University Center for $272,000. This rental was funded by State appropriations.

Schedule of Insurance in Force (Unaudited)

The Auxiliary System is insured under a master policy covering universities. The following insurance coverage applicable to the System was effective during the current fiscal year:

Fire and extended coverage ($50,000 deductible) of:	
Building	$ 39,484,940
Contents	1,291,600
Business interruption	12,634,000
Boiler and machinery (included in blanket coverage limit)	100,000,000
Earthquake	100,000,000
Flood	100,000,000
Basic general liability (self-insured retention)	350,000
Excess general liability (policy limit)	10,650,000

E.C. ORTIZ & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

The Board of Trustees
Chicago State University

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Chicago State University (University) and its discretely presented component unit, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 21, 2018. Our report includes a reference to other auditors who audited the financial statements of the University's discretely presented component unit, as described in our report on the University's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as item 2018-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

University's Response to the Finding

The University's response to the finding identified in our audit is described in the accompanying schedule of findings. The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

SIGNED ORIGINAL ON FILE

Chicago, Illinois
December 21, 2018

State of Illinois
Chicago State University
Schedule of Findings
June 30, 2018

Current Finding - *Government Auditing Standards*

2018-001 - Inadequate Control over Unclaimed Property

The Chicago State University (University) did not exercise adequate internal control over its checks written to others that had not been cashed by the recipients of those checks (stale checks).

During our audit, we noted the following:

- The University did not have adequate controls in place to ensure the value of its aged stale checks, along with a report on the identities of the entities that were sent the stale checks, were timely remitted to the State Treasurer as unclaimed property. At June 30, 2018, we identified stale checks dating back to nine years ago, with a total value of $255,006 in stale checks greater than three years old payable to vendors and students and $56,768 in stale checks greater than one year old payable to current and former employees.

  Through December 31, 2017, the Uniform Disposition of Unclaimed Property Act (UDUPA) (765 ILCS 1025/8.1(a)) noted property held by a government shall be presumed abandoned after five years. Further, the UDUPA (765 ILCS 1025/11(a)) required the University to annually report property presumed abandoned under the UDUPA as of June 30 to the State Treasurer, along with a report with information about the owner of the property and the history of the transaction, by November 1. On and after January 1, 2018, the Revised Uniform Unclaimed Property Act (RUUPA) (765 ILCS 1026/15-201) notes property held by a government shall be presumed abandoned after three years and wages or reimbursements to employees shall be presumed abandoned after one year. Further, the RUUPA (765 ILCS 1026/15-403(a)) requires the University to annually report property presumed abandoned under the RUUPA as of June 30 to the State Treasurer, along with a report with information about the owner of the property and the history of the transaction, by November 1.

- The University did not ensure its stale checks were considered and properly handled when it issued new payments to vendors, students, and employees. The University began an analysis of its stale checks during Fiscal Year 2018 that concluded during Fiscal Year 2019 and determined $133,000 in stale checks should be written off as the University had already settled these stale checks with the vendor, student, or employee. The University recognized miscellaneous revenue of $59,300 in Fiscal Year 2018 and $73,700 in Fiscal Year 2019 when it wrote off these amounts, as it had previously recognized an expense for these transactions when the amount was repaid during prior periods.

Current Finding - *Government Auditing Standards* (Continued)

2018-001 - Inadequate Control over Unclaimed Property (Continued)

As a result of the auditors bringing this issue to the University's attention, a proposed adjustment was recorded by the University in order to correct the final financial statements.

- Historically, the University has adopted a process where it removes stale checks from its bank reconciliation and records a liability for the amount due on the stale check to the vendor, student, or employee, which totaled $311,774 at June 30, 2018. As the holder of a stale check has the claim to the cash held by the University represented by the amount of the stale check, the University should not recognize any assets on its financial statements and should account for stale checks as reconciling items between its cash account and its cash balance in its bank account until either (1) a new check is written to the holder of the stale check or (2) the value of the stale check is remitted as abandoned property to the State Treasurer.

  As a result of the auditors bringing this issue to the University's attention, a proposed adjustment was recorded by the University in order to correct the final financial statements.

  Concepts Statement No. 4 of the Governmental Accounting Standards Board (Paragraph 8) states assets "are resources with present service capacity that the government presently controls" and defines control (Paragraph 12) as "the ability of the government to utilize the resource's present service capacity and to determine the nature and manner of use of the present service capacity embodied in the resource." As the holder of a stale check can demand payment on an outstanding check at any time prior to the University's remittance of property to the State Treasurer, cash in a bank account associated with an outstanding check fails to meet the control criterion and, therefore, is not an asset of the University.

In accordance with generally accepted accounting principles (GAAP), all of the University's assets, liabilities, revenues, and expenses should be properly reported in the University's financial statements. In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University establish and maintain a system, or systems, of fiscal and administrative controls to provide assurance revenues, expenses, resources, and funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial reports and to maintain accountability over the State's resources. Further, good internal controls over financial reporting include establishing and maintaining a system, or systems, of internal administrative controls to provide assurance the University's accounting functions comply with GAAP. Additionally, good internal controls over

Current Finding - *Government Auditing Standards* (Continued)

2018-001 - Inadequate Control over Unclaimed Property (Continued)

compliance include establishing a control environment that allows the University to carry out its assigned duties and responsibilities in accordance with State laws, rules, and regulations as written.

University officials indicated these issues persist due to the limited number of staff available, and the fact that it takes a significant amount of time, to research old accounts and associated stale checks while the University continues to work on resolving these matters as time permits.

Failure to exercise adequate control over stale checks could delay identification of the property by its owner through the State Treasurer's iCash unclaimed property program, reduces the overall reliability of financial reporting, and represents noncompliance with State law. (Finding Code No. 2018-001, 2017-004)

Recommendation

We recommend the University:

- continue its evaluation of stale dated checks and properly report these amounts to the State Treasurer when the property is deemed abandoned under RUUPA;
- review its internal controls over voucher processing to ensure stale checks are considered prior to re-issuing a check to a vendor, student, or employee; and,
- ensure stale checks are not reported as assets or liabilities on its financial statements and are routinely monitored during its bank reconciliation process.

University Response

The University agrees with the recommendation. The University initiated training of the staff to evaluate stale dated checks and report amounts to the State Treasurer in compliance with RUUPA. The University has also reviewed processes regarding stale checks to ensure vendors, students or employees are not receiving double payment.

State of Illinois
Chicago State University
Prior Findings Not Repeated
For the Year Ended June 30, 2018

A. Inadequate Controls over Reporting Restricted Accounts

During the prior year, the Chicago State University (University) did not ensure restrictions from revenue bond covenants were properly reflected within the University's financial statements.

Status: Not Repeated

During the current year, our testing indicated restrictions in relation to the University's revenue bond covenants were properly reported in the financial statements. (Finding Code No. 2017-001)

B. Noncompliance with Bond Covenants

During the prior year, the University did not comply with its revenue bond covenants.

Status: Not Repeated

During the current year, our testing of the University's revenue bond covenants did not identify any instances of noncompliance. (Finding Code No. 2017-002)

C. Financial Statement Adjustments

During the prior year, the University did not record some financial transactions accurately.

Status: Not Repeated

During the current year, our testing did not identify any material misstatements in the University's financial statements. (Finding Code No. 2017-003)