STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY

FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2019

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, 2019

Table of Contents

Other Report Issued Under Separate Cover

State of Illinois
Chicago State University
Financial Audit
For the Year Ended June 30, 2019

University Officials

President	Ms. Zaldwaynaka Scott, Esq.
Chief of Staff and External Affairs	Mr. Ryan Green
Interim Provost and V.P. for Academic Affairs	Dr. Leslie Roundtree (07/27/18 - Present)
Provost and Senior V.P. for Academic Affairs	Dr. Angela M. Henderson (Through 07/26/18)
V.P., General Counsel and Chief Compliance Officer of Labor & Legal Affairs	Ms. Stephanie Kelly, Esq. (11/16/18 - Present)
Acting General Counsel and V.P. of Legal Affairs	Ms. Stephanie Kelly, Esq. (Through 11/15/18)
Interim CFO & V.P. of Financial Operations	Ms. Ginger Ostro (05/16/19 - Present)
CFO & V.P. of Financial Operations, Diversity, Equity and Inclusion	Ms. Simone A. Edwards (Through 05/15/19)
Interim Executive Director/Controller	Mr. Larry D. Owens, CPA
Chief Internal Auditor	Ms. Natalie Covello (09/09/19 - Present)
Acting Chief Internal Auditor	Ms. Michelle Wilson, MBA (08/01/18 - 09/08/19)
Chief Internal Auditor	Mr. Michael N. Mayo, CPA (Through 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, 2019

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 62 through 64 of this report as item 2019-001, *Inadequate Control over Financial Reporting*.

Exit Conference

The University waived an exit conference in a letter dated December 6, 2019 from Ms. Deidre Cato-Baker, Director of Judicial Affairs/Compliance.

The response to the recommendation was provided by Ms. Deidre Cato-Baker, Director of Judicial Affairs/Compliance, in a letter dated December 10, 2019.

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 the Chicago State University (University), collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2019, 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 report of 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.

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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 and the discretely presented component unit of the University, as of June 30, 2019, and the respective changes in its financial position and 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 20 to the financial statements, the unrestricted net position as of July 1, 2018 has been restated to correct an accounting error. Our opinions are not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the University's 2018 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 December 21, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, 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 7 through 14, Schedule of Share of Net

Pension Liability, Schedule of Contributions, Notes to Required Supplementary Information - Pension on pages 51 through 52, Schedule of the University's Proportionate Share of the Net OPEB Liability, and Notes to Required Supplementary Information - OPEB on page 53, 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 and OPEB - FY2019 Table of Operating Expenses on pages 54 through 57 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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, based on our audit, the procedures performed as described above, and the report of the other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

In addition, the "Unaudited" other information on pages 58 through 59 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
December 23, 2019

State of Illinois
Chicago State University
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2019

Background

Chicago State University (CSU or University) was founded as a teacher-training school over 150 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 2019 operating loss ($75.5 million) decreased by $9.4 million compared to the previous fiscal year's operating loss ($84.9 million). This decrease is mostly attributed to the reduction in the special funding situation and on-behalf payments ($10.4 million). The decrease in net nonoperating revenues ($36.6 million) is primarily attributed to the decrease in State appropriation funding ($23.2 million), along with the decrease in special funding situation and on-behalf payments ($10.4 million). The increase in other revenues ($0.9 million) is mainly attributed to the increase in capital appropriations in fiscal year 2019. The following is a financial comparison for the twelve months ended June 30, 2019 and 2018.

	2019 (in thousands)	2018 (in thousands)	Increase (Decrease)
Operating loss	$ (75,484)	$ (84,859)	$ 9,375
Net nonoperating revenues	71,538	108,094	(36,556)
Other revenues, expenses, gains or losses	1,056	146	910
Increase (decrease) in net position	$ (2,890)	$ 23,381	$ (26,271)

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, 2019 and 2018. 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.

State of Illinois
Chicago State University
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2019

The MD&A focuses on the University and excludes the discretely presented component unit, the Chicago State Foundation. 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 18) 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 is 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 is 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 of resources, liabilities, deferred inflows of resources, and net position for the year ended June 30, 2019 in comparison with June 30, 2018 are as follows:

	2019 (in millions)	2018 (in millions)	Change (in millions)
Assets			
Current assets	$ 35.1	$ 38.8	$ (3.7)
Noncurrent assets:			
Capital assets, net	142.6	146.2	(3.6)
Other	3.2	3.2	–
Total Assets	180.9	188.2	(7.3)
Deferred outflows for OPEB and pension expense	0.3	0.3	–
Liabilities			
Current liabilities	11.8	13.0	(1.2)
Noncurrent liabilities	15.2	18.6	(3.4)
Total Liabilities	27.0	31.6	(4.6)
Deferred inflows for OPEB expense	8.2	8.4	(0.2)
Net Position			
Net investment in capital assets	134.4	136.5	(2.1)
Restricted, expendable	2.2	1.8	0.4
Unrestricted	9.4	10.2	(0.8)
Total Net Position	$ 146.0	$ 148.5	$ (2.5)

Current Assets

Current assets decreased by $3.7 million from the balance one year ago ($38.8 million) to the current balance ($35.1 million). The decrease is attributable to the net cash outflow resulting from the decrease in State appropriations.

Noncurrent Assets (Capital assets, net)

Noncurrent assets (Capital) decreased by $3.6 million from the balance one year ago ($146.2 million) to the current balance ($142.6 million). The decrease consists of annual depreciation charges ($5.4 million), slightly offset by net capital additions/transfers ($1.9 million).

Current Liabilities

Current liabilities decreased by $1.2 million from the balance one year ago ($13.0 million) to the current balance ($11.8 million) mainly due to the decrease in operating vendor and supplier commitments at year-end.

Noncurrent Liabilities

Noncurrent liabilities decreased by $3.4 million from the balance one year ago ($18.6 million) to the current balance ($15.2 million) and is attributed to the decrease in other postemployment benefits (OPEB) liability ($2 million), coupled with the decrease in bonds payable ($1.4 million).

Net Position (Net investment in capital assets)

Capital net position ($134.4 million) decreased by $2.1 million from the balance one year ago ($136.5 million). Capital assets decreased by $3.6 million and related debt decreased by $1.5 million.

Net Position (Unrestricted)

Unrestricted net position ($9.4 million) decreased by $0.8 million from the balance one year ago ($10.2 million). This is predominantly attributed to decreased operating results.

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.

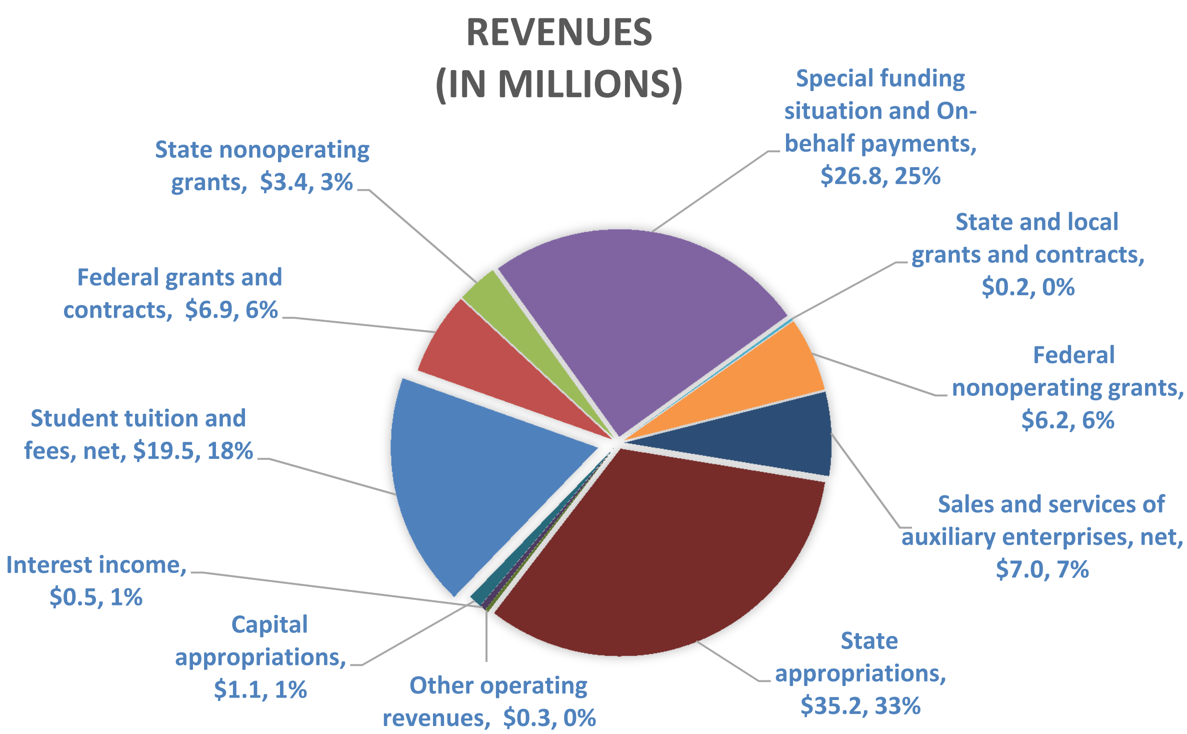
Nonoperating revenues primarily result from non-exchange transactions and are revenues received for which goods and services are not provided in return. The most significant sources of nonoperating revenues that the University relies on to provide funding for operations are State appropriations, special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

Revenues

A summary of the University's revenues for the fiscal year ended June 30, 2019 in comparison with the fiscal year ended June 30, 2018 is as follows:

State of Illinois
Chicago State University
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2019

	2019 (in millions)	2018 (in millions)	Change (in millions)
Operating Revenues			
Student tuition and fees, net	$ 19.5	$ 20.4	$ (0.9)
Federal grants and contracts	6.9	6.6	0.3
State and local grants and contracts	0.2	1.4	(1.2)
Sales and services of auxiliary enterprises, net	7.0	6.9	0.1
Other operating revenues	0.3	0.2	0.1
Total Operating Revenues	33.9	35.5	(1.6)
Nonoperating Revenues			
State appropriations	35.2	58.4	(23.2)
Special funding situation	19.7	32.7	(13.0)
On-behalf payments	7.1	4.5	2.6
State nonoperating grants	3.4	6.5	(3.1)
Federal nonoperating grants	6.2	6.3	(0.1)
Investment income	0.5	0.4	0.1
Total Nonoperating Revenues	72.1	108.8	(36.7)
Other Capital Revenues			
Capital appropriations	1.1	0.1	1.0
Total Other Revenues	1.1	0.1	1.0
Total Revenues	$ 107.1	$ 144.4	$ (37.3)



Student Enrollment

	Head Count		Change	Credit Hours		Change
Terms	**FY 2019**	**FY 2018**	**%**	**FY 2019**	**FY 2018**	**%**
Fall	2,964	3,101	(4.4%)	31,799	33,228	(4.3%)
Spring	2,701	2,844	(5.0%)	29,341	30,928	(5.1%)
Summer	1,026	1,000	2.6%	5,546	5,488	1.1%

Operating Revenues

Operating revenues ($33.9 million) decreased by $1.6 million from the prior year's amount ($35.5 million) due to an adjustment made to properly record monies received from a local grant (see accompanying Schedule of Findings on pages 62 through 64 of this report).

Nonoperating Revenues

Nonoperating revenues ($72.1 million) decreased by $36.7 million from the prior year's amount ($108.8 million) for the following main reasons:

- The State appropriations revenue decrease ($23.2 million) is due to the normalization in State financial support, resulting in a discrete year of funding being reflected in the current fiscal year.

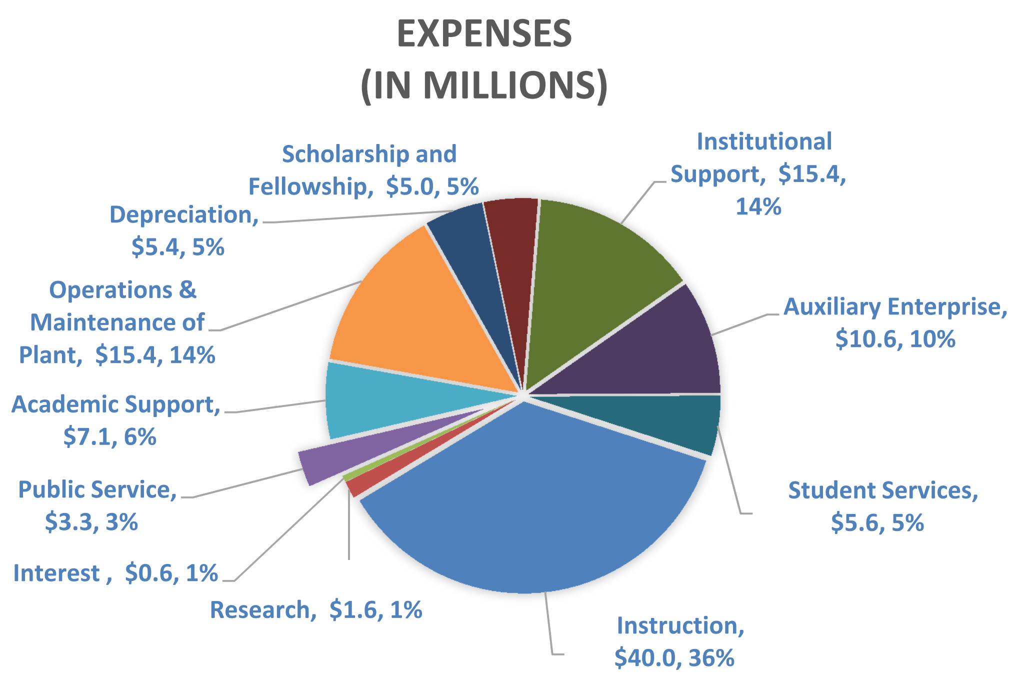
- Special funding situation and on-behalf payments revenues decreased by $10.4 million. The revenues represent the State of Illinois' direct contributions towards the University's employees' retirement and healthcare benefits. The change in the level of State's funding is determined by the cost of the benefits and the State's ability to pay for the benefits. Lastly, the related employee benefit cost is allocated among the various operating expense accounts under 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, 2019 in comparison with the fiscal year ended June 30, 2018 is as follows:

	2019 (in millions)	2018 (in millions)	Increase (Decrease)
Operating Expenses			
Education and general:			
Instruction	$ 40.0	$ 45.7	$ (5.7)
Research	1.6	1.7	(0.1)
Public service	3.3	2.9	0.4
Academic support	7.1	8.6	(1.5)
Student services	5.6	5.3	0.3
Institutional support	15.4	17.1	(1.7)
Operations and maintenance of plant	15.4	16.0	(0.6)
Depreciation	5.4	5.9	(0.5)
Scholarship and fellowship	5.0	7.8	(2.8)
Auxiliary enterprise expenses	10.6	9.5	1.1
Total Operating Expenses	109.4	120.5	(11.1)
Other Nonoperating Expenses			
Interest and other expenses	0.6	0.8	(0.2)
Total Expenses	$ 110.0	$ 121.3	$ (11.3)

The following graphic illustration presents the operating expenses by function.



Operating Expenses

Operating expenses decreased by $11.1 million from the balance one year ago ($120.5 million) to the current balance ($109.4 million). The decrease is mainly related to reduction in allocated special funding situation and on-behalf payments.

Economic Factors That Will Affect the Future

The State of Illinois has made progress in exhibiting sound fiscal management. In early July 2018, the State passed appropriations for fiscal year 2019. However, it continues to face economic challenges, including escalating employee benefit costs and clearing its backlog of obligations. The State of Illinois continues to lag in the unemployment economic indicator relative to its neighboring states. For the month ended August 2019, the Illinois unemployment rate was 4.0% while its neighboring states unemployment rate ranged from 2.5% to 3.3%.

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.

BASIC FINANCIAL STATEMENTS

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2019
(With Summarized Comparative Information as of June 30, 2018)

	2019		2018	
	University	**CSF**	**University**	**CSF**
ASSETS				
Current Assets				
Cash equity with State Treasurer	$ 557,482	$ -	$ 642,309	$ -
Cash and cash equivalents (Note 2)	26,667,928	96,766	30,025,105	-
Cash and cash equivalents - restricted (Note 2)	619,274	594,164	756,945	1,363,969
Securities lending collateral equity of State Treasurer (Note 2)	180,926	-	502,249	-
Balance in State Appropriation	1,245,427	-	653,719	-
Accounts receivable, net (Note 3)	4,675,933	850	5,788,741	111,718
Accounts receivable, net - restricted (Note 3)	484,399	-	3,267	-
Inventories	14,394	-	18,386	-
Loans and notes receivable, net (Note 3)	19,905	-	21,525	-
Prepaid expenses and other assets	537,059	-	349,333	-
Prepaid expenses and other assets - restricted	57,337	-	58,354	-
Total current assets	35,060,064	691,780	38,819,933	1,475,687
Noncurrent Assets				
Cash and cash equivalents - restricted (Note 2)	2,795,806		2,684,834	-
Endowment investments (Note 2)	-	6,068,215	-	5,263,068
Loans and notes receivable, net (Note 3)	393,309	-	528,513	-
Capital assets, net (Note 4)	142,633,233	-	146,185,230	-
Total noncurrent assets	145,822,348	6,068,215	149,398,577	5,263,068
Total Assets	180,882,412	6,759,995	188,218,510	6,738,755
DEFERRED OUTFLOWS FOR OPEB AND PENSION EXPENSE (Notes 9 and 10)	323,727	-	319,161	-
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	4,693,772	17,566	5,808,793	124,966
Obligations under securities lending collateral equity of State Treasurer	180,926	-	502,249	-
Accrued wages (Note 5)	2,164,843	-	1,903,684	-
Unearned revenue (Note 6)	2,348,890	-	2,413,923	-
Long-term liabilities - current portion (Note 7)	2,382,394	-	2,438,444	-
Total current liabilities	11,770,825	17,566	13,067,093	124,966
Noncurrent Liabilities				
Accrued compensated absences (Note 7)	3,366,523	-	3,221,733	-
Net OPEB liability (Note 7)	5,172,082	-	7,135,354	-
Bonds payable (Note 7)	6,640,000	-	8,085,000	-
Premium on bonds (Note 7)	78,598	-	101,054	-
Total noncurrent liabilities	15,257,203	-	18,543,141	-
Total Liabilities	27,028,028	17,566	31,610,234	124,966
DEFERRED INFLOWS FOR OPEB EXPENSE (Note 10)	8,190,946		8,397,460	-
NET POSITION				
Net investment in capital assets	134,447,179	-	136,506,926	-
Restricted for:				
Nonexpendable				
Scholarships and academic support	-	3,023,982	-	3,570,847
Expendable				
Direct programs and scholarships	25,720	3,465,616	57,087	3,940,545
Loans	755,001	-	767,028	-
Capital projects	450,038	-	450,038	-
Auxiliary services	945,521	-	512,537	-
Unrestricted	9,363,706	252,831	10,236,361	(897,603)
Total Net Position	$ 145,987,165	$ 6,742,429	$ 148,529,977	$ 6,613,789

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, 2019
(With Summarized Comparative Information for the Year Ended June 30, 2018)

	2019		2018	
	University	**CSF**	**University**	**CSF**
OPERATING REVENUES				
Student tuition and fees (net of scholarship allowances of $9,470,691 for 2019 and $8,299,090 for 2018)	$ 19,513,740	$ -	$ 20,406,694	$ -
Federal grants and contracts	6,864,139	-	6,612,411	-
State and local grants and contracts	180,094	-	1,396,486	-
Nongovernmental grants and contracts	275,919	-	11,560	-
Sales and services of auxiliary enterprises (net of scholarship allowances of $87,563 for 2019 and $61,023 for 2018)	7,050,464	-	6,944,730	-
Other operating revenues	7,742	406,115	189,080	813,520
Total operating revenues	33,892,098	406,115	35,560,961	813,520
OPERATING EXPENSES				
Educational and general				
Instruction	39,968,488	-	45,664,193	-
Research	1,598,951	-	1,660,598	-
Public service	3,341,199	-	2,896,839	-
Academic support	7,041,555	-	8,644,834	-
Student services	5,600,057	-	5,331,187	-
Institutional support	15,391,314	-	17,076,860	-
Operations and maintenance of plant	15,370,194	-	15,952,590	-
Depreciation	5,438,200	-	5,893,877	-
Scholarship and fellowship	5,002,400	110,006	7,806,382	90,951
Auxiliary enterprise expenses	10,624,151	-	9,492,656	-
Other operating expenses	-	580,990	-	1,047,879
Total operating expenses	109,376,509	690,996	120,420,016	1,138,830
OPERATING LOSS	(75,484,411)	(284,881)	(84,859,055)	(325,310)
NONOPERATING REVENUES (EXPENSES)				
State appropriations	35,258,300	-	58,427,275	-
Special funding situation	19,698,040	-	32,714,239	-
On-behalf payments	7,074,000	-	4,481,000	-
State nonoperating grants	3,384,041	-	6,549,484	-
Federal nonoperating grants	6,194,919	-	6,302,790	-
Investment income	538,013	363,521	402,288	428,828
Interest on capital asset - related debt	(450,769)	-	(517,915)	-
Other nonoperating expenses	(158,363)	-	(264,780)	-
Net nonoperating revenues (expenses)	71,538,181	363,521	108,094,381	428,828
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	(3,946,230)	78,640	23,235,326	103,518
Capital appropriations	1,058,656	-	131,306	-
Endowment contributions	-	50,000	-	600,000
Gain (loss) on disposal of capital assets	(2,151)	-	14,623	-
INCREASE (DECREASE) IN NET POSITION	(2,889,725)	128,640	23,381,255	703,518
NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	148,529,977	6,613,789	125,148,722	5,910,271
PRIOR PERIOD ADJUSTMENT (Note 20)	346,913	-	-	-
NET POSITION, BEGINNING OF YEAR, AS RESTATED	148,876,890	6,613,789	125,148,722	5,910,271
NET POSITION, END OF YEAR	$ 145,987,165	$ 6,742,429	$ 148,529,977	$ 6,613,789

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, 2019
(With Summarized Comparative Information for the Year Ended June 30, 2018)

	2019 University	2018 University
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 18,366,619	$ 20,806,490
Grants and contracts	8,875,036	6,606,915
Payment to suppliers for goods and services	(23,097,911)	(23,176,454)
Payments to employees for services	(51,601,859)	(49,854,878)
Payments for scholarship and fellowship	(5,298,761)	(7,806,382)
Loans issued to students and employees	1,620	(61,298)
Loans collected from students	-	211,972
Student direct lending receipts	31,838,268	34,699,199
Student direct lending disbursements	(31,838,268)	(34,699,199)
Sales and services of auxiliary enterprises	7,065,573	6,958,939
Other receipts (disbursements)	4,318	78,994
Net cash used in operating activities	(45,685,365)	(46,235,702)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	34,667,367	57,926,412
State nonoperating grants	3,382,497	6,546,395
Federal nonoperating grants	6,703,829	5,794,096
Other noncapital financing activities	(158,363)	(205,480)
Net cash provided by noncapital financing activities	44,595,330	70,061,423
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from disposal of equipment	-	18,500
Purchases of capital assets	(829,698)	(2,863,109)
Capital grants	(225,743)	26,649
Principal paid on capital debt and leases	(1,382,315)	(1,408,346)
Interest paid on capital debt and leases	(478,925)	(545,811)
Net cash used in capital financing activities	(2,916,681)	(4,772,117)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and/or dividends on investments	538,013	402,288
Net cash provided by investing activities	538,013	402,288
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,468,703)	19,455,892
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	34,109,193	14,653,301
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 30,640,490	$ 34,109,193
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (75,484,411)	$ (84,859,055)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	5,438,200	5,893,877
Special funding situation	19,698,040	32,714,239
On-hehalf payments	7,074,000	4,481,000
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivables, net	349,278	(1,061,192)
Inventories	3,992	2,296
Prepaid expenses and other assets	(186,709)	5,785
Deferred outflows for OPEB and pension expense	(4,566)	(32,037)
Loans and notes receivable	136,824	(39,963)
Accounts payable and accrued liabilities	(762,408)	(3,437,036)
Accrued wages	261,160	945,844
Unearned revenue	(65,034)	142,206
Accrued compensated absences	43,473	373,857
Net OPEB liability	(1,980,690)	(9,762,983)
Deferred inflows for OPEB expense	(206,514)	8,397,460
Net cash used in operating activities	$ (45,685,365)	$ (46,235,702)
NONCASH INVESTING AND NONCAPITAL FINANCING ACTIVITIES		
Capital appropriations	$ 1,058,656	$ 131,306
Special funding situation	19,698,040	32,714,239
On-behalf payments	7,074,000	4,481,000
Loss (gain) on disposal of capital assets	2,151	(14,623)

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

State of Illinois
Chicago State University
Notes to the Basic Financial Statements
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Chicago State University (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 (Board), 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 Chicago State Foundation (CSF or Foundation), and the accounts of the University Auxiliary Facilities System Revenue Bond Fund, Series 1998.

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. CSF is reported as a discretely presented component unit in the University's financial statements.

Separate financial statements for the Foundation may be obtained at the Foundations' 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 an action of the Board. 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 2018 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, 2018.

Reclassifications - Certain items in the June 30, 2018 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:

	2019	2018	Net Change
Vacation leave	$ 3,389,229	$ 3,260,054	$ 129,175
Sick leave	772,005	770,227	1,778
Total	$ 4,161,234	$ 4,030,281	$ 130,953

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 the purpose of measuring the net pension liability, deferred outflows and 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 have been determined on the same basis as they are reported by SURS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Other Postemployment Benefits (OPEB) - The State Employees Group Insurance Act of 1971 (SEGIA) (5 ILCS 375), as amended, authorizes the State Employees Group Insurance Program (SEGIP), which includes activity for both active employees and retirees, to provide health, dental, vision and life insurance benefits as a single-employer defined benefit OPEB plan not administered as a trust. Substantially all State and university component unit employees become eligible for these OPEB plan benefits when they become annuitants of one of the State sponsored pension plans. The Department of Central Management Services (CMS) administers these benefits for the annuitants with the assistance of the public retirement systems sponsored by the State, including the General Assembly Retirement System (GARS), Judges Retirement System (JRS), State Employees Retirement System (SERS), Teachers' Retirement System (TRS), and SURS.

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

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

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

During the OPEB measurement period ended June 30, 2018, the University made voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of $460,288 to help offset the amount the State needed to provide for retirees under the special funding situation described in the preceding paragraph.

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

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

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

On-Behalf Payments - The University had outside sources of financial assistance provided by the State on behalf of the University during the year ended June 30, 2019.

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

During the year ended June 30, 2019, total estimated group insurance contributions for the University's employees paid from the University's Income Fund and auxiliary enterprises were $7,724,445. The University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of $650,445 to help offset the amount the State needed to provide for current employees under the situation described in the preceding paragraph. As such, the State contributed the estimated remaining balance of $7,074,000 on-behalf of the University to meet this obligation for current employees.

As the University is not legally responsible to pay for the on-behalf support provided by the State, the University recognizes non-operating revenues and operating expenses allocated to the related function performed by the employees within the University's financial statements for its current employees' participation in group insurance.

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 also 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 Statements No. 83, *Certain Asset Retirement Obligations* and No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings And Direct Placements*, during the fiscal year ended June 30, 2019. GASB Statement No. 83 seeks to address the accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. GASB Statement No. 88 seeks to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The impact of adoption of these statements has been deemed minimal to the reporting of the University.

In addition, the University will be required to implement GASB Statements No. 84, *Fiduciary Activities,* and No. 90, *Majority Equity Interest,* in fiscal year 2020, and GASB Statements No. 87, *Leases,* and No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* in fiscal year 2021. 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, 2019, the carrying amount of the University and the CSF deposits with private financial institutions were $30,049,236 and $690,930, respectively. This amount consisted of cash 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	$10,429,464	$12,284,680	$ 690,930	$ 701,221
Add: Investments classified as cash equivalents (maturity <90 days) - Illinois Funds - Standard & Poor's AAAm	19,619,772			
Add: Cash on hand	33,772			
Total cash and cash equivalents	$30,083,008		$ 690,930	

	Carrying Amount	
	University	CSF
Cash and cash equivalents	$ 26,667,928	$ 96,766
Cash and cash equivalents - restricted - current	619,274	594,164
Cash and cash equivalents - restricted - noncurrent	2,795,806	–
Total	$ 30,083,008	$ 690,930

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 $1,000,199 and $287,494 for the University and CSF at June 30, 2019, respectively. Another $11,284,481 in University's bank balances were covered by pledged collateral in the University's name, while the remaining $413,727 in 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, 2019 consisted of the following:

	University Fair Value	CSF Fair Value
Money market funds and other	$ –	$ 1,124,745
U.S. Treasury & agency obligations	–	1,162,215
Common stock	–	2,909,775
Corporate debt securities	–	871,480
Illinois Funds (Standard & Poor's AAAm)	19,619,772	–
Total	19,619,772	6,068,215
Less: Investments classified as cash equivalents (maturity < 90 days)	(19,619,772)	–
Total investments	$ –	$ 6,068,215

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 $5,196,735, 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 $871,480, 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.

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The CSF does not have a policy limiting its exposure to foreign currency risk.

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	$ 704,344	$ 63,254	$ 470,892	$170,198	$ –	No rating
U.S. agency/guaranteed obligations	457,871	198,315	199,177	60,379	–	AAA
Total U.S. Treasury/agency	1,162,215	261,569	670,069	230,577	–	
Corporate debt securities	871,480	–	572,200	299,280	–	A1 to Baa3
Total	$2,033,695	$261,569	$1,242,269	$529,857	$ –	

Investment return at June 30, 2019 and its classification in the CSF financial statements are shown below:

Interest and dividends	$ 99,987
Net realized and unrealized gains	263,510
Total investment return	$ 363,497

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 years 2019 and 2018, Deutsche Bank AG 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 during fiscal years 2019 and 2018 on the amount of loans of available, eligible securities. In the event of borrower default, Deutsche Bank AG provides the State Treasurer with counterparty default indemnification. In addition, Deutsche Bank AG is obligated to indemnify the State Treasurer if Deutsche Bank AG loses any securities, collateral or investments of the State Treasurer in Deutsche Bank AG's custody. There were no losses during fiscal years 2019 and 2018 resulting from a default of the borrowers or Deutsche Bank AG.

During fiscal years 2019 and 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 AG 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, 2019 were $3,103,274,125 and $3,064,814,670, respectively. The securities lending collateral received that was 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, 2019 arising from securities lending agreements to the various funds of the State. The total allocated to the University at June 30, 2019 was $180,926.

NOTE 3 - ACCOUNTS, PLEDGES AND LOANS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2019:

Student tuition and fees	$ 12,794,176
Federal, State and private grants and contracts	2,749,405
Third party and other receivable	780,457
Total Gross Receivable	16,324,038
Less allowance for doubtful accounts	(11,163,706)
Net Accounts Receivable	$ 5,160,332

Loans receivable (Federal Perkins Loans) consisted of the following at June 30, 2019:

Loans receivable	$ 1,455,570
Less allowance for doubtful accounts	(1,042,356)
Net Loans Receivable	$ 413,214
Current portion	$ 19,905
Noncurrent portion	393,309
Net Loans Receivable	$ 413,214

The University still maintains notes receivable related to the Perkins Loan program.

NOTE 4 - CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2019:

	Amount in thousands				
	Balance July 1, 2018	Additions	Retirements	Net Transfers	Balance June 30, 2019
Capital assets not being depreciated:					
Land	$ 9,611	$ –	$ –	$ –	$ 9,611
Works of art	41	–	–	–	41
Construction in progress	12,393	1,059	–	(261)	13,191
Total capital assets not being depreciated	22,045	1,059	–	(261)	22,843

	Amount in thousands				
	Balance July 1, 2018	Additions	Retirements	Net Transfers	Balance June 30, 2019
Other capital assets:					
Site improvements	17,422	54	–	–	17,476
Buildings and building improvements	189,308	488	–	261	190,057
Equipment	19,961	228	(353)	–	19,836
Intangible assets	1,490	–	–	–	1,490
Library books	13,534	59	–	–	13,593
Total other capital assets	241,715	829	(353)	261	242,452
Less accumulated depreciation	(117,575)	(5,438)	351	–	(122,662)
Total other capital assets, net	124,140	(4,609)	(2)	261	119,790
Capital assets, net	$ 146,185	$ (3,550)	$ (2)	$ –	$ 142,633

NOTE 5 - ACCRUED WAGES

Accrued wages includes 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 $2,164,843 at June 30, 2019. Accrued wages also include unpaid insurance benefits of $327,686.

NOTE 6 - UNEARNED REVENUE

Unearned revenue consists of the following at June 30, 2019:

Tuition and fees	$ 639,502
Grants and contracts	1,709,388
Total Unearned Revenue	$ 2,348,890

NOTE 7 - LONG-TERM LIABILITIES

Long-term liabilities as of June 30, 2019 consist of the following:

	June 30, 2019	Current Portion	Noncurrent Portion
Accrued compensated absences	$ 4,161,234	$ 794,711	$ 3,366,523
Net OPEB Liability	5,292,309	120,227	5,172,082
Bonds payable	8,085,000	1,445,000	6,640,000
Premium on bonds	101,054	22,456	78,598
Total Long-Term Liabilities	$ 17,639,597	$ 2,382,394	$15,257,203

The changes in long-term liabilities are as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Accrued compensated absences	$ 4,030,281	$ 697,565†	$ (566,612) *	$ 4,161,234
Net OPEB Liability	7,272,999	–	(1,980,690)	5,292,309
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	$20,981,585	$ 697,565	$(4,039,553)	$17,639,597

**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, were subject to redemption at the option of the Board 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, 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. Moody's Investor Service applies the National Public Finance Guarantee rating to municipal bonds subject to the reinsurance agreement with MBIA Corp.

As of December 12, 2018, the Moody's ratings are Ba3 for MBIA Corp. and Baa2 for National Public Finance Guarantee.

Maturity Information

The scheduled maturities of the bonds payable are as follows:

Fiscal Year	Revenue Bonds	Interest	Total Payments
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	$ 8,085,000	$1,160,638	$ 9,245,638

NOTE 8 - NATURAL CLASSIFICATIONS

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

Compensation and benefits	$ 76,486,762
Contractual services	18,147,802
Commodities	2,332,455
Awards and grants	5,298,761
Telecommunication	546,703
Other operating expenses	1,125,826
Depreciation	5,438,200
Total Operating Expenses	$ 109,376,509

NOTE 9 - 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, 2018 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 2018 and 2019, respectively, was 12.46% and 12.29% 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), Section 15-155(g) (relating to contributions payable due to earning increases exceeding 6% during the final rate of earnings period), and Section 15-1550-5) (relating to contributions payable due to earnings exceeding the salary set for the Governor).

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

Net Pension Liability

The net pension liability (NPL) was measured as of June 30, 2018. At June 30, 2018, SURS reported an NPL of $27,494,556,682.

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 $297,436,114 or 1.0818%. This amount is not recognized in the University's financial statement. The net pension liability and total pension liability as of June 30, 2018, was determined based on the June 30, 2017 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 2018.

Pension Expense

At June 30, 2018 SURS reported a collective net pension expense of $2,685,322,700.

Employer Proportionate Share of Pension Expense

The University's proportionate share of collective pension expense is recognized as non-operating revenue with matching operating expense (compensation and benefits) 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 2018. As a result, the University recognized non-operating revenue and pension expense allocated among various operating expense accounts of $29,049,821 from this special funding situation for the fiscal year ended June 30, 2019.

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	$ 65,521,614	$ 181,032,053
Changes in assumption	1,286,257,095	123,218,306
Net difference between projected and actual earnings on pension plan investments	26,810,634	–
Total	$ 1,378,589,343	$ 304,250,359

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
2019	$ 763,171,084
2020	540,443,042
2021	(192,612,398)
2022	(36,662,744)
2023	–
Thereafter	–
Total	$ 1,074,338,984

Employer Deferral of Fiscal Year 2019 Pension Expenses

The University paid $202,145 in federal, trust or grant contributions for the fiscal year ended June 30, 2019. These contributions were made subsequent to the pension liability measurement date of June 30, 2018 and are recognized as deferred outflows of resources as of June 30, 2019.

Assumptions and Other Inputs

Actuarial assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period June 30, 2014 - 2017. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	3.25 to 12.25 percent, including inflation
Investment rate of return	6.75 percent beginning with the actuarial valuation as of June 30, 2018

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, 2018, 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%	5.00%
Private equity	6%	8.50%
Non-U.S. equity	19%	6.45%
Global equity	8%	6.00%
Fixed income	19%	1.50%
Treasury-inflation protected securities	4%	0.75%
Emerging market debt	3%	3.65%
Real estate REITs	4%	5.45%
Direct real estate	6%	4.75%
Commodities	2%	2.00%
Hedged strategies	5%	2.85%
Opportunity fund	1%	7.00%
Total	100%	4.55%
Inflation		2.75%
Expected arithmetic return		7.30%

Discount Rate - A single discount rate of 6.65% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 6.75% and a municipal bond rate of 3.62% (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 2075. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2075, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the System's Net Pension Liability to Changes in the Discount Rate - Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 6.65%, 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 5.65%	Current Single Discount Rate Assumption 6.65%	1% Increase 7.65%
$ 33,352,188,584	$ 27,494,556,682	$ 20,650,651,520

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 10 - OTHER POSTEMPLOYMENT BENEFITS

Plan description. SEGIA, as amended, authorizes SEGIP to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all of the University's full-time employees are members of SEGIP. Members receiving monthly benefits from the GARS, JRS, SERS, TRS, and SURS are eligible for these OPEB. The eligibility provisions for SURS are defined within Note 9.

CMS administers OPEB for annuitants with the assistance of GARS, JRS, SERS, TRS, and SURS. The State recognizes SEGIP as a single-employer defined benefit plan, which does not issue a stand-alone financial report.

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

Funding policy and annual OPEB cost. OPEB offered through SEGIP are financed through a combination of retiree premiums, SEGIP contributions pursuant to SEGIA (5 ILCS 375/11), and Federal government subsidies from the Medicare Part D program. These contributions are deposited in the Health Insurance Reserve Fund, which covers both active employees and retired members. Annuitants may be required to contribute towards health and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in GARS, JRS, SERS, TRS, and SURS do not contribute toward health and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health and vision benefits. All annuitants are required to pay for dental benefits regardless of retirement date. CMS' Director, on an annual basis, determines the amount of contributions necessary to fund the basic program of group benefits. The State's contributions are made primarily from the State's General Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree benefits and a separate trust has not been established for the funding of OPEB.

For fiscal year 2019, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $11,269 ($6,699 if Medicare eligible) per member if the annuitant chose benefits provided by a health maintenance organization and $13,824 ($4,984 if Medicare eligible) per member if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

CMS' changes in estimates. For the measurement date of June 30, 2018, CMS experienced two significant changes within its estimation process. The OPEB for both the special funding situation and the portion of OPEB where the University is responsible for employer contributions are both significantly impacted by (1) the University's number of participants in SEGIP and (2) the average cost per employee within SEGIP. CMS made changes to its estimation methodology that resulted in significant differences within its estimates which represent an outcome of estimation uncertainty that, as time has passed and new sources of better data have become available, continued to be refined to achieve a more representative reflection of the actual outcome of the estimate in future periods. As such, the University experienced a significant decrease in its own OPEB liability and expense and in the non-operating revenue and operating expenses recognized from the special funding situation.

Special funding situation portion of OPEB. The proportionate share of the State's OPEB expense relative to the University's employees totaled ($9,351,781) during the year ended June 30, 2019. This amount was recognized by the University as non-operating special funding situation revenue and operating expense allocated to the related function performed by the employees during the year ended June 30, 2019.

While the University is not required to record the portion of the State's OPEB liability related to the University's employees resulting from the special funding situation, the University is required to disclose this amount. The following chart displays the proportionate share of the State's contributions related to the University's special funding situation relative to all employer contributions during the years ended June 30, 2018 and 2017, each based on the June 30, 2017 and 2016, respectively, actuarial valuation rolled forward:

Measurement Date:	June 30, 2018	June 30, 2017
State of Illinois' OPEB liability related to the University under the special funding situation	$ 190,409,251	$ 226,008,453
SEGIP total OPEB liability	40,093,248,494	41,323,858,855
Proportionate share of the total OPEB liability	0.4749%	0.5469%

University's portion of OPEB and disclosures related to SEGIP generally

Total OPEB liability, deferred outflows of resources, deferred inflows of resources and expense related to OPEB. The University's total OPEB liability, as reported at June 30, 2019, was measured as of the measurement date on June 30, 2018, with an actuarial valuation as of June 30, 2017, which was rolled forward to the measurement date. The following chart displays the proportionate share of the University's contributions relative to all employer contributions during the years ended June 30, 2018 and 2017, each based on the June 30, 2017 and 2016, respectively, actuarial valuation rolled forward:

Measurement Date:	June 30, 2018	June 30, 2017
University's OPEB liability	$ 5,292,309	$ 7,272,999
SEGIP total OPEB liability	40,093,248,494	41,323,858,855
Proportionate share of the total OPEB liability	0.0132%	0.0176%

The University's portion of the OPEB liability was based on the University's proportion share amount determined under the methodology described in Note 1 during the year ended June 30, 2018. As of the current year measurement date of June 30, 2018, the University's proportion declined 0.0044% from its proportion measured as of the prior year measurement date of June 30, 2017.

The University recognized OPEB expense for the year ended June 30, 2019, of ($1,915,079). At June 30, 2019, the University reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2018, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,355	$ 116,535
Changes in assumptions	–	497,001
Changes in proportion and differences between University contributions and proportionate share of contributions	–	7,577,410
University contributions subsequent to the measurement date	120,227	–
Total	$ 121,582	$ 8,190,946

$120,227 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, 2020. 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	Total Amount Recognized of Deferred Inflows and Outflows over the Remaining Service Life of All Employees (5.138662 years)
2020	$ (2,287,065)
2021	(2,287,065)
2022	(2,287,065)
2023	(1,267,573)
2024	(60,823)
Total	$ (8,189,591)

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, 2017, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2017.

The valuation date of June 30, 2017, below was rolled forward to June 30, 2018.

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Inflation	2.75%
Projected Salary Increases*	3.00% - 15.00%
Discount Rate	3.62%
Healthcare Cost Trend Rate:	
Medical (Pre-Medicare)	8.0% grading down 0.5% in the first year to 7.5%, then grading down 0.08% in the second year to 7.42%, followed by grading down of 0.5% per year over 5 years to 4.92% in year 7
Medical (Post-Medicare)	9.0% grading down 0.5% per year over 9 years to 4.5%
Dental and Vision	6.0% grading down 0.5% per year over 3 years to 4.5%
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 2018 and 2019 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, 2017 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

(continued)

	Retirement age Experience study^	Mortality^^
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 2014 - June 2017	RP-2014 with future mortality improvements on a fully generational basis using projection table MP-2017
SURS	July 2014 - June 2017	RP-2014 White Collar, gender distinct, projected using MP-2014 two dimensional mortality improvement scale, set forward one year for male and female annuitants

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

Since the last measurement date on June 30, 2018, the State has not made any significant changes to the benefit terms affecting the measurement of the collective total OPEB liability. Further, no changes have occurred since the measurement date and the University's fiscal year end on June 30, 2019, that are expected to have a significant impact on the University's proportionate share of the total collective OPEB liability.

Discount rate. Retirees contribute a percentage of the premium rate based on service at retirement. The State contributes additional amounts to cover claims and expenses in excess of retiree contributions. Because plan benefits are financed on a pay-as-you-go basis, the single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. A single discount rate of 3.56% at June 30, 2017, and 3.62% as of June 30, 2018, was used to measure the total OPEB liability.

Sensitivity of total OPEB liability to changes in the single discount rate. The following presents the University's proportionate share of the plan's total OPEB liability measured as of June 30, 2018, calculated using a Single Discount Rate of 3.62%, as well as what the University's proportionate share of the plan's total OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (4.62%) or lower (2.62%) than the current rate (amounts expressed in thousands):

	1% Decrease (2.62%)	Current Single Discount Rate Assumption (3.62%)	1% Increase (4.62%)
University's proportionate share of total OPEB liability	$ 6,205	$ 5,292	$ 4,568

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The following presents the University's proportionate share of the plan's total OPEB liability measured as of June 30, 2018, calculated using the healthcare cost trend rates as well as what the University's proportionate share of the plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or lower, than the current healthcare cost trend rates (amounts expressed in thousands). For calculating the healthcare cost trend rates assumption, the key trend rates are 8% in 2019 decreasing to an ultimate trend rate of 4.92% in 2026 for non-Medicare coverage, and 9.0% decreasing to an ultimate trend rate of 4.5% in 2028 for Medicare coverage. For the 1% decrease for calculating the healthcare cost trend rates assumption, the key trend rates are 7.00% in 2019 decreasing to an ultimate trend rate of 3.92% in 2026, for non-Medicare coverage, and 8.00% in 2019 decreasing to an ultimate trend rate of 3.50% in 2028 for Medicare coverage. For the 1% increase for calculating the healthcare cost trend rates assumption, the key trend rates are 9.00% in 2019 decreasing to an ultimate trend rate of 5.92% in 2026, for non-Medicare coverage, and 10.00% in 2019 decreasing to an ultimate trend rate of 5.50% in 2028 for Medicare coverage.

	1% Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
University's proportionate share of total OPEB liability	$ 4,470	$ 5,292	$ 6,361

Total OPEB Liability Associated with the University, Regardless of Funding Source. The University is required to disclose all OPEB liabilities related to it, including (1) the portion of the State's OPEB liability related to the University's employees resulting from the special funding situation the University is not required to record and (2) the portion of OPEB liability recorded by the University for its employees paid from trust, federal, and other funds. The following chart displays the proportionate share of contributions, regardless of funding source, associated with the University's employees relative to all employer contributions during the years ended June 30, 2018 and 2017 , each based on the June 30, 2017 and 2016, respectively, actuarial valuation rolled forward:

Measurement Date:	June 30, 2018	June 30, 2017
State of Illinois' OPEB liability related to the University under the Special Funding Situation	$ 190,409,251	$ 226,008,453
University's OPEB liability	5,292,309	7,272,999
Total OPEB liability associated with the University	$ 195,701,560	$ 233,281,452
SEGIP total OPEB liability	$ 40,093,248,494	$ 41,323,858,855
Proportionate share of the OPEB liability associated with the University	0.4881%	0.5645%

NOTE 11 - 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 purchased 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 12 - RELATED PARTY TRANSACTIONS

A summary of related party transactions during the year ended June 30, 2019, is as follows:

The University and CSF, under the terms of a "Memorandum of Understanding" (MOU) effective May 14, 2019, 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 MOU, 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 $97,493 for the current fiscal year. CSF recognized these services as in-kind revenues and expenses on its financial statements.

CSF reciprocates by providing fundraising and other services to the University. These services were valued at $534,357 for the year ended June 30, 2019. Scholarships or stipends provided by CSF, which benefited the University, totaled $113,255 for the year ended June 30, 2019, and is included in the value of total services.

Since CSF information is discretely presented, the activities between CSF and the University are not eliminated on the entity's financial statements. Conversely, the University and its component unit are consolidated on the State's comprehensive annual financial report, the following disclosure is presented.

University	CSF Operating Revenue
Operating Expense	$ 97,493

NOTE 13 - STUDENT FINANCIAL ASSISTANCE

The University participates in the U.S. Department of Education's Direct Student Loan Program. The University awarded $31,838,268 in direct student loans for the year ended June 30, 2019. 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 revenues 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 14 - 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, 2019**
Assets		
Current assets - restricted	$	1,159,762
Capital assets, net		10,805,023
Total Assets		11,964,785
Liabilities		
Current liabilities		1,593,889
Noncurrent liabilities		6,806,406
Total Liabilities		8,400,295
Net Position		
Net investment in capital assets		2,618,969
Restricted for auxiliary services		945,561
Total Net Position	$	3,564,490

Condensed Statement of Revenues, Expenses, and Changes in Net Position		**Year Ended June 30, 2019**
Operating revenues	$	3,611,003
Operating expenses		3,171,121
Operating income		439,882
Nonoperating revenues, net		921,655
Increase in net position		1,361,537
Net position, beginning of year		2,202,953
Net position, end of year	$	3,564,490

Condensed Statement of Cash Flows		**Year Ended June 30, 2019**
Net cash provided (used) by:		
Operating activities	$	423,134
Noncapital financing activity		1,370,767
Capital financing activities		(1,934,477)
Investing activity		1,657
Net decrease in cash and cash equivalents		(138,919)
Cash and cash equivalents, beginning of year		756,945
Cash and cash equivalents, end of year	$	618,026

NOTE 15 - 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 16 - 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, 2019, no such endowment dividends and interest were transferred to the unrestricted funds for CSF, however, $600,000 of principal was transferred from nonexpendable to expendable net position, due to the donor's signed approval.

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 17 - 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.	$ 9,245,638	2024	10.70%

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

NOTE 18 - STATE OF ILLINOIS APPROPRIATIONS

In June 2018, the General Assembly passed HB 109, Public Act 100-0586. In this Act, the University received Fiscal Year 2019 appropriations as follows: $33,351,300 from the Education Assistance Fund, $1,600,000 from the Education Improvement Fund and $307,000 from the General Professions Dedicated Fund.

NOTE 19 - OPERATING LEASES

In fiscal year 2019, the University leased various computer equipment under operating lease agreements. Total rental expense under these agreements was $236,121 as of June 30, 2019. Future minimum lease payments are as follows for the year ending June 30:

2020	$ 262,120
2021	262,120
2022	262,120
2023	262,120
2024	25,998
Total	$ 1,074,478

NOTE 20 - PRIOR PERIOD ADJUSTMENT

The University restated its net position as of July 1, 2018 to correct an accounting error. The University continued an analysis of its stale checks during fiscal year 2019 that concluded during fiscal year 2020 and determined $346,913 in stale checks should be written off as the University had already settled these stale checks with the vendors, students, or employees. As it had previously recognized an expense for these transactions when the amount was paid during prior periods, the University restated its beginning net position to reflect the write-off. This adjustment increased the University's net position by $346,913.

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

Net position, beginning of year, as previously reported	$ 148,529,977
Effect of correction of an error	346,913
Net position, beginning of year, as restated	$ 148,876,890

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

State of Illinois
Chicago State University
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2019

Schedule of Share of Net Pension Liability (Unaudited)

Schedule of Pension Allocations		FY2018	FY2017	FY2016	FY2015	FY2014
(a) Proportional percentage of the collective net pension liability		0%	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		297,436,114	272,418,504	348,769,627	346,747,343	342,183,267
Total (b) + (c)		$ 297,436,114	$ 272,418,504	$ 348,769,627	$ 346,747,343	$ 342,183,267
Employer defined benefit covered payroll		$ 38,313,622	$ 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		12.88%	13.73%	13.83%	15.25%	16.62%
SURS plan net position as a percentage of total pension liability		41.27%	42.04%	39.57%	42.37%	44.39%
Fiscal Year 2019 total defined benefit covered payroll:	$40,676,298					

Schedule Contributions (Unaudited)

	FY2019	FY2018	FY2017	FY2016	FY2015	FY2014
Federal, trust, grant and other contribution	$ 202,145	$ 179,185	$ 165,753	$ 287,671	$ 318,777	$ 348,064
Contribution in relation to required contribution	202,145	179,185	165,753	287,671	318,777	348,064
Contribution deficiency (excess)	-	-	-	-	-	-
Employer covered-employee payroll	$ 2,065,529	$ 1,690,851	$ 2,531,033	$ 3,538,415	$ 4,104,465	$ 4,533,557
Contributions as a percentage of covered payroll	10.10%	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 2019 total defined benefit contributions:	$ 3,293,125
Fiscal Year 2019 self-managed plan total contributions:	$ 409,347

State of Illinois
Chicago State University
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2019

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, 2018.

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, 2014 to June 30, 2017 was performed in February 2018, resulting in the adoption of new assumptions as of June 30, 2018.

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

State of Illinois
Chicago State University
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2019

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

	FY 2018	FY 2017
University's proportion of the collective net OPEB liability	0.0132%	0.0176%
University's proportion share of the collective net OPEB liability	$ 5,292,309	$ 7,272,999
Portion of nonemployer contributing entities' total proportion of collective net OPEB liability associated with the University	190,409,251	226,008,453
Total net OPEB liability associated with the University	$ 195,701,560	$ 233,281,452
University's covered-employee payroll	$ 47,254,679	$ 41,994,503
University's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	11.20%	17.32%

**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 OPEB Liability as of June 30, 2018.

Changes of Assumptions

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

2018	3.62%
2017	3.56%

SUPPLEMENTARY INFORMATION

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
University Auxiliary Facilities System Revenue Bond Fund, Series 1998
Statement of Net Position
As of June 30, 2019
(With Comparative Totals as of June 30, 2018)

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents - restricted	$ 618,026	$ 756,945
Accounts receivable, net - restricted	484,399	3,267
Prepaid expenses - restricted	57,337	58,354
Total Current Assets	1,159,762	818,566
Noncurrent Assets		
Land improvements	596,600	596,600
Buildings and improvements	20,778,764	20,707,423
Furniture and equipment	502,142	487,930
Less: accumulated depreciation	(11,072,483)	(10,523,027)
Total Noncurrent Assets	10,805,023	11,268,926
Total Assets	11,964,785	12,087,492
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	110,251	201,952
Unearned revenue	16,182	8,244
Long-term liabilities - current portion	1,467,456	1,392,456
Total Current Liabilities	1,593,889	1,602,652
Noncurrent Liabilities		
Accrued compensated absences	87,808	95,833
Bonds payable	6,640,000	8,085,000
Premium on bonds	78,598	101,054
Total Noncurrent Liabilities	6,806,406	8,281,887
Total Liabilities	8,400,295	9,884,539
NET POSITION		
Net investment in capital assets	2,618,969	1,690,416
Restricted for auxiliary services	945,521	512,537
	$ 3,564,490	$ 2,202,953

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, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	2019	2018
OPERATING REVENUES		
Room and board (net of scholarship allowances of $87,563)	1,786,831	$ 1,651,471
Bookstore commissions	40,287	58,142
Vending and catering commissions	43,108	43,456
Parking fees	517,195	545,821
University center fees	1,223,582	1,281,514
Total operating revenues	3,611,003	3,580,404
OPERATING EXPENSES		
Personal services	991,914	936,869
Expended for plant	17,617	24,505
Commodities	73,294	72,088
Contractual services	1,383,188	1,346,176
Depreciation	549,456	550,069
Miscellaneous	155,652	47,974
Total operating expenses	3,171,121	2,977,681
OPERATING INCOME	439,882	602,723
NONOPERATING REVENUES (EXPENSES)		
Investment income	1,657	2,669
Transfers in (out), net	1,370,767	(369,050)
Interest on capital asset - related debt	(450,769)	(517,906)
Net nonoperating revenue (expenses)	921,655	(884,287)
INCREASE (DECREASE) IN NET POSITION	1,361,537	(281,564)
NET POSITION, BEGINNING OF YEAR	2,202,953	2,484,517
NET POSITION, END OF YEAR	$ 3,564,490	$ 2,202,953

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, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Room and board	$ 1,432,780	$ 1,651,471
Bookstore commissions	24,708	59,550
Vending and catering commissions	43,108	43,456
Parking fees	505,337	546,579
University center fees	1,131,876	1,280,384
Payment to suppliers for goods and services	(1,714,736)	(1,389,532)
Payments to employees for services	(999,939)	(895,481)
Net cash provided by operating activities	423,134	1,296,427
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY		
Transfers from (to) local income fund	1,370,767	(369,050)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(85,553)	(261,185)
Principal paid on capital debt	(1,370,000)	(1,305,000)
Interest paid on capital debt	(478,924)	(545,800)
Net cash used by capital financing activities	(1,934,477)	(2,111,985)
CASH FLOWS FROM INVESTING ACTIVITY		
Interest on investments	1,657	2,669
NET DECREASE IN CASH AND CASH EQUIVALENTS	(138,919)	(1,181,939)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	756,945	1,938,884
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 618,026	$ 756,945
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 439,882	$ 602,723
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	549,456	550,069
Changes in assets and liabilities:		
Accounts receivables, net - restricted	(481,132)	2,513
Prepaid expenses - restricted	1,017	(1,016)
Accounts payable and accrued liabilities	(86,002)	102,227
Unearned revenue	7,938	(1,477)
Accrued compensated absences	(8,025)	41,388
Net cash provided by operating activities	$ 423,134	$ 1,296,427

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
OPEB - FY2019 TABLE OF OPERATING EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

The following table presents a break-down of the various types of expenses which collectively comprise the University's functional operating expense accounts.

	Compensation and Benefits										
	University's Expenses				State of Illinois' Expenses						Total Operating
	Salaries[1]	Benefits[2]	OPEB[3]	Sub-Total	Benefits[2]	OPEB[3]	Pension	Sub-Total	Total	Other Expenses	Expenses
Educational and general:											
Instruction	$ 23,964,997	$ 591,474	$ (1,084,598)	$ 23,471,873	$ 3,539,187	$ (4,676,722)	$ 14,533,893	$ 13,396,358	$ 36,868,231	$ 3,100,257	$ 39,968,488
Research	891,864	58,167	(24,409)	925,622	79,648	(105,248)	327,079	301,479	1,227,101	371,850	1,598,951
Public service	1,099,712	283,385	-	1,383,097	(3,116)	-	(12,797)	(15,913)	1,367,184	1,974,015	3,341,199
Academic support	3,676,177	77,187	(161,531)	3,591,833	527,098	(696,514)	2,164,563	1,995,147	5,586,980	1,454,575	7,041,555
Student services	3,205,317	62,906	(104,496)	3,163,727	340,985	(450,582)	1,400,277	1,290,680	4,454,407	1,145,650	5,600,057
Institutional support	6,843,403	165,141	(318,119)	6,690,425	1,038,064	(1,371,709)	4,262,875	3,929,230	10,619,655	4,771,659	15,391,314
Operation and maintenance of plant	6,896,443	150,376	(318,352)	6,728,467	1,038,826	(1,372,716)	4,266,002	3,932,112	10,660,579	4,709,615	15,370,194
Depreciation	-	-	-	-	-	-	-	-	-	5,438,200	5,438,200
Scholarship and felllowship	-	-	-	-	-	-	-	-	-	5,002,400	5,002,400
Auxiliary facilities:											
Student housing, activity facilities, and parking	3,842,679	74,304	(157,305)	3,759,678	513,308	(678,290)	2,107,929	1,942,947	5,702,625	4,921,526	10,624,151
Total	$ 50,420,592	$ 1,462,940	$ (2,168,810)	$ 49,714,722	$ 7,074,000	$ (9,351,781)	$ 29,049,821	$ 26,772,040	$ 76,486,762	$ 32,889,747	$ 109,376,509

[1] *Salaries includes employer contributions for Social Security, Medicare, and unemployment.*

[2] *Benefits includes certain group insurance costs, such as healthcare and life insurance. For the University, it also includes employer §403(b) contributions.*

[3] *OPEB refers to other post-employment benefits.*

OTHER INFORMATION (UNAUDITED)

State of Illinois
Chicago State University
Other Information (Unaudited)
For the Year Ended June 30, 2019

Student Enrollment by Term (Unaudited)

	Total Enrollment	Unduplicated Full-Time Equivalent
Fall session, 2018	2,964	2,274
Spring session, 2019	2,701	2,109
Summer session, 2019	1,026	511

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, 2018	$ 199	$ 128
Spring session, 2019	199	128
Summer session, 2019	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	$ 39,919,274
Contents	1,317,561
Business interruption	18,008,582
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

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
OPEB - FY2018 TABLE OF OPERATING EXPENSES (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

The following table presents a break-down of the various types of expenses which collectively comprise the University's functional operating expense accounts.

	Compensation and Benefits										
	University's Expenses				State of Illinois' Expenses						Total Operating
	Salaries[1]	Benefits[2]	OPEB[3]	Sub-Total	Benefits[2]	OPEB[3]	Pension	Sub-Total	Total	Other Expenses	Expenses
Educational and general:											
Instruction	$ 23,456,643	$ 1,658,228	$ (717,892)	$ 24,396,979	$ 2,324,066	$ 3,588,005	$ 13,379,628	$ 19,291,699	$ 43,688,678	$ 1,975,515	$ 45,664,193
Research	961,562	67,555	(15,244)	1,013,873	49,353	76,188	284,112	409,653	1,423,526	237,072	1,660,598
Public service	910,288	234,620	-	1,144,908	-	-	-	-	1,144,908	1,751,931	2,896,839
Academic support	4,179,201	271,828	(119,769)	4,331,260	387,752	598,584	2,232,180	3,218,516	7,549,776	1,095,058	8,644,834
Student services	2,624,609	243,417	(58,318)	2,809,708	188,803	291,461	1,086,887	1,567,151	4,376,859	954,328	5,331,187
Institutional support	5,901,852	405,640	(182,766)	6,124,726	591,705	913,434	3,406,284	4,911,423	11,036,149	6,040,711	17,076,860
Operation and maintenance of plant	6,289,324	437,860	(197,284)	6,529,900	638,704	985,987	3,676,845	5,301,536	11,831,436	4,121,154	15,952,590
Depreciation	-	-	-	-	-	-	-	-	-	5,893,877	5,893,877
Scholarship and felllowship	-	-	-	-	-	-	-	-	-	7,806,382	7,806,382
Auxiliary facilities:											
Student housing, activity facilities, and parking	3,312,433	206,087	(92,855)	3,425,665	300,617	464,072	1,730,572	2,495,261	5,920,926	3,571,730	9,492,656
Total	$ 47,635,912	$ 3,525,235	$ (1,384,128)	$ 49,777,019	$ 4,481,000	$ 6,917,731	$ 25,796,508	$ 37,195,239	$ 86,972,258	$ 33,447,758	$ 120,420,016

[1] *Salaries includes employer contributions for Social Security, Medicare, and unemployment.*

[2] *Benefits includes certain group insurance costs, such as healthcare and life insurance. For the University, it also includes employer §403(b) contributions.*

[3] *OPEB refers to other post-employment benefits.*

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

Report on the Financial Statements

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 and the discretely presented component unit of the Chicago State University (University), collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2019, 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 23, 2019. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting (internal control) or compliance and other matters that are reported on separately by those auditors.

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*.

Internal Control Over Financial Reporting

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

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In planning and performing our audit of the financial statements, we considered the University's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as item 2019-001 that we consider to be a significant deficiency.

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 it.

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 23, 2019

State of Illinois
Chicago State University
Schedule of Findings
June 30, 2019

Current Finding - *Government Auditing Standards*

2019-001 - Inadequate Control over Financial Reporting

The Chicago State University (University) did not exercise adequate internal control over its financial reporting.

During our audit, we noted the following:

- The University incorrectly recorded funds received for a local grant (Program), totaling $1,506,646, as operating revenues and operating expenses, resulting in an overstatement of each account by $1,506,646. Also, a portion of the Program's cash balance as of June 30, 2019, totaling $76,801, was recorded as unearned revenue instead of deposits held in custody for others, resulting in an understatement of accounts payable and accrued liabilities by $76,801 and an overstatement of unearned revenue by the same amount. Per review of the agreement with the grantor and discussion with University personnel, the University was designated as the Program's fiscal agent and the University merely transmits Program funds to recipients identified by the grantor without having administrative or direct financial involvement in the Program. The errors had no effect on the University's net position as of June 30, 2019; however, University management corrected these errors in the University's final financial statements.

  Governmental Accounting Standards Board (GASB) Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, Paragraph 5, states governmental entities often receive grants and other financial assistance to transfer to or spend on behalf of a secondary recipient, referred to as pass-through grants. As a general rule, cash pass-through grants should be recognized as revenue and expenditures or expenses in a governmental, proprietary, or trust fund. However, in those infrequent cases in which a recipient government serves only as a cash conduit, the grant should be reported in an agency fund. A recipient government serves only as a cash conduit if it merely transmits grantor-supplied moneys without having administrative or direct financial involvement in the program. A recipient government has administrative involvement if, for example, it: (a) monitors secondary recipients for compliance with program-specific requirements; (b) determines eligible secondary recipients or projects, even if using grantor-established criteria; or (c) has the ability to exercise discretion in how the funds are allocated. A recipient government has direct financial involvement if, for example, it finances some direct program costs because of a grantor-imposed matching requirement or is liable for disallowed costs.

Current Finding - *Government Auditing Standards* (Continued)

2019-001 - Inadequate Control over Financial Reporting (Continued)

- The University incorrectly recorded its computer equipment leases totaling \$1,053,011 as capital leases instead of operating leases when unit prices of these equipment items were less than the University's capitalization threshold of \$5,000. As a result, net capital assets and capital leases payable were overstated by \$1,053,011 and \$943,739, respectively, and the University's net position was overstated by \$109,272 as of June 30, 2019. University management corrected this error in the University's final financial statements.

  The University's policies and procedures require all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year to be capitalized and recorded as capital asset.

- The University improperly classified various transactions of State, federal and local funds receivable with credit balances totaling \$204,690 against accounts receivable, and various transactions of State, federal and local funds payable with debit balances totaling \$295,826 against accounts payable and accrued liabilities. The misclassifications had no effect on the University's net position as of June 30, 2019; however, University management corrected this error in the University's final financial statements.

  GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, Paragraph 501, requires assets and liabilities should not be offset in the statement of net position except where a right of offset exists.

- The University improperly classified nongovernmental grants and contracts revenue totaling \$92,420 as federal grants and contracts revenue. The misclassification had no effect on the University's net position as of June 30, 2019; however, University management corrected this error in the University's final financial statements.

  Generally accepted accounting principles (GAAP) require proper recording of underlying transactions.

Current Finding - *Government Auditing Standards* (Continued)

2019-001 - Inadequate Control over Financial Reporting (Continued)

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports. The University's system of internal control should include procedures that revenues and expenses are properly recorded and presented in the financial statements.

University management stated they were of the opinion that they were properly reporting the Program grant, as it had been consistently reported in this manner since its inception in fiscal year 2016. Also, resource constraints and oversights were primarily the factors for the improper classification and recording of account balances, nongovernmental grants, and lease transactions.

Failure to accurately record financial transactions results in misstatements to the University's financial statements. (Finding Code No. 2019-001)

Recommendation

We recommend the University strengthen its controls over financial reporting to allow for the accurate preparation of its financial statements in accordance with GAAP.

University Response

The University agrees with the recommendation. The University's Grant Administration and Accounting departments are working in concert to review and update the classification coding of all grants, to ensure that they are aligned to the proper financial reporting category. Maintaining proper alignment will ensure that the financial statements are prepared in accordance with GAAP.

State of Illinois
Chicago State University
Prior Finding Not Repeated
For the Year Ended June 30, 2019

A. Inadequate Control over Unclaimed Property

During the prior year, 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).

Status: Not Repeated

During the current year, the University strengthened its internal controls over stale checks to ensure compliance with the Uniform Disposition of Unclaimed Property Act and accounting principles generally accepted in the United States of America. (Finding Code No. 2018-001, 2017-004)