Chicago State University

A COMPONENT UNIT OF THE
STATE OF ILLINOIS

FINANCIAL AUDIT

FOR THE YEAR ENDED
JUNE 30, 2021

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

Roth&Co
BEYOND BUSINESS

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
FINANCIAL AUDIT
For the Year Ended June 30, 2021

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Other Reports Issued Under a Separate Cover
The Chicago State University's *Federal Single Audit* and *State Compliance Examination* for the year ended June 30, 2021, will be issued under separate covers.

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
FINANCIAL AUDIT
For the Year Ended June 30, 2021

UNIVERSITY OFFICIALS

President	Ms. Zaldwaynaka Scott, Esq.
Chief of Staff	Mr. Kim Tran
Interim Provost and V.P. for Academic Affairs	Dr. Leslie Roundtree
Interim General Counsel, Chief Compliance Officer & V.P. of Legal Affairs (01/18/21 - Present)	Mr. Walter Pryor
V.P., General Counsel and Chief Compliance Officer of Labor & Legal Affairs (10/31/20 - Present)	Vacant
V.P., General Counsel and Chief Compliance Officer of Labor & Legal Affairs (07/01/20 - 10/30/20)	Ms. Stephanie Kelly, Esq.
CFO & V.P. of Financial Operations (09/16/20 - Present)	Mr. Craig Duetsch
Acting CFO & V.P. of Financial Operations (07/01/20 - 09/15/20)	Mr. Larry Owens, CPA
Executive Director/Controller (07/01/21 - Present)	Ms. Rona Lagdamen, CPA
Interim Executive Director/Controller (07/01/20 - 08/31/21)	Mr. Larry Owens, CPA
Chief Internal Auditor	Ms. Natalie Covello

BOARD OF TRUSTEES

Chair	Ms. Andrea Zopp, Esq.
Vice Chair	Mr. Mark Schneider, Esq.
Secretary (07/30/21 - Present)	Ms. Angelique David
Member	Mr. Brian Clay, M.D.
Member	Mr. Cory Thames
Member	Vacant
Member	Vacant
Student Member (07/01/20 - Present)	Ms. Essence Smart

UNIVERSITY OFFICE

The University’s primary administrative office is located at:

9501 S. King Drive
Chicago, Illinois 60628

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
FINANCIAL AUDIT
For the Year Ended June 30, 2021

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying basic financial statements of the Chicago State University (University) was performed by Roth & Co., LLP.

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

SUMMARY OF FINDINGS

Number of	Current Report	Prior Report
Findings	3	3
Repeated Findings	3	–
Prior Recommendations Implemented or Not Repeated	–	1

SCHEDULE OF FINDINGS

Item No.	Page	Last/First Reported	Description	Finding Type
			Current Findings	
2021-001	66	2020/2020	Weaknesses over Computer Security	Significant Deficiency and Noncompliance
2021-002	68	2020/2020	Change Control Weaknesses	Significant Deficiency and Noncompliance
2021-003	70	2020/2020	Inadequate Internal Controls over Census Data	Material Weakness and Noncompliance

Prior Findings Not Repeated

None

EXIT CONFERENCE

The University waived an exit conference in a correspondence from Ms. Natalie Covello, Chief Internal Auditor, on May 19, 2022. The responses to the recommendations were provided by Ms. Natalie Covello, Chief Internal Auditor, in correspondences dated April 26, 2022 and April 27, 2022.

INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

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, fiduciary 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, 2021, 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.

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

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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, fiduciary activities, and the discretely presented component unit of the University, as of June 30, 2021, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 22 to the financial statements, the unrestricted net position as of July 1, 2020 has been restated due to the adoption of Government Accounting Standards Board Statement No. 84, *Fiduciary Activities* and correction of an accounting error. Our opinions are not modified with respect to this matter.

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 6 through 13, Schedule of the University's Proportionate of Share of Net Pension Liability, Schedule of Contributions for Pensions, Notes to Required Supplementary Information - Pension on pages 55 through 56, Schedule of University's Proportionate Share of the Total OPEB Liability, and Notes to Required Supplementary Information - OPEB on pages 57 through 58, 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 Table of Operating Expenses (accompanying supplementary information) and Student Enrollment by Term, University Center Fee, Rental Disclosures, and Schedule of Insurance in Force (accompanying other information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2022, 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
May 31, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2021

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 2021 operating loss ($101.0 million) increased by $21.1 million compared to the previous fiscal year's operating loss ($79.9 million). This increase is mostly attributed to the reduction in net student tuition and fees ($3.2 million), the reduction in federal grants and contracts ($1.0 million), the reduction in State and local grants and contracts ($0.1 million), the reduction in net sales and services of auxiliary enterprises ($2.0 million), along with the increase in operating expenses ($15.7 million), offset by the increase in nongovernmental grants and contracts ($0.9 million). The increase in net nonoperating revenues ($25.4 million) is primarily attributed to the increases in State appropriation funding ($1.4 million), special funding situation ($17.5 million), on-behalf payments ($1.6 million), federal nonoperating grants ($4.8 million), decrease in other nonoperating expenses ($1.0 million), offset by the decrease in State nonoperating grants ($0.7 million) and investment income ($0.2 million). The following is a financial comparison for the twelve months ended June 30, 2021 and 2020.

	2021 (in thousands)	2020 (in thousands)	Increase (Decrease)
Operating loss	$ (101,006)	$ (79,875)	$ (21,131)
Net nonoperating revenues	100,479	75,068	25,411
Other revenues, expenses, gains or losses	2,711	1,795	916
Increase (decrease) in net position	$ 2,184	$ (3,012)	$ 5,196

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, 2021 and 2020. This section of the report is designed to provide an overview of the changes in financial activities from one year to the next and should be read in conjunction with the University's basic financial statements. The University's management is responsible for the completeness and fairness of this information.

The MD&A focuses on the University and excludes the discretely presented component unit, the Chicago State Foundation and Fiduciary Funds. The 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 20) for information on how to obtain the financial statements of the component unit.

Using the Financial Statements

The financial statements encompass the University and its discretely presented component unit.

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 Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position report fiduciary funds which are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, or governmental units and/or other funds. These financial statements are prepared in accordance with GASB Statement No. 84, *Fiduciary Activities*.

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, 2021, in comparison with June 30, 2020 is as follows:

	2021 (in millions)	2020 (in millions)	Change (in millions)
Assets			
Current assets	$ 32.1	$ 31.1	$ 1.0
Noncurrent assets:			
Capital assets, net	139.4	140.8	(1.4)
Other	2.4	5.2	(2.8)
Total Assets	173.9	177.1	(3.2)
Deferred Outflows for OPEB and Pension Expense	0.5	0.5	-
Liabilities			
Current liabilities	9.7	12.9	(3.2)
Noncurrent liabilities	12.4	15.2	(2.8)
Total Liabilities	22.1	28.1	(6.0)
Deferred Inflows for OPEB Expense	1.0	5.9	(4.9)
Net Position			
Net investment in capital assets	134.2	134.1	0.1
Restricted, expendable	1.1	1.4	(0.3)
Unrestricted	16.0	8.1	7.9
Total Net Position	$ 151.3	$ 143.6	$ 7.7

Current Assets

Current assets increased by $1.0 million from the balance one year ago ($31.1 million) to the current balance ($32.1 million) due to the increase in cash and cash equivalents ($2.2 million) and accounts receivable ($2.8 million), offset by a decrease in balance in State appropriation ($4.0 million).

Noncurrent Assets (Capital assets, net)

Noncurrent assets (Capital assets, net) decreased by $1.4 million from the balance one year ago ($140.8 million) to the current balance ($139.4 million). The decrease consists of annual depreciation charges ($4.6 million), offset by net capital additions ($2.8 million).

Noncurrent Assets (Other)

Noncurrent assets (Other) decreased by $2.8 million from the balance one year ago ($5.2 million) to the current balance ($2.4 million) mainly due to spending of the Higher Education Emergency Relief Fund (HEERF) monies advanced in the previous fiscal year ($1.3 million) and the impact of implementation of GASB Statement No. 84, *Fiduciary Activities* ($0.7 million) (see Note 22).

Current Liabilities

Current liabilities decreased by $3.2 million from the balance one year ago ($12.9 million) to the current balance ($9.7 million) mainly due to the decrease in general accounts payable and accrued liabilities ($1.1 million) and decrease in unearned revenues ($2.7 million), offset by slight increases in accrued wages and current portion of long-term liabilities ($0.2 million and $0.2 million, respectively).

Noncurrent Liabilities

Noncurrent liabilities decreased by $2.8 million from the balance one year ago ($15.2 million) to the current balance ($12.4 million) mainly due to the payment of portion of debt matured during the fiscal year which was returned to federal government ($1.7 million), a reduction in the other postemployment benefits (OPEB) liability as a result of correction of an error related to the prior year balances allocated to the University ($0.8 million) (see Note 22), and decrease in accrued compensated absences due to the employee turnover ($0.3 million).

Deferred Inflows for OPEB Expense

Deferred inflows for OPEB expense decreased by $4.9 million from the balance one year ago ($5.9 million) to the current balance ($1.0 million) mainly due to the impact of correction of an error related to the prior year balances allocated to the University (see Note 22).

Net Position (Unrestricted)

Unrestricted net position ($16.0 million) increased by $7.9 million from the balance one year ago ($8.1 million). This is predominantly attributed to results of operations ($2.2 million) and prior period adjustment related to OPEB ($5.5 million) (see Note 22).

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.

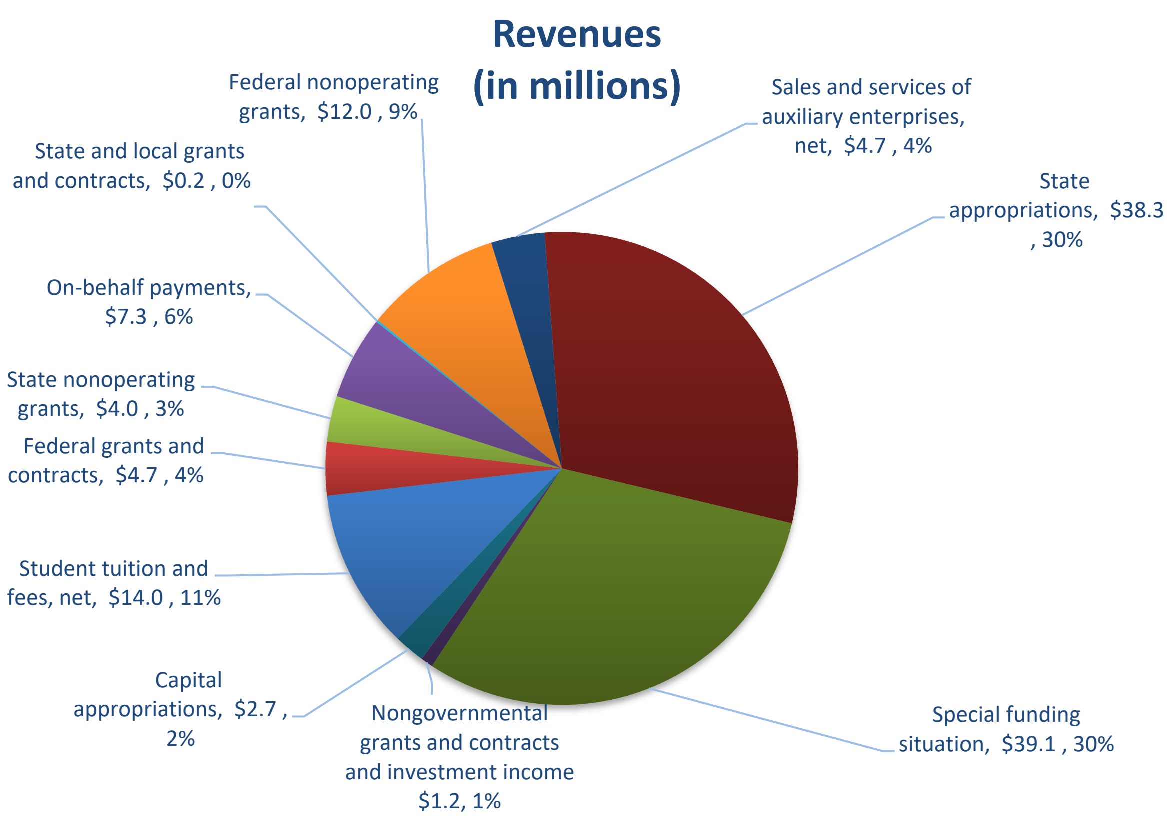
Nonoperating revenues primarily result from non-exchange transactions and are revenues received for which goods and services are not provided in return. The most significant sources of nonoperating revenues that the University relies on to provide funding for operations are State appropriations, special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

Revenues

A summary of the University's revenues for the fiscal year ended June 30, 2021, in comparison with the fiscal year ended June 30, 2020, is as follows:

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2021

	2021 (in millions)	2020 (in millions)	Change (in millions)
Operating Revenues			
Student tuition and fees, net	$ 14.0	$ 17.2	$ (3.2)
Federal grants and contracts	4.7	5.7	(1.0)
State and local grants and contracts	0.2	0.3	(0.1)
Nongovernmental grants and contracts	1.2	0.3	0.9
Sales and services of auxiliary enterprises, net	4.7	6.7	(2.0)
Total Operating Revenues	24.8	30.2	(5.4)
Nonoperating Revenues			
State appropriations	38.3	36.9	1.4
Special funding situation	39.1	21.6	17.5
On-behalf payments	7.3	5.7	1.6
State nonoperating grants	4.0	4.7	(0.7)
Federal nonoperating grants	12.0	7.2	4.8
Investment income	0.1	0.3	(0.2)
Total Nonoperating Revenues	100.8	76.4	24.4
Other Capital Revenues			
Capital appropriations	2.7	1.8	0.9
Total Other Revenues	2.7	1.8	0.9
Total Revenues	$ 128.3	$ 108.4	$ 19.9



Student Enrollment

Terms	Head Count FY 2021	Head Count FY 2020	Change %	Credit Hours FY 2021	Credit Hours FY 2020	Change %
Fall	2,644	3,039	(13.0%)	27,563	32,588	(15.4%)
Spring	2,507	2,707	(7.4%)	26,372	29,501	(10.6%)
Summer	994	1,094	(9.1%)	5,329	5,822	(8.5%)

Operating Revenues

Operating revenues ($24.8 million) decreased by $5.4 million from the prior year's amount ($30.2 million) due to the reduction in net tuition and fees revenue ($3.2 million), the reduction in net sales and services of auxiliary services ($2.0 million), the reduction of federal grants and contracts ($1.0 million), and the reduction in State and local grants and contracts ($0.1 million) as a result of an overall 10% decline in student enrollment and limited campus activities brought about by the worldwide Coronavirus (COVID-19) pandemic, netted with the increase in nongovernmental grants and contracts ($0.9 million).

Nonoperating Revenues

Nonoperating revenues ($100.8 million) increased by $24.4 million from the prior year's amount ($76.4 million). This increase is mainly a result of the rise in State appropriations ($1.4 million), increase in federal nonoperating grants ($4.8 million), along with increases in special funding situation and on-behalf payments ($17.5 million and $1.6 million, respectively), offset by the decrease in State nonoperating grants ($0.7 million) and investment income ($0.2 million).

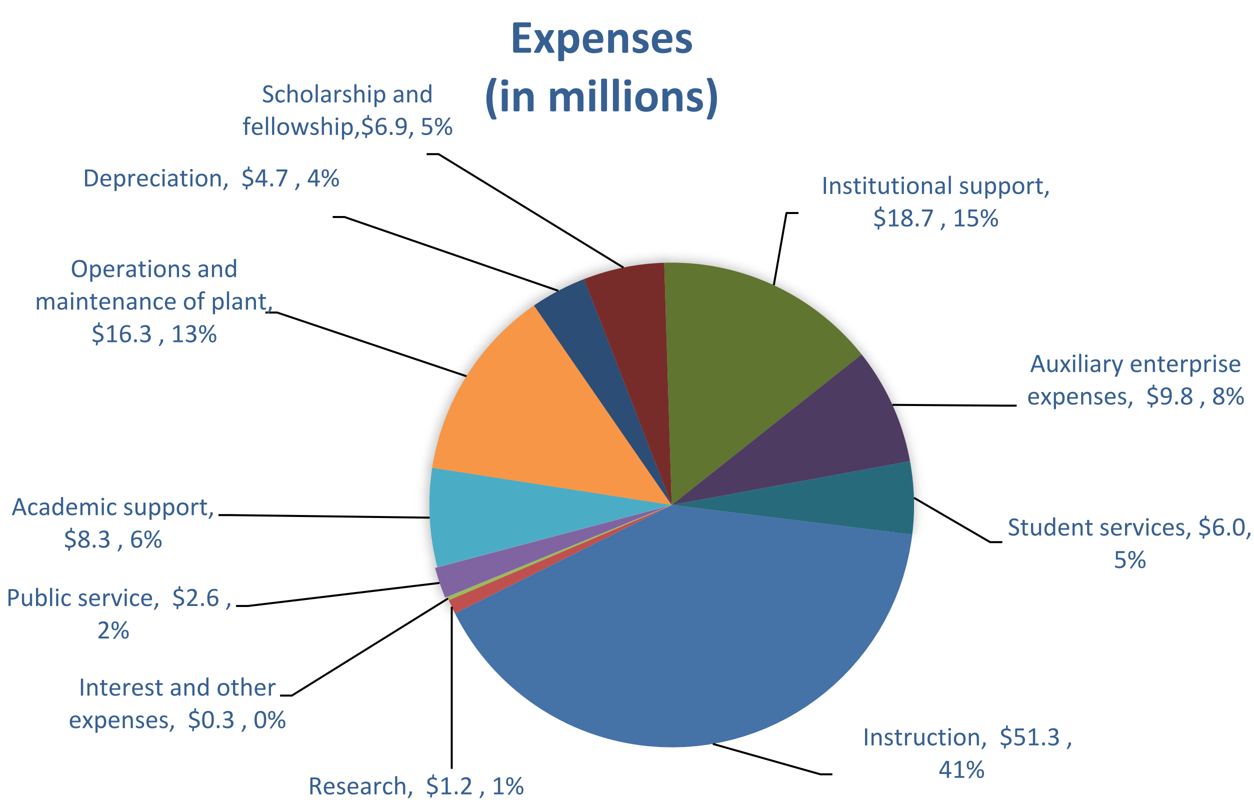
Expenses

A summary of the University's operating expenses for the fiscal year ended June 30, 2021 in comparison with the fiscal year ended June 30, 2020 is as follows:

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2021

	2021 (in millions)	2020 (in millions)	Increase (Decrease)
Operating Expenses			
Education and general:			
Instruction	$ 51.3	$ 41.0	$ 10.3
Research	1.2	1.1	0.1
Public service	2.6	2.7	(0.1)
Academic support	8.3	7.4	0.9
Student services	6.0	5.5	0.5
Institutional support	18.7	16.5	2.2
Operations and maintenance of plant	16.3	14.4	1.9
Depreciation	4.7	5.1	(0.4)
Scholarship and fellowship	6.9	7.2	(0.3)
Auxiliary enterprise expenses	9.8	9.2	0.6
Total Operating Expenses	125.8	110.1	15.7
Other Nonoperating Expenses			
Interest and other expenses	0.3	1.3	(1.0)
Total Expenses	$ 126.1	$ 111.4	$ 14.7

The following graphic illustration presents the operating expenses by function.



Operating Expenses

Operating expenses increased by $15.7 million from the balance one year ago ($110.1 million) to the current balance ($125.8 million). The increase is mainly related to the increase in allocated special funding situation as determined by actuarial valuation and on-behalf payments ($19.1 million), offset by a reduction in expenditures ($3.4 million) due to tight spending and limited operations as a result of the COVID-19 pandemic.

Other Nonoperating Expenses

Other nonoperating expenses decreased by $1.0 million from the balance one year ago ($1.3 million) to the current balance ($0.3 million). The decrease is mainly related to the reclassification of the restricted net position to liabilities, for Perkins loans in the previous fiscal year.

Economic Factors That Will Affect the Future

The State of Illinois continues to face economic challenges, including escalating employee benefit costs. While the COVID-19 pandemic has impacted unemployment throughout the nation, the State continues to lag in the unemployment economic indicator relative to its neighboring states. For the month ended February 2022, the Illinois unemployment rate was 4.8% while its neighboring states unemployment rate ranged from 2.3% to 4.7%.

The University believes 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 continues to advocate for continued State financial support.

BASIC FINANCIAL STATEMENTS

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF NET POSITION
June 30, 2021

	University	Discretely Presented Component Unit
ASSETS		
Current Assets		
Cash equity with State Treasurer	$ 155,710	$ -
Cash and cash equivalents (Note 2)	20,027,686	251,221
Cash and cash equivalents - restricted (Note 2)	131,802	-
Securities lending collateral equity of State Treasurer (Note 2)	552,700	-
Balance in State Appropriation	2,135,046	-
Accounts receivable, net (Note 3)	7,609,278	225,000
Accounts receivable, net - restricted (Note 3)	740,405	-
Inventories	9,990	-
Loans and notes receivable, net (Note 3)	22,042	-
Prepaid expenses and other assets	724,115	23,526
Prepaid expenses and other assets - restricted	1,500	-
Total current assets	32,110,274	499,747
Noncurrent Assets		
Cash and cash equivalents - restricted (Note 2)	2,211,586	-
Endowment investments (Note 2)	-	9,731,020
Loans and notes receivable, net (Note 3)	237,623	-
Capital assets, net (Note 4)	139,388,569	21,320
Total noncurrent assets	141,837,778	9,752,340
Total Assets	173,948,052	10,252,087
DEFERRED OUTFLOWS FOR OPEB AND PENSION (Notes 9 and 11)	496,619	-
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	2,695,273	21,716
Obligations under securities lending collateral equity of State Treasurer (Note 2)	552,700	-
Accrued wages (Note 5)	2,248,681	-
Unearned revenue (Note 6)	1,789,453	153,750
Long-term liabilities - current portion (Note 7)	2,387,012	16,945
Total current liabilities	9,673,119	192,411
Noncurrent Liabilities		
Accrued compensated absences (Note 7)	3,697,230	-
OPEB liability (Note 7)	4,826,717	-
Bonds payable (Note 7)	3,505,000	-
Premium on bonds (Note 7)	33,685	-
Federal loan program contributions refundable (Note 7)	350,469	-
Total noncurrent liabilities	12,413,101	-
Total Liabilities	22,086,220	192,411
DEFERRED INFLOWS FOR OPEB (Note 11)	1,014,826	-
NET POSITION		
Net investment in capital assets	134,217,428	-
Restricted for:		
Nonexpendable		
Scholarships and academic support	-	5,789,654
Expendable		
Direct programs and scholarships	25,164	3,749,402
Capital projects	437,408	-
Auxiliary services	702,053	-
Unrestricted	15,961,572	520,620
Total Net Position	$ 151,343,625	$ 10,059,676

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

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2021

	University	Discretely Presented Component Unit
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowances of $10,255,491)	$ 13,954,633	$ -
Federal grants and contracts	4,729,433	-
State and local grants and contracts	188,435	-
Nongovernmental grants and contracts	1,158,148	-
Sales and services of auxiliary enterprises (net of scholarship allowances of $73,317)	4,677,739	-
Other operating revenues	41,589	1,929,325
Total operating revenues	24,749,977	1,929,325
OPERATING EXPENSES		
Educational and general		
Instruction	51,280,162	-
Research	1,178,821	-
Public service	2,601,915	-
Academic support	8,257,315	-
Student services	6,050,616	-
Institutional support	18,737,774	-
Operations and maintenance of plant	16,264,456	-
Depreciation	4,672,719	-
Scholarship and fellowship	6,859,957	888,783
Auxiliary enterprise expenses	9,852,620	-
Other operating expenses	-	1,331,330
Total operating expenses	125,756,355	2,220,113
OPERATING LOSS	(101,006,378)	(290,788)
NONOPERATING REVENUES (EXPENSES)		
State appropriations (Note 19)	38,325,900	-
Special funding situation (Notes 9, 10, and 11)	39,139,746	-
On-behalf payments	7,343,000	-
State nonoperating grants	4,006,865	-
Federal nonoperating grants	11,954,727	-
Investment income	33,156	1,331,561
Interest on capital asset - related debt	(293,816)	-
Other nonoperating expenses	(30,500)	-
Net nonoperating revenues	100,479,078	1,331,561
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	(527,300)	1,040,773
Capital appropriations	2,717,707	-
Endowment contributions	-	1,000,000
Loss on disposal of capital assets	(6,166)	-
Total other revenues and losses	2,711,541	1,000,000
INCREASE IN NET POSITION	2,184,241	2,040,773
NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	143,624,753	8,018,903
PRIOR PERIOD ADJUSTMENTS (Note 22)	5,534,631	-
NET POSITION, BEGINNING OF YEAR, AS RESTATED	149,159,384	8,018,903
NET POSITION, END OF YEAR	$ 151,343,625	$ 10,059,676

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

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021

	University	Discretely Presented Component Unit
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 14,018,511	$ -
Grants and contracts	3,781,525	1,302,928
Payment to suppliers for goods and services	(18,833,083)	(857,278)
Payments to employees for services	(50,199,340)	-
Payments for scholarship and fellowship	(6,859,956)	(895,073)
Loans collected from students	67,764	-
Student direct lending receipts	24,028,460	-
Student direct lending disbursements	(24,028,460)	-
Sales and services of auxiliary enterprises	4,803,759	-
Other receipts (disbursements)	201,600	149,756
Net cash used in operating activities	(53,019,220)	(299,667)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	42,391,131	-
State nonoperating grants	4,836,184	-
Federal nonoperating grants	8,076,630	-
Repayment of federal loan program contributions refundable	(105,786)	-
Endowment contributions	-	1,000,000
Other noncapital financing activities	(30,500)	-
Net cash provided by noncapital financing activities	55,167,659	1,000,000
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchases of capital assets	(497,950)	-
Capital grants	(645,052)	-
Principal paid on capital debt	(1,525,000)	-
Interest paid on capital debt	(323,261)	-
Net cash used in capital financing activities	(2,991,263)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and/or dividends on investments	33,156	145,013
Proceeds from sales and maturities of investments	-	5,364,115
Purchase of investment and others	-	(6,404,218)
Net cash provided by (used in) investing activities	33,156	(895,090)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(809,668)	(194,757)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	23,336,452	445,979
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 22,526,784	$ 251,222
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (101,006,378)	$ (290,788)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	4,672,719	-
Special funding situation	39,139,746	-
On-behalf payments	7,343,000	-
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivables, net	767,039	(70,902)
Inventories	2,219	-
Prepaid expenses and other assets	(22,189)	-
Deferred outflows for OPEB and pension expense	(104,588)	-
Loans and notes receivable	83,110	-
Accounts payable and accrued liabilities	9,994,948	62,023
Accrued wages	162,774	-
Unearned revenue	(2,726,967)	-
Accrued compensated absences	56,696	-
OPEB liability	(995,213)	-
Deferred inflows for OPEB expense	(10,386,136)	-
Net cash used in operating activities	$ (53,019,220)	$ (299,667)
NONCASH INVESTING AND NONCAPITAL FINANCING ACTIVITIES		
Capital appropriations	$ 2,717,707	$ -
Special funding situation	39,139,746	-
On-behalf payments	7,343,000	-
Loss on disposal of capital assets	(6,166)	-

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

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2021

	Custodial Funds			
	Chicagoland Regional College Program	**Private Scholarships**	**Others**	**Total**
ASSETS				
Cash and cash equivalents	$ 228,130	$ -	$ 43,769	$ 271,899
LIABILITIES				
Accounts payable and accrued liabilities	37,318	-	-	37,318
NET POSITION				
Restricted for:				
Individuals, organizations, and other governments	$ 190,812	$ -	$ 43,769	$ 234,581

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

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2021

	Custodial Funds			
	Chicagoland Regional College Program	**Private Scholarships**	**Others**	**Total**
ADDITIONS				
Contributions by nongovernmental entities	$ 435,700	$ 24,200	$ 6,168	$ 466,068
DEDUCTIONS				
Payments for awards and grants	864,181	24,200	-	888,381
Payments for other expenses	46,287	-	7,659	53,946
Total deductions	910,468	24,200	7,659	942,327
DECREASE IN NET POSITION	(474,768)	-	(1,491)	(476,259)
NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	-	-	-	-
EFFECT DUE TO CHANGE IN ACCOUNTING PRINCIPLES (Note 22)	665,580	-	45,260	710,840
NET POSITION, BEGINNING OF YEAR, AS RESTATED	665,580	-	45,260	710,840
NET POSITION, END OF YEAR	$ 190,812	$ -	$ 43,769	$ 234,581

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

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 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 Annual Comprehensive Financial Report.

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.

Basis of Accounting - For financial reporting purposes, the University is considered a special-purpose government engaged in business-type and fiduciary 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.

Fiduciary Fund - The University reports fiduciary funds which are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, or governmental units, and/or other funds. The University's fiduciary fund includes the following:

Custodial Fund - Custodial funds are used to report fiduciary activities that are not required to be reported in another fiduciary fund type. The custodial funds are as follows:

- Chicagoland Regional College Program - This fund accounts for monies received from the United Parcel Services (UPS) to pay tuition and fees, stipends, and other appropriate educational expenses for students participating in the program.

- Private Scholarships and Others - These include scholarships from private organizations received in advance by the University on-behalf of students, and custodial funds from student activities, clubs, or other groups with funds typically generated from donations, fees, and other fund-raising activities.

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 and disclosures. 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 (State). 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.

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 are accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences.

For fiscal year ended June 30, 2021, net accrued compensated absences pertaining to vacation leave and sick leave totaled $3,745,006 and $554,677, respectively.

Noncurrent Liabilities - Noncurrent liabilities include (1) estimated amounts for accrued compensated absences; (2) University's portion of total other postemployment benefits; (3) principal amounts of revenue bonds payable; (4) the premium on the revenue bonds payable (which is being amortized over the term of the bonds using the straight-line method); and (5) liability related to the Perkins Loan program.

Pensions - For the purpose of measuring the net pension liability, deferred outflows and deferred inflows of resources related to pensions, and pension expense, information about the plan net position of the State Universities Retirement System (SURS) 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 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 nonoperating revenue and pension expense, with the expense further allocated to the related function by 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, 2020, the University made voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of $457,216 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 nonoperating 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, 2021.

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, 2021, total estimated group insurance contributions for the University's employees paid from the University's Income Fund and auxiliary enterprises were $8,180,000. The University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of $837,000 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 $7,343,000 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 nonoperating 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 using a rational, documented allocation methodology 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, local and nongovernmental 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, special funding situation, on-behalf payments, pass-through grants, and investment income.

Coronavirus Emergency Grants for Postsecondary Education - The Higher Education Emergency Relief Funds (HEERF) I, II, and III were authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriation Act, 2021 (CRRSAA), and the American Rescue Plan (ARP). During fiscal year 2021, the University was awarded an additional $12,185,472 in funding to be used for (1) providing emergency financial aid grants to students for expenses related to the disruption of campus operations due to the novel coronavirus (COVID-19) pandemic; (2) covering any costs associated with significant changes to the delivery of instruction due to the COVID-19 pandemic; and, (3) defraying institutional expenses that occurred during COVID-19 pandemic. Funds expended are reflected in the

University accounts as operating expenses, in accordance with guidance established by NACUBO, as providing student aid is a part of the ongoing mission of a university.

New Accounting Pronouncements - During fiscal year 2021, the University implemented GASB Statement No. 84, *Fiduciary Activities* and GASB Statement No. 90, *Majority Equity Interests–an amendment of GASB Statements No. 14 and No. 61.* GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Due to the implementation of this statement, the University changed its presentation of the financial statements by recording the assets, liabilities, net position, additions, and deductions of its fiduciary activities separate from its business-type activities. GASB Statement No. 90 clarifies the reporting requirements for State and local government activities that have majority equity interest in an organization that remains legally separate after acquisition. This statement does not have a significant impact to the University's financial statements.

In addition, the University will be required to implement GASB Statements No. 87, *Leases;* No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period;* No. 92, *Omnibus 2020*; and, No. 93, *Replacement of Interbank Offered Rates*, in fiscal year 2022. The University will be required to implement, GASB Statements No. 91, *Conduit Debt Obligations*; No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; and, No. 96, *Subscription-Based Information Technology Arrangements*, in fiscal year 2023. The University has not yet evaluated the impact of adopting these future pronouncements on its financial statements.

NOTE 2 DEPOSITS AND INVESTMENTS

GASB Statement No. 40, *Deposit and Investment Risk Disclosures - An Amendment of GASB Statement No. 3,* 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' Annual Comprehensive Financial Report.

Deposits - At June 30, 2021, the carrying amount of the University (including deposits under Fiduciary Fund of $271,899) and the CSF deposits with private financial institutions were $22,642,973 and $251,221, 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	$5,573,700	$7,326,868	$ 251,221	$ 265,691
Add: Investments classified as cash equivalents (maturity <90 days) - Illinois Funds - Standard & Poor's AAAm	17,051,199			
Add: Cash on hand	18,074			
Total cash and cash equivalents	$22,642,973		$ 251,221	

	Carrying Amount	
	University	CSF
Cash and cash equivalents	$20,027,686	$ 251,221
Cash and cash equivalents - restricted - current	131,802	–
Cash and cash equivalents - restricted - noncurrent	2,211,586	–
Cash and cash equivalents - custodial funds	271,899	–
Total	$22,642,973	$ 251,221

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 $1,000,000 and $265,691 for the University and CSF, respectively, at June 30, 2021. Another $6,326,868 in University's bank balances were covered by pledged collateral in the University'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, 2021 consisted of the following:

	University Fair Value	CSF Fair Value
Money market funds and other	$ –	$ 3,841,239
U.S. Treasury & agency obligations	–	1,856,969
Common stock	–	2,747,600
Corporate debt securities	–	1,285,212
Illinois Funds (Standard & Poor's AAAm)	17,051,199	–
Total	17,051,199	9,731,020
Less: Investments classified as cash equivalents (maturity < 90 days)	(17,051,199	–
Total investments	$ –	$ 9,731,020

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 $8,445,808 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 $1,285,212 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 and CSF has no exposure to foreign currency risk (valued in U.S. dollars).

Details of CSF investment portfolio follow:

Type	Fair Market Value	Less than 1 year	1 to 5 years	6 to 10 years	More than 10 years	S&P/Moody's Rating
U.S. Treasury & agency obligations	$ 1,856,969	$ 6,013	$ 1,445,931	$405,025	$ –	No rating/ AA+ to BBB
Corporate debt securities	1,285,212	6	757,577	527,629	–	AA+ to BBB
Total	$ 3,142,181	$ 6,019	$ 2,203,508	$932,654	$ –	

Investment return at June 30, 2021 and its classification in the CSF financial statements are shown below:

Interest and dividends	$	76,923
Net realized and unrealized gains		1,254,638
Total investment return	$	1,331,561

Securities Lending Transactions

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

During fiscal year 2021, Deutsche Bank AG lent U.S. Agency securities and U.S. Treasury securities and received as collateral in 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 year 2021 on the amount of the 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 year 2021 resulting from a default of the borrowers or Deutsche Bank AG.

During fiscal year 2021, 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 received that was invested in repurchase agreements and the fair value of securities on loan for the State Treasurer as of June 30, 2021 were $5,491,725,001 and $5,417,669,749.

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, 2021 arising from securities lending agreements to the various funds of the State. The total allocated to the University at June 30, 2021 was $552,700.

NOTE 3 ACCOUNTS, PLEDGES AND LOANS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2021:

Student tuition and fees	$	14,509,110
Federal, State and private grants and contracts		5,335,379
Third party and other receivable		695,935
Total gross receivable		20,540,424
Less allowance for doubtful accounts		(12,190,741)
Net accounts receivable	$	8,349,683

Loans receivable (Federal Perkins Loans) consisted of the following at June 30, 2021:

Loans receivable	$	1,264,604
Less allowance for doubtful accounts		(1,004,939)
Net loans receivable	$	259,665
Current portion	$	22,042
Noncurrent portion		237,623
Net loans receivable	$	259,665

Perkins loan program expired on September 30, 2017. The University had the option to either assign the loan portfolio and the revolving fund to the Department of Education, or to continue the management of the Perkins loan portfolio that excludes the act of issuing new loans. The University made a determination to continue to manage the loan portfolio.

NOTE 4 CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2021:

	Amounts expressed in thousands				
	Balance July 1, 2020	Additions	Retirements	Net Transfers	Balance June 30, 2021
Capital assets not being depreciated:					
Land	$ 9,611	$ –	$ –	$ –	$ 9,611
Works of art	41	–	–	–	41
Construction in progress	14,982	2,810	–	–	17,792
Total capital assets not being depreciated	24,634	2,810	–	–	27,444
Other capital assets:					
Site improvements	17,476	–	–	–	17,476
Buildings and building improvements	190,572	211	–	–	190,783
Equipment and library books	34,183	195	(819)	–	33,559
Intangible assets	1,490	–	–	–	1,490
Total other capital assets	243,721	406	(819)	–	243,308
Less accumulated depreciation	(127,503)	(4,673)	813	–	(131,363)
Total	116,218	(4,267)	(6)	–	111,945
Capital assets, net	$ 140,852	$ (1,457)	$ (6)	$ –	$ 139,389

NOTE 5 ACCRUED WAGES

Accrued wages include employee contracts for certain academic personnel that provide for twelve-month salary payments, although the contracted services are rendered during a nine-month period, and services provided by hourly employees that were paid after June 30. The liability for those employees who are on a deferred pay schedule and those that have completed their contracted services, but have not yet received final payment totaled $1,920,995 at June 30, 2021. Accrued wages also include unpaid insurance benefits of $327,686.

NOTE 6 UNEARNED REVENUE

Unearned revenue consists of the following at June 30, 2021:

Tuition and fees	$ 379,915
Grants and contracts	1,409,538
Total Unearned Revenue	$ 1,789,453

NOTE 7 LONG-TERM LIABILITIES

Long-term liabilities as of June 30, 2021 consist of the following:

	June 30, 2021	Current Portion	Noncurrent Portion
Accrued compensated absences	$ 4,299,683	$ 602,453	$ 3,697,230
OPEB liability	4,978,820	152,103	4,826,717
Bonds payable	5,115,000	1,610,000	3,505,000
Premium on bonds	56,141	22,456	33,685
Federal loan program contributions refundable	350,469	-	350,469
Total Long-Term Liabilities	$ 14,800,113	$ 2,387,012	$12,413,101

The changes in long-term liabilities are as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Accrued compensated absences	$ 4,529,180	$ 607,827 †	$ (837,324) *	$ 4,299,683
OPEB liability	5,749,481	-	(770,661)	4,978,820
Bonds payable	6,640,000	-	(1,525,000)	5,115,000
Premium on bonds	78,597	-	(22,456)	56,141
Federal loan program contributions refundable	456,255	-	(105,786)	350,469
Total Long-Term Liabilities	$17,453,513	$ 607,827	$(3,261,227)	$14,800,113

**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	
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 July, 2021, the Moody's ratings were 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
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	$ 5,115,000	$ 432,437	$ 5,547,437

NOTE 8 NATURAL CLASSIFICATIONS

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

Compensation and benefits	$ 96,484,878
Contractual services	15,338,002
Commodities	1,148,273
Awards and grants	6,859,957
Telecommunication	660,187
Other operating expenses	592,339
Depreciation	4,672,719
Total Operating Expenses	$ 125,756,355

NOTE 9 DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

Benefits Provided. A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible reciprocal system service. The revised plan is referred to as Tier 2. New employees are allowed six months after their date of hire to make an irrevocable election whether to participate in either traditional or portable benefit plans. A summary of the benefit provisions as of June 30, 2020, can be found in SURS Annual Comprehensive Financial Report - Notes to the Financial Statements.

Contributions. The State 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 within SURS to reach 90% of the total Actuarial Accrued Liability by the end of fiscal year 2045. Employer contributions from "trust, federal, and other funds" are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for fiscal year 2020 and fiscal year 2021, respectively, was 13.02% and 12.70% of employee payroll. The normal cost is equal to the value of current year's pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary, except for police officers and fire fighters who contribute 9.5% of their earnings. The contribution requirements of plan members and employers are established and may be amended by the State's General Assembly.

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

Section 15-155(j-5) (relating to contributions payable due to earnings exceeding the salary set for the Governor).

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

Net Pension Liability
The net pension liability (NPL) was measured as of June 30, 2020. At June 30, 2020, SURS reported a NPL of $30,619,504,321.

Employer Proportionate Share of Net Pension Liability
The amount of the proportionate share of the NPL to be recognized for the University is $0. The proportionate share of the State's NPL associated with the University is $334,114,520 or 1.0912%. The University's proportionate share changed by (0.0438%) from 1.1350% since the last measurement date on June 30, 2019. This amount is not recognized in the University's financial statements. The NPL and total pension liability as of June 30, 2020, was determined based on the June 30, 2019, 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 2020.

Defined Benefit Pension Expense
At June 30, 2020, SURS reported a collective net pension expense of $3,364,411,021.

Employer Proportionate Share of Defined Benefit Pension Expense
The University's proportionate share of collective defined benefit pension expense is recognized as nonoperating revenue with matching operating expense (compensation and benefits) in the financial statements. The basis of allocation used for the proportionate share of collective pension expense is the actual reported pensionable contributions made to SURS defined benefit plan during fiscal year 2020. As a result, the University recognized revenue and defined benefit pension expense of $36,711,847 from this special funding situation during the year ended June 30, 2021.

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

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	$ 170,987,483	$ –
Changes in assumptions	473,019,629	–
Net difference between projected and actual earnings on pension plan investments	474,659,178	–
Total	$1,118,666,290	$ –

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
2021	$ 435,271,667
2022	346,428,171
2023	183,483,935
2024	153,482,517
2025	–
Thereafter	–
Total	$ 1,118,666,290

University's Deferral of Fiscal Year 2021 Contributions

The University paid $180,281 in federal, trust or grant contributions during the year ended June 30, 2021. These contributions were made subsequent to the pension liability measurement date of June 30, 2020, and are recognized as deferred outflows of resources as of June 30, 2021.

Assumptions and Other Inputs

Actuarial assumptions. The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from June 30, 2014, through June 30, 2017. The total pension liability in the June 30, 2020, 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 RP-2014 White Collar, gender distinct tables 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 consultants and actuary. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2020, these best estimates are summarized in the following table:

Defined Benefit Plan	Strategic Policy Allocation	Weighted Average Long-term Expected Real Rate of Return
Traditional Growth		
Global Public Equity	44.0%	6.67%
Stabilized Growth		
Credit Fixed Income	14.0%	2.39%
Core Real Assets	5.0%	4.14%
Options Strategies	6.0%	4.44%
Non-Traditional Growth		
Private Equity	8.0%	9.66%
Non-Core Real Assets	3.0%	8.70%
Inflation Sensitive		
U.S. TIPS	6.0%	0.13%
Principal Protection		
Core Fixed Income	8.0%	(0.45%)
Crisis Risk Offset		
Systematic Trend Following	2.1%	2.16%
Alternative Risk Premia	1.8%	1.60%
Long Duration	2.1%	0.86%
Total	100%	4.84%
Inflation		2.25%
Expected Arithmetic Return		7.09%

Discount Rate. A single discount rate of 6.49% 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 2.45% (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 SURS funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2075. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2075, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the SURS Net Pension Liability to Changes in the Discount Rate. Regarding the sensitivity of the NPL to changes in the single discount rate, the following presents the State's NPL, calculated using a single discount rate of 6.49%, as well as what the State's NPL would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease 5.49%	Current Single Discount Rate Assumption 6.49%	1% Increase 7.49%
$36,893,469,884	$30,619,504,321	$25,441,837,592

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

NOTE 10 DEFINED CONTRIBUTION PENSION PLAN

General Information about the Pension Plan

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

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

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

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

Pension Expense Related to Defined Contribution Pensions

Defined Contribution Pension Expense
For the year ended June 30, 2020, the State's contributions to the RSP on behalf of individual employers totaled $74,418,691. Of this amount, $68,874,215 was funded via an appropriation from the State and $5,544,476 was funded from previously forfeited contributions.

Employer Proportionate Share of Defined Contribution Pension Expense
The employer proportionate share of collective defined contribution pension expense is recognized as nonoperating revenue with matching operating expense (compensation and benefits) in the financial statements. The basis of allocation used in the proportionate share of collective defined contribution pension expense is the actual reported pensionable contributions made to the RSP during fiscal year 2020. The University's share of pensionable contributions was 0.4647%. As a result, the University recognized revenue and defined contribution pension expense of $345,790 from this special funding situation during the year ended June 30, 2021, of which $25,763 constituted forfeitures.

NOTE 11 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 Notes 9 and 10.

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

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

Funding Policy and Annual OPEB Cost. OPEB offered through SEGIP are financed through a combination of retiree premiums, State contributions, and Federal government subsidies from the Medicare Part D program. Contributions are deposited in the Health Insurance Reserve Fund, which covers both active State employees and 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 the SERS do not contribute toward health and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health and vision benefits. All annuitants are required to pay for dental benefits regardless of retirement date. The Director of CMS shall, on an annual basis, determine the amount the State shall contribute toward the basic program of group health benefits. State contributions are made primarily from the General Revenue Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree health insurance benefit and a separate trust has not been established for the funding of OPEB.

For fiscal year 2021, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $12,261 ($6,910 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and $15,224 ($6,449 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

CMS' Changes in Estimates. For the measurement date of June 30, 2019, 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, this change in estimate was amortized for subsequent recognition in the University's OPEB expense over a period of approximately five years, which began in fiscal year 2019.

Special Funding Situation Portion of OPEB. The proportionate share of the State's OPEB expense relative to the University's employees totaled $2,082,109 during the year ended June 30, 2021. This amount was recognized by the University as nonoperating special funding situation revenue and operating expense allocated to the related function performed by the employees during the year ended June 30, 2021.

While the University is not required to record the portion of the State's OPEB liability related to the University's employees resulting from the special funding situation, the University is required to disclose this amount. The following chart displays the proportionate share of the State's contributions related to the University's special funding situation relative to all employer contributions during the year ended June 30, 2020 based on the June 30, 2019 actuarial valuation rolled forward:

Measurement Date:	June 30, 2020
State of Illinois' OPEB liability related to the University under the Special Funding Situation	$ 182,293,024
SEGIP total OPEB liability	42,366,626,302
Proportionate share of the total OPEB liability	0.4303%

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 total OPEB liability, as reported at June 30, 2021, was measured as of June 30, 2020, with an actuarial valuation as of June 30, 2019. At June 30, 2021, the University recorded a liability of $4,978,820 for its proportionate share of the State's total OPEB liability. The University's portion of the OPEB liability was based on the University's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2020. As of the current year measurement date of June 30, 2020, the University's proportion was 0.0118%, which was a decrease of 0.0013% from its proportion measured as of the prior year measurement date of June 30, 2019.

The University recognized OPEB expense for the year ended June 30, 2021, of $24,107. In addition, the University recorded $2,082,109 of revenue and expenditures to account for contributions to SEGIP for University employees that were paid from statewide appropriations. At June 30, 2021, the University reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2020, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 28,175	$ 53,613
Changes in assumptions	136,060	499,996
Changes in proportion and differences between University contributions and proportionate share of contributions	-	461,217
University contributions subsequent to the measurement date	152,103	-
Total	$ 316,338	$ 1,014,826

$152,103 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, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	Net Deferred Inflows over the Remaining Service Life of All Employees
2022	$ (286,323)
2023	(229,349)
2024	(143,732)
2025	(168,627)
2026	(22,560)
Total	$ (850,591)

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

The valuation date as of June 30, 2019 below was rolled forward to June 30, 2020.

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Projected Salary Increases*	2.50% - 12.25%
Discount Rate	2.45%
Healthcare Cost Trend Rate:	
Medical and Rx (Pre-Medicare and Post-Medicare)	8.25% grading down 0.25% per year over 16 years to 4.25% in year 2037. There is no additional trend rate adjustment due to the repeal of the Excise Tax.
Dental and Vision	4.00% grading up 0.25% in the first year to 4.25% through 2037.
Retiree's share of benefit-related costs	Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5 percent for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100 percent of the required dependent premium. Premiums for plan year 2020 and 2021 are based on actual premiums. Premiums after 2021 were projected based on the same healthcare cost trend rates applied to per capita claim costs.

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

Inflation	2.50%
Projected Salary Increases*	2.75% - 12.25%
Healthcare Cost Trend Rate:	
Medical and Rx (Pre-Medicare)	8.00% grading down 0.50% in the first year to 7.50%, then grading down 0.11% in the second year to 7.39%, followed by grading down of 0.50% per year over 5 years to 4.89% in year 7
Medical and Rx (Post-Medicare)	9.00% grading down 0.50% per year over 9 years to 4.50%
Dental and Vision	6.00% grading down 0.50% per year over 3 years to 4.50%

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

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

	Retirement age Experience study^	**Mortality^^**
GARS	July 2015 - June 2018	Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, scaling factors of 99% for males and females and generational mortality improvements using MP-2018 two-dimensional mortality improvement scales
JRS	July 2015 - June 2018	Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, scaling factors of 102% for males and 98% for females and generational mortality improvements using MP-2018 two-dimensional mortality improvement scales
SERS	July 2015 - June 2018	Pub-2010 General and Public Safety Healthy Retiree mortality tables, sex distinct, with rates projected to 2018 generational mortality improvement factors were updated to projection scale MP-2018
TRS	July 2014 - June 2017	RP-2014 with future mortality improvements on a fully generational basis using projection table MP-2017
SURS	July 2014 - June 2017	RP-2014 White Collar, gender distinct, projected using MP-2014 two dimensional mortality improvement scale, set forward one year for male and female annuitants

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

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

Discount Rate. Retirees contribute a percentage of the premium rate based on service at retirement. The State contributes additional amounts to cover claims and expenses in excess of retiree contributions. Because plan benefits are financed on a pay-as-you-go basis, the single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. A single discount rate of 3.13% at June 30, 2019, and 2.45% at June 30, 2020, was used to measure the total OPEB liability.

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

	1% Decrease (1.45%)	Current Single Discount Rate Assumption (2.45%)	1% Increase (3.45%)
University's proportionate share of total OPEB liability	$ 5,860,516	$ 4,978,820	$ 4,275,636

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

	1% Decrease[(a)]	Current Healthcare Cost Trend Rates Assumption	1% Increase[(b)]
University's proportionate share of total OPEB liability	$ 4,168,010	$ 4,978,820	$6,042,009

(a) One percentage point decrease in healthcare trend rates are 7.25% in 2021 decreasing to an ultimate trend rate of 3.25% in 2037.

(b) One percentage point increase in healthcare trend rates are 9.25% in 2021 decreasing to an ultimate trend rate of 5.25% in 2037.

Total OPEB Liability Associated with the University, Regardless of Funding Source. The University is required to disclose all OPEB liabilities related to it, including (1) the portion of the State's OPEB liability related to the University's employees resulting from the special funding situation the University is not required to record and (2) the portion of OPEB liability recorded by the University for its employees paid from trust, federal, and other funds. The following chart displays the proportionate share of contributions, regardless of funding source, associated with the University's employees relative to all employer contributions during the year ended June 30, 2020 based on the June 30, 2019 actuarial valuation rolled forward:

Measurement Date:	June 30, 2020
State of Illinois' OPEB liability related to the University under the Special Funding Situation	$ 182,293,024
University's OPEB liability	4,978,820
Total OPEB liability associated with the University	$ 187,271,844
SEGIP total OPEB liability	$ 42,366,626,302
Proportionate share of the OPEB liability associated with the University	0.4420%

NOTE 12 LIABILITY INSURANCE

The University participates in a statutory cooperative known as the Illinois Public Higher Education Cooperative (IPHEC). Through IPHEC, the University has contracted with commercial insurance carriers to provide liability insurance coverages, including educators' legal and general liability insurance. The University purchased commercial excess general liability coverage of $10.65 million with a $350,000 deductible per occurrence. Educator's legal liability has coverage of $5 million with a $1 million deductible for wrongful employment practices ($350,000 deductible for all other claims). The University also has commercial property insurance coverage for the replacement value of the University's property.

NOTE 13 RELATED PARTY TRANSACTIONS

A summary of related party transactions during the year ended June 30, 2021, 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 $405,741 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 $1,814,373 for the year ended June 30, 2021. Included in that amount were scholarships and stipends benefiting the University and its students totaling $895,073.

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 annual comprehensive financial report, the following disclosure is presented.

University	CSF Operating Revenue
Operating Expense	$ 405,741

Dr. Kanis Child Development Center

On June 12, 2019, CSF finalized a gift agreement for $1,000,000 to fund the construction of the University's Childcare Center (Center). In addition, the

University and CSF agreed to provide operating funds, totaling $700,000 payable over three fiscal years beginning with the initial year of operations. The University's and CSF's share of operating funds provided would be $400,000 and $300,000, respectively, for each of the first three years of operations upon completion of the Center. The construction of the Center began in June 2021 and is currently expected to finish in January 2022. As of June 30, 2021, total construction in progress reported by the University in relation to the Center totaled $92,488.

NOTE 14 STUDENT FINANCIAL ASSISTANCE

The University participates in the U.S. Department of Education's Direct Student Loan Program. The University awarded $24,028,460 in direct student loans for the year ended June 30, 2021. 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 15 SEGMENT INFORMATION

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

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

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

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

Condensed Statement of Net Position		**As of June 30, 2021**
Assets		
Current assets - restricted	$	873,707
Capital assets, net		9,785,806
Total Assets		10,659,513
Deferred Outflows of Resources	$	2,267
Liabilities		
Current liabilities		1,712,623
Noncurrent liabilities		3,632,439
Total Liabilities		5,345,062
Net Position		
Net investment in capital assets		4,614,665
Restricted for auxiliary services		702,053
Total Net Position	$	5,316,718

Condensed Statement of Revenues, Expenses, and Changes in Net Position		**Year Ended June 30, 2021**
Operating revenues	$	3,382,703
Operating expenses		3,037,806
Operating income		344,897
Nonoperating revenues, net		532,879
Increase in net position		877,776
Net position, beginning of year		4,438,942
Net position, end of year	$	5,316,718

Condensed Statement of Cash Flows		**Year Ended June 30, 2021**
Net cash provided by (used in):		
Operating activities	$	1,490,019
Capital financing activities		(1,848,261)
Investing activity		40
Net decrease in cash and cash equivalents		(358,202)
Cash and cash equivalents, beginning of year		490,004
Cash and cash equivalents, end of year	$	131,802

NOTE 16 COMMITMENTS AND CONTINGENCIES

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

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

NOTE 17 ENDOWMENT

The CSF assumes responsibility on behalf of the University for private gifts for scholarships. As of June 30, 2021, $9,731,020 of endowment trust funds were invested and managed by Morgan Stanley.

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 provided to the restricted expendable funds.

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

NOTE 18 PLEDGED REVENUES AND DEBT SERVICE REQUIREMENTS

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

Bond Issue	Purpose	Source of Revenue Pledged	Future Net Revenues Pledged (1)	Term of Commitment	Current Year Pledged Net Revenue to Debt Service (2)
Auxiliary Facilities System Revenue Bonds, Series 1998	Advance refund the Series 1994 Bonds and various improvements to the University facilities.	Net revenues of the University Center, Housing, Bookstore, Child Care, Facilities Rental and Parking.	$ 5,547,437	2024	15.03%

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

NOTE 19 STATE OF ILLINOIS APPROPRIATIONS

In June 2020, the General Assembly passed SB0264, Public Act 101-0637. In this Act, the University received fiscal year 2021 appropriations as follows: $35,018,900 from the Education Assistance Fund, $3,000,000 from the Education Improvement Fund and $307,000 from the General Professions Dedicated Fund.

NOTE 20 OPERATING LEASES

The University leased various computer equipment under operating lease agreements. Total rental expense under these agreements was $262,120 as of June 30, 2021. Future minimum lease payments are as follows for the year ending June 30:

Fiscal Year	Amount
2022	$ 262,120
2023	262,120
2024	25,998
Total	$ 550,238

NOTE 21 EDUCATION STABILIZATION FUND

Higher Education Emergency Relief Fund (HEERF)

The University has received three separate awards (consisting of an initial award and two supplemental awards) from the Higher Education Emergency Relief Fund as part of the federal government's response to the COVID-19 pandemic. The awards received by the University under HEERF is divided into three portions: an institutional portion, minority-serving institutions (MSI) portion, and a student aid portion. The University's period of availability for using these federal funds is set to expire on June 30, 2023. The following chart reflects the remaining balance of this activity at June 30, 2021, which the University intends to claim and recognize as non-operating revenue during fiscal year 2022.

	Original Award			Remaining Balance		
	University Portion	MSI	Student Aid Portion	University Portion	MSI	Student Aid Portion
HEERF 1	$ 1,086,007	$ 149,969	$ 1,086,007	$ -	$ -	$ -
HEERF 2	3,241,166	243,446	1,086,007	476,066	35,758	159,514
HEERF 3	3,762,981	436,450	3,848,872	3,762,981	436,450	3,848,872
Total	$ 8,090,154	$ 829,865	$ 6,020,886	$ 4,239,047	$ 472,208	$ 4,008,386

The University received a total of $6,020,886 in HEERF-student aid portion funding to provide emergency financial aid grants to students for expenses related to the disruption of campus operations due to the coronavirus. In fiscal year 2021, the University recognized nonoperating revenue amounting to $246,507 and $926,493 from HEERF 1 and HEERF 2, respectively.

The University also received $8,090,154 in the HEERF-institutional (University) portion and $829,865 MSI funding to cover costs associated with significant changes in the delivery of instruction and to defray institutional expenses that occurred during the coronavirus pandemic. In fiscal year 2021, the University recognized nonoperating revenue amounting to $1,235,976 and $2,972,788 from HEERF 1 and HEERF 2, respectively.

Governor's Emergency Education Relief Fund

The University received two separate awards (consisting of an initial award and a supplemental award) from the federal government, through Illinois Board of Higher Education, as part of the government response to the COVID-19 pandemic. The University's period of availability for using these funds is set to expire on September 30, 2022 but can be extended for up to one additional year. The University received a total of $1,344,622 to cover costs associated with the coronavirus. The University liquidated costs and recognized nonoperating revenue amounting to $818,543 in Fiscal Year 2021 in the statement of revenues, expenses and changes in net position. The University intends to claim and recognize as nonoperating revenue the remaining balance during fiscal year 2022.

NOTE 22 RESTATEMENT OF NET POSITION

The University restated its net position as of July 1, 2020 due to the following:

(A) During the fiscal year ended June 30, 2021, the University adopted GASB Statement No. 84, *Fiduciary Activities*. The implementation of this statement has resulted in changing the presentation of the financial statements by recording the assets, liabilities, net position, additions, and deductions of the Chicagoland Regional College Program, private scholarships received in advance, and funds held by the University on-behalf of student organizations, separately from the University's business-type activities.

(B) During fiscal year 2021, the auditors of CMS identified errors in the SEGIP's OPEB activity resulting in errors in the allocation of OPEB to various State agencies and universities. At the University, this correction impacted the beginning OPEB liability and the related deferred inflows of resources and deferred outflows of resources.

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

	Business-type Activities	Custodial Funds
Net position, beginning of year, as previously reported	$ 143,624,753	$ –
Cumulative effect of change in accounting principles	–	710,840
Effects of correction of an error	5,534,631	–
Net position, beginning of year, as restated	$ 149,159,384	$ 710,840

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
For the Year Ended June 30, 2021

Schedule of the University's Proportionate Share of Net Pension Liability (Unaudited)

	FY2020*	FY2019*	FY2018*	FY2017*	FY2016*	FY2015*	FY2014*
(a) University's Proportionate Percentage of the Collective Net Pension Liability	0%	0%	0%	0%	0%	0%	0%
(b) Proportionate Amount of the Collective Net Pension Liability	$ -	$ -	$ -	$ -	$ -	$ -	$ -
(c) Portion of Nonemployer Contributing Entities' Total Proportion of Collective Net Pension Liability associated with the University	334,114,520	325,972,808	297,436,114	272,418,504	348,769,627	346,747,343	342,183,267
Total (b) + (c)	$ 334,114,520	$ 325,972,808	$ 297,436,114	$ 272,418,504	$ 348,769,627	$ 346,747,343	$ 342,183,267
Employer Defined Benefit Covered Payroll	$ 40,207,478	$ 40,676,298	$ 38,313,622	$ 37,412,339	$ 48,247,884	$ 52,894,247	$ 56,869,819
Proportion of Collective Net Pension Liability associated with the University as a Percentage of Defined Benefit Covered Payroll	830.98%	801.38%	776.32%	728.15%	722.87%	655.55%	601.70%
SURS Plan Net Position as a Percentage of Total Pension Liability	39.05%	40.71%	41.27%	42.04%	39.57%	42.37%	44.39%

Fiscal Year 2021 Total Defined Benefit Covered Payroll: $39,246,566

Schedule of Contributions for Pensions (Unaudited)

	FY2021	FY2020	FY2019	FY2018	FY2017	FY2016	FY2015	FY2014
Federal, Trust, Grant and Other Contributions	$ 180,281	$ 181,261	$ 202,145	$ 179,185	$ 165,753	$ 287,671	$ 318,777	$ 348,064
Contributions in relation to Required Contribution	180,281	181,261	202,145	179,185	165,753	287,671	318,777	348,064
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
University's Covered Payroll	$ 1,472,985	$ 1,486,285	$ 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	12.24%	12.20%	10.10%	10.60%	6.55%	8.13%	7.77%	7.68%

** The amounts presented were determined as of the prior fiscal year end.*
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 2021 Total Defined Benefit Contributions: $ 3,170,115
Fiscal Year 2021 Total Retirement Savings Plan Contributions: $ 496,910

Notes to Required Supplementary Information - Pension (Unaudited)

These pension schedules are presented to illustrate the requirements of the Governmental Accounting Standards Board (GASB)'s Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, to show information for 10 years. However, until a full 10-year trend is compiled, the University will only present available information measured in accordance with the requirements of GASB Statement No. 68.

Changes of Benefit Terms. There were no benefit changes recognized in the Total Pension Liability as of June 30, 2020.

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

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
For the Year Ended June 30, 2021

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

	FY 2020	FY 2019†	FY 2018†	FY 2017†
University's Proportion of the Collective Total OPEB Liability	0.0119%	0.0131%	0.0132%	0.0176%
University's Proportion Share of the Collective Total OPEB liability	$ 4,978,820	$ 5,749,481	$ 5,292,309	$ 7,272,999
Portion of Nonemployer Contributing Entities' Total Proportion of Collective Total OPEB Liability associated with the University	182,293,024	194,310,281	190,409,251	226,008,453
Total OPEB Liability associated with the University	$ 187,271,844	$ 200,059,762	$ 195,701,560	$ 223,281,452
University's Covered Payroll	$ 47,577,617	$ 47,254,679	$ 44,116,315	$ 41,492,317
University's Proportionate Share of the Collective Total OPEB Liability as a Percentage of its Covered Payroll	10.46%	12.17%	11.20%	17.53%

**The amounts presented for each fiscal year were determined as of the prior fiscal year end.*
†Prior year information would no longer be accurate due to the restatement, see Note 22.

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)

Payment of Benefits. No assets are accumulated or dedicated to funding the retiree health insurance benefit and a separate trust has not been established for the funding of OPEB. State contributions are made primarily from the General Revenue Fund on a pay-as-you-go basis.

Factors that Affect Trends in the Amounts Reported. An actuarial valuation was performed as of June 30, 2019 with a measurement date as of June 30, 2020. The following assumptions were used:

- Mortality rates. RP2014 White Collar, gender distinct, projected using MP-2014 two-dimensional mortality improvement scale, set forward one year for male and female annuitants.
- Salary increases. Dependent upon service and participation in the respective retirement systems. Includes inflation rate of 2.25% salary increase of 2.50% - 12.25%.
- Healthcare cost trend rate. Medical (Pre-Medicare) 8.25% grading down 0.25% over 16 years to 4.25% in year 2037; the excise tax has been repealed and longer affects the trend rates; Medical (Post-Medicare) 8.25% grading down 0.25% per year over 16 years to 4.25% in year 2037; Dental and Vision 4.0% grading up 0.25% in the first year 4.25%.
- 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.

SUPPLEMENTARY INFORMATION

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
UNIVERSITY AUXILIARY FACILITIES SYSTEM REVENUE BOND FUND, SERIES 1998
STATEMENT OF NET POSITION
June 30, 2021

ASSETS	
Current Assets	
Cash and cash equivalents - restricted	$ 131,802
Accounts receivable, net - restricted	740,405
Prepaid expenses and other assets - restricted	1,500
Total current assets	873,707
Noncurrent Assets	
Land improvements	596,600
Buildings and improvements	20,778,764
Furniture and equipment	464,223
Less: accumulated depreciation	(12,053,781)
Total noncurrent assets	9,785,806
Total Assets	10,659,513
DEFERRED OUTFLOWS OF RESOURCES	2,267
LIABILITIES	
Current Liabilities	
Accounts payable and accrued liabilities	80,167
Long-term liabilities - current portion	1,632,456
Total current liabilities	1,712,623
Noncurrent Liabilities	
Accrued compensated absences	93,754
Bonds payable	3,505,000
Premium on bonds	33,685
Total noncurrent liabilities	3,632,439
Total Liabilities	5,345,062
NET POSITION	
Net investment in capital assets	4,614,665
Restricted for auxiliary services	702,053
	$ 5,316,718

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
UNIVERSITY AUXILIARY FACILITIES SYSTEM REVENUE BOND FUND, SERIES 1998
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2021

OPERATING REVENUES	
Room and board (net of scholarship allowances of $73,317)	$ 1,519,789
Vending and catering commissions	1,567
Parking fees	79,000
University center fees	1,782,347
Total operating revenues	3,382,703
OPERATING EXPENSES	
Personal services	1,657,697
Expended for plant	9,606
Commodities	5,942
Contractual services	742,100
Depreciation	489,139
Miscellaneous	133,322
Total operating expenses	3,037,806
OPERATING INCOME	344,897
NONOPERATING REVENUES (EXPENSES)	
Special funding situation	695,880
On-behalf payments	130,775
Investment income	40
Interest on capital asset - related debt	(293,816)
Net nonoperating revenues	532,879
INCREASE IN NET POSITION	877,776
NET POSITION, BEGINNING OF YEAR	4,438,942
NET POSITION, END OF YEAR	$ 5,316,718

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
UNIVERSITY AUXILIARY FACILITIES SYSTEM REVENUE BOND FUND, SERIES 1998
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES		
Room and board	$	1,393,901
Bookstore commissions		18,409
Vending and catering commissions		1,567
Parking fees		78,956
University center fees		1,739,713
Payment to suppliers for goods and services		(905,917)
Payments to employees for services		(836,610)
Net cash provided by operating activities		1,490,019
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Principal paid on capital debt		(1,525,000)
Interest paid on capital debt		(323,261)
Net cash used in capital financing activities		(1,848,261)
CASH FLOWS FROM INVESTING ACTIVITY		
Interest on investments		40
NET DECREASE IN CASH AND CASH EQUIVALENTS		(358,202)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		490,004
CASH AND CASH EQUIVALENTS, END OF YEAR	$	131,802
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$	344,897
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		489,139
Special funding situation		695,880
On-behalf payments		130,775
Changes in assets and liabilities:		
Accounts receivables, net - restricted		(150,157)
Deferred outflows of resources		(2,267)
Accounts payable and accrued liabilities		(14,947)
Accrued compensated absences		(3,301)
Net cash provided by operating activities	$	1,490,019

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
TABLE OF OPERATING EXPENSES
For the Year Ended June 30, 2021

The following table presents a break-down of the various types of expenses which collectively comprise the University's functional operating expense accounts for the fiscal year ended June 30, 2021.

	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	$ 23,854,014	$ 619,443	$ (65,560)	$ 24,407,897	$ 3,737,263	$ 1,038,350	$ 18,860,704	$ 23,636,317	$ 48,044,214	$ 3,235,948	$ 51,280,162
Research	610,580	31,005	(1,618)	639,967	72,776	25,622	367,278	465,676	1,105,643	73,178	1,178,821
Public service	1,070,204	358,842	(2,279)	1,426,767	-	36,092	-	36,092	1,462,859	1,139,056	2,601,915
Academic support	3,492,106	81,049	(9,633)	3,563,522	555,601	152,567	2,803,930	3,512,098	7,075,620	1,181,695	8,257,315
Student services	2,272,159	184,412	(5,634)	2,450,937	281,202	89,234	1,419,132	1,789,568	4,240,505	1,810,111	6,050,616
Institutional support	6,844,280	300,539	(18,846)	7,125,973	1,087,149	298,483	5,486,472	6,872,104	13,998,077	4,739,697	18,737,774
Operation and maintenance of plant	6,318,762	141,259	(17,559)	6,442,462	1,012,953	278,111	5,112,029	6,403,093	12,845,555	3,418,901	16,264,456
Depreciation	-	-	-	-	-	-	-	-	-	4,672,719	4,672,719
Scholarship and fellowship	-	-	-	-	-	-	-	-	-	6,859,957	6,859,957
Auxiliary facilities:											
Student housing, activity facilities, and parking	3,871,818	83,121	(10,332)	3,944,607	596,056	163,650	3,008,092	3,767,798	7,712,405	2,140,215	9,852,620
Total	$ 48,333,923	$ 1,799,670	$ (131,461)	$ 50,002,132	$ 7,343,000	$ 2,082,109	$ 37,057,637	$ 46,482,746	$ 96,484,878	$ 29,271,477	$ 125,756,355

[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)

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
OTHER INFORMATION (UNAUDITED)
For the Year Ended June 30, 2021

Student Enrollment by Term (Unaudited)

	Total Enrollment	Unduplicated Full-Time Equivalent
Fall session, 2020	2,644	1,982
Spring session, 2021	2,507	1,908
Summer session, 2021	994	506

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, 2020	$ 15	$ 100
Spring session, 2021	15	100
Summer session, 2021	-	-

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 State 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	$ 41,245,791
Contents	1,369,446
Business interruption	7,072,532
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

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Chicago State University

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, fiduciary 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, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated May 31, 2022. 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 of the Chicago State Foundation, a component unit of the University, associated with this component unit 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items 2021-001 through 2021-003.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings, we did identify certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings as item 2021-003 to be a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Findings as items 2021-001 and 2021-002 to be significant deficiencies.

University's Responses to the Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
May 31, 2022

2021-001. **FINDING** Weaknesses over Computer Security

The Chicago State University (University) did not maintain adequate controls over computer security.

The University had invested in computer hardware and systems and established several critical, confidential or financially sensitive systems for use in meeting its mission. However, the University did not have controls to ensure adequate security controls over their computing environment. During testing, we noted:

- Network user accounts were not periodically reviewed.
- Separated employees continued to have access to the domain.
- Encryption software was not consistently installed on laptops and workstations storing University data.
- Information Technology (IT) infrastructure was not secured properly.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Access Control section requires timely termination and periodic reviews of access rights along with installation of device encryption mechanisms to protect the confidentiality and integrity of information; System and Information Integrity section requires implementation of security protection mechanisms; and System and Services Acquisition section requires a properly secured infrastructure.

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently and effectively and in compliance with applicable law.

University management indicated considerable progress had been made in applying systematic processes for system access and control of device locations, but they were not completed and fully implemented before the year-end. University management also indicated due to resource constraints the University was unable to secure the IT infrastructure.

Failure to have adequate security controls over computing resources increases the risk of unauthorized access to the computing environment and the risk that confidentiality, integrity, and availability of systems and data will be compromised. (Finding Code No. 2021-001, 2020-001)

2021-001. **FINDING** Weaknesses over Computer Security (Continued)

RECOMMENDATION

We recommend the University:

- Review network accounts periodically.
- Timely remove the domain access of separated employees.
- Encrypt laptops and workstations that store, process, and contain confidential and sensitive information.
- Ensure the IT infrastructure is properly secured.

UNIVERSITY RESPONSE

The University concurs with the recommendation.

2021-002. **FINDING** Change Control Weaknesses

The Chicago State University (University) had weaknesses over change management.

We tested a sample of seven program changes made to the University's Enterprise Application Software, noting:

- Seven changes (100%) did not have a change request documented.
- Seven changes (100%) did not have evidence of approval prior to the development of the change.
- Seven changes (100%) were developed and deployed to the production environment by the same individual without maintaining adequate segregation of duties.
- Four changes (57%) did not have evidence of user acceptance testing and approval prior to deployment of the changes to the production environment.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology, Configuration Management and System and Communication Protection sections, requires entities to develop and document control over changes, for changes to follow the documented controls, and developers' access to the production environment is restricted.

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

Additionally, the University's Change Management Process requires changes to be tracked via a Request for Change form and reviewed and approved prior to execution.

University management indicated an application for monitoring approvals was created but not fully implemented. University management also indicated the inadequate segregation of duties was due to lack of staffing.

Failure to control changes increases the risk of unauthorized or improper changes to computer systems. Inadequate segregation of duties in the computing environment increases the risk the confidentiality, integrity, and availability of data will be compromised. (Finding Code No. 2021-002, 2020-002)

2021-002. **FINDING** Change Control Weaknesses (Continued)

RECOMMENDATION

We recommend the University comply with its Change Management Process, including the completion of Request for Change forms, approval of changes prior to development, and testing and approval of changes prior to implementation to production. In addition, we recommend adequate segregation of duties be observed to prevent the risk that unauthorized changes are moved to production.

UNIVERSITY RESPONSE

The University concurs with the recommendation.

2021-003. **<u>FINDING</u>** Inadequate Internal Controls over Census Data

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

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

We noted the University's employees are members of both the State Universities Retirement System (SURS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans. Finally, CMS' actuaries use census data for employees of the State's public universities provided by SURS along with census data for the other participating members which is provided by the State's four other pension plans to prepare the projection of the OPEB plan's liabilities.

During testing, we noted the following:

- The University had not performed an initial complete reconciliation of its census data recorded by SURS to its internal records to establish a base year of complete and accurate census data.

- After establishing a base year, the University had not developed a process to annually obtain from SURS the incremental changes recorded by SURS in their census data records and reconcile these changes back to the University's internal supporting records.

2021-003. **FINDING** Inadequate Internal Controls over Census Data (Continued)

Based on information we obtained while performing our audit, we learned these deficiencies are pervasive across the public universities participating in SURS and across the State's agencies participating in one of the other four State pension plans, the State Employees' Retirement System of Illinois. These conditions significantly increase the risk there could be errors at one or more employers within the plans, and these errors could have a significant impact on SURS' and CMS' measurement of pension and OPEB liabilities, respectively.

In addition, we noted errors within CMS' allocation of OPEB-related balances across the State's funds, public universities, and the Illinois State Toll Highway Authority related to a failure by CMS to account for a separately financed specific OPEB liability for certain groups of employees at one component unit of the State. The impact of these errors resulted in the University restating its beginning net position by $5,534,631 as of July 1, 2020.

Based upon the significance of these issues alone, we concluded a material weakness exists within the University's internal controls related to ensuring both SURS and CMS can provide their respective actuaries with complete and accurate census data related to the University's active employees. Even given these exceptions, we performed detail testing of a sample of employees and certain data analysis tests of the total population of the University's census data transactions reported to SURS and did not note any additional exceptions.

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

2021-003. **FINDING** Inadequate Internal Controls over Census Data (Continued)

Additionally, eligibility criteria for participation in SURS under the Illinois Pension Code (Code) (40 ILCS 5/15-134(a)) states any person who is an employee of the University becomes a participant in SURS. Under the Code (40 ILCS 5/15-107), an employee is a person who works for the University in a secretarial, mechanical, labor, clerical, educational, administrative, or other staff position which is either (a) permanent and continuous or (b) for a period of four months or an academic term, whichever is less, who is:

1) not a student employed on a less than full-time temporary basis;
2) not receiving a retirement or disability annuity from SURS;
3) not on military leave;
4) not eligible to participate in the Federal Civil Service Retirement System;
5) not currently on a leave of absence without pay more than 60 days after the termination of SURS' disability benefits;
6) not paid from funds received under the Federal Comprehensive Employment and Training Act as a public service employment program participant hired on or after July 1, 1979;
7) not a patient in a hospital or home;
8) not an employee compensated solely on a fee basis where such income would net earnings from self-employment;
9) not providing military courses pursuant to a federally-funded contract where the University has filed a written notice with SURS electing to exclude these persons from the definition of an employee;
10) currently on lay-off status of not more than 120 days after the lay-off date;
11) not on an absence without pay of more than 30 days; and,
12) a nonresident alien on a visa defined under subparagraphs (F), (J), (M), or (Q) of Section 1101(a)(15) of Title 8 of the United States Code who (1) has met the Internal Revenue Service's substantial presence test and (2) became an employee on and after July 1, 1991.

Further, for CMS' OPEB plan, we noted participation in OPEB is derivative of an employee's eligibility to participate in SURS, as members of SURS participate in OPEB as annuitants under the State Employees Group Insurance Act of 1971 (Act) (5 ILCS 375/3(b)).

In addition, the Illinois Pension Code (40 ILCS 5/15-157) requires the University to, at a minimum, withhold contributions of each employee's total compensation of 8% (9.5% for firefighters or police officers) for their participation in SURS, unless

2021-003. **FINDING** Inadequate Internal Controls over Census Data (Continued)

further contributions by the employee would either exceed the maximum retirement annuity in the Code (40 ILCS 5/15-136(c)) or the Tier 2 earnings limitation within the Code (40 ILCS 5/15-111(b)), and remit these amounts to SURS. Further, the Code (40 ILCS 5/15-155(b)) requires the University remit employer contributions to SURS reflecting the accruing normal costs of an employee paid from federal or trust funds. Additionally, the Act (5 ILCS 375/10) requires active employees to make contributions as set by CMS and the Act (5 ILCS 375/11) requires employer contributions by the University for all employees not totally compensated from its Income Fund, local auxiliary funds, and the Agricultural Premium Fund.

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

University management indicated the University continued to rely on manual reconciliation processes which were not fully adequate to ensure accuracy and consistency among SURS, CMS, and the records retained at the University.

Failure to reconcile active members' census data reported to and held by SURS to the University's internal records could result in SURS and CMS plans' actuaries relying on incomplete or inaccurate census data in the calculation of the pension and OPEB balances, which could result in a material misstatement of these amounts. In addition, the allocation error involving one component unit in the OPEB plan resulted in misstatements within each employer's allocation, which resulted in a restatement at the University. (Finding Code No. 2021-003, 2020-003)

RECOMMENDATION

We recommend the University work with SURS to annually reconcile its active members' census data from its underlying records to a report of census data submitted to SURS' actuary and CMS' actuary. After completing an initial full reconciliation, the University may limit the annual reconciliations to focus on the incremental changes to the census data file from the prior actuarial valuation, provided no risks are identified that incomplete or inaccurate reporting of census data may have occurred during prior periods. Any errors identified during this

2021-003. **FINDING** Inadequate Internal Controls over Census Data (Continued)

process should be promptly corrected by either the University or SURS, with the impact of these errors communicated to both SURS' actuary and CMS' actuary.

UNIVERSITY RESPONSE

The University agrees with the recommendation. The University has been working with SURS and CMS to develop a reconciliation process. The University requested and received necessary employee data from SURS and Governor's State University and has acted accordingly on that information. Documentation and cross-training has also begun to improve processes, minimize errors, and provide a system of secondary review.