



**STATE OF ILLINOIS  
DEPARTMENT OF  
CENTRAL MANAGEMENT SERVICES**

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**FINANCIAL AUDIT**

**For the Year Ended June 30, 2024**

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



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STATE OF ILLINOIS  
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES  
**FINANCIAL AUDIT**  
For the Year Ended June 30, 2024

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STATE OF ILLINOIS  
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES  
**FINANCIAL AUDIT**  
For the Year Ended June 30, 2024

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STATE OF ILLINOIS  
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES  
**FINANCIAL AUDIT**  
For the Year Ended June 30, 2024

**AGENCY OFFICIALS**

Director (3/7/2024 – Present)	Ms. Raven DeVaughn
Director (Acting) (7/1/2023 – 3/6/2024)	Ms. Raven DeVaughn
Assistant Director (5/24/2024 – Present)	Mr. Aundra Williams
Assistant Director (Acting) (7/1/2023 – 5/23/2024)	Mr. Aundra Williams
Assistant Director	Vacant
Chief of Staff	Mr. Patrick Nolan
Chief Administrative Officer	Ms. Sarah Kerley
Chief Operating Officer (7/10/2023 – Present)	Mr. William McCarty
Chief Operating Officer (Acting) (7/1/2023 – 7/9/2023)	Mr. Sean Neuert
Chief Financial Officer	Ms. Karen Pape
General Counsel (12/1/2023 – Present)	Ms. Corey-Anne Gulkewicz
General Counsel (Acting) (7/1/2023 – 11/30/2023)	Ms. Corey-Anne Gulkewicz
Chief Internal Auditor (10/16/2023 – Present)	Mr. Butch Stilwell
Chief Internal Auditor (Acting) (7/1/2023 – 10/15/2023)	Ms. Dawn Meier
Agency main offices are located at:	
State of Illinois Building 555 W. Monroe Street Chicago, Illinois 60661	William G. Stratton Building 401 S. Spring Street Springfield, Illinois 62706

STATE OF ILLINOIS  
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES  
**FINANCIAL AUDIT**  
For the Year Ended June 30, 2024

**FINANCIAL STATEMENT REPORT**

**SUMMARY**

The audit of the accompanying financial statements of the State of Illinois, Department of Central Management Services (Department) was performed by Sikich CPA LLC.

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

**SUMMARY OF FINDINGS**

<b>Number of</b>	<b><u>Current Report</u></b>	<b><u>Prior Report</u></b>
Findings	1	1
Repeated Findings	1	1
Prior Recommendations Implemented or Not Repeated	0	2

**SCHEDULE OF FINDINGS**

<b><u>Item No.</u></b>	<b><u>Pages</u></b>	<b><u>Last/First Report</u></b>	<b><u>Description</u></b>	<b><u>Finding Type</u></b>
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CURRENT FINDINGS

2024-001	63-64	2023/2019	Failure to determine premiums that allow for establishment of actuarial sound reserve	Significant Deficiency and Noncompliance
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**EXIT CONFERENCE**

The Department waived an exit conference in a correspondence from Amy Lange, Audit Liaison on January 28, 2025. The responses to the recommendations were provided by Amy Lange, Audit Liaison, in a correspondence dated February 03, 2025.

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Springfield, IL 62704  
217.793.3363

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## **INDEPENDENT AUDITOR'S REPORT**

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, business-type activities, the major fund, and the aggregate remaining fund information of the State of Illinois, Department of Central Management Services (Department), as of and for the year ended June 30, 2024, and the related notes to the financial statements which collectively comprise the Department's basic financial statements (financial statements) as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the major fund, and the aggregate remaining fund information of the Department, as of June 30, 2024, 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.

#### ***Basis for Opinions***

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

### ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, the financial statements of the Department are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2024, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### ***Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the financial statements. The accompanying supplementary information is presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2025, on our consideration of the Department'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 Department'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 Department's internal control over financial reporting and compliance.

### **Restricted Use of this Auditor's Report**

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

**SIGNED ORIGINAL ON FILE**

Springfield, Illinois  
February 14, 2025

## **BASIC FINANCIAL STATEMENTS**

**State of Illinois**  
**Department of Central Management Services**

**Statement of Net Position**

June 30, 2024 (Expressed in Thousands)

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
Unexpended appropriations	\$ 21,360	\$ -	\$ 21,360
Cash equity with State Treasurer	239,029	10,415	249,444
Cash and cash equivalents	22,480	1,338	23,818
Securities lending collateral equity of State Treasurer	49,974	2,017	51,991
Receivables, net:			
Intergovernmental	7,846	696	8,542
Other	81,442	911	82,353
Lease receivables:			
Current	92	-	92
Noncurrent	6,775	-	6,775
Due from other Department funds	6	-	6
Due from other Department fiduciary funds	50,009	-	50,009
Due from other State funds	624,442	-	624,442
Due from State of Illinois component units	12,817	-	12,817
Inventories	1,807	-	1,807
Capital assets not being depreciated	136,650	-	136,650
Capital assets being depreciated, net	666,474	-	666,474
<b>Total assets</b>	<b>1,921,203</b>	<b>15,377</b>	<b>1,936,580</b>
Deferred outflows of resources - pensions	16,146	-	16,146
Deferred outflows of resources - OPEB	4,690	-	4,690
<b>Total deferred outflows of resources</b>	<b>20,836</b>	<b>-</b>	<b>20,836</b>
<b>Total assets and deferred outflows of resources</b>	<b>1,942,039</b>	<b>15,377</b>	<b>1,957,416</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>			
Accounts payable and accrued liabilities	277,856	1,426	279,282
Intergovernmental payables	3,980	21	4,001
Due to Department funds	-	6	6
Due to other State fiduciary funds	1,707	10	1,717
Due to other State funds	3,654	6	3,660
Due to State of Illinois component units	376	-	376
Obligations under securities lending of State Treasurer	49,974	2,017	51,991
Unearned revenue	4,515	13	4,528
Long term obligations:			
Due within one year	175,823	-	175,823
Due subsequent to one year	764,836	41	764,877
Net pension liability	63,575	-	63,575
Total OPEB liability			
Due within one year	1,011	-	1,011
Due subsequent to one year	18,814	-	18,814
<b>Total liabilities</b>	<b>1,366,121</b>	<b>3,540</b>	<b>1,369,661</b>
Deferred inflows of resources - pensions	12,590	-	12,590
Deferred inflows of resources - OPEB	31,161	-	31,161
Deferred inflows of resources - leases	6,442	-	6,442
<b>Total deferred inflows of resources</b>	<b>50,193</b>	<b>-</b>	<b>50,193</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>1,416,314</b>	<b>3,540</b>	<b>1,419,854</b>
<b>NET POSITION</b>			
Net investment in capital assets	437,623	-	437,623
Restricted for:			
General government	1,588	-	1,588
Unrestricted	86,514	11,837	98,351
<b>Total net position</b>	<b>\$ 525,725</b>	<b>\$ 11,837</b>	<b>\$ 537,562</b>

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

**State of Illinois**  
**Department of Central Management Services**

**Statement of Activities**

For the Year Ended June 30, 2024 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position		Total
		Charges for Services	Federal Operating Grants	Governmental Activities	Business-Type Activities	
<b>Primary government</b>						
Governmental activities						
General government	\$ 3,692,426	\$ 3,340,931	\$ 4,548	\$ (346,947)		\$ (346,947)
Education	831,309	-	-	(831,309)		(831,309)
Employment and economic development	31,079	-	-	(31,079)		(31,079)
Health and social services	370,153	-	-	(370,153)		(370,153)
Transportation	168,018	-	-	(168,018)		(168,018)
Public protection and justice	363,453	-	-	(363,453)		(363,453)
Environment and business regulation	65,321	-	-	(65,321)		(65,321)
Total governmental activities	<u>5,521,759</u>	<u>3,340,931</u>	<u>4,548</u>	<u>(2,176,280)</u>		<u>(2,176,280)</u>
<b>Business type activities</b>						
Insurance program	\$ 33,619	\$ 36,344			\$ 2,725	2,725
Total business-type activities	<u>33,619</u>	<u>36,344</u>			<u>2,725</u>	<u>2,725</u>
<b>Total primary government</b>	<u>\$ 5,555,378</u>	<u>\$ 3,377,275</u>				<u>\$ (2,173,555)</u>
<b>General revenues</b>						
Appropriations from State Resources				2,250,977	-	2,250,977
Lapsed appropriations				(2,436)	-	(2,436)
Receipts collected and transmitted to State Treasury				(2,065)	-	(2,065)
Interest and investment income				23,065	424	23,489
Other revenues				6,654	12	6,666
Loss on disposition of assets				(81)	-	(81)
Capital contributions				133,270	-	133,270
Total general revenues and transfers				<u>2,409,384</u>	<u>436</u>	<u>2,409,820</u>
Change in net position				233,104	3,161	236,265
Net position, July 1, 2023				292,621	8,676	301,297
<b>Net position, June 30, 2024</b>				<u>\$ 525,725</u>	<u>\$ 11,837</u>	<u>\$ 537,562</u>

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

**State of Illinois**  
**Department of Central Management Services**

**Balance Sheet -**  
**Governmental Funds**

June 30, 2024 (Expressed in Thousands)

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Unexpended appropriations	\$ 21,360	\$ -	\$ 21,360
Cash equity with State Treasurer	32,562	-	32,562
Cash and cash equivalents	2,392	-	2,392
Receivables, net:			
Other receivables	132	-	132
Due from other Department funds	346	-	346
Securities lending collateral equity of State Treasurer	2,333	-	2,333
<b>Total assets</b>	<u>\$ 59,125</u>	<u>\$ -</u>	<u>\$ 59,125</u>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>			
Accounts payable and accrued liabilities	\$ 34,324	\$ -	\$ 34,324
Intergovernmental payables	68	-	68
Due to other State fiduciary funds	12	-	12
Due to other Department funds	25,011	950	25,961
Due to other State funds	340	-	340
Due to State of Illinois component units	216	-	216
Matured portion of long-term obligations	207	-	207
Obligations under securities lending of State Treasurer	2,333	-	2,333
<b>Total liabilities</b>	<u>62,511</u>	<u>950</u>	<u>63,461</u>
Deferred inflows of resources - unavailable revenue	32	-	32
<b>Total liabilities and deferred inflows of resources</b>	<u>62,543</u>	<u>950</u>	<u>63,493</u>
<b>FUND BALANCES (DEFICITS)</b>			
Restricted - General Government	1,588	-	1,588
Unassigned	(5,006)	(950)	(5,956)
Total fund balances (deficits)	<u>(3,418)</u>	<u>(950)</u>	<u>(4,368)</u>
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<u>\$ 59,125</u>	<u>\$ -</u>	<u>\$ 59,125</u>

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

**State of Illinois**  
**Department of Central Management Services**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to Statement of Net Position**  
**June 30, 2024**  
**(Expressed in Thousands)**

**Total fund balances-governmental funds** \$ (4,368)

Amounts reported for governmental activities in the  
Statement of Net Position are different because:

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds. 17,082

Revenues in the Statement of Activities that do not provide  
current financial resources are deferred in governmental funds. 32

Internal service funds are used to charge costs of certain  
activities to individual funds. The assets and liabilities of the  
internal service funds are reported as governmental activities  
in the Statement of Net Position. 624,598

Deferred outflows of resources related to pensions. 16,146

Deferred inflows of resources related to pensions. (12,590)

Deferred outflows of resources related to OPEB. 4,690

Deferred inflows of resources related to OPEB. (31,161)

Some liabilities reported in the Statement of Net Position do not  
require the use of current financial resources and therefore are  
not reported as liabilities in governmental funds. These  
liabilities consist of:

Compensated absences	(697)	
Auto liability claims	(4,607)	
Total OPEB liability	(19,825)	
Net pension liability	(63,575)	
	(88,704)	(88,704)

**Net position of governmental activities** **\$ 525,725**

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

**State of Illinois**  
**Department of Central Management Services**

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

For the Year Ended June 30, 2024 (Expressed in Thousands)

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Interest and other investment income	\$ 243	\$ -	\$ 243
Other	3,433	399	3,832
Federal operating revenues	4,548	-	4,548
<b>Total revenues</b>	<u>8,224</u>	<u>399</u>	<u>8,623</u>
<b>EXPENDITURES</b>			
General government	193,376	-	193,376
Education	901,825	-	901,825
Employment and economic development	33,715	-	33,715
Health and social services	401,551	-	401,551
Transportation	29,273	144,671	173,944
Public protection and justice	394,283	-	394,283
Environment and business regulation	70,862	-	70,862
Capital outlays	5,927	-	5,927
<b>Total expenditures</b>	<u>2,030,812</u>	<u>144,671</u>	<u>2,175,483</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(2,022,588)</u>	<u>(144,272)</u>	<u>(2,166,860)</u>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>			
Appropriations from State resources	2,102,670	148,307	2,250,977
Lapsed appropriations	(2,436)	-	(2,436)
Receipts collected and transmitted to State Treasury	(1,613)	(452)	(2,065)
Transfers-out	(5,500)	-	(5,500)
<b>Net other sources (uses) of financial resources</b>	<u>2,093,121</u>	<u>147,855</u>	<u>2,240,976</u>
<b>Net change in fund balances</b>	70,533	3,583	74,116
Fund balances (deficits), July 1, 2023	<u>(73,951)</u>	<u>(4,533)</u>	<u>(78,484)</u>
<b>Fund Balances (Deficits), June 30, 2024</b>	<u>\$ (3,418)</u>	<u>\$ (950)</u>	<u>\$ (4,368)</u>

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

**State of Illinois**  
**Department of Central Management Services**  
**Reconciliation of Statement of Revenues, Expenditures and Changes in**  
**Fund Balances of Governmental Funds to Statement of Activities**  
**For the Year Ended June 30, 2024**  
**(Expressed in Thousands)**

<b>Net change in fund balances</b>	<b>\$</b>	<b>74,116</b>
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This amount represents the excess of capital outlay over depreciation expense, including depreciation expense for impairment of capital assets.</p>		5,916
<p>Gains and losses from capital assets no longer in use are not recorded in governmental funds but are reported as other revenues and expenses in the Statement of Activities. In the current year, these transactions include losses on capital assets scrapped, damaged, or stolen.</p>		(81)
<p>Internal service funds are used to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is reported as governmental activities in the Statement of Activities.</p>		136,675
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the decrease in unavailable revenue from the prior year.</p>		(36)
<p>Pensions:</p>		
Change in deferred outflows of resources.		(2,097)
Change in deferred inflows of resources.		7,201
<p>OPEB:</p>		
Change in deferred outflows of resources.		(2,190)
Change in deferred inflows of resources.		12,174
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Below are such activities.</p>		
Increase in compensated absences obligation		6
Decrease in auto liability claims		(604)
Decrease in net other postemployment benefit obligations		660
Decrease in net pension liability		1,364
		1,364
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>233,104</b>

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

**State of Illinois**  
**Department of Central Management Services**

**Statement of Net Position -**  
**Proprietary Funds**

June 30, 2024 (Expressed in Thousands)

	<b>Governmental Activities - Internal Service Funds</b>	<b>Business-Type Activities - Enterprise Fund  Local Government Health Insurance Reserve Fund</b>
<b>ASSETS</b>		
Cash equity with State Treasurer	\$ 206,467	\$ 10,415
Cash and cash equivalents	20,088	1,338
Securities lending collateral equity of State Treasurer	47,641	2,017
Receivables, net:		
Intergovernmental	7,846	696
Other	81,310	911
Due from other Department fiduciary funds	50,009	-
Due from other Department funds	28,329	-
Due from other State funds	624,442	-
Due from State of Illinois component units	12,817	-
Inventories	1,807	-
Current portion of lease receivable	92	-
<b>Total current assets</b>	<b>1,080,848</b>	<b>15,377</b>
Noncurrent portion of lease receivable	6,775	-
Capital assets not being depreciated	135,856	-
Capital assets being depreciated, net	650,186	-
<b>Total noncurrent assets</b>	<b>792,817</b>	<b>-</b>
<b>Total assets</b>	<b>1,873,665</b>	<b>15,377</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	243,532	1,426
Intergovernmental payables	3,912	21
Due to other State fiduciary funds	1,695	10
Due to other Department funds	2,708	6
Due to other State funds	3,314	6
Due to State of Illinois component units	160	-
Obligations under securities lending of State Treasurer	47,641	2,017
Unearned Revenue	4,515	13
Current portion of long-term obligations	173,878	-
<b>Total current liabilities</b>	<b>481,355</b>	<b>3,499</b>
Noncurrent portion of long-term obligations	761,270	41
<b>Total liabilities</b>	<b>1,242,625</b>	<b>3,540</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources - leases	6,442	-
<b>NET POSITION</b>		
Net investment in capital assets	420,541	-
Unrestricted	204,057	11,837
<b>Total net position</b>	<b>\$ 624,598</b>	<b>\$ 11,837</b>

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

**State of Illinois**  
**Department of Central Management Services**

**Statement of Revenues, Expenses and Changes in  
Fund Net Position - Proprietary Funds**

For the Year Ended June 30, 2024 (Expressed in Thousands)

	<b>Governmental Activities - Internal Service Funds</b>	<b>Business-Type Activities - Enterprise Fund  Local Government Health Insurance Reserve Fund</b>
<b>OPERATING REVENUES</b>		
Charges for sales and services	\$ 3,485,315	\$ 36,344
Other	11	-
<b>Total operating revenues</b>	<b>3,485,326</b>	<b>36,344</b>
<b>OPERATING EXPENSES</b>		
Cost of sales and services	266,326	-
Claims and judgments	3,043,660	-
Benefit payments and refunds	-	32,043
General and administrative	90,457	1,576
Depreciation	97,598	-
Other	1	-
<b>Total operating expenses</b>	<b>3,498,042</b>	<b>33,619</b>
<b>Operating income (loss)</b>	<b>(12,716)</b>	<b>2,725</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest and investment income	22,822	424
Interest expense	(13,479)	-
Federal government	2,847	12
Other expense	(1,569)	-
<b>Income (loss) before contributions and transfers</b>	<b>(2,095)</b>	<b>3,161</b>
Contributions of capital assets	133,270	-
Transfers-In	10,500	-
Transfers-Out	(5,000)	-
<b>Change in net position</b>	<b>136,675</b>	<b>3,161</b>
Net position, July 1, 2023	487,923	8,676
<b>Net position, June 30, 2024</b>	<b>\$ 624,598</b>	<b>\$ 11,837</b>

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

**State of Illinois**  
**Department of Central Management Services**

**Statement of Cash Flows -**  
**Proprietary Funds**

For the Year Ended June 30, 2024 (Expressed in Thousands)

	Governmental Activities - Internal Service Funds	Business-Type Activities - Enterprise Fund  Local Government Health Insurance Reserve Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from sales and services	\$ 170,498	\$ 36,256
Cash received from transactions with other funds	3,387,590	-
Cash payments to internal service funds	(29,504)	(200)
Cash payments to suppliers for goods and services	(3,467,605)	(35,455)
Cash payments to employees for services	(59,385)	(808)
Cash receipts from other operating activities	179,414	2,301
Cash payments for workers compensation	(118,796)	-
Net cash provided (used) by operating activities	<u>62,212</u>	<u>2,094</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Interest paid on revenue bonds and other borrowings	-	-
Transfers-in from other funds	10,500	-
Transfers-out to other funds	(5,000)	-
Grants received	-	-
Grants refunded	(951)	-
Other noncapital financing activities	(474)	-
Net cash provided (used) by noncapital financing activities	<u>4,075</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from capital debt incurred, including GASB 87 principle	4,172	-
Acquisition and construction of capital assets	(10,248)	-
Principal paid on capital debt	(64,182)	-
Interest paid on capital debt	(15,178)	-
Proceeds from the sale of capital assets	-	-
Interest proceeds for GASB 87 lease payments	626	-
Net cash (used) by capital and related financing activities	<u>(84,810)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loan Disbursements	(50,000)	-
Interest and dividends on investments	22,389	413
Net cash provided (used) by investing activities	<u>(27,611)</u>	<u>413</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(46,134)</b>	<b>2,507</b>
Cash and cash equivalents, July 1, 2023	<u>272,689</u>	<u>9,246</u>
<b>CASH AND CASH EQUIVALENTS, June 30, 2024</b>	<b><u>226,555</u></b>	<b><u>11,753</u></b>
<b>Reconciliation of cash and cash equivalents to the statement of net assets:</b>		
Total cash and cash equivalents per the statement of net assets	20,088	1,338
Add: cash equity with State Treasurer	206,467	10,415
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2024</b>	<b><u>226,555</u></b>	<b><u>11,753</u></b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
<b>OPERATING INCOME (LOSS)</b>	<b><u>(12,716)</u></b>	<b><u>2,725</u></b>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	97,598	-
Provision for uncollectible accounts	-	-
Amortization (accretion)	(4,373)	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(30,647)	(282)
(Increase) decrease in intergovernmental receivables	-	(176)
(Increase) decrease in due from other funds	65,356	-
(Increase) decrease in due from State of Illinois component units	2,099	-
(Increase) decrease in inventory	57	-
(Increase) decrease in prepaid expenses	-	-
Increase (decrease) in accounts payable and accrued liabilities	(54,269)	(199)
Increase (decrease) in intergovernmental payables	1,627	21
Increase (decrease) in due to other State funds	3,357	13
Increase (decrease) in due to State of Illinois component units	135	-
Increase (decrease) in unearned revenues	4,515	(12)
Increase (decrease) in other liabilities	(10,527)	4
Increase (decrease) in deferred inflows of resources	-	-
Total adjustments	<u>74,928</u>	<u>(631)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b><u>\$ 62,212</u></b>	<b><u>\$ 2,094</u></b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>		
Cost of capital acquisitions for leases	\$ 79,152	\$ -
Transfers of assets from (to) other State funds	131,610	-
Gain (loss) on sale of property and equipment	(83)	-
Transfer of capital assets, net of related debt, to/from other State funds	-	-
Donated assets	175	-
Building received as proceeds from sale of building	-	-
Cost of additions of subscription based information technology arrangements	635	-
Change in fair market value of investments	-	-

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

**State of Illinois**  
**Department of Central Management Services**

**Statement of Fiduciary Net Position**  
**Pension (and Other Employee Benefit) Trust Funds**

June 30, 2024 (Expressed in Thousands)

	<b>Pension (and Other Employee Benefit) Trust Funds</b>
<b>ASSETS</b>	
Cash equity with State Treasurer	\$ 558,157
Cash and cash equivalents	51,588
Intergovernmental receivables	791
Other receivables, net	36,960
Due from other State funds	12,599
Securities lending collateral equity of State Treasurer	107,381
<b>Total assets</b>	<b>767,476</b>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	78,789
Intergovernmental payables	140
Due to other Department funds	50,009
Due to other State fiduciary funds	18
Due to other State funds	127
Obligations under securities lending of State Treasurer	107,381
Current portion of long-term obligations	9
Noncurrent portion of long-term obligations	92
<b>Total liabilities</b>	<b>236,565</b>
<b>NET POSITION (DEFICIT)</b>	
Unrestricted net position	(103,625)
Restricted for OPEB	634,536
<b>Total net position (deficit)</b>	<b>\$ 530,911</b>

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

**State of Illinois**  
**Department of Central Management Services**

**Statement of Changes in Fiduciary Net Position**  
**Pension (and Other Employee Benefit) Trust Funds**

For the Year Ended June 30, 2024 (Expressed in Thousands)

	<b>Pension (and Other Employee Benefit) Trust Funds</b>
<b>Additions:</b>	
<b>Deposits/Contributions:</b>	
Employer	\$ 92,800
State	122,909
Members/participants	122,908
Other contributions	394
Total contributions	<u>339,011</u>
<b>Investment income:</b>	
Interest, dividends and other investment income	22,275
Net decrease in fair value of investments	-
Reimbursement of investment expenses not separable from investment income	-
Less: investment expense	-
Net investment income	<u>22,275</u>
<b>Total additions</b>	<u>361,286</u>
<b>Deductions:</b>	
Benefit payments	181,313
Refunds	-
Other Deductions	-
General and administration	14,208
<b>Total deductions</b>	<u>195,521</u>
<b>Net increase in fiduciary net position</b>	165,765
Net position (deficit), July 1, 2023	<u>365,146</u>
<b>Net position (deficit), June 30, 2024</b>	<u>\$ 530,911</u>

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

STATE OF ILLINOIS  
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2024

**(1) Organization**

The Department of Central Management Services (the Department) is a part of the executive branch of government of the State of Illinois (State) and operates under the authority of and review by the Illinois General Assembly. The Department operates under a budget approved by the General Assembly in which resources are appropriated for the use of the Department. Activities of the Department are subject to the authority of the Office of the Governor, the State's chief executive officer, and other departments of the executive and legislative branches of government (such as the Governor's Office of Management and Budget, the State Treasurer's Office, and the State Comptroller's Office) as defined by the Illinois General Assembly. All funds appropriated to the Department and all other cash received are under the custody and control of the State Treasurer, with the exception of the Facilities Management Fund, the State Employees' Deferred Compensation Plan, the Flexible Spending Account and health insurance funds.

The Department provides a variety of centralized services for the operation of State Government. The Department provides personnel services for State agencies; purchases goods and services for State agencies; manages state property and disseminates information about State Government to the news media and general public. It employs volume purchasing and economies of scale to reduce costs and improve government efficiency. The Department provides healthcare coverage for employees of the State of Illinois, local governments and schools through group insurance plan administration. The Department promotes the economic development of minority and female businesses as well as businesses hiring persons with disabilities.

**(2) Summary of Significant Accounting Policies**

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

**(a) Financial Reporting Entity**

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

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

Based upon the required criteria, the Department has two component units as summarized in the following paragraph. The Department is not a component unit of any other entity. However, because the Department is not legally separate from the State of Illinois, the financial statements of the Department are included in the financial statements of the State of Illinois. The State of Illinois' Annual Comprehensive Financial Report may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois, 62704-1871.

STATE OF ILLINOIS  
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2024

**(2) Summary of Significant Accounting Policies (Continued)**

**(a) Financial Reporting Entity (Continued)**

Fiduciary Component Units

The Department has two fiduciary component units that administer pension (and other employee benefit) trust funds. These entities are legally separate from the State and meet the definition of a component unit because they impose a financial burden on the State and since no board exists for these entities, the State legislature serves as the de facto governing board; however, due to their fiduciary nature they are presented in the Fiduciary Fund Statements as pension (and other employee benefit) trust funds.

- 1) Teachers' Health Insurance Security (THIS). The Department is the administrator of a cost-sharing multiple-employer public employee defined benefit OPEB trust fund which provides coverage to teachers employed by public school districts in Illinois (excluding Chicago) even though most covered employees are not State employees. The State is legally mandated to make contributions to THIS.
- 2) Community College Health Insurance Security (CCHIS). The Department is the administrator of a cost-sharing multiple-employer public employee defined benefit OPEB trust fund which provides coverage to faculty and staff of community colleges even though most covered employees are not State employees. The State is legally mandated to make contributions to CCHIS.

**(b) Basis of Presentation**

The financial statements of the State of Illinois, Department of Central Management Services, are only intended to present the financial position, the changes in financial position, and the cash flows, when applicable, of that portion of the governmental activities, each major fund of the State of Illinois that is attributable to the transactions of the Department, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2024, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Government-wide Statements.** The government-wide statement of net position and statement of activities report the overall financial activity of the Department, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the Department.

The statement of net position presents the assets and deferred outflows of resources and liabilities and deferred inflows of resources of the Department's governmental and business-type activities with the difference being reported as net position. The assets and liabilities are presented in order of their relative liquidity by class of asset or liability with liabilities whose average maturities are greater than one year reported in two components - the amount due within one year and the amount due in more than one year.

STATE OF ILLINOIS  
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2024

**(2) Summary of Significant Accounting Policies (Continued)**

**(b) Basis of Presentation (Continued)**

***Government-wide Statements (Continued)***

The statement of activities presents a comparison between direct expenses and program revenues for the general government function of the Department's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges paid by the recipients of goods or services offered by the programs. Revenues that are not classified as program revenues, including sales of surplus State property, are presented as general revenues.

***Fund Financial Statements.*** The fund financial statements provide information about the Department's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis on fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The Department administers the following major governmental fund (or portions thereof in the case of shared funds) - see note 2(d):

**General** – This is the State's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund. The services which are administered by the Department and accounted for in the general fund include, among others, general government services and healthcare benefits for State employees. The Department's General Fund grouping contains four primary sub-accounts (General Revenue – 001, Flexible Spending – 202, Group Insurance Premium – 457, and State Employees' Deferred Compensation - 755).

Additionally, the Department reports the following fund types:

**Governmental Fund Types:**

**Special Revenue** – These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Special revenue funds account for, among other things, federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

**Proprietary Fund Types:**

**Internal Service** – These funds account for fleet management, facilities management, professional services, workers compensation claims, State employee and retiree health insurance, and life insurance payments for State employees provided to agencies of the State on a reimbursement basis.

STATE OF ILLINOIS  
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2024

**(2) Summary of Significant Accounting Policies (Continued)**

**(b) Basis of Presentation (Continued)**

***Fund Financial Statements (Continued)***

**Proprietary Fund Types: (Continued)**

**Enterprise** – This fund accounts for operations where the intent of the Department is that the cost of providing goods or services for health insurance programs on a continuing basis be financed or recovered primarily through user charges.

**Fiduciary Fund Types:**

**Pension (and other Employee Benefit) Trust** – These funds account for resources that are required to be held in trust for payment of postemployment benefits on-behalf of beneficiaries.

**(c) Measurement Focus and Basis of Accounting**

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

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

Significant revenue sources which are susceptible to accrual include interest and other charges for services. All other revenue sources including fines, penalties, licenses and other miscellaneous revenues are considered to be measurable and available only when cash is received.

**(d) Shared Fund Presentation**

The financial statement presentation for the General Revenue Account of the General Fund and the Road Fund represents only the portion of shared funds that can be directly attributed to the operations of the Department. Financial statements for total fund operations of the shared State funds are presented in the State of Illinois' Annual Comprehensive Financial Report.

STATE OF ILLINOIS  
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2024

**(2) Summary of Significant Accounting Policies (Continued)**

**(d) Shared Fund Presentation (Continued)**

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

Unexpended Appropriations

This "asset" account represents lapse period expenditure transactions processed by the State Comptroller's Office after June 30 annually in accordance with the Statewide Accounting Management System (SAMS) records plus any liabilities relating to obligations re-appropriated to the subsequent fiscal year and voucher, interfund payment and mandatory SAMS transfers transactions held by the State Comptroller's Office at June 30.

Appropriations from State Resources

This "other financing source" account represents the final legally adopted appropriation according to SAMS records.

Lapsed Appropriations

Lapsed appropriations are the legally adopted appropriations less net warrants issued for the 14-month period from July to August of the following year and re-appropriations to subsequent years according to SAMS records.

Receipts Collected and Transmitted to State Treasury

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

Amount of SAMS Transfers-In

This "other financing use" account represents all cash transfers-in received during the fiscal year from SAMS records.

Amount of SAMS Transfers-Out

This "other financing use" account represents all cash transfers-out paid during the fiscal year from SAMS records.

**(e) Eliminations**

Eliminations have been made in the government-wide statement of net position to minimize the "grossing-up" effect on assets and liabilities within the governmental activity's column of the Department. As a result, amounts reported in the governmental funds balance sheet as interdepartmental inter-fund receivables and payables have been eliminated in the government-wide statement of net position.

Amounts reported in the governmental funds balance sheet and proprietary statement of net position as receivable from or payable to fiduciary funds have been included in the government-wide statement of net position as receivable from and payable to external parties, rather than as internal balances. Eliminations have also been made in the government-wide statement of activities to remove the "doubling-up" effect on revenues and expenses of Department internal service fund activity.

STATE OF ILLINOIS  
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2024

**(2) Summary of Significant Accounting Policies (Continued)**

**(f) Cash and Cash Equivalents**

Cash equivalents are defined as short-term, highly liquid investments readily convertible to cash with maturities of 90 days or less at time of purchase. Cash equivalents include cash on hand, petty cash funds, and cash in banks for locally held funds.

**(g) Inventories**

Inventories of the State Garage Revolving Fund, consisting primarily of automotive parts, accessories, and supplies, are valued at cost, principally on the weighted average method.

**(h) Inter-fund Transactions**

The Department has the following types of inter-fund transactions between Department funds and funds of other State agencies:

**Services provided and used** - sales and purchases of goods and services between funds for a price approximating their external exchange value. Inter-fund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as inter-fund receivables and payables in the governmental funds balance sheet or the government-wide and proprietary fund statements of net position.

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

**Transfers** - flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after non-operating revenues and expenses.

The Department also has activity with various component units of the State of Illinois for professional services rendered and on-behalf employee benefits paid.

**(i) Capital Assets**

Capital assets, which consist of equipment, automobiles, and real property, are reported at cost or estimated historical cost based on appraisals. Contributed assets are reported at acquisition value at the time received. Right-to-use lease assets and subscription-based information technology arrangements (SBITA's) are recorded at cost based on the present value of expected payments over contract term plus any payments made to the lessor at or before the commencement of the lease or SBITA term. Capital assets, right-to-use lease assets, and SBITA's are depreciated using the straight-line method.

STATE OF ILLINOIS  
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2024

**(2) Summary of Significant Accounting Policies (Continued)**

**(i) Capital Assets (Continued)**

Capitalization thresholds and the estimated useful lives are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life
Land	\$100,000	N/A
Land Improvements	25,000	N/A
Buildings	100,000	10-60
Building Improvements	25,000	10-45
Site Improvements	25,000	20
Equipment	5,000	3-25
Right-to-use lease assets	25,000	Lease Term
SBITA's	25,000	SBITA Term

The Department does not capitalize its collections of works of art or historical treasures held for public exhibition, education, or research in furtherance of public service rather than capital gain. The collections are protected, kept unencumbered, cared for, and preserved. Proceeds from the sale, exchange, or other disposal of any item belonging to non-capitalized collections of works of art or historical treasures for the Department must be applied to the acquisition of additional items for the same collection.

**(j) Leases**

The Department is a lessee for non-cancellable leases of equipment, buildings, and land. The Department recognizes a lease liability and an intangible right to use lease asset in the government-wide financial statements. The Department recognizes lease liabilities with an initial, individual value of \$25,000 or more. At the commencement of a lease, the Department initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the asset useful life or the lease term.

The Department is also a lessor for non-cancelable leases of office space. The Department recognizes a lease receivable and related deferred inflow of resources in the government-wide financial statement. The Department recognizes lease receivables with an initial, individual value of \$25,000 or more. At commencement of the lease, the Department initially measures the lease receivable at the present value of payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivable plus any payments received at or before commencement of the lease term which relate to future periods. The lease receivable and deferred inflow of resources are reduced by the lease payments received.

STATE OF ILLINOIS  
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2024

**(2) Summary of Significant Accounting Policies (Continued)**

**(k) Subscription Based Information Technology Arrangements (SBITA's)**

The Department has SBITA's for non-cancellable software agreements. The Department recognizes a SBITA liability and an intangible SBITA asset in the government-wide financial statements. The Department recognizes SBITA liabilities with an initial, individual value of \$25,000 or more. At the commencement of a SBITA, the Department initially measures the SBITA liability at the present value of payments expected to be made during the contract term. Subsequently, the SBITA liability is reduced by the principal portion of SBITA payments made. The SBITA asset is initially measured as the initial amount of the SBITA liability, adjusted for payments made at or before the SBITA commencement date, plus certain implementation costs, if applicable. Subsequently, the SBITA asset is amortized on a straight-line basis over the shorter of the asset useful life or the SBITA term.

**(l) Compensated Absences**

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

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

**(m) Pensions**

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

The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of service and the plans' fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expenses, current year benefit changes, and other changes in plan fiduciary net position less employee contributions and projected earnings on plan investments. Additionally, the total pension expense includes the annual recognition of outflows and inflows of resources due to pension assets and liabilities. Pension payments made on-behalf of the Department are recognized in governmental funds in accordance with GASB 85, par 9.

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**(2) Summary of Significant Accounting Policies (Continued)**

**(m) Pensions (Continued)**

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

**(n) Post-Employment Benefits Other Than Pensions (OPEB)**

The State provides health, dental, vision and life insurance benefits for certain retirees and their dependents through the State Employees Group Insurance Program ("SEGIP"). The total OPEB liability, deferred outflows of resources, deferred inflows of resources, expense, and expenditures associated with the program have been determined through an actuarial valuation using certain actuarial assumptions as applicable to the current measurement period. See Note 11. The OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and OPEB expense have been recognized in the government-wide financial statements.

**(o) Deferred Outflows/Inflows of Resources**

A deferred outflow/inflow of resources is a consumption/acquisition of net assets that is applicable to a future reporting period. The Department has recorded deferred outflows/inflows of resources in the government-wide financial statements in connection with the net pension liability, total OPEB liability, and leases reported and explained in Notes 10, 11, and 7 respectively. In addition, the Department has recorded deferred inflows in the governmental funds financial statements in connection with unavailable revenues.

**(p) Fund Balances**

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

**Non-spendable-** This consists of amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

**Restricted-** This consists of amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

**Committed-** This consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Department's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Department removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Department's highest level of decision-making authority rests with the Illinois State legislature and the Governor. The State passes "Public Acts", to commit their fund balances.

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**(2) Summary of Significant Accounting Policies (Continued)**

**(p) Fund Balances (Continued)**

**Assigned-** This consists of net amounts that are constrained by the Department's intent to be used for specific purposes, but that are neither restricted nor committed.

**Unassigned-** This consists of residual fund balance that has not been restricted, committed, or assigned within the general fund and deficit fund balances of other governmental funds.

When both restricted and unrestricted (committed, assigned, and unassigned) resources are available for use, it is the Department's policy to use restricted resources first. When only unrestricted resources are available, the Department uses committed resources first, followed by assigned, and then unassigned.

**(q) Net Position**

In the government-wide, proprietary fund, and fiduciary fund financial statements, equity is displayed in three components as follows:

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

**Restricted** – This consists of amounts restricted for specific purposes, that is, containing constraints placed on the use of the resources either by an external party or by imposition of law through constitutional provisions or enabling legislation.

**Unrestricted** – This consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

**(r) Use of Estimates**

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

**(s) State Employees' Deferred Compensation Plan Administration**

By State statute the Department is responsible for administering the State Employees' Deferred Compensation Plan (Plan). The Department contracts with Empower Retirement LLC to provide investment management and recordkeeping services for the Plan. Additional investment management fees are paid to mutual fund managers before any dividends are declared in accordance with customary industry practices. Asset charges intended to cover the costs of administration, including investment management and recordkeeping fees, are computed monthly and withdrawn from participants' accounts on a monthly or quarterly basis.

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**(2) Summary of Significant Accounting Policies (Continued)**

**(t) Health Benefits Claim Processing**

By State statute, the Department is responsible for administering the State's health benefit programs. The Department contracts with third party administrators to process health, dental, and prescription claims submitted by healthcare service providers relating to the applicable self-insured portions of the health benefit programs accounted for in the Local Government Health Insurance Reserve Fund, Teacher Health Insurance Security Fund, Community College Health Insurance Security Fund and Health Insurance Reserve Fund. It is the Department's policy to recognize claims expense and accrue any unpaid liability relating to claims incurred but not reported (IBNR) based on actuarial projections and reports of processed claims provided by the third-party administrators.

**(3) Deposits and Investments**

**(a) Deposits**

The State Treasurer is the custodian of the State's cash and cash equivalents for funds maintained in the State Treasury. Deposits in the custody of the State Treasurer are pooled and invested with other State funds in accordance with the investment authority and guidelines for the Treasurer's published investment policy found in Section 22.8 of 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 Department does not own individual securities. Detail on the nature of these deposits and investments is available within the State of Illinois' Annual Comprehensive Financial Report.

Funds maintained outside the State Treasury have independent statutory authority to manage their own deposits and investments. The investment authority of the Illinois State Board of Investments ("ISBI") is governed by the Illinois Pension Code (40 ILCS 5). ISBI has published investment policies incorporating these guidelines.

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**(3) Deposits and Investments (Continued)**

**(b) Investments**

The Department's investments consist of amounts held by trustees and third-party administrators in accordance with debt covenants; tax-free payments of eligible medical and dental expenses, tax-free payments of qualified transportation and/or commuting expenses, and tax-free payments of eligible child and/or adult day care costs.

As of June 30, 2024, the Department had the following fixed income investments outside of the State Treasury:

	<u>Book Value (Thousands)</u>	<u>Fair Value (Thousands)</u>	<u>Weighted Average Maturity (Years)</u>
<b>Governmental activities:</b>			
Public Treasurer's Investment Pool	\$ 22,480	\$ 22,480	0.141
Total fixed income investments	<u>\$ 22,480</u>	<u>\$ 22,480</u>	
<b>Fiduciary funds:</b>			
Public Treasurer's Investment Pool	\$ 51,588	\$ 51,588	0.141
Total fixed income investments	<u>\$ 51,588</u>	<u>\$ 51,588</u>	
<b>Business-type activities:</b>			
Public Treasurer's Investment Pool	\$ 1,338	\$ 1,338	0.141
Total fixed income investments	<u>\$ 1,338</u>	<u>\$ 1,338</u>	

**Interest Rate Risk:** The Department does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk:** The Department does not have a formal investment policy that limits investment choices. The Governmental Activities money market mutual funds were rated AAmmf by Fitch Ratings.

**Custodial Credit Risk:** The Department does not have a formal investment policy which restricts investments to address custodial credit risk. Custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction, the Department would not be able to recover the value of investment or collateral securities in the possession of an outside party. The Department has no investments subject to custodial credit risk.

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**(3) Deposits and Investments (Continued)**

**(c) Reconciliation to Statement of Net Position and Statement of Fiduciary Net Position**

The Statement of Net Position and Statement of Fiduciary Net Position cash and cash equivalents contain certain short-term investments (included as investments above) to reflect their liquidity. A reconciliation (amounts expressed in thousands) follows:

	<u>Deposits</u>	<u>Investments</u>
<b>Governmental activities</b>		
Amounts Per Note 3(a) & (b)	\$ -	\$ 22,480
Cash equivalents	<u>22,480</u>	<u>(22,480)</u>
<b>Amounts per Statement of Net Position</b>	<u>\$ 22,480</u>	<u>\$ -</u>
<b>Fiduciary funds</b>		
Amounts Per Note 3(a) & (b)	\$ -	\$ 51,588
Cash equivalents	<u>51,588</u>	<u>(51,588)</u>
<b>Amounts per Statement of Fiduciary Net Position</b>	<u>\$ 51,588</u>	<u>\$ -</u>
<b>Business-type activities</b>		
Amounts Per Note 3(b)	\$ -	\$ 1,338
Cash equivalents	<u>1,338</u>	<u>(1,338)</u>
<b>Amounts per Statement of Net Position</b>	<u>\$ 1,338</u>	<u>\$ -</u>

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**(3) Deposits and Investments (Continued)**

**(d) 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 AG to lend the State Treasurer's securities to broker-dealers and banks pursuant to a form of loan agreement.

During Fiscal Year 2024, Deutsche Bank AG lent U.S. Department securities and U.S. Treasury securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate fair value of the loaned securities. Loans are marked to market daily. If the fair value of collateral falls below 100%, the borrower must provide additional collateral to raise the fair value to 100%. The State Treasurer did not impose any restrictions during Fiscal Year 2024 on the amount of loans of available, eligible securities. In the event of borrower default, Deutsche Bank AG provides the State Treasurer with counterparty default indemnification. In addition, Deutsche Bank AG is obligated to indemnify the State Treasurer if Deutsche Bank AG loses any securities, collateral or investments of the State Treasurer in Deutsche Bank AG's custody. There were no losses during Fiscal Year 2024 resulting from a default of the borrowers or Deutsche Bank AG.

During Fiscal Year 2024, 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.

In accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, paragraph 9, the Office of the State Treasurer has allocated the assets and obligations at June 30, 2024 arising from securities lending agreements to the various funds of the State. The total allocated to the Department at June 30, 2024 was \$159.372 million.

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**(4) Inter-fund Balances and Activity**

**(a) Balances Due to/from Other Funds**

The following balances (amounts expressed in thousands) at June 30, 2024 represent amounts due from other Department and State of Illinois funds.

Fund	Due from			Description/Purpose
	Other Department Funds	Other Department Fiduciary Funds	Other State Funds	
General	\$ 346	\$ -	\$ -	Due from other Department funds for internal service fund services provided.
Internal service	28,329	50,009	624,442	Due from other Department funds and other State funds for services provided.
Fiduciary	-	-	12,599	Due from other State funds for insurance benefits
	<u>\$ 28,675</u>	<u>\$ 50,009</u>	<u>\$ 637,041</u>	

The following balances (amounts expressed in thousands) at June 30, 2024 represent amounts due to other Department and State of Illinois funds.

Fund	Due to			Description/Purpose
	Other Department Funds	Other State Funds	Other State Fiduciary Funds	
General	\$ 25,011	\$ 340	\$ 12	Due to other Department funds for internal service fund services received including healthcare claims and other State funds for services received.
Non-major governmental	950	-	-	Due to other Department funds for internal service fund services received including healthcare claims.
Internal service	2,708	3,314	1,695	Due to other Department funds for internal service fund services received and excess net position, other State funds for services received and other State fiduciary funds for retirement contributions.
Fiduciary	50,009	127	18	Due to other State funds for services received.
Non-major enterprise	6	6	10	Due to other Department funds for internal service fund services received and other State funds for services received.
	<u>\$ 78,684</u>	<u>\$ 3,787</u>	<u>\$ 1,735</u>	

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**(4) Inter-fund Balances and Activity (Continued)**

**(b) Transfers from/to Other Funds**

Inter-fund transfers in/out (amounts expressed in thousands) from/to other Department and State funds for the year ended June 30, 2024 were as follows:

Fund	<u>Transfers-in from Other Department Funds</u>	<u>Description/Purpose</u>
Internal service	10,500	For funding from the General Revenue Account and workers compensation payments.
	<u>\$ 10,500</u>	

Fund	<u>Transfers-out to Other Department Funds</u>	<u>Description/Purpose</u>
General	\$ (5,500)	To provide appropriated funding to internal service fund
Internal service	(5,000)	For workers compensation payments
	<u>\$ (10,500)</u>	

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**(5) Capital Assets**

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2024 was as follows:

	<u>Balance June 30, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net Transfers</u>	<u>Balance June 30, 2024</u>
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land and land improvements	\$ 18,239	\$ -	\$ 81	\$ -	\$ 18,158
Nondepreciable historical treasures and works of art	-	175	-	27	202
Construction in progress	16,994	3,807	-	97,489	118,290
Total capital assets not being depreciated	<u>35,233</u>	<u>3,982</u>	<u>81</u>	<u>97,516</u>	<u>136,650</u>
Capital assets being depreciated/amortized:					
Site improvements	3,761	5,577	-	(546)	8,792
Buildings and building improvements	790,161	833	50,941	28,930	768,983
Equipment	81,709	7,704	5,838	1,021	84,596
Depreciable historical treasures and works of art	929	-	643	(6)	280
Right-to-use lease assets:					
Buildings	453,012	87,043	45,703	-	494,352
Equipment	252	137	164	-	225
Land	41	2,093	41	-	2,093
Subscription Based IT Arrangements	2,475	635	-	-	3,110
Total capital assets being depreciated/amortized	<u>1,332,340</u>	<u>104,022</u>	<u>103,330</u>	<u>29,399</u>	<u>1,362,431</u>
Less accumulated depreciation/amortization:					
Site improvements	3,761	-	-	(546)	3,215
Buildings and building improvements	506,355	18,854	50,941	(1,033)	473,235
Equipment	69,588	6,275	5,694	(151)	70,018
Depreciable historical treasures and works of art	929	-	643	(6)	280
Right-to-use lease assets:					
Buildings	111,731	71,457	35,918	-	147,270
Equipment	183	57	164	-	76
Land	10	122	52	-	80
Subscription Based IT Arrangements	940	843	-	-	1,783
Total accumulated depreciation/amortization	<u>693,497</u>	<u>97,608</u>	<u>93,412</u>	<u>(1,736)</u>	<u>695,957</u>
Total capital assets being depreciated/amortized, net	<u>638,843</u>	<u>6,414</u>	<u>9,918</u>	<u>31,135</u>	<u>666,474</u>
Governmental activity capital assets, net	<u>\$ 674,076</u>	<u>\$ 10,396</u>	<u>\$ 9,999</u>	<u>\$ 128,651</u>	<u>\$ 803,124</u>

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**(5) Capital Assets (Continued)**

Depreciation/amortization expense for governmental activities (amounts expressed in thousands) for the year ended June 30, 2024 was charged to functions as follows:

Governmental activities – General Government \$ 97,608

The carrying amount of idled, impaired capital assets, included above as capital assets being depreciated at June 30, 2024, was \$11.1 million. Certain idled, impaired capital assets have not been subject to a formal valuation process to determine their fair value as of the date of this report.

**(6) Long-Term Obligations**

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2024 were as follows:

	<u>Balance</u> <u>June 30, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2024</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<b>Governmental activities:</b>					
Compensated absences	\$ 5,910	\$ 8,144	\$ 7,766	\$ 6,288	\$ 572
Workers' compensation claim obligations	574,967	103,455	114,366	564,056	105,922
Auto liability claim obligations	4,775	1,846	1,807	4,814	1,884
Lease obligations	352,038	91,224	78,936	364,326	66,695
SBITA obligations	1,445	635	905	1,175	750
Total OPEB liability	20,485	-	660	19,825	1,011
Net pension liability	64,939	-	1,364	63,575	-
<b>Total governmental activities</b>	<u>\$ 1,024,559</u>	<u>\$ 205,304</u>	<u>\$ 205,804</u>	<u>\$ 1,024,059</u>	<u>\$ 176,834</u>
<b>Business-type activities:</b>					
Compensated absences	\$ 37	\$ 63	\$ 59	\$ 41	\$ -
<b>Total business-type activities</b>	<u>\$ 37</u>	<u>\$ 63</u>	<u>\$ 59</u>	<u>\$ 41</u>	<u>\$ -</u>
<b>Fiduciary funds:</b>					
Compensated absences	\$ 120	\$ 99	\$ 118	\$ 101	\$ 9
<b>Total fiduciary funds</b>	<u>\$ 120</u>	<u>\$ 99</u>	<u>\$ 118</u>	<u>\$ 101</u>	<u>\$ 9</u>

Compensated absences will be liquidated by the applicable fund that accounts for the salaries and wages of the related employees.

**(7) Leases**

**(a) Lessee Leases**

The Department has entered into various leases for office facilities, equipment, land, and other right to use assets with remaining lease terms ranging from less than one year to 10 years. Although lease terms vary, certain leases are renewable subject to appropriation by the General Assembly. If renewal is reasonably assured, leases requiring appropriation by the General Assembly are considered noncancelable leases for financial reporting purposes. The renewal and termination options are not included in the right to use asset or lease liability balance until they are reasonably certain of exercise.

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**(7) Leases**

**(a) Lessee Leases**

Certain Department leases contain both fixed and variable payments. These exist primarily within leases for parking spaces for which payment varies by the number of parking spaces leased. The remaining office facilities, equipment and other leases do not contain variable lease payments. The variable payments are not included in the calculation of the lease liability. The total expenditures for variable payments not previously included in the measurement of the lease liability during the fiscal year ended June 30, 2024 were \$231 thousand.

At June 30, 2024, right-to-use assets under leases (amounts expressed in thousands) are as follows:

	<b>Governmental Activities</b>
Land	\$ 2,093
Buildings	494,352
Equipment	225
	496,670
Less: Accumulated amortization	147,426
	\$ 349,244

Future minimum commitments (amounts expressed in thousands) for non-cancelable leases as of June 30, 2024, are as follows:

<b>Year Ending June 30</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2025	\$ 66,695	\$ 11,852
2026	61,791	9,535
2027	49,847	7,604
2028	46,639	5,932
2029	43,674	4,342
2030-2034	95,680	5,639
Total minimum lease payments	\$ 364,326	\$ 44,904

At June 30, 2024, the Department had commitments under leases prior to the commencement of the lease term totaling \$8 million.

**(b) Lessor Leases**

The Department leases building space to private entities such as banks, communication entities, a childcare center, etc. These agreements have terms ranging from less than one year to 30 years. The Department recognized \$4.962 million in lease revenue, including interest and other related revenues, for the period ending June 30, 2024. Certain leases have variable payments that are not included in the measurement of the lease receivable. These variable payments are based on the number of non-State employee parent/guardian children over and above the fees of State employee parent/guardian children. The Department recognized \$10 thousand in revenues related to variable payments, as well as other payments not included in the measurement of the lease receivable, as of June 30, 2024.

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**(8) Subscription-Based Information Technology Arrangements (SBITAs)**

The Department has entered into various SBITAs with remaining contract terms ranging from two to 10 years. Although subscription terms vary, certain agreements are renewable subject to appropriation by the General Assembly. If renewal is reasonably assured, agreements requiring appropriation by the General Assembly are considered noncancelable agreements for financial reporting purposes. The renewal and termination options are not included in the subscription asset or subscription liability balance until they are reasonably certain of being exercised.

At June 30, 2024, right-to-use assets under SBITAs (amounts expressed in thousands) are as follows:

	<b>Governmental Activities</b>
SBITA assets	\$ 3,110
Less: Accumulated amortization	1,783
	<b>\$ 1,327</b>

Future minimum commitments (amounts expressed in thousands) for non-cancelable SBITAs as of June 30, 2024, are as follows:

<b>Year Ending June 30</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2025	\$ 750	\$ 36
2026	58	19
2027	62	17
2028	68	14
2029	73	11
2030-2034	164	11
Total minimum lease payments	<b>\$ 1,175</b>	<b>\$ 108</b>

**(9) Risk Management**

The Department administers the State of Illinois' risk management except for minimal commercial insurance purchased on certain capital assets by other State agencies and auto liability for the Department of Transportation. The State is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers compensation; auto liability exposure; and natural disasters. The State retains the risk of loss (i.e. self-insured) for these risks except minimal commercial insurance purchased on certain capital assets by other State agencies. There were no significant reductions in insurance coverage for the State from the prior fiscal year. The amount of settlements has not exceeded insurance coverage in the past three fiscal years for the State.

Liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claims liabilities are based upon the estimated ultimate cost of settling the claims including specific, incremental claim adjustment expenses, salvage, and subrogation and considering the effects of inflation and recent claim settlement trends including frequency and amount of payouts and other economic and social factors.

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**(9) Risk Management (Continued)**

The Department's risk financing of auto liability for the State's non-Department of Transportation liability, \$4.8 million, has been determined using an estimate of claims outstanding. Matured claims payable with expendable available financial resources have been recorded as a liability in the General Revenue Fund, a subaccount of the General Fund, in the amount of \$207 thousand. The remaining portion of the liability, \$4.6 million, as of June 30, 2024, is included in the Department-wide financial statements and is expected to be paid from future resources of the General Fund.

The Department's workers' compensation liability, \$564.1 million, is based on third-party actuarial estimates using information provided by the Department. The actuaries have used claims outstanding, a projection of claims to be submitted, payroll and headcount data combined with state benefit provisions. The projection is also based on actuarial assumptions predicting paid loss development, claim inflation, mortality, and other factors.

The Department administers the State of Illinois' risk management for employee health and dental insurance benefit programs of the State. The Health Insurance Reserve Fund, an internal service fund, is used to account for these benefit programs, which are partially self-funded. Employees of the State may obtain health care services through participation in the State's group health insurance plan or through membership in one of five health maintenance organization plans under contract with the State. The State maintains the risk of insurance for employees who participate in the State's group health insurance plan. Expenses and liabilities for claims, which include incurred but not reported or not processed benefit claims, have been recorded as liabilities in the amount of \$135.699 million. Payments to the Health Insurance Reserve Fund are based on estimates of amounts needed to pay prior year unprocessed and current year claims.

**(9) Risk Management (Continued)**

The following is a reconciliation of the Department's claims liabilities for the years June 30, 2023 and June 30, 2024 (amounts expressed in thousands):

Year Ended June 30	Changes in Claims Liability Balances			
	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
Primary Government-Governmental Activities:				
2023				
Auto Liability	\$ 6,577	\$ -	\$ 1,802	\$ 4,775
Workers' Compensation	559,429	122,369	106,831	574,967
Active Employee Health				-
Claims for Self-Insured Plans	127,112	1,250,865	1,231,518	146,459
Total:	\$ 693,118	\$ 1,373,234	\$ 1,340,151	\$ 726,201
2024				
Auto Liability	\$ 4,775	\$ 1,846	\$ 1,807	\$ 4,814
Workers' Compensation	574,967	103,455	114,366	564,056
Active Employee Health				
Claims for Self-Insured Plans	146,459	1,415,321	1,426,081	135,699
Total:	\$ 726,201	\$ 1,520,622	\$ 1,542,254	\$ 704,569

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**(10) Pension**

***Plan description***

Substantially all the Department's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a single-employer defined benefit pension trust fund in the State of Illinois reporting entity.

SERS is governed by article 14 of the Illinois Pension Code (40 ILCS 5/1, et al.). The plan consists of two tiers of contribution requirements and benefit levels based on when an employee was hired. Members who first become an employee and participate under any of the State's retirement plans on or after January 1, 2011 are members of Tier 2, while Tier 1 consists of employees hired before January 1, 2011 or those who have service credit prior to January 1, 2011. The provisions below apply to both Tier 1 and 2 members, except where noted. The SERS issues a separate Annual Comprehensive Financial Report available at [www.srs.illinois.gov](http://www.srs.illinois.gov) or that may be obtained by writing to the SERS, 2101 South Veterans Parkway, PO Box 19255, Springfield, Illinois, 62794-9255.

**(10) Pension (Continued)**

***Benefit provisions.***

SERS provides retirement benefits based on the member's final average compensation and the number of years of service credit that have been established. The retirement benefit formula available to general State employees that are covered under the Federal Social Security Act is 1.67% for each year of service and for noncovered employees it is 2.2% for each year of service. The maximum retirement annuity payable is 75% of final average compensation for regular employees and 80% for alternative formula employees. The minimum monthly retirement annuity payable is \$15 for each year of covered service and \$25 for each year of noncovered service.

Members in SERS under the Tier 1 and Tier 2 receive the following levels of benefits based on the respective age and years of service credits.

<b>Regular Formula Tier 1</b>	<b>Regular Formula Tier 2</b>
<p>A member must have a minimum of eight years of service credit and may retire at:</p> <ul style="list-style-type: none"> <li>• Age 60, with 8 years of service credit.</li> <li>• Any age, when the member's age (years &amp; whole months) plus years of service credit (years &amp; whole months) equal 85 years (1,020 months) (Rule of 85) with 8 years of credited service.</li> <li>• Between ages 55-60 with 25-30 years of service credit (reduced 1/2 of 1% for each month under age 60).</li> </ul> <p>The retirement benefit is based on final average compensation and credited service. Final average compensation is the 48 highest consecutive months of service within the last 120 months of service.</p> <p>Under the Rule of 85, a member is eligible for the first 3% increase on January 1 following the first full year of retirement, even if the member is not age 60. If the member retires at age 60 or older, he/she will receive a 3% pension increase every year on January 1, following the first full year of retirement.</p> <p>If the member retires before age 60 with a reduced retirement benefit, he/she will receive a 3% pension increase every January 1 after the member turns age 60 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.</p>	<p>A member must have a minimum of 10 years of credited service and may retire at:</p> <ul style="list-style-type: none"> <li>• Age 67, with 10 years of credited service.</li> <li>• Between ages 62-67 with 10 years of credited service (reduced 1/2 of 1% for each month under age 67).</li> </ul> <p>The retirement benefit is based on final average compensation and credited service. For regular formula employees, final average compensation is the average of the 96 highest consecutive months of service within the last 120 months of service. The retirement benefit is calculated on a maximum salary of \$106,800. The maximum salary increases annually by 3% or one-half of the Consumer Price Index, whichever is less.</p> <p>If the member retires at age 67 or older, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every year on January 1, following the first full year of retirement. The calendar year 2023 maximum salary was \$123,489.</p> <p>If the member retires before age 67 with a reduced retirement benefit, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every January 1 after the member turns age 67 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.</p>

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**(10) Pension (Continued)**

***Benefit provisions (Continued)***

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

SERS also provides occupational and nonoccupational (including temporary) disability benefits. To be eligible for nonoccupational (including temporary) disability benefits, an employee must have at least 18 months of credited service with the System. The nonoccupational (including temporary) disability benefit is equal to 50% of the monthly rate of compensation of the employee on the date of removal from the payroll. Occupational disability benefits are provided when the member becomes disabled as a direct result of injuries or diseases arising out of and in the course of State employment. The monthly benefit is equal to 75% of the monthly rate of compensation on the date of removal from the payroll. This benefit amount is reduced by Workers' Compensation or payments under the Occupational Diseases Act.

Occupational and nonoccupational death benefits are also available through the System. Certain nonoccupational death benefits vest after 18 months of credited service. Occupational death benefits are provided from the date of employment.

***Contributions***

Contribution requirements of active employees and the State are established in accordance with Chapter 40, section 5/14-133 of the Illinois Compiled Statutes. Member contributions are based on fixed percentages of covered payroll ranging between 4.00% and 12.50%. Employee contributions are fully refundable, without interest, upon withdrawal from State employment. Tier 1 members contribute based on total annual compensation. Tier 2 members contribute based on an annual compensation rate not to exceed \$106,800 with limitations for future increased by the lesser of 3% or one-half of the annual percentage increase in the Consumer Price Index. For 2024, this amount is \$125,774.

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

For fiscal year 2024, the required employer contributions were computed in accordance with the State's funding plan. This funding legislation provides for a systematic 50-year funding plan with an ultimate goal to achieve 90% funding of the plan's liabilities. In addition, the funding plan provided for a 15-year phase-in period to allow the State to adapt to the increased financial commitment. Since the 15-year phase-in period ended June 30, 2010, the State's contribution will remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved. For fiscal year 2024, the employer contribution rate was 52.657%. The Department's contribution amount for fiscal year 2024 was \$979 thousand. In addition, the Department recorded \$5.410 million of revenue and expenditures in the General Revenue account of the General Fund to account for payments to SERS for Department employees that were paid from statewide General Revenue Fund appropriations.

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**(10) Pension (Continued)**

***Pension liability, deferred outflows of resources, deferred inflows of resources and expense related to pensions***

At June 30, 2024, the Department reported a liability of \$63.575 million for its proportionate share of the State's net pension liability for SERS on the statement of net position. The net pension liability was measured as of June 30, 2023 (current year measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Department's portion of the net pension liability was based on the Department's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2023. As of the current year measurement date of June 30, 2023, the Department's proportion was 0.1921%, which was a decrease of 4.31% from its proportion measured as of the prior year measurement date of June 30, 2022.

For the year ended June 30, 2024, the Department recognized a reduction to pension expense of \$39 thousand. At June 30, 2024, the Department reported deferred outflows and deferred inflows of resources related to the pension liability, as of the measurement date of June 30, 2023, from the following sources (amounts expressed in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,642	\$ -
Changes of assumptions	791	3,898
Net difference between projected and actual investment earnings on pension plan investments	1,366	-
Changes in proportion	5,958	8,692
Department contributions subsequent to the measurement date	<u>6,389</u>	
<b>Total</b>	<b><u>\$ 16,146</u></b>	<b><u>\$ 12,590</u></b>

\$6.389 million reported as deferred outflows of resources related to pensions resulting from Department contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (amounts expressed in thousands):

<u>Year ending June 30,</u>	<u>Amount</u>
2025	(2,767)
2026	(515)
2027	543
2028	<u>(94)</u>
<b>Total</b>	<b><u>\$ (2,833)</u></b>

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**(10) Pension (Continued)**

***Actuarial methods and assumptions***

The total pension liability was determined by an actuarial valuation as of June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.25%

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

Projected salary increases: 2.5% - 7.41%, salary increase rates based on age related productivity and merit rates plus inflation.

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

Retirement Age: Experience-based table of rates specific to the type of eligibility condition. Table was last updated for the June 30, 2023 valuation pursuant to an experience study of the period July 1, 2018 – June 2021.

Mortality: Pub-2010 General and Public Safety Healthy Retiree mortality tables, sex distinct, with rates projected to 2021 generational mortality improvement factors were updated to projection scale MP-2021.

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

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

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

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

The long-term expected real rate of return on pension plan investments is determined using the best estimates of geometric real rates of return for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation, calculated as of the measurement date of June 30, 2023, the best estimates of geometric real rates of return are summarized in the following table:

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**(10) Pension (Continued)**

***Actuarial methods and assumptions (Continued)***

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	23%	4.6%
Developed Foreign Equity	13%	5.3%
Emerging Market Equity	8%	6.2%
Private Equity	9%	7.8%
Investment Grade Bonds	15%	0.2%
Long-Term Government Bonds	5%	0.6%
TIPS	3%	0.2%
High Yield and Bank Loans	2%	2.2%
Private Debt	9%	5.1%
Real Estate	10%	5.2%
Infrastructure	3%	5.5%
Total	<u>100%</u>	

***Discount rate***

A discount rate of 6.59% was used to measure the total pension liability as of the measurement date of June 30, 2023 as compared to a discount rate of 6.58% used to measure the total pension liability as of the prior year measurement date. The June 30, 2023 single blended discount rate was based on the expected rate of return on pension plan investments of 6.75% and a municipal bond rate of 3.86%, based on an index of 20-year general obligation bonds with an average AA credit rating as published by the Federal Reserve. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the statutory contributions and the member rate. Based on these assumptions, the pension plan's fiduciary net position and future contributions will be sufficient to finance the benefit payments through the year 2077. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2077, and the municipal bond rate was applied to all benefit payments after that date.

***Sensitivity of the net pension liability to changes in the discount rate.***

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

	1% Decrease	Discount Rate 6.59%	1% Increase
Department's proportionate share of the net pension liability	\$77,436	\$63,575	\$52,111

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**(10) Pension (Continued)**

***Payables to the pension plan***

At June 30, 2024, the Department reported a payable of \$40 thousand to SERS for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2024.

**(11) Other Post-Employment Benefits**

***Plan description***

The State Employees Group Insurance Act of 1971 (“Act”), as amended, authorizes the Illinois State Employees Group Insurance Program (SEGIP) to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all of the Department’s full-time employees are members of SEGIP. Members receiving monthly benefits from the General Assembly Retirement System (GARS), Judges Retirement System (JRS), State Employees’ Retirement System of Illinois (“SERS”), Teachers’ Retirement System (TRS), and State Universities Retirement System of Illinois (“SURS”) are eligible for these other post-employment benefits (OPEB). The eligibility provisions for each of the retirement systems are defined within Footnote 10. Certain TRS members eligible for coverage under SEGIP include: certified teachers employed by certain State agencies, executives employed by the Board of Education, regional superintendents, regional assistant superintendents, TRS employees, and members with certain reciprocal service.

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

***Benefits provided***

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

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**(11) Other Post-Employment Benefits (Continued)**

***Funding policy and annual other postemployment benefit cost***

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

For fiscal year 2024, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was \$13,409.76 (\$7,210.56 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and \$16,622.40 (\$6,423.36 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

***Total OPEB liability, deferred outflows of resources, deferred inflows of resources and expense related to OPEB***

The total OPEB liability, as reported at June 30, 2024, was measured as of June 30, 2023, with an actuarial valuation as of June 30, 2022. At June 30, 2024, the Department recorded a liability of \$19.825 million for its proportionate share of the State's total OPEB liability. The Department's portion of the OPEB liability was based on the Department's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2023. As of the current year measurement date of June 30, 2023, the Department's proportion was 0.1151%, which was a decrease of 4.03% from its proportion measured as of the prior year measurement date of June 30, 2022.

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**(11) Other Post-Employment Benefits (Continued)**

***Total OPEB liability, deferred outflows of resources, deferred inflows of resources and expense related to OPEB (Continued)***

The Department recognized a reduction to OPEB expense for the year ended June 30, 2024, of \$9.575 million. In addition, the Department recorded \$0.866 million of revenue and expenditures in the General Revenue account of the General Fund to account for contributions to SEGIP for Department employees that were paid from statewide General Revenue Fund appropriations. At June 30, 2024, the Department reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2023, from the following sources (amounts expressed in thousands):

<b>Deferred outflows of resources</b>	
Differences between expected and actual experience	\$ 345
Changes of assumptions	62
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,272
Department contributions subsequent to the measurement date	1,011
<b>Total deferred outflows of resources</b>	<u><u>\$ 4,690</u></u>
<b>Deferred inflows of resources</b>	
Differences between expected and actual experience	\$ 4,093
Changes of assumptions	14,451
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,617
<b>Total deferred inflows of resources</b>	<u><u>\$ 31,161</u></u>

The amounts reported as deferred outflows of resources related to OPEB resulting from Department contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (amounts expressed in thousands):

<b>Year ended June 30,</b>	
2025	\$ (13,082)
2026	(7,554)
2027	(5,112)
2028	(1,620)
2029	(114)
<b>Total</b>	<u><u>\$ (27,482)</u></u>

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**(11) Other-Post Employment Benefits (Continued)**

***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, 2022, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2022.

<b>Valuation Date</b>	June 30, 2022
<b>Measurement Date</b>	June 30, 2023
<b>Actuarial Cost Method</b>	Entry Age Normal
<b>Actuarial assumptions:</b>	
<b>Inflation Rate</b>	2.25%
<b>Projected Salary Increases*</b>	2.50% - 12.75%
<b>Healthcare Cost Trend Rate:</b>	
Medical and RX Pre-Medicare - QCHP**	Trend rates start at 8.00% in 2025, decreasing by 0.25% per year to an ultimate trend rate of 4.25% in year 2040.
Post-Medicare - MAPD***	Trend rates are 0.00% in years 2025 to 2028, 19.42% from 2029 to 2033, then 6.08% in 2034 decreasing ratably to an ultimate trend rate of 4.25% in 2040.
<b>Retirees' share of benefit-related costs</b>	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 2023 and 2024 are based on actual premiums. Premiums after 2024 were projected based on the same healthcare cost trend rates applied to per capita claim costs.

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

Healthcare Cost Trend Rate:

Medical and Rx (Pre-Medicare & Post-Medicare)	1.80% grading up to 6.20% in the first year to 8.00%, then grading down 0.25% per year to an ultimate trend of 4.25% in year 2038. There is no additional trend rate adjustment due to the repeal of the Excise Tax.
Medical and Rx (Post-Medicare)	-7.56% grading up 15.56% in the first year to 8.00%, then grading down 0.25% per year to an ultimate trend of 4.25% in year 2038.
Dental and Vision	3.75% grading up 0.25% in the first year to 4.00% through 2038.

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

\*\* Quality Care Health Plan

\*\*\* Medicare Advantage Prescription Drug

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**(11) Other Post-Employment Benefits (Continued)**

***Actuarial methods and assumptions (Continued)***

	Retirement age experience study <sup>^</sup>	Mortality <sup>^^</sup>
GARS	July 2018 - June 2021	Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, with no scaling factors, and the MP-2021 two-dimensional mortality improvement scales
JRS	July 2018 - June 2021	Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, with no scaling factors, and the MP-2021 two-dimensional mortality improvement scales
SERS	July 2018 - June 2021	Pub-2010 General and Public Safety Healthy Retiree mortality tables, sex distinct, with rates projected to 2021 generational mortality improvement factors were updated to projection scale MP-2021
TRS	July 2017 - June 2020	Pub-2010 adjusted for TRS experience for future mortality improvements on a fully generational basis using projection table MP-2020
SURS	July 2017 - June 2020	Rates based on Pub-2010 Healthy Retiree Mortality tables and the most recent MP-2020 projection scale. Teachers table was used for Academic members and General Employees table was used for Non-Academic members

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

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

Demographic assumptions used in OPEB valuation are identical to those used in the June 30, 2022 valuations for Pensions. Thus, for all five plans, the 2022 valuation information for pensions is presented in the FY 2023 ACFR in FN 16. For TRS and SURS, the total pension liability presented in the June 30, 2022, actuarial valuation is based on census data as of June 30, 2021, rolled-forward to the measurement date of June 30, 2022.

**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 3.69% at June 30, 2022 and 3.86% at June 30, 2023 was used to measure the total OPEB liability.

***Sensitivity of total OPEB liability to changes in the single discount rate***

The following presents the plan's total OPEB liability, calculated using a Single Discount Rate of 3.86%, as well as what the plan's total OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (4.86%) or lower (2.86%) than the current rate (amounts expressed in thousands):

	1% Decrease (2.86%)	Current Single Discount Rate Assumption (3.86%)	1% Increase (4.86%)
Total OPEB liability	21,987	19,825	17,975

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**(11) Other Post-Employment Benefits (Continued)**

***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 8.00% in 2025 decreasing to an ultimate trend rate of 4.25% in 2040.

	1% Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
Total OPEB liability	17,398	19,825	22,812

A one percentage point decrease in healthcare trend rates are 7.00% in plan year end 2025 decreasing to an ultimate trend rate of 3.25% in plan year end 2040.

A one percentage point increase in healthcare trend rates are 9.00% in plan year end 2025 decreasing to an ultimate trend rate of 5.25% in plan year 2040.

**(12) Commitments and Contingencies**

**(a) *Litigation***

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

**(b) *Ordered Vehicles and Equipment***

The Department ordered \$5.486 million of vehicles prior to June 30, 2024. The State Garage Revolving Fund (Fund 303) will record an expense for the vehicles when received by the Department.

**(13) Local Government Health Insurance Fund Risk Pool Disclosure**

The Local Government Health Insurance Reserve Fund (LGHIRF) was established to provide health and dental insurance to participating local governments entities. Financial statements for the LGHIRF may be obtained from the Department. As of June 30, 2024, there were approximately 1,636 employees, 1,064 dependents and 60 retirees covered. Each participating local governmental unit is required to enter into written agreement with the Department. The agreement sets forth the responsibilities of both parties. The Department issues a publicly available financial report that includes financial statements and required information for LGHIRF. The financial report may be obtained from the Department of Central Management Services, 704 Stratton Office Building, Springfield, Illinois, 62706.

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**(13) Local Government Health Insurance Fund Risk Pool Disclosure (Continued)**

The responsibilities required of the Department are:

- Setting and adjusting premium rates
- Billing and collecting monthly premiums from local governmental units
- Enrollment and termination of members and dependents after notification by the local governmental unit
- Establishment of a Local Government Health Plan Advisory Board, consisting of seven advisors from the participating local governmental units
- Establishment of the Local Government Health Insurance Reserve Fund
- Processing and paying authorized claims

The responsibilities required of the local government units are:

- Enrollment of all employees and dependents that meet eligibility guidelines and who elect to participate
- Collection and transmission of monthly member and dependent premiums
- Designation of a Health Plan Representative
- Participation in the program for a minimum of two years

The LGHIRF had previously contracted with third-party reinsurers for reinsurance coverage. However, no such coverage was in place for the year ended June 30, 2024.

The basis used in calculating the estimated liability for the future claims is based on claims reported but not paid during the fiscal year plus an estimate of claims incurred but not reported (IBNR). The estimate for claims incurred but not reported was calculated using a factor based on historical experience stated as a percentage of claims reported vs. total claims incurred during the policy cycle. For the year ended June 30, 2024, all claims are paid on a two-year claim cycle.

Based on the above method, the liability for future claims (amount expressed in thousands) at June 30, 2024 is as follows:

Claims incurred and reported but not paid as of June 30	\$	398
Estimated liability for claims incurred but not reported		<u>995</u>
Total estimated liability for future claims		<u>\$ 1,393</u>

A reconciliation of total benefit payments and refunds including claims adjustment expense is as follows (amount expressed in thousands):

	2023	2024
Payments made for benefit claims	\$ 30,951	\$ 32,228
Less: liability for unpaid claims, beginning of year	<u>(2,111)</u>	<u>(1,578)</u>
Subtotal	<u>28,840</u>	<u>30,650</u>
 Add: liability for unpaid claims, end of year	 <u>1,578</u>	 <u>1,393</u>
Total benefit claim payments and refunds	 <u>\$ 30,418</u>	 <u>\$ 32,043</u>

STATE OF ILLINOIS  
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2024

**(14) Other Post-Employment Benefit Plans**

The Department administers, along with the retirement systems listed below, two funds which account for cost-sharing, multiple-employer defined benefit postemployment benefit plans (other than pension plans) for non-State employees.

For both plans, plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and when the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The Department issues a publicly available financial report that includes financial statements and required supplementary information for each plan. The financial reports may be obtained from the Department of Central Management Services, 704 Stratton Office Building, Springfield, Illinois, 62706.

**(a) *Teacher Retirement Insurance Plan (TRIP)***

The TRIP is accounted for in the Teacher Health Insurance Security Fund which was established to provide health insurance for the Illinois Teachers' Retirement System (TRS) annuitants and dependent beneficiaries. As of June 30, 2024, there were 983 school districts participating with approximately 267,003 plan members. The Department works in conjunction with the Illinois Teachers' Retirement System to administer the TRIP.

The responsibilities required of the Department are:

- Setting and adjusting premium rates
- Establishment of the Teacher Health Insurance Security Fund
- Processing and payment of authorized claims
- Other matters noted in the administration of the fund

The responsibilities required of the TRS are:

- Enrollment of annuitants and dependent that meet eligibility guidelines and who elect to participate
- Termination of membership for annuitants and dependents
- Collection and transmission of monthly annuitant and dependent premiums
- Collection and transmission of 0.90 percent contribution from active teachers and 0.67 percent contributions from school districts for program funding purposes

**(b) *Community College Insurance Plan (CCIP)***

The CCIP is accounted for in the Community College Health Insurance Security Fund which was established to provide health and dental insurance for the Illinois community college retirees and dependent beneficiaries. As of June 30, 2024, there were 39 community colleges and 1 community college association participating with approximately 31,951 plan members. The Department works in conjunction with the State Universities Retirement Systems (SURS) to administer the CCIP.

The responsibilities required of the Department are:

- Setting and adjusting premium rates
- Establishment of the Community College Health Insurance Security Fund
- Processing and payment of authorized claims
- Other matters noted in the administration of the fund

STATE OF ILLINOIS  
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2024

**(b) Community College Insurance Plan (CCIP) (Continued)**

The responsibilities required of the SURS are:

- Enrollment of annuitants and dependents that meet eligibility guidelines and who elect to participate
- Termination of membership for annuitants and dependents
- Collection and transmission of monthly annuitant and dependent premiums
- Collection and transmission of 0.5 percent contributions from active community college employees and community college districts for program funding purposes

**(15) State Employees' Deferred Compensation Plan General Description**

Under State Employees' Deferred Compensation Plan (Plan) provisions, all State employees are eligible to voluntarily elect to contribute a portion of their compensation to the Plan through payroll deduction. The Plan was created in accordance with the Illinois Compiled Statutes (40 ILCS 5/24-101) and Section 457 of the Internal Revenue Code.

**(16) Fund Deficit**

The Community College Health Insurance Security Fund (0577) reported a fund deficit at June 30, 2024. For the fiscal year ending June 30, 2024 total benefits and expenses was \$20.679 million which was partially financed by \$7.950 million in State contributions, \$7.950 million in employer contributions, \$7.949 million in active member contributions, \$35 thousand in the federal government Medicare Part D subsidy, and \$277 thousand in investment income, resulting in a net increase of \$3.482 million or approximately 16.84% of total expenses.

Because contributions made by the State, employers, and employees are defined as a fixed percentage of payroll, and retired member contributions are subject to a 5.0% per year increase, the funding policy does not provide a provision for adverse experience. The following factors contributed to the deficit: total payroll increasing at a rate lower than expected, premium rates increasing by more than 5.0%, overall claim costs increasing at a rate higher than expected, or more retirements occurring than expected. Also, the current financing policy does not provide a specific provision for claims incurred during the fiscal year that are expected to be paid in the following fiscal year. At June 30, the fund deficit for the Community College Health Insurance Security Fund (Fund 0577) was \$103.625 million. The State has developed plans for reducing this deficit over time which include funding from the State General Revenue Fund as well as rate increases for plan participants.

**(17) Subsequent Events**

Effective July 1, 2024, the Department repealed the Vehicle Usage Program. As a result, State agencies will receive the titles to the vehicles currently assigned to them. The Department will initiate vehicle transfers which will remove the related capital assets from the Department's financial statements in fiscal year 2025. The net value of vehicles to be transferred to other agencies is anticipated to be approximately \$9 million.

**SUPPLEMENTARY INFORMATION**

**State of Illinois**  
**Department of Central Management Services**

**Combining Schedule of Accounts - General Fund**

June 30, 2024 (Expressed in Thousands)

	General Revenue Account 0001	Flexible Spending Account 0202	Group Insurance Premium 0457	State Employees' Deferred Compensation 0755	Total
<b>ASSETS</b>					
Unexpended appropriations	\$ 21,360	\$ -	\$ -	\$ -	\$ 21,360
Cash equity with State Treasurer	57	11,277	7,194	14,034	32,562
Cash and cash equivalents	-	2,392	-	-	2,392
Receivables, net:					
Other	37	-	-	95	132
Due from other Department funds	346	-	-	-	346
Securities lending collateral equity of State Treasurer	-	-	1,701	632	2,333
<b>Total assets</b>	<b>\$ 21,800</b>	<b>\$ 13,669</b>	<b>\$ 8,895</b>	<b>\$ 14,761</b>	<b>\$ 59,125</b>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 7,586	\$ 7,031	\$ 7,194	\$ 12,513	\$ 34,324
Intergovernmental payables	66	-	-	2	68
Due to other State fiduciary funds	-	-	-	12	12
Due to other Department funds	25,003	-	-	8	25,011
Due to other State funds	334	-	-	6	340
Due to State of Illinois component units	188	28	-	-	216
Matured portion of long-term obligations	207	-	-	-	207
Obligations under securities lending of State Treasurer	-	-	1,701	632	2,333
<b>Total liabilities</b>	<b>33,384</b>	<b>7,059</b>	<b>8,895</b>	<b>13,173</b>	<b>62,511</b>
Deferred inflows of resources - unavailable revenue	32	-	-	-	32
<b>Total liabilities and deferred inflows of resources</b>	<b>33,416</b>	<b>7,059</b>	<b>8,895</b>	<b>13,173</b>	<b>62,543</b>
<b>FUND BALANCES (DEFICITS)</b>					
Restricted - General Government	-	-	-	1,588	1,588
Unassigned	(11,616)	6,610	-	-	(5,006)
Total fund balances (deficits)	(11,616)	6,610	-	1,588	(3,418)
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<b>\$ 21,800</b>	<b>\$ 13,669</b>	<b>\$ 8,895</b>	<b>\$ 14,761</b>	<b>\$ 59,125</b>

**State of Illinois**  
**Department of Central Management Services**

**Combining Schedule of Revenues, Expenditures and Changes  
in Fund Balances - General Fund**

For the Year Ended June 30, 2024 (Expressed in Thousands)

	General Revenue Account 0001	Flexible Spending Account 0202	Group Insurance Premium 0457	State Employees' Deferred Compensation 0755	Total
<b>REVENUES</b>					
Interest and other investment income	\$ -	\$ 92	\$ -	\$ 151	\$ 243
Other revenues	1,593	1,034	-	806	3,433
Federal operating revenues	4,548	-	-	-	4,548
<b>Total revenues</b>	<b>6,141</b>	<b>1,126</b>	<b>-</b>	<b>957</b>	<b>8,224</b>
<b>EXPENDITURES</b>					
General government	191,898	437	-	1,041	193,376
Education	901,825	-	-	-	901,825
Employment and economic development	33,715	-	-	-	33,715
Health and social services	401,551	-	-	-	401,551
Transportation	29,273	-	-	-	29,273
Public protection and justice	394,283	-	-	-	394,283
Environment and business regulation	70,862	-	-	-	70,862
Capital outlay	5,927	-	-	-	5,927
<b>Total expenditures</b>	<b>2,029,334</b>	<b>437</b>	<b>-</b>	<b>1,041</b>	<b>2,030,812</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(2,023,193)</b>	<b>689</b>	<b>-</b>	<b>(84)</b>	<b>(2,022,588)</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>					
Appropriations from State resources	2,102,670	-	-	-	2,102,670
Lapsed appropriations	(2,436)	-	-	-	(2,436)
Receipts collected and transmitted to State Treasury	(1,613)	-	-	-	(1,613)
Transfers-out	(5,500)	-	-	-	(5,500)
<b>Net other sources (uses) of financial resources</b>	<b>2,093,121</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,093,121</b>
<b>Net change in fund balances</b>	<b>69,928</b>	<b>689</b>	<b>-</b>	<b>(84)</b>	<b>70,533</b>
Fund balances, July 1, 2023	(81,544)	5,921	-	1,672	(73,951)
<b>Fund Balances, June 30, 2024</b>	<b>\$ (11,616)</b>	<b>\$ 6,610</b>	<b>\$ -</b>	<b>\$ 1,588</b>	<b>\$ (3,418)</b>

**State of Illinois**  
**Department of Central Management Services**

**Combining Statement of Net Position**

**Internal Service Funds**

June 30, 2024 (Expressed in Thousands)

	State Revolving 0303	Garage Management Revolving 0314	Facilities Professional Services 0317	Workers' Compensation Revolving 0332	Health Insurance Reserve 0907	Group Life Insurance Premium 1457	Total
<b>ASSETS</b>							
Cash equity with State Treasurer	\$ 35,037	\$ 74,472	\$ 52,169	\$ 9,494	\$ 35,295	\$ -	\$ 206,467
Cash and cash equivalents	-	-	-	4,660	15,428	-	20,088
Securities lending collateral equity of State Treasurer	-	14,497	10,244	2,102	20,798	-	47,641
Receivables, net:							
Intergovernmental	-	-	-	-	7,846	-	7,846
Other	-	14,839	199	41	66,198	33	81,310
Due from Department fiduciary funds	-	-	-	-	50,009	-	50,009
Due from other Department funds	392	4,986	612	-	22,335	4	28,329
Due from other State funds	10,630	57,930	2,483	549,933	3,397	69	624,442
Due from State of Illinois component units	-	12	-	-	12,565	240	12,817
Inventories	1,807	-	-	-	-	-	1,807
Current portion of lease receivable	-	92	-	-	-	-	92
<b>Total current assets</b>	<b>47,866</b>	<b>166,828</b>	<b>65,707</b>	<b>566,230</b>	<b>233,871</b>	<b>346</b>	<b>1,080,848</b>
Noncurrent portion of lease receivable	-	6,775	-	-	-	-	6,775
Capital assets not being depreciated	-	135,856	-	-	-	-	135,856
Capital assets being depreciated, net	12,844	635,541	1,801	-	-	-	650,186
<b>Total noncurrent assets</b>	<b>12,844</b>	<b>778,172</b>	<b>1,801</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>792,817</b>
<b>Total assets</b>	<b>60,710</b>	<b>945,000</b>	<b>67,508</b>	<b>566,230</b>	<b>233,871</b>	<b>346</b>	<b>1,873,665</b>
<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	7,688	28,146	1,763	23	205,912	-	243,532
Intergovernmental payables	42	2,192	79	2	1,597	-	3,912
Due to other State fiduciary funds	289	760	555	12	79	-	1,695
Due to other Department funds	409	1,335	570	6	42	346	2,708
Due to other State funds	1,080	1,132	520	3	579	-	3,314
Due to State of Illinois component units	-	160	-	-	-	-	160
Obligations under securities lending of State Treasurer	-	14,497	10,244	2,102	20,798	-	47,641
Unearned revenue	-	-	-	-	4,515	-	4,515
Current portion of long-term obligations	103	66,938	890	105,933	14	-	173,878
<b>Total current liabilities</b>	<b>9,611</b>	<b>115,160</b>	<b>14,621</b>	<b>108,081</b>	<b>233,536</b>	<b>346</b>	<b>481,355</b>
Noncurrent portion of long-term obligations	830	299,874	2,082	458,149	335	-	761,270
<b>Total liabilities</b>	<b>10,441</b>	<b>415,034</b>	<b>16,703</b>	<b>566,230</b>	<b>233,871</b>	<b>346</b>	<b>1,242,625</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred inflows of resources - leases	-	6,442	-	-	-	-	6,442
<b>NET POSITION</b>							
Net investment in capital assets	12,812	406,745	984	-	-	-	420,541
Unrestricted	37,457	116,779	49,821	-	-	-	204,057
<b>Total net position</b>	<b>\$ 50,269</b>	<b>\$ 523,524</b>	<b>\$ 50,805</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 624,598</b>

**State of Illinois**  
**Department of Central Management Services**  
**Combining Statement of Revenues, Expenses and**  
**Changes in Net Position - Internal Service Funds**  
For the Year Ended June 30, 2024 (Expressed in Thousands)

	State Revolving 0303	Garage Management 0314	Facilities Professional Services 0317	Workers' Compensation Revolving 0332	Health Insurance Reserve 0907	Group Life Insurance Premium 1457	Total
<b>OPERATING REVENUES</b>							
Charges for sales and services	\$ 51,454	\$ 240,629	\$ 69,038	\$ 105,434	\$ 2,986,679	\$ 32,081	\$ 3,485,315
Other	11	-	-	-	-	-	11
<b>Total operating revenues</b>	<b>51,465</b>	<b>240,629</b>	<b>69,038</b>	<b>105,434</b>	<b>2,986,679</b>	<b>32,081</b>	<b>3,485,326</b>
<b>OPERATING EXPENSES</b>							
Cost of sales and services	39,840	144,008	49,941	-	-	32,537	266,326
Claims and judgments	-	-	-	112,122	2,931,538	-	3,043,660
General and administrative	15,838	10,016	-	-	64,590	13	90,457
Depreciation	6,035	90,551	1,012	-	-	-	97,598
Other	1	-	-	-	-	-	1
<b>Total operating expenses</b>	<b>61,714</b>	<b>244,575</b>	<b>50,953</b>	<b>112,122</b>	<b>2,996,128</b>	<b>32,550</b>	<b>3,498,042</b>
<b>Operating income (loss)</b>	<b>(10,249)</b>	<b>(3,946)</b>	<b>18,085</b>	<b>(6,688)</b>	<b>(9,449)</b>	<b>(469)</b>	<b>(12,716)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Interest and investment income	-	6,548	2,147	1,688	11,970	469	22,822
Interest expense	(17)	(13,028)	(66)	-	(368)	-	(13,479)
Federal government	-	-	-	-	2,847	-	2,847
Other expenses	(155)	(1,411)	(3)	-	-	-	(1,569)
<b>Total nonoperating revenues (expenses)</b>	<b>(172)</b>	<b>(7,891)</b>	<b>2,078</b>	<b>1,688</b>	<b>14,449</b>	<b>469</b>	<b>10,621</b>
<b>Income (loss) before contributions</b>	<b>(10,421)</b>	<b>(11,837)</b>	<b>20,163</b>	<b>(5,000)</b>	<b>5,000</b>	<b>-</b>	<b>(2,095)</b>
Contributions of capital assets	4,114	129,156	-	-	-	-	133,270
Transfers-In	5,500	-	-	5,000	-	-	10,500
Transfers-Out	-	-	-	-	(5,000)	-	(5,000)
<b>Change in net position</b>	<b>(807)</b>	<b>117,319</b>	<b>20,163</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>136,675</b>
Net position, July 1, 2023	51,076	406,205	30,642	-	-	-	487,923
<b>Net position, June 30, 2024</b>	<b>\$ 50,269</b>	<b>\$ 523,524</b>	<b>\$ 50,805</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 624,598</b>

**State of Illinois**  
**Department of Central Management Services**

**Combining Statement of Cash Flows**  
**Internal Service Funds**

For the Year Ended June 30, 2024 (Expressed in Thousands)

	State Garage Revolving 0303	Facilities Management Revolving 0314	Professional Services 0317	Workers' Compensation Revolving 0332	Health Insurance Reserve 0907	Group Life Insurance Premium 1457	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Cash received from sales and services	\$ 266	\$ 6,507	\$ -	\$ -	\$ 163,725	\$ -	\$ 170,498
Cash received from transactions with other funds	52,446	236,924	67,109	89,729	2,909,135	32,247	3,387,590
Cash payments to internal service funds	(8,319)	(8,336)	(9,166)	(150)	(3,520)	(13)	(29,504)
Cash payments to suppliers for goods and services	(24,033)	(110,039)	(38,211)	(4,489)	(3,258,123)	(32,710)	(3,467,605)
Cash payments to employees for services	(18,241)	(35,832)	-	-	(5,312)	-	(59,385)
Cash receipts from other operating activities	11	-	-	-	179,403	-	179,414
Cash payments for workers compensation	-	-	-	(118,796)	-	-	(118,796)
Net cash provided (used) by operating activities	2,130	89,224	19,732	(33,706)	(14,692)	(476)	62,212
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Transfers-in from other funds	5,500	-	-	5,000	-	-	10,500
Transfers-out to other funds	-	-	-	-	(5,000)	-	(5,000)
Grants refunded	-	-	-	-	(951)	-	(951)
Other noncapital financing activities	(11)	(94)	(1)	-	(368)	-	(474)
Net cash provided (used) by noncapital financing activities	5,489	(94)	(1)	5,000	(6,319)	-	4,075
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Proceeds from capital debt incurred, including GASB 87 principle	-	4,172	-	-	-	-	4,172
Acquisition and construction of capital assets	(4,605)	(5,082)	(561)	-	-	-	(10,248)
Principal paid on capital debt	(18)	(63,271)	(893)	-	-	-	(64,182)
Interest paid on capital debt	(1)	(15,112)	(65)	-	-	-	(15,178)
Proceeds from the sale of capital assets	-	-	-	-	-	-	-
Interest proceeds for GASB 87 lease payments	-	626	-	-	-	-	626
Net cash (used) by capital and related financing activities	(4,624)	(78,667)	(1,519)	-	-	-	(84,810)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Loan disbursements	-	-	-	-	(50,000)	-	(50,000)
Interest and dividends on investments	-	5,922	2,073	1,792	12,126	476	22,389
Net cash provided by investing activities	-	5,922	2,073	1,792	(37,874)	476	(27,611)
<b>Net increase (decrease) in cash and cash equivalents</b>	2,995	16,385	20,285	(26,914)	(58,885)	-	(46,134)
Cash and cash equivalents, July 1, 2023	32,042	58,087	31,884	41,068	109,608	-	272,689
<b>CASH AND CASH EQUIVALENTS, June 30, 2024</b>	<b>\$ 35,037</b>	<b>\$ 74,472</b>	<b>\$ 52,169</b>	<b>\$ 14,154</b>	<b>\$ 50,723</b>	<b>\$ -</b>	<b>\$ 226,555</b>
<b>Reconciliation of cash and cash equivalents to the statement of net position:</b>							
Total cash and cash equivalents per the statement of net position	-	-	-	4,660	15,428	-	20,088
Add: cash equity with State Treasurer	35,037	74,472	52,169	9,494	35,295	-	206,467
<b>CASH AND CASH EQUIVALENTS, June 30, 2024</b>	<b>\$ 35,037</b>	<b>\$ 74,472</b>	<b>\$ 52,169</b>	<b>\$ 14,154</b>	<b>\$ 50,723</b>	<b>\$ -</b>	<b>\$ 226,555</b>

**State of Illinois**  
**Department of Central Management Services**

**Combining Statement of Cash Flows**  
**Internal Service Funds**

For the Year Ended June 30, 2024 (Expressed in Thousands)

	State Garage Revolving 0303	Facilities Management Revolving 0314	Professional Services 0317	Workers' Compensation Revolving 0332	Health Insurance Reserve 0907	Group Life Insurance Premium 1457	Total
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>							
<b>OPERATING INCOME (LOSS)</b>	\$ (10,249)	\$ (3,946)	\$ 18,085	\$ (6,688)	\$ (9,449)	\$ (469)	\$ (12,716)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	6,035	90,551	1,012	-	-	-	97,598
Amortization (accretion)	-	(4,373)	-	-	-	-	(4,373)
Changes in assets and liabilities:							
(Increase) decrease in accounts receivable	-	(1,161)	-	-	(29,486)	-	(30,647)
(Increase) decrease in due from other funds	1,245	2,253	(1,930)	(15,706)	79,499	(5)	65,356
(Increase) decrease in due from component units	-	15	-	-	1,913	171	2,099
(Increase) decrease in inventories	57	-	-	-	-	-	57
Increase (decrease) in accounts payable and accrued liabilities	4,211	4,133	1,213	(421)	(63,405)	-	(54,269)
Increase (decrease) in intergovernmental payables	38	(56)	69	2	1,574	-	1,627
Increase (decrease) in due to other State funds	693	1,666	1,078	14	79	(173)	3,357
Increase (decrease) in due to component units	(7)	142	-	-	-	-	135
Increase (decrease) in unearned revenues	-	-	-	-	4,515	-	4,515
Increase (decrease) in other liabilities	107	-	205	(10,907)	68	-	(10,527)
Total adjustments	12,379	93,170	1,647	(27,018)	(5,243)	(7)	74,928
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	\$ 2,130	\$ 89,224	\$ 19,732	\$ (33,706)	\$ (14,692)	\$ (476)	\$ 62,212
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>							
Cost of capital acquisitions for leases	\$ -	\$ 79,015	\$ 137	\$ -	\$ -	\$ -	\$ 79,152
Transfers of assets from (to) other State funds	4,100	127,510	-	-	-	-	131,610
Gain (loss) on sale of property and equipment	(141)	61	(3)	-	-	-	(83)
Donated assets	-	175	-	-	-	-	175
Cost of additions of subscription based information technology arrangements	-	-	635	-	-	-	635

**State of Illinois**  
**Department of Central Management Services**

**Combining Statement of Fiduciary Net Position**  
**Pension (and Other Employee Benefit) Trust Funds**

June 30, 2024 (Expressed in Thousands)

	Teacher Health Insurance Security 0203	Community College Health Insurance Security 0577	Total
<b>ASSETS</b>			
Cash equity with State Treasurer	\$ 557,022	\$ 1,135	\$ 558,157
Cash and cash equivalents	49,552	2,036	51,588
Intergovernmental receivables	684	107	791
Other receivables, net	35,057	1,903	36,960
Due from other State funds	12,462	137	12,599
Securities lending collateral equity of State Treasurer	106,916	465	107,381
<b>Total assets</b>	<b>761,693</b>	<b>5,783</b>	<b>767,476</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	19,882	58,907	78,789
Intergovernmental payables	126	14	140
Due to other Department funds	7	50,002	50,009
Due to other State fiduciary funds	15	3	18
Due to other State funds	113	14	127
Obligations under securities lending of State Treasurer	106,916	465	107,381
Current portion of long-term obligations	9	-	9
Noncurrent portion of long-term obligations	89	3	92
<b>Total liabilities</b>	<b>127,157</b>	<b>109,408</b>	<b>236,565</b>
<b>NET POSITION (DEFICIT)</b>			
Unrestricted net position	-	(103,625)	(103,625)
Restricted for OPEB	634,536	-	634,536
<b>Total net position (deficit)</b>	<b>\$ 634,536</b>	<b>\$ (103,625)</b>	<b>\$ 530,911</b>

**State of Illinois**

**Department of Central Management Services**

**Combining Statement of Changes in Fiduciary Net Position  
Pension (and Other Employee Benefit) Trust Funds**

For the Year Ended June 30, 2024 (Expressed in Thousands)

	Teacher Health Insurance Security 0203	Community College Health Insurance Security 0577	Total
<b>Additions:</b>			
<b>Deposits/Contributions:</b>			
Employer	\$ 84,850	\$ 7,950	\$ 92,800
State	114,959	7,950	122,909
Members/participants	114,959	7,949	122,908
Other contributions	359	35	394
Total contributions	<u>315,127</u>	<u>23,884</u>	<u>339,011</u>
<b>Investment income:</b>			
Interest, dividends and other investment income	21,998	277	22,275
Net investment income	<u>21,998</u>	<u>277</u>	<u>22,275</u>
<b>Total additions</b>	<u>337,125</u>	<u>24,161</u>	<u>361,286</u>
<b>Deductions:</b>			
Benefit payments	165,307	16,006	181,313
General and administration	9,535	4,673	14,208
<b>Total deductions</b>	<u>174,842</u>	<u>20,679</u>	<u>195,521</u>
<b>Net increase (decrease) in fiduciary net position</b>	162,283	3,482	165,765
Net position (deficit), July 1, 2023	<u>472,253</u>	<u>(107,107)</u>	<u>365,146</u>
<b>Net position (deficit), June 30, 2024</b>	<u>\$ 634,536</u>	<u>\$ (103,625)</u>	<u>\$ 530,911</u>

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**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

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the State of Illinois, Department of Central Management Services (Department), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Department’s basic financial statements, and have issued our report thereon dated February 14, 2025.

**Report on Internal Control Over Financial Reporting**

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

In planning and performing our audit of the financial statements, we considered the Department’s internal control as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Department’s internal control.

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

Our consideration of internal control was for the limited purpose described in the second paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as item 2024-001 that we consider to be a significant deficiency.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 item 2024-001.

## **Department's Response to the Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Department's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. The Department's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

## **Restricted Use of this Auditor's Report**

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

**SIGNED ORIGINAL ON FILE**

Springfield, Illinois  
February 14, 2025

STATE OF ILLINOIS  
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES  
**FINANCIAL AUDIT**  
For the Year Ended June 30, 2024

**SCHEDULE OF FINDINGS**

**2024-001. FINDING** (Failure to determine premiums that allow for establishment of actuarial sound reserve)

The Department of Central Management Services (Department) failed to determine premiums that will allow for the establishment of an actuarially sound reserve for the Community College Health Insurance Program (Program).

In the Fiscal Year 2018 and 2019 compliance examination, we first reported the Department had failed to determine premiums that would allow for the establishment of an actuarially sound reserve. During Fiscal Year 2024 testing, we continued to identify exceptions, as noted below:

- The State Employees Group Insurance Act of 1971 (Act) (5 ILCS 375/6(e)(2)) states the balance of the rate of insurance, including the entire premium for any coverage for community college dependent beneficiaries that has been elected, shall be paid by deductions authorized by the community college benefit recipient. During testing, we noted the Fund covered 12.23% of the total insurance rate for benefit recipients. The projected total additional cost to the Fund was \$306,092.
- The Act (5 ILCS 375/6.9(e)) requires the Department to determine premiums that will allow for the establishment of an actuarially sound reserve for the Program. As of June 30, 2024, the Program had a fund deficit of \$103.625 million. The Program does not have an actuarially sound reserve.

Department management stated the population enrolled in the non-Medicare Advantage Prescription Drug Plan in Community College Health Insurance Program represents roughly 1,350 lives (around 17%) of the overall program. This population, being so small in size, can experience significant volatility with its self-insured claims, making them less reliable. Additionally, fully insured Health Maintenance Organization product rates are negated with increases across all health insurance programs administered by the Department. While the larger programs' impact on this can reduce volatility in year over year rate changes, the rates themselves are not completely accurate in representing the underlying claims experienced by the population in a given year. Finally, the poor financial condition of the program has created significant delays in the payment of claims for some vendors.

STATE OF ILLINOIS  
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES  
**FINANCIAL AUDIT**  
For the Year Ended June 30, 2024

**2024-001. FINDING** (Failure to determine premiums that allow for establishment of actuarial sound reserve) (Continued)

This significant deficiency in internal control over financial and fiscal operations poses a reasonable possibility that future misstatements of the Department's financial statements or noncompliance will occur and not be prevented or detected or corrected on a timely basis.

The premiums established for the fund were not in compliance with the Act, resulting in additional costs to the State. Additionally, failure to determine premiums that will allow for the establishment of an actuarially sound reserve makes the Program more vulnerable to negative economic impacts, could result in an inability to pay liabilities, and results in statutory noncompliance. (Finding Code No. 2024-001, 2023-001, 2022-001, 2021-001, 2019-002)

**RECOMMENDATION**

We recommend the Department ensure premium rates meet the requirements established by the Act. Additionally, we recommend the Department either comply with the law by working with the Governor's Office of Management and Budget to obtain the necessary appropriation to supplement the Program or seek legislative relief from the statutory requirement.

**DEPARTMENT RESPONSE**

The Department accepts the finding and recommendation. The Department has worked with the Governor's Office of Management and Budget (GOMB) to enact legislation that will allow for increases to the contributions provided by active employees, districts, and the General Revenue Fund. Additionally, the Department worked with GOMB to provide for an additional \$50M in transfers to the fund which was used to reduce the payment back log. These two remedies, based upon current projections, are expected to eliminate the back log by Fiscal Year 2032. Subsequently, revenues will be accrued to establish a sound reserve balance.