Chicago State University

A COMPONENT UNIT OF THE
STATE OF ILLINOIS

FINANCIAL AUDIT

FOR THE YEAR ENDED
JUNE 30, 2024

PERFORMED AS SPECIAL
ASSISTANT AUDITORS FOR THE
AUDITOR GENERAL
STATE OF ILLINOIS

Roth&Co

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
FINANCIAL AUDIT
For the Year Ended June 30, 2024

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Other Reports Issued Under a Separate Cover

The Chicago State University's *Federal Single Audit* and *State Compliance Examination* for the year ended June 30, 2024, will be issued under separate covers.

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
FINANCIAL AUDIT
For the Year Ended June 30, 2024

UNIVERSITY OFFICIALS

President	Ms. Zaldwaynaka Scott, Esq.
Chief of Staff (07/01/24 – Present)	Ms. Jimell Byrd - Reno
Chief of Staff (07/01/23 – 06/30/24)	Mr. Kim Tran
Provost and V.P. for Academic Affairs (07/01/24 – Present)	Dr. Sonja Feist-Price
Interim Provost and Senior V.P. for Academic Affairs (07/01/23 – 06/30/24)	Dr. Leslie Roundtree
V.P., General Counsel, Chief Compliance Officer & V.P. of Legal Affairs (07/01/24 – Present)	Ms. Sonya Miller
V.P., General Counsel, Chief Compliance Officer & V.P. of Legal Affairs (07/01/23 – 06/30/24)	Mr. Jason Carter
CFO & V.P. of Financial Operations (07/01/23 – Present)	Ms. Nicole Latimer-Williams
Executive Director/Controller (01/03/24 – Present)	Ms. Evelyn Romero
Executive Director/Controller (11/25/23 – 01/02/24)	Vacant
Executive Director/Controller (07/01/2023 – 11/24/23)	Ms. Rona Lagdamen, CPA
Chief Internal Auditor (07/01/23 – Present)	Vacant

BOARD OF TRUSTEES

Chair	Ms. Andrea Zopp, Esq.
Vice Chair (12/04/23 – Present)	Ms. Angelique David, Esq.
Vice Chair (07/01/23 – 12/03/23)	Vacant
Secretary (12/04/23 – Present)	Ms. Cheryl Watkins
Secretary (07/01/23 – 12/03/23)	Ms. Angelique David, Esq.
Member (07/01/23 – Present)	Vacant
Member (12/04/23 – Present)	Vacant
Member (07/01/23 – 12/03/23)	Ms. Cheryl Watkins
Member	Mr. Cory Thames
Member	Mr. Jason Quaira
Student Member (07/01/24 – Present)	Ms. Allison Bolden
Student Member (07/01/23 – 06/30/24)	Mr. James Elam

UNIVERSITY OFFICE

The University’s primary administrative office is located at:

9501 S. King Drive
Chicago, Illinois 60628

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
FINANCIAL AUDIT
For the Year Ended June 30, 2024

FINANCIAL STATEMENT REPORT

SUMMARY

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

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

SUMMARY OF FINDINGS

Number of	Current Report	Prior Report
Findings	3	3
Repeated Findings	3	2
Prior Recommendations Implemented or Not Repeated	–	–

SCHEDULE OF FINDINGS

Item No.	Page	Last/First Reported	Description	Finding Type
			Current Findings	
2024-001	62	2023/2020	Inadequate Internal Controls over Census Data	Significant Deficiency and Noncompliance
2024-002	66	2023/2020	Weaknesses over Computer Security	Material Weakness and Noncompliance
2024-003	69	2023/2023	Inadequate Controls to Ensure Compliance with the Illinois Pension Code	Material Weakness and Noncompliance

EXIT CONFERENCE

The University waived an exit conference in a correspondence from Ms. Natalie Covello, Consultant, on February 6, 2025. The responses to the recommendations were provided by Ms. Natalie Covello, Consultant, in correspondences dated February 17, 2025 and February 21, 2025.

Roth&Co

INDEPENDENT AUDITORS' REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Chicago State University

Report on the Audit of the Financial Statements

Opinions

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities, fiduciary activities and the discretely presented component unit of the Chicago State University (University), a component unit of the State of Illinois, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of, the business-type activities, fiduciary activities and the discretely presented component unit of the University, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Chicago State Foundation (Foundation), which represent 100% and 100%, respectively, of the assets and revenues of the discretely presented component unit as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University, and to meet our other ethical responsibilities, in accordance

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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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University'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.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of the University's Proportionate of Share of Net Pension Liability, Schedule of Contributions for Pensions, Notes to Required Supplementary Information - Pension, Schedule of University's Proportionate Share of the Total OPEB Liability, and Notes to Required Supplementary Information - OPEB, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Table of Operating Expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Table of Operating

Expenses 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 this report. The other information comprises the University Officials page, Student Enrollment by Term, University Center Fee, Rental Disclosures, and Schedule of Insurance in Force but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2025, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
February 21, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

Background

Chicago State University (CSU or University) was founded as a teacher-training school over 150 years ago. It is located in a residential community on the south side of Chicago, approximately 12 miles south of downtown Chicago. Today, the University is composed of four colleges - the College of Arts & Sciences, the College of Business, the College of Education, the College of Health Sciences and Pharmacy. CSU offers thirty-two undergraduate degrees, twenty-four graduate and professional degree-granting programs, and sixteen certificates and endorsements. It also offers an interdisciplinary Honors College for highly motivated students in all areas of study and has a Division of Continuing Education. CSU has been accredited through the 2024 - 2033 academic year by the Higher Learning Commission.

Operational and Financial Highlights

The Fiscal Year 2024 operating loss ($77.6 million) increased by $6.6 million compared to the previous fiscal year's operating loss ($71.1 million). This increase is mainly due to increase on operating expenses ($10.0 million), along with increases in federal grants and contracts ($3.9 million), State and local grants and contracts ($1.8 million), nongovernmental grants and contracts ($0.2 million) and net sales and services of auxiliary expenses ($0.4 million), offset by decrease in net student tuition and fees ($2.9 million). The increase in net nonoperating revenues ($9.8 million) is primarily attributed to the increase in State appropriations ($2.6 million), in special funding situation and on-behalf payments ($4.0 million), in State nonoperating grants ($2.5 million), in federal nonoperating grants ($0.6 million), and in investment income ($0.1 million).

The following is a financial comparison for the twelve months ended June 30, 2024, and 2023.

	2024 (in thousands)	2023 (in thousands)	Increase (Decrease)
Operating loss	$ (77,608)	$ (71,061)	$ (6,547)
Net nonoperating revenues	73,090	63,507	9,583
Other revenues, expenses, gains or losses	12,448	13,026	(578)
Increase in net position	$ 7,930	$ 5,472	$ 2,458

Management's Discussion and Analysis

The management's discussion and analysis (MD&A) section of this report presents the University's financial information in a condensed financial presentation format for Fiscal Years ended June 30, 2024 and 2023. This section of the report is designed to provide an overview of the changes in financial activities from one year to the next and should be read in conjunction with the University's basic financial statements. The University's management is responsible for the completeness and fairness of this information.

The MD&A focuses on the University and excludes the discretely presented component unit, the Chicago State Foundation and Fiduciary Funds. The MD&A for the component unit is included in its separately issued financial statements. Refer to the Notes to the Basic Financial Statements for information on how to obtain the financial statements of the component unit.

Using the Financial Statements

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

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

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

Statement of Net Position

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

A summary of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position for the year ended June 30, 2024, in comparison with June 30, 2023 is as follows:

	2024 (in millions)	2023 (in millions)	Change (in millions)
Assets			
Current assets	$ 24.8	$ 25.7	$ (0.9)
Noncurrent assets:			
Capital assets, net	168.5	160.3	8.2
Other	5.5	3.9	1.6
Total Assets	198.8	189.9	8.9
Deferred Outflows for OPEB and Pension	1.5	2.0	(0.5)
Liabilities			
Current liabilities	15.6	13.1	2.5
Noncurrent liabilities	8.4	9.6	(1.2)
Total Liabilities	24.0	22.7	1.3
Deferred Inflows for OPEB	3.1	3.9	(0.8)
Net Position			
Net investment in capital assets	165.0	154.3	10.7
Restricted, expendable	0.7	1.4	(0.7)
Unrestricted	7.5	9.6	(2.1)
Total Net Position	$ 173.2	$ 165.3	$ 7.9

Current Assets

Current assets decreased by $0.9 million from the balance one year ago ($25.7 million) to the current balance ($24.8 million). The decrease is primarily due to the results of operations during Fiscal Year 2024.

Noncurrent Assets (Capital assets, net)

Noncurrent assets (Capital assets, net) increased by $8.2 million from the balance one year ago ($160.3 million) to the current balance ($168.5 million). The increase mainly consists of net capital additions ($14.4 million), offset by annual depreciation charges ($5.5 million), and retirements ($1.2 million).

Current Liabilities

Current liabilities increased by $2.5 million from the balance one year ago ($13.1 million) to the current balance ($15.6 million). The increase is primarily due to the increase in operating expenses.

Noncurrent Liabilities

Noncurrent liabilities decreased by $1.2 million from the balance one year ago ($9.6 million) to the current balance ($8.4 million) mainly due to a decline in the balance of OPEB liability ($0.2 million) due to changes in actuarial assumptions, offset by the increase in accrued compensated absences ($0.1 million), decrease in other noncurrent liability (0.1 million), and decrease in subscriptions payable ($1.0 million) as a result of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* during Fiscal Year 2024.

Deferred Inflows for OPEB

Deferred inflows for OPEB decreased by $0.8 million from the balance one year ago ($3.9 million) to the current balance ($3.1 million) mainly due to changes in actuarial assumptions in the valuation of University's other postemployment benefits.

Net Position (Net investment in capital assets)

Net position - net investment in capital assets ($165.0 million) increased by $10.7 million from the balance one year ago ($154.3 million). This is predominantly attributed to additional assets capitalized during the year and payment of related debt obligations that became due and demandable during the fiscal year.

Statement of Revenues, Expenses and Changes in Net Position

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

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

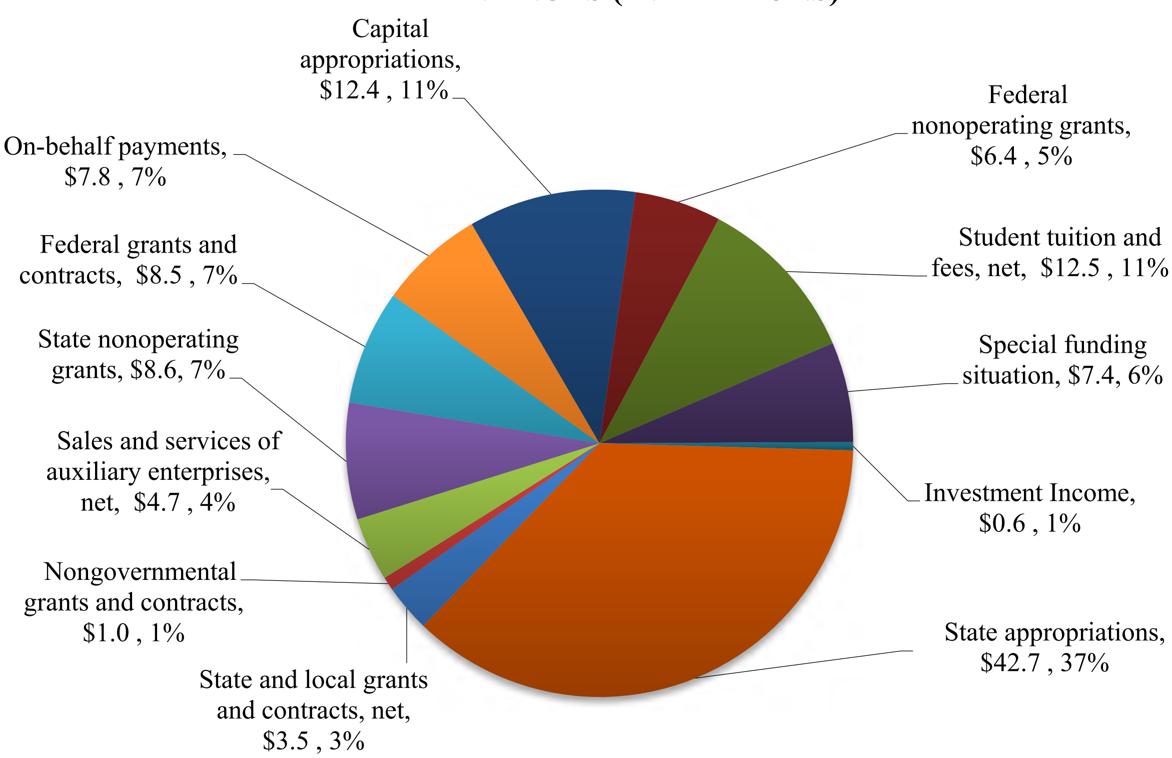
Nonoperating revenues primarily result from non-exchange transactions and are revenues received for which goods and services are not provided in return. The most significant sources of nonoperating revenues that the University relies on to provide funding for operations are State appropriations, special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

Revenues

A summary of the University's revenues for the Fiscal Year ended June 30, 2024, in comparison with the Fiscal Year ended June 30, 2023, is as follows:

	2024 (in millions)	2023 (in millions)	Increase/ (Decrease) (in millions)
Operating Revenues			
Student tuition and fees, net	$ 12.5	$ 15.4	$ (2.9)
Federal grants and contracts	8.5	4.6	3.9
State and local grants and contracts	3.5	1.7	1.8
Nongovernmental grants and contracts	1.0	0.8	0.2
Sales and services of auxiliary enterprises, net	4.7	4.3	0.4
Total Operating Revenues	30.2	26.8	3.4
Nonoperating Revenues			
State appropriations	42.7	40.1	2.6
Special funding situation	7.4	4.0	3.4
On-behalf payments	7.8	7.2	0.6
State nonoperating grants	8.6	6.1	2.5
Federal nonoperating grants	6.4	5.8	0.6
Investment income	0.6	0.5	0.1
Total Nonoperating Revenues	73.5	63.7	9.8
Other Capital Revenues			
Capital appropriations	12.4	13.0	(0.6)
Total Other Revenues	12.4	13.0	(0.6)
Total Revenues	$ 116.1	$ 103.5	$ 12.6

REVENUES (IN MILLIONS)



Student Enrollment

	Head Count		Change	Credit Hours		Change
Terms	**FY 2024**	**FY 2023**	**%**	**FY 2024**	**FY 2023**	**%**
Fall	2,334	2,334	0.00%	23,153	23,535	(1.62%)
Spring	2,138	2,214	(3.43%)	21,170	22,136	(4.37%)
Summer	938	921	1.85%	4,490	4,919	(8.73%)

Operating Revenues

Operating revenues ($30.2 million) increased by $3.4 million from the prior year's amount ($26.8 million) due to the decrease in net tuition and fees revenue ($2.9 million) netted with the increase in federal grants and contracts ($3.9 million), State and local grants and contracts ($1.8 million), nongovernmental grants and contracts ($0.2 million) and net sales and services of auxiliary enterprise ($0.4 million) during the fiscal year.

Nonoperating Revenues

Nonoperating revenues ($73.5 million) increased by $9.8 million from the prior year's amount ($63.7 million). This increase is mainly due to the slight increase in all nonoperating revenues: State appropriations ($2.6 million), special funding situation ($3.4 million), on-behalf payments ($0.6 million), State nonoperating grant ($2.5 million), Federal nonoperating grants ($0.6 million), and investment income ($0.1 million) during the fiscal year.

Other Capital Revenues

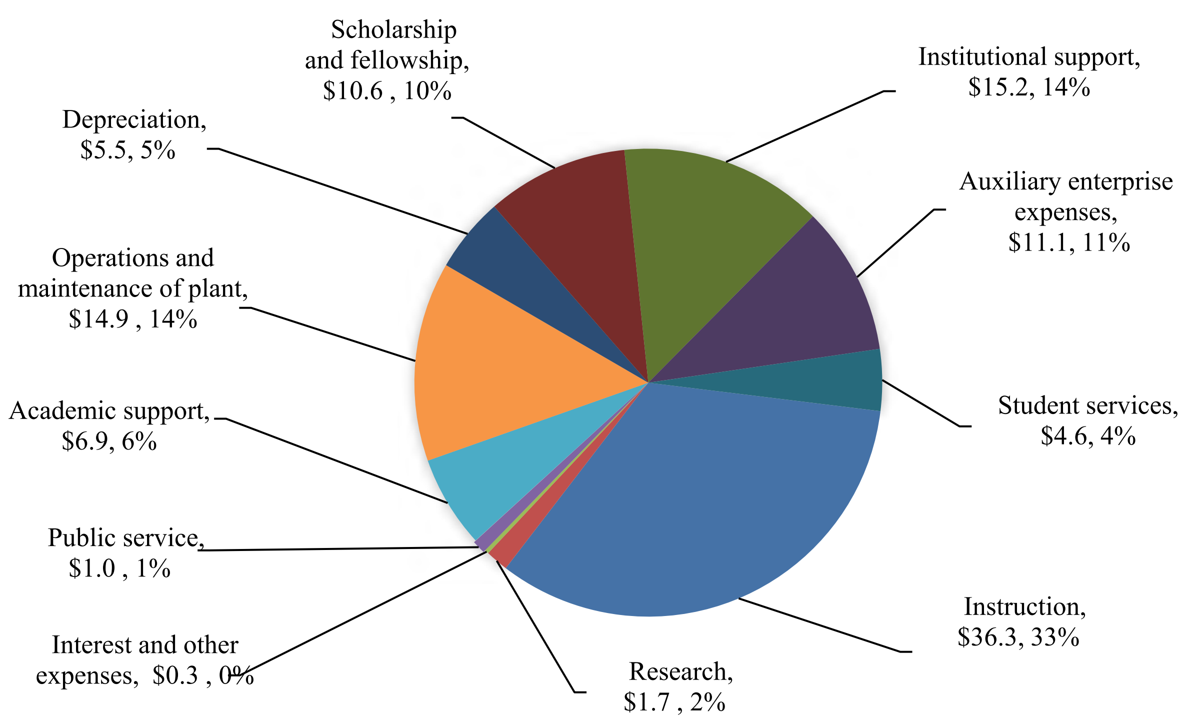
Other capital revenues ($12.4 million) decreased by $0.6 million from the prior year's amount ($13.0 million). This decrease mainly represents the capital project activities managed and completed by the Capital Development Board (CDB), on behalf of the University.

Expenses

A summary of the University's operating expenses for the Fiscal Year ended June 30, 2024 in comparison with the Fiscal Year ended June 30, 2023 is as follows:

	2024 (in millions)	2023 (in millions)	Increase/ (Decrease) (in millions)
Operating Expenses			
Education and general:			
Instruction	$ 36.3	$ 33.0	$ 3.3
Research	1.7	1.0	0.7
Public service	1.0	0.9	0.1
Academic support	6.9	6.0	0.9
Student services	4.6	3.7	0.9
Institutional support	15.2	15.5	(0.3)
Operations and maintenance of plant	14.9	12.4	2.5
Depreciation and amortization	5.5	5.4	0.1
Scholarship and fellowship	10.6	9.2	1.4
Auxiliary enterprise expenses	11.1	10.7	0.4
Total Operating Expenses	107.8	97.8	10.0
Other Nonoperating Expenses/Losses			
Interest and other expenses	0.3	0.1	0.2
Total Other Nonoperating Expenses/Losses	0.3	0.1	0.2
Total Expenses	$ 108.1	$ 97.9	$ 10.2

EXPENSES (IN MILLIONS)



Operating Expenses

Operating expenses increased by $10.0 million from the balance one year ago ($97.8 million) to the current balance ($107.8 million). The change is mainly due to net increase in allocated special funding situation as determined by actuarial valuation, on-behalf payments and other expenses ($8.6 million) and increase in scholarship and fellowship in expenditures ($1.4 million) during the fiscal year.

Capital Assets and Debt Administration

The University had $313.1 million invested in capital assets at the end of Fiscal Year 2024. Capital assets net of accumulated depreciation totaled $168.5 million. Depreciation expense for the current year was $5.5 million.

In Fiscal Year 2024, the University recognized $12.4 million in construction in progress for capital project activities managed by the CDB, on behalf of the University. These CDB capital projects are funded by State capital appropriations and include building and elevator renovations, electrical/fire alarm system upgrades, construction of nursing laboratories, upgrades of parking lots, and others.

The University's student services facilities, such as the Cordell Reed Student Union Building; health services, including student health related operations of the Wellness Center and Insurance Support services; and parking facilities were funded by revenue bonds. As of June 30, 2024, the University's has no liability related to revenue bonds.

Economic Factors That Will Affect the Future

The State of Illinois continues to face economic challenges, including escalating employee benefit costs. The State continues to lag in the unemployment economic indicator relative to its neighboring States. For the month ended January 2025, the Illinois unemployment rate was 5.3% while its neighboring states unemployment rate ranged from 2.9% to 4.2%.

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

BASIC FINANCIAL STATEMENTS

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF NET POSITION
June 30, 2024

	University	Discretely Presented Component Unit
ASSETS		
Current Assets		
Cash equity with State Treasurer	$ 900,404	$ -
Cash and cash equivalents (Note 2)	8,547,382	1,507,064
Securities lending collateral equity of State Treasurer (Note 2)	185,388	-
Balance in State Appropriation	836,250	-
Accounts receivable, net (Note 3)	13,487,232	537,500
Inventories	6,809	-
Loans and notes receivable, net (Note 3)	19,088	-
Prepaid expenses and other assets	812,361	112,442
Total current assets	24,794,914	2,157,006
Noncurrent Assets		
Cash and cash equivalents - restricted (Note 2)	5,405,133	-
Endowment investments (Note 2)	-	8,512,681
Loans and notes receivable, net (Note 3)	133,560	-
Capital assets, net (Note 4)	168,514,388	1,422
Total noncurrent assets	174,053,081	8,514,103
Total Assets	198,847,995	10,671,109
DEFERRED OUTFLOWS FOR OPEB AND PENSION (Notes 9 and 11)	1,485,675	-
Total Assets and Deferred Outflows of Resources	200,333,670	10,671,109
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	5,720,904	616,106
Obligations under securities lending collateral equity of State Treasurer (Note 2)	185,388	-
Accrued wages (Note 5)	2,645,210	-
Unearned revenue (Note 6)	4,765,423	31,100
Long-term liabilities - current portion (Note 7)	2,290,024	1,113
Total current liabilities	15,606,949	648,319
Noncurrent Liabilities		
Accrued compensated absences (Note 7)	3,384,606	-
OPEB liability (Note 7)	2,553,733	-
Subscriptions payable (Note 7)	1,379,251	-
Leases payable (Note 7)	814,946	-
Federal loan program contributions refundable (Note 7)	271,981	-
Total noncurrent liabilities	8,404,517	-
Total Liabilities	24,011,466	648,319
DEFERRED INFLOWS FOR OPEB (Note 11)	3,093,744	-
Total Liabilities and Deferred Inflows of Resources	27,105,210	648,319
NET POSITION		
Net investment in capital assets	164,967,822	1,422
Restricted for:		
Nonexpendable		
Scholarships and academic support	-	5,859,309
Expendable		
Direct programs and scholarships	-	4,732,200
Capital projects	431,048	-
Auxiliary services	310,484	-
Unrestricted	7,519,106	(570,141)
Total Net Position	$ 173,228,460	$ 10,022,790

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

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2024

	University	Discretely Presented Component Unit
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowances of $11,374,225)	$ 12,504,561	$ -
Federal grants and contracts	8,467,290	-
State and local grants and contracts	3,502,559	-
Nongovernmental grants and contracts	950,540	-
Sales and services of auxiliary enterprises (net of scholarship allowances of $100,442)	4,734,038	-
Other operating revenues	7,182	3,838,822
Total operating revenues	30,166,170	3,838,822
OPERATING EXPENSES		
Educational and general		
Instruction	36,338,288	-
Research	1,693,734	-
Public service	1,025,037	-
Academic support	6,865,191	-
Student services	4,559,166	-
Institutional support	15,208,638	-
Operations and maintenance of plant	14,893,854	-
Depreciation and amortization	5,498,575	4,264
Scholarship and fellowship	10,594,874	1,661,188
Auxiliary enterprise expenses	11,097,295	-
Other operating expenses	-	1,430,698
Total operating expenses	107,774,652	3,096,150
OPERATING INCOME (LOSS)	(77,608,482)	742,672
NONOPERATING REVENUES (EXPENSES)		
State appropriations (Note 17)	42,650,800	-
Special funding situation (Notes 9, 10, and 11)	7,373,003	-
On-behalf payments	7,770,000	-
State nonoperating grants	8,606,946	-
Federal nonoperating grants	6,385,742	-
Investment income	572,970	991,568
Interest on capital asset - related debt	(235,147)	-
Other nonoperating expenses	(33,864)	-
Net nonoperating revenues	73,090,450	991,568
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	(4,518,032)	1,734,240
Capital appropriations	12,448,299	-
Total other revenues and losses	12,448,299	-
INCREASE IN NET POSITION	7,930,267	1,734,240
NET POSITION, BEGINNING OF YEAR	165,298,193	8,288,550
NET POSITION, END OF YEAR	$ 173,228,460	$ 10,022,790

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

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2024

	University	Discretely Presented Component Unit
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 12,530,415	$ -
Grants and contracts	16,869,243	2,709,270
Payment to suppliers for goods and services	(24,824,843)	(1,341,411)
Payments to employees for services	(50,356,406)	-
Payments for scholarship and fellowship	(10,594,875)	(1,661,188)
Loans collected from students	98,391	-
Student direct lending receipts	17,736,297	-
Student direct lending disbursements	(17,736,297)	-
Sales and services of auxiliary enterprises	4,896,219	-
Other receipts (disbursements)	(401,040)	756,752
Net cash provided by (used in) operating activities	(51,782,896)	463,423
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	43,663,517	-
State nonoperating grants	8,804,826	-
Federal nonoperating grants	6,385,742	-
Other noncapital financing activities	(33,864)	-
Net cash provided by noncapital financing activities	58,820,221	-
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchases of capital assets	(1,412,825)	-
Principal paid on capital debt	(2,351,943)	-
Interest paid on capital debt	(260,701)	-
Net cash used in capital financing activities	(4,025,469)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and/or dividends on investments	572,970	172,541
Proceeds from sales and maturities of investments	-	1,942,921
Purchase of investment and others	-	(1,909,417)
Net cash provided by investing activities	572,970	206,045
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,584,826	669,468
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,178,638	837,596
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 14,763,464	$ 1,507,064
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income (loss)	$ (77,608,482)	$ 742,672
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Depreciation and amortization	5,498,575	4,264
Special funding situation	7,373,003	-
On-behalf payments	7,770,000	-
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources		
Accounts receivables, net	1,751,459	250,736
Inventories	3,463	-
Prepaid expenses and other assets	(47,912)	-
Deferred outflows for OPEB and pension	470,798	-
Loans and notes receivable,net	12,499	-
Accounts payable and accrued liabilities	1,279,864	(534,249)
Accrued wages	463,718	-
Unearned revenue	2,152,555	-
Accrued compensated absences	131,252	-
OPEB liability	(233,983)	-
Deferred inflows for OPEB	(799,705)	-
Net cash provided by (used in) operating activities	$ (51,782,896)	$ 463,423
NONCASH INVESTING, CAPITAL FINANCING AND NONCAPITAL FINANCING ACTIVITIES		
Capital appropriations	$ 12,448,299	$ -
Special funding situation	7,373,003	-
On-behalf payments	7,770,000	-

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

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2024

	Custodial Funds
ASSETS	
Cash and cash equivalents (Note 2)	$ 135,325
NET POSITION	
Restricted for:	
Individuals, organizations, and other governments	$ 135,325

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

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2024

		Custodial Funds
ADDITIONS		
Contributions by nongovernmental entities	$	1,413,587
DEDUCTIONS		
Payments for awards and grants		1,372,915
Payments for other expenses		19,090
Total deductions		1,392,005
INCREASE IN NET POSITION		21,582
NET POSITION, BEGINNING OF YEAR		113,743
NET POSITION, END OF YEAR	$	135,325

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity - The financial reporting entity, as defined by the Governmental Accounting Standards Board (GASB), consists of the primary government entity, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of all agencies of Chicago State University, as the primary government, and the accounts of Chicago State Foundation (CSF or Foundation).

CSF was established on March 24, 2015 for the purpose of providing the University's students, faculty, and staff financial support through fund raising activities. CSF is a non-profit tax-exempt 501(c)(3) organization. CSF is reported as a discretely presented component unit in the University's financial statements.

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

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

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

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

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

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

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

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

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

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

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

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

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

Prepaid Expenses and Other Assets - Prepaid expenses include amounts paid in advance for services benefiting future periods.

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

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

Right-of-use asset- Right-of-use asset is initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-of-use asset is amortized on a straight-line basis over the shorter of the life of the underlying asset or lease term.

Subscription-Based Information Technology Arrangements

Subscription-based information technology arrangement (SBITA) with an initial noncancellable term greater than twelve months is recognized as a right-of-use subscription asset (subscription asset) and a subscription liability. SBITA with a maximum possible term of 12 months or less at commencement is recognized as an expense. Subscription liability is measured at the present value of subscription payments expected to be made over the SBITA term. The subscription asset is initially measured as the initial measurement of the subscription liability, adjusted for payments associated with the SBITA contract made to the vendor at the commencement of the subscription term, plus any capitalizable initial implementation costs, less any vendor incentives received at the commencement of the subscription term. The University uses the interest rate charged by the vendor or its estimated incremental borrowing rate as the discount rate.

Subscription assets are reported as part of the capital assets and subscription liabilities are reported as current and noncurrent liabilities in the Statement of Net Position.

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

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

For Fiscal Year ended June 30, 2024, net accrued compensated absences pertaining to vacation leave and sick leave totaled $3,754,517 and $434,744, respectively.

Noncurrent Liabilities - Noncurrent liabilities include (1) estimated amounts for accrued compensated absences; (2) University's portion of total other postemployment benefits; (3) liability related to the Perkins Loan program; and (4) financed purchase liability related to contracts that transfer ownership of underlying assets at the end of the term and do not contain termination options.

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

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

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

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

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

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

During the OPEB measurement period ended June 30, 2023, the University made voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of $294,195 to help offset the amount the State needed to provide for retirees under the special funding situation described in the preceding paragraph.

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

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

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

On-Behalf Payments - The University had outside sources of financial assistance provided by the State on behalf of the University during the year ended June 30, 2024.

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

During the year ended June 30, 2024, total estimated group insurance contributions for the University's employees paid from the University's Income Fund and auxiliary enterprises were $8,500,000. The University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of $730,000 to help offset the amount the State needed to provide for current employees under the situation described in the preceding paragraph. As such, the State contributed the estimated remaining balance of $7,770,000 on-behalf of the University to meet this obligation for current employees.

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

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

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

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

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

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

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

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

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

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

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB

Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, and GASB Statement No. 35, *Basic Financial Statements–and Management's Discussion and Analysis–for Public Colleges and Universities–an amendment of GASB Statement No. 34*, such as State appropriations, special funding situation, on-behalf payments, pass-through grants, and investment income.

Governmental Accounting Standards Implemented – In Fiscal Year 2024, the University implemented applicable sections of GASB Statement No. 99, *Omnibus 2022 and GASB Statement No. 100, Accounting Changes and Error Corrections.* GASB No. 99 addresses practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. GASB No. 100 prescribes the accounting and financial reporting for each type of accounting change and error corrections. The implementation of these GASB Statements did not have a significant impact on the University's financial statements.

New Governmental Accounting Standards – GASB has issued the following statements which are effective for period beginning July 1, 2024 or later which may impact the University:

GASB Statement No. 101, *Compensated Absences* – This statement updates the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model. This statement is effective for the period ending June 30, 2025, and the University has not yet determined the impact on the financial statements.

GASB Statement No. 102, *Certain Risk Disclosure* – This statement provides users of the financial statements with essential information about risks related to the University's vulnerabilities due to certain concentrations or constraints. This statement is effective for the period ending June 30, 2025, and the University has not yet determined the impact on the financial statements.

GASB Statement No. 103, *Financial Reporting Model Improvements* – This statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing the University's accountability. This statement also addresses certain application issues. This statement is effective for the period ending June 30, 2026, and the University has not yet determined the impact on the financial statements.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* – This statement provides users of financial statements with essential information about certain types of capital assets. This statement also addresses certain application issues. This statement is effective for the period ending June 30, 2026, and the University has not yet determined the impact on the financial statements.

NOTE 2 DEPOSITS AND INVESTMENTS

GASB Statement No. 40, *Deposit and Investment Risk Disclosures - An Amendment of GASB Statement No. 3,* requires general disclosures by investment type with disclosures of the specific risk exposures of those investments. Investments exposed to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk must be disclosed, and the deposit and investment policies (or the lack of a policy) that relate to these risks must be described if the reporting entity is exposed to them.

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

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

Deposits - At June 30, 2024, the carrying amount of the University (including deposits under Fiduciary Fund of $135,325) and the CSF deposits with private financial institutions were $14,082,839 and $1,507,064, respectively. This amount consisted of cash deposited with the financial institutions. For financial reporting purposes, these deposits have been classified as cash and cash equivalents or investments, depending upon the original maturity of the financial instrument.

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

	University		CSF	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Deposit Type				
Cash in bank	$2,206,485	$4,302,706	$1,507,064	$1,526,201
Add: Investments classified as cash equivalents (maturity <60 days) - Illinois Funds - Standard & Poor's AAAm	11,876,354			
Add: Cash on hand	5,001			
Total cash and cash equivalents	$14,087,840		$1,507,064	

	Carrying Amount	
	University	CSF
Cash and cash equivalents	$ 8,547,382	$ 1,507,064
Cash and cash equivalents - restricted - current	–	–
Cash and cash equivalents - restricted - noncurrent	5,405,133	–
Cash and cash equivalents - custodial funds	135,325	–
Total	$ 14,087,840	$ 1,507,064

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, deposits may not be returned. The University requires that balances on deposit with financial institutions be either insured by the Federal Deposit Insurance Corporation (FDIC), collateralized by securities held by the Federal Reserve Bank, or invested in U.S. Government obligations, in the University's name. The University maintains cash deposits at certain Chicago-area financial institutions. The FDIC insured bank balances totaled $3,853,998 for the University at June 30, 2024. Another $448,708 in University's bank balances were covered by pledged collateral in the University's name. CSF have a deposit account with a financial institution that did not exceed FDIC coverage.

Interest Rate Risk - Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's value. The Illinois Funds has a weighted average maturity of no greater than 60 days.

Investments

The carrying value (and market value) of the investment portfolio of the University and CSF at June 30, 2024 consisted of the following:

	University Fair Value	CSF Fair Value
Cash, BDP, MMFs	$ –	$ 115,734
ETFs & CEFs	–	2,556,660
Mutual funds	–	746,278
US Treasury & agency obligations	–	1,840,886
Common stock	–	2,070,984
Corporate debt securities	–	1,082,139
Alternative investments	–	100,000
Illinois Funds (Standard & Poor's AAAm)	11,876,354	–
Total	11,876,354	8,512,681
Less: Investments classified as cash equivalents (maturity < 90 days)	(11,876,354)	–
Total investments	$ –	$ 8,512,681

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

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the fair value of investments is further categorized by levels depending on the type of inputs used for their valuation. The standard describes three levels of inputs that may be used to measure fair value:

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

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

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

The fair value of CSF's mutual funds and equity securities are based on observable unadjusted quoted market prices in an active market. Therefore, these investments have been categorized as Level 1 in the fair value hierarchy including ETFs and CEFs. The fair value of CSF's corporate debt securities has been categorized as Level 2 in the fair value hierarchy. Alternative investment is measured at fair value using the net asset value (NAV) per share (or its equivalent) practical expedient which have not been classified in the fair value hierarchy.

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

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

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. CSF does not have a policy limiting its exposure to foreign currency risk and CSF has no exposure to foreign currency risk (valued in U.S. dollars).

Details of CSF debt security investment portfolio and their corresponding credit ratings follow:

Type	Fair Market Value	Less than 1 year	1 to 5 years	6 to 10 years	More than 10 years	S&P/Moody's Rating
U.S. Treasury & agency obligations	$ 1,840,886	$ 5,972	$ 1,415,552	$ 419,362	$ -	AAA
Corporate debt securities	1,082,139	-	773,222	308,917	-	A+ to BBB
Total	$ 2,923,025	$ 5,972	$ 2,188,774	$ 728,279	$ -	

Investment return at June 30, 2024 and its classification in the CSF financial statements are shown below:

Interest and dividends	$	172,541
Net realized and unrealized gains or (losses)		819,027
Total investment return or (loss)	$	991,568

Securities Lending Transactions

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

During Fiscal Year 2024, Deutsche Bank AG lent U.S. Agency securities and U.S. Treasury securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate fair value of the loaned securities. Loans are marked to market daily. If the fair value of collateral falls below 100%, the borrower must provide additional collateral to raise the fair value to 100%

The Office 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 Office with counterparty default indemnification. In addition, Deutsche Bank AG is obligated to indemnify the Office if Deutsche Bank AG loses any securities, collateral or investments of the Office 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 Office 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 Office had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent. The securities lending collateral invested in repurchase agreements and the fair value of securities on loan for the Office as of June 30, 2024 were $6,315,526,626 and $6,212,419,117, respectively.

In accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, paragraph 9, the State Treasurer has allocated the assets and obligations at June 30, 2024 arising from securities lending agreements to the various funds of the State. The total allocated to the University at June 30, 2024 was $185,388.

NOTE 3 ACCOUNTS, PLEDGES AND LOANS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2024:

Student tuition and fees	$ 16,235,232
Federal, State and private grants and contracts	8,647,866
Third party and other receivable	2,253,242
Total gross receivable	27,136,340
Less allowance for doubtful accounts	(13,649,108)
Net accounts receivable	$ 13,487,232

Loans receivable (Federal Perkins Loans) consisted of the following at June 30, 2024:

Loans receivable	$ 773,829
Less allowance for doubtful accounts	(621,181)
Net loans receivable	$ 152,648
Current portion	$ 19,088
Noncurrent portion	133,560
Net loans receivable	$ 152,648

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

NOTE 4 CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2024:

	Amounts expressed in thousands				
	Balance July 1, 2023	Additions	Retirements	Net Transfers	Balance June 30, 2024
Capital assets not being depreciated:					
Land	$ 9,431	$ –	$ –	$ –	$ 9,431
Works of art	41	–	–	–	41
Construction in progress	40,577	12,431	(627)	–	52,381
Total capital assets not being depreciated	50,049	12,431	(627)	–	61,853
Other capital assets:					
Site improvements	17,832	100	–	–	17,932
Buildings and building improvements	192,881	176	–	–	193,057
Equipment and library books	32,185	1,118	(12)	–	33,291
Right-of-use lease assets	1,460	–	(517)	–	943
Right-of-use subscription assets	4,161	1,056	(707)	–	4,510
Intangible assets	1,490	–	–	–	1,490
Total capital assets being depreciated	250,009	2,450	(1,236)	–	251,223
Less accumulated depreciation and amortization	(139,753)	(5,499)	690	–	(144,562)
Total	110,256	(3,049)	(546)	–	106,661
Capital assets, net	$ 160,305	$ 9,382	$ (1,173)	$ –	$ 168,514

NOTE 5 ACCRUED WAGES

Accrued wages include employee contracts for certain academic personnel that provide for twelve-month salary payments, although the contracted services are rendered during a nine-month period, and services provided by hourly employees that were paid after June 30. The liability for those employees who are on a deferred pay schedule and those that have completed their contracted services, but have not yet received final payment totaled $2,645,210 at June 30, 2024.

NOTE 6 UNEARNED REVENUE

Unearned revenue consists of the following at June 30, 2024:

Tuition and fees	$ 227,208
Grants and contracts	4,538,215
Total unearned revenue	$ 4,765,423

NOTE 7 LONG-TERM LIABILITIES

Long-term liabilities as of June 30, 2024 consist of the following:

	June 30, 2024	Current Portion	Noncurrent Portion
Accrued compensated absences	$ 4,189,261	$ 804,655	$ 3,384,606
OPEB liability	2,686,733	133,000	2,553,733
Subscription payable	2,641,438	1,262,187	1,379,251
Leases payable	894,158	79,212	814,946
Federal loan program contributions refundable	271,981	–	271,981
Financed purchase payable	10,970	10,970	–
Total long-term liabilities	$ 10,694,541	$ 2,290,024	$ 8,404,517

The changes in long-term liabilities are as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Accrued compensated absences	$ 4,058,009	$ 755,111 †	$ (623,859) *	$ 4,189,261
OPEB liability	2,920,716	–	(233,983)	2,686,733
Bonds payable	1,800,000	–	(1,800,000)	–
Premium on bonds	11,229	–	(11,229)	–
Subscription payable	3,193,381	598,132	(1,150,075)	2,641,438
Leases payable	956,358	–	(62,200)	894,158
Federal loan program contributions refundable	271,981	–	–	271,981
Financed purchase payable	21,474	–	(10,504)	10,970
Total Long-Term Liabilities	$ 13,233,148	$ 1,353,243	$ (3,891,850)	$ 10,694,541

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

Bonds Payable

On December 1, 2023, the University retired the December 23, 1998 Auxiliary Facilities Revenue Bonds that were used to advance the $22,620,000 refund of outstanding 1994 Series Bonds.

On December 1, 2023, the University made the final payment on the remaining principal amount of $1,800,000. Thus, there are no outstanding bonds payable as of June 30, 2024. Accordingly, there are no pledged revenues and debt service requirements as of June 30, 2024. Therefore, no segment information is necessary for reporting for the year ended June 30, 2024.

NOTE 8 NATURAL CLASSIFICATIONS

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

Compensation and benefits	$	65,531,489
Contractual services		21,179,489
Commodities		2,267,535
Awards and grants		10,594,874
Telecommunication		805,155
Other operating expenses		1,897,535
Depreciation and amortization		5,498,575
Total operating expenses	$	107,774,652

NOTE 9 DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

Benefits Provided. A traditional benefit plan was established in 1941. Public Act 90-0448 (effective January 1, 1998) established an alternative defined benefit program known as the portable benefit package. Tier 1 of the traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible reciprocal system service. The revised plan is referred to as Tier 2. New employees are allowed six months after their date of hire to make an irrevocable election whether to participate in either traditional or portable benefit plans. A summary of the benefit provisions as of June 30, 2023, can be found in the Financial Section of SURS ACFR.

Contributions. The State is primarily responsible for funding SURS on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a statutory funding plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members within SURS to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from “trust, federal, and other funds” are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for Fiscal Year 2023 and Fiscal Year 2024, respectively, was 12.83% and 12.53% of employee payroll. The normal cost is equal to the value of current year’s pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary, except for police officers and fire fighters who contribute 9.5% of their earnings. The contribution requirements of plan members and employers are established and may be amended by the State’s General Assembly.

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

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

Net Pension Liability
The net pension liability (NPL) was measured as of June 30, 2023. At June 30, 2023, SURS defined benefit plan reported a NPL of $29,444,538,098.

Employer Proportionate Share of Net Pension Liability
The amount of the proportionate share of the NPL to be recognized for the University is $0. The proportionate share of the State’s NPL associated with the University is $298,985,434 or 1.0154%. The University’s proportionate share changed by (0.0446%) from 1.0600% since the last measurement date on June 30, 2022. This amount is not recognized in the University’s financial statements. The NPL and total pension liability as of June 30, 2023, was determined based on the June 30, 2022, actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS during Fiscal Year 2022.

Defined Benefit Pension Expense
At June 30, 2023, SURS reported a collective net pension expense of $1,884,388,521.

Employer Proportionate Share of Defined Benefit Pension Expense
The University's proportionate share of collective defined benefit pension expense is recognized as nonoperating revenue with matching operating expense (compensation and benefits) in the financial statements. The basis of allocation used for the proportionate share of collective pension expense is the actual reported pensionable contributions made to SURS defined benefit plan during Fiscal Year 2022. As a result, the University recognized revenue and defined benefit pension expense of $19,134,439 from this special funding situation during the year ended June 30, 2024.

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

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 62,591,844	$ 12,277,871
Changes in assumptions	70,957,694	420,880,693
Net difference between projected and actual earnings on pension plan investments	187,992,691	–
Total	$ 321,542,229	$ 433,158,564

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

Year Ending June 30,	Net Deferred Outflows (Inflows) of Resources
2024	$ (428,264,966)
2025	(171,164,633)
2026	465,174,033
2027	22,639,231
Total	$ (111,616,335)

University's Deferral of Fiscal Year 2024 Contributions

The University paid $250,352 in federal, trust or grant contributions during the year ended June 30, 2024. These contributions were made subsequent to the pension liability measurement date of June 30, 2023, and are recognized as deferred outflows of resources as of June 30, 2024.

Assumptions and Other Inputs

Actuarial assumptions. The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from June 30, 2017, through June 30, 2020. The total pension liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	3.00 to 12.75 percent, including inflation
Investment rate of return	6.50 percent

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultants and actuary. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2023, these best estimates are summarized in the following table:

Asset Class	Strategic Policy Allocation	Weighted Average Long-term Expected Real Rate of Return (Arithmetic)
Traditional Growth		
Global Public Equity	36.0%	7.97%
Stabilized Growth		
Core Real Assets	8.0%	4.68%
Public Credit Fixed Income	6.5%	4.52%
Private Credit	2.5%	7.36%
Non-Traditional Growth		
Private Equity	11.0%	11.32%
Non-Core Real Assets	4.0%	8.67%
Inflation Sensitive		
U.S. TIPS	5.0%	2.09%
Principal Protection		
Core Fixed Income	10.0%	1.13%
Crisis Risk Offset		
Systematic Trend Following	10.0%	3.18%
Alternative Risk Premia	3.0%	3.27%
Long Duration	2.0%	3.02%
Long Volatility/Tail Risk	2.0%	(1.14%)
Total	100%	5.98%
Inflation		2.60%
Expected Arithmetic Return		8.58%

Discount Rate. A single discount rate of 6.37% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 6.50% and a municipal bond rate of 3.86% (based on the Fidelity 20-Year Municipal GO AA Index as of June 30, 2023). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under SURS funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2074. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2074, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the SURS Net Pension Liability to Changes in the Discount Rate. Regarding the sensitivity of the NPL to changes in the single discount rate, the following presents the State's NPL, calculated using a single discount rate of 6.37%, as well as what the State's NPL would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease 5.37%	Current Single Discount Rate Assumption 6.37%	1% Increase 7.37%
$35,695,434,682	$29,444,538,098	$24,236,489,318

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

NOTE 10 DEFINED CONTRIBUTION PENSION PLAN

General Information about the Pension Plan

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

Benefits Provided. A defined contribution pension plan, originally called the Self-Managed Plan, was added to SURS benefit offerings as a result of Public Act 90-0448 enacted effective January 1, 1998. The plan was renamed the RSP effective September 1, 2020, after an extensive plan redesign. New employees are allowed six months after their date of hire to make an irrevocable election whether to participate in either the traditional or portable defined benefit pension plans or the RSP. A summary of the benefit provisions as of June 30, 2023, can be found in SURS Annual Comprehensive Financial Report - Notes to the Financial Statements.

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

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

Pension Expense Related to Defined Contribution Pensions

Defined Contribution Pension Expense
For the year ended June 30, 2023, the State's contributions to the RSP on behalf of individual employers totaled $90,330,044. Of this amount, $81,991,471 was funded via an appropriation from the State and $8,338,573 was funded from previously forfeited contributions.

Employer Proportionate Share of Defined Contribution Pension Expense
The employer proportionate share of collective defined contribution pension expense is recognized as nonoperating revenue with matching operating expense (compensation and benefits) in the financial statements. The basis of allocation used in the proportionate share of collective defined contribution pension expense is the actual reported pensionable contributions made to the RSP during Fiscal Year 2023. The University's share of pensionable contributions was 0.4176%. As a result, the University recognized revenue and defined contribution pension expense of $377,200 from this special funding situation during the year ended June 30, 2024, of which $34,820 constituted forfeitures.

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS

Plan Description. SEGIA, as amended, authorizes SEGIP to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all of the University's full-time employees are members of SEGIP. Members receiving monthly benefits from GARS, JRS, SERS, TRS, and SURS are eligible for these OPEB. The eligibility provisions for SURS are defined within Notes 9 and 10.

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

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

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

For Fiscal Year 2024, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $13,410 ($7,211 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization, and $16,622 ($6,423 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

CMS' Changes in Estimates. For the measurement date of June 30, 2019, CMS experienced two significant changes within its estimation process. The OPEB for both the special funding situation and the portion of OPEB where the University is responsible for employer contributions are both significantly impacted by (1) the University's number of participants in SEGIP and (2) the average cost per employee within SEGIP. CMS made changes to its estimation methodology that resulted in significant differences within its estimates which represent an outcome of estimation uncertainty that, as time has passed and new sources of better data have become available, continued to be refined to achieve a more representative reflection of the actual outcome of the estimate in future periods. As such, this change in estimate was amortized for subsequent recognition in the University's OPEB expense over a period of approximately five years, which began in Fiscal Year 2019.

Special Funding Situation Portion of OPEB. The proportionate share of the State's OPEB expense relative to the University's employees totaled ($12,138,636) during the year ended June 30, 2024. This amount was recognized by the University as nonoperating special funding situation revenue and operating expense allocated to the related function performed by the employees during the year ended June 30, 2024.

While the University is not required to record the portion of the State's OPEB liability related to the University's employees resulting from the special funding situation, the University is required to disclose this amount. The following chart displays the proportionate share of the State's contributions related to the University's special funding situation relative to all employer contributions during the year ended June 30, 2023 based on the June 30, 2022 actuarial valuation rolled forward:

Measurement Date:	June 30, 2023
State of Illinois' OPEB liability related to the University under the Special Funding Situation	$ 84,345,405
SEGIP total OPEB liability	17,222,644,937
Proportionate share of the total OPEB liability	0.4897%

University's Portion of OPEB and Disclosures Related to SEGIP Generally

Total OPEB Liability, Deferred Outflows of Resources, Deferred Inflows of Resources, and Expense Related to OPEB. The total OPEB liability, as reported at June 30, 2024, was measured as of June 30, 2023, with an actuarial valuation as of June 30, 2022. At June 30, 2024, the University recorded a liability of $2,686,733 for its proportionate share of the State's total OPEB liability. The University's portion of the OPEB liability was based on the University's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2023. As of the current year measurement date of June 30, 2023, the University's proportion was .0156%, a decrease of .0015% from the prior year measurement date of June 30, 2022 proportion of 0.0171%.

The University recognized OPEB expense for the year ended June 30, 2024, of ($521,982). In addition, the University recorded ($12,138,636) of revenue and expenditures to account for contributions to SEGIP for University employees that were paid from statewide appropriations. At June 30, 2024, the University reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2023, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 46,705	$ 554,680
Changes in assumptions	8,348	1,958,456
Changes in proportion and differences between University contributions and proportionate share of contributions	1,047,270	580,608
University contributions subsequent to the measurement date	133,000	–
Total	$ 1,235,323	$ 3,093,744

$133,000 reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	Net Deferred Inflows over the Remaining Service Life of All Employees
2025	$ (631,490)
2026	(468,011)
2027	(598,976)
2028	(261,253)
2029	(31,691)
Total	$ (1,991,421)

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.

The valuation date as of June 30, 2022 below was rolled forward to measurement date of June 30, 2023.

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.25%
Projected Salary Increases*	2.50% - 12.75%
Healthcare Cost Trend Rate:	
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.
Retiree's share of benefit-related costs	Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5 percent for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100 percent of the required dependent premium. Premiums for plan year 2023 and 2024 are based on actual premiums. Premiums after 2023 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 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

Additionally, the demographic assumptions used in this OPEB valuation are identical to those used in the June 30, 2022 valuations for GARS, JRS, SERS, TRS, and SURS as follows:

	Retirement age Experience study^	Mortality^^
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

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

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

Discount Rate. Retirees contribute a percentage of the premium rate based on service at retirement. The State contributes additional amounts to cover claims and expenses in excess of retiree contributions. Because plan benefits are financed on a pay-as-you-go basis, the single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. A single discount rate of 3.69% 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:

	1% Decrease[(a)] (2.86%)	Current Single Discount Rate Assumption (3.86%)	1% Increase[(b)] (4.86%)
University's proportionate share of total OPEB liability	$ 2,979,7200	$ 2,686,733	$2,435,964

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[(b)]	Current Healthcare Cost Trend Rates Assumption[(a)]	1% Increase[(c)]
University's proportionate share of total OPEB liability	$ 2,357,860	$ 2,686,733	$3,091,599

(a) Current healthcare trend rates - Pre-Medicare per capita costs: 9.63% in 2024, 8.00% in 2025, decreasing by 0.25% per year to an ultimate rate of 4.25% in 2040. Post-Medicare per capita costs: 0.00% from 2024 to 2028, 19.42% from 2029 to 2033, 6.08% in 2034 decreasing ratably to an ultimate trend rate of 4.25% in 2040.

(b) One percentage point decrease in current healthcare trend rates Pre-Medicare per capita costs: 8.63% in 2024, 7.00% in 2025, decreasing by 0.25% per year to an ultimate rate of 3.25% in 2040. Post-Medicare per capita costs: 0.00% in 2024 to 2028, 18.42% from 2029 to 2033, 5.08% in 2034 decreasing ratably to an ultimate trend rate of 3.25% in 2040.

(c) One percentage point increase in current healthcare trend rates – Pre-Medicare per capita costs: 10.63% in 2024, 9.00% in 2025, decreasing by 0.25% per year to an ultimate rate of 5.25% in 2040. Post-Medicare per capita costs: 0.00% in 2024 to 2028, 20.42% from 2029 to 2033, 7.08% in 2034 decreasing ratably to an ultimate trend rate of 5.25% in 2040.

Total OPEB Liability Associated with the University, Regardless of Funding Source. The University is required to disclose all OPEB liabilities related to it, including (1) the portion of the State's OPEB liability related to the University's employees resulting from the special funding situation the University is not required to record and (2) the portion of OPEB liability recorded by the University for its employees paid from trust, federal, and other funds. The following chart displays the proportionate share of contributions, regardless of funding source, associated with the University's employees relative to all employer contributions during the year ended June 30, 2023 based on the June 30, 2022 actuarial valuation rolled forward:

Measurement Date:	June 30, 2023
State of Illinois' OPEB liability related to the University under the Special Funding Situation	$ 84,345,405
University's OPEB liability	2,686,733
Total OPEB liability associated with the University	$ 87,032,138
SEGIP total OPEB liability	$ 17,222,644,937
Proportionate share of the OPEB liability associated with the University	0.5053%

NOTE 12 LIABILITY INSURANCE

The University participates in a statutory cooperative known as the Illinois Public Higher Education Cooperative (IPHEC). Through IPHEC, the University has contracted with commercial insurance carriers to provide liability insurance coverages, including educators' legal and general liability insurance. The University purchased commercial excess general liability coverage of $10 million with a $1 million deductible per occurrence. Educators legal liability has coverage of $5 million with a $750,000 deductible for wrongful employment practices ($350,000 deductible for all other claims). The University also has commercial property insurance coverage for the replacement value of the University's property.

NOTE 13 RELATED PARTY TRANSACTIONS

A summary of related party transactions during the year ended June 30, 2024, is as follows:

The University and CSF, under the terms of a "Memorandum of Understanding" (MOU) effective May 14, 2019, specified the relationship between the two organizations as required by the University Guidelines adopted on November 30, 1982, and revised on September 10, 1997, by the Legislative Audit Commission. Under the terms of the MOU, CSF is provided administrative support services by the University, such as maintenance, telephone, personnel, and property control. CSF does not directly pay the University for these services, which were valued at $623,536 for the current fiscal year. CSF recognized these services as in-kind revenues and expenses on its financial statements.

CSF reciprocates by providing fundraising and other services to the University. These services were valued at $2,353,634 for the year ended June 30, 2024. Included in that amount were scholarships and stipends benefiting the University and its students totaling $1,661,188.

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

University	CSF Operating Revenue
Operating Expense	$ 623,536

NOTE 14 STUDENT FINANCIAL ASSISTANCE

The University participates in the U.S. Department of Education's Direct Student Loan Program. The University awarded $17,736,297 in direct student loans for the year ended June 30, 2024. The University classified this loan program as noncash federal awards and it is disclosed in the footnotes to the University's Schedule of Expenditures of Federal Awards in the University's *Single Audit Report*. Accordingly, no revenues or expenses are included in the financial statements of the University. All cash flows associated with these amounts have been reported as cash flows from operating activities as either tuition and fees or as payments for scholarships and fellowships.

NOTE 15 COMMITMENTS AND CONTINGENCIES

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

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

NOTE 16 ENDOWMENT

The CSF assumes responsibility on behalf of the University for private gifts for scholarships. As of June 30, 2024, $8,512,681 of endowment trust funds were invested and managed by Morgan Stanley.

The CSF Board of Trustees resolved that endowments' dividend and interest income be used for scholarships and that a reasonable amount of dividends and interest be provided to the restricted expendable funds.

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

NOTE 17 STATE OF ILLINOIS APPROPRIATIONS

In May 2023, the General Assembly passed SB 0250 (Public Act 103-0006). In this Act, the University received Fiscal Year 2024 appropriations as follows: $39,343,800 from the Education Assistance Fund, $3,000,000 from the Education Improvement Fund and $307,000 from the General Professions Dedicated Fund.

NOTE 18 RIGHT-OF-USE ASSETS

Lessee arrangements

The University has entered into lease for a building with remaining lease term of seven 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-of-use asset or lease liability balance until they are reasonably certain of exercise. Moreover, the University's equipment leases do not contain variable lease payments, residual value guarantees or termination penalties.

At June 30, 2024, right-of-use assets under leases are as follows:

Building	$ 943,129
Less: Accumulated amortization	(180,766)
Net	$ 762,363

Future minimum commitments for non-cancelable leases as of June 30, 2024, are as follows:

Fiscal Year	Principal	Interest	Total
2025	$ 79,212	$ 55,788	$ 135,000
2026	84,517	50,483	135,000
2027	90,177	44,823	135,000
2028	108,932	38,443	147,375
2029	117,421	31,078	148,499
Thereafter	413,899	43,977	457,876
Total	$ 894,158	$ 264,592	$ 1,158,750

Subscription-Based IT Arrangements (SBITAs)
The University has entered into various SBITAs with remaining subscription terms of one to eight years. Although subscriptions terms vary, certain agreements are renewable subject to appropriation by the General Assembly. If renewal is reasonably assured, SBITAs requiring appropriation by the General Assembly are considered noncancelable SBITAs for financial reporting purposes. The renewal and termination options are not included in the right-of-use asset or subscription liability balance until they are reasonably certain of exercise. Moreover, the University's SBITAs do not contain variable payments, residual value guarantees or termination penalties.

At June 30, 2024, right-of-use of subscription assets are as follows:

Subscription assets	$ 4,509,349
Less: Accumulated amortization	(1,863,363)
Net	$ 2,645,986

Future minimum commitments for non-cancelable SBITAs as of June 30, 2024, are as follows:

Fiscal Year	Principal	Interest	Total
2025	$ 1,262,187	$ 161,650	$ 1,423,837
2026	924,572	104,732	1,029,304
2027	247,638	32,168	279,806
2028	130,292	14,267	144,559
2029	76,749	6,634	83,383
	$ 2,641,438	$ 319,451	$ 2,960,889

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
For the Year Ended June 30, 2024

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

	FY2023*	FY2022*	FY2021*	FY2020*	FY2019*	FY2018*	FY2017*	FY2016*	FY2015*	FY2014*
(a) University's Proportionate Percentage of the Collective Net Pension Liability	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
(b) Proportionate Amount of the Collective Net Pension Liability	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
(c) Portion of Nonemployer Contributing Entities' Total Proportion of Collective Net Pension Liability associated with the University	298,985,434	308,220,683	310,931,586	334,114,520	325,972,808	297,436,114	272,418,504	348,769,627	346,747,343	342,183,267
Total (b) + (c)	$ 298,985,434	$ 308,220,683	$ 310,931,586	$ 334,114,520	$ 325,972,808	$ 297,436,114	$ 272,418,504	$ 348,769,627	$ 346,747,343	$ 342,183,267
Employer Defined Benefit Covered Payroll	$ 37,004,631	$ 38,380,358	$ 39,246,566	$ 40,207,478	$ 40,676,298	$ 38,313,622	$ 37,412,339	$ 48,247,884	$ 52,894,247	$ 56,869,819
Proportion of Collective Net Pension Liability associated with the University as a Percentage of Defined Benefit Covered Payroll	807.97%	803.07%	792.25%	830.98%	801.38%	776.32%	728.15%	722.87%	655.55%	601.70%
SURS Plan Net Position as a Percentage of Total Pension Liability	44.06%	43.65%	45.45%	39.05%	40.71%	41.27%	42.04%	39.57%	42.37%	44.39%

Fiscal Year 2024 Total Defined Benefit Covered Payroll: $39,422,322

Schedule of Contributions for Pensions (Unaudited)

	FY2024	FY2023	FY2022	FY2021	FY2020	FY2019	FY2018	FY2017	FY2016	FY2015
Federal, Trust, Grant and Other Contributions	$ 250,352	$ 209,444	$ 186,333	$ 180,281	$ 181,261	$ 202,145	$ 179,185	$ 165,753	$ 287,671	$ 318,777
Contributions in relation to Required Contribution	250,352	209,444	186,333	180,281	181,261	202,145	179,185	165,753	287,671	318,777
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
University's Covered Payroll	$ 2,421,894	$ 1,849,128	$ 1,674,346	$ 1,472,985	$ 1,486,285	$ 2,065,529	$ 1,690,851	$ 2,531,033	$ 3,538,415	$ 4,104,465
Contributions as a Percentage of Covered Payroll	10.34%	11.33%	11.13%	12.24%	12.20%	9.79%	10.60%	6.55%	8.13%	7.77%

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

Fiscal Year 2024 Total Defined Benefit Contributions: $ 3,189,049
Fiscal Year 2024 Total Retirement Savings Plan Contributions: $ 508,123

Notes to Required Supplementary Information - Pension (Unaudited)

These pension schedules are presented to illustrate the requirements of the Governmental Accounting Standards Board (GASB)'s Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, to show information for 10 years.

Changes of Benefit Terms. Public Act 103-0080, effective June 9, 2023, created a disability benefit for police officers injured in the line of duty on or after January 1, 2022. This benefit was first reflected in the Total Pension Liability as of June 30, 2023.

Changes of Assumptions. In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every three years to determine the reasonableness of actuarial assumptions regarding the retirement, disability, mortality, turnover, interest, and salary of the members and benefit recipients of SURS. An experience review for the years June 30, 2017, to June 30, 2020, was performed in Spring 2021, resulting in the adoption of new assumptions as of June 30, 2021. These assumptions are listed below. Only the disability rates assumption changed for the June 30, 2023, actuarial valuation.

- Salary increase. The overall assumed rates of salary increase range from 3.00 percent to 12.75 percent based on years of service, with an underlying wage inflation rate of 2.25 percent.
- Investment return. The investment return is assumed to be 6.50 percent. This reflects an assumed real rate of return to 4.25 percent and assumed price inflation of 2.25 percent.
- Effective rate of interest. The long-term assumption for the effective rate of interest for crediting the money purchase accounts is 6.50 percent.
- Normal retirement rates. Separate rates are assumed for members in academic positions and nonacademic positions to reflect that retirement rates for academic positions are lower than for nonacademic positions.
- Early retirement rates. Separate rates are assumed for members in academic positions and nonacademic positions to reflect that retirement rates for academic positions are lower than for nonacademic positions.
- Turnover rates. Assumed rates maintain the pattern of decreasing termination rates as years of service increase.
- Mortality rates. Use of Pub-2010 mortality tables reflects its high applicability to public pensions. The projection scale utilized is the MP-2020 scale.
- Disability rates. Separate rates are assumed for members in academic positions and nonacademic positions, as well as for males and females. New for the June 30, 2023, valuation, 50% of police officer disability incidence is assumed to be line-of-duty related.
- Plan election. For non-academic members, assumed plan election rates are 75 percent for Tier 2 and 25 percent for Retirement Savings Plan (RSP). For academic members, assumed plan election rates are 55 percent for Tier 2 and 45 percent for RSP.

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
For the Year Ended June 30, 2024

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

	FY2023*	FY2022*	FY2021*	FY2020*	FY2019†	FY2018†	FY2017†
University's Proportion of the Collective Total OPEB Liability	0.0156%	0.0171%	0.0171%	0.0119%	0.0131%	0.0132%	0.0176%
University's Proportion Share of the Collective Total OPEB liability	$ 2,686,733	$ 2,920,716	$ 5,894,910	$ 4,978,820	$ 5,749,481	$ 5,292,309	7,272,999
Estimated proportionate amount of collective total OPEB liability associated with the University - State supported portion	84,345,405	85,774,980	167,147,546	182,293,024	194,310,281	190,409,251	226,008,453
Total OPEB Liability associated with the University	$ 87,032,138	$ 88,695,696	$ 173,042,456	$ 187,271,844	$ 200,059,762	$ 195,701,560	$ 233,281,452
University's Covered Payroll	$ 46,992,845	$ 44,330,369	$ 41,087,287	$ 47,577,617	$ 47,254,679	$ 44,116,315	$ 41,492,317
University's Proportionate Share of the Collective Total OPEB Liability as a Percentage of its Covered Payroll	5.72%	6.59%	14.35%	10.46%	12.17%	11.20%	17.53%

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

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

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
For the Year Ended June 30, 2024

Notes to Required Supplementary Information - OPEB (Unaudited)

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

Factors that Affect Trends in the Amounts Reported. An actuarial valuation was performed as of June 30, 2022 with a measurement date as of June 30, 2023. The following assumptions were used:

- Mortality rates: Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee.
- Salary increases*: Dependent upon service and participation in the respective retirement systems. Includes inflation rate of 2.25% salary increase of 2.50% - 12.75%.
- Healthcare cost trend rate: Medical & 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.
- Retiree’s share of benefit-related costs: Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5 percent for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100 percent of the required dependent premium. Premiums for plan year 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.

* Dependent upon service and participation in the respective retirement systems. Includes inflation rate listed.
***Quality Care Health Plan*
****Medicare Advantage Prescription Drug*

SUPPLEMENTARY INFORMATION

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
TABLE OF OPERATING EXPENSES
For the Year Ended June 30, 2024

The following table presents a break-down of the various types of expenses which collectively comprise the University's functional operating expense accounts for the fiscal year ended June 30, 2024.

	Compensation and Benefits											
	University's Expenses					State of Illinois' Expenses						
	Salaries[1]	Benefits[2]	OPEB[3]	Pension	Sub-Total	Benefits[2]	OPEB[3]	Pension	Sub-Total	Total	Other Expenses	Total Operating Expenses
Educational and general:												
Instruction	$ 22,260,107	$ 700,543	$ (239,962)	$ 142,163	$ 22,862,851	$ 3,561,926	$ (5,580,299)	$ 8,944,532	$ 6,926,159	$ 29,789,010	$ 6,549,278	$ 36,338,288
Research	952,256	46,993	(9,422)	23,260	1,013,087	92,622	(219,101)	232,586	106,107	1,119,194	574,540	1,693,734
Public service	614,799	112,393	(5,589)	58,382	779,985	17,023	(129,982)	42,748	(70,211)	709,774	315,263	1,025,037
Academic support	4,038,058	114,108	(43,857)	4,932	4,113,241	648,556	(1,019,890)	1,628,621	1,257,287	5,370,528	1,494,663	6,865,191
Student services	2,506,707	129,321	(21,014)	34,609	2,649,623	277,919	(488,672)	697,896	487,143	3,136,766	1,422,400	4,559,166
Institutional support	7,304,891	164,948	(79,761)	75,651	7,465,729	1,251,609	(1,854,828)	3,142,979	2,539,760	10,005,489	5,203,149	15,208,638
Operation and maintenance of plant	7,164,124	161,834	(78,255)	-	7,247,703	1,227,976	(1,819,804)	3,083,633	2,491,805	9,739,508	5,154,346	14,893,854
Depreciation	-	-	-	-	-	-	-	-	-	-	5,498,575	5,498,575
Scholarship and fellowship	-	-	-	-	-	-	-	-	-	-	10,594,874	10,594,874
Auxiliary facilities												
Student housing, activity facilities, and parking	4,209,143	91,246	(44,122)	-	4,256,267	692,369	(1,026,060)	1,738,644	1,404,953	5,661,220	5,436,075	11,097,295
Total	$ 49,050,085	$ 1,521,386	$ (521,982)	$ 338,997	$ 50,388,486	$ 7,770,000	$ (12,138,636)	$ 19,511,639	$ 15,143,003	$ 65,531,489	$ 42,243,163	$ 107,774,652

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

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

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

OTHER INFORMATION (UNAUDITED)

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
OTHER INFORMATION (UNAUDITED)
For the Year Ended June 30, 2024

Student Enrollment by Term (Unaudited)

	Total Enrollment	Unduplicated Full-Time Equivalent
Fall session, 2023	2,334	1,373
Spring session, 2024	2,138	1,252
Summer session, 2024	938	273

University Center Fee (Unaudited)

The mandatory fee is charged per credit hour beginning with the Fall 2023 term. All students are assessed for the mandatory fees on a per-credit hour basis, and full-time students are assessed for a U-pass and health insurance fee. For each term, the University Center Fee is assessed based upon enrollment status:

	Amount
Per credit hour	$ 117
Other Required Fees (full-time students only)	
CTA – U-pass	170
Health Insurance	686

Rental Disclosures (Unaudited)

On July 1, 2004, the Chicago State University Auxiliary Facilities System entered into an annual rental agreement to provide the University with space within the Cordell Reed Student Union Building to use and occupy for the purpose of student support and academic support functions for $272,000 until July 1, 2029. This may be renewed in writing for additional terms of five years each. In Fiscal Year 2024, this rental was funded by the local income fund.

Schedule of Insurance in Force (Unaudited)

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

Fire and extended coverage ($1,000,000 deductible) of:	
Building	$ 67,467,000
Contents	1,639,281
Business interruption	100,000,000
Boiler and machinery (included in blanket coverage limit)	50,000,000
Earthquake	100,000,000
Flood	100,000,000
Basic general liability (self-insured retention)	350,000
Excess general liability (policy limit)	10,650,000

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Chicago State University

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, fiduciary activities, and the discretely presented component unit of the Chicago State University (University), collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and we have issued our report thereon dated February 21, 2025. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters of the Chicago State Foundation, a component unit of the University, associated with this component unit that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

Management of the University 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 University's internal control as a basis of designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings as items 2024-

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001, 2024-002, and 2024-003, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as items 2024-002 and 2024-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item 2024-001 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 items 2024-001, 2024-002, and 2024-003.

University's Responses to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the University's responses to the findings identified in our audit described in the accompanying Schedule of Findings. The University'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 responses.

Purpose of this Report

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

SIGNED ORIGINAL ON FILE

Chicago, Illinois
February 21, 2025

2024-001. **FINDING** Inadequate Internal Controls over Census Data

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

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

We noted the University's employees are members of the State Universities Retirement System (SURS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans. Additionally, CMS' actuary uses census data for employees of the State's public universities provided by SURS, along with census data for the other participating members provided by the State's four other pensions plans, to prepare their projection of the liabilities of CMS' plan. Finally, SURS' actuary and CMS' actuary used census data transmitted by the University during Fiscal Year 2022 to project pension and OPEB-related balances and activity at the plans during Fiscal Year 2023, which is incorporated into the University's Fiscal Year 2024 financial statements.

During testing, we noted the following:

- During our testing of eligibility testing, we noted 2 instructors were not reported as eligible to participate in SURS by the University. For the June 30, 2022 census data, it was determined the service credit was different by a combined total of ½ of a year. These have been previously reported but had not been corrected as of June 30, 2022.

- The University was not able to provide supporting documentation for the census data points related to 24 members selected for testing.

2024-001. **FINDING** Inadequate Internal Controls over Census Data (Continued)

We provided SURS' actuary and CMS' actuary with the exceptions we identified during our testing, along with the results of census data testing at the State Employees Retirement System of Illinois, and determined the net effect of these errors, along with the errors of other plan participants, was immaterial to SURS' and CMS' pension and OPEB-related balances and activity at the plans during Fiscal Year 2023.

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

Additionally, eligibility criteria for participation in SURS under the Illinois Pension Code (Code) (40 ILCS 5/15-134(a)) states any person who is an employee of the University becomes a participant in SURS. Under the Code (40 ILCS 5/15-107), an employee is any member of the educational, administrative, secretarial, clerical, mechanical, labor, or other staff of an employer whose employment in a position in which services are expected to be rendered on a continuous basis for at least four months or an academic term, whichever is less:

1) not a student employed on a less than full-time temporary basis;
2) not receiving a retirement or disability annuity from SURS;
3) not on military leave;
4) not eligible to participate in the Federal Civil Service Retirement System,
5) not currently on a leave of absence without pay more than 60 days after the termination of SURS' disability benefits;
6) not paid from funds received under the Federal Comprehensive Employment and Training Act as a public service employment program participant hired on or after July 1, 1979;
7) not a patient in a hospital or home;
8) not an employee compensated solely on a fee basis where such income would net earnings from self-employment;
9) not providing military courses pursuant to a federally-funded contract where the University has filed a written notice with SURS electing to exclude these persons from the definition of an employee;
10) currently on lay-off status of not more than 120 days after the lay-off date;
11) not on an absence without pay of more than 30 days; and,

2024-001. **FINDING** Inadequate Internal Controls over Census Data (Continued)

12) a nonresident alien on a visa defined under subparagraphs (F), (J), (M), or (Q) of Section 1101(a)(15) of Title 8 of the United States Code who (1) has met the Internal Revenue Service's substantial presence test and (2) became an employee on and after July 1, 1991.

In addition, the Code (40 ILCS 5/15-157) requires the University to, at a minimum, withhold contributions of each employee's total compensation of 8% (9.5% for firefighters or police officers) for their participation in SURS, unless further contributions by the employee would either exceed the maximum retirement annuity in the Code (40 ILCS 5/15-136(c)) or the Tier 2 earnings limitation within the Code (40 ILCS 5/15-111(b)), and remit these amounts to SURS. Further, the Code (40 ILCS 5/15-155(b)) requires the University to remit employer contributions to SURS reflecting the accruing normal costs of an employee paid from federal or trust funds.

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

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

Failure to ensure complete and accurate census data was reported to SURS reduces the overall reliability of pension and OPEB-related balances and activity reported in the University's financial statements, the financial statements of other employers within both plans, and the State of Illinois' Annual Comprehensive Financial Report. Further, failure to report all eligible employees to SURS may result in employees not receiving the pension and OPEB benefits they are entitled to receive under the Code and the Act. (Finding Code No. 2024-001, 2023-001, 2022-001, 2021-003, 2020-003)

RECOMMENDATION

We recommend the University continue to focus on the incremental changes to the census data file from the prior actuarial valuation, provided no risks are identified that incomplete or inaccurate reporting of census data may have occurred during prior periods. Any errors identified during this process should be promptly corrected by either the University or SURS, with the impact of these errors communicated to both SURS' actuary and CMS' actuary.

2024-001. **FINDING** Inadequate Internal Controls over Census Data (Continued)

Finally, we recommend the University ensure all eligible employees are reported to SURS along with any required employee and employer contributions.

UNIVERSITY RESPONSE

The University agrees with the recommendation. The University is developing processes to ensure all events occurring within a census data accumulation year are timely reported to SURS. Documentation and cross-training are still on-going to improve processes and minimize errors. The University will continue to review and update incremental changes to the census data file to ensure that all errors are promptly corrected.

2024-002. **FINDING** Weaknesses over Computer Security

The Chicago State University (University) did not maintain adequate general Information Technology (IT) controls related to its environment and applications.

The University had invested in computer hardware and systems and established several critical, confidential, or financially sensitive systems for use in meeting its mission.

Security of the environment
During testing, we requested the University provide a population of its active servers. In response to this request, the University provided a listing of servers which included decommissioned servers. Due to these conditions, we were unable to conclude the University's population records were sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AU-C § 500.08 and AT-C § 205.36).

Despite this limitation, we performed testing on a sample of servers and noted the Information Technology (IT) infrastructure was not secured properly.

Controls over access provisioning
During our testing of the University's controls over access provisioning, we noted separated employees continued to have access to the University's environment.

This finding was first reported in Fiscal Year 2020. In subsequent years, the University has been unsuccessful in implementing appropriate procedures to improve its controls over computer security.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Access Control, Configuration, and System and Services Acquisition sections, require entities to maintain proper internal controls over the security of the environments and access provisioning.

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

University management indicated the issues regarding separated employees having access to the network were due to the reliance on ad-hoc and manual processes for offboarding employees when they leave the University, resulted in delays in access

2024-002. **FINDING** Weaknesses over Computer Security (Continued)

revocation. University management further indicated other issues were due to the lack of monitoring technology and absence of a formal process for deprovisioning of servers.

Failure to have adequate security controls over computing resources increases the risk of unauthorized access to the computing environment and the risk that confidentiality, integrity, and availability of systems and data will be compromised. (Finding Code No. 2024-002, 2023-002, 2022-002, 2021-001, 2020-001)

RECOMMENDATION

We recommend the University implement adequate general IT controls related to its environment and applications.

UNIVERSITY RESPONSE

The University agrees with the finding and acknowledges the need to strengthen controls over its IT environment and applications. To address these concerns, the University has initiated a comprehensive review of its identity and access management (IAM) processes to improve offboarding procedures and eliminate reliance on manual and ad-hoc processes. Additionally, the University is formalizing procedures for server management to ensure accurate inventory tracking and decommissioning.

As part of these efforts, the University has:

- Implemented NIST 800-171 as its governance framework to establish standardized security controls and ensure compliance with best practices.
- Been actively researching and evaluating IAM solutions that will enhance the provisioning and deprovisioning process to reduce security risks and improve efficiency.
- Worked closely with Human Resources and other key stakeholders to assess and refine existing processes, ensuring proper identity management practices while mitigating gaps in user offboarding.
- Enhanced monitoring capabilities by migrating from a mail system to a cloud service provider, which provides increased visibility into the University's technical environment.
- Leveraged additional security monitoring tools to improve detection, response, and overall security posture.
- Implemented IT solutions to aid in the management and monitoring of servers, improving visibility, security, and compliance with IT controls.

2024-002. **FINDING** Weaknesses over Computer Security (Continued)

- Established periodic access reviews to mitigate the risk of unauthorized access.

The University remains committed to strengthening its IT controls and will continue refining its security practices to align with regulatory and industry standards.

2024-003. **FINDING** Inadequate Controls to Ensure Compliance with the Illinois Pension Code

The Chicago State University (University) did not have adequate internal controls to ensure compliance with the Illinois Pension Code (Code).

During testing, we requested the University provide the populations of retired employees, persons receiving a retirement annuity (Annuitant) from the State Universities Retirement System (SURS) and re-employed by the University, and employees who filed for disability benefits during Fiscal Year 2024. The University provided the populations; however, these populations could not be reconciled to the University's internal records and SURS.

Due to this condition, we were unable to conclude the University's population records were sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AU-C § 500.08 and AT-C § 205.36) to test the University's compliance with the Code.

Even given the population limitations noted above which hindered our ability to conclude whether selected samples were representative of the population as a whole, we performed testing to determine whether the University accurately reported to SURS about unused sick leave of retired employees, certificates of disability for employees who filed for disability benefits stating the employee is unable to perform the duties, and re-employment of annuitants. During testing, we noted the following:

- Two of four (50%) retired employees' unused sick leave ranging 17 and 122 days were incorrectly reported to SURS.

- Two of two (100%) re-employed annuitants were not timely reported to SURS. The University notified SURS 9 and 347 days late.

The Code (40 ILCS 5/15-113.4) requires the University to certify to the SURS Board the number of days of unused sick leave accrued to the employee's credit on the date the employee was terminated.

In addition, the Code (40 ILCS 5/15-139.5) requires the University to notify SURS within 60 days after employing an annuitant.

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

2024-003. **FINDING** Inadequate Controls to Ensure Compliance with the Illinois Pension Code (Continued)

University management stated there was a significant turnover of employees within the Human Resources Department which impacted the current employees' ability to generate reports from the University's information system and timely comply with the reporting requirements of the Code.

Failure to maintain adequate internal control resulted in noncompliance with the Code and reduces the overall reliability of activity reported in the University's financial statements. (Finding Code No. 2024-003, 2023-003)

RECOMMENDATION

We recommend the University implement controls to ensure the completeness and accuracy of populations of retirees, re-employed annuitants, and employees who filed for disability benefits. Further, we recommend the University accurately report unused sick leave and timely notify re-employment of annuitants to SURS in accordance with the Code.

UNIVERSITY RESPONSE

The University agrees with the recommendation and is currently working with SURS to reconcile data. Further, internal controls will be strengthened to ensure timely reporting.