

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
COMPLIANCE EXAMINATION**

**(In Accordance with the Single Audit Act
and OMB Circular A-133)**

FOR THE YEAR ENDED JUNE 30, 2008

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

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
COMPLIANCE EXAMINATION**

(In Accordance With the Single Audit Act and OMB Circular A-133)

For the Year Ended June 30, 2008

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**STATE OF ILLINOIS
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COMPLIANCE EXAMINATION**

(In Accordance With the Single Audit Act and OMB Circular A-133)

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**STATE OF ILLINOIS
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(In Accordance With the Single Audit Act and OMB Circular A-133)

For the Year Ended June 30, 2008

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**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
CROSS-REFERENCE TABLE OF SPECIAL REPORTING
REQUIRED BY 1982 UNIVERSITY GUIDELINES, AS AMENDED,
AND THE OFFICE OF THE AUDITOR GENERAL
Year Ended June 30, 2008**

Source of Requirement

Revised Memo from Office of the Auditor General, <u>Dated July 25, 2000</u>	Page Number and Report Where Information <u>is Contained</u>
Item 12, Entities Financial Statements	See Note 22 of financial statements
Item 13, Report Contents:	
a. Compliance Findings pertaining to the 1982 University Guidelines, as amended	See Note 1 below
b. Statement of Sources and Applications of Indirect Cost Recoveries	Page 50 in the Report
c. Calculation for Indirect Cost Carryforward	Page 56 in the Report
d. Tuition Diverted to Auxiliary Enterprise Operations	None
e. Identification of Each Specific Accounting Entity and Description of the Sources of Revenue and Purpose of Each	Pages 65 - 66 in the Report
f. Financial Statements by Entity Including Plant Fund Data	Pages 48 - 55 in the Report
g. Calculation Sheets for Current Excess Funds	Pages 57 - 64 in the Report
h. Disclosure of Support Which Auxiliary Enterprise and Activities Have Received During the Year from State Appropriated Funds	Page 69 in the Report
i. Statement of Revenue and Expenditures for Various Bond Indenture Required Accounts	See Note 22 of financial statements
j. Statement of Whether Bond Accounting Conforms to the Terms of the Bond Indenture	See Note 2 below
k. List and Description of Noninstructional Facilities Reserves	Page 68 in the Report
l. List of All University-Related Organizations (UROs) List of Independent Organizations	Page 67 in the Report None
m. Disclosure of Payments by UROs to the University for Services Provided	Page 67 in the Report

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
CROSS-REFERENCE TABLE OF SPECIAL REPORTING
REQUIRED BY 1982 UNIVERSITY GUIDELINES, AS AMENDED,
AND THE OFFICE OF THE AUDITOR GENERAL
Year Ended June 30, 2008

Source of Requirement

Revised Memo from Office of the Auditor General, <u>Dated July 25, 2000</u>	Page Number and Report Where Information <u>is Contained</u>
Item 13, Report Contents (Continued):	
n. Disclosure of Payment by the University to UROs for Services Provided	Page 67 in the Report
o. Disclosure of Cumulative Amount of Unreimbursed Subsidies	Page 67 in the Report
p. Description of Any Debt Financing by a URO	Page 46 in the Report
q. Schedule of Cash and Investments	Pages 29 - 30 in the Report
r. Statement Regarding Income from Investments of Pooled Funds	See Note 3 below
s. Costs per Full-Time Equivalent Student	Page 38 in the Report
t. Disclosure of Acquisition of Real Estate by the University or URO not Funded by Separate Specific Appropriation	Page 47 in the Report
u. Disclosure of Issuance of Certificates of Participation (COPs) or Participation in Lease or Purchase Arrangements involving COPs	See Note 9 of financial statements
Other Financial Related Schedules for Universities:	
1. Schedule of Appropriations, Expenditures, and Lapsed Balances by Major Line Item	Page 25 in the Report
2. Schedule of Income Fund Revenues and Expenses	Page 27 in the Report
3. Schedule of Tuition and Fee Waivers	Pages 44 - 45 in the Report

Note 1 - There were no violations of the compliance requirements of the University Guidelines 1982 identified during the audit of Illinois State University for the year ended June 30, 2008.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
CROSS-REFERENCE TABLE OF SPECIAL REPORTING
REQUIRED BY 1982 UNIVERSITY GUIDELINES, AS AMENDED,
AND THE OFFICE OF THE AUDITOR GENERAL
Year Ended June 30, 2008**

- Note 2 - There were no violations of revenue bond covenants noted during the audit of Illinois State University for the year ended June 30, 2008.
- Note 3 - Investment income of pooled funds has been allocated and credited to the original sources of the funds to the extent practical. There was no unallocated investment income that was required to be paid into the Income Fund.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
COMPLIANCE EXAMINATION**

AGENCY OFFICIALS

President	Dr. C. Alvin Bowman
Vice President – Finance and Planning	Dr. Stephen M. Bragg
Comptroller	Mr. Greg Alt
Legal Counsel	Ms. Lisa Huson
Director – Internal Audit	Mr. Rick Papuga

Agency offices are located at:

Illinois State University
Hovey Hall
Campus Box 1100
Normal, IL 61790-1100



**ILLINOIS STATE
UNIVERSITY**
Illinois' first public university

Office of the President

421 Hovey Hall
Campus Box 1000
Normal, IL 61790-1000
Phone: (309) 438-5677

Clifton Gunderson LLP
P.O. Box 429
Kankakee, IL 60901

February 13, 2009


Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of Illinois State University. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the University's compliance with the following assertions during the year ended June 30, 2008. Based on this evaluation, we assert that during the year ended June 30, 2008, the University has materially complied with the assertions below.

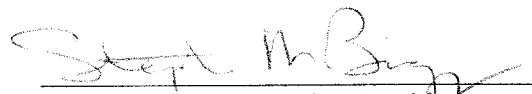
- A. The University has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The University has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The University has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the agency are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the agency on behalf of the State or held in trust by the agency have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

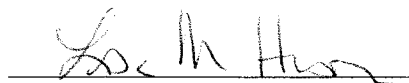
Illinois State University



C. Al Bowman, President



Stephen M. Bragg, Vice-President
Finance and Planning



Lisa M. Huson, General Counsel

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY**

COMPLIANCE REPORT

SUMMARY

The compliance testing performed in this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

ACCOUNTANT'S REPORTS

The Independent Accountant's Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers or other significant non-standard language.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current</u>	<u>Prior</u>
<u>Findings</u>	2	3
Repeated findings	2	2
Prior recommendations implemented or not repeated	1	1

Details of findings are presented in a separately tabbed report section of this report.

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
		<u>FINDINGS (STATE COMPLIANCE)</u>	
08-1	14	Time Sheets Not Maintained in Compliance with the State Officials and Employees Ethics Act	Signif. Deficiency/ Noncompliance
08-2	15	Inadequate Disaster Contingency Planning	Signif. Deficiency/ Noncompliance
		<u>PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)</u>	
A	17	Purchases not Supported by Contracts Signed by Both Parties	

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY

COMPLIANCE REPORT

SUMMARY

EXIT CONFERENCE

Findings and recommendations appearing in this report were discussed with University personnel at an exit conference on January 28, 2009. Attending were:

Representing Illinois State University

Comptroller
Assistant Comptroller
Director – Internal Audit
Accountant
Consultant

Mr. Greg Alt
Ms. JoEllen Bahnsen
Mr. Rick Papuga
Mr. Doug Litwiller
Mr. William Blomgren

Representing Clifton Gunderson LLP

Senior Manager
Manager

Mr. Paul A. Pelletier, CPA
Mr. Brian L. Creek, CPA

Representing the Office of the Auditor General

Audit Manager

Ms. Candice M. Long, CPA

Responses to the recommendations were provided by Mr. Greg Alt in a communication dated February 9, 2009.



INDEPENDENT ACCOUNTANT'S REPORT ON STATE COMPLIANCE,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined Illinois State University's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2008. The management of Illinois State University is responsible for compliance with these requirements. Our responsibility is to express an opinion on Illinois State University's compliance based on our examination.

- A. Illinois State University has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. Illinois State University has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. Illinois State University has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by Illinois State University are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by Illinois State University on behalf of the State or held in trust by Illinois State University have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about Illinois State University's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Illinois State University's compliance with specified requirements.

In our opinion, Illinois State University complied, in all material respects, with the requirements listed in the first paragraph of this report during the year ended June 30, 2008. However, the results of our procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as findings 08-1 and 08-2.

Internal Control

The management of Illinois State University is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered Illinois State University's internal control over compliance with the requirements listed in the first paragraph of this report in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of Illinois State University's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Illinois State University's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance 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 noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as findings 08-1 and 08-2 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings to be material weaknesses.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter to your office.

Illinois State University's responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine Illinois State University's responses and, accordingly, we express no opinion on them.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of Illinois State University and its discretely presented component unit, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2008, and have issued our report thereon dated January 14, 2009. Other auditors audited the financial statements of Illinois State University Foundation, as described in our report on Illinois State University's financial statements. This report does not include the results of the other auditors' testing. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of Illinois State University. The 2008 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2008 taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States, the Illinois State University's basic financial statements for the year ended June 30, 2007. In our reports dated March 7, 2008, we expressed unqualified opinions on the basic financial statements of Illinois State University. In our opinion, the 2007 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited" is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2007, taken as a whole. The fiscal year 2006 comparative information has been derived from Illinois State University's basic financial statements for the year ended June 30, 2006, which was audited by other auditors who expressed unqualified opinions on the basic financial statements in their report dated February 16, 2007.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, University management, the Board of Trustees of Illinois State University, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Oak Brook, Illinois
February 13, 2009

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 William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of Illinois State University and its discretely presented component unit, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2008, and have issued our report thereon dated January 14, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of Illinois State University Foundation, as described in our report on Illinois State 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 that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Illinois State University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Illinois State University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Illinois State University's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, University management, the Board of Trustees of Illinois State University, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

CLIFTON GUNDERSON LLP
Oak Brook, Illinois

January 14, 2009

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the compliance of Illinois State University with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Illinois State University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Illinois State University's management. Our responsibility is to express an opinion on Illinois State University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Illinois State University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Illinois State University's compliance with those requirements.

In our opinion, Illinois State University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Illinois State University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Illinois State University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purposes of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Illinois State University's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined above. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Illinois State University and its discretely presented component unit, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2008, and have issued our report thereon dated January 14, 2009. Other auditors audited the financial statements of Illinois State University Foundation, as described in our report on Illinois State University's financial statements. This report does not include the results of the other auditors' testing. Our audit was performed for the purpose of forming opinions on Illinois State University's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, University management, the Board of Trustees of Illinois State University, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Oak Brook, Illinois

February 13, 2009, except for the Schedule of Expenditures of Federal Awards and the related notes, as to which the date is January 14, 2009.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA No.</u>
Student Financial Aid Cluster:	
Federal Supplemental Educational Opportunity Grants	84.007
Federal Work-Study Program	84.033
Federal Perkins Loan Program	84.038
Federal Pell Grant Program	84.063
Federal Direct Student Loan Program	84.268
Academic Competitiveness Grants	84.375
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376
Nursing Student Loan Program	93.364
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925
Education and Human Resources	47.076
Improving Teacher Quality State Grants	84.367

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

I. SUMMARY OF AUDITOR'S RESULTS (continued)

Dollar threshold used to distinguish between type A
and type B programs:

\$668,116

Auditee qualified as low-risk auditee?

Yes No

II. FINANCIAL STATEMENT FINDINGS

None

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
For the Year Ended June 30, 2008**

CURRENT FINDINGS - STATE

08-1 Finding: Time Sheets Not Maintained in Compliance with the State Officials and Employees Ethics Act

Illinois State University's (University) policies did not require positive time reporting for all of its employees in compliance with the State Officials and Employees Ethics Act (Act).

We noted that University policy 1.1.12 only requires positive time reporting for hourly civil service employees, student workers, and Board of Trustee Members. Faculty, exempt civil service and academic employees were only required to submit benefit usage cards that identified leave time (vacation, sick, etc.) used to the nearest tenth hour, and did not report actual hours worked.

The Act requires the University (through policies adopted by the Illinois Board of Higher Education (IBHE)) to adopt personnel policies consistent with the Act. The Act (5 ILCS 430/5-5(c)) states, "the policies shall require State employees to periodically submit time sheets documenting the time spent each day on official State business to the nearest quarter hour." The IBHE adopted personnel policies for public universities on February 3, 2004 in accordance with the Act.

University officials stated that they are concerned as to whether the positive time reporting of salaried personnel potentially conflicts with prevailing labor law.

By not requiring positive time reporting sheets from all its employees, the University is not in compliance with the Act. (Finding Code Nos. 08-1, 07-1, 06-2, 05-04)

Recommendation

We recommend the University revise its policy and require all employees to submit time sheets in compliance with the Act.

University Response

The University has purchased a new Human Resource Information System (HRIS) which includes a time and labor reporting component. Compliance issues related to the State Officials and Employees Ethics Act as well as other relevant State and Federal legislation including the Fair Labor Standards Act and prevailing labor agreements will be encompassed within the implementation of the HRIS.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
For the Year Ended June 30, 2008**

CURRENT FINDINGS - STATE

08-2 Finding: Inadequate Disaster Contingency Planning

The University did not have an adequately developed and tested disaster contingency plan to ensure timely recovery of some critical computer systems. Specifically, the University had not fully developed and tested the disaster contingency plans for its network infrastructure, network authentication, e-mail and Web services.

The University had over \$26 million in computing equipment that is utilized to perform mission critical functions. Therefore, a comprehensive and thoroughly tested disaster contingency plan is essential for the University to ensure it meets its mission and objectives.

The University had updated its contingency plan, "Emergency Action Plan for Recovery of Critical CTSG Services", in May 2008. The University agreed with the prior review finding and has made some progress at implementing the prior finding recommendations; however the updated plan continued to have the following deficiencies:

- Although the Plan has established priorities for recovery, the Plan did not contain updated recovery procedures. For instance, it does not contain the steps necessary to restore data backups in the event of a disaster.
- The Plan did not contain recovery timeframes for critical applications. An analysis of the maximum allowable downtime for critical applications had not been performed.
- The Plan does arrange for alternate facilities in the event that the University campus facilities are unusable, but the site was not functional as of June 30, 2008. Although many elements of the University's network infrastructure and e-mail services are redundant and currently housed in separate buildings on campus, these buildings are less than one mile apart, and therefore could be at risk in the event of a significant disaster.

University personnel stated the Plan had not been formally tested as of June 30, 2008. It is expected to take approximately 18 months to fully implement the plan. In addition, the responses necessary to recover from a disaster could vary significantly dependent upon the events that have occurred.

Information technology guidance (including the National Institute of Standards and Technology and Government Accountability Office) endorse the formal development and testing of disaster contingency plans. Tests of disaster contingency plans (and the associated documentation of the test results) verify that the plan, procedures, and resources provide the capability to recover critical systems within the required timeframe.

University personnel stated that it is currently reliant on the redundancy of its LAN resources located in separate buildings on campus to provide uninterrupted access to critical computer operations, but expects to have an alternate facility functional by the fall of 2009.

A comprehensively developed and tested contingency plan, thereby reducing the overall risk and potential damaging impact resulting from a disaster, is crucial for ensuring the University's computer operations can be recovered within a reasonable timeframe. Without an adequately developed and tested disaster contingency plan, there is a risk that critical functions may be delayed for an extended period of time or may be unavailable to meet the needs of the University. (Finding Code Nos. 08-2, 07-3, 06-3)

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
For the Year Ended June 30, 2008

CURRENT FINDINGS - STATE

08-2 Finding: Inadequate Disaster Contingency Planning (continued)

Recommendation

We recommend the University continue assessing its disaster contingency plan to ensure it is comprehensive and adequately addresses all platforms, including network configuration, and critical systems. A formal assessment of available resources for recovery purposes in relation to the critical systems should be performed, documented and tested to ensure adequate resources are available. Once completed, the University should update its contingency plan to address:

- Predetermined acceptable recovery timeframes for prioritized critical applications; and
- Alternate computing facilities should the University's primary computing facilities become inoperable.

The University should ensure the disaster contingency plan is updated and tested at least annually in an effort to ensure key recovery personnel are adequately trained and to ensure the plan remains adequate for meeting the University's recovery needs.

University Response

The University will continue assessing its disaster contingency plan, titled **The Emergency Action Plan for Recovery of Critical CTSG Services**, adopted and revised in May of 2008, to ensure it adequately addresses all platforms including network configuration and critical IT applications.

The CTSG Emergency Action Plan Review Group issued a report on December 16, 2008 which addressed tests of the plan which have taken place since it was last revised in May of 2008.

The current plan establishes responsibilities and recovery priorities for data back-up and for emergency stabilization and recovery of critical IT services. Recovery time frames for critical IT applications are dependent upon the nature of the University emergency at the time of occurrence and are subject to change at the discretion of the University Emergency Management Team (EMT) as dictated by the Illinois State University Emergency Management Plan. The University will further review the plan to assess if predetermined acceptable recovery time frames for critical IT applications can be used to effectively establish IT recovery priorities for a University emergency.

The plan also establishes an off-site location for back-up storage of CTSG data tapes and data disks (completed November 2008) and establishes a September 2009 time frame for the creation of a remote alternate electronic facility. The University will continue negotiations with Central Management Services for facilities in connection with the creation of a remote alternate electronic site in the Peoria area.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
For the Year Ended June 30, 2008**

PRIOR FINDINGS NOT REPEATED

A - Finding: Purchases not Supported by Contracts Signed by Both Parties

Certain purchases made by the University were not supported by a contract signed by both parties as required by Statewide Accounting Management System (SAMS) procedures. (Finding Code No. 07-2)

Status: Moved to Immaterial Findings Letter

The University was not made aware of this issue until well into fiscal year 2008. During our examination procedures, we noted that the University had revised its purchasing and contracting procedures in a manner that should address this issue.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY**

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

Fiscal Schedules and Analysis

- Schedule of Expenditures of Federal Awards
- Notes to the Schedule of Expenditures of Federal Awards
- Schedule of Appropriations, Expenditures and Lapsed Balances
- Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
- Comparative Schedule of Revenues and Expenses – University Income Fund
- Schedule of Changes in State Property
- Comparative Schedule of Cash and Cash Equivalents
- Comparative Schedule of Investments
- Analysis of Significant Variations in Certain Revenue and Expense Accounts
- Analysis of Significant Variations in Certain Asset and Liability Accounts
- Comparative Schedule of Receivables and Aged Analysis of Receivables

Analysis of Operations

- Agency Functions and Planning Program
- Employment Statistics (Unaudited)
- Annual Cost Statistics (Unaudited)
- Emergency Purchases
- Bookstore information (Unaudited)
- Service Efforts and Accomplishments (Unaudited)
- Schedules of Federal Expenditures, Non-federal Expenses, and New Loans
- Summary of Agency Operations by Function of Program Activity –
 - Student Enrollment Statistics (Unaudited)
- Tuition and Fee Waivers (Unaudited)
- Debt Financed by University Related Organization
- Acquisition of Real Estate by University Not Funded by Separate Specific Appropriation

Special Data Requirements for Audits of Universities

Entity Financial Statements

- Local Funds:
 - Statement of Net Assets
 - Statement of Revenues, Expenses, and Changes in Net Assets
- Service Departments:
 - Statement of Net Assets
 - Statement of Revenues, Expenses, and Changes in Net Assets
- Auxiliary Facilities:
 - Statement of Net Assets
 - Statement of Revenues, Expenses, and Changes in Net Assets
- Calculation Sheet for Indirect Cost Carryforward

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY**

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY (continued)

Special Data Requirements for Audits of Universities (continued)

Calculation Sheet for Current Excess Funds:

Current Unrestricted Local Funds:

Continuing Education and Public Services
Sales and Services of Educational Activities
Student Programs and Services
Field Trips and Foreign Study

Service Departments

Auxiliary Facilities – Revenue Bonds:

Student Housing
Student Activities
Parking Services

Auxiliary Facilities, Activities, and Accounting Entities

Summary of Foundation Payments to the University

Noninstructional Facilities Reserve

Disclosure of Support Which Auxiliary Facilities and Activities Have Received
During the Year from State Appropriated Funds

Illinois Institute for Entrepreneurship Education Financial Information

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the accountants' opinion, except for the portion marked "unaudited," on which they express no opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008**

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>	<u>Passed- Through to Subrecipients</u>
STUDENT FINANCIAL AID CLUSTER				
U.S. Department of Education				
Federal Supplemental Educational Opportunity Grants	84.007		\$ 533,269	\$ -
Federal Work-Study Program	84.033		795,957	-
Federal Perkins Loan Program	84.038		10,675,448	-
Federal Pell Grant Program	84.063		8,993,588	-
Federal Direct Student Loans	84.268		68,344,841	-
Academic Competitiveness Grants	84.375		382,546	-
National Science & Mathematics Access to Retain Talent (SMART) Grants	84.376		360,476	-
U.S. Department of Health and Human Services				
Nursing Student Loans	93.364		347,263	-
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925		13,096	-
Total Student Financial Aid Cluster			90,446,484	-
OTHER PROGRAMS				
U.S. Department of Agriculture				
** Grants for Agricultural Research Competitive Research Grants	10.206		313,414	-
** Integrated Programs (Passed through Southern Illinois University)	10.303	SIUC 08-13	8,746	-
National School Lunch Program (Passed through Illinois State Board of Education)	10.555	4400	20,838	-
Child and Adult Care Food Program (Passed through Illinois State Board of Education)	10.558	4400	6,201	-
Environmental Quality Incentives Program	10.912		139,555	10,402
** Environmental Quality Incentives Program (Passed through The Nature Conservancy)	10.912	C05-46	13,477	-
Total U.S. Department of Agriculture			502,231	10,402
U.S. Department of Commerce				
Manufacturing Extension Partnership (Passed through Illinois Manufacturing Extension Center)	11.611	IMEC	260,038	-
Total U.S. Department of Commerce			260,038	-
U.S. Department of Defense				
** Military Medical Research and Development	12.420		31,578	25,963
** Mathematical Sciences Grants Program	12.901		21,889	-
Total U.S. Department of Defense			53,467	25,963
U.S. Department of the Interior				
** National Cooperative Geologic Mapping Program	15.810		29,368	-
Total for U.S. Department of the Interior			29,368	-
U.S. Department of Justice				
** Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program (Passed through Illinois Criminal Justice Information Authority)	16.580	R. Weisheit	34,467	-
Total U.S. Department of Justice			34,467	-

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008**

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>	<u>Passed- Through to Subrecipients</u>
OTHER PROGRAMS (CONTINUED)				
U.S. Department of Labor				
WIA Dislocated Workers	17.260		478,581	281,359
WIA Dislocated Workers (Passed through Chicago Women in Trades)	17.260	CWT/ISU	19,319	-
	Total 17.260		497,900	281,359
WIA Pilots, Demonstrations, and Research Projects	17.261		146,164	-
Occupational Safety and Health Susan Harwood Training Grants	17.502		4,108	-
Total for U.S. Department of Labor			648,172	281,359
National Foundation of the Arts and Humanities				
Grants to States (Passed through Illinois State Library)	45.310	LSTA07-7053,08-8251	54,350	-
Total National Foundation of the Arts and Humanities			54,350	-
National Science Foundation				
** Mathematical and Physical Sciences	47.049		616,824	-
Mathematical and Physical Sciences	47.049		448,723	-
** Mathematical and Physical Sciences (Passed through Harold Washington College)	47.049	CHE-0629174	99,661	-
Total 47.049			1,165,208	-
** Geosciences (Passed through Geological Society of America)	47.050	8509-07	800	-
** Computer and Information Science & Engineering	47.070		11,055	-
Computer and Information Science & Engineering	47.070		36,288	-
Total 47.070			47,343	-
** Biological Sciences	47.074		768,654	103,080
Education and Human Resources	47.076		542,858	-
** Education and Human Resources	47.076		232,501	46,761
** Education and Human Resources (Passed through Chicago State University)	47.076	HRD-0413000,53327	18,716	-
Education and Human Resources (Passed through University of Missouri)	47.076	CG004954	17,888	-
** Education and Human Resources (Passed through Utah State University)	47.076	041447001	145,456	-
Total 47.076			957,419	46,761
Total National Science Foundation			2,939,424	149,841
U.S. Small Business Administration				
Small Business Development Center (passed through Illinois Department of Commerce and Economic Opportunity)	59.037	06-561106,07-181106	85,873	-
Total U.S. Small Business Administration			85,873	-
Environmental Protection Agency				
State Indoor Radon Grants (Passed through Illinois Emergency Management Agency)	66.032	1289ISURAD	29,102	-
** Nonpoint Source Implementation Grants (Passed through Illinois Environmental Protection Agency)	66.460	3190506	28,225	8,661
Total for Environmental Protection Agency			57,327	8,661

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008**

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>	<u>Passed- Through to Subrecipients</u>
OTHER PROGRAMS (CONTINUED)				
U.S. Department of Energy				
** Office of Science Financial Assistance Program (Passed through University of Wisconsin-Madison)	81.049	384H974	46,328	-
** Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance Total U.S. Department of Energy	81.117		<u>211,522</u> <u>257,850</u>	<u>-</u> <u>-</u>
U.S. Department of Education				
Adult Education - Basic Grants to States (Passed through Illinois Community College Board)	84.002	AEL08004	322,940	37,500
Special Education Grants to States (Passed through Illinois State Board of Education)	84.027	IATTAP	172,928	-
TRIO - Student Support Services	84.042		252,423	-
Career and Technical Education - Basic Grants to States (Passed through Illinois Community College Board)	84.048	CTEL07001, 08001	278,017	47,611
Career and Technical Education - Basic Grants to States (Passed through Illinois State Board of Education)	84.048	4720	<u>230,626</u>	<u>42,946</u>
	Total 84.048		508,643	90,557
Business & International Education Projects	84.153		71,542	-
** Safe and Drug-Free Schools and Communities State Grants (Passed through Illinois State Board of Education)	84.186	4400	1,875	-
Bilingual Education Professional Development	84.195		338,584	-
Even Start - State Educational Agencies (Passed through OER Associates)	84.213	OER	15,000	-
Fund for the Improvement of Education (Passed through DuPage ROE)	84.215	ISU	23	-
** State Grants for Innovative Programs (Passed through Illinois State Board of Education)	84.298	4100	1,134	-
Research in Special Education	84.324		78,063	24,700
Research in Special Education (Passed through Peoria Public Schools)	84.324	06A030	<u>742</u>	<u>-</u>
	Total 84.324		78,805	24,700
Special Education Personnel Development to Improve Services and Results for Children with Disabilities	84.325		185,199	-
Teacher Quality Enhancement Grants	84.336		868,357	164,913
Transition to Teaching	84.350		83,289	-
** Mathematics and Science Partnerships (Passed through Illinois State Board of Education)	84.366	4936-71-17-06	387,465	14,132
Improving Teacher Quality State Grants (Passed through Illinois Board of Higher Education)	84.367	06NCLB04, 011	211,541	-
Improving Teacher Quality State Grants (Passed through Illinois State Board of Education)	84.367	4935-00	252,483	-
** Improving Teacher Quality State Grants (Passed through Illinois Board of Higher Education)	84.367	SWEAT	1,739	-
** Improving Teacher Quality State Grants (Passed through Illinois State Board of Education)	84.367	4932	11,865	-
Improving Teacher Quality State Grants (Passed through Peoria Public Schools District 150)	84.367	PPS-ISU	<u>156,608</u>	<u>-</u>
	Total 84.367		634,236	-
National Writing Project (Passed through National Writing Project)	84.928	92-IL03	57,295	-
			<u>3,979,738</u>	<u>331,802</u>
Total U.S. Department of Education				

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008**

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>	<u>Passed- Through to Subrecipients</u>
OTHER PROGRAMS (CONTINUED)				
U.S. Department of Health and Human Services				
Childhood Lead Poisoning Prevention Projects	93.197		1,025	-
Advanced Education Nursing Grant Program	93.247		395,491	72,062
** Drug Abuse and Addiction Research Programs	93.279		69,982	-
Centers for Disease Control & Prevention Investigations and Technical Assistance (Passed through Illinois Department of Public Health)	93.283	83286004	7,700	-
Minority Health and Health Disparities Research (Passed through University of Illinois)	93.307	1P20MD00524-01	10,487	-
Advanced Education Nursing Traineeships	93.358		20,561	-
National Center for Research Resources	93.389		227,397	19,372
Developmental Disabilities Basic Support and Advocacy Grants	93.630		33,795	-
Child Welfare Services Training Grants	93.648		8,138	-
** Adoption Opportunities (Passed through Children's Home & Aid Society of Illinois)	93.652	ISU	24,421	-
** Adoption Opportunities (Passed through Adoptions Unlimited)	93.652	Year 2, Year 3	48,760	-
	Total 93.652		73,181	-
** Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		74,965	-
** Allergy, Immunology, and Transplantation Research	93.855		586,009	62,702
** Microbiology and Infectious Diseases Research	93.856		(8,500)	-
** Microbiology and Infectious Diseases Research (Passed through University of Florida)	93.856	UF-IFAS-04022551	121,028	-
	Total 93.856		112,528	-
** Biomedical Research and Research Training	93.859		260,037	-
Biomedical Research and Research Training	93.859		180,911	18,446
Biomedical Research and Research Training - Minority Bridges Program (Passed through Vanderbilt University)	93.859	VUMC 8982	9,396	-
** Biomedical Research and Research Training (Passed through New Mexico State University)	93.859	R0026266	6,000	-
	Total 93.859		456,344	18,446
** Child Health and Human Development Extramural Research	93.865		42,805	-
** Child Health and Human Development Extramural Research (Passed through University of California - San Francisco)	93.865	4438SC	7,462	-
	Total 93.865		50,267	-
** Aging Research	93.866		66,365	-
** Maternal and Child Health Services Block Grant to the States (Passed through Illinois Department of Human Services)	93.994	11G5571000	5,400	-
			2,199,635	172,582
Corporation for National and Community Service				
AmeriCorps (Passed through Jumpstart)	94.006	750200	75,054	-
AmeriCorps (Passed through Western Illinois University)	94.006	5-16692	12,800	-
	Total 94.006		87,854	-
	Total Corporation for National and Community Service		87,854	-
Department of Homeland Security				
Disaster Grants - Public Assistance (Passed through Illinois Emergency Management Agency)	97.036	FEMA-1681-0000- U087D-00	1,791	-
			1,791	-
			1,791	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 101,638,069	\$ 980,610

** Research and Development Cluster

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2008**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity for the year ended June 30, 2008, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements due to specific reporting requirements prescribed by OMB Circular A-133.

NOTE 2 - LOANS OUTSTANDING

The University had the following loan balances outstanding at June 30, 2008. These loan balances outstanding are also included in the federal expenditures presented in this schedule.

	<u>Outstanding Balance at June 30, 2008</u>
Nursing Student Loans	\$ 347,263
Perkins Loan Program	<u>10,675,448</u>
Total loans outstanding	<u>\$ 11,022,711</u>

There were no administrative costs charged to the Perkins Loan Program.

NOTE 3 - GUARANTEED STUDENT LOANS - NONCASH EXPENDITURES OF FEDERAL AWARDS

During the audit period, the University processed the following amounts of new loans under the Federal Direct Student Loans Program:

Direct Student Loans Program	\$ 51,535,434
Direct Parent Loan for Undergraduate Students Program (PLUS)	<u>16,809,407</u>
Total	<u>\$ 68,344,841</u>

There were no administrative costs charged to the loan program.

NOTE 4 - FOOD DISTRIBUTION PROGRAM - NONCASH EXPENDITURES OF FEDERAL AWARDS

During the audit period, the University received \$6,321 of food commodities provided by the United States Department of Agriculture, and distributed through the Food Distribution Program that is administered by the Illinois State Board of Education.

NOTE 5 - INSURANCE - NONCASH EXPENDITURES OF FEDERAL AWARDS

During the audit period, there was no Federally-funded insurance in effect.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
For the Fourteen Months Ended August 31, 2008**

	Appropriations (net after transfers)	Voucher expenditures, twelve months ended June 30, 2008	Lapse period expenditures, two months ended August 31, 2008	Total expenditures, fourteen months ended August 31, 2008	Balances lapsed, August 31, 2008
General Revenue Fund-001 (P.A. 95-0348):					
Personal services	\$ 74,186,800	\$ 73,882,686	\$ 304,114	\$ 74,186,800	\$ -
Group Insurance	3,078,300	3,078,300	-	3,078,300	-
Contractual Services	2,721,700	2,721,700	-	2,721,700	-
Commodities	300,000	300,000	-	300,000	-
Equipment	2,000,000	2,000,000	-	2,000,000	-
Telecommunications	200,000	200,000	-	200,000	-
Permanent improvements	500,000	500,000	-	500,000	-
Total	<u>\$ 82,986,800</u>	<u>\$ 82,682,686</u>	<u>\$ 304,114</u>	<u>\$ 82,986,800</u>	<u>\$ -</u>
State College and University Trust Fund - 417 (P.A. 95-0348):					
Awards and grants	\$ 70,000	\$ -	\$ 70,000	\$ 70,000	\$ -
Total	<u>\$ 70,000</u>	<u>\$ -</u>	<u>\$ 70,000</u>	<u>\$ 70,000</u>	<u>\$ -</u>
Grand Total - All Funds	<u><u>\$ 83,056,800</u></u>	<u><u>\$ 82,682,686</u></u>	<u><u>\$ 374,114</u></u>	<u><u>\$ 83,056,800</u></u>	<u><u>\$ -</u></u>

Note 1: Data is taken from University records and has been reconciled to the records of the State Comptroller.

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES,
AND LAPSED BALANCES
For the Years Ended June 30, 2008 and 2007

	Fiscal year	
	2008	2007
General Revenue Fund - 001:	<u>95-0348</u>	<u>94-0798</u>
Appropriations (net of transfers):	\$ 82,986,800	\$ 81,457,500
Expenditures:		
Personal Services	74,186,800	72,657,500
Group Insurance	3,078,300	3,078,300
Contractual Services	2,721,700	2,721,700
Commodities	300,000	300,000
Equipment	2,000,000	2,000,000
Telecommunications	200,000	200,000
Permanent Improvements	500,000	500,000
Total Expenditures	<u>82,986,800</u>	<u>81,457,500</u>
Lapsed balances	<u>\$ -</u>	<u>\$ -</u>
 State College and University Trust Fund - 417		
Appropriations (net of transfers):	<u>\$ 70,000</u>	<u>\$ 70,000</u>
Expenditures:		
Awards and Grants	<u>70,000</u>	<u>70,000</u>
Total Expenditures	<u>70,000</u>	<u>70,000</u>
Lapsed balances	<u>\$ -</u>	<u>\$ -</u>
 GRAND TOTAL, ALL FUNDS		
Appropriations (net of transfers)	\$ 83,056,800	\$ 81,527,500
Expenditures	<u>83,056,800</u>	<u>81,527,500</u>
Lapsed balances	<u>\$ -</u>	<u>\$ -</u>

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES
UNIVERSITY INCOME FUND
Years Ended June 30, 2008 and 2007**

	2008	2007
REVENUES		
Registration fees	\$ 96,287,071	\$ 84,320,191
Registration - extension	777,431	545,505
Enrollment deposit fee forfeitures	24,100	16,655
Tuition and fees waived	3,668,300	3,559,200
Library fines	37,103	35,156
Investment income	1,285,229	1,162,864
Net increase (decrease) in fair market value of investments	57,322	60,646
Payments on behalf of University	1,107,030	1,012,012
Gifts and donations	498,831	356,542
Other	305,780	120,789
	\$ 104,048,197	\$ 91,189,560
EXPENSES		
Personal services	\$ 54,598,913	\$ 50,577,186
SURS Retirement	25,066	
Medicare	1,658,778	1,565,540
Contractual services	16,121,108	14,054,436
Travel	1,379,039	1,238,333
Commodities	2,224,721	2,370,043
Equipment and library books	6,197,304	6,130,655
Telecommunications services	1,262,311	1,254,960
Operation of automotive equipment	409,855	397,315
Tuition and fees waived	3,668,300	3,559,200
Awards, grants, and matching funds	4,588,755	3,530,302
Permanent improvements	2,976,221	2,732,921
	95,110,371	87,410,891
Subtotal		
GASB #35 adjustments:		
Depreciation	9,532,265	9,934,391
Equipment additions/disposals	(6,579,061)	(7,810,552)
Capital lease interest	9,519	16,769
	\$ 98,073,094	\$ 89,551,499

Note 1: Pursuant to Public Act No. 90-10, responsibility and control of the Illinois State University Income Fund was transferred directly to the University. It is now a non-appropriated, local fund maintained by the University.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULE OF CHANGES IN STATE PROPERTY
For the Year Ended June 30, 2008**

Data for this schedule included all accounting entities and was obtained from University records which have been reconciled to the basic financial statements and to the property records submitted to the Office of the Comptroller.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Land	\$ 14,158,006	\$ -	\$ -	\$ 14,158,006
Land improvements	19,484,166	3,910,742	135,704	23,259,204
Infrastructure	12,682,559	-	-	12,682,559
Buildings	352,089,630	19,875,284	3,121,125	368,843,789
Equipment	63,598,518	4,863,922	3,083,514	65,378,926
Library materials	64,026,171	3,221,415	-	67,247,586
Construction in progress	26,559,721	38,080,212	22,504,197	42,135,736
Subtotal	<u>552,598,771</u>	<u>\$ 69,951,575</u>	<u>\$ 28,844,540</u>	<u>593,705,806</u>
Less accumulated depreciation for:				
Land improvements	7,618,034	\$ 635,592	\$ 135,704	8,117,922
Infrastructure	5,136,133	311,853	-	5,447,986
Buildings	166,744,884	7,152,948	3,121,125	170,776,707
Equipment	49,123,600	4,436,686	2,975,942	50,584,344
Library materials	48,546,883	2,857,402	-	51,404,285
Total accumulated depreciation	<u>277,169,534</u>	<u>\$ 15,394,481</u>	<u>\$ 6,232,771</u>	<u>286,331,244</u>
Capital assets, net	<u><u>\$ 275,429,237</u></u>			<u><u>\$ 307,374,562</u></u>

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
COMPARATIVE SCHEDULE OF CASH AND
CASH EQUIVALENTS
June 30, 2008 and 2007**

Significant details of cash and cash equivalents as of June 30, 2008 and 2007 are presented below for all funds of the University:

	<u>2008</u>		<u>2007</u>	
	<u>Ending Balance</u>	<u>Interest Rate</u>	<u>Ending Balance</u>	<u>Interest Rate</u>
CASH ON HAND - VAULT AND CHANGE FUNDS	\$ 220,742	Non-interest bearing	\$ 197,997	Non-interest bearing
BANK MONEY MARKET FUNDS				
National City Bank	6,197,011	0.990%	27,211,842	5.215%
Illinois Funds @ U.S. Bank	23,768,626	2.010%	2,230,315	5.010%
Bank of New York	43,378,672	1.570% to 2.180%	-	
U.S. Bank	21,567,443	1.090%	-	
JPMorgan	-		<u>12,042,077</u>	5.150%
Total bank money market funds	<u>94,911,752</u>		<u>41,484,234</u>	
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 95,132,494</u>		<u>\$ 41,682,231</u>	

Cash and cash equivalent balances are presented in the balance sheets at June 30, 2008 and 2007 as follows:

Current	\$ 95,132,494	\$ 41,682,231
Noncurrent	-	-
TOTAL CASH AND CASH EQUIVALENT BALANCES	<u>\$ 95,132,494</u>	<u>\$ 41,682,231</u>

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
COMPARATIVE SCHEDULE OF INVESTMENTS
June 30, 2008 and 2007

	<u>2008</u>		<u>2007</u>	
	<u>Ending Balance</u>	<u>Interest Rate</u>	<u>Ending Balance</u>	<u>Interest Rate</u>
U.S. Treasury and agency obligations:				
Agency notes	<u>\$103,656,162</u>	2.375 – 5.375%	<u>\$104,526,282</u>	1.891 – 5.700%
TOTAL INVESTMENTS	<u>\$103,656,162</u>		<u>\$104,526,282</u>	

Investments are presented in the balance sheets at June 30, 2008 and 2007 as follows:

Current:			
Investments	\$ 12,046,368		\$ 24,105,891
Restricted investments	-		19,174,582
Noncurrent:			
Investments	91,609,794		61,245,809
Restricted investments	<u>-</u>		<u>-</u>
TOTAL INVESTMENTS	<u>\$103,656,162</u>		<u>\$104,526,282</u>

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
ANALYSIS OF SIGNIFICANT VARIATIONS IN CERTAIN REVENUE AND EXPENSE ACCOUNTS
For the Year Ended June 30, 2008

Amounts shown below are for general analytical purposes. Significant items impacting the University's financial position and operations are also discussed in the Management's Discussion and Analysis section of the financial statements.

	<u>Fiscal Year</u>		<u>Increase (Decrease)</u>	<u>% of Change</u>	<u>Notes</u>
	<u>2008</u>	<u>2007</u>			
Operating revenues:					
Student tuition and fees, net	\$ 122,216,375	\$ 108,622,959	\$ 13,593,416	12.51%	1
Federal grants and contracts	20,617,315	18,554,147	2,063,168	11.12%	2
Nongovernmental grants and contracts	4,975,043	3,568,567	1,406,476	39.41%	3
Operating expenses:					
Public service	\$ 15,246,220	\$ 12,062,844	\$ 3,183,376	26.39%	4
Operation and maintenance of plant	26,185,861	23,771,074	2,414,787	10.16%	5
Student aid	21,189,266	18,732,693	2,456,573	13.11%	6
Payments on behalf of the University	53,493,304	46,692,888	6,800,416	14.56%	7
Nonoperating revenues (expenses):					
Payments on behalf of the University	\$ 53,493,304	\$ 46,692,888	\$ 6,800,416	14.56%	7
Capital appropriations	10,178,571	2,829,843	7,348,728	259.69%	8
Capital grants and gifts	298,909	2,017,476	(1,718,567)	-85.18%	9

Notes

- 1 Student tuition and fees increased by \$13,593,416. This increase was a result of the University's 13.66% increase in tuition for fiscal year 2008.
- 2 Federal grants and contract income increased by \$2,063,168. This is due to increases in grant funding from the following agencies: Office of Education \$571,536, Department of Education Pell Grant Program \$709,779, National Science Foundation grants \$290,817 and State pass through grants \$311,666.
- 3 Nongovernmental grants and contracts increased by \$1,406,476. This was due to the award of a Wallace Foundation grant.
- 4 Public service expenses increased by \$3,183,376. This increase is attributed to an increase in salaries of \$1,791,209 and expenditure of the Wallace Foundation Grant.
- 5 Operation and maintenance of plant expenditures increased by \$2,414,787 due to an increase in utility costs of \$1,077,626, and equipment/refurbishing cost at the new Alumni Center of \$875,180.
- 6 Student aid increased by \$2,456,573 as a result of an increase of \$1,149,083 in funding from the University's Income Fund and an increase in funding of \$704,849 from the Federal Pell Grant Program.
- 7 Payments on behalf of the University increased by \$6,800,416. The State's payments for SURS benefits and insurance benefits increased by \$3,874,749 and \$2,925,667, respectively.
- 8 Capital appropriations increased by \$7,348,728. The State funded the following projects during the year: the South East Chilled Water Zone, Life/Safety Improvements, and Abatement in Stevenson and Turner buildings.
- 9 Capital grants and gifts decreased by \$1,718,567. In 2007, gifts of \$770,000 were received for the Arena's Strength and Conditioning Center. Additionally, in 2007, grants were received for a farm slurry system, a thermal destruction system, lighting upgrades, and a digital conversion system. Funds for such supported capital projects were not received in 2008.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
ANALYSIS OF SIGNIFICANT VARIATIONS IN CERTAIN ASSET AND LIABILITY ACCOUNTS
June 30, 2008**

Amounts shown below are for general analytical purposes. Significant items impacting the University's financial position and operations are also discussed in the Management's Discussion and Analysis section of the financial statements.

	<u>Fiscal Year</u>		<u>Increase (Decrease)</u>	<u>% of Change</u>	<u>Notes</u>
	<u>2008</u>	<u>2007</u>			
Assets:					
Current assets:					
Restricted Cash and Cash Equivalents	\$ 64,896,772	\$ 12,032,929	\$ 52,863,843	439.33%	1
Investments	12,046,368	24,105,891	(12,059,523)	-50.03%	2
Restricted Investments	-	19,174,582	(19,174,582)	-100.00%	3
Accounts Receivable	9,919,440	8,427,522	1,491,918	17.70%	4
Noncurrent assets:					
Investments	91,609,794	61,245,809	30,363,985	49.58%	5
Bond Issuance Costs	2,174,349	634,991	1,539,358	242.42%	6
Capital Assets, net	307,374,562	275,429,327	31,945,235	11.60%	7
Liabilities:					
Current liabilities:					
Accounts Payable and Accrued Liabilities	\$ 16,609,551	\$ 14,929,562	\$ 1,679,989	11.25%	8
Noncurrent liabilities:					
Certificates of Participation	\$ 22,137,126	\$ -	\$ 22,137,126		9
Revenue Bonds Payable	106,486,910	80,499,872	25,987,038	32.28%	10

Notes

- 1 Restricted cash and cash equivalents increased by \$52,863,843. This was a result of a change in the mix of investments and cash held by the University and additional funds made available from the issuance of revenue bonds and certificates of participation during 2008.
- 2 Investments decreased by \$12,059,523 as a result of the change in the mix of investments held by the University during fiscal year 2008.
- 3 No restricted investments were held at the end of 2008. The remaining unspent bond proceeds from the Series 2006 Revenue Bonds were moved to restricted cash and cash equivalents as of June 30, 2008.
- 4 Accounts receivable increased by \$1,491,918 as a result of the 13.66 % increase in the tuition and fee rates.
- 5 Noncurrent investments increased by \$30,363,985. A contributing factor was the additional dollars made available for investment from University auxiliary funds for the rehabilitation of the residence halls. The other factor was a change in the mix of short term and long term investments.
- 6 Bond issuance costs increased by \$1,539,358. This is a result of the issuance of 2008 Revenue Bonds and 2008 Certificates of Participation.
- 7 Net capital assets increased by \$31,945,235. This increase is a result of the various construction and rehabilitation projects on the campus which included rehabilitation of the East Campus Residence Halls and construction of two chiller plants.
- 8 Accounts payable and accrued liabilities increased by \$1,679,989. This is a result of the construction and rehabilitation projects on campus, including two chiller plants and the rehabilitation of East Campus Residence Halls.
- 9 Certificates of participation in the principal amount of \$22,230,000 were issued in June 2008.
- 10 Revenue bonds payable increased by \$25,987,038. This increase is a result of \$30,635,000 of bonds that were issued in March 2008 and offset by the 2008 principal payments on prior issues.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
COMPARATIVE SCHEDULE OF RECEIVABLES AND
AGED ANALYSIS OF RECEIVABLES
June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>
ACCOUNTS RECEIVABLE			
Current funds:			
Local funds (less allowance for doubtful accounts of \$1,320,064 and \$1,192,497 at June 30, 2008 and 2007, respectively)	\$ 5,958,558	\$ 3,815,964	\$ 2,142,594
Auxiliary facilities system (less allowance for doubtful accounts of \$840,719 and \$807,422 at June 30, 2008 and 2007, respectively)	1,588,234	1,973,787	(385,553)
Restricted funds	1,480,207	2,181,794	(701,587)
Payroll and clearing accounts	<u>233,740</u>	<u>98,241</u>	<u>135,499</u>
Total current funds	9,260,739	8,069,786	1,190,953
Agency funds	640,363	307,613	332,750
Loan funds	<u>18,338</u>	<u>50,123</u>	<u>(31,785)</u>
TOTAL ACCOUNTS RECEIVABLE	<u>\$ 9,919,440</u>	<u>\$ 8,427,522</u>	<u>\$ 1,491,918</u>
NOTES RECEIVABLE			
Loan funds:			
Student loans receivable (less allowance for doubtful loans of \$937,784 and \$894,784 at June 30, 2008 and 2007, respectively)	<u>\$10,141,624</u>	<u>\$10,089,921</u>	<u>\$ 51,703</u>

**AGED ANALYSIS OF ACCOUNTS RECEIVABLE
AND UNCOLLECTIBLE ACCOUNTS**

The University did not have an aged analysis of accounts receivable; however, accounts receivable other than tuition, room and board, and fees receivable are generally less than 180 days old and considered to be collectible. An allowance for doubtful accounts of \$1,104,111 and \$1,017,943 at June 30, 2008 and 2007, respectively, has been established for tuition receivable deemed uncollectible. An allowance for doubtful accounts of \$586,730 and \$558,062 at June 30, 2008 and 2007, respectively, has been established for room and board receivable deemed uncollectible. An additional allowance for doubtful accounts of \$469,942 and \$423,914 at June 30, 2008 and 2007, respectively, has been established for fees receivable deemed uncollectible.

Notes receivable are presented in the balance sheets at June 30, 2008 and 2007 as follows:

	<u>2008</u>	<u>2007</u>
Current	\$ 995,951	\$ 1,541,289
Noncurrent	<u>9,145,673</u>	<u>8,548,632</u>
	<u>\$10,141,624</u>	<u>\$10,089,921</u>

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
AGENCY FUNCTIONS AND PLANNING PROGRAM
June 30, 2008

Illinois State University was founded in 1857 as the first public institution of higher education in the State. The documents establishing Illinois State as a teacher education institution were drafted by Abraham Lincoln. Illinois State is a multi-purpose institution with degree programs at the bachelor's, master's, and doctoral levels.

The basic purpose and function of academic programming at Illinois State University is stated in the *Mission Statements* portion of the University's *Academic Plan*, which is updated and submitted annually to the Illinois Board of Higher Education. The *Mission Statements* include: (1) the *Illinois State University Board of Trustees Vision Statement for the Year 2014*, (2) *University Mission Statement*, and (3) *College Mission Statements*.

The *Academic Plan* submitted during our audit period is for fiscal years 2008-2013 and can be found at <http://www.provost.ilstu.edu/downloads/academicplans/AcademicPlan2008-2013Master.pdf>. It includes: (1) an identification of institutional priorities; (2) the University's strategic plan, *Educating Illinois 2008-2014 Priorities for Illinois' First Public University*; and (3) specific curricular initiatives set forth by those responsible for academic planning within the University.

The *Academic Plan* also includes academic unit (college) objectives for fiscal year 2009 and program reviews for the departments in the University being reviewed in the most recent review cycle. Program reviews contain recommendations for enhancing the programs being examined as well as plans for monitoring progress toward the fulfillment of these recommendations. During fiscal year 2008, program reviews were completed on the following programs: B.S. in Recreation and Park Administration, B.A., B.S. in Communication Studies, B.A., B.S. in Mass Communication, M.A., M.S. in Communication, B.A., B.S. in Public Relations, Radio Station WGLT, M.A., M.S. in History, B.A., B.S. in Arts Technology, M.S. in Arts Technology, B.A., B.S. in Music – Liberal Arts, B.M. in Music – Music Performance, M.M. in Music, B.A., B.S. in Theatre, M.A., M.S. in Theatre, and M.F.A. in Theatre.

Compilation of the University's *Academic Plan* is coordinated through the Office of the Associate Provost, whose functions also ensure cohesion between the *Academic Plan* and the University's strategic plan: *Educating Illinois: 2008-2014 Priorities for Illinois' First Public University*.

- *Educating Illinois* is the University's multi-year strategic plan. It has articulated five core values (individualized attention, public opportunity, active pursuit of learning and scholarship, diversity, and innovation) that support 5 goals and 27 corresponding action items addressed by the campus community. University progress is summarized on the accomplishments section of the *Educating Illinois* Website, www.illinoisstate.edu/educatingillinois.

Other university-wide planning documents and processes include the following:

- *Resource Allocation and Management Program (RAMP) for Operations and Grants Resource Requirements* is a five-year plan that includes a comparison to the preceding two fiscal years. Among the data included are a summary of operations costs by function and source of funds, summary of staff requirements and earnings, projected enrollments, and tuition and fees. Detailed information by various departments and programs is included.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
AGENCY FUNCTIONS AND PLANNING PROGRAM
June 30, 2008**

- *Resource Allocation and Management Program (RAMP) Capital Requirements Plan* is also a five-year planning program that includes a summary of capital requirements by budget category. These requirements are detailed as to building or components of buildings as well as other capital projects planned for the University.
- *The Master Plan: Achieving Distinctiveness and Excellence in Form, Function and Design at Illinois State University 2000-2020* defines the future physical development of facilities, grounds, technology, and infrastructure. This plan is the basis for those recommendations in *Resource Allocation and Management Program (RAMP) Capital Requirements Plan*.
- Additionally, the Facilities Condition Assessment provides quantitative information on the condition of physical structures and current and projected maintenance needs. Results from this are used to inform the Master Plan and Capital RAMP.

Location of Agency: Normal, Illinois
Agency Head: Dr. C. Alvin Bowman, President

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
EMPLOYMENT STATISTICS (FULL-TIME EQUIVALENT)
Years Ended June 30, 2008 and 2007**

(Unaudited)*

	<u>Instructional Activities</u>	<u>Organized Research</u>	<u>Public Service</u>
YEAR ENDED JUNE 30, 2008			
Appropriated funds:			
Faculty/administrative	1,133.40	31.50	37.40
Civil service	211.90	5.30	9.10
Student employees	85.00	1.20	0.30
Miscellaneous contracts	<u>14.00</u>	<u>21.20</u>	<u>0.20</u>
	<u>1,444.30</u>	<u>59.20</u>	<u>47.00</u>
Nonappropriated funds:			
Faculty/administrative	62.40	137.70	59.90
Civil service	19.90	34.70	19.60
Student employees	<u>25.00</u>	<u>16.30</u>	<u>8.30</u>
	<u>107.30</u>	<u>188.70</u>	<u>87.80</u>
TOTAL ALL FUNDS	<u>1,551.60</u>	<u>247.90</u>	<u>134.80</u>
YEAR ENDED JUNE 30, 2007			
Appropriated funds:			
Faculty/administrative	1,129.50	30.90	37.60
Civil service	203.60	3.00	8.10
Student employees	85.00	1.40	.20
Miscellaneous contracts	<u>11.50</u>	<u>23.00</u>	<u>.20</u>
	<u>1,429.60</u>	<u>58.30</u>	<u>46.10</u>
Nonappropriated funds:			
Faculty/administrative	78.10	141.50	51.60
Civil service	23.70	34.80	14.70
Student employees	<u>21.90</u>	<u>20.00</u>	<u>8.60</u>
	<u>123.70</u>	<u>196.30</u>	<u>74.90</u>
TOTAL ALL FUNDS	<u>1,553.30</u>	<u>254.60</u>	<u>121.00</u>

* Provided by the Office of Budget and Planning.

This is the employment information reported to the State of Illinois Board of Higher Education. Staff years are computed by dividing an employee's number of months of employment during the fiscal year by 12 and multiplying that number by a factor of one for full-time and multiplying by the percentage of appointment for part-time. One example of staff year computation is as follows:

One full-time employee employed 12 months of the fiscal year counts as one staff year.

<u>Academic Support</u>	<u>Student Services</u>	<u>Institutional Support</u>	<u>Operation and Maintenance Physical Plant</u>	<u>Independent Operations</u>	<u>Total All Functions</u>
42.80	59.40	63.00	7.60	-	1,375.10
80.50	23.30	163.10	178.70	-	671.90
14.90	8.60	22.10	5.00	-	137.10
1.30	2.10	5.70	31.50	-	76.00
<u>139.50</u>	<u>93.40</u>	<u>253.90</u>	<u>222.80</u>	<u>-</u>	<u>2,260.10</u>
2.50	125.70	7.00	3.40	42.80	441.40
1.00	67.30	28.50	195.30	220.90	587.20
2.20	55.20	2.10	14.50	232.80	356.40
<u>5.70</u>	<u>248.20</u>	<u>37.60</u>	<u>213.20</u>	<u>496.50</u>	<u>1,385.00</u>
<u>145.20</u>	<u>341.60</u>	<u>291.50</u>	<u>436.00</u>	<u>496.50</u>	<u>3,645.10</u>
44.50	56.80	63.00	7.30	-	1,369.60
85.50	26.10	160.70	177.80	-	664.80
16.20	8.70	23.90	5.50	-	140.90
1.30	2.10	5.70	25.50	-	69.30
<u>147.50</u>	<u>93.70</u>	<u>253.30</u>	<u>216.10</u>	<u>-</u>	<u>2,244.60</u>
2.50	122.90	7.90	2.20	41.50	448.20
.20	64.70	27.00	189.10	196.80	551.00
3.00	54.40	1.30	15.00	245.60	369.80
<u>5.70</u>	<u>242.00</u>	<u>36.20</u>	<u>206.30</u>	<u>483.90</u>	<u>1,369.00</u>
<u>153.20</u>	<u>335.70</u>	<u>289.50</u>	<u>422.40</u>	<u>483.90</u>	<u>3,613.60</u>

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
ANNUAL COST STATISTICS
June 30, 2008 and 2007**

(Unaudited)

Following is a computation of cost per full-time equivalent student:

	<u>2008</u>	<u>2007</u>
Total education and general expenses/expenditures from current appropriated funds	\$ 83,240,881*	\$ 81,731,655*
Expenses/expenditures from locally held University Income Fund	<u>95,110,371</u>	<u>87,410,891</u>
	178,351,252	169,142,546
Full-time equivalent students	÷ <u>18,258</u>	÷ <u>18,469</u>
 COST PER FULL-TIME EQUIVALENT STUDENT	 <u>\$ 9,768</u>	 <u>\$ 9,158</u>

* Amount represents total General Fund expenses less the amount for payments on behalf of the University.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
EMERGENCY PURCHASES
For the Years Ended June 30, 2008 and 2007**

In Fiscal Year 2008, the University had two emergency purchases. The University Farm purchased a combine in the amount of \$49,500. This purchase was made due to limited time pricing. Also, the University purchased a recycling truck in the amount of \$35,570. This purchase was made to avoid health issues. In Fiscal Year 2007, the University did not have any emergency purchases.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
BOOKSTORE INFORMATION
For the Year Ended June 30, 2008**

(Unaudited)

The University has a contractual arrangement for bookstore operations on campus. The University's contract was for the period May 15, 2001 through June 30, 2006 and has been extended for the period July 1, 2006 through June 30, 2011. The contract with the bookstore requires commissions to be paid to the University based on the following terms:

1. 9.0% of gross sales up to \$3,000,000; plus
2. 10.0% of gross sales from \$3,000,000 to \$3,500,000; plus
3. 12.0% of gross sales over \$3,500,000

Bookstore gross sales and University commissions were as follows:

<u>Fiscal Year</u>	<u>Bookstore sales</u>	<u>Commission</u>
2008	\$ 3,225,494	\$ 292,549
2007	\$ 3,324,936	\$ 302,493
2006	\$ 3,319,392	\$ 301,939

The contract with the bookstore gives the contractor exclusive rights to sell books on campus, however there is a competing bookstore near campus.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SERVICE EFFORTS AND ACCOMPLISHMENTS
For the Year Ended June 30, 2008**

(Unaudited)

Agency: Illinois State University (636) **Major Function:** Higher Education

Total Appropriated and Income Fund Budget as Approved by ISU Board of Trustees	<u>\$179,193,700</u>
Faculty FTE - Fall 2007	<u>939.5</u>
Lab School FTE - Fall 2007	<u>97.6</u>
Admin/Professional FTE - Fall 2007	<u>697.7</u>
Civil Service FTE - Fall 2007	<u>1,396.9</u>
Fall 2007 Enrollment	<u>20,104</u>
FY 2008 Degrees	<u>4,939</u>
FY 2008 Undergraduate Direct Instruction Costs	<u>\$ 36,678,137</u>
FY 2008 Graduate Direct Instruction Costs	<u>\$ 6,223,500</u>
FY 2008 Undergraduate credit hours	<u>497,923</u>
FY 2008 Graduate credit hours	<u>39,932</u>
FY 2008 Undergraduate Direct Instruction Cost/Credit Hour	<u>\$73.66</u>
FY 2008 Graduate Direct Instruction Cost/Credit Hour	<u>\$155.85</u>

- Eighty-three percent of the fall 2007 new freshmen return to Illinois State University for a second year of enrollment in fall 2008.
- Almost seventy percent of the most recent cohort of new freshmen graduate from the University within six years. Of these fall 2002 new freshman who entered ISU and graduated, 59 percent graduate in four years, 35 percent graduate in five years and 6 percent graduate in six years.
- In fall 2007, the University enrolled students from 49 states and from 62 other countries. Fifty-two percent of University students are from the Chicago area and 24 percent are from central Illinois. Among the entering students, the mean ACT score was 24.2.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULES OF FEDERAL EXPENDITURES, NON-FEDERAL EXPENSES, AND NEW LOANS
Year Ended June 30, 2008**

Schedule A - Federal Financial Component

Total Federal expenditures reported on SEFA schedule	\$ 101,638,069
Total new loans made not included on SEFA schedule	-
Amount of Federal loan balances at beginning of the year (not included on the SEFA schedule and continued compliance required)	1,248,490
Other noncash Federal award expenditures (not included on SEFA schedule)	6,321
Total Schedule A	<u>\$ 102,892,880</u>

Schedule B - Total Financial Component

Total operating expenses (from financial statements)	\$ 372,665,015
Total nonoperating expenses (from financial statements)	2,914,329
Total new loans made	1,343,060
Amount of Federal loan balances at beginning of the year	10,928,141
Amount of Federal scholarship allowances reported as revenue reduction	6,556,308
Other noncash Federal award expenditures	6,321
Total Schedule B	<u>\$ 394,413,174</u>

Schedule C

		<u>Percent</u>
Total Schedule A	\$ 102,892,880	26.09%
Total Non-Federal Expenses	<u>\$ 291,520,294</u>	<u>73.91%</u>
Total Schedule B	<u>\$ 394,413,174</u>	<u>100.00%</u>

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SUMMARY OF AGENCY OPERATIONS BY FUNCTION
OF PROGRAM ACTIVITY
STUDENT ENROLLMENT STATISTICS
Years Ended June 30, 2008 and 2007

(Unaudited)

Enrollment statistics for the past two academic years are as follows:

	Number of Enrolled Students at Beginning of School Year	
	<u>2007-2008</u>	<u>2006-2007</u>
All students, including extension	<u>20,274</u>	<u>20,521</u>
	Full-time Students Equivalent	
	<u>2007-2008</u>	<u>2006-2007</u>
All students, including extension	<u>18,258</u>	<u>18,469</u>

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
UNDERGRADUATE TUITION AND FEE WAIVERS
For the Year Ended June 30, 2008**

(Unaudited)

	Total Number of Recipients*	Tuition Waived		Fees Waived	
		(In Thousands of Dollars)			
	Number of Recipients*	Value of Waivers	Number of Recipients*	Value of Waivers	
Mandatory Waivers					
Teacher Special Education	299	299	\$ 1,712.9	299	\$ 523.0
General Assembly	140	140	843.3	-	-
Reserve Officer's Training Corps	39	39	192.4	-	-
Wards of Illinois Department of Children and Family Services	21	20	64.4	21	16.4
Veterans Grants	486	486	1,258.4	-	-
Children of Employees	294	294	775.5	-	-
(subtotal)	<u>1,279</u>	<u>1,278</u>	<u>4,846.9</u>	<u>320</u>	<u>539.4</u>
Discretionary Waivers					
Faculty/Administrators (Non-Civil Service)	9	9	7.2	9	1.9
Civil Service	72	72	90.5	68	24.1
Children of Deceased Employees	-	-	-	-	-
Athletic	314	314	1,361.7	-	-
Academic/Other Talent	631	631	1,388.4	5	0.8
Foreign Exchange Students	29	29	90.6	-	-
Out-of-State Students	5	5	20.8	4	3.9
Teaching Assistants	-	-	-	-	-
Retired University Employees	1	1	5.2	1	1.4
Cooperating Professionals	-	-	-	-	-
(subtotal)	<u>1,061</u>	<u>1,061</u>	<u>2,964.4</u>	<u>87</u>	<u>32.1</u>
Total	<u>2,340</u>	<u>2,339</u>	<u>\$ 7,811.3</u>	<u>407</u>	<u>\$ 571.5</u>

* Unduplicated. Totals may be less than the sum of the detail.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
GRADUATE TUITION AND FEE WAIVERS
For the Year Ended June 30, 2008**

(Unaudited)

	Total Number of Recipients*	Tuition Waived		Fees Waived	
		(In Thousands of Dollars)			
	Number of Recipients*	Value of Waivers	Number of Recipients*	Value of Waivers	
Mandatory Waivers					
Teacher Special Education	14	14	\$ 53.5	14	\$ 18.6
General Assembly	1	1	1.8	-	-
DCFS	1	-	-	1	1.7
Children of Employers	-	-	-	-	-
Veterans Grants	<u>44</u>	<u>44</u>	<u>50.9</u>	<u>-</u>	<u>-</u>
(subtotal)	<u>60</u>	<u>59</u>	<u>106.2</u>	<u>15</u>	<u>20.3</u>
Discretionary Waivers					
Faculty/Administrators (Non-Civil Service)	139	139	205.9	123	58.8
Civil Service	44	44	53.9	42	16.2
Cooperating Professionals	549	549	586.0	-	-
Athletic	7	7	19.4	-	-
Academic/Other Talent	433	433	519.2	56	10.2
Foreign Exchange Students	44	44	124.2	-	-
Graduate Assistants - Research	207	207	731.5	-	-
Graduate Assistants - Teaching	482	482	1,873.4	-	-
Graduate Assistants - Other	292	292	1,063.4	-	-
Retired University Employees	<u>4</u>	<u>4</u>	<u>3.9</u>	<u>1</u>	<u>0.5</u>
(subtotal)	<u>2,201</u>	<u>2,201</u>	<u>5,180.8</u>	<u>222</u>	<u>85.7</u>
Total	<u>2,261</u>	<u>2,260</u>	<u>\$ 5,287.0</u>	<u>237</u>	<u>\$ 106.0</u>

* Unduplicated. Totals may be less than the sum of the detail.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
DEBT FINANCED BY UNIVERSITY RELATED ORGANIZATION
For the Year Ended June 30, 2008**

There was no long-term debt financed by the Illinois State University Foundation as of June 30, 2008.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
ACQUISITION OF REAL ESTATE BY UNIVERSITY NOT
FUNDED BY SEPARATE SPECIFIC APPROPRIATION
Year Ended June 30, 2008 and 2007**

In Fiscal Year 2008, the University did not acquire real estate which was funded outside of a separate specific appropriation. The Foundation also did not acquire any real estate during Fiscal Year 2008.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
STATEMENT OF NET ASSETS - LOCAL FUNDS
AS OF JUNE 30, 2008**

	<u>Indirect Cost Support</u>	<u>Continuing Education & Public Service</u>	<u>Sales & Service of Educational Activities</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 2,654,812	\$ 2,916,282	\$ 1,293,788
Restricted cash and cash equivalents			
Investments			
Accrued interest receivable			
Accounts receivable, net		222,747	3,143
Inventories		182,727	33,904
Prepaid expenses and deposits	210	57,336	8,175
Deferred charges and obligations			
	<u>2,655,022</u>	<u>3,379,092</u>	<u>1,339,010</u>
Total current assets			
Noncurrent Assets:			
Investments			
Bond issuance costs			
Capital assets, net			
	<u> </u>	<u> </u>	<u> </u>
Total noncurrent assets			
	<u>2,655,022</u>	<u>3,379,092</u>	<u>1,339,010</u>
Total assets			
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	115,099	406,304	157,769
Obligations payable			
Obligations under capital leases			
Assets held in custody for others and deposits		22,407	
Deferred revenue		409,740	3,258
Accrued compensated absences	1,896	12,843	1,729
	<u>116,995</u>	<u>851,294</u>	<u>162,756</u>
Total current liabilities			
Noncurrent Liabilities:			
Certificate of participation			
Accrued compensated absences	24,765	167,710	22,574
	<u>24,765</u>	<u>167,710</u>	<u>22,574</u>
Total noncurrent liabilities			
	<u>24,765</u>	<u>167,710</u>	<u>22,574</u>
Total liabilities	<u>141,760</u>	<u>1,019,004</u>	<u>185,330</u>
NET ASSETS			
Invested in capital assets, net of related debt			
Unrestricted	<u>2,513,262</u>	<u>2,360,088</u>	<u>1,153,680</u>
	<u>2,513,262</u>	<u>2,360,088</u>	<u>1,153,680</u>
Total net assets	<u>\$ 2,513,262</u>	<u>\$ 2,360,088</u>	<u>\$ 1,153,680</u>

<u>Student Programs & Services - University</u>	<u>Student Programs & Services - High School</u>	<u>Field Trip & Foreign Study Activities</u>	<u>Income Fund</u>	<u>Payroll Fund</u>	<u>Local Funds Total</u>
\$ 3,532,038	\$ 129,905	\$ 1,178,329	\$ 1,686,562	\$ 31,053	\$ 13,422,769
			21,567,443		21,567,443
			5,987,045		5,987,045
			195,015		195,015
702,537			6,910,703	233,741	8,072,871
83,966					300,597
148,969	17,900	4,242	239,085		475,917
			402,347		402,347
<u>4,467,510</u>	<u>147,805</u>	<u>1,182,571</u>	<u>36,988,200</u>	<u>264,794</u>	<u>50,424,004</u>
			19,787,715		19,787,715
			605,219		605,219
			175,153,290		175,153,290
			195,546,224		195,546,224
<u>4,467,510</u>	<u>147,805</u>	<u>1,182,571</u>	<u>232,534,424</u>	<u>264,794</u>	<u>245,970,228</u>
598,634	27,242	172,584	4,298,964	264,794	6,041,390
			402,347		402,347
			128,226		128,226
114,042					136,449
453,501		1,143,000	2,326,241		4,335,740
77,022	137	770	1,245,236		1,339,633
<u>1,243,199</u>	<u>27,379</u>	<u>1,316,354</u>	<u>8,401,014</u>	<u>264,794</u>	<u>12,383,785</u>
			22,137,126		22,137,126
<u>1,005,776</u>	<u>1,786</u>	<u>10,050</u>	<u>12,359,482</u>		<u>13,592,143</u>
<u>1,005,776</u>	<u>1,786</u>	<u>10,050</u>	<u>34,496,608</u>		<u>35,729,269</u>
<u>2,248,975</u>	<u>29,165</u>	<u>1,326,404</u>	<u>42,897,622</u>	<u>264,794</u>	<u>48,113,054</u>
			167,339,047		167,339,047
<u>2,218,535</u>	<u>118,640</u>	<u>(143,833)</u>	<u>22,297,755</u>		<u>30,518,127</u>
<u>\$ 2,218,535</u>	<u>\$ 118,640</u>	<u>\$ (143,833)</u>	<u>\$ 189,636,802</u>	<u>\$</u>	<u>\$ 197,857,174</u>

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2008**

	Indirect Cost Support	Continuing Education & Public Service	Sales & Service Of Educational Activities
OPERATING REVENUES			
Student tuition and fees, net	\$	\$ 8,636	\$
Sales and services of educational activities			2,613,950
Other operating revenues	<u>1,930,187</u>	<u>9,544,365</u>	
Total operating revenues	<u>1,930,187</u>	<u>9,553,001</u>	<u>2,613,950</u>
OPERATING EXPENSES			
Educational and General			
Instruction		415,824	1,727,195
Research	616,780	(4,759)	125,297
Public service		5,948,198	456,992
Academic support	54,786	50,482	169,268
Student services		269,522	37,826
Institutional support	410,657	180,404	
Operation and maintenance of plant		196,287	133,426
Depreciation			
Staff benefits	(31,055)	89,276	15,549
Student aid	900	5,086	2,375
Other operating expenditures		<u>2,140,593</u>	
Total operating expenses	<u>1,052,068</u>	<u>9,290,913</u>	<u>2,667,928</u>
Operating income (loss)	<u>878,119</u>	<u>262,088</u>	<u>(53,978)</u>
NONOPERATING REVENUES (EXPENSES)			
Payments on behalf of the University - Foundation			
Laboratory Schools			
Gifts and donations		386	
Investment income, net of investment expenses	37,999	24,435	2,845
Interest expense			
Other nonoperating revenues		<u>93,383</u>	
Net nonoperating revenues	<u>37,999</u>	<u>118,204</u>	<u>2,845</u>
Income (Loss) before capital items	<u>916,118</u>	<u>380,292</u>	<u>(51,133)</u>
Capital appropriations			
Capital grants and gifts			
Total capital items			
Increase (decrease) in net assets	916,118	380,292	(51,133)
NET ASSETS			
Net assets - beginning of year	<u>1,597,144</u>	<u>1,979,796</u>	<u>1,204,813</u>
Net assets - end of year	<u>\$ 2,513,262</u>	<u>\$ 2,360,088</u>	<u>\$ 1,153,680</u>

Student Programs & Services - University	Student Programs & Services - High School	Field Trip & Foreign Study Activities	Income Fund	Local Funds Total
\$ 20,268,049	\$ 7,935	\$ 1,182,787	\$ 100,756,903	\$ 122,216,375
8,834,605	205,856	436,710	277,745	2,621,885
29,102,654	213,791	1,619,497	101,034,648	21,229,468
371,124		1,798,709	57,768,312	62,081,164
2,388	672,632		334,146	1,744,096
26,782,938			711,535	7,119,113
			83,640	358,176
			95,572	27,185,858
			7,670,089	8,261,150
			13,834,217	14,163,930
			9,986,509	9,986,509
216,894	2,893	7,238	(206,296)	94,499
2,475,505			8,231,063	10,714,929
			16,346	2,156,939
29,848,849	675,525	1,805,947	98,525,133	143,866,363
(746,195)	(461,734)	(186,450)	2,509,515	2,201,365
			1,107,030	1,107,030
	511,376			511,376
550			424,614	425,550
114,796	2,638		1,342,551	1,525,264
480,898			(9,519)	(9,519)
			72,452	646,733
596,244	514,014		2,937,128	4,206,434
(149,951)	52,280	(186,450)	5,446,643	6,407,799
			10,178,571	10,178,571
			74,216	74,216
			10,252,787	10,252,787
(149,951)	52,280	(186,450)	15,699,430	16,660,586
2,368,486	66,360	42,617	173,937,372	181,196,588
\$ 2,218,535	\$ 118,640	\$ (143,833)	\$ 189,636,802	\$ 197,857,174

STATE OF ILLINOIS
 ILLINOIS STATE UNIVERSITY
 STATEMENT OF NET ASSETS - SERVICE DEPARTMENTS
 JUNE 30, 2008

	<u>Service Departments</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 4,760,731
Accounts receivable, net	234,815
Inventories	1,641,221
Prepaid expenses and deposits	<u>114,416</u>
Total current assets	<u>6,751,183</u>
Noncurrent Assets:	
Capital assets, net	<u>3,027,897</u>
Total noncurrent assets	<u>3,027,897</u>
Total assets	<u>9,779,080</u>
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	832,871
Deferred revenue	164,703
Accrued compensated absences	<u>112,072</u>
Total current liabilities	<u>1,109,646</u>
Noncurrent Liabilities:	
Accrued compensated absences	<u>904,365</u>
Total noncurrent liabilities	<u>904,365</u>
Total liabilities	<u>2,014,011</u>
NET ASSETS	
Invested in capital assets, net of related debt	3,027,897
Unrestricted	<u>4,737,172</u>
Total net assets	<u>\$ 7,765,069</u>

STATE OF ILLINOIS
 ILLINOIS STATE UNIVERSITY
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -
 SERVICE DEPARTMENTS
 YEAR ENDED JUNE 30, 2008

	<u>Service Departments</u>
OPERATING REVENUES	
Other operating revenues	\$ 14,370,116
Total operating revenues	<u>14,370,116</u>
OPERATING EXPENSES	
Educational and General	
Instruction	456,448
Institutional support	7,629,679
Operation and maintenance of plant	6,231,206
Depreciation	1,200,929
Staff benefits	<u>38,101</u>
Total operating expenses	<u>15,556,363</u>
Operating (loss)	<u>(1,186,247)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income, net of investment expenses	1,405,281
Other nonoperating revenues	<u>1,460</u>
Net nonoperating revenues	<u>1,406,741</u>
Increase in net assets	220,494
NET ASSETS	
Net assets - beginning of year	<u>7,544,575</u>
Net assets - end of year	<u>\$ 7,765,069</u>

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
STATEMENT OF NET ASSETS - AUXILIARY FACILITIES
AS OF JUNE 30, 2008

	<u>Housing</u>	<u>Student Activities</u>	<u>Parking</u>	<u>Auxiliary Facilities Total</u>
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ (859,627)	\$ 500,008	\$ (663,351)	\$ (1,022,970)
Restricted cash and cash equivalents	7,922,078	29,499,940	5,907,311	43,329,329
Investments	6,059,323			6,059,323
Accrued interest receivable	497,384	82,461	6,693	586,538
Accounts receivable, net	999,409	510,946	77,880	1,588,235
Inventories	626,785	177,285		804,070
Prepaid expenses and deposits	5,025	8,037	1,356,250	1,369,312
Deferred charges and obligations	(2,249)	63,486	19,064	80,301
Total current assets	<u>15,248,128</u>	<u>30,842,163</u>	<u>6,703,847</u>	<u>52,794,138</u>
Noncurrent Assets:				
Investments	59,984,106	10,950,125	887,848	71,822,079
Bond issuance costs	284,662	1,179,603	104,865	1,569,130
Capital assets, net	<u>59,021,462</u>	<u>51,524,090</u>	<u>17,503,411</u>	<u>128,048,963</u>
Total noncurrent assets	<u>119,290,230</u>	<u>63,653,818</u>	<u>18,496,124</u>	<u>201,440,172</u>
Total assets	<u>134,538,358</u>	<u>94,495,981</u>	<u>25,199,971</u>	<u>254,234,310</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	6,654,249	3,699,476	193,018	10,546,743
Assets held in custody for others and deposits	1,667,784	23,165		1,690,949
Deferred revenue	175,584	252,223	136,709	564,516
Revenue bonds payable	1,220,157	2,116,537	1,865,654	5,202,348
Accrued compensated absences	<u>114,081</u>	<u>26,461</u>	<u>10,957</u>	<u>151,499</u>
Total current liabilities	<u>9,831,855</u>	<u>6,117,862</u>	<u>2,206,338</u>	<u>18,156,055</u>
Noncurrent Liabilities:				
Assets held in custody for others and deposits	188,548			188,548
Revenue bonds payable	36,129,277	54,250,310	16,107,323	106,486,910
Accrued compensated absences	<u>1,355,862</u>	<u>314,494</u>	<u>130,228</u>	<u>1,800,584</u>
Total noncurrent liabilities	<u>37,673,687</u>	<u>54,564,804</u>	<u>16,237,551</u>	<u>108,476,042</u>
Total liabilities	<u>47,505,542</u>	<u>60,682,666</u>	<u>18,443,889</u>	<u>126,632,097</u>
NET ASSETS				
Invested in capital assets, net of related debt	29,594,106	24,657,183	5,437,745	59,689,034
Unrestricted	<u>57,438,710</u>	<u>9,156,132</u>	<u>1,318,337</u>	<u>67,913,179</u>
Total net assets	<u>\$ 87,032,816</u>	<u>\$ 33,813,315</u>	<u>\$ 6,756,082</u>	<u>\$ 127,602,213</u>

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - AUXILIARY FACILITIES
YEAR ENDED JUNE 30, 2008**

	<u>Housing</u>	<u>Student Activities</u>	<u>Parking</u>	<u>Auxiliary Facilities Total</u>
OPERATING REVENUES				
Auxiliary enterprises:				
Auxiliary facilities	\$ 53,291,454	\$ 14,050,911	\$ 3,910,799	\$ 71,253,164
Total operating revenues	<u>53,291,454</u>	<u>14,050,911</u>	<u>3,910,799</u>	<u>71,253,164</u>
OPERATING EXPENSES				
Educational and General				
Depreciation	1,353,456	2,125,379	417,654	3,896,489
Auxiliary facilities:				
Student housing, activity facilities, and parking	<u>40,598,214</u>	<u>7,966,423</u>	<u>2,442,905</u>	<u>51,007,542</u>
Total operating expenses	<u>41,951,670</u>	<u>10,091,802</u>	<u>2,860,559</u>	<u>54,904,031</u>
Operating income	<u>11,339,784</u>	<u>3,959,109</u>	<u>1,050,240</u>	<u>16,349,133</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income, net of investment expenses	3,078,939	439,091	1,734	3,519,764
Interest expense	(860,101)	(1,316,128)	(728,581)	(2,904,810)
Other nonoperating revenues	<u>206,483</u>	<u>1,280</u>	<u></u>	<u>207,763</u>
Net nonoperating revenues (expenses)	<u>2,425,321</u>	<u>(875,757)</u>	<u>(726,847)</u>	<u>822,717</u>
Income (loss) before capital items	<u>13,765,105</u>	<u>3,083,352</u>	<u>323,393</u>	<u>17,171,850</u>
Capital grants and gifts	<u></u>	<u>200,000</u>	<u></u>	<u>200,000</u>
Total capital items	<u></u>	<u>200,000</u>	<u></u>	<u>200,000</u>
Increase (decrease) in net assets	13,765,105	3,283,352	323,393	17,371,850
NET ASSETS				
Net assets - beginning of year	<u>73,267,711</u>	<u>30,529,963</u>	<u>6,432,689</u>	<u>110,230,363</u>
Net assets - end of year	<u>\$ 87,032,816</u>	<u>\$ 33,813,315</u>	<u>\$ 6,756,082</u>	<u>\$ 127,602,213</u>

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
CALCULATION SHEET FOR INDIRECT COST CARRYFORWARD
June 30, 2008

1. Cash and Equivalents Balance

Add:

Cash	2,654,812	
Cash Equivalents		
Bank Deposits		
Marketable Securities		
Certificates of Deposit		
Repurchase Agreements		
Other cash equivalent items		
Interfund receivables		2,654,812

2. Allocated Reimbursements

Enter the total indirect cost reimbursements allocated for expenditure for the fiscal year completed: \$5,090,963; enter 30% of this amount	1,674,558
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3. Unallocated Reimbursements

Enter the lesser of the actual unallocated indirect cost reimbursements for the year completed OR 10% of total indirect cost allocations for the year completed	193,019
---	---------

4. Encumbrances and Current Liabilities Paid in the Lapse Period

Enter the amount of:

Current Liabilities	116,997
Encumbrances	-
Total	116,997

5. Indirect Cost Carry-forward

a. Enter the total of items 2, 3 and 4	1,984,574
b. Subtract from item 1	670,238
If a positive number results, enter here and remit for deposit in the Income Fund.	670,238

STATE OF ILLINOIS
 ILLINOIS STATE UNIVERSITY
 CURRENT UNRESTRICTED LOCAL FUNDS
 CONTINUING EDUCATION AND PUBLIC SERVICES
 CALCULATION SHEET FOR CURRENT EXCESS FUNDS
 June 30, 2008

1. Current Available Funds

Add:

Cash	2,916,282
Cash Equivalents	
Bank Deposits	
Marketable Securities	
Certificates of Deposit	
Repurchase Agreements	
Other cash equivalent items	
Interfund receivables	
Total Current Available Funds	A. 2,916,282

2. Working Capital Allowance

Add:

Highest month's expenditures	989,951
Encumbrances and current liabilities paid in lapse period	475,556
Deferred income	409,740
Refundable deposits	22,407
Allowance for Restoring Inventory to Normal Level	-
Allowance for Sick Leave/Vacation Payouts	180,554
Working Capital Allowance	B. 2,078,208

3. Current Excess Funds

Deduct B from A and enter here	C. 838,074
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4. Calculation of Income Fund Remittance

An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here	D. (126,996)
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Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund.	711,078
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STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
CURRENT UNRESTRICTED LOCAL FUNDS
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES
CALCULATION SHEET FOR CURRENT EXCESS FUNDS
June 30, 2008

1. Current Available Funds

Add:

Cash	1,293,788
Cash Equivalents	
Bank Deposits	
Marketable Securities	
Certificates of Deposit	
Repurchase Agreements	
Other cash equivalent items	
Interfund receivables	
Total Current Available Funds	A. 1,293,788

2. Working Capital Allowance

Add:

Highest month's expenditures	311,658
Encumbrances and current liabilities paid in lapse period	176,861
Deferred income	3,258
Refundable deposits	-
Allowance for Restoring Inventory to Normal Level	76,499
Allowance for Sick Leave/Vacation Payouts	24,303
Working Capital Allowance	B. 592,579

3. Current Excess Funds

Deduct B from A and enter here	C. 701,209
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4. Calculation of Income Fund Remittance

An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here	D. (705,297)
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Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund.	(4,088)
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STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
CURRENT UNRESTRICTED LOCAL FUNDS
STUDENT PROGRAMS AND SERVICES
CALCULATION SHEET FOR CURRENT EXCESS FUNDS
June 30, 2008

1. Current Available Funds

Add:

Cash	3,661,942
Cash Equivalents	
Bank Deposits	
Marketable Securities	
Certificates of Deposit	
Repurchase Agreements	
Other cash equivalent items	
Interfund receivables	
Total Current Available Funds	A. 3,661,942

2. Working Capital Allowance

Add:

Highest month's expenditures	5,343,803
Encumbrances and current liabilities paid in lapse period	625,814
Deferred income	453,502
Refundable deposits	114,042
Allowance for Restoring Inventory to Normal Level	121,034
Allowance for Sick Leave/Vacation Payouts	1,066,983
Working Capital Allowance	B. 7,725,178

3. Current Excess Funds

Deduct B from A and enter here	C. (4,063,236)
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4. Calculation of Income Fund Remittance

An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here	D. (251,474)
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Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund.	(4,314,710)
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STATE OF ILLINOIS
 ILLINOIS STATE UNIVERSITY
 CURRENT UNRESTRICTED LOCAL FUNDS
 FIELD TRIPS AND FOREIGN STUDY
 CALCULATION SHEET FOR CURRENT EXCESS FUNDS
 June 30, 2008

1. Current Available Funds

Add:

Cash	1,178,329
Cash Equivalents	
Bank Deposits	
Marketable Securities	
Certificates of Deposit	
Repurchase Agreements	
Other cash equivalent items	
Interfund receivables	
Total Current Available Funds	A. 1,178,329

2. Working Capital Allowance

Add:

Highest month's expenditures	418,142
Encumbrances and current liabilities paid in lapse period	172,584
Deferred income	1,143,000
Refundable deposits	
Allowance for Restoring Inventory to Normal Level	
Allowance for Sick Leave/Vacation Payouts	10,819
Working Capital Allowance	B. 1,744,545

3. Current Excess Funds

Deduct B from A and enter here	C. (566,216)
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4. Calculation of Income Fund Remittance

An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here	D. -
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Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund.	(566,216)
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STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SERVICE DEPARTMENTS
CALCULATION SHEET FOR CURRENT EXCESS FUNDS
June 30, 2008

1. Current Available Funds

Add:

Cash	
Cash Equivalents	
Bank Deposits	
Marketable Securities	4,760,731
Certificates of Deposit	
Repurchase Agreements	
Other cash equivalent items	
Interfund receivables	234,815
Total Current Available Funds	A. 4,995,546

2. Working Capital Allowance

Add:

Highest month's expenditures	1,623,642
Encumbrances and current liabilities paid in lapse period	832,871
Deferred income	164,703
Refundable deposits	
Allowance for Restoring Inventory to Normal Level	
Allowance for Sick Leave/Vacation Payouts	1,016,437
Working Capital Allowance	B. 3,637,653

3. Current Excess Funds

Deduct B from A and enter here	C. 1,357,893
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4. Calculation of Income Fund Remittance

An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here	D. (4,149,973)
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Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund.	(2,792,080)
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STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
AUXILIARY FACILITIES - REVENUE BONDS
STUDENT HOUSING
CALCULATION SHEET FOR CURRENT EXCESS FUNDS
June 30, 2008

1. Current Available Funds

Add:

Cash	2,000
Cash Equivalents	
Bank Deposits	
Marketable Securities	13,029,558
Certificates of Deposit	
Repurchase Agreements	
Other cash equivalent items	
Interfund receivables	
Total Current Available Funds	A. 13,031,558

2. Working Capital Allowance

Add:

Highest month's expenditures	5,440,061
Encumbrances and current liabilities paid in lapse period	2,137,291
Deferred income	175,584
Refundable deposits	1,856,331
Allowance for Restoring Inventory to Normal Level	-
Allowance for Sick Leave/Vacation Payouts	1,469,943
Working Capital Allowance	B. 11,079,210

3. Current Excess Funds

Deduct B from A and enter here	C. 1,952,348
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4. Calculation of Income Fund Remittance

An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here	D. (7,699,563)
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Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund.	(5,747,215)
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STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
AUXILIARY FACILITIES - REVENUE BONDS
STUDENT ACTIVITIES
CALCULATION SHEET FOR CURRENT EXCESS FUNDS
June 30, 2008

1. Current Available Funds

Add:

Cash	81,270
Cash Equivalents	
Bank Deposits	
Marketable Securities	3,730,519
Certificates of Deposit	
Repurchase Agreements	
Other cash equivalent items	
Interfund receivables	
Total Current Available Funds	A. 3,811,789

2. Working Capital Allowance

Add:

Highest month's expenditures	1,350,742
Encumbrances and current liabilities paid in lapse period	1,962,729
Deferred income	252,223
Refundable deposits	23,165
Allowance for Restoring Inventory to Normal Level	-
Allowance for Sick Leave/Vacation Payouts	340,956
Working Capital Allowance	B. 3,929,815

3. Current Excess Funds

Deduct B from A and enter here	C. (118,026)
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4. Calculation of Income Fund Remittance

An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here	D. (7,073,018)
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Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund.	(7,191,044)
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STATE OF ILLINOIS
 ILLINOIS STATE UNIVERSITY
 AUXILIARY FACILITIES - REVENUE BONDS
 PARKING SERVICES
 CALCULATION SHEET FOR CURRENT EXCESS FUNDS
 June 30, 2008

1. Current Available Funds

Add:

Cash	(881,359)
Cash Equivalents	
Bank Deposits	
Marketable Securities	
Certificates of Deposit	
Repurchase Agreements	
Other cash equivalent items	
Interfund receivables	
Total Current Available Funds	A. (881,359)

2. Working Capital Allowance

Add:

Highest month's expenditures	396,740
Encumbrances and current liabilities paid in lapse period	71,962
Deferred income	136,709
Refundable deposits	-
Allowance for Restoring Inventory to Normal Level	-
Allowance for Sick Leave/Vacation Payouts	141,185
Working Capital Allowance	B. 746,596

3. Current Excess Funds

Deduct B from A and enter here	C. (1,627,955)
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4. Calculation of Income Fund Remittance

An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here	D. (1,122,081)
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Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund.	(2,750,036)
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**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
AUXILIARY FACILITIES, ACTIVITIES, AND ACCOUNTING ENTITIES
Year Ended June 30, 2008**

A listing of the University's Auxiliary Facilities, Activities, Accounting Entities, their purposes, and their sources of revenue for the year ended June 30, 2008 are provided below.

Indirect Cost Support

These accounts are supported by indirect cost reimbursements or accounts that receive funding as a by-product of federal, state, and private grants. The funds pay for administrative costs, physical plant cost (including utilities), and grant proposals.

Current Unrestricted Local Funds

Continuing Education and Public Services

These activities are established primarily to provide noncredit services to individuals and groups external to the institution. These activities include community services programs and cooperative extension services. Included in this category are conferences, institutes, general advisory services, reference bureaus, radio and television, consulting, alumni activities, and similar non-instructional services to particular sectors of the community.

Sales and Services of Educational Activities

Sales and services of educational activities support instruction and help demonstrate classroom or related educational techniques to students. Revenue is from services and materials furnished which are incidental to the department. Receipts are from testing, cartographic services, book sales, sales of instructional materials, and public opinion services.

Student Programs and Services

These programs are supported by student activity fees, gate receipts from athletic events, and income from concerts and performances sponsored by the students.

In addition to the intercollegiate athletics programs, the funds sponsor a variety of student functions including speakers, acquisition of art objects, legal assistance, and grants-in-aid.

Field Trips and Foreign Study

These activities are supporting program costs for primarily credit courses at an off-campus site or at a foreign educational institution. The supporting costs include housing, transportation, printing, advertising, admissions, and other related program costs.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
AUXILIARY FACILITIES, ACTIVITIES, AND ACCOUNTING ENTITIES
Year Ended June 30, 2008**

Service Departments

These departments provide services to various University departments on a charge-back basis. Rates are established and reviewed periodically to operate each service department on a break-even basis.

Auxiliary Facilities

Student Housing

Accounts for the University's student residence halls and dining facilities whose construction was financed through the issuance of revenue bonds. The primary sources of revenue are room and board income, interest, food stores' sales, bakery sales, and laundry and vending machine commissions.

Student Activities

Accounts for the University's student union, athletic facilities, golf course, center for performing arts, and related facilities whose construction was financed through the issuance of revenue bonds. The primary sources of revenue are student fees and merchandise and service sales.

Parking Services

This account supports the development and maintenance of campus parking lots and decks. The source of funds is from parking permits, meters, fines, and rentals.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SUMMARY OF FOUNDATION PAYMENTS TO UNIVERSITY
Years Ended June 30, 2008 and 2007**

The University recognizes Illinois State University Foundation as a University-Related Organization as defined in the University Guidelines 1982 as Amended 1997.

During fiscal years 2008 and 2007, Illinois State University engaged the Foundation, under contract, to provide fund raising services. As provided in the contractual agreement, the University advanced funds to the Foundation of \$260,000 in fiscal years 2008 and 2007. In addition, the University contributed services and expenditures in the amount of \$1,468,276 and \$1,311,536 during fiscal years 2008 and 2007, respectively. As required by contract, the Foundation fully repaid the University, using funds considered unrestricted for purposes of the computations per University Guidelines 1982 as Amended 1997. In addition, the Foundation gave the University non-qualifying restricted funds. Presented below is a summary of all funds that the Foundation gave to the University during fiscal years 2008 and 2007. There was no cumulative unreimbursed subsidy for fiscal years 2008 and 2007.

	<u>2008</u>	<u>2007</u>
Totally unrestricted funds	\$ 136,052	\$ 101,984
Funds restricted only as to campus, college, or department, and generally available for ongoing University operations:		
Given to a particular college	415,301	698,932
Given to a particular department	2,104,503	2,119,608
Funds restricted:		
Given for scholarships	1,811,877	1,799,531
Given for certain programs	2,483,196	2,307,159
Other restricted funds	<u>70,384</u>	<u>94,362</u>
Total funds considered restricted	<u>6,885,261</u>	<u>7,019,592</u>
Total funds provided to the University by the Foundation	<u>\$ 7,021,313</u>	<u>\$ 7,121,576</u>

During the performance of our procedures, we noted no other independent organizations related to the University.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
NONINSTRUCTIONAL FACILITIES RESERVE
For the Years Ended June 30, 2008 and 2007**

Noninstructional Facilities Reserve Account (Development Reserve)

The Board of Regents, on behalf of Illinois State University, established a Noninstructional Facility Reserve on January 22, 1987, by transferring \$1,250,000 of available revenue from the 1985B Bond Series to be held for use to acquire additional student recreational space. The Board also approved the use of interest derived from the investment of the reserve for the lease of additional student recreational space until such time as the purchase of additional space is approved by the Board. The balance of the Development Reserve at June 30, 2008, is \$1,310,367.

On May 12, 2006, the Board of Trustees authorized the planning and design of a new student recreation center. Construction for the project began in 2008 and is estimated to be completed by the Fall of 2010.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
DISCLOSURE OF SUPPORT WHICH AUXILIARY FACILITIES
AND ACTIVITIES HAVE RECEIVED DURING THE YEAR
FROM STATE APPROPRIATED FUNDS
June 30, 2008**

Certain student employees are paid from funds of the Federal College Work-Study Program. In accordance with long standing public policy in Illinois, approximately \$3,502,834 of group insurance expense and \$1,450,795 of retirement plan contributions were also paid from State appropriated funds during the year ended June 30, 2008. These amounts are shown in the University's financial statements as "Payments on behalf of the University."

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
ILLINOIS INSTITUTE FOR ENTREPRENEURSHIP EDUCATION
FINANCIAL INFORMATION
For the Year Ended June 30, 2008**

REVENUES AND EXPENDITURES

REVENUES

Allocated portion of Illinois State University appropriations from the State of Illinois and tuition and fees	<u>\$ 183,724</u>
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EXPENDITURES

Personal services and benefits	146,110
Contractual services	24,594
Travel	3,561
Commodities	2,503
Telecommunications	<u>6,956</u>
 Total expenditures	 <u>183,724</u>

EXCESS OF REVENUES OVER EXPENDITURES

\$ -

The Illinois Institute for Entrepreneurship Education (IIEE) was created by an act of the Illinois General Assembly in 1988. The purpose of the IIEE is to foster growth and development of entrepreneurship by educating Illinois citizens to the viability of entrepreneurship as a career option and to the role and contributions of entrepreneurs in economic development and job creation. The IIEE is mandated to reach all areas of the State, all ages, all ethnic groups, and income levels.

The IIEE's goals are to help remedy the deficiencies in the preparation of entrepreneurship education teachers, increase the quality and quantity of entrepreneurship education programs, improve instructional materials, and prepare personnel to serve as leaders and consultants in the field of entrepreneurship education and economic development.

The IIEE was created under the oversight of Illinois State University and, by working cooperatively with the University, the IIEE offers Illinois teachers two university accredited graduate courses in entrepreneurship.

The IIEE has a fifteen-member board of directors representing education, commerce and industry, government, and labor.

To more effectively reach its markets, the Institute has established three distinct operational divisions: Community Economic Development, Youth Enterprise Development, and Teacher Education and Training.

The current Director of the IIEE is Ida Manning, located at 200 South Michigan, Suite 700, Chicago, Illinois 60610, telephone (312) 587-9296.