

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, 2013
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, 2013

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The annual financial statements of the University for the year ended June 30, 2013, which includes the Independent Auditor’s Report, management discussion and analysis, basic financial statements, and notes were previously issued under a separate cover.

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Schedule Page(s)

Financial Statement Report (continued)

Government Auditing Standards Report

In accordance with *Government Auditing Standards*, we have also previously issued a report under a separate cover entitled Report Required Under Government Auditing Standards for the Year Ended June 30, 2013, on our consideration of the Illinois State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Illinois State University's internal control over financial reporting and compliance.

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Agency Officials

President	Dr. C. Alvin Bowman (07/01/12 - 05/15/13)
President (Interim)	Dr. Sheri Noren Everts (05/15/13 - 08/14/13)
President	Dr. Timothy Flanagan (08/15/13 - Current)
Vice President for Finance and Planning	Dr. Daniel Layzell (07/01/12 - 02/24/14)
Vice President for Finance and Planning (Interim)	Mr. Greg Alt (02/25/14 - Current)
Vice President for Academic Affairs and Provost	Dr. Sheri Noren Everts
Vice President for Student Affairs	Dr. Larry Dietz
Vice President for University Advancement	Ms. Erin Minne´
Comptroller	Mr. Greg Alt
Legal Counsel	Ms. Lisa Huson
Director - Internal Audit	Mr. Robert Blemler

Board of Trustees (as of June 30, 2013)

Chair	Hon. Judge Michael McCuskey
Member	Mr. Jay D. Bergman
Member	Ms. Anne Davis
Member	Mr. Bob Churney
Member	Mr. Rocky Donahue
Member	Ms. Betty Kinser
Student Member	Mr. Aaron Von Qualen

Office Locations

Agency offices are located at:

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

BKD, LLP
Certified Public Accountants
225 North Water Street, Suite 400
Decatur, IL 62525-1580

March 7, 2014

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 the State of Illinois – 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 State of Illinois – Illinois State University's compliance with the following assertions during the year ended June 30, 2013. Based on this evaluation, we assert that during the year ended June 30, 2013, the State of Illinois – Illinois State University has materially complied with the assertions below.

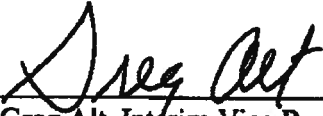
- A. The State of Illinois – Illinois State University has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The State of Illinois – Illinois State University has obligated, 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. The State of Illinois – 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 the State of Illinois – 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 the State of Illinois – Illinois State University on behalf of the State or held in trust by the State of Illinois – Illinois State University have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

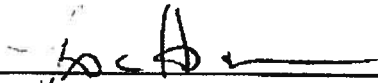
State of Illinois – Illinois State University



Dr. Timothy Flanagan, University President



Mr. Greg Alt, Interim Vice President of Finance and Planning



Ms. Lisa Huson, General Counsel

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

Accountants' 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 or disclaimers, but does contain a qualified opinion on compliance and identifies material weaknesses in internal control over compliance.

Summary of Findings

Number of	Current Report	Prior Report
Findings	7	6
Repeated findings	4	2
Prior recommendations implemented or not repeated	2	3

Summary of Findings and Questioned Costs

Item No.	Page	Description	Finding Type
Findings (Government Auditing Standards)			
2013-001	18	Inadequate Control over Reporting Investments	Material Weakness

Findings and Questioned Costs (Federal Compliance)

The audit did not disclose findings required to be reported by OMB Circular A-133.

Findings (State Compliance)

2013-002	19	Inadequate Controls over Computer Inventory	Material Weakness and Material Noncompliance
2013-003	21	Noncompliance with the College Student Immunization Act	Material Weakness and Material Noncompliance
2013-004	24	Weakness Regarding the Security and Control of Confidential Information	Significant Deficiency and Noncompliance

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Summary of Findings and Questioned Costs

Item No.	Page	Description	Finding Type
2013-005	27	Noncompliance with the University Faculty Research and Consulting Act	Significant Deficiency and Noncompliance
2013-006	29	Failure to Prepare High School Feedback System Reports	Significant Deficiency and Noncompliance
2013-007	30	Timesheets not Required	Significant Deficiency and Noncompliance

In addition, the following finding which is reported as a current finding relating to *Government Auditing Standards* also met the reporting requirements for State Compliance.

2013-001	18	Inadequate Control over Reporting Investments	Material Weakness and Material Noncompliance
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Prior Findings Not Repeated

A.	31	Inadequate Control over Revenue Recognition
B.	31	Inadequate Control over University Vehicles

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Exit Conference

The findings and recommendations appearing in this report were discussed with University personnel at an exit conference on February 28, 2014. Attending were:

Representing Illinois State University

Vice President for Finance and Planning (Interim)	Mr. Greg Alt
Director - Internal Audit	Mr. Robert Blemler
Accounting Associate	Ms. Erika Jones
Information Security Officer	Ms. Dina Vaughan
Assistant Information Security Officer	Ms. Katie Lackermann

Representing BKD LLP

Director	Ms. Heather M. Powell, CPA
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Representing the Office of the Auditor General

Audit Manager	Mr. Daniel J. Nugent, CPA
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The responses to the recommendations were provided by Mr. Greg Alt, the Interim Vice President for Finance and Planning, in an e-mail dated March 4, 2014.

**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

and

Board of Trustees
Illinois State University

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the 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, 2013. The management of the Illinois State University is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Illinois State University's compliance based on our examination.

- A. The 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. The 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. The 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 the 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 the Illinois State University on behalf of the State or held in trust by the Illinois State University have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted 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 the 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 the Illinois State University's compliance with specified requirements.

As described in item 2013-001 in the accompanying schedule of findings and questioned costs, the Illinois State University did not comply with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations. Further, as described in items 2013-002 and 2013-003 in the accompanying schedule of findings and questioned costs, the Illinois State University did not comply with requirements regarding obligating, expending, receiving, and using 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. Compliance with such requirements is necessary, in our opinion, for the Illinois State University to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, the Illinois State University complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2013. However, the results of our procedures disclosed other instances of noncompliance with the 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 and questioned costs as items 2013-004 through 2013-007.

Internal Control

Management of the 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 the Illinois State University's internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances 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 the Illinois State University's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-001 through 2013-003 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-004 through 2013-007 to be significant deficiencies.

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

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

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities of the Illinois State University as of and for the year ended June 30, 2013, and have issued our report thereon dated November 5, 2013, which contained an unmodified opinion on those financial statements. Our report was modified to include a reference to other auditors, who audited the financial statements of the Illinois State University's discretely presented component unit, as described in our report on the Illinois State University's financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Illinois State University's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to November 5, 2013. The accompanying supplementary information for the year ended June 30, 2013, in Schedules 1 through 19, Schedule 28, and Schedule 30 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Illinois State University. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the year ended June 30, 2013, in Schedules 1 through 19, Schedule 28, and Schedule 30 has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of

America. In our opinion, the accompanying supplementary information for the year ended June 30, 2013, in Schedules 1 through 19, Schedule 28, and Schedule 30, is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2013.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the Illinois State University's basic financial statements as of and for the year ended June 30, 2012 (not presented herein), and have issued our report thereon dated February 14, 2013, which contained an unmodified opinion on the respective financial statements of the business-type activities. Our report was modified to include a reference to other auditors, who audited the financial statements of the Illinois State University's discretely presented component unit, as described in our report on the Illinois State University's financial statements. The accompanying supplementary information for the year ended June 30, 2012, in Schedules 1 through 19, Schedule 28, and Schedule 30 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2012, financial statements. The accompanying supplementary information for the year ended June 30, 2012, in Schedules 1 through 19, Schedule 28, and Schedule 30 has been subjected to the auditing procedures applied in the audit of the June 30, 2012, basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2012, in Schedules 1 through 19, Schedule 28, and Schedule 30 is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived.

The accompanying supplementary information for the year ended June 30, 2013, in Schedules 20 through 27, Schedule 29, and the Analysis of Operations Section is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Board of Trustees of the Illinois State University, the Illinois State University management, 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.

BKD, LLP

Decatur, Illinois
March 7, 2014

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Honorable William G. Holland
Auditor General
State of Illinois

and

Board of Trustees
Illinois State University

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Illinois State University and its aggregate discretely presented component unit, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 5, 2013. Our report includes a reference to other auditors who audited the financial statements of the Illinois State University's discretely presented component unit, as described in our report on the 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

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

In planning and performing our audit of the financial statements, we considered the Illinois State University's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Illinois State University's internal control. Accordingly, we do not express an opinion on the effectiveness of the Illinois State University's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as item 2013-001 to be a material weakness.

Compliance and Other Matters

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

Illinois State University's Response to Finding

The Illinois State University's response to the finding identified in our audit is described in the accompanying schedule of findings. The Illinois State University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

BKD, LLP

Decatur, Illinois
November 5, 2013

Independent Auditor's Report on Compliance For Each Major Federal Program, on Internal Control Over Compliance, and on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Honorable William G. Holland
Auditor General
State of Illinois

and

Board of Trustees
Illinois State University

Report on Compliance for Each Major Federal Program

We have audited the Illinois State University's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Illinois State University's major federal programs for the year ended June 30, 2013. The 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.

The schedule of expenditures of federal awards and our audit described below does not include expenditures of federal awards for those agencies determined to be component units of the Illinois State University for financial statement purposes.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Illinois State University's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the

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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Illinois State University's compliance.

Opinion on Each Major Federal Program

In our opinion, the Illinois State University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Illinois State University is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Illinois State University's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Illinois State University's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the business-type activities of the Illinois State University and its aggregate discretely presented component unit, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Illinois State University's basic financial statements. We issued our report dated November 5, 2013, which contained an unmodified opinion on those financial statements. Other auditors audited the financial statements of the Illinois State University's discretely presented component unit, as described in our report on the Illinois State University's financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Illinois State University's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to November 5, 2013. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BKD, LLP

Decatur, Illinois

March 7, 2014, except for our report on the Schedule of Expenditures of Federal Awards, for which the date is November 5, 2013

State of Illinois
Illinois State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Summary of Auditor's Results

Financial Statements

1. The opinion expressed in the independent auditor's report was:

Unmodified Qualified Adverse Disclaimer

2. The independent accountant's report on internal control over financial reporting disclosed:

Material weakness(es)? Yes None reported

Significant deficiency(ies)? Yes None reported

3. Noncompliance considered material to the financial statements was disclosed by the audit?

Yes No

4. The independent auditor's report on internal control over compliance with requirements that could have a direct and material effect on major federal awards programs disclosed:

Material weakness(es)? Yes None reported

Significant deficiency(ies)? Yes None reported

5. The opinion expressed in the independent auditor's report on compliance with requirements that could have a direct and material effect on major federal awards was:

Unmodified Qualified Adverse Disclaimer

6. The audit disclosed findings required to be reported in accordance with Section 510(a) of Circular A-133?

Yes No

State of Illinois
Illinois State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

7. The University's major programs were:

Cluster/Program	CFDA Number
Student Financial Aid Cluster	84.007 84.033 84.038 84.063 84.268 84.379 64.028 93.364 94.006
Research and Development Cluster	This cluster includes numerous CFDA numbers. Refer to programs noted with (***) on the Schedule of Expenditures of Federal Awards
Broadband Technology Opportunities Program	11.557
Teacher Quality Partnership Grants	84.336

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$713,013.

9. The Auditee qualified as a low-risk auditee as that term is defined in OMB Circular A-133?

Yes No

State of Illinois
Illinois State University
Schedule of Findings and Recommendations
Year Ended June 30, 2013

Current Finding – Government Auditing Standards

2013-001. Finding – Inadequate Control over Reporting Investments

The Illinois State University (University) did not exercise adequate internal control over the financial reporting of investments.

During testing, the auditors noted the University did not adjust the University's book value of investments to reflect changes in each investment's fair market value at June 30, 2013. As a result, the University overstated investments and investment income by \$4,947,293. The auditors proposed an adjusting journal entry to the University to correct this error, which the University recorded in the financial statements.

Governmental Accounting Standards Board Statement No. 31, Paragraph 7, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires the University report investments at fair value, which is "the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale." Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University establish and maintain a system, or systems, of fiscal and administrative controls to provide assurance resources applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial reports and to maintain accountability over the State's resources.

University officials stated the premium and discount on securities was not included in the book value amount when compared to the market value in order to determine the fair value adjustment due to oversight.

Failure to exercise adequate internal control over financial reporting by properly reporting investments and revenues of the University could have, if not detected and corrected, resulted in a material misstatement of the University's financial statements and reduced the overall reliability of Statewide financial reporting. (Finding Code No. 2013-001)

Recommendation

We recommend the University implement controls to review and adjust investment balances to reflect fair market value changes, if any, to each investment's net position recorded in the University's financial records.

University Response

The University agrees with the recommendation to review investment balances and reconcile valuations with third party custodial statements to ensure the accuracy of market value adjustments. The occurrence of this oversight during Fiscal Year 2013 is believed to be an isolated incident and the valuation reconciliation is normally performed as part of the financial reporting process.

State of Illinois
Illinois State University
Schedule of Findings and Recommendations
Year Ended June 30, 2013

Current Findings – State Compliance

2013-002. Finding – Inadequate Controls over Computer Inventory

The Illinois State University (University) did not have sufficient internal control over its computer inventories.

During testing, the auditors noted the following:

- During Fiscal Year 2013, the University reported five laptop computers, two desktop computers, four iPads, and an iPod as stolen, totaling \$9,269.
- During the University’s Fiscal Year 2013 physical inventory count, the University reported 35 laptop computers, 21 desktop computers, and one server as lost, totaling \$76,826.

During testing, the auditors noted the University had not protected its computers with encryption software, thus increasing the risk that confidential information could be exposed. Confidential information routinely collected and maintained by the University includes education records, health records, personal information, and sensitive information.

At the time of our review, the University had not performed a detailed assessment and therefore was unable to assess whether the missing computers contained confidential information.

The State Property Control Act (30 ILCS 605/4 and 30 ILCS 605/6.02) requires the University be accountable for the supervision, control, and inventory of all items under its control. In addition, the University had the responsibility to ensure that confidential information is protected from disclosure and that provisions in the Personal Information Protection Act (815 ILCS 530) are followed.

University officials stated this resulted from the lack of a cohesive Information Technology Governance structure including a common, formal, and disciplined approach for managing information technology.

Failure to timely follow-up on missing computer equipment resulted in a lack of control over State property and increased the risk associated with potential exposure of confidential information. (Finding Code No. 2013-002, 12-2)

State of Illinois
Illinois State University
Schedule of Findings and Recommendations
Year Ended June 30, 2013

Current Findings – State Compliance

2013-002. Finding – Inadequate Controls over Computer Inventory (continued)

Recommendation

We recommend the University:

- review current practices to determine if enhancements can be implemented to prevent the theft or loss of computers;
- establish procedures to immediately notify security personnel of any missing or stolen computers to allow them to assess if a computer may have contained confidential information and document the results of the assessment; and,
- ensure confidential information is adequately secured with methods such as encryption or redaction.

University Response

The University agrees with the recommendation to review current practices related to computer inventory and identify enhancements to better safeguard against the theft or loss of computers.

The University is currently establishing improved procedures for notifying security personnel of missing or stolen computers. Included in these procedures is a requirement to notify ISU Police anytime a computer is considered to have been stolen. Improved coordination between departments for the assessment, documentation and communication of lost or stolen computer equipment will also be addressed.

Additionally, the University is in the process of acquiring a new Information Technology Service Management system that will provide more accurate tracking of the location and content stored on data related equipment.

State of Illinois
Illinois State University
Schedule of Findings and Recommendations
Year Ended June 30, 2013

Current Findings – State Compliance

2013-003. Finding – Noncompliance with the College Student Immunization Act

The Illinois State University (University) had weaknesses in the University's internal controls over compliance with the College Student Immunization Act (Act).

The Act imposes specific duties and responsibilities on higher education students and institutions within the State of Illinois, including the following:

- The Act (110 ILCS 20/2) requires the University's students enrolled at least halftime in on-campus classroom instruction born after December 31, 1956 (covered students) present proof the student has received immunizations against preventable communicable diseases, unless the student documents a specific statutory exemption. According to University officials, a student enrolled in six or more credit hours of classes is considered by the University to be, at least, a half-time student.
- The Act (110 ILCS 20/4) requires the University preclude covered students who fail to present appropriate documentation to the University from registering in a subsequent term or semester until the student complies with the law.
- The Act (110 ILCS 20/6) requires the University prepare and file a report with the Department of Public Health by the eighth week of the Fall semester on a form prepared by the Department. The Department of Public Health's form required the University provide a reconciliation of both new covered students enrolled in their first semester and all covered students.

During testing, the auditors obtained the University's annual immunization report for Fall 2012 covered students, noting the following internal control weaknesses:

- The University did not maintain documentation supporting the classification of students (medical exemption, religious exemption, total immune/not immune to individual communicable diseases, and total compliant/noncompliant with the Act) as of the date the University prepared its report to the Department of Public Health.
- The University was unable to provide the auditors with a reconciliation between new students enrolled at the University in Fall 2012 and the number of new covered students first enrolled in Fall 2012 as reported to the Department of Public Health.

State of Illinois
Illinois State University
Schedule of Findings and Recommendations
Year Ended June 30, 2013

Current Findings – State Compliance

2013-003. Finding – Noncompliance with the College Student Immunization Act (continued)

- The data reported for noncompliant covered students contained discrepancies as noted below:

Immunization Data Reported to the Department of Public Health		
Covered Students, by Reported Category	New Students	All Students
Total Enrolled Students	5,358	20,219
Total Students with Medical Exemptions	2	13
Total Students with Religious Exemptions	19	63
Total Students Immune to All Four Diseases	4,643	19,030
Total Noncompliant Students, Auditor Recalculation	694	1,113
Total Noncompliant Students, as Filed by the University	567	864
Difference	127	249

In discussing this matter with the University’s Student Health Services officials, it was determined the University incorrectly completed the form. Due to inadequate records, the University was unable to provide evidence supporting the numbers used in this report.

Due to these limitations, the auditors were unable to conclude whether the University was in compliance with the Act (110 ILCS 20/4 and 110 ILCS 20/6).

Good internal control over compliance requires the University establish and maintain a system of administrative internal controls to provide assurance the University complies with the provisions of the College Student Immunization Act. Further, the University’s internal control structure should include sufficient audit trails and documentation to substantiate compliance for accountability purposes or an external review conducted by the Department of Public Health, as provided for by the Illinois Administrative Code (77 Ill. Admin. Code 694.120(c)).

In response to the auditors’ notification to the University of these conditions, Student Health Services performed a review of the students enrolled and attending classes in Fall 2013 who were identified by the University as likely to have been included within the potential population of noncompliant students who should have been precluded from enrolling in classes during Fiscal Year 2013. The University’s review indicated the following:

- 14 students were enrolled and attending classes when they should have been blocked from registration as required by the Act (110 ILCS 20/4).

State of Illinois
Illinois State University
Schedule of Findings and Recommendations
Year Ended June 30, 2013

Current Findings – State Compliance

2013-003. Finding – Noncompliance with the College Student Immunization Act (continued)

- Two students were enrolled and attending classes when they should have been blocked from registration as required by the Act (110 ILCS 20/4) because the student was erroneously classified by the University as not needing to comply with the Act because they had first attended classes at the University prior to 1989.
- Five students were erroneously coded as “on campus” when they were actually “off campus” students.
- The University’s computer system was identifying students as noncompliant when the student was actually either in compliance with the Act or deferred by the University from having to meet the compliance requirement for medical reasons, such as a pregnancy.

University officials stated these errors were due to oversight and computer coding problems.

Failure to establish and maintain a system of internal controls to provide assurance the University complies with statutory provisions within the College Student Immunization Act resulted in ineligible students enrolling for and attending classes on campus and increases public health risks from communicable diseases. (Finding Code No. 2013-003)

Recommendation

We recommend the University review, improve, and maintain a system of internal controls to monitor covered student compliance, identify noncompliant students and preclude them from enrolling in subsequent academic terms, accurately report summary information to the Department of Public Health, and provide sufficient audit trails for accountability.

University Response

The University agrees to review and improve its current system of internal controls for monitoring covered student compliance to better ensure accurate record keeping and compliance with the Act.

State of Illinois
Illinois State University
Schedule of Findings and Recommendations
Year Ended June 30, 2013

Current Findings – State Compliance

2013-004. Finding – Weaknesses Regarding the Security and Control of Confidential Information

The Illinois State University (University) had not established adequate University-wide procedures for the handling and disposal of confidential information.

Although the University had established various policies relating to the security of confidential information, the University failed to fully establish and implement procedures for adequately protecting and disposing of confidential information. During the review, the auditors noted the following weaknesses:

- The University had not performed a comprehensive risk assessment across all units on campus to identify confidential or personal information and its location to assure such information is protected from unauthorized disclosure. In the one campus unit where a comprehensive risk assessment had been performed by the University, the University identified several vulnerabilities within its internal control structure requiring the implementation of appropriate corrective action.
- While the University had established and implemented a uniform process for the wiping and destruction of data and media, the auditors noted the University had not formalized a process for the wiping and destruction of data and media in equipment leased by the University.
- While the University had adopted notification procedures in the event of a breach of security regarding personal information, the procedures did not specifically address or meet the notification requirements or continuing annual reporting requirements to the General Assembly within the Personal Information Protection Act (Act).

The University has several computer systems that contained confidential or personal information such as names, addresses, and social security numbers.

The Act (815 ILCS 530) requires that entities identify and protect all nonpublic personal information. The principles of good internal controls require that sensitive data and its location be identified and that only appropriate personnel handle and dispose of this information.

Further, the Act (815 ILCS 530/12) establishes specific notification requirements for State agencies. Additionally, the Act (815 ILCS 530/25) requires:

- 1) that within five days after discovery of a breach, the University notify of the General Assembly of the breach, and;
- 2) the University prepare an annual report after any reported breach within a given year to the General Assembly of corrective measures taken to prevent future breaches.

State of Illinois
Illinois State University
Schedule of Findings and Recommendations
Year Ended June 30, 2013

Current Findings – State Compliance

2013-004. Finding – Weaknesses Regarding the Security and Control of Confidential Information (continued)

University officials stated this resulted from the lack of a cohesive Information Technology Governance structure including a common, formal, and disciplined approach for managing information technology.

The University has the responsibility to ensure that confidential information is protected from accidental or unauthorized disclosure. Failures to establish and maintain adequate procedures to handle and protect confidential and personally identifiable information could result in identify theft or other unintended use. (Finding Code No. 2013-004, 12-3, 11-4, 10-3, 09-2)

Recommendation

We recommend the University:

- perform a comprehensive risk assessment within all of its units to identify all forms of confidential or personal information, where this information is located, and ensure adequate security controls, including adequate physical and logical access restrictions, have been established to safeguard data and resources;
- implement a comprehensive process for the wiping and destruction of all data and media on leased equipment and ensure it is a requirement for all departments and organizations; and,
- revise the notification procedures to provide reasonable assurance the University complies with the requirements of the Personal Information Protection Act in the event of a breach of security.

University Response

The University agrees that all forms of confidential and personal information should be identified and safeguarded with adequate physical and logical controls. This is an ongoing effort that requires the continuous establishment and refinement of policies, procedures, and standards. In addressing this issue, the University has taken the following actions over the past 12 months:

- Completed a reorganization of Administrative Technologies, including the establishment of the Information Security Office.
- Established various information security procedures, including a framework in which to classify institutional data.

State of Illinois
Illinois State University
Schedule of Findings and Recommendations
Year Ended June 30, 2013

Current Findings – State Compliance

2013-004. Finding – Weaknesses Regarding the Security and Control of Confidential Information (continued)

- Preliminary documentation of the current state of IT architecture across the University, including the identification of servers storing Highly Restricted data.

The data disposal process referenced in University policy 9.8.2, *Procedure for Securing and Accessing Each Data/System Classification* has been approved and published by the IT Service Management Council. The procedure to provide for the wiping and destruction of data and media in equipment leased by the University will be drafted and submitted to the IT Service Management Council as an addition to 9.8.2, Procedure for Securing and Accessing Each Data/System Classification.

Notification procedures will be drafted in accordance with the Personal Information Protection Act (815 ILCS 530) and added to the Information Technology Security Incident Response Plan to ensure proper notification of breached parties and the General Assembly in the event of a breach of security regarding personal information and subsequent continuing annual reporting requirements.

State of Illinois
Illinois State University
Schedule of Findings and Recommendations
Year Ended June 30, 2013

Current Findings – State Compliance

2013-005. Finding – Noncompliance with the University Faculty Research and Consulting Act

The Illinois State University (University) did not always ensure compliance with the University Faculty Research and Consulting Act and University policies regarding outside employment.

During testing, the auditors noted the following:

- 52 of 113 (46%) *Request for Approval of Secondary/Outside Employment Forms* (Form PERS 927) submitted during Fiscal Year 2013 were approved by the University's Provost one to 140 days late.
- Six of 113 (5%) *Request for Approval of Secondary/Outside Employment Forms* (Form PERS 927) were not submitted by the faculty member to the University's Provost for approval prior to the completion of the employee's outside employment.
- 76 of 113 (67%) faculty members approved for secondary/outside employment tested did not file their *Annual Report of Secondary/Outside Employment Form* (Form PERS 928) with the University's Provost for Fiscal Year 2013 by the deadline of August 31, 2013.

The University Faculty and Research Consulting Act (110 ILCS 100/1) prohibits full-time University faculty members from undertaking, contracting for, or accepting anything of value in return for research or consulting services for any person other than the University unless the faculty member:

- a) has submitted a request to the University President, or designee, which includes an estimate of the amount of time involved;
- b) received the prior written approval of the University President, or designee, to perform the outside research or consulting services; and,
- c) submits to the University President, or designee, an annual statement of the amount of time actually spent on outside research or consulting services.

The University President has designated the University's Provost as his designee for approvals and recordkeeping.

In accordance with University Policy 3.3.7, all forms of secondary/outside employment by a faculty member require the prior written approval of the faculty member's department chairperson, dean, and the University Provost before the faculty member can accept outside employment. Further, the instructions for Form PERS 928 require faculty members with secondary/outside employment submit the Form PERS 928 "to the Office of the Provost no later than August 31 for the preceding fiscal year."

State of Illinois
Illinois State University
Schedule of Findings and Recommendations
Year Ended June 30, 2013

Current Findings – State Compliance

2013-005. Finding – Noncompliance with the University Faculty Research and Consulting Act (continued)

University officials stated failure to seek timely approval and file reports was due to employee oversight.

Failure to ensure faculty members with outside research, consulting services, or employment obtain written pre-approval from the University Provost and file annual reports with the University Provost of the amount of time spent during the preceding fiscal year on outside research, consulting services, or employment represents noncompliance with the University Faculty and Research and Consulting Act and University Policy 3.3.7. (Finding Code No. 2013-005, 12-5)

Recommendation

We recommend the University Provost implement internal controls to ensure faculty members with outside research, consulting services, or employment receive written pre-approval to conduct the requested activity and annually disclose time spent on these activities in accordance with State law and University policy.

University Response

The University agrees with the recommendation and will continue its assessment of the faculty research and consulting approval process and implement modifications to ensure more timely approvals and annual disclosures of outside research, consulting, and employment activities.

State of Illinois
Illinois State University
Schedule of Findings and Recommendations
Year Ended June 30, 2013

Current Findings – State Compliance

2013-006. Finding – Failure to Prepare High School Feedback System Reports

The Illinois State University (University) did not prepare High School Feedback System reports to high schools within the State.

The Illinois State University Law (Law) (110 ILCS 675/20-80) requires the University – in collaboration with Chicago State University, Eastern Illinois University, Governors State University, Northeastern Illinois University, Northern Illinois University, Southern Illinois University, the University of Illinois, and Western Illinois University – annually prepare and submit a single report to each high school within the State concerning the academic progress and success of the high school’s former students. Pursuant to the Law, the report must include the number of high school graduates enrolled in each university and the major of each, the number of high school graduates who have withdrawn from each university, and student performance in university coursework.

University officials stated the universities ceased preparing the report when the 95th General Assembly passed Senate Joint Resolution 59. This resolution directed the Illinois Community College Board, the State Board of Education, and the Board of Higher Education to develop a plan to use the Prairie State Achievement Examination to gauge students' college readiness, shape students' senior-year curricula, including any necessary remediation, in order to ensure college readiness upon high school graduation, and develop a new high school feedback report to better inform high school administrators and education policymakers about students’ performance during their first year at postsecondary institutions. The auditors noted the Illinois Community College Board, the State Board of Education, and the Board of Higher Education’s latest report for School Years 2008 – 2010 was released on March 11, 2013 and does not have the level of detail or information required by the Law.

Failure to prepare and submit High School Feedback System reports to the State’s high schools limits opportunities for the high schools to identify areas for improving student success in university coursework and represents noncompliance with the Illinois State University Law. (Finding Code No. 2013-006)

Recommendation

We recommend the University collaborate with the other State universities to prepare High School Feedback System reports for each high school within the State, or seek a legislative remedy.

University Response

The University agrees with the recommendation and will consult with both other Illinois public universities and the Illinois Board of Higher Education as to compliance with the reporting requirements.

State of Illinois
Illinois State University
Schedule of Findings and Recommendations
Year Ended June 30, 2013

Current Findings – State Compliance

2013-007. Finding – Timesheets Not Required

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

During testing, the auditors noted University Policy 1.12 only requires positive time reporting for non-faculty employees. The faculty do not report actual hours worked and are only required to report benefit usage time (vacation, sick, etc.) used to the nearest tenth hour.

The Act requires the Board of Higher Education (Board), with respect to State employees of public universities, to adopt and implement personnel policies. 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 Board adopted personnel policies for public universities on February 3, 2004, in accordance with the Act. The University has not fully incorporated these policies into the University’s policies.

University officials stated the University continues to work with the faculty to bring the University into compliance with the Act.

By not requiring time sheets from all of its employees, the University does not have complete documentation of time spent by employees on official State business as contemplated by the Act. (Finding Code No. 2013-007, 12-6, 11-5, 10-2, 09-1, 08-1, 07-1, 06-2, 05-4)

Recommendation

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

University Response

The University agrees with the recommendation to comply with the Act and will continue to work towards a feasible solution to incorporate compliance of the remaining faculty employee group.

State of Illinois
Illinois State University
Schedule of Findings and Recommendations
Year Ended June 30, 2013

Prior Findings Not Repeated

a. Finding – Inadequate Control over Revenue Recognition

During the prior engagement, the Illinois State University (University) did not exercise adequate internal control over revenue recognition. (Finding Code No. 12-1)

Status: Implemented

During the current engagement, the auditors noted the University improved its methodology to record tuition and fee revenues due from the State of Illinois for entitlement scholarships, recognized deferred revenues from the sale of season tickets to University athletic events, and remitted proceeds from the sale of scrap metal to the Department of Central Management Services for deposit into the State Surplus Property Revolving Fund.

b. Finding – Inadequate Control over University Vehicles

During the prior engagement, the Illinois State University (University) did not exercise adequate internal control over the University's vehicles. (Finding Code No. 12-4)

Status: Moved to the Immaterial Letter

During the current engagement, the auditors noted the University performed a detailed analysis of the University's vehicles and surveyed its vehicle inventory for transferable equipment; however, the auditors did note immaterial conditions of noncompliance. As a result, these issues will be reported in the University's Report of Immaterial Findings.

State of Illinois
Illinois State University
Supplementary Information for State Compliance Purposes
June 30, 2013 and 2012

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
 - Analysis of State Appropriations
 - Schedule of Appropriations, Expenditures and Lapsed Balances
 - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
 - Analysis of Significant Variations in Appropriated Expenditures
 - Significant Lapse Period Expenditures
 - Analysis of the University's Income Fund
 - Comparative Schedule of Revenues and Expenses
 - Analysis of Significant Account Balances
 - Schedule of Changes in Capital Assets
 - Comparative Schedule of Cash and Cash Equivalents
 - Comparative Schedule of Investments
 - Analysis of Significant Variations in Revenue and Expense Accounts
 - Analysis of Significant Variations in Asset and Liability Accounts
 - Analysis of Accounts Receivable
 - Entity Financial Statements and Related Information
 - Auxiliary Facilities, Activities, and Accounting Entities
 - Local Funds
 - Statement of Net Position
 - Statement of Revenues, Expenses, and Changes in Net Position
 - Service Departments
 - Statement of Net Position
 - Statement of Revenues, Expenses, and Changes in Net Position
 - Auxiliary Facilities
 - Statement of Net Position
 - Statement of Revenues, Expenses, and Changes in Net Position
 - Calculation Sheets for Current Excess Funds (Unaudited)
 - Local Funds (Unaudited)
 - Continuing Education and Public Services (Unaudited)
 - Sales and Services of Educational Activities (Unaudited)
 - Student Programs and Services (Unaudited)
 - Field Trips and Foreign Study (Unaudited)
 - Service Departments (Unaudited)
 - Auxiliary Facilities (Unaudited)
 - Student Housing (Unaudited)
 - Student Activities (Unaudited)
 - Parking Services (Unaudited)

State of Illinois
Illinois State University
Supplementary Information for State Compliance Purposes
June 30, 2013 and 2012

Summary

Summary (continued)

- Fiscal Schedules and Analysis (continued)
 - Analysis of Indirect Cost Reimbursements
 - Schedule of Sources and Applications
 - Calculation Sheet for Indirect Cost Carry-Forward (Unaudited)
 - Schedule of Federal Expenditures, Nonfederal Expenses, and New Loans

- Analysis of Operation (Unaudited):
 - Functions and Planning Program (Unaudited)
 - Employment Statistics (Full-Time Equivalent) (Unaudited)
 - Annual Cost Statistics (Unaudited)
 - Emergency Purchases (Unaudited)
 - Bookstore Information (Unaudited)
 - Service Efforts and Accomplishments (Unaudited)
 - University Guidelines (as amended in 1997) (Unaudited)
 - Special Data Requirements for University Audits (Unaudited)
 - Summary of Foundation Transactions with the University (Unaudited)
 - Undergraduate Tuition and Fee Waivers (Unaudited)
 - Graduate Tuition and Fee Waivers (Unaudited)

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that Schedules 1 through 19, Schedule 28, and Schedule 30 states have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditor's opinion, it is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived. The accountants' report also states the Analysis of Operations Section, Schedules 20 through 27, and Schedule 29 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, they do not express an opinion or provide any assurance on it.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013**

Schedule 1

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title		CFDA Number	Pass-Through Grantor's Number	Expenditures	Passed- Through to Subrecipients
STUDENT FINANCIAL AID CLUSTER					
U.S. Department of Education					
Federal Supplemental Educational Opportunity Grants	(M)	84.007		\$ 562,829.04	\$ -
Federal Work-Study Program	(M)	84.033		803,411.06	-
Federal Perkins Loan Program Federal Capital Contributions	(M)	84.038		-	-
Federal Pell Grant Program	(M)	84.063		18,943,605.24	-
Federal Direct Student Loans	(M)	84.268		114,485,294.00	-
Teacher Education Assistance for College & Higher Education Grants (TEACH Grants)	(M)	84.379		360,044.00	-
<i>Total U.S. Department of Education Student Financial Aid Cluster</i>				<u>135,155,183.34</u>	<u>-</u>
U.S. Department of Veterans Affairs					
Post-9/11 Veterans Educational Assistance	(M)	64.028		1,085,059.93	-
<i>Total U.S. Department of Veterans Educational Affairs Student Financial Aid Cluster</i>				<u>1,085,059.93</u>	<u>-</u>
U.S. Department of Health and Human Services					
Nursing Student Loans	(M)	93.364		-	-
<i>Total U.S. Department of Health and Human Services Student Financial Aid Cluster</i>				<u>-</u>	<u>-</u>
Corporation for National and Community Service					
AmeriCorps	(M)	94.006		62,196.70	-
<i>Total U.S. Department for National and Community Service Student Financial Aid Cluster</i>				<u>62,196.70</u>	<u>-</u>
				<u>136,302,439.97</u>	<u>-</u>
RESEARCH & DEVELOPMENT CLUSTER					
U.S. Department of Agriculture					
Sustainable Agriculture Research & Education (passed through University of Minnesota)	(M)	10.215	H002484826	6,184.35	-
Agriculture and Food Research Initiative (AFRI) (passed through Purdue University)	(M)	10.310	8000041384-AG	86,352.06	-
<i>Total U.S. Department of Agriculture R&D</i>				<u>92,536.41</u>	<u>-</u>
U.S. Department of Defense					
Basic Scientific Research - Combating Weapons of Mass Destruction	(M)	12.351		19,367.41	-
Basic, Applied, & Advanced Research in Science & Engineering (passed through University of Texas, San Antonio)	(M)	12.630	2604307061	8,297.28	-
<i>Total U.S. Department of Defense R&D</i>				<u>27,664.69</u>	<u>-</u>
U.S. Geological Survey					
USGS Sample Grant	(M)	NONE	40016541	10,054.11	-
<i>Total U.S. Geological Survey R&D</i>				<u>10,054.11</u>	<u>-</u>
U.S. Department of the Interior					
National Cooperative Geologic Mapping Program	(M)	15.810		25,490.85	-
<i>Total U.S. Department of the Interior R&D</i>				<u>25,490.85</u>	<u>-</u>
U.S. Department of Justice					
National Institute of Justice Research, Evaluation, and Development Project Grants	(M)	16.560		55,827.96	-
Edward Byrne Memorial Competitive Grant Program (passed through Georgia Southern University)	(M)	16.751	10362	1,203.84	-
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories (passed through Illinois Department of Human Services)	(M)	16.803	FCSRE01880	-	-
<i>Total U.S. Department of Justice R&D</i>				<u>12,934.65</u>	<u>-</u>
				<u>69,966.45</u>	<u>-</u>

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013**

Schedule 1

U.S. Department of Labor					
Employment Service/Wagner-Peyser Funded Activities (passed through Illinois Department of Employment Security)	(M)	17.207	11C32	545,369.34	-
<i>Total U.S. Department of Labor R&D</i>				<u>545,369.34</u>	<u>-</u>
National Aeronautics and Space Administration					
Science	(M)	43.001		8,416.47	-
<i>Total National Aeronautics and Space Administration R&D</i>				<u>8,416.47</u>	<u>-</u>
National Endowment for the Humanities					
Promotion of the Humanities - Office of Digital Humanities	(M)	45.169		8,124.91	-
<i>Total National Endowment for the Humanities R&D</i>				<u>8,124.91</u>	<u>-</u>
National Science Foundation					
Engineering Grants					
(passed through University of Georgia)	(M)	47.041	RR185-434/4893066	37,851.54	-
Mathematical and Physical Sciences	(M)	47.049		542,576.34	-
Computer & Information Science & Engineering	(M)	47.070		82,688.48	-
Biological Sciences	(M)	47.074		351,992.00	-
Biological Sciences					
(passed through Iowa State University)	(M)	47.074	420-40-77A	26,216.52	-
			Total R&D 47.074	<u>378,208.52</u>	<u>-</u>
Education and Human Resources	(M)	47.076		687,789.04	117,368.20
<i>Total National Science Foundation R&D</i>				<u>1,729,113.92</u>	<u>117,368.20</u>
U.S. Department of Energy					
Office of Science Financial Assistance Program					
(passed through University of Wisconsin)	(M)	81.049	455K851, 384H974	203,059.02	-
Renewable Energy Research and Development	(M)	81.087		152,015.55	-
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	(M)	81.117		287,992.01	-
<i>Total U.S. Department of Energy R&D</i>				<u>643,066.58</u>	<u>-</u>
U.S. Department of Education					
Overseas Programs - Group Projects Abroad	(M)	84.021		(5,146.48)	-
Career and Technical Education -- Basic Grants to States					
(passed through Illinois State Board of Education)	(M)	84.048	4720-00	275,001.79	-
Research in Special Education	(M)	84.324		76,296.68	-
Research in Special Education					
(passed through Queens College)	(M)	84.324	46374B	33,336.00	-
Research in Special Education					
(passed through Vanderbilt University)	(M)	84.324	22388-S1	8,440.95	-
			Total 84.324 R&D	<u>118,073.63</u>	<u>-</u>
Mathematics & Science Partnerships					
(passed through Illinois State Board of Education)	(M)	84.366	4936	199,041.00	-
Mathematics & Science Partnerships					
(passed through Monroe/Randolph ROE #45)	(M)	84.366	iBio	4,494.52	-
			Total 84.366 R&D	<u>203,535.52</u>	<u>-</u>
Improving Teacher Quality State Grants					
(passed through Illinois State Board of Education)	(M)	84.367	4932	10,360.00	-
Race to the Top					
(passed through Illinois State Board of Education)	(M)	84.413	MY13419	49,501.87	-
<i>Total U.S. Department of Education R&D</i>				<u>651,326.33</u>	<u>-</u>

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013**

U.S. Department of Health and Human Services

Mental Health Research Grants (passed through Advanced Diamond Technologies)	(M)	93.242	R43AA021072-01	32,115.00	-
Drug Abuse & Addiction Research Programs (passed through University of Utah)	(M)	93.279	PO 0000137622	38,684.12	-
Centers for Disease Control and Prevention_ Investigations and Technical Assistance (passed through Illinois Department of Public Health)	(M)	93.283	23200005	12,299.00	-
Discovery and Applied Research for Technological Innovations to Improve Human Health (passed through Case Western Reserve University)	(M)	93.286	1R03EB014539-01	19,539.01	-
Adoption Opportunities (passed through Children's Home & Aid Society of Illinois)	(M)	93.652	S Smith	2,455.13	-
Trans-NIH Recovery Act Research Support	(M)	93.701		83,293.10	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	(M)	93.853		177,563.65	-
Allergy, Immunology and Transplantation Research	(M)	93.855		305,389.38	-
Biomedical Research and Research Training	(M)	93.859		95,611.57	-
Child Health and Human Development Extramural Research	(M)	93.865		21,035.65	-
<i>Total U.S. Department of Health and Human Services R&D</i>				<u>787,985.61</u>	<u>-</u>

TOTAL RESEARCH & DEVELOPMENT CLUSTER

4,599,115.67 **117,368.20**

OTHER PROGRAMS**U.S. Department of Agriculture**

National School Lunch Program (passed through Illinois State Board of Education)		10.555	4210	22,225.88	-
Child & Adult Care Food Program (passed through Illinois State Board of Education)		10.558	4226	5,092.22	-
Environmental Quality Incentives Program		10.912		7,831.25	-
<i>Total U.S. Department of Agriculture Non-R&D</i>				<u>35,149.35</u>	<u>-</u>

U.S. Department of Commerce

Broadband Technology Opportunities Program (BTOP) (passed through Illinois Department of Central Management Services)	(M)	11.557	NT110BIX5570108	8,414,508.17	-
Manufacturing Extension Partnership (passed through Illinois Manufacturing Extension Center)		11.611	IMEC	267,638.80	-
<i>Total U.S. Department of Commerce Non-R&D</i>				<u>8,682,146.97</u>	<u>-</u>

U.S. Department of Defense

Information Security Grant Program		12.902		6,203.77	-
<i>Total U.S. Department of Defense R&D</i>				<u>6,203.77</u>	<u>-</u>

U.S. Department of Justice

Public Safety Partnership & Community Policing Grants		16.710		31,898.84	30,310.10
<i>Total U.S. Department of Justice Non-R&D</i>				<u>31,898.84</u>	<u>30,310.10</u>

U.S. Department of Labor

WIA Dislocated Workers (passed through Career Link)		17.260	M Moody	4,809.20	-
<i>Total U.S. Department of Labor Non-R&D</i>				<u>4,809.20</u>	<u>-</u>

National Endowment for the Humanities

Promotion of the Humanities - Public Programs		45.164		609.00	-
<i>Total National Endowment for the Humanities Non-R&D</i>				<u>609.00</u>	<u>-</u>

National Science Foundation

Computer and Information Science and Engineering (passed through EdLab Group Foundation)		47.070	CNS-0940646	1,907.14	-
Education & Human Resources		47.076		252,303.75	9,000.00
Education & Human Resources (passed through Chicago State University)		47.076	53725	5,023.98	-
<i>Total National Science Foundation Non-R&D</i>		Total 47.076		<u>257,327.73</u>	<u>9,000.00</u>
				<u>259,234.87</u>	<u>9,000.00</u>

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013**

Schedule 1

U.S. Small Business Administration				
Small Business Development Center	59.000		203,746.50	-
Small Business Development Centers (passed through Illinois Department of Commerce and Economic Opportunity)	59.037	12-561106,13-181106	40,196.94	-
<i>Total U.S. Small Business Administration Non-R&D</i>			<u>243,943.44</u>	<u>-</u>
U.S. Environmental Protection Agency				
Conference Support Funds	NONE	Conf Services	5,060.00	-
Science to Achieve Results (STAR) Fellowship Program	66.514		2,543.83	-
Performance Partnership Grants (passed through Illinois Environmental Protection Agency)	66.605	FW-11303	14,139.80	-
Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements (passed through Kansas State University)	66.814	S09042.07	19,821.75	-
<i>Total U.S. Environmental Protection Agency Non-R&D</i>			<u>41,565.38</u>	<u>-</u>
U.S. Department of Energy				
State Energy Program (passed through Illinois Department of Commerce and Economic Opportunity)	81.041	08-431005,08-431006	275,639.17	-
<i>Total U.S. Department of Energy Non-R&D</i>			<u>275,639.17</u>	<u>-</u>
U.S. Department of Education				
Special Education - Grants to States (passed through School Association for Special Education of DuPage)	84.027	S Bock	249,341.62	-
Special Education - Grants to States (passed through Southern Illinois University)	84.027	763944 PO# 102452	15,714.60	-
		Total 84.027 Non-R&D	265,056.22	-
TRIO_Student Support Services	84.042		263,965.89	-
Career and Technical Education - Basic Grants to States (passed through Illinois Community College Board)	84.048	CTEL 13001	514,082.00	13,287.00
Career and Technical Education - Basic Grants to States (passed through Illinois State Board of Education)	84.048	4720	65,005.20	24,151.54
		Total 84.048	579,087.20	37,438.54
Special Education - State Personnel Development (passed through Illinois State Board of Education)	84.323	G Cates	130,851.86	-
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325		256,907.11	-
Teacher Quality Partnership Grants	(M) 84.336		1,242,952.13	273,459.44
Transition to Teaching	84.350		261,312.22	-
English Language Acquisition State Grants	84.365		462,953.71	-
Mathematics & Science Partnerships (passed through Illinois State Board of Education)	84.366	4936	371,935.99	-
Mathematics & Science Partnerships (passed through Bureau, Henry, Stark Regional Office of Education)	84.366	J Moore	25,208.81	-
		Total 84.366	397,144.80	-
Improving Teacher Quality State Grants (passed through Illinois Board of Higher Education)	84.367	E Hunt	82,719.71	-
Improving Teacher Quality State Grants (passed through Illinois Community College Board)	84.367	13 ISU CA	2,695.41	-
Improving Teacher Quality State Grants (passed through National Writing Project)	84.367	92-IL03-SEED2012	6,750.00	-
Improving Teacher Quality State Grants (passed through Illinois State Board of Education)	84.367	MY11721, MY13625	1,010,926.61	60,029.19
		Total 84.367	1,103,091.73	60,029.19
Investing in Innovation (i3) Fund (passed through University of Minnesota)	84.411	A002619807	69,111.76	-
National Writing Project (passed through National Writing Project)	84.928	92-IL03 Amend #23	19,797.68	-
<i>Total U.S. Department of Education Non-R&D</i>			<u>5,052,232.31</u>	<u>370,927.17</u>

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013**

Schedule 1

U.S. Department of Health and Human Services				
Nursing Workforce Diversity	93.178		237,776.53	-
Advanced Education Nursing Traineeships	93.358		348,961.00	-
National Center for Research Resources	93.389		8,881.84	-
Area Health Education Centers Infrastructure Development Awards (passed through University of Illinois at Chicago)	93.824	0413	5,675.41	-
Specially Selected Health Projects	93.888		2,229.77	-
<i>Total U.S. Department of Health and Human Services Non-R&D</i>			<u>603,524.55</u>	<u>-</u>
Corporation for National and Community Service				
AmeriCorps (passed through Jumpstart)	94.006	750200	65,914.26	-
AmeriCorps (passed through Western Illinois University)	94.006	11GQ01943	34,610.05	-
<i>Total Corporation for National and Community Service Non-R&D</i>			<u>100,524.31</u>	<u>-</u>
Library of Congress				
Teaching with Primary Sources	NONE		237,219.40	-
Teaching with Primary Sources Regional Center Pilot	NONE		542,292.43	429,288.98
<i>Total Library of Congress Non-R&D</i>			<u>779,511.83</u>	<u>429,288.98</u>
Corporation for Public Broadcasting				
Community Service Grant	NONE		177,444.63	-
<i>Total Corporation for Public Broadcasting Non-R&D</i>			<u>177,444.63</u>	<u>-</u>
TOTAL OTHER PROGRAMS NON-R&D			<u>16,294,437.62</u>	<u>839,526.25</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>157,195,993.26</u>	<u>956,894.45</u>

(M) - Program was audited as a major Program

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity for the year ended June 30, 2013, 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, 2013. These loan balances outstanding are also included in the federal expenditures presented in this schedule.

	<u>Outstanding Balance at June 30, 2013</u>
Nursing Student Loans	\$ 418,825
Perkins Loan Program	<u>9,333,936</u>
Total loans outstanding	<u>\$ 9,752,761</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	\$ 82,964,856
Direct Parent Loan for Undergraduate Students Program (PLUS)	<u>31,520,438</u>
Total	<u>\$114,485,294</u>

There were no administrative costs charged to the loan program.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013**

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

During the audit period, the University received \$12,148 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
APPROPRIATIONS FOR FISCAL YEAR 2013**

For the Fourteen Months Ended August 31, 2013

	Appropriations (Net After Transfers)	Voucher Expenditures, Twelve Months Ended June 30, 2013	Approximate Lapse Period Expenditures, Two Months Ended August 31, 2013	Approximate Total Expenditures, Fourteen Months Ended August 31, 2013	Approximate Balances Lapsed, August 31, 2013
EDUCATION ASSISTANCE FUND- 0007 (P.A. 97-0729)					
Personal Services	\$74,082,400	\$74,004,314	\$ 78,086	\$74,082,400	\$ -
Total	\$74,082,400	\$74,004,314	\$ 78,086	\$74,082,400	\$ -
GRAND TOTAL – ALL FUNDS	\$74,082,400	\$74,004,314	\$ 78,086	\$74,082,400	\$ -

Note 1: The data for this report was taken from the University's records and has been reconciled to the data of the Office of the State Comptroller.

Note 2: Expenditure amounts are vouchers approved and paid by the University and submitted to the Office of the State Comptroller for reimbursement of payments made to vendors.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES, AND LAPSED BALANCES
For the Years Ended June 30, 2013 and 2012**

	2013 97-0729	2012 97-0069
EDUCATION ASSISTANCE FUND– 0007		
Appropriations (net of transfers)	\$ 74,082,400	\$ 78,874,400
Expenditures		
Lump sum operations	-	78,874,400
Personal Services	74,082,400	-
Total expenditures	74,082,400	78,874,400
Lapsed balances	\$ -	\$ -
GRANT TOTAL, ALL FUNDS		
Appropriations (net of transfers)	\$ 74,082,400	\$ 78,874,400
Expenditures	74,082,400	78,874,400
Lapsed balances	\$ -	\$ -

Note 1: The data for this report was taken from the University's records and has been reconciled to the data of the Office of the State Comptroller.

Note 2: Expenditure amounts are vouchers approved and paid by the University and submitted to the Office of the State Comptroller for reimbursement of payments made to vendors.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
ANALYSIS OF SIGNIFICANT VARIATIONS IN APPROPRIATED EXPENDITURES
For the Year Ended June 30, 2013**

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS
2012 AND 2013**

Education Assistance Fund - 007

Personal Services

The increase in personal services spending occurred because the General Assembly changed the appropriations process by giving the University an appropriation designated for specific purposes during Fiscal Year 2013 rather than a lump sum appropriation for the same personal services operating expenses as had been done in prior fiscal years.

Operations

The decrease in operations spending occurred because the General Assembly changed the appropriations process by giving the University an appropriation designated for specific purposes during Fiscal Year 2013 rather than a lump sum appropriation for the same personal services operating expenses as had been done in prior fiscal years.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SIGNIFICANT LAPSE PERIOD EXPENDITURES
For the Year Ended June 30, 2013**

There were no significant expenditures incurred during the lapse period.

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES
UNIVERSITY INCOME FUND
Years Ended June 30, 2013 and 2012

	2013	2012
REVENUES		
Registration fees	\$ 150,060,501	\$ 144,979,910
Registration – extension	888,730	1,143,796
Enrollment deposit fee forfeitures	13,250	13,400
Tuition and fees waived	8,087,800	5,848,500
Library fines	11,803	11,791
Instructional support fee	635,542	378,850
Investment income	1,075,438	1,066,251
Net increase in fair market value of investments	(806,707)	668,177
Payments on behalf of University	1,726,723	1,744,159
Gifts and donations	139,576	500,000
Other	690,970	1,376,010
	<u>\$ 162,523,626</u>	<u>\$ 157,730,844</u>
EXPENSES		
Personal services	\$ 76,933,927	\$ 70,265,585
SURS retirement	15,657	130,848
Medicare	2,349,274	2,215,445
Contractual services	31,260,555	33,176,218
Travel	1,624,840	1,502,829
Commodities	2,779,933	2,556,655
Equipment and library books	8,303,245	6,912,242
Telecommunications services	3,380,982	2,096,607
Operation of automotive equipment	645,256	608,345
Tuition and fees waived	8,087,800	5,848,500
Awards, grants, and matching funds	10,932,579	9,507,183
Permanent improvements	4,065,581	1,032,328
	<u>150,379,629</u>	<u>135,852,785</u>
Subtotal		
GASB No. 35 Adjustments:		
Depreciation	13,762,900	13,485,919
Equipment additions/disposals	(7,546,177)	(6,158,854)
	<u>\$ 156,596,352</u>	<u>\$ 143,179,850</u>

Note 1: Pursuant to the State Finance Act (30 ILCS 105/6a-1b), 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 CAPITAL ASSETS
For the Year Ended June 30, 2013**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Ending Balance</u>
Land	\$ 14,489,419	\$	\$	\$ 14,489,419
Land Improvements	33,313,331	1,963,125		35,276,456
Infrastructure	12,682,559			12,682,559
Buildings	512,059,497	37,328,914		549,388,411
Equipment	92,401,875	3,268,689	(2,345,755)	93,324,809
Library materials	82,316,737	4,156,450		86,473,187
Construction in progress	<u>44,834,546</u>	<u>31,717,223</u>	<u>(37,947,370)</u>	<u>38,604,399</u>
Subtotal	<u>792,097,964</u>	<u>78,434,401</u>	<u>(40,293,125)</u>	<u>830,239,240</u>
Less accumulated depreciation for:				
Land	11,555,524	1,034,210		12,589,734
Improvements				
Infrastructure	6,693,758	308,128		7,001,886
Buildings	204,006,436	11,737,467		215,743,903
Equipment	65,753,923	6,935,685	(2,285,908)	70,403,700
Library materials	<u>64,423,843</u>	<u>3,232,178</u>		<u>67,656,021</u>
Total accumulated depreciation	<u>352,433,484</u>	<u>23,247,668</u>	<u>(2,285,908)</u>	<u>373,395,244</u>
CAPITAL ASSETS, NET	<u>\$ 439,664,480</u>			<u>\$ 456,843,996</u>

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
COMPARATIVE SCHEDULE OF CASH AND
CASH EQUIVALENTS
June 30, 2013 and 2012**

Significant details of cash and cash equivalents as of June 30, 2013 and 2012 are presented below for all funds of the University:

	<u>2013</u>		<u>2012</u>	
	<u>Ending Balance</u>	<u>Interest Rate</u>	<u>Ending Balance</u>	<u>Interest Rate</u>
CASH ON HAND – VAULT AND CHANGE FUNDS	\$ 220,706	Non-interest bearing	\$ 222,543	Non-interest bearing
BANK MONEY MARKET FUNDS				
Commerce Bank	15,585,734	N/A	16,060,999	N/A
Illinois Funds @ U.S. Bank	32,067,081	0-.03%	15,328,842	.081%
Bank of New York	9,208,393	0-.01%	926,553	0-.01%
Fidelity/Deutsche Bank	-	0%	391,470	0%
U.S Bank	<u>4,517,688</u>	0-.02%	<u>3,443,677</u>	0%
Total bank money market funds	<u>61,378,896</u>		<u>36,151,541</u>	
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 61,599,602</u>		<u>\$ 36,374,084</u>	

Cash and cash equivalent balances are presented in the Statements of Net Position at June 30, 2013 and 2012 as follows:

Cash and cash equivalents	\$ 47,873,949	\$ 31,612,806
Restricted cash and cash equivalents	<u>13,725,653</u>	<u>4,761,278</u>
TOTAL CASH AND CASH EQUIVALENT BALANCES	<u>\$ 61,599,602</u>	<u>\$ 36,374,084</u>

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
COMPARATIVE SCHEDULE OF INVESTMENTS
June 30, 2013 and 2012**

	<u>2013</u>		<u>2012</u>	
	<u>Ending Balance</u>	<u>Interest Rate</u>	<u>Ending Balance</u>	<u>Interest Rate</u>
U.S. Treasury and Agency Obligations and Agency notes	<u>\$136,132,460</u>	.75-5.625%	<u>\$ 156,238,919</u>	.875-5.625%
TOTAL INVESTMENTS	<u>\$136,132,460</u>		<u>\$156,238,919</u>	

Investments are presented in the Statements of Net Position at June 30, 2013 and 2012 as follows:

Current:		
Investments	\$17,189,770	\$ 18,349,690
Restricted investments	-	23,729,284
Noncurrent:		
Investments	118,942,690	114,159,945
Restricted investments	-	-
TOTAL INVESTMENTS	<u>\$136,132,460</u>	<u>\$156,238,919</u>

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUE AND EXPENSE ACCOUNTS
JUNE 30, 2013 AND 2012

Schedule 10

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
OPERATING REVENUES				
Student tuition and fees, net	\$ 189,117,793	\$ 180,762,671	\$8,355,122	4.62%
Federal grants and contracts	20,645,891	16,822,641	3,823,250	22.73% (A)
State and local grants and contracts	3,655,741	3,685,018	(29,277)	-0.79%
Nongovernmental grants and contracts	3,230,104	3,790,182	(560,078)	-14.78%
Sales and services of educational activities	2,752,015	3,102,528	(350,513)	-11.30%
Auxiliary facilities	81,205,250	85,907,708	(4,702,458)	-5.47%
Other operating revenues	25,164,465	22,834,186	2,330,279	10.21%
OPERATING EXPENSES				
Educational and General:				
Instruction	116,826,820	116,825,381	1,439	0.00%
Research	14,516,214	14,624,301	(108,087)	-0.74%
Public service	14,695,460	14,317,742	377,718	2.64%
Academic support	15,150,598	15,066,330	84,268	0.56%
Student services	38,376,694	37,092,691	1,284,003	3.46%
Institutional support	37,207,027	34,841,184	2,365,843	6.79%
Operation and maintenance of plant	33,549,702	33,948,219	(398,517)	-1.17%
Depreciation	23,247,668	22,183,031	1,064,637	4.80%
Staff benefits	2,265,327	3,106,979	(841,652)	-27.09%
Student aid	42,340,787	38,003,092	4,337,695	11.41%
Payments on behalf of the University	130,780,750	100,384,826	30,395,924	30.28% (B)
Auxiliary facilities:				
Student housing, activity facilities, and parking	53,263,130	60,475,545	(7,212,415)	-11.93%
Other operating expenditures	2,236,549	2,965,135	(728,586)	-24.57%
NONOPERATING REVENUES (EXPENSES)				
State appropriations	74,082,400	78,874,400	(4,792,000)	-6.08%
Payments on behalf of the University - State	130,780,750	100,384,826	30,395,924	30.28% (B)
Payments on behalf of the University - Foundation	1,726,723	1,744,159	(17,436)	-1.00%
Laboratory Schools	8,581,839	8,864,902	(283,063)	-3.19%
Gifts and donations	478,067	782,235	(304,168)	-38.88%
Investment income, net of investment expenses	(239,477)	3,523,641	(3,763,118)	-106.80% (C)
Interest expense	(5,073,272)	(5,346,370)	273,098	-5.11%
Other nonoperating revenues	19,933,315	19,413,888	519,427	2.68%
Capital appropriations	1,058,267	73,167	985,100	1346.37%
Capital grants and gifts	1,466,442	1,195,963	270,479	22.62%

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUE AND EXPENSE ACCOUNTS
JUNE 30, 2013 AND 2012

All variances greater than \$1,500,000 and more than 15% from Fiscal Year 2012 are discussed below. Refer to the Analysis of Significant Variations in Revenue and Expense Accounts on page 49 for the actual dollar changes.

Explanations of significant variances:

- (A) Federal grants and contracts - This increase is due to the University receiving additional funding for existing grants and an increase in the amount of new grants across the campus.
- (B) Payments on behalf of the University - This increase is due to an increase in the actuarial determined required contributions to the State Universities Retirement System (SURS) and the Department of Central Management Services' (CMS) State Employees Group Insurance Program. These contributions are made substantially by the State of Illinois on the University's behalf to SURS and CMS. SURS funding increased by \$11.2 million and group insurance by \$19.2 million.
- (C) Investment income - This decrease is due to the University accruing changes in the fair market value of investments as required by generally accepted accounting principles.

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
ANALYSIS OF SIGNIFICANT VARIATIONS IN ASSET AND LIABILITY ACCOUNTS
JUNE 30, 2013 AND 2012

Schedule 11

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 47,873,949	\$ 31,612,806	\$ 16,261,143	51.44% (A)
Restricted cash and cash equivalents	13,725,653	4,761,278	8,964,375	188.28% (B)
Investments	17,189,770	18,349,690	(1,159,920)	-6.32%
Investments Restricted	-	23,729,284	(23,729,284)	-100.00% (C)
Accrued interest receivable	623,238	569,854	53,384	9.37%
Accrued interest receivable restricted	-	100,340	(100,340)	-100.00%
Accounts receivable, net	13,538,610	12,646,680	891,930	7.05%
Student loans receivable, net	1,117,374	994,628	122,746	12.34%
Appropriations receivable from State	22,218,746	23,664,174	(1,445,428)	-6.11%
Inventories	2,721,334	3,157,861	(436,527)	-13.82%
Prepaid expenses, deposits and other	1,839,673	2,165,675	(326,002)	-15.05%
Noncurrent Assets:				
Investments	118,942,690	114,159,945	4,782,745	4.19%
Student loans receivable, net	7,719,064	8,142,977	(423,913)	-5.21%
Debt issuance costs	2,075,068	2,287,560	(212,492)	-9.29%
Capital assets not depreciated	53,093,818	59,323,965	(6,230,147)	-10.50%
Capital assets, net of depreciation	403,750,178	380,340,515	23,409,663	6.15%
Other noncurrent assets	1,200,000	1,500,000	(300,000)	-20.00%
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	23,349,998	23,250,315	99,683	0.43%
Obligations under capital leases	481,664	469,103	12,561	2.68%
Assets held in custody for others and deposits	6,954,625	3,628,336	3,326,289	91.68% (D)
Deferred revenue	7,154,939	7,861,103	(706,164)	-8.98%
Certificates of participation	1,553,238	1,513,238	40,000	2.64%
Revenue bonds payable	2,688,574	6,367,013	(3,678,439)	-57.77% (E)
Accrued compensated absences	1,880,264	1,727,659	152,605	8.83%
Noncurrent Liabilities:				
Assets held in custody for others and deposits	23,033	124,025	(100,992)	-81.43%
Certificates of participation	31,267,532	32,820,770	(1,553,238)	-4.73%
Revenue bonds payable	97,386,844	107,760,365	(10,373,521)	-9.63%
Accrued compensated absences	14,809,488	15,534,263	(724,775)	-4.67%
Obligations under capital leases	1,002,365	1,484,028	(481,663)	-32.46%

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
ANALYSIS OF SIGNIFICANT VARIATIONS IN ASSET AND LIABILITY ACCOUNTS
JUNE 30, 2013 AND 2012

All variances greater than \$1,500,000 and more than 15% from Fiscal Year 2012 are discussed below. Refer to the Analysis of Significant Variations in Asset and Liability Accounts on page 51 for the actual dollar changes.

Explanations of significant variances:

- (A) The increase is a result of additional funds within agency custodial accounts maintained by the University and the University receiving more timely payments of appropriated funds from the State.
- (B) The increase is due to the maturity of the investments made with proceeds from the 2012 Revenue Bonds maturing during Fiscal Year 2013 and being converted to cash to use in the reconstruction of the Hancock Stadium.
- (C) The decrease is due to investments made from the proceeds of the 2012 Revenue Bonds maturing during Fiscal Year 2013 and being converted to cash to use in the reconstruction of the Hancock Stadium.
- (D) The increase is due to the University holding \$3.3 million in cash from deposits from students living at the new Cardinal Court on-campus apartments.
- (E) The decrease is due to the early redemption of the University's Series 2003 Revenue Bonds.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
ANALYSIS OF ACCOUNTS RECEIVABLE
June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>
ACCOUNTS RECEIVABLE			
Current funds:			
Local funds (less allowance for doubtful accounts of \$1,198,798 and \$1,205,709 at June 30, 2013 and 2012, respectively)	\$ 4,736,422	\$ 5,617,273	\$ (880,851)
Auxiliary facilities system (less allowance for doubtful accounts of \$869,822 and \$845,013 at June 30, 2013 and 2012, respectively)	1,669,606	1,688,616	(19,010)
Restricted funds	6,728,766	4,679,706	2,049,060
Payroll and clearing accounts	<u>27,067</u>	<u>83,063</u>	<u>(55,996)</u>
Total current funds	13,161,861	12,068,658	1,093,203
 Agency funds	 365,289	 564,811	 (199,522)
Loan funds	<u>11,460</u>	<u>13,211</u>	<u>(1,751)</u>
 TOTAL ACCOUNTS RECEIVABLE	 <u>\$13,538,610</u>	 <u>\$12,646,680</u>	 <u>\$ 891,930</u>

NOTES RECEIVABLE

Loan funds:

Student loans receivable (less allowance for doubtful loans of \$954,784 and \$988,784 at June 30, 2013 and 2012, respectively)	\$ 8,836,438	\$9,137,605	\$ (301,167)
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**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 \$1,079,250 and \$1,084,235 at June 30, 2013 and 2012, respectively, has been established for tuition receivable deemed uncollectible. An allowance for doubtful accounts of \$743,219 and \$718,484 at June 30, 2013 and 2012, respectively, has been established for room and board receivable deemed uncollectible. An additional allowance for doubtful accounts of \$246,150 and \$248,003 at June 30, 2013 and 2012, respectively, has been established for fees receivable deemed uncollectible.

The net student loans receivable are presented in the Statements of Financial Position at June 30, 2013 and 2012 as follows:

	<u>2013</u>	<u>2012</u>
Current	\$ 1,117,374	\$ 994,628
Noncurrent	<u>7,719,064</u>	<u>8,142,977</u>
	<u>\$ 8,836,438</u>	<u>\$ 9,137,605</u>

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
AUXILIARY FACILITIES, ACTIVITIES, AND ACCOUNTING ENTITIES
Year Ended June 30, 2013**

A listing of the University's Auxiliary Facilities, Activities, Accounting Entities, their purposes, and their sources of revenue for the year ended June 30, 2013 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 – University

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.

Student Programs and Services – Laboratory Schools

These programs are supported by student activity fees, gate receipts from athletic events, and participation fees for clubs and camps.

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.

Income Fund

The Income Fund is supported by tuition, registration fees, academic support fees, library fines, and other miscellaneous income.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
AUXILIARY FACILITIES, ACTIVITIES, AND ACCOUNTING ENTITIES
Year Ended June 30, 2013**

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 FacilitiesStudent 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
STATEMENT OF NET POSITION - LOCAL FUNDS
YEAR ENDED JUNE 30, 2013

	Indirect Cost Support	Continuing Education & Public Service	Sales & Service of Educational Activities	Student Programs & Services - University	Student Programs & Services - Laboratory Schools	Field Trip & Foreign Study Activities	Income Fund	Sub-Total
ASSETS								
Current Assets:								
Cash and cash equivalents	\$ 2,210,650	\$ 2,498,000	\$ 1,218,180	\$ 4,115,819	\$ 275,584	\$ 1,115,181	\$ 13,792,582	\$ 25,225,996
Cash and cash equivalents - restricted	-	-	-	-	-	-	4,517,688	4,517,688
Accrued interest receivable	-	-	-	-	-	-	222,884	222,884
Accounts receivable, net	-	377,284	55,407	673,733	61	-	3,439,074	4,545,559
Appropriations receivable from State	-	-	-	-	-	-	22,218,746	22,218,746
Inventories	-	253,061	25,420	105,665	-	-	417,474	801,620
Prepaid expenses and deposits	39,068	18,421	8,370	95,122	-	23,374	877,807	1,062,162
Deferred charges and obligations	-	-	-	-	-	-	72,721	72,721
Total current assets	2,249,718	3,146,766	1,307,377	4,990,339	275,645	1,138,555	45,558,976	58,667,376
Noncurrent Assets:								
Investments	-	-	-	-	-	-	47,691,688	47,691,688
Bond issuance costs	-	-	-	-	-	-	791,249	791,249
Capital assets, net	812,194	796,720	4,767,351	2,612,963	14,160	6,963	213,793,840	222,804,191
Other noncurrent assets	-	-	-	-	-	-	1,200,000	1,200,000
Total noncurrent assets	812,194	796,720	4,767,351	2,612,963	14,160	6,963	263,476,777	272,487,128
Total assets	3,061,912	3,943,486	6,074,728	7,603,302	289,805	1,145,518	309,035,753	331,154,504
LIABILITIES								
Current Liabilities:								
Accounts payable and accrued liabilities	441,185	433,027	80,088	684,840	40,351	89,114	4,922,802	6,691,407
Obligations payable	-	-	-	-	-	-	21,222	21,222
Obligations under capital leases	-	-	-	-	-	-	481,664	481,664
Assets held in custody for others and deposits	-	48,668	-	159,854	-	-	-	208,522
Deferred revenue	-	407,437	3,537	665,680	-	303,894	4,162,443	5,542,991
Accrued compensated absences	101	17,670	2,058	97,569	286	1,385	1,432,473	1,551,542
Certificates of Participation	-	-	-	-	-	-	1,553,238	1,553,238
Total current liabilities	441,286	906,802	85,683	1,607,943	40,637	394,393	12,573,842	16,050,586
Noncurrent Liabilities:								
Accrued compensated absences	926	161,693	18,833	892,855	2,613	12,678	11,272,078	12,361,676
Certificates of participation	-	-	-	-	-	-	31,267,532	31,267,532
Obligations under capital leases	-	-	-	-	-	-	1,002,365	1,002,365
Total noncurrent liabilities	926	161,693	18,833	892,855	2,613	12,678	43,541,975	44,631,573
Total liabilities	442,212	1,068,495	104,516	2,500,798	43,250	407,071	56,115,817	60,682,159
NET POSITION								
Invested in capital assets, net of related debt	812,194	796,720	4,767,351	2,612,963	14,160	6,963	185,490,758	194,501,109
Unrestricted	1,807,506	2,078,271	1,202,861	2,489,541	232,395	731,484	67,429,178	75,971,236
Total net position	\$ 2,619,700	\$ 2,874,991	\$ 5,970,212	\$ 5,102,504	\$ 246,555	\$ 738,447	\$ 252,919,936	\$ 270,472,345

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - LOCAL FUNDS
YEAR ENDED JUNE 30, 2013

	Indirect Cost Support	Continuing Education & Public Service	Sales & Service Of Educational Activities	Student Programs & Services - University	Student Programs & Services - Laboratory Schools	Field Trip & Foreign Study Activities	Income Fund	Local Funds Total
OPERATING REVENUES								
Student tuition and fees, net	\$ -	\$ -	\$ -	\$ 27,266,997	\$ -	\$ 2,164,974	\$ 159,685,822	\$ 189,117,793
Sales and services of educational activities	-	-	2,745,515	-	6,500	-	-	2,752,015
Other operating revenues	1,933,176	8,876,034	-	11,392,177	182,338	751,196	505,338	23,640,259
Total operating revenues	1,933,176	8,876,034	2,745,515	38,659,174	188,838	2,916,170	160,191,160	215,510,067
OPERATING EXPENSES								
Educational and General								
Instruction	-	214,923	1,819,086	524,046	-	2,441,380	60,339,061	65,338,496
Research	498,972	1,011	149,787	-	807,800	-	726,160	2,183,730
Public service	-	5,839,395	451,838	8,618	-	-	752,667	7,052,518
Academic support	49,022	10,652	125,579	-	-	-	8,066,472	8,251,725
Student services	-	273,179	64,962	31,761,131	-	-	3,550,072	35,649,344
Institutional support	942,207	130,064	-	-	-	-	24,490,369	25,562,640
Operation and maintenance of plant	687,738	90,250	78	549,866	-	-	26,514,916	27,842,848
Depreciation	185,279	30,139	237,419	181,568	5,715	1,071	13,762,900	14,404,091
Staff benefits	(3,535)	90,147	2,969	242,436	47	9,257	(367,370)	(26,049)
Student aid	13,437	15,059	5,000	2,902,405	-	2,000	18,959,660	21,897,561
Other operating expenditures	-	2,236,549	-	-	-	-	-	2,236,549
Total operating expenses	2,373,120	8,931,368	2,856,718	36,170,070	813,562	2,453,708	156,794,907	210,393,453
Operating income (loss)	(439,944)	(55,334)	(111,203)	2,489,104	(624,724)	462,462	3,396,253	5,116,614
NONOPERATING REVENUES (EXPENSES)								
Payments on behalf of the University - Foundation	-	-	-	-	-	-	1,726,723	1,726,723
Laboratory Schools	-	-	-	-	572,781	-	-	572,781
Gifts and donations	-	362	-	-	-	-	477,705	478,067
Investment income, net of investment expenses	(58,034)	(71,615)	3,238	18,974	258	-	268,733	161,554
Interest expense	-	-	-	-	-	-	(890,383)	(890,383)
Other nonoperating revenues	-	105,351	6,000	815,082	91	-	207,762	1,134,286
Net nonoperating revenues (expenses)	(58,034)	34,098	9,238	834,056	573,130	-	1,790,540	3,183,028
Income (Loss) before capital items	(497,978)	(21,236)	(101,965)	3,323,160	(51,594)	462,462	5,186,793	8,299,642
Capital appropriations	-	-	-	-	-	-	1,058,267	1,058,267
Capital grants and gifts	-	-	-	-	-	-	166,850	166,850
Total capital items	-	-	-	-	-	-	1,225,117	1,225,117
Increase (decrease) in net position	(497,978)	(21,236)	(101,965)	3,323,160	(51,594)	462,462	6,411,910	9,524,759
NET POSITION								
Net position - beginning of year	3,117,678	2,896,227	6,072,177	1,779,344	298,149	275,985	246,508,026	260,947,586
Net position - end of year	\$ 2,619,700	\$ 2,874,991	\$ 5,970,212	\$ 5,102,504	\$ 246,555	\$ 738,447	\$ 252,919,936	\$ 270,472,345

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
STATEMENT OF NET POSITION - SERVICE DEPARTMENTS
YEAR ENDED JUNE 30, 2013

Schedule 16

	<u>Service Departments</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 8,189,579
Accounts receivable, net	27,067
Inventories	1,679,175
Prepaid expenses and deposits	<u>319,912</u>
Total current assets	<u>10,215,733</u>
Noncurrent Assets:	
Capital assets, net	<u>2,495,994</u>
Total assets	<u>12,711,727</u>
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	868,541
Deferred revenue	81,953
Accrued compensated absences	<u>129,125</u>
Total current liabilities	<u>1,079,619</u>
Noncurrent Liabilities:	
Accrued compensated absences	<u>926,561</u>
Total liabilities	<u>2,006,180</u>
NET POSITION	
Invested in capital assets, net of related debt	2,495,994
Unrestricted	<u>8,209,553</u>
Total net position	<u>\$ 10,705,547</u>

ILLINOIS STATE UNIVERSITY
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
 SERVICE DEPARTMENTS
 YEAR ENDED JUNE 30, 2013

Schedule 17

	<u>Service Departments</u>
OPERATING REVENUES	
Other operating revenues	\$ <u>18,269,574</u>
Total operating revenues	<u>18,269,574</u>
OPERATING EXPENSES	
Educational and General:	
Instruction	716,645
Institutional support	8,172,826
Operation and maintenance of plant	8,902,122
Depreciation	927,567
Staff benefits	<u>(87,533)</u>
Total operating expenses	<u>18,631,627</u>
Operating loss	<u>(362,053)</u>
NONOPERATING REVENUES	
Investment income, net of investment expenses	514,714
Other nonoperating revenues	<u>14,712</u>
Increase in net position	<u>167,373</u>
NET POSITION	
Net position - beginning of year	<u>10,538,174</u>
Net position - end of year	\$ <u><u>10,705,547</u></u>

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
STATEMENT OF NET POSITION - AUXILIARY FACILITIES
YEAR ENDED JUNE 30, 2013

Schedule 18

	<u>Housing</u>	<u>Student Activities</u>	<u>Parking</u>	<u>Auxiliary Facilities Total</u>
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 630,356	\$ 158,821	\$ 962,672	\$ 1,751,849
Cash and cash equivalents - restricted	-	9,207,965	-	9,207,965
Investments	15,994,853	1,194,917	-	17,189,770
Accrued interest receivable	343,921	51,811	4,622	400,354
Accounts receivable, net	1,155,573	430,986	83,048	1,669,607
Inventories	181,031	59,508	-	240,539
Prepaid expenses and deposits	9,559	188,662	3,396	201,617
Deferred charges and obligations	14,303	73,243	4,291	91,837
Total current assets	<u>18,329,596</u>	<u>11,365,913</u>	<u>1,058,029</u>	<u>30,753,538</u>
Noncurrent Assets:				
Investments	60,177,797	10,084,301	988,904	71,251,002
Bond issuance costs	142,982	1,109,084	31,753	1,283,819
Capital assets, net	99,089,296	93,485,262	23,053,818	215,628,376
Total noncurrent assets	<u>159,410,075</u>	<u>104,678,647</u>	<u>24,074,475</u>	<u>288,163,197</u>
Total assets	<u>177,739,671</u>	<u>116,044,560</u>	<u>25,132,504</u>	<u>318,916,735</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	2,244,380	5,554,546	231,271	8,030,197
Assets held in custody for others and deposits	1,453,012	183,026	-	1,636,038
Deferred revenue	114,747	418,450	141,881	675,078
Accrued compensated absences	108,358	30,084	4,797	143,239
Revenue bonds payable	105,383	2,386,911	196,280	2,688,574
Total current liabilities	<u>4,025,880</u>	<u>8,573,017</u>	<u>574,229</u>	<u>13,173,126</u>
Noncurrent Liabilities:				
Assets held in custody for others and deposits	23,033	-	-	23,033
Accrued compensated absences	987,669	274,213	43,721	1,305,603
Revenue bonds payable	30,894,289	59,131,661	7,360,894	97,386,844
Total noncurrent liabilities	<u>31,904,991</u>	<u>59,405,874</u>	<u>7,404,615</u>	<u>98,715,480</u>
Total liabilities	<u>35,930,871</u>	<u>67,978,891</u>	<u>7,978,844</u>	<u>111,888,606</u>
NET POSITION				
Invested in capital assets, net of related debt	68,089,624	41,174,655	15,496,644	124,760,923
Unrestricted	73,719,176	6,891,014	1,657,016	82,267,206
Total net position	<u>\$ 141,808,800</u>	<u>\$ 48,065,669</u>	<u>\$ 17,153,660</u>	<u>\$ 207,028,129</u>

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - AUXILIARY FACILITIES
YEAR ENDED JUNE 30, 2013

Schedule 19

	Housing	Activities	Parking	Total
OPERATING REVENUES				
Auxiliary enterprises				
Auxiliary facilities	\$ 59,235,001	\$ 17,960,270	\$ 4,009,979	\$ 81,205,250
Total operating revenues	59,235,001	17,960,270	4,009,979	81,205,250
OPERATING EXPENSES				
Educational and General				
Depreciation	3,201,305	3,310,653	636,312	7,148,270
Auxiliary facilities:				
Student housing, activity facilities, and parking	44,892,586	9,126,947	(756,403)	53,263,130
Total operating expenses (income)	48,093,891	12,437,600	(120,091)	60,411,400
Operating income	11,141,110	5,522,670	4,130,070	20,793,850
NONOPERATING REVENUES (EXPENSES)				
Investment income, net of investment expenses	(922,813)	(41,198)	(10,644)	(974,655)
Interest expense	(1,581,305)	(2,133,779)	(467,805)	(4,182,889)
Other nonoperating income	165,208	7,617	1,298	174,123
Net nonoperating expenses	(2,338,910)	(2,167,360)	(477,151)	(4,983,421)
Income before capital items	8,802,200	3,355,310	3,652,919	15,810,429
Capital grants and gifts	-	845,000	-	845,000
Total capital items	-	845,000	-	845,000
Increase in net position	8,802,200	4,200,310	3,652,919	16,655,429
NET POSITION				
Net position - beginning of year	133,006,600	43,865,359	13,500,741	190,372,700
Net position - end of year	\$ 141,808,800	\$ 48,065,669	\$ 17,153,660	\$ 207,028,129

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
CURRENT UNRESTRICTED LOCAL FUNDS
CONTINUING EDUCATION AND PUBLIC SERVICES
CALCULATION SHEET FOR CURRENT EXCESS FUNDS
June 30, 2013
(Unaudited)**

1. Current Available Funds

Add:

Cash	
Cash Equivalents	
Bank Deposits	2,498,000
Marketable Securities	
Certificates of Deposit	
Repurchase Agreements	
Other cash equivalent items	
Interfund receivables	
Total Current Available Funds	A. 2,498,000

2. Working Capital Allowance

Add:

Highest month's expenditures	1,136,296
Encumbrances and current liabilities paid in lapse period	433,026
Deferred income	407,437
Refundable deposits	48,668
Allowance for Restoring Inventory to Normal Level	-
Allowance for Sick Leave/Vacation Payouts	179,362
Working Capital Allowance	B. 2,204,789

3. Current Excess Funds

Deduct B from A and enter here	C. 293,211
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4. Calculation of Income Fund Remittance

An entity may offset excess capital or current fund within the entity. Enter the amount to be offset, if any	D. (156,790)
--	---------------------

Enter the algebraic sum of C and D and remit the amount due, if any for deposit in the Income Fund	136,421
--	----------------

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
CURRENT UNRESTRICTED LOCAL FUNDS
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES
CALCULATION SHEET FOR CURRENT EXCESS FUNDS
June 30, 2013
(Unaudited)**

1. Current Available Funds

Add:

Cash		
Cash Equivalents		
Bank Deposits		1,218,180
Marketable Securities		
Certificates of Deposit		
Repurchase Agreements		
Other cash equivalent items		
Interfund receivables		
Total Current Available Funds	A.	1,218,180

2. Working Capital Allowance

Add:

Highest month's expenditures		288,114
Encumbrances and current liabilities paid in lapse period		80,088
Deferred income		3,537
Refundable deposits		-
Allowance for Restoring Inventory to Normal Level		27,651
Allowance for Sick Leave/Vacation Payouts		20,891
Working Capital Allowance	B.	420,281

3. Current Excess Funds

Deduct B from A and enter here	C.	797,899
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4. Calculation of Income Fund Remittance

An entity may offset excess capital or current fund within the entity. Enter the amount to be offset, if any here	D.	(782,618)
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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		15,281
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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, 2013
(Unaudited)

1. Current Available Funds

Add:

Cash	
Cash Equivalents	
Bank Deposits	4,391,403
Marketable Securities	
Certificates of Deposit	
Repurchase Agreements	
Other cash equivalent items	-
Interfund receivables	
Total Current Available Funds	A. 4,391,403

2. Working Capital Allowance

Add:

Highest month's expenditures	6,235,261
Encumbrances and current liabilities paid in lapse period	725,190
Deferred income	665,680
Refundable deposits	159,854
Allowance for Restoring Inventory to Normal Level	
Allowance for Sick Leave/Vacation Payouts	993,323
Working Capital Allowance	B. 8,779,308

3. Current Excess Funds

Deduct B from A and enter here	C. (4,387,905)
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4. Calculation of Income Fund Remittance

An entity may offset excess capital or current fund within the entity. Enter the amount to be offset, if any	D. (334,443)
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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	(4,722,348)
--	--------------------

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
CURRENT UNRESTRICTED LOCAL FUNDS
FIELD TRIPS AND FOREIGN STUDY
CALCULATION SHEET FOR CURRENT EXCESS FUNDS
June 30, 2013
(Unaudited)**

1. Current Available Funds

Add:

Cash	
Cash Equivalents	
Bank Deposits	1,115,181
Marketable Securities	
Certificates of Deposit	
Repurchase Agreements	
Other cash equivalent items	
Interfund receivables	
Total Current Available Funds	A. 1,115,181

2. Working Capital Allowance

Add:

Highest month's expenditures	620,295
Encumbrances and current liabilities paid in lapse period	89,114
Deferred income	303,894
Refundable deposits	
Allowance for Restoring Inventory to Normal Level	
Allowance for Sick Leave/Vacation Payouts	14,063
Working Capital Allowance	B. 1,027,366

3. Current Excess Funds

Deduct B from A and enter here	C. 87,815
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4. Calculation of Income Fund Remittance

An entity may offset excess capital or current fund within the entity. Enter the amount to be offset, if any here	D. (2,142)
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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	85,673
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**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SERVICE DEPARTMENTS
CALCULATION SHEET FOR CURRENT EXCESS FUNDS
June 30, 2013
(Unaudited)**

1. Current Available Funds

Add:

Cash	266,467
Cash Equivalents	
Bank Deposits	7,665,567
Marketable Securities	
Certificates of Deposit	
Repurchase Agreements	
Other cash equivalent items	
Interfund receivables	
Total Current Available Funds	A. 7,932,034

2. Working Capital Allowance

Add:

Highest month's expenditures	2,292,271
Encumbrances and current liabilities paid in lapse period	868,541
Deferred income	81,953
Refundable deposits	
Allowance for Restoring Inventory to Normal Level	
Allowance for Sick Leave/Vacation Payouts	1,055,686
Working Capital Allowance	B. 4,298,451

3. Current Excess Funds

Deduct B from A and enter here	C. 3,633,583
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4. Calculation of Income Fund Remittance

An entity may offset excess capital or current fund within the entity. Enter the amount to be offset, if any here	D. (4,740,185)
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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	(1,106,602)
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**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
AUXILIARY FACILITIES - REVENUE BONDS
STUDENT HOUSING
CALCULATION SHEET FOR CURRENT EXCESS FUNDS
June 30, 2013
(Unaudited)**

1. Current Available Funds

Add:

Cash	98,528
Cash Equivalents	
Bank Deposits	
Marketable Securities	16,850,238
Certificates of Deposit	
Repurchase Agreements	
Other cash equivalent items	
Interfund receivables	
Total Current Available Funds	A. 16,948,766

2. Working Capital Allowance

Add:

Highest month's expenditures	5,534,827
Encumbrances and current liabilities paid in lapse period	867,915
Deferred income	114,747
Refundable deposits	1,476,045
Allowance for Restoring Inventory to Normal Level	43,051
Allowance for Sick Leave/Vacation Payouts	1,096,028
Working Capital Allowance	B. 9,132,613

3. Current Excess Funds

Deduct B from A and enter here	C. 7,816,153
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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. (9,683,095)
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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.	(1,866,942)
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**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
AUXILIARY FACILITIES - REVENUE BONDS
STUDENT ACTIVITIES
CALCULATION SHEET FOR CURRENT EXCESS FUNDS
June 30, 2013
(Unaudited)**

1. Current Available Funds

Add:

Cash	
Cash Equivalents	
Bank Deposits	90,212
Marketable Securities	1,194,917
Certificates of Deposit	
Repurchase Agreements	
Other cash equivalent items	
Interfund receivables	
Total Current Available Funds	A. 1,285,129

2. Working Capital Allowance

Add:

Highest month's expenditures	1,693,484
Encumbrances and current liabilities paid in lapse period	257,236
Deferred income	418,450
Refundable deposits	183,025
Allowance for Restoring Inventory to Normal Level	4,405
Allowance for Sick Leave/Vacation Payouts	304,297
Working Capital Allowance	B. 2,860,897

3. Current Excess Funds

Deduct B from A and enter here	C. (1,575,768)
--	-----------------------

4. Calculation of Income Fund Remittance

An entity may offset excess capital or current fund within the entity. Enter the amount to be offset, if any here	D. (4,916,364)
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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	(6,492,132)
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**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
AUXILIARY FACILITIES - REVENUE BONDS
PARKING SERVICES
CALCULATION SHEET FOR CURRENT EXCESS FUNDS
June 30, 2013
(Unaudited)**

1. Current Available Funds

Add:

Cash	
Cash Equivalents	
Bank Deposits	620,579
Marketable Securities	
Certificates of Deposit	
Repurchase Agreements	
Other cash equivalent items	
Interfund receivables	
Total Current Available Funds	A. 620,579

2. Working Capital Allowance

Add:

Highest month's expenditures	444,353
Encumbrances and current liabilities paid in lapse period	73,761
Deferred income	141,881
Refundable deposits	-
Allowance for Restoring Inventory to Normal Level	-
Allowance for Sick Leave/Vacation Payouts	48,518
Working Capital Allowance	B. 708,513

3. Current Excess Funds

Deduct B from A and enter here	C. (87,934)
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4. Calculation of Income Fund Remittance

An entity may offset excess capital or current fund within the entity. Enter the amount to be offset, if any	D. (2,454,589)
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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	(2,542,523)
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**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULE OF SOURCES AND APPLICATIONS
INDIRECT COST REIMBURSEMENTS
Year Ended June 30, 2013**

Balance, July 1, 2012	<u>\$ 3,117,678</u>
Sources:	
Private Gifts, Grants and Contracts	363,068
United States Government Grants and Contracts	1,134,972
State of Illinois and Local Grants and Contracts	435,136
Other Administrative Allowances	-
Investment income (loss)	<u>(58,034)</u>
Total Additions	<u>1,875,142</u>
Applications:	
Educational and general:	
Instruction	-
Research	498,972
Public Service	-
Academic Support	49,022
Student Services	-
Institutional Support	942,207
Operation and Maintenance of Plant	687,738
Depreciation	185,279
Staff Benefits	(3,535)
Student Aid	<u>13,437</u>
Total deductions	<u>2,373,120</u>
Decrease in Net Position	<u>(497,978)</u>
Balance at June 30, 2013	<u>\$ 2,619,700</u>

Note: Above information is prepared on an accrual basis.

Indirect cost reimbursements are expended, pursuant to allocations of funds within the University's budget as adopted by the Board of Trustees, to pay for the costs of grants and contracts operations and to pay for overhead expenses of the University. Indirect cost reimbursements are expended in a manner consistent with the formula under which such reimbursements are determined.

Based on the requirements of the *University Guidelines*, patents and royalties do not meet the definition of indirect cost reimbursements and are excluded from this calculation as well as the indirect cost carryforward.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
CALCULATION SHEET FOR INDIRECT COST CARRY-FORWARD
June 30, 2013
(Unaudited)**

1. Cash and Equivalents Balance

Add:

Cash	-	
Cash Equivalents		
Bank Deposits	2,210,651	
Marketable Securities		
Certificates of Deposit		
Repurchase Agreements		
Other cash equivalent items		
Interfund receivables		2,210,651

2. Allocated Reimbursements

Enter the total indirect cost reimbursements allocated for expenditure for the fiscal year completed <u>\$5,065,313</u> ; enter 30% of this amount	1,519,594
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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	193,286
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4. Encumbrances and Current Liabilities Paid in the Lapse Period

Enter the amount of:

Current Liabilities	442,212
Encumbrances	-
Total	442,212

5. Indirect Cost Carry-forward

a. Enter the total of items 2, 3 and 4	2,155,092
b. Subtract from item 1	55,559
If a positive number results, enter here and remit for deposit in the Income Fund	55,559

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULE OF FEDERAL EXPENDITURES, NON-FEDERAL EXPENSES, AND NEW LOANS
Year Ended June 30, 2013**

Schedule A – Federal Financial Component

Total Federal expenditures reported on SEFA schedule	\$157,195,993
Total new loans made not included on SEFA schedule	- *
Amount of Federal loan balances (not included on the SEFA schedule and continued compliance required)	- *
Other noncash federal award expenditures (not included on SEFA schedule)	<u>12,148</u>
Total Schedule A	<u>\$157,208,141</u>

Schedule B – Total Financial Component

Total operating expenses (from financial statements)	\$524,456,726
Total non-operating expenses (from financial statements)	5,312,749
Total new loans made	114,485,294
Amount of Federal loan balances	9,752,761
Other noncash Federal award expenditures	<u>12,148</u>
Total Schedule B	<u>\$654,019,678</u>

Schedule C

		<u>Percent</u>	
Total Schedule A	\$157,208,141	24.04	%
Total Non-Federal Expenses	<u>496,811,537</u>	<u>75.96</u>	%
Total Schedule B	<u>\$654,019,678</u>	<u>100.00</u>	%

* Loan amounts are included on SEFA schedule

These schedules are used to determine the University's single audit costs in accordance with OMB Circular A-133.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FUNCTIONS AND PLANNING PROGRAM
June 30, 2013**

(Unaudited)

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 Mission Statement*, (2) *Board of Trustees Vision Statement for 2014*, and (3) *College Mission Statements*.

The *Academic Plan* submitted during our audit period is for fiscal years 2013-2018 and can be found at http://provost.illinoisstate.edu/downloads/academic_plan/AcademicPlan20132018FINAL.pdf. It includes: (1) an identification of institutional priorities; (2) the University's strategic plan, *Educating Illinois 2013-2018: Individualized Attention, Shared Aspirations*; 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 2014 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 Fiscal Year monitoring progress toward the fulfillment of these recommendations. During Fiscal Year 2013, program reviews were completed on the following programs: B.S., M.S. in Agriculture, B.A., B.S., M.A., M.S. in Family and Consumer Sciences, B.S. in Technology and Engineering Education, B.S. in Industrial Technology, M.S. in Technology, B.A. in Philosophy, B.A., B.S., M.A., M.S. in Psychology, M.A., M.S. in Clinical-Counseling Psychology, Ph.D. in School Psychology, B.S. in Business Administration, Master of Business Administration (M.B.A.), B.S. in Business Information Systems, B.S. in Management, B.S., M.S. in Accountancy, Integrated B.S./M.P.A. in Accountancy, B.S. in Marketing, B.S. in Finance, B.S. in Insurance, B.A., B.S. in International Business, and B.A., B.S. in University Studies. The following Research and Service Centers were also reviewed: Adlai Stevenson II Center for Community and Economic Development and the Center for Teaching, Learning, and Technology.

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 2013-2018: Individualized Attention, Shared Aspirations*.

- *Educating Illinois* is the University's multi-year strategic plan. It has articulated five core values (pursuit of learning and scholarship, individualized attention, diversity, integrity, and civic engagement) that support 4 goals and 19 corresponding action items addressed by the campus community. University progress is summarized on the accomplishments section of the *Educating Illinois* Website, www.educatingillinois.illinoisstate.edu.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FUNCTIONS AND PLANNING PROGRAM
June 30, 2013**

(Unaudited)

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.
- *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.
- *Master Plan: 2010-2030 Looking to the Future* 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. The results from this assessment are used to inform the Master Plan and Capital RAMP.

Location of Agency: Normal, Illinois
Agency Head: Dr. Timothy J. Flanagan, President

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
EMPLOYMENT STATISTICS (FULL-TIME EQUIVALENT)
Years Ended June 30, 2013 and 2012**

(Unaudited)*

	<u>Instructional Activities</u>	<u>Organized Research</u>	<u>Public Service</u>
YEAR ENDED JUNE 30, 2013			
Appropriated funds:			
Faculty/administrative	1,236.20	19.60	30.30
Civil service	210.10	8.00	10.20
Student employees	86.00	.60	.50
Miscellaneous contracts	<u>17.20</u>	<u>.10</u>	<u>.40</u>
	<u>1,549.50</u>	<u>28.30</u>	<u>41.40</u>
Non-appropriated funds:			
Faculty/administrative	63.70	117.30	113.70
Civil service	54.10	25.50	42.70
Student employees	15.90	21.10	17.80
Miscellaneous contracts	<u>3.50</u>	<u>3.00</u>	<u>2.90</u>
	<u>137.20</u>	<u>166.90</u>	<u>177.10</u>
TOTAL ALL FUNDS	<u>1,686.70</u>	<u>195.20</u>	<u>218.50</u>
YEAR ENDED JUNE 30, 2012			
Appropriated funds:			
Faculty/administrative	1,233.80	19.90	28.90
Civil service	215.50	7.40	9.80
Student employees	85.00	.30	.30
Miscellaneous contracts	<u>18.30</u>	<u>.20</u>	<u>.30</u>
	<u>1,552.60</u>	<u>27.80</u>	<u>39.30</u>
Non-appropriated funds:			
Faculty/administrative	62.80	118.30	117.90
Civil service	57.80	24.50	53.00
Student employees	<u>17.60</u>	<u>20.00</u>	<u>19.60</u>
	<u>138.20</u>	<u>162.80</u>	<u>190.50</u>
TOTAL ALL FUNDS	<u>1,690.80</u>	<u>190.60</u>	<u>229.80</u>

* This information has been provided by the University's Office of Budget and Planning and continued on following page.

This is the employment information reported to the Illinois Board of Higher Education. Staff years are computed by dividing the employees' 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. Examples of staff year computations are as follows:

- 1 full-time employee employed 12 months of the fiscal year counts - 1 staff year
- 1 full-time employee employed 6 months of the fiscal year counts - .5 staff year
- 1 one-third time employee employed 12 months of the fiscal year counts - .33 staff year
- 1 one-third time employee employed 6 months of the fiscal year counts - .17 staff year

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
EMPLOYMENT STATISTICS (FULL-TIME EQUIVALENT) continued
Years Ended June 30, 2013 and 2012**

(Unaudited)*

<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>
57.80	63.90	73.80	12.20	-	1,493.80
75.20	28.20	179.80	184.20	-	695.70
18.30	6.10	28.50	-	-	140.00
1.60	2.50	6.70	40.10	-	68.60
<u>152.90</u>	<u>100.70</u>	<u>288.80</u>	<u>236.50</u>	<u>-</u>	<u>2,398.10</u>
7.00	156.80	3.40	1.50	52.80	516.20
0.70	85.20	2.20	124.70	187.10	522.20
-	86.50	-	-	271.90	413.20
<u>1.00</u>	<u>-</u>	<u>-</u>	<u>7.20</u>	<u>4.20</u>	<u>21.80</u>
<u>8.70</u>	<u>328.50</u>	<u>5.60</u>	<u>133.40</u>	<u>516.00</u>	<u>1,473.40</u>
<u>161.60</u>	<u>429.20</u>	<u>294.40</u>	<u>369.90</u>	<u>516.00</u>	<u>3,871.50</u>
54.10	63.30	72.50	12.30	-	1,484.80
77.50	26.60	179.00	185.90	-	701.70
17.60	5.20	28.00	-	-	136.40
1.70	2.80	7.50	41.20	-	72.00
<u>150.90</u>	<u>97.90</u>	<u>287.00</u>	<u>239.40</u>	<u>-</u>	<u>2,394.90</u>
5.80	157.30	4.10	-	53.70	519.90
1.00	92.70	2.30	135.30	187.00	553.60
-	85.40	-	-	275.00	417.60
<u>6.80</u>	<u>335.40</u>	<u>6.40</u>	<u>135.30</u>	<u>515.70</u>	<u>1,491.10</u>
<u>157.70</u>	<u>433.30</u>	<u>293.40</u>	<u>374.70</u>	<u>515.70</u>	<u>3,886.00</u>

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
ANNUAL COST STATISTICS
June 30, 2013 and 2012**

(Unaudited)

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

	<u>2013</u>	<u>2012</u>
Total education and general expenses/expenditures from current appropriated funds	\$ 74,082,400*	\$ 78,874,400*
Expenses/expenditures from locally held University Income Fund	<u>150,379,629</u>	<u>135,852,785</u>
Total expenses from current appropriated and locally held funds	224,462,029	214,727,185
Full-time equivalent students	÷ <u>18,675</u>	÷ <u>19,235</u>
COST PER FULL-TIME EQUIVALENT STUDENT	<u>\$ 12,019</u>	<u>\$ 11,163</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 Year Ended June 30, 2013**

(Unaudited)

In Fiscal Year 2013, the University had one emergency purchase.

The University contracted with Pepper Mangieri, LLC for \$346,150 to employ their construction management team to ensure the timely completion of the east side of Hancock Stadium for the start of the 2013 football season. This purchase was needed to prevent or minimize the disruption in critical State services that affect the collection of substantial State revenues.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
BOOKSTORE INFORMATION
For the Year Ended June 30, 2013**

(Unaudited)

The University has a contractual arrangement for bookstore operations on campus. The University's contract was for the period July 1, 2006 through June 30, 2013 and has been extended through June 30, 2018. 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>
2013	\$ 2,358,557	\$ 212,270
2012	\$ 2,516,986	\$ 226,529
2011	\$ 2,606,266	\$ 234,564

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, 2013**

(Unaudited)

Agency: Illinois State University (636)	Major Function: Higher Education
Total Appropriated and Income Fund Budget as Approved by ISU Board of Trustees	\$ 395,938,400
Faculty FTE (Full Time Equivalent) – Fall 2012	1,040.6
Lab School FTE – Fall 2012	91.1
Admin/Professional FTE – Fall 2012	718.4
Civil Service FTE – Fall 2012	1,439.2
Fall 2012 Enrollment	20,272
FY2013 Degrees	5,235
FY2013 Undergraduate Direct Instruction Costs	\$43,470,282
FY2013 Graduate Direct Instruction Costs	\$6,814,749
FY2013 Undergraduate credit hours	512,286
FY2013 Graduate credit hours	39,718
FY2013 Undergraduate Direct Instruction Cost/Credit Hour	\$84.86
FY2013 Graduate Direct Instruction Cost/Credit Hour	\$171.58

State of Illinois
Illinois State University
Compliance Examination
Special Data Requirements for University Audits
For the Year Ended June 30, 2013
(Unaudited)

In accordance with an Office of the Auditor General, July 25, 2000, memorandum entitled “Matters Regarding University Audits” (Memorandum), certain supplemental data is required to be reported for University audits. The table below cross references the memorandum requirements (indicated by number and letter paragraph references) to the University’s financial audit and compliance examination reports for the year ended June 30, 2013, where such special data is found.

Compliance Findings

- 13(a) There were no violations of the compliance requirements of the University Guidelines identified during the financial audit and compliance examination of the Illinois State University for the year ended June 30, 2013.

Indirect Cost Reimbursements

- 13(b) A statement of the sources and application of indirect cost recoveries is presented on Schedule 28 within this report at page 70.
- 13(c) The University’s calculation sheet for indirect cost carry-forward and any required remittance to the University’s Income Fund is presented on Schedule 29 within this report at page 71.

Tuition Diversion to Auxiliary Enterprise Operations

- 13(d) There were no diversions of tuition revenues to auxiliary enterprise operations identified during the financial audit and compliance examination of the Illinois State University for the year ended June 30, 2013.

Auxiliary Enterprises, Activities, and Accounting Entities

- 13(e) An identification of each specific accounting entity and a description of each entity’s sources of revenues and purpose are presented on Schedule 13 within this report at pages 54 – 55.
- 13(f) The present financial statements for each accounting entity are presented on Schedules 14 – 19 within this report at pages 56 – 61. These entity financial statements should be read in conjunction with the University’s audited financial statements for the year ended June 30, 2013.
- 13(g) The University’s calculation sheets for current excess funds within each accounting entity and any required remittance to the University’s Income Fund are presented on Schedules 20 – 27 within this report at pages 62 – 69.

State of Illinois
Illinois State University
Compliance Examination
Special Data Requirements for University Audits
For the Year Ended June 30, 2013
(Unaudited)

Auxiliary Enterprises, Activities, and Accounting Entities (continued)

- 13(h) The University has certain student employees whom are paid from federal funds under the Work-Study Program (CFDA #84.033). University management discloses – in accordance with the long-standing public policy of the State of Illinois – approximately \$4,179,941 of group insurance expense and \$5,015,136 of retirement plan contributions were paid from State appropriated funds for the year ended June 30, 2013. These payments are shown in the University’s financial statements as “Payments on behalf of the University.”
- 13(i) The revenues and expenses for various bond indenture accounts are presented within the University’s Condensed Statements of Net Position, Condensed Statements of Revenues, Expenses, and Changes in Net Position, and Condensed Statements of Cash Flows for the University’s Auxiliary Facilities System within the financial audit report at Note 22 on page 46.
- Further, the present financial statements for Housing, Activities, and Parking entities are presented on Schedules 18 – 19 within this report at pages 60 – 61. A description of the Housing, Activities, and Parking entities’ sources of revenues and purpose are presented on Schedule 13 within this report at pages 54 – 55.
- 13(j) There were no violations of the bond covenants identified during the financial audit and compliance examination of the Illinois State University for the year ended June 30, 2013.
- 13(k) The University does not currently have any non-instructional facilities reserves established by the University’s Board of Trustees.

University Related Organizations (UROs)

- 13(l) The University has one URO, the Illinois State University Foundation. The University does not have any “Independent Organizations” under Section VII of the University Guidelines.
- 13(m) A summary of Illinois State University Foundation payments to the University for services provided by the University is presented within this report at page 84.
- 13(n) A summary of University payments to the Illinois State University Foundation for services provided by the Illinois State University Foundation is presented within this report at page 84.
- 13(o) A disclosure of the cumulative amount of unreimbursed subsidies to the Illinois State University Foundation is presented within this report at page 84.

State of Illinois
Illinois State University
Compliance Examination
Special Data Requirements for University Audits
For the Year Ended June 30, 2013
(Unaudited)

University Related Organizations (UROs) (continued)

- 13(p) A disclosure and description of debt financed by the Illinois State University Foundation, along with other University long-term liabilities, is disclosed within the financial audit report at Note 9 on pages 32 – 37.

Other Topics

- 13(q) The Comparative Schedule of Cash and Cash Equivalents is presented on Schedule 8 within this report at page 47. The Comparative Schedule of Investments is presented on Schedule 9 within this report at page 48.
- 13(r) The University's income from investments 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 required to be paid into the University's Income Fund.
- 13(s) The cost per full-time equivalent student – prepared in accordance with requirements of the State of Illinois, Board of Higher Education – is presented within this report at page 77.
- 13(t) The University purchased the following parcel of real estate with an acquisition cost in excess of \$250,000 that was not funded by a separate, specific appropriation from the General Assembly:
- 308 Kingsley in Normal, Illinois for \$425,000.
- 13(u) The University's Certificate of Participation issuances, along with other University and Illinois State University Foundation long-term liabilities, are disclosed within the financial audit report at Note 9 on pages 32 – 37.

Other Schedules for Universities

- 13(1) An analysis of State appropriations to the University is presented on Schedules 2 – 5 within this report at pages 41 – 44.
- 13(2) A Comparative Schedule of Revenues and Expenses for the University's Income Fund is presented on Schedule 6 within this report at page 45.
- 13(3) Separate schedules of tuition and fee waivers for undergraduate and graduate students, respectively, are presented within this report at pages 85 – 86.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SUMMARY OF FOUNDATION PAYMENTS TO UNIVERSITY
Years Ended June 30, 2013 and 2012**

(Unaudited)

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

During fiscal years 2013 and 2012, the Illinois State University engaged the Foundation, under contract, to provide development and fund raising services. In addition, the University contributed services and expenditures in the amount of \$2,143,917 and \$2,041,570 during fiscal years 2013 and 2012, respectively. As required by contract, the Foundation fully repaid the University, using funds considered unrestricted for purposes of the computations per University Guidelines. There was no cumulative unreimbursed subsidies for fiscal years 2013 and 2012. During fiscal years 2013 and 2012 the Foundation contributed services and expenditures of \$9,304,212 and \$7,657,657, respectively that were for the direct and/or indirect support of the University.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
UNDERGRADUATE TUITION AND FEE WAIVERS
For the Year Ended June 30, 2013**

(Unaudited)

	Total Number of Recipients*	Tuition Waived		Fees Waived	
		Number of Recipients*	Value of Waivers	Number of Recipients*	Value of Waivers
(In Thousands of Dollars)					
Mandatory Waivers					
Teacher Special Education	334	334	\$ 3,054.1	334	\$ 820.3
General Assembly	58	58	545.6	-	-
Reserve Officer's Training Corps	39	39	300.9	-	-
Wards of Illinois Department of Children and Family Services	33	33	182.3	33	24.6
Veterans Grants and Scholarships	298	298	2,293.0	-	-
Children of Employees	<u>309</u>	<u>309</u>	<u>1,268.5</u>	<u>-</u>	<u>-</u>
(subtotal)	<u>1,071</u>	<u>1,071</u>	<u>7,644.4</u>	<u>367</u>	<u>844.9</u>
Discretionary Waivers					
Faculty/Administrators (Non-Civil Service)	6	6	14.2	6	3.2
Civil Service	64	69	149.8	64	36.3
Children of Deceased Employees	3	3	23.3	3	5.3
Athletic	293	293	2,396.3	-	-
Academic/Other Talent	1,045	1,045	2,389.3	-	-
Foreign Exchange Students	21	21	151.7	-	-
Out-of-State Students	2	2	14.6	-	-
Teaching Assistants	-	-	-	-	-
Retired University Employees	1	1	1.3	1	0.3
Cooperating Professionals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(subtotal)	<u>1,435</u>	<u>1,440</u>	<u>5,140.5</u>	<u>74</u>	<u>45.1</u>
Total	<u>2,506</u>	<u>2,511</u>	<u>\$12,784.9</u>	<u>441</u>	<u>\$ 890.0</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, 2013**

(Unaudited)

	Total Number of Recipients*	Tuition Waived		Fees Waived	
		Number of Recipients*	Value of Waivers	Number of Recipients*	Value of Waivers
(In Thousands of Dollars)					
Mandatory Waivers					
Teacher Special Education	11	11	\$ 46.8	11	\$ 13.8
Reserve Officer's Training Corps	-	-	-	-	-
Veterans Grants & Scholarships	<u>38</u>	<u>38</u>	<u>140.2</u>	<u>-</u>	<u>-</u>
(subtotal)	<u>49</u>	<u>49</u>	<u>187.0</u>	<u>11</u>	<u>13.8</u>
Discretionary Waivers					
Faculty/Administrators (Non-Civil Service)	166	166	417.0	159	103.1
Civil Service	78	78	151.2	67	37.1
Cooperating Professionals	363	363	686.2	-	-
Athletic	4	4	10.1	-	-
Academic/Other Talent	408	408	739.8	17	3.2
Foreign Exchange Students	44	44	187.1	-	-
Graduate Assistants	1,018	1,018	8,087.8	-	-
Out-of-State	-	-	-	-	-
Retired University Employees	<u>5</u>	<u>5</u>	<u>9.2</u>	<u>2</u>	<u>1.5</u>
(subtotal)	<u>2,086</u>	<u>2,086</u>	<u>10,288.4</u>	<u>245</u>	<u>144.9</u>
Total	<u>2,135</u>	<u>2,135</u>	<u>\$10,475.4</u>	<u>256</u>	<u>\$ 158.7</u>

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