

State of Illinois
ILLINOIS ARTS COUNCIL
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2009

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

ROBERT J. RIPP & ASSOCIATES
Frankfort, Illinois

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2009

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STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL
COMPLIANCE EXAMINATION
For The Two Years Ended June 30, 2009

AGENCY OFFICIALS

ILLINOIS ARTS COUNCIL

Executive Director

Mr. Terry Scrogum

Chief Fiscal Officer

Ms. Yazoo Hall

Agency Offices are located at:

James R. Thompson Center
100 West Randolph
Suite 10-500
Chicago, IL 60601-3298

National City Bank Building
One North Old State Capitol Plaza
Suite 345
Springfield, IL 62701-1323



Robert J. Ripp & Associates
Certified Public Accountant
20646 Abbey Woods Ct. N. – Ste. 103
Frankfort, IL 60423

January 5, 2010

Pat Quinn
Governor

Shirley R. Madigan
Chairman

Terry A. Scrogum
Executive Director

Ladies and Gentlemen:

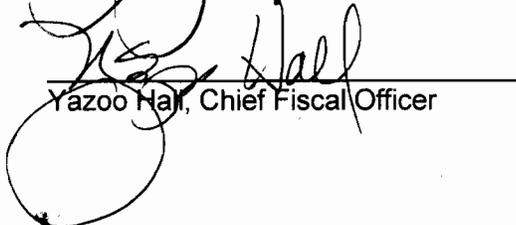
We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Agency. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Agency's compliance with the following assertions during the two-year period ended June 30, 2009. Based on this evaluation, we assert that during the years ended June 30, 2008 and June 30, 2009, the Agency has materially complied with the assertions below.

- A. The agency 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 agency 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 agency has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the agency are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the agency on behalf of the State or held in trust by the agency have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Illinois Arts Council


Terry A. Scrogum, Executive Director


Yazoo Hall, Chief Fiscal Officer

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2009

COMPLIANCE REPORT

SUMMARY

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

SUMMARY OF FINDINGS

<u>Number of</u>	<u>This Report</u>	<u>Prior Report</u>
Findings	3	4
Repeat findings	2	0
Prior recommendations implemented or not repeated	2	3

Details of findings are presented in a separate report section.

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
09-1	9	Failure to Adopt Formal Rules for Agency and Grant Procedures	Noncompliance Significant Deficiency
09-2	10	Council Members Terms Expired / Insufficient Number of Council Members	Noncompliance
09-3	11	Contractual Service Payment Made From Incorrect Fiscal Year Appropriation	Noncompliance Significant Deficiency

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2009

COMPLIANCE REPORT

SUMMARY

SUMMARY OF FINDINGS (Continued)

PRIOR FINDINGS NOT REPEATED

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
A	12	Illinois Summer School for the Arts Board Members not Nominated
B	12	Lack of Grant Compliance Audits / Failure of Grantees to Submit Final Reports

EXIT CONFERENCE

Agency management waived having an exit conference per correspondence dated December 15, 2009.

Responses to the recommendations were provided by Yazoo Hall, Chief Fiscal Officer, in a letter dated January 5, 2010.

ROBERT J. RIPP & ASSOCIATES

Certified Public Accountant & Business Consultants

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**INDEPENDENT ACCOUNTANTS' 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

Illinois Arts Council Members
Chicago, Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Illinois Arts Council'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 two years ended June 30, 2009. The management of the State of Illinois, Illinois Arts Council is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Illinois Art Council's compliance based on our examination.

- A. The State of Illinois, Illinois Arts Council 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 Arts Council 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 Arts Council has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the State of Illinois, Illinois Arts Council 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 Arts Council on behalf of the State or held in trust by the State of Illinois, Illinois Arts Council have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the State of Illinois, Illinois Arts Council'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 State of Illinois, Illinois Arts Council's compliance with specified requirements.

In our opinion, the State of Illinois, Illinois Arts Council complied, in all material respects, with the requirements listed in the first paragraph of this report during the two years ended June 30, 2009. However, the results of our procedures disclosed instances of noncompliance, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as findings 09-1, 09-2 and 09-3.

Internal Control

The management of the State of Illinois, Illinois Arts Council 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 State of Illinois, Illinois Arts Council's internal control over compliance with the requirements listed in the first paragraph of this report as a basis for designing our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Illinois Arts Council's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Illinois Arts Council's internal control over compliance.

A *deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that 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.

Our consideration of internal control over compliance was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance described in findings 09-1 and 09-3 in the accompanying schedule of findings that we consider to be significant deficiencies in internal control over compliance. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information as listed in the table of contents as Supplementary Information for State Compliance Purposes is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the 2009 and the 2008 Supplementary Information for State Compliance Purposes, except for the Service Efforts and Accomplishments on which we did not perform any procedures. However, we do not express an opinion on the supplementary information.

We have not applied procedures to the 2007 Supplementary Information for State Compliance Purposes, and accordingly, we do not express an opinion thereon.

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

Robert J. Ripp & Associates

January 5, 2010

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL
FINDINGS AND RECOMMENDATIONS
For the Two Years Ended June 30, 2009

CURRENT FINDINGS – STATE

09-1 Failure to Adopt Formal Rules for Agency and Grant Procedures

The Illinois Arts Council did not draft or adopt formal agency rules, including rules relating to grant procedures.

The Illinois Administrative Procedure Act (5 ILCS 100/5 et seq.) states that each agency shall maintain and file organizational rules, including a current description of the agency's organization, current procedures for information requests, and a current description of the agency's rulemaking procedures. Additionally, the Illinois Administrative Procedure Act (5 ILCS 100/5-10) and good internal controls require that policy affecting external parties be adopted and implemented through public rules to fully inform affected persons.

Agency officials stated they consulted with the Illinois Office of the Governor concerning the process of drafting and adopting organization rules with the Joint Committee on Administrative Rules (JCAR) and the funding required to carry out the process, but formal agency rules have not yet been drafted or adopted.

Agency rules prescribe policy and establish procedures to assist management in decision making. Formal administrative rules can also help protect agencies from legal challenges and give additional legitimacy to agency actions and agency requests from external parties. Promulgating formal grant procedures ensures transparency and accountability of State government, can help protect agencies from legal challenges, and gives additional legitimacy to agency actions and agency requests from external parties. (Finding Code No. 09-1, 07-1)

Recommendation:

We recommend the Agency draft organizational rules and grant procedures, then contact JCAR for assistance with the formal adoption process.

Agency Response:

The Agency does not currently have the staff or legal support to engage in this process. Due to the financial crisis of the State, we do not foresee funds being appropriated to have formal rules and procedures drafted in FY 2010 or 2011. The Agency will however, continue to seek the guidance of the Office of the Governor on this finding.

09-2 Council Members Terms Expired / Insufficient Number of Council Members

The Illinois Arts Council has Council Members whose terms have expired and the total number of Council Members is less than required by statute.

As of June 30, 2009, 2 of 16 (13%) Council Members terms have expired. Both of these Council Members' terms expired on July 1, 2005. Additionally, the Agency did not have the required number of Council Members. The Agency had 16 members appointed as of June 30, 2009.

Illinois Arts Council Act (20 ILCS 3915/1) states that the Illinois Arts Council shall be composed of 21 members to be appointed by the Governor for four-year terms.

Agency officials stated they have been working with the Illinois Office of the Governor to have expired Council Members reappointed and vacancies filled.

Illinois Arts Council members should be reappointed or appointed in a timely manner and the required number of members should be appointed in order to comply with State statute. (Finding Code No. 09-2, 07-2)

Recommendation:

We recommend the Agency coordinate with the Illinois Office of the Governor to re-appoint members with expired terms and fill vacancies with new appointments.

Agency Response:

The Agency will continue to work with the Office of the Governor to address this finding. The decision to re-appoint members and fill vacancies with new appointments is ultimately that of the Governor's Office.

09-3 Contractual Service Payment Made From Incorrect Fiscal Year Appropriation

The Illinois Arts Council paid for services from the incorrect fiscal year appropriation.

The Agency made a contractual service payment in the amount of \$4,886 from fiscal year 2008 appropriations. The payment included computer technical services performed in fiscal year 2009.

The State Finance Act (30 ILCS 105/25) states all appropriations shall be available for expenditure for the fiscal year or for a lesser period if the Act making that appropriation so specifies.

Agency officials stated the contractor was hired to provide technical support relating to the upgrade of the Agency's computer server. The work was scheduled for June 30, 2008 and extended into July 2008. The Agency did not want to interrupt the completion of the server upgrade; therefore, they allowed the work to be completed.

Paying expenditures from the incorrect fiscal year appropriation is a violation of the State Finance Act, in that it results in expenditures by the Agency for services not received in that fiscal year's appropriations. (Finding Code No. 09-3)

Recommendation:

We recommend the Agency strictly adhere to the State Finance Act requirements that restrict appropriated funds to the fiscal year in which the services were rendered.

Agency Response:

In the future, the Agency will monitor its contractual needs more closely, especially as the end of the fiscal year approaches, and request a contract extension if necessary, thus complying with the State Finance Act.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL
FINDINGS AND RECOMMENDATIONS
For the Two Years Ended June 30, 2009

PRIOR FINDINGS NOT REPEATED – STATE

A Illinois Summer School for the Arts Board Members not Nominated

The Agency did not nominate individuals to serve on the board of trustees of the Illinois Summer School for the Arts as required by the Illinois Summer School for the Arts Act (105 ILCS 310/4). (Finding Code No. 07-4)

Disposition – Not Repeated:

Section 4 of the Illinois Summer School for the Arts Act was repealed effective January 1, 2009.

B Lack of Grant Compliance Audits / Failure of Grantees to Submit Final Reports

Grant compliance audits were not performed by the Agency during fiscal year 2007. Additionally, recipients of Agency grant funds did not submit final grant reports to the Agency within 30 days of the end of the grant program.

Disposition – Not Repeated:

The Agency performed grant compliance audits for both fiscal years. Furthermore, the Agency implemented a policy that would penalize grantees for submitting final reports late or not at all. (Finding Code No. 07-3)

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

SUPPLEMENTAL INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

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

- Fiscal Schedules and Analysis:
 - Schedule of Expenditures of Federal Awards
 - Notes to the Schedule of Expenditures of Federal Awards
 - Schedule of Appropriations, Expenditures and Lapsed Balances
 - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
 - Comparative Schedule of Receipts, Disbursements and Fund Balance (Modified Accrual Basis) – Locally Held Funds
 - Schedule of Changes in State Property
 - Comparative Schedule of Cash Receipts
 - Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
 - Analysis of Significant Variations in Expenditures
 - Analysis of Significant Variations in Receipts
 - Analysis of Significant Lapse Period Spending

- Analysis of Operations
 - Agency Functions and Planning Program
 - Average Number of Employees
 - Service Efforts and Accomplishments (Not Examined)

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the auditors have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General, except for information on the Service Efforts and Accomplishments on which they did not perform any procedures. However, the accountants do not express an opinion on the supplementary information.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Two Years Ended June 30, 2009

Federal Grantor	Federal CFDA Number	Federal Expenditures
<u>YEAR ENDED JUNE 30, 2009</u>		
National Endowment for the Arts:		
Promotion of the Arts Partnership Agreements	45.025	\$ 869,990
Promotion of the Arts Grants to Organizations and Individuals	45.024	<u>410,522</u>
		<u>\$ 1,280,512</u>
<u>YEAR ENDED JUNE 30, 2008</u>		
National Endowment for the Arts:		
Promotion of the Arts Partnership Agreements	45.025	\$ 718,514
Promotion of the Arts Grants to Organizations and Individuals	45.024	<u>206,486</u>
		<u>\$ 925,000</u>

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Two Years Ended June 30, 2009

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Illinois Arts Council and is presented on the modified accrual basis of accounting.

Source of Funds

The Agency receives federal funds through the National Endowment for the Arts in the form of partnership grants and grants to organizations and individuals.

Subrecipients

Of the federal expenditures presented in the schedule, the Illinois Arts Council provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Amounts Provided to Subrecipients</u>	
	<u>2009</u>	<u>2008</u>
Program Grants	\$ 798,590	\$ 652,114
Special Assistance Grants	313,024	221,486
Arts Education	51,400	51,400
	<u>\$ 1,163,014</u>	<u>\$ 925,000</u>

Non-Cash Assistance Expended

The Agency did not expend any non-cash assistance.

Insurance, Loans and Loan Guarantees

The Agency did not have insurance in effect, loans or loan guarantees.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Appropriations for Fiscal Year 2009

Fourteen Months Ended August 31, 2009

Public Act 95-0731

APPROPRIATED FUNDS	Appropriations (Net After Transfers)	Expenditures Through 6/30/09	Lapsed Period Expenditures 7/01-8/31/09	Total Expenditures	Balances Lapsed
<u>GENERAL REVENUE FUND - 001</u>					
Personal Services	\$ 1,425,400	\$ 1,358,390	\$ 7,844	\$ 1,366,234	\$ 59,166
Retirement-employee contribution	253,700	251,554	1,654	253,208	492
Pension continuing approp	36,600	35,196	10	35,206	1,394
Social Security	109,000	100,384	578	100,962	8,038
Contractual services	210,446	158,523	19,667	178,190	32,256
Travel	33,800	16,745	1,326	18,071	15,729
Commodities	11,000	7,625	383	8,008	2,992
Printing	70,500	15,669	-	15,669	54,831
Equipment	12,000	3,153	-	3,153	8,847
Electronic data processing	200,000	53,084	19,348	72,432	127,568
Telecommunications	25,254	22,825	2,428	25,253	1
Travel & meeting expenses (Council & Panel members)	37,500	27,948	9,366	37,314	186
Grant (Arts Organization)	4,705,900	4,548,810	12,040	4,560,850	145,050
Grant (Special Constituencies)	1,813,500	1,768,690	43,510	1,812,200	1,300
Grant (Arts Education)	1,116,900	1,014,045	78,250	1,092,295	24,605
Grant (Public Radio & Television)	324,100	314,100	-	314,100	10,000
Grant (International Grant Awards)	719,000	693,650	5,250	698,900	20,100
Grant (Humanities Programs & Activities)	713,200	692,200	-	692,200	21,000
Grant (Public Radio & TV-Administration)	4,177,700	4,011,876	-	4,011,876	165,824
TOTAL GENERAL REVENUE FUND	\$ 15,995,500	\$ 15,094,467	\$ 201,654	15,296,121	\$ 699,379

Note: There were no reappropriations made of unexpended balances of operating appropriations. Appropriation transfers were approved by the Governor. Appropriations, 14 month expenditures and lapsed balances were taken directly from the records of the State Comptroller.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Appropriations for Fiscal Year 2009

Fourteen Months Ended August 31, 2009

Public Act 95-0731

<u>APPROPRIATED FUNDS</u>	<u>Appropriations (Net After Transfers)</u>	<u>Expenditures Through 6/30/09</u>	<u>Lapsed Period Expenditures 7/01-8/31/09</u>	<u>Total Expenditures</u>	<u>Balances Lapsed</u>
<u>FEDERAL GRANT FUND - 657</u>					
Grant (Enhance Cultural Environment)	\$ 1,000,000	\$ 869,990	\$ -	\$ 869,990	\$ 130,010
Grant (Enhance Cultural Environment)	500,000	351,705	58,817	410,522	89,478
TOTAL FEDERAL GRANT FUND	\$ 1,500,000	\$ 1,221,695	\$ 58,817	\$ 1,280,512	\$ 219,488
TOTAL APPROPRIATED FUNDS	\$ 17,495,500	\$ 16,316,162	\$ 260,471	\$ 16,576,633	\$ 918,867
<u>NON-APPROPRIATED FUNDS</u>					
<u>STATE TRUST FUND - 402</u>					
ISBE Arts & Foreign Language Program		\$ 128,890	\$ 48,110	\$ 177,000	
TOTAL STATE TRUST FUND		\$ 128,890	\$ 48,110	\$ 177,000	
TOTAL NON-APPROPRIATED FUNDS		\$ 128,890	\$ 48,110	\$ 177,000	

Note: There were no reappropriations made of unexpended balances of operating appropriations. Appropriation transfers were approved by the Governor. Appropriations, 14 month expenditures and lapsed balances were taken directly from the records of the State Comptroller.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Appropriations for Fiscal Year 2009

Fourteen Months Ended August 31, 2009

Public Act 95-0731

<u>APPROPRIATED FUNDS</u>	Appropriations (Net After Transfers)	Expenditures Through 6/30/09	Lapsed Period Expenditures 7/01-8/31/09	Total Expenditures	Balances Lapsed
GENERAL REVENUE FUND (001)	\$ 15,995,500	\$ 15,094,467	\$ 201,654	\$ 15,296,121	\$ 699,379
FEDERAL GRANT FUND (657)	<u>1,500,000</u>	<u>1,221,695</u>	<u>58,817</u>	<u>1,280,512</u>	<u>219,488</u>
TOTAL, ALL APPROPRIATED FUNDS	<u>\$ 17,495,500</u>	<u>\$ 16,316,162</u>	<u>\$ 260,471</u>	<u>\$ 16,576,633</u>	<u>\$ 918,867</u>
 <u>NON-APPROPRIATED FUNDS</u>					
STATE TRUST FUND (402)		<u>\$ 128,890</u>	<u>\$ 48,110</u>	<u>\$ 177,000</u>	
TOTAL, ALL NON-APPROPRIATED FUNDS		<u>\$ 128,890</u>	<u>\$ 48,110</u>	<u>\$ 177,000</u>	
<u>GRAND TOTAL - ALL FUNDS</u>		<u>\$ 16,445,052</u>	<u>\$ 308,581</u>	<u>\$ 16,753,633</u>	

Note: There were no reappropriations made of unexpended balances of operating appropriations. Appropriation transfers were approved by the Governor. Appropriations, 14 month expenditures and lapsed balances were taken directly from the records of the State Comptroller.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Appropriations for Fiscal Year 2008

Fourteen Months Ended August 31, 2008

Public Act 95-0348

<u>APPROPRIATED FUNDS</u>	Appropriations (Net After Transfers)	Expenditures Through 6/30/08	Lapsed Period Expenditures 7/01-8/31/08	Total Expenditures	Balances Lapsed
<u>GENERAL REVENUE FUND - 001</u>					
Personal Services	\$ 1,396,975	\$ 1,377,748	\$ 18,951	\$ 1,396,699	\$ 276
Retirement-employee contribution	229,095	224,255	3,139	227,394	1,701
Social Security	105,000	102,071	1,450	103,521	1,479
Contractual services	263,197	210,300	50,308	260,608	2,589
Travel	40,800	35,376	4,132	39,508	1,292
Commodities	11,000	7,287	2,103	9,390	1,610
Printing	70,500	10,620	15,704	26,324	44,176
Equipment	12,000	7,957	4,014	11,971	29
Electronic data processing	179,300	26,060	153,071	179,131	169
Telecommunications	25,633	21,464	4,032	25,496	137
Travel & meeting expenses (Council & Panel members)	37,500	31,453	6,027	37,480	20
Grant (Arts Organization)	4,705,900	4,679,420	26,480	4,705,900	-
Grant (Special Constituencies)	1,813,500	1,718,738	94,562	1,813,300	200
Grant (Arts Education)	1,116,900	1,072,986	43,914	1,116,900	-
Grant (Public Radio & Television)	271,100	271,100	-	271,100	-
Grant (International Grant Awards)	719,000	719,000	-	719,000	-
Grant (Humanities Programs & Activities)	713,200	713,200	-	713,200	-
Grant (Public Radio & TV-Administration)	3,494,800	3,494,800	-	3,494,800	-
TOTAL GENERAL REVENUE FUND	\$ 15,205,400	\$ 14,723,835	\$ 427,887	15,151,722	\$ 53,678

Note: There were no reappropriations made of unexpended balances of operating appropriations. Appropriation transfers were approved by the Governor. Appropriations, 14 month expenditures and lapsed balances were taken directly from the records of the State Comptroller.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Appropriations for Fiscal Year 2008

Fourteen Months Ended August 31, 2008

Public Act 95-0348

<u>APPROPRIATED FUNDS</u>	<u>Appropriations (Net After Transfers)</u>	<u>Expenditures Through 6/30/08</u>	<u>Lapsed Period Expenditures 7/01-8/31/08</u>	<u>Total Expenditures</u>	<u>Balances Lapsed</u>
<u>FEDERAL GRANT FUND - 657</u>					
Grant (Enhance Cultural Environment)	\$ 925,000	\$ 911,084	\$ 13,916	\$ 925,000	\$ -
TOTAL FEDERAL GRANT FUND	<u>\$ 925,000</u>	<u>\$ 911,084</u>	<u>\$ 13,916</u>	<u>\$ 925,000</u>	<u>\$ -</u>
TOTAL APPROPRIATED FUNDS	<u>\$ 16,130,400</u>	<u>\$ 15,634,919</u>	<u>\$ 441,803</u>	<u>\$ 16,076,722</u>	<u>\$ 53,678</u>
<u>NON-APPROPRIATED FUNDS</u>					
<u>STATE TRUST FUND - 402</u>					
ISBE Arts & Foreign Language Program		\$ 14,892	\$ -	\$ 14,892	
TOTAL STATE TRUST FUND		<u>\$ 14,892</u>	<u>\$ -</u>	<u>\$ 14,892</u>	
TOTAL NON-APPROPRIATED FUNDS		<u>\$ 14,892</u>	<u>\$ -</u>	<u>\$ 14,892</u>	

Note: There were no reappropriations made of unexpended balances of operating appropriations. Appropriation transfers were approved by the Governor. Appropriations, 14 month expenditures and lapsed balances were taken directly from the records of the State Comptroller.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Appropriations for Fiscal Year 2008

Fourteen Months Ended August 31, 2008

Public Act 95-0348

<u>APPROPRIATED FUNDS</u>	<u>Appropriations (Net After Transfers)</u>	<u>Expenditures Through 6/30/08</u>	<u>Lapsed Period Expenditures 7/01-8/31/08</u>	<u>Total Expenditures</u>	<u>Balances Lapsed</u>
GENERAL REVENUE FUND (001)	\$ 15,205,400	\$ 14,723,835	\$ 427,887	\$ 15,151,722	\$ 53,678
FEDERAL GRANT FUND (657)	925,000	911,084	13,916	925,000	-
TOTAL, ALL APPROPRIATED FUNDS	\$ 16,130,400	\$ 15,634,919	\$ 441,803	\$ 16,076,722	\$ 53,678
 <u>NON-APPROPRIATED FUNDS</u>					
STATE TRUST FUND (402)		\$ 14,892	\$ -	\$ 14,892	
TOTAL, ALL NON-APPROPRIATED FUNDS		\$ 14,892	\$ -	\$ 14,892	
<u>GRAND TOTAL - ALL FUNDS</u>		<u>\$ 15,649,811</u>	<u>\$ 441,803</u>	<u>\$ 16,091,614</u>	

Note: There were no reappropriations made of unexpended balances of operating appropriations. Appropriation transfers were approved by the Governor. Appropriations, 14 month expenditures and lapsed balances were taken directly from the records of the State Comptroller.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES, AND LAPSED BALANCES

	Fiscal Year		
	2009	2008	2007
	PA 95-0731	PA 95-0348	PA 94-0798
GENERAL REVENUE FUND - 001			
Appropriations (Net after transfers)	\$ 15,995,500	\$ 15,205,400	\$ 19,799,300
Expenditures:			
Personal Services	1,366,234	1,396,699	1,240,371
Pension continuing approp	35,206	-	-
Retirement-employee contribution	253,208	227,394	137,657
Social Security	100,962	103,521	92,474
Contractual Services	178,190	260,608	205,319
Travel	18,071	39,508	25,838
Commodities	8,008	9,390	9,464
Printing	15,669	26,324	71,305
Equipment	3,153	11,971	13,551
Electronic data processing	72,432	179,131	42,185
Telecommunications	25,253	25,496	25,209
Travel & meeting expense (Council & Panel members)	37,314	37,480	34,905
Grant (Arts Organizations)	4,560,850	4,705,900	6,437,500
Grant (Special Constituencies)	1,812,200	1,813,300	2,401,103
Grant (Arts Education)	1,092,295	1,116,900	1,535,490
Grant (Public Radio & Television)	314,100	271,100	365,900
Grant (International Grant Awards)	698,900	719,000	1,000,000
Grant (Humanities Programs & Activities)	692,200	713,200	970,000
Grant (Public Radio & TV Administration)	4,011,876	3,494,800	4,745,000
Total Expenditures	15,296,121	15,151,722	19,353,271
Lapsed Balances	\$ 699,379	\$ 53,678	\$ 446,029

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES, AND LAPSED BALANCES

	Fiscal Year		
	2009	2008	2007
	<u>PA 95-0731</u>	<u>PA 95-0348</u>	<u>PA 94-0798</u>
<u>FEDERAL GRANT FUND - 657</u>			
Appropriations (Net after transfers)	\$ 1,500,000	\$ 925,000	\$ 775,000
Expenditures:			
Grant (Enhance Cultural Environment)	1,280,512	925,000	668,420
Total Expenditures	<u>1,280,512</u>	<u>925,000</u>	<u>668,420</u>
Lapsed Balances	<u>\$ 219,488</u>	<u>\$ -</u>	<u>\$ 106,580</u>
 <u>TOTAL - ALL APPROPRIATED FUNDS</u>			
Appropriations (Net after transfers)	\$ 17,495,500	\$ 16,130,400	\$ 20,574,300
Total Expenditures	<u>16,576,633</u>	<u>16,076,722</u>	<u>20,021,691</u>
Lapsed Balances	<u>\$ 918,867</u>	<u>\$ 53,678</u>	<u>\$ 552,609</u>
 NON-APPROPRIATED FUNDS			
<u>STATE TRUST FUND - 402</u>			
Expenditures:			
ISBE Arts & Foreign Language Program	\$ 177,000	\$ 14,892	\$ 360,172
Total Expenditures	<u>\$ 177,000</u>	<u>\$ 14,892</u>	<u>\$ 360,172</u>

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL
COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND FUND BALANCE (MODIFIED ACCRUAL BASIS) - LOCALLY HELD FUNDS
June 30,

	<u>2009</u>	<u>2008</u>
	#1160 Illinois Arts Council Foundation	#1160 Illinois Arts Council Foundation
Beginning Fund Balance	\$ 78,024	\$ 77,271
Receipts:		
Contributions	45	450
Investment Income	1,212	1,941
Artist Registry	275	350
Grant Revenue - People with Disabilities Program	14,000	-
Grant Revenue - Education Leaders Institute	6,500	-
Miscellaneous	-	536
Total Receipts	<u>22,032</u>	<u>3,277</u>
Disbursements:		
Commodities	82	155
Contractual Services	87	2,209
Conference & Meeting Expenses	-	45
Contributions	15	15
Grant Expense - People with Disabilities Program	14,690	-
Grant Expense - Education Leaders Institute	6,500	-
Miscellaneous Expenses	85	100
Total Disbursements	<u>21,459</u>	<u>2,524</u>
Ending Fund Balance	<u>\$ 78,597</u>	<u>\$ 78,024</u>

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

SCHEDULE OF CHANGES IN PROPERTY AND EQUIPMENT
FOR THE TWO YEARS ENDED JUNE 30, 2009

	July 1, 2008 Through June 30, 2009	July 1, 2007 Through June 30, 2008
	<u> </u>	<u> </u>
PROPERTY BALANCE - July 1	\$ 218,660	\$ 218,836
Additions:		
Equipment expenditures	<u>37,345</u>	<u>44,709</u>
Total Additions	<u>37,345</u>	<u>44,709</u>
Subtotal	<u>256,005</u>	<u>263,545</u>
Deductions:		
Deletions	<u>29,498</u>	<u>44,885</u>
Total Deductions	<u>29,498</u>	<u>44,885</u>
PROPERTY BALANCE - June 30	<u><u>\$ 226,507</u></u>	<u><u>\$ 218,660</u></u>

Note: The above numbers were reconciled to the Agency's property listing and Quarterly Report of Fixed Assets (Form C-15).

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

COMPARATIVE SCHEDULE OF CASH RECEIPTS AND RECONCILIATION OF
CASH RECEIPTS TO DEPOSITS REMITTED TO STATE COMPTROLLER

	FISCAL YEAR		
	2009	2008	2007
<u>General Revenue Fund #001</u>			
Repayment of unused grant funds	\$ -	\$ -	\$ 3,779
Miscellaneous receipts	158	20	-
Prior year refunds	8,066	5,946	-
	<u>8,224</u>	<u>5,966</u>	<u>3,779</u>
<u>State Trust Fund #402</u>			
State Board of Education	<u>177,000</u>	<u>141,455</u>	<u>233,700</u>
<u>Federal Grant Fund #657</u>			
Federal grants from the National Endowment for the Arts	<u>1,295,300</u>	<u>867,900</u>	<u>760,400</u>
Total Cash Receipts per Agency Records	1,480,524	1,015,321	997,879
Less Deposits in Transit at End of Year	<u>-</u>	<u>-</u>	<u>-</u>
Total Deposits Remitted to Comptroller	<u>\$ 1,480,524</u>	<u>\$ 1,015,321</u>	<u>\$ 997,879</u>

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL
FISCAL SCHEDULES AND ANALYSIS
FOR THE TWO YEARS ENDED JUNE 30, 2009

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES

Variations in expenditures from year to year which exceeded 30% and \$30,000, were as follows:

- A. Pension continuing appropriation increased \$35,206 (100%) during fiscal year 2009. The increase was due to the State appropriating this amount to be used by the Agency to meet its payroll obligations.
- B. Retirement-employee contributions increased by \$89,737 (65%) during fiscal year 2008. The reason for the increase was the percentage rate increasing from 11.53% to 16.56%.
- C. Contractual services decreased by \$82,418 (32%) during fiscal year 2009. The decrease was due to the Agency receiving a reduced appropriation for contractual services.
- D. Printing decreased by \$44,981 (63%) during fiscal year 2008. The decrease was due to the Agency's greater utilization of electronic means to distribute material resulting in a reduction of funds needed for physical printing.
- E. Electronic data processing increased by \$136,946 (325%) during fiscal year 2008 and decreased by \$106,699 (60%) during fiscal year 2009. The increase in fiscal year 2008 and decrease in fiscal year 2009 was due to costs associated with the design and implementation of the Agency's computerized grant management software during fiscal year 2008.
- F. Enhance cultural environment grant expenditures increased by \$256,580 (38%) during fiscal year 2008 and also increased by \$355,512 (38%) during fiscal year 2009. These increases are due to increased funding from the National Endowment for the Arts for a new program, Education Leaders Institute (ELI).
- G. ISBE Arts & Foreign Language Program decreased by \$345,280 (96%) during fiscal year 2008 and increased by \$162,108 (1,089%) during fiscal year 2009. The reason for the decrease in fiscal year 2008 and increase in fiscal year 2009 was because the program was suspended during fiscal year 2008 due to lack of funding and was subsequently reinstated during fiscal year 2009.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL
FISCAL SCHEDULES AND ANALYSIS
FOR THE TWO YEARS ENDED JUNE 30, 2009

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS

- A. The Illinois State Board of Education (ISBE) Fund decreased by \$92,245 (39%) during fiscal year 2008 and increased by \$35,545 (25%) during fiscal year 2009. The decrease in fiscal year 2008 was due to the program being discontinued in fiscal year 2008. Subsequently, the program was reinstated during fiscal year 2009.

- B. Federal grants from the National Endowment for the Arts (NEA) increased by \$427,400 (49%) during fiscal year 2009. This increase was due to the NEA funding a new program entitled Education Leaders Institute (ELI)

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL
For the Two Years Ended June 30, 2009

ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING

All lapse period expenditures were obligated prior to June 30. Lapse period expenditures, which exceeded 20% and \$10,000 of the total expenditures, were as follows:

GENERAL REVENUE FUND (001)

	Lapse Period Expenditures	Total Expenditures	% of Lapse Period Expenditures
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FISCAL YEAR 2009

Electronic Data Processing	\$ 19,348	\$ 72,432	26%
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Electronic Data Processing – The Agency incurred expenditures for computer equipment, software licenses, virus protection software and technical support prior to the end of the fiscal year; however, the vendor invoices were received during lapse period.

FISCAL YEAR 2008

Printing	\$ 15,704	\$ 26,324	60%
Electronic Data Processing	153,071	179,131	85%

Printing - The Agency began the bidding process for three large printing jobs to be designed and printed in fiscal year 2008. The process of having these jobs designed, reviewed, and approved can be lengthy. These print jobs were approved and printed in May 2008, the invoices were received in June 2008, and the payments were processed in July 2008.

Electronic Data Processing –

In fiscal year 2007, the Illinois Arts Council began the development of its e-granting process. The development of the e-granting process continued throughout fiscal year 2008. The process was delayed due to the Agency having to obtain approval from the Illinois Department of Central Management Services prior to the completion of the project. The Agency did not obtain this approval until the end of fiscal year 2008. The final payment of approximately \$122,000 was processed by the Illinois Office of the Comptroller during the lapse period. In addition, the Agency purchased two computer servers during June 2008. The payment for these servers was not processed by the Illinois Office of the Comptroller until the lapse period.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL
ANALYSIS OF OPERATIONS
FOR THE TWO YEARS ENDED JUNE 30, 2009

AGENCY FUNCTIONS AND PLANNING PROGRAM

The Illinois Arts Council was created by the Arts Council Act (20 ILCS 3915) enacted in 1965. The agency is governed by a Council comprised of 21 private citizens, from throughout Illinois, who are appointed by the Governor. These members serve in a voluntary capacity for four-year terms and the Governor designates the Chairman. Council members do not receive compensation; however, they are entitled to reimbursement of expenses incurred in the performance of their duties.

FUNCTIONS

The functions of the Council are mirrored in the Council's mission statement: "building a strong, creative and connected Illinois through the engagement of all Illinoisans in the pursuit of, participation in, and enjoyment of the arts."

The Council receives funds through the State of Illinois General Revenue Fund appropriations. The Council also receives federal grants from the National Endowment for the Arts and through a new relationship with the Illinois State Board of Education the Council receives monies through the State Trust Fund.

Through its numerous grant programs, the Council attempts to serve all populations of the State, raise the visibility of the arts, benefit artists and arts organizations, support art organizations' education programs which provide art experiences for schools and communities, provide operating support to established art institutions and support for seminars and workshops.

PLANNING PROGRAM

The Council developed a Strategic Plan for 2007-2012. The new plan restates the Illinois Arts Council's mission as "building a strong, creative and connected Illinois through the engagement of all Illinoisans in the pursuit of, participation in, and enjoyment of the arts." Along with their mission the Council's overarching goal to build public will for the important role and value of the arts and creativity in building vital, prosperous, livable communities has been implemented.

The Council set forth the following objectives in its plan:

- A growing number of Illinoisans will understand and affirm the role and value of the arts and creativity to themselves, their community, and our State.
- The arts and cultural community, statewide, will be stronger and better connected – to each other and to the broader community – and will use these new connections to advance a more vital and robust landscape for the entire State.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL
ANALYSIS OF OPERATIONS
FOR THE TWO YEARS ENDED JUNE 30, 2009

AGENCY FUNCTIONS AND PLANNING PROGRAM (Continued)

PLANNING PROGRAM - Continued

- All Illinoisans – particularly children and those who are currently underserved – will experience a significant increase in their opportunities to participate in, learn from, and enjoy the arts.
- The Illinois Arts Council will be a focused, efficient and effective organization, better equipped to anticipate and respond to the needs and opportunities of the arts and cultural community across the State.

The Illinois Arts Council shares board members with the Illinois Arts Council Foundation. These board members meet periodically, and actively plan aspects of the Council. The current members are:

Shirley R. Madigan – Chairman
Andy Van Meter – Secretary
Rhoda A. Pierce – Vice Chairman
Virginia G. Bobins
Honorable Charles E. Box
Patrice Bugelas-Brandt
William E. Brattain, Ph.D.
Christina Kemper Gidwitz
Jodie Shagrín Kavensky

Lisa M. Dent-Bielefeldt
Jennifer Levine
Peggy A. Montes
Barry E. Moore, Ph.D.
Beth Boosalis Davis
Elaine C. Muchin
Honorable Sheila M. O'Brien
Honorable Sheila Simon
Valerie King

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL
FOR THE TWO YEARS ENDED JUNE 30, 2009

AVERAGE NUMBER OF EMPLOYEES

A comparative statement of the average number of persons employed by the Illinois Arts Council at full-time equivalents is presented below:

	Fiscal Year		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Administration			
Executive Director	1.00	1.00	1.00
Deputy Director	1.00	1.00	1.00
Fiscal Office	3.00	3.00	3.00
Grants Office	3.00	3.00	4.00
Support Staff	4.00	4.00	4.00
Public Information	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>
	<u>13.00</u>	<u>13.00</u>	<u>14.00</u>
Programs			
Program Coordinators	5.00	4.00	3.00
Program Assistants	1.00	1.00	1.00
Clerical Staff	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>
	<u>7.00</u>	<u>6.00</u>	<u>5.00</u>
Partnership			
Illinois State Board of Education	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>
Total Employees	<u>21.00</u>	<u>20.00</u>	<u>20.00</u>

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL
ANALYSIS OF OPERATIONS
FOR THE TWO YEARS ENDED JUNE 30, 2009

SERVICE EFFORTS AND ACCOMPLISHMENTS (Not Examined)

The Illinois Arts Council promotes the arts in Illinois through both financial and professional assistance to individual artists and arts organizations. The Agency works with local arts and educational groups to encourage greater arts appreciation and provides matching grants to arts organizations for the support of film, music, visual arts, theater, literature, and dance activities.

To encourage private sector support of the arts, the Agency publishes a brochure that profiles various performing groups and an Art Fair Directory, which lists numerous opportunities for Illinois artists to display their work commercially.

The Arts Council works with local arts agencies to stimulate the use of local resources for the development and support of the arts.

The Arts Council funds grants for performing and communication arts, visual arts, ethnic and folk arts, office of local partnership and special projects and services.

The following activity and performance statistics were furnished by Agency personnel and are not examined:

	<u>FY 09</u>	<u>FY 08</u>	<u>FY 07</u>
Grant applications received	2,537	2,102	2,653
Grants (in thousands)	\$14,461	\$13,759	\$18,123