

**STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL**

**COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2011**

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

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL

COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2011

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STATE OF ILLINOIS  
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AGENCY OFFICIALS

ILLINOIS ARTS COUNCIL

Executive Director (5/15/11 to Present)	Mr. Terry Scrogum
Acting Executive Director (3/1/11 to 5/14/11)	Ms. Rhoda Pierce
Executive Director (2/1/11 to 2/28/11)	Vacant
Executive Director (3/1/05 to 1/31/11)	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



January 13, 2012

McGreal & Company, PC  
Certified Public Accountants  
5740 West 95<sup>th</sup> Street  
Oak Lawn, Illinois 60453

Pat Quinn  
*Governor*

Shirley R. Madigan  
*Chairman*

Terry A. Scrogum  
*Executive Director*

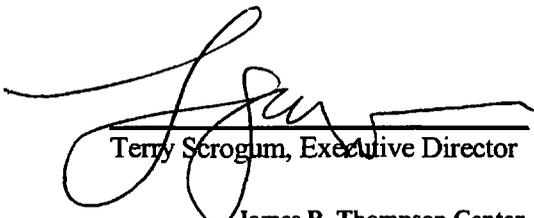
Ladies and Gentlemen:

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 Illinois Arts Council (Council). 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 Council's compliance with the following assertions during the two-year period ended June 30, 2011. Based on this evaluation, we assert that during the years ended June 30, 2011 and June 30, 2010, the Council has materially complied with the assertions below.

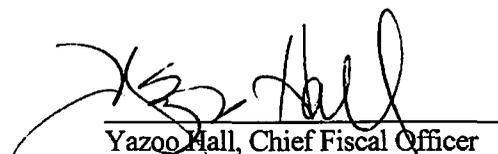
- A. The Council has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Council has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The 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. State revenues and receipts collected by the 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 Council on behalf of the State or held in trust by the Council 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 Scrogum, Executive Director



Yazoo Hall, Chief Fiscal Officer

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL

COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2011

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 Compliances and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

**SUMMARY OF FINDINGS**

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

**SCHEDULE OF FINDINGS**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
11-1	9	Failure to Adopt Formal Rules for Agency and Grant Procedures	Noncompliance Significant Deficiency
11-2	10	Lack of Reconciliation of State Cash Receipts	Noncompliance Significant Deficiency

STATE OF ILLINOIS  
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COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2011

PRIOR FINDINGS NOT REPEATED

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
A	11	Council Members Terms Expired / Insufficient Number of Council Members
B	11	Contractual Service Payment Made From Incorrect Fiscal Year Appropriation

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with the Illinois Arts Council in an exit conference on January 6, 2012. Attending were Jose Roa, Office of the Auditor General; Terry Scrogum, Executive Director, Illinois Arts Council; Yazoo Hall, Chief Fiscal Officer, Illinois Arts Council; Thomas McGreal, Special Assistant Audit Partner; and Michael Morrissey, Special Assistant Audit Manager. Responses to the recommendations were provided by Yazoo Hall, Chief Fiscal Officer, in a letter dated January 13, 2012.

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

**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, 2011. 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 Arts Council's compliance based on our examination.

- A. The State of Illinois, Illinois Arts Council's 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. 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 compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2011. 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 11-1 and 11-2.

### **Internal Control**

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 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 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 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 that we considered to be significant deficiencies as described in the accompanying schedule of findings as items 11-1 and 11-2. A significant deficiency in an entity's internal control over compliance is a deficiency, or 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.

As required by the Audit Guide, immaterial findings 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 finding identified in our examination are described in the accompanying schedule of findings. We did not examine the State of Illinois, Illinois Arts Council's responses 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 2011 and the 2010 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 2009 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, and agency management, and Council Members and is not intended to be and should not be used by anyone other than these specified parties.



McGreal & Company, PC

January 13, 2012

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL

SCHEDULE OF FINDINGS  
For the Two Years Ended June 30, 2011

CURRENT FINDINGS – STATE

11-1 **Finding:** 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. Grant expenditures were \$8,768,533 and \$7,535,334 for fiscal years 2011 and 2010, respectively.

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. 11-1, 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 State's on-going financial crisis, we do not anticipate IAC budget increases to support such an initiative during the next few fiscal years. The Agency will seek the guidance of the Office of the Governor on this finding.

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL

SCHEDULE OF FINDINGS  
For the Two Years Ended June 30, 2011

11-2 **Finding:** Lack of Reconciliation of State Cash Receipts

The Illinois Arts Council (Council) did not reconcile its cash receipts received to cash receipts reported by the Comptroller.

The Council receives cash from the National Endowment of the Arts, the Illinois State Board of Education, unexpended grant funds, and miscellaneous sources. Cash receipts were \$1,321,045 and \$1,613,697 for Fiscal Year 2011 and 2010, respectively. The Council, however, did not prepare the monthly cash receipt reconciliations to the Office of the State Comptroller records.

The Statewide Accounting Management System (SAMS) Procedures 25.40.20 requires State Agencies to reconcile receipt account balances maintained by the Agency with the Statewide receipt account records maintained by the Comptroller's Office. The reconciliation is required to be performed monthly and the Comptroller's Office notified of any irreconcilable differences so that corrective actions may be taken.

Council management stated formal reconciliations are not currently performed. Instead, the Chief Fiscal Officers reviews receipts for accuracy.

Failure to reconcile the Monthly Revenue Status Reports results in non-compliance with SAMS procedures. In addition, reconciliations ensure the early detection and correction of errors. (Finding Code 11-2)

**Recommendation:**

We recommend that the Council perform a formal monthly cash receipts reconciliation as required by SAMS Procedures.

**Agency Response:**

The Council receives less than 25 receipts per year and the CFO keeps a list of all receipts by appropriation and reconciles them by visually comparing the list with the Comptroller's report.

Council agrees to perform "formal" monthly cash receipts reconciliations to fully comply with SAMS Procedures.

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL

SCHEDULE OF FINDINGS  
For the Two Years Ended June 30, 2011

PRIOR FINDINGS NOT REPEATED – STATE

A **Finding:** Council Members Terms Expired / Insufficient Number of Council Members.

As of June 30, 2009, 2 of 16 (13%) Council Members terms had expired. Both of these Council Members' terms expired July 1, 2005. Additionally, the Agency did not have the required number of Council Members. (Finding Code No. 09-2, 07-2)

Disposition – Not Repeated:

During the current examination, we noted the Council had the required 21 members appointed as of June 30, 2011. Council members were appointed or reappointed by the Governor.

B **Finding:** Contractual Service Payment Made From 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. (Finding Code No. 09-3)

Disposition – Not Repeated:

During the current examination, we sampled contractual service payments in part, to determine if paid from the appropriate fiscal year. Our tests did not disclose any instances where contractual service payments were made from the incorrect fiscal year.

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

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

- Fiscal Schedules and Analysis:

- Schedule of Expenditures of Federal Awards
- Notes to the Schedule of Expenditures of Federal Awards
- Schedule of Appropriations, Expenditures and Lapsed Balances
- Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
- Comparative Schedule of 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, 2011

Federal Grantor	Federal CFDA Number	Federal Expenditures
<u>YEAR ENDED JUNE 30, 2011</u>		
<b>National Endowment for the Arts:</b>		
Promotion of the Arts Partnership Agreements	45.025	\$1,040,227
Promotion of the Arts Grants to Organizations and Individuals		
- Educational Leadership Institute	45.024	183,000
- Mid-Atlantic Foundation	45.024	<u>8,000</u>
		<u>\$1,231,227</u>

YEAR ENDED JUNE 30, 2010

**National Endowment for the Arts:**

Promotion of the Arts Partnership Agreements	45.025	\$1,350,115
Promotion of the Arts Grants to Organizations and Individuals		
-Educational Leadership Institute	45.024	<u>206,448</u>
		<u>\$1,556,563</u>

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule

STATE OF ILLINOIS  
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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Two Years Ended June 30, 2011

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**1. 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. 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*.

**2. Description of Federal Award Programs**

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

**3. Pass-Through and Subrecipient Awards**

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

<b><u>Program Title</u></b>	<b><u>Amounts Provided to Subrecipients</u></b>	
	<u>2011</u>	<u>2010</u>
Program Grants – Organizations	\$ 744,700	\$ 786,190
Poetry Out Loud	28,000	20,000
Arts Education	55,900	55,920
Underserved	162,000	109,600
Folk Arts	-	20,000
American Recovery & Reinvestment Act	-	358,600
Education Leaders Institute	<u>183,000</u>	<u>169,000</u>
	<u>\$1,173,600</u>	<u>\$1,519,310</u>

**4. Non-Cash Assistance Expended**

The Agency did not receive Federal Financial Assistance in the form of noncash assistance, insurance or loans.

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES  
Appropriations for Fiscal Year 2011  
Fourteen Months Ended August 31, 2011

<u>Public Act 96-0956, 96-0957</u>	Appropriations (Net after Transfers)	Expenditures Through 6/30/11	Approximate Lapse Period Expenditures 7/01 - 8/31/11	Approximate Total Expenditures	Approximate Balances Lapsed
<b><u>APPROPRIATED FUNDS</u></b>					
<b><u>GENERAL REVENUE FUND - 001</u></b>					
Lump Sums - Operational Expenses	\$1,862,600	\$1,384,279	\$34,679	\$1,418,958	\$443,642
Lump Sums - Operational, Awards & Grants	6,609,300	6,598,363	10,937	6,609,300	0
Subtotal	\$8,471,900	\$7,982,642	\$45,616	\$8,028,258	\$443,642
<b><u>GOVERNORS DISCRETIONARY APPROPRIATION - 001</u></b>					
Lump Sum and Other Purposes	1,000,000	506,760	403,390	910,150	89,850
Subtotal - Fund 001	\$9,471,900	\$8,489,402	\$449,006	\$8,938,408	\$533,492
<b><u>ILLINOIS ARTS COUNCIL FEDERAL GRANT FUND - 657</u></b>					
Cultural Environment Grants & Programs	\$1,000,000	\$718,225	\$272,375	\$990,600	\$9,400
Cultural Environment Grants & Programs	500,000	54,604	-	54,604	445,396
Education Leadership Institute costs	1,000,000	186,024	-	186,024	813,976
Subtotal - Fund 657	\$2,500,000	\$958,853	\$272,375	\$1,231,228	\$1,268,772
<b>TOTAL - ALL APPROPRIATED FUNDS</b>	<b>\$11,971,900</b>	<b>\$9,448,255</b>	<b>\$721,381</b>	<b>\$10,169,636</b>	<b>\$1,802,264</b>
<b><u>NON-APPROPRIATED FUNDS</u></b>					
<b><u>ILLINOIS ARTS COUNCIL STATE TRUST FUND - 402</u></b>					
Encourage Development of Arts in Illinois		\$147,748	\$1,314	\$149,062	
<b>TOTAL NON APPROPRIATED FUNDS</b>		<b>\$147,748</b>	<b>\$1,314</b>	<b>\$149,062</b>	
<b>GRAND TOTAL EXPENDITURES - ALL FUNDS</b>		<b>\$9,596,003</b>	<b>\$722,695</b>	<b>\$10,318,698</b>	

The above data is taken directly from the records of the State Comptroller. Expenditures amounts are vouchers approved for payment by the Agency submitted to the State Comptroller for payment to the vendor. Approximate lapse period expenditures do not include interest payments approved for by the Agency and submitted to the Comptroller for payment after August.

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

Appropriations for Fiscal Year 2010  
Fourteen Months Ended August 31, 2010

<u>Public Act - 96-0042, 96-0046</u>	Appropriations (Net after Transfers)	Expenditures Through 6/30/10	Lapse Period Expenditures 7/01 - 8/31/10	Total Expenditures	Balances Lapsed
<b><u>APPROPRIATED FUNDS</u></b>					
<b><u>GENERAL REVENUE FUND - 001</u></b>					
Personal Services - Bargaining Unit	\$868,300	\$758,630	\$3,213	\$761,843	\$106,457
Social Security - Bargaining Unit	66,400	55,512	245	\$55,757	10,643
Personal Services - Non-Bargaining Unit	561,500	463,484	0	\$463,484	98,016
Social Security - Non-Bargaining Unit	43,000	34,134	0	34,134	8,866
Lump Sums - Operational Expenses	421,400	163,749	7,206	170,955	250,445
Lump Sums - Operational, Awards & Grants	<u>6,609,300</u>	<u>5,983,220</u>	<u>36,000</u>	<u>6,019,220</u>	<u>590,080</u>
Subtotal - Fund 001	<u>\$8,569,900</u>	<u>\$7,458,729</u>	<u>\$46,664</u>	<u>\$7,505,393</u>	<u>\$1,064,507</u>
<b><u>ILLINOIS ARTS COUNCIL FEDERAL GRANT FUND - 657</u></b>					
Cultural Environment Grants & Programs	\$1,000,000	\$967,901	\$20,614	\$988,515	\$11,485
Education Leadership Institute costs	1,000,000	200,760	5,688	206,448	793,552
American Recovery & Reinvestment Act	<u>361,600</u>	<u>361,600</u>	<u>-</u>	<u>361,600</u>	<u>-</u>
Subtotal - Fund 657	<u>\$2,361,600</u>	<u>\$1,530,261</u>	<u>\$26,302</u>	<u>\$1,556,563</u>	<u>\$805,037</u>
<b>TOTAL - ALL APPROPRIATED FUNDS</b>	<u><u>\$10,931,500</u></u>	<u><u>\$8,988,990</u></u>	<u><u>\$72,966</u></u>	<u><u>\$9,061,956</u></u>	<u><u>\$1,869,544</u></u>
<b><u>NON-APPROPRIATED FUNDS</u></b>					
<b><u>ILLINOIS ARTS COUNCIL STATE TRUST FUND - 402</u></b>					
Arts & Foreign Language Program		<u>\$117,952</u>	<u>\$6,565</u>	<u>\$124,517</u>	
<b>TOTAL NON-APPROPRIATED FUNDS</b>		<u>\$ 117,952</u>	<u>\$ 6,565</u>	<u>\$ 124,517</u>	
<b>GRAND TOTAL EXPENDITURES - ALL FUNDS</b>		<u><u>\$9,106,942</u></u>	<u><u>\$79,531</u></u>	<u><u>\$9,186,473</u></u>	

The above data is taken directly from the records of the State Comptroller. Expenditures amounts are vouchers approved for payment by the Agency and submitted to the State Comptroller for payment to the vendor.

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES  
For the Fiscal Years Ended June 30,

	FISCAL YEAR		
	2011	2010	2009
	P.A. 96-0956, 96-0957	P.A. 96-0042, 96-0046	P.A. 95-0731
<b><u>GENERAL REVENUE FUND - 001</u></b>			
Appropriations (Net After Transfers)	\$9,471,900	\$8,569,900	\$15,995,500
<u>Expenditures</u>			
Personal Services	-	\$1,225,327	\$1,366,234
Pension Continuing Appropriation	-	-	35,206
Retirement-State Contribution	-	-	253,208
Social Security	-	89,891	100,962
Contractual Services	-	-	178,190
Travel	-	-	18,071
Commodities	-	-	8,008
Printing	-	-	15,669
Equipment	-	-	3,153
Electronic Data Processing	-	-	72,432
Telecommunications Services	-	-	25,253
Travel and Meeting Expense (Council and Panel Members)	-	-	37,314
Lump Sums - Operational Expenses	1,418,958	170,955	-
Lump Sums - Operational, Awards & Grants	6,609,300	6,019,220	-
Grant (Arts Organizations)	-	-	4,560,850
Grant (Special Constituencies)	-	-	1,812,200
Grant (Arts Education)	-	-	1,092,295
Grant (Public Radio and Television)	-	-	314,100
Grant (International Grant Awards)	-	-	698,900
Grant (Humanities Programs and Activities)	-	-	692,200
Grant (Public Radio and TV Administration)	-	-	4,011,876
Governors Discretionary - Lump Sum	910,150	-	-
Total Expenditures	<u>8,938,408</u>	<u>7,505,393</u>	<u>15,296,121</u>
Lapsed Balances	<u>\$ 533,492</u>	<u>\$ 1,064,507</u>	<u>\$ 699,379</u>

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES  
For the Fiscal Years Ended June 30,

	FISCAL YEAR		
	2011 P.A. 96-0956, 96-0957	2010 P.A. 96-0042, 96-0046	2009 P.A. 95-0731
<b><u>FEDERAL GRANT FUND - 657</u></b>			
Appropriations (Net After Transfers)	\$ 2,500,000	\$ 2,361,600	\$ 1,500,000
<u>Expenditures</u>			
Cultural Environment Grants & Programs	990,600	988,515	1,280,512
Cultural Environment Grants & Programs	54,604	-	-
Education Leadership Institute costs	186,024	206,448	-
American Recovery & Reinvestment Act	-	361,600	-
Total Expenditures	<u>1,231,228</u>	<u>1,556,563</u>	<u>1,280,512</u>
Lapsed Balances	<u>1,268,772</u>	<u>805,037</u>	<u>219,488</u>
<b><u>TOTAL - ALL APPROPRIATED FUNDS</u></b>			
Appropriations (Net After Transfers)	<u>11,971,900</u>	<u>10,931,500</u>	<u>17,495,500</u>
Total Expenditures	<u>10,169,636</u>	<u>9,061,956</u>	<u>16,576,633</u>
Lapsed Balances	<u>\$ 1,802,264</u>	<u>\$ 1,869,544</u>	<u>\$ 918,867</u>
<b><u>NON-APPROPRIATED FUNDS</u></b>			
<b>STATE TRUST FUND - 402</b>			
Expenditures:			
ISBE Arts and Foreign Language Program	\$ 149,062	\$ 124,517	\$ 177,000
Total Expenditures	<u>\$ 149,062</u>	<u>\$ 124,517</u>	<u>\$ 177,000</u>
<b><u>GRAND TOTAL, ALL FUNDS</u></b>			
Total Expenditures	<u>\$ 10,318,698</u>	<u>\$ 9,186,473</u>	<u>\$ 16,753,633</u>

For Fiscal Year 2009 the expenditures do not reflect interest payments approved and submitted after August 31, 2009. For Fiscal Year 2010, the expenditure amounts are final and include interest payments made after August 2010. For Fiscal Year 2011, expenditures and related lapsed balances do not reflect any interest payments approved for payment by the Agency and submitted to the Comptroller for payment after August 2011.

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL

COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
AND FUND BALANCE (MODIFIED ACCRUAL BASIS) - LOCALLY HELD FUNDS  
For the Fiscal Years Ended June 30,

	2011	2010
	#1160 Illinois Arts Council Foundation	#1160 Illinois Arts Council Foundation
Beginning Fund Balance	\$ 80,355	\$ 78,597
Receipts:		
Contributions	1,762	-
Investment Income	1,358	448
Artist Registry	150	350
Grant Revenue - People with Disabilities Program	-	1,800
Total Receipts	3,270	2,598
Disbursements:		
Commodities	404	294
Contractual Services	25	25
Conference & Meeting Expenses	-	-
Contributions	-	-
Grant Expense - People with Disabilities Program	-	315
Miscellaneous Expenses	240	206
Total Disbursements	669	840
Ending Fund Balance	\$ 82,956	\$ 80,355

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL

SCHEDULE OF CHANGES IN STATE PROPERTY  
For the Two Years Ended June 30, 2011

	State Property
Balance at July 1, 2009	\$ 226,507
Additions	17,167
Deletions	(16,296)
Net Transfers	(4,545)
Balance at June 30, 2010	\$ 222,833
Balance at July 1, 2010	\$ 222,833
Additions	28,902
Deletions	(7,236)
Net Transfers	(17,312)
Adjustments	(41,900)
Balance at June 30, 2011	\$ 185,287

Note - This schedule has been reconciled to the property reports (C-15 Agency Report of State Property) submitted to the Comptroller.

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL

COMPARATIVE SCHEDULE OF CASH RECEIPTS AND RECONCILIATION OF  
CASH RECEIPTS TO DEPOSITS REMITTED TO STATE COMPTROLLER  
For the Fiscal Years Ended June 30,

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>General Revenue Fund #001</u>			
Prior Year Refund	\$ 2,407	\$ 10,298	\$ 8,066
Miscellaneous Receipts	38	110	158
	<u>2,445</u>	<u>10,408</u>	<u>8,224</u>
<u>State Trust Fund #402</u>			
State Board of Education	145,000	130,000	177,000
Prior Year Refund	-	731	-
	<u>145,000</u>	<u>130,731</u>	<u>177,000</u>
<u>Federal Grant Fund #657</u>			
National Endowment for the Arts	1,173,600	1,109,500	1,382,800
Federal Stimulus	-	361,600	-
Prior Year Refund	-	1,458	-
	<u>1,173,600</u>	<u>1,472,558</u>	<u>1,382,800</u>
Total Cash Receipts per Agency Records	1,321,045	1,613,697	1,568,024
Add: deposits in transit at beginning of year	24	87,500	-
Less: deposits in transit at end of year	<u>(157,600)</u>	<u>(24)</u>	<u>(87,500)</u>
Total deposits remitted to Comptroller	<u>\$ 1,163,469</u>	<u>\$ 1,701,173</u>	<u>\$ 1,480,524</u>

Note - 2009 figures were corrected to reflect a deposit in transit of \$87,500

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL

FISCAL SCHEDULES AND ANALYSIS  
For the Two Years Ended June 30, 2011

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES

Variations in expenditures from year to year which exceeded 20% were as follows:

**FISCAL YEAR 2011**

**General Revenue Fund - 001**

The Agency received a lump sum appropriation for operational expenses in 2011. In 2010, the Agency received a separate appropriation for Personal Services and Social Security and the balance in lump sum "Operational Expenses". Comparisons are therefore not available. Overall, total operational expense appropriation in 2011 decreased 5% from 2010.

The Agency expended \$910,150 (100%) under the Governor's Discretionary lump sum appropriation in 2011. The Agency was not awarded such funds in 2010.

**Federal Grant Fund - 657**

Total federal grant expenditures decreased \$325,335 (21%) in 2011. The Agency received and expended \$361,600 from the American Recovery and Reinvestment Act (ARRA) stimulus grant in 2010. This ARRA grant was not awarded in 2011.

**FISCAL YEAR 2010**

**General Revenue Fund - 001**

Total 2010 grant expenditures decreased \$7,163,201 (54%) from 2009. The Agency's appropriation was decreased from the State for grant awards in 2010.

**Federal Grant Fund - 657**

Grant expenditures increased \$276,051 (22%) in 2010. The Agency expended \$361,600 from the grant received from the American Recovery and Reinvestment Act (AARA) stimulus grant in 2010. This ARRA grant was not awarded in 2009.

**State Trust Fund - 402**

Expenditures decreased \$52,483 (30%) in 2010. In 2010, the grant funds were not released in time for the Agency to replace one part time position in the Arts and Foreign Language Program, due to one employee leaving State service. In 2009, the Agency's Arts and Foreign Language Programs staffed three part-time staff persons.

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL

FISCAL SCHEDULES AND ANALYSIS  
For the Two Years Ended June 30, 2011

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS

**FISCAL YEAR 2011**

**General Revenue Fund - 001**

Prior year refund receipts decreased \$7,891 (77%) due to a decrease in unexpended grant funds.

**Federal Grant Fund - 657**

Federal grants from the National Endowment of the Arts (NEA) decreased \$361,600 (100%). The Agency received a federal stimulus grant from the NEA for the American Recovery and Reinvestment Act in 2010. This grant was not awarded in 2011.

**FISCAL YEAR 2010**

**General Revenue Fund - 001**

Prior year refund receipts increased \$2,232 (28%) due to an increase in deposits on unexpended funds.

**State Trust Fund - 402**

Funding from the Illinois State Board of Education (ISBE) decreased \$47,000 (27%) due to the Agency receiving late funding from ISBE.

**Federal Grant Fund - 657**

There was a net decrease in federal grants from the National Endowment of the Arts (NEA) of \$88,300. The Agency's funding from the NEA Partnership Agreement decreased \$273,300 (20%). Funding from the NEA for the American Recovery and Reinvestment Act increased \$361,600 for a new federal stimulus grant in 2010.

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL

FISCAL SCHEDULES AND ANALYSIS  
For the Two Years Ended June 30, 2011

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:

**FISCAL YEAR 2011**

	Lapse Period Expenditures	Total Expenditures	% of Lapse Period Expenditures
<b><u>General Revenue Fund - 001</u></b>			
Governors Discretionary – Lump Sum & Other Purpose	\$ 403,390	\$ 910,150	44%

The appropriated money was not received until late March, 2011. Due to the extensive grant process, grants were not awarded until the lapse period.

**Federal Grant Fund - 657**

Cultural Environment Grants & Programs	\$ 272,375	\$ 990,600	27%
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Grant funds were received late in the fiscal year. Due to the extensive grant process, grants were not awarded until the lapse period.

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL

ANALYSIS OF OPERATIONS  
For the Two Years Ended June 30, 2011

AGENCY FUNCTIONS AND PLANNING PROGRAM

The Illinois Arts Council was created by the Illinois General Assembly in 1965 through the Arts Council Act (20 ILCS 3915). The agency is governed by 21 private citizens from throughout Illinois. These Council members are chosen for their commitment to the arts and are appointed by the Governor. The members serve in a voluntary, non-paid capacity and are responsible for developing the state's public arts policy, fostering quality culturally diverse programs, and approving grant expenditures. The Council members are appointed for four year terms. The Governor designates the Chairman. Many of the Council members are reappointed by the Governor for an additional four year term. Council members do not receive compensation, but are entitled to reimbursement of expenses incurred in the performance of their duties.

Advisory panels are composed of volunteer experts from Illinois and are appointed by the Council Chair to assist the Council in the review of grant applications and to provide expertise on policy and program development. Panelists are selected through open nominations and serve for one year terms.

FUNCTIONS

The functions of the Council are directed by 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 received funds through the State of Illinois General Revenue Fund appropriations and federal grants from the National Endowment for the Arts. The Council also received money through the State Trust Fund for an ongoing project with the Illinois State Board of Education.

The State of Illinois' support of the arts includes production of theater, music, dance, ethnic and folk art, literature, exhibitions, media and visual art, as well as public benefits to the community. These benefits include; attracting and retaining businesses and residents, revitalizing downtowns, drawing tourists, providing a basis for quality elementary and secondary education, vitalizing neighborhoods, connecting people, and improving the quality of life. People of all regions, ages, cultures, abilities and economic conditions make arts happen throughout Illinois, through numerous grant programs from the Illinois Arts Council.

Funding from the Council benefits artists and arts organization, support art organization's education programs that provide art experiences for schools and communities, provides operating support to art institutions and support for seminars and workshops.

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL

ANALYSIS OF OPERATIONS  
For the Two Years Ended June 30, 2011

AGENCY FUNCTIONS AND PLANNING PROGRAM (Continued)

PLANNING PROGRAM

The Council developed a Strategic Plan for 2007-2012. The Council's stated core values include diversity of the arts and culture in Illinois, the pursuit of excellence of arts experiences, long-term sustainability of the arts, partnership and collaboration between the arts and community throughout Illinois, and building public will for the value of the arts in building vital, prosperous and livable communities.

The Council set forth the following objectives in its Strategic 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.
- 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 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.

Despite the State's historic budget crisis and the decreased funding levels, the Illinois Arts Council has implemented many of their strategic objectives and strategies. Some of the accomplishments included: developed the Individual Artist Support Initiative to assistant artists in realizing their professional goals and producing a body of work for public viewing, hosted leaders of diverse cultures from across the country in the Open Dialogue XII, launched the Illinois Cultural Data Project, an online financial and management tool, and upgraded the Illinois Arts Council website.

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL

ANALYSIS OF OPERATIONS  
For the Two Years Ended June 30, 2011

AGENCY FUNCTIONS AND PLANNING PROGRAM (Continued)

The Illinois Arts Council shares board member 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

Rhonda A. Pierce – Vice Chairman

Virginia G. Bobins

Patrice Bugelas-Brandt

William E. Brattain, Ph.D.

Christina Kemper Gidwitz

Jodie Shagrin Kavensky

Beth Boosalis Davis

Desiree Grode

Carmen Lonstein

Lisa M. Dent-Bielefeldt

Jennifer Levine

Peggy A. Montes

Barry E. Moore, Ph.D.

Elaine C. Muchin

Honorable Sheila M. O'Brien

Howard A. Tullman

Valerie King

Henry Godinez

Donald T. Wiener

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL

ANALYSIS OF OPERATIONS  
For the Two Years Ended June 30, 2011

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		
	2011	2010	2009
<b>Administration</b>			
Executive Director	1	1	1
Deputy Director	1	1	1
Fiscal Office	3	3	3
Grants Office	2	2	3
Support Staff	3	3	4
Public Information	1	1	1
	<u>11</u>	<u>11</u>	<u>13</u>
<b>Programs</b>			
Program Coordinators	1	1	5
Program Assistants	5	5	1
Clerical Staff	0	0	1
	<u>6</u>	<u>6</u>	<u>7</u>
<b>Partnership</b>			
Illinois State Board of Education	1	1	1
<b>Total Employees</b>	<u><u>18</u></u>	<u><u>18</u></u>	<u><u>21</u></u>

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL

ANALYSIS OF OPERATIONS  
FOR THE TWO YEARS ENDED JUNE 30, 2011

SERVICE EFFORTS AND ACCOMPLISHMENTS (Not Examined)

The Illinois Arts Council (Council) improves economic vitality and quality of life in Illinois by investing grant funds in the nonprofit arts sector, advancing arts education, providing technical assistance, and promoting an encouraging atmosphere for creative artists to live and work.

The Council has created public value which revolves around collective purposes of cultural preservation, economic development, civic engagement and an increased quality of life for as many Illinois citizens as possible.

In 2010, the Council made advancements on several strategic goals, including facilitating a national symposium of diverse cultures to plan for equitable funding, changing demographics, cultural policy, and emerging generations of arts leaders; and implementing the Illinois Cultural Data Project to include all general operating grant recipients and individual artists.

In 2011, the Council increased its focus on partnering with community based and local arts organizations to strengthen their current fundraising and resource development skills to better serve the entire State. These advancements have not only been well-received and beneficial to the field, they have also saved money for the State of Illinois and helped the Council to become a more focused, efficient, and effective organization.

	<u>FY 11</u>	<u>FY 10</u>	<u>FY 09</u>
Grant applications received	1,062	1,545	2,537
Grants (in thousands)	\$8,697	\$7,709	\$14,461