

STATE OF ILLINOIS

ILLINOIS MATHEMATICS AND SCIENCE ACADEMY

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

For the Year Ended June 30, 2007

STATE OF ILLINOIS
 ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
 FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
 For the Year Ended June 30, 2007

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AGENCY OFFICIALS

President (7/1/07 – Current)	Dr. Glenn McGee
President (Until 6/30/07)	Dr. Stephanie Marshall
Vice President of Business and Finance	Mr. Patrick Furlong
Controller	Ms. Kimberly Corrao

BOARD OF TRUSTEES

Chairman	Dr. Luis Nuñez
Vice Chairman	Mr. Steven Isoye
Ex-Officio Member	Dr. Randy J. Dunne
Ex-Officio Member	Ms. Judy Erwin
Ex-Officio Member	Mr. Geoffrey S. Obrzut
Ex-Officio Member	Dr. James Rydland
Trustee	Ms. H. Carol Bernstein
Trustee	Dr. Victoria Chou
Trustee	Mr. Samuel E. Dyson
Trustee	Ms. Sheila MB Griffin
Trustee	Mr. John H. McEachern, Jr.
Trustee	Ms. Jacklyn Naughton
Trustee	Dr. Paula Olszewski-Kubilius
Trustee	Dr. Chris Quigg
Trustee	Mr. Erin Roche
Trustee	Dr. Marsha Rosner

The Academy is located at:

1500 W. Sullivan Rd.
Aurora, IL 60506-1000



Honorable William G. Holland
Auditor General
State of Illinois

May 27, 2008

Sir:

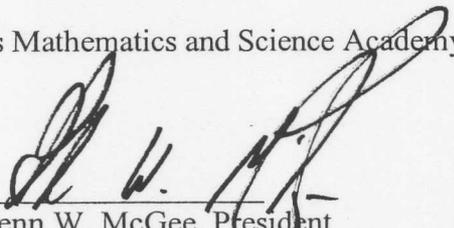
We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Illinois Mathematics and Science Academy. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Illinois Mathematics and Science Academy's compliance with the following assertions during the one-year period ended June 30, 2007. Based on this evaluation, we assert that during the year ended June 30, 2007, the Illinois Mathematics and Science Academy has materially complied with the assertions below.

- A. The Illinois Mathematics and Science Academy has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Illinois Mathematics and Science Academy has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Illinois Mathematics and Science Academy has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Illinois Mathematics and Science Academy are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

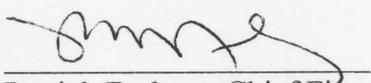
E. Money or negotiable securities or similar assets handled by the Illinois Mathematics and Science Academy on behalf of the State or held in trust by the Illinois Mathematics and Science Academy have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Illinois Mathematics and Science Academy



Dr. Glenn W. McGee, President



Patrick Furlong, Chief Financial Officer

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Year Ended June 30, 2007

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	2	5
Repeated findings	2	1
Prior recommendations implemented or not repeated	3	6

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

SCHEDULE OF FINDINGS

FINDINGS (STATE COMPLIANCE)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
07-1	12	Inadequate control over signature authority, procurement and contract documentation
07-2	15	Property control weaknesses

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Year Ended June 30, 2007

PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
07-3	17	Bank balances exceed collateral
07-4	17	Untimely transfers into the IMSA Income Fund
07-5	17	Lack of control over local fund investing

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Academy personnel at an exit conference on May 13, 2008.

Attending were:

Illinois Mathematics and Science Academy

Dr. Glenn McGee, President

Mr. Patrick Furlong, Vice President of Business and Finance

Ms. Kimberly M. Corrao, Controller

Office of the Auditor General

Ms. Candice Long, Audit Manager

Mr. Jose Roa, Audit Supervisor

Mr. Auzy Oliver, Audit Staff

Responses to the recommendations were provided by Kimberly Corrao, Controller, in correspondence dated May 22, 2008.

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

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

And

Board of Trustees
Illinois Mathematics and Science Academy
Aurora, Illinois

Compliance

We have examined the State of Illinois, Illinois Mathematics and Science Academy's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2007. The management of the State of Illinois, Illinois Mathematics and Science Academy is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Illinois Mathematics and Science Academy's compliance based on our examination.

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

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

In our opinion, the State of Illinois, Illinois Mathematics and Science Academy complied, in all material respects, with the requirements listed in the first paragraph of this report during the year ended June 30, 2007. 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 07-1 and 07-2.

As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter.

Internal Control

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

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

discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance as described in the accompanying schedule of findings as findings 07-1 and 07-2 to be significant deficiencies.

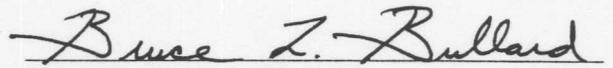
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control. We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

The State of Illinois, Illinois Mathematics and Science Academy'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 Mathematics and Science Academy's responses and, accordingly, we express no opinion on them.

Supplementary Information for State Compliance Purposes

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the State of Illinois, Illinois Mathematics and Science Academy as of and for the year ended June 30, 2007, which collectively comprise the State of Illinois, Illinois Mathematics and Science Academy's basic financial statements, and have issued our report thereon dated May 27, 2008. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the State of Illinois, Illinois Mathematics and Science Academy. The 2007 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2007 taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States, the State of Illinois, Illinois Mathematics and Science Academy's basic financial statements for the year ended June 30, 2006. In our report dated January 8, 2007, we expressed unqualified opinions on the respective financial statements of the governmental activities, the major fund, and the aggregate remaining fund information. In our opinion, the 2006 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited" is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2006, taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, Academy management and the Illinois Mathematics and Science Academy's Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.



Bruce L. Bullard, CPA

Director of Financial and Compliance Audits

May 27, 2008

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

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

Honorable William G. Holland
Auditor General
State of Illinois

And

Board of Trustees
Illinois Mathematics and Science Academy
Aurora, Illinois

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the State of Illinois, Illinois Mathematics and Science Academy, as of and for the year ended June 30, 2007, which collectively comprise the State of Illinois, Illinois Mathematics and Science Academy's basic financial statements and have issued our report thereon dated May 27, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Illinois, Illinois Mathematics and Science Academy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Illinois Mathematics and Science Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Illinois Mathematics and Science Academy's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

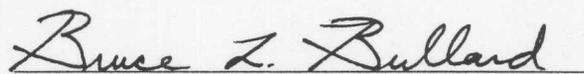
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, Academy management, and the Illinois Mathematics and Science Academy's Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.



Bruce L. Bullard, CPA

Director of Financial and Compliance Audits

May 27, 2008

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2007

Current Findings – State Compliance

- 07-1. **FINDING** (Inadequate control over signature authority, procurement and contract documentation)

The Illinois Mathematics and Science Academy (Academy) did not have adequate controls over agency head signature authority, competitive procurement and contract documentation.

During our testing, we noted the following:

- Twenty of 25 contracts tested in our sample (80%) did not properly use agency head signature authority. We noted the following exceptions during our testing of the 25 contracts:

Number of Contracts with exception	Exception noted
19 contracts	Agency head stamp did not include signature and title of person affixing stamp as required.
14 contracts	No date affixed to agency head stamp.
1 contract	Contract was not stamped, signed or dated by agency head or designee.

Statewide Accounting Management System (SAMS) Procedure 15.20.95 requires the person signing or affixing the agency head signature on behalf of the agency head to also sign the contract with their own signature; thereby, indicating which authorized person affixed the agency head signature on the agency head’s behalf. A full signature is required from the person signing or affixing the agency head signature, initials are not acceptable. The State Comptroller’s Accounting Bulletin 124 (section 124.5) requires every contract signatory have their name and title typed or printed legibly below their actual signature. Accounting Bulletin 124 (section 124.6) also requires that every contract signature be dated below the actual signature.

Academy personnel believed the manner in which they affixed the agency head stamp to contracts (absent the signature and date of the person affixing the stamp) was considered common practice.

- The Academy granted five administrative staff (without signature authority) in the Business Office access to agency head stamps for the purpose of affixing the agency head signature to vouchers to achieve efficiency.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2007

Current Findings – State Compliance (continued)

- One administrative staff employee (without signature authority) was granted access to an agency head stamp for the purpose of affixing the agency head stamp to contracts to achieve efficiency.

The Statewide Accounting Management System (SAMS) Procedure 15.20.95 allows only persons properly authorized to affix the agency head signature approval on contracts, interagency agreements, purchase orders, grants or leases.

Academy personnel stated the reason for allowing unauthorized business staff to affix agency head stamps to vouchers and contracts is to achieve efficiency. Academy personnel further stated after vouchers and contracts are stamped, they are then reviewed and initialed by staff that have actual signature authority.

- In two of 25 (8%) contracts tested, the Academy did not follow competitive bidding requirements in the procurement of services. The Academy awarded two professional and artistic contracts totaling \$30,334 and \$29,543, both of which were for the development of a professional development plan for its Technology Immersion Pilot Project (TIPP) grant. The Academy identified the contracts as professional and artistic services - small purchase and did not solicit bids for the services since they believed grant funds received by the Academy were exempt from competitive bid requirements.

The Illinois Procurement Rules of the Chief Procurement Officer for Public Institutions of Higher Education (Rules), Title 44, Section 526.2035 requires all professional and artistic contracts of \$20,000 or more to be subject to a competitive request for proposal process prior to the contract being awarded. The Illinois Procurement Code (30 ILCS 500/1-15.42) further details treatment of grant funds received as follows: "Grant" means the furnishing by the State of assistance, whether financial or otherwise, to any person to support a program authorized by law. It does not include an award, the primary purpose of which is to procure an end product, for the direct benefit or use of the State agency making the grant, whether in the form of goods, services, or construction. A contract that results from such an award is not a grant and is subject to this Code.

- In three of 25 (12%) contracts tested, the Academy did not properly complete the Contract Obligation Documents (CODs). Two contracts were multiple year contracts, and the Academy did not enter the multiple year information or the maximum contract amount on the CODs. One contract did not indicate the correct contract action.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2007

Current Findings – State Compliance (continued)

The Statewide Accounting Management System (SAMS) Procedure 15.20.10 requires agencies to enter the maximum contract amount payable for the duration of the contract in the subsequent year of a contract in a specified data field on the contract obligation document. This data field must reflect the current and future fiscal years' liabilities of the contract. In addition, Procedure 15.20.10 requires the correct differentiation between contract actions. A contract is indicated as "New" when first establishing a contract for the present fiscal year, and a contract is indicated as "Change" when a change is made to a contract that has already been established for the current fiscal year.

Academy personnel stated they were informed by the Comptroller's Office to leave the maximum contract amount section blank in the renewal of a multi-year contract because the Comptroller already had maximum contract amount information with the original contract filing. In addition, Academy personnel stated the entry of an incorrect contract action on one contract was due to oversight.

Failure to properly approve vouchers and contracts is noncompliance with SAMS. Failure to exercise adequate control over contractual agreements and agency head signature stamps may result in the loss of State funds and may subject the State to unnecessary legal risks. (Finding Code No. 07-1, 06-1)

RECOMMENDATION

We recommend the Department ensure that every contract signatory have their name and title typed or printed legibly below their actual signature and the agency head signature stamps are secured and used only by those individuals delegated with the proper authority. Further, we recommend the Academy strengthen its internal controls to ensure the proper approval of contracts, to ensure competitive procurements are made when required and to ensure its contractual obligation documents are accurately completed.

ACADEMY RESPONSE

Academy agrees with finding 07-1 and will implement the recommendations made by Audit staff.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2007

Current Findings – State Compliance (continued)

07-2. **FINDING** (Property control weaknesses)

The Illinois Mathematics and Science Academy (Academy) did not maintain adequate controls over the recording and reporting of fixed assets. We noted the following:

- 14 of 25 (56%) of equipment additions tested, totaling \$61,113, were not recorded on the Academy property listing. The items were purchased in January through June of 2007. Academy personnel stated the delay in recording State property was due to a staffing shortage.

The Statewide Accounting Management System (SAMS) Procedure 29.10.10 requires an agency to maintain current property information at a summary level, which includes the location of the asset, identifying tag number, and cost or other value of the asset. In addition, each agency is required to accurately report State property assets.

- Four of 25 (16%) equipment deletions tested (two vans, a mower and a hydraulic broom), totaling \$53,642, were not reported in the proper period in which they were traded-in. Items should have been reported as deleted in FY05 and FY06, but were reported in FY07. Academy personnel stated items that were not removed from property records was due to an error by Academy personnel responsible for maintaining property records.
- One of 50 (2%) equipment items tested (a spectrometer), totaling \$52,185, did not contain a proper State identification tag. Academy personnel stated that the missing identification tag may have fallen off the equipment.

The Illinois Administrative Code (Code) (44 Ill. Adm. Code 5010.210) states agencies are responsible for marking each piece of State-owned equipment in their possession with a unique identification number. All equipment regardless of value shall be clearly marked to indicate that it is the property of the State of Illinois.

- One of 50 (2%) equipment items noted (desk) during observation was tagged but not included on the property listing. Academy personnel stated items were omitted from the property listing due to oversight.
- Seven of 50 (14%) equipment items tested (two scanners, a digital camera, two laptops, a cordless drill and a DVD/VCR), totaling \$8,419, could not be located. Academy personnel stated the inability to locate property items was due to Academy staff moving property without properly notifying the receiving clerk.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2007

Current Findings – State Compliance (continued)

Furthermore, the State Property Control Act (30 ILCS 605/4) requires the Academy be accountable for the supervision, control and inventory of all property under its jurisdiction. Good internal control procedures require the proper tracking of equipment items within the Academy.

Failure to exercise adequate control over property, maintain accurate property control records, and properly identify equipment items with State identification tags increases the potential for fraud and possible loss or theft of State property. Property control objectives include preservation of assets to minimize the burden placed on State government to replace lost, stolen, or damaged property. Failure of Academy personnel to adequately control and monitor all property under its jurisdiction is noncompliance with the State Property Control Act. (Finding Code No. 07-2, 06-4)

RECOMMENDATION

To ensure compliance with the State Property Control Act, the Illinois Administrative Code, and the Statewide Accounting Management System, we recommend the Academy properly tag all property items with easily identifiable State identification tags, and we recommend the Academy exercise adequate control over property and maintain accurate property control records.

ACADEMY RESPONSE

The safeguarding and accuracy of Academy property is of critical importance to the Academy. It recognizes the importance of exercising control over its property and will review and revise its process for tagging and tracking property within the Academy's control to ensure compliance with state requirements.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2007

Prior Year Findings Not Repeated – State Compliance

07-3. **FINDING** (Bank balances exceed collateral)

During the prior period, the Illinois Mathematics and Science Academy (Academy) maintained local fund deposits in excess of Federal Deposit Insurance Corporation (FDIC) coverage and pledged collateral.

During the current period, the results of the testing of FDIC coverage or pledged collateral indicated the Academy did not have adequate FDIC coverage or pledged collateral for the Academy's local fund for the first six months of the current fiscal year. For the last six months of the fiscal year, the results of our testing indicated that the Academy implemented the necessary controls to ensure sufficient FDIC coverage and pledged collateral were obtained. (Finding Code No. 06-2)

07-4. **FINDING** (Untimely transfers into the IMSA Income Fund)

During the prior period, the Illinois Mathematics and Science Academy (Academy) did not transfer funds into the Income Fund in a timely manner.

During the current period, the results of our sample tests indicated the Academy transferred funds into the Income Fund in a timely manner. (Finding Code No. 06-3)

07-5. **FINDING** (Lack of control over local fund investing)

During the prior period, the Illinois Mathematics and Science Academy (Academy) did not adequately monitor or invest its local funds to receive the highest possible secured rate of return.

During the current period, the results of our testing of local fund investing indicated the Academy contacted the bank and corrected the erroneous interest rate earned on its savings account and, subsequently, did adequately monitor and invest its local funds to receive the highest possible secured rate of return. (Finding Code No. 06-5)

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
For the Year Ended June 30, 2007

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the Illinois Mathematics and Science Academy as of and for the year ended June 30, 2007 was performed by the staff of the Office of the Auditor General.

Based on their audit, the auditors expressed an unqualified opinion on the agency's basic financial statements as of and for the year ended June 30, 2007.

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

And

Board of Trustees
Illinois Mathematics and Science Academy
Aurora, Illinois

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the State of Illinois, Illinois Mathematics and Science Academy, as of and for the year ended June 30, 2007, which collectively comprise the State of Illinois, Illinois Mathematics and Science Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Illinois, Illinois Mathematics and Science Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the financial statements of the State of Illinois, Illinois Mathematics and Science Academy are intended to present the financial position and changes in financial position of only that portion of the governmental activities, the major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the State of Illinois, Illinois Mathematics and Science Academy. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2007, and the changes in its financial

position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

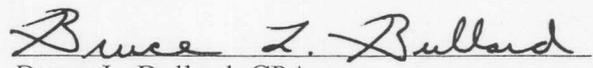
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the State of Illinois, Illinois Mathematics and Science Academy, as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 27, 2008 on our consideration of the State of Illinois, Illinois Mathematics and Science Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 21 through 24 and 46 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Illinois, Illinois Mathematics and Science Academy's basic financial statements. The accompanying supplementary combining nonmajor fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Comptroller, Academy management and the Illinois Mathematics and Science Academy Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.


Bruce L. Bullard, CPA
Director of Financial and Compliance Audits

May 27, 2008

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

INTRODUCTION

The following is a discussion and analysis of the Illinois Mathematics and Science Academy's (Academy) financial performance, providing an overview of the activities of the fiscal year ended June 30, 2007. Please read it in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes and this discussion are the responsibility of Academy management and all portions are part of the complete financial report.

USING THE ANNUAL FINANCIAL REPORT

This annual report consists of financial statements prepared under general accepted accounting principles. The statements have been modified in order to present the Academy as a discrete unit of the primary government of the State of Illinois. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Academy as a whole (government-wide). Fund financial statements report the Academy's operations in more detail than the government-wide statements by providing information about the Academy's most significant funds. The remaining statements provide financial information about activities for which the Academy acts in a custodial capacity for student organizations.

The Statement of Net Assets and the Statement of Activities include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The fund financial statements provide detailed information about the most significant funds – not the Academy as a whole. All of the funds of the Academy are governmental funds. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash.

Government-wide and fund financial statements are prepared based on different objectives. The government-wide financial statements are presented based on economic resources measurements focus and fund financial statements are presented based on current financial resources measurements focus, therefore, a reconciliation of the differences is presented behind the statements.

DESCRIPTION OF PRIMARY FUNCTION

The Academy conducts its operations utilizing resources appropriated by the State of Illinois, fees charged, and other income for program services received in the form of grants, contracts, gifts, and other donations. All forms of operations are part of the primary government function. There are no activities associated with Proprietary funds and the Academy has no Component Unit and does not conduct special – purpose business type activities. Detailed information concerning the Academy's legislative mandate and organization structure is presented in the Notes to the Financial Statements portion of this report.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

CONDENSED FINANCIAL INFORMATION

Statement of Net Assets

	<u>2007</u>	<u>2006</u>
Assets		
Unexpended appropriations	\$ 2,444,405	\$ 1,636,312
Cash Equity with State Treasurer	2,266,349	1,779,912
Cash and cash equivalents	1,679,602	1,236,905
Receivables	185,877	122,348
Capital assets, net	<u>22,040,876</u>	<u>23,780,098</u>
Total assets	<u>28,617,109</u>	<u>28,555,575</u>
Liabilities		
Accounts payable	2,496,977	1,660,574
Unearned revenue	435,859	552,159
Compensated absence, short	240,000	294,000
Compensated absence, long	<u>410,000</u>	<u>481,000</u>
Total liabilities	<u>3,582,836</u>	<u>2,987,733</u>
Net assets		
Invested in capital assets	22,040,876	23,780,098
Restricted	0	75,158
Unrestricted	<u>2,993,397</u>	<u>1,712,586</u>
Total net assets	<u>\$ 25,034,273</u>	<u>\$ 25,567,842</u>

Capital assets are presented net of accumulated depreciation.

Long-term liabilities represent unfunded and unreserved obligations to current employees for accrued unpaid accumulated vacation and sick leave balances. These obligations are satisfied as they mature through charges to current operations. The Notes to the Financial Statements contain additional information concerning these liabilities.

All accounts payable were satisfied on or before August 31, 2007. Unearned revenue represents receipt of future year student fees and grant proceeds for which the Academy had not yet fulfilled the grantor terms and conditions of eligibility. Fiscal year 2007 ended with a decrease in deferred revenue, as a result of a decrease in the amount of student fees collected for the upcoming school year. The short-term compensated absence liabilities represent the obligations to matured accumulated vacation and sick leave balances estimated to be paid from current operations in the succeeding 12 months of the respective fiscal years.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

Statement of Activities

	2007	2006
Revenues		
Charges for services	\$ 2,301,617	\$ 1,797,060
Federal grants	362,154	825,208
Other grants	511,767	670,347
Interest income	91,540	39,250
Other income	12,090	0
Appropriations from State resources	17,652,900	16,322,900
Receipts collected and transmitted to State Treasury	<u>(35,748)</u>	<u>0</u>
Total revenues	<u>20,896,320</u>	<u>19,654,765</u>
Expenses		
Education	21,139,202	21,039,017
Employment and Economic Development	16,700	8,400
Lapsed appropriations	<u>273,986</u>	<u>151,472</u>
Total expenses	<u>21,429,888</u>	<u>21,198,889</u>
(Decrease) in net assets	<u>\$ (533,568)</u>	<u>\$ (1,544,124)</u>

Charges for Services

Charges for services received by the Academy increased \$504,557 from fiscal year 2006 to fiscal year 2007. This increase is attributed to growth in enrollment in the Academy's external student enrichment and professional development programs as well as an increase in residential student fees.

Federal grants

Federal grants decreased \$463,054 from fiscal year 2006 to fiscal year 2007 due to a decrease in federal funding from the U.S. Department of Education and the Smithsonian Institute.

Other grants

Other grants received by the Academy decreased \$158,580 from fiscal year 2006 to fiscal year 2007 due to a decrease in funding from private grant sources.

Appropriations from state resources

Appropriations from state resources increased by 8% from fiscal year 2006 to fiscal year 2007. The increase was due to additional legislative appropriations to the Academy for personal services, contractual services, equipment and telecommunications.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

Economic Outlook

The Academy continues fulfillment of its legislative mandate and demand for its services remain high. Service to the residential population of students has remained essentially at full capacity throughout the entire life of the Academy with qualified applicants exceeding available registration capacity each year. Services to other Illinois students and teachers continued to grow for another year, indicating strong public demand for the outreach programs. The Academy expects to maintain its current level of services.

The overall financial position of the Academy is primarily related to the overall condition of the State of Illinois' General Funds and the legislative appropriation process due to reliance on resources from State appropriations. In fiscal year 2003 the Academy's appropriation decreased 18.6% or \$3.1 million. Between fiscal year 2004 and fiscal year 2006 the Academy received cumulative State appropriations of \$4.1 million, returning Academy funding back to fiscal year 2003 funding levels.

The Academy believes this and the additional funding received in fiscal year 2007 will allow its services to continue at the current level of high standards in fiscal 2008 and beyond.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2007

	Major Fund General Fund	Other Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Net Assets
ASSETS					
Unexpended appropriations	\$ 2,444,405	\$ -	\$ 2,444,405	\$ -	\$ 2,444,405
Cash equity with State Treasurer	-	2,266,349	2,266,349	-	2,266,349
Cash and cash equivalents	-	1,679,602	1,679,602	-	1,679,602
Due from other government - federal	-	20,854	20,854	-	20,854
Other receivables, net	-	121,912	121,912	-	121,912
Due from other Academy funds	-	66,296	66,296	(66,296)	-
Due from other State funds	-	28,599	28,599	-	28,599
Due from State of Illinois component units	-	14,512	14,512	-	14,512
Capital assets being depreciated, net	-	-	-	22,040,876	22,040,876
Total assets	<u>2,444,405</u>	<u>4,198,124</u>	<u>6,642,529</u>	<u>21,974,580</u>	<u>28,617,109</u>
LIABILITIES					
Accounts payable and accrued liabilities	1,266,487	754,227	2,020,714	-	2,020,714
Due to other governments - federal	12,920	2,469	15,389	-	15,389
Due to other governments - local	20,200	193,865	214,065	-	214,065
Due to other Academy funds	-	66,296	66,296	(66,296)	-
Due to other State funds	27,165	70,833	97,998	-	97,998
Due to State of Illinois component units	116,803	32,008	148,811	-	148,811
Unavailable revenue	-	493	493	(493)	-
Unearned revenue	-	435,859	435,859	-	435,859
Compensated absences, short term	-	-	-	240,000	240,000
Compensated absences, long term	-	-	-	410,000	410,000
Total liabilities	<u>1,443,575</u>	<u>1,556,050</u>	<u>2,999,625</u>	<u>583,211</u>	<u>3,582,836</u>
FUND BALANCES / NET ASSETS					
Reserved for encumbrances	1,000,830	4,158	1,004,988	(1,004,988)	-
Unreserved:					
General fund	-	-	-	-	-
Special revenue funds	-	2,637,916	2,637,916	(2,637,916)	-
Invested in capital assets, net of related debt	-	-	-	22,040,876	22,040,876
Restricted net assets	-	-	-	-	-
Unrestricted net assets	-	-	-	2,993,397	2,993,397
Total fund balances/net assets	<u>1,000,830</u>	<u>2,642,074</u>	<u>3,642,904</u>	<u>\$ 21,391,369</u>	<u>\$ 25,034,273</u>
Total liabilities and fund balances	<u>\$ 2,444,405</u>	<u>\$ 4,198,124</u>	<u>\$ 6,642,529</u>		

The accompanying notes to the financial statements are an integral part of this statement.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT
OF NET ASSETS**
June 30, 2007

Total fund balances-governmental funds \$ 3,642,904

Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. 22,040,876

Revenues in the Statement of Activities that do not provide
current financial resources are deferred in the funds. 493

Some liabilities reported in the Statement of Net Assets do not
require the use of current financial resources and therefore are
not reported as liabilities in governmental funds.
These liabilities consist of:

Compensated absences (650,000)

Net assets of governmental activities \$ 25,034,273

The accompanying notes to the financial statements are an integral part of this statement.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2007

	Major Fund General Fund	Other Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Activities
Expenditures/expenses:					
Education	\$ 16,631,675	\$ 2,635,830	\$ 19,267,505	\$ 1,871,697	\$ 21,139,202
Employment and Economic Development	-	16,700	16,700	-	16,700
Capital outlays	257,475	-	257,475	(257,475)	-
Total expenditures/expenses	<u>16,889,150</u>	<u>2,652,530</u>	<u>19,541,680</u>	<u>1,614,222</u>	<u>21,155,902</u>
Program revenues:					
Changes for services:					
Licenses and fees	-	2,231,317	2,231,317	-	2,231,317
Other	-	70,300	70,300	-	70,300
Total charges for services	-	2,301,617	2,301,617	-	2,301,617
Operating grant revenue:					
Federal	-	362,154	362,154	-	362,154
Other	3,525	507,749	511,274	493	511,767
Total operating grant revenue	3,525	869,903	873,428	493	873,921
Net program revenues (expense)	<u>(16,885,625)</u>	<u>518,990</u>	<u>(16,366,635)</u>	<u>(1,613,729)</u>	<u>(17,980,364)</u>
General revenues:					
Interest and Investment Income	-	91,540	91,540	-	91,540
Other	12,090	-	12,090	-	12,090
Total general revenues	<u>12,090</u>	<u>91,540</u>	<u>103,630</u>	<u>-</u>	<u>103,630</u>
Other sources (uses):					
Appropriations from State resources	17,652,900	-	17,652,900	-	17,652,900
Lapsed appropriations	(273,986)	-	(273,986)	-	(273,986)
Receipts collected and transmitted to State Treasury	(35,748)	-	(35,748)	-	(35,748)
Transfers-in	19,841	-	19,841	(19,841)	-
Transfers-out	-	(19,841)	(19,841)	19,841	-
Total other sources (uses)	<u>17,363,007</u>	<u>(19,841)</u>	<u>17,343,166</u>	<u>-</u>	<u>17,343,166</u>
Changes in fund balance/net assets	489,472	590,689	1,080,161	\$ (1,613,729)	(533,568)
Fund balance/net assets - July 1, 2006	511,358	2,051,385	2,562,743		25,567,841
Fund balance/net assets - June 30, 2007	<u>\$ 1,000,830</u>	<u>\$ 2,642,074</u>	<u>\$ 3,642,904</u>		<u>\$ 25,034,273</u>

The accompanying notes to the financial statements are an integral part of this statement.

STATE OF ILLINOIS
 ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO STATEMENT OF ACTIVITIES**
 For the Year Ended June 30, 2007

Net change in fund balances \$ 1,080,161

Amounts reported for governmental activities in the
 Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while
 governmental activities report depreciation expense to allocate those
 expenditures over the life of the assets. This is the amount by which
 depreciation exceeded capital outlays in the current period. (1,739,222)

Revenues in the Statement of Activities that do not provide current
 financial resources are not reported as revenues in the funds. This
 amount represents the increase in unavailable revenue over the prior
 period. 493

Some expenses reported in Statement of Activities do not require the
 use of current financial resources and therefore are not reported as
 expenditures in governmental funds.

These activities consist of:

Decrease in compensated absences 125,000

Change in net assets of governmental activities \$ (533,568)

The accompanying notes to the financial statements are an integral part of this statement.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND
June 30, 2007

<u>IMSA Student Activity Fund – 1366</u>	<u>2007</u>
ASSETS	
Cash and cash equivalents	\$ 52,487
Total Assets	<u>\$ 52,487</u>
LIABILITIES	
Amounts held for student activities	<u>52,487</u>
Total Liabilities	<u>\$ 52,487</u>

The accompanying notes to the financial statements are an integral part of this statement.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

(1) Organization

The Illinois Mathematics and Science Academy (Academy) is a part of the executive branch of government of the State of Illinois (State) and operates under the authority of and review by the Illinois Board of Higher Education and the Illinois General Assembly. The Academy operates under a budget appropriated from the State's General Revenue Fund by the General Assembly and a budget approved by the Academy's Board of Trustees for locally generated resources in the IMSA Operating Fund and restricted funds received from third party grantors which are held in the IMSA Special Purposes Trust Fund.

The Academy was established by the General Assembly to pursue the policy to provide excellence in mathematics and science education in order to nourish an informed citizenry, assure technological skills for the work force, and assist in the preparation of professionals to serve the interests of Illinois in such fields as engineering, research, teaching and computer technology and to enlist the support of the educational, industrial and scientific communities in a cooperative effort to provide excellence in science and mathematics education. This residential program serves the primary role for tenth, eleventh and twelfth grade students that, in addition to mathematics and science, includes strong general education elements required of creative scientists. In addition, the Academy conducts an aggressive array of programs for elementary, middle school and high school students and teachers of the State that includes curriculum development, training, and classroom and research activities.

The Academy is governed by a Board of Directors that consists of:

- (a) Four ex officio nonvoting members: the State Superintendent of Education, the Executive Director of the Illinois Community College Board, the Executive Director of the State Board of Higher Education, and the Superintendent of the Schools in the school district in which the Academy is located.
- (b) Three voting representatives of Secondary Education, one of whom must be a math or science teacher, appointed by the State Superintendent of Education.
- (c) Two voting representatives of Higher Education, one of whom must be a Dean of Education, appointed by the Executive Director of the Illinois Board of Higher Education.
- (d) Three voting representatives of the science community in Illinois, appointed by the Governor.
- (e) Three voting representatives of the Illinois private industrial sector, appointed by the Governor.
- (f) Two voting representatives of the public at large, appointed by the Governor.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

(1) Organization (Continued)

The Board of Trustees is empowered to establish employment regulations, budgets, and contractual relationships and conduct all aspects of the Academy's business operations. The Board of Trustees are also responsible for establishing criteria for eligibility of enrollment, curriculum and other educational and co-curriculum activities offered, and criteria for the award of certificates of completion and diplomas.

(2) Summary of Significant Accounting Policies

The financial statements of the Academy have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). Significant accounting policies are presented below to facilitate the understanding of the data included in the financial statements.

(a) Financial Reporting Entity

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable.

Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's board and either (a) the primary government's ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) Fiscal dependency on the primary government.

Based upon the required criteria, the Academy has no component units and is not a component unit of any other entity. However, because the Academy is not legally separate from the State of Illinois, the financial statements of the Academy are included in the financial statements of the State of Illinois. The State of Illinois' Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois, 62704-1871.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

(2) Summary of Significant Accounting Policies (Continued)

(b) Basis of Presentation

The financial activities of the Academy, which consist only of governmental activities, are reported under the general government function in the State of Illinois' Comprehensive Annual Report. For its reporting purposes, the Academy has combined the fund and government-wide financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. A brief description of the Academy's government-wide and fund financial statements is as follows:

1) Government-wide Statements

The government-wide statement of net assets and statement of activities report the overall financial activity of the Academy, excluding fiduciary activities. The financial activities of the Academy consist only of governmental activities, which are primarily supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function (i.e. education) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

2) Fund Financial Statements

The fund financial statements provide information about the Academy's funds, including fiduciary funds. Separate statements for each fund category – governmental and fiduciary are presented. The emphasis on fund statements is on a major governmental fund. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Academy administers the following major fund (or portions thereof in the case of shared funds – see Note 2d) of the State:

General Fund – This is the State's primary operating fund. The services administered by the Academy and accounted for in this fund include all activities of the Academy's educational enhancement program. This fund is a shared fund (see Note 2d). This fund is appropriated and held in the State Treasury.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

(2) Summary of Significant Accounting Policies (Continued)

(b) Basis of Presentation (Continued)

Additionally, the Academy reports the following fund types:

Governmental Fund Types – Special Revenue:

IMSA Special Purposes Trust Fund – This is a restricted purpose fund. Revenues are obtained from private and governmental grants and are restricted for application according to terms and conditions set by the grantors. The services administered by the Academy and accounted for in this fund include all activities of the Academy's educational enhancement program. This fund is non-appropriated and held in the State Treasury.

IMSA Income Fund – This fund is subject to expenditure limitations established by the General Assembly. Resources for the fund are generated by charges paid by recipients of the services offered as part of the Academy's educational enhancement program. The services administered by the Academy and accounted for in this fund include all activities of the Academy's educational enhancement program. This fund is appropriated and held in the State Treasury.

IMSA Operating Fund – This fund is authorized by the General Assembly to function as the Academy's local treasury. Resources are generated by charges paid by recipients of the services offered as part of the Academy's educational enhancement program and limited short-term investment income of working capital balances. The services administered by the Academy and accounted for in this fund include all activities, except the financing of personal service (employment) activities, of the Academy's educational enhancement program. This fund is non-appropriated and locally held.

Fiduciary Fund Type – Agency:

IMSA Student Activity Fund – This fund accounts for deposits collected by the Academy, acting in the capacity of an agent, for the various clubs and activities of the students. This fund is non-appropriated and locally held.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

(2) Summary of Significant Accounting Policies (Continued)

(c) Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Academy gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

The governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgements, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Significant revenue sources which are susceptible to accrual include student fees and workshop fees. All other revenue sources including library fines, transcript fees and other miscellaneous revenues are considered measurable and available only when cash is received.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

(2) Summary of Significant Accounting Policies (Continued)

(d) Shared Fund Presentation

The financial statement presentation for General Fund represents only the portion of shared funds that can be directly attributed to the operations of the Academy. Financial statements included on the Academy's activities in this shared fund only present the financial position of the Academy in its entirety. Financial statements for total fund operations of the shared State funds are presented in the Illinois Annual Report published by the State Comptroller.

In presenting these financial statements, certain unique accounts are used for the presentation of shared funds. The following accounts are used in these financial statements to present the Academy's portion of shared funds:

Unexpended Appropriation

This "asset" account represents lapse period warrants issued between July and August annually in accordance with the Statewide Accounting Management System (SAMS) records plus any liabilities relating to obligations re-appropriated to the subsequent fiscal year.

Appropriations from State Resources

This "other financing source" account represents the final legally adopted appropriation according to SAMS records. The amounts reported are net of any re-appropriations to subsequent years and the difference between current and prior year liabilities for re-appropriated accounts. Re-appropriations reflect the State's realignment of the budgetary needs to the subsequent year and avoid double counting a portion of the appropriation in more than one fiscal year.

Lapsed Appropriations

Lapsed appropriations are the legally adopted appropriations less net warrants issued for the 14 month period from July to August of the following year and re-appropriations to subsequent years according to SAMS records.

Receipts collected and transmitted to State Treasury

This "other financing use" account represents all cash receipts received during the fiscal year from SAMS records.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

(2) Summary of Significant Accounting Policies (Continued)

(e) Eliminations

Eliminations have been made in the government-wide statement of net assets to minimize the “grossing-up” effect of interdepartmental interfund activity between funds of the primary government.

(f) Cash and Cash Equivalents

Cash equity with State Treasurer consists of deposits held in the State Treasury for the IMSA Special Purposes Trust Fund and the IMSA Income Fund. Cash and cash equivalents include cash in banks for locally held funds.

(g) Budgetary Process

The State Constitution requires the Governor to prepare and submit to the General Assembly an executive budget for the ensuing fiscal year. This budget covers the General Revenue Fund. The General Assembly enacts the budget through the passage of specific line-item and lump sum appropriations, the sum of which must not exceed estimated revenues pursuant to the State Constitution. The General Assembly also establishes a line-item spending authority by passage of a budget for locally generated revenues deposited in the IMSA Income Fund. The line-item budget must not exceed estimated revenues available locally. The Academy’s Board of Trustees further restricts the IMSA Income Fund budget to actual resources available.

The IMSA Special Purposes Trust Fund and the IMSA Local and Student Activity Funds are subject to budgets established by the grantors and the Academy’s Board of Trustees, respectively. Unexpended State Appropriations at June 30 are available for subsequent expenditure to the extent that encumbrances have been incurred at June 30, provided they are presented for payment during the succeeding 60-day “lapse period” (by August 31). Lapse period expenditures not accrued at June 30 are reflected in the Governmental Funds fund balance portion of the Academy’s financial statements as reserved for encumbrances. All budgets are essentially on the cash basis of accounting, modified for expenditures during the lapse period (beginning and end of the year) as described above.

(h) Interfund Transactions

The Academy has the following types of interfund transactions between Academy funds and funds of other State agencies:

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

(2) Summary of Significant Accounting Policies (Continued)

(h) Interfund Transactions (Continued)

Services provided and used – sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the governmental fund balance sheet and government-wide statements of net assets.

Reimbursements – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers – flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

(i) Capital Assets

Capital assets, which include property, plant, and equipment, are reported at cost or estimated fair value at time of receipt for donated property. Capital assets are depreciated using the straight-line method.

Capitalization thresholds and the estimated useful lives by category are as follows:

<u>Capital Asset Category</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land	\$100,000	N/A
Land Improvements	\$ 25,000	N/A
Buildings	\$100,000	60 Years
Building Improvements	\$ 25,000	20 Years
Equipment	\$ 5,000	15 Years

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

(2) Summary of Significant Accounting Policies (Continued)

(j) Compensated Absences – Long Term Debt

The only long-term debt as of June 30, 2007 consisted of the liability for compensated absences accrued for employees who had not become eligible for payment. The liability for compensated absences reported in the government-wide financial statements consists of unpaid, accumulated vacation and sick leave balances for Academy employees. A liability for these amounts is reported in the governmental funds if they have matured, as a result of employee resignations, terminations and retirements. As of June 30, 2007, \$108,872 had matured but had not been paid. During the fiscal year ended June 30, 2007, the Academy paid \$125,508 for compensated absences. Long-term compensated absences liabilities represent those amounts calculated as accrued which have not matured. No known terminations are planned within the subsequent 12-month period. The long-term liability for compensated absences as of June 30, 2007 was calculated to be \$650,000. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g. social security and Medicare tax). Matured liabilities are paid from current appropriations to the Academy.

Legislation that became effective January 1, 1998 capped the paid sick leave, earned between January 1, 1984 and December 31, 1997, for all State employees employed as of December 31, 1997. Employees continue to accrue and accumulate sick days but will not receive monetary compensation for any additional time earned after December 31, 1997. Employees entering employment after December 31, 1997 accumulate sick days but will not receive monetary compensation at retirement. Sick days earned between 1984 and December 31, 1997 (with a 50% cash value) are only used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997 will be converted to service time for purposes of calculating employee pension benefits.

(k) Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purpose. Designations of fund balances represent tentative State plans that are subject to change.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

(2) Summary of Significant Accounting Policies (Continued)

(l) Net Assets

In the government-wide financial statements, equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the State’s policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted – This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

(m) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(3) Deposits

The State Treasurer is the custodian of the State’s cash and cash equivalents for funds maintained in the State Treasury. These deposits are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). The Academy independently manages cash and cash equivalents maintained outside the State Treasury.

Cash on deposit for locally held funds had a carrying amount of \$1,732,089 and a bank balance of \$1,912,784 at June 30, 2007. Of the total bank balance, \$100,000 was insured through the Federal Depository Insurance Corporation (FDIC) as of June 30, 2007. The remaining \$1,812,784 was collateralized with pooled securities held by the financial institution’s trust department. These securities are held in the name of the financial institution and not that of the State.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

(3) Deposits (Continued)

Custodial credit risk for deposits exist when, in the event of the failure of a depository financial institution, the Academy's deposit may not be covered. The FDIC insured bank balances totaled \$100,000 at June 30, 2007. The Academy's agreement with its financial institution indicates that it will take such actions as shall be necessary to ensure that the market value of the pledged securities equals or exceeds the secured balance and in the event that for any reason there is a deficiency the bank shall, as promptly as is practical, deposit additional permitted securities with the custodian in the amount necessary to secure such deficiency.

Deposits in the custody of the State Treasurer, or in transit, at June 30, 2007 totaled \$2,266,349. Funds held by the State Treasurer have not been categorized as to credit risk because the Academy does not own individual securities. Detail on the nature of these deposits is available within the State of Illinois' Comprehensive Annual Financial Report.

(4) Capital Assets

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2007 was as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2007</u>
<u>Capital assets not being depreciated:</u>					
Land and land improvements	\$ 201	\$ 0	\$ 0	\$ 0	\$ 201
Total capital assets not being depreciated	<u>201</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>201</u>
<u>Capital assets being depreciated:</u>					
Buildings and building improvements	47,859	0	0	0	47,859
Equipment	<u>1,619</u>	<u>257</u>	<u>107</u>	<u>0</u>	<u>1,769</u>
Total capital assets being depreciated	<u>49,478</u>	<u>257</u>	<u>107</u>	<u>0</u>	<u>49,628</u>
<u>Less: Accumulated depreciation:</u>					
Buildings and building improvements	24,902	1,836	0	0	26,738
Equipment	<u>997</u>	<u>138</u>	<u>84</u>	<u>0</u>	<u>1,051</u>
Total accumulated depreciation	<u>25,899</u>	<u>1,974</u>	<u>84</u>	<u>0</u>	<u>27,789</u>
Total capital assets being depreciated, net	<u>23,579</u>	<u>(1,717)</u>	<u>23</u>	<u>0</u>	<u>21,839</u>
Total capital assets, net	<u>\$ 23,780</u>	<u>\$ (1,717)</u>	<u>\$ 23</u>	<u>\$ 0</u>	<u>\$ 22,040</u>

Depreciation expense for governmental activities (amount expressed in thousands) for the year ended June 30, 2007 was charged as follows:

Education \$ 1,974

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

(5) Interfund Balances and Activity

The following balances at June 30, 2007 represent amounts due from other Academy funds and other State funds.

<u>Fund</u>	<u>Other Academy Funds</u>	<u>Other State Funds</u>	<u>Description/Purpose</u>
Nonmajor governmental funds	66,296	28,599	Due from other nonmajor governmental funds for reimbursement of expenses
	<u>\$ 66,296</u>	<u>\$ 28,599</u>	

The following balances at June 30, 2007 represent amounts due to other Academy funds and other State funds.

<u>Fund</u>	<u>Other Academy Funds</u>	<u>Other State Funds</u>	<u>Description/Purpose</u>
General	0	27,165	Due to other nonmajor governmental funds for reimbursement of expenses
Nonmajor governmental funds	66,296	70,833	Due to other nonmajor governmental funds for reimbursement of expenses
	<u>\$ 66,296</u>	<u>\$ 97,998</u>	

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

(6) Long-Term Obligations

Changes in long-term obligations for the year ended June 30, 2007 were as follows:

	Balance			Balance	Amounts
	<u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2007</u>	<u>Due</u>
					<u>Within</u>
					<u>One Year</u>
Compensated absences	\$ 775,000	359,000	484,000	650,000	240,000
Total	<u>\$ 775,000</u>	<u>\$ 359,000</u>	<u>\$ 484,000</u>	<u>\$ 650,000</u>	<u>\$ 240,000</u>

(7) Pension Plan

Plan Description: The Illinois Mathematics and Science Academy contributes to the State Universities' Retirement System of Illinois (SURS), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation whereby the State of Illinois makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941 to provide retirement annuities and other benefits for staff members and employees of the state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the State's financial reports as a pension trust fund.

SURS is governed by the Illinois Pension Code (40 ILCS 5/15). SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.SURS.org, or by calling 1-800-275-7877.

Funding Policy: Plan members are required to contribute 8.0% of their annual covered salary and substantially all employer contributions are by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The current rate is 10.61% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly. The employer's contributions to SURS for the year ending June 30, 2007 were \$986,076.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

(8) Post-employment Benefits

The State provides health, dental and life insurance benefits for certain retirees and their dependents. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health and dental benefits include basic benefits for annuitants under the State's self-insurance plan and insurance contracts currently in force. Life insurance benefits are limited to \$5,000 per annuitant age 60 and older.

Costs incurred for health, dental, and life insurance for annuitants and their dependents were not separated from benefits provided to active employees and their dependents for the years ended June 30, 2007 and 2006. However, post-retirement costs for the State as a whole for all State agencies/departments for dependent health, dental and life insurance for annuitants and their dependents are disclosed in the Illinois Comprehensive Annual Financial Report. Cost information for retirees by individual State agency is not available. Payments are made on a "pay-as-you-go" basis.

(9) Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation and natural disasters. The State retains the risk of loss (i.e. self-insured) for these risks except for insurance purchased by the Academy for long-term disability workers' compensation, flood insurance, vehicle collision/physical damage, employee theft/fraud, and payment of a portion of unemployment compensation claims.

The Academy's risk management activities for torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation and natural disasters are accounted for in the general fund of the State. The claims are not considered to be a liability of the Academy, and accordingly, have not been reported in the Academy's financial statements for the year ended June 30, 2007.

The Academy's risk management activities for long-term disability workers' compensation, flood insurance, employee theft/fraud, and vehicle collision/physical damage are financed through appropriations to the Academy and are reported in the General Revenue Fund. Workers' unemployment compensations are financed by automatic withdraws from the Academy's Income Fund. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. There were no such liabilities at the beginning or ending of the fiscal year.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

(10) Commitments and Contingencies

(a) Federal Funding

The Academy receives federal and private grants that are subject to review and audit by federal grantor agencies and private grantors. Certain costs could be questioned as not being an eligible expenditure under the terms of the grants. There were no unresolved questioned costs at June 30, 2007. However, questioned costs could still be identified during audits and reviews to be conducted in the future. Management of the Academy believes there will be no material adjustments to the grants and, accordingly, has not recorded a provision for possible repayment.

(b) Litigation

The Academy is routinely involved in legal proceedings and/or claims that cover a wide range of matters. In the opinion of management, there are no outstanding issues for which the outcomes of these matters are expected to result in a material adverse effect on the financial position or results of operations of the Academy.

(11) Related Party Transactions

The IMSA Fund for the Advancement of Education (the IMSA Fund) was established and is maintained as a separate corporate entity for the purpose of benefiting, performing the functions of and carrying out certain charitable, educational, literary and scientific purposes of the Academy. A Board of Trustees separate from that of the Academy governs the IMSA Fund. Effective July 1, 1995, the Academy entered into an agreement with the IMSA Fund that specifies the relationship between the two organizations. This agreement states that the IMSA Fund is a separate corporate entity established for the purpose stated above and is to assist the Academy in achieving and furthering its educational, research and service goals. The IMSA Fund has agreed to provide financial support to the Academy (both directly and indirectly). In exchange, the Academy has agreed to provide office space, equipment, and personnel to enable the IMSA Fund to accomplish its purpose.

Both organizations acknowledge that State resources should not be used to provide for fundraising activities that do not result in a value to the Academy that is the same or greater than the value of what the Academy receives directly or indirectly from the IMSA Fund. As long as the Academy receives direct or indirect program support from the IMSA Fund that is greater than the fundraising costs the Academy incurs on behalf of the IMSA Fund, no reimbursement shall occur. If in any fiscal year those fundraising costs are greater than the program support provided to the Academy, the IMSA Fund will reimburse the Academy for the excess of fundraising costs over program support provided. For fiscal year 2007, total program support provided to the Academy by the IMSA Fund was \$607,198, which exceeds the total fundraising costs incurred by the Academy for the IMSA Fund of approximately \$208,807. Accordingly, no reimbursement from the IMSA Fund to the Academy was required

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

(11) Related Party Transactions (Continued)

for fiscal year 2007.

The Academy received \$607,198 in total support (\$526,653 in direct program support and \$80,545 in other support) from the IMSA Fund for the year ended June 30, 2007. The Academy received \$3,531 in tangible asset donations from the IMSA Fund.

The Academy's financial statements exclude the financial activity reported in the IMSA Fund's financial statements except for amounts given to the Academy to support personnel costs which are processed through the State's payroll system, amounts given to the Academy for Academy-administered programs, and tangible asset donations which are reflected as capital assets in the Academy's Government-wide financial statements.

At June 30, 2007, other receivables include \$14,512 due from the IMSA Fund and accounts payable include \$32,008 due to the IMSA Fund.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUND

For the Year Ended June 30, 2007

	General Fund			
	Total Original Budget	Final Budget	Actual Plus Encumbrances	Variance with Final Budget Positive/(Negative)
Personal services	\$ 10,974,200	\$ 10,974,200	\$ 10,962,148	\$ 12,052
Contribution for social security and medicare	179,800	179,800	159,359	20,441
Contractual services	4,210,500	4,324,400	4,188,710	135,690
Travel	117,900	110,100	95,470	14,630
Commodities	296,700	319,100	310,521	8,579
Equipment	819,900	690,900	648,200	42,700
Electronic data processing	217,000	270,000	259,177	10,823
Telecommunications	356,300	296,000	266,928	29,072
Operations of automotive equipment	30,600	38,400	38,400	-
Excellence 2000	450,000	450,000	450,000	-
Total appropriation for the Academy	<u>\$ 17,652,900</u>	<u>\$ 17,652,900</u>	<u>\$ 17,378,913</u>	<u>\$ 273,987</u>

GAAP is the budgetary basis used in the preparation of these schedules.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

June 30, 2007

	IMSA Special Purposes Trust Fund	IMSA Income Fund	IMSA Operating Fund	Total Special Revenue Funds
ASSETS				
Cash equity with State Treasurer	\$ 853,161	\$ 1,413,188	\$ -	\$ 2,266,349
Cash and cash equivalents	-	-	1,679,602	1,679,602
Due from other government - Federal	-	-	20,854	20,854
Other receivables, net	-	115,200	6,712	121,912
Due from other Academy funds	20,854	3,609	41,833	66,296
Due from other State funds	25,615	-	2,984	28,599
Due from State of Illinois component units	14,512	-	-	14,512
Total assets	<u>\$ 914,142</u>	<u>\$ 1,531,997</u>	<u>\$ 1,751,985</u>	<u>\$ 4,198,124</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 588,935	\$ 36,345	\$ 128,947	\$ 754,227
Due to other governments - Federal	1,920	549	-	2,469
Due to other governments - local	193,865	-	-	193,865
Due to other Academy funds	41,270	563	24,463	66,296
Due to other State funds	28,861	702	41,270	70,833
Due to State of Illinois component units	32,008	-	-	32,008
Unavailable revenue	493	-	-	493
Unearned revenue	25,867	267,241	142,751	435,859
Total liabilities	<u>913,219</u>	<u>305,400</u>	<u>337,431</u>	<u>1,556,050</u>
FUND BALANCES				
Reserved for encumbrances	4,158	-	-	4,158
Unreserved	(3,235)	1,226,597	1,414,554	2,637,916
Total fund balances	<u>923</u>	<u>1,226,597</u>	<u>1,414,554</u>	<u>2,642,074</u>
Total liabilities and fund balances	<u>\$ 914,142</u>	<u>\$ 1,531,997</u>	<u>\$ 1,751,985</u>	<u>\$ 4,198,124</u>

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2007

	IMSA Special Purposes Trust Fund	IMSA Income Fund	IMSA Operating Fund	Total
Revenues				
Federal government	\$ 329,629	\$ -	\$ 32,525	\$ 362,154
Other operating grants	473,216	-	34,533	507,749
Licenses and fees	-	1,235,007	996,310	2,231,317
Other	-	66,739	3,561	70,300
Interest and investment income	-	-	91,540	91,540
Total revenues	<u>802,845</u>	<u>1,301,746</u>	<u>1,158,469</u>	<u>3,263,060</u>
Expenditures				
Education	873,000	1,033,598	729,232	2,635,830
Employment and economic development	-	16,700	-	16,700
Capital outlays	-	-	-	-
Total expenditures	<u>873,000</u>	<u>1,050,298</u>	<u>729,232</u>	<u>2,652,530</u>
Other sources (uses) of financial resources				
Transfers-out	(19,841)	-	-	(19,841)
Net other sources (uses) of financial resources	<u>(19,841)</u>	<u>-</u>	<u>-</u>	<u>(19,841)</u>
Net change in fund balance	(89,996)	251,448	429,237	590,689
Fund balance - July 1, 2006	90,919	975,149	985,317	2,051,385
Fund balance - June 30, 2007	<u>\$ 923</u>	<u>\$ 1,226,597</u>	<u>\$ 1,414,554</u>	<u>\$ 2,642,074</u>

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2007

<u>IMSA Student Activity Fund</u>	Balance June 30, 2006	Additions and Transfers	Deductions	Balance June 30, 2007
A.A.S.A.	\$ 9	\$ (9)	\$ -	\$ -
Acronym Newspaper	4	3,656	2,568	1,092
Alumni Account	4,649	-	-	4,649
Asian Culture Club	105	-	-	105
Athletics/Activities	632	11,495	11,554	573
Bowling	1,405	1,170	1,188	1,387
Caps & Gowns	3,697	4,317	3,411	4,603
Cheerleading	61	-	-	61
Class of 05	804	-	804	-
Class of 06	11,786	586	7,996	4,376
Class of 07	3,708	54,854	55,154	3,408
Class of 08	2,220	7,149	2,206	7,163
Class of 09	-	2,695	442	2,253
Dance Squad	907	3,717	3,770	854
Drama Club	3,124	2,721	3,396	2,449
Ecuador Summer 2007	-	900	900	-
Exodus	200	1,252	1,217	235
Fine Arts Club	4,797	1,860	2,783	3,874
Fiscal Office	(128)	1,275	1,269	(122)
German	48	4,419	3,457	1,010
Habitat for Humanity	1,190	5,575	6,477	288
Hadron	582	870	367	1,085
Harvard Model Congress	15	(15)	-	-
Heliotrope	46	93	-	139
Human Resources	1,096	1,105	1,778	423
I.C.F.	737	-	-	737
IRC Copier	269	105	94	280
India 2007	-	3,297	-	3,297
Japan 2006	-	5,198	5,198	-
Key Club	1,593	1,912	2,275	1,230
Korea Student Exchange	-	8,292	8,292	-
Latin Dance Intersession	-	1,600	1,600	-
MUN Support	7	-	-	7
Model UN of Univ. Chicago	920	4,162	4,804	278
Mu Alpha Theta	12,043	17,901	36,095	(6,151)
Music	29	37,150	37,149	30
New York Times	15	(15)	-	-
Paris Intersession	-	31,392	31,392	-
Puerto Rico Intersession	-	19,400	19,400	-
SADD	1,832	-	-	1,832
Scholastic Bowl	2,001	-	343	1,658
School Tip Line	266	-	-	266
Science Lab Books	1,738	775	2,513	-
Scuba Intersession	-	19,900	19,900	-
St. Petersburg Intersession	-	15,269	15,269	-
Student Aide	3	-	-	3
Student Council	2,936	4,609	4,023	3,522
Student Support	5,251	16,210	19,181	2,280
Student Union	1	-	1	-
Taos NM Intersession	-	4,081	4,081	-
Tournaments	1,706	11,616	11,150	2,172
Washington DC Intersession	-	4,816	4,816	-
Yearbook	4,506	38,004	41,369	1,141
Total	<u>\$ 76,810</u>	<u>\$ 355,359</u>	<u>\$ 379,682</u>	<u>\$ 52,487</u>

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
For the Year Ended June 30, 2007

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
- 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 Accounts Receivable

- Analysis of Operations:

- Agency Functions and Planning Program
- Average Number of Employees
- Service Efforts and Accomplishments (Unaudited)

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

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
<u>U. S. Department of Education</u>		
Fund for the Improvement of Education		
21st Century Information Fluency Program - 2006	84.215	233,000
22nd Century Information Fluency Program - Indirect Costs	84.215	20,000
Pass Through Program From:		
Illinois State Board of Education		
U. S. Department of Education / Advanced Placement Program		
Advanced Placement Fee Incentive Program	84.330	1,000
U. S. Department of Education / Office of Elementary and Secondary Education		
Mathematics and Science Partnerships - 2006	84.366	13,000
U. S. Department of Education / Fund for the Improvement of Education		
Earmark IL Virtual High School - 2006	84.215	22,000
<i>Total U.S. Department of Education</i>		<u>\$ 289,000</u>
<u>U. S. Department of Agriculture</u>		
Pass Through Program From:		
Illinois State Board of Education		
School Breakfast Program	10.553	9,000
National School Lunch Program	10.555	23,000
<i>Total U.S. Department of Agriculture</i>		<u>\$ 32,000</u>
<u>Smithsonian Institution</u>		
To support and expand the research and diffusion network of schools in Illinois		
Contract # F00536CC10188	N/A	89,000
<i>Total Smithsonian Institution</i>		<u>\$ 89,000</u>
Total Expenditures of Federal Awards		<u><u>\$ 410,000</u></u>

The accompanying notes are an integral part of this statement.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2007

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the Illinois Mathematics and Science Academy and is presented on the full 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 Nonprofit Organizations*. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements due to specific reporting requirements prescribed by OMB Circular A-133.

Note 2 - Description of Grant Programs

The following is a brief description of the grant programs included in the Schedule of Expenditures of Federal Awards:

A. U.S. Department of Education

- Fund for the Improvement of Education (CFDA # 84.215)
The purpose of this program is to conduct nationally significant programs to improve the quality of education, assist all students to meet challenging State content standards, and contribute to the achievement of elementary and secondary students.
- Advanced Placement Fee Incentive Program (CFDA # 84.330)
Program awards grants to states to support state and local efforts to increase access to advanced placement classes and tests for low-income students and to cover part or all of the cost of test fees for low-income students enrolled in advanced placement courses.
- Mathematics and Science Partnerships (CFDA # 84.366)
The purpose of this program is to improve the academic achievement of students in mathematics and science by encouraging states, institutions of higher education (IHEs), local educational agencies (LEAs), and elementary and secondary schools to participate in programs that: improve and upgrade the status and stature of mathematics and science teaching by encouraging IHEs to improve mathematics and science teacher education; focus on the education of mathematics and science teachers as a career-long process; bring mathematics and science teachers together with scientists, mathematicians, and engineers to improve their teaching skills; and develop more rigorous mathematics and science curricula that are aligned with state and local academic achievement standards expected for postsecondary study in engineering, mathematics, and science.

B. U.S. Department of Agriculture:

- School Breakfast Program (CFDA #10.553)
National School Lunch Program (CFDA #10.555)
The purpose of these programs is to provide nutritious, nonprofit breakfast and lunch service for school children, through cash grants and food donations and to encourage the domestic consumption of nutritious, agricultural commodities.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Year Ended June 30, 2007

P.A. 94-0798 FISCAL YEAR 07	Appropriations (Net of Transfers)	Expenditures Through June 30	Lapse Period		Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
			Expenditures July 1 to August 31	Expenditures August 31		
APPROPRIATED FUNDS						
<u>General Revenue Fund - 001</u>						
Personal Services	\$ 10,974,200	\$ 10,221,699	\$ 740,449	\$ 10,962,148	\$	12,052
State Contributions to Social Security, for Medicare	179,800	147,299	12,059	159,358		20,442
Contractual Services	4,324,400	2,992,885	1,195,825	4,188,710		135,690
Travel	110,100	76,590	18,880	95,470		14,630
Commodities	319,100	250,568	59,953	310,521		8,579
Equipment	690,900	476,642	171,560	648,202		42,698
Electronic Data Processing	270,000	150,208	108,969	259,177		10,823
Telecommunications	296,000	219,363	47,565	266,928		29,072
Operation of Automotive Equipment	38,400	34,458	3,942	38,400		0
Awards and Grants	450,000	364,797	85,203	450,000		0
Total Fund 001	<u>\$ 17,652,900</u>	<u>\$ 14,934,509</u>	<u>\$ 2,444,405</u>	<u>\$ 17,378,914</u>		<u>\$ 273,986</u>
<u>Income Fund - 768</u>						
Personal Services	\$ 1,598,000	\$ 952,701	\$ 11,510	\$ 964,211	\$	633,789
State Contributions to Social Security, for Medicare	27,400	19,973	549	20,522		6,878
Contractual Services	981,100	103,501	17,659	121,160		859,940
Travel	126,700	10,176	268	10,444		116,256
Commodities	143,200	24,719	6,408	31,127		112,073
Equipment	65,000	3,702	5	3,707		61,293
Telecommunications	80,000	7,121	1,478	8,599		71,401
Operation of Automotive Equipment	1,000	0	506	506		494
Refunds	27,600	2,380	0	2,380		25,220
Total Fund 768	<u>\$ 3,050,000</u>	<u>\$ 1,124,273</u>	<u>\$ 38,383</u>	<u>\$ 1,162,656</u>		<u>\$ 1,887,344</u>
TOTAL - APPROPRIATED FUNDS	<u>\$ 20,702,900</u>	<u>\$ 16,058,782</u>	<u>\$ 2,482,788</u>	<u>\$ 18,541,570</u>		<u>\$ 2,161,330</u>

Note: Appropriations, expenditures, and lapsed balances were obtained from Academy records and have been reconciled to records of the State Comptroller.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Year Ended June 30, 2007

	Appropriations (Net of Transfers)	Lapse Period		Balances Lapsed August 31
		Expenditures Through June 30	Expenditures July 1 to August 31	
NON-APPROPRIATED FUNDS				
<u>Special Purposes Trust Fund - 359</u>				
Personal Services	\$ 1,105,706	\$ 98,618	\$ 1,204,324	
State Contributions to State University Retirement System	88,207	28,860	117,067	
State Contributions to Social Security, for Medicare	17,949	1,920	19,869	
Employer Contributions for Group Insurance	84,787	0	84,787	
Contractual Services	658,416	605,012	1,263,428	
Travel	39,376	15,512	54,888	
Commodities	85,700	38,768	124,468	
Printing	8,338	6,591	14,929	
Equipment	41,977	11,732	53,709	
Electronic Data Processing	0	0	0	
Telecommunications	1,160	634	1,794	
Awards and Grants	0	0	0	
Permanent Improvements	0	0	0	
Refunds	127,459	27,965	155,424	
TOTAL - NON-APPROPRIATED FUNDS	\$ 2,259,075	\$ 835,612	\$ 3,094,687	
GRAND TOTAL - ALL FUNDS	\$ 18,317,857	\$ 3,318,400	\$ 21,636,257	

Note: Appropriations, expenditures, and lapsed balances were obtained from Academy records and have been reconciled to records of the State Comptroller.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES
AND LAPSED BALANCES**
For the Fiscal Years Ended June 30,

APPROPRIATED FUNDS

	2007	2006	2005
<u>General Revenue Fund - 001</u>	P.A. 94-0798	P.A. 94-0015	P.A. 93-0842
Appropriations (Net of Transfers)	<u>\$17,652,900</u>	<u>\$ 16,322,900</u>	<u>\$ 15,832,900</u>
<u>Expenditures</u>			
Personal Services	\$10,962,148	\$ 10,592,755	\$ 10,258,877
State Contributions to Social Security, for Medicare	159,358	155,935	151,990
Contractual Services	4,188,710	3,659,856	3,625,817
Travel	95,470	75,064	75,795
Commodities	310,521	310,876	338,546
Equipment	648,202	494,201	508,876
Electronic Data Processing	259,177	125,082	121,810
Telecommunications	266,928	286,888	264,975
Operation of Automotive Equipment	38,400	30,071	30,204
Awards and Grants	450,000	440,700	342,976
Total Expenditures	<u>17,378,914</u>	<u>16,171,428</u>	<u>15,719,866</u>
Lapsed Balances	<u>\$ 273,986</u>	<u>\$ 151,472</u>	<u>\$ 113,034</u>
<u>Income Fund - 768</u>			
Appropriations (Net of Transfers)	<u>\$ 3,050,000</u>	<u>\$ 3,050,000</u>	<u>\$ 2,050,000</u>
<u>Expenditures</u>			
Personal Services	\$ 964,211	\$ 904,889	\$ 478,245
State Contributions to Social Security, for Medicare	20,522	17,031	11,307
Contractual Services	121,160	152,586	397,630
Travel	10,444	15,264	18,656
Commodities	31,127	30,741	42,007
Equipment	3,707	8,858	2,872
Telecommunications	8,599	0	0
Operation of Automotive Equipment	506	0	622
Refunds	2,380	864	3,528
Total Expenditures	<u>1,162,656</u>	<u>1,130,233</u>	<u>954,867</u>
Lapsed Balances	<u>\$ 1,887,344</u>	<u>\$ 1,919,767</u>	<u>\$ 1,095,133</u>
<u>GRAND TOTAL, ALL APPROPRIATED FUNDS</u>			
Appropriations, net of transfers	\$20,702,900	\$ 19,372,900	\$ 17,882,900
Total Expenditures	<u>18,541,570</u>	<u>17,301,661</u>	<u>16,674,733</u>
Lapsed Balances	<u>\$ 2,161,330</u>	<u>\$ 2,071,239</u>	<u>\$ 1,208,167</u>

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30,

NON-APPROPRIATED FUNDS

<u>Special Purposes Trust Fund - 359</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<u>Expenditures</u>			
Personal Services	\$ 1,204,324	\$ 1,492,666	\$ 2,115,686
State Contributions to State			
University Retirement System	117,067	144,683	208,591
State Contributions to Social Security, for Medicare	19,869	23,086	32,467
Employer Contributions for Group Insurance	84,787	161,284	200,353
Contractual Services	1,263,428	996,553	938,462
Travel	54,888	62,978	62,315
Commodities	124,468	70,277	76,760
Printing	14,929	7,395	0
Equipment	53,709	21,578	67,930
Electronic Data Processing	0	0	1,416
Telecommunications	1,794	1,826	3,229
Awards and Grants	0	0	0
Permanent Improvements	0	20,420	1,035,787
Refunds	155,424	77,300	178,796
Total Expenditures	<u>3,094,687</u>	<u>3,080,046</u>	<u>4,921,792</u>
<u>GRAND TOTAL, ALL FUNDS</u>			
Total Expenditures	<u>\$ 21,636,257</u>	<u>\$ 20,381,707</u>	<u>\$ 21,596,525</u>

STATE OF ILLINOIS
 ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
SCHEDULE OF CHANGES IN STATE PROPERTY
 For the Year Ended June 30, 2007

	Balance <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net Transfers</u>	Balance <u>June 30, 2007</u>
Land and Land improvements	\$ 200,646	\$ 0	\$ 0	\$ 0	\$ 200,646
Building and Building improvements	48,482,605	15,039	(17,515)	18,058	48,498,187
Equipment	<u>10,327,515</u>	<u>802,858</u>	<u>(2,118,185)</u>	<u>0</u>	<u>9,012,188</u>
Totals	<u>\$ 59,010,766</u>	<u>\$ 817,897</u>	<u>\$ (2,135,700)</u>	<u>\$ 18,058</u>	<u>\$ 57,711,021</u>

The property and equipment information was obtained from Academy records and has been reconciled to the "Agency Report of Fixed Assets" (Form C-15) submitted to the State Comptroller.

This summary schedule was prepared using State property records required by the Illinois Administrative Code. The capitalization policy in the Code is different than the capitalization policy established by the Office of the Comptroller for financial reporting in accordance with generally accepted accounting principles.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
COMPARATIVE SCHEDULE OF CASH RECEIPTS
For the Years Ended June 30,

	<u>2007</u>	<u>2006</u>
GENERAL REVENUE FUND - 001		
Third party reimbursements	\$ 3,517	\$ 6,683
Indirect cost reimbursement	19,841	47,717
Prior year expenditure transfers	0	0
Prior year refunds	12,090	1,381
Total 001 Fund Receipts	<u>35,448</u>	<u>55,781</u>
IMSA SPECIAL PURPOSES TRUST FUND - 359		
Private grants	25,000	25,000
Other Illinois State agency grant funds	1,575,463	1,450,457
Federal grant funds	319,080	715,425
Private donations	527,906	675,864
Prior year expenditure transfers	0	0
Prior year refunds	0	552
Total 359 Fund Receipts	<u>2,447,449</u>	<u>2,867,298</u>
IMSA INCOME FUND - 768		
Miscellaneous fees	76,478	74,778
Student activity fees	1,151,191	1,162,992
Building rental income	5,001	6,991
Conference fees	113,398	100,743
Workshop materials fees	1,367	0
Prior year expenditure transfers	0	0
Prior year refunds	0	0
Total 768 Fund Receipts	<u>1,347,435</u>	<u>1,345,504</u>
TOTAL RECEIPTS	<u><u>\$ 3,830,332</u></u>	<u><u>\$ 4,268,583</u></u>

**RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS
REMITTED TO THE STATE COMPTROLLER**

	<u>2007</u>	<u>2006</u>
Receipts per Academy Records	\$ 3,830,332	\$ 4,268,583
Add: Deposits in transit, beginning of year	176,785	415,767
Less: Deposits in transit, end of year	<u>(211,643)</u>	<u>(176,785)</u>
Receipts per Comptroller Records	<u><u>\$ 3,795,474</u></u>	<u><u>\$ 4,507,565</u></u>

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Year Ended June 30, 2007

Academy management provided the following explanations of significant variations in expenditures of 20% and \$10,000 for the fiscal years ended June 30, 2007 and June 30, 2006 as shown below:

General Revenue Fund – 001

Travel

The increase in travel expenditures is due to increased participation by Academy faculty and staff as presenters and attendees at national conferences. There was also an increase in attendance by Academy faculty and staff at various Academy alumni events across the county.

Equipment

The increase in equipment expenditures is due to the purchase of scientific equipment for science labs and equipment needed to get classrooms ready for electronic teaching and learning. Expenditures also include the replacement of an Academy mower and postage machine.

Electronic Data Processing

The increase in electronic data processing expenditures is due to an upgrade in the Academy's storage area network to increase space and performance of the Academy's computer system. Expenditures also include an upgrade to the Academy's residence hall network infrastructure.

Income Fund – 768

Contractual Services

The decrease in contractual services expenditures is due to the Academy relying more on grant funding to support the Academy's professional development and student enrichment programs for Problem Based Learning, Illinois Virtual High School, and Kid's Institute.

Special Purposes Trust Fund – 359

Personal Services

The decrease in personal services expenditures is due to a decrease in both federal and private grant funding to support program salaries. The decrease was also due to Illinois Virtual High School part time salaries were paid from the Income Fund rather than the Special Purposes Trust Fund.

State Contributions to State University Retirement System and Employer Contributions to Group Insurance

The decrease in State Contributions to State University Retirement System and Employer Contributions to Group Insurance is due to the decrease in personal services expenditures as noted above.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Year Ended June 30, 2007

Special Purposes Trust Fund – 359 (continued)

Contractual Services

The increase in contractual services expenditures is due to a new contract the Academy received from the Illinois State Board of Education under the Illinois Technology Immersion Pilot Program (TIPP). The Academy was contracted to help administer professional development under the program, which included contracting with education professionals to help deliver the professional development programs.

Commodities

The increase in commodities expenditures is in part due to a new contract the Academy received from the Illinois State Board of Education under the Illinois Technology Immersion Pilot Program (TIPP). The Academy was contracted to help administer professional development under the program, which included purchasing supplies for professional development events.

Equipment

The increase in equipment expenditures is due to a new contract the Academy received from the Illinois State Board of Education under the Illinois Technology Immersion Pilot Program (TIPP). The equipment was purchased for use in delivering professional development to TIPP program participants.

Permanent Improvements

The decrease in permanent improvement expenditures is due to no similar grant received in FY07 as was received in FY06. In FY06, the Academy received a grant from the Illinois Math and Science Fund for the Advancement of Education for a permanent improvement project in memorial to a former Academy student. The grant ended in FY06.

Refunds

The increase in refund expenditures is due to the refund of unused FY06 Illinois Virtual High School grant funds in FY07. The increase is also due to the refund of an award to the Illinois Math and Science Academy Fund for the Advancement of Education for the Academy's Talent program.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Year Ended June 30, 2007

The Comparative Schedule of Cash Receipts documents the revenue generating activities for fiscal years 2006 and 2007.

Significant variations in receipts are considered to be those varying between years by more than 20% and amounting to \$20,000 or more.

General Revenue Fund – 001

Indirect Cost Reimbursements

The Academy received both FY05 and FY06 indirect cost reimbursements from the Federal government for expenditures relating to the Doe Grant for the 21st Century Information Fluency Program in FY06. In FY07, the Academy received reimbursement of such indirect costs for only FY07.

Special Purposes Trust Fund – 359

Federal Grant Funds

Federal grant funding decreased for several programs: federal funding decreased for the Academy's 21st Century Information Fluency program by \$254,000; federal funding was not provided for the Math and Science Partnership program, resulting in an \$89,450 decrease; and federal funding was not provided for the Illinois Virtual High School, resulting in a \$77,710 decrease.

Private Donations

The decrease was a result of fewer awards received from the IMSA Fund for the Advancement of Education in support of Academy programs.

STATE OF ILLINOIS
 ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
 For the Year Ended June 30, 2007

Our testing of lapse period expenditures for the fiscal year ended June 30, 2007 disclosed four appropriation line items with significant (20% or more) lapse period expenditures, as shown below:

	Fiscal Year Ended June 30, 2007		
	<u>TOTAL</u> <u>EXPENDITURES</u>	<u>LAPSE PERIOD</u> <u>EXPENDITURES</u>	<u>PERCENTAGE</u>
<u>General Revenue Fund – 001</u>			
Contractual services	\$4,188,710	\$1,195,825	29%
Travel	\$95,470	\$18,880	20%
Equipment	\$648,202	\$171,560	26%
Electronic Data Processing	\$259,177	\$108,969	42%

Academy management provided the following explanations for the significant lapse period expenditures identified above.

General Revenue Fund – 001

Contractual Services

The majority of the lapse period contractual services expenditures include residence hall and main building maintenance and repairs undertaken between the end of the school year and the beginning of the Academy’s summer programs, natural gas, electricity and water utilities, and financial system and HRIS software.

Travel

The majority of the lapse period travel expenditures were for staff travel in June to the National Education Computing Conference in Atlanta, Georgia and to the American Library Association conference in Washington, D.C.

Equipment

The majority of the lapse period equipment expenditures included mattresses and furniture for the Academy’s residence halls and furniture for the Academy classrooms ordered at the end of the academic year. The expenditures also included the purchase of a new kiln for the Academy’s visual arts program, two copy machines for the Academy’s copy center, a new visitor entry system to enhance on-campus security, and a new floor cleaner for maintenance of the Academy’s main building.

Electronic Data Processing

The majority of the lapse period equipment expenditures were for upgrades to the network infrastructure of the Academy’s residence halls.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
ANALYSIS OF ACCOUNTS RECEIVABLE
June 30,

	<u>2007</u>	<u>2006</u>
Student fees – late processing fee	\$ 202	\$ 560
Commissions due from laundry services	1,405	1,223
Transcript fees	17	0
Student damage charges	9,375	5,830
Student fees	6,712	9,517
SAT fees	0	2,025
SAT proctors	0	106
IRC fees	0	135
Paypal (student application fees)	0	2,948
Student textbook obligations	2,091	180
Student card/key obligations	0	98
Refunds due from vendors to be submitted to the State	0	292
Building rental	2,782	2,501
Personal phone calls	13	42
Reimbursement for VISA/Master Card	0	326
Student athletic obligations	0	125
Equipment obligations	0	1,968
Student fees for IVHS	<u>99,315</u>	<u>28,003</u>
 Total Accounts Receivable	 <u>\$121,912</u>	 <u>\$ 55,879</u>

The Academy turns delinquent accounts over to a collection agency. Therefore, the entire receivable balance is considered collectible and no allowance for doubtful accounts was reported.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
ANALYSIS OF OPERATIONS
For the Year Ended June 30, 2007

Agency Functions

The Illinois Mathematics and Science Academy (Academy) was established in 1985 by the State of Illinois under the Illinois Mathematics and Science Academy Law (105 ILCS 305). Under the Act, it is the policy of the State to provide excellence in mathematics and science education in order to nourish an informed citizenry, assure technological skills for the work force, and assist in the preparation of professionals to serve the interests of Illinois in such fields as engineering, research, teaching, and computer technology.

Further, it is the policy of the State to enlist the support of the educational, industrial, and scientific communities in a cooperative effort to provide excellence in science and mathematics education. As a result of this cooperative endeavor, the Academy was established to serve the people of Illinois as a preparatory institution and the school system of Illinois as a catalyst and laboratory for the advancement of teaching.

The Academy is a State Agency, funded by State appropriations, private contributions and endowments. Minimal fees for residential students may be charged. The primary role of the Academy is to offer a uniquely challenging education for students talented in the areas of mathematics and science.

The purpose of the mathematics program at the Academy is to help students develop and use mathematical tools for their own thinking, problem solving and development as informed citizens and leaders, and to help students appreciate the power, economy, elegance, and beauty of mathematical thought. The Academy provides experiences, in which students investigate and explore, think critically, solve problems and apply mathematical tools of thought in a variety of situations using multiple strategies, approaches and techniques.

The purpose of the science program is to provide a learning environment which addresses both breadth and depth of study. Breadth of study is necessary for students to make informed decisions about continued education in science. The depth of study will lead to a deep understanding of the nature and processes of science, its fundamental concepts and principles, and the contexts of science that inform ethical leadership.

The Academy delivers statewide professional development and enrichment programs to Illinois teachers and students. The Academy works with teachers in school districts to focus on professional development in mathematics, science and technology curriculum, instructional methods, standards alignment and measurement of results. The Academy delivers enrichment programs to stimulate interest, motivation and achievement of elementary, middle school and high school students in mathematics, science and technology. Programs are held on the Academy's Aurora campus, at locations throughout Illinois and online.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
ANALYSIS OF OPERATIONS
For the Year Ended June 30, 2007

Agency Planning Program

The Academy is governed by a 17 member Board of Trustees consisting of 13 appointed voting members and 4 positional non-voting members. The members, specified in the Illinois Mathematics and Science Academy Law (105 ILCS 305/3), include:

- Three representatives of the scientific community in Illinois, appointed by the Governor.
- Three representatives of the Illinois private industrial sector, appointed by the Governor.
- Two representatives of the general public at large, appointed by the Governor.
- Two representatives of Higher Education, one of whom must be a Dean of Education, appointed by the Executive Director of the Illinois Board of Higher Education.
- Three representatives of Secondary Education, one of whom must be a mathematics or science teacher, appointed by the State Superintendent of Education.
- Four ex-officio nonvoting members: the State Superintendent of Education, the Executive Director of the Illinois Community College Board, the Executive Director of the State Board of Higher Education, and the Superintendent of Schools in the school district in which the Academy is located.

Academy Trustees focus on strategic direction and policy, not day-to-day-operations. The Board selects and evaluates the Academy President who is the chief executive officer of the Academy and the chief administrative officer of the Board. The Academy President is responsible for all administrative functions, duties, and needs of the Board.

Beyond their responsibilities specified in the Act and in Academy Board Policies, Trustees advance and support the Academy in other ways, for example, as guest speakers for special events, members of the Strategic Planning Team, expert resources on particular issues, ambassadors for the Academy in their respective networks, and donors to the Academy Fund for Advancement.

For three days in early September 2006, a 29-person team met to create a new Academy strategic plan. Two-thirds of team members were Academy faculty and staff from all disciplines, and one-third was members of the Academy's extended community and beyond, such as alumni, students, parents, Trustees, Fund Board members, a State Superintendent of Schools and a national technology for learning expert. The planning team defined a number of common beliefs, a new mission, objectives, and strategies that will guide the Academy into the future. Action teams developed proposed action plans for each strategy. The Academy Board of Trustees approved the strategic plan in its May 2007 meeting.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
ANALYSIS OF OPERATIONS
For the Year Ended June 30, 2007

Agency Strategies

The Academy has as its mission to be the world's leading teaching and learning laboratory for imagination and inquiry, and to ignite and nurture creative, ethical, scientific minds that advance the human condition through a system distinguished by profound questions, collaborative relationships, personalized experiential learning, global networking, generative use of technology and pioneering outreach.

The Academy has the following objectives:

- All learners achieve their personal aspirations and stretch the human imagination.
- The life work of each Academy graduate is recognized for significantly improving the way people live.
- The universal paradigm for teaching and learning is grounded in imagination and inquiry.

The Academy has the following strategies:

- Develop the whole person.
- Require students to pursue personalized plans of study, based on integrated learning experiences and assessed on the basis of individual mastery.
- Design the Academy as a laboratory.
- Generate scholarship that discovers, integrates, applies and transfers knowledge produced by work.
- Identify teaching and learning needs, develop research-based products to meet those needs, and market them to establish the Academy brand.
- Diversify funding to provide reliable and flexible financing.
- Fully engage Academy constituents in lifelong mutually beneficial relationships.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
AVERAGE NUMBER OF EMPLOYEES
For the Years Ended June 30, 2007

AVERAGE NUMBER OF EMPLOYEES

The following table, prepared from Academy records, presents the average number of employees, by function.

Full-Time Equivalent Number of Employees

<u>Funded by State appropriated funds:</u>	<u>2007</u>	<u>2006</u>
Administration	9	10
Faculty	61	56
Support Leadership	72	66
Instructional program assistants	3	3
Residential life	31	32
Security	9	9
Maintenance/custodians	19	18
Secretaries	33	33
	<u>237</u>	<u>227</u>
<u>Funded by non-appropriated funds:</u>	<u>2007</u>	<u>2006</u>
Administration	0	0
Faculty	0	0
Support Leadership	4	9
Secretaries	1	2
	<u>5</u>	<u>11</u>
Grand Total	<u>242</u>	<u>238</u>

Part-Time Employees Providing Instruction to Non-IMSA Students

<u>Program:</u>	<u>2007</u>	<u>2006</u>
Illinois Virtual High School	69	79
Excellence 2000+	21	37
	<u>90</u>	<u>116</u>
Grand Total	<u>90</u>	<u>116</u>

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
SERVICE EFFORTS AND ACCOMPLISHMENTS
For the Year Ended June 30, 2007
(Unaudited)

The Illinois Mathematics and Science Academy (Academy) was founded by the State of Illinois to “offer a uniquely challenging education for students talented in mathematics and science” and “stimulate further excellence for all Illinois schools in mathematics and science.” The Academy’s advanced residential college preparatory program enrolls up to 650 academically talented Illinois students in grades 10-12. Through its statewide initiatives, the Academy also delivers professional development to educators and enrichment programs to students throughout Illinois and beyond.

- Student Inquiry and Research (SIR) is an integral part of the academic program that enables students to work independently with peers, prominent scholars and world-renowned scientists to pursue their own compelling questions of interest, conduct research or invent products. More than 67% of students from the Class of 2007 participated in the SIR program. Students excelled in prominent national competitions. In FY 07, an Academy student was the only Illinois finalist in the Intel Science Talent Search, America’s oldest and most prestigious high school science competition. In addition, one Academy team received the highest ranking possible in the ninth annual international High School Mathematical Contest in Modeling (HiMCM). The team’s performance placed the Academy among the top five schools in the world in the 2007 competition.
- Standardized test scores of Academy students are among the highest in the nation. The ACT mean composite score for the Academy’s Class of 2007 was 30.3, while the national ACT mean for college bound seniors was 21.2. SAT mean results for the Academy’s Class of 2007 were mathematics 715, critical reading 658, and writing 651. The national SAT mean results for college bound seniors were mathematics 515, critical reading 502, and writing 494. For the second year in a row, *Newsweek* named the Academy among the “Public Elites” in its list of 19 public high schools with the highest average ACT and SAT scores in the nation. In 2007, the College Board Advanced Placement program recognized the Academy for the second year in a row as having the strongest AP results in the world among like-size schools for AP Physics C: Mechanics and AP Physics C: Electricity and Magnetism.
- Academy graduates are highly recruited by the nation’s top colleges and universities. Both the *Wall Street Journal* and *Worth* magazine rank the Academy among the top college prep programs in the nation to place its graduates in Ivy League and highly selective colleges and universities. The Illinois universities with the largest Academy graduate enrollment for the class of 2007 include: Illinois Institute of Technology, Northwestern University, University of Chicago, University of Illinois at Chicago and University of Illinois at Urbana-Champaign. Out-of-state universities with the largest Academy graduate enrollment for the class of 2007 include: California Institute of Technology, Carnegie Mellon University, Case Western Reserve University, Duke University, Massachusetts Institute of Technology and St. Louis University.

STATE OF ILLINOIS
ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
SERVICE EFFORTS AND ACCOMPLISHMENTS
For the Year Ended June 30, 2007
(Unaudited)

- Members of the Academy’s faculty and staff are models of professional growth and achievement. All faculty members have advanced degrees, with 53% holding doctorate degrees; and 27% are certified by the National Board for Professional Teaching Standards (NBPTS), the highest standard for excellence in the teaching profession. In 2007, an Academy staff member was president of the Illinois Science Teachers Association (ISTA), an organization of more than 2,000 Illinois science teachers, administrators, scientists, business representatives and others involved in science education.
- The Academy delivers statewide professional development programs to teachers and enrichment programs to students in Illinois and beyond. For academic year 07, highlights of six major outreach programs include:
 - Illinois Virtual High School – Through its full administration of the Illinois Virtual High School (IVHS) on behalf of the Illinois State Board of Education, the Academy delivers a wide range of quality online instruction to Illinois students. By using technology to expand the boundaries of space and time, IVHS provides Illinois students and their teachers with increased equity and access to quality educational opportunities. Today, one out of every three Illinois high schools uses IVHS services.
 - IMSA Excellence 2000+ (E2K+) – An after-school enrichment program for Illinois middle school students who are talented and interested in mathematics and science. Special emphasis is given to serving students who are historically underrepresented and underserved in mathematics and science. The program includes a teacher professional development component for participating middle schools. Modeled after the Mitchell Excellence 2000 enrichment program in Israel for junior high school students, E2K+ served more than 1,000 students and 300 teachers throughout Illinois in academic year 2007.
 - IMSA Kids Institute® (KI) – Hands-on enrichment programs are designed and delivered by Academy students to Illinois youth in grades 2-8. Weekend workshops, summer camps and a traveling science show for targeted Illinois schools are among the programs that get young students excited about learning math and science. The Kids Institute also distributed DVDs – *IMSA on Wheels*, a program that introduces hands-on science to elementary schools. The DVDs were sent free of charge to Illinois schools, libraries and educators. These programs and products served more than 3,300 students during academic year 2007.
 - IMSA Problem-Based Learning Network (PBLN) – The IMSA Problem-Based Learning Network serves teachers as they learn to use Problem-Based Learning (PBL), a powerful educational model that organizes curriculum and instruction around carefully crafted situations adapted from real-world issues. Learners gather and apply knowledge from multiple disciplines in their quest for solutions.

STATE OF ILLINOIS
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For the Year Ended June 30, 2007
(Unaudited)

- IMSA 21st Century Information Fluency Program – Offers professional development for more than 1,500 Illinois school media/technology specialists to learn the secrets of finding rich educational resources on the Internet.

- Illinois Technology Immersion Pilot Project (TIPP) – A three-year pilot designed to bring a one-to-one wireless computing environment to more than 1,700 sixth grade students and their teachers in 18 schools throughout Illinois. The Illinois Virtual High School (administered by the Academy) provides the professional development component to TIPP through online courses and on-site sessions with teachers, administrators and technology support staff.