

State of Illinois
Illinois State University
Compliance Examination
(In Accordance with the Single Audit Act
and OMB Circular A-133)
For the Year Ended June 30, 2012
Performed as Special Assistant Auditors for
the Auditor General, State of Illinois



**State of Illinois
 Illinois State University
 Compliance Examination
 (In Accordance with the Single Audit
 Act and OMB Circular A-133)
 For the Year Ended June 30, 2012**

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Financial Statement Report (continued)

Government Auditing Standards Report

In accordance with Government Auditing Standards, we have also issued a report under a separate cover entitled Report Required Under Government Auditing Standards for the Year Ended June 30, 2012 on our consideration of the Illinois State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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.

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State of Illinois
Illinois State University
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June 30, 2012

Agency Officials

President	Dr. C. Alvin Bowman
Vice President for Finance and Planning	Dr. Daniel Layzell
Vice President for Academic Affairs and Provost	Dr. Sheri Everts
Vice President for Student Affairs	Mr. Larry Dietz
Vice President for University Advancement	Ms. Erin Minne'
Comptroller	Mr. Greg Alt
Legal Counsel	Ms. Lisa Huson
Director - Internal Audit	Mr. Robert Blemler

Board of Trustees (as of June 30, 2012)

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

Office Locations

Agency offices are located at:

Hovey Hall
Campus Box 1100
Normal, IL 61790-1100



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

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

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

February 14, 2013

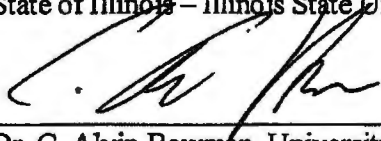
Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois – Illinois State University. We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the State of Illinois – Illinois State University's compliance with the following assertions during the year ended June 30, 2012. Based on this evaluation, we assert that during the year ended June 30, 2012, the State of Illinois – Illinois State University has materially complied with the assertions below.

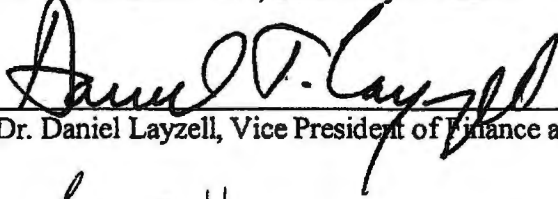
- A. The State of Illinois – Illinois State University has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The State of Illinois – Illinois State University has obligated,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

Yours very truly,

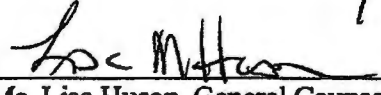
State of Illinois – Illinois State University



Dr. C. Alvin Bowman, University President



Dr. Daniel Layzell, Vice President of Finance and Planning



Ms. Lisa Huson, General Counsel

State of Illinois
Illinois State University
Compliance Report Summary
June 30, 2012

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

Number of	Current Report	Prior Report
Findings	6	5
Repeated findings	2	2
Prior recommendations implemented or not repeated	3	1

Summary of Findings and Questioned Costs

Item No.	Page	Description	Finding Type
Findings (Government Auditing Standards)			
12-1	18	Inadequate Control over Revenue Recognition	Significant Deficiency
Findings and Questioned Costs (Federal Compliance)			
The audit did not disclose findings required to be reported by OMB Circular A-133.			
Findings (State Compliance)			
12-2	20	Inadequate Controls over Computer Inventory	Significant Deficiency and Noncompliance
12-3	22	Weaknesses Regarding the Security and Control of Confidential Information	Significant Deficiency and Noncompliance
12-4	25	Inadequate Control over University Vehicles	Significant Deficiency and Noncompliance
12-5	28	Noncompliance with the University Faculty Research and Consulting Act	Significant Deficiency and Noncompliance

**State of Illinois
 Illinois State University
 Compliance Report Summary
 June 30, 2012**

Summary of Findings and Questioned Costs

Item No.	Page	Description	Finding Type
12-6	30	Timesheets not Required	Significant Deficiency and Noncompliance

In addition, the following findings which are reported as current findings and questioned costs relating to Government Auditing Standards also meet the reporting requirements for State Compliance.

12-1	18	Inadequate Control over Revenue Recognition	Significant Deficiency and Noncompliance
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Prior Findings Not Repeated

A.	31	Inadequate Controls over Accounts Receivable	
B.	31	Lack of Review of Human Resource Computer System Before Implementation	
C.	31	Computer Security Administration Deficiencies	

State of Illinois
Illinois State University
Compliance Report Summary
June 30, 2012

Exit Conference

The findings and recommendations appearing in this report were discussed with University personnel at an exit conference on January 23, 2013. Attending were:

Representing Illinois State University

Vice President for Finance and Planning	Dr. Daniel Layzell
Comptroller	Mr. Greg Alt
Assistant Comptroller	Ms. JoEllen Bahnsen
Director - Internal Audit	Mr. Robert Blemler
Associate Vice President for Administrative Technology	Ms. Andrea Ballinger

Representing BKD LLP

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

Audit Manager	Mr. Daniel J. Nugent, CPA
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Responses to the recommendations were provided by Mr. Greg Alt, Comptroller, in an e-mail dated January 31, 2013.

**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 State University

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the Illinois State University's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2012. The management of the Illinois State University is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Illinois State University's compliance based on our examination.

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

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

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

In our opinion, the Illinois State University complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2012. However, the results of our procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings and questioned costs as items 12-1 through 12-6.

Internal Control

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as described above. However, we identified certain deficiencies in internal control over compliance that we considered to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 12-1 to 12-6. A *significant deficiency in an entity's internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities of the Illinois State University as of and for the year ended June 30, 2012, and have issued our report thereon dated February 14, 2013, which contained an unqualified opinion on those financial statements. Our report was modified to include a reference to other auditors, who audited the financial statements of the Illinois State University's discretely presented component unit, as described in our report on the Illinois State University's financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Illinois State University's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to February 14, 2013. The accompanying supplementary information for the year ended June 30, 2012 in Schedules 1 through 18, Schedule 27, and Schedule 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Illinois State University. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the year ended June 30, 2012, in Schedules 1 through 18, Schedule 27, and Schedule 29 has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2012 in Schedules 1 through 18, Schedule 27, and Schedule 29, is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2012.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the Illinois State University's basic financial statements for the year ended June 30, 2011 (not presented herein), and have issued our report thereon dated March 2, 2012, which contained an unqualified opinion on the respective financial statements of the business-type activities. Our report was modified to include a reference to other auditors, who audited the financial statements of the Illinois State University's discretely presented component unit, as described in our report on the Illinois State University's financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Illinois State University's basic financial statements. The accompanying supplementary information for the years ended June 30, 2011 in Schedules 1 through 18, Schedule 27, and Schedule 29 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2011 financial statements. The accompanying supplementary information for the years ended June 30, 2011 in Schedules 1 through 18, Schedule 27, and Schedule 29 has been subjected to the auditing procedures applied in the audit of the June 30, 2011 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2011 in Schedules 1 through 18, Schedule 27, and Schedule 29 is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived.

The accompanying supplementary information for the year ended June 30, 2012 in Schedules 19 through 26 and Schedule 28, and the Analysis of Operations Section is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

BKD, LLP

February 14, 2013

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

Honorable William G. Holland
Auditor General
State of Illinois

and

Board of Trustees
Illinois State University

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities of the Illinois State University and its aggregate discretely presented component unit, collectively a component unit of the State of Illinois, as of and for the years ended June 30, 2012 and June 30, 2011, which collectively comprise the University's basic financial statements and have issued our report thereon dated February 14, 2013. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Illinois State University's discretely presented component unit, as described in our report on the Illinois State University's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings as item 12-1, that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

The Illinois State University's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Illinois State University's responses and, accordingly, we express no opinion on the response.

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

BKD, LLP

February 14, 2013

Independent Auditors' Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program, on Internal Control Over Compliance, and on the Schedule of Expenditures of Federal Awards in Accordance With OMB Circular A-133

Honorable William G. Holland
Auditor General
State of Illinois

and

Board of Trustees
Illinois State University

Compliance

We have audited the Illinois State University's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Illinois State University's major federal programs for the year ended June 30, 2012. The Illinois State University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Illinois State University's management. Our responsibility is to express an opinion on the Illinois State University's compliance based on our audit.

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

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

In our opinion, the Illinois State University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business-type activities of the Illinois State University and its discretely presented component unit, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2012, which collectively comprise Illinois State University's basic financial statements, and have issued our report thereon dated February 14, 2013, which contains unqualified opinion on those financial statements. Other auditors audited the financial statements of the Illinois State University's discretely presented component unit, as described in our report on the Illinois State University's financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Illinois State University's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to February 14, 2013. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion,

the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

BKD, LLP

February 14, 2013

State of Illinois
Illinois State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Summary of Auditor's Results

Financial Statements

1. The opinion expressed in the independent accountants' report was:
 Unqualified Qualified Adverse Disclaimed
2. The independent accountants' report on internal control over financial reporting disclosed:
Material weakness(es)? Yes None reported
Significant deficiency(ies)? Yes None reported
3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No
4. The independent accountants' report on internal control over compliance with requirements that could have a direct and material effect on major federal awards programs disclosed:
Material weakness(es)? Yes None reported
Significant deficiency(ies)? Yes None reported
5. The opinion expressed in the independent accountants' report on compliance with requirements that could have a direct and material effect on major federal awards was:
 Unqualified Qualified Adverse Disclaimed
6. The audit disclosed findings required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

State of Illinois
Illinois State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

7. The University's major programs were:

Cluster/Program	CFDA Number
Student Financial Aid Cluster	84.007 84.033 84.038 84.063 84.185 84.268 84.375 84.376 84.379 64.028 93.364 94.006
Research and Development Cluster	This cluster includes numerous CFDA numbers. Refer to programs noted with (**) on the Schedule of Expenditures of Federal Awards
Broadband Technology Opportunities Program	11.557
Library of Congress Grant	N/A

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$548,335.

9. The Auditee qualified as a low-risk auditee as that term is defined in OMB Circular A-133? Yes No

State of Illinois
Illinois State University
Schedule of Findings and Recommendations
Year Ended June 30, 2012

Current Findings – Government Auditing Standards

12-1. Finding – Inadequate Control over Revenue Recognition

The Illinois State University (University) did not exercise adequate internal control over revenue recognition.

During testing, the auditors noted the following:

- The University needs to improve its methodology for recording tuition and fee revenues due from the State for entitlement scholarships awarded to eligible students based upon various State laws. As a part of this methodology, the University should communicate with other State agencies to determine the collectability of receivables from other State agencies.

During the prior examination, the auditors identified the University had overstated tuition and fees receivable by amounts originally estimated to be received from the State, but were not adjusted by the University to reflect actual amounts received. Upon notification from the auditors, the University analyzed Fiscal Year 2011 receivables, determining \$883,000 in amounts due from the State was collectable as of June 30, 2011 based upon the University's review of another State agency's website and historical collection information. The University recorded an adjustment of \$1,289,557 for amounts recorded above \$883,000, as these amounts would not be collected from the State.

During the current period, the University determined the remaining \$883,000 receivable reported as collectable by the University as of June 30, 2011 was not collectable and recorded an adjustment to the University's records during Fiscal Year 2012. This amount was deemed immaterial by University management and was not adjusted in the financial statements.

- The University did not properly recognize deferred revenues earned during the year, totaling \$146,276, from the sale of season tickets to University athletic events. This amount was deemed immaterial by University management and was not adjusted in the financial statements.
- The University improperly recognized revenue by not remitting proceeds from the sale of scrap metal, totaling \$138,598 from Fiscal Year 2007 through Fiscal Year 2012, to the Department of Central Management Services for deposit into the State Surplus Property Revolving Fund within the State Treasury, as required by the State Finance Act (30 ILCS 105/6p-3) and the Illinois Administrative Code (44 Ill. Admin. Code 5010.1010). This amount was deemed immaterial by University management and was not adjusted in the financial statements.

State of Illinois
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Schedule of Findings and Recommendations
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12-1. Finding – Inadequate Control over Revenue Recognition (continued)

In accordance with Generally Accepted Accounting Principles, all assets, liabilities, revenues, and expenses should be properly recorded in the financial statements. Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University establish and maintain a system, or systems, of fiscal and administrative controls to provide assurance revenues applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial reports and to maintain accountability over the State's resources.

University personnel stated they were unaware of the change in collectability of certain State funded scholarships from the University's past historical experience. In addition, University personnel stated the failure to properly recognize deferred revenues and remit scrap metal proceeds were due to employee oversight.

Failure to exercise adequate internal control over financial reporting by properly reporting revenues and deferred revenue representing the rights and obligations of the University could result in a material misstatement of the University's financial statements and reduces the overall reliability of Statewide financial reporting. (Finding Code No. 12-1)

Recommendation

We recommend the University:

- develop a methodology which includes communication with other relevant State agencies for estimating tuition and fee revenues due from the State for entitlement scholarships;
- recognize deferred revenues from athletic ticket sales as earned; and,
- remit scrap metal proceeds to the Department of Central Management Services.

University Response

The University agrees with the recommendation and believes the revenue recognition exceptions noted to be isolated incidents. Procedures relative to each of the exceptions noted have been modified to ensure against future occurrence.

State of Illinois
Illinois State University
Schedule of Findings and Recommendations
Year Ended June 30, 2012

Current Findings – State Compliance

12-2. Finding – Inadequate Controls over Computer Inventory

The Illinois State University (University) was unable to locate seven laptop computers. These items were deemed by the University to have been lost or stolen during Fiscal Year 2012, totaling \$8,745.

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

At the time of our review, the University had not performed a detailed assessment and therefore was unable to assess whether the missing computers contained confidential information. However, after notification from the auditors, the University performed an assessment concluding the nature of the use of the computers limits the likelihood they contained confidential information.

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

According to University personnel, this resulted from the lack of a cohesive IT Governance structure including a common, formal, and disciplined approach for managing IT.

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

Recommendation

We recommend the University:

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

State of Illinois
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Schedule of Findings and Recommendations
Year Ended June 30, 2012

12-2. Finding – Inadequate Controls over Computer Inventory (continued)

University Response

The University agrees with the recommendation to review current practices to determine if enhancements may be implemented to prevent the theft or loss of computers.

In addition, the University will establish procedures for notifying security personnel of any missing or stolen computers. Currently, several IT security procedures are at various stages of approval and adoption and included in these procedures is a requirement to notify ISU Police anytime a computer is considered stolen. These procedures will also include coordination between departments for the assessment, documentation and communication of lost or stolen computer equipment.

Also, the University agrees to ensure that confidential information is secured by methods that will prevent its unauthorized disclosure. Currently, several IT security procedures are at various stages of approval and adoption. Included in these procedures are controls for securing computers storing confidential information.

State of Illinois
Illinois State University
Schedule of Findings and Recommendations
Year Ended June 30, 2012

12-3 Finding – Weaknesses Regarding the Security and Control of Confidential Information

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

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

- The University had not performed a comprehensive risk assessment to identify confidential or personal information and its location to assure such information is protected from unauthorized disclosure.
- While the University had established a uniform process for the wiping and destruction of media and data, the process had not been completely implemented. The University did not have a process for the removal of information from certain types of computers nor for the physical destruction of computer drives that failed and could not be cleaned using software.
- Although the University's Student Health Services maintained protected health information, a Health Insurance Portability and Accountability Act (HIPAA) risk assessment had not been completed.
- The University had not formally approved notification procedures in the event of a breach of security regarding personal information.

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

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

According to University personnel, this resulted from the lack of a cohesive IT Governance structure including a common, formal, and disciplined approach for managing IT.

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

State of Illinois
Illinois State University
Schedule of Findings and Recommendations
Year Ended June 30, 2012

12-3 Finding – Weaknesses Regarding the Security and Control of Confidential Information (continued)

Recommendation

We recommend the University:

- perform a comprehensive risk assessment to identify all forms of confidential or personal information, where this information is located, and ensure adequate security controls, including adequate physical and logical access restrictions, have been established to safeguard data and resources;
- implement a comprehensive process for the wiping and destruction of media and ensure it is a requirement for all departments and organizations;
- perform and document a HIPAA Risk Assessment; and,
- obtain formal approval of the policies and procedures regarding security breaches.

University Response

The University agrees that all forms of confidential and personal information should be identified and safeguarded with adequate physical and logical controls. To better address this issue, during the past 12 months, the University's Data and Information Technology governance bodies have taken the following actions:

- The Data Stewardship and IT Services Council has approved a Data Classification Procedure which categorized the data elements described in the Personal Information Protection Act (815 ILCS 530) as Highly Restricted. The Data Stewardship and IT Services Council has also designated Unit Security Liaisons to assist in creating security risk assessments for locally stored data.
- The IT Service Management Council formed an Architecture of IT Services task force (AITS) to document the current state of IT architecture across the entire University. One of the data elements captured by AITS was the location of servers storing Highly Restricted data.
- The Data Stewardship and IT Services Council IT Security Policy Subcommittee is at various stages in the development and approval of procedures to secure IT resources according to their data classification and system type (Server, Workstation, Laptop, Mobile Device, Multi-Function Device). Once approved the Unit Security Liaisons working in conjunction with the Data Stewards and Data Custodians will implement and administer the controls prescribed in these procedures.

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Schedule of Findings and Recommendations
Year Ended June 30, 2012

12-3 Finding – Weaknesses Regarding the Security and Control of Confidential Information (continued)

In addition, Internal Auditing plans to review General IT Controls within academic departments.

The University agrees that all University departments and organizations must adhere to a common process to ensure the proper disposal of storage media. The IT Service Management Council has formed a working group to review the processes being used throughout campus. That working group has mapped the process for the disposal of equipment that has been designated as surplus and is investigating methods for consolidating the information on the destruction and wiping of storage media associated with surplus equipment in a more comprehensive manner.

The University is in the process of identifying the proper tool to conduct the HIPAA risk assessment for Student Health Services based on the amount of HIPAA protected data that Student Health Services houses. The University plans to conduct this HIPAA risk assessment by June 30, 2013.

The Procedures for Information Technology Security Incident Reporting have been approved by the IT Governance bodies and are awaiting publication on the University's Policy website. An "Overview of Incident Technology security incident reporting" has been created on the University's Computer Help Desk website. Included in the Overview is the "Information Technology Security incident report", an online form for reporting IT security incidents. Submissions of this form are sent to members of the IT Security Incident Response Team (ITSIRT). In addition, an IT Security Response phone line has been activated so that IT security incidents may be reported to members of the ITSIRT via phone. To raise awareness of these resources a section of the Unit Security Liaison training is devoted to IT security incident reporting.

State of Illinois
Illinois State University
Schedule of Findings and Recommendations
Year Ended June 30, 2012

12-4. Finding – Inadequate Control over University Vehicles

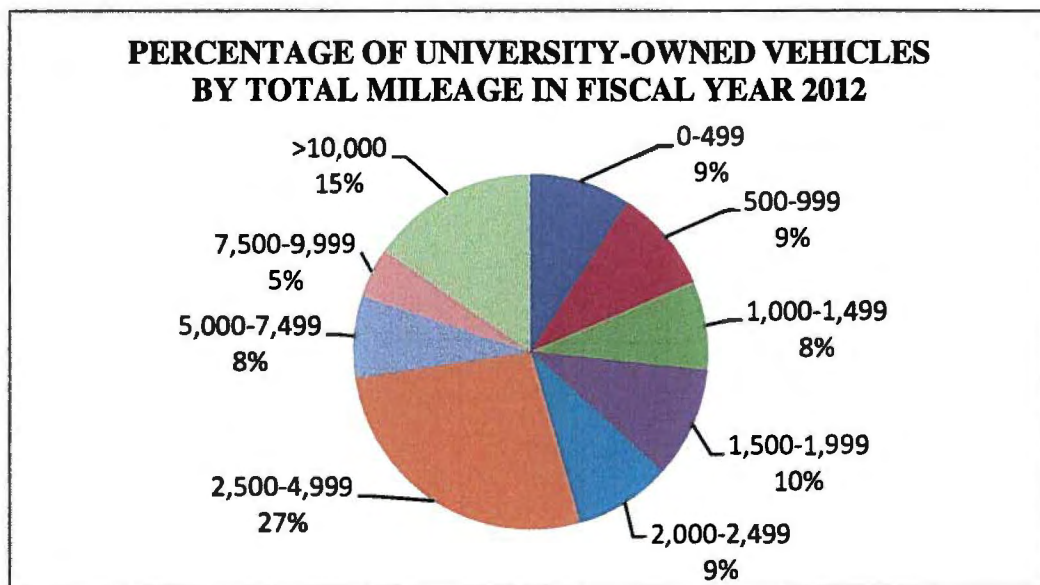
The Illinois State University (University) did not exercise adequate internal control over the University's vehicles. At June 30, 2012, the University owned 312 vehicles, including 307 vehicles with working odometers owned throughout the fiscal year, two vehicles without working odometers, one electric vehicle without an odometer, and two vehicles recently purchased during the fiscal year.

During testing, the auditors noted the following:

- The University has not performed an analysis of the University's vehicles to determine whether maintaining each vehicle can be justified as the most cost effective solution for the specific operational needs of the University. For example, the auditors noted the following apparently underutilized University-owned vehicles during Fiscal Year 2012:

Year	Vehicle	Department	Miles Driven During FY12	Vehicle Mileage at June 30, 2012
2004	Ford Minivan	Nursing	0	40,555
2001	GMC	Band	161	10,963
1997	Chevrolet Van	Student Center	69	18,500
1995	Chevrolet Pickup	Property Control	86	52,556
1995	Ford Van	Housing	14	101,739

Further, the auditors analyzed the 307 vehicles with working odometers used throughout the year, noting the following University-owned vehicle utilization during Fiscal Year 2012:



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Illinois State University
Schedule of Findings and Recommendations
Year Ended June 30, 2012

12-4. Finding – Inadequate Control over University Vehicles (continued)

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University establish and maintain a system, or systems, of fiscal and administrative controls to provide assurance State resources are utilized efficiently and effectively.

- The University does not have a policy in place requiring all University vehicles to undergo regular service and/or repairs in order to maintain the vehicles in a road worthy and safe operating condition.
- The University was unable to provide documentation supporting regular maintenance for three of 25 (12%) vehicles tested.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University establish and maintain a system, or systems, of fiscal and administrative controls to provide assurance State property is safeguarded against waste and loss. Good internal controls require a uniform policy and monitoring to protect University vehicles from deterioration and as a preventive measure against excessive future repair costs.

- The University did not survey its vehicle inventory for transferable equipment. The auditors noted one vehicle driven three miles during the year not utilized due to excessive rust and the vehicle's overall poor mechanical condition and another vehicle driven zero miles during the year with 460,614 total miles.

The Illinois Administrative Code (44 Ill. Admin. Code 5010.620) requires the University regularly survey its inventory for transferable equipment, which is equipment no longer needed and/or useful to the University, and report any transferable equipment to the Department of Central Management Services (CMS).

According to University officials, the University's department-level fiscal officers are responsible for ensuring all University-owned equipment is necessary for University operations and properly maintained. As such, the exceptions noted are likely due to fiscal officer oversight.

Failure to perform an analysis of all University vehicles to determine whether each vehicle can be justified as the most cost effective solution for the specific operational needs of the University could result in the University maintaining unnecessary vehicles. Further, failure to adopt a written policy and monitoring process for maintaining all University-owned vehicles could result in some vehicles not receiving proper repair and maintenance, potentially decreasing their performance and useful lives. Finally, failure to report transferable equipment to CMS represents noncompliance with State regulations. (Finding Code No. 12-4)

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Illinois State University
Schedule of Findings and Recommendations
Year Ended June 30, 2012

12-4. Finding – Inadequate Control over University Vehicles (continued)

Recommendation

We recommend the University:

- perform an analysis of the University's vehicles to determine whether each vehicle can be justified as the most cost effective solution for the University's specific operational needs;
- adopt a policy and implement internal controls to ensure all University vehicles undergo regular service and/or repair; and,
- survey the University's equipment to identify and report transferable equipment to CMS.

University Response

The University agrees with the recommendation to perform a cost benefit analysis of the utilization of University-owned vehicles which will include an assessment of vehicle maintenance history and documentation. Any vehicles identified as obsolete or transferable will be reported to CMS.

State of Illinois
Illinois State University
Schedule of Findings and Recommendations
Year Ended June 30, 2012

12-5. Finding – Noncompliance with the University Faculty Research and Consulting Act

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

During testing, the auditors noted the following:

- 36 of 97 (37%) Request for Approval of Secondary/Outside Employment Forms (Form PERS 927) submitted during Fiscal Year 2012 were approved by the University's Provost one to 191 days late.
- Three of five (60%) faculty members approved for secondary/outside employment tested did not file their Annual Report of Secondary/Outside Employment Form (Form PERS 928) with the University's Provost for Fiscal Year 2012 by the deadline of August 31, 2012.

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

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

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

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

According to University personnel, failure to seek timely approval was due to employee oversight.

State of Illinois
Illinois State University
Schedule of Findings and Recommendations
Year Ended June 30, 2012

12-5. Finding – Noncompliance with the University Faculty Research and Consulting Act (continued)

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

Recommendation

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

University Response

Accepted. The University will assess the faculty research and consulting approval process and make modifications to ensure more timely approvals and annual disclosures of outside research, consulting and employment activities.

State of Illinois
Illinois State University
Schedule of Findings and Recommendations
Year Ended June 30, 2012

12-6. Finding – Timesheets not Required

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

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

The Act required the Illinois Board of Higher Education (IBHE), with respect to State employees of public universities, to adopt and implement personnel policies. The Act (5 ILCS 430/5-5(c)) states, “The policies shall require State employees to periodically submit time sheets documenting the time spent each day on official State business to the nearest quarter hour.” The IBHE adopted personnel policies for public universities on February 3, 2004, in accordance with the Act. The University has not fully incorporated these policies into the University’s policies.

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

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

Recommendation

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

University Response

The University agrees with the recommendation to comply with the Act and has implemented a new system of positive time reporting for all employee groups with the exception of faculty. The University will continue to work towards a feasible solution to incorporate compliance of the remaining faculty employee group.

State of Illinois
Illinois State University
Schedule of Findings and Recommendations
Year Ended June 30, 2012

Prior Findings Not Repeated

A. Finding – Inadequate Controls over Accounts Receivable

During the prior engagement, the Illinois State University (University) did not exercise adequate internal controls over accounts receivable. (Finding Code No. 11-1)

Status: Not Repeated

During the current engagement, the auditors noted improvement within the University's internal controls over recording tuition and fees receivable; however, the auditors noted continued difficulty with revenue recognition estimates noted within Finding 12-1.

B. Finding – Lack of Review of Human Resource Computer System Before Implementation

During the prior engagement, the Illinois State University (University) Internal Audit Department did not review the new Human Resources system (iPeople) prior to its implementation. (Finding Code No. 11-2)

Status: Not Repeated

During the current engagement, the auditors did not note any new major electronic data processing system implementations or major modifications requiring the review of the University's Internal Audit Department prior to system installation under the Fiscal Control and Internal Auditing Act (30 ILCS 10/2003(a)(3)).

C. Finding – Computer Security Administration Deficiencies

During the prior engagement, the Illinois State University (University) had not established adequate security policies and control over its computer environment. (Finding Code No. 11-3)

Status: Not Repeated

During the current engagement, the auditors noted improvement with the University's communication of policies and procedures to users and compliance with established security requirements.

State of Illinois
Illinois State University
Supplementary Information for State Compliance Purposes
June 30, 2012 and 2011

Summary

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

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

State of Illinois
Illinois State University
Supplementary Information for State Compliance Purposes
June 30, 2012 and 2011

Summary

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

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

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that Schedules 1 through 18, Schedule 27, and Schedule 29 states have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, it is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived. The accountants' report also states the Analysis of Operations Section, Schedules 19 through 26, and Schedule 28 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, they do not express an opinion or provide any assurance on it.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	CFDA Number	Pass-Through Grantor's Number	Expenditures	Passed- Through to Subrecipients
STUDENT FINANCIAL AID CLUSTER				
U.S. Department of Education				
Federal Supplemental Educational Opportunity Grants	(M) 84.007		\$ 506,502.96	\$ -
Federal Work-Study Program	(M) 84.033		747,208.44	-
Federal Perkins Loan Program Federal Capital Contributions	(M) 84.038		-	-
Federal Pell Grant Program	(M) 84.063		18,615,452.37	-
Byrd Honors Scholarships	(M) 84.185		4,270.00	-
Federal Direct Student Loans	(M) 84.268		118,718,731.00	-
Academic Competitiveness Grants	(M) 84.375		(375.00)	-
National Science & Mathematics Access to Retain Talent (Smart) Grants	(M) 84.376		(1,000.00)	-
Teacher Education Assistance for College & Higher Education Grants (TEACH Grants)	(M) 84.379		329,886.00	-
<i>Total U.S. Department of Education Student Financial Aid Cluster</i>			<u>138,920,675.77</u>	-
U.S. Department of Veterans Affairs				
Post-9/11 Veterans Educational Assistance	(M) 64.028		852,662.23	-
<i>Total U.S. Department of Veterans Affairs Student Financial Aid Cluster</i>			<u>852,662.23</u>	-
U.S. Department of Health and Human Services				
Nursing Student Loans	(M) 93.364		-	-
<i>Total U.S. Department of Health and Human Services Student Financial Aid Cluster</i>			<u>-</u>	-
Corporation for National and Community Service				
AmeriCorps	(M) 94.006		59,997.36	-
<i>Total Corporation for National and Community Service Student Financial Aid Cluster</i>			<u>59,997.36</u>	-
TOTAL STUDENT FINANCIAL AID CLUSTER			<u>139,833,335.36</u>	<u>-</u>
RESEARCH & DEVELOPMENT CLUSTER(**)				
U.S. Department of Commerce				
Sea Grant Support (Passed through University of Illinois)	(M) 11.417	2006-02560-16_A5264	9,936.00	-
<i>Total U.S. Department of Commerce R&D</i>			<u>9,936.00</u>	-
U.S. Department of Defense				
Mathematical Sciences Grants Program	(M) 12.901		16,399.20	-
<i>Total U.S. Department of Defense R&D</i>			<u>16,399.20</u>	-
U.S. Geological Survey				
Sustainable Communities Regional Planning Grant Program	(M) 14.703		9,161.31	-
USGS Sample Grant	NONE		10,998.57	-
<i>Total U.S. Geological Survey R&D</i>			<u>20,159.88</u>	-
U.S. Department of the Interior				
National Cooperative Geologic Mapping Program	(M) 15.810		5,364.94	-
<i>Total U.S. Department of the Interior R&D</i>			<u>5,364.94</u>	-

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

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012**

Schedule 1

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title		CFDA Number	Pass-Through Grantor's Number	Expenditures	Passed- Through to Subrecipients
U.S. Department of Justice					
National Institute of Justice Research, Evaluation, and Development Project Grants Edward Byrne Memorial Competitive Grant	(M)	16.560		144,711.85	-
(Passed through Georgia Southern University)	(M)	16.751	10362	49,894.13	-
ARRA -Edward Byrne Memorial Justice Assistance (Passed through Illinois Department of Human Services)	(M)	16.803	11AM571000/11AQ005	74,179.53	-
<i>Total U.S. Department of Justice R&D</i>				<u>268,785.51</u>	<u>-</u>
U.S. Department of Labor					
AARA-Employment Service/Wagner-Peyser (Passed through Illinois Department of Employment Security)	(M)	17.207		426,045.72	-
<i>Total U.S. Department of Labor R&D</i>				<u>426,045.72</u>	<u>-</u>
National Endowment for the Humanities					
Promotion of the Humanities-Office of Digital Humanities	(M)	45.169		29,199.43	-
<i>Total National Endowment for the Humanities R&D</i>				<u>29,199.43</u>	<u>-</u>
National Science Foundation					
Engineering Grants (Passed through University of Georgia)	(M)	47.041		4,739.10	-
Mathematical and Physical Sciences	(M)	47.049		488,073.31	-
Mathematical and Physical Sciences (Passed through Harold Washington College)	(M)	47.049		73,338.76	-
			Total R&D 47.049	<u>561,412.07</u>	<u>-</u>
Geosciences (Passed through International START Secretariat)	(M)	47.050	START	2,100.00	-
Computer & Information Science & Engineering	(M)	47.070		94,604.07	-
Computer & Information Science & Engineering (Passed through EdLab Group Foundation)	(M)	47.070	L Reha	692.86	-
			Total R&D 47.070	<u>95,296.93</u>	<u>-</u>
Biological Sciences	(M)	47.074		53,624.45	-
Education and Human Resources	(M)	47.076		806,965.66	158,781.63
Education and Human Resources (Passed through Pugen Sound Center)	(M)	47.076	HRD-0631789	5.00	-
Education and Human Resources (Passed through Chicago State University)	(M)	47.076	5736, 53725	20,949.06	-
			Total R&D 47.076	<u>827,919.72</u>	<u>-</u>
<i>Total National Science Foundation R&D</i>				<u>1,545,092.27</u>	<u>158,781.63</u>
U.S. Department of Energy					
Renewable Energy Research & Development	(M)	81.087		218,915.77	-
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	(M)	81.117		154,490.39	-
<i>Total U.S. Department of Energy R&D</i>				<u>373,406.16</u>	<u>-</u>

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

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012**

Schedule 1

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>		<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>	<u>Passed- Through to Subrecipients</u>
U.S. Department of Education					
Overseas Programs - Group Projects Abroad	(M)	84.021		81,337.48	-
Career and Technical Education -- Basic Grants to States (Passed through Illinois State Board of Education)	(M)	84.048		211,504.21	-
Research in Special Education	(M)	84.324		266,227.95	-
Research in Special Education (Passed through Vanderbilt)	(M)	84.324	22388-S1	31,779.08	-
		Total 84.324 R&D		298,007.03	-
Mathematics & Science Partnerships (Passed through Illinois State Board of Education)	(M)	84.366	11-493671,12-493640	185,852.70	-
Mathematics & Science Partnerships (Passed through Monroe/Randolph ROE #45)	(M)	84.366	iBiotech	38,823.03	-
		Total 84.366 R&D		224,675.73	-
Improving Teacher Quality State Grants (Passed through Illinois State Board of Education)	(M)	84.367	12-4932-00	10,373.00	-
ARRA -Education Jobs Fund (Passed through Illinois State Board of Education)	(M)	84.410	12-4880-00	8,040.00	-
Total U.S. Department of Education R&D				833,937.45	-
U.S. Department of Health and Human Services					
Research Related to Deafness and Communication Disorders	(M)	93.173		15,496.24	15,496.24
Centers for Disease Control and Prevention_ Investigations and Technical Assistance (Passed through Illinois Department of Public Health)	(M)	93.283	23200005	10,157.89	-
Adoption Opportunities (Passed through Children's Home & Aid Society of Illinois)	(M)	93.652	S Smith	2,254.34	-
Total U.S. Department of Health and Human Services R&D				27,908.47	15,496.24
U.S. Department of Homeland Security					
Emergency Management Performance Grants (Passed through Illinois Emergency Management Agency)	(M)	97.042		57,751.34	-
Total U.S. Department of Homeland Security R&D				57,751.34	-
TOTAL RESEARCH & DEVELOPMENT CLUSTER				3,613,986.37	174,277.87
OTHER PROGRAMS					
U.S. Department of Agriculture					
National School Lunch Program - FY11 (Passed through Illinois State Board of Education)		10.555	4210	3,575.74	-
National School Lunch Program - FY12 (Passed through Illinois State Board of Education)		10.555	4210	18,491.68	-
Child & Adult Care Food Program - FY11 (Passed through Illinois State Board of Education)		10.558	4226	2,515.33	-
Child & Adult Care Food Program - FY12 (Passed through Illinois State Board of Education)		10.558	4226	3,845.55	-

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

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012**

Schedule 1

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>	<u>Passed- Through to Subrecipients</u>
Environmental Quality Incentives Program <i>Total U.S. Department of Agriculture Non-R&D</i>	10.912		25,853.33 <u>54,281.63</u>	- <u>-</u>
U.S. Department of Commerce				
ARRA -Broadband Technology Opportunities Program (Passed through Illinois Department of Central Management Services)	(M) 11.557		5,671,590.73	-
Manufacturing Extension Partnership (Passed through Illinois Manufacturing Extension Center)	11.611	IMEC	387,533.05	-
<i>Total U.S. Department of Commerce Non-R&D</i>			<u>6,059,123.78</u>	<u>-</u>
U.S. Department of Defense				
Information Security Grant Program <i>Total U.S. Department of Defense Non-R&D</i>	12.902		45,937.17 <u>45,937.17</u>	- <u>-</u>
U.S. Department of Justice				
Public Safety Partnership & Community Policing	16.710		58,590.27	48,145.21
Enforcing Underage Drinking Laws Program <i>Total U.S. Department of Justice Non-R&D</i>	16.727		8,968.39 <u>67,558.66</u>	- <u>48,145.21</u>
U.S. Department of Labor				
WIA Dislocated Workers (Passed through Career Link) Incentive Grants - WIA Section 503	17.260	M Moody	11,759.83	-
(Passed through Illinois Community College Board)	17.267	WIA CTE 12	56,000.00	-
Occupational Safety & Health_Susan Harwood Training Grants (Passed through Illinois Manufacturing Extension Center)	17.502	IMEC	9,270.56	-
<i>Total U.S. Department of Labor Non-R&D</i>			<u>77,030.39</u>	<u>-</u>
National Endowment for the Humanities				
Promotion of Humanities_Preservation	45.149		5,534.00	-
Promotion of the Humanities-Public Programs <i>Total National Endowment for the Humanities Non-R&D</i>	45.164		3,654.85 <u>9,188.85</u>	- <u>-</u>
U.S. Small Business Administration				
Small Business Development Center	59.000		179,897.47	-
Small Business Development Center (Passed through US Department of Housing & Urban Development)	59.000	B-09-SP-IL-0269	711.06	-
	Total 59.000		<u>180,608.53</u>	<u>-</u>
Small Business Development Center (Passed through Illinois Department of Commerce and Economic Opportunity)	59.037	11-181106,12-561106	39,779.24	-
<i>Total U.S. Small Business Administration Non-R&D</i>			<u>220,387.77</u>	<u>-</u>
U.S. Environmental Protection Agency				
Source Reduction Assistance (Passed through Illinois Manufacturing Extension Center)	66.717	IMEC	1,145.70	-
Grants & Cooperative Agreements (Passed through Kansas State University)	66.814	S09042	15,228.28	-
<i>Total U.S. Environmental Protection Agency Non-R&D</i>			<u>16,373.98</u>	<u>-</u>

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

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012**

Schedule 1

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>	<u>Passed- Through to Subrecipients</u>
U.S. Department of Energy				
State Energy Program (Passed through Illinois Department of Commerce and Economic Opportunity)	81.041	08-431005	94,711.00	-
State Energy Program Special Projects (Passed through Illinois Manufacturing Extension Center)	81.119	IMEC	7.75	-
Energy Efficiency and Conservation Block Grant Program (Passed through Illinois Manufacturing Extension Center)	81.128	IMEC	42.18	-
<i>Total U.S. Department of Energy Non-R&D</i>			<u>94,760.93</u>	<u>-</u>
U.S. Department of Education				
Special Education_Grants to States (Passed through School Association for Special Education of DuPage)	84.027	S Bock	251,377.94	-
Special Education_Grants to States (Passed through Southern Illinois University)	84.027	763944 PO# 102452	9,475.64	-
		Total 84.027 Non-R&D	<u>260,853.58</u>	<u>-</u>
TRIO - Student Support Services	84.042		266,969.12	-
Career and Technical Education - Basic Grants to States (Passed through Illinois Community College Board)	84.048	CTEL 12001	284,905.81	25,354.94
Career and Technical Education - Basic Grants to States (Passed through North Dakota State College of Science)	84.048	L Reha	19,586.00	-
Career and Technical Education - Basic Grants to States (Passed through Illinois State Board of Education)	84.048	4720	33,529.94	14,096.69
		Total 84.048	<u>338,021.75</u>	<u>39,451.63</u>
Safe & Drug-Free Schools & Communities National Programs	84.184		21,103.20	-
Bilingual Education Professional Development	84.195		97,907.00	-
Even Start_State Educational Agencies (Passed through OER Associates)	84.213	L Reha	3,054.13	-
Twenty-First Century Community Learning Centers (Passed through Illinois State Board of Education)	84.287	MY09012	36,332.73	-
ARRA -Education Technology State Grants (Passed through Pontiac Township High School)	84.318	PO# 16132	1,152.19	-
Special Education - State Personnel Development (Passed through Illinois State Board of Education)	84.323	G Cates	92,115.11	-
Special Education_Personnel Development to Improve Services and Results for Children with Disabilities	84.325		190,804.81	-
Teacher Quality Partnership Grants	84.336		1,133,612.55	234,856.21
Transition to Teaching	84.350		136,580.97	-
English Language Acquisition Grants	84.365		7,247.88	-
Mathematics & Science Partnerships (Passed through Illinois State Board of Education)	84.366	4936	1,220,966.74	-
Mathematics & Science Partnerships (Passed through Bureau, Henry, Stark Regional Office of Education)	84.366	J Moore	493.43	-
		Total 84.366	<u>1,221,460.17</u>	<u>-</u>
Improving Teacher Quality State Grants (Passed through Illinois Board of Higher Education)	84.367	D Gardner	59,549.34	-
Improving Teacher Quality State Grants (Passed through Illinois State Board of Education)	84.367	MY11724,11721,09012	375,635.70	118,980.26
		Total 84.367	<u>435,185.04</u>	<u>118,980.26</u>

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

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012**

Schedule 1

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	CFDA Number	Pass-Through Grantor's Number	Expenditures	Passed- Through to Subrecipients
School Improvement Grants (Passed through Illinois State Board of Education)	84.377	MY09012	123,857.50	-
Investing in Innovation (i3) Fund (Passed through University of Minnesota)	84.411	A002619807	39,757.73	-
National Writing Project (Passed through National Writing Project)	84.928	92-IL03 Amend #23	24,769.87	-
<i>Total U.S. Department of Education Non-R&D</i>			<u>4,430,785.33</u>	<u>393,288.10</u>
U.S. Department of Health and Human Services				
Advanced Education Nursing Traineeships	93.358		30,426.00	-
National Center for Research Resources	93.389		163,132.58	4,319.82
Area Health Education Centers Infrastructure Development Awards (Passed through University of Illinois at Chicago)	93.824	U76HP20207-01-0	5,055.52	-
<i>Total U.S. Department of Health and Human Services Non-R&D</i>			<u>198,614.10</u>	<u>4,319.82</u>
Corporation for National and Community Service				
Americorps (Passed through Jumpstart)	94.006	750200	59,946.50	-
Americorps (Passed through Western Illinois University)	94.006		13,780.66	-
<i>Total Corporation for National and Community Service Non-R&D</i>			<u>73,727.16</u>	<u>-</u>
U.S. Department of Homeland Security				
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Passed through Illinois Emergency Management Agency)	97.036		51,832.90	-
<i>Total U.S. Department of Homeland Security Non R&D</i>			<u>51,832.90</u>	<u>-</u>
Library of Congress				
Teaching with Primary Sources	(M)	NONE	210,788.97	-
Teaching with Primary Sources Regional Center Pilot	(M)	NONE	402,434.48	299,657.76
<i>Total Library of Congress Non-R&D</i>			<u>613,223.45</u>	<u>299,657.76</u>
Corporation for Public Broadcasting				
Community Service Grant	NONE		139,120.47	-
<i>Total Corporation for Public Broadcasting Non-R&D</i>			<u>139,120.47</u>	<u>-</u>
TOTAL OTHER PROGRAMS NON-R&D			<u>12,151,946.57</u>	<u>745,410.89</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 155,599,268.30</u>	<u>\$ 919,688.76</u>

(M) - Program was audited as a major Program

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity for the year ended June 30, 2012, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements due to specific reporting requirements prescribed by OMB Circular A-133.

NOTE 2 - LOANS OUTSTANDING

The University had the following loan balances outstanding at June 30, 2012. These loan balances outstanding are also included in the federal expenditures presented in this schedule.

	Outstanding Balance at <u>June 30, 2012</u>
Nursing Student Loans	\$ 428,298
Perkins Loan Program	<u>9,660,308</u>
Total loans outstanding	<u>\$ 10,088,606</u>

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

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

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

Direct Student Loans Program	\$ 85,607,977
Direct Parent Loan for Undergraduate Students Program (PLUS)	<u>33,110,754</u>
Total	<u>\$118,718,731</u>

There were no administrative costs charged to the loan program.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012**

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

During the audit period, the University received \$12,755 of food commodities provided by the United States Department of Agriculture, and distributed through the Food Distribution Program that is administered by the Illinois State Board of Education.

NOTE 5 - INSURANCE - NONCASH EXPENDITURES OF FEDERAL AWARDS

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

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES,
AND LAPSED BALANCES
APPROPRIATIONS FOR FISCAL YEAR 2012**

For the Fourteen Months Ended August 31, 2012

	Appropriations (Net After Transfers)	Voucher Expenditures, Twelve Months Ended June 30, 2012	Approximate Lapse Period Expenditures, Two Months Ended August 31, 2012	Approximate Total Expenditures, Fourteen Months Ended August 31, 2012	Approximate Balances Lapsed, August 31, 2012
EDUCATION ASSISTANCE FUND- 0007 (P.A. 97-0069)					
Lump-sum Operations	\$78,874,400	\$78,718,356	\$ 156,044	\$78,874,400	\$ -
Total	\$78,874,400	\$78,718,356	\$ 156,044	\$78,874,400	\$ -
GRAND TOTAL - ALL FUNDS	\$78,874,400	\$78,718,356	\$ 156,044	\$78,874,400	\$ -

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

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

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES, AND LAPSED BALANCES
For the Years Ended June 30, 2012 and 2011**

	2012 97-0069	2011 96-0956
GENERAL REVENUE FUND – 001		
Appropriations (net of transfers)	\$ -	\$ 79,789,500
Expenditures:		
Lump sum operations	-	79,789,500
Total expenditures	-	79,789,500
Lapsed balances	\$ -	\$ -
EDUCATION ASSISTANCE FUND– 0007		
Appropriations (net of transfers)	\$ 78,874,400	\$ -
Expenditures		
Lump sum operations	78,874,400	-
Total expenditures	78,874,400	-
Lapsed balances	\$ -	\$ -
GRANT TOTAL, ALL FUNDS		
Appropriations (net of transfers)	\$ 78,874,400	\$ 79,789,500
Expenditures	78,874,400	79,789,500
Lapsed balances	\$ -	\$ -

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

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

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SIGNIFICANT LAPSE PERIOD EXPENDITURES
For the Year Ended June 30, 2012**

There were no significant expenditures incurred during the lapse period.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES
UNIVERSITY INCOME FUND
Years Ended June 30, 2012 and 2011**

	2012	2011
REVENUES		
Registration fees	\$ 144,979,910	\$ 133,563,399
Registration – extension	1,143,796	1,478,300
Enrollment deposit fee forfeitures	13,400	11,200
Tuition and fees waived	5,848,500	5,255,400
Library fines	11,791	14,741
Instructional support fee	378,850	-
Investment income	1,066,251	811,563
Net increase in fair market value of investments	668,177	353,893
Payments on behalf of University	1,744,159	1,205,883
Gifts and donations	500,000	-
Other	1,376,010	559,793
	<u>\$ 157,730,844</u>	<u>\$ 143,254,172</u>
EXPENSES		
Personal services	\$ 70,265,585	\$ 62,351,698
SURS retirement	130,848	140,734
Medicare	2,215,445	1,945,707
Contractual services	33,176,218	34,937,992
Travel	1,502,829	1,543,119
Commodities	2,556,655	2,710,252
Equipment and library books	6,912,242	10,082,953
Telecommunications services	2,096,607	2,885,331
Operation of automotive equipment	608,345	593,458
Tuition and fees waived	5,848,500	5,255,400
Awards, grants, and matching funds	9,507,183	7,757,407
Permanent improvements	1,032,328	2,660,807
	<u>135,852,785</u>	<u>132,864,858</u>
Subtotal		
GASB No. 35 Adjustments:		
Depreciation	13,485,919	11,618,275
Equipment additions/disposals	<u>(6,158,854)</u>	<u>(9,896,517)</u>
	<u>\$ 143,179,850</u>	<u>\$ 134,586,616</u>

Note 1: Pursuant to the State Finance Act (30 ILCS 105/6a-1b), responsibility and control of the Illinois State University Income Fund was transferred directly to the University. It is now a non-appropriated, local fund maintained by the University.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULE OF CHANGES IN CAPITAL ASSETS
For the Year Ended June 30, 2012**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Land	\$ 14,158,006	\$ 331,413	\$	\$ 14,489,419
Land Improvements	33,313,331			33,313,331
Infrastructure	12,682,559			12,682,559
Buildings	509,672,707	2,386,790		512,059,497
Equipment	78,877,785	15,984,287	(2,460,197)	92,401,875
Library materials	78,111,072	4,205,665		82,316,737
Construction in progress	16,587,600	29,877,948	(1,631,002)	44,834,546
Intangible – internally generated software	10,112,489		(10,112,489)	-
Subtotal	<u>753,515,549</u>	<u>52,786,103</u>	<u>(14,203,688)</u>	<u>792,097,964</u>
Less accumulated depreciation for:				
Land Improvements	10,562,397	993,127		11,555,524
Infrastructure	6,382,511	311,247		6,693,758
Buildings	193,109,748	10,896,688		204,006,436
Equipment	61,455,731	6,673,665	(2,375,473)	65,753,923
Library materials	61,115,538	3,308,305		64,423,843
Total accumulated depreciation	<u>332,625,925</u>	<u>22,183,032</u>	<u>(2,375,473)</u>	<u>352,433,484</u>
CAPITAL ASSETS, NET	\$ <u>420,889,624</u>			\$ <u>439,664,480</u>

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
COMPARATIVE SCHEDULE OF CASH AND
CASH EQUIVALENTS
June 30, 2012 and 2011**

Significant details of cash and cash equivalents as of June 30, 2012 and 2011 are presented below for all funds of the University:

	<u>2012</u>		<u>2011</u>	
	<u>Ending Balance</u>	<u>Interest Rate</u>	<u>Ending Balance</u>	<u>Interest Rate</u>
CASH ON HAND – VAULT AND CHANGE FUNDS	<u>\$ 222,543</u>	Non-interest bearing	<u>\$ 241,658</u>	Non-interest bearing
BANK MONEY MARKET FUNDS				
Commerce Bank	16,060,999	N/A	15,013,162	N/A
Illinois Funds @ U.S. Bank	15,328,842	.081%	10,366,438	.024%
Bank of New York	926,553	0-.01%	1,300,633	0%
Fidelity/Deutsche Bank	391,470	0%	-	
U.S Bank	<u>3,443,677</u>	0%	<u>9,760,515</u>	0%
Total bank money market funds	<u>36,151,541</u>		<u>36,440,748</u>	
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 36,374,084</u>		<u>\$ 36,682,406</u>	

Cash and cash equivalent balances are presented in the balance sheets at June 30, 2012 and 2011 as follows:

Cash and cash equivalents	\$ 31,612,806	\$ 25,621,673
Restricted cash and cash equivalents	<u>4,761,278</u>	<u>11,060,733</u>
TOTAL CASH AND CASH EQUIVALENT BALANCES	<u>\$ 36,374,084</u>	<u>\$ 36,682,406</u>

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
COMPARATIVE SCHEDULE OF INVESTMENTS
June 30, 2012 and 2011**

	<u>2012</u>		<u>2011</u>	
	<u>Ending Balance</u>	<u>Interest Rate</u>	<u>Ending Balance</u>	<u>Interest Rate</u>
U.S. Treasury and Agency Obligations and Agency notes	<u>\$156,238,919</u>	.875-5.625%	<u>\$ 112,991,120</u>	.50-5.375%
TOTAL INVESTMENTS	<u>\$156,238,919</u>		<u>\$112,991,120</u>	
Investments are presented in the balance sheets at June 30, 2012 and 2011 as follows:				
Current:				
Investments	\$ 18,349,690		\$ 21,612,550	
Restricted investments	23,729,284		4,431,054	
Noncurrent:				
Investments	114,159,945		83,703,480	
Restricted investments	<u>-</u>		<u>3,244,036</u>	
TOTAL INVESTMENTS	<u>\$156,238,919</u>		<u>\$112,991,120</u>	

ILLINOIS STATE UNIVERSITY
ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUE AND EXPENSE ACCOUNTS
JUNE 30, 2012 AND 2011

Schedule 9

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
OPERATING REVENUES				
Student tuition and fees, net	\$ 180,762,671	\$ 167,142,161	\$13,620,510	8.15%
Federal grants and contracts	16,822,641	13,355,923	3,466,718	25.96% (A)
State and local grants and contracts	3,685,018	3,074,534	610,484	19.86%
Nongovernmental grants and contracts	3,790,182	4,251,390	(461,208)	-10.85%
Sales and services of educational activities	3,102,528	2,570,384	532,144	20.70%
Auxiliary facilities	85,807,708	83,018,067	2,889,641	3.48%
Other operating revenues	22,834,186	23,520,035	(685,849)	-2.92%
OPERATING EXPENSES				
Educational and General:				
Instruction	116,825,381	113,991,733	2,833,648	2.49%
Research	14,624,301	13,991,116	633,185	4.53%
Public service	14,317,742	15,695,327	(1,377,585)	-8.78%
Academic support	19,192,293	18,133,671	1,058,622	5.84%
Student services	37,092,691	35,748,251	1,344,440	3.76%
Institutional support	34,841,184	29,543,894	5,297,290	17.93% (B)
Operations	-	-	-	
Operation and maintenance of plant	29,822,256	24,246,285	5,575,971	23.00% (C)
Depreciation	22,183,031	19,779,251	2,403,780	12.15%
Staff benefits	3,106,979	1,911,309	1,195,670	62.56%
Student aid	38,003,092	36,920,437	1,082,655	2.93%
Payments on behalf of the University	100,384,826	86,469,651	13,915,175	16.09% (D)
Auxiliary facilities:				
Student housing, activity facilities, and parking	60,475,545	57,126,802	3,348,743	5.86%
Other operating expenditures	2,965,135	2,336,291	628,844	26.81%
NONOPERATING REVENUES (EXPENSES)				
State appropriations	78,874,400	79,789,500	(915,100)	-1.15%
Payments on behalf of the University - State	100,384,826	86,469,651	13,915,175	16.09% (D)
Payments on behalf of the University - Foundation	1,744,159	1,205,883	538,276	44.64%
Laboratory Schools	8,864,902	9,085,803	(220,901)	-2.43%
Gifts and donations	782,235	320,767	461,468	143.86%
Investment income, net of investment expenses	3,523,641	1,561,596	1,962,045	125.64% (E)
Interest expense	(5,346,370)	(4,419,723)	(926,647)	20.97%
Other nonoperating revenues	19,413,889	19,522,828	(108,939)	-0.56%
Capital appropriations	73,167	709,628	(636,461)	-89.69%
Capital grants and gifts	1,195,963	2,474,776	(1,278,813)	-51.67%

ILLINOIS STATE UNIVERSITY
ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUE AND EXPENSES ACCOUNTS
JUNE 30, 2012 AND 2011

All variances greater than \$1,500,000 and more than 20% from fiscal year 2011 are discussed below. Refer to the Analysis of Significant Variations in Account Balances on page 49 for the actual dollar changes.

Explanations of significant variances:

- (A) Federal grants and contracts - This increase is due to additional funding for existing grants and an increase in new grants.
- (B) Institutional support - The \$5.3M increase can be attributed to post-implementation consulting and software costs related to iPeople, the University's Human Resource Information System that was implemented July 1, 2011. Additionally, the University incurred expenses increased staffing for the University's Lean Enterprise Architecture and Process (LEAP) initiative.
- (C) Operation and maintenance of plant - This increase is attributable to the costs related to the Central Illinois Broadband Network grant.
- (D) Payments on behalf of the University - This increase is due to an increase in the actuarial determined required contributions to the State Universities Retirement System and the Department of Central Management Services State Employees Group Insurance Program. These contributions are made substantially by the State of Illinois on the University's behalf to SURS and CMS. SURS funding increased by \$8.9M and group insurance by \$5M.
- (E) Investment income, net of investment expenses - This increase is due to recovering market conditions from a significant decrease in fair market value in the previous fiscal year.

ILLINOIS STATE UNIVERSITY
ANALYSIS OF SIGNIFICANT VARIATIONS IN ASSET AND LIABILITY ACCOUNTS
JUNE 30, 2012 AND 2011

Schedule 10

	2012	2011	Increase (Decrease)	Percentage Change
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 31,612,806	\$ 25,621,673	\$ 5,991,133	23.38% (A)
Restricted cash and cash equivalents	4,761,278	11,060,733	(6,299,455)	-56.95% (B)
Investments	18,349,690	21,612,550	(3,262,860)	-15.10% (C)
Investments Restricted	23,729,284	4,431,054	19,298,230	435.52% (D)
Accrued interest receivable	569,854	451,994	117,860	26.08%
Accrued interest receivable restricted	100,340	19,897	80,443	404.30%
Accounts receivable, net	12,646,680	9,062,810	3,583,870	39.54% (E)
Student loans receivable, net	994,628	921,929	72,699	7.89%
Appropriations receivable from State	23,664,174	35,047,150	(11,382,976)	-32.48% (F)
Inventories	3,157,861	2,950,152	207,709	7.04%
Prepaid expenses, deposits and other	2,165,675	3,635,581	(1,469,906)	-40.43%
Noncurrent Assets:				
Investments	114,159,945	83,703,480	30,456,465	36.39% (G)
Investments Restricted	-	3,244,036	(3,244,036)	-100.00% (H)
Student loans receivable, net	8,142,977	8,450,775	(307,798)	-3.64%
Debt issuance costs	2,287,560	2,141,078	146,484	6.84%
Capital assets not depreciated	59,323,965	40,858,095	18,465,870	45.20% (I)
Capital assets, net of depreciation	380,340,515	380,031,529	308,986	0.08%
Other noncurrent assets	1,500,000	1,800,000	(300,000)	-16.67%
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	23,250,315	21,510,325	1,739,990	8.09%
Obligations under capital leases	469,103	-	469,103	100.00%
Assets held in custody for others and deposits	3,628,336	3,512,424	115,912	3.30%
Deferred revenue	7,861,103	8,998,486	862,637	12.33%
Certificates of participation	1,513,238	1,198,237	315,001	26.29%
Revenue bonds payable	6,367,013	6,134,984	232,029	3.78%
Accrued compensated absences	1,727,659	1,735,598	(7,939)	-0.46%
Noncurrent Liabilities:				
Assets held in custody for others and deposits	124,025	215,484	(91,459)	-42.44%
Certificates of participation	32,820,770	34,334,008	(1,513,238)	-4.41%
Revenue bonds payable	107,760,365	91,697,562	16,062,803	17.52% (J)
Accrued compensated absences	15,534,263	15,321,701	212,562	1.39%
Obligations under capital leases	1,484,028	-	1,484,028	100.00%

ILLINOIS STATE UNIVERSITY
ANALYSIS OF SIGNIFICANT VARIATIONS IN ASSET AND LIABILITY ACCOUNTS
JUNE 30, 2012 AND 2011

All variances greater than \$1,500,000 and more than 15% from fiscal year 2011 are discussed below. Refer to the Analysis of Significant Variations in Account Balances on page 51 for the actual dollar changes.

Explanations of significant variances:

- (A) Cash and cash equivalents - The increase results from additional funds in agency custodial accounts and from the timeliness of State payments.
- (B) Restricted cash and cash equivalents - The decrease is a result of the expenditures for various construction projects funded by the 2008 and 2011 COPS including Hovey Hall improvements, energy savings initiative project and the Student Fitness Center.
- (C) Investments - The decrease is a result of investing more into longer term maturities.
- (D) Investments Restricted - The \$21M received as proceeds for the 2012 Bonds were invested in short term securities.
- (E) Accounts receivable, net - The increase is attributable to Grants receivables from the Central Illinois Broadband Network grant.
- (F) Appropriations receivable from State - The decrease is a result of the State paying more timely.
- (G) Investments - The increase is a result of investing more into longer term maturities. Additionally, more funds were available to invest as a result of the State paying more timely.
- (H) Investments - Restricted - The investments were sold to pay for the construction projects financed by the 2011 COPS.
- (I) Capital assets not depreciated - The increase is a result of several construction projects on campus including Hovey Hall interior and exterior renovations, Campus energy savings projects and the improvements to Hancock Stadium that are still ongoing.
- (J) Revenue bonds payable - This increase is due to the financing of Hancock Stadium improvements and the sale of \$21M in bonds which is offset by current year payments on previously issued bonds.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
ANALYSIS OF ACCOUNTS RECEIVABLE
June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>
ACCOUNTS RECEIVABLE			
Current funds:			
Local funds (less allowance for doubtful accounts of \$1,205,709 and \$1,741,158 at June 30, 2012 and 2011, respectively)	\$ 5,617,273	\$ 4,090,352	\$ 1,526,921
Auxiliary facilities system (less allowance for doubtful accounts of \$845,013 and \$920,385 at June 30, 2012 and 2011, respectively)	1,688,616	1,181,855	506,761
Restricted funds	4,679,706	2,599,411	2,080,295
Payroll and clearing accounts	<u>83,063</u>	<u>71,723</u>	<u>11,340</u>
Total current funds	12,068,658	7,943,341	4,125,317
Agency funds	564,811	1,110,519	(545,708)
Loan funds	<u>13,211</u>	<u>8,950</u>	<u>4,261</u>
TOTAL ACCOUNTS RECEIVABLE	<u>\$12,646,680</u>	<u>\$ 9,062,810</u>	<u>\$ 3,583,870</u>
NOTES RECEIVABLE			
Loan funds:			
Student loans receivable (less allowance for doubtful loans of \$988,784 and \$993,784 at June 30, 2012 and 2011, respectively)	<u>\$ 9,137,605</u>	<u>\$9,372,704</u>	<u>\$ (235,099)</u>

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

The University did not have an aged analysis of accounts receivable; however, accounts receivable other than tuition, room and board, and fees receivable are generally less than 180 days old and considered to be collectible. An allowance for doubtful accounts of \$1,084,235 and \$1,476,682 at June 30, 2012 and 2011, respectively, has been established for tuition receivable deemed uncollectible. An allowance for doubtful accounts of \$718,484 and \$687,077 at June 30, 2012 and 2011, respectively, has been established for room and board receivable deemed uncollectible. An additional allowance for doubtful accounts of \$248,003 and \$497,784 at June 30, 2012 and 2011, respectively, has been established for fees receivable deemed uncollectible.

Notes receivable are presented in the balance sheets at June 30, 2012 and 2011 as follows:

	<u>2012</u>	<u>2011</u>
Current	\$ 994,628	\$ 921,929
Noncurrent	<u>8,142,977</u>	<u>8,450,775</u>
	<u>\$ 9,137,605</u>	<u>\$ 9,372,704</u>

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
AUXILIARY FACILITIES, ACTIVITIES, AND ACCOUNTING ENTITIES
Year Ended June 30, 2012**

A listing of the University's Auxiliary Facilities, Activities, Accounting Entities, their purposes, and their sources of revenue for the year ended June 30, 2012 are provided below.

Indirect Cost Support

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

Current Unrestricted Local Funds

Continuing Education and Public Services

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

Sales and Services of Educational Activities

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

Student Programs and Services – University

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

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

Student Programs and Services – Laboratory Schools

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

Field Trips and Foreign Study

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

Income Fund

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

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
AUXILIARY FACILITIES, ACTIVITIES, AND ACCOUNTING ENTITIES
Year Ended June 30, 2012**

Service Departments

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

Auxiliary FacilitiesStudent Housing

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

Student Activities

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

Parking Services

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

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
STATEMENT OF NET ASSETS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2012

Schedule 13

	Indirect Cost Support	Continuing Education & Public Service	Sales & Service of Educational Activities	Student Programs & Services - University	Student Programs & Services - Laboratory Schools	Field Trip & Foreign Study Activities	Income Fund	Sub-Total
ASSETS								
Current Assets:								
Cash and cash equivalents	\$ -	\$ (3,424)	\$ 1,180,109	\$ 1,264,445	\$ 311,085	\$ 1,004,867	\$ 6,164,739	\$ 9,921,821
Cash and cash equivalents - restricted	-	-	-	-	-	-	3,835,147	3,835,147
Investments - Restricted	-	-	-	-	-	-	3,223,988	3,223,988
Accrued interest receivable	8,904	11,228	-	-	-	-	155,791	175,923
Accrued interest receivable - Restricted	-	-	-	-	-	-	11,310	11,310
Accounts receivable, net	-	231,689	60,725	608,220	-	-	4,358,513	5,259,147
Appropriations receivable from State	-	-	-	-	-	-	23,664,174	23,664,174
Inventories	-	286,988	35,105	105,118	-	-	733,015	1,160,226
Prepaid expenses and deposits	70,376	56,863	5,349	180,314	270	12,952	1,112,312	1,438,436
Deferred charges and obligations	-	-	-	-	-	-	73,288	73,288
Total current assets	79,280	583,344	1,281,288	2,158,097	311,355	1,017,819	43,332,277	48,763,460
Noncurrent Assets:								
Investments	2,420,553	3,052,565	-	-	-	-	42,353,429	47,826,547
Bond issuance costs	-	-	-	-	-	-	842,749	842,749
Capital assets, net	986,511	801,859	4,936,681	2,100,168	18,959	8,034	216,797,254	225,649,466
Other noncurrent assets	-	-	-	-	-	-	1,500,000	1,500,000
Total noncurrent assets	3,407,064	3,854,424	4,936,681	2,100,168	18,959	8,034	261,493,432	275,818,762
Total assets	3,486,344	4,437,768	6,217,969	4,258,265	330,314	1,025,853	304,825,709	324,582,222
LIABILITIES								
Current Liabilities:								
Accounts payable and accrued liabilities	363,391	825,780	113,046	722,312	26,976	118,090	5,250,285	7,419,880
Obligations payable	-	-	-	-	-	-	21,788	21,788
Obligations under capital leases	-	-	-	-	-	-	469,103	469,103
Assets held in custody for others and deposits	-	27,056	-	140,640	-	-	-	167,696
Deferred revenue	-	521,428	975	672,690	-	620,000	3,625,832	5,440,925
Accrued compensated absences	728	22,842	3,290	98,797	537	1,220	1,326,362	1,453,776
Certificates of Participation	-	-	-	-	-	-	1,513,238	1,513,238
Total current liabilities	364,119	1,397,106	117,311	1,634,439	27,513	739,310	12,206,608	16,486,406
Noncurrent Liabilities:								
Accrued compensated absences	4,547	144,435	28,481	844,482	4,652	10,558	11,806,277	12,843,432
Certificates of participation	-	-	-	-	-	-	32,820,770	32,820,770
Obligations under capital leases	-	-	-	-	-	-	1,484,028	1,484,028
Total noncurrent liabilities	4,547	144,435	28,481	844,482	4,652	10,558	46,111,075	47,148,230
Total liabilities	368,666	1,541,541	145,792	2,478,921	32,165	749,868	58,317,683	63,634,636
NET ASSETS								
Invested in capital assets, net of related debt	986,511	801,859	4,936,681	2,100,168	18,959	8,034	186,298,393	195,150,605
Unrestricted	2,131,167	2,094,368	1,135,496	(320,824)	279,190	267,951	60,209,633	65,796,981
Total net assets	\$ 3,117,678	\$ 2,896,227	\$ 6,072,177	\$ 1,779,344	\$ 298,149	\$ 275,985	\$ 246,508,026	\$ 260,947,586

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2012

Schedule 14

	Indirect Cost Support	Continuing Education & Public Service	Sales & Service Of Educational Activities	Student Programs & Services - University	Student Programs & Services - Laboratory Schools	Field Trip & Foreign Study Activities	Income Fund	Local Funds Total
OPERATING REVENUES								
Student tuition and fees, net	\$ -	\$ 4,520	\$ -	\$ 26,174,539	\$ -	\$ 2,219,155	\$ 152,364,457	\$ 180,762,671
Sales and services of educational activities	-	334	3,095,681	-	6,513	-	-	3,102,528
Other operating revenues	1,758,245	10,023,474	-	8,348,463	274,954	510,181	1,100,892	22,016,209
Total operating revenues	1,758,245	10,028,328	3,095,681	34,523,002	281,467	2,729,336	153,465,349	205,881,408
OPERATING EXPENSES								
Educational and General								
Instruction	-	918,011	1,873,482	594,654	-	2,553,152	55,332,377	61,271,676
Research	680,000	246	133,081	-	761,473	-	421,670	1,996,470
Public service	-	7,141,341	391,930	11,025	-	-	845,441	8,389,737
Academic support	17,328	6,137	223,138	-	-	-	11,604,478	11,851,081
Student services	-	231,779	220,601	30,598,674	-	-	3,036,950	34,088,004
Institutional support	571,856	167,601	-	2,598	-	-	22,550,682	23,292,737
Operation and maintenance of plant	581,524	107,991	(66,868)	1,141,586	-	-	20,377,298	22,141,531
Depreciation	182,220	37,376	249,902	183,515	3,518	1,071	13,485,919	14,143,521
Staff benefits	(42,213)	75,993	22,642	239,560	3,947	5,993	621,840	927,762
Student aid	3,016	11,497	5,347	2,969,011	-	4,500	15,311,381	18,304,752
Other operating expenditures	-	2,344,237	-	-	-	-	620,898	2,965,135
Total operating expenses	1,993,731	11,042,209	3,053,255	35,740,623	768,938	2,564,716	144,208,934	199,372,406
Operating income (loss)	(235,486)	(1,013,881)	42,426	(1,217,621)	(487,471)	164,620	9,256,415	6,509,002
NONOPERATING REVENUES (EXPENSES)								
Payments on behalf of the University - Foundation	-	-	-	-	-	-	1,744,159	1,744,159
Laboratory Schools	-	-	-	-	547,220	-	-	547,220
Gifts and donations	-	464	-	800	-	-	780,971	782,235
Investment income, net of investment expenses	21,466	79,986	-	36,452	495	-	1,734,427	1,872,826
Interest expense	-	-	-	-	-	-	(931,904)	(931,904)
Other nonoperating revenues	10,000	112,112	10,120	600,091	-	-	284,519	1,016,842
Net nonoperating revenues	31,466	192,562	10,120	637,343	547,715	-	3,612,172	5,031,378
Income (Loss) before capital items	(204,020)	(821,319)	52,546	(580,278)	60,244	164,620	12,868,587	11,540,380
Capital appropriations	-	-	-	-	-	-	73,167	73,167
Capital grants and gifts	-	-	-	-	-	-	118,608	118,608
Total capital items	-	-	-	-	-	-	191,775	191,775
Increase (decrease) in net assets	(204,020)	(821,319)	52,546	(580,278)	60,244	164,620	13,060,362	11,732,155
NET ASSETS								
Net assets - beginning of year	3,321,698	3,717,546	6,019,631	2,359,622	237,905	111,365	233,447,664	249,215,431
Net assets - end of year	\$ 3,117,678	\$ 2,896,227	\$ 6,072,177	\$ 1,779,344	\$ 298,149	\$ 275,985	\$ 246,508,026	\$ 260,947,586

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
STATEMENT OF NET ASSETS - SERVICE DEPARTMENTS
YEAR ENDED JUNE 30, 2012

Schedule 15

	<u>Service Departments</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 7,424,565
Accounts receivable, net	83,063
Inventories	1,750,464
Prepaid expenses and deposits	<u>353,320</u>
Total current assets	<u>9,611,412</u>
Noncurrent Assets:	
Capital assets, net	<u>2,917,272</u>
Total assets	<u>12,528,684</u>
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	765,491
Deferred revenue	81,800
Accrued compensated absences	<u>82,631</u>
Total current liabilities	<u>929,922</u>
Noncurrent Liabilities:	
Accrued compensated absences	<u>1,060,588</u>
Total liabilities	<u>1,990,510</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,917,272
Unrestricted	<u>7,620,902</u>
Total net assets	<u>\$ 10,538,174</u>

ILLINOIS STATE UNIVERSITY
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -
 SERVICE DEPARTMENTS
 YEAR ENDED JUNE 30, 2012

Schedule 16

	<u>Service Departments</u>
OPERATING REVENUES	
Other operating revenues	\$ <u>17,807,634</u>
Total operating revenues	<u>17,807,634</u>
OPERATING EXPENSES	
Educational and General:	
Instruction	763,133
Institutional support	8,517,426
Operation and maintenance of plant	8,103,494
Depreciation	1,026,257
Staff benefits	<u>63,155</u>
Total operating expenses	<u>18,473,465</u>
Operating loss	<u>(665,831)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income, net of investment expenses	637,773
Other nonoperating revenues	<u>6,623</u>
Decrease in net assets	<u>(21,435)</u>
NET ASSETS	
Net assets - beginning of year	<u>10,559,609</u>
Net assets - end of year	\$ <u><u>10,538,174</u></u>

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
STATEMENT OF NET ASSETS - AUXILIARY FACILITIES
YEAR ENDED JUNE 30, 2012

Schedule 17

	<u>Housing</u>	<u>Student Activities</u>	<u>Parking</u>	<u>Auxiliary Facilities Total</u>
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 539,321	\$ 136,205	\$ 479,479	\$ 1,155,005
Cash and cash equivalents - restricted	-	926,131	-	926,131
Investments	11,212,475	7,137,215	-	18,349,690
Investments - Restricted	-	20,505,296	-	20,505,296
Accrued interest receivable	322,538	68,185	3,208	393,931
Accrued interest receivable - Restricted	-	89,030	-	89,030
Accounts receivable, net	1,187,726	425,204	75,686	1,688,616
Inventories	184,464	62,707	-	247,171
Prepaid expenses and deposits	11,600	7,174	11,542	30,316
Deferred charges and obligations	22,441	85,034	12,591	120,066
Total current assets	<u>13,480,565</u>	<u>29,442,181</u>	<u>582,506</u>	<u>43,505,252</u>
Noncurrent Assets:				
Investments	62,778,628	2,682,520	872,250	66,333,398
Bond issuance costs	216,187	1,187,245	41,379	1,444,811
Capital assets, net	100,206,556	79,465,795	23,647,487	203,319,838
Total noncurrent assets	<u>163,201,371</u>	<u>83,335,560</u>	<u>24,561,116</u>	<u>271,098,047</u>
Total assets	<u>176,681,936</u>	<u>112,777,741</u>	<u>25,143,622</u>	<u>314,603,299</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	5,102,447	1,009,905	147,700	6,260,052
Assets held in custody for others and deposits	1,581,912	43,966	-	1,625,878
Deferred revenue	140,149	334,219	140,481	614,849
Accrued compensated absences	115,556	32,034	8,615	156,205
Revenue bonds payable	434,495	3,957,901	1,974,617	6,367,013
Total current liabilities	<u>7,374,559</u>	<u>5,378,025</u>	<u>2,271,413</u>	<u>15,023,997</u>
Noncurrent Liabilities:				
Assets held in custody for others and deposits	124,025	-	-	124,025
Accrued compensated absences	984,455	278,462	59,295	1,322,212
Revenue bonds payable	35,192,297	63,255,895	9,312,173	107,760,365
Total noncurrent liabilities	<u>36,300,777</u>	<u>63,534,357</u>	<u>9,371,468</u>	<u>109,206,602</u>
Total liabilities	<u>43,675,336</u>	<u>68,912,382</u>	<u>11,642,881</u>	<u>124,230,599</u>
NET ASSETS				
Invested in capital assets, net of related debt	64,579,764	13,178,130	12,360,697	90,118,591
Unrestricted	68,426,836	30,687,229	1,140,044	100,254,109
Total net assets	<u>\$ 133,006,600</u>	<u>\$ 43,865,359</u>	<u>\$ 13,500,741</u>	<u>\$ 190,372,700</u>

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - AUXILIARY FACILITIES
YEAR ENDED JUNE 30, 2012

Schedule 18

	Housing	Activities	Parking	Total
OPERATING REVENUES				
Auxiliary enterprises				
Auxiliary facilities	\$ 64,292,978	\$ 16,923,121	\$ 4,691,609	\$ 85,907,708
Total operating revenues	64,292,978	16,923,121	4,691,609	85,907,708
OPERATING EXPENSES				
Educational and General				
Depreciation	2,407,091	3,324,769	590,895	6,322,755
Auxiliary facilities:				
Student housing, activity facilities, and parking	49,353,021	10,329,017	793,507	60,475,545
Total operating expenses	51,760,112	13,653,786	1,384,402	66,798,300
Operating income	12,532,866	3,269,335	3,307,207	19,109,408
NONOPERATING REVENUES (EXPENSES)				
Investment income, net of investment expenses	918,927	52,590	11,064	982,581
Interest expense	(1,612,955)	(2,229,308)	(572,203)	(4,414,466)
Other nonoperating income	205,087	3,690	-	208,777
Net nonoperating expenses	(488,941)	(2,173,028)	(561,139)	(3,223,108)
Income before capital items	12,043,925	1,096,307	2,746,068	15,886,300
Capital grants and gifts	-	25,000	-	25,000
Total capital items	-	25,000	-	25,000
Increase in net assets	12,043,925	1,121,307	2,746,068	15,911,300
NET ASSETS				
Net assets - beginning of year	120,962,675	42,744,052	10,754,673	174,461,400
Net assets - end of year	\$ 133,006,600	\$ 43,865,359	\$ 13,500,741	\$ 190,372,700

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
CURRENT UNRESTRICTED LOCAL FUNDS
CONTINUING EDUCATION AND PUBLIC SERVICES
CALCULATION SHEET FOR CURRENT EXCESS FUNDS
June 30, 2012
(Unaudited)**

1. Current Available Funds

Add:

Cash	(3,424)
Cash Equivalents	
Bank Deposits	
Marketable Securities	2,990,129
Certificates of Deposit	
Repurchase Agreements	
Other cash equivalent items	
Interfund receivables	
Total Current Available Funds	A. 2,986,705

2. Working Capital Allowance

Add:

Highest month's expenditures	1,729,398
Encumbrances and current liabilities paid in lapse period	825,782
Deferred income	521,428
Refundable deposits	27,057
Allowance for Restoring Inventory to Normal Level	-
Allowance for Sick Leave/Vacation Payouts	167,276
Working Capital Allowance	B. 3,270,941

3. Current Excess Funds

Deduct B from A and enter here	C. (284,236)
--------------------------------------	---------------------

4. Calculation of Income Fund Remittance

An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here	D. (153,224)
--	---------------------

Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund.	(437,460)
--	------------------

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
CURRENT UNRESTRICTED LOCAL FUNDS
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES
CALCULATION SHEET FOR CURRENT EXCESS FUNDS
June 30, 2012
(Unaudited)**

1. Current Available Funds

Add:

Cash

Cash Equivalents

Bank Deposits

Marketable Securities

Certificates of Deposit

Repurchase Agreements

Other cash equivalent items

Interfund receivables

Total Current Available Funds

1,180,109
A. 1,180,109

2. Working Capital Allowance

Add:

Highest month's expenditures

Encumbrances and current liabilities paid in lapse period

Deferred income

Refundable deposits

Allowance for Restoring Inventory to Normal Level

Allowance for Sick Leave/Vacation Payouts

Working Capital Allowance

298,391
113,046
975
-
40,107
31,771
B. 484,290

3. Current Excess Funds

Deduct B from A and enter here

C. 695,819

4. Calculation of Income Fund Remittance

An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here

D. (773,383)

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

(77,564)

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
CURRENT UNRESTRICTED LOCAL FUNDS
STUDENT PROGRAMS AND SERVICES
CALCULATION SHEET FOR CURRENT EXCESS FUNDS
June 30, 2012
(Unaudited)**

1. Current Available Funds

Add:

Cash		
Cash Equivalents		
Bank Deposits		1,575,530
Marketable Securities		
Certificates of Deposit		
Repurchase Agreements		
Other cash equivalent items		-
Interfund receivables		
Total Current Available Funds	A.	1,575,530

2. Working Capital Allowance

Add:

Highest month's expenditures		4,578,925
Encumbrances and current liabilities paid in lapse period		749,287
Deferred income		672,690
Refundable deposits		140,640
Allowance for Restoring Inventory to Normal Level		
Allowance for Sick Leave/Vacation Payouts		948,468
Working Capital Allowance	B.	7,090,010

3. Current Excess Funds

Deduct B from A and enter here		C. (5,514,480)
--------------------------------------	--	----------------

4. Calculation of Income Fund Remittance

An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here		D. (315,449)
--	--	--------------

Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund.		(5,829,929)
--	--	-------------

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
CURRENT UNRESTRICTED LOCAL FUNDS
FIELD TRIPS AND FOREIGN STUDY
CALCULATION SHEET FOR CURRENT EXCESS FUNDS
June 30, 2012
(Unaudited)**

1. Current Available Funds

Add:

Cash	
Cash Equivalents	
Bank Deposits	1,004,867
Marketable Securities	
Certificates of Deposit	
Repurchase Agreements	
Other cash equivalent items	
Interfund receivables	
Total Current Available Funds	1,004,867

1,004,867
A. 1,004,867

2. Working Capital Allowance

Add:

Highest month's expenditures	432,857
Encumbrances and current liabilities paid in lapse period	118,089
Deferred income	620,000
Refundable deposits	
Allowance for Restoring Inventory to Normal Level	
Allowance for Sick Leave/Vacation Payouts	11,778
Working Capital Allowance	1,182,724

432,857
118,089
620,000
11,778
B. 1,182,724

3. Current Excess Funds

Deduct B from A and enter here

C. (177,857)

4. Calculation of Income Fund Remittance

An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here

D. (2,142)

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

(179,999)

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SERVICE DEPARTMENTS
CALCULATION SHEET FOR CURRENT EXCESS FUNDS
June 30, 2012
(Unaudited)**

1. Current Available Funds

Add:

Cash	133,422
Cash Equivalents	
Bank Deposits	7,034,608
Marketable Securities	
Certificates of Deposit	
Repurchase Agreements	
Other cash equivalent items	
Interfund receivables	
Total Current Available Funds	A. 7,168,030

2. Working Capital Allowance

Add:

Highest month's expenditures	2,052,371
Encumbrances and current liabilities paid in lapse period	765,491
Deferred income	81,800
Refundable deposits	
Allowance for Restoring Inventory to Normal Level	
Allowance for Sick Leave/Vacation Payouts	1,143,219
Working Capital Allowance	B. 4,042,881

3. Current Excess Funds

Deduct B from A and enter here	C. 3,125,149
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4. Calculation of Income Fund Remittance

An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here	D. (4,727,127)
--	-----------------------

Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund.	(1,601,978)
--	--------------------

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
AUXILIARY FACILITIES - REVENUE BONDS
STUDENT HOUSING
CALCULATION SHEET FOR CURRENT EXCESS FUNDS
June 30, 2012
(Unaudited)**

1. Current Available Funds

Add:

Cash	1,007,493
Cash Equivalents	
Bank Deposits	
Marketable Securities	10,209,599
Certificates of Deposit	
Repurchase Agreements	
Other cash equivalent items	
Interfund receivables	
Total Current Available Funds	A. 11,217,092

2. Working Capital Allowance

Add:

Highest month's expenditures	6,624,625
Encumbrances and current liabilities paid in lapse period	1,828,023
Deferred income	140,149
Refundable deposits	1,705,938
Allowance for Restoring Inventory to Normal Level	61,670
Allowance for Sick Leave/Vacation Payouts	1,100,011
Working Capital Allowance	B. 11,460,416

3. Current Excess Funds

Deduct B from A and enter here	C. (243,324)
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4. Calculation of Income Fund Remittance

An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here	D. (1,980,332)
--	----------------

Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund.	(2,223,656)
--	-------------

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
AUXILIARY FACILITIES - REVENUE BONDS
STUDENT ACTIVITIES
CALCULATION SHEET FOR CURRENT EXCESS FUNDS
June 30, 2012
(Unaudited)**

1. Current Available Funds

Add:

Cash	
Cash Equivalents	
Bank Deposits	87,121
Marketable Securities	1,035,771
Certificates of Deposit	
Repurchase Agreements	
Other cash equivalent items	
Interfund receivables	
Total Current Available Funds	A. 1,122,892

2. Working Capital Allowance

Add:

Highest month's expenditures	1,558,232
Encumbrances and current liabilities paid in lapse period	371,695
Deferred income	334,219
Refundable deposits	43,966
Allowance for Restoring Inventory to Normal Level	1,344
Allowance for Sick Leave/Vacation Payouts	310,495
Working Capital Allowance	B. 2,619,951

3. Current Excess Funds

Deduct B from A and enter here	C. (1,497,059)
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4. Calculation of Income Fund Remittance

An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here	D. (6,317,716)
--	-----------------------

Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund.	(7,814,775)
--	--------------------

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
AUXILIARY FACILITIES - REVENUE BONDS
PARKING SERVICES
CALCULATION SHEET FOR CURRENT EXCESS FUNDS
June 30, 2012
(Unaudited)**

1. Current Available Funds

Add:

Cash	
Cash Equivalents	
Bank Deposits	137,386
Marketable Securities	
Certificates of Deposit	
Repurchase Agreements	
Other cash equivalent items	
Interfund receivables	
Total Current Available Funds	A. 137,386

2. Working Capital Allowance

Add:

Highest month's expenditures	407,254
Encumbrances and current liabilities paid in lapse period	40,595
Deferred income	140,481
Refundable deposits	-
Allowance for Restoring Inventory to Normal Level	-
Allowance for Sick Leave/Vacation Payouts	67,911
Working Capital Allowance	B. 656,241

3. Current Excess Funds

Deduct B from A and enter here	C. (518,855)
--------------------------------------	---------------------

4. Calculation of Income Fund Remittance

An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here	D. (2,295,817)
--	-----------------------

Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund.	(2,814,672)
--	--------------------

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULE OF SOURCES AND APPLICATIONS
INDIRECT COST REIMBURSEMENTS
Year Ended June 30, 2012**

Balance, July 1, 2011	<u>\$ 3,321,698</u>
Sources:	
Private Gifts, Grants and Contracts	422,620
United States Government Grants and Contracts	852,136
State of Illinois and Local Grants and Contracts	483,489
Other Administrative Allowances	10,000
Investment income	<u>21,466</u>
Total Additions	<u>1,789,711</u>
Applications:	
Educational and general:	
Instruction	-
Research	680,000
Public Service	-
Academic Support	17,328
Student Services	-
Institutional Support	571,856
Operation and Maintenance of Plant	581,524
Depreciation	182,220
Staff Benefits	(42,213)
Student Aid	<u>3,016</u>
Total deductions	<u>1,993,731</u>
Decrease in net assets	<u>(204,020)</u>
Balance at June 30, 2012	<u>\$ 3,117,678</u>

Note: Above information is prepared on an accrual basis.

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

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

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
CALCULATION SHEET FOR INDIRECT COST CARRYFORWARD
June 30, 2012
(Unaudited)**

1. Cash and Equivalents Balance

Add:

Cash

Cash Equivalents

 Bank Deposits

 Marketable Securities

 Certificates of Deposit

 Repurchase Agreements

 Other cash equivalent items

Interfund receivables

-
2,371,044

2,371,044

2. Allocated Reimbursements

Enter the total indirect cost reimbursements allocated for expenditure for the fiscal year completed: \$4,543,992; enter 30% of this amount

1,363,198

3. Unallocated Reimbursements

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

165,748

4. Encumbrances and Current Liabilities Paid in the Lapse Period

Enter the amount of:

 Current Liabilities

 Encumbrances

Total

364,120
-
364,120

5. Indirect Cost Carry-forward

a. Enter the total of items 2, 3 and 4

1,893,066

b. Subtract from item 1

477,978

If a positive number results, enter here and remit for deposit in the Income Fund.

477,978

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULES OF FEDERAL EXPENDITURES, NON-FEDERAL EXPENSES, AND NEW LOANS
Year Ended June 30, 2012**

Schedule A – Federal Financial Component

Total Federal expenditures reported on SEFA schedule	\$155,599,268
Total new loans made not included on SEFA schedule	- *
Amount of Federal loan balances (not included on the SEFA schedule and continued compliance required)	- *
Other noncash federal award expenditures (not included on SEFA schedule)	<u>12,755</u>
Total Schedule A	<u>\$155,612,023</u>

Schedule B – Total Financial Component

Total operating expenses (from financial statements)	\$493,834,456
Total non-operating expenses (from financial statements)	5,346,370
Total new loans made	118,718,731
Amount of Federal loan balances	10,088,606
Other noncash Federal award expenditures	<u>12,755</u>
Total Schedule B	<u>\$628,000,918</u>

Schedule C

Total Schedule A	\$155,612,023	<u>Percent</u>	
Total Non-Federal Expenses	<u>472,388,895</u>	24.78	%
Total Schedule B	<u>\$628,000,918</u>	<u>75.22</u>	%
		<u>100.00</u>	%

* Loan amounts are included on SEFA schedule

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

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FUNCTIONS AND PLANNING PROGRAM
June 30, 2012**

(Unaudited)

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

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

The *Academic Plan* submitted during our audit period is for fiscal years 2012-2017 and can be found at http://provost.illinoisstate.edu/downloads/academic_plan/AcademicPlan2012_2017.pdf. It includes: (1) an identification of institutional priorities; (2) the University's strategic plan, *Educating Illinois 2008-2014 Priorities for Illinois' First Public University*; and, (3) specific curricular initiatives set forth by those responsible for academic planning within the University.

The *Academic Plan* also includes academic unit (college) objectives for fiscal year 2012 and program reviews for the departments in the University being reviewed in the most recent review cycle. Program reviews contain recommendations for enhancing the programs being examined as well as plans for monitoring progress toward the fulfillment of these recommendations. During fiscal year 2012, program reviews were completed on the following programs: B.S. in Athletic Training, B.S. in Exercise Science, B.S., B.S.Ed. in Health Education, B.S., B.S.Ed. in Physical Education, M.S. in Kinesiology and Recreation, Ph.D. in Mathematics Education, B.A., B.S., B.S.Ed. in Business Teacher Education, B.S., B.S.Ed. in Early Childhood Education, B.S., B.S.Ed. in Elementary Education, B.S., B.S.Ed. in Middle Level Education, B.S., B.S.Ed. in Special Education, M.S., M.S.Ed. in Curriculum and Instruction, M.S., M.S.Ed. in Educational Administration, M.S.Ed. in Reading, M.S., M.S.Ed. in Special Education, Post-Master's Graduate Certificates for Chief School Business Official Endorsement and Superintendent Endorsement, Post-Master's Graduate Certificate for Director of Special Education, Post-Master's Graduate Certificate for General Administration, Ed.D. in Curriculum and Instruction, Ed.D., Ph.D. in Educational Administration, Ed.D. in Special Education, B.M.E. in Music Education, and M.M.Ed. in Music. The following Research and Service Centers were also reviewed: Center for Mathematics, Science, and Technology, Mary and Jean Borg Center for Reading and Literacy, Center for the Study of Educational Policy, Radio Station WGLT, and the Special Education Assistive Technology Center.

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

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

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FUNCTIONS AND PLANNING PROGRAM
June 30, 2012**

(Unaudited)

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

- *Resource Allocation and Management Program (RAMP) for Operations and Grants Resource Requirements* is a five-year plan that includes a comparison to the preceding two fiscal years. Among the data included are a summary of operations costs by function and source of funds, summary of staff requirements and earnings, projected enrollments, and tuition and fees. Detailed information by various departments and programs is included.
- *Resource Allocation and Management Program (RAMP) Capital Requirements Plan* is also a five-year planning program that includes a summary of capital requirements by budget category. These requirements are detailed as to building or components of buildings, as well as other capital projects, planned for the University.
- *Master Plan: 2010-2030 Looking to the Future* defines the future physical development of facilities, grounds, technology, and infrastructure. This plan is the basis for those recommendations in *Resource Allocation and Management Program (RAMP) Capital Requirements Plan*.
- Additionally, the Facilities Condition Assessment provides quantitative information on the condition of physical structures and current and projected maintenance needs. The results from this assessment are used to inform the Master Plan and Capital RAMP.

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

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
EMPLOYMENT STATISTICS (FULL-TIME EQUIVALENT)
Years Ended June 30, 2012 and 2011**

(Unaudited)*

	<u>Instructional Activities</u>	<u>Organized Research</u>	<u>Public Service</u>
YEAR ENDED JUNE 30, 2012			
Appropriated funds:			
Faculty/administrative	1,233.80	19.90	28.90
Civil service	215.50	7.40	9.80
Student employees	85.00	.30	.30
Miscellaneous contracts	<u>18.30</u>	<u>.20</u>	<u>.30</u>
	<u>1,552.60</u>	<u>27.80</u>	<u>39.30</u>
Non-appropriated funds:			
Faculty/administrative	62.80	118.30	117.90
Civil service	57.80	24.50	53.00
Student employees	<u>17.60</u>	<u>20.00</u>	<u>19.60</u>
	<u>138.20</u>	<u>162.80</u>	<u>190.50</u>
TOTAL ALL FUNDS	<u>1,690.80</u>	<u>190.60</u>	<u>229.80</u>
YEAR ENDED JUNE 30, 2011			
Appropriated funds:			
Faculty/administrative	1,071.50	170.40	28.20
Civil service	211.00	5.90	8.20
Student employees	85.00	.40	.80
Miscellaneous contracts	<u>15.20</u>	<u>21.90</u>	<u>.20</u>
	<u>1,382.70</u>	<u>198.60</u>	<u>37.40</u>
Non-appropriated funds:			
Faculty/administrative	55.10	122.10	64.50
Civil service	21.90	28.00	17.50
Student employees	<u>29.90</u>	<u>17.50</u>	<u>9.20</u>
	<u>106.90</u>	<u>167.60</u>	<u>91.20</u>
TOTAL ALL FUNDS	<u>1,489.60</u>	<u>366.20</u>	<u>128.60</u>

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

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

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

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
EMPLOYMENT STATISTICS (FULL-TIME EQUIVALENT) continued
Years Ended June 30, 2012 and 2011**

(Unaudited)*

<u>Academic Support</u>	<u>Student Services</u>	<u>Institutional Support</u>	<u>Operation and Maintenance Physical Plant</u>	<u>Independent Operations</u>	<u>Total All Functions</u>
54.10	63.30	72.50	12.30	-	1,484.80
77.50	26.60	179.00	185.90	-	701.70
17.60	5.20	28.00	0.00	-	136.40
1.70	2.80	7.50	41.20	-	72.00
<u>150.90</u>	<u>97.90</u>	<u>287.00</u>	<u>239.40</u>	<u>-</u>	<u>2,394.90</u>
5.80	157.30	4.10	0.00	53.70	519.90
1.00	92.70	2.30	135.30	187.00	553.60
0.00	85.40	0.00	0.00	275.00	417.60
<u>6.80</u>	<u>335.40</u>	<u>6.40</u>	<u>135.30</u>	<u>515.70</u>	<u>1,491.10</u>
<u>157.70</u>	<u>433.30</u>	<u>293.40</u>	<u>374.70</u>	<u>515.70</u>	<u>3,886.00</u>
52.20	61.70	62.70	7.00	-	1,453.70
78.80	25.90	188.50	184.70	-	703.00
13.60	6.80	25.20	8.10	-	139.90
1.40	2.30	6.30	34.40	-	81.70
<u>146.00</u>	<u>96.70</u>	<u>282.70</u>	<u>234.20</u>	<u>-</u>	<u>2,378.30</u>
2.70	146.20	7.90	2.30	40.60	441.40
0.10	78.30	28.70	172.40	247.10	594.00
3.70	61.90	.90	8.90	294.00	426.00
<u>6.50</u>	<u>286.40</u>	<u>37.50</u>	<u>183.60</u>	<u>581.70</u>	<u>1,461.40</u>
<u>152.50</u>	<u>383.10</u>	<u>320.20</u>	<u>417.80</u>	<u>581.70</u>	<u>3,839.70</u>

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
ANNUAL COST STATISTICS
June 30, 2012 and 2011**

(Unaudited)

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

	<u>2012</u>	<u>2011</u>
Total education and general expenses/expenditures from current appropriated funds	\$ 78,874,400*	\$ 80,044,225*
Expenses/expenditures from locally held University Income Fund	<u>135,852,785</u>	<u>132,864,858</u>
Total expenses from current appropriated and locally held funds	214,727,185	212,909,083
Full-time equivalent students	÷ <u>19,235</u>	÷ <u>19,059</u>
COST PER FULL-TIME EQUIVALENT STUDENT	<u>\$ 11,163</u>	<u>\$ 11,171</u>

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

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
EMERGENCY PURCHASES
For the Year Ended June 30, 2012**

(Unaudited)

In Fiscal Year 2012, the University had four emergency purchases.

The Redbird Arena wood floor was cracking and becoming raised in places and needed to be replaced based on an impact ratio testing. There is only one NCAA authorized vendor (Connor Sports Flooring) for portable basketball floors and a limited amount (11) available each year. A portable basketball floor replacement was purchased for \$90,000. The replacement cost of a new floor would have been \$20,000 - \$25,000 higher.

The University contracted with Securitas Security Services, LLC for \$125,128 for unarmed security services for building access as well as patrol of buildings, including student housing facilities. The University was working towards resolving a dispute with its current security provider and signed an emergency contract to ensure security services remained in place.

The University implemented a new Human Resources/Payroll System during calendar year 2011. Peoplesoft expertise was needed to assist with the implementation of year-end processes and reporting with the new system. The University contracted with Oracle Americas for \$135,731 in consulting services.

Also related to the implementation of the new payroll system an emergency contract was issued to Oracle Americas, Inc. for \$78,000 for additional assistance troubleshooting payroll issues once the payroll system went live.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
BOOKSTORE INFORMATION
For the Year Ended June 30, 2012**

(Unaudited)

The University has a contractual arrangement for bookstore operations on campus. The University's contract was for the period May 15, 2001 through June 30, 2006 and has been extended for the period July 1, 2006 through June 30, 2013. The contract with the bookstore requires commissions to be paid to the University based on the following terms:

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

Bookstore gross sales and University commissions were as follows:

<u>Fiscal Year</u>	<u>Bookstore sales</u>	<u>Commission</u>
2012	\$ 2,516,986	\$ 226,529
2011	\$ 2,606,266	\$ 234,564
2010	\$ 2,811,785	\$ 253,061

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

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SERVICE EFFORTS AND ACCOMPLISHMENTS
For the Year Ended June 30, 2012**

(Unaudited)

Agency: Illinois State University (636)	Major Function: Higher Education
Total Appropriated and Income Fund Budget as Approved by ISU Board of Trustees	\$ 402,058,300
Faculty FTE (Full Time Equivalent) - Fall 2011	1,030.0
Lab School FTE – Fall 2011	91.2
Admin/Professional FTE – Fall 2011	711.1
Civil Service FTE – Fall 2011	1,443.2
Fall 2011 Enrollment	21,310
FY2012 Degrees	5,402
FY2012 Undergraduate Direct Instruction Costs	\$42,592,582
FY2012 Graduate Direct Instruction Costs	\$7,171,003
FY2012 Undergraduate credit hours	526,468
FY2012 Graduate credit hours	44,596
FY2012 Undergraduate Direct Instruction Cost/Credit Hour	\$81.12
FY2012 Graduate Direct Instruction Cost/Credit Hour	\$169.98

State of Illinois
Illinois State University
Compliance Examination
Special Data Requirements for University Audits
For the Year Ended June 30, 2012
(Unaudited)

In accordance with an Office of the Auditor General, July 25, 2000, memorandum entitled “Matters Regarding University Audits” (Memorandum), certain supplemental data is required to be reported for University audits. The table below cross references the memorandum requirements (indicated by number and letter paragraph references) to the University’s financial audit and compliance examination reports for the year ended June 30, 2012, where such special data is found.

Compliance Findings

- 13(a) There were no violations of the compliance requirements of the University Guidelines identified during the financial audit and compliance examination of the Illinois State University for the year ended June 30, 2012.

Indirect Cost Reimbursements

- 13(b) A statement of the sources and application of indirect cost recoveries is presented on Schedule 27 within this report at page 70.
- 13(c) The University’s calculation sheet for indirect cost carry-forward and any required remittance to the University’s Income Fund is presented on Schedule 28 within this report at page 71.

Tuition Diversion to Auxiliary Enterprise Operations

- 13(d) There were no diversions of tuition revenues to auxiliary enterprise operations identified during the financial audit and compliance examination of the Illinois State University for the year ended June 30, 2012.

Auxiliary Enterprises, Activities, and Accounting Entities

- 13(e) An identification of each specific accounting entity and a description of each entity’s sources of revenues and purpose are presented on Schedule 12 within this report at pages 54 – 55.
- 13(f) The present financial statements for each accounting entity are presented on Schedules 13 – 18 within this report at pages 56 – 61. These entity financial statements should be read in conjunction with the University’s audited financial statements for the year ended June 30, 2012.
- 13(g) The University’s calculation sheets for current excess funds within each accounting entity and any required remittance to the University’s Income Fund are presented on Schedules 19 – 26 within this report at pages 62 – 69.

State of Illinois
Illinois State University
Compliance Examination
Special Data Requirements for University Audits
For the Year Ended June 30, 2012
(Unaudited)

Auxiliary Enterprises, Activities, and Accounting Entities (continued)

- 13(h) The University has certain student employees whom are paid from federal funds under the Work-Study Program (CFDA #84.033). University management discloses – in accordance with the long-standing public policy of the State of Illinois – approximately \$4,021,592 of group insurance expense and \$3,660,882 of retirement plan contributions were paid from State appropriated funds for the year ended June 30, 2012. These payments are shown in the University’s financial statements as “Payments on behalf of the University.”
- 13(i) The revenues and expenses for various bond indenture accounts are presented within the University’s Condensed Statements of Net Assets, Condensed Statements of Revenues, Expenses, and Changes in Net Assets, and Condensed Statements of Cash Flows for the University’s Auxiliary Facilities System within the financial audit report at Note 22 on page 46.
- Further, the present financial statements for Housing, Activities, and Parking entities are presented on Schedules 17 – 18 within this report at pages 60 – 61. A description of the Housing, Activities, and Parking entities’ sources of revenues and purpose are presented on Schedule 12 within this report at pages 54 – 55.
- 13(j) There were no violations of the bond covenants identified during the financial audit and compliance examination of the Illinois State University for the year ended June 30, 2012.
- 13(k) The University does not currently have any non-instructional facilities reserves established by the University’s Board of Trustees.

University Related Organizations (UROs)

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

State of Illinois
Illinois State University
Compliance Examination
Special Data Requirements for University Audits
For the Year Ended June 30, 2012
(Unaudited)

University Related Organizations (UROs) (continued)

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

Other Topics

- 13(q) The Comparative Schedule of Cash and Cash Equivalents is presented on Schedule 7 within this report at page 47. The Comparative Schedule of Investments is presented on Schedule 8 within this report at page 48.
- 13(r) The University's income from investments of pooled funds has been allocated and credited to the original sources of the funds, to the extent practical. There was no unallocated investment income required to be paid into the University's Income Fund.
- 13(s) The cost per full-time equivalent student – prepared in accordance with requirements of the State of Illinois, Board of Higher Education – is presented within this report at page 77.
- 13(t) The University purchased the following parcels of real estate with acquisition costs in excess of \$250,000 that were not funded by a separate, specific appropriation from the General Assembly:
- 216 N. Main Street in Normal, Illinois for \$300,000;
 - 302 School Street in Normal, Illinois for \$1,965,000; and
 - 209 – 211 N. Fell Street in Normal, Illinois for \$2,215,000.
- 13(u) The University's Certificate of Participation issuances, along with other University and Illinois State University Foundation long-term liabilities, are disclosed within the financial audit report at Note 9 on pages 32 – 37.

Other Schedules for Universities

- 13(1) An analysis of State appropriations to the University is presented on Schedules 2 – 4 within this report at pages 42 – 44.
- 13(2) A Comparative Schedule of Revenues and Expenses for the University's Income Fund is presented on Schedule 5 within this report at page 45.
- 13(3) Separate schedules of tuition and fee waivers for undergraduate and graduate students, respectively, are presented within this report at pages 85 – 86.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SUMMARY OF FOUNDATION PAYMENTS TO UNIVERSITY
Years Ended June 30, 2012 and 2011**

(Unaudited)

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

During fiscal years 2012 and 2011, Illinois State University engaged the Foundation, under contract, to provide development and fund raising services. In addition, the University contributed services and expenditures in the amount of \$2,041,570 and \$1,755,690 during fiscal years 2012 and 2011, respectively. As required by contract, the Foundation fully repaid the University, using funds considered unrestricted for purposes of the computations per University Guidelines. There was no cumulative unreimbursed subsidy for fiscal years 2012 and 2011. During fiscal years 2012 and 2011 the Foundation contributed services and expenditures of \$7,657,657 and \$8,012,794, respectively that were for the direct and/or indirect support of the University.

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
UNDERGRADUATE TUITION AND FEE WAIVERS
For the Year Ended June 30, 2012**

(Unaudited)

	Total Number of Recipients*	Tuition Waived		Fees Waived	
		(In Thousands of Dollars)			
	Number of Recipients*	Value of Waivers	Number of Recipients*	Value of Waivers	
Mandatory Waivers					
Teacher Special Education	346	346	\$ 2,907.6	346	\$ 798.4
General Assembly	93	93	826.3	-	-
Reserve Officer's Training Corps	29	29	225.2	-	-
Wards of Illinois Department of Children and Family Services	33	32	176.9	33	29.2
Veterans Grants and Scholarships	310	310	2,276.0	-	-
Children of Employees	<u>297</u>	<u>297</u>	<u>1,152.3</u>	<u>-</u>	<u>-</u>
(subtotal)	<u>1,108</u>	<u>1,107</u>	<u>7,564.3</u>	<u>379</u>	<u>827.6</u>
Discretionary Waivers					
Faculty/Administrators (Non-Civil Service)	6	6	16.7	6	3.9
Civil Service	66	66	155.5	62	39.5
Children of Deceased Employees	2	2	18.9	2	4.4
Athletic	341	341	2,341.9	-	-
Academic/Other Talent	997	997	2,294.2	18	27.0
Foreign Exchange Students	22	22	111.5	-	-
Out-of-State Students	17	17	96.3	-	-
Teaching Assistants	-	-	-	-	-
Retired University Employees	2	2	5.5	2	1.2
Cooperating Professionals	<u>1</u>	<u>1</u>	<u>4.0</u>	<u>-</u>	<u>-</u>
(subtotal)	<u>1,454</u>	<u>1,454</u>	<u>5,044.5</u>	<u>90</u>	<u>76.0</u>
Total	<u>2,562</u>	<u>2,561</u>	<u>\$12,608.8</u>	<u>469</u>	<u>\$ 903.6</u>

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

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
GRADUATE TUITION AND FEE WAIVERS
For the Year Ended June 30, 2012**

(Unaudited)

	Total Number of Recipients*	Tuition Waived		Fees Waived	
		(In Thousands of Dollars)			
	Number of Recipients*	Value of Waivers	Number of Recipients*	Value of Waivers	
Mandatory Waivers					
Teacher Special Education	14	14	\$ 64.7	14	\$ 19.8
Reserve Officer's Training Corps	1	1	8.3	-	-
Veterans Grants & Scholarships	<u>45</u>	<u>45</u>	<u>187.8</u>	<u>-</u>	<u>-</u>
(subtotal)	<u>60</u>	<u>60</u>	<u>260.8</u>	<u>14</u>	<u>19.8</u>
Discretionary Waivers					
Faculty/Administrators (Non-Civil Service)	139	139	332.5	134	85.0
Civil Service	69	69	142.1	63	36.2
Cooperating Professionals	466	466	816.4	-	-
Athletic	3	3	15.6	-	-
Academic/Other Talent	444	444	727.5	17	3.2
Foreign Exchange Students	46	46	186.8	-	-
Graduate Assistants – Research	284	284	1,603.2	-	-
Graduate Assistants – Teaching	422	422	2,247.0	-	-
Graduate Assistants – Other	355	355	1,998.3	-	-
Out-of-State	1	1	5.5	-	-
Retired University Employees	<u>5</u>	<u>5</u>	<u>8.0</u>	<u>4</u>	<u>1.2</u>
(subtotal)	<u>2,234</u>	<u>2,234</u>	<u>8,082.9</u>	<u>218</u>	<u>125.6</u>
Total	<u>2,294</u>	<u>2,294</u>	<u>\$ 8,343.7</u>	<u>232</u>	<u>\$ 145.4</u>

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