

**STATE OF ILLINOIS  
ILLINOIS STATE UNIVERSITY**

**COMPLIANCE EXAMINATION  
(In Accordance With the Single Audit Act  
and Applicable Federal Regulations)  
For the Year Ended June 30, 2017**

**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 Applicable Federal Regulations)  
For the Year Ended June 30, 2017**

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**FINANCIAL STATEMENT REPORT**

The annual financial statements of the University as of and for the year ended June 30, 2017, have been issued under a separate cover.

**State of Illinois**  
**Illinois State University**  
**Compliance Examination**  
**(In Accordance With the Single Audit Act and Applicable Federal Regulations)**  
**For the Year Ended June 30, 2017**

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**State of Illinois**  
**Illinois State University**  
**Compliance Examination**  
**(In Accordance With the Single Audit Act and Applicable Federal Regulations)**  
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**State of Illinois  
Illinois State University**

**Agency Officials**

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**University Officials**

Chair of the Board of Trustees	Mr. Rocky Donahue
President	Dr. Larry Dietz
Vice President for Finance and Planning	Mr. Dan Stephens (04/03/17 – Present)
Vice President for Finance and Planning	Mr. Greg Alt (07/01/16 – 04/02/17)
Interim Vice President for Academic Affairs and Provost	Dr. Jan Murphy (01/01/17 – Present)
Vice President for Academic Affairs and Provost	Dr. Janet Wessel Krejci (07/01/16 – 12/31/16)
Vice President for Student Affairs	Dr. Levester Johnson
Vice President for University Advancement	Mr. Pat Vickerman
Interim Comptroller	Mr. Doug Schnittker (04/03/17 – Present)
Comptroller	Mr. Greg Alt (07/01/16 – 04/02/17)
Legal Counsel	Ms. Lisa Huson
Director – Internal Audit	Mr. Robert Blemler

**Board of Trustees**

Member	Mr. Rocky Donahue
Member	Mr. Bob Churney
Member	Dr. Mary Ann Louderback
Member	Mr. Robert Dobski
Member	Ms. Julie Annette Jones (01/20/17 – Present)
Member	Ms. Anne Davis (07/01/16 – 01/19/17)
Member	Mr. John Rauschenberger (01/20/17 – Present)
Member	Mr. Jay D. Bergman (07/01/16 – 01/19/17)
Member	Ms. Sharon Rossmark (01/20/17 – Present)
Member	Ms. Betty Kinser (07/01/16 – 01/19/17)
Student Member	Mr. Ryan Powers (07/01/16 – 06/30/17)
Student Member	Mr. Zach Schaab (07/01/17 – Present)

**Office Locations**

The University's administrative offices are located at:

Hovey Hall  
Campus Box 1100  
Normal, Illinois 61790-1100



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

**Vice President for Finance and Planning**

302 Hovey Hall  
Campus Box 1100  
Normal, IL 61790-1100  
Phone: (309) 438-2143  
Fax: (309) 438-2768

March 1, 2018

RSM US LLP  
20 N. Martingale Rd., Ste. 500  
Schaumburg, IL 60173

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, and grant agreements that could have a material effect on the operations of the 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 Illinois State University's compliance with the following assertions during the one-year period ended June 30, 2017. Based on this evaluation, we assert that during the year ended June 30, 2017, the Illinois State University has materially complied with the assertions below.

- 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.

Yours very truly,

Illinois State University

**SIGNED ORIGINAL ON FILE**

Dr. Larry Dietz,  
University President

**SIGNED ORIGINAL ON FILE**

Mr. Dan Stephens,  
Vice President for Finance and Planning

**SIGNED ORIGINAL ON FILE**

Ms. Lisa Huson,  
General Counsel

**State of Illinois  
Illinois State University**

**Compliance Report Summary  
For the Year Ended June 30, 2017**

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The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* (GAS), the attestation standards established by the American Institute of Certified Public Accountants, and the Illinois State Auditing Act.

**Accountant’s Report**

The Independent Accountant’s Report on State Compliance, on Internal Control over Compliance, and on Supplementary Information for State Compliance Purposes does not contain scope limitations or disclaimers, but does contain a qualified opinion on compliance and identifies three material weaknesses in internal control over compliance.

**Summary of Findings**

<b><u>Number of</u></b>	<b><u>Current Report</u></b>	<b><u>Prior Report</u></b>
Findings	7	4
Repeated findings	2	2
Prior recommendations implemented or not repeated	2	1

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

<b>Item No.</b>	<b>Page</b>	<b>Description</b>	<b>Finding Type</b>
<b>Findings (Government Auditing Standards)</b>			
2017-001	15	Inadequate Control over Reporting Restricted Accounts	Material Weakness
2017-002	17	Noncompliance with Bond Covenants	Noncompliance and Material Weakness
2017-003	19	Inadequate Control over Accounting and Financial Reporting	Material Weakness
<b>Findings (State Compliance)</b>			
2017-004	22	Noncompliance with the Illinois Vehicle Code	Noncompliance and Significant Deficiency
2017-005	23	Noncompliance with the University Faculty Research and Consulting Act	Noncompliance and Significant Deficiency
2017-006	25	Noncompliance with the Illinois Human Rights Act	Noncompliance and Significant Deficiency
2017-007	27	Noncompliance with the State Officials and Employees Ethics Act	Noncompliance and Significant Deficiency

**State of Illinois  
Illinois State University**

**Compliance Report Summary (Continued)  
For the Year Ended June 30, 2017**

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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.

**Findings (State Compliance)**

2017-001	15	Inadequate Control over Reporting Restricted Accounts	Material Noncompliance and Material Weakness
2017-002	17	Noncompliance with Bond Covenants	Material Noncompliance and Material Weakness
2017-003	19	Inadequate Control over Accounting and Financial Reporting	Material Noncompliance and Material Weakness

**Prior Findings Not Repeated**

A	28	Inadequate Control over Revenue Recognition
B	28	Inadequate Controls over Refunds

**Exit Conference**

The findings and recommendations appearing in this report were discussed with University personnel at an exit conference on November 22, 2017. Attending were:

**University:**

Dan Stephens	Vice President for Finance and Planning
Doug Schnittker	Interim Comptroller
JoEllen Bahnsen	Senior Associate Comptroller
Erika Jones	Accounting Associate

**Office of the Auditor General:**

Daniel J. Nugent, CPA	Senior Audit Manager
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**RSM US LLP:**

Joseph Evans, CPA	Partner
Dan Sethness, CPA	Manager
Erik Ginter, CPA	Supervisor

The responses to the recommendations were provided by Ms. JoEllen Bahnsen, Senior Associate Comptroller, in correspondence dated February 28, 2018.

**Independent Accountant's Report on State Compliance, on  
Internal Control Over Compliance, and on Supplementary  
Information for State Compliance Purposes**

Honorable Frank J. Mautino  
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, 2017. 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 (the Audit Guide). Those standards, the Act, and the Audit Guide require that we plan and perform the examination to obtain reasonable assurance about whether the Illinois State University complied, in all material respects, with the specified requirements listed above. An examination involves performing procedures to obtain evidence about whether the Illinois State University complied with the specified requirements listed above. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the Illinois State University's compliance with specified requirements.

As described in items 2017-001, 2017-002, and 2017-003 in the accompanying schedule of findings and questioned costs, the Illinois State University did not comply with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations. Further, as described in item 2017-003 in the accompanying schedule of findings and questioned costs, the Illinois State University did not comply with applicable laws and regulations concerning the collection of State revenues and receipts and that the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law. Compliance with such requirements is necessary, in our opinion, for the Illinois State University to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, the Illinois State University complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2017. However, the results of our procedures disclosed instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General, and which are described in the accompanying schedule of findings and questioned costs as items 2017-004 through 2017-007.

The Illinois State University's responses to the findings identified in our examination are described in the accompanying schedule of findings and questioned costs. The Illinois State University's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on compliance is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the Audit Guide issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

### **Internal Control**

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

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

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

report will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-002, and 2017-003 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-004 through 2017-007 to be significant deficiencies.

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

The Illinois State University's responses to the internal control findings identified in our examination are described in the accompanying schedule of findings. The Illinois State University's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Audit Guide, issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

### **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 and discretely presented component unit of the Illinois State University as of and for the year ended June 30, 2017, and have issued our report thereon dated March 1, 2018, which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors who audited the financial statements of the Illinois State University's discretely presented component unit, as described in our report on the Illinois State University's financial statements. 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 March 1, 2018. The accompanying supplementary information for the year ended June 30, 2017, in Schedules 1 through 16 is presented for the 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, 2017, in Schedules 1 through 16 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2017, in Schedules 1 through 16 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2017.

Other auditors previously audited, in accordance with auditing standards generally accepted in the United States of America, the Illinois State University's basic financial statements as of and for the year ended June 30, 2016 (not presented herein). In their report dated December 5, 2016, the other auditors expressed unmodified opinions on the financial statements of the business-type activities and discretely presented component unit of the Illinois State University as of and for the year ended June 30, 2016. In their opinion, the accompanying supplementary information for the year ended June 30, 2016, in Schedules 3 through 8, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2016, taken as a whole.

The accompanying supplementary information in 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.

**SIGNED ORIGINAL ON FILE**

Schaumburg, Illinois  
March 1, 2018

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

RSM US LLP

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

and

Board of Trustees  
Illinois State University

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Illinois State University and its discretely presented component unit, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Illinois State University's basic financial statements, and have issued our report thereon dated March 1, 2018. Our report includes a reference to other auditors who audited the financial statements of the Illinois State University's discretely presented component unit, as described in our report on the Illinois State University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control Over Financial Reporting**

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

*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 a 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. *A significant deficiency* is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2017-001, 2017-002, and 2017-003, that we consider to be material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Illinois State University's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 2017-002.

## **Illinois State University's Responses to Findings**

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

## **Purpose of this Report**

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

**SIGNED ORIGINAL ON FILE**

Schaumburg, Illinois  
March 1, 2018



RSM US LLP

**Independent Auditor's Report on Compliance for Each Major Federal Program,  
on Internal Control Over Compliance, and on the Schedule of Expenditures of  
Federal Awards Required by the Uniform Guidance**

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

and

Board of Trustees  
Illinois State University

**Report on Compliance for Each Major Federal Program**

We have audited the Illinois State University's compliance with the types of compliance requirements described in the *OMB 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, 2017. The Illinois State University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Illinois State University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Illinois State University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Illinois State University's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Illinois State University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

### **Report on Internal Control Over Compliance**

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

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

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

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

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the business-type activities and discretely presented component unit of the Illinois State University as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Illinois State University's basic financial statements. We issued our report thereon dated March 1, 2018, which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors, who audited the financial statements of the Illinois State University's discretely presented component unit, as described in our report on the Illinois State University's financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to March 1, 2018. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**SIGNED ORIGINAL ON FILE**

Schaumburg, Illinois  
March 1, 2018

**State of Illinois  
Illinois State University**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017**

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**Summary of Auditor's Results**

**Financial Statements**

**Financial Statements**

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

The independent auditors' report on internal control over financial reporting disclosed:

- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes   X   No
- Material weakness(es) identified? \_\_\_\_\_   X   Yes \_\_\_\_\_ No

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

  X   Yes \_\_\_\_\_ No

**Federal Awards**

The independent auditors' report on internal control over compliance for major federal awards programs disclosed:

- Significant deficiency(ies) identified? \_\_\_\_\_ Yes   X   No
- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)

\_\_\_\_\_ Yes   X   No

Identification of major programs:

<b><u>Name of Federal Program or Cluster</u></b>	<b><u>CFDA Number</u></b>
Student Financial Assistance Cluster	84.007 84.033 84.038 84.063 84.268 84.379 93.364
English Language Acquisition State Grants Supporting Effective Instruction State Grants	84.365 84.367

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

The University qualified as low-risk auditee?

\_\_\_\_\_ Yes   X   N

**State of Illinois  
Illinois State University**

**Schedule of Findings  
For the Year Ended June 30, 2017**

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**Current Findings – Government Auditing Standards**

**Finding 2017-001. Inadequate Control over Reporting Restricted Accounts**

The Illinois State University (University) did not ensure restrictions from revenue bond covenants were properly reflected within the University's financial statements.

As of June 30, 2017, the University's Auxiliary Facilities System (System) consisted of certain facilities across campus which are not directly related to the University's instruction, research, or service units, including:

- athletic-related facilities, such as Redbird Arena and Hancock Stadium;
- recreation-related facilities, such as the Student Fitness Center, Center for Performing Arts, and the Bone Student Center;
- resident halls and apartments, except for Cardinal Court;
- student services facilities, including the Student Services Building; and,
- parking facilities.

As of June 30, 2017, the University had outstanding revenue bond issues (Series 2008, Series 2012A, Series 2012B, and Series 2016) where the proceeds from these bonds had been used to finance certain projects within the System. These bond issues established a "closed system" where the revenues generated by the System could only be used for the following purposes:

- 1) expenses necessary for the operation and reasonable upkeep and repair of the System;
- 2) payment of principal and/or interest amounts when due;
- 3) amounts set aside limited to and used for financing the costs of renovating or replacing capital assets of the System beyond ordinary maintenance and operation of the System; and,
- 4) amounts set aside limited to and used for constructing new space or additions to existing facilities within the System;

with any excess funds, after maximum deposits have been made to fund the foregoing purposes, being set aside to either fund the redemption of previously issued bonds when callable or the purchase of the University's bonds on the open market. Notably, resources within the System are unavailable for use by the University outside of the System.

During testing, we noted the University had controls to segregate the System's assets and include its net position with the University's financial statements; however, the University had not designed its internal controls to ensure accurate reporting of restricted assets and restricted net position under generally accepted accounting principles. The University originally designed the control due to the implementation of Governmental Accounting Standards Board Statement No. 34 by drawing inferences from the implementation guidance published by the Governmental Accounting Standards Board that was not necessarily on point with the University's unique "closed system" situation and from discussions with other universities with closed systems.

Historically, auditors did not take exception to the design flaw until the current year. After this issue was noted during the current year, the Auditor General's Office and the Office of the State Comptroller consulted with staff of the Governmental Accounting Standards Board. After this consultation, the University (and all universities with closed systems) changed its accounting presentation in its final financial statements to show all non-capital assets associated with the System, totaling \$170.28 million, as restricted assets and reclassified the System's portion of the University's net position to expendable restricted net position, totaling \$164.36 million.

**State of Illinois  
Illinois State University**

**Schedule of Findings (Continued)  
For the Year Ended June 30, 2017**

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**Current Findings – Government Auditing Standards**

**Finding 2017-001. Inadequate Control over Reporting Restricted Accounts (Continued)**

Governmental Accounting Standards Board Statement No. 34, Paragraph 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires net position should be reported as restricted when constraints imposed upon the use of the net position are externally imposed by creditors, such as through debt covenants. Further, Governmental Accounting Standards Board Statement No. 34, Paragraph 99, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires the reporting of restricted assets when constraints imposed upon the use of the net position are externally imposed by creditors change the nature or normal understanding of the availability of the asset, such as assets that cannot be used to extinguish liabilities outside of those allowed by the bond covenants.

In addition, 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 that revenues, expenses, resources, and funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial reports and to maintain accountability over the State's resources.

University officials stated that the misstatement was due to a misinterpretation of the requirements of the Governmental Accounting Standards Board.

Failure to report the non-capital assets and net position related to the System as restricted resulted in a material misstatement of the University's financial statements and reduced the overall reliability of Statewide financial reporting. (Finding Code No. 2017-001)

**Recommendation**

We recommend the University periodically review its internal controls over financial reporting to provide assurance accounts are properly classified under generally accepted accounting principles.

**University Response**

The University agrees and has corrected the financial statements to segregate the restricted and unrestricted assets and net position.

**State of Illinois  
Illinois State University**

**Schedule of Findings (Continued)  
For the Year Ended June 30, 2017**

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**Current Findings – Government Auditing Standards**

**Finding 2017-002. Noncompliance with Bond Covenants**

The Illinois State University (University) did not comply with its revenue bond covenants.

As of June 30, 2017, the University's Auxiliary Facilities System (System) consisted of certain facilities across campus which are not directly related to the University's instruction, research, or service units, including:

- athletic-related facilities, such as Redbird Arena and Hancock Stadium;
- recreation-related facilities, such as the Student Fitness Center, Center for Performing Arts, and the Bone Student Center;
- resident halls and apartments, except for Cardinal Court;
- student services facilities, including the Student Services Building; and,
- parking facilities.

As of June 30, 2017, the University had outstanding revenue bond issues (Series 2008, Series 2012A, Series 2012B, and Series 2016) where the proceeds from these bonds had been used to finance certain projects within the System. These bond issues established a "closed system" where the revenues generated by the System could only be used for the following purposes:

- 1) expenses necessary for the operation and reasonable upkeep and repair of the System;
- 2) payment of principal and/or interest amounts when due;
- 3) amounts set aside limited to and used for financing the costs of renovating or replacing capital assets of the System beyond ordinary maintenance and operation of the System; and,
- 4) amounts set aside limited to and used for constructing new space or additions to existing facilities within the System;

with any excess funds, after maximum deposits have been made to fund the foregoing purposes, being set aside to either fund the redemption of previously issued bonds when callable or the purchase of the University's bonds on the open market. Notably, resources within the System are unavailable for use by the University outside of the System.

In addition, we noted the System's activities were subject to *University Guidelines* adopted by the Legislative Audit Commission. The *University Guidelines* (Chapter V) requires the University, after fulfilling all of the reserve and debt service requirements of a revenue bond's indentures, determine if any of the excess funds exist under Chapter IV of the *University Guidelines*. The *University Guidelines* (Chapter IV) includes a calculation methodology (Figure 2) for determining if the System has current excess funds required to be transferred into the University's locally-held Income Fund. However, the *University Guidelines* (Chapter V, Section C) provides a priority order that in the case of a conflict between the University's bond indenture and the *University Guidelines*, the University's bond indenture will prevail.

During testing, we noted the University calculated excess funds under the *University Guidelines* and transferred moneys out of the System to the University's Income Fund in violation of its debt covenants. We reviewed the University's financial audits and compliance examinations dating back to Fiscal Year 1982 and concluded the following:

- \$1,763,614 was calculated as excess funds within the System at the end of Fiscal Year 2016 and transferred from the System to the University's Income Fund during Fiscal Year 2017; and,
- \$8,318,521 was calculated as excess funds within the System at the end of Fiscal Year 2017 and transferred from the System to the University's Income Fund during Fiscal Year 2018.

**State of Illinois  
Illinois State University**

**Schedule of Findings (Continued)  
For the Year Ended June 30, 2017**

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**Current Findings – Government Auditing Standards**

**Finding 2017-002. Noncompliance with Bond Covenants (Continued)**

In order to remedy this matter, the University returned \$10,082,135 on January 17, 2018, to the System from the University's Income Fund. University management corrected the Fiscal Year 2016 error on its Fiscal Year 2017 financial statements by reclassifying \$1,763,614 in unrestricted cash and cash equivalents within the Income Fund to restricted cash and cash equivalents for the System.

The Illinois State University Revenue Bond Law (110 ILCS 676/21-25) states the provisions of any resolution or other proceedings authorizing the issuance of bonds constitute a contract with the holders of the bonds, with the provisions thereof "enforceable by civil action, mandamus, injunction or other proceeding in the appropriate circuit court to enforce and compel the performance of all duties required by this Article and by any resolution authorizing the issuance of bonds." Good internal controls over compliance include ensuring all bond covenants are strictly adhered to by the University.

University officials stated that the calculation and subsequent payments were due to a misinterpretation of the Legislative Audit Commission excess funds guidelines and the University's bond covenants.

Failure to ensure all bond covenants were strictly adhered to by the University resulted in noncompliance with the University's revenue bond covenants. (Finding Code No. 2017-002)

**Recommendation**

We recommend the University review its bond covenant compliance on a routine basis to identify and rectify any noncompliance conditions.

**University Response**

The University agrees with the finding and has corrected the situation by returning the excess fund payments from the University's Income Fund to the System.

**State of Illinois  
Illinois State University**

**Schedule of Findings (Continued)  
For the Year Ended June 30, 2017**

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**Current Findings – Government Auditing Standards**

**Finding 2017-003. Inadequate Control over Accounting and Financial Reporting**

The Illinois State University (University) did not ensure certain transactions were properly reported within the University's financial statements.

During testing, we noted the following:

- Throughout the fiscal year, the Illinois State University Foundation (Foundation) pays certain costs on behalf of the University. Frequently, these transactions arise when departments across the University choose to submit an invoice for payment by the Foundation instead of charging the expense against their University accounts. The auditors noted the University and Foundation did not have a process in place to identify and report the revenues and expenses associated with these on-behalf nonexchange transactions within the University's financial statements, which totaled \$4,257,836 during Fiscal Year 2017. University management corrected this error in the University's final financial statements.
- During our review of the University's grant accounting at June 30, 2017, we noted the University netted the accounts receivable portion of several grants against the unearned revenue portion of other grants. This error resulted in the University understating both accounts receivable and unearned revenue by \$907,636. This amount was deemed immaterial by University management and was not corrected in the University's final financial statements; however, the auditors determined this exception represented a significant deficiency in the University's internal control over financial reporting.

Governmental Accounting Standards Board Statement No. 33, Paragraph 21, *Accounting and Financial Reporting for Nonexchange Transactions*, requires the University recognize revenues from voluntary nonexchange transactions when all eligibility requirements are met. Further, Governmental Accounting Standards Board Statement No. 65, Paragraph 10, *Items Previously Reported as Assets and Liabilities*, requires the University report unearned revenue liabilities where resources from nonexchange transactions were transmitted to the University prior to the University meeting all of the eligibility requirements.

- During the academic year, the faculty members of the University's laboratory schools spend time observing the University's College of Education's student teachers. Initially, the laboratory schools incur the expense associated with these transactions. At the end of the academic year, the University performs an internal transaction to charge these expenses against the College of Education's accounts, which was not eliminated for financial reporting purposes. As such, the revenues and expenses recorded in the University's draft financial statements were overstated by \$1,300,492. University management corrected this error in the University's final financial statements.

Governmental Accounting Standards Board Statement No. 34, Paragraph 59, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, states eliminations should be made to remove the doubling-up effect of internal events on the financial statements.

Schedule of Findings (Continued)  
For the Year Ended June 30, 2017

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Current Findings – Government Auditing Standards

Finding 2017-003. Inadequate Control over Accounting and Financial Reporting (Continued)

- During analytical reviews of the University's accounts, we noted the University improperly capitalized demolition costs associated with the University's South Campus Complex (the former Atkin-Colby and Hamilton-Whitten residence halls and the attached Feeney Dining Center), totaling \$4,223,295, as land improvements. After discussions with the University, it appears these costs were capitalized because the University viewed the demolition as necessary to construct a new building for the Mennonite College of Nursing at this location upon receiving State capital appropriations in a future period. This amount was deemed immaterial by University management and was not corrected in the University's final financial statements; however, the auditors determined this exception represented a significant deficiency in the University's internal control over financial reporting.

Governmental Accounting Standards Board Statement No. 34, Paragraph 18, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, notes the cost of a capital asset should include ancillary charges, such as site preparation, necessary to place a capital asset into its intended location and intended condition for use. Typically, demolition costs are only capitalized when those costs are necessary to construct a capital asset on a property acquired by the University for construction of the capital asset, while costs associated with the disposal of current capital assets (except for certain environmental remediation or asset retirement obligations) are expensed during the period incurred.

- One of 44 (2%) tested cash disbursements subsequent to fiscal year end, totaling \$327,929, was not split between Fiscal Year 2017 activity occurring before June 30, 2017, totaling \$196,757, and Fiscal Year 2018 activity occurring after June 30, 2017, totaling \$131,172. This invoice pertained to interior painting at the South Tower of the Watterson Towers over the summer. University management corrected this error in the University's final financial statements.

Governmental Accounting Standards Board Statement No. 34, Paragraph 92, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires enterprise funds use the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, transactions are generally recognized when the transaction occurred, regardless of when cash is received or disbursed.

- During our review of the University's cash reconciliations at June 30, 2017, we noted an unsupported reconciling error, totaling \$235,581. After discussions with the University, it appears this amount represents an unrecorded equity adjustment from a prior period. This amount was deemed immaterial by University management and was not corrected in the University's final financial statements; however, the auditors determined this exception represented a significant deficiency in the University's internal control over financial reporting.

The State Records Act (5 ILCS 160/8) requires the University to make and preserve records containing adequate and proper documentation of the essential transactions of the University to protect the legal and financial rights of the State and of persons directly affected by the University's activities.

**State of Illinois  
Illinois State University**

**Schedule of Findings (Continued)  
For the Year Ended June 30, 2017**

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**Current Findings – Government Auditing Standards**

**Finding 2017-003. Inadequate Control over Accounting and Financial Reporting (Continued)**

In accordance with generally accepted accounting principles (GAAP), all of the University's assets, liabilities, revenues, and expenses should be properly reported in the University's 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 that revenues, expenses, resources, and funds 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. Finally, a significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is important enough to merit attention by those charged with governance of the University.

University officials stated that the errors were due to employee oversight.

Failure to ensure all transactions are properly reported could result in a material misstatement of the University's financial statements and reduces the overall reliability of Statewide financial reporting. (Finding Code No. 2017-003)

**Recommendation**

We recommend the University enhance its internal control over financial reporting to ensure transactions with the Foundation are properly reported, accounts receivable and unearned revenue from grants are properly reported, internal activity is eliminated, demolition costs are properly recorded, transactions split among fiscal years are properly recorded, and bank reconciliations are prepared with proper documentation to support reconciling items.

**University Response**

The University agrees with the recommendation. Procedures relative to each of the noted exceptions have been modified to ensure against future occurrence.

**State of Illinois  
Illinois State University**

**Schedule of Findings (Continued)  
For the Year Ended June 30, 2017**

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**Current Findings – State Compliance**

**Finding 2017-004      Noncompliance with the Illinois Vehicle Code**

The Illinois State University (University) failed to request an appropriation for its proportion of collegiate license plates sold to support scholarships for its in-State students.

During testing, the auditors noted the University had not requested, drawn down, and disbursed scholarships of \$127,100 to eligible students from the University's proportion of collegiate license plates sold. This amount represents fees collected and deposited into the State Treasury by the Secretary of State from Calendar Year 2010 through Calendar Year 2015, which were available for appropriation to the University during Fiscal Year 2012 through Fiscal Year 2017.

The Illinois Vehicle Code (625 ILCS 5/3-629(d)) states the fees generated from the University's proportion of collegiate license plates sold during the preceding calendar year and deposited into the State College and University Trust Fund shall be distributed, subject to appropriation by the General Assembly, to each university or college for the sole purpose of scholarship grant awards to residents of the State.

University officials stated they were not certain how to obtain the records and data necessary to calculate the amount due to the University from the State College and University Trust Fund.

Failure to request an appropriation for the University's proportion of license plates reduced the amount of scholarship funds available for in-State students, resulted in the University not effectuating each donor's intended purpose for the additional fee charged for having a collegiate license plate, and resulted in poor cash management practices within the State Treasury. (Finding Code No. 2017-004)

**Recommendation**

We recommend the University request an appropriation from the General Assembly for its proportional share of collegiate license plates sold and award scholarships to residents of the State using those moneys.

**University Response**

The University has taken steps to ensure annual requests for the appropriation from the General Assembly are processed.

**Schedule of Findings (Continued)  
For the Year Ended June 30, 2017**

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**Current Findings – State Compliance**

**Finding 2017-005      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 Fiscal Year 2017, faculty members reported 93 instances of outside employment to the University Provost.

During testing, the auditors noted the following:

- 44 of 93 (47%) cases of outside employment had the Request for Approval of Secondary/Outside Employment Form (Form PERS 927) approved by the University's Provost between one to 321 days late.
- 29 of 91 (32%) cases of outside employment did not have the Annual Report of Secondary/Outside Employment Form (Form PERS 928) submitted by the faculty member by the deadline of August 31, 2017. The total number of cases requiring a filing was reduced to reflect two employees who had separated from the University before the Form PERS 928 was due.

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 the Form PERS 928 require faculty members with secondary/outside employment submit the Form PERS 928 "no later than August 31 of the following fiscal year for timely routing to the Office of the Provost."

University officials stated, as they did in prior years, that failure to seek timely approval and file reports was due to employee oversight.

Failure to ensure faculty members with outside research, consulting services, or employment obtain written pre-approval from the University Provost and file annual reports with the University Provost about the amount of time spent during the preceding fiscal year on outside research, consulting services, or employment represents noncompliance with the University Faculty Research and Consulting Act and University Policy 3.3.7. (Finding Code No. 2017-005, 2016-003, 2015-002, 2014-003, 2013-005, 12-5)

**State of Illinois  
Illinois State University**

**Schedule of Findings (Continued)  
For the Year Ended June 30, 2017**

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**Current Findings – State Compliance**

**Finding 2017-005      Noncompliance with the University Faculty Research and Consulting Act  
(Continued)**

**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 the time spent on these activities in accordance with State law and University policy.

**University Response**

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

**State of Illinois  
Illinois State University**

**Schedule of Findings (Continued)  
For the Year Ended June 30, 2017**

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**Current Findings – State Compliance**

**Finding 2017-006      Noncompliance with the Illinois Human Rights Act**

The Illinois State University (University) did not comply with certain provisions of the Illinois Human Rights Act (Act).

During testing, we noted the following:

- The University did not include its internal complaint process on posters about sexual harassment in higher education.

The Act (775 ILCS 5/5A-101.1) requires the University post and keep posted on an annual basis, in a prominent and accessible location in common areas accessible to all students, a sexual harassment poster stating (1) the illegality of sexual harassment in higher education, (2) the definition of sexual harassment under State law, (3) a description of sexual harassment that utilizes examples, (4) the University's internal complaint process including penalties, (5) the legal recourse, investigative, and complaint process available through and how to contact the Department of Human Rights, and (6) protections against retaliation provided by the Act.

University officials stated the incompleteness of the posters resulted from human error.

- The University's Office of Equal Opportunity and Access had not prepared a written annual report evaluating the University's equal employment opportunity program for the University's President.

The Act (775 ILCS 5/2-105(B)(4)(b)) requires the University's appointed full-time Equal Opportunity Officer prepare an annual written evaluation of the sufficiency of the University's equal employment opportunity program to the University President, including recommendations for improvement or correction in recruiting, hiring, or promotion and remedial or disciplinary action with respect to managerial or supervisory employees who have failed to cooperate fully or who have violated the University's equal employment policies.

University officials stated turnover in the University's Office of Equal Opportunity and Access has delayed completion of this report.

Failure to post a complete sexual harassment poster could result in individuals not being aware of their rights and responsibilities under the Act, represents noncompliance with the Act, and could subject the University to an investigation under the Act (775 ILCS 5/5A-101.1(C)) by the Department of Human Rights. Further, failure by the University's Office of Equal Opportunity and Access to prepare and submit an annual report evaluating the University's equal employment opportunity program for the University's President represents noncompliance with the Act. (Finding Code No. 2017-006)

**Recommendation**

We recommend the University keep displayed posters about sexual harassment throughout campus with the disclosures required by the Act. Further, the University should ensure a written report evaluating the University's equal employment opportunity program is prepared annually for the University's President.

**State of Illinois  
Illinois State University**

**Schedule of Findings (Continued)  
For the Year Ended June 30, 2017**

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**Current Findings – State Compliance**

**Finding 2017-006      Noncompliance with the Illinois Human Rights Act (*Continued*)**

**University Response**

The University agrees with the recommendation to comply with the Act. Procedures have been implemented to ensure the annual report is completed. Additionally, the future posters will include the required information.

**State of Illinois  
Illinois State University**

**Schedule of Findings (Continued)  
For the Year Ended June 30, 2017**

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**Current Findings – State Compliance**

**Finding 2017-007      Noncompliance with the State Officials and Employees Ethics Act**

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

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

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

University officials stated, as they did in prior years, that 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. 2017-007, 2016-004, 2015-003, 2014-005, 2013-007, 12-6, 11-5, 10-2, 09-1, 08-1, 07-1, 06-2, 05-4)

**Recommendation**

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

**University Response**

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

**State of Illinois  
Illinois State University**

**Schedule of Findings (Continued)  
For the Year Ended June 30, 2017**

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**Prior Findings Not Repeated**

**A. Finding – Inadequate Controls over Revenue Recognition**

During the prior engagement, the Illinois State University (University) did not exercise adequate internal control over revenue recognition.

During the current engagement, our audit procedures did not identify any similar issues regarding revenue recognition and accounts receivable. (Finding Code No. 2016-001)

**B. Finding – Inadequate Controls over Refunds**

During the prior engagement, the Illinois State University (University) did not exercise adequate internal control over the return of grant and loan funds to the United States Department of Education (Department).

In the current year, our sample testing of 60 cases did not identify any errors in the University's return of grant and loan funds to the Department. The sampling methods used in performing this testing were not statistically valid. (Finding Code No. 2016-002)

**State of Illinois  
Illinois State University**

**Supplementary Information for State Compliance Purposes  
For the Years Ended June 30, 2017 and 2016**

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**Summary**

Supplementary information for state compliance purposes presented in this section of the report includes the following:

Fiscal Schedules and Analysis:

- Schedule of Expenditures of Federal Awards
- Notes to the Schedule of Expenditures of Federal Awards
- Schedule of Appropriations, Expenditures and Lapsed Balances – Fiscal Year 2017
- Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
- Comparative Schedule of Income Fund Revenues and Expenses
- Schedule of Changes in Capital Assets
- Comparative Schedule of Cash and Temporary Cash Equivalents, at Cost
- Comparative Schedule of Investments, at Cost
- Analysis of Accounts Receivable

Entity Financial Statements:

Local Funds

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position

Service Departments

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position

Auxiliary Facilities

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position

Schedule of Sources and Applications – Indirect Cost Reimbursements

Schedule of Federal Expenditures, Non-Federal Expenses and New Loans

**State of Illinois  
Illinois State University**

**Supplementary Information for State Compliance Purposes  
For the Years Ended June 30, 2017 and 2016**

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**Summary (Continued)**

- Analysis of Operations (Unaudited)
  - Functions and Planning Program (Unaudited)
  - Auxiliary Facilities, Activities and Accounting Entities (Unaudited)
  - Analysis of Significant Variations in Appropriated Expenditures (Unaudited)
  - Analysis of Significant Lapse Period Spending (Unaudited)
  - Analysis of Significant Variations in Revenues and Expenses (Unaudited)
  - Analysis of Significant Variations in Assets, Deferred Outflows of Resources and Liabilities (Unaudited)
- 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)
  - Calculation Sheet for Indirect Cost Carryforward (Unaudited)
- Budget Impasse Disclosures (Unaudited)
- Alternative Financing in Lieu of Appropriations and Programs to Address Untimely Payments to Vendors (Unaudited)
- Interest Cost on Fiscal Year 2017 Invoices (Unaudited)
- Employment Statistics (Full-Time Equivalent) (Unaudited)
- Annual Cost Statistics (Unaudited)
- Emergency Purchases (Unaudited)
- Bookstore Information (Unaudited)
- Service Efforts and Accomplishments (Unaudited)
- University Guidelines (as amended in 1997) (Unaudited)
  - Special Data Requirements for University Audits (Unaudited)
  - Summary of Foundation Transactions with the University (Unaudited)
  - Undergraduate Tuition and Fee Waivers (Unaudited)
  - Graduate Tuition and Fee Waivers (Unaudited)

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditor's opinion, it is fairly stated, in all material respects, in relation to the basic financial statements as a whole from which it has been derived. The accountant's report also states the Analysis of Operations Section has 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  
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Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title		Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed- Through to Subrecipients
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER</b>					
<b>U.S. Department of Education</b>					
Federal Supplemental Educational Opportunity Grants	(M)	84.007		\$ 534,666	\$ -
Federal Work-Study Program	(M)	84.033		962,364	-
Federal Perkins Loan Program, Beginning Loan Balance	(M)	84.038		9,823,979	-
Federal Perkins Loan Program, New Loans	(M)	84.038		753,313	-
Federal Perkins Loan Program, Administrative Cost Allowance	(M)	84.038		32,656	-
Federal Pell Grant Program	(M)	84.063		22,653,074	-
Federal Direct Student Loans	(M)	84.268		108,708,357	-
Teacher Education Assistance for College & Higher Education Grants (TEACH Grants)	(M)	84.379		290,247	-
<i>Total U.S. Department of Education Student Financial Assistance Cluster</i>				143,758,656	-
<b>U.S. Department of Health and Human Services</b>					
Nursing Student Loans, Beginning Loan Balance	(M)	93.364		174,812	-
Nursing Student Loans, New Loans	(M)	93.364		104,992	-
<i>Total U.S. Department of Health and Human Services Student Financial Assistance Cluster</i>				279,804	-
<b>TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER</b>				<b>144,038,460</b>	<b>-</b>
<b>RESEARCH &amp; DEVELOPMENT CLUSTER</b>					
<b>U.S. Department of Agriculture</b>					
Agriculture and Food Research Initiative (AFRI) (Passed through University of Minnesota)		10.31	H004568902	121,637	-
Agriculture and Food Research Initiative (AFRI) (Passed through University of Illinois at Urbana-Champaign)		10.31	2015-07319-03	21,921	-
Agriculture and Food Research Initiative (AFRI) (Passed through University of Missouri)		10.31	C00042763-1	37,504	-
<i>Total R&amp;D 10.31</i>				181,062	-
Environmental Quality Incentives Program (Passed through The Nature Conservancy)		10.912	G16-003-MAC-G	5,000	-
<i>Total U.S. Department of Agriculture R&amp;D</i>				186,062	-
<b>U.S. Department of Defense</b>					
Scientific Research - Combating Weapons of Mass Destruction		12.351		77,899	-
Mathematical Sciences Grants Program		12.901		14,443	-
Air Force Defense Research Sciences Program (Passed through Air Force Office of Scientific Research)		12.800	SRAS001791-1	4,982	-
<i>Total U.S. Department of Defense R&amp;D</i>				97,324	-
<b>U.S. Geological Survey</b>					
USGS Sample Grant		NONE	G11PX02064	4,070	-
Assistance to State Water Resources Research Institutes (Passed through University of Illinois at Urbana-Champaign)		15.805	2016-04042-01, 079901-16315	9,143	-
<i>Total U.S. Geological Survey R&amp;D</i>				13,213	-
<b>U.S. Department of Justice</b>					
National Institute of Justice Research, Evaluation, and Development Project Grants		16.560		143,586	-
<i>Total U.S. Department of Justice R&amp;D</i>				143,586	-

State of Illinois  
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Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed- Through to Subrecipients
<b>National Aeronautics and Space Administration</b>				
Science (Passed through University of Pennsylvania)	43.001	562282	\$ 30,125	\$ -
Science	43.001		43,669	-
	Total R&D 43.001		<u>73,794</u>	<u>-</u>
<i>Total National Aeronautics and Space Administration R&amp;D</i>				
			<u>73,794</u>	<u>-</u>
<b>National Science Foundation</b>				
Mathematical and Physical Sciences	47.049		467,687	-
Computer and Information Science and Engineering	47.070		81,242	-
Biological Sciences	47.074		233,600	-
Social, Behavioral, and Economic Sciences	47.075		60,773	-
Education and Human Resources	47.076		670,368	166,247
Education and Human Resources (Passed through Chicago State University)	47.076	53953	22,349	-
Education and Human Resources (Passed through University of Nebraska)	47.076	25-0536-0023-003	21,901	-
	Total R&D 47.076		<u>714,618</u>	<u>166,247</u>
<i>Total National Science Foundation R&amp;D</i>				
			<u>1,557,920</u>	<u>166,247</u>
<b>U.S. Environmental Protection Agency</b>				
Nonpoint Source Implementation Grants (Passed through State of Illinois, Environmental Protection Agency)	66.460	3191410	3,730	-
<i>Total U.S. Environmental Protection Agency R&amp;D</i>				
			<u>3,730</u>	<u>-</u>
<b>U.S. Department of Energy</b>				
Office of Science Financial Assistance Program (Passed through University of Wisconsin-Madison)	81.049	455K851	149,319	-
<i>Total U.S. Department of Energy R&amp;D</i>				
			<u>149,319</u>	<u>-</u>
<b>U.S. Department of Education</b>				
Career and Technical Education -- Basic Grants to States (Passed through State of Illinois, Community College Board)	84.048	CTEL 16002	109,624	-
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities (Passed through Salus University)	84.325	88401 15-16/88402 16-17	109,825	-
School Leadership	84.363		997,020	777,035
Supporting Effective Instruction State Grants (Passed through State of Illinois, State Board of Education)	84.367	4932	9,786	-
Supporting Effective Instruction State Grants (Passed through State of Illinois, Board of Higher Education)	84.367	ESEA/NCLB ITQ	104,551	-
	Total R&D 84.367		<u>114,337</u>	<u>-</u>
Preschool Development Grants (Passed through State of Illinois, State Board of Education)	84.419	MY15446	201,678	43,000
<i>Total U.S. Department of Education R&amp;D</i>				
			<u>1,532,484</u>	<u>820,035</u>

State of Illinois  
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Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed- Through to Subrecipients
<b>U.S. Department of Health and Human Services</b>				
Cooperative Agreements to Promote Adolescent Health through School-School-Based HIV/STD Prevention and School-Based Surveillance (Passed through State of Illinois, State Board of Education)	93.079	MY 16532	\$ 22,010	\$ -
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086		762,739	-
Environmental Health	93.113		123,141	-
Cancer Cause and Prevention Research	93.393		52,143	-
State Court Improvement Program (Passed through State of Illinois, Administrative Office of the Illinois Courts)	93.586	CIP-G-1502/CIP-G-1602	53,386	-
Arthritis, Musculoskeletal and Skin Diseases Research	93.846		164,668	-
Allergy and Infectious Diseases Research	93.855		140,565	-
Biomedical Research and Research Training	93.859		130,063	-
Child Health and Human Development Extramural Research	93.865		148,097	-
<i>Total U.S. Department of Health and Human Services R&amp;D</i>			<u>1,596,812</u>	-
<b>TOTAL RESEARCH &amp; DEVELOPMENT CLUSTER</b>			<b><u>5,354,244</u></b>	<b><u>986,282</u></b>
<b>OTHER PROGRAMS</b>				
<b>U.S. Department of Agriculture</b>				
National School Lunch Program (Passed through State of Illinois, State Board of Education)	10.555	4210	25,372	-
Child and Adult Care Food Program (Passed through State of Illinois, State Board of Education)	10.558	4226	5,180	-
<i>Total U.S. Department of Agriculture Non-R&amp;D</i>			<u>30,552</u>	-
<b>U.S. Department of Labor</b>				
Employment Service/Wagner-Peyser Funded Activities (Passed through State of Illinois, Department of Commerce and Economic Opportunity)	17.207	17-392	19,129	-
WIOA Dislocated Worker National Reserve Technical Assistance and Training (Passed through State of Illinois, Department of Commerce and Economic Opportunity)	17.281	17-354	11,002	-
<i>Total U.S. Department of Labor Non-R&amp;D</i>			<u>30,131</u>	-
<b>U.S. Small Business Administration</b>				
Small Business Development Center (Passed through U.S. Department of Housing and Urban Development)	59.000	B-09-SP-IL-0269	772	-
Small Business Development Centers (Passed through State of Illinois, Department of Commerce and Economic Opportunity)	59.037	16-561106	(1)	-
<i>Total U.S. Small Business Administration Non-R&amp;D</i>			<u>771</u>	-
<b>National Endowment for the Arts</b>				
Promotion of the Arts Grants to Organizations and Individuals	45.024		2,040	-
<i>Total National Endowment for the Arts Non-R&amp;D</i>			<u>2,040</u>	-

State of Illinois  
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Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed- Through to Subrecipients
<b>U.S. Department of Education</b>				
Adult Education - Basic Grants to States (Passed through State of Illinois, Community College Board)	84.002	AEL 16004	\$ 4,616	\$ -
Special Education Grants to States (Passed through State of Illinois, State Board of Education)	84.027	17-4630-LA	208,016	-
TRIO Student Support Services	84.042		246,937	-
Career and Technical Education -- Basic Grants to States (Passed through State of Illinois, Community College Board)	84.048	F-ISU-CTEL17002,AEL 17002	297,079	-
Career and Technical Education -- Basic Grants to States (Passed through State of Illinois, State Board of Education)	84.048	4720	187,640	-
		Total Non R&D 84.048	484,719	-
Special Education - State Personnel Development (Passed through Southern Illinois University at Edwardsville)	84.323	762219-001	3,843	-
Special Education - State Personnel Development (Passed through State of Illinois, State Board of Education)	84.323	MY16539, IGA	30,171	-
		Total Non R&D 84.323	34,014	-
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325		596,189	-
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities (Passed through State of Illinois, State Board of Education)	84.325	4998-CE	1,103	-
		Total Non R&D 84.325	597,292	-
Teacher Quality Partnership Grants	84.336		1,819,154	309,567
Transition to Teaching	84.350		105,543	-
English Language Acquisition State Grants	(M) 84.365		689,939	-
Mathematics and Science Partnerships (Passed through DuPage Regional Office of Education from State of Illinois, State Board of Education)	84.366	586-47-0429-4936-F	13,555	-
Supporting Effective Instruction State Grants (Passed through National Board for Professional Teaching Standards)	(M) 84.367	1606239	230,249	30,456
Supporting Effective Instruction State Grants (Passed through State of Illinois, State Board of Education)	(M) 84.367	MY11721, MY13625	1,162,291	-
Supporting Effective Instruction State Grants (Passed through State of Illinois, Community College Board)	(M) 84.367	BTGISU17	6,994	-
Supporting Effective Instruction State Grants (Passed through National Writing Project)	(M) 84.367	92-IL03-SEED2012	3,986	-
Supporting Effective Instruction State Grants (Passed through State of Illinois, Board of Higher Education)	(M) 84.367	ESEA/NCLB	-	-
		Total Non R&D 84.367	1,403,520	30,456
Education Innovation and Research (Passed through University of Minnesota)	84.411	A002619807	25,399	-
<i>Total U.S. Department of Education Non-R&amp;D</i>			<u>5,632,704</u>	<u>340,023</u>
<b>U.S. Department of Health and Human Services</b>				
Area Health Education Centers (Passed through University of Illinois at Chicago)	93.107	U77HP26847	183,004	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance Universal Newborn Hearing Screening	93.243		20,135	-
(Passed through University of Illinois at Chicago)	93.251	2014-03477-02-03	39,520	-
Advanced Education Nursing Traineeships	93.358		349,999	-
<i>Total U.S. Department of Health and Human Services Non-R&amp;D</i>			<u>592,658</u>	<u>-</u>

State of Illinois  
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Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed- Through to Subrecipients
<b>Corporation for National and Community Service</b>				
AmeriCorps (Passed through Western Illinois University)	94.006	16-0428, 17-0589	\$ 18,534	\$ -
<i>Total Corporation for National and Community Service Non-R&amp;D</i>			<u>18,534</u>	<u>-</u>
<b>U.S. Department of Homeland Security</b>				
Pre-Disaster Mitigation (Passed through State of Illinois, Emergency Management Agency)	97.047	Multi-Hazard Mitigat Plan	3,093	2,946
<i>Total U.S. Department of Homeland Security Non-R&amp;D</i>			<u>3,093</u>	<u>2,946</u>
<b>Peace Corps</b>				
Peace Corps Campus Recruitment Project	NONE	PC-16-8-043	14,520	-
<i>Total Peace Corps Non-R&amp;D</i>			<u>14,520</u>	<u>-</u>
<b>Library of Congress</b>				
Catch It!-Preserving the Art of Trapeze	NONE	FED 16-017	7,240	
Teaching with Primary Sources	NONE	GA08C0004	59,556	-
Teaching with Primary Sources Regional Center Pilot	NONE	GA08C0017	359,014	115,577
<i>Total Library of Congress Non-R&amp;D</i>			<u>425,810</u>	<u>115,577</u>
<b>Corporation for Public Broadcasting</b>				
Community Service Grant	NONE	1376	115,384	-
<i>Total Corporation for Public Broadcasting Non-R&amp;D</i>			<u>115,384</u>	<u>-</u>
<b>TOTAL OTHER PROGRAMS NON-R&amp;D</b>			<u>6,866,197</u>	<u>458,546</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 156,258,901</u>	<u>\$ 1,444,827</u>

(M) - Program was audited as a major program

State of Illinois  
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Notes to the Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity for the year ended June 30, 2017, and is presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Because the schedule presents only a selected portion of the operations, it is not intended to and does not present the financial position, changes in net position, or cash flows of the University. The University has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 2. Loans Outstanding at Fiscal Year-End**

The University had the following loan balances outstanding at June 30, 2017, for programs that are administered directly. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the schedule.

	<b>Outstanding Balance at June 30, 2017</b>
Nursing Student Loans, CFDA 93.364	\$ 487,910
Perkins Loan Program, CFDA 84.038	<u>8,432,835</u>
<b>Total loans outstanding</b>	<b><u><u>\$ 8,920,745</u></u></b>

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

**Note 3. Total New Federal Student Loans**

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

Direct Student Loans Program, CFDA 84.268	\$ 76,577,030
Direct Parent Loan for Undergraduate Students Program (PLUS), CFDA 84.268	<u>32,131,327</u>
<b>Total</b>	<b><u><u>\$ 108,708,357</u></u></b>

There were no administrative costs charged to the loan program.

**State of Illinois  
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**Notes to the Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017**

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**Note 4. Nonmonetary Assistance**

During the audit period, the University received \$9,919 (CFDA 10.555) of food commodities provided by the United States Department of Agriculture, and distributed through the Food Distribution Program that is administered by the State of Illinois, State Board of Education. This amount is presented at fair value as of each commodity item's receipt date at the University; however, this amount is not included in the University's Schedule of Expenditures of Federal Awards under CFDA 10.555 on page 33.

**Note 5. Federal Unearned Revenue**

At June 30, 2017, the University did not have any unearned revenue related to federal programs.

**Note 6. Insurance Disclosure**

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

**Note 7. Depository Library**

The University's Milner Library serves as a depository library in the U.S. Government Publishing Office's Federal Depository Library Program (CFDA 40.001, Depository Libraries for Government Publications). The University is the legal custodian of government publications received under this program; however, these publications remain the property of the federal government.

**Schedule of Appropriations, Expenditures and Lapsed Balances**  
**Expenditure Authority for Fiscal Year 2017**  
**For the Fifteen Months Ended September 30, 2017**

Public Act 099-0524, Public Act 100-0021, and Court-Ordered Expenditures	Expenditure Authority (Net After Transfers)	Expenditures through June 30	Lapse Period Expenditures, July 1 to September 30	Total Expenditures, Fifteen Months Ended September 30	Balances Lapsed, September 30
GENERAL REVENUE FUND - 001					
Operational Expenses	\$ 24,397,400	\$ -	\$ 24,397,400	\$ 24,397,400	\$ -
Total	<u>\$ 24,397,400</u>	<u>\$ -</u>	<u>\$ 24,397,400</u>	<u>\$ 24,397,400</u>	<u>\$ -</u>
EDUCATION ASSISTANCE FUND - 007					
Personal Services		\$ 35,415	\$ 1,060	\$ 36,475	
Operational Expenses	\$ 47,829,300	38,291,000	9,538,300	47,829,300	\$ -
Total	<u>\$ 47,829,300</u>	<u>\$ 38,326,415</u>	<u>\$ 9,539,360</u>	<u>\$ 47,865,775</u>	<u>\$ -</u>
GRAND TOTAL - ALL FUNDS	<u>\$ 72,226,700</u>	<u>\$ 38,326,415</u>	<u>\$ 33,936,760</u>	<u>\$ 72,263,175</u>	<u>\$ -</u>

Note 1: Expenditure authority, appropriations, expenditures and lapsed balances were obtained from the State Comptroller records as of September 30, 2017, and have been reconciled to University records.

Note 2: Expenditure amounts are vouchers approved and paid by the University and submitted to the Office of the State Comptroller for payment to the vendor.

Note 3: The Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to “draw and issue warrants accomplishing payment of wages (for all State employees) at their normal rates of pay.” As Public Act 009-0524 stated appropriation authority granted by the General Assembly does not supersede any court order directing the expenditure of funds, the University was able to submit vouchers to pay its court-ordered involuntary withholding payroll payments previously processed through the State Treasury within Fund 007 in full without a maximum expenditure limit during Fiscal Year 2017.

Note 4: Public Act 99-524 authorized the University to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report on page 73 includes information from University management about the number of invoices and the total dollar amount of invoices held by the University submitted against its Fiscal Year 2017 appropriation.

Note 5: During Fiscal Year 2017, the University operated without enacted appropriations until Public Act 100-0021 was approved on July 6, 2017. During the impasse, the University incurred reimbursable payroll and non-payroll obligations within Fund 001 and Fund 007; however, the University was unable to process a reimbursement for these expenditures incurred by the University’s Income Fund until the passage of Public Act 100-0021.

Note 6: Notwithstanding anything within Public Act 100-0021 to the contrary, Public Act 100-0021 authorized the University to pay for all costs incurred prior to July 1, 2018, using either its Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report on page 73 includes information from University management about the number of invoices and the total dollar amount of invoices held by the University to be submitted against either its Fiscal Year 2017 or Fiscal Year 2018 appropriations.

**Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances  
For the Fiscal Year Ended June 30,**

	2017 P.A. 99-0524	2016 P.A. 99-0502
GENERAL REVENUE FUND - 001		
Appropriations (net after transfers)	\$ 24,397,400	\$ -
Expenditures		
Operational Expenses	24,397,400	-
Lapsed Balances	\$ -	\$ -
EDUCATION ASSISTANCE FUND - 007		
Appropriations (net after transfers)	\$ 47,829,300	\$ 20,934,900
Expenditures		
Operational Expenses	47,829,300	20,934,900
Personal Services	36,475	-
Total expenditures	47,865,775	20,934,900
Lapsed Balances	\$ -	\$ -
GRAND TOTAL, ALL FUNDS		
Appropriations (net after transfers)	\$ 72,226,700	\$ 20,934,900
Expenditures	72,263,175	20,934,900
Lapsed Balances	\$ -	\$ -

Note 1: Expenditure authority, appropriations, expenditures and lapsed balances were obtained from the State Comptroller records as of September 30, 2017, and have been reconciled to University records.

Note 2: Expenditure amounts are vouchers approved and paid by the University and submitted to the Office of the State Comptroller for payment to the vendor.

Note 3: The Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to “draw and issue warrants accomplishing payment of wages (for all State employees) at their normal rates of pay.” As Public Act 009-0524 stated appropriation authority granted by the General Assembly does not supersede any court order directing the expenditure of funds, the University was able to submit vouchers to pay its court-ordered involuntary withholding payroll payments previously processed through the State Treasury within Fund 007 in full without a maximum expenditure limit during Fiscal Year 2017.

Note 4: Public Act 99-524 authorized the University to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report on page 73 includes information from University management about the number of invoices and the total dollar amount of invoices held by the University submitted against its Fiscal Year 2017 appropriation.

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**Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances (Continued)  
Year Ended June 30, 2017**

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Note 5: During Fiscal Year 2017, the University operated without enacted appropriations until Public Act 100-0021 was approved on July 6, 2017. During the impasse, the University incurred reimbursable payroll and non-payroll obligations within Fund 001 and Fund 007; however, the University was unable to process a reimbursement for these expenditures incurred by the University's Income Fund until the passage of Public Act 100-0021.

Note 6: Notwithstanding anything within Public Act 100-0021 to the contrary, Public Act 100-0021 authorized the University to pay for all costs incurred prior to July 1, 2018, using either its Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report on page 73 includes information from University management about the number of invoices and the total dollar amount of invoices held by the University to be submitted against either its Fiscal Year 2017 or Fiscal Year 2018 appropriations.

Comparative Schedule of Revenues and Expenses  
 Income Fund  
 Years Ended June 30, 2017 and 2016

	2017	2016
<b>Revenues</b>		
Registration fees	\$ 176,615,510	\$ 169,648,095
Registration - extension	417,532	220,571
Enrollment deposit fee forfeitures	16,100	19,950
Tuition and fees waived	10,214,463	9,537,897
Library fines	11,328	9,815
Instructional support fee	1,163,526	1,107,207
Investment income	1,164,872	1,361,772
Net (decrease) increase in fair market value of investments	(1,459,411)	759,526
Payments on behalf of University	5,887,883	1,520,963
Other	5,281,778	2,060,025
	<u>\$ 199,313,581</u>	<u>\$ 186,245,821</u>
<b>Expenses</b>		
Personal services	114,621,620	130,245,186
SURS Retirement	160,256	109,035
Medicare	2,511,562	2,366,447
Contractual services	34,953,958	33,641,961
Travel	1,865,350	1,467,099
Commodities	2,919,012	2,742,862
Equipment and library books	9,472,946	7,953,841
Telecommunications services	834,423	845,617
Operation of automotive equipment	561,778	475,618
Tuition and fees waived	10,214,463	9,537,897
Awards, grants, and matching funds	20,713,671	16,873,781
Permanent improvements	3,622,428	2,519,360
	<u>202,451,467</u>	<u>208,778,704</u>
<b>GASB No. 35 Adjustments:</b>		
Depreciation	14,742,618	14,913,445
Capital asset additions/disposals	(3,994,995)	(5,931,838)
	<u>\$ 213,199,090</u>	<u>\$ 217,760,311</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, 2017**

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.

	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 16,122,895	\$ 4,654,617	\$ -	\$ 20,777,512
Site improvements	34,292,125	1,772,849	-	36,064,974
Infrastructure	13,146,983	-	-	13,146,983
Buildings	578,100,829	788,268	(42,000)	578,847,097
Equipment	88,570,047	3,350,335	(2,917,863)	89,002,519
Internally generated software	30,692,278	-	-	30,692,278
Library materials	98,375,046	703,021	-	99,078,067
Construction in progress	6,438,340	5,731,333	(6,314,240)	5,855,433
<b>Subtotal</b>	<b>865,738,543</b>	<b>17,000,423</b>	<b>(9,274,103)</b>	<b>873,464,863</b>
Less accumulated depreciation for:				
Site improvements	14,765,798	964,116	-	15,729,914
Infrastructure	7,901,803	302,342	-	8,204,145
Buildings	243,313,656	13,212,935	(42,000)	256,484,591
Equipment	76,206,006	4,475,099	(2,846,628)	77,834,477
Internally generated software	6,076,493	2,040,239	-	8,116,732
Library materials	78,726,554	3,663,063	-	82,389,617
<b>Total accumulated depreciation</b>	<b>426,990,310</b>	<b>24,657,794</b>	<b>(2,888,628)</b>	<b>448,759,476</b>
<b>Capital assets, net</b>	<b>\$ 438,748,233</b>			<b>\$ 424,705,387</b>

**State of Illinois  
Illinois State University**

**Comparative Schedule of Cash and Temporary Cash and Cash Equivalents, at Cost  
June 30, 2017 and 2016**

Significant details of cash and cash equivalents as of June 30, 2017 and 2016 are presented below for all funds of the University:

	2017		2016	
	Ending Balance	Interest Rate	Ending Balance	Interest Rate
Cash on hand - vault and change funds	\$ 168,549	Non-interest bearing	\$ 159,960	Non-interest bearing
Bank money market funds				
Commerce Bank	19,341,018	0 - .44 %	29,008,661	0 - .04 %
Illinois Funds @ U.S. Bank	19,799,708	0 - .942 %	9,430,567	0 - .036 %
Illinois National Bank	250,000	0.17 %	250,000	0 %
Bank of New York	299	0 %	13,253	0 %
U.S. Bank	8,903,008	0 - .33 %	2,824,629	0 - .01 %
Total bank money market funds	48,294,033		41,527,110	
Total cash and cash equivalents	\$ 48,462,582		\$ 41,687,070	

Cash and cash equivalent balances are presented in the balance sheets at June 30, 2017 and 2016 as follows:

Cash and cash equivalents	\$ 42,713,305	\$ 35,479,445
Restricted cash and cash equivalents	5,749,277	6,207,625
Total cash and cash equivalent balances	\$ 48,462,582	\$ 41,687,070

**State of Illinois  
Illinois State University**

**Comparative Schedule of Investments, at Cost  
June 30, 2017 and 2016**

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	<u>2017</u>		<u>2016</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	\$ 219,801,720	.75 - 5.25 %	\$ 214,249,296	.42 - 5.25 %
Total investments	<u>\$ 219,801,720</u>		<u>\$ 214,249,296</u>	

Investments are present in the balances sheets at June 30, 2017 and 2016 as follows:

Current:				
Investments	\$ 40,078,450		\$ 60,798,900	
Noncurrent:				
Investments	<u>179,723,270</u>		<u>153,450,396</u>	
Total investments	<u>\$ 219,801,720</u>		<u>\$ 214,249,296</u>	

State of Illinois  
Illinois State University

Analysis of Accounts Receivable  
June 30, 2017 and 2016

	2017	2016	Increase (Decrease)
<b>Accounts receivable</b>			
Current funds:			
Local funds (less allowance for doubtful accounts of \$1,590,142 and \$1,355,472 at June 30, 2017 and 2016, respectively)	\$ 23,265,600	\$ 10,607,988	\$ 12,657,612
Auxiliary funds (less allowance for doubtful accounts of \$1,071,010 and \$1,053,722 at June 30, 2017 and 2016, respectively)	3,977,503	2,358,812	1,618,691
Restricted funds	3,557,250	3,548,219	9,031
Payroll and clearing accounts	79,171	243,495	(164,324)
Total current funds	<u>30,879,524</u>	<u>16,758,514</u>	<u>14,121,010</u>
Agency funds	691,956	11,370,296	(10,678,340)
Loan funds	25,208	52,440	(27,232)
<b>Total accounts receivable</b>	<u>\$ 31,596,688</u>	<u>\$ 28,181,250</u>	<u>\$ 3,415,438</u>
<b>Notes receivable</b>			
Loan funds:			
Student loans receivable (less allowance for doubtful accounts of \$1,590,142 and \$1,355,472 at June 30, 2017 and 2016, respectively)	<u>\$ 7,897,050</u>	<u>\$ 8,368,718</u>	<u>\$ (471,668)</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 \$1,438,233 and \$1,210,978 at June 30, 2017 and 2016, respectively, has been established for tuition receivable deemed uncollectible. An allowance for doubtful accounts of \$942,246 and \$926,136 at June 30, 2017 and 2016, respectively, has been established for room and board receivable deemed uncollectible. An additional allowance for doubtful accounts of \$280,672 and \$272,080 at June 30, 2017 and 2016, respectively, has been established for fees receivable deemed uncollectible.

Notes receivable are presented in the balance sheets at June 30, 2017 and 2016 as follows:

	2017	2016
Current	\$ 7,499,460	\$ 7,960,047
Noncurrent	397,590	408,671
	<u>\$ 7,897,050</u>	<u>\$ 8,368,718</u>

Statement of Net Position - Local Funds  
Year Ended June 30, 2017

	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	Subtotal
<b>Assets</b>								
Current Assets:								
Cash and cash equivalents	\$ -	\$ -	\$ 2,163,329	\$ 8,494,541	\$ 431,939	\$ 1,367,762	\$ 6,945,538	\$ 19,403,109
Cash and cash equivalents - restricted	-	-	-	-	-	-	1,329,299	1,329,299
Accrued interest receivable	3,770	5,777	-	16,846	-	-	96,174	122,567
Accounts receivable, net	-	66,761	165,140	1,268,131	-	33,879	21,564,242	23,098,153
Appropriations receivable from State	-	-	-	-	-	-	-	-
Inventories	-	305,343	45,390	354,228	-	-	393,583	1,098,544
Prepaid expenses and deposits	61,124	55,094	9,173	135,845	4,302	5,922	1,762,099	2,033,559
Deferred charges and obligations	-	-	-	-	-	-	18,008	18,008
<b>Total current assets</b>	<b>64,894</b>	<b>432,975</b>	<b>2,383,032</b>	<b>10,269,591</b>	<b>436,241</b>	<b>1,407,563</b>	<b>32,108,943</b>	<b>47,103,239</b>
Noncurrent Assets:								
Investments	1,814,699	2,780,986	-	8,109,431	-	-	46,297,401	59,002,517
Bond issuance costs	-	-	-	-	-	-	196,310	196,310
Capital assets, net	329,362	818,439	4,256,362	2,541,814	4,333	2,678	209,973,389	217,926,377
Other noncurrent assets	-	-	-	-	-	-	-	-
<b>Total noncurrent assets</b>	<b>2,144,061</b>	<b>3,599,425</b>	<b>4,256,362</b>	<b>10,651,245</b>	<b>4,333</b>	<b>2,678</b>	<b>256,467,100</b>	<b>277,125,204</b>
Deferred outflows of resources	-	-	-	-	-	-	650,920	650,920
<b>Total assets and deferred outflows of resources</b>	<b>2,208,955</b>	<b>4,032,400</b>	<b>6,639,394</b>	<b>20,920,836</b>	<b>440,574</b>	<b>1,410,241</b>	<b>289,226,963</b>	<b>324,879,363</b>
<b>Liabilities</b>								
Current Liabilities:								
Accounts payable and accrued liabilities	41,335	521,979	64,188	913,654	15,152	228,160	5,133,166	6,917,634
Obligations payable	-	-	-	-	-	-	-	-
Assets held in custody for others and deposits	-	51,973	-	253,627	-	-	-	305,600
Unearned revenue	-	461,200	3,392	1,881,074	-	79,902	5,478,803	7,904,371
Accrued compensated absences	1,724	7,099	2,196	139,515	237	-	1,427,522	1,578,293
Certificates of participation	-	-	-	-	-	-	2,783,545	2,783,545
<b>Total current liabilities</b>	<b>43,059</b>	<b>1,042,251</b>	<b>69,776</b>	<b>3,187,870</b>	<b>15,389</b>	<b>308,062</b>	<b>14,823,036</b>	<b>19,489,443</b>
Noncurrent Liabilities:								
Accrued compensated absences	11,873	48,891	15,124	960,875	1,633	-	10,440,077	11,478,473
Certificates of participation	-	-	-	-	-	-	45,401,927	45,401,927
<b>Total noncurrent liabilities</b>	<b>11,873</b>	<b>48,891</b>	<b>15,124</b>	<b>960,875</b>	<b>1,633</b>	<b>-</b>	<b>55,842,004</b>	<b>56,880,400</b>
<b>Total liabilities</b>	<b>54,932</b>	<b>1,091,142</b>	<b>84,900</b>	<b>4,148,745</b>	<b>17,022</b>	<b>308,062</b>	<b>70,665,040</b>	<b>76,369,843</b>
<b>Net Position</b>								
Net investment in capital assets	329,362	818,439	4,256,362	2,541,814	4,333	2,678	208,519,143	216,472,131
Unrestricted	1,824,661	2,122,819	2,298,132	14,230,277	419,219	1,099,501	10,042,780	32,037,389
<b>Total net position</b>	<b>\$ 2,154,023</b>	<b>\$ 2,941,258</b>	<b>\$ 6,554,494</b>	<b>\$ 16,772,091</b>	<b>\$ 423,552</b>	<b>\$ 1,102,179</b>	<b>\$ 218,561,923</b>	<b>\$ 248,509,520</b>

Statement of Revenues, Expenses and Changes in Net Position - Local Funds  
Year Ended June 30, 2017

	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
<b>Operating revenues</b>								
Student tuition and fees, net	\$ -	\$ -	\$ -	\$ 30,653,666	\$ -	\$ 2,154,136	\$ 188,427,131	\$ 221,234,933
Sales and services of educational activities	-	-	2,959,779	-	5,650	-	-	2,965,429
Other operating revenues	1,780,976	7,050,704	32,327	10,092,590	196,877	1,022,279	5,044,025	25,219,778
<b>Total operating revenues</b>	<b>1,780,976</b>	<b>7,050,704</b>	<b>2,992,106</b>	<b>40,746,256</b>	<b>202,527</b>	<b>3,176,415</b>	<b>193,471,156</b>	<b>249,420,140</b>
<b>Operating expenses</b>								
Educational and general								
Instruction	-	95,792	1,649,458	664,706	-	3,008,942	70,093,550	75,512,448
Research	683,963	4,676	152,957	-	796,823	-	1,337,407	2,975,826
Public service	-	6,099,251	389,703	703	-	-	2,034,368	8,524,025
Academic support	84,471	51	157,912	-	-	-	23,114,204	23,356,638
Student services	-	241,067	55,242	37,840,040	-	-	6,841,570	44,977,919
Institutional support	1,623,407	163,626	-	-	-	-	34,799,824	36,586,857
Operation and maintenance of plant	-	118,838	-	(97,806)	-	-	29,781,151	29,802,183
Depreciation	100,019	35,386	198,198	214,885	2,046	1,071	14,742,618	15,294,223
Staff benefits	14,973	35,945	20,558	171,178	2,180	2,672	240,783	488,289
Student aid	8,916	17,825	1,789	2,368,661	-	27,546	30,623,678	33,048,415
Other operating expenditures	-	-	-	-	-	-	-	-
<b>Total operating expenses</b>	<b>2,515,749</b>	<b>6,812,457</b>	<b>2,625,817</b>	<b>41,162,367</b>	<b>801,049</b>	<b>3,040,231</b>	<b>213,609,153</b>	<b>270,566,823</b>
Operating income (loss)	(734,773)	238,247	366,289	(416,111)	(598,522)	136,184	(20,137,997)	(21,146,683)
<b>Nonoperating revenues (expenses)</b>								
Payments on behalf of the University - Foundation	-	-	-	-	-	-	5,887,883	5,887,883
Laboratory schools	-	-	-	-	595,540	-	-	595,540
Gifts and donations	-	-	-	-	-	-	310,008	310,008
Investment income, net of investment expenses	(52,101)	(54,954)	33	126,648	841	-	(293,585)	(273,118)
Interest expense	-	-	-	-	-	-	(1,973,039)	(1,973,039)
Other nonoperating revenues	395	93,059	13,154	1,024,909	1,792	3,961	260,080	1,397,350
<b>Net nonoperating revenues</b>	<b>(51,706)</b>	<b>38,105</b>	<b>13,187</b>	<b>1,151,557</b>	<b>598,173</b>	<b>3,961</b>	<b>4,191,347</b>	<b>5,944,624</b>
Income (loss) before capital items	(786,479)	276,352	379,476	735,446	(349)	140,145	(15,946,650)	(15,202,059)
Capital appropriations	-	-	-	-	-	-	-	-
Capital grants and gifts	-	-	-	-	-	-	290,021	290,021
<b>Total capital items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>290,021</b>	<b>290,021</b>
Increase (decrease) in net position	(786,479)	276,352	379,476	735,446	(349)	140,145	(15,656,629)	(14,912,038)
<b>Net position</b>								
Net position - beginning of year	2,940,502	2,664,906	6,175,018	16,036,645	423,901	962,034	234,218,552	263,421,558
Net position - end of year	\$ 2,154,023	\$ 2,941,258	\$ 6,554,494	\$ 16,772,091	\$ 423,552	\$ 1,102,179	\$ 218,561,923	\$ 248,509,520

Statement of Net Position - Service Departments  
 Year Ended June 30, 2017

	<u>Service Departments</u>
<b>Assets</b>	
Current Assets:	
Cash and cash equivalents	\$ 7,257,938
Accounts receivable, net	79,171
Inventories	1,640,319
Prepaid expenses and deposits	<u>480,205</u>
Total current assets	<u>9,457,633</u>
Noncurrent Assets:	
Capital assets, net	<u>2,289,982</u>
Total assets	<u>11,747,615</u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts payable and accrued liabilities	952,456
Unearned revenue	109,573
Accrued compensated absences	<u>71,476</u>
Total current liabilities	<u>1,133,505</u>
Noncurrent Liabilities:	
Accrued compensated absences	<u>790,589</u>
Total liabilities	<u>1,924,094</u>
<b>Net Position</b>	
Net investment in capital assets	2,289,982
Unrestricted	<u>7,533,539</u>
Total net position	<u>\$ 9,823,521</u>

Statement of Revenues, Expenses and Changes in Net Position -  
Service Departments  
Year Ended June 30, 2017

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	<u>Service Departments</u>
<b>Operating revenues</b>	
Other operating revenues	<u>\$ 19,429,016</u>
<b>Operating expenses</b>	
Educational and general:	
Instruction	245,238
Institutional support	6,785,841
Operation and maintenance of plant	13,135,312
Depreciation	825,268
Staff benefits	<u>48,547</u>
Total operating expenses	<u>21,040,206</u>
Operating loss	<u>(1,611,190)</u>
<b>Nonoperating revenues</b>	
Investment income, net of investment expenses	868,622
Other nonoperating revenues	<u>22,126</u>
Decrease in net position	<u>(720,442)</u>
<b>Net position</b>	
Beginning of year	<u>10,543,963</u>
End of year	<u><u>\$ 9,823,521</u></u>

Statement of Net Position - Auxiliary Facilities  
Year Ended June 30, 2017

	Housing	Student Activities	Parking	Auxiliary Facilities Total
<b>Assets</b>				
Current Assets:				
Cash and cash equivalents	\$ 2,382,189	\$ 269,798	\$ 1,767,991	\$ 4,419,978
Investments	36,820,029	3,258,421	-	40,078,450
Accrued interest receivable	264,793	45,075	4,218	314,086
Accounts receivable, net	3,112,870	772,002	92,631	3,977,503
Inventories	179,481	67,170	-	246,651
Prepaid expenses and deposits	57,345	14,168	2,543	74,056
Deferred charges and obligations	18,314	15,350	2,361	36,025
Total current assets	<u>42,835,021</u>	<u>4,441,984</u>	<u>1,869,744</u>	<u>49,146,749</u>
Noncurrent Assets:				
Investments	99,469,386	19,221,088	2,030,276	120,720,750
Bond issuance costs	155,491	223,660	30,107	409,258
Capital assets, net	<u>91,636,204</u>	<u>89,361,281</u>	<u>22,745,478</u>	<u>203,742,963</u>
Total noncurrent assets	<u>191,261,081</u>	<u>108,806,029</u>	<u>24,805,861</u>	<u>324,872,971</u>
Total assets	<u>234,096,102</u>	<u>113,248,013</u>	<u>26,675,605</u>	<u>374,019,720</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts payable and accrued liabilities	1,507,782	1,010,982	331,158	2,849,922
Assets held in custody for others and deposits	829,002	146,840	-	975,842
Unearned revenue	59,000	573,423	136,320	768,743
Accrued compensated absences	115,006	32,696	5,105	152,807
Revenue bonds payable	<u>1,859,100</u>	<u>2,267,722</u>	<u>359,967</u>	<u>4,486,789</u>
Total current liabilities	<u>4,369,890</u>	<u>4,031,663</u>	<u>832,550</u>	<u>9,234,103</u>
Noncurrent Liabilities:				
Assets held in custody for others and deposits	9,559	-	-	9,559
Accrued compensated absences	874,977	248,756	38,841	1,162,574
Revenue bonds payable	<u>24,492,573</u>	<u>44,077,892</u>	<u>4,742,356</u>	<u>73,312,821</u>
Total noncurrent liabilities	<u>25,377,109</u>	<u>44,326,648</u>	<u>4,781,197</u>	<u>74,484,954</u>
Total liabilities	<u>29,746,999</u>	<u>48,358,311</u>	<u>5,613,747</u>	<u>83,719,057</u>
<b>Net Position</b>				
Net investment in capital assets	65,284,531	43,015,667	17,643,155	125,943,353
Restricted	<u>139,064,572</u>	<u>21,874,035</u>	<u>3,418,703</u>	<u>164,357,310</u>
Total net position	<u>\$ 204,349,103</u>	<u>\$ 64,889,702</u>	<u>\$ 21,061,858</u>	<u>\$ 290,300,663</u>

Statement of Revenues, Expenses and Changes in Net Position -  
Auxiliary Facilities  
Year Ended June 30, 2017

	Housing	Student Activities	Parking	Auxiliary Facilities Total
<b>Operating Revenues</b>				
Auxiliary facilities	\$ 60,893,549	\$ 21,439,500	\$ 4,072,332	\$ 86,405,381
Total operating revenues	60,893,549	21,439,500	4,072,332	86,405,381
<b>Operating Expenses</b>				
Depreciation	3,657,338	3,626,622	668,621	7,952,581
Auxiliary facilities:				
Student housing, activity facilities and parking	40,848,508	9,789,303	1,950,810	52,588,621
Total operating expenses	44,505,846	13,415,925	2,619,431	60,541,202
Operating income	16,387,703	8,023,575	1,452,901	25,864,179
<b>Nonoperating Revenues (Expenses)</b>				
Investment income, net of investment expenses	(774,943)	(92,173)	(7,864)	(874,980)
Interest expense	(920,973)	(2,003,372)	(178,323)	(3,102,668)
Other nonoperating income	217,644	55,159	-	272,803
Net nonoperating expenses	(1,478,272)	(2,040,386)	(186,187)	(3,704,845)
Income before capital items	14,909,431	5,983,189	1,266,714	22,159,334
Capital grants and gifts	-	960,000	-	960,000
Total capital items	-	960,000	-	960,000
Increase in net position	14,909,431	6,943,189	1,266,714	23,119,334
<b>Net Position</b>				
Beginning of year	189,439,672	57,946,513	19,795,144	267,181,329
End of year	\$ 204,349,103	\$ 64,889,702	\$ 21,061,858	\$ 290,300,663

**State of Illinois  
Illinois State University**

**Schedule of Sources and Applications  
Indirect Cost Reimbursements  
Year Ended June 30, 2017**

Balance, July 1, 2016	\$ 2,940,502
Sources:	
Private Gifts, Grants, and Contracts	382,430
United States Government Grants and Contracts	1,209,356
State of Illinois and Local Grants and Contracts	189,190
Other Administrative Allowances	395
Investment Income (Loss)	<u>(52,101)</u>
Total Additions	<u>1,729,270</u>
Applications:	
Educational and general:	
Research	683,963
Academic Support	84,471
Institutional Support	1,623,407
Depreciation	100,019
Staff Benefits	14,973
Student Aid	<u>8,916</u>
Total Deductions	<u>2,515,749</u>
Decrease in net assets	<u>(786,479)</u>
Balance at June 30, 2017	<u><u>\$ 2,154,023</u></u>

Note: The information above 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

Schedule of Federal Expenditures, Non-Federal Expenses, and New Loans  
Year Ended June 30, 2017

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**Schedule A - Federal Financial Component**

Total federal expenditures reported on SEFA schedule	\$ 156,258,901
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)	9,919
	<u>9,919</u>
Total Schedule A	<u><u>\$ 156,268,820</u></u>

**Schedule B - Total Financial Component**

Total operating expenses (from financial statements)	\$ 586,748,202
Total nonoperating expenses (from financial statements)	5,075,707
Total new loans made	108,708,357
Amount of federal loan balances	8,920,745
Other noncash federal award expenditures	9,919
	<u>9,919</u>
Total Schedule B	<u><u>\$ 709,462,930</u></u>

**Schedule C**

		<u>Percent</u>
Total Schedule A	\$ 156,268,820	22.03%
Total Nonfederal Expenses	553,194,110	77.97%
Total Schedule B	<u><u>\$ 709,462,930</u></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 the Uniform Guidance.

**State of Illinois  
Illinois State University**

**Analysis of Operations  
Functions and Planning Program  
June 30, 2017  
(Unaudited)**

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The Illinois State University was founded in 1857 as the first public institution of higher education in the State. The documents establishing the University as a teacher education institution were drafted by Abraham Lincoln. The University 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 the University is stated in the *Mission Statements* portion of the University's *Academic Plan*, which is updated and submitted annually to the Illinois Board of Higher Education. The *Mission Statements* include: (1) the *Illinois State University Mission Statement*, (2) *Board of Trustees Statement of Goals for 2016*, and (3) *College Mission Statements*.

The Academic Plan submitted during our audit period is for fiscal years 2016-2021 and can be found at [http://provost.illinoisstate.edu/downloads/academic\\_plan/AP20162021Final.pdf](http://provost.illinoisstate.edu/downloads/academic_plan/AP20162021Final.pdf). It includes: (1) an identification of institutional priorities; (2) the University's strategic plan, *Educating Illinois 2013-2018: Individualized Attention, Shared Aspirations*; and, (3) specific curricular initiatives set forth by those responsible for academic planning within the University.

The *Academic Plan* also includes academic unit (college) objectives for Fiscal Year 2016 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 2017, program reviews were completed on the following programs: B.S. and M.S. in Chemistry, B.S. in Geology, M.S. in Hydrogeology, B.S. in Physics, B.A., B.S. and M.F.A. in Theatre, and M.A. and M.S. in Theatre Studies. Reviews were also completed for the following Research and Service Centers: Adlai Stevenson II Center for Community and Economic Development, Center for Teaching, Learning and Technology and Center for the Study of Education Policy.

Compilation of the University's *Academic Plan* is coordinated through the Office of the Associate Provost, whose functions also ensure cohesion between the *Academic Plan* and the University's strategic plan: *Educating Illinois 2013-2018: Individualized Attention, Shared Aspirations*.

- *Educating Illinois* is the University's multi-year strategic plan. It has articulated five core values (pursuit of learning and scholarship, individualized attention, diversity, integrity, and civic engagement) that support four goals and nineteen 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](http://www.educatingillinois.illinoisstate.edu).

**State of Illinois  
Illinois State University**

**Analysis of Operations  
Functions and Planning Program (Continued)  
June 30, 2017  
(Unaudited)**

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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. Larry Dietz, President

**State of Illinois  
Illinois State University**

**Auxiliary Facilities, Activities, and Accounting Entities  
Year Ended June 30, 2017  
(Unaudited)**

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A listing of the University's auxiliary facilities, activities, accounting entities, their purposes, and their sources of revenue for the year ended June 30, 2017, 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.

**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.

**State of Illinois  
Illinois State University**

**Auxiliary Facilities, Activities, and Accounting Entities (Continued)  
Year Ended June 30, 2017  
(Unaudited)**

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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.

**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.

**Restricted Auxiliary Facilities Funds**

Student 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**

**Analysis of Significant Variations in Appropriated Expenditures  
For the Year Ended June 30, 2017  
(Unaudited)**

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**Analysis of Significant Variations in Appropriated Expenditures Between Fiscal Years 2017 and 2016**

**General Revenue Fund – 001**

Operational Expenses

The University did not receive an appropriation from the General Revenue Fund during fiscal year 2016.

**Education Assistance Fund – 007**

Operational Expenses

The University was appropriated \$38,291,000 in fiscal year 2017 for its ordinary and contingent expenses as opposed to \$20,934,900 for ordinary and contingent expenses during fiscal year 2016.

**State of Illinois  
Illinois State University**

**Analysis of Significant Lapse Period Spending  
For the Year Ended June 30, 2017  
(Unaudited)**

---

**General Revenue Fund – 001**

Operational Expenses

The significant Lapse Period spending was due to the University receiving this appropriation from the General Assembly during the Lapse Period on July 6, 2017.

**Education Assistance Fund – 007**

Operational Expenses

The significant Lapse Period spending was due to the University receiving a significant portion of this appropriation from the General Assembly during the Lapse Period on July 6, 2017.

State of Illinois  
Illinois State University

Analysis of Significant Variations in Revenues and Expenses  
June 30, 2017 and 2016  
(Unaudited)

	2017	2016	Increase (Decrease)	Percentage Change
<b>Operating revenues</b>				
Student tuition and fees, net	\$ 221,234,933	\$ 201,074,476	\$ 20,160,457	10.03%
Federal grants and contracts	11,785,392	12,137,686	(352,294)	-2.90%
State and local grants and contracts	2,319,917	2,808,607	(488,690)	-17.40%
Nongovernmental grants and contracts	3,074,192	2,376,493	697,699	29.36%
Sales and services of educational activities	2,965,429	2,686,102	279,327	10.40%
Auxiliary facilities	85,221,127	85,467,251	(246,124)	-0.29%
Other operating revenues	18,722,881	26,364,148	(7,641,267)	-28.98% (A)
<b>Operating expenses</b>				
Educational and General:				
Instruction	289,991,715	266,717,820	23,273,895	8.73%
Research	16,163,625	16,902,763	(739,138)	-4.37%
Public service	12,681,411	12,468,905	212,506	1.70%
Academic support	23,697,038	20,115,091	3,581,947	17.81% (B)
Student services	42,644,836	41,253,322	1,391,514	3.37%
Institutional support	35,496,316	37,977,450	(2,481,134)	-6.53%
Operation and maintenance of plant	29,688,026	30,052,862	(364,836)	-1.21%
Depreciation	24,657,794	24,909,190	(251,396)	-1.01%
Staff benefits	2,402,086	1,312,034	1,090,052	83.08%
Student aid	56,740,837	51,994,936	4,745,901	9.13%
Auxiliary facilities:				
Student housing, activity facilities, and parking	52,584,518	49,946,816	2,637,702	5.28%
Other operating expenditures	-	113,438	(113,438)	-100.00%
<b>Nonoperating revenues (expenses)</b>				
State appropriations	38,291,000	20,934,900	17,356,100	82.91% (C)
Payments on behalf of the University - State	176,090,829	152,071,777	24,019,052	15.79% (D)
Payments on behalf of the University - Foundation	5,887,883	1,520,963	4,366,920	287.12% (E)
Laboratory schools	7,774,840	8,856,709	(1,081,869)	-12.22%
Gifts and donations	310,008	274,133	35,875	13.09%
Investment income, net of investment expenses	(256,783)	4,702,230	(4,959,013)	-105.46% (F)
Interest expense	(5,075,707)	(6,711,753)	1,636,046	-24.38% (G)
Other nonoperating revenues	24,413,995	36,721,327	(12,307,332)	-33.52% (H)
Capital appropriations	-	467,361	(467,361)	-100.00%
Capital grants and gifts	1,307,358	1,759,134	(451,776)	-25.68%

**State of Illinois  
Illinois State University**

**Analysis of Significant Variations in Revenues and Expenses (Continued)  
June 30, 2017 and 2016  
(Unaudited)**

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All variances greater than \$1,500,000 and more than 15% from fiscal year 2016 are discussed below. Refer to the Analysis of Significant Variations in Revenues and Expenses on page 65 for the actual dollar changes.

**Explanations of significant variances:**

- (A) Other operating revenues - The decrease was due to a refund of student insurance premiums in fiscal year 2016 of \$4 million. In addition, inter-entity revenue of \$1 million was eliminated in fiscal year 2017.
- (B) Academic support - The increases were due to a reclassification which allocated the expenses by function instead of by payments on behalf.
- (C) State appropriations - The increase was due to an increase in funding recognized as revenue from the State of Illinois.
- (D) Payments on behalf of the University - State - The increase was due to a higher allocation of pension expense from the State.
- (E) Payments on behalf of the University - Foundation - The increase was due to the University recognizing the Foundation's direct payments to outside vendors on behalf of the University.
- (F) Investment income - The change was mainly due to a decrease in fair market value of approximately \$3.6 million in fiscal year 2017.
- (G) Interest expense - The decrease was due to the refinancing of bonds in fiscal year 2016.
- (H) Other nonoperating revenues - The decrease is due the State of Illinois' lack of funding for the Monetary Assistance Program (MAP) grant program.

**State of Illinois  
Illinois State University**

**Analysis of Significant Variations in Assets, Deferred Outflows of Resources and Liabilities  
June 30, 2017 and 2016  
(Unaudited)**

	2017	2016	Increase (Decrease)	Percentage Change
<b>Assets</b>				
Current Assets:				
Cash and cash equivalents	\$ 42,713,305	\$ 35,479,445	\$ 7,233,860	20.39% (A)
Accrued interest receivable	122,566	151,226	(28,660)	-18.95%
Accounts receivable, net	27,619,185	25,822,438	1,796,747	6.96%
Student loans receivable, net	7,499,460	7,960,047	(460,587)	-5.79%
Appropriations receivable from State	-	6,046	(6,046)	-100.00%
Inventories	2,738,862	3,010,893	(272,031)	-9.03%
Prepaid expenses, deposits and other	2,597,012	2,855,637	(258,625)	-9.06%
Restricted				
Cash and cash equivalents	5,749,277	6,207,625	(458,348)	-7.38%
Investments	40,078,450	60,798,900	(20,720,450)	-34.08% (A)
Accrued interest receivable	314,086	466,647	(152,561)	-32.69%
Accounts receivable, net	3,977,503	2,358,812	1,618,691	68.62% (B)
Inventories	246,651	228,149	18,502	8.11%
Prepaid expenses, deposits and other	110,081	125,614	(15,533)	-12.37%
Noncurrent Assets:				
Investments	59,002,520	73,758,331	(14,755,811)	-20.01% (A)
Student loans receivable, net	397,590	408,671	(11,081)	-2.71%
Debt issuance costs	196,310	215,555	(19,245)	-8.93%
Capital assets not depreciated	26,632,945	22,561,235	4,071,710	18.05% (C)
Capital assets, net of depreciation	398,072,443	416,186,998	(18,114,555)	-4.35%
Other noncurrent assets	-	300,000	(300,000)	-100.00%
Restricted				
Investments	120,720,750	79,692,065	41,028,685	51.48% (A)
Debt issuance costs	409,258	439,164	(29,906)	-6.81%
Deferred Outflow Pension Contribution	650,920	671,749	(20,829)	-3.10%
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and accrued liabilities	17,412,671	16,682,639	730,032	4.38%
Assets held in custody for others and deposits	6,717,049	8,291,942	(1,574,893)	-18.99% (D)
Unearned revenue	10,303,134	9,641,964	661,170	6.86%
Certificates of participation	2,783,545	2,698,545	85,000	3.15%
Revenue bonds payable	4,486,789	4,396,789	90,000	2.05%
Accrued compensated absences	1,837,247	2,107,022	(269,775)	-12.80%
Noncurrent Liabilities:				
Assets held in custody for others and deposits	9,559	18,759	(9,200)	-49.04%
Certificates of participation	45,401,927	48,185,472	(2,783,545)	-5.78%
Revenue bonds payable	73,312,822	77,799,611	(4,486,789)	-5.77%
Accrued compensated absences	13,676,818	13,293,983	382,835	2.88%
Federal loan program contributions refundable	8,844,326	8,844,326	-	0.00%

**State of Illinois  
Illinois State University**

**Analysis of Significant Variations in Assets, Deferred Outflows of Resources and Liabilities (Continued)  
June 30, 2017 and 2016  
(Unaudited)**

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All variances greater than \$1,500,000 and more than 15% from fiscal year 2016 are discussed below. Refer to the Analysis of Significant Variations in Assets, Deferred Outflows of Resources and Liabilities on page 67 for the actual dollar changes.

Explanations of significant variances:

- (A) Cash and cash equivalents and Investments - The increase is due to additional appropriations received from the State of Illinois during fiscal year 2017. In addition, the change in investments is due to the mix of targeted maturity dates.
- (B) Accounts receivable, net - The increase is due to funds owed from the Monetary Assistance Program (MAP) being reclassified to accounts receivable from students.
- (C) Capital assets not depreciated - The increase is a result of the completion of the South Campus demolition with those costs capitalized as a land improvement (see Finding 2017-003).
- (D) Assets held in custody for others and deposits - The decrease is due to application of awards to students' accounts before receiving funds from third parties.

State of Illinois  
 Illinois State University

Current Unrestricted Local Funds  
 Continuing Education and Public Services  
 Calculation Sheet for Current Excess Funds  
 June 30, 2017  
 (Unaudited)

1. Current Available Funds

Add:

Cash .....	\$	-
Cash Equivalents .....		
Bank Deposits .....		-
Marketable Securities .....		2,789,822
Certificates of Deposit .....		-
Repurchase Agreements .....		-
Other cash equivalent items .....		-
Interfund receivables .....		-
Total Current Available Funds .....	A.	<u>2,789,822</u>

2. Working Capital Allowance

Add:

Highest month's expenditures .....		1,043,587
Encumbrances and current liabilities paid in lapse period .....		521,979
Deferred income .....		461,200
Refundable deposits .....		51,973
Allowance for Restoring Inventory to Normal Level .....		-
Allowance for Sick Leave/Vacation Payouts .....		<u>7,099</u>
Working Capital Allowance .....	B.	<u>2,085,838</u>

3. Current Excess Funds

Deduct B from A and enter here .....	C.	703,984
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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.	<u>(162,152)</u>
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Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund.		<u>\$ 541,832</u>
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State of Illinois  
 Illinois State University

Current Unrestricted Local Funds  
 Sales and Services of Educational Activities  
 Calculation Sheet for Current Excess Funds  
 June 30, 2017  
 (Unaudited)

**1. Current Available Funds**

Add:

Cash .....	\$ -
Cash Equivalents .....	
Bank Deposits .....	2,163,329
Marketable Securities .....	-
Certificates of Deposit .....	-
Repurchase Agreements .....	-
Other cash equivalent items .....	-
Interfund receivables .....	-
Total Current Available Funds .....	A. <u>2,163,329</u>

**2. Working Capital Allowance**

Add:

Highest month's expenditures .....	532,855
Encumbrances and current liabilities paid in lapse period .....	64,188
Deferred income .....	3,392
Refundable deposits .....	-
Allowance for Restoring Inventory to Normal Level .....	34,582
Allowance for Sick Leave/Vacation Payouts .....	<u>2,196</u>
Working Capital Allowance .....	B. <u>637,213</u>

**3. Current Excess Funds**

Deduct B from A and enter here .....	C. 1,526,116
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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. <u>(806,650)</u>
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Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund.	<u>\$ 719,466</u>
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State of Illinois  
 Illinois State University

Current Unrestricted Local Funds  
 Student Programs and Services  
 Calculation Sheet for Current Excess Funds  
 June 30, 2017  
 (Unaudited)

**1. Current Available Funds**

Add:

Cash .....	\$ -
Cash Equivalents .....	
Bank Deposits .....	8,926,480
Marketable Securities .....	8,135,192
Certificates of Deposit .....	-
Repurchase Agreements .....	-
Other cash equivalent items .....	-
Interfund receivables .....	-
Total Current Available Funds .....	A. <u>17,061,672</u>

**2. Working Capital Allowance**

Add:

Highest month's expenditures .....	8,551,021
Encumbrances and current liabilities paid in lapse period .....	928,805
Deferred income .....	1,881,074
Refundable deposits .....	253,627
Allowance for Restoring Inventory to Normal Level .....	-
Allowance for Sick Leave/Vacation Payouts .....	<u>139,752</u>
Working Capital Allowance .....	B. <u>11,754,279</u>

**3. Current Excess Funds**

Deduct B from A and enter here ..... C. 5,307,393

**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. (508,640)

Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund. \$ 4,798,753

State of Illinois  
 Illinois State University

Current Unrestricted Local Funds  
 Field Trips and Foreign Study  
 Calculation Sheet for Current Excess Funds  
 June 30, 2017  
 (Unaudited)

**1. Current Available Funds**

Add:

Cash .....	\$ -
Cash Equivalents .....	
Bank Deposits .....	1,367,762
Marketable Securities .....	-
Certificates of Deposit .....	-
Repurchase Agreements .....	-
Other cash equivalent items .....	-
Interfund receivables .....	<u>-</u>
Total Current Available Funds .....	A. <u>1,367,762</u>

**2. Working Capital Allowance**

Add:

Highest month's expenditures .....	680,210
Encumbrances and current liabilities paid in lapse period .....	204,420
Deferred income .....	79,902
Refundable deposits .....	-
Allowance for Restoring Inventory to Normal Level .....	-
Allowance for Sick Leave/Vacation Payouts .....	<u>-</u>
Working Capital Allowance .....	B. <u>964,532</u>

**3. Current Excess Funds**

Deduct B from A and enter here .....	C. 403,230
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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. <u>(2,142)</u>
--	-------------------

Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund.	<u>\$ 401,088</u>
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State of Illinois  
Illinois State University

Service Departments  
Calculation Sheet for Current Excess Funds  
June 30, 2017  
(Unaudited)

**1. Current Available Funds**

Add:

Cash .....	\$	705,391
Cash Equivalents .....		
Bank Deposits .....		6,289,076
Marketable Securities .....		-
Certificates of Deposit .....		-
Repurchase Agreements .....		-
Other cash equivalent items .....		-
Interfund receivables .....		-
Total Current Available Funds .....	A.	<u>6,994,467</u>

**2. Working Capital Allowance**

Add:

Highest month's expenditures .....		2,532,911
Encumbrances and current liabilities paid in lapse period .....		952,456
Deferred income .....		109,573
Refundable deposits .....		-
Allowance for Restoring Inventory to Normal Level .....		-
Allowance for Sick Leave/Vacation Payouts .....		<u>71,476</u>
Working Capital Allowance .....	B.	<u>3,666,416</u>

**3. Current Excess Funds**

Deduct B from A and enter here .....	C.	3,328,051
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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.	<u>(4,924,074)</u>
--	----	--------------------

Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund.		<u>\$ (1,596,023)</u>
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State of Illinois  
 Illinois State University

Auxiliary Facilities - Revenue Bonds  
 Student Housing  
 Calculation Sheet for Current Excess Funds  
 June 30, 2017  
 (Unaudited)

1. Current Available Funds

Add:

Cash .....	\$	87,156
Cash Equivalents .....		
Bank Deposits .....		-
Marketable Securities .....		25,253,386
Certificates of Deposit .....		-
Repurchase Agreements .....		-
Other cash equivalent items .....		-
Interfund receivables .....		-
Total Current Available Funds .....	A.	<u>25,340,542</u>

2. Working Capital Allowance

Add:

Highest month's expenditures .....		7,117,241
Encumbrances and current liabilities paid in lapse period .....		825,116
Deferred income .....		59,000
Refundable deposits .....		838,561
Allowance for Restoring Inventory to Normal Level .....		71,772
Allowance for Sick Leave/Vacation Payouts .....		<u>115,006</u>
Working Capital Allowance .....	B.	<u>9,026,696</u>

3. Current Excess Funds

Deduct B from A and enter here .....	C.	16,313,846
--------------------------------------	----	------------

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.	<u>(5,251,672)</u>
--	----	--------------------

Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund.		<u>\$ 11,062,174</u>
--	--	----------------------

Note: As the University's bond covenants prohibit the use of moneys outside of the University's Auxiliary Facilities System, the University did not transfer any amount to the Income Fund.

State of Illinois  
 Illinois State University

Auxiliary Facilities - Revenue Bonds  
 Student Activities  
 Calculation Sheet for Current Excess Funds  
 June 30, 2017  
 (Unaudited)

**1. Current Available Funds**

Add:

Cash .....	\$ -
Cash Equivalents .....	
Bank Deposits .....	22,351
Marketable Securities .....	3,263,568
Certificates of Deposit .....	-
Repurchase Agreements .....	-
Other cash equivalent items .....	-
Interfund receivables .....	-
Total Current Available Funds .....	A. <u>3,285,919</u>

**2. Working Capital Allowance**

Add:

Highest month's expenditures .....	2,050,977
Encumbrances and current liabilities paid in lapse period .....	221,371
Deferred income .....	573,423
Refundable deposits .....	146,840
Allowance for Restoring Inventory to Normal Level .....	1,423
Allowance for Sick Leave/Vacation Payouts .....	<u>32,696</u>
Working Capital Allowance .....	B. <u>3,026,730</u>

**3. Current Excess Funds**

Deduct B from A and enter here .....	C. 259,189
--------------------------------------	------------

**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. <u>(8,101,960)</u>
--	-----------------------

Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund.	<u>\$ (7,842,771)</u>
--	-----------------------

State of Illinois  
 Illinois State University

Auxiliary Facilities - Revenue Bonds  
 Parking Services  
 Calculation Sheet for Current Excess Funds  
 June 30, 2017  
 (Unaudited)

**1. Current Available Funds**

Add:

Cash .....	\$	-
Cash Equivalents .....		
Bank Deposits .....		1,425,898
Marketable Securities .....		-
Certificates of Deposit .....		-
Repurchase Agreements .....		-
Other cash equivalent items .....		-
Interfund receivables .....		-
Total Current Available Funds .....	A.	<u>1,425,898</u>

**2. Working Capital Allowance**

Add:

Highest month's expenditures .....		336,918
Encumbrances and current liabilities paid in lapse period .....		51,203
Deferred income .....		136,320
Refundable deposits .....		-
Allowance for Restoring Inventory to Normal Level .....		-
Allowance for Sick Leave/Vacation Payouts .....		<u>5,105</u>
Working Capital Allowance .....	B.	<u>529,546</u>

**3. Current Excess Funds**

Deduct B from A and enter here .....	C.	896,352
--------------------------------------	----	---------

**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.	<u>(2,393,845)</u>
--	----	--------------------

Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund.		<u>\$ (1,497,493)</u>
--	--	-----------------------

State of Illinois  
 Illinois State University

Calculation Sheet for Indirect Cost Carryforward  
 June 30, 2017  
 (Unaudited)

**1. Current Available Funds**

Add:

Cash .....	\$ -
Cash Equivalents .....	
Bank Deposits .....	-
Marketable Securities .....	1,820,463
Certificates of Deposit .....	-
Repurchase Agreements .....	-
Other cash equivalent items .....	<u>-</u>
Interfund receivables .....	<u>1,820,463</u>

**2. Allocated Reimbursements**

Enter the total indirect cost reimbursements allocated for expenditure for the fiscal year completed: \$3,608,906.31; enter 30% of this amount .....	<u>1,082,672</u>
--	------------------

**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 .....	<u>178,098</u>
---	----------------

**4. Encumbrances and Current Liabilities Paid in the Lapse Period**

Enter the amount of:

Current Liabilities .....	43,059
Encumbrances .....	<u>-</u>
Total .....	<u>43,059</u>

**5. Indirect Cost Carry-forward**

a. Enter the total of items 2, 3 and 4 .....	<u>1,303,829</u>
b. Subtract from item 1 .....	<u>\$ 516,634</u>
If a positive number results, enter here and remit for deposit in the Income Fund.	<u>\$ 516,634</u>

**State of Illinois  
Illinois State University**

**Budget Impasse Disclosures  
Year Ended June 30, 2017  
(Unaudited)**

Payment of Fiscal Year 2017 Costs in Future Fiscal Years

Article 74 of Public Act 99-0524 authorized the University to pay Fiscal Year 2016 costs using the University's Fiscal Year 2017 appropriations for operational expenditures. In addition, Article 998 of Public Act 100-0021 authorized the University to pay its unpaid Fiscal Year 2016 and Fiscal Year 2017 costs using either the University's Fiscal Year 2017 or Fiscal Year 2018 appropriations for operational expenditures. The following chart shows the University's plan to pay its prior costs using future appropriations:

		Fiscal Year 2016 Invoices			
		Paid from Fiscal Year 2016 Appropriations		Expect Payment from Fiscal Year 2017 Appropriations	
Fund #	Fund Name	Number	Dollar Value	Number	Dollar Value
007	Education Assistance Fund	0	\$ -	50	\$ 38,291,000
	Total	0	\$ -	50	\$ 38,291,000

		Fiscal Year 2017 Invoices			
		Paid from Fiscal Year 2016 Appropriations		Expect Payment from Fiscal Year 2017 Appropriations	
Fund #	Fund Name	Number	Dollar Value	Number	Dollar Value
001	General Revenue Fund	0	\$ -	5	\$ 24,397,400
007	Education Assistance Fund	0	-	1	9,538,300
	Total	0	\$ -	6	\$ 33,935,700

**State of Illinois  
Illinois State University**

**Alternative Financing in Lieu of Appropriations and  
Programs to Address Untimely Payments to Vendors  
Year Ended June 30, 2017  
(Unaudited)**

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Transactions Involving the Illinois Finance Authority

The University and its vendors did not participate in alternative financing in lieu of enacted appropriations involving the Illinois Finance Authority during fiscal year 2016 and fiscal year 2017.

Transactions Involving the Vendor Payment Program and Vendor Support Initiative Program

None of the University's vendors participated in the Vendor Payment Program (VPP) or the Vendor Support Initiative Program (VSI) during fiscal year 2016 and fiscal year 2017.

**State of Illinois  
Illinois State University**

**Interest Costs on Fiscal Year 2017 Invoices  
Year Ended June 30, 2017  
(Unaudited)**

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Prompt Payment Interest Costs

The University did not incur any prompt payment interest due to vendors under the State Prompt Payment Act (30 ILCS 540). The University's vendors were paid within 90 days.

**State of Illinois  
Illinois State University**

**Employment Statistics (Full-Time Equivalent)  
Years Ended June 30, 2017 and 2016  
(Unaudited)\***

	<u>Instructional Activities</u>	<u>Organized Research</u>	<u>Public Service</u>
<b>Year Ended June 30, 2017</b>			
Appropriated funds:			
Faculty/administrative	1,172.00	5.40	17.10
Civil service	205.70	8.90	6.80
Student employees	55.40	0.00	1.00
Miscellaneous contracts	3.10	0.30	1.20
	<u><b>1,436.20</b></u>	<u><b>14.60</b></u>	<u><b>26.10</b></u>
Nonappropriated funds:			
Faculty/administrative	44.60	120.80	49.70
Civil service	11.30	23.00	10.50
Student employees	17.30	11.10	14.00
Miscellaneous contracts	2.00	3.70	5.40
	<u><b>75.20</b></u>	<u><b>158.60</b></u>	<u><b>79.60</b></u>
<b>Total All Funds</b>	<u><u><b>1,511.40</b></u></u>	<u><u><b>173.20</b></u></u>	<u><u><b>105.70</b></u></u>
<b>Year Ended June 30, 2016</b>			
Appropriated funds:			
Faculty/administrative	1,202.80	6.90	18.50
Civil service	216.40	8.30	7.50
Student employees	62.90	0.40	1.10
Miscellaneous contracts	4.00	-	1.70
	<u><b>1,486.10</b></u>	<u><b>15.60</b></u>	<u><b>28.80</b></u>
Nonappropriated funds:			
Faculty/administrative	45.70	120.00	41.60
Civil service	9.50	21.20	11.40
Student employees	19.00	13.80	14.00
Miscellaneous contracts	1.10	3.00	4.00
	<u><b>75.30</b></u>	<u><b>158.00</b></u>	<u><b>71.00</b></u>
<b>Total All Funds</b>	<u><u><b>1,561.40</b></u></u>	<u><u><b>173.60</b></u></u>	<u><u><b>99.80</b></u></u>

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

<u>Academic Support</u>	<u>Student Services</u>	<u>Institutional Support</u>	<u>O&amp;M Plant</u>	<u>Independent Operations</u>	<u>Total All Functions</u>
89.00	66.90	83.80	12.10	0.00	1,446.30
78.00	18.90	247.70	298.20	0.00	864.20
15.90	2.50	23.10	12.30	0.00	110.20
0.70	0.00	4.40	13.70	0.00	23.40
<b><u>183.60</u></b>	<b><u>88.30</u></b>	<b><u>359.00</u></b>	<b><u>336.30</u></b>	<b><u>0.00</u></b>	<b><u>2,444.10</u></b>
4.10	166.60	0.30	0.00	47.40	433.50
0.00	78.40	0.00	1.00	226.50	350.70
0.10	50.70	0.10	0.00	103.80	197.10
0.20	2.60	0.00	0.00	12.20	26.10
<b><u>4.40</u></b>	<b><u>298.30</u></b>	<b><u>0.40</u></b>	<b><u>1.00</u></b>	<b><u>389.90</u></b>	<b><u>1,007.40</u></b>
<b><u>188.00</u></b>	<b><u>386.60</u></b>	<b><u>359.40</u></b>	<b><u>337.30</u></b>	<b><u>389.90</u></b>	<b><u>3,451.50</u></b>
99.60	64.90	88.80	12.60	-	1,494.10
79.00	19.40	245.80	303.50	-	879.90
17.90	5.70	28.30	15.00	-	131.30
0.70	0.10	2.40	10.80	-	19.70
<b><u>197.20</u></b>	<b><u>90.10</u></b>	<b><u>365.30</u></b>	<b><u>341.90</u></b>	<b><u>0.00</u></b>	<b><u>2,525.00</u></b>
3.40	170.70	-	-	47.10	428.50
0.00	70.60	-	4.30	217.40	334.40
0.10	63.80	-	-	233.40	344.10
0.20	2.80	-	-	19.80	30.90
<b><u>3.70</u></b>	<b><u>307.90</u></b>	<b><u>0.00</u></b>	<b><u>4.30</u></b>	<b><u>517.70</u></b>	<b><u>1,137.90</u></b>
<b><u>200.90</u></b>	<b><u>398.00</u></b>	<b><u>365.30</u></b>	<b><u>346.20</u></b>	<b><u>517.70</u></b>	<b><u>3,662.90</u></b>

**State of Illinois  
Illinois State University**

**Employment Statistics (Full-Time Equivalent) (Continued)  
Years Ended June 30, 2017 and 2016  
(Unaudited)\***

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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**

**Annual Cost Statistics  
June 30, 2017 and 2016  
(Unaudited)**

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

	<u>2017</u>	<u>2016</u>
Total education and general expenses/expenditures from current appropriated funds	\$ 72,263,175 *	\$ 20,934,900 *
Expenses/expenditures from locally held University Income Fund	<u>202,451,527</u>	<u>208,778,704</u>
Total expenses from current appropriated and locally held funds	274,714,702	229,713,604
Full-time equivalent students	<u>19,594</u>	<u>19,256</u>
Cost Per Full-time Equivalent Student	<u>\$ 14,020</u>	<u>\$ 11,929</u>

\* Amount represents direct appropriations from the General Revenue Fund and the Education Assistance Fund to the University and does not include payments made on behalf of the University.

**State of Illinois  
Illinois State University**

**Emergency Purchases  
For the Year Ended June 30, 2017  
(Unaudited)**

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In Fiscal Year 2017, the University had three emergency purchases.

The University contracted with Crescent Electric Supply Company for \$211,478 to provide repairs to a damaged chiller. This emergency/quick purchase was required due to a situation in which immediate repairs were needed to prevent further loss or damage to University property.

The University contracted with Henson Robinson Company for \$152,389 to provide roof repair/replacement. This emergency/quick purchase was required due to a situation in which immediate repairs were needed to prevent further loss or damage to University property. The building sustained roof damage from high winds.

The University extended their contract with Carrier Rental Systems for a total of \$140,671 for temporary chiller equipment. This emergency/quick purchase was required due to a situation in which immediate repairs were needed to prevent further loss or damage to University property after a fire at the University's chiller plant.

**State of Illinois  
Illinois State University**

**Bookstore Information  
For the Year Ended June 30, 2017  
(Unaudited)**

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The University has a contractual arrangement for bookstore operations on campus. The University's contract is for the period July 1, 2013, through June 30, 2018. The contract with the bookstore requires commissions to be paid to the University based on the following terms:

1. 11.0% of gross sales up to \$2,000,000; plus
2. 12.0% of gross sales from \$2,000,000 to \$2,500,000; plus
3. 14.0% of gross sales over \$2,500,000.

Bookstore gross sales and University commissions were as follows:

<u>Fiscal Year</u>	<u>Bookstore Sales</u>	<u>Commission</u>
\$ 2,017	\$ 2,999,562	\$ 349,939
\$ 2,016	2,882,019	333,483
\$ 2,015	2,669,138	303,679

The University received a signing amount of \$75,000 and a guaranteed commission of \$300,000 in the first year of the new contract.

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 Years Ended June 30, 2017 and 2016  
(Unaudited)**

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	<u>2017</u>	<u>2016</u>
Total University Budget as Approved by the Board of Trustees	\$422,246,900	\$422,246,900
<b>Performance Indicators</b>		
Degrees conferred	5,374	5,392
Retention rate (fall to fall)	80.6%	81.1%
Graduation rate (6 year)	68.8%	72.2%
<b>Enrollment Statistics (FTE)</b>		
Resident Undergraduate	16,369	16,617
Non-Resident Undergraduate	456	438
Resident Graduate/Professional	1,044	1,048
Non-Resident Graduate/Professional	438	429

Note: The information within this schedule was provided by the University's Office of Planning, Research, and Policy Analysis.

**State of Illinois  
Illinois State University**

**Special Data Requirements for University Audits  
Years Ended June 30, 2017 and 2016  
(Unaudited)**

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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, 2017, 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, 2017.

**Indirect Cost Reimbursements**

- 13(b) A statement of the sources and application of indirect cost recoveries is presented on Schedule 15 within this report on page 52.
- 13(c) The University's calculation sheet for indirect cost carryforward and any required remittance to the University's Income Fund is presented within this report on page 72.

**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, 2017.

**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 within this report on pages 56-57.
- 13(f) The present financial statements for each accounting entity are presented on Schedules 9 through 14 within this report on pages 46-51. These entity financial statements should be read in conjunction with the University's audited financial statements for the year ended June 30, 2017.
- 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 within this report on pages 64-71.

**State of Illinois  
Illinois State University**

**Special Data Requirements for University Audits (Continued)  
Years Ended June 30, 2017 and 2016  
(Unaudited)**

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**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 \$3,926,950 of group insurance expense and \$5,362,160 of retirement plan contributions were paid from State appropriated funds for the year ended June 30, 2017. These payments are shown in the University's financial statements as "Payments on behalf of the University."
- 13(i) The revenues and expenses for various bond indenture accounts are presented within the University's Condensed Statements of Net Position, Condensed Statements of Revenues, Expenses and Changes in Net Position, and Condensed Statements of Cash Flows for the University's Auxiliary Facilities System within the financial audit report in Note 22 on pages 62-65.
- Further, the present financial statements for Housing, Student Activities, and Parking entities are presented in Schedules 13-14 within this report on pages 50-51. A description of the Housing, Student Activities, and Parking entities' sources of revenues and purpose are presented within this report on pages 56-57.
- 13(j) There was a violation of the bond covenants identified during the financial audit and compliance examination of the Illinois State University for the year ended June 30, 2017 (see finding 2017-002 on pages 17-18 for more information).
- 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 on pages 86-87.
- 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 on pages 86-87.
- 13(o) A disclosure of the cumulative amount of unreimbursed subsidies to the Illinois State University Foundation is presented within this report on page 86.

**State of Illinois  
Illinois State University**

**Special Data Requirements for University Audits (Continued)  
Years Ended June 30, 2017 and 2016  
(Unaudited)**

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**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 in Note 9 on pages 40-47.

**Other Topics**

- 13(q) The Comparative Schedule of Cash and Temporary Cash Equivalents, at cost, is presented in Schedule 6 within this report on page 43. The Comparative Schedule of Investments, at cost, is presented in Schedule 7 within this report on page 44.
- 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 on page 79.
- 13(t) The University did not purchase any real estate with an acquisition cost in excess of \$250,000 that was not funded by a separate, specific appropriation from the General Assembly.
- 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 in Note 9 on pages 40-47.

**Other Schedules for Universities**

- 13(1) An analysis of State appropriations to the University is presented in Schedules 2-3 within this report on pages 38-39. In addition, the University's analysis of significant variations in appropriated expenditures and significant spending during the Lapse Period is presented within this report on pages 58-59.
- 13(2) A Comparative Schedule of Revenues and Expenses for the University's Income Fund is presented in Schedule 4 within this report on page 41.
- 13(3) Separate schedules of tuition and fee waivers for undergraduate and graduate students, respectively, are presented within this report on pages 88-89.

**State of Illinois  
Illinois State University**

**Summary of Foundation Transactions with the University  
Years Ended June 30, 2017 and 2016  
(Unaudited)**

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

During fiscal years 2017 and 2016, Illinois State University engaged the Foundation, under contract, to provide development and fundraising services. In addition, the University contributed services and expenditures in the amount of \$2,446,698 and \$2,248,812 during fiscal years 2017 and 2016, 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 2017 and 2016. During fiscal years 2017 and 2016, the Foundation contributed services and expenditures of \$8,893,470 and \$11,378,773, respectively that were for the direct and/or indirect support of the University.

The Foundation is a related organization formed to support in various ways the University's instructional, research and public service missions. Effective July 1, 2016, the Foundation renewed the Support Agreement, for an additional one year, with the University Board of Trustees (acting for and on behalf of the University) whereby the University agrees to provide to the Foundation fair and reasonable compensation in exchange for development and fundraising services up to a maximum value. The maximum value under the agreement was \$2,518,000 for the years ended June 30, 2017 and 2016. Under terms of the agreements, the University provided in-kind support in the form of personnel, office space, office equipment, computer support and communication services estimated at \$2,446,698 and \$2,248,812 during fiscal years 2017 and 2016, respectively. During these years, the direct and/or indirect support of the University, as well as the scholarships provided by the Foundation, exceeded the valued provided by the University under the agreement.

As of June 30, 2017 and 2016, the Foundation had payables to the University of \$985,244 and \$2,837,303, respectively. In addition, at June 30, 2017 and 2016, the Foundation had no receivables from the University.

In June 2007, Launching Futures II, LLC invested in real estate for \$600,631 for use by the University as a remote parking lot. Concurrently, Launching Futures II, LLC signed a lease agreement with the University for the real estate providing for annual payments of \$49,992 from the University to Launching Futures II, LLC. The lease had a five-year term that the University renewed for an additional five years during May 2013. \$24,996 was paid during fiscal year 2016 before cancelling the lease mid-year. No future lease payments will be received from the University.

In fiscal year 2009, Launching Futures, LLC acquired real estate for approximately \$6.3 million that was being leased by the University from an outside party. Once the sales contract was signed, the University continued to lease the property from the seller until the initial closing. The acquired real estate serves as the University's Alumni Center. To assist with construction improvement costs, the University made a \$3 million prepaid rent payment in July 2008. Launching Futures, LLC leases the property to the University at \$19,167 per month. Also, the University and Foundation are amortizing the \$3 million prepaid rent over a ten-year period at \$300,000 per year.

During fiscal years 2017 and 2016, the Foundation contributed services and expenditures of \$6,332,443 and \$5,905,001, respectively, that were for the direct and/or indirect support of the University. The Foundation also contributed \$2,561,027 and \$5,473,772, respectively, in student aid, scholarships, and awards to the University. These amounts were applied directly to the students' University accounts.

**State of Illinois  
Illinois State University**

**Summary of Foundation Transactions with the University (Continued)  
Years Ended June 30, 2017 and 2016  
(Unaudited)**

As of and during the year ended June 30, 2017, the University and Foundation had the following inter-entity transactions:

Illinois State University	Illinois State University Foundation			
	Accounts Payable	Unearned Revenue	Operating Expense	Nonoperating Expense
Accounts receivable, net	\$ 176,768	\$ -	\$ -	\$ -
Prepaid expense	-	300,000	-	-
Assets held in custody for others	808,476	-	-	-
Other operating revenues	-	-	6,150,361	-
Other nonoperating revenues	-	-	180,005	13,003
<b>Total</b>	<b>\$ 985,244</b>	<b>\$ 300,000</b>	<b>\$ 6,330,366</b>	<b>\$ 13,003</b>

Note: There was an additional \$15,991 of on-behalf support from the Foundation on the University's books for the fair market value of gifts in kind that were not included on the Foundation's books.

As of and during the year ended June 30, 2016, the University and Foundation had the following inter-entity transactions:

Illinois State University	Illinois State University Foundation			
	Accounts Payable	Unearned Revenue	Operating Expense	Nonoperating Expense
Prepaid expense	\$ 600,000	\$ -	\$ -	\$ -
Other operating revenues	-	-	255,000	-
Operating expenses - auxiliary	-	24,996	-	-
Other nonoperating revenues	-	-	-	1,557,220
<b>Total</b>	<b>\$ 600,000</b>	<b>\$ 24,996</b>	<b>\$ 255,000</b>	<b>\$ 1,557,220</b>

Note: The University did not include \$4,092,781 of indirect support from the Foundation in its June 30, 2016, Statement of Revenues, Expenses and Changes in Net Position.

**State of Illinois  
Illinois State University**

**Undergraduate Tuition and Fee Waivers  
For the Year Ended June 30, 2017  
(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
<b>Mandatory Waivers</b>					
Teacher Special Education	384	384	\$ 3,972.8	384	\$ 1,058.7
Reserve Officer's Training Corps	52	52	450.6	52	14.5
Wards of Illinois Department of Children and Family Services	25	25	181.1	25	41.3
Veterans Grants and Scholarships	305	305	2,358.6	305	281.2
Children of Employees	347	347	1,658.0	-	-
Subtotal*	1,103	1,103	8,621.1	766	1,395.7
<b>Discretionary Waivers</b>					
Faculty/Administrators (Non-Civil Service)	3	3	11.2	3	2.6
Civil Service	58	58	202.3	58	44.2
Children of Deceased Employees	6	6	57.6	6	12.1
Athletic	396	396	3,252.5	-	-
Academic/Other Talent	432	602	1,824.5	-	-
Foreign Exchange Students	61	61	372.6	-	-
Student Need-Financial Aid	91	91	322.9	-	-
Graduate Assistants	9	9	55.0	-	-
Cooperating Professionals	-	-	-	-	-
Subtotal*	1,045	1,045	6,098.6	67	58.9
Total *	2,148	2,148	\$ 14,719.7	833	\$ 1,454.6

\* Recipients are only counted once in the number of recipients for total waivers. Therefore, the sum of mandatory waiver and discretionary waiver recipients may not equal the total waivers reported. The total waiver value of waivers is cumulative; therefore, the values should equal together.

**State of Illinois  
Illinois State University**

**Graduate Tuition and Fee Waivers  
For the Year Ended June 30, 2017  
(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
<b>Mandatory Waivers</b>					
Teacher Special Education	17	17	\$ 89.0	17	\$ 24.0
Children of Employees	2	2	2.7	-	-
Veterans Grants and Scholarships	24	24	104.7	24	22.8
Subtotal*	43	43	196.4	41	46.8
<b>Discretionary Waivers</b>					
Faculty/Administrators (Non-Civil Service)	139	139	529.3	139	107.4
Civil Service	75	75	285.0	75	57.9
Cooperating Professionals	341	341	879.4	-	-
Athletic	7	7	41.6	-	-
Academic/Other Talent	296	296	540.1	1	0.7
Foreign Exchange Students	36	36	142.6	-	-
Graduate Assistants	969	969	10,136.0	-	-
Retired University Employees	2	2	1.6	2	0.3
Subtotal*	1,779	1,779	12,555.6	217	166.3
Total *	1,822	1,822	\$ 12,752.0	258	\$ 213.1

\* Recipients are only counted once in the number of recipients for total waivers. Therefore, the sum of mandatory waiver and discretionary waiver recipients may not equal the total waivers reported. The total waiver value of waivers is cumulative; therefore, the values should equal together.