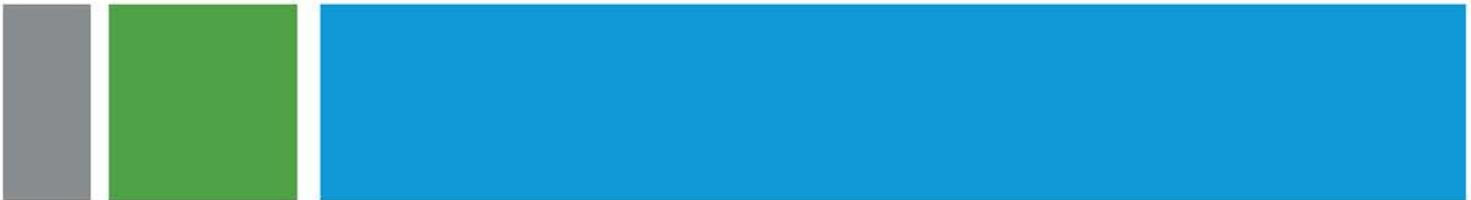


**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY**

**COMPLIANCE EXAMINATION
(In Accordance With the Single Audit Act
and Applicable Federal Regulations)
For the Year Ended June 30, 2018**

**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, 2018**

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FINANCIAL STATEMENT REPORT

The annual financial statements of the University as of and for the year ended June 30, 2018, 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, 2018

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State of Illinois
Illinois State University
Compliance Examination
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**State of Illinois
Illinois State University**

**Agency Officials
For the Year Ended June 30, 2018**

University Officials

Chair of the Board of Trustees	Mr. Rocky Donahue
President	Dr. Larry Dietz
Vice President for Finance and Planning	Mr. Dan Stephens
Vice President for Academic Affairs and Provost	Dr. Jan Murphy
Vice President for Student Affairs	Dr. Levester Johnson
Vice President for University Advancement	Mr. Pat Vickerman
Interim Comptroller	Mr. Doug Schnittker
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
Member	Mr. John Rauschenberger
Member	Ms. Sharon Rossmark
Student Member	Mr. Ryan Powers (07/01/16 – 06/30/17) 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

November 30, 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 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 Illinois State University's compliance with the following assertions during the one-year period ended June 30, 2018. Based on this evaluation, we assert that during the year ended June 30, 2018, Illinois State University has materially complied with the assertions below.

- A. 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. 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. 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 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 Illinois State University on behalf of the State or held in trust by 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 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, 2018**

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, disclaimers, or other significant non-standard language.

Summary of Findings

<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	9	7
Repeated findings	3	2
Prior recommendations implemented or not repeated	4	2

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
Findings (Government Auditing Standards)			
2018-001	15	Inadequate Control over Accounting and Financial Reporting	Significant Deficiency
2018-002	17	Information Security Related Weaknesses	Significant Deficiency
Findings (Federal Compliance)			
2018-003	19	Noncompliance with Institutional Eligibility Requirements	Noncompliance and Significant Deficiency
2018-004	21	Noncompliance with Eligibility Requirements	Noncompliance and Significant Deficiency
Findings (State Compliance)			
2018-005	22	Noncompliance with the Student Transfer Achievement Reform Act	Noncompliance and Significant Deficiency
2018-006	24	Inadequate Control over Property and Equipment	Noncompliance and Significant Deficiency
2018-007	26	Noncompliance with the University Faculty Research and Consulting Act	Noncompliance and Significant Deficiency
2018-008	28	Inadequate Controls over Procurement and Contracting Functions	Noncompliance and Significant Deficiency
2018-009	30	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, 2018**

Findings (State Compliance)

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.

2018-001	15	Inadequate Control over Accounting and Financial Reporting	Noncompliance and Significant Deficiency
2018-002	17	Information Security Related Weaknesses	Noncompliance and Significant Deficiency

Prior Findings Not Repeated

A	31	Inadequate Control over Reporting Restricted Accounts
B	31	Noncompliance with Bond Covenants
C	31	Noncompliance with the Illinois Vehicle Code
D	31	Noncompliance with the Illinois Human Rights Act

Exit Conference

The findings and recommendations appearing in this report were discussed with University personnel at an exit conference on November 21, 2018. Attending were:

University:

Dan Stephens	Vice President for Finance and Planning
Doug Schnittker	Interim Comptroller
Erika Jones	Accounting Associate
Robert Blemler	Director – Internal Audit
Rendi Cottrell	Assistant Treasurer

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	Senior Manager
Erik Ginter, CPA	Supervisor

The responses to the recommendations were provided by Ms. Erika Jones, Accounting Associate, in correspondence dated November 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 management's assertion the Illinois State University complied with the compliance 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, 2018. The Illinois State University's management is responsible for compliance with these requirements as described in its assertion. Our responsibility is to express an opinion on management's assertion regarding 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 management's assertion the Illinois State University complied with the specified requirements listed above is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion 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 misstatement of management's assertion resulting from 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.

In our opinion, in accordance with management's assertion, 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, 2018. 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 2018-001, 2018-002, and 2018-005 through 2018-009.

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.

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. *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.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002, and 2018-005 through 2018-009, that we consider 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 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 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 units of the Illinois State University as of and for the year ended June 30, 2018, and have issued our report thereon dated November 30, 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 units, 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 November 30, 2018. The accompanying supplementary information for the year ended June 30, 2018, in Schedules 1 through 14 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, 2018, in Schedules 1 through 14 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, 2018, in Schedules 1 through 14 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2018.

We also 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, 2017 (not presented herein), and have issued our report thereon dated March 1, 2018, which contained an unmodified opinion 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. The accompanying supplementary information for the year ended June 30, 2017, in Schedules 1 through 14 is the responsibility of management and was derived from an relates directly to the underlying accounting and other records used to prepare the June 30, 2017, financial statements. The accompanying supplementary information for the year ended June 30, 2017, in Schedules 1 through 14, has been subjected to the auditing procedures applied by us and the other auditors in the audit of the June 30, 2017, 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 14 is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived.

The accompanying supplementary information 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
November 30, 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***

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 units, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2018, 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 November 30, 2018. Our report includes a reference to other auditors who audited the financial statements of the Illinois State University's discretely presented component units, 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2018-001 and 2018-002 that we consider to be significant deficiencies.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

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Schaumburg, Illinois
November 30, 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, 2018. 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, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-003 and 2018-004. Our opinion on each major federal program is not modified with respect to these matters.

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

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 and therefore, material weaknesses and significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-003 and 2018-004 that we consider to be significant deficiencies.

The Illinois State University's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Illinois State University's responses were not subjected to the auditing procedures applied in the audit of compliance 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 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 units of the Illinois State University as of and for the year ended June 30, 2018, 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 November 30, 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 units, 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 November 30, 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
November 30, 2018

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

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)? X Yes No
- Material weakness(es) identified? Yes X No

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

 Yes X No

Federal Awards

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

- Significant deficiency(ies) identified? X Yes 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)?

 X Yes No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Student Financial Assistance Cluster	84.007 84.033 84.038 84.063 84.268 84.379 93.364
Career and Technical Education State Grants	84.048
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
The University qualified as low-risk auditee?	<u> </u> Yes <u> X </u> N

**State of Illinois
Illinois State University**

**Schedule of Findings
For the Year Ended June 30, 2018**

Current Findings – Government Auditing Standards

Finding 2018-001 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:

- During testing of the University's capital assets, we noted the University did not capitalize retainage – which represents a portion of a construction contract withheld by the University and reported as a liability until the project is determined to be substantially completed – of \$1,391,329 on the Bond Student Center Revitalization Project. University management corrected this error in the University's final financial statements.
- The University did not properly capitalize capital asset additions of \$803,968 in the proper fiscal year. This amount was deemed immaterial by University management and was not corrected in the University's final financial statements; however, we 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 and be reported at historical cost.

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 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. Additionally, good internal controls over financial reporting include establishing and maintaining a system, or systems, of internal administrative controls to provide assurance the University's accounting functions comply with GAAP. 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 indicated these 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. 2018-001, 2017-003)

**State of Illinois
Illinois State University**

**Schedule of Findings (Continued)
For the Year Ended June 30, 2018**

Current Findings – *Government Auditing Standards*

Finding 2018-001 Inadequate Control over Accounting and Financial Reporting (Continued)

Recommendation

We recommend the University enhance its internal control over financial reporting to ensure transactions are properly reported, including capital asset additions and retainage.

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, 2018**

Current Findings – Government Auditing Standards

Finding 2018-002 Information Security Related Weaknesses

The Illinois State University (University) had computer security related weaknesses.

The University relies on its computing environment for maintaining several critical, sensitive, and/or confidential systems used to meet the University's needs.

During our review, we identified the following security-related weaknesses:

- The University had policies and procedures related to user access management which had not been updated for several years and did not reflect the current environment.
- Access was not always timely removed upon employee termination. For example, we found one former Database Administrator had administrator access privileges within the University's network used to process credit card transactions. Additionally, we found one out of the 25 sampled of terminated users still had access to the University's network.
- Required quarterly user access reviews of the University's primary financial system were not formally documented. Additionally, University personnel stated the reviews performed did not include system administrators.
- Password change requirements stated in the University policy were not being enforced to all users. We found several thousand user-IDs, some of which had administrative access privileges, were not forced to change their passwords.
- Formal periodic reviews of firewall configuration rules were not performed.

Generally accepted information systems audit guidance endorses the development of computer security policies that adequately address the current technological environment and well-designed and well-managed controls to protect computer systems and data.

University management stated that changes to University-wide policies and procedures takes time for review and approvals by all parties concerned, thus contributing to the delay in making all of them current. The review of user access had been focused on non-IT administrators. With regard to the password policy, the University is transitioning to the use of an identity management tool across all applicable systems. The passwords are for mostly service accounts, not all of which can be transferred or changed. Finally, although informal reviews of firewall configurations are periodically performed, the University formally documents the review only when there are exceptions.

Failure to properly terminate user access, formally review access, enforce periodic password changes, or routinely review firewall configurations could result in unauthorized access and modification to University systems. (Finding Code No. 2018-002)

**State of Illinois
Illinois State University**

**Schedule of Findings (Continued)
For the Year Ended June 30, 2018**

Current Findings – Government Auditing Standards

Finding 2018-002 Information Security Related Weaknesses (Continued)

Recommendation

We recommend the University enhance computing resource security and controls. Specifically, we recommend the University:

- Update the policies and procedures related to user access management to reflect the current environment. Additionally, policies and procedures should be periodically reviewed to reflect changes in process and new systems.
- Ensure that access of terminated employees is removed in a timely manner.
- Perform and document quarterly reviews as required and include all users, including system administrators, in the reviews.
- Ensure password requirements comply with policies and are consistently enforced to all users.
- Ensure firewall configurations are periodically reviewed and documented to ensure the configurations are adequate for safeguarding University computer resources.

University Response

The University agrees with the recommendation.

- Policies and procedures are being updated to reflect the current system environment.
- The University will continue to work on new off-boarding procedures to document terminated employees and remove access in a timely manner.
- The University will continue to perform quarterly access review, including administrators.
- The University is transitioning to the use of an identity management tool that will ensure our ULID password policy is enforced.
- The University will continue to perform its periodic review of firewall configurations and document exceptions as identified.

**State of Illinois
Illinois State University**

**Schedule of Findings (Continued)
For the Year Ended June 30, 2018**

Current Findings – Federal Compliance

Finding 2018-003 Noncompliance with Institutional Eligibility Requirements

Federal Agency: Department of Education
Program Name: Student Financial Assistance
CFDA Numbers: 84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.364
Program Expenditures: \$140,860,057
Questioned Costs: None

The Illinois State University (University) did not meet certain reporting requirements to the Secretary of the U.S. Department of Education (Secretary).

During testing, we noted one of one (100%) changes in the University's Board of Trustees during the examination period was not reported to the Secretary.

The Code of Federal Regulations (Code) (34 C.F.R. § 600.21(a)) requires the University to report, within 10 days of an occurrence, any changes in its governance to the Secretary. Further, the Code (2 C.F.R. § 200.303(a)) requires the University establish and maintain effective internal control over federal awards to provide reasonable assurance the University is managing its federal awards in compliance with federal statutes, regulations, and the terms and conditions of a specific grant.

University officials indicated this condition was due to human error.

Failure to report a change in the University's governance to the Secretary within 10 days of occurrence represents noncompliance with the Code and could impact the University's institutional eligibility under the Higher Education Act of 1965. (Finding Code 2018-003)

Recommendation

We recommend the University adopt procedures to ensure changes in its governance are timely reported to the Secretary.

University Response

Although the University understands the auditors' interpretation, we would note that this interpretation is not consistent with the U.S. Department of Education published guidance for the following reasons:

- 34 CFR 600.21(a)(9) requires a change in governance to be reported within 10 days. Neither the regulations nor the guidance define the term change in governance.
- The available analogous examples for changes requiring reporting include a change in a person's ability to substantially affect the actions of the institution, including a person representing at least 25% ownership rights or the CEO or CFO. 34 CFR 600.21(a)(6) The student trustee represents one of eight board members and is required to change annually by State statute. For a change of control representing a voting interest, a 25% change in voting interest is the U.S. Department of Education regulatory standard. 34 CFR 600.31(c)(3)(iii).

**State of Illinois
Illinois State University**

**Schedule of Findings (Continued)
For the Year Ended June 30, 2018**

Current Findings – Federal Compliance

Finding 2018-003 Noncompliance with Institutional Eligibility Requirements (Continued)

University Response (Continued)

- Question 20 from the E-App indicates that public universities are not required to complete that section, an indication that reporting Board members has not been required.
- The examples of changes at public institution are defined as a new governing authority (i.e., a completely new governing body, not one member). See IFAP, Vol. 2-118.

The University has requested the U.S. Department of Education provide guidance on this point and will put procedures in place to report changes consistent with that guidance and reported on the E-app system in a timely manner.

The U.S. Department of Education has been provided with the most current changes in Board of Trustees.

**State of Illinois
Illinois State University**

**Schedule of Findings (Continued)
For the Year Ended June 30, 2018**

Current Findings – Federal Compliance

Finding 2018-004 Noncompliance with Eligibility Requirements

Federal Agency: Department of Education
Program Name: Student Financial Assistance
CFDA Numbers: 84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.364
Program Expenditures: \$140,860,057
Questioned Costs: None

The Illinois State University (University) did not timely report status changes in student enrollment to the U.S. Department of Education (Department) on the National Student Loan Data System for Students (NSLDS).

During testing, we noted two of forty (5%) students selected for withdrawal testing enrollment status change were reported 116 and 126 days late. The sampling methods used in performing this testing were not statistically valid.

The Code of Federal Regulations (Code) (34 C.F.R. § 685.309(b)(2)) requires the University to report within 30 days after the school discovers a student has ceased to be enrolled on at least a half-time basis. Further, the Code (2 C.F.R. § 200.303(a)) requires the University establish and maintain effective internal control over federal awards to provide reasonable assurance the University is managing its federal awards in compliance with federal statutes, regulations, and the terms and conditions of a specific grant.

University officials indicated these errors were due to human error.

Failure to report a change in student enrollment to the Department within 30 days of occurrence represents noncompliance with the Code and could impact the University's institutional eligibility under the William D. Ford Federal Direct Loan Program. (Finding Code 2018-004)

Recommendation

We recommend the University adopt procedures to ensure changes in student enrollment are timely reported to the Department.

University Response

The University agrees with the recommendation. The University will ensure enrollment changes are reported in compliance with the Regulations.

**State of Illinois
Illinois State University**

**Schedule of Findings (Continued)
For the Year Ended June 30, 2018**

Current Findings – State Compliance

Finding 2018-005 Noncompliance with the Student Transfer Achievement Reform Act

The Illinois State University (University) did not fully implement the Student Transfer Achievement Reform Act (Act).

During testing, we noted the following:

- The University did not ensure all of its majors allowed for students transferring under the Act to take no more than 60 additional credit hours to complete the student's program of study.

The Act (110 ILCS 150/20(a)) requires the University to not require students transferring pursuant to the Act to take more than 60 additional semester units beyond the lower-division major requirements for majors requiring 120 semester units, provided the student remains enrolled in the same program of study and completed the University's major transfer requirements.

- The University has not entered into agreements with the State of Illinois, Board of Higher Education (Board) to exempt majors which require more than 120 credit hours to graduate from the requirements of the Act.

The Act (110 ILCS 150/20(a)) allows the University to exempt certain high unit majors from the Act by entering into an agreement between the University's Board of Trustees and the Board of Higher Education.

According to University officials, the following majors are not in compliance with the requirements of the Act described in the preceding two bullet points:

- 1) Accountancy BS/MPA – Accountancy and Information Systems
- 2) Accountancy BS/MPA – Professional Accountancy
- 3) Elementary Education – Bilingual/Bicultural Teacher Education
- 4) Biological Sciences – Biology Teacher Education
- 5) Business Education – Business Teacher Education
- 6) Business Education – Training and Development
- 7) Early Childhood Education
- 8) Elementary Education
- 9) History – Social Sciences Teacher Certification
- 10) Middle Level Teacher Education
- 11) Music Education – Choral/General/Keyboard
- 12) Music Education – Choral/General/Vocal
- 13) Music Education – Instrumental/Band
- 14) Music Education – Instrumental/Orchestra
- 15) Special Education – Specialist in Deaf and Hard of Hearing
- 16) Theatre – Dance Teacher Education
- 17) Theatre – Theatre Teacher Education

**State of Illinois
Illinois State University**

**Schedule of Findings (Continued)
For the Year Ended June 30, 2018**

Current Findings – State Compliance

**Finding 2018-005 Noncompliance with the Student Transfer Achievement Reform Act
(Continued)**

Good internal controls over compliance include establishing and maintaining a system, or systems, of internal administrative controls to provide assurance the University's operations comply with applicable laws, rules, and regulations.

University officials indicated this condition was due to other competing priorities.

Failure to ensure all majors comply with the Act and majors requiring coursework beyond 120 credit hours are exempted pursuant to an agreement between the University's Board of Trustees and the Board represents noncompliance with the Act and could result in students (1) not being able to complete their studies in a timely manner and (2) incurring additional higher education costs. (Finding Code No. 2018-005)

Recommendation

We recommend the University implement controls to ensure that all majors allow for students to take no more than 60 additional credit hours in accordance with the Act. Also, we recommend the University enter into agreements with the Board to exempt majors requiring more than 120 credit hours from the requirements of this Act.

University Response

The University agrees with the recommendation. The University will work with the Illinois Board of Higher Education to ensure proper compliance.

**State of Illinois
Illinois State University**

**Schedule of Findings (Continued)
For the Year Ended June 30, 2018**

Current Findings – State Compliance

Finding 2018-006 Inadequate Control over Property and Equipment

The Illinois State University (University) lacked adequate control over its property deletions.

During testing, we noted the following:

- Twenty-three of 40 (58%) deletions tested, totaling \$212,166, were removed from the University's property listing between 36 and 276 days after the item was traded-in, scrapped, transferred to the Department of Central Management Services (CMS) or identified as stolen or missing. Of the 23 noted items, nine items totaling \$189,952 exceeded the University's capitalization policy for inclusion as capital assets on the University's Financial Statements. Of those nine items, one item totaling \$19,965 was disposed in fiscal year 2017, but the transaction to adjust the asset's original cost, accumulated depreciation, depreciation expense and any associated gain or (loss) on the transaction was not recorded until fiscal year 2018.

The Code (44 Ill. Admin. Code 5010.400) requires the University adjust its property records within 30 days of acquiring, changing or deleting an equipment item. Additionally, in accordance with generally accepted accounting principles (GAAP), a capital asset should be reported at original cost, with an offset of an accumulation of each year's depreciation expense, until the capital asset is disposed of by a government.

- Four of 40 (10%) deletions tested, totaling \$23,709, did not have approval from CMS for disposal. Two of the noted items, a round baler and a mower, were traded-in by the University. The other two noted items, a 50" plasma television and an incubator, were scrapped by the University. The Code (44 Ill. Admin. Code 5010.610) requires the University to obtain approval from the Property Control Division within CMS prior to disposing of equipment by trading in the equipment or scrapping items with no value. Further, the State Property Control Act (30 ILCS 605/4) requires the University be accountable for the supervision, control and inventory of its property to the Director of CMS.
- One of six (17%) missing and stolen equipment deletions tested, totaling \$850, did not have adequate monitoring and analysis over the potential exposure of sensitive information. During our discussions with University officials concerning this laptop, they were ultimately unable to determine if confidential information had been exposed.

The Personal Information Protection Act (815 ILCS 530/12) requires the University to notify State residents at no charge for a breach of security over system data without reasonable delay following the discovery of the breach and, depending on the size of the breach, notify consumer reporting agencies and the State's Attorney General.

**State of Illinois
Illinois State University**

**Schedule of Findings (Continued)
For the Year Ended June 30, 2018**

Current Findings – State Compliance

Finding 2018-006 Inadequate Control over Property and Equipment (Continued)

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance resources applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

In addition, good internal controls over compliance include establishing and maintaining a system, or systems, of internal administrative controls to provide assurance the University's operations comply with applicable laws, rules, and regulations.

University officials indicated these conditions were due to oversight.

Failure to ensure disposed equipment is approved for disposal and timely removed from the University's property records represents noncompliance with State laws and regulations and increases the risk capital assets will not be fairly presented on the University's financial statements. (Finding Code No. 2018-006)

Recommendation

We recommend the University implement controls to ensure that deletions are removed from the property listing in a timely manner, approval is obtained from CMS prior to trading in or scrapping equipment, and monitoring lost or stolen equipment for sensitive information.

University Response

The University agrees with the recommendation. The University will monitor procedures to ensure more timely and accurate reporting of disposals of property and equipment.

**State of Illinois
Illinois State University**

**Schedule of Findings (Continued)
For the Year Ended June 30, 2018**

Current Findings – State Compliance

Finding 2018-007 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 2018, faculty members reported 125 instances of outside employment to the University Provost. During testing, we noted the following:

- 67 of 125 (54%) 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 459 days late.
- 48 of 123 (39%) 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, 2018. The total number of cases was reduced to reflect two employees who retired prior to the due date of the Form PERS 928.

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."

In addition, good internal controls over compliance include establishing and maintaining a system, or systems, of internal administrative controls to provide assurance the University's operations comply with applicable laws, rules, and regulations.

University officials indicated these conditions were due to employee oversight.

**State of Illinois
Illinois State University**

**Schedule of Findings (Continued)
For the Year Ended June 30, 2018**

Current Findings – State Compliance

**Finding 2018-007 Noncompliance with the University Faculty Research and Consulting Act
(Continued)**

Failure to ensure faculty members with outside research, consulting services, or employment obtain written pre-approval from the University Provost and file annual reports with the University Provost 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. 2018-007, 2017-005, 2016-003, 2015-002, 2014-003, 2013-005, 12-5)

Recommendation

We recommend the University Provost implement internal controls to ensure faculty members with outside research, consulting services, or employment receive written pre-approval to conduct the requested activity and annually disclose 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.

Schedule of Findings (Continued)
For the Year Ended June 30, 2018

Current Findings – State Compliance

Finding 2018-008 Inadequate Controls over Procurement and Contracting Functions

The Illinois State University (University) did not exercise adequate internal controls over its procurement and contracting functions, including circumventing competitive selection requirements.

During testing, we noted the following:

- The University's purchase of a lawn mower circumvented the competitive selection requirements of the Illinois Procurement Code (Code) by misapplying the small purchase exception. During our testing of 40 equipment deletions, we noted one (3%) deleted item was a lawn mower that was traded-in by the University to a vendor as part of financing the purchase of a new lawn mower. After a trade-in allowance of \$8,500 was applied against the \$104,900 purchase price of the lawn mower, the University paid the vendor \$96,400 in cash.

The Code (30 ILCS 500/1-5) states the State's general policy to apply the principles of competitive bidding and economical procurement practices to all purchases and contracts entered into by the State. Further, the Code (30 ILCS 500/20-20(a)) specifically exempts small purchases from competitive source selection if the amount of an individual procurement does not exceed \$100,000.

- Three of 25 (12%) contracts tested, totaling \$6,792,541 in obligations related to fiscal year 2018, had errors or omissions, including the following:

- o One noted contract, totaling \$393,041, did not have a completed Contract-Obligation Document (Form C-23) on file with the Office of the State Comptroller (Comptroller).

The Statement Accounting Management System (SAMS) (Procedure 15.20.10) requires the University to file a Form C-23 to obligate contracts entered into by the University.

- o One noted contract, totaling \$60,800, did not include the vendor's financial interest disclosures.

The Code (30 ILCS 500/50-35(a)) requires all bids and offers from responsive bidders, offerors, vendors or contractors to submit to the University a disclosure of the entity's financial interests if the annual value of the potential agreement exceeds \$50,000.

- o One noted contract, totaling \$6,338,700 in contractual obligations related to fiscal year 2018, was for a permanent improvement project that will be constructed over several years, totaling \$18,690,000. We noted the Form C-23 filed with the Comptroller by the University reported the total value of this contract over all fiscal years associated with the construction project as \$8,690,000.

SAMS (Procedure 15.20.10) requires the University disclose the maximum contract amount of the agreement for both the current fiscal year and future fiscal years on the contract's Form C-23 filed with the Comptroller.

**State of Illinois
Illinois State University**

**Schedule of Findings (Continued)
For the Year Ended June 30, 2018**

Current Findings – State Compliance

**Finding 2018-008 Inadequate Controls over Procurement and Contracting Functions
(Continued)**

In addition, good internal controls over compliance include establishing and maintaining a system, or systems, of internal administrative controls to provide assurance the University's operations comply with applicable laws, rules, and regulations.

University officials indicated its purchase of the lawn mower did not go through the competitive selection due to a misunderstanding of whether the cost of a procurement was determined before or after the value of a trade-in item. Additionally, University officials indicated the remaining conditions were due to human error and oversight.

The competitive bidding process is essential to maintaining the integrity of the State's procurement process, as this method of procurement serves as a key control to ensure the State receives the most qualified vendors to provide goods and services at competitive prices. Bypassing this process jeopardizes the effectiveness of the University's procurement function, increases the risk the University will pay a higher cost for the products or services procured, and represents noncompliance with the Code. Further, failure to obtain financial disclosures from vendors increases the risk undisclosed conflicts may exist and represents noncompliance with the Code. Finally, failure to file complete and accurate Form C-23s hinders the ability of the Comptroller to track State obligations and represents noncompliance with SAMS. (Finding Code No. 2018-008)

Recommendation

We recommend the University apply the requirements of the competitive bidding process to all purchases over \$100,000, regardless of trade in offsets. In addition, the University should strengthen its internal controls over contracting to ensure vendors disclose financial interests when necessary and all Form C-23s are correctly completed and filed with the Comptroller.

University Response

The University agrees with the recommendations. Policies have been reviewed and adjusted to reflect current procurement requirements.

**State of Illinois
Illinois State University**

**Schedule of Findings (Continued)
For the Year Ended June 30, 2018**

Current Findings – State Compliance

Finding 2018-009 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, we noted University Policy 1.12 only requires positive time reporting for non-faculty employees. The faculty and graduate students within academic positions, academic/professional employees and some civil service employees 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.

In addition, good internal controls over compliance include establishing and maintaining a system, or systems, of internal administrative controls to provide assurance the University's operations comply with applicable laws, rules, and regulations.

University officials indicated they continue to work with 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. 2018-009, 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.

**State of Illinois
Illinois State University**

**Schedule of Findings (Continued)
For the Year Ended June 30, 2018**

Prior Findings Not Repeated

A. Finding – Inadequate Control over Reporting Restricted Accounts

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

During the current engagement, we did not identify any similar issues regarding the reporting of restricted balances within the financial statements. (Finding Code No. 2017-001)

B. Finding – Noncompliance with Bond Covenants

During the prior engagement, the Illinois State University (University) did not comply with its revenue bond covenants.

During the current engagement, our sample testing did not identify any similar issues regarding noncompliance with the University's bond covenants. (Finding Code No. 2017-002)

C. Finding – Noncompliance with the Illinois Vehicle Code

During the prior engagement, the Illinois State University (University) did not request an appropriation for its proportion of collegiate license plates sold to support scholarships for its in-State students.

During the current engagement, we noted the University requested an appropriation for its proportion of collegiate license plates sold. (Finding Code No. 2017-004)

D. Finding – Noncompliance with the Illinois Human Rights Act

During the prior engagement, the Illinois State University (University) did not comply with certain provisions of the Illinois Human Rights Act (Act).

During the current engagement, our sample testing did not identify any noncompliance of the Act. (Finding Code No. 2017-006)

**State of Illinois
Illinois State University**

**Supplementary Information for State Compliance Purposes
For the Years Ended June 30, 2018 and 2017**

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 2018
- Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
- Comparative Schedule of Income Fund Revenues and Expenses
- Schedule of Changes in State Property
- 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, 2018 and 2017**

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)
- 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)
 - Summary of INTO NA 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
ILLINOIS STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

Schedule 1

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed- Through to Subrecipients
STUDENT FINANCIAL ASSISTANCE CLUSTER				
U.S. Department of Education				
Federal Supplemental Education Opportunity Grants	(M) 84.007		\$ 534,666	\$ -
Federal Work-Study Program	(M) 84.033		900,387	-
Federal Perkins Loan Program, Beginning Loan Balance	(M) 84.038		8,245,970	-
Federal Perkins Loan Program, New Loans	(M) 84.038		852,763	-
Federal Perkins Loan Program, Administrative Cost Allowance	(M) 84.038		35,807	-
Federal Pell Grant Program	(M) 84.063		24,619,972	-
Federal Direct Student Loans	(M) 84.268		104,665,531	-
Teacher Education Assistance for College & Higher Education Grants (TEACH Grants)	(M) 84.379		374,690	-
<i>Total U.S. Department of Education Student Financial Assistance Cluster</i>			<u>140,229,786</u>	-
U.S. Department of Health and Human Services				
Nursing Student Loans, Beginning Loan Balance	(M) 93.364		529,371	-
Nursing Student Loans, New Loans	(M) 93.364		100,900	-
<i>Total U.S. Department of Health and Human Services Student Financial Assistance Cluster</i>			<u>630,271</u>	-
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			<u>140,860,057</u>	-
RESEARCH & DEVELOPMENT CLUSTER				
U.S. Department of Agriculture				
Agriculture and Food Research Initiative (AFRI)	10.31		158,122	35,906
Agriculture and Food Research Initiative (AFRI) (Passed through University of Minnesota)	10.31	H004568902	81,335	-
Agriculture and Food Research Initiative (AFRI) (Passed through University of Illinois at Urbana-Champaign)	10.31	086926-16471,2015-0731!	34,107	-
Agriculture and Food Research Initiative (AFRI) (Passed through University of Missouri)	10.31	C00042763-1	33,494	-
<i>Total U.S. Department of Agriculture R&D</i>	Total R&D 10.31		<u>307,058</u>	<u>35,906</u>
U.S. Department of Defense				
Scientific Research - Combating Weapons of Mass Destruction	12.351		55,091	-
Mathematical Sciences Grants Program	12.901		7,734	-
Investigation of Human-Machine Trust/Suspicion for Robust Autonomous Intelligence Surveillance and Reconnaissance Grant (Passed through SRA International, Inc.)	12.U01	SRAS002248-1	37,500	-
<i>Total U.S. Department of Defense R&D</i>			<u>100,325</u>	-
U.S. Geological Survey				
Assistance to State Water Resources Research Institutes (Passed through University of Illinois at Urbana-Champaign)	15.805	079901-16315	8,884	-
National Cooperative Geologic Mapping	15.810		11,286	-
<i>Total U.S. Geological Survey R&D</i>			<u>20,170</u>	-
U.S. Department of Justice				
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560		195,172	-
<i>Total U.S. Department of Justice R&D</i>			<u>195,172</u>	-
National Aeronautics and Space Administration				
Education (Passed through Orlando Science Center, Inc.)	43.008	964-2	13,577	-
<i>Total National Aeronautics and Space Administration R&D</i>			<u>13,577</u>	-
National Endowment for the Arts				
Promotion of the Arts - Grants to Organizations and Individuals	45.024		4,066	-
<i>Total National Endowment for the Arts R&D</i>			<u>4,066</u>	-

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Schedule 1

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed- Through to Subrecipients
National Science Foundation				
Mathematical and Physical Sciences	47.049		\$ 443,580	\$ -
Computer and Information Science and Engineering	47.070		160,216	-
Computer and Information Science and Engineering (Passed through University of Maryland Baltimore County)	47.070	0000019495	16,192	-
	Total R&D 47.070		<u>176,408</u>	<u>-</u>
Biological Sciences	47.074		490,413	3,000
Social, Behavioral, and Economic Sciences	47.075		50,502	-
Social, Behavioral, and Economic Sciences (Passed through University of Georgia)	47.075	RAPID	8,715	-
	Total R&D 47.075		<u>59,217</u>	<u>-</u>
Education and Human Resources	47.076		784,598	126,588
Education and Human Resources (Passed through Chicago State University)	47.076	53953	4,678	-
	Total R&D 47.076		<u>789,276</u>	<u>126,588</u>
	<i>Total National Science Foundation R&D</i>		<u>1,958,894</u>	<u>129,588</u>
U.S. Department of Energy				
Office of Science Financial Assistance Program (Passed through University of Wisconsin-Madison)	81.049	455K851	41,243	-
	<i>Total U.S. Department of Energy R&D</i>		<u>41,243</u>	<u>-</u>
U.S. Department of Education				
Career and Technical Education - Basic Grants to States (Passed through State of Illinois, State Board of Education)	84.048	18028	183,574	-
Special Education-State Personnel Development (Passed through Southern Illinois University at Edwardsville)	84.323	762224-001	6,505	-
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities (Passed through Salus University)	84.325	88402 16-17/88403 17-18	87,105	-
School Leadership	84.363		1,040,031	750,954
Mathematics and Science Partnerships (Passed through Decatur School District 61)	84.366	A17-0127/TEAMS	112,451	-
Mathematics and Science Partnerships (Passed through DuPage Regional Office of Education)	84.366	586-47-0429-4936-F	16,184	-
	Total R&D 84.366		<u>128,635</u>	<u>-</u>
Supporting Effective Instruction State Grants (Passed through State of Illinois, Board of Higher Education)	84.367	NCLB ITQ	33,368	-
Education Innovation and Research (Passed through DuPage Regional Office of Education)	84.411	EIR	31,736	-
Preschool Development Grants (Passed through State of Illinois, State Board of Education)	84.419	MY15446	204,837	-
Supporting Effective Educator Development Program	84.423		1,421,754	1,237,752
	<i>Total U.S. Department of Education R&D</i>		<u>3,137,545</u>	<u>1,988,706</u>
U.S. Department of Health and Human Services				
Cooperative Agreements to Promote Adolescent Health through School- Based HIV/STD Prevention and School-Based Surveillance (Passed through State of Illinois, State Board of Education)	93.079	MY 16532	19,445	-
Healthy Marriage Promotion and Responsible Fatherhood Grants Area Health Education Centers (Passed through University of Illinois at Chicago)	93.086		844,935	-
Environmental Health	93.107	16930	98,283	-
Cancer Cause and Prevention Research	93.113		66,580	-
	93.393		51,769	-

STATE OF ILLINOIS
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

Schedule 1

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed- Through to Subrecipients
U.S. Department of Health and Human Services (Continued)				
State Court Improvement Program (Passed through State of Illinois, Administrative Office of the Courts)	93.586	CIP-G-1602	\$ 39,141	\$ -
Arthritis, Musculoskeletal and Skin Diseases Research	93.846		220,006	-
Allergy and Infectious Diseases Research	93.855		215,183	15,726
Pharmacology, Physiology, and Biological Chemistry Research	93.859		66,495	-
Child Health and Human Development Extramural Research	93.865		75,035	-
<i>Total U.S. Department of Health and Human Services R&D</i>			<u>1,696,872</u>	<u>15,726</u>
TOTAL RESEARCH & DEVELOPMENT CLUSTER			<u>7,474,922</u>	<u>2,169,926</u>
OTHER PROGRAMS				
U.S. Department of Agriculture				
National School Lunch Program (Passed through State of Illinois, State Board of Education) (\$13,511 represents noncash awards)	10.555	4210	31,583	-
Child and Adult Care Food Program (Passed through State of Illinois, State Board of Education)	10.558	4226	5,999	-
<i>Total U.S. Department of Agriculture Non-R&D</i>			<u>37,582</u>	<u>-</u>
U.S. Department of Labor				
WIA/WIOA Dislocated Worker National Reserve Technical Assistance and Training (Passed through State of Illinois, Department of Commerce and Economic Opportunity)	17.281	17-354	284,621	75,000
<i>Total U.S. Department of Labor Non-R&D</i>			<u>284,621</u>	<u>75,000</u>
National Endowment for the Arts				
Promotion of the Arts - Grants to Organizations and Individuals	45.024		7,960	-
<i>Total National Endowment for the Arts Non-R&D</i>			<u>7,960</u>	<u>-</u>
U.S. Department of Education				
Adult Education - Basic Grants to States (Passed through State of Illinois, Illinois Community College Board)	84.002	AEL 16004	75,987	-
Special Education - Grants to States (Passed through State of Illinois, State Board of Education)	84.027	17-4630-LA, 18-4630-LA	85,001	-
TRIO_Student Support Services	84.042		298,962	-
Career and Technical Education - Basic Grants to States (Passed through State of Illinois, Illinois Community College Board)	(M) 84.048	F-ISU-CTEL17002,CTEL1	278,549	-
Career and Technical Education - Basic Grants to States (Passed through State of Illinois, State Board of Education)	(M) 84.048	4720	365,162	-
		Total Non R&D 84.048	<u>643,711</u>	<u>-</u>
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325		418,568	-
Teacher Quality Partnership Grants	84.336		2,312,098	398,547
Transition to Teaching	84.350		30,412	-
English Language Acquisition State Grants	84.365		76,905	-
Mathematics and Science Partnerships (Passed through DuPage Regional Office of Education)	84.366	586-47-0429-4936-F	13,959	-
Supporting Effective Instruction State Grants (Passed through National Board for Professional Teaching Standards)	84.367	1606239	603,423	207,614
Supporting Effective Instruction State Grants (Passed through State of Illinois, State Board of Education)	84.367	MY11721, MY13625	2,085,165	-
Supporting Effective Instruction State Grants (Passed through State of Illinois, Illinois Community College Board)	84.367	BTGISU17	17,351	-
Supporting Effective Instruction State Grants (Passed through National Writing Project)	84.367	92-IL03-SEED2017-ILI	6,625	-
		Total Non R&D 84.367	<u>2,712,564</u>	<u>207,614</u>
<i>Total U.S. Department of Education Non-R&D</i>			<u>6,668,167</u>	<u>606,161</u>

STATE OF ILLINOIS
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

Schedule 1

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed- Through to Subrecipients
U.S. Department of Health and Human Services				
Area Health Education Centers Point of Service Maintenance and Enhancement Awards (Passed through University of Illinois at Chicago)	93.107	U77HP26847	\$ 21,137	\$ -
Nursing Workforce Diversity	93.178		299,731	-
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243		84,700	82,873
Advanced Nursing Education Workforce Grant Program	93.247		525,341	-
Temporary Assistance for Needy Families (Passed through State of Illinois, Department of Human Services)	93.558	Child Care, Metcalf	-	-
<i>Total U.S. Department of Health and Human Services Non-R&D</i>			<u>930,909</u>	<u>82,873</u>
Corporation for National and Community Service				
AmeriCorps (Passed through Western Illinois University)	94.006	17-0589, 18-0674	37,544	-
<i>Total Corporation for National and Community Service Non-R&D</i>			<u>37,544</u>	<u>-</u>
Federal Emergency Management Agency				
Pre-Disaster Mitigation (Passed through State of Illinois, Emergency Management Agency)	97.047	Multi-Hazard Mitigat Plan	53,244	50,709
<i>Total Federal Emergency Management Agency Non-R&D</i>			<u>53,244</u>	<u>50,709</u>
Peace Corps				
Peace Corps Campus Recruitment Project	45.U01	PC-16-8-043	14,021	-
<i>Total Peace Corps Non-R&D</i>			<u>14,021</u>	<u>-</u>
Library of Congress				
Teaching with Primary Sources	42.U01	GA08C0004	13,660	-
Teaching with Primary Sources Regional Center Pilot	42.U02	GA08C0017	412,158	66,589
<i>Total Library of Congress Non-R&D</i>			<u>425,818</u>	<u>66,589</u>
Corporation for Public Broadcasting				
Community Service Grant	99.U01	1376	141,734	-
<i>Total Corporation for Public Broadcasting Non-R&D</i>			<u>141,734</u>	<u>-</u>
TOTAL OTHER PROGRAMS NON-R&D			8,601,600	881,332
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 156,936,579	\$ 3,051,258

(M) - Program was audited as a major Program

See notes to the Schedule of Expenditures of Federal Awards.

State of Illinois
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Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity for the year ended June 30, 2018, 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. Catalog of Domestic Assistance Numbers (CFDAs)

The University agreed the CFDA numbers and program names as of August 28, 2018, as they are currently listed on the Schedule of Expenditures of Federal Awards, to the listing at <https://catalog.data.gov/dataset/catalog-of-federal-domestic-assistance-cfda>.

Note 3. Loans Outstanding at Fiscal Year-End

The University had the following loan balances outstanding at June 30, 2018, 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.

	Outstanding Balance at June 30, 2018
Nursing Student Loans, CFDA 93.364	\$ 529,371
Perkins Loan Program, CFDA 84.038	<u>8,245,970</u>
Total loans outstanding	<u><u>\$ 8,775,341</u></u>

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

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**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018**

Note 4. 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	\$ 74,149,182
Direct Parent Loan for Undergraduate Students Program (PLUS), CFDA 84.268	<u>30,516,349</u>
Total	<u><u>\$ 104,665,531</u></u>

There were no administrative costs charged to the loan program.

Note 5. Insurance Disclosure

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

Note 6. 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 2018
For the Fifteen Months Ended September 30, 2018

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
EDUCATION ASSISTANCE FUND - 007					
Personal Services	\$ 65,004,000	\$ 64,966,226	\$ 37,774	\$ 65,004,000	\$ -
Total	<u>\$ 65,004,000</u>	<u>\$ 64,966,226</u>	<u>\$ 37,774</u>	<u>\$ 65,004,000</u>	<u>\$ -</u>
GRAND TOTAL - ALL FUNDS	<u>\$ 65,004,000</u>	<u>\$ 64,966,226</u>	<u>\$ 37,774</u>	<u>\$ 65,004,000</u>	<u>\$ -</u>

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of September 30, 2018, 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: 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 74 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 Years Ended June 30, 2018 and 2017**

	2018 P.A. 100-0021 and Court-Ordered Expenditures	2017 P.A. 99-0524 and Court-Ordered Expenditures
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)	\$ 65,004,000	\$ 47,829,300
Expenditures		
Operational Expenses	-	47,829,300
Personal Services	65,004,000	36,475
Total expenditures	65,004,000	47,865,775
Lapsed Balances	\$ -	\$ -
GRAND TOTAL, ALL FUNDS		
Appropriations (net after transfers)	\$ 65,004,000	\$ 72,226,700
Expenditures	65,004,000	72,263,175
Lapsed Balances	\$ -	\$ -

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of September 30, 2018, 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 99-0524 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 74 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**

Note 5: 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 74 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
For the Years Ended June 30, 2018 and 2017

	2018	2017
Revenues		
Registration fees	\$ 177,463,451	\$ 176,615,510
Registration - extension	387,237	417,532
Enrollment deposit fee forfeitures	4,025	16,100
Tuition and fees waived	9,422,173	10,214,463
Library fines	10,779	11,328
Instructional support fee	1,261,246	1,163,526
Investment income	1,667,652	1,164,872
Net increase (decrease) in fair market value of investments	(1,748,056)	(1,459,411)
Loss on INTO Investment	(25,000)	-
Payments on behalf of University	2,918,448	5,887,883
Gifts and donations	1,264,290	-
Other	7,425,674	5,281,778
	<u>\$ 200,051,919</u>	<u>\$ 199,313,581</u>
Expenses		
Personal services	58,432,918	114,621,620
SURS retirement	406,326	160,256
Medicare	2,530,190	2,511,562
Group insurance	1,030,988	-
Contractual services	33,869,964	34,953,958
Travel	1,958,699	1,865,350
Commodities	3,140,114	2,919,012
Equipment and library books	9,957,390	9,472,946
Telecommunications services	837,156	834,423
Operation of automotive equipment	566,883	561,778
Refunds	13,842	-
Tuition and fees waived	9,422,173	10,214,463
Awards, grants, and matching funds	22,734,347	20,713,671
Permanent improvements	3,131,207	3,622,428
	<u>148,032,197</u>	<u>202,451,467</u>
GASB No. 35 Adjustments:		
Depreciation	14,723,615	14,742,618
Capital asset additions/disposals	(6,908,379)	(3,994,995)
	<u>\$ 155,847,433</u>	<u>\$ 213,199,090</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
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**Schedule of Changes in State Property
For the Year Ended June 30, 2018**

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	Deductions	Net Transfers	Ending Balance
Land and Land Improvements	\$ 20,777,512	\$ 83,451	\$ (4,738,068)	\$ -	\$ 16,122,895
Site improvements	51,135,720	3,243,972	(1,470,234)	-	52,909,458
Buildings and Building Improvements	636,153,076	1,226,126	-	-	637,379,202
Equipment	268,745,414	5,219,824	(603,401)	(299,961)	273,061,876
Capital Lease Assets:					
Buildings and Building Improvements	-	-	-	-	-
Equipment	-	-	-	-	-
Construction in progress	13,656,659	13,647,542	(3,571,900)	-	23,732,301
Total	<u>\$ 990,468,381</u>	<u>\$ 23,420,915</u>	<u>\$ (10,383,603)</u>	<u>\$ (299,961)</u>	<u>\$ 1,003,205,732</u>

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Analysis of Accounts Receivable
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Student Accounts - 701		
NOT IN PROTEST (in thousands)		
Receivable Not Past Due	\$ 1,779	\$ 7,098
1 - 30 Days	4,097	1,364
31 - 90 Days	248	11,117
91 - 180 Days	3,485	3,485
181 Days - 1 Year	2,100	9,890
> 1 year	8,037	6,817
Gross Receivables - Fund 701	<u>19,746</u>	<u>39,771</u>
Less: Allowance for Doubtful Accounts	-	-
Net Receivables - Fund 701	<u>\$ 19,746</u>	<u>\$ 39,771</u>
General Accounts - 702		
NOT IN PROTEST (in thousands)		
Receivable Not Past Due	\$ 760	\$ 177
1 - 30 Days	-	-
31 - 90 Days	-	2
91 - 180 Days	-	-
181 Days - 1 Year	-	-
> 1 year	-	-
Gross Receivables - Fund 702	<u>760</u>	<u>179</u>
Less: Allowance for Doubtful Accounts	1	-
Net Receivables - Fund 702	<u>\$ 759</u>	<u>\$ 179</u>
State Contracts & Grants - 703		
NOT IN PROTEST (in thousands)		
Receivable Not Past Due	\$ 275	\$ 1,077
1 - 30 Days	-	-
31 - 90 Days	14	41
91 - 180 Days	-	5
181 Days - 1 Year	12	18
> 1 year	1	-
Gross Receivables - Fund 703	<u>302</u>	<u>1,141</u>
Less: Allowance for Doubtful Accounts	-	-
Net Receivables - Fund 703	<u>\$ 302</u>	<u>\$ 1,141</u>

**State of Illinois
Illinois State University**

**Analysis of Accounts Receivable (Continued)
For the Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Federal & Private Contracts - 704		
NOT IN PROTEST (in thousands)		
Receivable Not Past Due	\$ 3,380	\$ 1,705
1 - 30 Days	30	79
31 - 90 Days	61	223
91 - 180 Days	64	33
181 Days - 1 Year	2	6
> 1 year	6	-
Gross Receivables - Fund 704	<u>3,543</u>	<u>2,046</u>
Less: Allowance for Doubtful Accounts	-	-
Net Receivables - Fund 704	<u>\$ 3,543</u>	<u>\$ 2,046</u>
Federal Student Loans - 707		
NOT IN PROTEST (in thousands)		
Receivable Not Past Due	\$ 6,028	\$ 6,378
1 - 30 Days	143	119
31 - 90 Days	257	215
91 - 180 Days	167	147
181 Days - 1 Year	484	463
> 1 year	1,935	1,853
Gross Receivables - Fund 707	<u>9,014</u>	<u>9,175</u>
Less: Allowance for Doubtful Accounts	1,021	1,021
Net Receivables - Fund 707	<u>\$ 7,993</u>	<u>\$ 8,154</u>
TOTAL		
NOT IN PROTEST (in thousands)		
Receivable Not Past Due	\$ 12,222	\$ 16,435
1 - 30 Days	4,270	1,562
31 - 90 Days	580	11,598
91 - 180 Days	3,716	3,670
181 Days - 1 Year	2,598	10,377
> 1 year	9,979	8,670
Gross Receivables - TOTAL	<u>33,365</u>	<u>52,312</u>
Less: Allowance for Doubtful Accounts	1,022	1,021
Net Receivables - TOTAL	<u>\$ 32,343</u>	<u>\$ 51,291</u>

- 1) Fund 701 not-in-protest represents receivables related to tuition and fees related to Student Accounts. Fund 702 not-in-protest represents receivables related to sales and services, as well as investment income. Fund 703 not-in-protest represents receivables related to State Contracts and Grants while Fund 704 relates to Federal and Private Contracts and Grants. Finally, Fund 707 not-in-protest represents receivables related to Federal Student Loans.

Statement of Net Position - Local Funds
For the Year Ended June 30, 2018

	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
Assets								
Current Assets:								
Cash and cash equivalents	\$ 565	\$ -	\$ 1,924,268	\$ 6,268,028	\$ 397,436	\$ 1,120,734	\$ 29,249,512	\$ 38,960,543
Cash and cash equivalents - restricted	-	-	-	-	-	-	819,914	819,914
Accrued interest receivable	7,990	10,813	-	25,306	-	-	352,043	396,152
Accounts receivable, net	-	77,331	225,269	1,694,018	-	28,106	7,103,794	9,128,518
Appropriations receivable from State	-	-	-	-	-	-	37,774	37,774
Inventories	-	183,816	79,553	143,583	-	-	203,584	610,536
Prepaid expenses and deposits	50,340	40,199	7,610	101,405	1,229	44,002	2,966,838	3,211,623
Deferred charges and obligations	-	-	-	-	-	-	18,008	18,008
Total current assets	58,895	312,159	2,236,700	8,232,340	398,665	1,192,842	40,751,467	53,183,068
Noncurrent Assets:								
Investments	1,932,439	2,615,365	-	6,120,613	-	-	85,147,235	95,815,652
Bond issuance costs	-	-	-	-	-	-	177,064	177,064
Capital assets, net	297,815	780,473	4,179,790	3,430,533	8,442	1,607	203,741,676	212,440,336
Total noncurrent assets	2,230,254	3,395,838	4,179,790	9,551,146	8,442	1,607	289,065,975	308,433,052
Deferred outflows of resources								
OPEB	-	-	-	-	-	-	642,688	642,688
Pension	-	-	-	-	-	-	669,483	669,483
Total deferred outflow of resources	-	-	-	-	-	-	1,312,171	1,312,171
Total assets and deferred outflows of resources	2,289,149	3,707,997	6,416,490	17,783,486	407,107	1,194,449	331,129,613	362,928,291
Liabilities								
Current Liabilities:								
Accounts payable and accrued liabilities	107,179	454,048	116,724	627,366	12,468	138,220	4,694,643	6,150,648
Assets held in custody for others and deposits	-	30,080	-	243,567	-	-	-	273,647
Unearned revenue	-	375,569	6,199	1,905,745	-	69,063	5,643,922	8,000,498
Accrued compensated absences	1,630	6,752	2,267	125,426	162	1,587	1,252,725	1,390,549
Certificates of participation	-	-	-	-	-	-	2,873,545	2,873,545
Total current liabilities	108,809	866,449	125,190	2,902,104	12,630	208,870	14,464,835	18,688,887
Noncurrent Liabilities:								
Accrued compensated absences	14,181	58,760	19,732	1,091,509	1,412	13,812	10,506,004	11,705,410
OPEB Liability	-	-	-	-	-	-	30,042,445	30,042,445
Certificates of participation	-	-	-	-	-	-	42,528,381	42,528,381
Total noncurrent liabilities	14,181	58,760	19,732	1,091,509	1,412	13,812	83,076,830	84,276,236
Deferred inflows of resources - OPEB	-	-	-	-	-	-	4,592,785	4,592,785
Total liabilities and deferred inflows of resources	122,990	925,209	144,922	3,993,613	14,042	222,682	102,134,450	107,557,908
Net Position								
Net investment in capital assets	297,815	780,473	4,179,790	3,430,533	8,442	1,607	159,159,664	167,858,324
Unrestricted	1,868,344	2,002,315	2,091,778	10,359,340	384,623	970,160	69,835,499	87,512,059
Total net position	\$ 2,166,159	\$ 2,782,788	\$ 6,271,568	\$ 13,789,873	\$ 393,065	\$ 971,767	\$ 228,995,163	\$ 255,370,383

Statement of Revenues, Expenses and Changes in Net Position - Local Funds
For the Year Ended June 30, 2018

	Indirect Cost Support	Continuing Education & Public Service	Sales & Service of Educational Activities	Student Programs & Services - University	Student Programs & Services - Laboratory Schools	Field Trip & Foreign Study Activities	Income Fund	Local Funds Total
Operating revenues								
Student tuition and fees, net	\$ -	\$ (5,544)	\$ -	\$ 30,541,360	\$ -	\$ 2,122,149	\$ 167,510,428	\$ 200,168,393
Sales and services of educational activities	-	-	3,175,295	-	6,525	-	-	3,181,820
Other operating revenues	1,991,154	8,084,654	57,210	8,911,876	201,701	1,461,026	7,300,487	28,008,108
Total operating revenues	1,991,154	8,079,110	3,232,505	39,453,236	208,226	3,583,175	174,810,915	231,358,321
Operating expenses								
Educational and general								
Instruction	-	341,163	1,992,876	509,137	-	3,617,794	38,473,472	44,934,442
Research	1,178,629	-	156,909	-	838,718	-	936,807	3,111,063
Public service	-	7,209,242	690,585	1,187	-	54,892	1,986,491	9,942,397
Academic support	309,584	328	407,156	-	-	-	15,827,012	16,544,080
Student services	-	296,701	43,497	41,290,649	-	-	3,896,125	45,526,972
Institutional support	63,815	187,387	-	-	-	-	24,725,619	24,976,821
Operation and maintenance of plant	278,627	157,536	(3,533)	(669,352)	169	-	22,918,651	22,682,098
Depreciation	92,154	43,665	227,087	241,468	1,386	1,071	14,723,615	15,330,446
Staff benefits	7,382	39,488	19,335	356,431	2,050	19,104	964,686	1,408,476
Student aid	9,994	5,644	8,160	2,016,951	-	32,432	31,922,415	33,995,596
Total operating expenses	1,940,185	8,281,154	3,542,072	43,746,471	842,323	3,725,293	156,374,893	218,452,391
Operating income (loss)	50,969	(202,044)	(309,567)	(4,293,235)	(634,097)	(142,118)	18,436,022	12,905,930
Nonoperating revenues (expenses)								
Payments on behalf of the University - Foundation	-	-	-	-	-	-	2,918,448	2,918,448
Laboratory schools	-	-	-	-	601,061	-	-	601,061
Gifts and donations	-	-	-	276	-	-	1,681,005	1,681,281
Investment income, net of investment expenses	(38,833)	(44,323)	13	38,155	1,299	9,517	(98,227)	(132,399)
Interest expense	-	-	-	-	-	-	(1,918,823)	(1,918,823)
Other nonoperating revenues	-	87,897	26,628	1,272,586	1,250	2,189	21,208,169	22,598,719
Net nonoperating revenues	(38,833)	43,574	26,641	1,311,017	603,610	11,706	23,790,572	25,748,287
Income (loss) before capital items	12,136	(158,470)	(282,926)	(2,982,218)	(30,487)	(130,412)	42,226,594	38,654,217
Capital appropriations	-	-	-	-	-	-	238,624	238,624
Capital grants and gifts	-	-	-	-	-	-	975,688	975,688
Total capital items	-	-	-	-	-	-	1,214,312	1,214,312
Increase (decrease) in net position	12,136	(158,470)	(282,926)	(2,982,218)	(30,487)	(130,412)	43,440,906	39,868,529
Net position								
Net position - beginning 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
Cumulative change in accounting principle	-	-	-	-	-	-	(33,007,666)	(33,007,666)
Adjusted beginning of year net position	2,154,023	2,941,258	6,554,494	16,772,091	423,552	1,102,179	185,554,257	215,501,854
Net position - end of year	\$ 2,166,159	\$ 2,782,788	\$ 6,271,568	\$ 13,789,873	\$ 393,065	\$ 971,767	\$ 228,995,163	\$ 255,370,383

Statement of Net Position - Service Departments
For the Year Ended June 30, 2018

	<u>Service Departments</u>
Assets	
Current Assets:	
Cash and cash equivalents	\$ 6,591,371
Accounts receivable, net	218,020
Inventories	1,718,867
Prepaid expenses and deposits	<u>577,447</u>
Total current assets	<u>9,105,705</u>
Noncurrent Assets:	
Capital assets, net	<u>1,718,196</u>
Total assets	<u>10,823,901</u>
Liabilities	
Current Liabilities:	
Accounts payable and accrued liabilities	815,355
Unearned revenue	107,336
Accrued compensated absences	<u>46,690</u>
Total current liabilities	<u>969,381</u>
Noncurrent Liabilities:	
Accrued compensated absences	<u>830,692</u>
Total liabilities	<u>1,800,073</u>
Net Position	
Net investment in capital assets	1,718,196
Unrestricted	<u>7,305,632</u>
Total net position	<u>\$ 9,023,828</u>

**Statement of Revenues, Expenses and Changes in Net Position -
Service Departments
For the Year Ended June 30, 2018**

	<u>Service Departments</u>
Operating revenues	
Other operating revenues	<u>\$ 20,889,448</u>
Operating expenses	
Educational and general:	
Instruction	295,160
Institutional support	7,115,674
Operation and maintenance of plant	14,693,266
Depreciation	792,792
Staff benefits	<u>15,316</u>
Total operating expenses	<u>22,912,208</u>
Operating loss	<u>(2,022,760)</u>
Nonoperating revenues	
Investment income, net of investment expenses	1,189,854
Other nonoperating revenues	<u>33,213</u>
Decrease in net position	<u>(799,693)</u>
Net position	
Beginning of year	<u>9,823,521</u>
End of year	<u><u>\$ 9,023,828</u></u>

Statement of Net Position - Auxiliary Facilities
For the Year Ended June 30, 2018

	Housing	Student Activities	Parking	Auxiliary Facilities Total
Assets				
Current Assets:				
Cash and cash equivalents	\$ 560,087	\$ 531,861	\$ 2,405,082	\$ 3,497,030
Cash and cash equivalents - restricted	-	7,272	-	7,272
Investments	40,483,666	4,311,034	-	44,794,700
Accrued interest receivable	400,057	76,744	7,806	484,607
Accounts receivable, net	4,231,361	867,170	89,719	5,188,250
Inventories	107,080	99,410	-	206,490
Prepaid expenses and deposits	50,299	23,877	4,607	78,783
Deferred charges and obligations	36,676	12,697	2,361	51,734
Total current assets	45,869,226	5,930,065	2,509,575	54,308,866
Noncurrent Assets:				
Investments	89,123,203	17,748,575	1,887,970	108,759,748
Bond issuance costs	501,941	171,829	27,746	701,516
Capital assets, net	150,421,529	93,367,207	23,025,462	266,814,198
Total noncurrent assets	240,046,673	111,287,611	24,941,178	376,275,462
Total assets	285,915,899	117,217,676	27,450,753	430,584,328
Liabilities				
Current Liabilities:				
Accounts payable and accrued liabilities	4,210,604	1,619,908	187,520	6,018,032
Assets held in custody for others and deposits	880,519	99,171	-	979,690
Unearned revenue	67,410	597,744	105,126	770,280
Accrued compensated absences	96,627	25,572	4,435	126,634
Revenue bonds payable	3,246,099	2,365,153	372,564	5,983,816
Total current liabilities	8,501,259	4,707,548	669,645	13,878,452
Noncurrent Liabilities:				
Assets held in custody for others and deposits	5,909	-	-	5,909
Accrued compensated absences	1,008,058	266,780	46,271	1,321,109
Revenue bonds payable	65,807,968	41,990,274	4,369,792	112,168,034
Total noncurrent liabilities	66,821,935	42,257,054	4,416,063	113,495,052
Total liabilities	75,323,194	46,964,602	5,085,708	127,373,504
Net Position				
Net investment in capital assets	81,367,462	49,019,052	18,283,106	148,669,620
Restricted	129,225,243	21,234,022	4,081,939	154,541,204
Total net position	\$ 210,592,705	\$ 70,253,074	\$ 22,365,045	\$ 303,210,824

Statement of Revenues, Expenses and Changes in Net Position -
Auxiliary Facilities
For the Year Ended June 30, 2018

	Housing	Student Activities	Parking	Auxiliary Facilities Total
Operating Revenues				
Auxiliary facilities	\$ 60,834,928	\$ 23,058,587	\$ 3,733,623	\$ 87,627,138
Total operating revenues	60,834,928	23,058,587	3,733,623	87,627,138
Operating Expenses				
Depreciation	4,577,856	3,595,757	700,690	8,874,303
Auxiliary facilities:				
Student housing, activity, facilities, and parking	47,236,195	12,140,708	1,556,033	60,932,936
Total operating expenses	51,814,051	15,736,465	2,256,723	69,807,239
Operating income	9,020,877	7,322,122	1,476,900	17,819,899
Nonoperating Revenues (Expenses)				
Investment income, net of investment expenses	(633,077)	(104,454)	(3,274)	(740,805)
Interest expense	(2,397,706)	(2,363,511)	(170,439)	(4,931,656)
Other nonoperating income	253,508	39,715	-	293,223
Net nonoperating expenses	(2,777,275)	(2,428,250)	(173,713)	(5,379,238)
Income before capital items	6,243,602	4,893,872	1,303,187	12,440,661
Capital grants and gifts	-	469,500	-	469,500
Total capital items	-	469,500	-	469,500
Increase in net position	6,243,602	5,363,372	1,303,187	12,910,161
Net Position				
Beginning of year	204,349,103	64,889,702	21,061,858	290,300,663
End of year	\$ 210,592,705	\$ 70,253,074	\$ 22,365,045	\$ 303,210,824

**State of Illinois
Illinois State University**

**Schedule of Sources and Applications
Indirect Cost Reimbursements
For the Year Ended June 30, 2018**

Balance, July 1, 2017	<u>\$ 2,154,023</u>
Sources:	
Private Gifts, Grants, and Contracts	232,760
United States Government Grants and Contracts	1,663,378
State of Illinois and Local Grants and Contracts	95,016
Investment Loss	<u>(38,833)</u>
Total Additions	<u>1,952,321</u>
Applications:	
Educational and general:	
Research	1,178,629
Academic Support	309,584
Institutional Support	63,815
Operation and Maintenance of Plant	278,627
Depreciation	92,154
Staff Benefits	7,382
Student Aid	<u>9,994</u>
Total Deductions	<u>1,940,185</u>
Increase in net assets	<u>12,136</u>
Balance at June 30, 2018	<u><u>\$ 2,166,159</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
For the Year Ended June 30, 2018

Schedule A - Federal Financial Component

Total federal expenditures reported on SEFA schedule	\$ 156,936,579
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)	-
	<hr/>
Total Schedule A	<u><u>\$ 156,936,579</u></u>

Schedule B - Total Financial Component

Total operating expenses (from financial statements)	\$ 603,470,232
Total nonoperating expenses (from financial statements)	6,850,479
Total new loans made	104,665,531
Amount of federal loan balances	8,775,341
Other noncash federal award expenditures	-
	<hr/>
Total Schedule B	<u><u>\$ 723,761,583</u></u>

Schedule C

		<u>Percent</u>
Total Schedule A	\$ 156,936,579	21.68%
Total Nonfederal Expenses	566,825,004	78.32%
Total Schedule B	<u><u>\$ 723,761,583</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
For the Year Ended June 30, 2018
(Unaudited)**

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 State of Illinois, Board of Higher Education. The *Mission Statements* include: (1) the *Illinois State University Mission Statement*, (2) *Board of Trustees Statement of Goals for 2019*, and (3) *College Mission Statements*.

The Academic Plan submitted during our audit period is for fiscal years 2018-2023 and can be found at https://provost.illinoisstate.edu/downloads/Academic_Plan%202018-2023_BoT_10-19-18.pdf. It includes: (1) an identification of institutional priorities; (2) the University's strategic plan, *Educate·Connect·Elevate: Illinois State – The Strategic Plan for Illinois' First Public University 2018-2023*; 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 2019 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 2018, program reviews were completed on the following programs: B.S. in Environmental Health, B.S. in Health Information Management, B.S., M.S. and Ph.D. in Biological Sciences, B.S. in Communication Sciences and Disorders, M.A. and M.S. in Speech-Language Pathology, Au.D. Doctor of Audiology, B.S.N., M.S.N. and Ph.D. of Nursing, and Post-Master's Certificate Family Nurse Practitioner. Reviews were also completed for the following Research and Service Centers: Center for Child Welfare and Adoption Studies and Center for Insurance and Risk Management (Katie School).

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: *Educate·Connect·Elevate: Illinois State – The Strategic Plan for Illinois' First Public University 2018-2023*.

- *Educate·Connect·Elevate* is the University's multi-year strategic plan. It has articulated seven core values (learning and scholarship, individualized attention, diversity and inclusion, integrity, civic engagement, respect, and collaboration) that support four goals and thirteen corresponding action items addressed by the campus community. University progress is summarized on the accomplishments section of the *Strategic Plan* website, strategicplan.illinoisstate.edu.

**State of Illinois
Illinois State University**

**Analysis of Operations
Functions and Planning Program (Continued)
For the Year Ended June 30, 2018
(Unaudited)**

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

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

Location of Agency: Normal, Illinois
Agency Head: Dr. Larry Dietz, President

**State of Illinois
Illinois State University**

**Auxiliary Facilities, Activities, and Accounting Entities
For the Year Ended June 30, 2018
(Unaudited)**

A listing of the University's auxiliary facilities, activities, accounting entities, their purposes, and their sources of revenue for the year ended June 30, 2018, 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)
For the Year Ended June 30, 2018
(Unaudited)**

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, 2018
(Unaudited)**

Analysis of Significant Variations in Appropriated Expenditures Between Fiscal Years 2018 and 2017

General Revenue Fund – 001

Operational Expenses

The University did not receive an appropriation from the General Revenue Fund during fiscal year 2018. The University was appropriated \$24,397,400 from the General Revenue Fund during fiscal year 2017.

Education Assistance Fund – 007

Operational Expenses

The University was appropriated \$0 in fiscal year 2018 for ordinary and contingent expenses as opposed to \$47,829,300 for ordinary and contingent expenses during fiscal year 2017.

Personal Services

The University was appropriated \$65,004,000 in fiscal year 2018 for personal services as opposed to \$36,475 during fiscal year 2017.

**State of Illinois
Illinois State University**

**Analysis of Significant Lapse Period Spending
For the Year Ended June 30, 2018
(Unaudited)**

Education Assistance Fund – 007

Operational Expenses

There was no significant Lapse Period spending during the Lapse Period.

State of Illinois
Illinois State University

Analysis of Significant Variations in Revenues and Expenses
For the Years Ended June 30, 2018 and 2017
(Unaudited)

	2018	2017	Increase (Decrease)	Percentage Change
Operating revenues				
Student tuition and fees, net	\$ 200,168,393	\$ 221,234,933	\$ (21,066,540)	-9.52%
Federal grants and contracts	14,686,408	11,785,392	2,901,016	24.62% (A)
State and local grants and contracts	2,526,228	2,319,917	206,311	8.89%
Nongovernmental grants and contracts	3,164,805	3,074,192	90,613	2.95%
Sales and services of educational activities	3,159,643	2,965,429	194,214	6.55%
Auxiliary facilities	85,783,356	85,221,127	562,229	0.66%
Other operating revenues	20,989,300	18,722,881	2,266,419	12.11%
Operating expenses				
Educational and General:				
Instruction	243,231,729	289,991,715	(46,759,986)	-16.12% (B)
Research	19,756,150	16,163,625	3,592,525	22.23% (B)
Public service	16,476,590	12,681,411	3,795,179	29.93% (B)
Academic support	36,263,781	23,697,038	12,566,743	53.03% (B)
Student services	46,326,373	42,644,836	3,681,537	8.63%
Institutional support	52,529,615	35,496,316	17,033,299	47.99% (B)
Operation and maintenance of plant	39,588,308	29,688,026	9,900,282	33.35% (B)
Depreciation	25,306,963	24,657,794	649,169	2.63%
Staff benefits	3,389,866	2,402,086	987,780	41.12%
Student aid	59,729,198	56,740,837	2,988,361	5.27%
Auxiliary facilities:				
Student housing, activity facilities, and parking	60,871,659	52,584,518	8,287,141	15.76% (C)
Nonoperating revenues (expenses)				
State appropriations	98,939,700	38,291,000	60,648,700	158.39% (D)
Payments on behalf of the University - State	170,213,603	176,090,829	(5,877,226)	-3.34%
Payments on behalf of the University - Foundation	2,918,448	5,887,883	(2,969,435)	-50.43% (E)
Laboratory schools	8,017,604	7,774,840	242,764	3.12%
Gifts and donations	1,681,281	310,008	1,371,273	442.33%
Investment income, net of investment expenses	342,628	(256,783)	599,411	-233.43%
Interest expense	(6,850,479)	(5,075,707)	(1,774,772)	34.97% (F)
Nonoperating federal grants	25,154,638	23,187,740	1,966,898	8.48%
Nonoperating state grants	21,027,704	-	21,027,704	100.00% (G)
Other nonoperating revenues	1,453,525	1,226,255	227,270	18.53%
Capital appropriations	113,000	-	113,000	100.00%
Capital grants and gifts	1,900,551	1,307,358	593,193	45.37%

**State of Illinois
Illinois State University**

**Analysis of Significant Variations in Revenues and Expenses (Continued)
For the Years Ended June 30, 2018 and 2017
(Unaudited)**

All variances greater than \$1,500,000 and more than 15% from fiscal year 2017 are discussed below. Refer to the Analysis of Significant Variations in Revenues and Expenses on page 61 for the actual dollar changes.

Explanations of significant variances:

- (A) Federal grants and contracts - The increase is due to the University receiving several large federal grants during the fiscal year.
- (B) Operating expenses - The allocation of SURS and group insurance benefits paid on behalf of the University by the State are allocated based on appropriated funds payroll. During fiscal year 2018, the University reported a larger appropriation which was paid over multiple operating expense functions versus primarily instruction during fiscal year 2017.
- (C) Auxiliary facilities expense - The increase was due to a write-off of expenses related to the South Campus demolition. In addition, this increase included non-capitalizable asset additions from the purchase of Cardinal Court.
- (D) State Appropriations - The increase is due to the budget impasse at the end of fiscal year 2017. The 2017 budget was enacted July 6, 2017, and included appropriations of \$33,935,700 that were then included in the fiscal year 2018 revenue, as well as an increased fiscal year 2018 appropriation.
- (E) Payments on behalf of the University - Foundation - The decrease was due to Foundation payroll being included in gifts and donations versus payments on behalf.
- (F) Interest expense - The increase was due to the purchase of Cardinal Court in December 2017 with bond financing.
- (G) Nonoperating state grants - The increase is due to the State of Illinois funding the Monetary Assistance Program (MAP) grant program during fiscal year 2018. During fiscal year 2017, MAP was not funded until July 2017; therefore, the revenue was not reported until fiscal year 2018.

State of Illinois
Illinois State University

Analysis of Significant Variations in Assets, Deferred Outflows of Resources and Liabilities
For the Years Ended June 30, 2018 and 2017
(Unaudited)

	2018	2017	Increase (Decrease)	Percentage Change
Assets				
Current Assets:				
Cash and cash equivalents	\$ 56,122,226	\$ 42,713,305	\$ 13,408,921	31.39% (A)
Accrued interest receivable	396,152	122,566	273,586	223.22%
Accounts receivable, net	16,169,991	27,619,185	(11,449,194)	-41.45% (B)
Student loans receivable, net	7,220,644	7,499,460	(278,816)	-3.72%
Appropriations receivable from State	37,774	-	37,774	100.00%
Inventories	2,329,403	2,738,862	(409,459)	-14.95%
Prepaid expenses, deposits and other	3,916,807	2,597,012	1,319,795	50.82%
Restricted				
Cash and cash equivalents	4,324,216	5,749,277	(1,425,061)	-24.79%
Investments	44,794,700	40,078,450	4,716,250	11.77% (A)
Accrued interest receivable	484,607	314,086	170,521	54.29%
Accounts receivable, net	5,188,250	3,977,503	1,210,747	30.44%
Inventories	206,490	246,651	(40,161)	-16.28%
Prepaid expenses, deposits, and other	130,517	110,081	20,436	18.56%
Noncurrent Assets:				
Investments	95,815,652	59,002,520	36,813,132	62.39% (A)
Student loans receivable, net	456,363	397,590	58,773	14.78%
Debt issuance costs	177,064	196,310	(19,246)	-9.80%
Capital assets not depreciated	39,855,196	26,632,945	13,222,251	49.65% (C)
Capital assets, net of depreciation	441,836,858	398,072,443	43,764,415	10.99%
Other noncurrent assets	25,000	-	25,000	100.00%
Restricted				
Investments	108,759,748	120,720,750	(11,961,002)	-9.91% (A)
Debt issuance costs	701,516	409,258	292,258	71.41%
Deferred outflows of resources				
OPEB	642,688	-	642,688	100.00%
Pension	669,483	650,920	18,563	2.85%
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	21,320,938	17,412,671	3,908,267	22.44% (C)
Assets held in custody for others and deposits	2,759,923	6,717,049	(3,957,126)	-58.91% (D)
Unearned revenue	10,521,919	10,303,134	218,785	2.12%
Certificates of participation	2,873,545	2,783,545	90,000	3.23%
Revenue bonds payable	5,983,816	4,486,789	1,497,027	33.37%
Accrued compensated absences	1,589,056	1,837,247	(248,191)	-13.51%
Noncurrent Liabilities:				
Assets held in custody for others and deposits	5,909	9,559	(3,650)	-38.18%
Certificates of participation	42,528,382	45,401,927	(2,873,545)	-6.33%
Revenue bonds payable	112,168,033	73,312,822	38,855,211	53.00% (D)
Accrued compensated absences	14,092,914	13,676,818	416,096	3.04%
OPEB liability	30,042,445	-	30,042,445	100.00% (E)
Federal loan program contributions refundable	7,780,955	8,844,326	(1,063,371)	-12.02%
Deferred inflows of resources				
OPEB	4,592,785	-	4,592,785	100.00% (E)

**State of Illinois
Illinois State University**

**Analysis of Significant Variations in Assets, Deferred Outflows of Resources and Liabilities (Continued)
For the Years Ended June 30, 2018 and 2017
(Unaudited)**

All variances greater than \$1,500,000 and more than 15% from fiscal year 2017 are discussed below. Refer to the Analysis of Significant Variations in Assets, Deferred Outflows of Resources and Liabilities on page 63 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 2018. In addition, the change in investments is due to the mix of targeted maturity dates.
- (B) Accounts receivable, net - The decrease is due to funds owed from the Monetary Assistance Program (MAP) being received during fiscal year 2018.
- (C) Capital assets not depreciated and accounts payable - The increase is due to the University working on a large renovation to the Bone Student Center as well as Watterson Dining Center that was not completed as of year-end. The related project retainage was included in accounts payable at year-end.
- (D) Assets held in custody for others and deposits and Revenue bonds payable - During fiscal year 2018, the University purchased Cardinal Court from the Collegiate Housing Foundation with the issuance of revenue bonds. Assets that were held on in custody for CHF were applied to pay down debt originally held by CHF.
- (E) Effective fiscal year 2018, GASB Statement 75 required the University to establish a liability for other post-employment benefits.

State of Illinois
 Illinois State University

Current Unrestricted Local Funds
 Continuing Education and Public Services
 Calculation Sheet for Current Excess Funds
 June 30, 2018
 (Unaudited)

1. Current Available Funds

Add:

Cash	\$ -
Cash Equivalents	
Bank Deposits	-
Marketable Securities	2,681,435
Certificates of Deposit	-
Repurchase Agreements	-
Other cash equivalent items	-
Interfund receivables	-
Total Current Available Funds	A. <u>2,681,435</u>

2. Working Capital Allowance

Add:

Highest month's expenditures	1,155,055
Encumbrances and current liabilities paid in lapse period	454,048
Deferred income	375,569
Refundable deposits	24,280
Allowance for Restoring Inventory to Normal Level	-
Allowance for Sick Leave/Vacation Payouts	<u>6,752</u>
Working Capital Allowance	B. <u>2,015,704</u>

3. Current Excess Funds

Deduct B from A and enter here C. 665,731

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. (161,737)

Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund. \$ 503,994

State of Illinois
 Illinois State University

Current Unrestricted Local Funds
 Sales and Services of Educational Activities
 Calculation Sheet for Current Excess Funds
 June 30, 2018
 (Unaudited)

1. Current Available Funds	
Add:	
Cash	\$ -
Cash Equivalents	
Bank Deposits	1,924,268
Marketable Securities	-
Certificates of Deposit	-
Repurchase Agreements	-
Other cash equivalent items	-
Interfund receivables	-
Total Current Available Funds	A. <u>1,924,268</u>
2. Working Capital Allowance	
Add:	
Highest month's expenditures	293,107
Encumbrances and current liabilities paid in lapse period	116,724
Deferred income	6,199
Refundable deposits	-
Allowance for Restoring Inventory to Normal Level	41,343
Allowance for Sick Leave/Vacation Payouts	<u>2,267</u>
Working Capital Allowance	B. <u>459,640</u>
3. Current Excess Funds	
Deduct B from A and enter here	C. 1,464,628
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>(829,816)</u>
Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund.	<u>\$ 634,812</u>

State of Illinois
 Illinois State University

Current Unrestricted Local Funds
 Student Programs and Services
 Calculation Sheet for Current Excess Funds
 June 30, 2018
 (Unaudited)

1. Current Available Funds

Add:

Cash	\$ -
Cash Equivalents	
Bank Deposits	6,665,464
Marketable Securities	6,275,232
Certificates of Deposit	-
Repurchase Agreements	-
Other cash equivalent items	-
Interfund receivables	-
Total Current Available Funds	A. <u>12,940,696</u>

2. Working Capital Allowance

Add:

Highest month's expenditures	5,917,267
Encumbrances and current liabilities paid in lapse period	639,833
Deferred income	1,905,744
Refundable deposits	243,568
Allowance for Restoring Inventory to Normal Level	-
Allowance for Sick Leave/Vacation Payouts	<u>125,588</u>
Working Capital Allowance	B. <u>8,832,000</u>

3. Current Excess Funds

Deduct B from A and enter here	C. 4,108,696
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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>(600,649)</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>\$ 3,508,047</u>
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State of Illinois
 Illinois State University

Current Unrestricted Local Funds
 Field Trips and Foreign Study
 Calculation Sheet for Current Excess Funds
 June 30, 2018
 (Unaudited)

1. Current Available Funds

Add:

Cash	\$ -
Cash Equivalents	
Bank Deposits	1,120,734
Marketable Securities	-
Certificates of Deposit	-
Repurchase Agreements	-
Other cash equivalent items	-
Interfund receivables	-
Total Current Available Funds	A. <u>1,120,734</u>

2. Working Capital Allowance

Add:

Highest month's expenditures	555,900
Encumbrances and current liabilities paid in lapse period	138,221
Deferred income	69,065
Refundable deposits	-
Allowance for Restoring Inventory to Normal Level	-
Allowance for Sick Leave/Vacation Payouts	<u>1,587</u>
Working Capital Allowance	B. <u>764,773</u>

3. Current Excess Funds

Deduct B from A and enter here C. 355,961

4. Calculation of Income Fund Remittance

An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here D. (2,142)

Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund. \$ 353,819

State of Illinois
 Illinois State University

Service Departments
 Calculation Sheet for Current Excess Funds
 June 30, 2018
 (Unaudited)

1. Current Available Funds

Add:

Cash	\$ 78,783
Cash Equivalents	
Bank Deposits	6,246,797
Marketable Securities	-
Certificates of Deposit	-
Repurchase Agreements	-
Other cash equivalent items	-
Interfund receivables	-
Total Current Available Funds	A. <u>6,325,580</u>

2. Working Capital Allowance

Add:

Highest month's expenditures	2,832,038
Encumbrances and current liabilities paid in lapse period	815,355
Deferred income	107,336
Refundable deposits	-
Allowance for Restoring Inventory to Normal Level	-
Allowance for Sick Leave/Vacation Payouts	<u>46,690</u>
Working Capital Allowance	B. <u>3,801,419</u>

3. Current Excess Funds

Deduct B from A and enter here C. 2,524,161

4. Calculation of Income Fund Remittance

An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here D. (4,925,315)

Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund. \$ (2,401,154)

State of Illinois
 Illinois State University

Auxiliary Facilities - Revenue Bonds
 Student Housing
 Calculation Sheet for Current Excess Funds
 June 30, 2018
 (Unaudited)

1. Current Available Funds

Add:

Cash	\$	-
Cash Equivalents		
Bank Deposits		176,812
Marketable Securities		24,556,909
Certificates of Deposit		-
Repurchase Agreements		-
Other cash equivalent items		-
Interfund receivables		-
Total Current Available Funds	A.	<u>24,733,721</u>

2. Working Capital Allowance

Add:

Highest month's expenditures		4,233,377
Encumbrances and current liabilities paid in lapse period		1,282,635
Deferred income		67,411
Refundable deposits		886,428
Allowance for Restoring Inventory to Normal Level		34,700
Allowance for Sick Leave/Vacation Payouts		<u>96,627</u>
Working Capital Allowance	B.	<u>6,601,178</u>

3. Current Excess Funds

Deduct B from A and enter here C. 18,132,543

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. -

Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund. \$ 18,132,543

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, 2018
 (Unaudited)

1. Current Available Funds

Add:

Cash	\$ 19,606
Cash Equivalents	
Bank Deposits	-
Marketable Securities	4,311,034
Certificates of Deposit	-
Repurchase Agreements	-
Other cash equivalent items	-
Interfund receivables	-
Total Current Available Funds	A. <u>4,330,640</u>

2. Working Capital Allowance

Add:

Highest month's expenditures	1,208,976
Encumbrances and current liabilities paid in lapse period	326,242
Deferred income	597,744
Refundable deposits	99,171
Allowance for Restoring Inventory to Normal Level	-
Allowance for Sick Leave/Vacation Payouts	<u>25,572</u>
Working Capital Allowance	B. <u>2,257,705</u>

3. Current Excess Funds

Deduct B from A and enter here	C. 2,072,935
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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>(4,500,893)</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>\$ (2,427,958)</u>
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State of Illinois
 Illinois State University

Auxiliary Facilities - Revenue Bonds
 Parking Services
 Calculation Sheet for Current Excess Funds
 June 30, 2018
 (Unaudited)

1. Current Available Funds

Add:

Cash	\$ -
Cash Equivalents	
Bank Deposits	2,062,989
Marketable Securities	-
Certificates of Deposit	-
Repurchase Agreements	-
Other cash equivalent items	-
Interfund receivables	-
Total Current Available Funds	A. <u>2,062,989</u>

2. Working Capital Allowance

Add:

Highest month's expenditures	241,914
Encumbrances and current liabilities paid in lapse period	29,274
Deferred income	105,126
Refundable deposits	-
Allowance for Restoring Inventory to Normal Level	-
Allowance for Sick Leave/Vacation Payouts	<u>4,435</u>
Working Capital Allowance	B. <u>380,749</u>

3. Current Excess Funds

Deduct B from A and enter here	C. 1,682,240
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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>(2,350,300)</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>\$ (668,060)</u>
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**State of Illinois
Illinois State University**

**Calculation Sheet for Indirect Cost Carryforward
June 30, 2018
(Unaudited)**

1. Current Available Funds

Add:

Cash	\$ -
Cash Equivalents	
Bank Deposits	-
Marketable Securities	1,981,256
Certificates of Deposit	-
Repurchase Agreements	-
Other cash equivalent items	<u>-</u>
Interfund receivables	<u>1,981,256</u>

2. Allocated Reimbursements

Enter the total indirect cost reimbursements allocated for expenditure for the fiscal year completed: \$4,504,439; enter 30% of this amount	<u>1,351,332</u>
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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>199,115</u>
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**4. Encumbrances and Current Liabilities
Paid in the Lapse Period**

Enter the amount of:

Current Liabilities	108,808
Encumbrances	<u>-</u>
Total	<u>108,808</u>

5. Indirect Cost Carry-forward

a. Enter the total of items 2, 3 and 4	<u>1,659,255</u>
b. Subtract from item 1	<u>\$ 322,001</u>
If a positive number results, enter here and remit for deposit in the Income Fund.	<u>\$ 322,001</u>

**State of Illinois
Illinois State University**

**Budget Impasse Disclosures
For the Year Ended June 30, 2018
(Unaudited)**

Payment of Fiscal Year 2017 Costs in Future Fiscal Years

Article 998 of Public Act 100-0021 authorized the University to pay its unpaid 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:

Fund #	Fund Name	Fiscal Year 2017 Invoices			
		Paid from Fiscal Year 2016 Appropriations		Expect Payment from Fiscal Year 2017 Appropriations	
		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
For the Year Ended June 30, 2018
(Unaudited)**

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 2017 and fiscal year 2018.

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 2017 and fiscal year 2018.

State of Illinois
Illinois State University

Employment Statistics (Full-Time Equivalent)
For the Years Ended June 30, 2018 and 2017
(Unaudited)*

	Instructional Activities	Organized Research	Public Service
Year Ended June 30, 2018			
Appropriated funds:			
Faculty/administrative	1,166.20	6.20	22.80
Civil service	200.90	10.60	5.80
Student employees	47.40	0.10	2.60
Miscellaneous contracts	1.80	0.00	3.50
	<u>1,416.30</u>	<u>16.90</u>	<u>34.70</u>
Nonappropriated funds:			
Faculty/administrative	47.80	121.90	51.00
Civil service	11.00	24.90	9.90
Student employees	17.10	13.60	14.40
Miscellaneous contracts	2.80	3.80	1.60
	<u>78.70</u>	<u>164.20</u>	<u>76.90</u>
Total All Funds	<u><u>1,495.00</u></u>	<u><u>181.10</u></u>	<u><u>111.60</u></u>
Year Ended June 30, 2017			
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>1,436.20</u>	<u>14.60</u>	<u>26.10</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>75.20</u>	<u>158.60</u>	<u>79.60</u>
Total All Funds	<u><u>1,511.40</u></u>	<u><u>173.20</u></u>	<u><u>105.70</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&M Plant</u>	<u>Independent Operations</u>	<u>Total All Functions</u>
83.30	65.50	82.40	12.00	0.00	1,438.40
75.00	18.40	242.30	305.10	0.00	858.10
15.30	3.50	25.50	11.70	0.00	106.10
0.90	0.10	2.90	19.00	0.00	28.20
<u>174.50</u>	<u>87.50</u>	<u>353.10</u>	<u>347.80</u>	<u>0.00</u>	<u>2,430.80</u>
3.00	167.10	0.00	0.10	50.10	441.00
0.00	78.80	0.00	1.00	242.60	368.20
0.80	58.10	0.00	0.00	204.50	308.50
0.30	3.60	0.00	0.00	13.90	26.00
<u>4.10</u>	<u>307.60</u>	<u>0.00</u>	<u>1.10</u>	<u>511.10</u>	<u>1,143.70</u>
<u>178.60</u>	<u>395.10</u>	<u>353.10</u>	<u>348.90</u>	<u>511.10</u>	<u>3,574.50</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
<u>183.60</u>	<u>88.30</u>	<u>359.00</u>	<u>336.30</u>	<u>0.00</u>	<u>2,444.10</u>
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
<u>4.40</u>	<u>298.30</u>	<u>0.40</u>	<u>1.00</u>	<u>389.90</u>	<u>1,007.40</u>
<u>188.00</u>	<u>386.60</u>	<u>359.40</u>	<u>337.30</u>	<u>389.90</u>	<u>3,451.50</u>

**State of Illinois
Illinois State University**

**Employment Statistics (Full-Time Equivalent) (Continued)
For the Years Ended June 30, 2018 and 2017
(Unaudited)***

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
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**Annual Cost Statistics
For the Years Ended June 30, 2018 and 2017
(Unaudited)**

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

	<u>2018</u>	<u>2017</u>
Total education and general expenses/expenditures from current appropriated funds	\$ 65,004,000 *	\$ 72,263,175 *
Expenses/expenditures from locally held University Income Fund	<u>148,032,197</u>	<u>202,451,527</u>
Total expenses from current appropriated and locally held funds	213,036,197	274,714,702
Full-time equivalent students	<u>18,308</u>	<u>19,594</u>
Cost Per Full-time Equivalent Student	<u>\$ 11,636</u>	<u>\$ 14,020</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.

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Illinois State University**

**Emergency Purchases
For the Year Ended June 30, 2018
(Unaudited)**

In fiscal year 2018, the University did not have any emergency purchases.

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Illinois State University**

**Bookstore Information
For the Year Ended June 30, 2018
(Unaudited)**

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>
2018	\$ 2,551,254	\$ 314,945
2017	2,999,562	349,939
2016	2,882,019	333,483

The University received a guaranteed commission of \$314,945, \$27,769 above the calculated commissions based on the terms of the contract.

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

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Illinois State University**

**Service Efforts and Accomplishments
For the Years Ended June 30, 2018 and 2017
(Unaudited)**

	<u>2018</u>	<u>2017</u>
Total University Budget as Approved by the Board of Trustees	\$426,804,000	\$422,246,900
Performance Indicators		
Degrees conferred	5,348	5,374
Retention rate (fall to fall)	78.6%	80.6%
Graduation rate (6 year)	69.1%	68.8%

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

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Illinois State University**

**Special Data Requirements for University Audits
For the Years Ended June 30, 2018 and 2017
(Unaudited)**

In accordance with an Office of the Auditor General, July 25, 2000, memorandum entitled "Matters Regarding University Audits" (Memorandum), certain supplemental data is required to be reported for University audits. The table below cross references the memorandum requirements (indicated by number and letter paragraph references) to the University's financial audit and compliance examination reports for the year ended June 30, 2018, 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, 2018.

Indirect Cost Reimbursements

- 13(b) A statement of the sources and application of indirect cost recoveries is presented on Schedule 13 within this report on page 53.
- 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 73.

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, 2018.

Auxiliary Facilities, 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 57-58.
- 13(f) The present financial statements for each accounting entity are presented on Schedules 7 through 12 within this report on pages 47-52. These entity financial statements should be read in conjunction with the University's audited financial statements for the year ended June 30, 2018.
- 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 65-72.

**State of Illinois
Illinois State University**

**Special Data Requirements for University Audits (Continued)
For the Years Ended June 30, 2018 and 2017
(Unaudited)**

Auxiliary Facilities, Activities, and Accounting Entities (Continued)

- 13(h) The University has certain student employees whom are paid from federal funds under the Work Study Program (CFDA #84.033). University management discloses, in accordance with the long-standing public policy of the State of Illinois, approximately \$4,647,964 of group insurance expense and \$6,688,317 of retirement plan contributions were paid from State appropriated funds for the year ended June 30, 2018. 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 65-66.
- Further, the present financial statements for Housing, Student Activities, and Parking entities are presented in Schedules 11-12 within this report on pages 51-52. A description of the Housing, Student Activities, and Parking entities' sources of revenues and purpose are presented within this report on pages 57-58.
- 13(j) There were no violations of the bond covenants identified during the financial audit and compliance examination of Illinois State University for the year ended June 30, 2018.
- 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 two UROs, the Illinois State University Foundation and INTO ISU. The University does not have any "Independent Organizations" under Section VII of the University Guidelines.
- 13(m) A summary of Illinois State University Foundation and INTO ISU payments to the University for services provided by the University is presented within this report on pages 86-89.
- 13(n) A summary of University payments to the Illinois State University Foundation and INTO ISU for services provided by the Illinois State University Foundation is presented within this report on pages 86-89.
- 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)
For the Years Ended June 30, 2018 and 2017
(Unaudited)**

University Related Organizations (UROs) (Continued)

- 13(p) A disclosure and description of debt financed by the Illinois State University Foundation and INTO ISU, along with other University long-term liabilities, is disclosed within the financial audit report in Note 9 on pages 41-46.

Other Topics

- 13(q) The University's cash and cash equivalents are disclosed within the financial audit report in Note 2 on page 33. The University's investments are disclosed within the financial audit report in Note 3 on pages 33-37.
- 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 41-46.

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 40-42. 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 59-60.
- 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 43.
- 13(3) Separate schedules of tuition and fee waivers for undergraduate and graduate students, respectively, are presented within this report on pages 90-91.

**State of Illinois
Illinois State University**

**Summary of Foundation Transactions with the University
For the Years Ended June 30, 2018 and 2017
(Unaudited)**

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

During fiscal years 2018 and 2017, 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 \$2,457,018 and \$2,446,698 during fiscal years 2018 and 2017, 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 2018 and 2017. During fiscal years 2018 and 2017, the Foundation contributed services and expenditures of \$8,811,223 and \$8,893,470, 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, 2017, 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 \$2,595,000 and \$2,518,000, respectively, for the years ended June 30, 2018 and 2017. 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 \$2,457,018 and \$2,446,698 during fiscal years 2018 and 2017, 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, 2018 and 2017, the Foundation had payables to the University of \$157,860 and \$985,244, respectively. In addition, at June 30, 2018 and 2017, the Foundation had no receivables 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. The prepaid rent was fully amortized as of June 30, 2018.

During fiscal years 2018 and 2017, the Foundation contributed services and expenditures of \$5,936,803 and \$6,332,443, respectively, that were for the direct and/or indirect support of the University. The Foundation also contributed \$2,874,420 and \$2,561,027, 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)
For the Years Ended June 30, 2018 and 2017
(Unaudited)**

As of and during the year ended June 30, 2018, the University and Foundation had the following inter-entity transactions:

Illinois State University	Illinois State University Foundation	
	Accounts Payable	Operating Expense
Accounts receivable, net	\$ 123,489	\$ -
Assets held in custody for others	34,371	-
Other operating revenues	-	352,647
Other nonoperating revenues	-	4,538,968
Capital gifts and grants	-	1,045,188
Total	\$ 157,860	\$ 5,936,803

Note: There was an additional \$15,865 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, 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
Total	\$ 985,244	\$ 300,000	\$ 6,330,366	\$ 13,003

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.

**State of Illinois
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**Summary of INTO NA Transactions with the University
For the Years Ended June 30, 2018 and 2017
(Unaudited)**

The Illinois State University Global, LLC (Global) was established on March 8, 2018. Global is a University Related Organization (URO) as defined under the University Guidelines adopted by the State of Illinois' Legislative Audit Commission in 1982, as amended. Global was formed as a single member LLC of which the University is the sole owner. The University contributed \$25,000 to Global. Based on this financial relationship, Global is blended into the University's financial information (see page 89 for the diagram of the INTO/ISU Corporate structure).

Global exists for the purpose of promoting the development of the Illinois State University's efforts to promote global engagement and internationalization, so that the University can impart the necessary knowledge, and skills students will need to effectively engage in the global community and support the University's distinctive excellence in teaching, learning, scholarship, creativity, research, and public service.

Global's current year activity on the Statement of Revenues, Expenses and Changes in Net Position reflected the \$25,000 loss from INTO ISU. Global's initial \$25,000 investment in INTO ISU is reduced to \$0 on its balance sheet at year-end based on its equity investment. There are no other balances at year-end.

On March 22, 2018, Global entered into a joint venture with INTO North America, Inc. (INTO NA) to establish INTO Illinois State University, LLC (INTO ISU). Each member contributed \$25,000 towards the members' capital account, appointed three members to the INTO ISU Board, and holds an equal (50%) equity stake in INTO ISU. The Joint Venture agreement specifically applies the \$50,000 towards partnership equity. INTO ISU is discretely presented on the University's financial statements.

INTO ISU is an independent organization and is required to report in a separate column to emphasize that it is an entity legally separate from the University. INTO ISU serves as the primary entity to implement the partnership with INTO NA. INTO ISU is responsible, in partnership with INTO NA and the University, with recruiting international students, offering English language instruction courses that serve as a pathway to University degree programs, and serving our new international students. INTO ISU provides continuous support by managing the areas of the students' cultural experience, English language courses, and eventual matriculation to the University.

INTO NA supports INTO ISU by providing management, marketing, and administrative services to INTO ISU. By partnering with INTO ISU, the University can support the recruitment of the best and brightest international student talent to the University, enhance the diversity of our University community, inspire our students to become global citizens, extend the University's global reach, broaden the University's global brand identity and recognition, provide an economic stimulus for the broader community, and contribute to the growth of the University. INTO NA is a wholly owned subsidiary of INTO University Partnership Limited (IUP), a British limited liability partnership.

**State of Illinois
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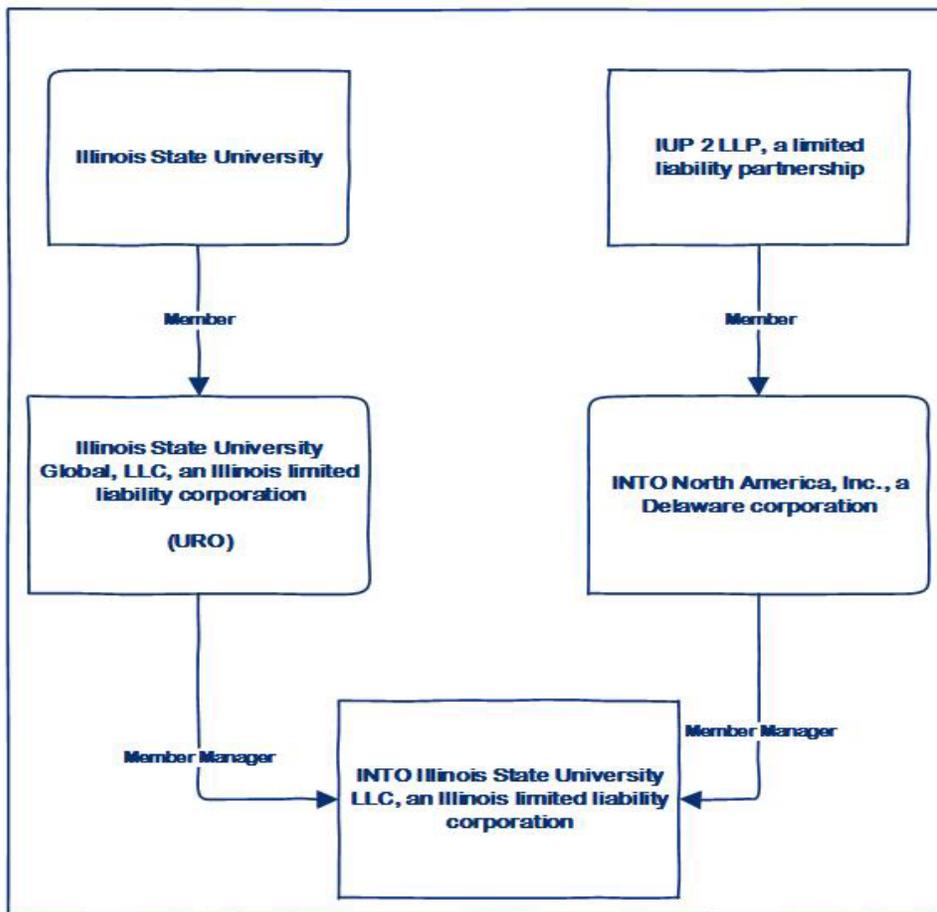
**Summary of INTO NA Transactions with the University (Continued)
For the Years Ended June 30, 2018 and 2017
(Unaudited)**

As of and during the year ended June 30, 2018, the University and INTO NA had the following inter-entity transactions:

Illinois State University	INTO Illinois State University		
	Accounts Payable	Operating Expense	Capital Assets
Accounts receivable, net	\$ 137,794	\$ -	\$ -
Other operating revenues	-	91,091	46,703

Below is a diagram representing the INTO/ISU Corporate Structure.

INTO/ISU Corporate Structure



**State of Illinois
Illinois State University**

**Undergraduate Tuition and Fee Waivers
For the Year Ended June 30, 2018
(Unaudited)**

	Total Number of Recipients*	Tuition Waived		Fees Waived	
		(In Thousands of Dollars)			
		Number of Recipients	Value of Waivers	Number of Recipients	Value of Waivers
Mandatory Waivers					
Teacher Special Education	393	393	\$ 4,169.0	393	\$ 1,096.0
Reserve Officer's Training Corps	52	52	493.0	52	15.8
Wards of Illinois Department of Children and Family Services	32	32	267.0	32	35.2
Veterans Grants and Scholarships	311	311	2,727.9	311	252.6
Children of Employees	363	363	1,750.3	-	-
Subtotal*	1,151	1,151	9,407.2	788	1,399.6
Discretionary Waivers					
Faculty/Administrators (Non-Civil Service)	1	1	1.1	1	0.3
Civil Service	55	55	186.1	55	41.5
Children of Deceased Employees	6	6	50.6	6	11.2
Athletic	437	437	3,517.5	-	-
Academic/Other Talent	466	466	1,841.1	18	17.4
Foreign Exchange Students	73	73	418.7	-	-
Student Need-Financial Aid	129	129	340.0	-	-
Graduate Assistants	11	11	93.0	-	-
Cooperating Professionals	1	1	1.2	-	-
Subtotal*	1,179	1,179	6,449.3	80	70.4
Total *	2,330	2,330	\$ 15,856.5	868	\$ 1,470.0

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
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**Graduate Tuition and Fee Waivers
For the Year Ended June 30, 2018
(Unaudited)**

	Total Number of Recipients*	Tuition Waived		Fees Waived	
		(In Thousands of Dollars)			
		Number of Recipients	Value of Waivers	Number of Recipients	Value of Waivers
Mandatory Waivers					
Teacher Special Education	22	22	\$ 172.0	22	\$ 46.0
Senior Citizens	1	1	2.3	-	-
Veterans Grants and Scholarships	32	32	87.5	32	16.9
Subtotal*	55	55	261.8	54	62.9
Discretionary Waivers					
Faculty/Administrators (Non-Civil Service)	14	14	33.5	14	7.0
Civil Service	190	190	647.6	190	134.3
Cooperating Professionals	377	377	1,022.6	-	-
Athletic	6	6	31.8	-	-
Academic/Other Talent	425	425	713.2	-	-
Foreign Exchange Students	30	30	136.7	-	-
Graduate Assistants	1,027	1,027	9,267.0	-	-
Retired University Employees	-	-	-	-	-
Subtotal*	2,069	2,069	11,852.4	204	141.3
Total *	2,124	2,124	\$ 12,114.2	258	\$ 204.2

* 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.