

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
COMPLIANCE EXAMINATION**

**(In Accordance with the Single Audit Act
and OMB Circular A-133)**

For The Year Ended June 30, 2007

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

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
COMPLIANCE EXAMINATION**

(In Accordance With the Single Audit Act and OMB Circular A-133)

For The Year Ended June 30, 2007

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Financial Statement Report

The University's financial statement report for the year ended June 30, 2007 which includes the independent auditor's report, management's discussion and analysis, basic financial statements, and the 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* has been issued separately.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
COMPLIANCE EXAMINATION**

(In Accordance With the Single Audit Act and OMB Circular A-133)

For The Year Ended June 30, 2007

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**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

AGENCY OFFICIALS

GOVERNORS STATE UNIVERSITY

President (7/1/06 to 6/30/07)	Dr. Stuart Fagan
President (7/1/07 to Present)	Dr. Elaine Maimon
Vice President of Administration & Planning (7/1/06 to 5/31/07)	Mr. John Tuohy
Executive Vice President, Chief of Staff, Treasurer (6/1/07 to Present)	Dr. Gebeyehu Ejigu
Associate Vice President, Financial Services/ Comptroller	Ms. Karen Kissel
Internal Auditor	Mr. David Dixon

Agency offices are located at:

1 University Parkway
University Park, IL 60466

February 18, 2008

Clifton Gunderson LLP
Certified Public Accountants
200 E. Court St., Suite 608
Kankakee, IL 60901

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of Governors 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 Governors State University's compliance with the following assertions during the year ended June 30, 2007. Based on this evaluation, we assert that during the year ended June 30, 2007, Governors State University has materially complied with the assertions below.

A. Governors 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. Governors 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.

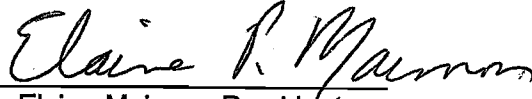
C. Governors State University has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. State revenues and receipts collected by Governors 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.

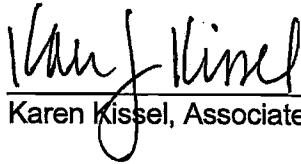
E. Money or negotiable securities or similar assets handled by Governors State University on behalf of the State or held in trust by the agency have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

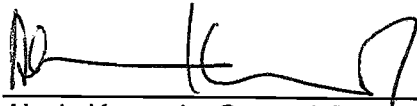
Governors State University



Dr. Elaine Maimon, President



Karen Kissel, Associate Vice President for Financial Services and Comptroller



Alexis Kennedy, General Counsel

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
COMPLIANCE REPORT**

SUMMARY

The compliance testing performed in this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

ACCOUNTANT'S REPORTS

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>Compliance</u>	<u>Financial</u>	<u>Prior</u>
<u>Findings</u>	<u>Report</u>	<u>Report</u>	<u>Compliance</u>
Findings	6	0	9
Repeated findings	3	0	7
Prior recommendations implemented or not repeated	5	1	4

Details of *Federal* and *State Compliance* findings are presented in the separately tabbed report section of this report. Details of *Government Auditing Standards* findings are issues related to significant deficiencies and material weaknesses in internal control over financial reporting. Findings related to *Government Auditing Standards* have been issued separately with the University's Financial Statement Audit.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
<u>FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)</u>		
07-1	14	Student Financial Aid Awarded to Students at Unapproved Locations
07-2	15	Return of Title IV Funds
<u>FINDINGS (STATE COMPLIANCE)</u>		
07-3	16	Time Sheets Not Maintained in Compliance with the State Officials and Employees Ethics Act
07-4	17	Failure to Complete Ethics Training Within Six Months of Employment
07-5	18	Late Payments to the State University Retirement Fund
07-6	19	Inadequate Controls Over University Property and Equipment
<u>PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)</u>		
07-7		Failure to Reconcile Certain Accounts when Preparing Financial Statements
<u>PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)</u>		
07-8	20	Over-award of Federal Pell Grants
07-9	20	Exit Counseling Not Performed
<u>PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)</u>		
07-10	21	Noncompliance with State Publication Laws
07-11	21	Failure to File Contracts and Leases with the State Comptroller
07-12	21	University Faculty Research & Consulting

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

COMPLIANCE REPORT

SUMMARY

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with University personnel at an exit conference on February 7, 2008. Attending were:

Representing Governors State University

President
Executive Vice President, Chief of Staff, Treasurer
Associate Vice President, Financial Services
Controller
Ass't. Director Business Operations
Internal Auditor

Dr. Elaine Maimon
Dr. Gebeyehu Ejigu
Ms. Karen Kissel
Ms. Cathy Casson, CPA
Mr. Barry Ryan
Mr. David Dixon

Representing Clifton Gunderson, LLP

Senior Manager
Manager

Mr. Paul A. Pelletier, CPA
Mr. Robert Sikma, CPA

Representing the Office of the Auditor General

Audit Manager

Mr. Thomas L. Kizziah, CPA

Responses to the recommendations were provided by Ms. Karen Kissel in an e-mail dated February 18, 2008.

INDEPENDENT ACCOUNTANT'S REPORT ON STATE COMPLIANCE,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

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

- A. Governors 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. Governors 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. Governors 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. The State revenues and receipts collected by Governors 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 Governors State University on behalf of the State or held in trust by Governors State University have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

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

In our opinion, Governors State University complied, in all material respects, with the requirements listed in the first paragraph of this report during the year ended June 30, 2007. However, the results of our procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings and questioned costs as findings 07-1 through 07-6. As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter to your office.

Internal Control

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

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 07-1 through 07-6 to be significant deficiencies.

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

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

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of Governors State University and its aggregate discretely presented component units, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2007, and have issued our report thereon dated January 29, 2008. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of Governors State University. The 2007 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2007 taken as a whole. The fiscal years 2006 and 2005 comparative information has been derived from Governors State University's basic financial statements as of and for the years ended June 30, 2006 and June 30, 2005, which were audited by other auditors who expressed unqualified opinions on the basic financial statements in their reports dated December 14, 2006 and December 7, 2005.

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

Clifton Bunderson LLP

Kankakee, Illinois
February 18, 2008



**Clifton
Gunderson LLP**

Certified Public Accountants & Consultants

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the compliance of Governors State University with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Governors State University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Governors State University's management. Our responsibility is to express an opinion on Governors State University's compliance based on our audit.

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

In our opinion, Governors State University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 07-1 and 07-2.

Internal Control Over Compliance

The management of Governors State University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Governors State University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Governors State University's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Governors State University and its aggregate discretely presented component units, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2007, and have issued our report thereon dated January 29, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Governors State University's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Clifton Henderson LLP

Kankakee, Illinois

February 18, 2008, except for the Schedule of Expenditures of Federal Awards and the related notes, as to which the date is January 29, 2008

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2007**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes x none reported
- Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? x yes _____ none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

 x yes _____ no

Identification of major programs:

	<u>CFDA No.</u>
Student Financial Aid Cluster	
U.S. Department of Education	
Federal Work Study Program	84.033
Federal Pell Grant Program	84.063
Federal Supplemental Educational Opportunity Grant Program	84.007
Federal Perkins Loan Program	84.038
Federal Direct Student Loan Program	84.268
National Science and Mathematics Access to Retain Talent Grant	84.376
U.S. Department of Health & Human Services	
Scholarships for Disadvantaged Students	93.925
U.S. Department of Education	
Special Education-Personnel Development to Improve Services and Results for Children with Disabilities	84.325
Higher Educational Institutional Aid	84.031
Transition to Teaching	84.350

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

\$ 300,000

Auditee qualified as low-risk auditee?

_____ yes x no

II. FINANCIAL STATEMENTS FINDINGS

None

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

see Findings 07-1 thru 07-2

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
For The Year Ended June 30, 2007**

CURRENT FINDINGS – FEDERAL AND QUESTIONED COSTS

07-1 FINDING: STUDENT FINANCIAL AID AWARDED TO STUDENTS AT UNAPPROVED LOCATIONS

**Federal Department: U.S. Department of Education
CFDA Number: 84.038, 84.007, 84.063, 84.268, 84.033, 84.376
Program Name: Student Financial Aid Cluster
Questioned Cost: Undetermined**

Governors State University (University) awarded student financial aid to students at unapproved locations.

Our testing of the United States Department of Education Institutional Participation and Oversight Service, Eligibility and Certification Approval Report disclosed that 3 out of 29 offsite locations, where Governors State University provides education courses, were not approved prior to providing services at these locations. The University was unable to provide us with a list of students receiving financial aid at offsite locations that offered 50% or more of an education program.

The Code of Federal Regulations (34 CFR 600.20(c)(1)) requires that any institution that wishes to expand the scope of its eligibility and certification and disburse Title IV funds must apply to the Secretary of Education and wait for approval to add a location at which the institution offers 50% or more of an education program.

University officials stated that the communication (from the extended learning department to the financial aid office) of the opening of new sites was not fully effective and the requests to the Department of Education for site approval were not made timely.

Failure to properly get locations approved by the Department of Education may jeopardize future federal funding. (Finding Code 07-1)

RECOMMENDATION

We recommend the University seek approval from the Department of Education for any locations where educational programs are offered, prior to offering classes at these locations.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. The University has refined its current process to ensure that permission is obtained prior to offering classes at offsite locations.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
For The Year Ended June 30, 2007**

CURRENT FINDINGS – FEDERAL AND QUESTIONED COSTS

07-2 FINDING: RETURN OF TITLE IV FUNDS

**Federal Department of Education: U.S. Department of Education
CFDA Number: 84.038, 84.007, 84.063, 84.268, 84.033, 84.376
Program Name: Federal Student Financial Aid Cluster
Questioned Cost: None**

Governors State University (University) used an incorrect period of enrollment calculation on the return of Title IV funds calculation sheets causing the amounts to be inaccurate and some of the funds were not timely returned.

During our testing of 40 students that withdrew from the University, it was noted:

- 13 of the 40 students (33%) calculation sheets contained incorrect period of enrollment calculations. By using the incorrect calculations, the University failed to return \$1,914 due to the Department of Education for student financial aid program refunds for 6 of the students. In addition, the University refunded to the Department of Education \$3,029 in excess of the required refund for the remaining 7 students.
- 1 of the 40 students (3%) tested withdrew and resulted in the University being required to return Title IV funds, but the University did not return the funds timely. This refund (\$145) was returned 104 days (59 days late) after the date of determination.

The Code of Federal Regulations (34 CFR 668.22(f)(i)) states that in the case of a program that is measured in credit hours, the period of enrollment completed is to be calculated by dividing the total number of calendar days in the payment period into the number of calendar days completed in that period as of a student's withdrawal date.

The Code of Federal Regulations (34 CFR 668.22(j)(1)) states that the University must return the amount of Title IV funds no later than 45 days after the date of determination of withdrawal .

University officials stated that the exceptions were a result of human error.

Failure to use accurate data when calculating return of Title IV funds may jeopardize future federal funding. (Finding Code No. 07-2)

RECOMMENDATION

We recommend the University improve procedures to ensure that all return of Title IV funds calculations are reviewed prior to returning money to the Department of Education.

UNIVERSITY RESPONSE

The University agrees with the finding and accepts the recommendation. The University has since corrected the error and made the appropriate adjustments on the students account and refunds to the federal financial aid programs. To ensure this error does not reoccur, the University has refined their internal procedures.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
For The Year Ended June 30, 2007**

CURRENT FINDINGS – STATE

07-3 FINDING: TIME SHEETS NOT MAINTAINED IN COMPLIANCE WITH THE STATE OFFICIALS AND EMPLOYEES ETHICS ACT

Governors State University (University) is not maintaining time sheets for its faculty and graduate assistants in compliance with the State Officials and Employees Ethics Act (Act).

The Act required the Illinois Board of Higher Education (IBHE), with respect to State employees of public universities, to adopt and implement personnel policies. The Act (5 ILCS 430/5-5(c)) states, "The policies shall require State employees to periodically submit time sheets documenting the time spent each day on official State business to the nearest quarter hour." The IBHE adopted personnel policies for public universities on February 3, 2004 in accordance with the Act. The University has incorporated these policies into the University's policies.

Of the 25 employees' time sheets that were tested, 7 faculty members used the "negative" timekeeping system whereby the employee is assumed to be working unless noted otherwise. In addition, we noted 2 graduate assistants in our sample that did use positive time reporting (reporting total hours worked each week), but it was not in accordance with the Act because it did not report time worked each day to the nearest quarter hour. The other 16 employees were using time reporting in accordance with the Act.

University officials stated that all State Universities have mandated faculty to report time consistently. The President's council and the individual Universities will continue to discuss and explore faculty time reporting.

By not requiring positive time sheets from its faculty, the University is not in compliance with the Act. (Finding Code Nos. 07-3, 06-4, 05-7)

RECOMMENDATION

We recommend that the University amend its policies to require all employees to maintain time sheets in compliance with the Act.

UNIVERSITY RESPONSE

Under study. The University acknowledges the requirements of the State Officials and Employees Ethics for employees to periodically report time spent each day of official state business to the nearest quarter hour. We currently collect and monitor reported time spent on official business from all nonacademic, civil service, and professional and administrative staff. We are reviewing existing time reporting requirements for faculty employees established by federal granting agencies and others to determine whether the requirements of the Ethics Act can be met by existing requirements rather than requiring dual reporting. In addition, we are reviewing, along with other state universities, time reporting for faculty, as it relates to existing collectively bargained contractual obligations.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
For The Year Ended June 30, 2007**

CURRENT FINDINGS – STATE

07-4 FINDING: FAILURE TO COMPLETE ETHICS TRAINING WITHIN SIX MONTHS OF EMPLOYMENT

Governors State University (University) failed to provide ethics training within six months of initial employment for certain individuals hired during fiscal year 2007 in accordance with the State Officials and Employees Ethics Act (Act).

During our examination of 25 employees hired during fiscal year 2007, we determined that the University was unable to provide proof that initial ethics training as required by the Act was completed for eleven of the employees.

The State Officials and Employees Ethics Act (5 ILCS 430/5-10) states that a person who fills a vacancy in an elective or appointed position that requires training and a person employed in a position that requires training must complete his or her initial ethics training within six months after commencement of his or her office or employment.

University officials stated that all employees were provided with a packet which includes ethics training materials and certification. The University requests that everyone turn in the signed certification and follow up with those who do not. Some of the eleven returned their certification late and some left the University without returning any certification. The University will continue to follow up as best they can with all these employees.

Failure to provide ethics training within the required time frame may cause employees to be unaware of specific ethical requirements of State officials and employees and results in noncompliance with the Act. (Finding Code No. 07-4)

RECOMMENDATION

We recommend the University improve procedures to ensure that newly hired employees receive the appropriate ethics training within the first six months of their initial date of employment in accordance with the Act and keep proof of documentation that the training was completed.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. The Human Resources Department has hired and trained a full-time records support staffer who, in addition to the maintenance of all employee files and records, is assigned to maintain, notify, and track new hires for Ethics compliance.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
For The Year Ended June 30, 2007**

CURRENT FINDINGS – STATE

07-5 FINDING: LATE PAYMENTS TO THE STATE UNIVERSITY RETIREMENT FUND

Governors State University (University) did not timely submit pension contributions for employees paid from trust or Federal funds to the Board of Trustees of the State University Retirement System (SURS).

We examined payments made by the University to SURS for contributions for employees paid from trust or Federal funds and noted that the University was submitting payments on a monthly basis.

The Illinois Pension Code (Code) (40 ILCS 5/15-181) requires the warrant or check drawn to SURS, together with the additional copy of the payroll supplied by the employer, shall be transmitted immediately to the Board of SURS.

University officials stated that failure to submit pensions from those employees paid from federal funds on a biweekly basis was due to human error. The new process has been implemented for timely submission.

Failure to timely remit the funds may result in decreased earnings potential of the State University Retirement System and results in noncompliance with the Code. (Finding Code Nos. 07-5, 06-7)

RECOMMENDATION

We recommend that the University comply with the requirements of the Illinois Pension Code and promptly remit payments to the Board of Trustees of SURS.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. The process has changed to remit payments in accordance with the Illinois Pension Code.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
For The Year Ended June 30, 2007**

CURRENT FINDINGS – STATE

07-6 FINDING: INADEQUATE CONTROLS OVER UNIVERSITY PROPERTY AND EQUIPMENT

Governors State University (University) property control records did not accurately reflect property and equipment at the University.

In performing our tests of University equipment, we found exceptions with 20 of the 110 (18%) items that were sampled. The following exceptions were noted:

- Five items with a cost of \$6,683 were assigned a tag number and were included on the property listing, but they had no tag affixed.
- Five items with a cost of \$8,031 could not be located by the University. These items were all computer equipment items.
- Two items contained inaccurate property descriptions. The description was changed by the University once this was brought to their attention.
- Three items were found in a different location than that which was listed on the property control listing.
- Three items (computer, police car, and camera) with a cost of \$24,361 are obsolete and no longer being used by the University.
- A video cassette recorder and a television, each of which had a University tag number, could not be traced back to the property control records.

The State Property Control Act (30 ILCS 605/4) requires responsible officers at each State agency to be accountable for supervision, control and inventory of all property under their jurisdiction to ensure proper accounting and safeguarding of State assets.

University officials stated the exceptions above are an inherent problem with the property control system and are a result of personnel turnover, ease of mobility of property from room to room, and human error.

Inaccurate property control records result in incorrect accounting information and could cause unnecessary equipment expenditures and inaccurate financial reporting. Equipment not properly tagged could lead to misappropriation of University assets. (Finding Code Nos. 07-6, 06-9, 05-9, 04-02, 03-02)

RECOMMENDATION

We recommend that the University adhere to its procedures and ensure that the property and equipment records are properly maintained.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. The University will continue to improve its property control system and reporting procedures.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS - PRIOR FINDINGS NOT REPEATED
For The Year Ended June 30, 2007**

PRIOR FINDINGS NOT REPEATED – FEDERAL

07-8 FINDING: OVER-AWARD OF FEDERAL PELL GRANTS

The University paid Federal Pell Grants in excess of the limit allowed by the Department of Education.(Finding Code Nos. 06-2, 05-4)

Status – Not repeated

Our sample testing did not identify any students paid in excess of the limits allowed by the Department of Education.

07-9 FINDING: EXIT COUNSELING NOT PERFORMED

The University did not have adequate procedures to ensure that students who received Federal Direct Student Loans and dropped below half-time received exit counseling. (Finding Code No. 06-3, 05-5)

Status – Not repeated

Our sample testing did not identify any students that did not receive exit counseling.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS - PRIOR FINDINGS NOT REPEATED
For The Year Ended June 30, 2007**

PRIOR FINDINGS NOT REPEATED – STATE

07-10 FINDING: NONCOMPLIANCE WITH STATE PUBLICATION LAWS

The University did not comply with the Illinois Procurement Code (Code) regarding University publications. (Finding Code No. 06-5, 05-8)

Status – Not repeated

Our sample testing did not identify any University publications without the appropriate disclosures.

07-11 FINDING: FAILURE TO FILE CONTRACTS AND LEASES WITH THE STATE COMPTROLLER

The University did not file contracts or leases with the State of Illinois, Office of the Comptroller. (Finding Code No. 06-8, 05-6)

Status – Not repeated

Our sample testing did not identify any contracts or leases required to be filed with the State of Illinois, Office of the Comptroller that had not been filed.

07-12 FINDING: UNIVERSITY FACULTY RESEARCH & CONSULTING

The University did not comply with the University Faculty Research and Consulting Act. (Finding Code Nos. 06-6, 05-10, 04-05, 03-03)

Status – Not repeated

Our sample testing noted significant improvement . This finding has been moved to the immaterial findings letter.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

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

- **Fiscal Schedules and Analysis:**
 - Schedule of Expenditures of Federal Awards
 - Notes to the Schedule of Expenditures of Federal Awards
 - Schedule of Appropriations, Expenditures and Lapsed Balances
 - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
 - Comparative Schedule of Income Fund Revenues and Expenses
 - Schedule of Changes in State Property
 - Analysis of Significant Variations in Revenues and Expenses
 - Analysis of Significant Account Balances
 - Analysis of Accounts Receivable
 - Summary of Indirect Cost Reimbursement Funds

- **Analysis of Operations**
 - Agency Functions and Planning Program
 - Average Number of Employees (Unaudited)
 - Student Statistics (Unaudited)
 - Emergency Purchases
 - Bookstore Information (Unaudited)
 - Service Efforts and Accomplishments (Unaudited)
 - Calculation of Federal vs Nonfederal Expenditures
 - Schedule of Degrees Awarded (Unaudited)
 - Schedule of Tuition and Fee Waivers (Unaudited)

- **Special Data Requirements**
 - University Reporting in Accordance With University Guidelines
 - Schedule of Indirect Cost Funds to be Deposited into the University
Income Fund as Required by 1982 University Guidelines (1997 Amended)
 - Schedule of Excess Funds Calculation by Entity as required by the
1982 University Guidelines (1997 Amended)
 - Balance Sheets - Auxiliary Enterprises and Activities Entities
 - Schedule of Revenues, Expenditures and Changes in Fund Balances
 - Other Unrestricted Funds
 - Summary of Alumni Association Cash Support to the University
 - Summary of Foundation Cash Support to the University

The auditor'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 auditors' opinion, except for the portion marked "unaudited," on which they express no opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass-Through Grantor/Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity ID Number	Federal Disbursements
Student Financial Aid Cluster			
U.S. Department of Education:			
Federal Work-Study Program	84.033		\$ 240,288
Federal Pell Grant Program	84.063		2,433,946
Federal Supplemental Educational Opportunity Grants	84.007		120,360
Federal Direct Student Loans	84.268		19,091,781
Federal National Science and Mathematics Access to Retain Talent (SMART) Grant	84.376		22,000
Total U.S. Department of Education			<u>21,908,375</u>
U.S. Department of Health and Human Services			
Scholarships for Health Professions Students from Disadvantaged Backgrounds/Speech	93.925		12,562
Scholarships for Health Professions Students from Disadvantaged Backgrounds/PT	93.925		50,246
Scholarships for Health Professions Students from Disadvantaged Backgrounds/OT	93.925		37,685
Scholarships for Health Professions Students from Disadvantaged Backgrounds/CSW	93.925		98,800
Scholarships for Health Professions Students from Disadvantaged Backgrounds/M & F Thy	93.925		43,966
Scholarships for Health Professions Students from Disadvantaged Backgrounds/Ment Hth	93.925		263,794
Total U.S. Department of Health and Human Services			<u>507,053</u>
Total Student Financial Aid Cluster			<u>22,415,428</u>
Research and Development Cluster			
U.S. Department of Health and Human Services			
Minority Health and Health Disparities Research	93.307		292,705
Substance Abuse and Mental Health Services-Projects of Regl & Natl Sign./SKIPP	93.243		195,906
RIMI - Building Capacity for Health Disparities Research	93.307		512,925
Total U.S. Department of Health and Human Services			<u>1,001,536</u>
National Science Foundation			
Education & Human Resources/Undergraduate Coursework & Research Enhancement Using Molecular Techniques & Instrumentation	47.076		20,105
Computer & Information Science & Engineering/BPC-DP: Collaborative & Integrative Environment for Computer Science Programs	47.070		83,579
Subtotal Direct Programs			<u>103,684</u>
Passed through The Research Foundation-State University of New York:			
Education & Human Resources/Dissemination Successful Strategies for Implementing Field Work in Undergraduate Science Curricula	47.076	1000662-1-011770	11,497
Passed through Chicago State University Chicago Alliance for Minority Programs:			
Education and Human Resources/ Science, Engineering, and Mathematics	47.076	HRD-0413000	10,754
Subtotal Pass-Through Programs			<u>22,251</u>
Total National Science Foundation			<u>125,935</u>
Total Research and Development Cluster			<u>1,127,471</u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass-Through Grantor/Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity ID Number	Federal Disbursements
Other Programs			
U.S. Department of Education:			
TRIO Cluster			
TRIO: Student Support Services	84.042A		266,359
TRIO:McNair Post-Baccalaureate Achievement	84.217A		226,990
TRIO: Upward Bound	84.047A		311,916
Total TRIO Cluster			<u>805,265</u>
Transition to Teaching	84.350A		323,696
Teacher Quality Enhancement Grants	84.336B		127,145
Fund for the Improvement of Postsecondary Education/Directed Grants-Jackson Earmark	84.116Z		43,390
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities/Minority Institutions CDIS	84.325E		213,652
Subtotal Direct Programs			<u>1,513,148</u>
Passed through Morton College:			
Higher Education-Institutional Aid/Title V Cooperative Grant	84.031S	N.A.	263,767
Total U.S. Department of Education			<u>1,776,915</u>
U.S. Department of Health and Human Services			
Nurse Education, Practice and Retention Grants	93.359		264,509
Advanced Education Nursing Traineeships	93.358		38,225
Subtotal Direct Programs			<u>302,734</u>
Passed through the Illinois Department of Human Services:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	40C6001291	77,969
Total U.S. Department of Health and Human Services			<u>380,703</u>
U.S. Department of Homeland Security			
Passed through the IL EAS			
DHS/ILEAS Homeland Security	97.073	N.A.	25,000
U.S. Department of Justice			
Passed through the County of DuPage:			
Drug Court Discretionary Grant Program/DuPage Drug Court	16.585	U12736	12,806
U.S. Department of Labor			
Passed through Southland Health Careers:			
WIA Pilots, Demonstrations, and Research Projects/Southland Health Careers Project	17.261	N.A.	7,463
U.S. Department of Agriculture			
Passed through the Illinois Board of Education:			
Child and Adult Food Care Program	10.558	N.A.	15,620
Library of Congress			
Passed through the Education and Research Consortium of the Western Carolinas			
An Adventure of the American Mind	42	00G-LIB-ND001	195,177
Small Business Administration			
Passed through the Illinois Department of Commerce and Economic Opportunity:			
Small Business Development Center	59.037	70006561122	149,568
Total Other Programs			<u>2,563,252</u>
Total Expenditures of Federal Awards			<u>\$ 26,106,151</u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
NOTES TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the State of Illinois, Governors State University and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Note 2. Student Loan Program Administered by the University

The University administered the following loan program during the year ended June 30, 2007.

Perkins Loan Program CFDA #84.038

Outstanding Balance - July 1, 2006	<u>\$ 3,309,067</u>
Additions:	
Interest income	55,321
Other income	88,991
Reduction in allowance for doubtful loans	127,000
Reimbursable Cancellations	<u>226,992</u>
Total Additions	<u>498,304</u>
Deductions:	
Loans cancelled or written off	183,803
Administrative expenses	45,295
Collection costs	<u>81,878</u>
Total Deductions	<u>310,976</u>
Outstanding Balance - June 30, 2007	<u><u>\$ 3,496,395</u></u>

New student loans made during FY07 totaled \$905,903.

GOVERNORS STATE UNIVERSITY
SCHEDULE OF OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
APPROPRIATIONS FOR FISCAL YEAR 2007
FOURTEEN MONTHS ENDED AUGUST 31, 2007

	Appropriations (net after transfers)	Expenditures through June 30, 2007	Lapse Period Expenditures 7/1 - 8/31/07	Total Expenditures	Balances Lapsed
General Revenue Fund-001: (P.A. 94-0798)					
Personal services	\$ 21,872,900	\$ 21,872,900		\$ 21,872,900	\$ -
Medicare	94,900	94,900	-	94,900	-
Contractual services	3,050,000	3,050,000	-	3,050,000	-
Travel	-	-	-	-	-
Commodities	150,000	150,000	-	150,000	-
Equipment	400,000	400,000	-	400,000	-
Telecommunications services	100,000	100,000	-	100,000	-
Operation of automotive equipment	-	-	-	-	-
Awards and grants	100,000	100,000	-	100,000	-
Permanent improvements	100,000	100,000	-	100,000	-
Total	<u>25,867,800</u>	<u>25,867,800</u>	<u>-</u>	<u>25,867,800</u>	<u>-</u>
Special Lump Sum Appropriations					
International Trade Center	331,000	330,500	500	331,000	-
Institute for Urban Education	650,000	650,000	-	650,000	-
Center for Excellence in Health Education	325,000	325,000	-	325,000	-
Center for Law Enforcement	500,000	500,000	-	500,000	-
Total	<u>1,806,000</u>	<u>1,805,500</u>	<u>500</u>	<u>1,806,000</u>	<u>-</u>
TOTAL APPROPRIATED FUNDS	<u>\$ 27,673,800</u>	<u>\$ 27,673,300</u>	<u>\$ 500</u>	<u>\$ 27,673,800</u>	<u>\$ -</u>

Note 1: Data is derived from University records and has been reconciled to the records of the State Comptroller.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES**

	FISCAL YEAR		
	2007	2006	2005
General Revenue Fund - 001:			
Appropriations (Net after transfers)	P.A. 94-0798	P.A. 94-0015	P.A. 93-0842
	\$ 25,867,800	\$ 24,680,100	\$ 24,280,100
Expenditures:			
Personal services	21,872,900	20,685,200	20,205,100
Medicare	94,900	94,900	100,000
Contractual services	3,050,000	3,050,000	3,000,000
Travel	-	-	50,000
Commodities	150,000	150,000	150,000
Equipment	400,000	400,000	400,000
Telecommunications services	100,000	100,000	145,000
Operation of automotive equipment	-	-	25,000
Awards and grants	100,000	100,000	105,000
Permanent improvements	100,000	100,000	100,000
TOTAL EXPENDITURES	25,867,800	24,680,100	24,280,100
Lapsed Balances	-	-	-
Special Lump Sum Appropriations			
Appropriations (Net after transfers)	1,806,000	1,306,000	-
Expenditures:			
International Trade Center	331,000	331,000	-
Institute for Urban Education	650,000	650,000	-
Center for Excellence in Health Education	325,000	325,000	-
Center for Law Enforcement	500,000	-	-
TOTAL EXPENDITURES	1,806,000	1,306,000	-
Lapsed Balances	-	-	-
GRAND TOTAL GENERAL REVENUE FUNDS			
Appropriations (Net after transfers)	27,673,800	25,986,100	24,280,100
Expenditures	27,673,800	25,986,100	24,280,100
Lapsed Balances	\$ -	\$ -	\$ -

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
COMPARATIVE SCHEDULE OF INCOME FUND REVENUES AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
FUND BALANCE - BEGINNING OF YEAR	\$ 3,190,925	\$ 1,617,609
INCOME FUND REVENUES		
Student fees	18,548,070	14,906,669
Excess funds	-	599,097
Investment income	823,761	478,435
Miscellaneous	131,800	63,817
Total Income Fund Revenues	<u>19,503,631</u>	<u>16,048,018</u>
INCOME FUND EXPENSES		
Personal services (including change in accrued compensated absences)	7,915,080	6,616,023
Medicare	946,167	939,757
Contractual services	2,742,727	2,569,759
Travel	295,434	232,698
Commodities	471,983	639,577
Equipment and books	987,043	1,111,923
Telecommunications	664,391	160,197
Operation of vehicles	53,230	51,729
Awards, grants, matching funds	50,570	106,748
Permanent improvements	1,221,520	1,101,651
Tuition and fee waivers	1,036,759	944,640
Total Income Fund Expenses	<u>16,384,904</u>	<u>14,474,702</u>
FUND BALANCE - END OF YEAR	<u>\$ 6,309,652</u>	<u>\$ 3,190,925</u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF CHANGES IN STATE PROPERTY
FOR THE YEAR ENDED JUNE 30, 2007**

	Total	Land	Equipment	Sculptures	Library Collection	Building
Beginning balances July 1, 2006	\$105,091,430	\$1,389,086	\$17,346,209	\$268,323	\$11,289,624	\$74,798,188
Additions:						
Purchases	2,480,770	-	2,019,068	-	461,702	-
Funded by Capital Development Board	454,253	-	-	-	-	454,253
Total additions	2,935,023	-	2,019,068	-	461,702	454,253
Deletions	(1,701,790)	-	(1,626,297)	-	(75,493)	-
Ending balances June 30, 2007	\$ 106,324,663	\$ 1,389,086	\$ 17,738,980	\$ 268,323	\$ 11,675,833	\$ 75,252,441

Note1: This schedule was prepared from University records. Such records have been reconciled to the quarterly Reports of State Property submitted to the Office of the Comptroller.

Note2: This summary schedule was prepared using State property records required by the Illinois Administrative Code. The capitalization policy in the Code is different than the capitalization policy established by the Office of the Comptroller for financial reporting in accordance with generally accepted accounting principles.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUES AND EXPENSES

Operations:	<u>2007</u>	<u>2006</u>
Revenues		
Net tuition and fees	\$ 19,930,861	\$ 17,210,033
Grants and contracts	8,950,719	7,578,864
Sales of educational departments	7,795,969	6,644,924
Auxiliaries	2,191,241	1,754,631
Other	1,762,685	486,502
	<u>40,631,475</u>	<u>33,674,954</u>
Expenses		
Depreciation	2,580,018	2,578,296
Other operating expenses	72,241,044	64,937,714
	<u>74,821,062</u>	<u>67,516,010</u>
Net operating loss	<u>(34,189,587)</u>	<u>(33,841,056)</u>
Non-operating activity		
State appropriations	27,673,800	25,986,100
Investment income	825,649	496,022
Payments made on behalf of GSU	9,817,536	9,056,892
Interest expense on capital asset financing	(150,208)	(164,223)
Other non-operating activity	(7,592)	(77,063)
	<u>38,159,185</u>	<u>35,297,728</u>
Transfers from the Capital Development Board	454,253	477,394
Increase in net assets	<u>\$ 4,423,851</u>	<u>\$ 1,934,066</u>

Analysis (significant variances were deemed to be those variances exceeding 10% and \$100,000):

Tuition and fee revenue increased as a result of increased tuition rates plus a 10% increase in annual full-time equivalent students.

Most of the increase in grant revenues resulted from new and larger grants generated by the College of Health Professions.

Sales of educational departments revenue increased as a result of an increased Department of Children and Family Services contract.

The increase in auxiliary revenue was due mainly to increased ticket sales and rental revenue generated by theatre operations.

The increase in other revenues resulted from the addition of a new revenue stream (broadband lease revenue) offset by a reduction of other miscellaneous activities.

The \$7 million increase in other operating expenses is consistent with the \$7 million increase in operating revenues and includes a \$4.5 million increase in instruction, academic support, and student service expenses; a \$1 million increase in institutional support expenses; a \$0.5 million increase in research expenses; and a \$0.75 million increase in public service expenses.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES

Cash

Cash and cash equivalents are analyzed on the Statement of Net Assets as follows:

	<u>2007</u>	<u>2006</u>
Deposit type:		
Cash	\$ 1,411,995	\$ 4,007,686
Illinois Funds	14,744,822	9,862,713
	<u>\$ 16,156,817</u>	<u>\$ 13,870,399</u>
Depositories used:		
Heritage Bank	\$ 1,383,275	\$ 3,988,481
Illinois Funds	14,744,822	9,862,713
Cash on hand	28,720	19,205
	<u>\$ 16,156,817</u>	<u>\$ 13,870,399</u>

Cash increases are primarily the result of the new broadband lease revenue, reduced capital expenditures, increased investment income, as well as increased State appropriations.

Capital Assets

Capital assets consisted of:

	<u>2007</u>	<u>2006</u>
Land	\$ 1,389,086	\$ 1,389,086
Buildings	74,241,266	73,787,013
Site-improvements	1,011,175	1,011,175
Artwork	268,323	268,323
Equipment	8,245,173	9,702,816
Library Collection	11,675,833	11,289,624
Gross capital assets	<u>96,830,856</u>	<u>97,448,037</u>
Less accumulated depreciation	<u>(42,989,773)</u>	<u>(42,164,566)</u>
Net capital assets	<u>\$ 53,841,083</u>	<u>\$ 55,283,471</u>

Fixed assets as a whole remained relatively constant. The equipment category decreased as approximately \$1.7 million of unused and outdated classroom assets were written off.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

ANALYSIS OF ACCOUNTS RECEIVABLE

Loans, grants and accounts receivable are shown on the University's statement of net assets at June 30, 2007 and 2006 as follows:

	2007	2006
Accounts receivable:		
Students (less allowance for uncollectible accounts, \$3,614,000 for 2007 and \$3,782,000 for 2006)	\$ 480,412	\$ 406,429
Student related 3rd-party receivables	155,488	152,983
Grants receivable	2,756,830	2,244,757
Due from federal government	349,780	291,259
Other receivables	3,294,326	565,795
Net accounts receivable	\$ 7,036,836	\$ 3,661,223

Loans receivable:		
Perkins loans receivable	\$ 4,284,396	\$ 4,224,067
University loans receivable	16,629	16,629
Allowance for doubtful loans	(788,000)	(915,000)
Net loans receivable	\$ 3,513,025	\$ 3,325,696

Grants receivable increased as new, larger federal grants were received and billed. The significant increase in other receivables was caused primarily by one slow-paying contractor/State Agency. The University's aging of student receivables is presented below. Non-student receivables are not aged and have been presented as current below.

RECEIVABLE AGING

An aging of accounts receivable is as follows:

Current	\$ 6,705,379	\$ 3,246,686
Up to 120 days past due	95,357	87,776
From 121 to 240 days past due	87,320	92,637
From 241 to 365 days past due	59,356	67,148
More than 365 days past due	3,703,424	3,948,976
Allowance for doubtful accounts	(3,614,000)	(3,782,000)
Net accounts receivable	\$ 7,036,836	\$ 3,661,223

An aging of loans receivable is as follows:

In school or in grace period - not in repayment	\$ 2,996,625	\$ 2,762,538
In repayment:		
On schedule	458,887	505,307
Past due - not in default	176,236	195,596
Past due - in default	669,277	777,255
Allowance for doubtful accounts	(788,000)	(915,000)
Net loans receivable	\$ 3,513,025	\$ 3,325,696

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

SUMMARY OF INDIRECT COST REIMBURSEMENT FUNDS

The University receives indirect and administrative cost reimbursements for grants and contracts, administration of federally assisted financial aid programs, and the administration of the Veterans Administration programs. These funds are recorded in Other Unrestricted Funds and are expended for directly identifiable charges associated with these programs.

The administrative personal services expenditures are for selected University employees working in the functions generating the related revenues. The contractual payment expenditures include federally assisted financial aid audit charges. The remaining charges are for other items related to the respective programs.

Balances remaining at June 30, 2007, are used to meet budgeted operational costs in 2008. The following is an analysis of the sources and applications of indirect and administrative cost reimbursements recorded in the current fund for the year ended June 30, 2007:

	Indirect Costs	Administrative Overhead	Total
Balance at June 30, 2006	\$ 374,880	\$ 31,063	\$ 405,943
Sources:			
Recovered from grants and contracts	1,215,213	-	1,215,213
Financial aid program reimbursements	-	71,293	71,293
VA reporting fees	-	896	896
	1,215,213	72,189	1,287,402
Total revenues			
	1,215,213	72,189	1,287,402
Applications:			
Personal services	742,087	57,618	799,705
Contractual services	142,816	1,742	144,558
Commodities	3,558	2,000	5,558
Equipment	18,848	4,501	23,349
Other	252,862	506	253,368
	1,160,171	66,367	1,226,538
Total deductions			
	1,160,171	66,367	1,226,538
Balance at June 30, 2007	\$ 429,922	\$ 36,885	\$ 466,807

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2007**

AGENCY FUNCTIONS AND PLANNING PROGRAM

Governors State University (GSU) is located in University Park, Illinois 60466, a southern suburb of Chicago. The current president of the University is Dr. Elaine P. Maimon.

Functions

The University was created in July 1969 by the Governors State University Act (110 ILCS 650/1 through 650/3) to serve as a senior institution of higher education and offer such courses of instruction, conduct such research and offer public services as are prescribed by the Board of Trustees of Governors State University (Created January 1, 1996).

Planning

The Strategic Plan for Governors State University (GSU) was adopted on June 15, 2001 and the Strategic Priorities were adopted during June 2005 and reaffirm the plan which has an outlined three-part mission statement:

- 1) To offer a demonstrably excellent education that meets the demands of our region and state for engaged, knowledgeable citizens and highly skilled professionals, and that is accessible to all including those traditionally underserved by higher education
- 2) To cultivate and enlarge a diverse and intellectually stimulating community of learners guided by a culture that embodies:
 - a. Openness of communication
 - b. Diversity of backgrounds, experiences and perspectives
 - c. Mutual respect and cooperation
 - d. Critical inquiry, constant questioning and continuing assessment and
 - e. On-going research and scholarship
- 3) To strengthen and enhance the educational, cultural, social and economic development of the region through partnerships with governmental, business, educational, civic and other organizations.

Unit level plans are developed by all units of the University to be consistent with missions and to achieve the goals.

The three-part mission statement is further refined within the context of the sixteen goals and 57 objectives. The objectives are used to meet the goals with the goals fulfilling the three-part mission statement. The goals are summarized as follows:

- 1) Offering degree programs that meet or exceed high standards, while attracting and retaining faculty in an environment that fosters learning and development by sustaining partnerships with the community in an infrastructure designed for optimal teaching and learning with accountable decision-making.
- 2) Developing a culture that attracts and values diversity through comprehensive and systematic promotion and marketing while supporting research and scholarship with continual assessment and improvement to develop a community of learners, all within a user-focused technological and virtual infrastructure to build and enhance a sense of community.
- 3) Increase the impact of the University on the surrounding region by identifying and analyzing the needs of the region and developing key partnerships to help meet critical needs in surrounding communities.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2007**

AGENCY FUNCTIONS AND PLANNING PROGRAM

The strategic plan is the end result of an integrated budgeting and strategic planning process. The overall progress of meeting the goals and objectives in the strategic plan is reviewed and tracked annually. The University Budget Committee drafted the annual University wide budget priorities. The priorities are then presented to the Cabinet and the Board of Trustees for approval and acceptance. After review and final approval by the Budget Committee, the Cabinet, the University's President and the Board of Trustees, the budget request is submitted to the Illinois Board of Higher Education.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2007**

AVERAGE NUMBER OF EMPLOYEES (Unaudited)

Full-Time Equivalent Number of Employees

	<u>2007</u>	<u>2006</u>
Funded by state appropriated funds:		
Faculty	288.5	233.5
Administrative	11.0	12.1
Other professional	89.8	71.1
Graduate assistants	21.8	20.6
Students	9.0	8.6
Civil service	185.6	182.4
	<u>605.7</u>	<u>528.3</u>
Funded by nonappropriated funds:		
Faculty and administrative	136.1	115.8
Civil service	84.9	70.8
Students	40.8	34.2
	<u>261.8</u>	<u>220.8</u>

Staff years are calculated in accordance with the guidelines established by the Illinois Board of Higher Education. A staff-year employee represents one person working full-time for a year.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2007**

STUDENT STATISTICS (Unaudited)

Enrollment Statistics

	ACADEMIC YEAR 06-07		
	FALL	WINTER	SPRING/ SUMMER
Headcount:			
Undergraduate	2,554	2,578	1,831
Graduate	2,828	2,980	2,641
Total	5,382	5,558	4,472
	FALL	WINTER	SPRING/ SUMMER
Full-time equivalent:			
Undergraduate	1,827	2,002	1,121
Graduate	1,893	2,264	1,969
	3,720	4,266	3,090

Annual full-time equivalent students are calculated in accordance with the guidelines established by the Illinois Board Of Higher Education. The equivalency is determined by dividing the total credit hours generated in the fiscal year by 30 hours for undergraduates and 24 hours for graduate students.

Student Cost Statistics

	2007	2006
Annual full-time equivalent students		
Undergraduate	2,094	1,883
Graduate	2,089	1,916
Total	4,183	3,799
	2007	2006
Total Instructional Costs per IBHE Cost Study Report*	\$ 19,639,887	\$ 18,704,654
Annual full-time equivalent students	4,183	3,799
Cost Per Full Time Equivalent Student	\$ 4,695	\$ 4,924

* FY 2007 amount reflects preliminary University calculations based on IBHE reporting standards.

The IBHE prepares an annual cost study of all the Illinois public universities which is posted on the IBHE website.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
For The Year Ended June 30, 2007**

EMERGENCY PURCHASES

During this audit period, the University had three emergency purchases for repair of catastrophic water damage in the amount of \$90,164. Immediate action was needed to prevent any disruption in University services.

BOOKSTORE INFORMATION (Unaudited)

The University has a contractual arrangement for bookstore operations on campus. The University's current contract is for the period January 1, 2006 through November 30, 2008. The contract with the bookstore requires commissions to be paid to the University based on the following terms:

1. 9.6% of all gross revenue up to \$1,000,000; plus
2. 10.1% of any part of gross revenue over \$1,000,000

During FY 07, the bookstore had gross sales of \$1,843,000, the University received commissions of \$176,034, and the University spent a total of \$10,668 at the bookstore during FY 07. The contract with the bookstore gives the contractor exclusive rights to sell books on campus, and there are no other "on-campus" or nearby bookstores.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2007**

SELECTED SERVICE EFFORTS AND ACCOMPLISHMENTS (Unaudited)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
1. Student Headcount (a) - Fall trimester	<u>5,897</u>	<u>5,627</u>	<u>5,652</u>	<u>5,405</u>	<u>5,382</u>
2. Minority enrollment (a) - Fall trimester	<u>2,137</u>	<u>2,130</u>	<u>2,364</u>	<u>2,270</u>	<u>2,266</u>
3. Degrees awarded (b) - Fiscal year	<u>1,554</u>	<u>1,689</u>	<u>1,468</u>	<u>1,549</u>	<u>1,872</u>
4. Credit hours (c) - Academic year	<u>102,180</u>	<u>101,720</u>	<u>103,045</u>	<u>102,446</u>	<u>107,201</u>
5. Unduplicated headcount (d) - Academic year (This represents cumulative students for the academic year without double counting students enrolled more than one trimester.)	<u>8,745</u>	<u>8,156</u>	<u>7,843</u>	<u>7,641</u>	<u>7,725</u>
6. Annualized tuition and fees (c):					
Undergrad					
Resident (e)	\$2,823	\$3,272	\$3,716	\$4,040	\$4,419
Nonresident	\$7,863	\$8,936	\$10,244	\$11,212	\$12,243
Graduate					
Resident	\$3,051	\$2,780	\$2,966	\$3,244	\$4,611
Nonresident	\$8,547	\$7,460	\$8,114	\$8,896	\$12,819

- (a) Per Illinois Board of Higher Education (IBHE) fall enrollment survey, part II, table II.
(b) Per IBHE fall enrollment survey, part II, table Z.
(c) Per Integrated Postsecondary Education Data System (IPEDS) Institutional characteristics survey.
(d) Per IPEDS Institutional characteristics survey.
(e) First year implementation of the Joyce bill. Tuition rate used is the rate for new full-time undergraduates.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2007**

CALCULATION OF FEDERAL VS. NONFEDERAL EXPENDITURES

Expenditures:	2007	
	Amount	Percent
Federal Funds (Notes 1 & 2)	\$ 5,517,050	7.36%
Non-Federal Funds	69,461,812	92.64%
Total	\$ 74,978,862	100.00%

Note 1: The preceding information is derived from the Schedule of Expenditures of Federal Awards on pages 23 - 24 and the Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA) included in a separate financial report.

Note 2: Federal Direct Student Loans are reported as expenditures of federal funds on the Schedule of Expenditures of Federal Awards. However, since such amounts are loans to students, they are not reported as revenue or expenditures on the SRECNA, and have therefore been subtracted from the Federal Funds expended reported above. In addition, certain Federal PELL and SEOG awards are considered scholarship allowances under GASB 34 and are reported as a reduction of revenue on the SRECNA.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2007**

SCHEDULE OF DEGREES AWARDED (Unaudited)

The following schedule presents the number of degrees awarded by the University for the fiscal year indicated. Some prior year amounts have been adjusted.

<u>FISCAL YEAR</u>	<u>GRADUATE</u>	<u>UNDER GRADUATE</u>	<u>TOTAL</u>
2007	964	908	1,872
2006	809	740	1,549
2005	714	754	1,468
2004	860	829	1,689
2003	759	795	1,554
2002	592	809	1,401
2001	713	848	1,561
2000	587	850	1,437
1999	623	769	1,392
1998	574	770	1,344
1997	560	780	1,340

STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2007

SCHEDULE OF TUITION AND FEE WAIVERS (Unaudited)
(in thousands of dollars)

<u>Type of Waiver</u>	<u>Undergraduate</u>				<u>Graduate</u>			
	<u>Tuition Waivers</u>	<u>Fee Waivers</u>	<u>Tuition Waivers</u>	<u>Fee Waivers</u>	<u>Tuition Waivers</u>	<u>Fee Waivers</u>	<u>Tuition Waivers</u>	<u>Fee Waivers</u>
	<u>Number of</u>	<u>Value of</u>	<u>Number of</u>	<u>Value of</u>	<u>Number of</u>	<u>Value of</u>	<u>Number of</u>	<u>Value of</u>
<u>Mandatory Waivers</u>	<u>Recipients</u>	<u>Waivers</u>	<u>Recipients</u>	<u>Waivers</u>	<u>Recipients</u>	<u>Waivers</u>	<u>Recipients</u>	<u>Waivers</u>
Teacher Education	-	\$ -	-	\$ -	14	\$ 29.7	14	\$ 7.4
General Assembly	6	14.9	6	3.3	11	23.5	11	5.7
Children of Employees	4	5.8	4	2.2	-	-	-	-
Senior Citizens	1	2.7	1	0.5	1	2.6	1	0.5
<u>Discretionary Waivers</u>								
Faculty/Administrators	-	-	-	-	33	58.2	33	16.7
Civil Service	16	22.0	16	8.3	20	40.1	20	11.2
Academic/Other Talent	57	133.2	57	29.5	58	90.7	58	31.0
Cooperating Professionals	-	-	-	-	30	23.2	30	19.3
Contract/Training Grants	-	-	-	-	2	12.0	2	1.0
Other Assistants	-	-	-	-	101	564.9	101	49.8
Interinstitutional	19	30.2	19	9.5	17	37.1	17	8.5
Total	103	\$ 208.8	103	\$ 53.3	287	\$ 882.0	287	\$ 151.1

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
UNIVERSITY REPORTING IN ACCORDANCE WITH UNIVERSITY GUIDELINES
For The Year Ended June 30, 2007**

The Auditor General requires that certain special data for audits of universities, specified in a memorandum dated July 25, 1983, be presented. The following information lettered (a) through (u), is provided in response to that requirement of the "University Guidelines - 1982 Amended 1997." Our audit was made for the purposes described on pages 4 and 29-30 of our financial audit report and on pages 8-12 of our compliance examination, and would not necessarily disclose all situations which might be at variance with the following statements.

COMPLIANCE FINDINGS

- (a) There were no violations with University Guidelines for the year ended June 30, 2007.

INDIRECT COST REIMBURSEMENTS

- (b) Refer to page 33 of this report for an analysis of the sources and applications of indirect cost reimbursements for the year ended June 30, 2007.
- (c) Refer to page 46 of this report for calculation of allowable indirect cost carryforward and required remittances to the Income Fund.

TUITION CHARGES AND FEES

- (d) Governors State University did not divert tuition to auxiliary enterprise operations.

AUXILIARY ENTERPRISES, ACTIVITIES AND ACCOUNTING ENTITIES

- (e) Accounting entities as defined by the 1982 Legislative Audit Commission Guidelines and their primary revenue sources are as follows:
- Bookstore operations provide texts and supplies to students. The bookstore is managed under contract by a third party whereby the University receives commission revenue from operations.
 - Parking provides operation and maintenance of University parking facilities. Revenues are generated from user fees.
 - Food service and vending provide meals and catering services under contract to the University community. Commission revenue is received by the University.
 - Theatre provides cultural entertainment to the University community. Revenues are generated from ticket sales.
 - Education and Student Life Activities represent credit and noncredit conferences, workshops and seminars and organized student activities. Revenues are generated from course fees charged to participants and from student activity fees.
 - Service Departments provide products or services to University departments. Revenue is produced through chargebacks to users.
 - Indirect and Administrative Cost accounts receive the "overhead" portion of grant and contract expense incurred. Revenues are generated from charges to sponsors.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
UNIVERSITY REPORTING IN ACCORDANCE WITH UNIVERSITY GUIDELINES
For The Year Ended June 30, 2007**

- (f) Refer to pages 48-52 of this report for financial statements of each accounting entity.
- (g) Calculations of current excess funds for each entity are presented on page 47. There was not any excess funds that were required to be deposited to the Income Fund within 45 days after the end of the lapse period.
- (h) The following is a schedule of direct and indirect subsidies to auxiliary enterprises and service departments for the year ended June 30, 2007:

	<u>Direct</u>	<u>Indirect</u>	<u>Total</u>
Theatre	\$ _____ -	\$ 160,307	\$ 160,307
Service Departments	\$ _____ -	\$ 120,670	\$ 120,670

Direct subsidies represent heat, light and power. Indirect subsidies represent retirement and health benefits.

- (i) None
- (j) None
- (k) None

UNIVERSITY RELATED ORGANIZATIONS

- (l) The University recognizes the Governors State University Foundation (Foundation) and the Governors State University Alumni Association (Alumni Association) as University Related Organizations. There are no organizations considered by the University to be "Independent Organizations" as defined in Section VII of "University Guidelines – 1982 as Amended in 1997."
- (m) The Foundation and Alumni Association do not pay the University for services provided. Compensation is in the form of University support. See pages 53 and 54 for details related to services and support provided.
- (n) The University does not pay the Foundation and Alumni Association for services provided. Compensation is in the form of services and facilities provided. The University provided \$80,743 to the Foundation and \$5,213 to the Alumni Association for the year ended June 30, 2007.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
UNIVERSITY REPORTING IN ACCORDANCE WITH UNIVERSITY GUIDELINES
For The Year Ended June 30, 2007**

- (o) Since July 1, 1983, the University has provided services of approximately \$1,470,900 to the Foundation. The Foundation has provided approximately \$4,724,547 in generally unrestricted funds to the University. Since its incorporation on January 1, 1988, the University has provided services of approximately \$307,207 to the Alumni Association. The Alumni Association has provided approximately \$930,855 in generally unrestricted funds to the University. Therefore, there is no cumulative unreimbursed subsidy made to either the Foundation or Alumni Association.
- (p) There is no debt financing provided by the Foundation or Alumni Association.

OTHER TOPICS

- (q) Refer to page 31 for the Schedule of Cash and Short-Term Investments for the year ended June 30, 2007.
- (r) Income from the investment of pooled funds is credited to the University's Income Fund. Income from the investment of non-pooled funds is credited to the fund making the investment.
- (s) Refer to page 37 for student cost statistics.
- (t) Neither the University nor the Foundation or Alumni Association has purchased any real estate during the year ended June 30, 2007.
- (u) The University issued certificates of participation during 1992, which were refunded in 1998 by the issuance of new certificates of participation, to finance the cost of the University's computing building. See footnote 7 on page 25 of the Governors State University Financial Audit Report.

STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
FOR THE YEAR ENDED JUNE 30, 2007

SCHEDULE OF INDIRECT COST FUNDS TO BE DEPOSITED INTO THE UNIVERSITY
INCOME FUND AS REQUIRED BY 1982 UNIVERSITY GUIDELINES, (AS AMENDED 1997)

CALCULATION SHEET FOR INDIRECT COST CARRYFORWARD

CASH AND CASH EQUIVALENTS:

Add:		
	Cash	\$ 522,333
	Cash equivalents	<u> -</u>
	ACTUAL CASH CARRIED FORWARD	<u>522,333</u>

LESS: ALLOWABLE CARRY-FORWARD PER FORMULA:

Allocated reimbursements - 30% indirect cost reimbursements allocated for expenditure in 2007. (\$5,061,089 x 30%)	1,518,327	
Unallocated reimbursements - actual unallocated indirect cost reimbursements or 10% indirect cost allocations.	506,109	
Current liabilities paid in lapse period.	<u>55,526</u>	
MAXIMUM ALLOWABLE CARRY-FORWARD		<u>2,079,962</u>
EXCESS CASH AND CASH EQUIVALENTS TO BE DEPOSITED INTO THE UNIVERSITY INCOME FUND		<u><u> -</u></u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
FOR THE YEAR ENDED JUNE 30, 2007**

SCHEDULE OF EXCESS FUNDS CALCULATION BY ENTITY AS REQUIRED BY 1982 UNIVERSITY GUIDELINES, (AS AMENDED 1997)

CALCULATION SHEET FOR CURRENT EXCESS FUNDS

	Auxiliary Enterprises			Theatre	Educational and Student Life Activities	University Service Departments
	Bookstore	Parking Services	Cafeteria and Vending			
Current available funds:						
Add:						
Cash and cash equivalents	\$ 258,195	\$ 439,281	\$ 6,039	\$ 40,356	\$ 3,679,075	\$ (92,975)
Interfund receivable	-	-	-	-	-	-
TOTAL CURRENT AVAILABLE FUNDS	<u>258,195</u>	<u>439,281</u>	<u>6,039</u>	<u>40,356</u>	<u>3,679,075</u>	<u>(92,975)</u>

Working Capital Allowance:

Add:						
Highest month's expenditures	20,900	22,414	6,460	235,748	2,657,539	201,649
Current liabilities paid during lapse period	-	-	6,454	36,820	983,044	56,759
Deferred income	-	-	-	-	407,034	-
WORKING CAPITAL ALLOWANCE	<u>20,900</u>	<u>22,414</u>	<u>12,914</u>	<u>272,568</u>	<u>4,047,617</u>	<u>258,408</u>
CURRENT EXCESS FUNDS (Margin of compliance)	<u>237,295</u>	<u>416,867</u>	<u>(6,875)</u>	<u>(232,212)</u>	<u>(368,542)</u>	<u>(351,383)</u>

CALCULATION OF NET EXCESS FUNDS FOR REMITTANCE

Nonindentured Capital Reserves:						
Additional LAC approved capital reserves	300,000	600,000	-	-	-	-
5% of the replacement cost of buildings and improvements	56,684	-	-	309,359	3,348,544	13,730
Estimated cost of resurfacing one parking lot	-	250,000	-	-	-	-
20% of the historical cost of equipment	538	-	36,758	51,154	-	201,618
TOTAL ALLOWABLE CAPITAL RESERVES	<u>357,222</u>	<u>850,000</u>	<u>36,758</u>	<u>360,513</u>	<u>3,348,544</u>	<u>215,348</u>

NET EXCESS FUNDS

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
FOR THE YEAR ENDED JUNE 30, 2007**

**BALANCE SHEET--AUXILIARY ENTERPRISES AND ACTIVITIES ENTITIES
AS OF JUNE 30, 2007**

	Auxiliary Enterprises			Activities			Total-- Auxiliary Enterprises and Activities
	Parking Services	Cafeteria and Vending	Theatre	Educational and Student Life Activities	University Service Departments	Administrative Overhead/ Indirect Costs	
ASSETS							
Cash	\$ 258,195	\$ 439,281	\$ 6,039	\$ 40,356	\$ 3,679,075	\$ (92,975)	\$ 4,852,304
Accounts receivable (less allowance for uncollectibles of \$576,433)	15,190	10,886	-	-	3,322,697	-	3,348,773
Inventory	-	-	-	-	-	23,933	23,933
Building	-	-	-	6,187,186	-	274,600	6,461,786
Parking lots	-	1,011,175	-	-	-	-	1,011,175
Equipment	2,690	-	183,788	255,771	-	1,008,090	1,450,339
TOTAL ASSETS	\$ 276,075	\$ 1,461,342	\$ 189,827	\$ 6,483,313	\$ 7,001,772	\$ 1,213,648	\$ 17,148,310

LIABILITIES AND FUND BALANCES

Accounts payable	\$ -	\$ -	\$ 6,454	\$ 36,820	\$ 983,044	\$ 56,759	\$ 1,138,603
Deferred income	-	-	-	-	407,034	-	407,034
TOTAL LIABILITIES	-	-	6,454	36,820	1,390,078	56,759	1,545,637
Fund balances:							
Other unrestricted funds	273,385	450,167	(415)	3,536	5,611,694	(125,801)	6,679,373
Invested in plant funds	2,690	1,011,175	183,788	6,442,957	-	1,282,690	8,923,300
TOTAL LIABILITIES AND FUND BALANCES	\$ 276,075	\$ 1,461,342	\$ 189,827	\$ 6,483,313	\$ 7,001,772	\$ 1,213,648	\$ 17,148,310

STATE OF ILLINOIS
 GOVERNORS STATE UNIVERSITY
 SPECIAL DATA REQUIREMENTS FOR AUDITS OF STATE UNIVERSITIES
 FOR THE YEAR ENDED JUNE 30, 2007

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
 OTHER UNRESTRICTED FUNDS--AUXILIARY ENTERPRISE ENTITIES
 FOR THE YEAR ENDED JUNE 30, 2007

	TOTAL	BOOKSTORE	PARKING SERVICES	CAFETERIA AND VENDING	THEATRE
REVENUES	\$ 2,191,241	\$ 176,034	\$ 225,865	\$ 21,659	\$ 1,767,683
EXPENDITURES AND OTHER DEDUCTIONS:					
Personal services	508,660	-	-	-	508,660
Contractual services	936,015	745	16,152	12,710	906,408
Commodities	78,001	7,571	1,134	5,926	63,370
Equipment	25,537	2,342	2,118	555	20,522
Other	126,279	10	6,538	75	119,656
Total Expenditures	1,674,492	10,668	25,942	19,266	1,618,616
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	516,749	165,366	199,923	2,393	149,067
FUND BALANCES AT BEGINNING OF YEAR	209,924	108,019	250,244	(2,808)	(145,531)
FUND BALANCES AT END OF YEAR	\$ 726,673	\$ 273,385	\$ 450,167	\$ (415)	\$ 3,536

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SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
 OTHER UNRESTRICTED FUNDS--EDUCATIONAL AND STUDENT LIFE ACTIVITIES

	TOTAL	EDUCATIONAL PROGRAMS	STUDENT ACTIVITIES	ACADEMIC ENHANCEMENT	MEDIA	FARM	TELECOMM	OTHER
REVENUES:	\$ 13,351,015	\$ 7,795,969	\$ 1,602,563	\$ 1,170,243	\$ 563,929	\$ 73,527	\$ 707	\$ 2,144,077
EXPENDITURES AND OTHER DEDUCTIONS:								
Personal services	5,567,944	4,827,380	421,387	99,741	89,693	-	-	129,743
Contractual services	1,913,397	820,445	410,735	190,169	157,781	62	-	334,205
Commodities	161,413	12,593	77,388	14,164	35,708	-	-	21,560
Equipment	1,170,065	16,914	93,185	676,533	49,116	-	-	334,317
Other	2,790,114	2,158,504	134,290	403,700	35,185	-	4	58,431
Total Expenditures	11,602,933	7,835,836	1,136,985	1,384,307	367,483	62	4	878,256
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,748,082	(39,867)	465,578	(214,064)	196,446	73,465	703	1,265,821
FUND BALANCES AT BEGINNING OF YEAR	3,863,612	1,296,987	1,504,249	337,308	236,101	251,723	13,478	223,766
FUND BALANCES AT END OF YEAR	\$ 5,611,694	\$ 1,257,120	\$ 1,969,827	\$ 123,244	\$ 432,547	\$ 325,188	\$ 14,181	\$ 1,489,587

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SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
 OTHER UNRESTRICTED FUNDS--UNIVERSITY SERVICE DEPARTMENT ACTIVITIES

	TOTAL	UNIVERSITY PRINT SHOP	CENTRAL STORES	MOTOR POOL	MAIL SERVICE
REVENUES:	\$ 1,089,506	\$ 820,847	\$ -	\$ 53,070	\$ 215,589
EXPENDITURES AND OTHER DEDUCTIONS:					
Personal services	382,892	268,383	65,879	37,185	11,445
Contractual	345,031	141,383	-	-	203,648
Commodities	487,800	486,726	(185)	-	1,259
Equipment	43,610	43,610	-	-	-
Other	83,303	11,597	-	70,013	1,693
Total Expenditures	<u>1,342,636</u>	<u>951,699</u>	<u>65,694</u>	<u>107,198</u>	<u>218,045</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(253,130)	(130,852)	(65,694)	(54,128)	(2,456)
FUND BALANCES AT BEGINNING OF YEAR	<u>127,329</u>	<u>70,186</u>	<u>44,799</u>	<u>7,787</u>	<u>4,557</u>
FUND BALANCES AT END OF YEAR	<u>\$ (125,801)</u>	<u>\$ (60,666)</u>	<u>\$ (20,895)</u>	<u>\$ (46,341)</u>	<u>\$ 2,101</u>

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SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
OTHER UNRESTRICTED FUNDS--ADMINISTRATIVE OVERHEAD/INDIRECT COST ACTIVITIES

	TOTAL	GRANTS AND CONTRACTS	OTHER ACTIVITIES	BUSINESS OFFICE	OFFICE OF FINANCIAL AID	VETERANS AFFAIRS OFFICE
REVENUES:	\$ 1,287,402	\$ 1,017,564	\$ 197,649	\$ 35,800	\$ 35,493	\$ 896
EXPENDITURES AND OTHER DEDUCTIONS:						
Personal services	799,705	729,737	12,350	33,102	24,516	-
Contractual services	144,558	130,771	12,045	132	1,610	-
Commodities	5,558	935	2,623	-	1,777	223
Equipment	23,349	18,848	-	-	4,501	-
Other	253,368	232,399	20,463	-	506	-
Total Expenditures	1,226,538	1,112,690	47,481	33,234	32,910	223
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	60,864	(95,126)	150,168	2,566	2,583	673
FUND BALANCES AT BEGINNING OF YEAR	405,943	206,177	168,703	15,103	18,539	(2,579)
FUND BALANCES AT END OF YEAR	\$ 466,807	\$ 111,051	\$ 318,871	\$ 17,669	\$ 21,122	\$ (1,906)

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SUMMARY OF ALUMNI ASSOCIATION CASH SUPPORT TO THE UNIVERSITY

During fiscal year 2007, the University engaged the Alumni Association, under contract, to provide fundraising services. As provided in the contract agreement, the University provided \$5,213 of services to the Alumni Association for the fiscal year ended June 30, 2007. As required by contract, the Alumni Association fully repaid the University with funds considered by the Illinois Auditor General to be unrestricted for the purposes of the University Guidelines computations. In addition, the University Alumni Association supported the University with non-qualifying restricted funds.

Presented below is a summary of cash support provided to the University by the Alumni Association for the fiscal year ended June 30, 2007.

Funds Considered unrestricted for purposes of the Guidelines computations:	
- Totally unrestricted	\$ -
- Restricted only as to campus, college or department and generally available for on-going University operations:	
- Given to a particular college	-
- Given to a particular department	<u>-</u>
Total Funds Considered Unrestricted	<u>-</u>
Funds considered restricted for purposes of the Guidelines computations:	
- Given for scholarships	2,895
- Other restricted funds	<u>-</u>
Total Funds Considered Restricted	<u>2,895</u>
Total Funds Provided to the University	<u>\$ 2,895</u>

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SUMMARY OF FOUNDATION CASH SUPPORT TO THE UNIVERSITY

During fiscal year 2007, the University engaged the Foundation, under contract, to provide fundraising services. As provided in the contract agreement, the University provided \$80,743 of services to the Foundation for the fiscal year ended June 30, 2007. As required by contract, the Foundation fully repaid the University with funds considered by the Illinois Auditor General to be unrestricted for the purposes of the University Guidelines computations. In addition, the University Foundation supported the University with non-qualifying restricted funds.

Presented below is a summary of cash support provided to the University by the Foundation for the fiscal year ended June 30, 2007.

Funds considered unrestricted for purposes
of the Guidelines computations:

- Totally unrestricted	\$ -
- Restricted only as to campus, college or department and generally available for on-going University operations:	
- Given to a particular college	2,488
- Given to a particular department	<u>65,892</u>
Total Funds Considered Unrestricted	<u>68,380</u>

Funds considered restricted for purposes
of the Guidelines computations:

- Given for Center of Performing Arts	91,552
- Other restricted funds	<u>26,559</u>
Total Funds Considered Restricted	<u>118,111</u>
Total Funds Provided to the University	<u>\$ 186,491</u>