

**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, 2008**

**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, 2008**

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Financial Statement Report

The University's financial statement report for the year ended June 30, 2008 which includes the report of independent auditors, management's discussion and analysis, basic financial statements, supplementary information, 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, 2008**

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**STATE OF ILLINOIS  
GOVERNORS STATE UNIVERSITY**

**AGENCY OFFICIALS**

**GOVERNORS STATE UNIVERSITY**

President	Dr. Elaine Maimon
Executive Vice President, Chief of Staff, Treasurer	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

March 2, 2009

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, 2008. Based on this evaluation, we assert that during the year ended June 30, 2008, 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;

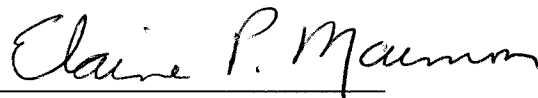
C. Governors State University has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations;

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; and

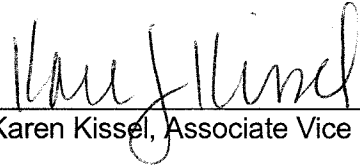
E. Money or negotiable securities or similar assets handled by Governors State University on behalf of the State or held in trust by the agency have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

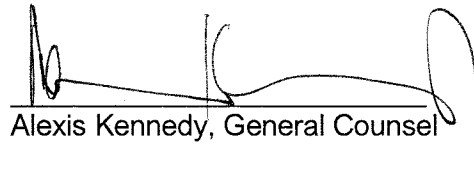
Governors State University



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>Current</u>	<u>Prior</u>
<u>Findings</u>	<u>Report</u>	<u>Reports</u>
Findings	6	6
Repeated findings	3	3
Prior recommendations implemented or not repeated	3	5

Details of *Federal* and *State Compliance* findings are presented in the separately tabbed report section of this report.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
<u>FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)</u>			
08-1	16	Student Financial Aid Awarded to Students at Unapproved Locations	Sig. Def./Noncompliance
08-2	17	Reconciliation of Student Assistance Programs	Sig. Def./Noncompliance
<u>FINDINGS (STATE COMPLIANCE)</u>			
08-3	19	Time Sheets Not Maintained in Compliance with the State Officials and Employees Ethics Act	Sig. Def./Noncompliance
08-4	20	Inadequate Controls Over University Property and Equipment	Sig. Def./Noncompliance
08-5	22	Volunteer Emergency Worker Policy	Sig. Def./Noncompliance
08-6	23	Uncollateralized Deposit Accounts	Noncompliance
<u>PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)</u>			
A	24	Return of Title IV Funds	
<u>PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)</u>			
B	24	Failure to Complete Ethics Training Within Six Months of Employment	
C	24	Late Payments to the State University Retirement Fund	

**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 23, 2009. Attending were:

Representing Governors State University

Executive Vice President, Chief of Staff, Treasurer  
Associate Vice President, Financial Services  
Controller  
Internal Auditor

Dr. Gebeyehu Ejigu  
Ms. Karen Kissel  
Ms. Cathy Casson, CPA  
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 a communication dated March 2, 2009.



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, 2008. 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, 2008. 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 08-1 through 08-6. 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 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 08-1 through 08-5 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, 2008, and have issued our report thereon dated February 6, 2009. 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 2008 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, 2008 taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Governors State University and its aggregate discretely presented component units, for the year ended June 30, 2007. In our report dated January 29, 2008, we expressed unqualified opinions on the basic financial statements. In our opinion, the 2007 Supplementary Information for State Compliance Purposes, is fairly stated in all material respects in relation to the basic statements for the year ended June 30, 2007, taken as a whole. The fiscal year 2006 comparative information has been derived from Governors State University's basic financial statements as of and for the year ended June 30, 2006, which were audited by other auditors who expressed unqualified opinions on the basic financial statements in their report dated December 14, 2006.

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 Gunderson LLP*

Oak Brook, Illinois  
March 2, 2009



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

Honorable William G. Holland  
Auditor General  
State of Illinois

and

Board of Trustees  
Governors State University

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, 2008, and have issued our report thereon dated February 6, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Governors State University's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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*.

We noted certain matters which have been reported to management of Governors State University in a separate letter dated February 6, 2009.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, University management, the Board of Trustees 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 Gunderson LLP*

CLIFTON GUNDERSON LLP  
Oak Brook, Illinois

February 6, 2009



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, 2008. 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, 2008. 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 08-1 and 08-2.

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 08-1 and 08-2 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, 2008, and have issued our report thereon dated February 6, 2009. 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 Gunderson LLP*

Oak Brook, Illinois

March 2, 2009, except for the Schedule of Expenditures of Federal Awards and the related notes, as to which the date is February 6, 2009.

**STATE OF ILLINOIS  
GOVERNORS STATE UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

**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 Grants	84.007
Federal Perkins Loans	84.038
Federal Direct Student Loans	84.268
National Science and Mathematics Access to	
Retain Talent Grant	84.376
U.S. Department of Health and Human Services	
Scholarships for Disadvantaged Students	93.925
Small Business Administration	
Small Business Development Center	59.037
U.S. Department of Health and Human Services	
Nurse Education, Practice and Retention Grant	93.359
Library of Congress	
Teaching with Primary Sources	42.000

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 08-1 and 08-2



**STATE OF ILLINOIS  
GOVERNORS STATE UNIVERSITY  
FINDINGS AND RECOMMENDATIONS  
For The Year Ended June 30, 2008**

**CURRENT FINDINGS – FEDERAL AND QUESTIONED COSTS**

**08-1 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 attending classes at a location that had not been approved by the United States Department of Education.

Our testing of the United States Department of Education Institutional Participation and Oversight Service, Eligibility and Certification Approval Report disclosed that 1 out of 28 offsite locations, where Governors State University provides education courses, was not approved prior to providing services at this location. The University was unable to provide us with a list of students receiving financial aid at this offsite location 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 this location was submitted to the Department of Education (DOE) for approval prior to the distribution of financial aid; however, since this location was out of the University's region (Region 5), the DOE required the Illinois Board of Higher Education's (IBHE) approval. IBHE approval for this location took longer than expected as IBHE only meets on a quarterly basis.

Failure to properly get locations approved by the Department of Education may jeopardize future federal funding. (Finding Code 08-1, 07-1)

**RECOMMENDATION**

We recommend the University obtain 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, 2008**

**CURRENT FINDINGS – FEDERAL AND QUESTIONED COSTS**

**08-2 FINDING: RECONCILIATION OF STUDENT ASSISTANCE PROGRAMS**

**Federal Department: U.S. Department of Education  
CFDA Number: 84.063, 84.376, 84.268, 84.007, 84.033, 84.038, 93.925  
Program Name: Student Financial Assistance Cluster  
Questioned Cost: \$13,525**

Governors State University (University) did not reconcile its student assistance accounts resulting in excess cash drawn from the Department of Education for the Federal Pell Grant (PELL) program, the National Science and Mathematics Access to Retain Talent (SMART) Grant program, and the Federal Direct Student Loan (FDSL) program.

We tested the University's cash management of major Federal programs and noted the following:

- The University was unable to provide us with evidence of having reconciled its student financial aid programs fiscal and program records on a monthly basis.
- For the Pell grant program, we noted that the University requested and received \$2,638,007 in reimbursements from the Department of Education for the 2008 program year. However, the University only incurred expenses of \$2,637,889, leaving excess cash held by the University of \$118.
- For the SMART program, we noted that the University requested and received \$40,000 in reimbursements from the Department of Education for the fiscal year 2008 program. The University's net award of \$36,000 resulted in excess cash held by the University of \$4,000. The excess cash was returned to the Department of Education on July 17, 2008. The excess cash was a result of two students who were subsequently determined to be ineligible, and whose awards were reversed. The University held the excess cash for 132 to 140 days subsequent to the award reversals.
- For the FDSL Program, we noted that the University requested and received \$22,406,119 in reimbursements from the Department of Education for the 2008 program year. The University disbursed loans in the amount of \$22,392,712 leaving excess cash held by the University of \$13,407.

The Code of Federal Regulations (34 CFR 674.19 and 34 CFR 675.19) and the U.S. Department of Education's "Blue Book" *Accounting, Recordkeeping and Reporting by Postsecondary Educational Institutions for Federally Funded Student Financial Aid Programs* require the University to reconcile its program and fiscal records of each of its Federal Student Assistance programs on a monthly basis.

The Code of Federal Regulations (34 CFR 668.166) defines "excess cash to be any amount of Title IV, Higher Education Act program funds, other than Federal Perkins Loan Program funds, that an institution does not disburse to students or parents by the end of the third business day following the date the institution received those funds."

**STATE OF ILLINOIS  
GOVERNORS STATE UNIVERSITY  
FINDINGS AND RECOMMENDATIONS  
For The Year Ended June 30, 2008**

**CURRENT FINDINGS – FEDERAL AND QUESTIONED COSTS**

**08-2 FINDING: RECONCILIATION OF STUDENT ASSISTANCE PROGRAMS (continued)**

University officials stated that the current reconciliation process was not cross departmentalized and resulted in differences. In addition, the SMART excess cash resulted from two students that were awarded aid which was subsequently reversed, resulting in the positive cash balance which the University identified and returned in July, 2008.

Improper cash management may jeopardize future federal funding and may lead to errors on the University's financial statements. (Finding Code 08-2)

**RECOMMENDATION**

We recommend the University improve its cash management controls over the drawdown of Federal funds and perform the required monthly reconciliations of program and fiscal records.

**UNIVERSITY REPOSE**

The University agrees with this finding and has implemented a cross departmental reconciliation procedure.

**STATE OF ILLINOIS  
GOVERNORS STATE UNIVERSITY  
FINDINGS AND RECOMMENDATIONS  
For The Year Ended June 30, 2008**

**CURRENT FINDINGS – STATE**

**08-3 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 polices. 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 polices for public universities on February 3, 2004 in accordance with the Act.

Of the 25 employees' time sheets that were tested, 9 faculty members used the "negative" timekeeping system whereby the employee is assumed to be working unless noted otherwise. In addition, we noted 1 graduate assistant in our sample that did use positive time reporting (reporting total contract hours worked per 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 15 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 time reporting.

By not requiring positive time sheets from its faculty, the University is not in compliance with the Act. (Finding Code Nos. 08-3, 07-3, 06-4, 05-7)

**RECOMMENDATION**

We recommend the University amend its policies and revise its procedures to ensure that all employees submit sheets documenting the time spent each day on official State business to the nearest quarter hour.

**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 on the 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, 2008**

**CURRENT FINDINGS – STATE**

**08-4 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 29 exceptions with the 110 (26%) items that were sampled (some items had more than one exception). The following exceptions were noted:

- Three items with a cost of \$7,417 were assigned a tag number and were included on the property listing, but they had no tag affixed.
- Ten items with a cost of \$14,879 could not be located by the University. These items were all computer equipment items.
- Seven items were found in a different location than that which was listed on the property control listing.
- Two items (overhead cabinet and piano) were recorded on the property control records at a zero value.
- A speaker system, printer, and computer, each of which had a University tag number, could not be traced back to the property control records.
- One item (television) with a cost of \$2,332 did not include the installation charges (\$1,750) in the value of the item.
- Two items with a cost of \$22,112 were recorded in the wrong period. These items were a fryer and a treadmill.
- One item (mailing system) was not recorded at the correct value. This item was recorded at \$5,390 (the first payment amount) and should have been recorded at \$28,917. The University did not include the second payment amount (\$23,527) in the cost of the asset.

During our testing of 25 telecommunication vouchers, we noted the following exception:

- One (4%) of the vouchers contained a purchase of telecommunications equipment item (telephone) in the amount of \$609. The telephone was never recorded on the property control records of the University.

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.

The Illinois Administrative Code (44 Illinois Adm. Code 5010.400) requires the University to adjust property records within 30 days of acquisition, change or deletion of equipment items.

University officials stated that the exceptions above are due to human error and the ease of mobility of property from room to room.

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. 08-4, 07-6, 06-9, 05-9, 04-02, 03-02)

**STATE OF ILLINOIS  
GOVERNORS STATE UNIVERSITY  
FINDINGS AND RECOMMENDATIONS  
For The Year Ended June 30, 2008**

**CURRENT FINDINGS – STATE**

08-4 **FINDING: INADEQUATE CONTROLS OVER UNIVERSITY PROPERTY AND EQUIPMENT (continued)**

**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  
For The Year Ended June 30, 2008**

**CURRENT FINDINGS – STATE**

**08-5 FINDING: VOLUNTEER EMERGENCY WORKER POLICY**

Governors State University (University) did not comply with the requirements of the Volunteer Emergency Worker Higher Education Protection Act (Act) regarding having a policy that reasonably accommodates volunteer emergency workers.

We made inquiries of University personnel and were informed that they do not have a policy that covers the requirements of the Act.

The Volunteer Emergency Worker Higher Education Protection Act (110 ILCS 122/10 thru 122/15) states that the University must adopt and publish a policy that reasonably accommodates any student who is a volunteer emergency worker in regard to absence from class caused by the performance of the duties as a volunteer emergency worker. The Act also states that the policy must include a grievance procedure.

University officials stated as a result of an oversight, this policy was not implemented.

Failure to adopt and publish a policy regarding volunteer emergency workers results in noncompliance with the Act. (Finding Code No. 08-5)

**RECOMMENDATION**

We recommend that the University comply with the requirements of the Act and adopt and publish a policy regarding volunteer emergency workers.

**UNIVERSITY RESPONSE**

The University agrees with this finding. The University has adopted and published this policy.

**STATE OF ILLINOIS  
GOVERNORS STATE UNIVERSITY  
FINDINGS AND RECOMMENDATIONS  
For The Year Ended June 30, 2008**

**CURRENT FINDINGS – STATE**

**08-6 FINDING: UNCOLLATERALIZED DEPOSIT ACCOUNTS**

Governors State University (University) maintained deposits of \$1,222,815 in excess of the Federal Deposit Insurance Coverage (FDIC) and pledged collateral.

The University's deposits (bank balances) at a single financial institution totaled \$2,893,263 at June 30, 2008. FDIC plus pledged collateral coverage totaled \$1,670,448, which left uninsured deposits of \$1,222,815.

The State Officers and Employees Money Disposition Act (30 ILCS 230/2c) requires State agencies to obtain appropriate collateral whenever funds deposited exceed the \$100,000 Federal Deposit Insurance Coverage.

University officials stated that it contracted with the Bank to review the deposit balances monthly and adjust the pledged collateral accordingly. The Bank failed to review the required amounts for the month of June or adjust the pledged collateral.

Failure to obtain collateral puts State funds at risk in the event that the financial institution should incur financial difficulties. (Finding Code No. 08-6)

**RECOMMENDATION**

We recommend the University obtain sufficient collateral to meet the statutory requirements.

**UNIVERSITY RESPONSE**

The University agrees with this finding. Once this situation was brought to the University's attention, the University contacted the bank and required the bank to pledge additional collateral to secure the University and component unit deposits. The University has implemented a procedure, which requires the bank to submit a collateralization report monthly to the University for review. The University reviews this report to ensure that deposits are properly secured. The bank is adhering to this process. Further, the University has reduced the level of monies held at this bank and is in the process of issuing a request for proposal for banking services for the upcoming fiscal year. The new service provider will be required to comply with the requirements of the State Officers and Employees Money Disposition Act (30 ILCS 230/2c).



STATE OF ILLINOIS  
GOVERNORS STATE UNIVERSITY  
FINDINGS AND RECOMMENDATIONS - PRIOR FINDINGS NOT REPEATED  
For The Year Ended June 30, 2008

PRIOR FINDINGS NOT REPEATED – FEDERAL

**A     FINDING: RETURN OF TITLE IV FUNDS**

Governors State 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. (Finding Code No. 07-2)

Status – Not repeated

Our sample testing did not identify any exceptions related to return of Title IV funds.

PRIOR FINDINGS NOT REPEATED – STATE

**B     FINDING: FAILURE TO COMPLETE ETHICS TRAINING WITHIN SIX MONTHS OF EMPLOYMENT**

Governors State 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). (Finding Code No. 07-4)

Status – Not repeated

Our sample testing did not identify any employees who did not receive ethics training within 6 months of employment during fiscal year 2008.

**C     FINDING: LATE PAYMENTS TO THE STATE UNIVERSITY RETIREMENT FUND**

Governors State 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). (Finding Code No. 07-5, 06-7)

Status – Not repeated

Our sample testing did not disclose any untimely pension contributions to the Board of Trustees of SURS for employees paid with trust and Federal funds.

**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)
  - Schedules of Federal Expenditures, Non-Federal Expenses, and New Loans
  - 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
  - Schedules 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, 2008

Federal Grantor/ Pass-Through Grantor/Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity ID Number	Federal Disbursements
<b>Student Financial Aid Cluster</b>			
U.S. Department of Education:			
Federal Work-Study Program	84.033		\$ 250,716
Federal Pell Grant Program	84.063		2,635,851
Federal Supplemental Educational Opportunity Grants	84.007		119,391
Federal Direct Student Loans	84.268		22,422,899
Federal National Science and Mathematics Access to Retain Talent (SMART) Grant	84.376		36,000
Total U.S. Department of Education			<u>25,464,857</u>
U.S. Department of Health and Human Services			
Scholarships for Health Professions Students from Disadvantaged Backgrounds/Speech	93.925		71,558
Scholarships for Health Professions Students from Disadvantaged Backgrounds/PT	93.925		74,250
Scholarships for Health Professions Students from Disadvantaged Backgrounds/OT	93.925		37,125
Scholarships for Health Professions Students from Disadvantaged Backgrounds/CSW	93.925		222,749
Scholarships for Health Professions Students from Disadvantaged Backgrounds/M & F Thy	93.925		43,312
Scholarships for Health Professions Students from Disadvantaged Backgrounds/Ment Hth	93.925		631,121
Total U.S. Department of Health and Human Services			<u>1,080,115</u>
Total Student Financial Aid Cluster			<u>26,544,972</u>
<b>Research and Development Cluster</b>			
U.S. Department of Health and Human Services			
Substance Abuse and Mental Health Services-Projects of Regl & Natl Sign./SKIPP	93.243		194,220
RIMI - Building Capacity for Health Disparities Research	93.307		910,637
Total U.S. Department of Health and Human Services			<u>1,104,857</u>
National Science Foundation			
Education & Human Resources/Undergraduate Coursework & Research Enhancement Using Molecular Techniques & Instrumentation	47.076		30,939
Computer & Information Science & Engineering/BPC-DP: Collaborative & Integrative Environment for Computer Science Programs	47.070		67,464
Computer & Information Science & Engineering/Content and Context: Building Collaborative Partnership in Higher Education and Industry	47.070		37,155
Subtotal Direct Programs			<u>135,558</u>
Passed through Chicago State University Chicago Alliance for Minority Programs:			
Education and Human Resources/ Science, Engineering, and Mathematics	47.076	HRD-0413000	10,565
Subtotal Pass-Through Programs			<u>10,565</u>
Total National Science Foundation			<u>146,123</u>
Total Research and Development Cluster			<u>1,250,980</u>

STATE OF ILLINOIS  
GOVERNORS STATE UNIVERSITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/ Pass-Through Grantor/Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity ID Number	Federal Disbursements
<b>Other Programs</b>			
U.S. Department of Education:			
TRIO Cluster			
TRIO: Student Support Services	84.042A		234,171
TRIO: McNair Post-Baccalaureate Achievement	84.217A		69,000
TRIO: Upward Bound	84.047A		414,354
Total TRIO Cluster			<u>717,525</u>
Transition to Teaching	84.350A		337,248
Teacher Quality Enhancement Grants	84.336B		180,780
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities/Minority Institutions CDIS	84.325E		<u>172,357</u>
Subtotal Direct Programs			<u>1,407,910</u>
Passed through Morton College:			
Higher Education-Institutional Aid/Title V Cooperative Grant	84.031S	N.A.	<u>258,355</u>
Total U.S. Department of Education			<u>1,666,265</u>
U.S. Department of Health and Human Services			
Nurse Education, Practice and Retention Grants	93.359		165,343
Advanced Education Nursing Traineeships	93.358		<u>35,159</u>
Subtotal Direct Programs			<u>200,502</u>
Passed through the Illinois Department of Human Services:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	40C6001291	<u>93,255</u>
Total U.S. Department of Health and Human Services			293,757
U.S. Department of Agriculture			
Passed through the Illinois Board of Education:			
Child and Adult Food Care Program	10.558	N.A.	18,984
Library of Congress			
Passed through the Education and Research Consortium of the Western Carolinas			
An Adventure of the American Mind	42	00G-LIB-ND001	195,312
Small Business Administration			
Passed through the Illinois Department of Commerce and Economic Opportunity:			
Small Business Development Center	59.037	08-561122 07-182122 07-181122	<u>96,638</u>
Total Other Programs			<u>2,270,956</u>
Total Expenditures of Federal Awards			<u>\$ 30,066,908</u>

**STATE OF ILLINOIS  
GOVERNORS STATE UNIVERSITY  
NOTES TO THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

**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, 2008

Perkins Loan Program CFDA #84.038

Outstanding Balance - July 1, 2007	\$ 3,496,395	
Additions:		
New loans issued	731,662	
Reduction in allowance for doubtful loans	111,000	
Total Additions	842,662	
Deductions:		
Loans cancelled or written off	262,912	
Principal collected	528,247	
Total Deductions	791,159	
Outstanding Balance - June 30, 2008	\$ 3,547,898	*

\*-net of allowance for doubtful accounts of \$677,000

**GOVERNORS STATE UNIVERSITY**  
**SCHEDULE OF OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES**  
**APPROPRIATIONS FOR FISCAL YEAR 2008**  
**FOURTEEN MONTHS ENDED AUGUST 31, 2008**

	Appropriations (net after transfers)	Expenditures through June 30, 2008	Lapse Period Expenditures 7/1 - 8/31/08	Total Expenditures	Balances Lapsed
General Revenue Fund-001: (P.A. 95-0348)					
Personal services	\$ 22,358,500	\$ 22,346,310	\$ 12,190	\$ 22,358,500	\$ -
Medicare	94,900	94,900	-	94,900	-
Contractual services	3,050,000	3,050,000	-	3,050,000	-
Commodities	150,000	150,000	-	150,000	-
Equipment	400,000	400,000	-	400,000	-
Telecommunications services	100,000	100,000	-	100,000	-
Awards and grants	100,000	100,000	-	100,000	-
Permanent improvements	100,000	100,000	-	100,000	-
Total	<u>26,353,400</u>	<u>26,341,210</u>	<u>12,190</u>	<u>26,353,400</u>	<u>-</u>
Special Lump Sum Appropriations					
International Trade Center	331,000	331,000	-	331,000	-
Institute for Urban Education	650,000	650,000	-	650,000	-
Center for Excellence in Health Education	325,000	325,000	-	325,000	-
Total	<u>1,306,000</u>	<u>1,306,000</u>	<u>-</u>	<u>1,306,000</u>	<u>-</u>
<b>TOTAL APPROPRIATED FUNDS</b>	<u><b>\$ 27,659,400</b></u>	<u><b>\$ 27,647,210</b></u>	<u><b>\$ 12,190</b></u>	<u><b>\$ 27,659,400</b></u>	<u><b>\$ -</b></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		
	2008	2007	2006
General Revenue Fund - 001:	P.A. 95-0348	P.A. 94-0798	P.A. 94-0015
Appropriations (Net after transfers)	\$ 26,353,400	\$ 25,867,800	\$ 24,680,100
Expenditures:			
Personal services	22,358,500	21,872,900	20,685,200
Medicare	94,900	94,900	94,900
Contractual services	3,050,000	3,050,000	3,050,000
Commodities	150,000	150,000	150,000
Equipment	400,000	400,000	400,000
Telecommunications services	100,000	100,000	100,000
Awards and grants	100,000	100,000	100,000
Permanent improvements	100,000	100,000	100,000
TOTAL EXPENDITURES	<u>26,353,400</u>	<u>25,867,800</u>	<u>24,680,100</u>
Lapsed Balances	<u>-</u>	<u>-</u>	<u>-</u>
Special Lump Sum Appropriations			
Appropriations (Net after transfers)	<u>1,306,000</u>	<u>1,806,000</u>	<u>1,306,000</u>
Expenditures:			
International Trade Center	331,000	331,000	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	-
TOTAL EXPENDITURES	<u>1,306,000</u>	<u>1,806,000</u>	<u>1,306,000</u>
Lapsed Balances	<u>-</u>	<u>-</u>	<u>-</u>
GRAND TOTAL GENERAL REVENUE FUNDS			
Appropriations (Net after transfers)	27,659,400	27,673,800	25,986,100
Expenditures	27,659,400	27,673,800	25,986,100
Lapsed Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**STATE OF ILLINOIS  
GOVERNORS STATE UNIVERSITY  
COMPARATIVE SCHEDULE OF INCOME FUND REVENUES AND EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
FUND BALANCE - BEGINNING OF YEAR	\$ 6,309,652	\$ 3,190,925
<b>INCOME FUND REVENUES</b>		
Student fees	21,243,860	18,548,070
Investment income	636,360	823,761
Miscellaneous	100,213	131,800
Total Income Fund Revenues	<u>21,980,433</u>	<u>19,503,631</u>
<b>INCOME FUND EXPENSES</b>		
Personal services (including change in accrued compensated absences)	11,728,008	7,915,080
Medicare	1,016,941	946,167
Contractual services	2,654,599	2,742,727
Travel	302,666	295,434
Commodities	367,391	471,983
Equipment and books	399,669	987,043
Telecommunications	188,815	664,391
Operation of vehicles	49,829	53,230
Awards, grants, matching funds	50,980	50,570
Permanent improvements	1,554,526	1,221,520
Tuition and fee waivers	1,191,343	1,036,759
Total Income Fund Expenses	<u>19,504,767</u>	<u>16,384,904</u>
FUND BALANCE - END OF YEAR	<u>\$ 8,785,318</u>	<u>\$ 6,309,652</u>



STATE OF ILLINOIS  
GOVERNORS STATE UNIVERSITY  
SCHEDULE OF CHANGES IN STATE PROPERTY  
FOR THE YEAR ENDED JUNE 30, 2008

	Total	Land	Equipment	Sculptures	Library Collection	Construction in progress	Buildings
Beginning balances July 1, 2007	\$ 106,324,663	\$ 1,389,086	\$ 17,738,980	\$ 268,323	\$ 11,675,833	\$ -	\$ 75,252,441
Additions:							
Purchases	5,469,031	-	1,062,652	-	619,266	3,668,523	118,590
Funded by Capital Development Board	104,200	-	-	-	-	-	104,200
Total additions	5,573,231	-	1,062,652	-	619,266	3,668,523	222,790
Deletions	(878,934)	-	(697,218)	-	(181,716)	-	-
Ending balances June 30, 2008	\$ 111,018,960	\$ 1,389,086	\$ 18,104,414	\$ 268,323	\$ 12,113,383	\$ 3,668,523	\$ 75,475,231

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, 2008**

**ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUES AND EXPENSES**

Operations:	<u>2008</u>	<u>2007</u>
Revenues		
Net tuition and fees	\$ 22,126,445	\$ 19,930,861
Grants and contracts	10,203,334	8,950,719
Sales of educational departments	7,405,774	7,795,969
Auxiliaries	1,826,822	2,191,241
Other	1,669,450	1,762,685
	<u>43,231,825</u>	<u>40,631,475</u>
Expenses		
Depreciation	2,601,715	2,580,018
Other operating expenses	78,630,052	72,241,044
	<u>81,231,767</u>	<u>74,821,062</u>
Net operating loss	<u>(37,999,942)</u>	<u>(34,189,587)</u>
Non-operating activity		
State appropriations	27,659,400	27,673,800
Investment income	636,360	825,649
Payments made on behalf of GSU	11,356,654	9,817,536
Investment income on debt proceeds	165,659	-
Interest expense	(434,799)	(150,208)
Other non-operating activity	(6,408)	(7,592)
	<u>39,376,866</u>	<u>38,159,185</u>
Transfers from the Capital Development Board	104,200	454,253
Increase in net assets	<u>\$ 1,481,124</u>	<u>\$ 4,423,851</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 an approximate 5% increase in total student credit hours.

Grants and contracts revenue increased as the U.S. Department of Health and Human Services (HHS) increased funding on several grants in FY 08. HHS increased funding by approximately \$1 million.

The auxiliary enterprise revenue decreased due to reduced revenue received by the Center of Performing Arts.

The increase in payments made on behalf of GSU was due to an increase of insurance and retirement contributions by the State. Retirement contributions increased approximately \$1 million.

Investment income consists entirely of interest income and decreased due to lower interest rates. Also, reimbursements from appropriated expenditures from the Illinois Office of the Comptroller were not received timely, and required the University to use some of its own funds, which were then unable to earn interest.

Investment income and expense on the Revenue Bonds (bonds) and Certificates of Participation (COPS) was due to the issuance of new bonds and COPS during fiscal year 2008.

Transfers from the Capital Development Board decreased as fewer projects were in process during FY 08.

**STATE OF ILLINOIS  
GOVERNORS STATE UNIVERSITY  
FISCAL SCHEDULES AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

**ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES**

**Cash**

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

	<u>2008</u>	<u>2007</u>
Deposit type:		
Cash	\$ 935,428	\$ 1,411,995
Illinois Funds	17,068,683	14,744,822
	<u>\$ 18,004,111</u>	<u>\$ 16,156,817</u>
Depositories used:		
Heritage Bank	\$ 913,472	\$ 1,383,275
Illinois Funds	17,068,683	14,744,822
Cash on hand	21,956	28,720
	<u>\$ 18,004,111</u>	<u>\$ 16,156,817</u>

Cash increases are primarily due to the increase in tuition and fee revenue, as well as increased State appropriations.

**Trust Escrow**

Trust Escrow on the Statement of Net Assets is due to the issuance of Revenue Bonds and Certificates of Participation. The current balance as of June 30, 2008 is \$13,822,457. Amalgamated Bank is acting as the escrow agent for the University.

**Capital Assets**

Capital assets consisted of:

	<u>2008</u>	<u>2007</u>
Land	\$ 1,389,086	\$ 1,389,086
Buildings	74,345,466	74,241,266
Site-improvements	1,129,765	1,011,175
Construction in progress	3,668,523	-
Artwork	268,323	268,323
Equipment	8,545,225	8,245,173
Library Collection	12,113,383	11,675,833
Gross capital assets	<u>101,459,771</u>	<u>96,830,856</u>
Less accumulated depreciation	(45,103,084)	(42,989,773)
Net capital assets	<u>\$ 56,356,687</u>	<u>\$ 53,841,083</u>

The increase in capital assets primarily relates to the deferred maintenance projects which were financed by the revenue bond and certificates of participation.

**STATE OF ILLINOIS  
GOVERNORS STATE UNIVERSITY  
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FOR THE YEAR ENDED JUNE 30, 2008**

**ANALYSIS OF ACCOUNTS RECEIVABLE**

Loans, grants and accounts receivable are shown on the University's statement of net assets at June 30, 2008 and 2007 as follows:

	2008	2007
Accounts receivable:		
Students (less allowance for uncollectible accounts, \$3,690,600 for 2008 and \$3,614,000 for 2007)	\$ 970,641	\$ 480,412
Student related 3rd-party receivables	329,747	155,488
Grants receivable	576,544	2,756,830
Due from federal government	387,697	349,780
Other receivables	2,607,366	3,294,326
Net accounts receivable	\$ 4,871,995	\$ 7,036,836
Loans receivable:		
Perkins loans receivable	\$ 4,224,899	\$ 4,284,396
University loans receivable	16,629	16,629
Allowance for doubtful loans	(677,000)	(788,000)
Net loans receivable	\$ 3,564,528	\$ 3,513,025

Grants receivable decreased as grants were billed and received on a more timely basis. The significant decrease in other receivables was caused primarily by one contractor/State Agency making prompt payments of amounts due to the University. Student accounts receivable increased due to a large Spring/Summer 2008 enrollment.

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	\$ 4,532,240	\$ 6,705,379
Up to 120 days past due	185,365	95,357
From 121 to 240 days past due	151,956	87,320
From 241 to 365 days past due	95,279	59,356
More than 365 days past due	3,597,755	3,703,424
Allowance for doubtful accounts	(3,690,600)	(3,614,000)
Net accounts receivable	\$ 4,871,995	\$ 7,036,836

An aging of loans receivable is as follows

In school or in grace period - not in repayment	\$ 2,920,829	\$ 2,996,625
In repayment:		
On schedule	585,142	458,887
Past due - not in default	196,183	176,236
Past due - in default	539,374	669,277
Allowance for doubtful accounts	(677,000)	(788,000)
Net loans receivable	\$ 3,564,528	\$ 3,513,025

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GOVERNORS STATE UNIVERSITY  
FISCAL SCHEDULES AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

**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 services expenditures include audit charges to Federally assisted programs. The remaining charges are for other items related to the respective programs.

Balances remaining at June 30, 2008, are used to meet budgeted operational costs in 2009. 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, 2008:

	Indirect Costs	Administrative Overhead	Total
Balance at June 30, 2007	\$ 429,922	\$ 36,885	\$ 466,807
Sources:			
Recovered from grants and contracts	912,140	-	912,140
Financial aid program reimbursements	-	56,235	56,235
VA reporting fees	-	826	826
	912,140	57,061	969,201
Total revenues			
	912,140	57,061	969,201
Applications:			
Personal services	682,516	63,311	745,827
Contractual services	127,939	3,293	131,232
Commodities	33,134	5,466	38,600
Equipment	89,461	605	90,066
Other	176,559	2,020	178,579
	1,109,609	74,695	1,184,304
Total deductions			
	1,109,609	74,695	1,184,304
Balance at June 30, 2008	\$ 232,453	\$ 19,251	\$ 251,704

**STATE OF ILLINOIS  
GOVERNORS STATE UNIVERSITY  
ANALYSIS OF OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2008**

**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.

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**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  
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**AVERAGE NUMBER OF EMPLOYEES (Unaudited)**

Full-Time Equivalent Number of Employees

	2008	2007
Funded by State appropriated funds:		
Faculty	218.4	288.5
Administrative	31.7	11.0
Other professional	77.3	89.8
Graduate assistants	21.0	21.8
Students	11.3	9.0
Civil service	189.5	185.6
	549.2	605.7
 Funded by nonappropriated funds:		
Faculty and administrative	169.8	136.1
Civil service	96.2	84.9
Students	35.1	40.8
	301.1	261.8

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  
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FOR THE YEAR ENDED JUNE 30, 2008**

**STUDENT STATISTICS (Unaudited)**

Enrollment Statistics	ACADEMIC YEAR 07-08		
	FALL	WINTER	SPRING/ SUMMER
Headcount:			
Undergraduate	2,516	2,480	1,869
Graduate	3,176	3,033	2,781
Total	<u>5,692</u>	<u>5,513</u>	<u>4,650</u>
Full-time equivalent:			
Undergraduate	1,465	1,440	853
Graduate	1,651	1,600	1,424
	<u>3,116</u>	<u>3,040</u>	<u>2,277</u>

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	2008	2007
Annual full-time equivalent students		
Undergraduate	1,979	2,094
Graduate	2,338	2,089
Total	<u>4,317</u>	<u>4,183</u>
Total Instructional Costs per IBHE Cost Study Report*	\$ 20,936,120	\$ 19,639,887
Annual full-time equivalent students	4,317	4,183
Cost Per Full Time Equivalent Student	\$ 4,850	\$ 4,695

\* FY 2008 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, 2008**

**EMERGENCY PURCHASES**

During this audit period, the University had the following two emergency purchases:

- Installation of 48 smoke detectors in the Family Development Center. The estimated and actual cost was \$59,000. Immediate action was needed due to a situation in which public health or safety was threatened.
- Executive recruitment for two advancement personnel. The estimated cost was \$90,000, with an actual cost of \$80,616. 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 08, the bookstore had gross sales of \$1,868,255, the University received commissions of \$188,791, and the University spent a total of \$43,866 at the bookstore during FY 08. 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.

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**SELECTED SERVICE EFFORTS AND ACCOMPLISHMENTS (Unaudited)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
1. Student Headcount (a) - Fall trimester	<u>5,627</u>	<u>5,652</u>	<u>5,405</u>	<u>5,382</u>	<u>5,692</u>
2. Minority enrollment (a) - Fall trimester	<u>2,130</u>	<u>2,364</u>	<u>2,270</u>	<u>2,266</u>	<u>2,342</u>
3. Degrees awarded (b) - Fiscal year	<u>1,689</u>	<u>1,468</u>	<u>1,549</u>	<u>1,872</u>	<u>1,911</u>
4. Credit hours (c) - Academic year	<u>101,720</u>	<u>103,045</u>	<u>102,446</u>	<u>107,201</u>	<u>112,471</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>8,156</u>	<u>7,843</u>	<u>7,641</u>	<u>7,725</u>	<u>7,803</u>
6. Annualized tuition and fees (c):					
Undergrad					
Resident (e)	\$3,272	\$3,716	\$4,040	\$4,419	\$4,796
Nonresident	\$8,936	\$10,244	\$11,212	\$12,243	\$13,388
Graduate					
Resident	\$2,780	\$2,966	\$3,244	\$4,611	\$4,987
Nonresident	\$7,460	\$8,114	\$8,896	\$12,819	\$14,093

- (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) Tuition rate used is the rate for new full-time undergraduates.

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**SCHEDULES OF FEDERAL EXPENDITURES, NON-FEDERAL EXPENSES, AND NEW LOANS**  
(expressed in thousands)

**Schedule A -- Federal Financial Component**

Total Federal expenditures reported on SEFA schedule	\$ 30,067
Total new loans made not included on SEFA schedule	732
Amount of Federal loan balances at beginning of the year (not included on the SEFA schedule and continued compliance required)	4,284
Other noncash Federal award expenditures (not included on SEFA schedule)	-
Total Schedule A	<u>\$ 35,083</u>

**Schedule B -- Total Financial Component**

Total operating expenses (from financial statements)	\$ 81,232
Total nonoperating expenses (from financial statements)	441
Total new loans made	23,155
Amount of Federal loan balances at beginning of the year	4,284
Amount of Federal scholarship allowances reported as revenue reduction	2,326
Total Schedule B	<u>\$ 111,438</u>

**Schedule C**

		<b><u>Percent</u></b>
Total Schedule A	\$ 35,083	31.5%
Total Non-Federal Expenses	<u>76,355</u>	<u>68.5%</u>
Total Schedule B	<u>\$ 111,438</u>	<u>100.0%</u>

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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</u> <u>YEAR</u>	<u>NUMBER OF DEGREES AWARDED</u>		
	<u>GRADUATE</u>	<u>UNDER</u> <u>GRADUATE</u>	<u>TOTAL</u>
2008	1,033	878	1,911
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

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GOVERNORS STATE UNIVERSITY  
ANALYSIS OF OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2008

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

Type of Waiver	Undergraduate			Graduate		
	Tuition Waivers Number of Recipients	Fee Waivers Number of Recipients	Value of Waivers	Tuition Waivers Number of Recipients	Fee Waivers Number of Recipients	Value of Waivers
<b><u>Mandatory Waivers</u></b>						
Teacher Education	-	-	\$ -	15	15	\$ 7.0
General Assembly	-	-	-	19	19	4.9
Children of Employees	4	4.5	-	-	-	-
Senior Citizens	1	2.8	1	0.6	2	3.6
<b><u>Discretionary Waivers</u></b>						
Faculty/Administrators	2	3.9	2	0.8	42	61.7
Civil Service	14	15.5	14	4.3	35	64.0
Academic/Other Talent	67	193.6	67	11.7	59	116.2
Foreign Exchange Students	-	-	-	9	9	32.3
Cooperating Professionals	-	-	-	21	21	14.8
Other Assistants	-	-	-	90	90	517.0
Other Assistants - Doctor	-	-	-	3	3	18.3
Interinstitutional	15	23.3	15	5.9	25	42.5
<b>Total</b>	<b>103</b>	<b>\$ 243.6</b>	<b>99</b>	<b>\$ 23.3</b>	<b>320</b>	<b>\$ 947.7</b>
					<b>261</b>	<b>\$ 98.3</b>

**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, 2008**

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 4-5 and 39-40 of our financial audit report and on pages 8-14 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, 2008.

**INDIRECT COST REIMBURSEMENTS**

- (b) Refer to page 36 of this report for an analysis of the sources and applications of indirect cost reimbursements for the year ended June 30, 2008.
- (c) Refer to page 49 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.
  - Revenue Bond system includes all operations of the Student Center, the University Bookstore, University Parking Facilities, and University Food Service and Vending Facilities.
  - 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.

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UNIVERSITY REPORTING IN ACCORDANCE WITH UNIVERSITY GUIDELINES  
For The Year Ended June 30, 2008**

- (f) Refer to pages 51-55 of this report for financial statements of each accounting entity.
- (g) Calculations of current excess funds for each entity are presented on page 50. There were no 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, 2008:

	Direct	Indirect	Total
Bookstore	\$ -	\$ 4,398	\$ 4,398
Theatre	-	167,816	167,816
	\$ -	\$ 172,214	\$ 172,214
Service Departments	\$ -	\$ 113,883	\$ 113,883

There were no direct subsidies to auxiliary enterprises. Indirect subsidies represent retirement and health benefits.

- (i) A Statement of Revenues, Expenses and Changes in Net Assets for the bond indenture required accounts is presented on pages 35-37 of the financial audit report.
- (j) The University Auxiliary Facilities System Revenue Bond accounting conforms to the terms of the bond issue.
- (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 56 and 57 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 \$122,057 to the Foundation and \$11,694 to the Alumni Association for the year ended June 30, 2008.



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SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES  
UNIVERSITY REPORTING IN ACCORDANCE WITH UNIVERSITY GUIDELINES  
For The Year Ended June 30, 2008**

- (o) Since July 1, 1983, the University has provided services of approximately \$1,592,957 to the Foundation. The Foundation has provided approximately \$4,655,107 in generally unrestricted funds to the University. Since its incorporation on January 1, 1988, the University has provided services of approximately \$318,901 to the Alumni Association. The Alumni Association has provided approximately \$927,960 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 34 for the Schedule of Cash and Short-Term Investments for the year ended June 30, 2008.
- (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 40 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, 2008.
- (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. During 2008, the University refunded the 1998 certificates of participation and issued new certificates to finance the cost of the University's deferred maintenance projects. See footnote 8 on pages 28 - 29 of the Governors State University Financial Audit Report.

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SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES  
FOR THE YEAR ENDED JUNE 30, 2008

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	\$ 544,823
Cash equivalents	<u>          -</u>

ACTUAL CASH CARRIED FORWARD	<u>544,823</u>
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LESS: ALLOWABLE CARRY-FORWARD PER FORMULA:

Allocated reimbursements - 30% indirect cost reimbursements allocated for expenditure in 2008. (\$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>293,119</u>
-------------------------------------------	----------------

MAXIMUM ALLOWABLE CARRY-FORWARD	<u>2,317,555</u>
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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, 2008

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

CALCULATION SHEET FOR CURRENT EXCESS FUNDS

	Bookstore	Parking Services	Auxiliary Enterprises Cafeteria and Vending	Theatre	Facilities Revenue Bond System	Educational and Student Life Activities	University Service Departments
Current available funds:							
Add:							
Cash and cash equivalents	\$ 255,378	\$ 434,188	\$ (255)	\$ (158,347)	\$ 412,520	\$ 3,023,805	\$ (257,668)
Interfund receivable	-	-	-	-	-	-	-
TOTAL CURRENT AVAILABLE FUNDS	<u>255,378</u>	<u>434,188</u>	<u>(255)</u>	<u>(158,347)</u>	<u>412,520</u>	<u>3,023,805</u>	<u>(257,668)</u>
Working Capital Allowance:							
Add:							
Highest month's expenditures	15,489	17,266	2,255	204,434	131,000	1,317,304	223,078
Current liabilities paid during lapse period	492	1,600	160	30,389	-	257,138	74,729
Deferred income	-	-	-	-	-	434,894	-
WORKING CAPITAL ALLOWANCE	<u>15,981</u>	<u>18,866</u>	<u>2,415</u>	<u>234,823</u>	<u>131,000</u>	<u>2,009,336</u>	<u>297,807</u>
CURRENT EXCESS FUNDS (Margin of compliance)	<u>239,397</u>	<u>415,322</u>	<u>(2,670)</u>	<u>(393,170)</u>	<u>281,520</u>	<u>1,014,469</u>	<u>(555,475)</u>
CALCULATION OF NET EXCESS FUNDS FOR REMITTANCE							
Indentured Capital Reserves:							
Facilities Revenue Bond System Reserve (see Note)	-	-	-	-	412,520	-	-
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	-	3,593,449	13,730
Estimated cost of resurfacing one parking lot	-	250,000	-	-	-	-	-
20% of the historical cost of equipment	503	-	43,275	58,789	-	-	218,536
TOTAL ALLOWABLE CAPITAL RESERVES	<u>357,187</u>	<u>850,000</u>	<u>43,275</u>	<u>368,148</u>	<u>412,520</u>	<u>3,593,449</u>	<u>232,266</u>
NET EXCESS FUNDS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTE: This is part of the Facilities Revenue Bond System and according to the University Guidelines 1982, Section V. B, "in the event that current excess funds or excess capital reserves occur in a revenue bond entity, the University may elect to retain the funds for the purposes of debt retirement."

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BALANCE SHEET--AUXILIARY ENTERPRISES AND ACTIVITIES ENTITIES  
AS OF JUNE 30, 2008

	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		
<b>ASSETS</b>								
Cash	\$ 255,378	\$ 434,188	\$ (255)	\$ (158,347)	\$ 3,023,805	\$ (257,668)	\$ 544,823	\$ 3,841,924
Accounts receivable (less allowance for uncollectibles of \$546,947)	18,499	17,579	-	-	2,764,535	-	-	2,800,613
Inventory	-	-	-	-	-	20,927	-	20,927
Building	-	-	-	6,187,186	-	274,600	-	6,461,786
Parking lots	-	1,129,765	-	-	-	-	-	1,129,765
Equipment	2,515	-	216,374	293,943	-	1,092,682	-	1,605,514
<b>TOTAL ASSETS</b>	<b>\$ 276,392</b>	<b>\$ 1,581,532</b>	<b>\$ 216,119</b>	<b>\$ 6,322,782</b>	<b>\$ 5,788,340</b>	<b>\$ 1,130,541</b>	<b>\$ 544,823</b>	<b>\$ 15,860,529</b>
<b>LIABILITIES AND FUND BALANCES</b>								
Accounts payable	\$ 492	\$ 1,600	\$ 160	\$ 30,389	\$ 257,138	\$ 74,729	\$ 293,119	\$ 657,627
Deferred income	-	-	-	-	434,894	-	-	434,894
<b>TOTAL LIABILITIES</b>	<b>492</b>	<b>1,600</b>	<b>160</b>	<b>30,389</b>	<b>692,032</b>	<b>74,729</b>	<b>293,119</b>	<b>1,092,521</b>
Fund balances:								
Other unrestricted funds	273,385	450,167	(415)	(188,736)	5,096,308	(311,470)	251,704	5,570,943
Restricted - debt service	-	-	-	-	-	-	-	-
Invested in plant funds	2,515	1,129,765	216,374	6,481,129	-	1,367,282	-	9,197,065
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 276,392</b>	<b>\$ 1,581,532</b>	<b>\$ 216,119</b>	<b>\$ 6,322,782</b>	<b>\$ 5,788,340</b>	<b>\$ 1,130,541</b>	<b>\$ 544,823</b>	<b>\$ 15,860,529</b>

NOTE: The Governors State University Facilities System Revenue Bond, Series 2007, an integral part of Governors State University, includes all operations of the Student Center, the University Bookstore, University Parking Facilities, and University Food Service and Vending Facilities. A complete financial statement for the Facilities Revenue Bond System can be found on pages 35 - 37 of the financial audit report.

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SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--  
OTHER UNRESTRICTED FUNDS--AUXILIARY ENTERPRISE ENTITIES  
FOR THE YEAR ENDED JUNE 30, 2008

	TOTAL	BOOKSTORE	PARKING SERVICES	CAFETERIA AND VENDING	THEATRE
REVENUES	\$ 1,826,822	\$ 188,791	\$ 220,363	\$ 12,733	\$ 1,404,935
EXPENDITURES AND OTHER DEDUCTIONS:					
Personal services	548,155	13,998	-	-	534,157
Contractual services	913,823	963	9,651	7,343	895,866
Commodities	55,932	2,327	5,456	103	48,046
Equipment	69,901	4,392	3,921	-	61,588
Other	69,858	865	11,236	207	57,550
Total Expenditures	1,657,669	22,545	30,264	7,653	1,597,207
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	169,153	166,246	190,099	5,080	(192,272)
TRANSFERRED TO REVENUE BOND SYSTEM	(361,425)	(166,246)	(190,099)	(5,080)	-
FUND BALANCES AT BEGINNING OF YEAR	726,673	273,385	450,167	(415)	3,536
FUND BALANCES AT END OF YEAR	\$ 534,401	\$ 273,385	\$ 450,167	\$ (415)	\$ (188,736)

NOTE: The Governors State University Facilities System Revenue Bond, Series 2007, an integral part of Governors State University, includes all operations of the Student Center, the University Bookstore, University Parking Facilities, and University Food Service and Vending Facilities.

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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:	\$ 11,771,362	\$ 7,405,774	\$ 1,694,968	\$ 1,228,379	\$ 725,154	\$ 48,812	\$ 899	\$ 667,376
EXPENDITURES AND OTHER DEDUCTIONS:								
Personal services	5,982,244	4,749,503	514,621	190,254	108,628	-	-	419,238
Contractual services	2,263,037	1,057,346	595,650	190,948	132,745	6,302	-	280,046
Commodities	257,880	16,292	99,514	16,976	75,593	-	-	49,505
Equipment	855,361	9,001	133,584	105,769	141,505	-	-	465,502
Other	2,746,131	2,389,035	121,590	200,213	35,293	-	-	-
Total Expenditures	12,104,653	8,221,177	1,464,959	704,160	493,764	6,302	-	1,214,291
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(333,291)	(815,403)	230,009	524,219	231,390	42,510	899	(546,915)
TRANSFERRED TO THE REVENUE BOND SYSTEM	(182,095)	-	(230,009)	-	-	-	-	47,914
FUND BALANCES AT BEGINNING OF YEAR	5,611,694	1,257,120	1,969,827	123,244	432,547	325,188	14,181	1,489,587
FUND BALANCES AT END OF YEAR	\$ 5,096,308	\$ 441,717	\$ 1,969,827	\$ 647,463	\$ 663,937	\$ 367,698	\$ 15,080	\$ 990,586

NOTE: The Governors State University Facilities System Revenue Bond, Series 2007, an integral part of Governors State University, includes all operations of the Student Center, the University Bookstore, University Parking Facilities, and University Food Service and Vending Facilities.

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

	UNIVERSITY PRINT SHOP	CENTRAL STORES	MOTOR POOL	MAIL SERVICE
TOTAL	\$ 1,012,264	\$ 20,895	\$ 100,689	\$ 230,572
REVENUES:				
Personal services	362,491	69,194	29,758	15,754
Contractual	606,117	3,000	-	210,898
Commodities	435,991	126	-	640
Equipment	48,421	995	-	15,043
Other	97,069	-	82,787	2,005
Total Expenditures	1,550,089	73,315	112,545	244,340
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(185,669)	(52,420)	(11,856)	(13,768)
FUND BALANCES AT BEGINNING OF YEAR	(125,801)	(20,895)	(46,341)	2,101
FUND BALANCES AT END OF YEAR	\$ (311,470)	\$ (73,315)	\$ (58,197)	\$ (11,667)

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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:	\$ 969,201	\$ 745,853	\$ 166,287	\$ 28,115	\$ 28,120	\$ 826
EXPENDITURES AND OTHER DEDUCTIONS:						
Personal services	745,827	674,700	7,816	37,570	25,741	-
Contractual services	131,232	99,685	28,254	-	3,258	35
Commodities	38,600	23,824	9,310	-	5,429	37
Equipment	90,066	8,421	81,040	-	605	-
Other	178,579	144,142	32,417	-	2,020	-
Total Expenditures	1,184,304	950,772	158,837	37,570	37,053	72
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(215,103)	(204,919)	7,450	(9,455)	(8,933)	754
FUND BALANCES AT BEGINNING OF YEAR	466,807	111,051	318,871	17,669	21,122	(1,906)
FUND BALANCES AT END OF YEAR	\$ 251,704	\$ (93,868)	\$ 326,321	\$ 8,214	\$ 12,189	\$ (1,152)



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SUMMARY OF ALUMNI ASSOCIATION CASH SUPPORT TO THE UNIVERSITY

During fiscal year 2008, the University engaged the Alumni Association, under contract, to provide fundraising services. As provided in the contract agreement, the University provided \$11,694 of services to the Alumni Association equal to the cost of the services the Alumni Association provided to the University for the fiscal year ended June 30, 2008. In addition, the 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, 2008.

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	-
Total Funds Considered Unrestricted	-

Funds considered restricted for purposes  
of the Guidelines computations:

- Given for scholarships	4,420
- Other restricted funds	-
Total Funds Considered Restricted	4,420
Total Funds Provided to the University	\$ 4,420

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SUMMARY OF FOUNDATION CASH SUPPORT TO THE UNIVERSITY

During fiscal year 2008, the University engaged the Foundation, under contract, to provide fundraising services. As provided in the contract agreement, the University provided \$122,057 of services to the Foundation equal to the cost of the services the Foundation provided to the University for the fiscal year ended June 30, 2008. In addition, the Foundation supported the University with funds considered to be unrestricted for the purposes of the University Guidelines computations and other 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, 2008.

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	824
- Given to a particular department	<u>47,847</u>
Total Funds Considered Unrestricted	<u>48,671</u>

Funds considered restricted for purposes  
of the Guidelines computations:

- Given for Center of Performing Arts	54,580
- Other restricted funds	<u>48,096</u>
Total Funds Considered Restricted	<u>102,676</u>
Total Funds Provided to the University	<u>\$ 151,347</u>