

**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, 2009

**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, 2009

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Financial Statement Report

The University's financial statement report for the year ended June 30, 2009 which includes the report of independent auditors, management's discussion and analysis, basic financial statements, supplementary information, and the independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* 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, 2009

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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 60484

January 21, 2010

Borschnack, Pelletier & Co.
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, 2009. Based on this evaluation, we assert that during the year ended June 30, 2009, Governors State University has materially complied with the assertions below.

A. Governors State University has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. Governors State University has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.

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

D. State revenues and receipts collected by Governors State University are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

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

Yours very truly,

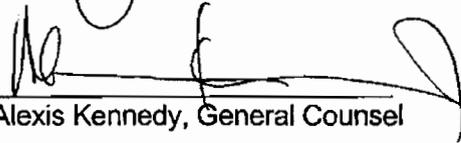
Governors State University



Dr. Elaine Maimon, President



Karen Kissel, Associate Vice President for Financial Services and Comptroller



Alexis Kennedy, General Counsel

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

SUMMARY

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

ACCOUNTANTS' REPORTS

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers or other significant non-standard language.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current</u>	<u>Prior</u>
<u>Findings</u>	<u>Report</u>	<u>Report</u>
Findings	5	6
Repeated findings	1	3
Prior recommendations implemented or not repeated	5	3

Details of 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>			
09-1	17	Notification of Disbursement of Loan Proceeds	Sig. Def./Noncompliance
<u>FINDINGS (STATE COMPLIANCE)</u>			
09-2	18	University Faculty Research & Consulting	Sig. Def./Noncompliance
09-3	19	Time Sheets Not Maintained in Compliance with the State Officials and Employees Ethics Act	Sig. Def./Noncompliance
09-4	20	Subsidies Between Accounting Entities	Sig. Def./Noncompliance
09-5	21	Incorrect Invoices Submitted for Reimbursement Requests from State Appropriations	Sig. Def./Noncompliance
<u>PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)</u>			
A	23	Student Financial Aid Awarded to Students at Unapproved Locations	
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C	24	Inadequate Controls Over University Property and Equipment	
D	24	Volunteer Emergency Worker Policy	
E	24	Uncollateralized Deposit Accounts	

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 January 15, 2010. Attending were:

Representing Governors State University

Deputy Vice President, Administration & Finance
Associate Vice President, Financial Services
Internal Auditor

Mr. Jeffrey Slovak
Ms. Karen Kissel
Mr. David Dixon

Representing Borschnack, Pelletier & Co.

Partner
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 January 20, 2010.



Certified Public Accountants & Consultants

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

Honorable William G. Holland
Auditor General
State of Illinois

and

Board of Trustees
Governors State University

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, 2009. 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, 2009. 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 09-1 through 09-5.

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 as a basis for designing our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of 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.

A *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 and correct noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance described in findings 09-1 through 09-5 in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over compliance. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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 financial statements of the business-type activities 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, 2009, which collectively comprise the Governors State University's basic financial statements and have issued our report thereon dated January 21, 2010. 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 2009 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, 2009 taken as a whole.

The 2008 and 2007 comparative information has been derived from the basic financial statements of Governors State University and its aggregate discretely presented component units, for the years ended June 30, 2008 and June 30, 2007, which were audited by other auditors who expressed unqualified opinions on the basic financial statements in their reports dated February 6, 2009 and January 29, 2008.

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.

Gorschmack, Pelletier & Co.

January 21, 2010



Certified Public Accountants & Consultants

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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 financial statements of the business-type activities 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, 2009, which collectively comprise the Governors State University's basic financial statements and have issued our report thereon dated January 21, 2010. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the University's discretely presented component units, as described in our report on the University's financial statements. The financial statements of the University's discretely presented component units were not audited in accordance with *Government Auditing Standards*.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, 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 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 January 21, 2010.

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.



January 21, 2010



Certified Public Accountants & Consultants

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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

and

Board of Trustees
Governors State University

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, 2009. 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, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 09-1.

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 a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 09-1 to be a significant deficiency.

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 the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business-type activities 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, 2009, and have issued our report thereon dated January 21, 2010. 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.

Borschneck, Pelletier & Co

January 21, 2010

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2009**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' 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 auditors' 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
TRIO Cluster	
Student Support Services	84.042A
Upward Bound	84.047A
Research and Development Cluster	
Minority Health and Health Disparities Research	93.307
Substance Abuse and Mental Health Services	93.243
Computer & Information Science & Engineering	47.070
Education and Human Resources	47.076
Teacher Quality Partnership Grant	84.336B

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 Finding 09-1

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
For The Year Ended June 30, 2009**

CURRENT FINDINGS – FEDERAL AND QUESTIONED COSTS

09-1 FINDING: NOTIFICATION OF DISBURSEMENT OF LOAN PROCEEDS

<u>Federal Department:</u>	U.S. Department of Education
<u>CFDA Numbers:</u>	84.268
<u>Program Name:</u>	Federal Direct Loan Program
<u>Questioned Cost:</u>	None

Governors State University (University) did not provide the required notification to students regarding the timing of the disbursements of Federal Direct Student Loan (FDSL) proceeds and the student's right to cancel the loan.

During our testing of 39 students that received FDSL loans during the fiscal year; it was noted:

- 17 of 39 students (44%) tested who received FDSL loans did not receive the required notification regarding disbursement of loan proceeds. These students had 51 loan disbursements totaling \$181,742 and did not receive the required notifications.

The Code of Federal Regulations (34 CFR 668.165(a)(3)) states that the University must send notification in writing no earlier than 30 days before, and no later than seven days after (for institutions that do not obtain affirmative confirmation from the student), crediting the student's account at the University. The notification must inform the student or his/her parents how and when Title IV funds will be disbursed, and with FDSL, must also identify whether the loans are subsidized or unsubsidized. The notice is also required to explain the student's right to cancel all or a portion of the loan.

University officials stated that the students were not notified due to a computer programming error.

Failure to properly notify its students regarding disbursements of loan proceeds may jeopardize future federal funding and results in a violation of the student's rights. (Finding Code No. 09-1)

RECOMMENDATION

We recommend the University improve procedures and ensure that all students receive proper notification of loan proceed disbursements and their rights to cancel such loans.

UNIVERSITY RESPONSE

The University agrees with this finding and has modified this computer program to ensure proper student notification.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
For The Year Ended June 30, 2009**

CURRENT FINDINGS – STATE

09-2 FINDING: UNIVERSITY FACULTY RESEARCH & CONSULTING

The University did not comply with the University Faculty Research and Consulting Act.

Each year, the University's Office of the President requests all faculty, who intend to perform outside research and/or consulting services to submit a Request for Approval form. Faculty members who intend to perform outside research and/or consulting are required to obtain approval from the University President or the President's designee before performing outside services. We examined a sample of requests that were submitted (14) and noted that 6 (43%) faculty members performed outside research and/or consulting activities prior to receiving approval from the President. The approvals were noted to be from 70 to 193 days subsequent to the date that services were to begin.

The University Faculty Research and Consulting Act (110 ILCS 100/1) states that no full time member of faculty of any State-supported institution of higher learning may accept anything of value for research and/or consulting services unless: 1) he/she has prior written approval of the President of the institution based on a request that estimates time to be spent and 2) he/she submits to the President an annual statement of actual time spent on such outside services.

University officials stated that the law requires the faculty to receive approval from the President prior to performing research & consulting services. These instances reflect cases where faculty members did not comply with the University Faculty Research & Consulting Act as required by Statute.

Failure to comply with this mandate may result in faculty providing services for others instead of dedicating their time to their University duties for which they are employed. (Finding Code No. 09-2)

RECOMMENDATION

We recommend that the University ensure that faculty members comply with the University Faculty Research and Consulting Act as required by statute.

UNIVERSITY RESPONSE

The University agrees with this finding. The University has refined its approval process and will continue to require faculty to comply.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
For The Year Ended June 30, 2009**

CURRENT FINDINGS – STATE

09-3 FINDING: TIME SHEETS NOT MAINTAINED IN COMPLIANCE WITH THE STATE OFFICIALS AND EMPLOYEES ETHICS ACT

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

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

Of the 25 employees' time sheets that were tested, 7 faculty members used the "negative" timekeeping system whereby the employee is assumed to be working unless noted otherwise. In addition, we noted 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 17 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. 09-3, 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, 2009**

CURRENT FINDINGS – STATE

09-4 FINDING: SUBSIDIES BETWEEN ACCOUNTING ENTITIES

Governors State University (University) had subsidies between accounting entities (auxiliary enterprises and activities) during the current fiscal year.

During our testing of compliance with the Legislative Audit Commission’s University Guidelines, we noted the following accounting entities had negative cash balances at the beginning and the end of the fiscal year, (a negative cash balance is in effect an unbooked interfund payable/receivable), thereby causing a subsidy between funds to occur:

- University Service Departments
- Center for Performing Arts

The Legislative Audit Commission’s University Guidelines of 1982, as amended in 1997, states (Chapter 3, Section D, Part 1) “There shall be no subsidies between accounting entities. Subsidies include cash advances and interfund payables/receivables outstanding for more than one year.”

University officials stated that due to tough economic conditions, the University needed to subsidize these entities in order to continue to provide the services to the community and University departments.

The subsidies between accounting entities is a violation of the University Guidelines. (Finding Code No. 09-4)

RECOMMENDATION

We recommend the University review the activities of the accounting entities and ensure that fees charged for services are sufficient to cover expenditures and ensure that subsidies between accounting entities do not occur.

UNIVERSITY RESPONSE

We agree with this finding and will review our charge back processes and pricing levels for these accounting entities.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
For The Year Ended June 30, 2009**

CURRENT FINDINGS – STATE

09-5 FINDING: INCORRECT INVOICES SUBMITTED FOR REIMBURSEMENT REQUESTS FROM STATE APPROPRIATIONS

Governors State University's (University) incorrectly submitted invoices for reimbursement from State special appropriations.

The General Assembly made the following special appropriations to the University for fiscal year 2009:

- The Institute for Urban Education \$650,000
- The Center for Excellence in Health Education \$325,000
- The International Trade Center \$331,000

All expenditures of the University are initially paid from University held local funds. After expenditure, the University then submits vouchers to the Office of the Comptroller to request reimbursement from State appropriated funds. We selected 7 of the 241 vouchers submitted by the University to the Office of the Comptroller to request reimbursements from appropriated funds for expenditures that had previously been paid from University funds. We noted:

- 4 of the 7 reimbursements tested were charged to the special appropriations noted above, but the vendor invoices attached to the vouchers (to support the reimbursement request) had nothing to do with the special appropriations that were charged. For example; (a) the University submitted its quarterly payment (\$124,060) for the University wide telephone system for reimbursement under the special appropriation for the Institute for Urban Education, (b) several equipment invoices totaling \$40,685 were submitted for reimbursement from the special appropriation for the Institute for Urban Education, but no equipment was purchased by the Institute for Urban Education according to the general ledger, (c) several contractual service invoices totaling \$14,308 that were submitted for reimbursement from the special appropriation for the Center for Excellence in Health Education, but these actual contractual services did not pertain to the Center for Excellence in Health Education, and (d) several equipment invoices totaling \$137,601 were submitted for reimbursement from the special appropriation for the International Trade Center, however, no equipment was purchased by the International Trade Center according to the general ledger.

SAMS procedure 11.10.20 states that "the appropriations made by the General Assembly specify the purposes for which the public funds of the State may be expended." Included in Public Act 95-0734, the University was awarded 3 special appropriations for the purposes of the International Trade Center, Institute for Urban Education, and the Center for Excellence in Health Education.

University officials stated this incorrect submittal was a result of departmental employee turnover.

After bringing this matter to the University's attention, the University was able to provide a schedule of expenditures related to the projects supported by the special appropriations. It was determined that the University had actually expended University funds in excess of the amounts of these special appropriations during fiscal year 2009.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
For The Year Ended June 30, 2009**

CURRENT FINDINGS – STATE

09-5 FINDING: INCORRECT INVOICES SUBMITTED FOR REIMBURSEMENT REQUESTS FROM STATE APPROPRIATIONS (continued)

The failure to submit proper reimbursement requests is a violation of the State's appropriation process. (Finding Code No. 09-5)

RECOMMENDATION

We recommend the University submit the proper documentation of actual program expenditures when requesting reimbursement from its special appropriations.

UNIVERSITY RESPONSE

The University agrees with this finding and has provided the necessary training to the employee to ensure non-reoccurrence.

**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: STUDENT FINANCIAL AID AWARDED TO STUDENTS AT UNAPPROVED LOCATIONS

Governors State University awarded student financial aid to students attending classes at a location that had not been approved by the United States Department of Education. (Finding Code No. 08-1, 07-1)

Status – Not repeated

Our sample testing did not identify any locations that were not approved by the United States Department of Education.

B FINDING: RECONCILIATION OF STUDENT ASSISTANCE PROGRAMS

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. (Finding Code 08-2)

Status – Not repeated

Our sample testing did not identify any excess cash and reconciliations improved significantly from the prior year. This finding has been moved to the immaterial findings letter as finding IM 09-3.

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

PRIOR FINDINGS NOT REPEATED – STATE

C 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. (Finding Code Nos. 08-4, 07-6, 06-9, 05-9, 04-02, 03-02)

Status – Not repeated

Our sample testing indicated significant improvement from the prior year. This finding has been moved to the immaterial findings letter as finding IM 09-4.

D FINDING: VOLUNTEER EMERGENCY WORKER POLICY

Governors State University did not comply with the requirements of the Volunteer Emergency Worker Protection Act (Act) regarding having a policy that reasonably accommodates volunteer emergency workers. (Finding Code No. 08-5)

Status – Not repeated

The University implemented a Volunteer Emergency Worker Policy and the Policy complies with all of the requirements of the Act.

E FINDING: UNCOLLATERALIZED DEPOSIT ACCOUNTS

Governors State University maintained deposits in excess of the Federal Deposit Insurance Coverage (FDIC) and pledged collateral. (Finding Code No. 08-6)

Status – Not repeated

The University obtained sufficient collateral to cover all deposits held by the University.

**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
 - Summary of Alumni Association Cash Support to the University
 - Summary of Foundation Cash Support to the University

The auditors' 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, 2009

Federal Grantor/ Pass-Through Grantor/Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity ID Number	Federal Disbursements
Student Financial Aid Cluster			
U.S. Department of Education:			
Federal Work-Study Program	84.033		\$ 173,203
Federal Pell Grant Program	84.063		3,210,513
Federal Supplemental Educational Opportunity Grants	84.007		119,600
Federal Direct Student Loans	84.268		29,278,724
Federal National Science and Mathematics Access to Retain Talent (SMART) Grant	84.376		12,000
Total U.S. Department of Education			<u>32,794,040</u>
U.S. Department of Health and Human Services			
Scholarships for Health Professions Students from Disadvantaged Backgrounds/Speech	93.925		32,667
Scholarships for Health Professions Students from Disadvantaged Backgrounds/PT	93.925		32,667
Scholarships for Health Professions Students from Disadvantaged Backgrounds/OT	93.925		27,222
Scholarships for Health Professions Students from Disadvantaged Backgrounds/CSW	93.925		76,222
Scholarships for Health Professions Students from Disadvantaged Backgrounds/Grad Hth	93.925		32,667
Scholarships for Health Professions Students from Disadvantaged Backgrounds/CDIS	93.925		10,445
Scholarships for Health Professions Students from Disadvantaged Backgrounds/M & F Thy	93.925		16,333
Scholarships for Health Professions Students from Disadvantaged Backgrounds/Ment Hth	93.925		457,333
Total U.S. Department of Health and Human Services			<u>685,556</u>
Total Student Financial Aid Cluster			<u>33,479,596</u>
Research and Development Cluster			
U.S. Department of Health and Human Services			
Substance Abuse and Mental Health Services-Projects of Regl & Natl Sign./SKIPP	93.243		169,214
Minority Health and Health Disparities Research/RIMI	93.307		1,125,727
Total U.S. Department of Health and Human Services			<u>1,294,941</u>
National Science Foundation			
Education & Human Resources/Undergraduate Coursework & Research Enhancement Using Molecular Techniques & Instrumentation	47.076		24,056
Computer & Information Science & Engineering/BPC-DP: Collaborative & Integrative Environment for Computer Science Programs	47.070		70,113
Computer & Information Science & Engineering/Content and Context: Building Collaborative Partnership in Higher Education and Industry	47.070		96,758
Subtotal Direct Programs			<u>190,927</u>
Passed through Chicago State University Chicago Alliance for Minority Programs: Education and Human Resources/ Science, Engineering, and Mathematics	47.076	HRD-0413000	8,793
Subtotal Pass-Through Programs			<u>8,793</u>
Total National Science Foundation			<u>199,720</u>
Total Research and Development Cluster			<u>1,494,661</u>
Other Programs			
U.S. Department of Education:			
TRIO Cluster			
TRIO: Student Support Services	84.042A		236,842
TRIO: Upward Bound	84.047A		575,954
Total TRIO Cluster			<u>812,796</u>
Transition to Teaching	84.350A		145,968
Teacher Quality Partnership Grants	84.336B		491,761
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities/Minority Institutions CDIS	84.325E		107,763
Subtotal Direct Programs			<u>1,558,288</u>
Passed through Morton College: Higher Education-Institutional Aid/Title V Cooperative Grant	84.031S	N.A.	296,301
Total U.S. Department of Education			<u>1,854,589</u>

STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

Federal Grantor/ Pass-Through Grantor/Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity ID Number	Federal Disbursements
U.S. Department of Health and Human Services			
Nurse Education, Practice and Retention Grants	93.359		38,842
Advanced Education Nursing Traineeships	93.358		65,303
Subtotal Direct Programs			<u>104,145</u>
Passed through the Illinois Department of Human Services:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	40C6001291	<u>64,829</u>
Total U.S. Department of Health and Human Services			168,974
U.S. Department of Agriculture			
Passed through the Illinois Board of Education:			
Child and Adult Food Care Program	10.558	N.A.	21,042
Library of Congress			
Passed through the Education and Research Consortium of the Western Carolinas			
An Adventure of the American Mind	42	00G-LIB-ND001	172,323
Small Business Administration			
Passed through the Illinois Department of Commerce and Economic Opportunity:			
Small Business Development Center	59.037	70006561122	<u>102,924</u>
Total Other Programs			<u>2,319,852</u>
Total Expenditures of Federal Awards			<u>\$ 37,294,109</u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
NOTES TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

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, 2009

Perkins Loan Program CFDA #84.038

Outstanding Balance - July 1, 2008		<u>\$ 3,547,898</u>
Additions:		
New loans issued		<u>341,400</u>
Total Additions		<u>341,400</u>
Deductions:		
Loans cancelled or written off		118,386
Allowance for doubtful loans		59,000
Principal collected		<u>285,679</u>
Total Deductions		<u>463,065</u>
Outstanding Balance - June 30, 2009		<u><u>\$ 3,426,233</u></u> *

*-net of allowance for doubtful accounts of \$736,000

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
APPROPRIATIONS FOR FISCAL YEAR 2009
FOURTEEN MONTHS ENDED AUGUST 31, 2009**

	Appropriations (net after transfers)	Expenditures through June 30, 2009	Lapse Period Expenditures 7/1 - 8/31/09	Total Expenditures	Balances Lapsed
General Revenue Fund-001: (P.A. 95-0734)					
Personal services	\$ 23,123,500	\$ 23,112,649	\$ (697,259)	\$ 22,415,390	\$ 708,110
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	-	-	-	-	-
Total	<u>27,018,400</u>	<u>27,007,549</u>	<u>(697,259)</u>	<u>26,310,290</u>	<u>708,110</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>
TOTAL APPROPRIATED FUNDS	<u><u>\$ 28,324,400</u></u>	<u><u>\$ 28,313,549</u></u>	<u><u>\$ (697,259)</u></u>	<u><u>\$ 27,616,290</u></u>	<u><u>\$ 708,110</u></u>

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

Note 2: The University was requested to rescind 2.5% of its appropriation due to the State's financial crisis. The University had already expended its appropriation and refunded \$708,110 to the Office of the State Comptroller during the lapse period.

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

	FISCAL YEAR		
	2009	2008	2007
General Revenue Fund - 001:			
Appropriations (Net after transfers)	P.A. 95-0734 \$ 27,018,400	P.A. 95-0348 \$ 26,353,400	P.A. 94-0798 \$ 25,867,800
Expenditures:			
Personal services	22,415,390	22,358,500	21,872,900
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
TOTAL EXPENDITURES	<u>26,310,290</u>	<u>26,353,400</u>	<u>25,867,800</u>
Lapsed Balances	<u>708,110</u>	<u>-</u>	<u>-</u>
Special Lump Sum Appropriations			
Appropriations (Net after transfers)	<u>1,306,000</u>	<u>1,306,000</u>	<u>1,806,000</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>1,306,000</u>	<u>1,806,000</u>
Lapsed Balances	<u>-</u>	<u>-</u>	<u>-</u>
GRAND TOTAL GENERAL REVENUE FUNDS			
Appropriations (Net after transfers)	28,324,400	27,659,400	27,673,800
Expenditures	<u>27,616,290</u>	<u>27,659,400</u>	<u>27,673,800</u>
Lapsed Balances	<u>\$ 708,110</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, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
FUND BALANCE - BEGINNING OF YEAR	\$ 8,785,318	\$ 6,309,652
INCOME FUND REVENUES		
Student fees	24,619,414	21,243,860
Investment income	187,075	636,360
Miscellaneous	121,285	100,213
Total Income Fund Revenues	<u>24,927,774</u>	<u>21,980,433</u>
INCOME FUND EXPENSES		
Personal services (including change in accrued compensated absences)	13,860,149	11,728,008
Medicare	1,095,704	1,016,941
Contractual services	2,462,167	2,654,599
Travel	234,113	302,666
Commodities	264,580	367,391
Equipment and books	-	399,669
Telecommunications	386,658	188,815
Operation of vehicles	44,484	49,829
Awards, grants, matching funds	-	50,980
Permanent improvements	204,855	1,554,526
Tuition and fee waivers	1,450,268	1,191,343
Total Income Fund Expenses	<u>20,002,978</u>	<u>19,504,767</u>
FUND BALANCE - END OF YEAR	<u>\$ 13,710,114</u>	<u>\$ 8,785,318</u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF CHANGES IN STATE PROPERTY
FOR THE YEAR ENDED JUNE 30, 2009**

	Total	Land	Equipment	Sculptures	Library Collection	Construction in progress	Buildings
Beginning balances July 1, 2008	\$ 111,018,960	\$ 1,389,086	\$ 18,104,414	\$ 268,323	\$ 12,113,383	\$ 3,668,523	\$ 75,475,231
Additions:							
Purchases	15,387,623	-	1,068,180	-	614,686	-	13,704,757
Total additions	15,387,623	-	1,068,180	-	614,686	-	13,704,757
Deletions	(4,638,117)	-	(717,140)	-	(252,454)	(3,668,523)	-
Ending balances June 30, 2009	\$ 121,768,466	\$ 1,389,086	\$ 18,455,454	\$ 268,323	\$ 12,475,615	\$ -	\$ 89,179,988

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, 2009**

ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUES AND EXPENSES

Operations:	<u>2009</u>	<u>2008</u>
Revenues		
Net tuition and fees	\$ 27,263,876	\$ 22,126,445
Grants and contracts	9,877,631	9,305,205
Sales of educational departments	6,844,693	7,405,774
Auxiliaries	1,947,705	1,826,822
Other	1,464,086	1,669,450
	<u>47,397,991</u>	<u>42,333,696</u>
Expenses		
Depreciation	2,689,039	2,601,715
Other operating expenses	79,907,375	78,630,052
	<u>82,596,414</u>	<u>81,231,767</u>
Net operating loss	<u>(35,198,423)</u>	<u>(38,898,071)</u>
Non-operating activity		
State appropriations	27,616,290	27,659,400
Federal grants and contracts - Pell	548,097	898,129
Investment income	187,075	636,360
Payments made on behalf of GSU	13,094,122	11,356,654
Investment income on debt proceeds	112,022	165,659
Interest expense	(56,063)	(434,799)
Other non-operating activity	(16,617)	(6,408)
	<u>41,484,926</u>	<u>40,274,995</u>
Transfers from the Capital Development Board	-	104,200
Increase in net assets	<u>\$ 6,286,503</u>	<u>\$ 1,481,124</u>

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

Tuition and fee revenue increased due to a 14% tuition rate increase for new resident undergraduate students, a 17-21% tuition rate increase for graduate students, and a 1.3% increase in student credit hours. The Parking & Walkway Fee was doubled for all students, faculty and staff. A new University Facility Fee (\$16 per credit hour) commenced in the Fall of 2008 to provide a revenue stream for payment of debt service on deferred maintenance projects.

Other operating revenue decreased from a decline in sales in the Digital Learning Department.

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 \$1.3 million and health insurance increased by \$0.4 million.

Other non-operating federal grants and contracts - Pell decreased as a result of increased tuition and fees. The non-operating revenue results when a student is issued a refund from their Pell award to cover other costs. Due to increased tuition and fees, Pell refunds made to students were at lesser amounts.

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.

Interest expense decreased as the University capitalized a large portion of the interest incurred.

Transfers from the Capital Development Board decreased as there were no projects in process during FY 09.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES

Cash

Cash and cash equivalents as presented on the Statement of Net Assets consisted of:

	2009	2008
Deposit type:		
Cash	\$ 467,704	\$ 522,908
Illinois Funds	23,794,615	17,068,683
	\$ 24,262,319	\$ 17,591,591
Depositories used:		
Old Second National Bank	\$ 446,538	\$ 495,349
Illinois Funds	23,794,615	17,068,683
Cash on hand	21,166	27,559
	\$ 24,262,319	\$ 17,591,591

Cash increases were primarily due to the increase in tuition and fee revenue.

Restricted Cash

Restricted cash and cash equivalents as presented on the Statement of Net Assets consisted of:

	2009	2008
Deposit type:		
Cash	\$ 834,874	\$ 412,520
Money Market	832,730	7,411,285
Illinois Funds	13,251,264	6,411,172
	\$ 14,918,868	\$ 14,234,977
Depositories used:		
Old Second National Bank	\$ 834,874	\$ 412,520
Illinois Funds	13,251,264	6,411,172
Amalgamated Bank	832,730	7,411,285
	\$ 14,918,868	\$ 14,234,977

The increase in restricted cash was the result of the net proceeds from the issuance of the Certificates of Participation, Series 2009 offset by expenditures paid for deferred maintenance projects.

Capital Assets

Capital assets consisted of:

	2009	2008
Land	\$ 1,389,086	\$ 1,389,086
Buildings	85,468,505	74,345,466
Site-improvements	3,711,482	1,129,765
Construction in progress	-	3,668,523
Artwork	268,323	268,323
Equipment	8,881,895	8,545,225
Library Collection	12,475,616	12,113,383
Gross capital assets	112,194,907	101,459,771
Less accumulated depreciation	(47,343,708)	(45,103,084)
Net capital assets	\$ 64,851,199	\$ 56,356,687

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

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GOVERNORS STATE UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

ANALYSIS OF ACCOUNTS RECEIVABLE

Loans, grants and accounts receivable are shown on the University's statement of net assets at June 30, 2009 and 2008 as follows:

	<u>2009</u>	<u>2008</u>
Accounts receivable:		
Students (less allowance for uncollectible accounts, \$3,107,400 for 2009 and \$3,690,600 for 2008)	\$ 986,760	\$ 970,641
Student related 3rd-party receivables	593,826	329,747
Grants receivable	1,861,518	576,544
Due from federal government	117,958	387,697
Other receivables	1,164,807	2,607,366
Net accounts receivable	<u>\$ 4,724,869</u>	<u>\$ 4,871,995</u>

Loans receivable:		
Perkins loans receivable	\$ 4,162,233	\$ 4,224,899
University loans receivable	16,629	16,629
Allowance for doubtful loans	(736,000)	(677,000)
Net loans receivable	<u>\$ 3,442,862</u>	<u>\$ 3,564,528</u>

Grants receivable increased due to timing of payments and reimbursement requests. Several State grants were delayed due to the State's financial situation.

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	\$ 4,392,940	\$ 4,532,240
Up to 120 days past due	162,674	185,365
From 121 to 240 days past due	193,106	151,956
From 241 to 365 days past due	146,472	95,279
More than 365 days past due	2,937,077	3,597,755
Allowance for doubtful accounts	(3,107,400)	(3,690,600)
Net accounts receivable	<u>\$ 4,724,869</u>	<u>\$ 4,871,995</u>

An aging of loans receivable is as follows

In school or in grace period - not in repayment	\$ 2,598,278	\$ 2,920,829
In repayment:		
On schedule	721,947	585,142
Past due - not in default	281,014	196,183
Past due - in default	577,623	539,374
Allowance for doubtful accounts	(736,000)	(677,000)
Net loans receivable	<u>\$ 3,442,862</u>	<u>\$ 3,564,528</u>

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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, 2009, are used to meet budgeted operational costs in 2010. 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, 2009:

	Indirect Costs	Administrative Overhead	Total
Balance at June 30, 2008	\$ 232,453	\$ 19,251	\$ 251,704
Sources:			
Recovered from grants and contracts	1,131,946	-	1,131,946
Financial aid program reimbursements	-	180,469	180,469
VA reporting fees	-	987	987
Total revenues	1,131,946	181,456	1,313,402
Applications:			
Personal services	244,032	56,877	300,909
Contractual services	109,218	1,387	110,605
Commodities	4,524	419	4,943
Equipment	509	1,672	2,181
Other	510,648	7,756	518,404
Total deductions	868,931	68,111	937,042
Balance at June 30, 2009	\$ 495,468	\$ 132,596	\$ 628,064

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AGENCY FUNCTIONS AND PLANNING PROGRAM

Governors State University (GSU) is located in University Park, Illinois 60484, 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 October 17, 2008. The mission statement is as follows:

“Governors State University is committed to offering an exceptional and accessible education that imbues students with the knowledge, skills, and confidence to succeed in a global society. GSU is dedicated to creating an intellectually stimulating public square, serving as an economic catalyst for the region, and being a model of diversity and responsible citizenship.”

The GSU mission statement is supported by 5 core values that further the mission of the University. The 5 core values are as follows:

- **Provide Opportunity and Access** – At GSU, those traditionally underserved by higher education and residents of surrounding communities have access to a first-class public education.
- **Serve as an Economic Catalyst** – GSU is committed to the citizens of the State of Illinois and region to serve as an economic catalyst, so that communities grow and flourish.
- **Prepare Stewards of our Future** – GSU is committed to preparing students to thrive in the global economy and to contribute to the ongoing stewardship of the environment.
- **Demonstrate Inclusiveness and Diversity** – GSU embraces diversity among students, staff, and faculty as well as members of the broader community, and encourages acceptance of wide-ranging perspectives.
- **Promote Quality of Life** – GSU values an atmosphere that fosters a capacity to enjoy life through the fine arts and humanities, marketable skills and attitudes for employment, supportive interpersonal relationships, and participative and informed citizenship.

The mission statement and 5 core values are further refined within the context of 6 institutional goals. The institutional goals are in line with the GSU's core values and are used as a catalyst in fulfilling the GSU mission statement. The 6 institutional goals are as follows:

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AGENCY FUNCTIONS AND PLANNING PROGRAM

- **Academic Excellence:** Provide distinctive academic programs that effectively prepare students to become leaders and productive citizens in the global community.
- **High Quality Faculty and Staff:** Provide students access to a highly qualified, motivated, and diverse faculty and staff.
- **Continuous Process Improvement:** Develop and sustain a climate of continuous improvement that is defined by evidence-based decision-making focused on enriching the student experience.
- **Visibility, Outreach, and Economic Catalyst:** Pursue initiatives that make GSU a preferred destination in the region, that create a vibrant public dialogue, and that increase the University's effectiveness as an economic catalyst in the region.
- **Social, Ethical, and Environmental Responsibility:** Build an institution that is socially, ethically, and environmentally responsible.
- **Financial Growth and Sustainability:** Diversify GSU's revenue streams to ensure the future resources necessary for institutional growth and fiscal sustainability.

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 Planning and Budget Advisory Council, guided by the strategic plan, conducts annual budget hearings at which every unit of the University publicly presents its budget request for the forthcoming fiscal year. After review and final approval by the Planning and Budget Advisory Council, the Cabinet, the University's President and the Board of Trustees, the budget request is submitted to the Illinois Board of Higher Education.

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AVERAGE NUMBER OF EMPLOYEES (Unaudited)

Full-Time Equivalent Number of Employees

	2009	2008
Funded by State appropriated funds:		
Faculty	244.7	233.7
Administrative	30.6	31.7
Other professional	91.2	82.3
Graduate assistants	22.1	21.0
Students	2.0	11.3
Civil service	197.3	199.5
	587.9	579.5
 Funded by nonappropriated funds:		
Faculty and administrative	176.6	185.8
Civil service	93.6	96.2
Students	33.3	35.1
	303.5	317.1

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.

Note: 2008 figures have been adjusted to reflect adjunct faculty that were omitted in prior year and job reclassifications due to desk audits.

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STUDENT STATISTICS (Unaudited)

Enrollment Statistics	ACADEMIC YEAR 08-09		
	FALL	WINTER	SPRING/ SUMMER
Headcount:			
Undergraduate	2,608	2,549	1,985
Graduate	3,028	2,864	2,577
Total	<u>5,636</u>	<u>5,413</u>	<u>4,562</u>
Full-time equivalent:			
Undergraduate	1,732	2,072	1,177
Graduate	1,566	2,291	1,798
	<u>3,298</u>	<u>4,363</u>	<u>2,975</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

	2009	2008
Annual full-time equivalent students		
Undergraduate**	2,005	1,879
Graduate	2,240	2,338
Total	<u>4,245</u>	<u>4,217</u>
Total Instructional Costs per IBHE Cost Study Report*	\$ 20,558,207	\$ 20,407,042
Annual full-time equivalent students	4,245	4,217
Cost Per Full Time Equivalent Student	\$ 4,843	\$ 4,839

* FY 2009 amount reflects preliminary University calculations based on IBHE reporting standards.

** FY 2008 Undergraduate full-time equivalents have been corrected

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

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GOVERNORS STATE UNIVERSITY
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EMERGENCY PURCHASES

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

- Planning and schematic design for the federal stimulus grant application for the Biological Field Station Project. The estimated cost was \$65,000 with an actual cost of \$53,500. Immediate action was needed to avoid the lapse or loss of federal or donated funds.
- Planning and schematic design for the federal stimulus grant application for the E and F Wing. The estimated cost was \$88,000. Immediate action was needed to avoid the lapse or loss of federal or donated funds.
- Repair of drive way and parking lot. The estimated cost was \$47,000 with an actual cost of \$41,006. Immediate action was needed due to a situation in which public health or safety was threatened.
- Repair of an air handler coil. The estimated and actual cost was \$36,345. 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 December 1, 2008 through November 30, 2011. 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 between \$1,000,000 and \$2,000,000; plus
3. 10.6% of any part of gross revenue over \$2,000,000

During FY 09, the bookstore had gross sales of \$1,889,604, the University received commissions of \$183,736, and the University spent a total of \$63,547 at the bookstore during FY 09. 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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
1. Student Headcount (a) - Fall trimester	<u>5,652</u>	<u>5,405</u>	<u>5,382</u>	<u>5,692</u>	<u>5,636</u>
2. Minority enrollment (a) - Fall trimester	<u>2,364</u>	<u>2,270</u>	<u>2,266</u>	<u>2,342</u>	<u>2,406</u>
3. Degrees awarded (b) - Fiscal year	<u>1,468</u>	<u>1,549</u>	<u>1,872</u>	<u>1,911</u>	<u>1,768</u>
4. Credit hours (c) - Academic year	<u>103,045</u>	<u>102,446</u>	<u>107,201</u>	<u>112,471</u>	<u>113,909</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>7,843</u>	<u>7,641</u>	<u>7,725</u>	<u>7,803</u>	<u>7,788</u>
6. Annualized tuition and fees (c):					
Undergrad					
Resident (e)	\$3,716	\$4,040	\$4,419	\$4,796	\$6,084
Nonresident	\$10,244	\$11,212	\$12,243	\$13,388	\$15,876
Graduate					
Resident	\$2,966	\$3,244	\$4,611	\$4,987	\$5,274
Nonresident	\$8,114	\$8,896	\$12,819	\$14,093	\$13,914

- (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	\$ 37,294
Total new loans made not included on SEFA schedule	341
Amount of Federal loan balances at beginning of the year (not included on the SEFA schedule and continued compliance required)	4,225
Other noncash Federal award expenditures (not included on SEFA schedule)	-
Total Schedule A	<u>\$ 41,860</u>

Schedule B -- Total Financial Component

Total operating expenses (from financial statements)	\$ 82,596
Total nonoperating expenses (from financial statements)	73
Total new loans made	29,620
Amount of Federal loan balances at beginning of the year	4,225
Amount of Federal scholarship allowances reported as revenue reduction	3,107
Total Schedule B	<u>\$ 119,621</u>

Schedule C

		<u>Percent</u>
Total Schedule A	\$ 41,860	35.0%
Total Non-Federal Expenses	<u>77,761</u>	<u>65.0%</u>
Total Schedule B	<u>\$ 119,621</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.

<u>FISCAL</u> <u>YEAR</u>	<u>NUMBER OF DEGREES AWARDED</u>		
	<u>GRADUATE</u>	<u>UNDER</u> <u>GRADUATE</u>	<u>TOTAL</u>
2009	1,001	767	1,768
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

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

<u>Type of Waiver</u>	<u>Undergraduate</u>				<u>Graduate</u>			
	<u>Tuition Waivers</u>		<u>Fee Waivers</u>		<u>Tuition Waivers</u>		<u>Fee Waivers</u>	
	<u>Number of Recipients</u>	<u>Value of Waivers</u>						
<u>Mandatory Waivers</u>								
Teacher Education	1	\$ 3.0	1	\$ 0.6	13	\$ 43.5	13	\$ 8.0
General Assembly	2	3.7	2	0.8	4	14.6	4	2.8
Children of Employees	8	15.1	-	-	-	-	-	-
Senior Citizens	1	3.1	1	0.9	1	2.0	1	0.4
Veterans Grants & Scholarships	315	294.6	315	189.0	180	180.1	180	91.1
<u>Discretionary Waivers</u>								
Faculty/Administrators	-	-	2	1.8	-	-	48	21.1
Civil Service	18	40.1	18	10.6	40	111.2	40	25.1
Academic/Other Talent	35	68.7	27	25.5	84	723.3	6	5.5
Foreign Exchange Students	-	-	-	-	20	107.3	23	15.4
Student Need - Special Program	11	42.4	-	-	10	24.1	-	-
Cooperating Professionals	3	6.2	1	0.4	76	146.0	26	7.3
Other Assistants	-	-	-	-	55	162.3	20	20.1
Interinstitutional	24	93.9	-	-	22	70.8	96	81.8
Total	418	\$ 570.8	367	\$ 229.6	505	\$ 1,585.2	457	\$ 278.6

**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, 2009**

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 8-15 of our compliance examination, and would not necessarily disclose all situations which might be at variance with the following statements.

COMPLIANCE FINDINGS

- (a) We identified a violation of University Guidelines for the year ended June 30, 2009 regarding subsidies between accounting entities. See finding 09-4.

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, 2009.
- (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:
- University Facilities Revenue Bond System includes all operations of the Student Center, the University Bookstore, University Parking Facilities, and University Food Service and Vending Facilities.
 - 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.
 - Student Center is the focal point of student activity programs on campus and includes student activities and recreation facilities. Student Center revenue is derived from fees charged to students.
 - Center for Performing Arts provides cultural entertainment to the University community. Revenues are generated from ticket sales.
 - Education and Student Life Activities represent credit and noncredit conferences, workshops and seminars and organized student activities. Revenues are generated from course fees charged to participants and from student activity fees.
 - Service Departments provide products or services to University departments. Revenue is produced through chargebacks to users.
 - Indirect and Administrative Cost accounts receive the "overhead" portion of grant and contract expense incurred. Revenues are generated from charges to sponsors.

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- (f) Refer to pages 51-56 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 activities for the year ended June 30, 2009:

	<u>Direct</u>	<u>Indirect</u>	<u>Total</u>
Auxiliary Enterprises:			
University Facilities Revenue Bond System	\$ -	\$ 213,296	\$ 213,296
Center for Performing Arts	<u>-</u>	<u>166,786</u>	<u>166,786</u>
	<u>\$ -</u>	<u>\$ 380,082</u>	<u>\$ 380,082</u>
Activities:			
Educational and Student Life Activities	\$ -	\$ 1,792,118	\$ 1,792,118
Service Departments	<u>-</u>	<u>107,429</u>	<u>107,429</u>
	<u>\$ -</u>	<u>\$ 1,899,547</u>	<u>\$ 1,899,547</u>

There were no direct subsidies to auxiliary enterprises or activities from appropriated funds. 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 57 and 58 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 \$135,588 to the Foundation and \$4,077 to the Alumni Association for the year ended June 30, 2009.

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For The Year Ended June 30, 2009**

- (o) Since July 1, 1983, the University has provided services of approximately \$1,728,545 to the Foundation. The Foundation has provided approximately \$4,692,960 in generally unrestricted funds to the University. Since its incorporation on January 1, 1988, the University has provided services of approximately \$322,978 to the Alumni Association. The Alumni Association has provided approximately \$928,299 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, 2009.
- (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, 2009.
- (u) During 2009 and 2008, the University issued new certificates to finance the cost of the University deferred maintenance projects and to advance refund the 1998 certificates of participation. See footnote 8 on pages 28 - 30 of the Governors State University Financial Audit Report.

STATE OF ILLINOIS
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FOR THE YEAR ENDED JUNE 30, 2009

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	\$ 790,392
Cash equivalents	-
	-

ACTUAL CASH CARRIED FORWARD

790,392

LESS: ALLOWABLE CARRY-FORWARD PER FORMULA:

Allocated reimbursements - 30% indirect cost reimbursements allocated for expenditure in 2009. (\$4,946,159 x 30%)	1,483,848
--	-----------

Unallocated reimbursements - actual unallocated indirect cost reimbursements or 10% indirect cost allocations.	494,616
--	---------

Current liabilities paid in lapse period.	162,328
---	---------

MAXIMUM ALLOWABLE CARRY-FORWARD

2,140,792

EXCESS CASH AND CASH EQUIVALENTS TO BE DEPOSITED INTO THE UNIVERSITY INCOME FUND

\$ -

STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
FOR THE YEAR ENDED JUNE 30, 2009

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

CALCULATION SHEET FOR CURRENT EXCESS FUNDS

	Auxiliary Enterprises		Educational and Student Life Activities	University Service Departments
	University Facilities RB System	Center for Performing Arts		
Current available funds:				
Add:				
Cash and cash equivalents	\$ 3,550,628	\$ (306,185)	\$ 5,060,416	\$ (231,720)
Interfund receivable	-	-	-	-
TOTAL CURRENT AVAILABLE FUNDS	<u>3,550,628</u>	<u>(306,185)</u>	<u>5,060,416</u>	<u>(231,720)</u>
Working Capital Allowance:				
Add:				
Highest month's expenditures	1,298,367	247,407	1,417,841	154,964
Current liabilities paid during lapse period	398,274	32,853	208,187	62,703
Deferred income	-	-	804,294	-
WORKING CAPITAL ALLOWANCE	<u>1,696,641</u>	<u>280,260</u>	<u>2,430,322</u>	<u>217,667</u>
CURRENT EXCESS FUNDS (Margin of compliance)	<u>1,853,987</u>	<u>(586,445)</u>	<u>2,630,094</u>	<u>(449,387)</u>
CALCULATION OF NET EXCESS FUNDS FOR REMITTANCE				
Indentured Capital Reserves:				
Unspent project proceeds included in cash above	1,985,891	-	-	-
Funds reserved for debt retirement	805,163	-	-	-
Nonindentured Capital Reserves:				
5% of the replacement cost of buildings and improvements	-	309,359	3,968,491	13,730
20% of the historical cost of equipment	-	29,357	-	67,378
TOTAL ALLOWABLE CAPITAL RESERVES	<u>2,791,054</u>	<u>338,716</u>	<u>3,968,491</u>	<u>81,108</u>
NET EXCESS FUNDS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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**BALANCE SHEET--AUXILIARY ENTERPRISES AND ACTIVITIES ENTITIES
AS OF JUNE 30, 2009**

	Auxiliary Enterprises		Activities			Total-- Auxiliary Enterprises and Activities
	University Facilities RB System	Center for Performing Arts	Educational and Student Life Activities	University Service Departments	Administrative Overhead/ Indirect Costs	
ASSETS						
Cash	\$ 3,550,628	\$ (306,185)	\$ 5,060,416	\$ (231,720)	\$ 790,392	\$ 8,863,531
Accounts receivable (less allowance for uncollectibles of \$591,155)	-	-	1,243,733	-	-	1,243,733
Inventory	-	-	-	23,027	-	23,027
Cost of issuance - revenue bond	162,555	-	-	-	-	162,555
Building, net	4,786,618	6,187,186	-	274,600	-	11,248,404
Parking lots, net	2,867,283	-	-	-	-	2,867,283
Equipment, net	18,799	146,785	-	729,028	-	894,612
TOTAL ASSETS	\$ 11,385,883	\$ 6,027,786	\$ 6,304,149	\$ 794,935	\$ 790,392	\$ 25,303,145
LIABILITIES AND FUND BALANCES						
Accounts payable	\$ 398,274	\$ 32,853	\$ 208,187	\$ 62,703	\$ 162,328	\$ 864,345
Revenue bond payable	8,662,159	-	-	-	-	8,662,159
Deferred income	-	-	804,294	-	-	804,294
TOTAL LIABILITIES	9,060,433	32,853	1,012,481	62,703	162,328	10,330,798
Fund balances:						
Other unrestricted funds	723,137	(339,038)	5,291,668	(271,396)	628,064	6,032,435
Restricted	1,004,153	-	-	-	-	1,004,153
Invested in plant funds	598,160	6,333,971	-	1,003,628	-	7,935,759
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,385,883	\$ 6,027,786	\$ 6,304,149	\$ 794,935	\$ 790,392	\$ 25,303,145

NOTE: Buildings, Parking lots, and Equipment are reported net of accumulated depreciation for the University Facilities Revenue Bond System. For the Theatre and the Activities, such amounts are the allocable investment in plant assets.

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SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
ALL FUNDS--UNIVERSITY FACILITIES REVENUE BOND SYSTEM
FOR THE YEAR ENDED JUNE 30, 2009

	University Facilities RB System
REVENUES	<u>\$ 2,280,622</u>
EXPENDITURES AND OTHER DEDUCTIONS:	
Personal services	699,507
Contractual services	371,957
Commodities	97,832
Equipment	105,051
Depreciation	225,456
Other	<u>76,292</u>
Total Expenditures	<u>1,576,095</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	704,527
FUND BALANCES AT BEGINNING OF YEAR	<u>1,620,923</u>
FUND BALANCES AT END OF YEAR	<u><u>\$ 2,325,450</u></u>

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SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
OTHER UNRESTRICTED FUNDS--THEATRE
FOR THE YEAR ENDED JUNE 30, 2009

	Center for Performing Arts
REVENUES	\$ 1,308,930
EXPENDITURES AND OTHER DEDUCTIONS:	
Personal services	546,977
Contractual services	761,606
Commodities	45,902
Equipment	3,879
Depreciation	-
Other	100,868
Total Expenditures	1,459,232
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(150,302)
FUND BALANCES AT BEGINNING OF YEAR	(188,736)
FUND BALANCES AT END OF YEAR	\$ (339,038)

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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:	\$ 10,644,403	\$ 6,844,693	\$ 1,052,257	\$ 1,435,209	\$ 530,924	\$ 55,227	\$ 541	\$ 725,552
EXPENDITURES AND OTHER DEDUCTIONS:								
Personal services	5,877,280	4,622,478	49,446	175,034	111,371	-	-	918,951
Contractual services	1,779,597	968,026	301,269	198,817	252,479	6,957	48	52,001
Commodities	119,814	13,957	6,436	12,144	58,572	-	-	28,705
Equipment	807,259	5,164	64,496	567,179	21,778	14,790	1,827	132,025
Other	1,865,093	1,427,333	87,329	189,565	31,421	4,069	-	125,376
Total Expenditures	10,449,043	7,036,958	508,976	1,142,739	475,621	25,816	1,875	1,257,058
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	195,360	(192,265)	543,281	292,470	55,303	29,411	(1,334)	(531,506)
FUND BALANCES AT BEGINNING OF YEAR	5,096,308	441,717	1,969,827	647,463	663,937	367,698	15,080	990,586
FUND BALANCES AT END OF YEAR	\$ 5,291,668	\$ 249,452	\$ 2,513,108	\$ 939,933	\$ 719,240	\$ 397,109	\$ 13,746	\$ 459,080

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

	<u>TOTAL</u>	<u>UNIVERSITY PRINT SHOP</u>	<u>COPIER</u>	<u>CENTRAL STORES</u>	<u>MOTOR POOL</u>	<u>MAIL SERVICE</u>
REVENUES:	\$ 1,345,555	\$ 554,527	\$ 130,937	\$ 370,444	\$ 96,201	\$ 193,446
EXPENDITURES AND OTHER DEDUCTIONS:						
Personal services	352,315	242,089	-	62,385	24,769	23,072
Contractual	405,700	146,539	63,205	10,098	-	185,858
Commodities	475,089	257,484	15,161	201,791	-	653
Equipment	5,161	-	3,158	1,143	-	860
Other	67,216	-	-	3,081	64,135	-
Total Expenditures	<u>1,305,481</u>	<u>646,112</u>	<u>81,524</u>	<u>278,498</u>	<u>88,904</u>	<u>210,443</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	40,074	(91,585)	49,413	91,946	7,297	(16,997)
FUND BALANCES AT BEGINNING OF YEAR	<u>(311,470)</u>	<u>(168,291)</u>	<u>-</u>	<u>(73,315)</u>	<u>(58,197)</u>	<u>(11,667)</u>
FUND BALANCES AT END OF YEAR	<u>\$ (271,396)</u>	<u>\$ (259,876)</u>	<u>\$ 49,413</u>	<u>\$ 18,631</u>	<u>\$ (50,900)</u>	<u>\$ (28,664)</u>

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

	TOTAL	GRANTS AND CONTRACTS	OTHER ACTIVITIES	BUSINESS OFFICE	OFFICE OF FINANCIAL AID	VETERANS AFFAIRS OFFICE
REVENUES:	\$ 1,313,402	\$ 874,589	\$ 257,357	\$ 160,195	\$ 20,274	\$ 987
EXPENDITURES AND OTHER DEDUCTIONS:						
Personal services	300,909	238,293	5,739	39,824	17,053	-
Contractual services	110,605	90,099	19,119	-	1,387	-
Commodities	4,943	434	4,090	21	398	-
Equipment	2,181	-	509	-	1,672	-
Other	518,404	481,550	29,098	-	7,756	-
Total Expenditures	937,042	810,376	58,555	39,845	28,266	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	376,360	64,213	198,802	120,350	(7,992)	987
FUND BALANCES AT BEGINNING OF YEAR	251,704	(93,868)	326,321	8,214	12,189	(1,152)
FUND BALANCES AT END OF YEAR	\$ 628,064	\$ (29,655)	\$ 525,123	\$ 128,564	\$ 4,197	\$ (165)

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SUMMARY OF ALUMNI ASSOCIATION CASH SUPPORT TO THE UNIVERSITY

During fiscal year 2009, the University engaged the Alumni Association, under contract, to provide fundraising services. As provided in the contract agreement, the University provided \$4,077 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, 2009. 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, 2009.

Funds Considered unrestricted for purposes
of the Guidelines computations:

- Totally unrestricted	\$ -
- Restricted only as to campus, college or department and generally available for on-going University operations:	
- Given to a particular college	-
- Given to a particular department	<u>339</u>
Total Funds Considered Unrestricted	<u>339</u>

Funds considered restricted for purposes
of the Guidelines computations:

- Given for scholarships	3,900
- Other restricted funds	<u>-</u>
Total Funds Considered Restricted	<u>3,900</u>
Total Funds Provided to the University	<u>\$ 4,239</u>

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SUMMARY OF FOUNDATION CASH SUPPORT TO THE UNIVERSITY

During fiscal year 2009, the University engaged the Foundation, under contract, to provide fundraising services. As provided in the contract agreement, the University provided \$135,588 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, 2009. 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, 2009.

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	4,865
- Given to a particular department	<u>32,988</u>
Total Funds Considered Unrestricted	<u>37,853</u>

Funds considered restricted for purposes
of the Guidelines computations:

- Given for Center for Performing Arts	104,635
- Given for scholarships	<u>64,946</u>
Total Funds Considered Restricted	<u>169,581</u>
Total Funds Provided to the University	<u>\$ 207,434</u>