Proposed Last Mile Service Offerings

Name of Service Tier	Advertised Speeds		Estimated Average Speeds		Average Latency	Pricing Plan ($ per month)	Other Comments/Description/Features or Limitations
	Downstream Mbps	Upstream Mbps	Downstream Mbps	Upstream Mbps	@ End User CPE miliseconds		

Explanation of Average Speed Calculations:

Not providing Last Mile

Proposed Middle Mile Service Offerings

Name of Service Offering	Distance Band or Point to Point	Minimum Peak Load Network Bandwidth Capacity (Mbps)	Monthly/Yearly Pricing ($)	Other Comments/Description/Features or Limitations
[redacted]				

Competitor Data

Competitor Data - Last Mile Service Providers

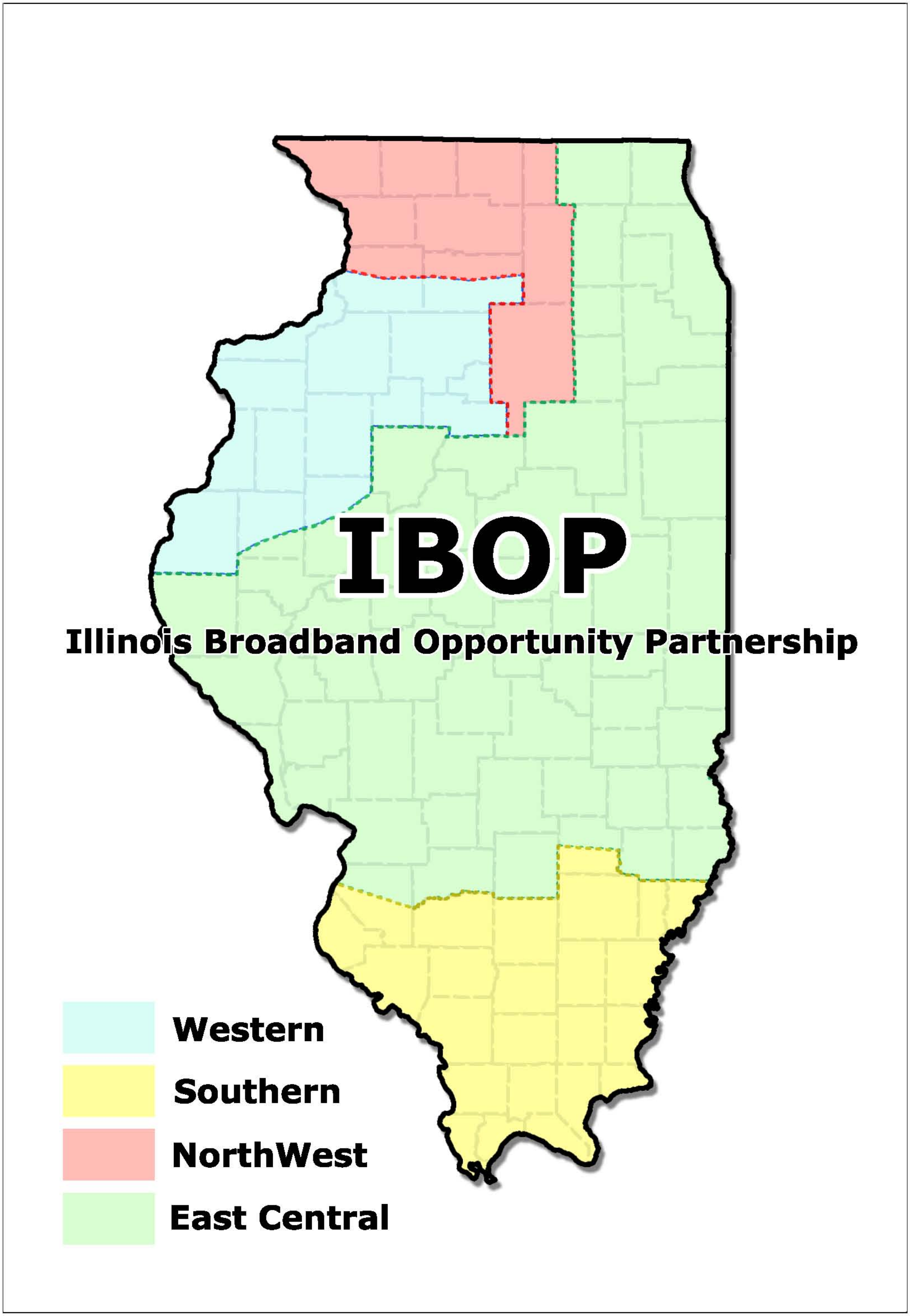
Service Provider	Service Areas Where Service Available	Technology Platform	Service Tiers	Downstream Speed	Monthly Pricing	Other Comments/Description/Features or Limitations
Adams Telecom	Service Area 1	DSL	1	up to 3 Mbps	$44.95	Limited to Adams County
		Fixed Wireless	1	up to 768 Kbps	$44.95	
		Satellite	1	up to 512 Kbps	$49.95	
Comcast	Service Area 1, Service Area 2, Service Area 3	Cable Modem	1	1 Mbps down; 384 Kbps up	$24.95	Starting price - Must subscribe to Comcast Cable and/or Comcast Digital Voice service
			2	12 Mbps down; 2 Mpbs up	$42.95	Limited to Adams, Champaign, Cook, DuPage, Grundy, Kane, Kankakee, Kendall, Lake, Macon, Richland, Sangamon, Tazewell, Vermilion, Will Counties
			3	16 Mbps down; 2 Mbps up	$52.95	
HughesNet	Service Area 1, Service Area 2, Service Area 3	Satellite	Upfront Purchase Plan	Up to 1.0 Mbps	59.99/month	$299.98 for equipment after $100 Cash Back
			Lease Plan	Up to 1.2 Mbps	69.99/month	$9.99 Monthly Equipment Cost, Only
AT&T	Service Area 1, Service Area 2, Service Area 3	DSL	Direct Express	Up to 1.5 Mbps download; up to 384 Kbps upload	$35.00	Limited to Bond, Cass, Champaign, Clark, Clinton, Cook, DuPage, Ford, Fulton, Grundy, Iroquois, Kane, Lake, Livingston, Macon, Macoupin, Madison, Mason, McHenry, Mendard, Peoria, Vermilion, Will Counties
			Direct Pro	Up to 3.0 Mbps Download; Up to 512 Kbps Upload	$40.00	
			Direct Elite	Up to 6.0 Mbps Download; Up to 758 Kbps Upload	$45.00	
CassComm	Service Area 1	Cable modem	High Speed Cable Modem #1	4 Mbps download; 256k upload	$39.95	Installation charges extra, Taxes and fees extra, Prices subject to change
			High Speed Cable Modem #2	7 Mbps download; 512k upload	$59.95	Limited to Brown, Cass, Menard, Pike, Schuyler Counties
			High Speed Cable Modem #3	10 Mbps download; 2 Mbps upload	$99.95	

Verizon	Service Area 1	DSL	Starter Plan	1 Mbps/384 Kbps	29.99/month	$49.99/mo. rate available to new customers ordering up to 7.1 Mbps, 1 year commitment required
			Power Plan	Up to 3 Mbps/768 Kbps	39.99/month	Limited to Brown, Clay, Coles, Crawford,
Consolidated Communications	Service Area 1	Broadband Cable	1	3 MBps	$33.95	After promo pricing
			2	6 MBps	$56.95	Limited to Christian, Clark, Douglas, Montgomery, Shelby Counties
			3	10 MBps	$71.95	
Mediacom	Service Area 1	Broadband Cable	1	12 MBps	$62.95/mo	After promo pricing Limited to Clark, Coles, Cumberland, Douglas,
Frontier Communications	Service Area 1	DSL	1	3 MBps	$49.99	Limited to Fayette, Mason, Schuyler Counties
CenturyLink	Service Area 1	High-speed internet	1	Up to 768 Kbps download	$29.95	Limited to Fulton, Tazewell Counties
			2	Up to 1.5 Mbps download	$39.95	
			3	Up to 10 Mbps	$49.95	
WideOpen West	Service Area 1	Cable modem	Xcite	Up to 2 Mbps Download	$40.99	Limited to Kane County
			Xpress	Up to 8 Mbps Download	$57.99	
			Xtream	Up to 15 Mbps Download; Up to 1 Mbps upload	$67.99	
			Xtreme Turbo	Up to 15 Mbps Download; Up to 2 Mbps upload	$72.99	
Telstar	Service Area 1	Cable modem		4M - 256K	$49.95	Limited to Peoria County
				64K -	$29.95	
AT&T Wireless	Service Area 1, Service Area 2, Service Area 3	Mobile Wireless	Data Connect 200 MB	200 MB	$35.00	$0.1/MB overage
			Data Connect 5 GB	5 GB	$60.00	$0.05/MB overage
Sprint Wireless	Service Area 1, Service Area 2, Service Area 3	Mobile Wireless	Mobile Broadband Connection Plan 5 GB	5 GB	$59.99	$0.05/MB overage
T-Mobile	Service Area 1, Service Area 2, Service Area 3	Mobile Wireless	webConnect 5 GB	5 GB	$59.99	$0.2/MB overage
U.S. Cellular	Service Area 1, Service Area 2, Service Area 3	Mobile Wireless	Wireless Modem Plan	5 GB	$49.95	$0.49/MB overage

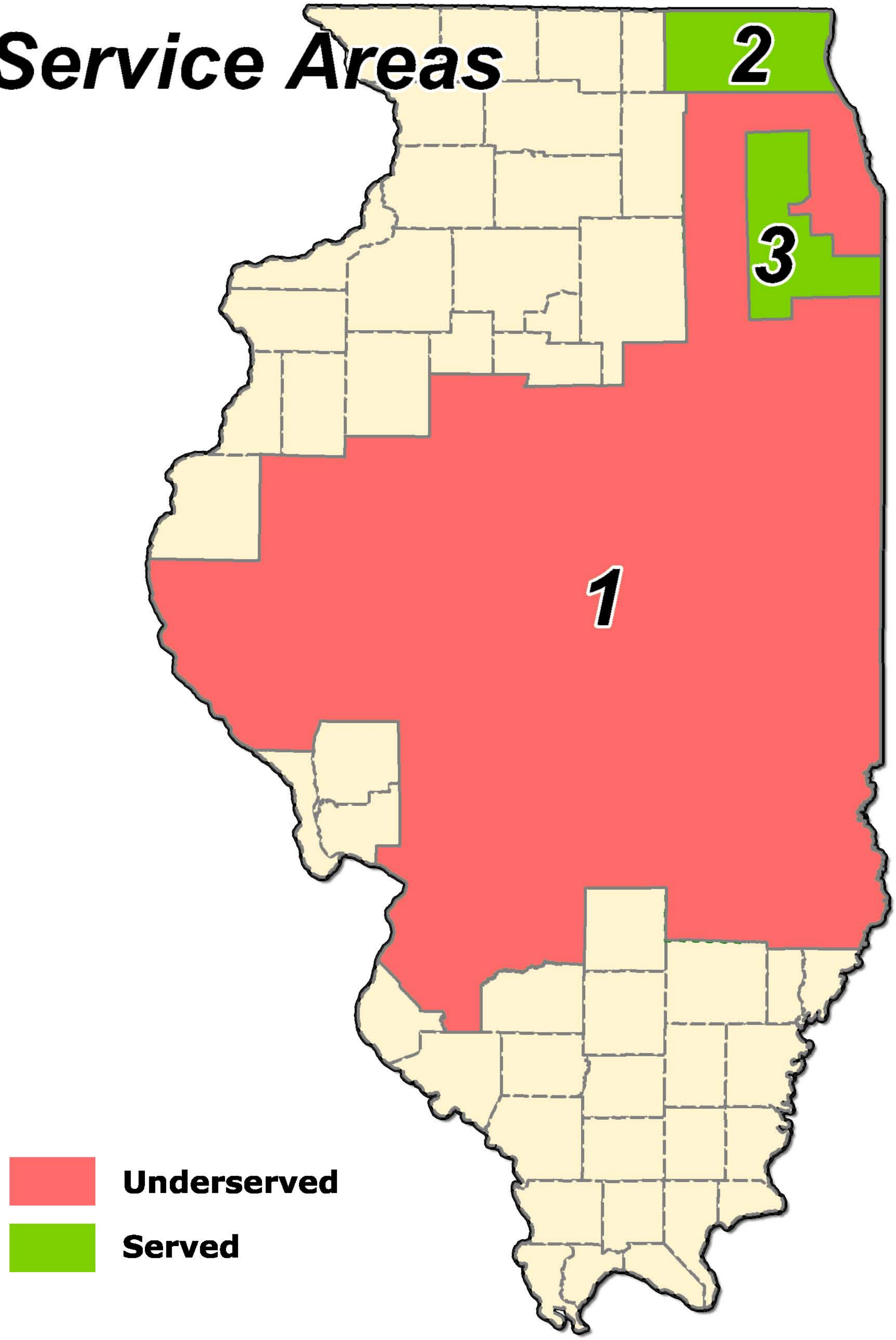
Verizon	Service Area 1, Service Area 2, Service Area 3	Mobile Wireless	Mobile Broadband Plan 250 MB	250 MB	$49.95	$0.1/MB overage
			Mobile Broadband Plan 5 GB	5 GB	$49.99	$0.05/MB overage
KeyOn Communications	Service Area 1, Service Area 2, Service Area 3	Fixed Wireless	Not available online	NA	NA	NA
Business Only Broadband	Service Area 1, Service Area 2, Service Area 3	Fixed Wireless	Business Offering	10 MB	$715.00	Limited to Coverage area in Cook, Dupage, Lake, Kane and Will Counties
Avenue	Service Area 1	Cable Modem	3 MB	3MB	$39.95	East Central IL
			10 MB	10 MB	$49.95	
Volo	Service Area 1	Fixed Wireless	Basic	5 MB	$32.00	Limited to Champaign-Urbana and surrounding 7 miles
Conxxus	Service Area 1	Fiber to the Home	Triple Play	10 MB	$89.95	Includes cable and voice
			Pick Two	10 MB	$69 or $67	Internet & Cable or Internet and Voice
			Business Triple Play	3 MBps	$149.95	Includes, cable and voice *Limited to Paxton, IL
Fox Valley	Service Area 2	Fixed Wireless	Basic	up to 1.5 MB	NA	
			Advanced	up to 3 MB	NA	
			Expert	up to 4 MB	NA	
ConnectivityU	Service Area 1	Ethernet to the Jack	Student	up to 15 MB	$4/bed	Limited to Bloomington/Normal. No minimum guarantees
			Non-student	up to 15 MB	$6/unit	
Gridley Telephone Co	Service Area 1	DSL	Basic	1.5 MB	$39.95	Limited to Gridley
			Advanced	3 MB	$49.95	
			Expert	5 MB	$59.95	
A5 Networks	Service Area 1	DSL	Bronze	768 KB	$29.95	Bloomington/Normal
			Silver	1.5 MB	$49.95	
			Gold	3 MB	$59.95	
			Platinum	5 MB	$99.95	
		T1/TDM	T1 managed	1.5 MB	$300-800	mileage based
			T1 bonded	up to 12 MB	NxT1 @ $300-800	mileage based
			T3	up to 45 MB	varies	available by quote
			Ocx	45 MB+	varies	available by quote

Competitor Data - Middle Mile Service Providers

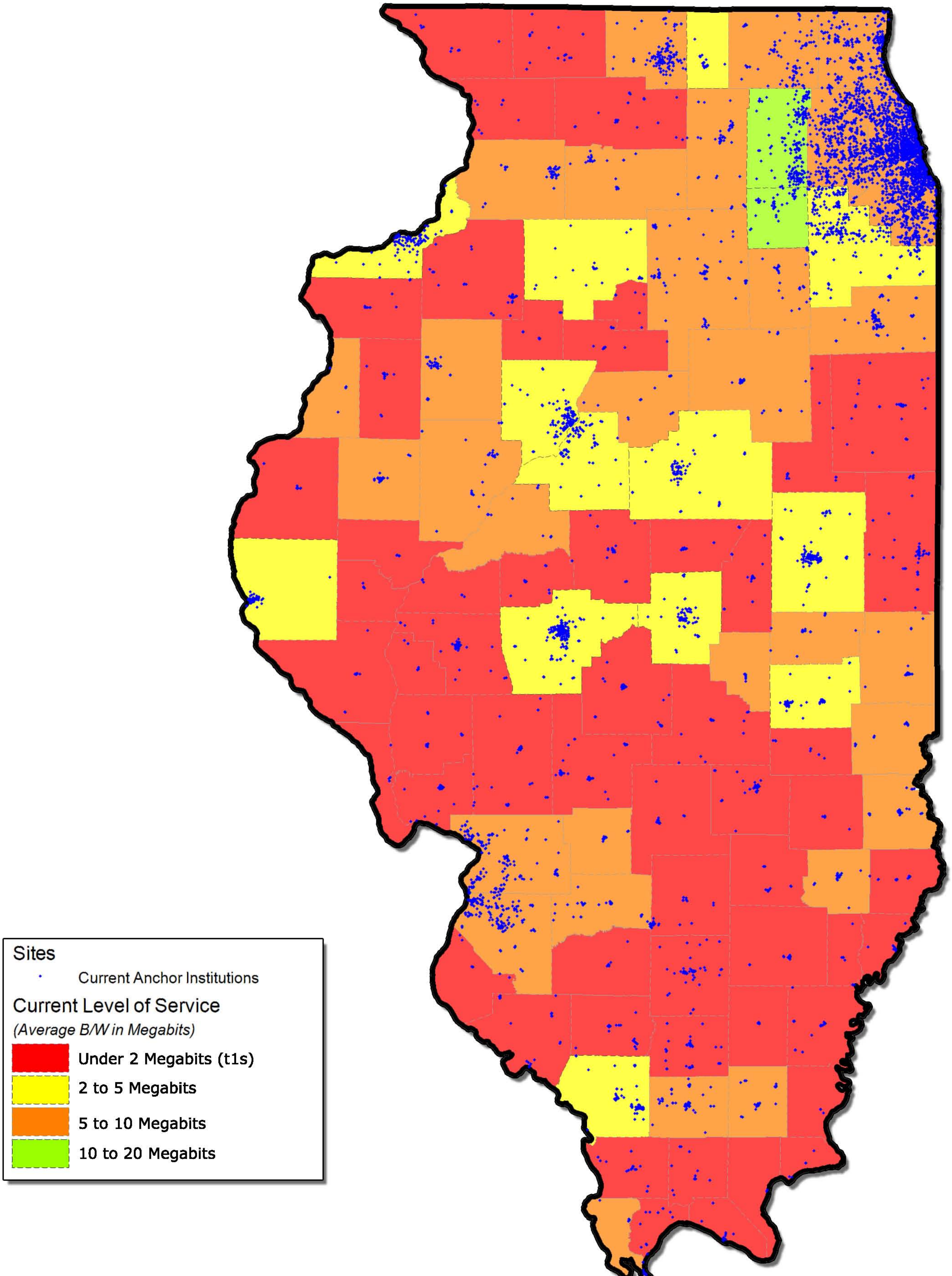
Service Provider	Service Areas Where Service Available	Technology Platform	Service Tiers	Distance Band or Point-to-Point	Minimum Peak Load Network Bandwidth Capacity	Pricing	Other Comments/Description/Features or Limitations
Sprint	Service Area 1	Leased SONET/Optical	OC 48	Point-to-Point	2.5 GB	$5,456/mo	Chicago to Peoria
			OC 12	Point-to-Point	622 MB	$23,248/mo	Normal to Peoria
			DS 3	Point-to-Point	45 MB	$8,219/mo	Champaign to Paris
			OC 12	Point-to-Point	622 MB	$48,535/mo	Champaign to Charleston
AT&T	Service Area 1	Leased SONET/Optical	OC 48	Point-to-Point	2.5 GB	$6,590/mo	Chicago to Champaign
			OC 48	Point-to-Point	2.5 GB	$11,824/mo	Peoria to Springfield
McLeod	Service Area 1	Leased SONET/Optical	OC 12	Point-to-Point	622 MB	$22,117/mo	Peoria to Macomb
			OC 12	Point-to-Point	622 MB	$17,657/mo	Normal to Champaign
Verizon	Service Area 1	Leased SONET/Optical	OC 12	Point-to-Point	622 MB	$32,916/mo	Springfield to Quincy
Norlight	Service Area 1	Leased 600 Megabits Ethernet	600 Megabits Ethernet	Point-to-Point	600 MB	$17,790/mo	Quincy to Macomb


IBOP
Illinois Broadband Opportunity Partnership
Western
Southern
NorthWest
East Central

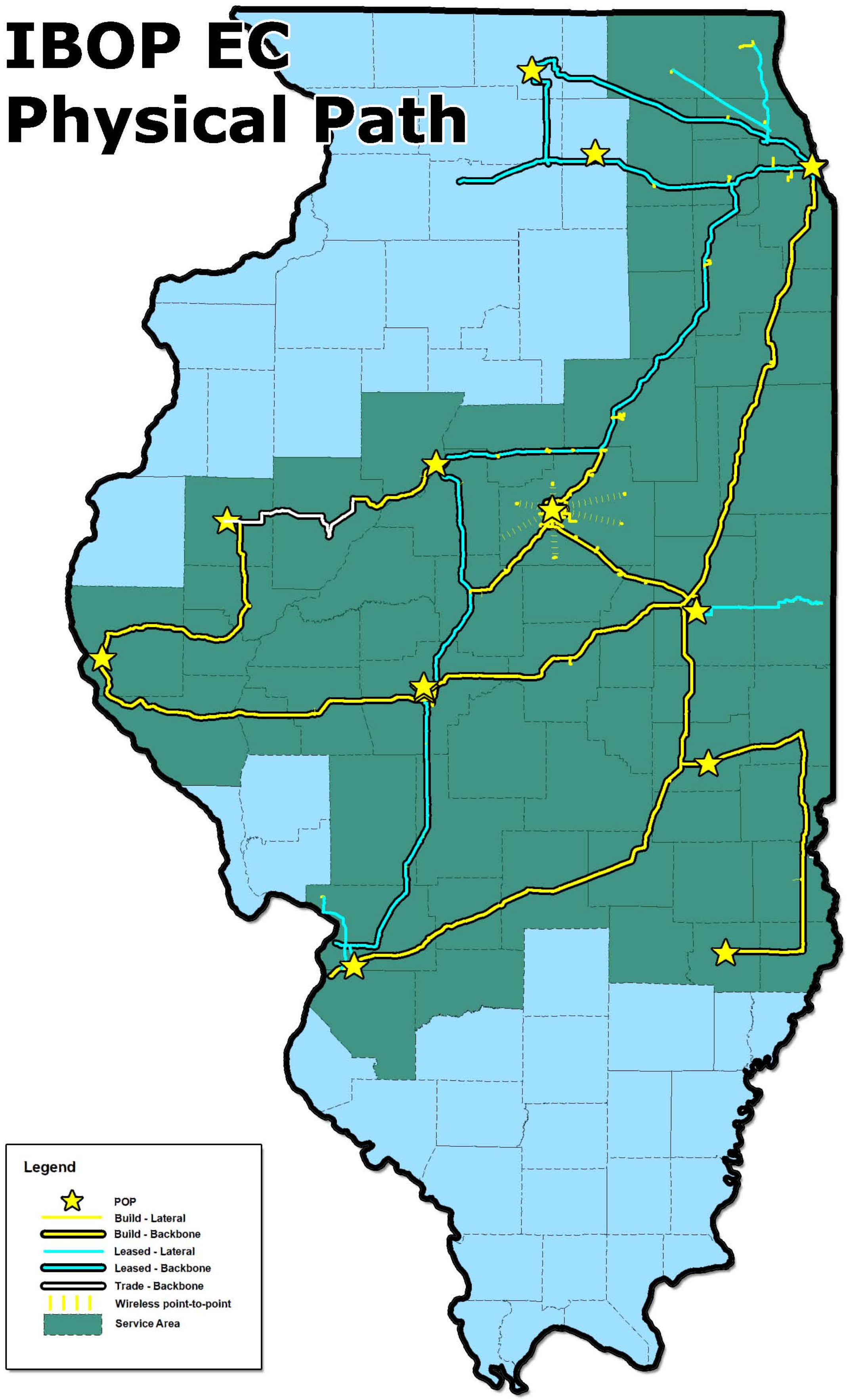
IBOP East Central Service Areas

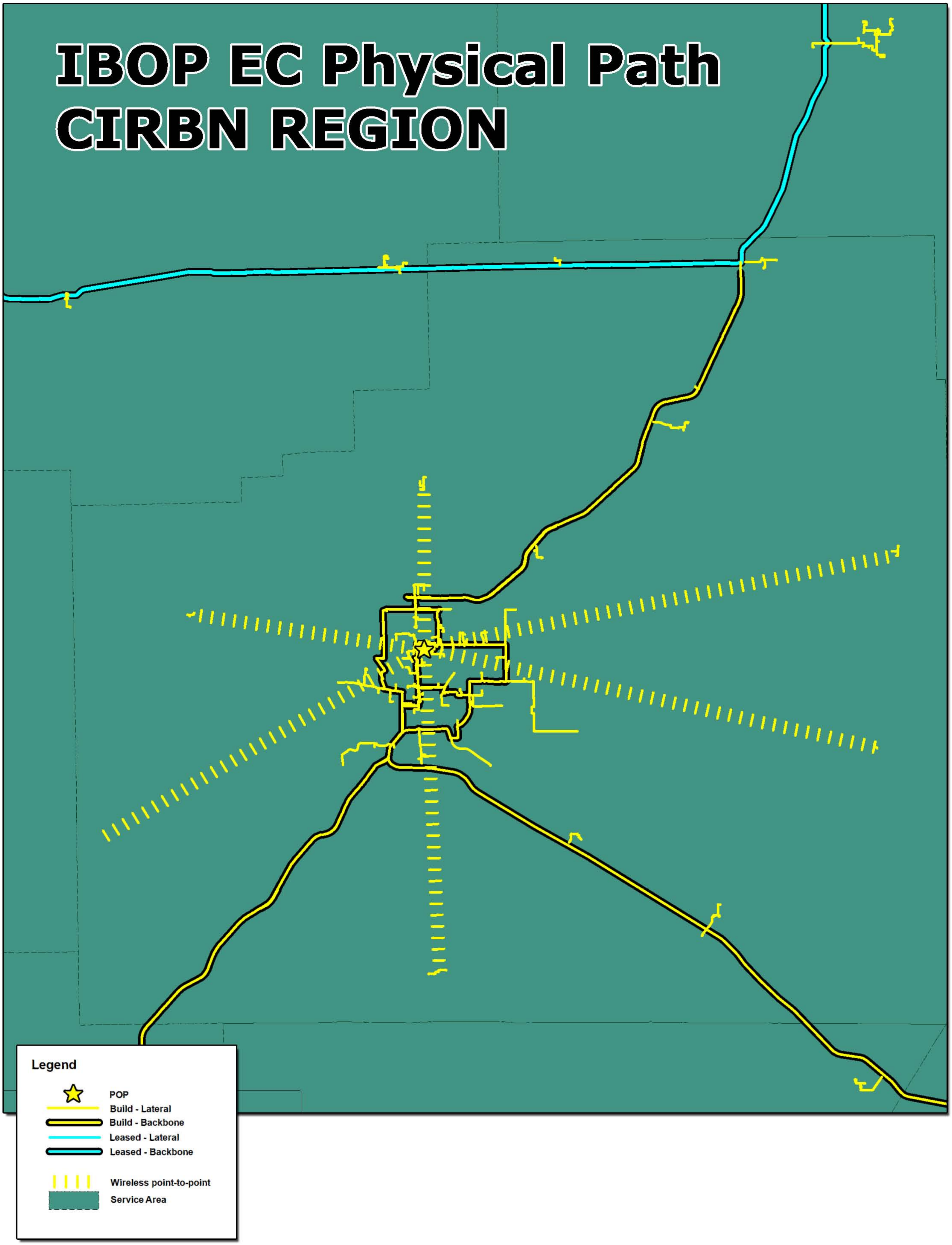


Existing Customer Base
(depicting current service levels, by County)

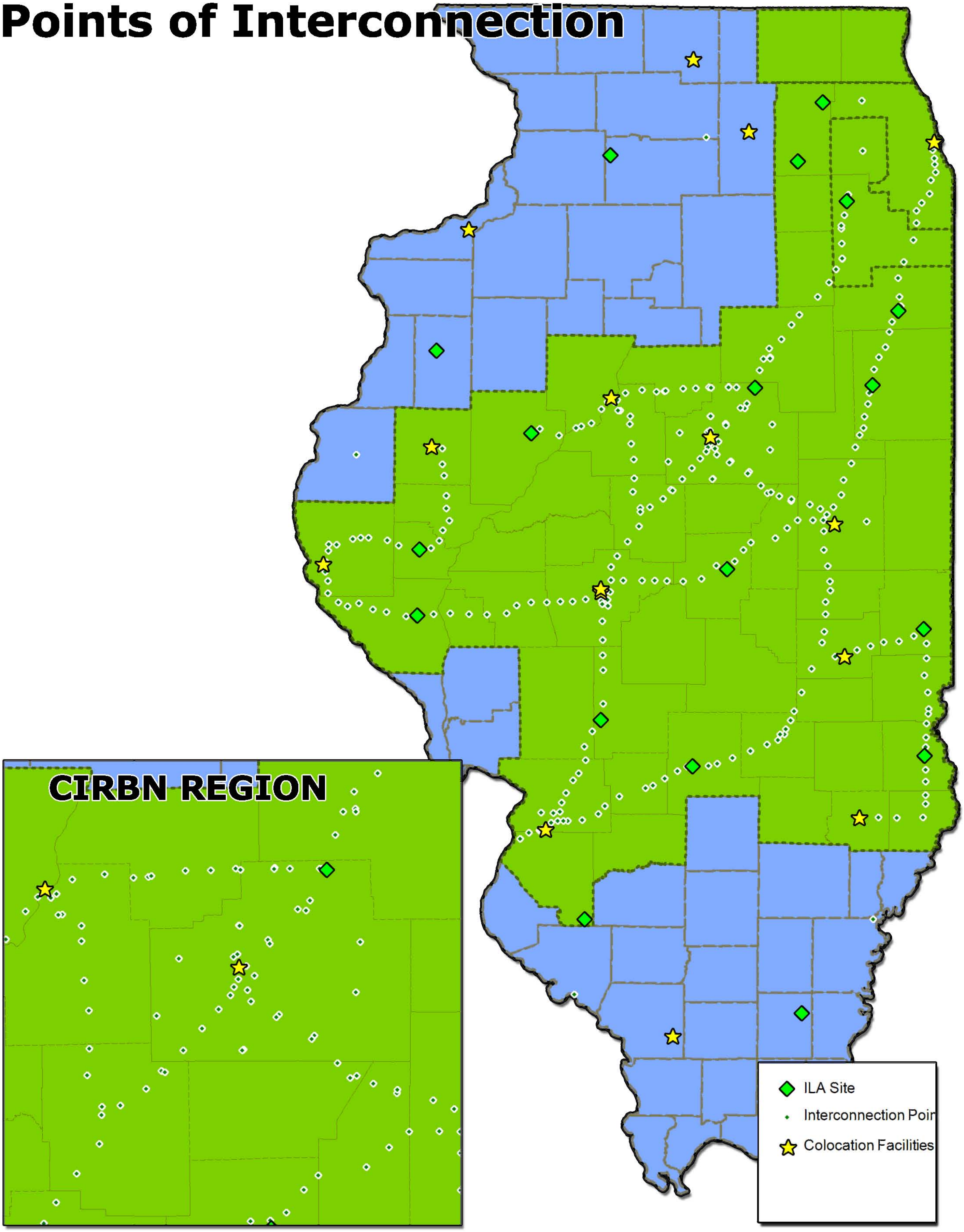


IBOP EC Physical Path

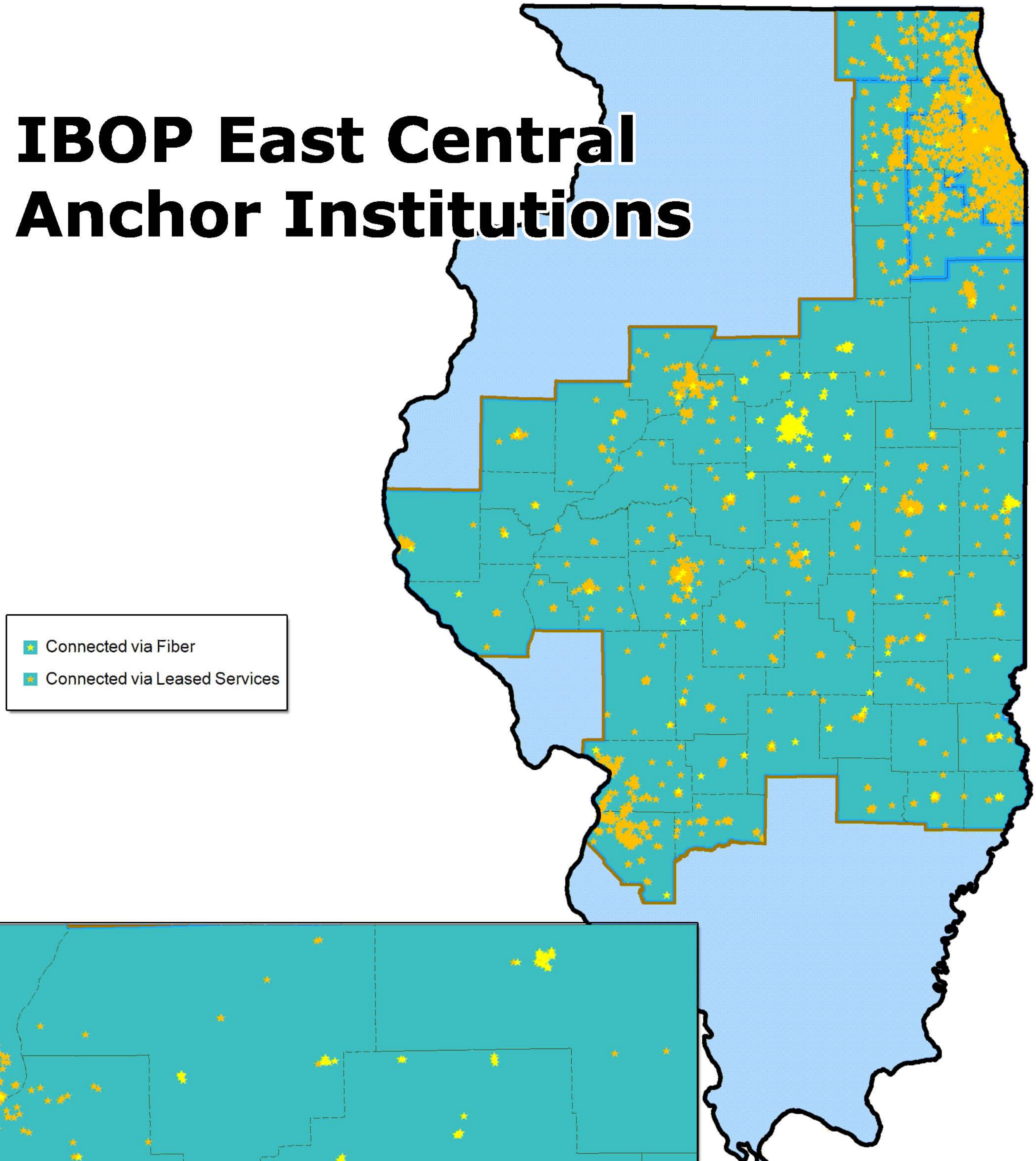


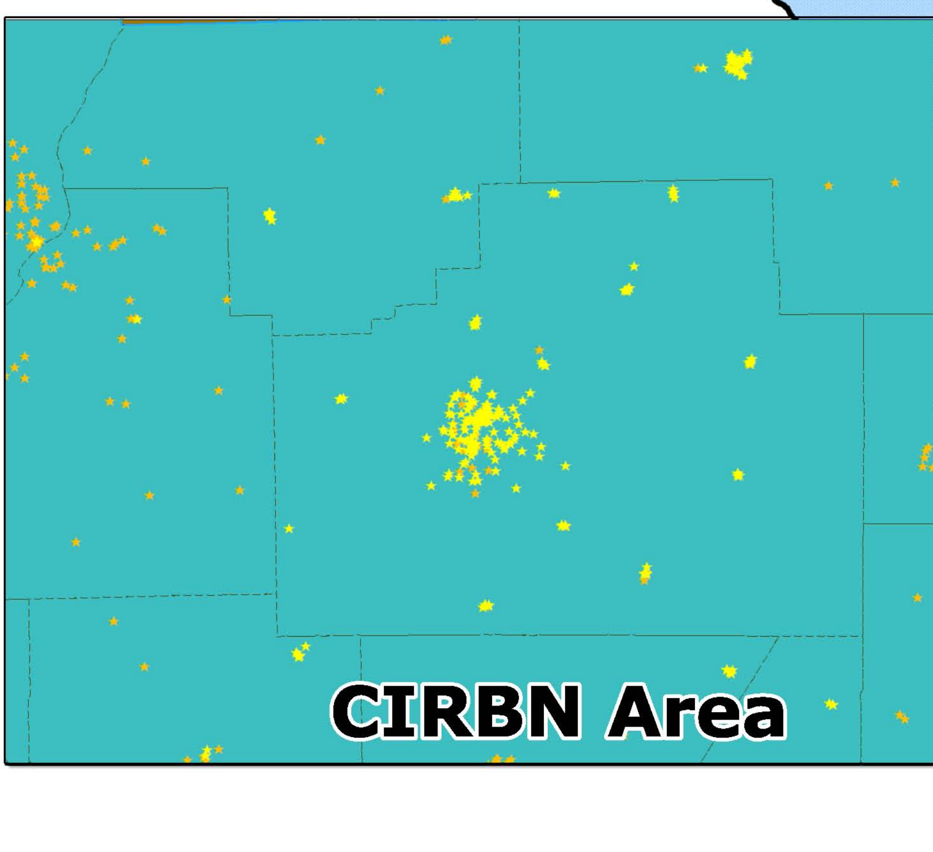

IBOP EC Physical Path
CIRBN REGION
Legend
POP
Build - Lateral
Build - Backbone
Leased - Lateral
Leased - Backbone
Wireless point-to-point
Service Area

IBOP EC
Points of Interconnection



IBOP East Central Anchor Institutions





- Use the following table to list the major network build-out phases and milestones that can demonstrate that your entire project will be substantially complete by the end of Year 2 and fully complete by the end of Year 3. This is to be done at the aggregate level (combining all proposed funded service areas.)
- Indicated how the milestones listed below will demonstrate these completion objectives. The applicant should consider such project areas as: a) network design; b) securing all relevant licenses and agreements; c) site preparation; d) inside plant deployment; e) outside plan deployment; f) deployment of business & operational support systems; g) network testing; f) network operational. The applicant may provide any other milestones that it believes showcase progress.
- Project inception (Year 0) starts at the date when the applicant receives notice that the project has been approved for funding.
- In the table, provide any information (e.g., facts, analysis) to: a) demonstrate the reasonableness of these milestones; b) substantiate the ability to reach the milestones by the quarters indicated.

Time Period	Quarter	Milestones	Support for Reasonableness/Data Points
Year 0	-	• Optical Equipment Vendor Selection and Contract • High Level Network Design • Equipment Lab Test • Location Selections • Hiring of Project Manager (PM) • Hiring of Project Coordinator (PO) • Hiring of Administrative Assistant • Establish contractual agreement with wireless consultant firm.	• All Year 0 milestones have been addressed in Pre-planning stage.

Year 1	Qtr. 1	• Complete contract with engineering firm to begin detailed design and permitting process and act as 'general contractor'
		  ◦ Engineering firm to negotiates milestones with DOT and municipalities and secures partial permits to allow construction to begin.
		  ◦ Engineering firm secures agreements with all Electrical Power Utility Providers so that construction of all ILA can commence immediately.
		• Internal service offerings training program established and implemented.
		• Begin the procurement process for Metro Ethernet Hardware
		• Begin the procurement process for POP hardware to connect Metro Ethernet connections
		• Finalize IRU and trades
		• Begin development and update of applications, service agreements, participation agreements and other related constituent forms
		• Begin wireless surveys for all rural communities.
		• Procurement of office equipment and vehicle.
		• Milestone completions announced on website.
			• RFP currently under development to establish a contract with an engineering firm.
			• CMS and DOT are collaborating on plans for fiber builds along DOT Rights-of-Way.
			• CIRBN is collaborating with all municipalities on plans for fiber build along DOT Rights-of-Way.
			• Utilize existing tools and databases to create customer lists.
			• Follow established processes for updating announcements on Web Site.
			• CIRBN will procure vehicle and office equipment for PM, PO, and Administrative Assistant.

	Qtr. 2	• Complete upgrade of POP site environmentals and power	• CMS and CIRBN will establish formal engineering

		• Engineering firm submits design documents to DOT and municipalities for the milestones they established in Qtr 1 • Upgrade POP to FCC TCB Program via the FCC mandated accreditation • POP to meet Tier 3 or Tier 4 Data Center criteria for "Reliability and Redundancy" • Begin revisions of cost recovery policy and review of application process and constituent forms. • Complete the development and update of applications, service agreements, participation agreements and other related constituent forms • Staff trained on the new cost recovery system • Procurement of POP site hardware to support Metro connections complete. • POP Metro Hardware installation complete. • Informational meetings planned and schedule • Milestone completions announced on website. •	teams via the RFP to contract with Engineering firm as well as collaboration with other State Agencies and municipalities. • GENERAL CONTRACTOR and DOT via an on-going review process to final permit approved documents for construction use. • CMS is currently working on an RFP for power services including equipment, installation, maintenance, and support. • CMS has the experience and ability to issue an IFB or RFP for any other power related services that may not be covered in existing contracts. • Follow established processes for updating announcements on Web Site. • Regional Technology Center and Network Services staff has experience in conducting annual regional meetings.
	Qtr. 3	• Design complete for 18 of 18 backbone spans • Design complete for Bloomington/Normal backbone • Begin procurement process of wireless bridges. • Design complete for 132 of 301 lateral builds • Staff trained on the basics of the fiber build process • Staff trained on updated applications, service agreements, participation agreements and other related constituent forms • Informational meetings announced • Milestone completions announced on website. •	• Engineering firm, DOT, and municipalities to continue on-going review process to final Permit approved documents for construction use. • Follow established processes for updating Web Site.
	Qtr. 4	• Design complete for 217 of 301 lateral builds • State and General Contractor to provide final Permit approved documents for construction use documents. • State and General Contractor to review Construction Bids, Proposal and Bidders Qualifying Supplemental information. • State and General Contractor to review awarded Contractor(s) submittals, proposed installation "shop drawings", and construction schedules. The review process shall ensure strict adherence to FCC, DOT, State, and Municipal codes, regulation, and standards. • Complete Contracts for Fiber Installation • Partial permits issued for 18 of 18 Backbone spans • Full permits issued for Bloomington/Normal backbone. • Partial permits issued for the first 132 lateral builds. • Begin Backbone Fiber Build • Begin Bloomington/Normal backbone build. • Construction begins on the first 132 lateral builds • Metro Ethernet hardware procurement for 44 of 301 laterals. • Begin procurement process on UPS and data racks • Procurement process will begin for fiber panels in Bloomington/Normal backbone and rural municipalities.	• The State will create partial permits so work can commence immediately. • The State will have a contract in place with an Engineering Firm. • Engineering Firm will serve as a general contractor to oversee installation, easement & permitting process; focus on efficiently obtaining easements & permits • Expediter will be used to focus on resolution of geographic specific issues. • Regional Technology Center and Network Services staff has experience in conducting annual regional meetings. • Procurement process for racks, UPS, and fiber panels for all rural, Bloomington/Normal municipalities, and anchor institutions.

		• Staff trained on: Fiber optic health and safety issues OTDR and other fiber test equipment • Revised applications, service agreements, participation agreements posted on our web site. • New cost-recovery model is announced on web site • Informational meetings are held for customers and potential customers in each region of the state. The focus will be to detail progress and to highlight the benefits seen by customers who have been turned up. • Milestone completions announced on website. •	
Year 2	Qtr. 1	• Permits issued for 12 of 18 spans • Permits issued in each municipalities to install wireless towers and bridges. • Four of 18 spans Complete (IRU Fiber/Build) • DWDM Install, Test and Turn-up 4 of 18 spans (includes Build, CEV Construction, Fiber Characterization, Equipment Procurement, Equipment Installation, Equipment Configuration, Span Turn-up, Span Test, Span Acceptance • State and General Contractor to provide final Permit approved documents for construction use documents. • State and General Contractor to review Construction Bids, Proposal and Bidders Qualifying Supplemental information. • State and General Contractor to review awarded Contractor(s) submittals, proposed installation "shop drawings", and construction schedules. The review process shall ensure strict adherence to FCC, DOT, State, and Municipal codes, regulation, and standards. • Design completed for all 301 laterals • Full permits secured for lateral builds 133 -217 • Construction begins on the second 84 lateral builds • Metro Ethernet hardware is distributed to engineers handling the installation. • Field staff trained on the operation of the metro Ethernet hardware. • Milestone completions announced on website.	• The State will have a contract in place with an Engineering Firm. • Engineering Firm will serve as a general contractor to oversee installation, easement & permitting process; focus on efficiently obtaining easements & permits • Expediter will be used to focus on resolution of geographic specific issues. • Regional Technology Center and Network Services staff has experience in conducting annual regional meetings.
	Qtr. 2	• Permits issued for 18 of 18 spans • Ten of 18 spans Complete • DWDM Install, Test and Turn-up 10 of 18 spans (includes Build, CEV Construction, Fiber Characterization, Equipment Procurement, Equipment Installation, Equipment Configuration, Span Turn-up, Span Test, Span Acceptance • State and General Contractor to provide commissioning criteria and documents for awarded Contractor(s) to follow upon completion for each DWDM span. • State and General Contractor to review awarded Contractor(s) as-built drawings" defined above in the commissioning documents. The review process shall ensure	• The State will have a contract in place with an Engineering Firm. • Engineering Firm will serve as a general contractor to oversee installation, easement & permitting process; focus on efficiently obtaining easements & permits • Expediter will be used to focus on resolution of geographic specific issues. • Regional Technology Center and Network Services staff has experience conducting annual regional meetings. • The State will have a contract in place with Fujitsu as the DWDM equipment vendor. • CIRBN will hire a network consulting firm to install and

		strict adherence to FCC, DOT, State, and Municipal codes, regulation, and standards. • Full permits secured for all 301 lateral builds • Construction begins on the final 85 lateral builds • As backbone fiber becomes available lateral fiber is spliced into it. • As spans between communities are completed testing of lateral fiber begins • Metro Ethernet Hardware installation and turn-up begins as a primary fiber paths becomes available • Fiber paths reported to JULIE as builds are completed • Establish contractual agreement with network consultant firm for installation of metro equipment in Bloomington/Normal and rural communities. • Continue outreach initiatives • Informational meetings planned and scheduled • Milestone completions announced on website	configure network equipment.
	Qtr. 3	• Fifteen of 18 spans Complete • DWDM Install, Test and Turn-up 15 of 18 spans (includes Build, CEV Construction, Fiber Characterization, Equipment Procurement, Equipment Installation, Equipment Configuration, Span Turn-up, Span Test, Span Acceptance • State and General Contractor to provide commissioning criteria and documents for awarded Contractor(s) to follow upon completion for each DWDM span. • State and General Contractor to review awarded Contractor(s) as-built drawings" defined above in the commissioning documents. The review process shall ensure strict adherence to FCC, DOT, State, and Municipal codes, regulation, and standards. • Construction on all lateral runs continue. • Splicing and testing of lateral fiber continues • Metro Ethernet Hardware installation and turn-up begins as a primary fiber paths become available • Begin installation of wireless bridges. • Fiber paths reported to JULIE as builds are completed • Continue outreach initiatives • Informational meetings are announced. • Milestone completions announced on website.	• The State will have a contract in place with an Engineering Firm. • Engineering Firm will serve as a general contractor to oversee installation, easement & permitting process; focus on efficiently obtaining easements & permits • Expediter will be used to focus on resolution of geographic specific issues. • Customer distribution lists exist today, and lists can be updated or new lists developed to meet communications needs. • Regional Technology Center and Network Services staff has experience conducting annual regional meetings • The State will have a contract in place with Fujitsu as the DWDM equipment vendor..
	Qtr. 4	• State and General Contractor to provide commissioning criteria and documents for awarded Contractor(s) to follow upon completion for each DWDM span. • State and General Contractor to review awarded Contractor(s) as-built drawings" defined above in the commissioning documents. The review process shall ensure strict adherence to FCC, DOT, State, and Municipal codes, regulation, and standards.	• The State will have a contract in place with an Engineering Firm. • Engineering Firm will serve as a general contractor to oversee installation, easement & permitting process; focus on efficiently obtaining easements & permits • Expediter will be used to focus on resolution of geographic specific issues. • Customer distribution lists exist today, and lists can be

		• Construction and testing of the first 132 laterals complete. • Splicing and testing of lateral fiber continues • Metro Ethernet Hardware installation continues as complete fiber paths become available. • Fiber paths reported to JULIE as builds are completed • Continue outreach initiatives • Informational meetings are held for customers and potential customers in each region of the state. The focus will be to detail progress and to highlight the benefits seen by customers who have been turned up. • Milestone completions announced on website.	updated or new lists developed to meet communications needs. • Regional Technology Center and Network Services staff has experience conducting annual regional meetings • The State will have a contract in place with Fujitsu as the DWDM equipment vendor..
Year 3	Qtr. 1	• State and General Contractor to provide to the FCC and Homeland Security, as electronic media: as-built drawings" submittals, "shop drawings", warranties, manuals, Outside Plant (OSP) easement and routing maps/drawings, etc • Construction and testing of the second group of 84 laterals is complete. • Metro Ethernet Hardware installation continues as complete fiber paths become available. • Splicing and testing of lateral fiber continues • Fiber paths reported to JULIE as builds are completed • Redundant fiber paths lit as they become available. • Continue outreach initiatives • All wireless bridge installations completed. • Procurement process will begin for POP hardware to connect Metro Ethernet connections and routing equipment for ISP connections to Bloomington/Normal and rural anchor institutions. • Procurement process will begin for all fiber optic modules and cables • Procurement of 10G optical module. • Milestone completions announced on website.	• The State will have a contract in place with an Engineering Firm. • Engineering Firm will serve as a general contractor to oversee installation, easement & permitting process; focus on efficiently obtaining easements & permits • Expediter will be used to focus on resolution of geographic specific issues. • Customer distribution lists exist today, and lists can be updated or new lists developed to meet communications needs. • Regional Technology Center and Network Services staff has experience conducting annual regional meetings. • The State will have a contract in place with Fujitsu as the DWDM equipment vendor.
	Qtr. 2	• Fiber Build Complete (Remaining 5 Partner Paths) • DWDM Install, Test and Turn-up 18 of 18 spans (includes Build, CEV Construction, Fiber Characterization, Equipment Procurement, Equipment Installation, Equipment Configuration, Span Turn-up, Span Test, Span Acceptance • ILA Facilities Complete • Interconnection Points Complete • Fiber Characterization Complete • DWDM Procurement Complete • State and General Contractor to provide to the FCC and Homeland Security, as electronic media: as-built drawings" submittals, "shop drawings", warranties, manuals, Outside Plant (OSP) easement and routing maps/drawings, etc. • Construction and testing of all 301 laterals is complete. • Splicing and testing of lateral fiber wraps ups.	• The State will have a contract in place with an Engineering Firm. • Engineering Firm will serve as a general contractor to oversee installation, easement & permitting process; focus on efficiently obtaining easements & permits • Expediter will be used to focus on resolution of geographic specific issues. • The State will have a contract in place with Fujitsu as the DWDM equipment vendor. • Customer distribution lists exist today, and lists can be updated or new lists developed to meet communications needs. • Regional Technology Center and Network Services staff has experience conducting annual regional meetings.

		• Metro Ethernet Hardware installation continues as complete fiber paths become available. • Begin installation of Bloomington/Normal core equipment. • Begin installation of routing equipment for Bloomington/Normal core. • Remaining redundant fiber paths are lit. • Fiber paths reported to JULIE as builds are completed • Continue outreach initiatives • Begin negotiations for ISP services for CIRBN. • Informational meetings planned and scheduled • Milestone completions announced on website. • .	
	Qtr. 3	• DWDM System Maintenance and Warranty Begins • State and General Contractor to review Maintenance Agreements Bids, Proposal and Bidders Qualifying Supplemental information. • State and General Contractor to provide warranty and preventative maintenance documents for awarded Contractor(s) to follow. • State and General Contractor to prepare for POP and OSP maintenance agreements for both warranty period and beyond. • Delay Cushion – Time built in to address any potential delays encountered earlier in the project. • Begin the transition of ownership of non-backbone metro fiber to local government entities. • Begin procedures for the formation of an LLC for the transfer of ownership of equipment from ISU. • Continue outreach initiatives • Informational meetings are announced • Milestone completions announced on website.	• The State will have a contract in place with an Engineering Firm. • Engineering Firm will serve as a general contractor to oversee installation, easement & permitting process; focus on efficiently obtaining easements & permits • Expediter will be used to focus on resolution of geographic specific issues. • The State will have a contract in place with Fujitsu as the DWDM equipment vendor. • Customer distribution lists exist today, and lists can be updated or new lists developed to meet communications needs. • Regional Technology Center and Network Services staff has experience conducting annual regional meetings.
	Qtr. 4	• Continue outreach initiatives • Complete the ownership transition of non-backbone metro fiber. • Informational meetings are held for customers and potential customers in each region of the state. The focus being to encourage expansion of the fiber footprint at a local level. • Completion announced on website. • Delay Cushion – Time built in to address and potential delays encountered earlier in the project.	• Customer distribution lists exist today, and lists can be updated or new lists developed to meet communications needs. • Regional Technology Center and Network Services staff has experience conducting annual regional meetings.

BUILD-OUT TIMELINE

Complete the following schedule for *each* Last Mile or Middle Mile Service Area to note the degree of build-out, based on: a) infrastructure funds awarded; b) entities passed (households, businesses, and community anchor institutions.). In addition, please complete a schedule that aggregates the build-out timeline across all of the Proposed Funded Service Area.

Service Area	1												
		YEAR 1				YEAR 2				YEAR 3			
	YEAR 0	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4
Infrastructure Funds													
Infrastructure Funds Advanced (estimate)		9,021,357.82	6,766,018.37	11,276,697.28	18,042,715.64	8,891,242.08	8,891,242.08	8,891,242.08	8,891,242.08	2,428,827.11	2,698,696.78	674,674.20	674,674.20
Percentage of Total Funds		10%	8%	13%	21%	10%	10%	10%	10%	3%	3%	1%	1%
Entities Passed & %													
Households								1,441,150	1,441,150	1,869,089	2,924,414	2,924,414	2,924,414
Percentage of Total Households								46.0%	46.0%	59.7%	93.3%	93.3%	93.3%
Businesses								102,160	102,160	129,566	191,863	191,863	191,863
Percentage of Total Businesses								49.0%	49.0%	62.1%	91.9%	91.9%	91.9%
Community Anchor Institutions								2,413	2,413	3,980	6,909	6,909	6,909
Percentage of Total Institutions								30.2%	30.2%	49.8%	86.4%	86.4%	86.4%

Service Area	2												
		YEAR 1				YEAR 2				YEAR 3			
	YEAR 0	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4
Infrastructure Funds													
Infrastructure Funds Advanced (estimate)		501,186.55	375,889.91	626,483.18	1,002,373.09	493,957.89	493,957.89	493,957.89	493,957.89	134,934.84	-	-	-
Percentage of Total Funds		11%	8%	14%	22%	11%	11%	11%	11%	3%	0%	0%	0%
Entities Passed & %													
Households								231,021	231,021	253,811	253,811	253,811	253,811
Percentage of Total Households								75.6%	75.6%	83.0%	83.0%	83.0%	83.0%

Businesses								22,324	22,324	24,198	24,198	24,198	24,198
Percentage of Total Businesses								78.7%	78.7%	85.3%	85.3%	85.3%	85.3%
Community Anchor Institutions								479	479	514	514	514	514
Percentage of Total Institutions								56.9%	56.9%	61.0%	61.0%	61.0%	61.0%

Service Area	**3**												
		YEAR 1				**YEAR 2**				**YEAR 3**			
	YEAR 0	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4
Infrastructure Funds													
Infrastructure Funds Advanced (estimate)		501,186.55	375,889.91	626,483.18	1,002,373.09	493,957.89	493,957.89	493,957.89	493,957.89	134,934.84	-	-	-
Percentage of Total Funds		11%	8%	14%	22%	11%	11%	11%	11%	3%	0%	0%	0%
Entities Passed & %													
Households								252,214	252,214	480,879	505,895	505,895	505,895
Percentage of Total Households								49.1%	49.1%	93.7%	98.5%	98.5%	98.5%
Businesses								26,342	26,342	43,169	45,037	45,037	45,037
Percentage of Total Businesses								54.5%	54.5%	89.3%	93.1%	93.1%	93.1%
Community Anchor Institutions								464	464	941	997	997	997
Percentage of Total Institutions								38.7%	38.7%	78.5%	83.2%	83.2%	83.2%

Key Challenges and Mitigation Plans

Key Challenges	Mitigation Plan

1. Aggressive Project Completion Timeline	• 24 months of pre-planning with DOT to lay the foundation
	• Establish Formal Engineering Teams
	  ▪ General Contractor – oversee installation, easement & permitting process; focus on efficiently obtaining easements & permits
	  ▪ Expediter – focus on resolution of geographic specific issues
	  ▪ Inter-agency working team to closely manage the process with ongoing reviews

2. Weather related delays	• Plan for most dig activity to occur prior to December and after February each year.
3. Delays securing permits & easements	• Expediter – focus on resolution of geographic specific issues • Create partial permits so work can commence immediately
4. Fiber route issues / Rights-of-Way in specific geographic areas.	• Expediter – focus on resolution of geographic specific issues (escalation & problem resolution) • Work with DOT and Engineering firm to pursue alternate fiber routes where necessary.
5. Risk of Engineering Firm Pulling Out / Going Bankrupt	• Re-issue bid for engineering services to establish a contract with another engineering firm.
6. Delay of receipt of capital funds due to issuing bonds.	• The State of Illinois has access to capital from existing bonds. CMS is working with the State of Illinois' Governor's Office of Management and Budget to manage access to capital funds for the project. The State of Illinois has the ability to access cash from other technology funds as an interim solution to working capital,
7. Duplication of Service Area with other Middle Mile Awardees.	• CMS will continue to collaborate and communicate with entities throughout Illinois to avoid duplication of effort in specific service areas. If such a case should arise, CMS will work to adjust the IBOP-E Central fiber routes accordingly.
8. Challenge of securing fiber build construction services due to influx of builds resulting from ARRA awards.	• The State of Illinois currently has a proposal to obtain fiber build construction services from a national telecommunications provider.

9. Procurement Intervals / Delays	• Streamline procurement
	  ▪ Provide information to State of Illinois procurement team up front.
	  ▪ Work several procurements in parallel rather than linear fashion.
	  ▪ Assign procurement point of contact to serve as liaison for all fiber project specific procurements.

Balance Sheet

State of Illinois
Central Management Services
Communications Revolving Fund

(In 000's)	Historical			
	FY08		FY09	
Assets	Ended 6/30/2008		Ended 6/30/2009	
Current Assets				
Cash	$	7,729	$	5,101
Accounts Receivable	$	34,248	$	45,891
Total Current Assets	$	41,977	$	50,992
Non-Current Assets				
Amortizable Asset (Net of Amortization)	$	22,112	$	20,324
Total Non-Current Assets	$	22,112	$	20,324
Total Assets	$	64,089	$	71,316

Liabilities and Owners' Equity

Liabilities				
Current Liabilities				
Accounts Payable	$	19,334	$	18,047
Current Portion - Other Debt	$	2,144	$	2,256
Total Current Liabilities	$	21,478	$	20,303
Long-Term Liabilities				
Existing non-RUS Debt	$	2,907	$	3,053
Total Long-Term Liabilities	$	2,907	$	3,053
Total Liabilities	$	24,385	$	23,356
Net Assets				
Invested in Capi al Assets (Net of Debt)	$	18,462	$	16,509
Unrestricted	$	21,242	$	31,451
Total Equity	$	39,704	$	47,960
Total Liabilities and Owner's Equity	$	64,089	$	71,316

Income Statement

State of Illinois

Central Management Services
Communications Revolving Fund

(In 000's)

	Historical	
	FY08	**FY09**
	Ended 6/30/2008	**Ended 6/30/2009**
Revenues		
Charges for Sales and Services	$ 128,491	$ 121,337
Total Revenues	$ 128,491	$ 121,337
Expenses		
Cost of Sales and Services	$ 87,528	$ 80,068
General and Administrative	$ 10,854	$ 10,022
Other Operating Expense	$ 13,152	$ 11,839
Total Expenses	$ 111,534	$ 101,929
EBITDA	$ 16,957	$ 19,408
Depreciation	$ 11,439	$ 9,985
Earnings Before Interest and Taxes	$ 5,518	$ 9,423
Other - Interest Expense	$ 166	$ 155
Income Before Taxes	$ 5,352	$ 9,268

Statement of Cash Flows

State of Illinois
Central Management Services
Communications Revolving Fund

(In 000's)	Historical FY08 Ended 6/30/2008	Historical FY09 Ended 6/30/2009
Beginning Cash	**$ 14,326**	**$ 7,729**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Sales and Services	18,743	10,047
Cash Received from Transactons w/Other Funds	97,278	101,212
Cash Payments to Suppliers for Goods and Services	(93,483)	(89,838)
Cash Payments to Employees for Services	(16,327)	(14,850)
Net Cash Provided (Used) by Operating Activities	**$ 4,211**	**$ 6,571**
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers-Out to Other Funds		$ (1,000)
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:		
Acquisitions and Construction of Capital Assets	(8,621)	(5,799)
Principal Payments on Capital Debt	(2,021)	(2,262)
Interest on Capital Debt	(166)	(138)
Net Increase (Decrease) in Cash and Cash Equivalents	**$ (6,597)**	**$ (2,628)**
Ending Cash Balance	**$ 7,729**	**$ 5,101**

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY

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

For The Years Ended June 30, 2009 and 2008

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

Clifton Gunderson LLP
Certified Public Accountants & Consultants

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
FINANCIAL AUDIT

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

For the Years Ended June 30, 2009 and 2008

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STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY

FINANCIAL STATEMENT REPORT

AGENCY OFFICIALS

President	Dr. C. Alvin Bowman
Vice President – Finance and Planning	Dr. Stephen M. Bragg (retired 4/30/09) Dr. Dianne E. Ashby - Interim (5/1/09 - 9/14/09) Dr. Daniel T. Layzell (effective 9/15/09)
Comptroller	Mr. Greg Alt
Legal Counsel	Ms. Lisa Huson
Director – Internal Audit	Mr. Rick Papuga (retired 10/31/09) Mr. Robert Blemler (effective 1/4/10)

Agency offices are located at:

Illinois State University
Hovey Hall
Campus Box 1100
Normal, IL 61790-1100

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of Illinois State University was performed by Clifton Gunderson, LLP. Based on their audit, the auditors expressed an unqualified opinion on Illinois State University's basic financial statements.

Clifton Gunderson LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Honorable William G. Holland
Auditor General
State of Illinois
and
Ms. Anne Davis
Chair, Illinois State University Audit Committee

As Special Assistant Auditors for the Auditor General, we have audited the accompanying basic financial statements of Illinois State University and its discretely presented component unit, collectively a component unit of the State of Illinois, as of and for the years ended June 30, 2009 and 2008, as listed in the Table of Contents. These financial statements are the responsibility of Illinois State University's management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of Illinois State University Foundation as of and for the years ended June 30, 2009 and 2008. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Illinois State University Foundation is based on the report of the other auditors.

We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position and the respective changes in financial position of Illinois State University and its discretely presented component unit as of and for the years ended June 30, 2009 and 2008, and the cash flows of Illinois State University for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 10, 2010 on our consideration of the Illinois State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The *Management's Discussion and Analysis* on pages 4 through 13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Clifton Gunderson LLP

Peoria, Illinois
February 10, 2010

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Illinois State University (the "University") for the year ended June 30, 2009 with selective comparative information for the years ended June 30, 2009 and 2008. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Illinois State University is governed by the Board of Trustees and is the first institution of higher learning in Illinois, being founded in 1857. The University is a residential university of approximately 21,000 students with six colleges and thirty-five academic departments that offer more than one hundred sixty programs of study. The Graduate School coordinates forty-seven masters, specialist, and doctoral programs.

As required by generally accepted accounting principles, these financial statements present the financial position and financial activities of the University (the primary unit) and its component unit (the Illinois State University Foundation). The component unit discussed below is included in the University's financial reporting entity (the Entity) due to the significance of its financial relationship with the University and is in accordance with Governmental Accounting Standards Board (GASB) Statement No. 39, an amendment of GASB Statement No. 14.

The Foundation is a University Related Organization as defined under University Guidelines adopted by the State of Illinois Legislative Audit Commission in 1982, as amended. The Illinois State University Foundation is reported in a separate column to emphasize that it is an Illinois non-profit organization that is legally separate from the University. Complete financial statements for the Foundation may be obtained by writing the Illinois State University Foundation, Campus Box 8000, Normal, Illinois 61790-8000.

The Foundation was incorporated in May 1948 under the "General Not-for-Profit Corporation Act" for the purpose of providing fund raising and other assistance to the University in order to attract private gifts to support the University's instructional, research, and public service activities. The Foundation is an organization as described in Section 501c(3) of the Internal Revenue Code and, accordingly, exempt from federal income tax.

Overview of the Financial Statements and Financial Analysis

Illinois State University is a component unit of the State of Illinois for financial reporting purposes. The financial balances and activities included in these financial statements are also included in the State of Illinois Comprehensive Annual Financial Report (CAFR).

Financial Statements Presentation: The University's financial statements include the Statements of Net Assets, the Statements of Revenues, Expenses, and Changes in Net Assets, and the Statements of Cash Flows. The financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles and presented on an entity-wide basis. Several ratios have been included in the financial analysis to help assess University financial health.

Statements of Net Assets

The Statements of Net Assets present the assets, liabilities, and net assets of the University as of the end of the fiscal years. The Statements of Net Assets are point in time financial statements. The purpose of the Statements of Net Assets is to present to the readers of the financial statements a fiscal snapshot of Illinois State University at June 30, 2009 and 2008. The Statements of Net Assets present end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities).

From the data presented, readers of the Statements of Net Assets are able to determine the assets available to continue the operations of the institution. Readers should also be able to determine how much the institution owes vendors, investors and lending institutions. Finally, the Statements of Net Assets provide a picture of the net assets and their availability for expenditure by the institution.

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, shows the institution's equity in the property, plant and equipment owned by the institution. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time and/or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets are those net assets available to the institution for any lawful purpose of the institution.

Following are condensed Statements of Net Assets at June 30, 2009, 2008 and 2007:

	(Thousands of dollars)		
	2009	2008	2007
Assets:			
Current assets	$ 126,050	$ 124,524	$ 102,007
Noncurrent assets:			
Capital assets, net	354,783	307,375	275,429
Other noncurrent assets	81,899	102,930	70,430
Total assets	562,732	534,829	447,866
Liabilities:			
Current liabilities	42,538	41,253	37,203
Noncurrent liabilities	140,240	145,333	97,491
Total liabilities	182,778	186,586	134,694
Net Assets:			
Invested in capital assets, net of related debt	263,690	238,317	221,414
Restricted	9,422	9,356	9,356
Unrestricted	106,842	100,570	82,402
Total net assets	$ 379,954	$ 348,243	$ 313,172

Current liabilities are obligations of the University coming due in less than one year. Current liabilities consist primarily of accounts payable and accrued liabilities, assets held in custody for others, deferred revenues, and current portion of long-term debt. The following ratio is intended to give an indication of the University's ability to meet its obligations the following year:

The Current Ratio (current assets/current liabilities) is:

(Thousands of dollars)

2009	2008	2007
126,050 /42,538 = 2.96	124,524 / 41,253 = 3.02	102,007 / 37,203 = 2.74

Noncurrent assets are comprised primarily of net capital assets. Net capital assets increased $47.4 million and $31.9 million from June 30, 2008 to 2009 and 2007 to 2008, respectively. The increases are primarily attributable to construction and major renovation of University buildings.

Noncurrent liabilities are comprised primarily of Bonds Payable, Certificates of Participation, and Accrued Compensated Absences.

Statements of Revenues, Expenses, and Changes in Net Assets

Changes in total net assets presented on the Statements of Net Assets are based upon the activity presented in the Statements of Revenues, Expenses, and Changes in Net Assets. The purpose of the Statements of Revenues, Expenses, and Changes in Net Assets is to present the revenues received by the institution, both operating and non-operating, and the expenses paid by the institution, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the institution.

Operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution. Non-operating revenues are revenues received for which goods and services are not provided. These are called non-exchange transactions. For example, State appropriations are classified as non-operating because they are provided by the Legislature to the institution without the Legislature directly receiving commensurate goods and services for those revenues.

Student tuition and fees, grants and contracts, the Auxiliary facilities system, State appropriations and payments by the State of Illinois on behalf of the University are the primary sources of funding.

Following are condensed Statements of Revenues, Expenses, and Changes in Net Assets for the fiscal years ended June 30, 2009, 2008 and 2007:

	(Thousands of dollars)		
	2009	2008	2007
Operating revenues			
Student tuition and fees, net	$ 137,167	$ 122,216	$ 108,623
Grants and contracts	19,544	19,505	16,778
Auxiliary facilities	73,181	71,253	67,176
Other	25,141	24,110	22,652
Total operating revenues	255,033	237,084	215,229
Operating expenses	396,862	372,665	347,503
Operating (loss)	(141,829)	(135,581)	(132,274)
Non-operating revenues (expenses)			
State appropriations	82,991	83,057	81,528
Payments on behalf of the University	60,803	54,600	47,705
Other, net	22,979	22,518	21,324
Net non-operating revenues (expenses)	166,773	160,175	150,557
Capital appropriations	5,770	10,178	2,830
Capital gifts and grants	997	299	2,017
Increase in net assets	31,711	35,071	23,130
Net assets – beginning of year	348,243	313,172	290,042
Net assets – end of year	$ 379,954	$ 348,243	$ 313,172

The return of net assets ratio indicates whether the University is financially better off compared to the previous year by comparing the increase in net assets to beginning net assets. The fluctuations in this ratio are primarily attributable to funding levels of State of Illinois Capital Development Board and Foundation Capital projects.

The Return on Net Assets Ratio (increase in net assets / beginning of year net assets) is:

(Thousands of dollars)

2009	2008	2007
31,711 / 348,243 = 9.11%	35,071 / 313,172 = 11.20%	23,130 / 290,042 = 7.97%

The net operating revenues ratio indicates whether the University is living within available resources. The ratio is computed by comparing operating income <loss> and net non-operating revenues to total operating revenues and total non-operating revenues. These continuing positive ratios demonstrate that University expenditures do not exceed available revenues.

The Net Operating Revenues Ratio (operating income (loss) plus net non-operating revenues (expenses) / operating revenues plus non-operating revenues) is:

(Thousands of dollars)

2009	2008	2007
24,944 / 424,642 = 5.87%	24,594 / 400,173 = 6.15%	18,283 / 368,483 = 4.96%

State appropriations revenue has remained in a range from approximately $83 million to $81 million for fiscal years 2007, 2008 and 2009. The University had enacted tuition and fee increases for fiscal years 2007, 2008 and 2009 to help offset the State appropriation funding trend.

Payments on behalf of the University are comprised of State of Illinois payments for University employees to the State Universities Retirement System and Central Management Services Group Insurance.

Operating Expenses	(Thousands of dollars) 2009	2008	2007
Expenses by Function			
Instruction	$ 106,796	$ 102,858	$ 97,775
Research	14,317	13,945	14,499
Public service	16,374	15,246	12,063
Academic support	13,628	12,741	12,629
Student services	33,846	31,616	30,506
Institutional support	28,556	25,097	24,071
Operation and maintenance of plant	27,500	26,186	23,771
Depreciation	16,720	15,395	14,870
Staff benefits	1,574	1,734	2,273
Student aid	23,817	21,189	18,732
Payments on behalf of the University	59,581	53,493	46,693
Auxiliary facilities	51,785	51,008	47,665
Other	2,368	2,157	1,956
Total operating expenses	$ 396,862	$ 372,665	$ 347,503
Expenses by Natural Classification			
Compensation and benefits	$ 254,001	$ 238,535	$ 225,084
Supplies and services	106,265	101,220	92,378
Scholarships	19,876	17,515	15,171
Depreciation	16,720	15,395	14,870
Total operating expenses	$ 396,862	$ 372,665	$ 347,503

The primary reserve ratio compares unrestricted net assets and certain expendable net assets to total expenses. This ratio is an indicator of how long the University could function by using its reserves without relying on additional net assets generated by operations. This ratio continues to remain strong over the last several years as the University has been successful in increasing net assets while limiting growth in expenditures.

The Primary Reserve Ratio (unrestricted and expendable net assets / total expenses) is:

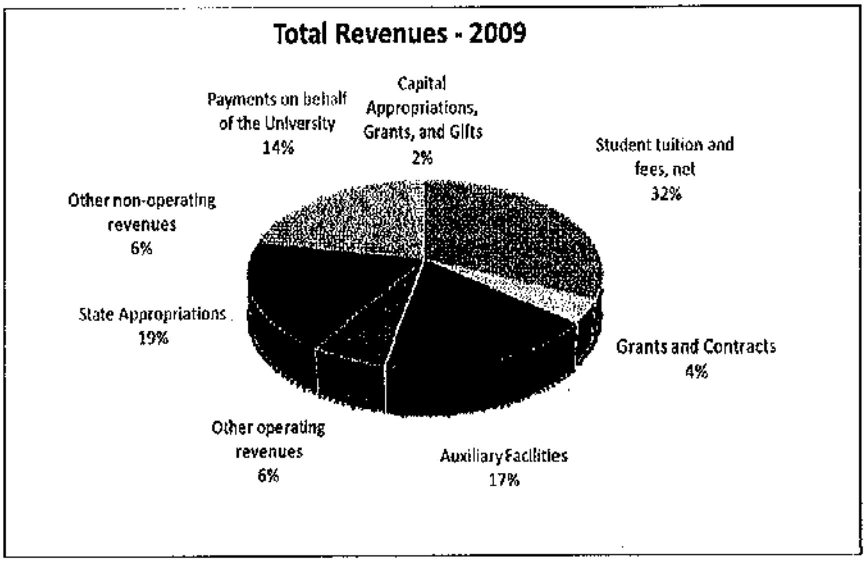
(Thousands of dollars)

2009	2008	2007
116,264 /399,698 = 29.09%	109,926 / 375,579 29.27%	91,758 / 350,200 = 26.20%

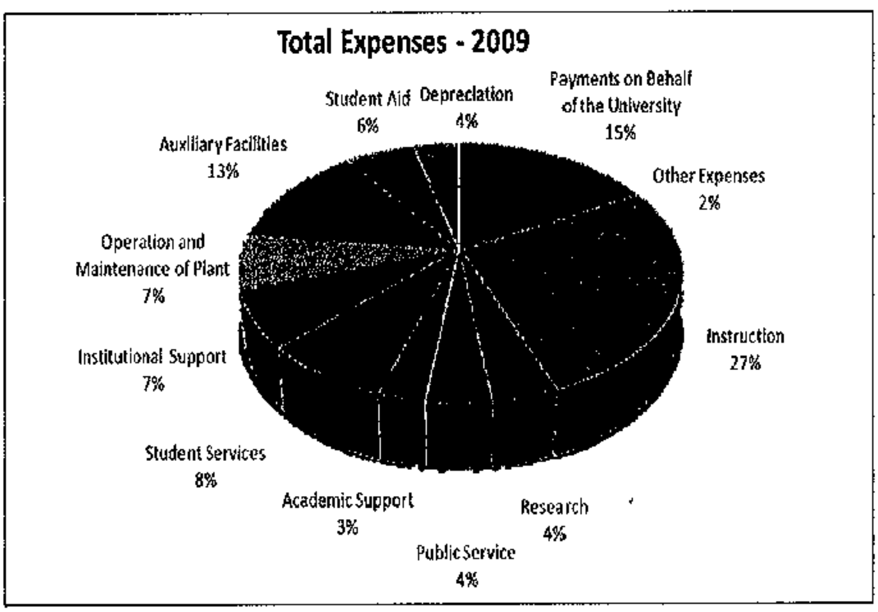
The following summarizes a comparative table of total revenues and total expenses by source/function and percentage:

	Percentage 2009	2008	2007
Revenues by Source			
Student tuition and fees, net	32%	30%	29%
Grants and contracts	4	5	5
Auxiliary facilities	17	17	18
Other operating revenues	6	6	6
State appropriations	19	20	22
Payments on behalf of the University	14	13	13
Other non-operating revenues	6	6	6
Capital appropriations, gifts, and grants	2	3	1
Total revenues percentage	100%	100%	100%
Expenses by Function			
Instruction	27%	28%	28%
Research	4	4	4
Public service	4	4	3
Academic support	3	3	3
Student services	8	8	9
Institutional support	7	7	7
Operation and maintenance of plant	7	7	7
Depreciation	4	4	4
Staff Benefits	1	1	1
Student Aid	6	5	5
Payments on behalf of the University	15	14	13
Auxiliary facilities	13	14	14
Other	1	1	2
Total expenses percentage	100%	100%	100%
Expenses by Natural Classification			
Compensation and benefits	64%	64%	65%
Supplies and services	27	27	27
Scholarships	5	5	4
Depreciation	4	4	4
Total operating percentage	100%	100%	100%

The following graph illustrates total revenues by source:



The following graph illustrates total expenditures by function:



Statements of Cash Flows

The Statements of Cash Flows provide information about the University's cash receipts and cash payments. The statements are divided into five sections. The first section deals with operating cash flows and shows the net cash used for the operating activities of the institution. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and noncapital financing purposes. The third section shows the cash flows from capital and related financing activities. This section shows the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The last section reconciles the operating loss shown on the Statements of Revenues, Expenses, and Changes in Net Assets to the cash used by operating activities on the Statements of Cash Flows.

Following are condensed Statements of Cash Flows for the Years ended June 30, 2009, 2008 and 2007:

	(Thousands of dollars) 2009	2008	2007
Net cash used by operating activities	$ (70,435)	$ (63,981)	$ (66,940)
Cash flows from noncapital financing activities	68,567	101,939	99,309
Cash flows from capital and related financing activities	(63,061)	7,501	(30,541)
Cash flows from investing activities	17,809	7,992	6,105
Net increase (decrease) in cash and cash equivalents	(47,120)	53,451	7,933
Cash – beginning of year	95,133	41,682	33,749
Cash – end of year	$ 48,013	$ 95,133	$ 41,682

The Statements of Cash Flows include cash transactions of internal service departments, gross receipts and disbursements of the agency custodial accounts, and direct lending receipts and disbursements that are not included in the Statements of Revenues, Expenses, and Changes in Net Assets.

Cash and cash equivalents decreased $47.1 million from 2008 to 2009. The decrease is primarily attributable to a $32.8 million delay in reimbursement payments from the State of Illinois and payments for construction projects.

Capital Asset and Debt Administration

The University's capital assets include land, land improvements, infrastructure, buildings, equipment, library books and construction in progress.

The following summarizes a table of capital assets, accumulated depreciation and depreciation expense for fiscal years ended June 30, 2009, 2008 and 2007.

	(Thousands of dollars)		
	2009	2008	2007
Capital Assets	$ 656,418	$ 593,706	$ 552,599
Accumulated Depreciation	301,635	286,331	277,170
Capital Assets, Net	$ 354,783	$ 307,375	$ 275,429
Depreciation Expense	$ 16,720	$ 15,395	$ 14,870

Capital asset funding includes revenue bonds, state capital appropriations, internal funds and certificates of participation. These funding sources are for and including student housing buildings and classroom buildings.

The University primarily uses revenue bonds and, in 2008, certificates of participation to fund construction projects. The University also occasionally uses capital leases for certain equipment.

The following summarizes a table of long-term debt for fiscal years ended June 30, 2009, 2008 and 2007.

	(Thousands of dollars)		
	2009	2008	2007
Revenue Bonds	$ 107,609	$ 111,689	$ 84,892
Certificates of Participation	$ 22,142	$ 22,137	$ -
Capital Leases	$	$ 128	$ 331

In March 2008 the University issued Revenue Bond Series 2008 in the amount of $30.6 million. This funding includes capital projects for auxiliary facilities system buildings.

In June 2008 the University issued Certificates of Participation in the amount of $22.2 million.

At June 30, 2009 the University's bond credit rating from Moody's Investors Service was confirmed as A2 with a stable outlook and the rating from Standard & Poor's was confirmed as A+ with stable outlook. These ratings have resulted from the University's continued stable financial position and strong enrollment demand.

The debt burden ratio examines the dependence on borrowed funds as a source of financing and the cost of borrowing relative to overall expenditures. It compares the level of current debt service with the University's total expenditures.

The Debt Burden Ratio (debt service / total expenses) is:

(Thousands of dollars)		
2009	2008	2007
10,256 / 388,436= 2.64%	8,124 / 365,652 = 2.22%	8,178 / 340,735 = 2.40%

Economic Outlook

In October 2009, the State of Illinois Comptroller issued a report that the State of Illinois continues to be in a major fiscal crisis and the situation continues to deteriorate. The State Comptroller identified two factors that have had a major impact on the deteriorating fiscal position: the steep decline in economy-driven revenues such as personal and corporate income taxes and sales taxes, and record FY2009 lapse period spending. The State Comptroller reported nearly $3 billion in unpaid bills at the end of September 2009. The State Comptroller predicted fiscal pressures would continue well into FY2011 and warned of prolonged payment delays for most categories of state programs and operations including payments to Universities.

In December 2009, Moody's Investors Service revised the University's credit rating to A2 negative outlook from A2 stable outlook. This resulted from the State of Illinois' downgrade from A1 negative to A2 negative. In January 2010, Standard & Poor's revised the University's rating to A+ negative from A+ stable. The State's delays in reimbursing appropriation expenses have caused cash flow stress at seven Illinois public universities resulting in rating downgrades.

State appropriation revenue representing operating support for the fiscal year 2010 of $85.1 million was approved at the same original operating support level as fiscal year 2009. During 2009, the University experienced a 2.5% rescission ($2.1 million) of state appropriation revenue. It is not known at this time if the University will experience a rescission for the fiscal year 2010. The University has developed contingent budget plans to address the uncertainty. It also continues to be successful in increasing other revenue sources while reducing reliance on state appropriations.

The University continues to benefit from record levels of student enrollment demand and student retention.

The University is not aware of any additional facts, decisions, or conditions that might be expected to have a significant effect on the financial position or results of operations during this and future fiscal years.

ILLINOIS STATE UNIVERSITY
STATEMENTS OF NET ASSETS
AS OF JUNE 30

	2009		2008	
	University	Foundation	University	Foundation
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 9,355,388	$ 6,617,650	$ 30,235,722	$ 3,913,679
Restricted cash and cash equivalents	38,657,729	-	64,896,772	-
Investments	24,938,609	880,505	12,046,368	4,953,865
Accrued interest receivable	808,798	-	781,553	14,390
Accounts receivable, net	11,926,536	260,000	9,919,440	374,169
Student loans receivable, net	902,641	-	995,951	-
Pledges receivable, net	-	1,132,711	-	1,171,220
Appropriations receivable from State	33,150,386	-	374,114	-
Inventories	3,332,871	-	2,745,888	-
Prepaid expenses, deposits and other	2,977,412	-	2,528,505	-
Total current assets	126,050,374	8,890,866	124,524,313	10,427,323
Noncurrent Assets:				
Restricted cash and cash equivalents	-	1,044,159	-	1,061,605
Investments	68,452,441	13,376,895	91,609,794	16,630,845
Endowment investments	-	46,243,315	-	57,022,126
Student loans receivable, net	9,043,934	-	9,145,673	-
Pledges receivable, net	-	641,065	-	615,579
Bond issuance costs	2,002,388	-	2,174,349	-
Capital assets, not depreciated	95,405,319	980,000	56,293,742	210,241
Capital assets, net of depreciation	259,377,263	9,285,868	251,080,820	4,072,245
Other noncurrent assets	2,400,000	1,084,892	-	1,010,109
Total noncurrent assets	436,681,345	72,655,192	410,304,378	80,622,750
Total assets	562,731,719	81,546,058	534,828,691	91,050,073
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	18,662,417	701,194	16,609,551	638,900
Obligations payable	144,270	-	402,347	-
Obligations under capital leases	-	-	128,226	-
Assets held in custody for others and deposits	9,409,039	-	9,817,199	-
Deferred revenue	6,489,343	-	7,380,579	-
Certificates of participation	820,298	-	-	-
Revenue bonds payable	5,251,695	-	5,202,348	-
Accrued compensated absences	1,761,291	-	1,712,964	-
Other	-	395,209	-	34,525
Total current liabilities	42,538,353	1,096,403	41,253,214	673,425
Assets held in custody for others and deposits	225,920	-	188,548	-
Certificates of participation	21,321,530	-	22,137,126	-
Revenue bonds payable	102,357,082	-	106,486,910	-
Accrued compensated absences	16,335,191	-	16,519,840	-
Other	-	5,906,595	-	304,033
Total noncurrent liabilities	140,239,723	5,906,595	145,332,424	304,033
Total liabilities	182,778,076	7,002,998	186,585,638	977,458
NET ASSETS				
Invested in capital assets, net of related debt	263,689,706	7,018,142	238,316,724	4,282,486
Restricted for:				
Nonexpendable	-	46,562,613	-	57,442,876
Expendable	9,422,007	23,320,241	9,355,823	25,975,853
Unrestricted	106,841,930	(2,357,936)	100,570,506	2,371,400
Total net assets	$ 379,953,643	$ 74,543,060	$ 348,243,053	$ 90,072,615

The accompanying notes are an integral part of the financial statements.

ILLINOIS STATE UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30

	2009		2008	
	University	Foundation	University	Foundation
OPERATING REVENUES				
Student tuition and fees, net	$ 137,167,496	$ -	$ 122,216,375	$ -
Federal grants and contracts	12,048,123	-	11,623,727	-
State and local grants and contracts	2,695,355	1,910,600	2,906,176	1,728,276
Nongovernmental grants and contracts	4,800,179	-	4,975,043	-
Sales and services of educational activities	2,461,319	-	2,621,885	-
Auxiliary facilities	73,181,556	-	71,253,164	-
Other operating revenues	22,679,369	554,615	21,487,886	40,380
Total operating revenues	255,033,397	2,465,215	237,084,256	1,768,656
OPERATING EXPENSES				
Educational and general:				
Instruction	108,796,366	-	102,858,228	-
Research	14,317,400	-	13,845,458	-
Public service	16,373,915	-	15,246,220	-
Academic support	13,628,645	-	12,740,712	-
Student services	33,845,827	-	31,615,841	-
Institutional support	28,555,692	-	25,096,887	-
Operations	-	2,748,628	-	2,233,341
Operation and maintenance of plant	27,499,940	-	26,185,861	-
Depreciation	16,719,631	422,746	15,394,481	192,567
Staff benefits	1,573,954	-	1,734,276	-
Student aid	23,817,198	2,157,737	21,189,266	2,183,712
Payments on behalf of the University	59,580,738	-	53,493,304	-
Student housing, activity facilities, and parking	51,784,687	-	51,007,542	-
Other operating expenditures	2,368,255	333,031	2,156,939	552,993
Expenditures on behalf of the University	-	5,003,613	-	4,217,707
Total operating expenses	396,862,248	10,665,755	372,665,015	9,380,320
Operating (loss)	(141,828,851)	(8,200,540)	(135,580,757)	(7,611,664)
NONOPERATING REVENUES (EXPENSES)				
State appropriations	82,991,020	-	83,056,800	-
Payments on behalf of the University - State	59,580,738	-	53,493,304	-
Payments on behalf of the University - Foundation	1,222,149	-	1,107,030	-
Laboratory Schools	7,637,498	-	8,865,222	-
Gifts and donations	228,506	7,354,197	425,551	5,530,388
Investment income, net of investment expenses	7,207,850	(15,395,168)	6,509,333	(285,435)
Interest expense	(2,836,093)	(199,991)	(2,914,329)	(2,336)
Other nonoperating revenues	10,741,292	675,739	9,631,433	632,204
Other nonoperating expenses	-	(779,438)	-	(619,894)
Net nonoperating revenues (expenses)	166,772,960	(8,344,661)	160,174,344	5,254,927
Income (loss) before capital items	24,944,109	(16,545,201)	24,593,587	(2,356,737)
Capital appropriations	5,769,786	-	10,178,571	-
Capital grants and gifts	996,695	-	298,909	-
Additions to permanent endowments	-	1,015,646	-	3,335,279
Total capital items	6,766,481	1,015,646	10,477,480	3,335,279
Increase (decrease) in net assets	31,710,590	(15,529,555)	35,071,067	978,542
NET ASSETS				
Net assets - beginning of year	348,243,053	90,072,615	313,171,986	89,094,073
Net assets - end of year	$ 379,953,643	$ 74,543,060	$ 348,243,053	$ 90,072,615

The accompanying notes are an integral part of the financial statements.

ILLINOIS STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30

	2009 University	2008 University
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 132,671,189	$ 116,418,627
Grants and contracts	19,513,516	22,706,590
Payments to suppliers	(95,748,787)	(86,703,289)
Payments to employees for salaries and benefits	(204,302,023)	(195,077,549)
Payments for scholarships and fellowships	(19,876,097)	(17,514,684)
Student loans issued	(1,172,786)	(1,576,758)
Collection of student loans	1,289,474	1,436,069
Auxiliary enterprise charges:		
Auxiliary facilities	73,608,307	71,250,812
Sales and service of educational activities	2,461,319	2,621,885
Payments to internal service departments	(14,250,473)	(14,390,599)
Internal service departments receipts	14,250,473	14,390,599
Agency custodial receipts	78,432,882	68,045,235
Agency custodial disbursements	(79,601,136)	(67,065,260)
Other receipts	22,289,454	21,477,635
Net cash used by operating activities	(70,434,688)	(63,980,687)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	50,214,746	83,556,805
Gifts and grants for other than capital purposes	2,113	936
Student direct lending receipts	87,480,450	68,344,841
Student direct lending disbursements	(87,480,450)	(68,344,841)
Other receipts	10,741,292	9,631,433
Laboratory schools	7,609,097	8,749,683
Net cash provided by noncapital financing activities	68,567,248	101,938,857
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of capital debt:		
Capital long-term debt	-	52,771,734
Gifts and grants for capital purposes	748,279	201,703
Purchases of capital assets	(53,553,143)	(35,724,411)
Principal paid on capital debt and leases:		
Capital debt and leases	(5,458,226)	(5,467,457)
Interest paid on capital debt and leases	(4,797,853)	(2,656,690)
Payments of bond issuance costs	-	(1,624,230)
Net cash provided (used) by capital financing activities	(63,060,943)	7,500,649
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	22,945,000	104,792,000
Interest on investments	5,037,356	6,173,819
Purchase of investments	(10,173,350)	(102,974,375)
Net cash provided by investing activities	17,809,006	7,991,444
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(47,119,377)	53,450,263
BALANCE - BEGINNING OF YEAR	95,132,494	41,682,231
BALANCE - END OF YEAR	$ 48,013,117	$ 95,132,494

ILLINOIS STATE UNIVERSITY
STATEMENTS OF CASH FLOWS - CONTINUED
YEARS ENDED JUNE 30

	2009 University	2008 University
RECONCILIATION		
Operating (loss)	$ (141,828,851)	$ (135,580,757)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:		
Depreciation expense	16,719,631	15,394,481
Payments on behalf of the University	60,802,887	54,600,334
Donated equipment below capitalization threshold	226,393	424,615
Changes in assets and liabilities:		
Accounts receivables, net	(1,755,747)	(1,706,873)
Student loans receivable, net	195,049	(51,703)
Inventories	(586,983)	219,922
Other assets	(2,817,184)	(355,696)
Accounts payable and accrued liabilities	(73,510)	1,677,243
Deferred revenue	(809,264)	586,295
Assets held in custody for others and deposits	(370,788)	910,446
Compensated absences	(136,321)	(98,994)
Net cash used by operating activities	$ (70,434,688)	$ (63,980,687)
SUPPLEMENTAL SCHEDULE OF NONCASH TRANSACTIONS		
Payments on behalf of the University	$ 60,802,887	$ 54,600,334
Donated capital assets	47,360	74,216
Capital appropriation acquisitions	5,769,786	10,178,571
Bond accretion	1,255,825	1,391,377
Donated equipment below capitalization threshold	226,393	424,615
Tuition and fee waivers where services were provided	3,919,558	3,668,300
Construction costs in accounts payable	6,914,561	5,313,627
Investment income unrealized gain and amortization	2,506,538	947,505

The accompanying notes are an integral part of the financial statements.

Note 1. Summary of Significant Accounting Policies

THE FINANCIAL REPORTING ENTITY AND COMPONENT UNIT DISCLOSURES

Illinois State University, which is governed by the Board of Trustees, was founded in 1857 and is the oldest public institution of higher learning in Illinois. As required by generally accepted accounting principles, these financial statements present the financial position and financial activities of the University (the primary unit) and its component unit (the Illinois State University Foundation). The component unit discussed below is included in the University's financial reporting entity (the Entity) due to the significance of its financial relationship with the University and is in accordance with Governmental Accounting Standards Board (GASB) Statement No. 39, an amendment of GASB Statement No. 14.

The Foundation is a University Related Organization as defined under University Guidelines adopted by the State of Illinois Legislative Audit Commission in 1982. The Illinois State University Foundation is reported in a separate column to emphasize that it is an Illinois non-profit organization that is legally separate from the University. Complete financial statements for the Foundation may be obtained by writing the Illinois State University Foundation, Campus Box 8000, Normal, Illinois 61790-8000.

The Foundation was incorporated in May 1948 under the "General Not-for-Profit Corporation Act" for the purpose of providing fund raising and other assistance to the University in order to attract private gifts to support the University's instructional, research, and public service activities. The Foundation is an organization as described in Section 501(c)(3) of the Internal Revenue Code and, accordingly, exempt from federal income tax. *See Note 13, Transactions with Related Organizations.*

The Foundation has formed two limited liability companies (LLC) to carry out the Foundation's mission to assist the University. The Foundation is a sole member of each of these LLCs. The governing board for each LLC, known as "Launching Futures, LLC" and "Launching Futures II, LLC," consists of the executive officers of the Foundation. LLC activity is included as part of the Foundation's financial statements.

Illinois State University is a component unit of the State of Illinois for financial reporting purposes. The financial balances and activities included in these financial statements are also included in the State of Illinois Comprehensive Annual Financial Report.

Financial Statements Presentation: The University's financial statements include the Statements of Net Assets, the Statements of Revenues, Expenses, and Changes in Net Assets, and the Statements of Cash Flows. The financial statements are prepared in accordance with GASB principles and presented on an entity-wide basis. The University has implemented GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, with this report.

Basis of Accounting: For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities, as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenue is recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected to not apply FASB pronouncements issued after the applicable date. The University does follow FASB pronouncements issued prior to November 30, 1989.

Cash and Cash Equivalents: In accordance with GASB Statement No. 9, cash equivalents are defined as short-term, highly liquid investments that are both:

a. Readily convertible to known amounts of cash.
b. So near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

Generally, only investments with original maturities of three months or less meet this definition.

Restricted Cash and Cash Equivalents: Included in restricted cash and cash equivalents is the unspent proceeds from revenue bonds and certificates of participation.

Investments: The University accounts for its investments at fair value as determined by quoted market prices in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statements of Revenues, Expenses, and Changes in Net Assets.

Accounts Receivable: Accounts receivable consist of tuition and fee charges to students and auxiliary facilities service provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Allowance for Uncollectibles: The University provides allowances for uncollectible accounts and student loans receivable based upon management's best estimate of uncollectible accounts and loans at the Statements of Net Assets dates, considering type, age, collection history of receivables, and any other factors as considered appropriate.

Inventories: Inventories are carried at the lower of cost or market on either the first-in, first-out; weighted average; or average cost methods.

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. Livestock for educational purposes is recorded at estimated fair value. For equipment, the University's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life of greater than two years. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. The University reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 40 years for infrastructure and land improvements, 10 years for library books, and 3 to 7 years for equipment.

Capitalization of Interest: Auxiliary Facilities interest is charged to expense as incurred except for interest related to borrowings used for construction projects which is capitalized net of interest earned on construction funds borrowed. Interest capitalization ceases when the construction project is substantially complete. During fiscal years ended 2009 and 2008, the University capitalized $2,989,057 and $1,000,984 net interest expense for construction projects, respectively.

Deferred Revenue: Deferred revenue includes amounts received for tuition and fees, advance ticket sales, and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenue also includes amounts received from grant and contract sponsors that have not yet been earned.

Compensated Absences: Employee vacation and sick pay is accrued at year-end for financial statement purposes. The liability is recorded at year-end as current and long-term liabilities (*see Note 9*) in the Statements of Net Assets. The expense is recorded in the Statements of Revenues, Expenses, and Changes in Net Assets as a component of operating expenses.

Bond Issuance Costs: The costs related to the issuance of revenue bonds and certificates of participation are being amortized over the life of the bonds and/or certificates using the straight line method.

Employment Contracts for Certain Academic Personnel: Employment contracts for certain academic personnel provide for twelve monthly salary payments, although the contracted services are rendered during a nine month period. The liability for those employees who have completed their contracted services, but have not yet received final payment, was $4,174,592 and $3,841,713 at June 30, 2009 and 2008, respectively, and is recorded in the accompanying financial statements.

Noncurrent Liabilities: Noncurrent liabilities include (1) principal amounts of revenue bonds payable, certificates of participation, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

Net Assets: The University's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets - nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted net assets - expendable: Restricted expendable net assets include resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary facilities. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary facilities, which are substantially self-supporting activities that provide services for students, faculty and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Income Taxes: Certain activities of the University are subject to State sales tax and some activities may be subject to taxation as unrelated business income under the Internal Revenue Code.

Classification of Revenue: The University has classified its revenue as either operating or nonoperating revenue according to the following criteria:

***Operating revenue*:** Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary facilities, net of scholarship discounts and allowances, (3) most Federal, state and local grants and contracts except for training and (4) interest on institutional student loans.

Non-operating revenue: Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenue by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations and investment income.

Scholarship Discounts and Allowances: Student tuition and fee revenue, and certain other revenue from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses, and Changes in Net Assets using the NACUBO Advisory Report 2000-05 alternate method calculations. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or nongovernmental programs, are recorded as either operating or non-operating revenue in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

	2009	2008
Student tuition and fees	$ 164,672,175	$ 146,801,524
Less scholarship discounts and allowances	(26,947,890)	(24,113,585)
Less discounts for employee waivers	(556,789)	(471,564)
Net student tuition and fees	$ 137,167,496	$ 122,216,375
Auxiliary facilities	$ 81,576,707	$ 79,558,092
Less scholarship discounts and allowances	(8,395,151)	(8,304,928)
Net auxiliary facilities	$ 73,181,556	$ 71,253,164

Use of Estimates in Preparing Financial Statements: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications: Certain prior year amounts have been reclassified to conform to current year presentations.

Note 2. Deposits

At June 30, 2009 and 2008, the University's bank balances were $8,638,232 and $257,497, respectively, and were covered by the Federal Deposit Insurance Corporation or pledged collateral. Excess funds in the University's secondary checking account are transferred to a U.S. Treasury money market account at the close of business each day. Outstanding items in excess of the bank account balance are netted against the U.S. Treasury money market account which has been included in investments for categorization purposes.

Foundation Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, deposits may not be returned. The Federal Deposit Insurance Corporation or the Security Investor Protection Corporation insured account had a balance of $68,395 and $42,694 at June 30, 2009 and 2008, respectively. Bank balances of $7,790,975 at June 30, 2009 and $6,554,275 at June 30, 2008 were invested in investment sweep funds secured by U.S. government obligations. In addition, at June 30, 2009, $920,087 was in uninsured cash awaiting investment account and was subsequently invested as of July 31, 2009. The Foundation does not have a formal deposit policy for custodial credit risk.

DEPOSITS:	2009		2008	
University	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Bank Checking Funds	$ 8,638,232	$ 3,962,121	$ 257,497	$ -
Foundation				
Cash in bank	$ 8,779,457	$ 7,661,809	$ 6,596,969	$ 4,975,284

Reconciliation of cash and cash equivalents to deposits:

	2009 University	2009 Foundation
Cash and cash equivalents		
Current	$ 48,013,117	$ 6,617,650
Noncurrent	-	1,044,159
Total cash and cash equivalents	48,013,117	7,661,809
Less: Vault cash and change funds	(196,800)	-
Less: Money market mutual funds classified as investments for purposes of categorization	(43,854,196)	-
Carrying amount of deposits	$ 3,962,121	$ 7,661,809

	2008 University	2008 Foundation
Cash and cash equivalents		
Current	$ 95,132,494	$ 3,913,679
Noncurrent	-	1,061,605
Total cash and cash equivalents	95,132,494	4,975,284
Less: Vault cash and change funds	(220,742)	-
Less: Money market mutual funds classified as investments for purposes of categorization	(94,911,752)	-
Carrying amount of deposits	$ -	$ 4,975,284

Note 3. Investments

Investments are recorded at fair market value, as determined by quoted market prices.

UNIVERSITY INVESTMENTS

As of June 30, 2009, the University had the following investments:

	Fair Market Value	Less Than 1 Year	1 to 6 Years	S&P/Moody's Rating
U.S. Treasuries	$ 8,442,630	$ -	$ 8,442,630	
Federal Farm Credit Bank	29,723,840	2,598,450	27,125,390	AAA/Aaa
Federal National Mortgage Association	8,235,630	3,030,930	5,204,700	AAA/Aaa
Federal Home Loan Mortgage Corporation	7,070,449	7,070,449	-	AAA/Aaa
Federal Home Loan Bank	39,918,501	12,238,780	27,679,721	AAA/Aaa
Illinois Funds Investment Pool	2,717,215	2,717,215	-	AAAm
Bank Money Market Funds	41,136,981	41,136,981	-	Not Rated
Total University	$ 137,245,246	$ 68,792,805	$ 68,452,441	

Interest Rate Risk: The University does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk: The University places no limit on the amount that may be invested in any one issuer. More than 5% of the University investments are in Federal Farm Credit Bank (21.66%), Federal Home Loan Bank (29.09%), Federal National Mortgage Association (6.00%), and Federal Home Loan Mortgage Corporation (5.15%).

Credit Risk: State law authorizes investments of U.S. Government Securities (Treasuries and Agencies), commercial paper (not more than 33% of total cash and investments), money market mutual funds and repurchase agreements. The University's investments are rated by Moody's Investors Service and Standard and Poor's Corporation.

As of June 30, 2008, the University had the following investments:

	Fair Market Value	Less Than 1 Year	1 to 6 Years	S&P/Moody's Rating
U.S. Treasuries	$ 8,298,060	$ -	$ 8,298,060	
Federal Farm Credit Bank	34,940,003	4,516,208	30,423,795	AAA/Aaa
Federal National Mortgage Association	5,078,140	2,005,000	3,073,140	AAA/Aaa
Federal Home Loan Mortgage Corporation	4,013,283	-	4,013,283	AAA/Aaa
Federal Home Loan Bank	51,326,676	5,525,160	45,801,516	AAA/Aaa
Illinois Funds Investment Pool	23,768,626	23,768,626	-	AAAm
Bank Money Market Funds	71,143,126	71,143,126	-	Not Rated
Total University	$ 198,567,914	$ 106,958,120	$ 91,609,794	

Concentration of Credit Risk: The University places no limit on the amount that may be invested in any one issuer. More than 5% of the University investments are in Federal Farm Credit Bank (17.6%) and Federal Home Loan Bank (25.85%).

FOUNDATION INVESTMENTS

The carrying value of the investment portfolio of the Foundation at June 30, 2009 and 2008 is as follows:

	2009	2008
Common Stock	$ 239,286	$ 344,490
Mutual Funds – investing in:		
Stocks	27,967,754	35,461,095
Bonds	8,921,853	12,465,827
Commodities	1,619,318	2,842,348
International	6,763,133	6,969,606
U.S. Government Securities	381,345	-
Bank Common Trusts	904,170	5,228,105
Limited Partnerships	5,745,501	5,931,741
Hedged and Alternative Funds	7,356,724	8,762,993
Real Estate Investment	600,631	600,631
Total Foundation	$ 60,499,715	$ 78,606,836

Interest Rate Risk: The Foundation's investment policy requires the average duration of the fixed income portfolio to be within 20% of the duration of the index to which the portfolio is benchmarked.

Foreign Currency Risk. Foreign currency risk exists when there is a possibility that changes in exchange rates could adversely affect investments denominated in foreign currencies. The Foundation does not have a formal policy that addresses foreign currency risk.

As of June 30, 2009, the Foundation had $6,417,509 U.S. dollar balances of international mutual fund investments exposed to foreign currency risk. Listed below are the U.S dollar balances of the Foundation's international mutual fund investments exposed to foreign currency risk as of June 30, 2009:

	International Equity	Emerging Markets	Total
Euro	$ 1,154,933	$ -	$ 1,154,933
British Pound	901,909	-	901,909
Japanese Yen	1,126,365	-	1,126,365
Taiwanese Dollar	-	343,309	343,309
Chinese Yuan	53,053	576,651	629,704
South Korean Won	32,648	335,262	367,910
Other (individually below 5% of total)	648,885	1,244,494	1,893,379
Total	$ 3,917,793	$ 2,499,716	$ 6,417,509

Credit Risk: Credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its obligations. The Foundation's investment policy states that no more than 25% of the fixed income portfolio may be rated below investment grade.

As of June 30, 2009, the Foundation had the following investments exposed to interest rate risk and credit risk:

		Fair Market Value	Effective Duration	S&P Rating
Bond Mutual Funds	$	8,921,853	3.9 years	AA
Bank Common Trusts		904,170	.1 year	AA
Commodities Mutual Fund		1,619,318	.5 year	AA+
U.S. Government Securities Fund		381,345	.1 year	

As of June 30, 2008, the Foundation had the following investments exposed to interest rate risk and credit risk:

		Fair Market Value	Effective Duration	S&P Rating
Bond Mutual Funds	$	12,465,827	4.8 years	AA
Bank Common Trusts		5,228,105	3.1 months	AAA
Commodities Mutual Funds		2,842,348	1.4 years	AA+

Duration is a measure of a fixed income's cash flows using present values, weighted for cash flows as a percentage of the investment's full price. Effective duration makes assumptions regarding the most likely timing and amounts of variable cash flows arising from such investments as callable bonds, prepayments, and variable-rate debt.

INVESTMENTS CONSIST OF THE FOLLOWING:

	2009		2008	
	University	Foundation	University	Foundation
Current:				
Investments	$ 24,938,609	$ 880,505	$ 12,046,368	$ 4,953,865
Restricted investments	-	-	-	-
Noncurrent:				
Investments	68,452,441	13,375,895	91,609,794	16,630,845
Restricted investments	-	-	-	-
Endowment investments	-	46,243,315	-	57,022,126
	93,391,050	60,499,715	103,656,162	78,606,836
Money market mutual funds classified as cash and cash equivalents	43,854,196	-	94,911,752	-
Total	$ 137,245,246	$ 60,499,715	$ 198,567,914	$ 78,606,836

Bond resolutions restrict investments in the Auxiliary Debt Retirement account to U.S. Government Securities. All other auxiliary facilities money may be invested in any instrument permitted by the laws of the State of Illinois for the investment of public funds.

Foundation policy states that assets are to be invested in a diversified portfolio of equity, fixed income, and alternative securities. No investment is to be made that will cause the total investment in equities or fixed income securities issued or guaranteed by any one person, firm, or corporation to exceed five percent of the then fair market value of the Foundation, provided, this restriction is not to apply to either well diversified mutual funds, pooled funds, unit trust, or the like, or direct obligations of the U.S. Government and its fully guaranteed agencies. Equity investments have an asset allocation range from 70% to 80% of the portfolio with a target weight of 75% with fixed income investments ranging from 20% to 30% with a target weight of 25%.

Note 4. Accounts Receivable

Accounts receivable consist of the following at June 30, 2009 and 2008:

	2009	2008
Student tuition and fees	$ 8,353,095	$ 7,512,362
Auxiliary facilities and other operating activities	2,274,747	2,428,953
Other	1,125,082	658,701
Federal, state, and private grants and contracts	2,484,919	1,480,207
Sub-total	14,237,843	12,080,223
Less allowance for uncollectible accounts	(2,311,305)	(2,160,783)
Net Accounts Receivable	$ 11,926,538	$ 9,919,440

Note 5. Student Loans Receivable

Student loans receivable at June 30, 2009 and 2008 are summarized as follows:

	2009	2008
Perkins student loan fund	$ 10,415,532	$ 10,675,448
Nursing loan fund	357,066	347,263
University loan fund	86,761	56,697
Sub-total	10,859,359	11,079,408
Less allowance for uncollectible accounts	(912,784)	(937,784)
Net Student Loans Receivable	$ 9,946,575	$ 10,141,624
Estimated current portion	$ 902,641	$ 995,951
Estimated noncurrent portion	9,043,934	9,145,673
Total	$ 9,946,575	$ 10,141,624

Note 6. Foundation Pledges Receivable

Foundation pledges receivable at June 30, 2009 and 2008 are summarized as follows:

		2009		2008
Pledges to be collected	$	1,957,318	$	1,987,379
Less discount for the time value of money		(36,743)		(51,527)
Less allowance for uncollectible accounts		(146,799)		(149,053)
Net Foundation Pledges Receivable	$	1,773,776	$	1,786,799
Estimated current portion	$	1,132,711	$	1,171,220
Estimated noncurrent portion		641,065		615,579
Total	$	1,773,776	$	1,786,799

Note 7. Deferred Revenue

Deferred revenue consists of the following at June 30, 2009 and 2008:

		2009		2008
Prepaid tuition and fees	$	4,497,009	$	4,335,740
Auxiliary facilities		587,955		564,516
Grants and contracts		1,305,350		2,315,620
Other		99,029		164,703
Deferred Revenue	$	6,489,343	$	7,380,579

Note 8. Capital Assets

Capital assets activity for the year ended June 30, 2009 is summarized as follows:

University

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital assets not being depreciated					
Land	$ 14,158,006	$ -	$ -	$ -	$ 14,158,006
Construction in progress	42,135,736	51,743,660	-	(12,632,083)	81,247,313
Total capital assets not being depreciated	$ 56,293,742	$ 51,743,660	$ -	$ (12,632,083)	$ 95,405,319
Capital assets being depreciated					
Land improvements	$ 23,259,204	$ -	$ -	$ 3,260,421	$ 26,519,625
Infrastructure	12,682,559	-	-	-	12,682,559
Buildings	368,843,789	3,212,347	-	9,371,662	381,427,798
Equipment	65,378,926	5,918,745	1,539,128	-	69,758,543
Library materials	67,247,586	3,376,425	-	-	70,624,011
Total capital assets being depreciated	$ 537,412,064	$ 12,507,517	$ 1,539,128	$ 12,632,083	$ 561,012,536
Less accumulated depreciation for					
Land improvements	$ 8,117,922	$ 733,634	$ -	$ -	$ 8,851,556
Infrastructure	5,447,986	311,789	-	-	5,759,775
Buildings	170,776,707	7,574,796	-	-	178,351,503
Equipment	50,584,344	4,908,822	1,415,602	-	54,077,564
Library materials	51,404,285	3,190,590	-	-	54,594,875
Total accumulated depreciation	$ 286,331,244	$ 16,719,631	$ 1,415,602	$ -	$ 301,635,273
Total capital assets being depreciated, net	$ 251,080,820	$ (4,212,114)	$ 123,526	$ 12,632,083	$ 259,377,263
Capital assets, net	$ 307,374,562	$ 47,531,546	$ 123,526	$ -	$ 354,782,582

Foundation

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital assets not being depreciated	$ 210,241	$ 980,000	$ -	$ (210,241)	$ 980,000
Capital assets being depreciated	4,774,004	5,426,126	-	210,241	10,410,371
Less accumulated depreciation	701,759	422,746	-	-	1,124,505
Total capital assets being depreciated, net	$ 4,072,245	$ 5,003,380	$ -	$ 210,241	$ 9,285,866
Capital assets, net	$ 4,282,486	$ 5,983,380	$ -	$ -	$ 10,265,866

Capital assets activity for the year ended June 30, 2008 is summarized as follows:

University

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital assets not being depreciated					
Land	$ 14,158,006	$ -	$ -	$ -	$ 14,158,006
Construction in progress	26,559,721	38,080,212	-	(22,504,197)	42,135,736
Total capital assets not being depreciated	$ 40,717,727	$ 38,080,212	$ -	$ (22,504,197)	$ 56,293,742
Capital assets being depreciated					
Land improvements	19,484,166	24,301	135,704	3,886,441	23,259,204
Infrastructure	12,682,559	-	-	-	12,682,559
Buildings	352,089,630	1,257,528	3,121,125	18,617,756	368,843,789
Equipment	63,598,518	4,863,922	3,083,514	-	65,378,926
Library materials	64,026,171	3,221,415	-	-	67,247,586
Total capital assets being depreciated	$ 511,881,044	$ 9,367,166	$ 6,340,343	$ 22,504,197	$ 537,412,064
Less accumulated depreciation for					
Land improvements	$ 7,618,034	$ 635,592	$ 135,704	$ -	$ 8,117,922
Infrastructure	5,136,133	311,853	-	-	5,447,986
Buildings	166,744,884	7,152,948	3,121,125	-	170,776,707
Equipment	49,123,600	4,436,686	2,975,942	-	50,584,344
Library materials	48,546,883	2,857,402	-	-	51,404,285
Total accumulated depreciation	$ 277,169,534	$ 15,394,481	$ 6,232,771	$ -	$ 286,331,244
Total capital assets being depreciated, net	$ 234,711,510	$ (6,027,315)	$ 107,572	$ 22,504,197	$ 251,080,820
Capital assets, net	$ 275,429,237	$ 32,052,897	$ 107,572	$ -	$ 307,374,562

Foundation

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital assets not being depreciated	$ 1,612,663	$ 1,043,162	$ -	$ (2,445,584)	$ 210,241
Capital assets being depreciated	2,316,658	11,762	-	2,445,584	4,774,004
Less accumulated depreciation	509,192	192,567	-	-	701,759
Total capital assets being depreciated, net	$ 1,807,466	$ (180,805)	$ -	$ 2,445,584	$ 4,072,245
Capital assets, net	$ 3,420,129	$ 862,357	$ -	$ -	$ 4,282,486

Note 9. Long-term Liabilities

UNIVERSITY LONG-TERM LIABILITIES

Long-term liability activity at June 30, 2009 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Total				
Accrued compensated absences	$ 18,232,804	$ 1,611,943	$ 1,748,265	$ 18,096,482
Certificates of participation	22,137,126	-	(4,702)	22,141,828
Revenue bonds payable	111,689,258	1,255,825	5,336,306	107,608,777
Total	$ 152,059,188	$ 2,867,768	$ 7,079,869	$ 147,847,087
Current portion				
Accrued compensated absences	$ 1,712,964			$ 1,761,291
Certificates of participation	-			820,298
Revenue bonds payable, net	5,202,348			5,251,695
Total current portion	$ 6,915,312			$ 7,833,284
Noncurrent portion				
Accrued compensated absences	$ 16,519,840			$ 16,335,191
Certificates of participation	22,137,126			21,321,530
Revenue bonds payable, net	106,486,910			102,357,082
Total noncurrent portion	$ 145,143,876			$ 140,013,803

Long-term liability activity at June 30, 2008 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Total				
Accrued compensated absences	$ 18,331,798	$ 1,623,440	$ 1,722,434	$ 18,232,804
Certificates of participation	-	22,137,126	-	22,137,126
Revenue bonds payable	84,891,698	32,026,377	5,228,817	111,689,258
Total	$ 103,223,496	$ 55,786,943	$ 6,951,251	$ 152,059,188
Current portion				
Accrued compensated absences	$ 1,690,896			$ 1,712,964
Revenue bonds payable, net	4,391,826			5,202,348
Total current portion	$ 6,082,722			$ 6,915,312
Noncurrent portion				
Accrued compensated absences	$ 16,640,902			$ 16,519,840
Certificates of participation	-			22,137,126
Revenue bonds payable, net	80,499,872			106,486,910
Total noncurrent portion	$ 97,140,774			$ 145,143,876

Revenue bonds payable at June 30, 2009 and 2008 consists of the following:

	2009	2008
Revenue Bonds, Series 1989:		
Capital Appreciation Bonds	$ 7,684,674	$ 10,841,412
Insured Revenue Bonds, Series 1993:		
Capital Appreciation Bonds	1,432,504	1,348,967
Revenue Bonds, Series 1996:		
Capital Appreciation Bonds	8,972,745	8,468,720
Revenue Bonds, Series 2003:		
New Project Bonds	5,769,650	6,182,185
Current Refunding Bonds	9,584,279	9,637,696
Revenue Bonds, Series 2006:		
New Project Bonds	38,792,576	38,754,302
Current Refunding Bonds	4,737,349	5,820,976
Revenue Bonds, Series 2008		
New Project Bonds	30,635,000	30,635,000
Total revenue bonds payable	$ 107,608,777	$ 111,689,258

Maturities and interest requirements on revenue bonds payable at June 30, 2009, are as follows:

Year Ending June 30	Principal	Interest	Total
2010	$ 5,380,000	$ 3,893,839	$ 9,273,839
2011	6,280,000	3,839,414	10,119,414
2012	6,190,000	3,757,986	9,947,986
2013	6,330,000	3,617,701	9,947,701
2014	6,625,000	3,347,217	9,972,217
Sub-total	30,805,000	18,456,157	49,261,157
2015-2019	24,640,000	14,758,761	39,398,761
2020-2024	20,160,000	11,203,324	31,363,324
2025-2029	22,590,000	6,617,997	29,207,997
2030-2033	14,645,000	1,455,480	16,100,480
Sub-total	112,840,000	$ 52,491,719	$ 165,331,719
Additions(Deductions):			
Unaccreted Appreciation	(4,640,076)		
Unamortized Discounts	(875,076)		
Unamortized Premiums	283,929		
Total	$ 107,608,777		

The Series 1989, 1993, 1996, 2003, 2006, and 2008 bonds are secured by a pledge of the net revenue of auxiliary facilities, as well as the pledged portion of the tuition, health service and athletic & service fees charged to students.

On October 1, 1989, $11,702,450 in Revenue Bonds, Series 1989 were issued. The Series 1989 Bonds consisted of $7,770,000 in Current Interest Bonds and $3,932,450 in Capital Appreciation Bonds. The Current Interest Bonds mature annually on April 1, commencing April 1, 2013, through April 1, 2014, and bear interest at 7.40%. Interest is payable on April 1 and October 1 of each year, commencing April 1, 1990. The Capital Appreciation Bonds have a principal at maturity of $17,065,000 and an original issue discount of $13,132,550. The original issue discount is being accreted to interest expense over the term of the bonds. The Capital Appreciation bonds mature semi-annually commencing April 1, 2008, through October 1, 2012. The Capital Appreciation bonds were issued at prices to yield 7.30% to 7.35% at maturity.

On June 23, 1993, $10,221,971 in Insured Revenue Bonds, Series 1993 were issued. The Series 1993 Bonds consisted of $9,675,000 in Current Interest Bonds and $546,971 in Capital Appreciation Bonds. The Current Interest Bonds were called and redeemed in full on April 10, 2003. The Capital Appreciation Bonds have a principal at maturity of $1,665,000 and an original issue discount of $1,118,029. The original issue discount is being accreted to interest expense over the term of the bonds. The Capital Appreciation Bonds yield 6.10% interest and mature October 1, 2011, and April 1, 2012.

On December 10, 1996, $18,101,018 in Revenue Bonds, Series 1996 were issued. The Series 1996 Bonds consisted of $13,760,000 in Current Interest Bonds and $4,341,018 in Capital Appreciation Bonds. The Current Interest Bonds mature beginning April 1, 1999, and continuing through April 1, 2013. These Current Interest Bonds bear interest from 4.30% to 5.40%. Interest is payable on April 1 and October 1 of each year, commencing April 1, 1997. The Capital Appreciation Bonds have a principal at maturity of $12,755,000 and an original issue discount of $8,413,982. The original issue discount is being accreted to interest expense over the term of the bonds. The Capital Appreciation Bonds yield 5.80% to 5.90% interest and mature annually commencing April 1, 2014, through April 1, 2016.

On March 11, 2003, $16,905,000 in Revenue Bonds, Series 2003 were issued. The Series 2003 Bonds consisted of $7,570,000 of New Project Bonds and $9,335,000 in Current Refunding Bonds. The New Project Bonds mature beginning April 1, 2004, and continuing through April 1, 2023. These New Project Bonds bear interest from 2.00% to 4.70%. Interest is payable on April 1 and October 1 of each year, commencing October 1, 2003. The Current Refunding Bonds mature beginning April 1, 2012, and continuing through April 1, 2014. The Current Refunding Bonds bear interest from 4.00% to 5.00%. Interest is payable on April 1 and October 1 of each year, commencing October 1, 2003.

On March 21, 2006, $45,595,000 in Revenue Bonds, Series 2006 were issued. The Series 2006 Bonds consisted of $39,625,000 of New Project Bonds and $5,970,000 in Current Refunding Bonds. The New Project Bonds mature beginning April 1, 2017, and continuing through April 1, 2031. These New Project Bonds bear interest from 3.90% to 4.40%. Interest is payable on April 1 and October 1 of each year, commencing October 1, 2006. The Current Refunding Bonds mature beginning April 1, 2007, and continuing through April 1, 2013. The Current Refunding Bonds bear interest from 3.35% to 3.70%. Interest is payable on April 1 and October 1 of each year, commencing October 1, 2006.

Proceeds from the sale of the Series 2006 Current Refunding Bonds, were used to provide for the advance refunding of a portion of the Series 1996 Bonds and to pay certain expenses related to the issuance of the bonds. The Series 1996 Current Interest Bonds were redeemed with a call premium of 2% for a total of $5,829,300 on October 1, 2006. The Series 1996 Bonds had a book value of $5,674,321 and unamortized issuance costs of $45,332. Although the advanced refunding resulted in the recognition of an accounting loss of $227,321 for the year ended June 30, 2006, the issuance of the 2006 refunding bonds at lower interest rates will cause aggregate debt service payments to be decreased by $209,511 and will result in an economic gain or present value gain of $190,972 over the life of the refunded bonds.

On March 1, 2008, $30,635,000 in Revenue Bonds, Series 2008 were issued. The New Project Bonds mature beginning April 1, 2011, and continuing through April 1, 2033. These New Project Bonds bear interest from 2.70% to 5.00%. Interest is payable on April 1 and October 1 of each year, commencing October 1, 2008.

As a requirement of issuing revenue bonds the University is subject to certain covenants. The University monitors its compliance with these covenants and is not aware of violations of these covenants.

PLEDGED REVENUES & DEBT SERVICE REQUIREMENTS

The University has pledged fees relating to tuition, health services, athletics, health insurance, student activities and all other fees (excluding laboratory, and library fees) collected from students, to repay the principal and interest of revenue bonds. A total of $165,331,719 of future revenues is pledged through 2033. Debt service to pledged revenues for the current year is 7.27 %.

DEFEASED BONDS

In June 1993, the University defeased a portion of the Series 1989 bonds by creating a separate irrevocable trust fund. New debt (series 1993 bonds) was issued and the proceeds used to purchase U.S. Treasury securities that were placed in the trust fund. The investments and fixed earnings from the investment are sufficient to service the defeased amount until the debt matures. For financial reporting purposes, the debt has been considered defeased and removed as a liability on the Statements of Net Assets. The defeased debt outstanding for the years ended June 30, 2009 and 2008 was $10,521,652 and $10,330,032, respectively.

CERTIFICATES OF PARTICIPATION PAYABLE

On June 4, 2008, $22,230,000 in Certificates of Participation were issued. The Series 2008 Certificates of Participation mature beginning April 1, 2010 and continuing through April 1, 2028. These Certificates of Participation bear interest from 3.00% to 4.50%. Interest is payable on April 1 and October 1 of each year, commencing October 1, 2008.

Maturities and interest requirements on certificates of participation at June 30, 2009, are as follows:

Year Ending June 30	Principal	Interest	Total
2010	$ 825,000	$ 891,600	$ 1,716,600
2011	855,000	866,850	1,721,850
2012	875,000	839,063	1,714,063
2013	910,000	810,625	1,720,625
2014	935,000	778,775	1,713,775
Sub-total	4,400,000	4,186,913	8,586,913
2015-2019	5,250,000	3,335,600	8,585,600
2020-2024	6,410,000	2,189,088	8,599,088
2025-2028	6,170,000	701,588	6,871,588
Sub-total	22,230,000	$ 10,413,189	$ 32,643,189
Additions(Deductions):			
Unamortized Discounts	(88,172)		
Total	$ 22,141,828		

ACCRUED COMPENSATED ABSENCES

Compensated absences consist of accrued vacation and sick leave. The total for accrued vacation and sick leave for the University is shown below:

	Vacation	Sick	Total
2009	$ 10,052,222	$ 8,044,260	$ 18,096,482
2008	$ 9,623,629	$ 8,609,175	$ 18,232,804

FOUNDATION LONG-TERM LIABILITIES

Long-term liability activity at June 30, 2009 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Total				
Beneficiary payments	$ 338,558	$ 15,522	$ -	$ 354,080
Deferred rent	-	3,000,000	300,000	2,700,000
Contract-for-deed payable	-	3,300,000	52,276	3,247,724
Total	$ 338,558	$ 6,315,522	$ 352,276	$ 6,301,804
Current portion				
Beneficiary payments	$ 34,525			$ 34,525
Deferred rent	-			300,000
Contract-for-deed payable	-			60,684
Total current portion	$ 34,525			$ 395,209
Noncurrent portion				
Beneficiary payments	$ 304,033			$ 319,555
Deferred rent	-			2,400,000
Contract-for-deed payable	-			3,187,040
Total noncurrent portion	$ 304,033			$ 5,906,595

Long-term liability activity at June 30, 2008 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Total				
Beneficiary payments	$ 305,893	$ 32,665	$ -	$ 338,558
Notes payable	100,000	-	100,000	-
Total	$ 405,893	$ 32,665	$ 100,000	$ 338,558
Current portion				
Beneficiary payments	$ 34,525			$ 34,525
Notes payable	100,000			-
Total current portion	$ 134,525			$ 34,525
Noncurrent portion				
Beneficiary payments	$ 271,368			$ 304,033
Total noncurrent portion	$ 271,368			$ 304,033

FOUNDATION CONTRACT-FOR-DEED PAYABLE

A contract at June 30, 2009 consisted of a $3,300,000 installment contract-for-deed secured by the Alumni Center building. The contract requires 119 monthly payments of $22,500 at 6.5% interest with a final payment of the remaining outstanding balance.

Maturities and interest requirements on the contract payable at June 30, 2009, are as follows:

Year Ending June 30	Principal	Interest	Total
2010	$ 60,684	$ 209,316	$ 270,000
2011	64,749	205,251	270,000
2012	69,085	200,915	270,000
2013	73,712	196,288	270,000
2014	78,649	191,351	270,000
Sub-total	346,879	1,003,121	1,350,000
2015-2019	2,900,845	722,790	3,623,635
Sub-total	$ 3,247,724	$ 1,725,911	$ 4,973,635

Note 10. Leases

CAPITALIZED LEASES

Certain leases in which the Board of Trustees, governing board of the University, is the lessee are considered to be equivalent to installment purchases for accounting presentation. The assets recorded under these leases have been capitalized at the present value of future lease payments, measured at lease inception date as required by Financial Accounting Standards Board (FASB) Statement No. 13. Cost and accumulated depreciation for these capital assets $671,729 and $278,294 at June 30, 2008, respectively.

Obligations under capital leases activity at June 30, 2009 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Obligations under capital leases	$ 128,226	$ -	$ 128,226	$ -
Current portion	128,226			

Obligations under capital leases activity at June 30, 2008 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Obligations under capital leases	$ 330,683	$ -	$ 202,457	$ 128,226
Current portion	202,457			128,226
Noncurrent portion	128,226			-

OPERATING LEASES

The University has entered into agreements to lease recreational space and office space that the University is treating as operating leases. Rent expense for the years ended June 30, 2009 and 2008 was $867,419 and $512,402, respectively. The leases expire between July 2009 and June 2018. Following is a schedule of future minimum lease payments.

Year Ending June 30		Building
2010	$	936,239
2011		625,296
2012		603,996
2013		578,004
2014		530,004
2015-2018		2,120,016
Total	$	5,393,555

In 1990, the Foundation established a Chicago office to provide the University with direct access to Chicago area alumni, corporation, and Foundation networks. Lease payments for the Chicago office were $61,626 in 2009 and $61,327 in 2008. The current lease has been amended to expire on December 31, 2014. In addition, the Foundation leases a vehicle for the Executive Director of the Foundation and fifteen vehicles for the University Athletic Department employees at a cost of $65,512 in 2009 and $73,245 in 2008. The lease for the Executive Director expired in the fiscal year ending June 30, 2009. Thirteen of the Athletic Department vehicles expire in the fiscal year ending June 30, 2011, and the remaining two vehicle leases expire in the fiscal year ending June 30, 2012. The following is a schedule of future minimum lease payments for both.

Year Ending June 30		Building		Vehicles
2010	$	72,850	$	64,430
2011		74,258		31,372
2012		75,665		2,208
2013		77,073		-
2014		78,480		-
2015		39,592		-
Total	$	417,918	$	98,010

Note 11. State Universities Retirement System (SURS)

Plan Description: Illinois State University contributes to the State Universities Retirement System of Illinois (SURS), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation whereby the State of Illinois makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941 to provide retirement annuities and other benefits for staff members and employees of the State universities, certain affiliated organizations, and certain other State educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the State's financial reports as a pension trust fund. SURS is governed by Section 5/15, Chapter 40, of the Illinois Compiled Statutes. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.SURS.org, or by calling 1-800-275-7877.

Funding Policy: Plan members are required to contribute 8.0% of their annual covered salary and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The current rate is 18.61% (for FY 2010) of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly. The employer contributions to SURS for the years ending June 30, 2009, 2008, and 2007, were $19,954,109, $15,141,102, and $11,217,492, respectively, equal to the required contributions for each year.

Note 12. Post-employment Benefits

The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Healthcare and Family Services along with the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute towards health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service do not have to contribute towards health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes $5,000.

The State pays Illinois State University's portion of employer costs for the benefits provided. The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as an expenditure by the State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Healthcare and Family Services. A copy of the financial statements of the Department of Healthcare and Family Services may be obtained by writing to the Department of Healthcare and Family Services, 201 South Grand Ave., Springfield, Illinois, 62763-3838.

Note 13. Transactions with Related Organizations

Illinois State University Foundation (The Foundation) is a related organization formed to support in various ways the University's instructional, research, and public service missions. During fiscal years 2009 and 2008, Illinois State University entered into contractual agreements with the Foundation requiring payments of $260,000 annually for fund raising services. In addition, the University contributed services and expenditures of $1,650,600 and $1,468,276 during fiscal years 2009 and 2008, respectively. During fiscal year 2009 and 2008, the Foundation contributed services and expenditures of $7,940,788 and $7,021,313, respectively that were for the direct and/or indirect support of the University. These transactions have not been eliminated from the financial statements of the University or the Foundation.

In June 2007, Launching Futures II invested in real estate for $600,631 for use by the University as a remote parking lot. Concurrently, Launching Futures II signed a lease agreement with the University for the real estate providing for annual payments of $49,992 from the University to Launching Futures II. The lease has a five year term with the University having the option to extend the lease term for an additional five year period.

In fiscal year 2009, Launching Futures, LLC acquired real estate for approximately $6.3 million that was being leased by the University from an outside party. Once the sales contract was signed, the University continued to lease the property from the seller until the initial closing. The acquired real estate serves as the University's Alumni Center. To assist with construction improvement costs, the University made a $3 million prepaid rent payment in July 2008. After initial closing, Launching Futures, LLC leased the property to the University at $19,167 per month and began monthly contract-for-deed payments of $22,500 to the seller. After 119 months of payments at 6.5% interest to the seller, Launching Futures, LLC will pay the seller the balance of the sales contract.

The Illinois Institute for Entrepreneurship Education (IIEE) was created by an act of the Illinois General Assembly in 1988. The purpose of the IIEE is to foster growth and development of entrepreneurship by educating Illinois citizens to the viability of entrepreneurship as a career option and to the role and contributions of entrepreneurs in economic development and job creation. The IIEE is mandated to reach all areas of the State, all ages, all ethnic groups, and income levels. The IIEE was created under the oversight of Illinois State University and, by working cooperatively with the University, the IIEE offers Illinois teachers two university-accredited graduate courses in entrepreneurship. During fiscal years 2009 and 2008, the University contributed $184,934 and $183,724, respectively, of revenue and direct public service expenditures to the IIEE. These amounts are discretely blended in the University financial statements.

Note 14. Student Health Insurance

The University contracts with Aetna Student Health (formerly known as The Chickering Group, an Aetna Company), of Cambridge, Massachusetts for administration of the Aetna Accident and Sickness Plan to provide insurance benefits to students of the University. Students enrolled in 9 or more semester hours of credit pay a fee for this coverage. The contract provides for a premium stabilization reserve (PSR) which is used to minimize increases in the premium and to be used against unexpected claims utilization to reduce future premium increases. As each Plan Year is finalized, costs are debited (gains are credited) to an account funded by the University each year (15% of expected premium, later adjusted to 15% of actual premium). The refund for 2006-2007 of $1,648,529 became available upon final calculation in November 2008. A portion of the refund, $646,793, was rolled over to complete funding of 2008-2009, $169,640 was returned as a refund to the University and the remaining $835,659 is currently allocated to the 2009-10 PSR. Because potential refunds are still at risk for unexpected claims losses, they are not recorded as assets. The PSR fund held by the University as of June 30, 2009 is $485,523. The estimated amount required to fund the PSR for 2010-2011 is $850,000.

Note 15. Student Financial Assistance

The University participates in the U.S. Department of Education Direct Student Loan Program. The University awarded $87,480,450 and $68,344,841 in Direct Student Loans for the years ended June 30, 2009 and 2008, respectively. The University classified this loan program as noncash federal awards, and it is disclosed in the footnotes to the Office of Management and Budget (OMB) Circular A-133 Schedule of Expenditures of Federal Awards. Accordingly, no revenue or expenditures are included in the financial statements of the University.

Note 16. Self-Insurance

The University is exposed to various risks of loss related to torts, theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The University purchases commercial insurance for these risks of loss. During the year ended June 30, 2009, there were no significant reductions in coverage.

As a public University in the State of Illinois, Illinois State University enjoys certain statutory protections from liability through the Illinois Court of Claims statute and the State Indemnification Act. In addition, the University purchases liability insurance that covers related claims above a $350,000 self-insured retention and has annual aggregate and occurrence levels of $5,000,000 for educator's legal liability and $19,650,000 aggregate and $10,650,000 general liability.

To augment existing State and commercial coverage, and to assist in addressing potential risks and liabilities incurred through its operations, the Board of Trustees has established the Self-Insurance Fund. The balance in the fund at June 30, 2009 and 2008 was $1,115,707 and $1,081,947, respectively. The University made claim payments and other deductions of $10,870 in fiscal year 2009 and none in 2008. The University made contributions of interest to the fund of $24,148 for fiscal year 2009 and $35,985 for fiscal year 2008. In accordance with the requirement of GASB Statement No. 10, a liability for claims is reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. At June 30, 2009 and June 30, 2008, no liability for claims was reported. There were no settlements which exceeded insurance coverage for the last two years.

Note 17. Net Assets

UNIVERSITY NET ASSETS

University restricted net assets are comprised of the following at June 30, 2009 and 2008:

	2009	2008
Expendable student loans	$ 9,422,007	$ 9,355,823

University unrestricted net assets:

Board designated capital asset renewal and replacement for the internal service departments at June 30, 2009 and 2008 was $1,142,248 and $1,117,493, respectively. These amounts are included in unrestricted net assets.

FOUNDATION NET ASSETS

Foundation restricted net assets are comprised of the following at June 30, 2009 and 2008:

	2009	2008
Nonexpendable		
Scholarship and fellowship	$ 25,726,952	$ 31,521,870
College and academic department support	8,599,952	10,720,999
Faculty and staff compensation	5,855,258	7,249,844
Other	6,380,451	7,950,163
Total nonexpendable	$ 46,562,613	$ 57,442,876
Expendable		
Scholarship and fellowship	$ 7,325,422	$ 9,278,593
Instructional departmental uses	11,727,069	11,398,074
University capital projects	2,784,652	3,314,448
Other restricted expendable	1,483,098	1,984,738
Total expendable	$ 23,320,241	$ 25,975,853

Note 18. Foundation Donor Restricted Endowments

If a donor has not provided specific instructions, state law permits the Foundation to authorize expenditure from available endowment funds. During the year ended June 30, 2008, the Foundation Investment Committee adopted a new weighted average spending policy based on the following two components:

1. Prior year spending amount plus new gifts added during the prior year times 4.5%. The sum is increased by the CPI +1%, then weighted at 70%.
2. End of the year market value times 4.5%, then weighted at 30%.

Due to the market value of the Foundation's endowed investments declining 20.4% during the year ended June 30, 2009, the Foundation Board decided not to make a distribution as of June 30, 2009.

On June 30, 2009, the Illinois Governor signed the Uniform Prudent Management of Institutional Funds Act (UPMIFA) into law. UPMIFA replaces the Uniform Management of Institutional Funds Act (UMFIA) and eliminates the historic dollar value rule with respect to endowment fund spending. UPMIFA also updates the prudence standard for the management and investment of charitable funds. The Foundation Board will utilize UPMIFA's provisions in the future years' spending decisions regarding the Foundation's endowed funds.

Note 19. Commitments

The University entered into two real estate deposit and option agreements during 2005, with one of the agreements being amended in 2006 and 2008. The agreements grant the University an irrevocable seven year option period to purchase the properties. The agreements provide that the option periods may be renewed for up to two additional periods of seven years. The University has made non-refundable option deposit payments of $1,345,250 at June 30, 2009 ($165,000 in 2008, and $1,180,250 in 2007, 2006 and 2005 collectively) which can be credited toward the purchase price. The University made an additional deposit of $610,000 in August 2009. This additional deposit extends the option period agreement to August 2014 with the option to renew an additional period of five years. If the University exercises the option agreements, the purchase price for the properties will be $4,180,000. The agreements also require annual maintenance fees which will not be credited toward the purchase price.

In May 2009, University Board of Trustees approved leasing property in Uptown Normal for interim academic office space. The Board authorized the University to lease property presently being constructed. The annual lease payments will not exceed $500,000 for five years, and the University has the option to renew for an additional five years.

The University has entered into contracts for significant repairs and replacement of University capital assets. Total estimated costs under these contracts are $7,752,377, approximately $5,589,134 (72 percent) of the work has been completed as of June 30, 2009. The University is obligated to pay the remainder of the costs under the contracts as the work is completed.

In October 2007, University Board Trustees approved construction of the Student Fitness and Kinesiology Recreation Center at a cost of $44 million. The Board increased the project cost to $49.6 million in July 2008. Project construction costs will be provided through Revenue Bonds Series 2008, student fees related, and Certificates of Participation, academics related. The project is estimated to be completed by fall 2010. The University has entered into contracts for this and other capital projects totaling $69,046,102. As of June 30, 2009, $31,595,926 (46 percent) of the work has been completed. The University is obligated to pay the remainder of the costs under the contracts as the work is completed.

The Foundation has invested in various limited partnerships. According to the terms of the investment agreements, the Foundation has committed to invest $16,296,457 and $15,296,457 as of June 30, 2009 and 2008 respectively. As of June 30, 2009 and 2008, the Foundation has invested $7,670,950 and $5,710,331 and has future investment commitments of $8,625,507 and $9,586,126.

Note 20. Contingencies

The University is from time to time subject to various claims, legal actions, and inquiries related to compliance with environmental and other governmental laws and regulations. Although it is difficult to quantify the potential impact of these claims, management believes that the ultimate cost of these matters will not adversely affect the University's future financial condition or results of operations.

Accordingly, management does not believe that a reserve of the future effect, if any, of these matters on the financial condition or results of operations of the University is necessary at June 30, 2009, as it is not possible to determine with any degree of probability the level of future expenditures for these matters.

Note 21. Crosswalk of Natural Classification with Functional Classifications

Natural Classification for the Year Ended June 30, 2009

University	Compensation and Benefits	Supplies and Services	Scholarships	Depreciation	Total
Instruction	$ 92,587,477	$ 14,208,889	$ -	$ -	$ 106,796,366
Research	10,792,033	3,525,367	-	-	14,317,400
Public service	8,079,415	8,294,500	-	-	16,373,915
Academic support	10,941,344	2,687,301	-	-	13,628,645
Student services	16,825,421	17,020,406	-	-	33,845,827
Institutional support	16,530,796	12,024,896	-	-	28,555,692
Operation of plant	12,061,191	15,438,749	-	-	27,499,940
Depreciation	-	-	-	16,719,631	16,719,631
Staff benefits	1,548,501	-	25,453	-	1,573,954
Student aid	-	3,966,554	19,850,644	-	23,817,198
Payments on behalf	59,580,738	-	-	-	59,580,738
Auxiliary facilities	22,755,560	29,029,127	-	-	51,784,687
Other	2,298,908	69,347	-	-	2,368,255
Total University	$ 254,001,384	$ 106,265,136	$ 19,876,097	$ 16,719,631	$ 396,862,248

Natural Classification for the Year Ended June 30, 2008

University	Compensation and Benefits	Supplies and Services	Scholarships	Depreciation	Total
Instruction	$ 89,156,355	$ 13,701,873	$ -	$ -	$ 102,858,228
Research	10,520,999	3,424,459	-	-	13,945,458
Public service	7,649,145	7,597,075	-	-	15,246,220
Academic support	10,204,723	2,535,989	-	-	12,740,712
Student services	15,283,272	16,332,569	-	-	31,615,841
Institutional support	15,062,191	10,034,696	-	-	25,096,887
Operation of plant	11,293,559	14,892,302	-	-	26,185,861
Depreciation	-	-	-	15,394,481	15,394,481
Staff benefits	1,708,286	-	25,990	-	1,734,276
Student aid	-	3,700,581	17,488,685	-	21,189,266
Payments on behalf	53,493,304	-	-	-	53,493,304
Auxiliary facilities	22,093,103	28,914,439	-	-	51,007,542
Other	2,070,695	86,244	-	-	2,156,939
Total University	$ 238,535,632	$ 101,220,227	$ 17,514,675	$ 15,394,481	$ 372,665,015

Note 22. Additional Auxiliary Facilities System Disclosure Information

The University operates auxiliary facilities that include student housing, student activities and parking.

Following are condensed financial statements for the Auxiliary Facilities System:

Condensed Statements of Net Assets at June 30	2009	2008
Assets:		
Current assets	$ 45,032,868	$ 52,794,138
Noncurrent assets:		
Capital assets, net	161,753,075	128,048,963
Other noncurrent assets	64,270,129	73,391,209
Total assets	271,056,072	254,234,310
Liabilities:		
Current liabilities	19,933,383	18,156,055
Noncurrent liabilities	104,360,494	108,476,042
Total liabilities	124,293,877	126,632,097
Net assets:		
Invested in capital assets, net of related debt	77,592,496	59,689,034
Unrestricted	69,169,699	67,913,179
Total net assets	$ 146,762,195	$ 127,602,213
Condensed Statements of Revenues, Expenses and Changes in Net Assets for the year ended at June 30		
Operating revenues	$ 73,181,556	$ 71,253,164
Depreciation expense	(4,241,865)	(3,896,489)
Other operating expenses	(51,784,687)	(51,007,542)
Operating income	17,155,004	16,349,133
Non-operating revenues	4,837,109	3,927,527
Non-operating expenses	(2,832,131)	(2,904,810)
Increase in net assets	19,159,982	17,371,850
Net assets – beginning of year	127,602,213	110,230,363
Net assets – end of year	$ 146,762,195	$ 127,602,213
Condensed Statements of Cash Flows for the year ended June 30		
Net cash flows provided by operating activities	$ 21,900,198	$ 20,603,128
Net cash flows provided by non-capital financing activities	224,706	207,763
Net cash flows provided by (used in) capital and related financing activities	(44,216,680)	(5,193,224)
Net cash flows provided by (used in) investing activities	3,542,593	10,009,705
Net increase (decrease) in cash and cash equivalents	(18,549,183)	25,627,372
Cash and cash equivalents, beginning of year	42,306,359	16,678,987
Cash and cash equivalents, end of year	$ 23,757,176	$ 42,306,359

Following is additional disclosure information relating to University Auxiliary Facilities revenue bonds. *See Note 9.*

RESERVES FOR DEBT SERVICE, REPAIR AND REPLACEMENT, AND DEVELOPMENT

Debt Service

A portion of the Debt Service Reserve Account (DSRA) that was established under the terms of the Revenue Bond Series 1989, 1992, 1993 and 1996 indentures was used to purchase a Surety Bond. This Surety Bond constitutes a Reserve Account Credit Instrument under the requirements of the Bond Resolution. The Surety Bond is payable to the Bond Registrar. The proceeds of the Surety Bond held in the DSRA may be used solely for the purpose of paying principal and interest on the Series 1989, 1992, 1993 and 1996 Bonds and any outstanding Parity Bonds.

Repair and Replacement and Development

The Bond indentures also require a deposit be made in the Repair and Replacement Reserve Account. The sum of the deposit shall be greater than 10% of the Maximum Debt Service and shall not exceed the sum of 5% of the replacement cost of the auxiliary facilities' structures plus 20% of the replacement cost of their equipment plus 10% of the either the historical cost of the parking lots or 100% of the estimated cost of resurfacing any existing auxiliary facilities' parking lot. The Development Reserve Account consists of funds for projects approved by the Board.

	2009		2008	
	Repair and Replacement Reserve	Development Reserve	Repair and Replacement Reserve	Development Reserve
Maximum Allowable Deposits at June 30	$ 33,707,491	$ N/A	$ 31,746,330	$ N/A
Assets Reserved	15,685,182	1,301,497	15,791,301	1,310,367
Project Amount Approved by Board	N/A	1,250,000	N/A	1,250,000

This information is an integral part of the accompanying financial statements.

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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
Ms. Anne Davis
Chair, Illinois State University Audit Committee

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of Illinois State University and its discretely presented component unit, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2009, and have issued our report thereon dated February 10, 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 unit, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal controls over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Illinois State University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Illinois State University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Illinois 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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the 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 would not necessarily identify all deficiencies in internal control over financial reporting 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 Illinois State University's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 of Illinois State University, University management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Peoria, Illinois
February 10, 2010