



STATE OF ILLINOIS
**OFFICE OF THE
 AUDITOR GENERAL**

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

SOUTHERN ILLINOIS UNIVERSITY

**Financial Audit
 For the Year Ended June 30, 2017**

Release Date: March 20, 2018

FINDINGS THIS AUDIT: 1	AGING SCHEDULE OF REPEATED FINDINGS			
	Repeated Since	Category 1	Category 2	Category 3
Category 1:				
Category 2:				
Category 3:				
TOTAL				
FINDINGS LAST AUDIT: 0	No Repeat Findings			

INTRODUCTION

This digest covers the Southern Illinois University Financial Audit as of and for the year ended June 30, 2017. Southern Illinois University’s financial audit report consists of three sets of financial statements as follows - the financial statements of Southern Illinois University (the “University”); the financial statements of the Housing and Auxiliary Facilities System (HAFS), a segment financial report of the University issued for bondholders; and the Medical Facilities System (MFS), a segment financial report of the University issued for bondholders.

The University’s Compliance Examination (including the Single Audit) covering the year ended June 30, 2017 will be issued in a separate report at a later date.

SYNOPSIS

- **(17-1)** The University did not ensure all restrictions from revenue bond covenants were properly reflected within the University’s financial statements.

<p>Category 1: Findings that are material weaknesses in internal control and/or a qualification on compliance with State laws and regulations (material noncompliance).</p> <p>Category 2: Findings that are significant deficiencies in internal control and noncompliance with State laws and regulations.</p> <p>Category 3: Findings that have no internal control issues but are in noncompliance with State laws and regulations.</p>

{Financial data is summarized on next page.}

SOUTHERN ILLINOIS UNIVERSITY
FINANCIAL AUDIT
As of and for the Year Ended June 30, 2017

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	2017	2016
Operating Revenues		
Student tuition and fees, net.....	\$ 246,002,966	\$ 248,105,913
Auxiliary enterprises.....	107,188,291	117,347,368
Grants and contracts.....	82,267,590	84,651,244
Sales and services of educational departments.....	117,362,044	114,691,275
Physicians and Surgeons practice plan and other.....	48,374,866	51,478,614
Total Operating Revenues.....	<u>601,195,757</u>	<u>616,274,414</u>
Operating Expenses		
Instruction.....	363,765,973	350,580,098
Research.....	47,928,808	48,967,756
Public service.....	58,139,202	62,176,534
Academic support.....	245,747,210	228,683,133
Student services.....	86,860,483	85,004,787
Institutional support.....	101,738,900	80,951,802
Operation and maintenance of plant.....	91,445,257	94,285,799
Scholarships and fellowships.....	52,530,930	43,218,307
Auxiliary enterprises.....	114,721,960	117,013,328
Depreciation.....	53,988,717	53,086,861
Other.....	281,512	233,804
Total Operating Expenses.....	<u>1,217,148,952</u>	<u>1,164,202,209</u>
Operating (Loss).....	(615,953,195)	(547,927,795)
NONOPERATING AND OTHER REVENUES (EXPENSES)		
State appropriations.....	106,963,500	57,509,200
On behalf payments of the University.....	384,606,916	330,965,471
Grants and other, net.....	50,031,570	58,474,821
Capital appropriations and gifts.....	14,602,740	1,271,296
Net Nonoperating and Other Revenues.....	<u>556,204,726</u>	<u>448,220,788</u>
INCREASE (DECREASE) IN NET POSITION	(59,748,469)	(99,707,007)
Net position, beginning of year.....	713,133,175	812,840,182
Net position, end of year.....	<u>\$ 653,384,706</u>	<u>\$ 713,133,175</u>
STATEMENT OF NET POSITION (SUMMARY)	2017	2016
Assets		
Cash and cash equivalents.....	\$ 67,870,182	\$ 111,433,528
Investments.....	109,178,306	133,388,711
Receivables, net.....	67,985,490	70,001,523
Capital assets, net.....	838,271,518	850,710,090
Other assets.....	11,925,193	13,133,319
Deferred outflow of resources.....	5,464,257	6,019,370
Total Assets and Deferred Outflows of Resources.....	<u>1,100,694,946</u>	<u>1,184,686,541</u>
Liabilities		
Accounts payable and accrued liabilities.....	81,599,301	82,747,376
Bonds, COPS and leases payable.....	276,359,562	297,897,221
Unearned revenue, self insurance and other liabilities.....	89,351,377	90,908,769
Total Liabilities and Deferred Inflows of Resources.....	<u>447,310,240</u>	<u>471,553,366</u>
Total Net Position.....	<u>\$ 653,384,706</u>	<u>\$ 713,133,175</u>
UNIVERSITY PRESIDENT		
During Audit Period: Dr. Randy J. Dunn		
Currently: Dr. Randy J. Dunn		

FINDING, CONCLUSION, AND RECOMMENDATION

**INADEQUATE CONTROL OVER REPORTING
FINANCIAL STATEMENT ACCOUNTS**

The University did not ensure all restrictions from revenue bond covenants, as well as classification between unrestricted and restricted current and noncurrent cash and investments, were properly reflected within the financial statements.

Internal controls did not ensure restricted assets and restricted net position were properly reported

The University had not designed its internal controls to ensure accurate reporting of restricted assets and restricted net position under generally accepted accounting principles. Also, flaws in the University's pooled investments allocation methodology resulted in \$45 million in overstated restricted cash and understated restricted investments in the draft financial statements. (Finding 1, pages 5-7)

The liquidity of \$45 million in unrestricted and restricted asset accounts was misrepresented

We recommended the University periodically review its internal controls over financial reporting to provide assurance accounts are properly classified under generally accepted accounting principles.

The University agrees with the finding

The University agreed with the finding and stated necessary reclassifications were made to ensure the accuracy of the financial statements. Management also noted that there has been no misuse of restricted operating funds of the closed systems.

We will review the Agency's progress towards implementation of our recommendation in our next financial audit.

AUDITOR'S OPINION

The auditors stated the financial statements of the University, HAFS, and MFS as of and for the year ended June 30, 2017 are fairly stated in all material respects.

This financial audit was conducted by CliftonLarsonAllen LLP.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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