



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, 2018**

Release Date: March 21, 2019

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

INTRODUCTION

This digest covers the Southern Illinois University Financial Audit as of and for the year ended June 30, 2018. 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, 2018 will be issued in a separate report at a later date.

SYNOPSIS

- **(18-1)** The University overstated depreciation expense for improvements placed into service from construction in process.

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

{Financial data is summarized on next page.}

SOUTHERN ILLINOIS UNIVERSITY
FINANCIAL AUDIT
As of and for the Year Ended June 30, 2018

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	2018	2017
Operating Revenues		
Student tuition and fees, net.....	\$ 229,266,026	\$ 246,002,966
Auxiliary enterprises.....	96,691,267	107,188,291
Grants and contracts.....	85,440,599	82,267,590
Sales and services of educational departments.....	122,183,589	117,362,044
Physicians and Surgeons practice plan and other.....	51,225,540	48,374,866
Total Operating Revenues.....	<u>584,807,021</u>	<u>601,195,757</u>
Operating Expenses		
Instruction.....	360,037,082	363,765,973
Research.....	46,792,753	47,928,808
Public service.....	59,959,861	58,139,202
Academic support.....	255,616,539	245,747,210
Student services.....	88,409,546	86,860,483
Institutional support.....	85,973,713	101,738,900
Operation and maintenance of plant.....	90,593,871	91,445,257
Scholarships and fellowships.....	47,907,557	52,530,930
Auxiliary enterprises.....	105,541,945	114,721,960
Depreciation.....	53,196,616	53,988,717
Other.....	193,773	281,512
Total Operating Expenses.....	<u>1,194,223,256</u>	<u>1,217,148,952</u>
Operating (Loss).....	(609,416,235)	(615,953,195)
NONOPERATING AND OTHER REVENUES (EXPENSES)		
State appropriations.....	276,429,700	106,963,500
On behalf payments of the University.....	379,017,601	384,606,916
Grants and other, net.....	76,382,009	50,031,570
Capital appropriations and gifts.....	17,280,902	14,602,740
Net Nonoperating and Other Revenues.....	<u>749,110,212</u>	<u>556,204,726</u>
INCREASE (DECREASE) IN NET POSITION	139,693,977	(59,748,469)
Net position, beginning of year, restated.....	428,884,109	713,133,175
Net position, end of year.....	<u>\$ 568,578,086</u>	<u>\$ 653,384,706</u>
STATEMENT OF NET POSITION (SUMMARY)	2018	2017
Assets		
Cash and cash equivalents.....	\$ 91,075,865	\$ 67,870,182
Investments.....	221,886,168	109,178,306
Receivables, net.....	64,524,509	67,985,490
Capital assets, net.....	816,609,429	838,271,518
Other assets.....	11,602,049	11,925,193
Deferred outflow of resources.....	8,830,040	5,464,257
Total Assets and Deferred Outflows of Resources.....	<u>1,214,528,060</u>	<u>1,100,694,946</u>
Liabilities		
Accounts payable and accrued liabilities.....	80,948,502	81,599,301
Bonds, COPS and leases payable.....	253,204,702	276,359,562
Liability and Deferred inflows of resources related to OPEB.....	227,974,798	
Unearned revenue, self insurance and other liabilities.....	83,821,972	89,351,377
Total Liabilities and Deferred Inflows of Resources.....	<u>645,949,974</u>	<u>447,310,240</u>
Total Net Position.....	<u>\$ 568,578,086</u>	<u>\$ 653,384,706</u>
UNIVERSITY PRESIDENT		
During Audit Period: Dr. Randy J. Dunn (through 7/15/18)		
Currently: Dr. J. Kevin Dorsey, Interim President (effective 7/16/18)		

FINDING, CONCLUSION, AND RECOMMENDATION

INSUFFICIENT CONTROLS OVER DEPRECIATION CALCULATION

Depreciation expense was overstated approximately \$0.5 million

The University overstated depreciation expense by approximately \$0.5 million for building improvements placed into service from construction in process during the fiscal year.

The University began depreciating costs before the acquisition date

We noted renovations were completed and placed into service over a two-year period of time. However, University personnel recorded all construction in process costs under a single asset number. The depreciation calculation was performed based solely upon the initial placed-in-service date of the first portion of renovations, rather than when each portion of the renovation was acquired or placed in service. As a result, the University began depreciating the Fiscal Year 2018 costs one to two years before the acquisition date and accordingly, depreciation expense was overstated. (Finding 1, pages 5-6)

We recommended the University strengthen and review its internal controls and policies related to financial reporting over construction in process and placed in service dates specifically on projects that might have staggered completion dates. We also recommended accounting staff obtain any necessary information to make informed decisions, consider whether more than one asset number is warranted, and review depreciation assumptions and calculations for accuracy.

The University agrees with the finding

The University agreed with the finding and stated they would put procedures in place based upon the recommendation.

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, the Housing and Auxiliary Facilities System, and the Medical Facilities System as of and for the year ended June 30, 2018 are fairly stated in all material respects.

This financial audit was conducted by Plante & Moran, PLLC.

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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