



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

WESTERN ILLINOIS UNIVERSITY

**Financial Audit
 For the Year Ended June 30, 2016**

Release Date: February 2, 2017

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

INTRODUCTION

This digest covers the Western Illinois University Financial Audit as of and for the year ended June 30, 2016. Western Illinois University’s Compliance Examination and Federal Single Audit covering the year ended June 30, 2016 will be issued in a separate report at a later date.

SYNOPSIS

- **(16-1)** The University did not evaluate changes in circumstances affecting capital assets to determine whether impairment occurred and did not properly account for and report capital asset impairments in the financial statements.

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.

{Expenditures and Activity Measures are summarized on next page.}

WESTERN ILLINOIS UNIVERSITY
FINANCIAL AUDIT
For the Year Ended June 30, 2016

STATEMENT OF NET POSITION (In Thousands)	2016	2015
Assets		
Cash and cash equivalents.....	\$ 41,281	\$ 63,334
Accounts and student loans receivable, net.....	12,425	12,300
Due from primary government.....	1,057	9,044
Capital assets, net.....	241,014	261,654
Other.....	2,930	3,942
Total Assets.....	298,707	350,274
Deferred Outflow of Resources.....	1,374	821
Liabilities		
Accounts payable, accrued liabilities, accrued payroll.....	20,443	20,309
Compensated absences.....	10,840	12,217
Revenue bonds, certificates of participation.....	89,621	94,923
Other.....	9,268	6,923
Total Liabilities.....	130,172	134,372
Net Position		
Net investment in capital assets.....	152,237	166,917
Restricted.....	1,876	1,890
Unrestricted.....	15,796	47,916
Total Net Position.....	\$ 169,909	\$ 216,723
REVENUES, EXPENSES AND CHANGES IN NET POSITION (In Thousands)	2016	2015
Revenues		
State appropriations.....	\$ 103,118	\$ 140,768
Tuition and fees, net.....	73,733	75,644
Auxiliary enterprises.....	42,536	46,132
Grants and other contracts.....	34,756	43,544
Sales and services of educational departments.....	5,245	5,010
Other.....	5,233	5,914
Total Revenues.....	264,621	317,012
Expenses		
Instruction.....	62,365	63,987
Staff benefits.....	6,738	7,661
Auxilliary enterprises.....	38,401	40,503
Institutional support.....	13,285	14,404
Student services.....	21,155	22,345
Academic support.....	16,173	17,302
Operation and maintenance of plant.....	13,721	17,856
Student aid expense.....	10,669	12,255
On-behalf payments.....	88,074	81,503
Other.....	33,233	35,929
Total Expenses.....	303,814	313,745
Increase (Decrease) in net position.....	\$ (39,193)	\$ 3,267
Prior period adjustment.....	\$ (7,621)	\$ (2,496)
PRESIDENT		
During Audit Period and Current: Dr. Jack Thomas		

FINDING, CONCLUSION, AND RECOMMENDATION

IMPROPER ACCOUNTING FOR CAPITAL ASSET IMPAIRMENTS

The University did not evaluate changes in circumstances affecting capital assets to determine whether impairment occurred and did not properly account for and report capital asset impairments in the financial statements. We noted:

Buildings were not written off the books when scheduled for demolition

- Buildings planned for demolition were still depreciated and maintained on the books, rather than evaluated for impairment and adjusted to reflect the decline in value when management chose to change the expected use.

Demolition costs were capitalized rather than expensed as incurred

- Deconstruction and demolition costs were capitalized instead of expensed as incurred.
- Notes to the financial statements did not disclose idle capital assets or impairment losses.

Beginning net position was restated by \$7.6 million due to the correction of accounting errors

As a result, prior year net position balances were overstated by \$7,620,658 and current year expenses were understated by \$752,057. The financial statements and footnotes were corrected subsequent to audit testing. (Finding 1, pages 53-55)

We recommended the University establish procedures to ensure that transactions are carefully reviewed for proper accounting and disclosure and any necessary guidance should be obtained to ensure conformity with Generally Accepted Accounting Principles (GAAP).

University agrees with auditors

University officials agreed with the finding and stated they will modify its capital asset procedures to ensure proper capitalization and as necessary, obtain guidance to ensure conformity with GAAP.

AUDITOR'S OPINION

Our auditors stated the financial statements of Western Illinois University as of June 30, 2016 and for the year then ended, are fairly stated in all material respects.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:lkw

SPECIAL ASSISTANT AUDITOR

Our Special Assistant Auditors for this audit were Adelfia LLC.