

Western Illinois University  
*Financial Recovery Plan*  
September 2018

**Executive Summary**

Western Illinois University's *Fiscal Year (FY) 2019 Financial Recovery Plan* is submitted at the request of the Higher Learning Commission. It should be read in combination with the University's *February 2016* and *December 2016 Submissions* to the Commission and our *Fiscal Year (FY) 2018 Financial Recovery Plan* (see Attachments A-C). These documents chronicle actions taken in response to the State of Illinois' historic and unprecedented budget impasse.

Western Illinois University's, and all other Illinois public universities, inclusion in financial panels is the direct result of the historic and unprecedented FY16 and 17 statewide budget impasse. Never in the 160-year history of Illinois public higher education have the following two circumstances occurred.

First, the budget impasse resulted in institutions receiving partial funding for two fiscal years. The Illinois public universities only received partial FY16 funding in the 10<sup>th</sup> month of that fiscal year, and partial funding again in FY17.

Second, state legislation allowed revenue received during the budget impasse to be applied to expenses across two fiscal years. However, Illinois Legislative Audit Commission guidelines for the preparation of annual financial statements, which are the data source for financial reporting to the Commission, were not adjusted. Therefore, 12-month fiscal reporting cycles triggering financial panels do not accurately reflect state legislation that created the one-time, 18-month revenue and expenditure cycle.

The State's annual appropriations and annual fiscal reporting cycles were realigned in FY18 when the State's budget impasse ended. Before and after this change, Western Illinois University has restored its fiscal health through successful implementation of the *FY16-18 Priorities and Reinvestment Plan* and current implementation of the *FY19 Positioning Western Illinois University for the Future Plan*.

With strong strategic planning processes supported by conservative, mission-driven fiscal management, we are an even stronger, more resilient institution for the 21<sup>st</sup> century. Despite state-imposed fiscal circumstances, we continue to advance in national rankings related to our *Mission* of preparing students to lead in dynamic and diverse communities and our *Vision* of providing national leadership in quality, opportunity, and affordability.

Western Illinois University is positioned well for the future.

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## Western Illinois University Background

Western Illinois University is one of 12 Illinois public universities. The University is a regional master's granting institution serving 8,502 students (79% undergraduate and 21% graduate) in fall 2018 with 66 undergraduate degree programs, 38 graduate degree programs, and two doctoral programs. The faculty own and deliver a curriculum that includes the humanities, social sciences, fine arts, business, education, and a number of pre-professional and technical fields of study at its main campus in Macomb, branch campus in Moline, and through the State's first and largest distance education program. Faculty also provide off-campus instruction at Commission approved locations in Illinois and Iowa.

Western Illinois University has been continuously accredited by the Commission since 1913. The last reaffirmation of accreditation was in academic year 2010-2011, with no follow up visits or reports. This is the highest distinction that an institution can achieve. Western will host its next accreditation site visits in academic year 2019-2020 on the Quad Cities campus and the following academic year on the Macomb campus.

Western Illinois University is an open pathways institution. The University completed participation in the Commission's Persistence and Completion Academy (PCA) during summer 2018. A final report on our Commission-approved Quality Initiative (QI) will be submitted later this fall.

## Financial Panel Context

As a member institution of the Higher Learning Commission, Western Illinois University is subject to monitoring by the Commission to assure and advance quality in areas related to the criteria for accreditation; financial and non-financial indicators; change of control, structure or organization transaction; substantive change; complaints; conformity with *Assumed Practices*; and other Commission review areas. In the course of Commission monitoring, Western Illinois University was notified by the Higher Learning Commission on August 8, 2018 to submit a "Financial Recovery Plan" addressing four specific Commission questions by September 7, 2018. The data requested in this Plan were for the Fiscal Year (FY) 17 timeframe.

It is important to understand the two causal factors requiring submission of this *Financial Recovery Plan*. First, the University's inclusion in a financial panel is the **direct result** of the historic and unprecedented FY16 and 17 statewide budget impasse that caused the Illinois public universities to receive partial FY16 funding in the 10<sup>th</sup> month of that year and partial funding again in FY17.

Second, state legislation allowed revenue received during the budget impasse to be applied to expenses across two fiscal years. However, Illinois Legislative Audit Commission guidelines for the preparation of annual financial statements, which are the data source for financial reporting to the Commission, were not adjusted. Therefore, 12-month fiscal reporting cycles triggering financial panels do not accurately reflect state legislation that created a one-time, 18-month revenue and expenditure cycle. The effect is to make institutional financial ratios artificially low.

Nevertheless, Western Illinois University has shown progress in its Composite Financial Indicator (CFI), improving from -0.30 with FY16 data to 0.54 on FY17 with data. This improvement was projected by the Commission. In evaluating Western's Fiscal Year 2016 data, the Financial Panel Review Team (see Attachment D) concluded that, "After much reflection, the panel [concludes] that WIU has approached the state-created crisis in a sensible and thoughtful manner, and barring any further disruption in state appropriations, WIU will rapidly regain CFI's that are in or above the zone."

That is exactly what happened. Despite reduced appropriations and inconsistencies between state appropriation and reporting cycles, the University’s CFI is now “in the zone.”

With the conclusion of the statewide budget impasse, full appropriations received in FY18, a 2% increase in FY19 appropriations, successful completion of the three-year (FY16-FY18) *Priorities and Reinvestment Plan*, and current implementation of the new FY19 *Positioning Western Illinois University for the Future Plan*, Western is confident that it will place “above the zone” as predicted by the Commission’s last Financial Panel Review Team when FY18 data are evaluated.

Strong strategic planning processes and mission-driven conservative fiscal management has resulted in an even stronger, more resilient institution for the 21<sup>st</sup> century. Western Illinois University will continue to provide a high-quality, well-rounded education that prepares students to lead in dynamic and diverse communities.

### Higher Learning Commission Questions

**1. Explain the history of CFIs and the components of the ratios that have contributed to being in the zone or below the zone.**

As previously discussed, reduced appropriations and inconsistencies between state financial appropriation and reporting cycles caused the University’s Composite Financial Indicators (CFIs) to be “below the zone” with FY16 data and “in the zone” with FY17 data.

Western Illinois University has a strong history of financial health. Never before the statewide budget impasse has the University placed “in or below the zone.” Historically, the University financial strength was demonstrated by strong CFI’s even during a period of reduced and delayed state appropriations.

Table 1 displays Western Illinois University’s operations costs by source of funds to inform discussions on FY11-15 expenditures and financial ratios. During this time, the State of Illinois was experiencing cash flow issues resulting in decreased and delayed release of state appropriations for all 12 Illinois public universities.

	<u>FY2011</u>	<u>FY2012</u>	<u>FY2013</u>	<u>FY2014</u>	<u>FY2015</u>
General Revenue Funds	\$56,182.7	\$55,548.3	\$52,167.8	\$52,755.1	\$51,465.2
Income Funds	60,882.9	68,668.8	71,496.0	73,188.4	74,907.5
Local Grants	151.9	156.7	178.2	167.4	161.9
State Grants	3,607.4	3,356.8	3,281.9	3,307.5	3,272.8
Federal Grants	25,902.2	28,240.3	25,077.8	26,609.0	27,349.4
Private Gifts, Grants, and Contracts	1,721.6	2,113.7	1,635.7	1,699.2	1,487.8
Sales & Service of Auxiliary	48,365.9	49,185.0	52,613.5	49,260.8	48,447.6
Other/Indirect Cost Recovery	21,527.7	21,507.3	21,820.3	25,121.3	23,896.2
<b>Total</b>	<b>\$218,342.3</b>	<b>\$228,776.9</b>	<b>\$228,271.2</b>	<b>\$232,108.7</b>	<b>\$230,988.4</b>

*Source: Western Illinois University Factbooks, Resource Sections, [www.wiu.edu/IRP/factbook.php](http://www.wiu.edu/IRP/factbook.php)*

Figure 1 shows that Western’s appropriated funds reductions were of similar magnitude to all other 11 Illinois public universities.

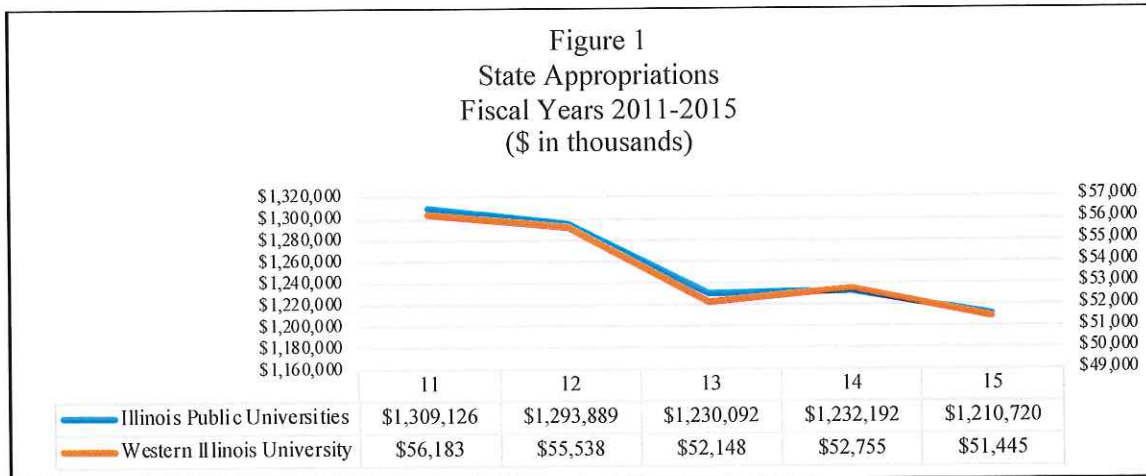


Table 2 presents Western’s FY11-15 financial ratios presented to the Commission in *Annual Institutional Data Updates*. Despite the delayed and decreased appropriations, Western Illinois University maintained its fiscal health as evidenced by:

- Composite Financial Indicator ratios “above the zone,” according to the criteria in *Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks (Seventh Edition)*, by KPMG LLP; Prager, Sealy & Co., LLC; Attain LLC.
- Primary reserve ratios demonstrating fiscal stability. A negative or decreasing trend over time would have indicated a weakening financial condition.
- Net operating ratios showing institutional operations with a surplus in four of the last five years, therefore enabling the University to carry forward funds in conjunction with limitations established in Illinois statutes for public institutions.
- Net asset ratios showing availability of additional expendable net assets to satisfy debt obligations.
- Strong viability ratios, with only the FY15 ratio reflecting a decrease resulting from the volatile state economy.

Table 2  
Western Illinois University’s Historic Financial Ratios  
Fiscal Years 2011-2015

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Composite Financial Indicator	3.60	2.90	1.70	2.75	1.47
Primary Reserve Ratio	0.25	0.27	0.26	0.25	0.26
Net Operating Revenue Ratio	0.06	0.04	0.00	0.01	(0.01)
Return on Net Assets Ratio	0.18	0.12	0.04	0.13	0.02
Viability Ratio	0.73	0.70	0.75	0.77	0.47

*Source: Western Illinois University Annual Institutional Data Updates submitted to the Higher Learning Commission*

To compensate for reduced and delayed appropriations, the University maintained its fiscal health by:

- Restricting spending, monitoring travel, and limiting replacement hiring.
- Negotiating delayed salary increases with collective bargaining units.
- Cancelling salary increases for non-negotiated personnel.

- Increasing university reserves and carefully monitoring cash balances.
- Introducing retirement incentives.
- Implementing zero-based budgeting within Academic Affairs.
- Consolidating 18 academic departments/units into 10, and four technology units into one.
- Centralized reporting lines for admissions, advisement, and the School of Graduate Studies between campuses.
- Holding at least 25% of annual GRF departmental operating budgets.

Results from these actions reduced state appropriated budgets by \$14.2 million in personal services and \$2.7 million in operating, totaling a \$16.9 million cost savings and avoidance to the University. The size of the University workforce (headcount) decreased by 163 employees (52 faculty and 111 staff) during this time. The academic core was protected by engaging in 2:1 staff-to-faculty reductions. There were only three layoffs and no furloughs during this time. Furthermore, the University maintained 66% of all institutional expenditures on academics and academic support during this period of delayed and reduced appropriations.

Table 3  
Operations Costs by Function of Expenditure

(In Thousands of \$)	FY2012	FY2013	FY2014	FY2015
Instruction	\$79,449.2	\$77,370.8	\$77,267.6	\$77,237.5
Organized Research	6,074.1	3,540.3	3,535.5	3,083.6
Public Service	14,774.0	12,694.3	13,970.1	14,142.2
Academic Support	8,701.9	8,925.6	8,847.8	8,829.6
Student Services	41,066.6	42,830.7	48,119.7	49,661.2
Subtotal-Dollars	<u>\$150,065.8</u>	<u>\$145,361.7</u>	<u>\$151,740.7</u>	<u>\$152,954.1</u>
Subtotal-Percent	65.6%	63.7%	65.4%	66.2%
Institutional Support	9,277.7	9,473.6	9,675.4	10,238.6
O&M of Physical Plant	30,200.5	30,446.2	31,023.6	27,711.3
Independent Operations	34,944.1	38,651.4	35,090.6	35,419.8
CMS Group Health Insurance	2,724.2	2,735.9	2,909.5	2,998.1
FICA/Medicare	1,564.6	1,602.4	1,668.9	1,666.5
Total	<u>\$228,776.9</u>	<u>\$228,271.2</u>	<u>\$232,108.7</u>	<u>\$230,998.4</u>

*Source: Western Illinois University Factbooks, Resource Sections, [www.wiu.edu/IRP/factbook.php](http://www.wiu.edu/IRP/factbook.php)*

Employee and budget reductions could have been deeper had the University not maintained historic efficiency. Tables 4 and 5 show that Western Illinois University consistently placed below the statewide average on instructional and administrative costs per credit hour. Using FY15 as an example, Western had the third and second lowest values on these measures, respectively. Instructional costs were 11.7% below the statewide average, and administrative costs were 20.5% below the statewide average.

Table 4  
Instructional Costs per Credit Hour at Illinois Public Universities  
Fiscal Years 2011 through 2015

	2011	2012	2013	2014	2015
Southern Illinois-Edwardsville	\$240.55	\$249.57	\$257.94	\$269.52	\$261.01
Illinois State	\$267.13	\$286.37	\$297.85	\$300.43	\$311.13
<b>Western Illinois</b>	<b>\$272.68</b>	<b>\$284.01</b>	<b>\$294.30</b>	<b>\$307.32</b>	<b>\$316.86</b>
Southern Illinois-Carbondale	\$302.19	\$309.84	\$314.13	\$329.27	\$331.53
Northeastern Illinois	\$259.39	\$284.40	\$298.35	\$343.49	\$346.07
Northern Illinois	\$282.36	\$306.19	\$331.84	\$339.47	\$348.49
Eastern Illinois	\$270.13	\$289.67	\$331.88	\$352.67	\$358.40

Table 4  
-continued-

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
State Average	\$303.41	\$317.81	\$335.60	\$355.00	\$358.73
Illinois-Springfield	\$318.74	\$338.65	\$372.28	\$384.41	\$361.23
Governors State	\$328.00	\$364.12	\$364.31	\$392.48	\$373.04
Illinois-Urbana/Champaign	\$348.71	\$350.07	\$362.97	\$400.24	\$398.54
Illinois-Chicago	\$342.14	\$359.77	\$374.94	\$382.35	\$399.84
Chicago State	\$287.08	\$312.29	\$417.04	\$419.86	\$429.72
% WIU Is Under the State Average	(10.1%)	(10.6%)	(12.3%)	(13.4%)	(11.7%)

Source: Illinois Board of Higher Education annual Discipline Cost Studies, [www.ibhe.org/coststudy.html](http://www.ibhe.org/coststudy.html)

Table 5  
Administrative Costs per Credit Hour at Illinois Public Universities  
Fiscal Years 2011 through 2015

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Southern Illinois-Edwardsville	\$61.59	\$64.51	\$58.22	\$63.26	\$60.99
<b>Western Illinois</b>	<b>\$67.76</b>	<b>\$70.94</b>	<b>\$63.48</b>	<b>\$68.85</b>	<b>\$72.06</b>
Illinois-Chicago	\$75.00	\$78.40	\$78.41	\$74.00	\$76.55
Illinois-Urbana/Champaign	\$84.38	\$82.99	\$88.94	\$96.76	\$90.24
State Average	\$83.18	\$87.92	\$86.86	\$90.65	\$90.60
Northeastern Illinois	\$71.80	\$78.60	\$75.16	\$87.76	\$91.63
Eastern Illinois	\$74.80	\$84.37	\$89.03	\$96.55	\$94.78
Southern Illinois-Carbondale	\$81.76	\$81.80	\$80.28	\$90.77	\$96.09
Illinois-Springfield	\$105.00	\$104.18	\$92.60	\$110.23	\$103.26
Illinois State	\$88.86	\$104.83	\$102.01	\$95.81	\$104.54
Governors State	\$125.05	\$142.88	\$118.26	\$120.78	\$106.07
Northern Illinois	\$97.75	\$102.11	\$101.63	\$106.82	\$109.29
Chicago State	\$106.40	\$137.24	\$124.54	\$106.03	\$112.65
% WIU Is Under the State Average	(18.5%)	(19.3%)	(26.9%)	(20.0%)	(20.5%)

Source: IBHE Academic Discipline Cost Study, Section VI, All Disciplines Instruction less Physical Plant, [www.ibhe.org/coststudy.html](http://www.ibhe.org/coststudy.html)

#### FY16 and FY17: Effects of the Historic and Unprecedented Statewide Budget Impasse

In setting the context for the FY16 and 17 university and statewide budget context, it is important to understand Western Illinois University's fiscal procedures. Discussion on the University's financial data presented in this submission to the Commission, unless otherwise noted, are taken from the University's Audited Financial Statements (see Attachments E-G).

To begin, the Western Illinois University Board of Trustees has statutory authority for setting the University's annual budget. The Board approves a Preliminary Spending Plan prior to the start of the fiscal year, which sets maximum expenditure limits for that fiscal year. The Board refines and approves an All Funds Budget to replace its Preliminary Spending Plan at its fall meeting. The Board also approves University requests for new state resources (operating and capital) at its fall meeting. All of these materials are attached for FY17 through FY19 to date in Attachments H-J.

The Board approved the University's *FY19 Spending Plan* in June 2018 (see Attachment J). Other FY19 materials are not included in this Attachment. The Commission's reporting deadline for this submission (September 7, 2018) is in advance of the Board's fall meeting (September 28, 2018). The remaining data are, therefore, not available because the Board has not yet approved these materials.

In upholding its fiduciary responsibilities to the University and state taxpayers, the Board has an Audit Committee and *Charter*. Attachment K displays Western Illinois University Board of Trustees Audit Committee Materials for FY15-17 as related to University finances.

The Board delegates daily management of the University to the President and Vice Presidents. Historically, Illinois public universities have received notification of the value of state appropriations for the next fiscal year (July 1) before the end of the current fiscal year (June 30). The Illinois public universities would have received FY16 appropriation notifications before June 30, 2015, if the past 158-year practice was followed by the Governor and General Assembly.

However, as shown in Table 6, FY16 appropriations were not made until the 10<sup>th</sup> month of the fiscal year, and 22 months since the last (FY15) appropriations were made. These appropriations were referred to as “Stop Gap I” by the Illinois General Assembly to indicate that partial FY16 appropriations were being made at the time that *Senate Bill 2059* and *Public Act (PA) 99-502* were passed.

	FY 15 Appropriation (PA 99-01)	FY16 Appropriation (PA 99-502)	FY 16 as a Percent of FY 15
Chicago State	\$36,330,500	\$20,107,300	55.3%
Eastern Illinois	42,975,700	12,456,500	29.0%
Governors State	24,062,100	6,974,400	29.0%
Illinois State	72,226,700	20,934,900	29.0%
Northeastern Illinois	36,898,800	10,695,100	29.0%
Northern Illinois	91,092,700	26,403,200	29.0%
Western Illinois	51,445,200	14,911,400	29.0%
Southern Illinois	199,558,500	57,482,200	28.8%
University of Illinois	647,186,400	180,094,100	27.8%
Total	<u>\$1,201,776,600</u>	<u>\$350,059,100</u>	<u>29.1%</u>

*Source: Illinois Board of Higher Education: Fiscal Year 2016 and 2017 Appropriations for Higher Education Overview Stop Gap I and Stop Gap II (Updated August 20, 2016)*

<sup>1</sup>Sothern Illinois University receives one appropriation for its two campuses and central administration. The University of Illinois also receives one appropriation for its three campuses and central administration. The other Illinois public universities do not receive a central administration appropriation.

Western Illinois University received \$14.9 million in Stop Gap I. This appropriated amount represents 29% of University’s \$51.4 million FY15 appropriation. Table 6 shows similar percentage values were received by all other Illinois public universities, with the exception of Chicago State University that received additional funding due to fiscal and enrollment challenges.

FY16 and 17 data also reflect inconsistencies between state-defined appropriation and reporting cycles. The values reported in Table 6 were the basis for audited financial statements and resultant financial indicator reporting to the Higher Learning Commission, per Illinois Legislative Audit Commission Guidelines. However, they do not reflect final FY16 legislatively-granted spending authority for Western Illinois University and all other Illinois public universities.

At the end of June and start of July the Illinois public universities received additional appropriations (termed Stop Gap II by the Illinois General Assembly) that could be applied to FY16 or FY17 expenses through *Senate Bill 2047* and *Public Act 99-524*. These values are displayed in Table 7.

	FY 15 Appropriation (PA 99-01)	SB 2059 (PA 99-502) Stop Gap I	FY 2016-2017 SB 2047 PA 99-524 Stop Gap II	Total Stop Gaps For 18 Months
Chicago State	\$36,330,500	\$20,107,300	\$12,590,000	\$32,697,300
IBHE Funding	--	--	3,020,100	3,020,100
Total	<u>36,330,500</u>	<u>20,107,300</u>	<u>15,610,000</u>	<u>35,717,400</u>
Eastern Illinois	42,975,700	12,456,500	26,222,000	38,678,500
IBHE Funding	--	--	5,582,000	5,582,000
Total	<u>42,975,700</u>	<u>12,456,500</u>	<u>31,804,000</u>	<u>44,260,000</u>
Governors State	24,062,100	6,974,400	12,757,000	19,731,400
Illinois State	72,226,700	20,934,900	38,291,000	59,225,900
Northeastern Illinois	36,898,800	10,695,100	19,562,000	30,257,100
Northern Illinois	91,092,700	26,403,200	48,293,000	74,696,200
Western Illinois				
IBHE Funding	--	--	8,397,900	8,397,900
Total	--	<u>14,911,400</u>	<u>39,786,900</u>	<u>54,698,300</u>
Southern Illinois	199,558,500	57,482,200	106,156,000	163,638,200
University of Illinois	647,186,400	180,094,100	350,599,000	530,693,100
Total	<u>\$1,201,776,600</u>	<u>\$350,059,100</u>	<u>\$665,859,000</u>	<u>\$1,015,918,100</u>

*Sources: IBHE: Fiscal Year 2016 and 2017 Appropriations for Higher Education Overview Stop Gap I and Stop Gap II (Updated August 20, 2016) and IBHE Fiscal Year 2017 Supplemental Allocation of Financial Support for Essential Operations.*

Table 7 shows that Western Illinois University received an additional \$39.8 million for use with FY16 or FY17 expenditures, and raised the University's total FY16-17 appropriations to \$54.7 million.

With regard to Western Illinois University's Stop Gap II appropriation, the University received \$31.4 million from the Governor and General Assembly, and an additional \$8.4 million from the Illinois Board of Higher Education (IBHE). The IBHE recognized the University's best practices of responsible financial stewardship and new freshmen enrollment stabilization. Also receiving funding from the IBHE were Chicago State University (\$3.0 million) and Eastern Illinois University (\$5.6 million).

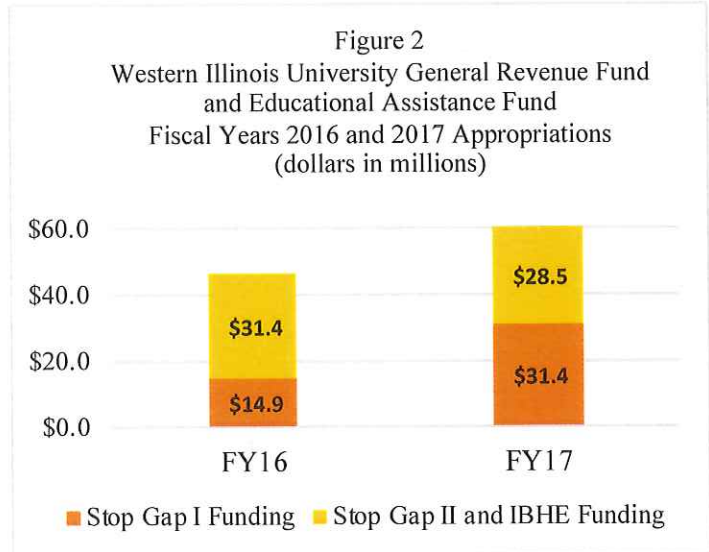
Following Illinois Legislative Audit Commission (LAC) Guidelines as required by the Illinois Board of Higher Education (the State's coordination board for higher education), Western Illinois University's FY16 financial ratios were based on a state General Revenue Funds (GRF) and Educational Assistance Fund (EAF) appropriation of \$14.9 million (i.e., Stop Gap I funding). This required reporting value *underestimates* actual revenue received through Stop Gap II by \$39.8 million or 73% of the revenue received and applied to FY16 and 17 expenses. Annual fiscal year reporting on an 18-month appropriation and spending cycle *does not* reflect the fiscal reality of the Illinois public universities.

This concern applies equally to FY17. Western Illinois University received \$51.5 million in state GRF and EAF appropriations and an additional, one-time \$8.4 million appropriation from the Illinois Board of Higher Education, totaling \$59.9 million in state appropriations for FY17. However, again following LAC Guidelines, the University's FY17 financial ratios were based on a state appropriation of \$31.4 million (i.e., Stop Gap II funding). This required reporting value *underestimates* actual revenue received by \$28.5 million or 48% of the revenue received and applied to FY17 expenses.



Western Illinois University’s concern that 12-month fiscal year reporting on an 18-month appropriations and spending cycle *does not* reflect the fiscal reality of the institution and all other Illinois public universities is also reflected in Figure 2. The base of each column is revenue reported in *Audited Financial Statements*. The top of each column includes the one-time state appropriation applied to FY16 and 17 expenses

Table 8 presents the University’s current and historic financial indicators as reported to the Commission in spring 2018. Again, the University’s data are based on funding and expenses associated with Stop Gap I alone. The reporting does not include revenue received and applied from Stop Gap II and the one-time Illinois Board of Higher Education allocation.



	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Composite Financial Indicator	3.60	2.90	1.70	2.75	1.47	(0.30)	0.54
Primary Reserve Ratio	0.25	0.27	0.26	0.25	0.26	0.16	0.16
Net Operating Revenue Ratio	0.06	0.04	0.00	0.01	(0.01)	(0.15)	(0.02)
Return on Net Assets Ratio	0.18	0.12	0.04	0.13	0.02	(0.14)	(0.02)
Viability Ratio	0.73	0.70	0.75	0.77	0.86	0.56	0.60

*Source: Western Illinois University Annual Institutional Data Updates submitted to the Higher Learning Commission*

With 73% of Western’s FY16 appropriated revenue not allowed to be recorded according to LAC guidelines, the University had a Composite Financial Indicator (CFI) ratio of (0.30). The magnitude of unreported revenue was less with FY17 data. With 48% of the University’s appropriation not reported, the University’s CFI improved to 0.54. The University also improved its FY17 status on the net operating revenue, return on net assets, and viability ratios, while remaining constant on the primary reserve ratio.

With improvements resulting from strategic planning, and an improved statewide fiscal climate, Western Illinois University is confident that it will operate “above the zone” in FY18 and beyond for seven reasons. First, the state restored annual appropriations and reporting cycles for FY18. Second, state appropriations included in the University’s FY18 financial indicators will increase \$6.5 million (16.3%), from \$39.8 million in FY17 to \$46.3 million in FY18. Third, the University’s FY19 appropriation was up 2% from FY18. Fourth, the University maintained historic efficiency during the statewide budget impasse.

Tables 8 and 9 reinforce trends initially efficiency trends presented in Tables 4 and 5. Western Illinois University continues to consistently place below statewide averages on instructional and administrative costs per credit hour. The most recently published comparisons for FY16 show that Western had the third and second lowest values on these measures, respectively. Instructional and administrative costs per credit hour were 11.7% and 18.4% below the statewide average, respectively.

Table 8  
Instructional Costs per Credit Hour at Illinois Public Universities  
Fiscal Year 2011 through Fiscal Year 2016

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Southern Illinois-Edwardsville	\$240.55	\$249.57	\$257.94	\$269.52	\$261.01
Illinois State	\$267.13	\$286.37	\$297.85	\$300.43	\$311.13
<b>Western Illinois</b>	<b>\$272.68</b>	<b>\$284.01</b>	<b>\$294.30</b>	<b>\$307.32</b>	<b>\$316.86</b>
Southern Illinois-Carbondale	\$302.19	\$309.84	\$314.13	\$329.27	\$331.53
Northeastern Illinois	\$259.39	\$284.40	\$298.35	\$343.49	\$346.07
Northern Illinois	\$282.36	\$306.19	\$331.84	\$339.47	\$348.49
Eastern Illinois	\$270.13	\$289.67	\$331.88	\$352.67	\$358.40
State Average	\$303.41	\$317.81	\$335.60	\$355.00	\$358.73
Illinois-Springfield	\$318.74	\$338.65	\$372.28	\$384.41	\$361.23
Governors State	\$328.00	\$364.12	\$364.31	\$392.48	\$373.04
Illinois-Urbana/Champaign	\$348.71	\$350.07	\$362.97	\$400.24	\$398.54
Illinois-Chicago	\$342.14	\$359.77	\$374.94	\$382.35	\$399.84
Chicago State	\$287.08	\$312.29	\$417.04	\$419.86	\$429.72
% WIU Is Under the State Average	(10.1%)	(10.6%)	(12.3%)	(13.4%)	(11.7%)

*Source: Illinois Board of Higher Education annual Academic Discipline Cost Studies, [www.ibhe.org/coststudy.html](http://www.ibhe.org/coststudy.html)*

Table 9  
Administrative Costs per Credit Hour at Illinois Public Universities  
Fiscal Year 2008 through Fiscal Year 2016

	<u>2012</u>	<u>2013*</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Southern Illinois-Edwardsville	\$64.51	\$58.22	\$63.26	\$60.99	\$55.92
<b>Western Illinois</b>	<b>\$70.94</b>	<b>\$63.48</b>	<b>\$68.85</b>	<b>\$72.06</b>	<b>\$67.80</b>
Illinois-Chicago	\$78.40	\$78.41	\$74.00	\$76.55	\$72.43
Southern Illinois-Carbondale	\$81.80	\$80.28	\$90.77	\$96.09	\$75.91
Eastern Illinois	\$84.37	\$89.03	\$96.55	\$94.78	\$76.32
Northeastern Illinois	\$78.60	\$75.16	\$87.76	\$91.63	\$77.19
Illinois-Springfield	\$104.18	\$92.60	\$110.23	\$103.26	\$82.50
State Average	\$87.92	\$86.86	\$90.65	\$90.60	\$83.12
Illinois-Urbana/Champaign	\$82.99	\$88.94	\$96.76	\$90.24	\$85.71
Governors State	\$142.88	\$118.26	\$120.78	\$106.07	\$95.77
Chicago State	\$137.24	\$124.54	\$106.03	\$112.65	\$100.75
Illinois State	\$104.83	\$102.01	\$95.81	\$104.54	\$100.93
Northern Illinois	\$102.11	\$101.63	\$106.82	\$109.29	\$104.56
% WIU Is Under the State Average	(19.3%)	(26.9%)	(20.0%)	(20.5%)	(18.4%)

*Source: Illinois Board of Higher Education annual Academic Discipline Cost Studies, Section VI, All Disciplines Instruction less Physical Plant, [www.ibhe.org/coststudy.html](http://www.ibhe.org/coststudy.html)*

Fifth, Western Illinois University has a strong and proven history of addressing fiscal challenges. This was previously demonstrated in the University's actions to address reduced and delayed FY11-15 state appropriations. It is also demonstrated in the conclusion from the Commission's FY18 Financial Panel Review Team (see Attachment D) which stated, "After much reflection, the panel [concludes] that WIU has approached the state-created crisis in a sensible and thoughtful manner, and barring any further disruption in state appropriations, WIU will rapidly regain CFI's that are in or above the zone." And that is exactly what happened. The current CFI of 0.54, with partial appropriated funds reported, is "in the zone."

Sixth, as discussed below, institutional accomplishments from the *FY16-18 Priorities and Reinvestment Plan* and the *FY19 Positioning Western Illinois University for the Future Plan* place Western Illinois University in a fiscally sound and sustainable future in preparing students to lead in dynamic and diverse communities and providing national leadership in quality, opportunity, and affordability.

Seventh, is institutional responses to a changing paradigm for the funding of Illinois public higher education. Table 10 shows on average Illinois public universities received 9.1% less appropriated funding in FY18 compared to FY15. On average, the Illinois public universities also received 7.3% less in FY19 appropriated funding compared to FY15 appropriations. Individual differences are due to circumstances and special projects. For example, Chicago State received additional appropriations as it continues to address enrollment and financing challenges. And in FY18, the University of Illinois received increased funding (\$616,000) for the Illinois Fire Services institute, and Southern Illinois University received increased funding (\$1.0 million) for the National Corn to Ethanol Research Institute.

**Table 10**  
Fiscal Years 2018 and 2019 Appropriations  
Amount and as a Percent of Fiscal Year 2015 Appropriations  
at Illinois Public Universities

	FY 15 <u>Appropriation</u>	FY18 <u>Appropriation</u>	Percent of FY15	FY19 <u>Appropriation</u>	Percent of FY 15
Chicago State	\$36,330,500	\$34,604,400	95.2%	35,258,300	97.0%
Eastern Illinois	42,975,700	38,686,100	90.0%	39,459,700	91.8%
Governors State	24,062,100	21,656,000	90.0%	22,089,100	91.8%
Illinois State	72,226,700	65,004,000	90.0%	66,354,100	91.9%
Northeastern Illinois	36,898,800	33,209,000	90.0%	33,873,200	91.8%
Northern Illinois	91,092,700	82,019,500	90.0%	83,659,200	91.8%
Western Illinois	51,445,200	46,320,700	90.0%	47,200,700	91.8%
Southern Illinois	199,558,500	182,190,800	91.3%	185,781,000	93.1%
University of Illinois	647,186,400	588,994,600	91.0%	600,450,600	92.8%
Total	<u>\$1,201,776,600</u>	<u>\$1,092,685,100</u>	<u>90.9%</u>	<u>\$1,114,161,900</u>	<u>92.7%</u>

Sources: IBHE: Fiscal Year 2016 and 2017 Appropriations for Higher Education Overview Stop Gap I and Stop Gap II (Updated August 20, 2016)

Presently, and with regard to the University's current financial ratios, restricting reporting to Stop Gap II funding had the following effects on the University's FY17 financial ratios.

- Primary Reserve Ratio: Institutional unrestricted net assets and the resultant numerator are artificially low for both FY16 and 17 due to differences in appropriation and reporting cycles.

**Table 11A**  
Western Illinois University Primary Reserve Ratios  
Fiscal Years 2014-2017

	FY14	FY15	FY16	FY17
<b>Unrestricted Net Assets</b>	<b>\$64,965,300</b>	<b>\$67,805,400</b>	<b>\$35,751,580</b>	<b>\$7,532,580</b>
Expendable Restricted Net Assets	13,159,300	14,108,700	14,992,880	42,583,000
Numerator Total	\$78,124,600	\$81,914,100	\$50,744,460	50,115,580
Operating Expenses	\$303,916,760	\$313,905,700	\$303,916,760	304,275,320
Non-Operating Expenses	4,907,900	4,513,900	3,783,110	3,685,790
Denominator Total	\$310,235,700	\$318,419,600	\$307,699,870	307,961,110
Primary Reserve Ratio	0.25	0.26	0.16	0.16
Primary Reserve Ratio CFI	0.66	0.68	0.43	0.43

Source: Western Illinois University Audited Financial Statements

- Net Operating Revenue Ratio: Institutional net non-operating revenues and the resultant numerator ratio are artificially low for FY16 and 17. The same is true for non-operating revenues and the

corresponding denominator. The Net Operating Revenue Ratio is not an accurate depiction of the fiscal status of Western Illinois University due to the inconsistencies between state appropriation and reporting cycles.

	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>
Institutional Operating Income (loss)	(\$161,702,700)	(\$166,844,900)	(\$165,591,190)	(\$174,198,110)
<b>Net Non-Operating Revenues</b>	<b>166,162,000</b>	<b>162,423,200</b>	<b>126,569,820</b>	<b>167,706,430</b>
Numerator Total	\$4,459,300	(\$4,421,700)	(\$39,021,370)	(\$6,491,680)
Operating Revenues	\$143,625,000	\$147,060,800	\$138,325,570	\$130,077,220
<b>Non-Operating Revenues</b>	<b>171,069,800</b>	<b>166,937,100</b>	<b>130,352,930</b>	<b>171,392,200</b>
Denominator Total	\$314,694,800	\$313,997,900	\$268,678,500	301,469,440
Net Operating Revenue Ratio	0.01	(0.01)	(0.15)	(0.02)
Net Operating Revenue CFI	0.11	(0.11)	(0.40)	(0.17)

*Source: Western Illinois University Audited Financial Statements*

- Return on Net Assets Ratio: The same conditions and concerns stated above apply to this ratio.

	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>
<b>Change in Net Assets</b>	<b>\$32,317,400</b>	<b>\$4,828,900</b>	<b>(\$37,892,980)</b>	<b>(\$5,220,620)</b>
Total Net Assets (beginning of year)	\$242,546,600	\$272,367,800	\$269,576,060	\$231,683,080
Return on Net Assets Ratio	0.13	0.02	(0.14)	(.02)
Return on Net Assets CFI	1.33	0.18	(0.80)	(0.23)

*Source: Western Illinois University Audited Financial Statements*

- Viability Ratio: Expendable net assets and the resultant numerator are artificially low. This caused FY16 and 17 viability ratios to be artificially low.

	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>
<b>Expendable Net Assets</b>	<b>\$78,124,600</b>	<b>\$81,914,100</b>	<b>\$50,744,460</b>	<b>\$5,115,5800</b>
Institutional Long-Term Debt	\$101,058,000	\$95,237,400	\$90,007,140	83,091,870
Viability Ratio	0.77	0.86	0.56	0.60
Viability CFI	0.65	0.72	0.47	0.51

*Source: Western Illinois University Audited Financial Statements*

**2. Determine the revenue and expense components that had the greatest impact on the institution's financial health.**

As originally reported to the Commission in FY18, the greatest impacts on Western Illinois University as a result of the historic and unprecedented two-year statewide budget impasse continue to be

advancement of three high priorities that require multiyear investment in order to assure and advance institutional quality. These priorities are advancing faculty and staff salaries, initiating state-funded capital projects, and maintaining an institutional reserve base to protect against the State’s volatile fiscal climate.

- *Faculty and Staff Salaries:* Western Illinois University’s *Higher Values in Higher Education 2012-2022 Strategic Plan* includes a priority to “Provide faculty and staff salaries that meet and exceed the mean of peer institutions.” In FY14 and 15 the University awarded across the board raises of 3.5% and 2.0% to negotiated and non-negotiated employees. Faculty and Academic Support Personnel (who are represented by the University Professionals of Illinois) received a 2.0% raise in FY16.

	FY13		FY14		FY15		FY16		FY17	
	N	Avg.	N	Avg.	N	Avg.	N	Avg.	N	Avg.
Professor	170	\$92,990	182	\$96,358	178	\$98,763	176	\$101,437	182	\$98,201
Associate	155	73,675	146	76,188	143	78,881	153	80,589	149	78,098
Assistant	180	60,768	168	62,282	150	62,120	133	63,649	97	61,562
Instructor	103	44,564	107	42,579	102	45,484	103	47,067	93	45,116
Lecturer	9	43,822	10	45,443	11	41,138	8	44,024	5	37,766
Total	617	\$69,936	613	\$71,997	584	\$74,092	573	\$76,524	526	\$75,790

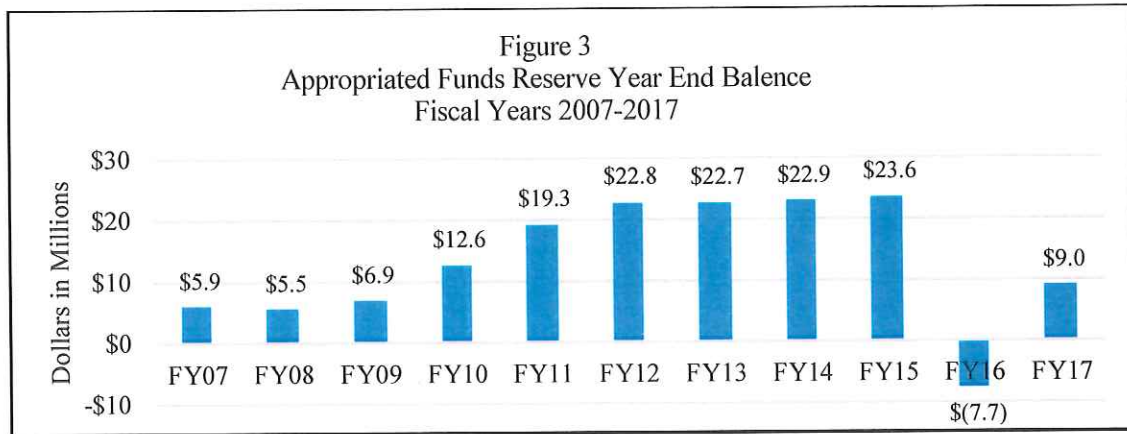
*Source: Western Illinois University 2017 Fact Book, [www.wiu.edu/IRP/factbook.php](http://www.wiu.edu/IRP/factbook.php)*

However, the University has not been able to continue with salary increases due to delayed and decreased state funding. Administrative/professional and civil service personnel earning more than \$40,000 annually were placed a furlough program during FY16. Furloughs continued during FY17 and FY18 for administrative personnel. Faculty deferred a negotiated 3.0% raise during this time.

- *Capital Projects:* Western was in process of bidding for the construction of a new Center for Performing Arts (CPA), a \$71.8 million project, when state capital funding was frozen. Likewise, \$5.0 million allocated for Phase III planning for the Quad Cities campus was also frozen. Although the State has resolved the operating budget impasse, capital spending has not been appropriated or released.

When funding is released, the University will resume work on the CPA project that includes a 1,400-seat proscenium theatre auditorium, 250-seat thrust stage, and 150-seat studio theatre. Phase III will support a new facility for science, engineering, mathematics, and technology instruction, research, and service in the Quad Cities. The freezing of capital expenditures hurts our host communities and region. In addition to one-time construction benefits, Western has an annual \$473 million economic impact in our immediate 16-county service region.

- *Reserves:* With the advent of state cash flow issues (delayed appropriated funding), Western Illinois University began strategically growing the appropriated funds reserves, from less than \$6.0 million in FY07 and 08 to a high of \$23.6 million in FY15. These funds and \$7.7 million from unrestricted non-appropriated funds were used to keep the University operating during FY16.



**3. Identify specific strategies that have been implemented to re-establish financial health.**

Tables 13 and 14 show that the Illinois public universities have been addressing declining state appropriations since FY02. During the initial period of reduced and delayed state appropriations (FY11-15), the statewide budget impasse (FY16-17), and the aftermath of the budget impasse (FY18 and beyond), Western Illinois University has been successful in sustaining financial health and advancing quality by engaging in conservative, mission-driven fiscal management; taking proactive measures in short- and long-term planning; and keeping apprised of internal and external strengths, weakness, opportunities, and challenges.

**Table 13**  
Illinois Public Universities General Revenue Appropriations  
Fiscal Years 2002-2019

(in thousands of dollars)		\$ Difference		% Difference	
		Annual	Cumulative	Annual	Cumulative
2002	1,496,839.5	--	--	--	--
2003	1,411,720.3	-85,119.2	-\$85,119.2	-5.7%	-5.7%
2004	1,303,564.7	-108,155.6	-193,274.8	-7.7%	-12.9%
2005	1,301,632.9	-1,931.8	-195,206.6	-0.1%	-13.0%
2006	1,316,938.8	15,305.9	-179,900.7	1.2%	-12.0%
2007	1,321,279.4	4,340.6	-175,560.1	0.3%	-11.7%
2008	1,357,067.3	35,787.9	-139,772.2	2.7%	-9.3%
2009	1,393,588.6	36,521.3	-103,250.9	2.7%	-6.9%
2010	1,393,838.6	-103,001	-103,000.9	-7.4%	-6.9%
2011	1,309,126.0	-84,713	-187,713.5	-6.1%	-12.5%
2012	1,293,889.3	-15,237	-202,950.2	-1.2%	-13.6%
2013	1,230,092.0	-63,797	-266,747.5	-4.9%	-17.8%
2014	1,232,192.0	2,100	-264,647.5	0.2%	-17.7%
2015	1,229,438.5	-2,754	-267,401.0	-0.2%	-17.9%
2016	350,059.1	-879,379.4	-1,146,780.4	-71.5%	--
2017	665,859.0	315,799.0	-830,980.5	90.2%	--
16-17	1,015,918.1	-213,520.4	-480,921.4	-17.4%	-35.3%
2018	1,092,685.1	76,767.0	-404,154.4	7.6%	-27.7%
2019	1,114,161.9	21,476.8	-382,677.6	2.0%	-25.7%

*Source: Illinois Board of Higher Education*

Table 14  
Western Illinois University General Revenue Appropriations  
Fiscal Years 2002-2019

(in thousands of dollars)	\$ Difference		% Difference	
	Annual	Cumulative	Annual	Cumulative
2002	64,306.7	--	--	--
2003	61,126.0	-\$3,180.7	-4.9%	-4.9%
2004	56,091.1	-5,034.9	-8.2%	-12.8%
2005	56,091.1	0.0	0.0%	-12.8%
2006	57,297.7	1,206.6	2.2%	-10.9%
2007	57,029.3	-268.4	-0.5%	-11.3%
2008	58,287.5	1,258.2	2.2%	-9.4%
2009	59,919.6	1,632.1	2.8%	-6.8%
2010	59,919.6	0.0	0.0%	-6.8%
2011	56,182.7	-3,736.9	-6.2%	-12.6%
2012	55,538.3	-644.4	-1.1%	-13.6%
2013	52,147.8	-3,390.5	-6.1%	-18.9%
2014	52,755.1	607.3	1.2%	-18.0%
2015	52,629.3	-125.8	-0.2%	-18.2%
2016	14,911.4	-37,717.9	-71.7%	--
2017	39,786.9	24,875.5	166.8%	--
16-17	54,698.3	\$2,069	3.9%	-14.3%
2018	46,320.7	-8,377.6	-15.3%	-29.6%
2019	47,200.7	880.0	1.9%	-27.7%

*Source: Western Illinois University Factbooks, Resource Sections, [www.wiu.edu/IRP/factbook.php](http://www.wiu.edu/IRP/factbook.php)*

In exercising conservative fiscal management, the President’s Leadership Team (President, Vice Presidents, Chief of Staff, Budget Director, and University Legal Counsel) has met weekly to monitor institutional obligations, goals, priorities, revenue, expenses, and reserves since FY11—the first year that the State experienced decreased and delayed appropriations. Additionally, appropriations for Illinois public universities changed from lump sum amounts to payment throughout the fiscal year, beginning that fiscal year.

Western has been successful in addressing state-imposed fiscal changes as evidenced by the following accomplishments:

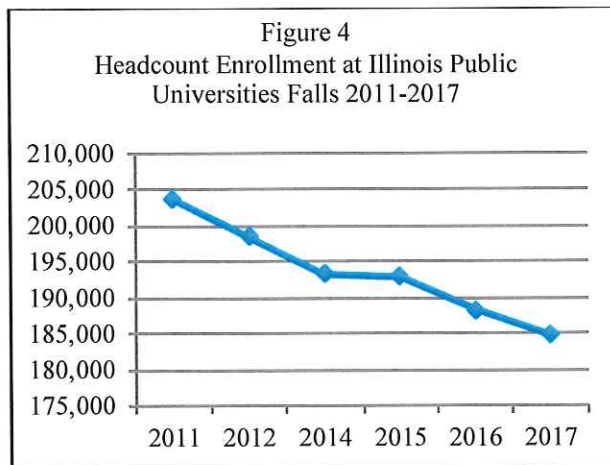
- ✓ The University has not delayed or defaulted on payments to external vendors or failed to meet payroll or other institutional financial obligations.
- ✓ Planning and budgeting processes restored the appropriated funds reserve balance at \$5.2 million at the end of FY18. Furthermore, the University continues to reduce expenditures and solidify the fiscal foundation of the University for the future.
- ✓ Total institutional debt decreased from \$101.1 million in FY14 to \$83.1 million at the end of FY17. This action was possible because restricted funds cannot be used in addressing institutional cash flow issues per Illinois Legislative Audit Commission guidelines.
- ✓ Standard & Poor’s indicated that Western Illinois University was the only Illinois public university to have a FY17 positive outlook. All other Illinois public universities and the State are rated were stable.

Western Illinois University operated according to its *Higher Values in Higher Education 2012-2022* Strategic Plan during the statewide budget impasse. This and previous strategic plans with 10-year

visions for the University are updated every five years. In the aftermath of the statewide budget impasse, the University operates according to *Higher Values in Higher Education 2017-2022*.

As the University works to restore financial health resulting from the statewide budget impasse by the end of FY19, institutional actions have intentionally focused in five priority areas. Four of these areas focus on recruitment and retention to promote student success as a primary benefit and to realize increased tuition and fee revenue as a secondary benefit.

Western Illinois University is addressing enrollment challenges faced by the Illinois public universities. Total headcount enrollment at Illinois public universities decreased by 9.3% from 203,670 students in fall 2011 to 184,713 students in fall 2017. Many factors (shown below) are contributing to this enrollment decline. Total enrollment at Western Illinois University also decreased by 24.8% from a total enrollment of 12,554 to 9,441 during this time. Additional information on enrollment is available in Attachment L and from the 2017 Western Illinois University Fact Book, available at [www.wiu.edu/IRP/factbook.php](http://www.wiu.edu/IRP/factbook.php).



- Factors Contributing to Enrollment Decline
- A 2.4% decline in Illinois high school graduates over the last five years.
  - An 8.8% decline in high school graduates in the 16 county WIU service region.
  - Over 45% of Illinois college bound students attend out-of-state.
  - The historic and unprecedented State of Illinois Fiscal Year 2016 and 2017 budget impasse.
  - A 5% projected decline in Illinois high school by academic year 2023-2024.

Despite previous enrollment declines, the University is beginning to re-build and stabilize enrollment. The University had forecasted and budgeted for a total enrollment of 8,000 students in fall 2018. However, fall 2018 enrollment is 502 enrolled students (6.3%) ahead of projections. This increase is due to institutional actions and the restoration of public confidence in Illinois public higher education.

Ending the statewide budget impasse is restoring public confidence that funding for the Illinois public universities and the Monetary Assistance Program (the statewide need-based financial aid program) will be available. Previous uncertainties caused the State to have the highest emigration rate in the nation and created what was termed a “Crisis in Confidence” in Illinois public higher education. Data from the *New York Times* in 2017 showed that only 2,117 out-of-state residents entered Illinois public higher education, while 16,561 in-state residents entered higher education in other states.

The fifth priority that the University focused on is efficient use of resources. With decreasing state appropriations (including 18% less received in FY17 and 18 compared to the FY15 base), Illinois public universities are becoming increasingly tuition dependent.

To increase student enrollment, the University focused on:

1. **Student Recruitment.** Western Illinois University established high-quality, in-demand academic programs and launched new instructional formats to generate increased enrollment, and related tuition and fee revenue. This was achieved by:



- ✓ *Establishing a new dual enrollment program* with regional high schools. Program enrollment has increased from 6 students in the fall 2014 pilot program to 58 students in enrolled in fall 2018.
- ✓ *Recruiting even more high-achieving students* to Western's Centennial Honors College. Enrollment in the Honors College increased from 594 students in fall 2012 to 1,000 students in fall 2017. This is a 406 student (68.4%) student increase during this time. Honors student enrollment as a percent of total undergraduate enrollment has increased from 5.8% in fall 2012 to 13.2% in fall 2017.
- ✓ *Creating a Military Task Force* to concert on the recruitment and retention of active duty students from the United States Armed Forces. Western has a strong tradition of serving over 600 veterans annually. To build future enrollment, the Senior Vice President for Strategic Planning and Initiatives visited nine military bases during FY18 to learn best practices in serving active duty military students and begin partnership explorations.

Resulting from these visits and FY17 and FY18 benchmarking completed by the Military Task Force, the University adopted federal tuition assistance for all military personnel, received a base housing allowance increase for students in the Quad Cities, and expanded the University's online portfolio with 7 additional programs, raising the total to 12. Currently, the University is hiring a dedicated military student recruiter, and developing partnerships with the Community College of the Air Force, Fort Leavenworth (Kansas), Rock Island Arsenal (Illinois), and Scott Air Force Base (Missouri).

- ✓ *Establishing new degree programs and instructional formats.* Students in Macomb now have access to three new baccalaureate degrees (in Cyber Security, Fire Protection Services, and Middle Level Education), 20 new integrated degree programs (where academically qualified students can earn a bachelors and master's degrees from the University in five years) and a new master's degree in Applied Statistics and Decision Analytics.

Students in the Quad Cities now have access to a new baccalaureate degree in mechanical engineering, two new integrated degree programs, a new master's degree Applied Statistics and Decision Analytics, and a new doctoral program in Environmental Sciences.

Students also have access to Business Administration, College Student Personnel, and Community and Economic Development master's degree programs in new hybrid format. Students in these programs complete three weekends on campus, with the remainder of course work completed online.

FY19 academic planning includes expansion of undergraduate degree programs in Psychology, Social Work, and Speech Pathology and Audiology, as well as select Military Science (ROTC) courses to the Quad Cities campus. Western is nationally recognized as a "Military Friendly School" by *G.I. Jobs Magazine*. The quality of the ROTC program is demonstrated by being a three-time recipient of the General Douglas MacArthur Award for Best ROTC Program in Midwestern United States, and a four-time winner of the Best ROTC Program in the Brigade.

- ✓ *Capitalizing on the increased demand by launching seven new online programs.* Western Illinois University served 61,868 distance education course enrollments between FY13-17, generating 175,125 credit hours. This represents increases of 4,179 (42%) in course enrollments and 10,826 (37%) in credit hours during this time.

Expansion of distance learning and hybrid programs is mission-driven. Western Illinois University has the State of Illinois first and largest distance education program and is

nationally recognized for excellence in online education. Western ranked 60<sup>th</sup> out of 347 colleges and universities from across the nation in *U.S. News and World Report's* "2018 Best Online Programs: Bachelor's" category. Western was one of only two Illinois public universities that placed in the top 75 nationally.

The University offers 463 online classes (320 undergraduate; 143 graduate). New online programs are now available in Accountancy, Anthropology (one of the first in the nation), Economics, Fire Protection Services, Law Enforcement and Justice Administration, Management, and National Fire Academy Curriculum for Fire Fighters.

These new educational opportunities are complemented by the University's five long standing online degree programs in Business Administration, General Studies, Instructional Design and Technology, and Nursing completion (RN to BSN). FY19 plans include placing Supply Chain Management (logistics) online.

As a result of offering more online and hybrid programs, total headcount enrollment where the student takes a majority of semester hours through distance education (off-campus, online, and/or hybrid) increased by 416 students (41.7%) from 998 students in fall 2012 to a total of 1,414 students in fall 2018.

**2. Access and Affordability.** Western Illinois University serves a very cost-sensitive population. Approximately 75% of enrolled students receive financial assistance, with 49% of the Macomb students and 32% of the Quad Cities students receiving federal Pell grants. The University held enrollment above 11,000 students in the years prior to the budget impasse, experienced enrollment declines during the budget impasse, and is beginning to stabilize enrollment after the budget impasse. Upholding the University's traditions and commitments to access and affordability is demonstrated by:

- ✓ *Lowering new student tuition by 3% in FY16 and not administering tuition increases between FY17-19.* As a result, Western Illinois University has the lowest tuition and fee rate of peer Illinois public universities.

	<u>Tuition</u>	<u>Fees</u>	<u>Total</u>
<b>Western Illinois</b>	<b>\$11,245</b>	<b>\$9,580</b>	<b>\$20,825</b>
Southern Illinois-Edwardsville	\$11,491	\$9,481	\$20,972
Illinois-Springfield	\$11,423	\$9,760	\$21,183
Eastern Illinois	\$11,678	\$9,736	\$21,414
Illinois State	\$14,061	\$9,948	\$24,009

- ✓ *Maintaining Cost Guarantees.* Western Illinois University is the only Illinois public university that guarantees new students no cost increases in tuition, fees, and room and board rates, provided that the student maintains continuous fall/spring enrollment.
- ✓ *Offering in-state tuition rates to all domestic undergraduate and graduate students.* Out-of-state enrollment as percent of total university enrollment increased from 11.0% in fall 2014 (the year prior to the statewide budget impasse) to 12.0% in fall 2017 (the last year of the budget impasse).

- ✓ *Reallocating institutional resources to provide automatic need and merit-based scholarship programs.* All dually enrolled high school students pay 1/3<sup>rd</sup> of published tuition costs and no fees. Additional information about automatic scholarships available to all new freshmen, transfer, and international student scholarships is available at [www.wiu.edu/student\\_services/undergraduate\\_admissions/western\\_commitment](http://www.wiu.edu/student_services/undergraduate_admissions/western_commitment), [www.wiu.edu/student\\_services/undergraduate\\_admissions/transfer/westernCommitment.php](http://www.wiu.edu/student_services/undergraduate_admissions/transfer/westernCommitment.php), and [www.wiu.edu/international\\_studies/student\\_activities/scholarshiplisting.php](http://www.wiu.edu/international_studies/student_activities/scholarshiplisting.php), respectively.

All of these actions are critical to the student population that Western Illinois University serves. Compared to the Illinois public university peers, Western has the highest percentage of students receiving need-based financial aid and the highest percentage of students using self-help (employment and loans) to finance their education. However, our actions have helped students become less reliant on loans. Western Illinois University had the lowest average student loan amount for academic year 2016-2017.

<u>Need Based Aid</u>	
<b>Western Illinois</b>	<b>81%</b>
Eastern Illinois	76%
Illinois-Springfield	68%
Southern Illinois-Edwardsville	67%
Illinois State	58%
<u>Self Help</u>	
<b>Western Illinois</b>	<b>73%</b>
Easter Illinois	57%
Southern Illinois-Edwardsville	53%
Illinois-Springfield	50%
Illinois State	48%
<u>Loans</u>	
Illinois-Springfield	\$8,863
Southern Illinois-Edwardsville	\$5,088
Illinois State	\$4,299
Eastern Illinois	\$4,195
<b>Western Illinois</b>	<b>\$4,176</b>

*Source: US News and World Report*

- 3. Community Engagement in Recruitment and Retention.** Western Illinois University has a \$473 million annual economic impact in its immediate 16 Illinois county service region. The Macomb campus is the largest employer in its host community and region. The Quad Cities campus serves a population where only 28% of residents in Illinois' second largest Metropolitan Statistical Area have earned a baccalaureate degree or higher. It is mutually beneficial for the University and our host communities and regions to work together in student recruitment and retention. Examples of these partnerships include:

- ✓ *Hosting educational summits to identify regional needs.* In FY 17, Western Illinois University hosted 20 educational summits in 8 communities with 165 participants in attendance. A consistent theme in these summits was the need to recruit and retain more elementary and secondary teachers to address the statewide teacher shortage. As a result, the College of Education and Human Services reinstated its teacher recruitment fair for

graduating seniors. In FY17, 30 schools and 42 students participated. Participation increased to 33 schools and 67 students in FY18.

In FY18, the University hosted 12 Education Summits in seven Illinois communities with 92 participants in attendance. A consistent theme in these summits was the need for Western Illinois University to increase outreach events in addition to regularly scheduled admissions events to keep more new freshmen local.

As a result, 769 students from 10 communities visited discipline-specific events on a Western Illinois University campus. For example, the College of Fine Arts and Communication Day and the Law Enforcement and Justice Administration Open House brought an additional 260 students from Iowa, Illinois and Missouri high schools and community colleges to the Macomb Campus.

Three Education Summits have been initially scheduled for FY19. Based on community feedback, this includes a Law Enforcement and Justice Administration summit in Quincy, Illinois, and Educational Leadership summits in Moline and Peoria, Illinois.

- ✓ *Cultivating external grants to support student recruitment and retention.* In FY18, President Thomas received \$100,000 from the Steans Foundation to support student persistence and completion. The University internally reallocated funds and used this gift to establish a centralized retention office on the Macomb campus. This office will work with students at risk of dropping out and academic and student support offices to design and implement individualized retention plans. At the end of FY18, the University received \$100,000 from the Moline Foundation to support free Agriculture classes for dually enrolled high school students on the Quad Cities campus. Five students are in the initial class.
- ✓ *Recruiting working professionals to attend the University.* For FY17 and 18 combined, 318 Western Illinois University employees (duplicate headcount) utilized their institutional tuition waiver benefit. An additional 93 external working professionals utilized their employee tuition waiver (direct pay) programs to enroll at the University. Four school districts/Regional Offices of Education also supported 23 sponsored credit courses for their practicing professionals to attend Western.

4. **Persistence and Completion.** Retaining students through graduation achieves the primary mission of an academic institution, with the secondary benefit of increasing tuition and fee revenue. Western Illinois University engages in continuous improvement to advance student success.

To that end, the University joined the Commission's Persistence and Completion Academy (PCA) in Academic Year 2014-2015. The resultant actions (discussed below) are part of institutional support systems that have held new freshmen first-year retention rates constant at 67% for the past three years despite the statewide budget impasse. Additionally, the third-year continuation rate and four-year graduation rate of full-time, first-time freshmen increased from 55.6% to 60.1% and from 30.6% to 33.4% during this time. Additional retention and graduation rate information is available in Attachment M and in the 2017 Western Illinois University Fact Book, available at [www.wiu.edu/IRP/factbook.php](http://www.wiu.edu/IRP/factbook.php).

Through the PCA, Western:

- ✓ Developed a distributed database to support use of the predictive analytic framework, which provides data for new academic success coaches on the Macomb and Quad Cities

campuses to develop individualized persistence and completion plans for students at risk of dropping out.

- ✓ Established Living-Learning Communities on the Macomb (residential) campus, and a new peer-based tutoring program on the Quad Cities (commuter) campus.
- ✓ Deployed use of Respondus lock down browser to enable distance education students to complete examinations online rather than having to travel to Western Illinois University campus or approved testing center location to complete academic requirements.

Even with the University's accomplishments, we recognize the need for continued improvement in student persistence and completion. The 2.8% increase in four-year graduation rates does not offset the decrease in six-year graduation rates from 53.1% to 50.4% in the last two six-year graduation rate comparisons. Western will continue to study and adapt practices in order to increase its overall graduation rate.

**5. Finances and Efficiencies.** Western Illinois University was a leader in the FY18 restoration of fair and predictable funding to Illinois public higher education, and is an efficient steward of limited state resources. This is evident by:

- ✓ Hosting meetings with elected officials to coordinate institutional needs, plans, and legislative actions. In addition to annual budget testimony before the Illinois General Assembly (Senate Appropriations Hearing, the House Higher Education Hearing, and the House of Representatives Committee of the Whole), President Thomas met with state legislators and the Governor 10 times during FY16 and 17 to address institutional needs and concerns during the statewide budget impasse. President Thomas is also the only Illinois public university president to serve on the Illinois Board of Higher Education (IBHE), the State's coordinating board for Illinois higher education.

President Thomas met elected officials 20 times during FY18 to address institutional needs, plans, and legislative actions in the aftermath of the statewide budget impasse. This is in addition to hosting the Governor on the Macomb campus, and the Governor and Lieutenant Governor on the Quad Cities Campus.

- ✓ During FY19, the Senior Vice President for Strategic Planning and Initiatives, Vice President for Administrative Services, Assistant to the President for Government Relations, and Budget Director were appointed to the IBHE's Public Funding Working Group. This team is charged with reviewing and recommending to the IBHE and Illinois General Assembly models of funding and performance-based funding for Illinois public higher education.
- ✓ Continuing to provide administrative and instructional cost per credit hour below the statewide average of the 12 Illinois public universities, as shown in Tables 8 and 9.
- ✓ Maintaining the highest percentage of institutional expenditures on the core mission of Western Illinois University—Instruction and Academic Support before and during the statewide budget impasse. In fact, the University's FY17 value is 1.5% higher than it was before the statewide budget impasse in FY14. Western Illinois University allocates its resources in alignment with its academic mission and priorities.

Table 17  
Operating Costs by Function of Expenditure  
Fiscal Years 2012-2017

(In Thousands of \$)	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Instruction	\$79,449.2	\$77,370.8	\$77,267.6	\$77,237.5	\$74,645.3	\$68,563.6
Organized Research	6,074.1	3,540.3	3,535.5	3,083.6	3,254.0	3,226.0
Public Service	14,774.0	12,694.3	13,970.1	14,142.2	12,852.6	11,871.1
(In Thousands of \$)	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Academic Support	8,701.9	8,925.6	8,847.8	8,829.6	8,109.0	7,297.0
Student Services	41,066.6	42,830.7	48,119.7	49,661.2	48,895.0	47,107.7
Subtotal-Dollars	<u>\$150,065.8</u>	<u>\$145,361.7</u>	<u>\$151,740.7</u>	<u>\$152,954.1</u>	<u>\$147,755.9</u>	<u>\$138,065.4</u>
Subtotal-Percent	65.6%	63.7%	65.4%	66.2%	67.5%	66.9%
Institutional Support	9,277.7	9,473.6	9,675.4	10,238.6	9,006.5	9,375.3
O&M of Physical Plant	30,200.5	30,446.2	31,023.6	27,711.3	24,066.9	23,737.2
Independent Operations	34,944.1	38,651.4	35,090.6	35,419.8	33,722.4	31,059.0
CMS Group Health Insurance	2,724.2	2,735.9	2,909.5	2,998.1	2,722.3	2,774.7
FICA/Medicare	1,564.6	1,602.4	1,668.9	1,666.5	1,611.9	1,466.3
Total	<u>\$228,776.9</u>	<u>\$228,271.2</u>	<u>\$232,108.7</u>	<u>\$230,998.4</u>	<u>\$218,885.9</u>	<u>\$206,477.9</u>

Source: Western Illinois University Factbooks, Resource Sections, [www.wiu.edu/IRP/factbook.php](http://www.wiu.edu/IRP/factbook.php)

Essential to the University's success in strategic planning and the restoration of fiscal health are strong, annual planning processes. In academic year 2016-2017, the University implemented *Annual Strategic Plan Supplements* to address unforeseen challenges and opportunities at the time of writing an original 10-year strategic plan.

Many of the accomplishments mentioned above were informed by the *Academic Years 2016-2017 and 2017-2018 Strategic Plan Supplements*. Attachment E<sup>1</sup> contains the University's *FY18 Strategic Plan Update* that summarizes academic year 2016-17 accomplishments and academic year 2017-2018 plans related to *Higher Values in Higher Education* and its corresponding *Strategic Plan Supplements*. The accomplishments discussed in this *Update* specifically reflect accomplishments occurring during FY17—the year for which the University's CFI is being evaluated in this submission to the Commission.

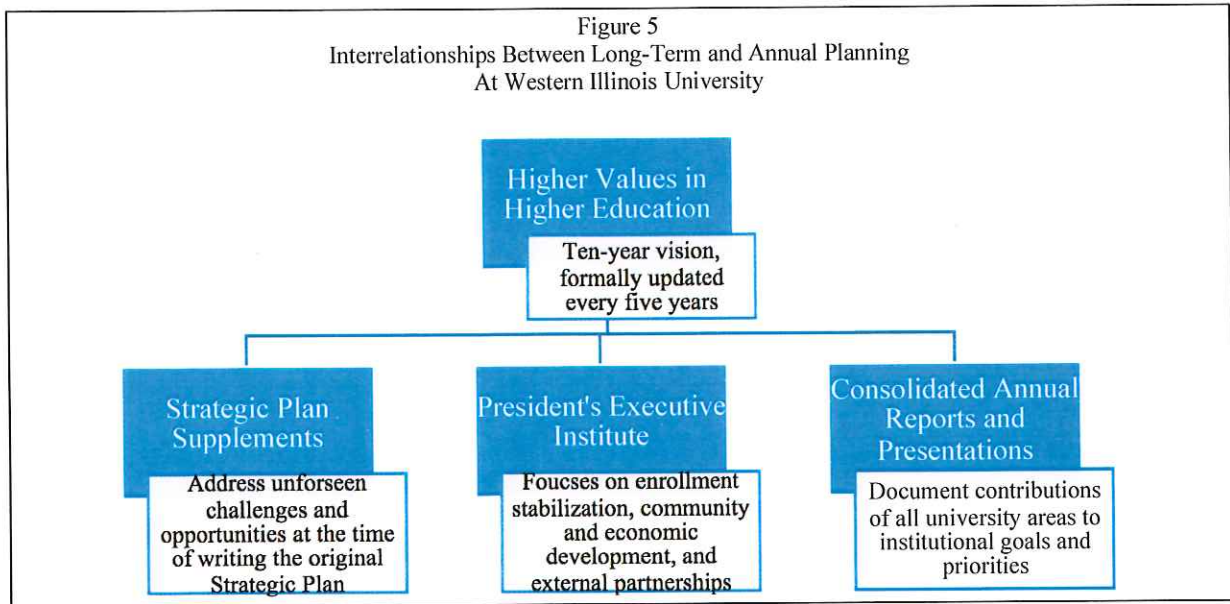
Academic Year 2016-2017 was also the year that the University that the University launched the President's Executive Institute (PEI). The 30 faculty and staff members who serve on the PEI Steering Team assist the University in enrollment stabilization, community and economic development, and partnerships with external entities. The Education Summits, resultant actions, \$200,000 in recruitment and retention funding, and growing enrollments of working professionals are examples of PEI accomplishments.

Annual planning also occurs at the local level. Since Fiscal Year 2005, all academic departments and administrative units complete Consolidated Annual Reports. These annual reports discuss departmental plans, accomplishments, and goals in relation to those of the University. They are also the vehicle to request new resources. These reports are prioritized in annual Planning and Accomplishment Presentations made to the university community each spring by the vice presidents and a representative from areas that report to the president.

Figure 5 summarizes the interrelationship between the University's annual and long-term planning processes. The accomplishments of this *Financial Recovery Plan* clearly show that through mission-driven strategic planning, coupled with conservative fiscal management, Western Illinois University demonstrates a sound understanding of its current and future capacity. Institutional environmental

<sup>1</sup> Additional Strategic Plan Updates are available at [www.wiu.edu/university\\_planning/annualstrategicplanupdates.php](http://www.wiu.edu/university_planning/annualstrategicplanupdates.php).

scanning and planning has anticipated and successfully addressed the impacts of fluctuations in institutional sources of revenue from enrollment, the economy, and state appropriations.



**4. Identify specific strategies that have been implemented to address revenue and expense components of the institution’s financial health.**

Institutional response to Question 1 demonstrated how the University responded to State cash flow issues between FY11-15. Table 16 shows that the University reduced institutional expenditures by \$12.3 million 9.8% through implementation of the *FY16 and 18 Priorities and Reinvestment Plan*.

Table 18  
Appropriated Funds Expenditures  
Fiscal Years 2015 -2018

				Savings			
				Amount		Percent	
				Annual Savings Amount	Cumulative Savings Amount	Annual Savings Percent	Cumulative Savings Percent
	<u>Operating</u>	<u>Personal Services</u>	<u>Total</u>				
FY15	\$24,407,446	\$101,746,415	\$126,153,861	--	--	--	--
FY16	\$21,206,624	\$98,976,538	\$120,183,162	\$5,970,699	\$5,970,699	4.7%	4.7%
FY17	\$23,036,700	\$89,768,100	\$112,804,800	\$7,378,362	\$13,349,061	6.1%	10.8%
FY18	\$24,433,000	\$89,485,500	\$113,918,500	(\$1,113,700)	\$12,254,900	(1.0%)	9.8%

This *Plan* focused on increasing revenue and decreasing expenditures to reduce reliance on state appropriated funding, while continuing to deliver a high-quality, well-rounded educational experience grounded in core values of the University (academic excellence, educational opportunity, personal growth, and social responsibility).

Institutional Revenue

Section 1 demonstrated that FY16-18 revenue generation strategies focused on diversifying institutional revenue streams. This was achieved by identifying new markets of students, focusing on retention and graduation rates, implementing new and expanded partnerships with business and industry, and continuing

to advocate for the restoration of fair and predictable funding to Illinois public higher education. It was also achieved by increasing contract and grant activity and external revenue donations.

On an all-funds revenue base of \$218.9 million in FY16 and \$206.5 million in FY17, sample revenue diversification outcomes include:

- ✓ Faculty and staff engaging in \$22.3 million in external grant and contract activity during FY16 and 17. This is \$2.3 million (12%) higher than then the combined value received in FY14 and 15.
- ✓ The President’s Executive Institute (PEI) generating \$2.9 million for the University during FY17-18. This PEI did not exist in previous years.
- ✓ President Thomas advocating with elected officials for the restoration of fair and predictable higher education funding. The budget impasse ended after the Illinois public universities were provided with funding from Stop Gaps I, II, and full appropriations in FYs18 and 19. Values of appropriations to Western Illinois University were \$46.3 million and \$47.2 million, respectively.
- ✓ The Western Illinois University Foundation increasing contribution revenues from \$5.6 million in FY16, to \$7.3 million in FY17 and \$13.7 million in FY18<sup>2</sup>. During this time, the endowment grew from \$38.0 million to \$56.2 million, and total Foundation assets increased from \$41.4 million to \$67.1 million, as well.

Increased donations to the Western Illinois University Foundation benefit the institution and the students that we serve. *FY17 Audited Financial Statements of the Western Illinois University Foundation* (see Attachment O) show that the total net position of the Foundation was \$66.7 million in FY17, with \$459,540 in net investment in capital assets, \$29.4 million restricted for non-expendable purposes, \$13.6 million restricted for expendable purposes, and \$23.2 million unrestricted.

During FY17, the net position of the Foundation increased \$4.9 million (7.9%). The increase was primarily driven by the performance of the endowment investment pool. The endowment fund increased in value by \$7.9 million due to contributions of \$1.3 million, the transfer of the farmland held for investment to the endowment valued at \$3.2, million and the overall market performance of the investments.

Table 19 shows that one-year changes in allocations from the endowment fund are consistent with the University’s *Mission* and planning. Increases of \$265,648 (7.9%) to academic and student services and \$112,764 (4.0%) to scholarships are consistent with the highest priorities stated in the *FY16-18 Priorities and Reinvestment Plan*. The Foundation’s allocations support the provision of a high-quality, well-rounded educational experience; focus on student persistence and completion; and address the cost sensitivity of Western Illinois University students. Likewise, the \$207,701 reduction in institutional support is consistent with the institutional priority to operate at the highest levels of administrative efficiency.

(In Thousands of \$)	FY2016	FY2017	Difference	
			Number	Percent
Academic and Student Services				
Instruction	\$1,237,067	\$1,379,963	\$142,896	11.6%
Organized Research	61,232	174,576	113,344	185.1%
Public Service	1,142,344	1,205,322	62,978	5.5%
Academic Support	123,018	150,069	27,051	22.0%
Student Services	780,129	699,508	(80,621)	(10.3%)
Subtotal-Dollars	<u>\$3,343,790</u>	<u>\$3,609,438</u>	<u>\$265,648</u>	7.9%
Subtotal-Percent	44.0%	45.3%	--	--

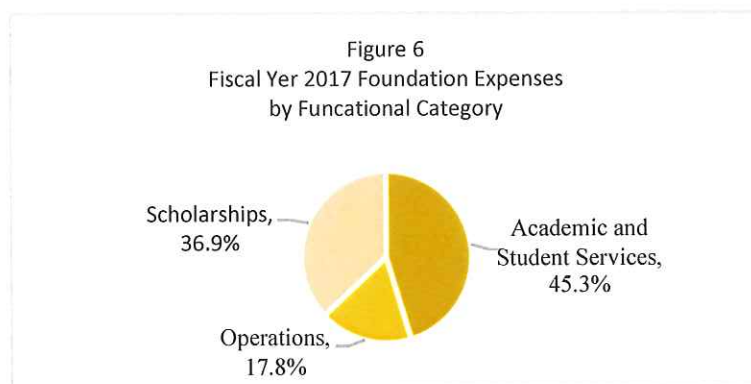
<sup>2</sup> Data do not match Foundation’s Annual Statements. Data reported follow CASE Standards and include planned giving in the totals.



	FY2016	FY2017	Difference	
			Number	Percent
Operations				
Institutional Support	1,323,557	1,115,766	(207,791)	(15.7%)
O&M of Physical Plant	114,661	306,938	192,277	167.7%
Subtotal-Dollars	<u>\$1,438,218</u>	<u>\$1,422,704</u>	(\$15,514)	(1.1%)
Subtotal-Percent	18.9%	17.8%	--	--
Scholarships				
Student Scholarships	1,547,087	1,690,798	143,711	9.3%
Donor Directed Scholarships	1,278,102	1,247,156	(30,946)	(2.4%)
Subtotal-Dollars	<u>\$2,825,189</u>	<u>\$2,937,954</u>	\$112,765	4.0%
Subtotal-Percent	37.1%	36.9%	--	--
Total Operating Expenses	<u>\$7,607,197</u>	<u>\$7,970,096</u>	<u>\$362,899</u>	4.8%

*FY17 Audited Financial Statements of the Western Illinois University Foundation*

Figure 6 also shows the consistency between Foundation revenue and allocations and the University's *Mission* and planning. The highest percentages of funds received by the University supported academic and student services, followed by scholarships. Increases to physical plant supported new projects and permanent improvements. The smallest percentage allocated was to operations that includes administrative costs.



### Institutional Expenditures

Ongoing actions to decrease appropriated operating expenditures during FY16-18 included temporarily reducing departmental operating budgets by 25%, limiting spending to immediate operational needs, monitoring travel requests and expenditures, realizing cost savings from combining 18 departments into 10, reducing contractual services and equipment purchases, and delaying permanent (facilities) improvements.

However, external donations supported installation of a new crime laboratory to support Law Enforcement and Justice Administration, a signature academic program of Western Illinois University, and the 4<sup>th</sup> largest program in the country. Additionally, sale of university property that became expendable when the University opened its new Quad Cities campus location is supporting renovation to future new homes of Centennial Honors College in Simpkins Hall on the Macomb campus and in the Library on the Quad Cities campus.

Ongoing actions to decrease appropriated personal services expenditures included implementing a hiring freeze, lowering the size of the workforce, reducing 12-month contracts for select staff positions and departmental chairpersons/school directors, and pooling attrition savings. This is in addition to initiating a voluntary pay reduction program at the deans level and above, canceling salary increases for non-negotiated personnel, and requiring a furlough program for all non-negotiated employees earning more than \$40,000 annually (479 employees). Civil service employees were exempt from FY17 and 18 furlough programs.

One-time actions to reduce appropriated funds personal services expenditures include engaging in 110 layoffs (with 87 call backs) and implementing a retirement incentive program during FY16. In FY17, the

University closed the Quad Cities Executive Studies Center and merged Instructional Design and Technology with Engineering Technology. The University Professionals of Illinois (representing Western Illinois University's faculty and academic support professionals) rescinded their 1% negotiated raise and reduced base salaries by 3% from FY16 levels for FY17 and 18 in response to the state budget impasse, under terms and conditions described in *Western Illinois University Board of Trustees Resolution 16.6/12*.

Mission-Driven Resource Allocations

Data in Tables 20-22 complement information presented in Table 18. Decreasing appropriated funds expenditures has been mission-driven. This is evident in the following three examples.

First, while Western reduced appropriated funds personal services expenditures by \$12.3 million (12.1%), the University continues to honor contractual agreements. This includes Professional Achievement Awards and Salary Minima in accordance with the University's contract with the University Professionals of Illinois (UPI), which is available at [www.wiu.edu/provost/upi\\_agreement/index.php](http://www.wiu.edu/provost/upi_agreement/index.php).

	FY15	FY16	FY17	FY18	Cumulative Reduction	
					Amount	Percent
Administrative	\$23,092,806	\$21,965,529	\$20,106,450	\$19,976,500	(\$3,116,300)	(13.5%)
Faculty	50,807,647	50,964,699	46,443,196	46,349,200	(4,458,500)	(8.8%)
Civil Service	22,094,879	20,575,680	17,681,424	17,911,700	(4,182,800)	(18.9%)
Extra Help and Overtime	502,224	390,193	534,442	328,400	(173,800)	(34.6%)
Student Help	1,148,841	978,977	998,905	992,100	(156,700)	(13.6%)
Graduate Assistants	2,563,030	2,495,397	2,445,528	2,456,000	(107,000)	(4.2%)
Summer Session	1,510,489	1,586,896	1,551,125	1,465,500	(45,000)	(3.0%)
Reimbursement/Award	26,499	9,167	7,043	6,100	(20,400)	(77.0%)
<b>Total</b>	<b>\$101,746,415</b>	<b>\$98,976,538</b>	<b>\$89,768,113</b>	<b>\$89,485,500</b>	<b>(\$12,260,500)</b>	<b>(12.1%)</b>

*Source: Western Illinois University Appropriated Funds Budgets (www.wiu.edu/Budget)*

Second, while the University reduced the size of the institutional workforce by 319 positions (13.0%) between FY15 and 18, staff-to-faculty reductions occurred at a ratio of 2.5:1. in order to protect the academic core of the University. Furthermore, the number of graduate assistantships increased by 16 (3.3%) during this time to continue addressing student cost sensitivity issues.

	2014	2015	2016	2017	Cumulative Reduction	
					Amount	Percent
Civil Service	806	781	657	630	(176)	(21.5%)
Negotiated	233	416	342	315	82	35.2%
Prevailing Wage	40	43	36	37	(3)	(8.0%)
Non-Negotiated	533	322	279	278	(255)	(47.8%)

Table 21  
-continued-

	2014	2015	2016	2017	Cumulative Reduction	
					Amount	Percent
Faculty	<u>705</u>	<u>679</u>	<u>615</u>	<u>608</u>	<u>(97)</u>	<u>(13.8%)</u>
Negotiated-Unit A <sup>1</sup>	450	454	412	412	(38)	(8.4%)
Negotiated-Unit B <sup>2</sup>	121	130	120	106	(15)	(12.4%)
Non-Negotiated/Temporary	96	57	52	57	(39)	(40.6%)
Departmental Chairpersons	38	38	31	33	(5)	(13.2%)
Administrators	<u>315</u>	<u>311</u>	<u>279</u>	<u>263</u>	<u>(52)</u>	<u>(16.5%)</u>
Negotiated	73	71	66	62	(11)	(15.1%)
Non-Negotiated	242	240	211	199	(43)	(17.8%)
Non-Negotiated Temporary	--	--	2	2	2	100.0%
Professionals <sup>3</sup>	<u>144</u>	<u>140</u>	<u>134</u>	<u>134</u>	<u>(10)</u>	<u>(6.9%)</u>
Negotiated	18	22	24	21	3	16.7%
Non-Negotiated/Temporary	126	118	110	113	(13)	(10.3%)
Graduate Assistant	<u>482</u>	<u>492</u>	<u>496</u>	<u>498</u>	<u>16</u>	<u>3.3%</u>
Total	<u>2,452</u>	<u>2,403</u>	<u>2,181</u>	<u>2,133</u>	<u>(319)</u>	<u>(13.0%)</u>

1. Unit A consists of tenured/tenure-track faculty, librarians, and counselors.
2. Unit B consists of associate faculty and academic support professionals.
3. Professionals consists of executive assistants and faculty assistants.

Source: Western Illinois University Fact Books, [www.wiu.edu/IRP/factbook.php](http://www.wiu.edu/IRP/factbook.php)

Third, while it appears the University's appropriated funds operating expenditures remained constant between FY16-18, this observation does not account for internal, mission-driven reallocations. Western reallocated over \$2.6 million to the awards, grants, and matches category. Expenditures in this category primarily reflect institutional costs for Western Commitment Scholarship awards. These reallocations advance the University's core value of educational opportunity by helping to address the extreme cost sensitivity of Western Illinois University current and prospective students. Excluding these reallocations, Western Illinois University reduced appropriating operating expenditures by \$2.6 million (13.4%) through the *FY16-18 Priorities and Reinvestment Plan*.

Table 22  
Appropriated Funds Operating Expenditures  
Fiscal Years 2015-2018

	FY15	FY16	FY17	FY18	Cumulative Reduction	
					Amount	Percent
Fringe Benefits	\$94,799	\$119,386	\$125,130	\$191,700	\$96,900	102.2%
FICA	1,348,418	1,318,020	1,192,587	(157,600)	(157,600)	(11.7%)
Group Insurance	1,744,800	1,744,800	1,744,800	\$0	0	0.0%
Contractual Services	10,335,345	9,082,535	9,637,672	9,968,800	(366,500)	(3.5%)
Travel	674,645	342,277	272,736	347,900	(326,700)	(48.4%)
Commodities	1,271,601	752,249	890,986	975,000	(296,100)	(23.3%)
Equipment	1,488,095	113,474	143,465	1,152,600	(335,500)	(22.5%)
Library Books	1,222,894	1,208,842	1,242,345	880,300	(342,600)	(28.0%)
Telecommunications	475,281	367,899	327,298	319,600	(155,700)	(32.8%)
Automotive	274,631	173,000	126,091	133,500	(141,100)	(51.4%)
Awards, Grants, and Matches	4,849,968	5,968,060	7,300,574	7,487,800	2,617,800	53.8%
Permanent Improvements	626,969	16,082	33,200	39,700	(\$587,300)	(93.7%)
Grand Total	<u>\$24,407,446</u>	<u>\$21,206,624</u>	<u>\$23,036,884</u>	<u>\$24,433,000</u>	<u>\$5,600</u>	<u>0.0%</u>
<b>Grand Total Less Awards, Grants and Matches</b>	<b>\$19,557,478</b>	<b>\$15,238,564</b>	<b>\$15,736,310</b>	<b>16,945,200</b>	<b>(\$2,612,278)</b>	<b>(13.4%)</b>

Source: Western Illinois University Budget Office

### Changes to the University's Academic Portfolio

There have been reductions to the University's academic portfolio as a result of the statewide budget impasse. The Western Illinois University Board of Trustees voted upon recommendation of the Interim Provost and Academic Vice President to disestablish bachelor degree programs in African American Studies, Philosophy, Religious Studies, and Women's Studies at its June 10, 2016, meeting. These programs are being phased out due to not meeting enrollment and degree thresholds required by the Illinois Board of Higher Education. A *Teach Out Plan* and *Update* on file at the Commission, and courses in these areas remain at the University in support of general education and other academic offerings

Additionally, the University discontinued offering the B.A. in Music in Macomb, as well as the Bachelor's in Early Childhood Education (ECE) and the Master's in Liberal Arts and Sciences (MLAS) at the Quad Cities campus in FY17. Students have the option to earn a Bachelor of Music and Master of Music, the ECE and MLAS degrees on the Macomb campus.

### Fiscal Year 2019 Plans and Initial Accomplishments

The restoration of the University's fiscal health is guided by the *FY19 Positioning Western Illinois University for the Future Plan*. Building on accomplishments from the *FY16-18 Priorities and Reinvestment Plan*, the University continues to focus on increasing enrollment, retention, and graduation rates; revenue stream increases and diversification; expenditure reductions; reallocations; and organizational efficiencies.

Our planning is guided by the following premise. Western Illinois University will remain a strong and viable institution for the 21<sup>st</sup> century. We will continue to provide a world-class educational experience that prepares students to lead in dynamic and diverse communities. We will also continue to successfully advance the goals and priorities in *Higher Values in Higher Education, Annual Strategic Plan Supplements*, and the work of the President's Executive Institute, as we provide national leadership in quality, opportunity, and affordability.

### *Student Enrollment*

There have been four accomplishments related to student enrollments thus far in FY19. First, as previously stated, fall student enrollment is 502 students (6.3%) ahead of projections and budgets. Second, on July 16, 2018, the Interim Provost announced an Academic Restructuring Exercise that will occur during academic year 2018-2019. The basis of restructuring is designed to provide collaborative opportunities and synergies in newly combined departments and schools and focus the University's academic portfolio in areas of high-demand and institutional strength.

As proposed by the Provost and to be finalized by the academic community this academic year:

- Within the College of Arts and Sciences, select departments will form two new schools: The School of Humanities and Social Sciences, and the School of Natural Science and Mathematics, in addition to biology, the School of Nursing, and psychology.
- Within the College of Business and Technology, economics will join accounting and finance to form the School of Accounting, Economics and Finance, and engineering technology will merge with the School of Engineering to form the School of Engineering and Engineering Technology.
- Within the College of Education and Human Services, emergency management will join the School of Law Enforcement and Justice Administration to capitalize on the natural commonalities in these disciplines. Social work will return to a department dedicated to that discipline with additional discussions underway about how best to support the remaining disciplines in health sciences. The various programs dedicated to education will merge to form the School of Education.

- Within the College of Fine Arts and Communication, graphic design and graphic communication will be brought together to increase and improve the student experience in the area of graphics.

This reorganization will create areas of strength that define the academic portfolio of the University (but not change the four-college structure). Specifically, as proposed and to be finalized this academic year:

- Business will focus on accounting, finance, human resource management, management, marketing (including fashion merchandising) and supply chain management.
- Education and Community Services will focus on education, law enforcement and justice administration, fire science, kinesiology (including dietetics/nutrition), social work and recreation, park and tourism administration (including hospitality).
- Regional Need will focus on agriculture, broadcasting and journalism, communication, counseling, economics, English, museum studies, math, music, nursing, theatre, public health, psychology and speech pathology and audiology.
- Science and Technology will focus on biology, chemistry, computer science, construction management, cyber security, engineering, engineering technology, GIS, information systems and physics.

Third, Western is exploring the addition of cooperative education to applicable academic disciplines. This program rotates semesters of study with semesters of full-time work. The literature demonstrates less reliance on financial aid and loans, as well as higher academic performance, persistence, completion, employment, and starting salary rates for students who participate in cooperative education compared to students who do not take advantages of this experiential opportunity. Institutionally, benchmarked universities (Drexel, Illinois State, Kettering, Northeastern, Purdue, University of Cincinnati, and the University of Toledo) have all used cooperative education as a means of institutional branding and to increase enrollments.

Fourth, Western Illinois University will be partnering with the Community College of the Air Force (CCAF) in its General Education Mobile program. The University will also partner in CCAF's Associate-to-Baccalaureate degree completion initiative. CCAF is the world's largest community college system. It annually awards over 22,000 associates in applied science degrees in 71 areas.

#### *Institutional Revenue*

The University is making the necessary staffing additions to provide the necessary infrastructure for Western's next comprehensive fundraising campaign. With regard to future revenue, a new University Marketing Director and new Development Officers in the College of Business and Technology and the College Arts and Sciences are now in place. Additionally, the Director of Development for Athletics now directly reports to the Vice President of Advancement and Public Services.

Successful completion of the next comprehensive funding campaign will further position Western Illinois University for a strong financial future and help reduce reliance on state appropriations. The University concluded its last campaign in December 2014, raising \$62 million, \$2 million higher than its goal. As a result, the Foundation's endowment base increased from \$16 million to \$40 million, and the total asset base increased to \$55 million. These are important accomplishments. Earnings from the endowment support student scholarships, academic programs, critical University needs, and many initiatives on both campuses.

As previously indicated, President Thomas continues advocacy for fair and predictable funding for Illinois public universities. The Senior Vice President for Strategic Planning and Initiatives, Vice President for Administrative Services, Assistant to the Government Relations, and University Budget Director serve on the Illinois Board of Higher Education's Working Group that is recommending funding models to the IBHE

and General Assembly. The President's Executive Institute has set a \$2.4 million fundraising goal for FY19, and the Western Illinois University Foundation seeks to surpass its FY18 record setting total of \$13.7 million received in revenue contributions.

### *Institutional Expenditures*

Western Illinois University has begun implementing plans for \$9.0 million in base funding reductions and reallocations. Initial savings will be realized in both FY19 and 20. Such actions are necessary as the University, even with its cost reductions, deficit spent by approximately \$4.0 million in FY18. This is not a sustainable practice for University reserves.

The University's \$9.0 million target is based on *2017 and 2018 Cost Analysis* performed by Institutional Research and Planning. These Analyses compared per Full-Time Equivalent student expenditures in eight areas (instruction, student services, research, public service, academic support, institutional support, auxiliary enterprises, and library) against Western Illinois University Peer Institutions and the Illinois public universities. The University's fiscal planning was also informed by the annual *Academic Discipline Cost Study* prepared by the Illinois Board of Higher Education. The *Cost Study* is the source for instructional and administrative cost per credit hour comparisons at the Illinois public universities.

Initial actions have been taken from the *Positioning Western Illinois University for the Future Plan*. The Board of Trustees charged President with oversight of an institutional review of all service operations to identify opportunities for efficiency enhancements and reduced costs. To further contain institutional costs, the university community was notified of the following changes to budgetary procedures (see <http://www.wiu.edu/Budget/news/fy19update-082318.php>). For operating budgets:

- As in recent years, operating budgets were loaded at 75 percent. However, effective FY19, this level becomes the permanent base budget allocation for departments, and eliminates options to request additional budget loads.
- Purchases that are not critical to maintaining an area's operations and appropriate levels of service should not be made.
- All areas should strive to spend under budget and avoid unnecessary expenditures.
- All travel, regardless of cost, must have vice presidential approval.
- Any expense of \$200 or more requires prior vice presidential approval.
- Prior to placing any purchases with a Procurement-Card, departmental fiscal agents must review expenditures to ensure funds are available.
- Budget balances should be consistently monitored. For budgeted accounts, approval for a transfer of funds must be obtained prior to any deficit spending.

And for personal services:

- For the remainder of this fiscal year, the University will maintain a hiring freeze with the exception of positions that are essential to University operations without sacrificing critical service levels and commitments made to students.
- Any position that becomes vacant during the year must be evaluated before being filled, regardless of fund sources (excluding grant accounts). All essential position requests must have Presidential approval.
- To conserve cash, all non-essential positions are expected to remain vacant for the remainder of the fiscal year. These positions will be reevaluated for Fiscal Year 2020.
- Transfers are not allowed between personnel and operating budgets.

Moreover, the Interim Provost and Academic Vice President announced 24 layoffs and the elimination of 62 vacant positions due to retirements and resignations to further align staffing levels with enrollment. The University’s target is to provide 17:1 student-to-faculty ratios, unless discipline-specific accreditation requirements require another ratio.

In addition, all library faculty with greater than nine-month appointments will be placed on nine-month contracts beginning in FY20. Appropriated funding for Tri-States Public Radio (personal services and operating) will be eliminated in March 2019. However, the station will remain located on the Macomb campus and receive administrative support and space from the University. Staff positions in the Administrative Services, Student Services, and the Quad Cities campus have been eliminated, as well.

*Changes in Academic Affairs*

The Provost’s Office sent a proposal for streamlined general education to the Faculty Senate for review and recommendations. The Provost’s Office has communicated to the Faculty Senate and the University Professionals of Illinois Local 4100 its intention to convene an Academic Program Review and Elimination Committee by September 25, 2018.

By contractual agreement with the University Professionals of Illinois (UPI) Local 4100, “When the University is considering eliminating academic programs that would result in the layoff of an employee, it will constitute an Academic Program Elimination Review (APER) Committee composed of and elected by employees in the bargaining unit. The sole purpose of the APER Committee shall be to provide recommendations to the Academic Vice President concerning academic programs being considered for elimination which would result in the layoff of an employee. The Union Chapter President will be notified of the intent to form this committee.”

Also by contractual agreement with UPI Local 4100, “In the process of developing its recommendations, the APER Committee shall review program costs and enrollment history, contributions of the program to the general education requirements, interdisciplinary and service functions, graduation requirements, the University curriculum, and contributions of the program to the mission and goals of the University.”

The areas determined for APER review are determined by criteria established by the Illinois Board of Higher Education (IBHE), which has statutory authority for degree approvals. Excluding Interdisciplinary Studies, which is an individualized major using existing courses, one pre-professional program, 18 undergraduate majors, one master’s degree, and one doctoral program fall under the IBHE three-year average enrollment and/or three-year average degrees conferred thresholds, and triggered APER review.

These programs are, therefore, subject to review, improvement, and/or elimination (phase out). A final report from the APER Committee is due December 2, 2018. The APER Report and subsequent action will be discussed at the December 14, 2018, Western Illinois University Board of Trustees meeting. Teach Out Plan(s) will be submitted to the Commission for any program(s) that will be disestablished.

<u>Degree Level</u>	<u>Enrollment Threshold</u>	<u>Degrees Conferred Threshold</u>
Undergraduate Programs	Less than 40 majors	Less than 9 degrees conferred
Master’s Programs	Less than 10 majors	Less than 5 degrees conferred
Doctoral Programs	Less than 10 majors	Less than 2 degrees conferred

### *Assuring and Advancing Institutional Quality*

Before, during, and in the aftermath of the statewide budget impasse, Western Illinois University continues to assure and advance institutional quality.

- Western remained a *U.S. News and World Report* “Top Midwestern Public Regional University” for the 14<sup>th</sup> consecutive year in 2017. In fact, the University advanced from 11<sup>th</sup> place in the fall 2016 rankings to 9<sup>th</sup> place in the fall 2017 rankings, despite the statewide budget impasse and the resultant “crisis of confidence” occurring during this time.
- Western was named a “Best Midwestern College” by *The Princeton Review* for 15<sup>th</sup> consecutive year in August 2018. We were one of 159 regional universities, and one of only two Illinois public universities included in the “Best in the Midwest” list.
- Western was highly ranked in the *Washington Monthly College Guide* for the sixth consecutive year, placing 13<sup>th</sup> among 385 Midwestern colleges and universities in the “Best Bang for the Buck” rankings, and 51<sup>st</sup> among 150 master's degree granting institutions from across the nation.
- Western was one of only two Illinois public institutions ranked in the top 75 best four-year colleges and universities serving adult learners.

### **Summary and Conclusion**

Western Illinois University’s *Fiscal Year 2019 Financial Recovery Plan* was submitted at the request of the Higher Learning Commission in August 2018. Institutional submission was required because FY17 data submitted in April 2018 yielded Composite Financial Indicator (CFI) Score of 0.54. Values below 1.0 require a Commission Financial Panel Review. CFI scores can range between -4.0 and +10.0 on its scale.

The University’s inclusion in this financial panel was the direct result of the historic and unprecedented FY16 and 17 statewide budget impasse causing the Illinois public universities to receive partial FY16 funding in the 10<sup>th</sup> month of that fiscal year and again receiving partial funding in FY 17. Furthermore, 12-month reporting cycles triggering financial panels do not accurately reflect the one-time, state approved 18-month revenue and expenditure cycle for FY16-17 (combined).

With 73% of Western’s FY16 appropriated revenue not allowed to be recorded according to Illinois Legislative Audit Commission guidelines, the University had a CFI score of (0.30). With 48% of the University’s FY17 appropriation not reported, the University’s CFI improved to 0.54. Despite these conditions, the University improved its FY17 status on the net operating revenue, return on net assets, and viability ratios, while remaining constant on the primary reserve ratio during this time.

Nevertheless, the statewide budget impasse did have effects on the Illinois public universities. In the case of Western Illinois University, effects were felt in providing competitive faculty and staff salaries, delaying state appropriated permanent improvements and capital projects, maintaining an institutional reserve, and decreasing enrollments caused by the “Crisis of Confidence” in the financing of Illinois public higher education and the statewide need-based financial assistance program.

To successfully combat these effects, Western Illinois University focused on student recruitment, access and affordability, community engagement in recruitment and retention, persistence and completion, finance, and efficiencies. Implementation of the President’s Executive Institute and the Annual Strategic Plan Supplements enabled the University to successfully address unforeseen challenges and opportunities at the time of writing strategic plans on a timely basis.



Excluding the value of mission driven internal reallocations for Western Commitment Scholarship awards, Western Illinois University reduced total appropriated fund expenditures by \$14.9 million (12.2%) through implementation of the *FY16-18 Priorities and Reinvestment Plan*. While reductions were necessary, the University's decisions were mission-driven, protected the academic core, and continued to address student cost sensitivity. The University:

- Honored Professional Achievement Awards and Salary Minima in accordance with contractual agreements with the University Professionals of Illinois.
- Based staff-to-faculty reductions at a ratio of 2.5:1.
- Increased the number of graduate assistantships increased by 16 positions (3.3%).
- Applied over \$20.8 million to student scholarships.

Western is confident that the University's FY18 CFI score will be "above the zone" through a combination of institutional actions taken in the *Priorities and Reinvestment Plan* and the following factors:

- The statewide budget impasse ended.
- The State restored annual appropriations and reporting cycles beginning in FY18.
- State appropriations included in the University's FY18 financial indicators will increase \$6.5 million (16.3%), from \$39.8 million in FY17 to \$46.3 million in FY18.
- Western's efficiency in instructional and administrative costs per credit hour.
- The University has a strong and proven history of addressing state-imposed fiscal challenges, with the Illinois public universities addressing appropriated funds reductions for the last 17 fiscal years.

The University will have a sound fiscal future in the aftermath of the statewide budget impasse. The *FY19 Positioning Western Illinois University for the Future Plan* has already realized gains in student enrollment over projections, and the University continues to focus on increasing and diversifying revenue streams, engaging in \$9.0 million in appropriated funds reductions and reallocations, and increasing organizational efficiencies. Specific actions related to increasing enrollment and revenue from a wide array of sources, decreasing expenditures, and changes to the academic portfolio are progressing.

These actions show that Western Illinois University demonstrates a sound understanding of its current and future capacity. Environmental scanning, mission-driven strategic planning, and conservative fiscal management has anticipated and successfully addressed the impacts of fluctuations in institutional sources of revenue from enrollment, the economy, and state appropriations. Throughout the budget impasse, the University retained:

- The fiscal, staffing, physical, and technological resources to support our academic mission and service operations.
- *Strategic Plan* implementation with a realistic vision, mission, goals and priorities in light of the University's resources and opportunities.
- Conservative, mission-driven fiscal management.
- Commitments to our core values of academic excellence, educational opportunity, personal growth, and social responsibility.
- Placement and advancement in national ranking systems related to our *Mission* of preparing students to lead in dynamic and diverse communities and *Vision* of providing national leadership in quality, opportunity.

Western Illinois University is positioned well for the future.

Attachment A

Western Illinois University Requested Letter to the Higher Learning Commission  
on the Effects of the Statewide Budget Impasse  
February 2016

February 18, 2016

Dr. Barbara Gellman-Danley  
President, Higher Learning Commission  
230 South LaSalle Street, Suite 7-500  
Chicago, IL 60604

Dear Dr. Gellman-Danley,

Thank you for your letter dated February 4, 2016. I appreciate your understanding that the State of Illinois' current budget impasse is not a crisis created by the Illinois public universities, and that we in the public higher education sector have done everything that we could to avoid this situation. I also appreciate the Higher Learning Commission's (HLC) letter to Illinois government officials with regard to their role in the governance of Illinois higher education.

Western Illinois University fully understands and appreciates that HLC must ensure that the University must continue to meet the Criteria for Accreditation as we, and all other Illinois public universities, address the consequences of not receiving Fiscal Year (FY)16 state General Revenue Funding (GRF). This is coupled with the current unfunded mandate (cost shift) for Illinois' colleges and universities to, at least temporarily, fund the State's need-based financial assistance program, the Illinois Monetary Assistance Program (MAP).

In beginning our institutional response to your questions, please be advised that Western Illinois University does not have plans cease operations temporarily or permanently. Additionally, our Accreditation Liaison Officer ensures that we remain current with regard to HLC policies and procedures should dramatic, unforeseen, and dire circumstances require a change in this position.

Before presenting the requested report on the availability of financial, physical, and human resources required to support Western Illinois University, it is important to provide you with historic and current budget information. This information provides the necessary context to understand decisions and plans as Western Illinois University moves into FY17 and beyond.

#### The State Budget Process

The State's lack of GRF funding represents 21.2% of the total university's \$248 million all-funds budget. The Illinois public higher education institutions receive state appropriated revenue from the GRF appropriation to higher education and University Income Fund (UIF) revenue, which is projected tuition and fee revenue. Non-appropriated funds include endowment, grants and contracts, and auxiliary enterprise revenue.

Annual operations and grants budgets support university operating and personnel budgets. These budgets do not include state supported capital construction, which requires separate passage of a State Capital Bill, or university foundation income.

Illinois Public Higher Education Funding Trends Over the Last 14 Years

All 12 of the Illinois public universities experienced two similar fiscal challenges in the last 14 years. First, the State is investing less tax revenue in Illinois public higher education. The total GRF investment in Illinois public higher education decreased by \$267.4 million or 17.9%, from \$1.50 billion in FY02 to \$1.23 billion in FY15. Western Illinois University experienced GRF reductions of \$11.7 million or 18.2%, from \$64.3 million to \$56.3 million during this time.

Second, with decreasing GRF revenue, Illinois public universities are becoming increasingly reliant on UIF revenue. The proportion of total state appropriations from GRF and UIF for Illinois public universities changed from 72.3% GRF and 27.7% UIF in FY02 to 39.0% GRF and 61.0% UIF in FY15. The Illinois public universities, as a whole, have moved from being state-supported to state-assisted institutions. The same is true at Western Illinois University where the proportion of total state appropriations from GRF to UIF changed from 67.8% GRF and 32.2% UIF in FY02 to 41.0% GRF and 59.0% UIF in FY15.

Tables 1 and 2 display total GRF funding for the Illinois Public Universities and Western Illinois University between FY02-FY16. There have been three distinct trends in the funding of Illinois public higher education over time. Successful conservative mission-driven fiscal management has enabled the University to address:

- GRF instability with variable reductions, small increases, and rescissions between FY02-09.
- Continued GRF reductions and delayed reimbursements for GRF appropriations between FY10-15.
- The unprecedented budget impasse and cost-shift (unfunded mandate) of MAP funding in FY16.

(in thousands of dollars)	\$ Difference		% Difference	
	Annual	Cumulative	Annual	Cumulative
2002	\$1,496,839.5	--	--	--
2003	\$1,411,720.3	-\$85,119.2	-5.7%	-5.7%
2004	\$1,303,564.7	-\$108,155.6	-7.7%	-12.9%
2005	\$1,301,632.9	-\$1,931.8	-0.1%	-13.0%
2006	\$1,316,938.8	\$15,305.9	1.2%	-12.0%
2007	\$1,321,279.4	\$4,340.6	0.3%	-11.7%
2008	\$1,357,067.3	\$35,787.9	2.7%	-9.3%
2009	\$1,393,588.6	\$36,521.3	2.7%	-6.9%
2010	\$1,393,838.6	-\$103,001	-7.4%	-6.9%
2011	\$1,309,126.0	-\$84,713	-6.1%	-12.5%
2012	\$1,293,889.3	-\$15,237	-1.2%	-13.6%
2013	\$1,230,092.0	-\$63,797	-4.9%	-17.8%
2014	\$1,232,192.0	\$2,100	0.2%	-17.7%
2015	\$1,229,438.5	-\$2,754	-0.2%	-17.9%

Table 2  
 Western Illinois University General Revenue Appropriations

(in thousands of dollars)		\$ Difference		% Difference	
		Annual	Cumulative	Annual	Cumulative
2002	\$64,306.7	--	--	--	--
2003	\$61,126.0	-\$3,180.7	-\$3,180.7	-4.9%	-4.9%
2004	\$56,091.1	-\$5,034.9	-\$8,215.6	-8.2%	-12.8%
2005	\$56,091.1	\$0.0	-\$8,215.6	0.0%	-12.8%
2006	\$57,297.7	\$1,206.6	-\$7,009.0	2.2%	-10.9%
2007	\$57,029.3	-\$268.4	-\$7,277.4	-0.5%	-11.3%
2008	\$58,287.5	\$1,258.2	-\$6,019.2	2.2%	-9.4%
2009	\$59,919.6	\$1,632.1	-\$4,387.1	2.8%	-6.8%
2010	\$59,919.6	\$0.0	-\$4,387.1	0.0%	-6.8%
2011	\$56,182.7	-\$3,736.9	-\$8,124.0	-6.2%	-12.6%
2012	\$55,538.3	-\$644.4	-\$8,768.4	-1.1%	-13.6%
2013	\$52,147.8	-\$3,390.5	-\$12,158.9	-6.1%	-18.9%
2014	\$52,755.1	\$607.3	-\$11,551.6	1.2%	-18.0%
2015	\$52,629.3	-\$125.8	-\$11,677.4	-0.2%	-18.2%

Western Illinois University’s Mission-Driven Planning and Results

To address variable reductions, small increases, and rescissions during FY02-09, the University limited spending to immediate operational needs, monitored travel requests and expenditures, and reviewed all vacant positions in order to hold as many as possible open in order to conserve funds. The University also established a 1-2% contingency reserve fund to address unforeseen fiscal circumstances. There were no employee layoffs or furloughs during this time.

To address continued GRF reductions and delayed reimbursements for appropriations during FY10-15, the University continued to exercise conservative, mission-driven fiscal management as described above, in addition to:

- Working with the University Professionals of Illinois and other collective bargaining units to reach agreements on delaying salary increases.
- Cancelling salary increases for non-negotiated personnel.
- Increasing university reserves and carefully monitoring cash balances.
- Introducing retirement incentives.
- Implementing zero-based budgeting to reduce operating expenditures.
- Consolidating 18 academic departments and units into 10, and four technology units into one.
- Centralizing staff in admissions, advisement, and the School of Graduate Studies.
- Holding at least 25% of annual appropriated departmental operating budgets until it could be assured that the University had the resources to meet its fiscal year obligations if GRF revenue was eliminated.
- Planning for the disestablishments of four pre-professional programs, 20 academic minors, one undergraduate major, two post-baccalaureate certificates, and one graduate degree. All of these actions will be completed by FY18, or at an earlier date if students in each of these areas complete their studies sooner than projected. No new students are being admitted into these programs.

The University also engaged in more efforts to become less reliant on GRF and UIF revenue funds. For example, the University:

- Completed a fundraising campaign in January 2014 that generated \$62.1 million, increased the endowment from \$16 million to \$40 million, and raised the University's total asset base to \$55 million.
- Increased the amounts of externally funded awards received by faculty and staff by \$1.2 million or 12.1%, from \$9.9 million in FY14 to \$11.1 million in FY15.
- Maintained instructional and administrative costs below the statewide average of the Illinois public universities. The most recent data published by the Illinois Board of Higher Education (February 2016) shows that the University has the third lowest instructional cost per credit hour (at \$307.32 or 19.6% below the statewide average), and the second lowest administrative cost per credit hour (\$68.85 or 24.0% below the statewide average).
- Benefited from a public-private partnership that allowed a private developer to construct an apartment complex for 292 residents and two restaurants next to the Western Illinois University-Quad Cities Riverfront Campus at no construction, operating, or personnel costs to the University.

A history of strong conservative fiscal management maintained the fiscal health of the University during periods of GRF reductions, rescissions, and delayed reimbursements with no furloughs or layoffs. Table 3 shows that our KPMG Composite Financial Indicator (CFI) score has never fallen at or below a value of 1.1.

Table 3  
 Western Illinois University Financial Ratios  
 Reported to the Higher Learning Commission-North Central Association of Colleges and Schools  
 Fiscal Year 2008 through Fiscal Year 2014

	2008	2009	2010	2011	2012	2013	2014
Composite Financial Indicator	1.80	1.30	3.00	3.60	2.90	1.70	2.50
Primary Reserve Ratio	0.17	0.06	0.21	0.25	0.27	0.26	0.25
Net Operating Revenue Ratio	0.01	0.01	0.04	0.06	0.04	0.00	0.01
Return on Net Assets Ratio	0.05	0.03	0.13	0.18	0.12	0.04	0.13
Viability Ratio	0.73	0.80	0.10	0.76	0.70	0.75	0.77

Additionally:

- The primary reserve ratio demonstrates institutional fiscal stability. A negative or decreasing trend over time would indicate a weakening financial condition.
- The net operating ratio shows institutional operations with a surplus in six of the last seven years, therefore enabling the University to carry forward funds in conjunction with limitations established in Illinois statutes for public institutions.
- The net assets ratio shows availability of additional expendable net assets to satisfy debt obligations.
- The viability assets ratio maintains continues to increase despite a volatile economy.

A history of strong conservative fiscal management has improved efficiency, enhanced quality, and enabled the University to withstand the unprecedented state budget impasse.

Western Illinois University reduced state appropriated personnel budgets by \$14.2 million, and state appropriated operating budgets by \$2.7 million between FY11 and FY15. This \$16.9 million reduction

represents a cost savings and avoidance to the University. The size of the University workforce also decreased by 163 employees (52 faculty and 111 staff) between fall 2011 and fall 2015.

#### HLC Requested Information

1. “[Please identify] the current cash situation and the specific financial challenges you may be immediately facing relative to payroll, vendors, and other essential expenses and services.”

Western Illinois University currently has funds to operate for the remainder of FY16. The President’s Leadership Team (President and Vice Presidents) meets at least weekly to monitor institutional revenue, expenses, and reserves, in addition to developing and monitoring plans for securing July 2016 revenue in order to continue institutional operations before UIF revenue is collected in August 2016.

With 80% of the University’s appropriated funds budget dedicated to personnel, the highest priority is to maintain cash flow to fund payroll for work performed. Western Illinois University payrolls equate to approximately \$10 million per month. The University is negotiating with its collective bargaining units to return base salaries to the FY15 rate for negotiated groups. This would represent a 2% pay reduction for those employees, and the University is also negotiating with its collective bargaining units to forego the 1% salary increase scheduled for FY17.

To illustrate annual magnitude, a two percent reduction in salary and Professional Achievement Awards for faculty and staff from the University Professionals of Illinois represents a \$2.4 annual (base) savings and a one percent reduction results in another \$1.7 million in annual (base) savings. Non-negotiated staff did not receive a salary increase in FY16, nor are they scheduled to receive a salary increase in FY17.

Western Illinois University has not delayed or defaulted on payments to external vendors. However, due to increased approvals, regulations, and delayed payment by the State of Illinois, there are times when it is a challenge to contract for goods and services, as the University cannot promise when payments by the state will be made.

The culture built at Western Illinois University is one of conservative, mission-driven fiscal management. The 18% GRF budget reduction and inflationary cost increases since FY02 have limited expenditures to essential needs and those actions supporting the University’s *Higher Values in Higher Education* strategic plan priorities and goals.

2. “Any cuts in full-time, part-time, or adjunct faculty or staff you have recently made or plan to make in the immediate future and the effect of such cuts on classes this semester and in the fall.”

Between fall 2014 and fall 2015, the University reduced the size of current workforce by 26 faculty positions (down 3.7%), eight administrative/professional positions (down 1.7%), and 25 civil service positions (down 3.1%).

In FY16, the University announced the layoff of 26 non-tenured faculty members and four administrative/professional positions. These layoffs will be effective in either FY17 or FY18 depending on the employees years of service, per collective bargaining agreements between Western Illinois University and the University Professionals of Illinois and the Western Illinois University Board of Trustees Regulations.

At the time of writing this response, each Vice President and I are finalizing a plan that carefully evaluates additional FY16 and FY17 layoffs and furloughs. No classes will be suspended or eliminated mid-semester. Following protocol defined in the contractual agreement between Western Illinois University and the University Professional of Illinois, an Academic Program Elimination Review (APER) Committee has been enacted.

When the University is considering eliminating academic programs that would result in the layoff of an employee, it constitutes an APER Committee composed of employees elected by the bargaining unit. The APER Committee provides recommendation(s) to the Academic Vice President concerning academic program(s) being considered for elimination that would result in the layoff of employee(s).

Based on trends in enrollment, majors, course offerings, and program costs, the APER is currently evaluating eight academic programs for elimination. If program(s) are closed, they will be closed to new students. Western Illinois University will honor its commitments to currently enrolled students for courses and major requirements under the catalog year for which they were admitted.

Students should not expect to see pronounced effects of course availability based on faculty reductions. Western Illinois University will continue to honor its Gradtrac program. The University guarantees new freshmen meeting Gradtrac requirements (including meeting grade point average requirements, maintaining 15-16 semester credit hours, and meeting routinely with an academic advisor), will graduate in four years or the remaining tuition will be free.

While the University reduced 72 (3.1%) of the undergraduate courses offered in fall 2015 compared to fall 2014, these courses were primarily elective courses. Moreover, undergraduate students did not experience larger course sections. The average undergraduate course size was 20.7 in fall 2014 and 20.2 in fall 2015.

At the graduate level, the University reduced 22 (7.6%) of the graduate courses offered in fall 2015 compared to fall 2014. Again, these courses were primarily elective courses. Moreover, students did not experience large course sections. The average graduate course size was 11.0 in fall 2014 and 12.6 in fall 2015.

Western Illinois University's student-to-faculty ratios are 14:1 in Macomb and the Quad Cities. Full-time faculty teach 94.4% of the University's classes, and guide student learning, discovery, and performance. After benchmarking of peer institutions and careful evaluation, the University has set a 17:1 student-to-faculty ratio to maintain course availability.

3. "The impact of the financial situation on the availability of textbooks, supplies, and related educational materials that support the curriculum and on maintenance and safety on campus and at other institutional locations."

Western Illinois University does not expect that the current financial situation will have an effect on the textbooks. The University is engaged in a textbook rental program with an external vendor who supplies a sufficient number of textbooks based on supply and demand. For students wanting to own their books, the University has seen an increase in external online book sales. The Dean of University Libraries is currently exploring e-book partnerships with external vendors to further mitigate student textbook costs.



The University does not expect that the current financial situation will have a pronounced effect on supplies, and related educational materials that support the curriculum. Academic Affairs implemented zero-based budgeting in FY14 to ensure sufficiency of resources to cover necessary equipment and commodities costs. Reallocating to the highest priorities enabled the University to maintain annual (FY14 and FY15) expenditures for commodities at \$1.2 million and at \$1.5 million for equipment.

The University does not expect that the current impact of the financial situation will have a pronounced impact on the maintenance and safety on the Macomb or Quad Cities campus. Again, reallocating to the highest priorities enabled the University to increase investment in permanent improvements on the Macomb Campus from \$165,222 in FY14 to \$626,969 in FY15. The Quad Cities Campus was opened in 2012 (building one) and 2014 (buildings two-four). Most of the campus equipment and systems are under warranty.

While the gain in Macomb maintenance backlog is important, the State of Illinois has an estimated deferred maintenance backlog of \$500 million in Macomb's appropriated facilities, and similar backlog exists in non-appropriated facilities. Due to the current budget impasse and the need for the University to maintain an emergency contingency cash flow, we delayed the decommissioning of three non-appropriated facilities, one residence hall and two graduate housing complexes. This unwanted but necessary decision delays reduction of the non-appropriation maintenance backlog and will require continued application of non-appropriated funds to unused facilities.

The state's budget impasse has also had a direct effect on campus construction, enrollment, public service, and the associated economic impact on our host communities and regions. Governor Rauner has frozen state capital funding. At the time of the freeze, Western Illinois University had completed bidding for the new Performing Arts Center, which was to be the first new state supported facility on the Macomb Campus in over 30 years and would have further reduced the state's deferred maintenance backlog.

Likewise, \$5.0 million in funds for the development of a Riverfront Hall Annex for the rapidly growing School of Engineering and planning for building five to support enrollment growth in the Quad Cities was suspended.

Both campus construction projects were supported by private donations. This includes a \$1.5 million gift and a bequest to the Center for the Performing Arts from a former WIU Trustee and her husband, a former WIU staff member, and \$1.75 million in gifts from the John Deere Foundation and the Moline Foundation to support growth and expansion of Western Illinois University in the Quad Cities.

The University does not expect that the current impact of the financial situation will have a pronounced impact on safety at the Macomb or Quad Cities campus. During the last five years, the Office of Public Safety (OPS) in Macomb has only reduced one officer position. OPS strictly adheres to standards established by the Illinois Association of Chiefs of Police-Illinois Law Enforcement Accreditation Program. And Western Illinois University-Quad Cities maintains a security presence for all hours that the campus is open.

4. "Your data and expectations for fall enrollment in light of concerns prospective students may have about the stability of higher education in the state."

It is difficult to establish causality between student enrollment and student concerns over the stability of GRF funding. However, it is clear that while public universities have been forced to become increasingly reliant on UIF revenue, enrollments at Illinois public universities are down. Total headcount enrollment at Illinois public universities peaked at 205,023 students in fall 2010, and decreased by 5.9% to 192,985 students in fall 2015. Total headcount enrollment at Western Illinois University was 12,585 students in fall 2010, and decreased by 11.8% to 11,094 students in fall 2015.

Western Illinois University has taken several steps initiatives during FY16 to reverse this trend. Most notably, after completing a student price sensitivity and elasticity study, undergraduate tuition for all new fall 2016 undergraduate students has been reduced by 3.0%, and the university established the same instate tuition rate for all domestic undergraduate and graduate students.

Additionally, the University has emulated successful funding strategies used at private institutions. This includes implementing tuition discounting programs based on merit and need for new students, and establishing a dual enrollment program for academically qualified high school seniors, who pay 1/3<sup>rd</sup> the published tuition cost. Western has also created a dual enrollment program with community colleges in Iowa, Missouri, and Illinois that saves students up to 25% of their college costs, and this year alone, the University has developed 29 new partnership agreements with Quad Cities regional employers who offer tuition assistance programs to their employees.

Despite these efforts, comparing preliminary fall 2016 acceptance data as of February 12, 2016, to preliminary fall 2015 acceptance data as of February 13, 2015, shows mixed results. In Macomb new freshmen acceptances are down 816 students (14.3%), while new transfer acceptances are up 7 students (1.4%). In the Quad Cities, new freshmen acceptances are up 155 (397.4%), and new transfer students are up are down 13 (23.2%). At the graduate level, Macomb new graduate student acceptances are down 3 students (4.3%), and Quad Cities acceptances are up 13 students (92.9%).

What must be remembered is that the admissions data presented above are early in the recruitment cycle. Values can change in either direction between now and August. Western Illinois University has rolling admissions, and with six months prior to the start of the next academic year, the University will continue to aggressively recruit students.

Part of this aggressive recruitment includes new academic programs responsive to regional needs and desired student formats. In fall 2015, the University launched new hybrid masters degree programs in college student personnel and business administration. All classes in both programs had course fill rates over 90% for the fall 2015 and spring 2016 semesters. The University will launch a third hybrid masters degree program in community and economic development in fall 2016, and we will start a new higher education leadership option in our existing Ed.D. in Educational Leadership at this time. Western will also serve as a teach out partner for Ashford University in its closure of its Clinton, Iowa, campus. That campus is only located 30 miles from the Quad Cities and 110 miles from Macomb.

5. “Any other information that is necessary for HLC to know. This report shall also address how your institution has handled the loss of MAP funding.”

A strong history of conservative fiscal management has positioned the University to withstand the unprecedented FY 2016 unfunded mandate for colleges and universities to assume the costs of the State’s need-based financial aid program.

During academic year 2015-2016, Western Illinois University reallocated \$11.0 million to MAP recipients under the shared assumption of Illinois public universities that this expense would be reimbursed by the State. Of the 3,000 fall 2015 recipients, 2,700 (90%) re-enrolled at the University in spring 2016, which is similar to the fall-to-spring retention rate for all students. Not funding the program would have devastating effects on university enrollment and student success.

In providing additional requested information, it is important to know that in a time of significant funding challenges, the faculty and staff of Western Illinois University continue the tradition of delivering a high quality education where, as stated in our *Mission*, we empower students, faculty, and staff to lead dynamic and diverse communities.

- Western Illinois University continues for 12 years as a Best Midwestern Institution by *U.S. News and World Report* and the *Princeton Review*.
- Western Illinois University continues to be recognized as a Military Friendly Institution by both *GI Jobs Magazine* and *Military Times Edge Magazine*.
- National ranking systems such as *Washington Monthly* and *U.S. News and World* report show that more students graduate from Western Illinois University than projected based on entering student characteristics (i.e., high school percentile rank and ACT composite score).
- Results from the last published *Alumni Surveys* shows that.
  - One year after graduation, 88% of WIU alumni are employed, and 19% of the alumni are pursuing an additional degree, graduate or professional studies.
  - Five years after graduation, 98% of WIU alumni are employed and 29% of the alumni earned an additional degree.
  - Nine years after graduation, 98% of WIU alumni are employed and 37% of the alumni earned an additional degree.
- Annual salary analyses published by the *Economist* and the *Brookings Institute* show that Western Illinois University alumni earn more than salary forecasts predict.

While Western and all other Illinois public universities have withstood the current budget impasse for eight months, no public university will find the absence of GRF funding a sustainable practice for the long-term. One time contingency reserves that in many cases took years of financial savings are being depleted. The Illinois public universities have compensated for continuous budget reductions for over 14 years. To eliminate all GRF funding in a political stalemate threatens current and future economic vitality and the competitiveness of Illinois in a global community.

When all parties work to resolve the current budget impasse, history will show that Western Illinois University emerged from the current circumstances leaner, more efficient and entrepreneurial, and less reliant on state funding. The Vice Presidents and I are finalizing institutional planning to these ends at the time of writing this letter. Our plan will be presented to the Western Illinois University Board of Trustees and university community on March 11, 2016.

Simply stated, our comprehensive plan is based on market-driven strategies for increasing revenue and decreasing expenses. It is further based on best practices within higher education, and is consistent with the goals and priorities of our *Higher Values in Higher Education* strategic plan.

Through successful implementation of our planning parameters, we will continue to advance quality, productivity, and efficiency. This will be accomplished by reducing the size of our workforce, adjusting contract lengths where appropriate, eliminating and negotiating for no salary increases, implementing layoffs and furloughs to align staffing with enrollment, continuing voluntary salary give backs options, reducing and conserving operating funds, consolidating programs and services, and continuing with the Academic Program Elimination Committee.

At the same time, we will continue to support aggressive recruitment and establishment of high demand programs and formats; intensify pursuit of external and private funding; identify new revenue streams, including expanding corporate recruitment activities across Illinois and within Saint Louis, Missouri; position the University for the next comprehensive fundraising campaign; advocate with business, industry, education, and civic leaders for fair and predictable higher education funding; and finish implementation of recommendations from the Persistence and Completion Academy.

We at Western Illinois University know, and borrowing from the words of President Abraham Lincoln, that the best way to predict [our] future is to create it. Our institutional planning is based in large part to a response from 1,101 employees, over half of our workforce, in an open ended December 2015 university survey of strategies to successfully emerge from the current state budget impasse.

We know that many very difficult but necessary decisions have and will be made. It is our shared social responsibility, a core value of Western Illinois University that we do so in a manner that respects administrative processes; shared governance; and good faith, interested-based collective bargaining. We all recognize that current and future generations of Western Illinois University students must not be the victims of political stalemates and budgetary impasses.

Finally, I wish to thank the HLC for the opportunity to respond to your concerns. We will continue assure and advance the common good that higher education provides. All of us in the Western Illinois University family appreciate your advocacy for the restoration of stable and predictable funding for Illinois public higher education, and we stand ready to continue this and other discussions with you.

Sincerely,

Jack Thomas, Ph.D.  
President

cc: Joseph Rives, Vice President for Quad Cities and Planning, Western Illinois University  
U.S. Department of Education  
Illinois Board of Higher Education  
Illinois Community College Board  
Steph Brzuzy, Vice President for Accreditation Relations, HLC  
Karen Peterson Solinski, Executive Vice President for Legal & Governmental Affairs, HLC  
Zach Waymer, Manager for Legal & Governmental Affairs – State Relations & Institutional Complaints, HLC

Attachment B

Western Illinois University Requested Letter to the Higher Learning Commission  
on the Effects of the Statewide Budget Impasse  
December 2016

December 15, 2016

Dr. Barbara Gellman-Danley  
President, Higher Learning Commission  
230 South LaSalle Street  
Suite 7-500  
Chicago, IL 60604-1411

Dear Dr. Gellman-Danley,

Thank you for understanding that the ongoing State of Illinois budget impasse is beyond the control of Illinois public higher education. We certainly recognize and appreciate the Commission's responsibility to students and the public to assess Illinois public universities' current situations given the ongoing State budget impasse.

Restated below in bold text are the questions posed in your letter to me, dated December 5, 2016. Responses for Western Illinois University follow each question. I am confident that you will find that Western has the financial, physical, and human resources required to support the institution and the students whom we serve.

Moreover, I am equally confident that you will find Western Illinois University continues to exceed the criteria for accreditation. We engage in mission-driven, conservative fiscal management guided by our *Higher Values in Higher Education* Strategic Plan. These planning and budgeting processes enable the University to adjust to the consequences of the State's ongoing budget impasse, including losses to basic funding and student scholarship funding (MAP funds), while advancing institutional quality, opportunity, and affordability.

In providing background information to your questions, I note that you are contacting institutions with a 20% (or greater) state appropriation reduction relative to Fiscal Year (FY) 2015 and/or 10% (or greater) enrollment drop from fall 2015 to fall 2016. As you will see, our appropriations total a 29.1% reduction, but our enrollment only decreased by 6.5% during the "crisis of confidence" created by the State's ongoing budget issues.

In April 2016, we received \$14.9 million to be applied to FY16 expenses. We received another \$31.4 million in June to be applied to FY16 or FY17 expenses with spending authority expiring December 31, 2016. Most recently, we received an additional \$8.4 million in November 2016 under the same terms and conditions as the June appropriation. These three receipts total \$54.7 million or 70.9% of the funding that the University should have received in the 18 months since FY2015.

Western's allocation (discussed above) was made from a special fund created for the Illinois Board of Higher Education (IBHE) as part of the Illinois General Assembly's June 2016

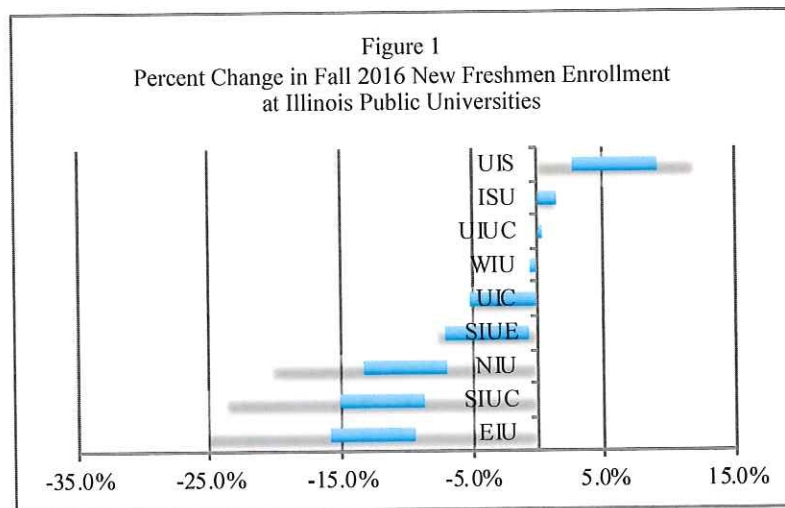
appropriation to Illinois public higher education. This one-time \$20 million fund was created to provide financial support for essential operations at Illinois public universities and community colleges.

The additional \$8.4 million in funding allocated to Western demonstrates the IBHE's recognition of our best practices of responsible financial stewardship and stabilized enrollment (discussed below). The funding also indicates that the state and IBHE have confidence in Western Illinois University, which is partially a result of our frequent advocacy in Springfield for Western and Illinois public higher education.

In terms of Western Illinois University's total headcount enrollment, we decreased 6.5% from 11,094 students in fall 2015 to 10,373 students in fall 2016. However, we stabilized new freshmen enrollment after four consecutive years of enrollment decline, despite the "crisis of confidence" created and maintained by the State's budgetary problems. New freshmen enrollment peaked at 1,955 in fall 2011, was 1,535 in fall 2015, and remained virtually level at 1,527 in fall 2016.

In addition to new freshmen enrollment stabilization, the University saw an increase in the quality of the freshmen class. The percent of full-time new freshmen with a minimum 20 ACT composite score and 3.0 high school grade point average increased from 28.8% of the fall 2014 cohort to 42.0% of the fall 2016 cohort.

As originally reported in the Chicago Tribune in September 2016, Figure 1 shows that only three of the nine reported Illinois public universities experienced new freshmen enrollment increases. The University of Illinois-Springfield was up 12% (approximately 100 students), and the University of Illinois-Urbana/Champaign and Illinois State also had enrollment increases. Western's decline of 0.5% represents eight students. Many of the other Illinois public universities, and especially the regional public universities, experienced double digit new freshmen declines.



With regards to your questions, and presented in order that they were asked:

**1. Your current cash situation and the specific financial challenges you may be immediately or shortly facing relative to payroll, vendors, and other essential expenses and services.**

Western Illinois University has engaged in all funds budgeting since FY05. Utilizing all funding sources, the University has sufficient cash to operate through the end of the fiscal year. We maintain a tradition of financial health. Table 1 presents the most recent financial ratios reported to the Commission as part of our *Annual Institutional Data Updates*.

Table 1  
Western Illinois University Financial Ratios  
Reported to the Higher Learning Commission-North Central Association of Colleges and Schools  
Fiscal Year 2009 through Fiscal Year 2015

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Composite Financial Indicator	1.30	3.00	3.60	2.90	1.70	2.75	1.47
Primary Reserve Ratio	0.06	0.21	0.25	0.27	0.26	0.25	0.26
Net Operating Revenue Ratio	0.01	0.04	0.06	0.04	0.00	0.01	(0.01)
Return on Net Assets Ratio	0.03	0.13	0.18	0.12	0.04	0.13	0.02
Viability Ratio	0.80	0.10	0.76	0.70	0.75	0.77	0.47

In addition to Composite Financial Indicator scores above the 1.0 threshold as evidence of fiscal health:

- The primary reserve ratio demonstrates institutional fiscal stability. A negative or decreasing trend over time would indicate a weakening financial condition.
- The net operating ratio shows institutional operations with a surplus in six of the last seven years, therefore enabling the University to carry forward funds in conjunction with limitations established in Illinois statutes for public institutions.
- The net assets ratio shows availability of additional expendable net assets to satisfy debt obligations.
- The change to the viability ratio is an effect of the volatile economy.

Cash flow from stop-gap state appropriations has not been an issue. We have received scheduled funds on a timely basis. This includes receiving all of the \$31.4 million stop-gap budget passed in June.

We do not expect cash shortages for payroll or essential operations during the remainder of the fiscal year. We delayed vendor payments from April through September 2016, as permitted by statute and individual agreements, to assist the university in maintaining sufficient cash flow. However, further delay is not anticipated due to conservative, mission-driven planning and budgeting processes discussed in response to question two (below).

With regard to the requested candid assessment of university finances, I wish to emphasize two points. First, we have been able to withstand the State's budget impasse because Western Illinois University is fiscally conservative and highly efficient. Tables 2 and 3 show that Western remains below the statewide average on instructional and administrative costs per credit hour. We are third and second lowest of the 12 Illinois public universities on these measures, respectively. Instructional costs are 11.7% below the statewide average, and administrative costs 20.5% below the statewide average. Our conservative fiscal management enables the University to advance *Strategic Plan* goals and priorities during the statewide budget impasse.



Table 2  
 Instructional Costs per Credit Hour at Illinois Public Universities  
 Reported by the Illinois Board of Higher Education  
 Fiscal Years 2011 through 2015

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Southern Illinois-Edwardsville	\$240.55	\$249.57	\$257.94	\$269.52	\$261.01
Illinois State	\$267.13	\$286.37	\$297.85	\$300.43	\$311.13
<b>Western Illinois</b>	<b>\$272.68</b>	<b>\$284.01</b>	<b>\$294.30</b>	<b>\$307.32</b>	<b>\$316.86</b>
Southern Illinois-Carbondale	\$302.19	\$309.84	\$314.13	\$329.27	\$331.53
Northeastern Illinois	\$259.39	\$284.40	\$298.35	\$343.49	\$346.07
Northern Illinois	\$282.36	\$306.19	\$331.84	\$339.47	\$348.49
Eastern Illinois	\$270.13	\$289.67	\$331.88	\$352.67	\$358.40
State Average	\$303.41	\$317.81	\$335.60	\$355.00	\$358.73
Illinois-Springfield	\$318.74	\$338.65	\$372.28	\$384.41	\$361.23
Governors State	\$328.00	\$364.12	\$364.31	\$392.48	\$373.04
Illinois-Urbana/Champaign	\$348.71	\$350.07	\$362.97	\$400.24	\$398.54
Illinois-Chicago	\$342.14	\$359.77	\$374.94	\$382.35	\$399.84
Chicago State	\$287.08	\$312.29	\$417.04	\$419.86	\$429.72
% WIU Is Under the State Average	(10.1%)	(10.6%)	(12.3%)	(13.4%)	(11.7%)

Table 3  
 Administrative Costs per Credit Hour at Illinois Public Universities  
 Reported by the Illinois Board of Higher Education  
 Fiscal Years 2011 through 2015

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Southern Illinois-Edwardsville	\$61.59	\$64.51	\$58.22	\$63.26	\$60.99
<b>Western Illinois</b>	<b>\$67.76</b>	<b>\$70.94</b>	<b>\$63.48</b>	<b>\$68.85</b>	<b>\$72.06</b>
Illinois-Chicago	\$75.00	\$78.40	\$78.41	\$74.00	\$76.55
Illinois-Urbana/Champaign	\$84.38	\$82.99	\$88.94	\$96.76	\$90.24
State Average	\$83.18	\$87.92	\$86.86	\$90.65	\$90.60
Northeastern Illinois	\$71.80	\$78.60	\$75.16	\$87.76	\$91.63
Eastern Illinois	\$74.80	\$84.37	\$89.03	\$96.55	\$94.78
Southern Illinois-Carbondale	\$81.76	\$81.80	\$80.28	\$90.77	\$96.09
Illinois-Springfield	\$105.00	\$104.18	\$92.60	\$110.23	\$103.26
Illinois State	\$88.86	\$104.83	\$102.01	\$95.81	\$104.54
Governors State	\$125.05	\$142.88	\$118.26	\$120.78	\$106.07
Northern Illinois	\$97.75	\$102.11	\$101.63	\$106.82	\$109.29
Chicago State	\$106.40	\$137.24	\$124.54	\$106.03	\$112.65
% WIU Is Under the State Average	(18.5%)	(19.3%)	(26.9%)	(20.0%)	(20.5%)

Second, I strongly encourage the Commission to work with the Illinois public universities on valid financial reporting. Fiscal reporting based on the 12 months in a fiscal year does not accurately reflect spending authority for 18 months. In most cases, not aligning reporting and spending authority cycles misinterprets the adverse impacts created by the ongoing budget impasse.

2. Any cuts in full-time, part-time, or adjunct faculty or staff you have recently made or plan to make in the immediate future and the effects of such cuts on classes next term.

Table 4 presents fall 2014-2016 employee headcounts to show the employment base the year prior to and the current two years of the ongoing budget impasse. The total size of the University's workforce is currently down 285 positions. We have protected the instructional core by reducing staff to faculty positions at a ratio of over 2:1, with 196 staff position reductions and 90 faculty position reductions.

	Faculty		Civil Service		A/P <sup>1</sup>		Total		
	FT	PT	FT	PT	FT	PT	FT	PT	Total
2014	633	72	788	18	432	27	1,853	117	1,970
2015	632	47	759	22	423	28	1,814	97	1,911
2016	566	49	644	13	392	21	1,602	83	1,685
Difference									
Number	(67)	(23)	(144)	(5)	(40)	(6)	(251)	(34)	(285)
Percent	(10.6%)	(31.9%)	(18.3%)	(27.8%)	(9.3%)	(22.2%)	(13.5%)	(29.1%)	(14.5%)

*A/P = Administrative/Professional*

*Source: Office of Institutional Research and Planning*

Table 5 shows that the number of course sections decreased by 414 between FYs 15 and 17. This is a 6.1% decline in the number of (primarily elective) courses offered. There have been no formal student complaints regarding courses needed to maintain timely degree completion.

<u>Fiscal Year</u>	<u>Summer</u>	<u>Fall</u>	<u>Spring</u>	<u>Total</u>
2015	646	3,177	2,974	6,797
2016	619	3,065	2,931	6,615
2017	614	2,930	2,839	6,383
<u>Difference</u>				
Number	(32)	(247)	(135)	(414)
Percent	(5.0%)	(7.8%)	(4.5%)	(6.1%)

*Source: Office of the University Registrar*

Additionally, we continue to maintain low student-to-faculty ratios, 14:1 in FYs 15 and 16, and 15:1 in FY17. This is coupled with fall 2016 average undergraduate and graduate course sizes of 20.5 and 12.3, respectively. Consistent with our core value of academic excellence and central to our history are commitments to teaching, individual learners, and active involvement in the teaching-learning process, Western's highly qualified and diverse faculty promotes critical thinking, engaged learning, research, and creativity in a challenging, supportive learning community.

To ensure that students have access to courses needed for graduation in a timely manner, the University continues to offer its *Cost Guarantee* and *Grad Trac* programs. These programs assure no tuition, fee, room and board increases to continuously enrolled (fall/spring) students. These students also have access to courses needed to graduate in the proscribed time frame, or the subsequent cost will be waived. Additionally, the Provost and Academic Vice President charged:

- The Faculty Senate with completing an academic year 2016-2017 review of the University's General Education program with regard to program goals, appropriateness of the program categories, and the number of courses offered in each category. The current administrative structure of General Education will also be reviewed.

- A Task Force within Academic Affairs to complete an academic year 2016-2017 review of the university-wide Teacher Education program with regard to the current administrative structure, time to completion in relationship to the State licensure regulations, and curricular applications to fulfill state required competencies.

Finally, for response to this section, please note that your requested information regarding staffing and course reductions are part of a larger three-year reduction and reinvestment program that I implemented in Fiscal Year 2016. Our plans focus on both increasing revenue and decreasing expenses. I have elaborated on this plan in response to Question 5 (below).

**3. The impact of the financial situation on the availability of textbooks, supplies, and related educational materials that support the curriculum and on maintenance and safety on campus and at other institutional locations.**

There has been no impact on the availability of textbooks, supplies, and related educational materials that support the curriculum. Nor have there been cost-shifts to students to cover these costs. In fact, we lowered tuition for new students by three percent effective for FY17, and there were no fee increases in FYs 16 and 17. We serve a very cost sensitive population. Over 45% of students on the Macomb campus and 30% of students on the Quad Cities campus are Pell Grant recipients. Our vision statement is to be a national leader in quality, opportunity, and affordability. Our cost reduction strategies demonstrate this national leadership.

Safety on our campuses has not been compromised. Our Office of Public Safety in Macomb has not been reduced, and we recently renewed our security contract with an external firm for the same amount of security coverage in the Quad Cities.

We continue to make progress on our maintenance needs. All Illinois public universities have a deferred maintenance backlog due to decades of the State underfunding capital needs. Our critical maintenance needs are estimated at \$148 million in appropriated buildings. Over 70% of the Macomb campus' buildings were constructed between forty and sixty years ago. A major portion of the building stock is in need of renewal and revitalization.

Through completion of a Facilities Condition Assessment, we follow a prioritized list for maintenance as funds are received. We will be decommissioning a residence hall and a married and family housing complex in summer 2017 to further reduce the maintenance backlog. We have requested \$14.4 million in capital renewal funds for critical maintenance needs in our *FY2018 Capital Budget Recommendations to the Illinois Board of Higher Education*.

As you know, campus facilities management supports the balance between construction and renovation. There have been many accomplishments despite the lack of state support. This includes opening the second phase of the Greenhouse to support instruction and research, installing new seating in Western Hall (athletic facility also used for community and commencement events), replacing three existing kitchen exhaust fans original to the University Union, and creating the Roy J. Carver innovation laboratory and expanded CAD classroom on the Quad Cities Campus.

The University has felt the effects of the state budget impasse on new construction. In fact, we were in the process of bidding for the construction of a new Center for Performing Arts (CPA), a \$71.8 million project, when the freeze occurred. A total of \$5.0 million allocated for Phase III planning on the Quad Cities campus was also frozen.

When funding is released, we will resume work on the CPA project that includes a 1,400-seat proscenium theatre auditorium, 250-seat thrust stage, and 150-seat studio theatre. Phase III will support a new facility for science, engineering, mathematics, and technology instruction, research, and service in the Quad Cities.

The freezing of capital expenditures also hurts our host communities and region. In addition to one-time construction benefits, we have an annual \$473 million economic impact in our immediate 16 county service region. We serve as a resource for and stimulus to educational, cultural, environmental, community and economic development in our region and beyond.

**4. Your data and expectations for next term's enrollment in light of concerns prospective students may have about the stability of higher education in the state.**

Western Illinois University maintains open enrollment through the 10<sup>th</sup> day of the semester. The data discussed below are as of December 8, 2016, and approximately seven weeks before the spring census date. Our Vice President for Quad Cities and Planning serves as the Accreditation Liaison Officer and will be happy to provide updated enrollment data at your request.

With regard to preliminary spring 2017 registration (enrollment) trends, 7,027 students have enrolled for spring 2017, compared to 7,943 students for spring 2016 at the same point last year. Recognizing that the University started the fall 2016 semester with 721 fewer students and adding this number to the 7,027 students yields a total of 7,748 that is within 2.5% of last year's registration rate. Given enrollment trends, I have every reason to believe our annual registration rate will improve over the next two months. Here are three examples to support this premise.

First, focus groups with currently enrolled students confirm a perceived lack of student urgency to register. As of December 1, 2016, 553 students have no registration holds and have not filed for fall 2016 graduation. An additional 567 only have an advisor hold preventing registration. We require all undergraduate students to meet with an Academic Advisor before registering for the subsequent semester.

Second, the University has an improving retention rate. Data from the last two fall-to-fall retention rates of new freshmen increased from 67.7% to 69.2%. Through participation in the Commission's Persistence and Completion Academy we have implemented:

- A distributed institutional database to support the predictive analytic framework and student referrals to academic support services.
- Nine Living-Learning Communities.
- Attendance tracker technology to support intentional advisement.
- A model for identifying courses with the highest D/F/W rates and providing students with support services in these areas.

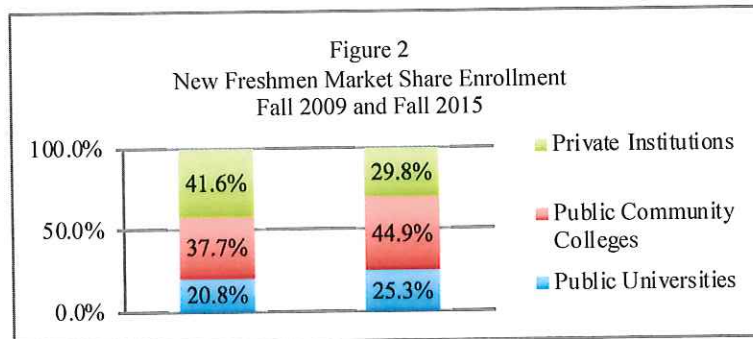
Third, the Enrollment Management Team that is aggressively working with students, faculty, and staff across the University to increase student registration rates by providing solutions to financial, immunization, academic, and other barriers preventing registration. The team meets at least weekly, and often more than that, to evaluate, plan, and coordinate efforts.

In providing requested candid feedback for this section, I hope that the Commission recognizes that the state budget impasse is one of several factors challenging enrollment growth in Illinois higher education. The University Social Responsibility Task Force is currently preparing our

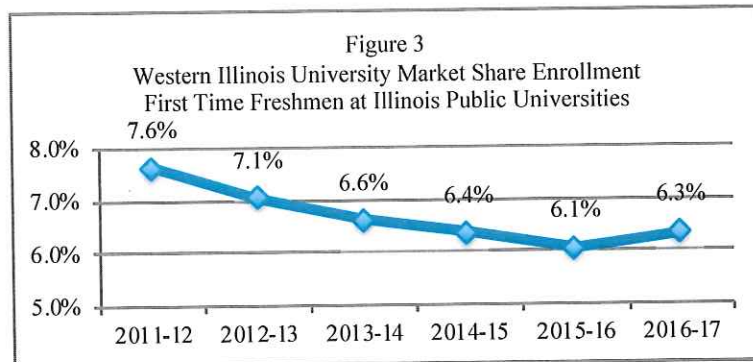
next annual Strategic Plan Supplement. After reviewing historic and projected trends in high school graduates, population migration, college student exporting, and market share enrollments, the Task Force concluded that academic year 2017-2018 should focus on enrollment stabilization. Illinois public higher education is not positioned for short-term growth. Once enrollment is stabilized, the University will set realistic enrollment growth targets.

We will engage in a three-part plan to stabilize enrollment. First, we will continue to implement successful university-wide and program-specific priorities designed to increase admissions. Second, we will also continue to use consolidated annual reporting processes to evaluate and engage in continuous improvement for school and department recruitment and retention plans. Third, we will implement priorities from the 2017 Strategic Plan Supplement to help the University achieve enrollment stabilization.

I do believe enrollment stabilization is a realistic goal for Illinois public higher education in general and Western Illinois University in particular. Figure 2 shows that despite the “crisis of confidence” Illinois public higher education is capturing a larger market share of new freshmen enrollment when compared to instate private institutions and public community colleges<sup>1</sup>.



Additionally, Figure 3 shows that we are beginning to improve our market share enrollment of first time freshmen enrolled at Illinois public universities<sup>2</sup>. I believe that this will increase over time. We implemented educational summits in Macomb, Moline, Peoria, and Quincy, Illinois, this fall, and will be expanding



these efforts into Chicago and Saint Louis in the spring. These summits focus on implementation strategies with high school superintendents, principals, and guidance counselors that provide high school students with new educational experiences that make students want to stay in the region and attend Western Illinois University.

As a result of these summits, we are expanding our dual enrollment offerings to include video conferencing. A barrier to high school participation in the dual enrollment program (which matches community college tuition and fee rates) has been the transportation time associated with traveling to and from a Western Illinois University campus.

<sup>1</sup> Sources: IBHE Annual Data Books, Table I-8 (numerator) and Illinois State Board of Education Public and Non Public Enrollment Reports by County (denominator)

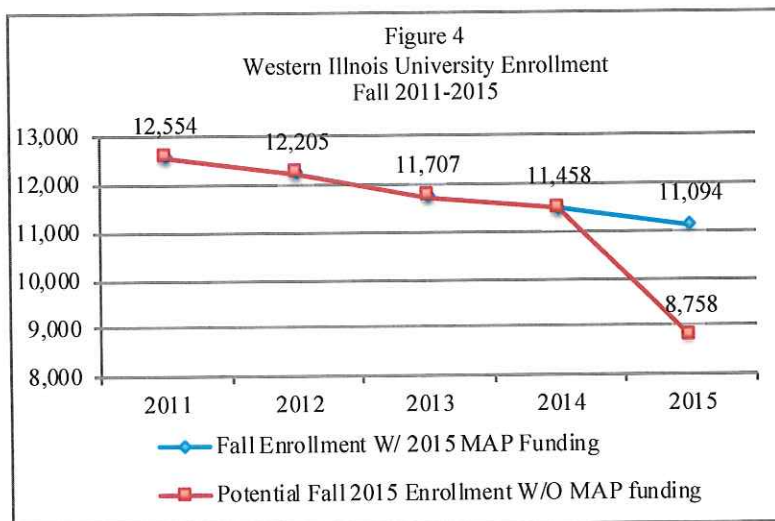
<sup>2</sup> Sources: Western Illinois University Fact Books (numerator), and IBHE Annual Data Books, Table I-8 (denominator).

Even in these fiscally challenging times, we continue to reallocate resources and receive external donations to support new, high demand programs. For example, Deere and Company donated \$500,000 to support enrollment growth in the College of Business and Technology. Funds were used to help establish a baccalaureate degree in mechanical engineering. We expect rapid program growth. The University's general engineering degree program grew from four majors in 2009 (the first year of program implementation) to 167 majors in fall 2016. Additionally, the US Department of Education awarded a nearly \$410,000 grant to Western in October 2016. This grant will support recruitment and retention efforts through the provision of innovative study abroad and international learning opportunities for students and faculty at Western Illinois University.

**5. Any other information that is necessary for HLC to know. This report should also address how your institution is handling the lack of MAP funding.**

As previously indicated, Western Illinois University students are very cost sensitive. Approximately 75% of our students receive financial assistance. Therefore, we applied \$10.1 million to MAP funding in FY16. The University received reimbursement from the State for this expenditure.

Figure 4 shows that had we not made the mission-driven decision to support MAP funding, the effects could have been very detrimental to our enrollment. We made this investment in student success even with the uncertainty of state reimbursement for our expenditure. For this reason that we are again investing in MAP grants prior to (presumably) receiving funding during FY17. We will apply an estimated \$11.0 million in MAP funding (\$5.6 million in fall 2016 and \$5.4 million in spring 2017), and await State reimbursement.



With regard to other information for the Commission, I would like to elaborate on my response to Question #2 regarding our multiyear reinvestment plan to engage in reallocations, increase revenue, and decrease expenditures.

Fiscal Year 2016 actions to increase revenue include initiating the President's Executive Corporate Cluster, signing new dual enrollment agreements with Elgin Community College (Illinois) and Moberly Area Community College (Missouri), implementing hybrid programs in Business Administration and College Student Personnel, offering at least 10 percent of all courses in irregularly scheduled formats (e.g., weekend and distance education), reducing student costs, and increasing external revenue.

Allow me to expand on some of these initiatives. The President’s Executive Corporate Cluster is a means to attract more working professionals to the University. We are working with regional employers that offer tuition reimbursement to employees in the Macomb, Quad Cities, and Peoria, and Quincy, and Saint Louis regions to increase enrollments. From a retention perspective, these new partnerships have produced new internship opportunities for currently enrolled students, as well.

Implementing new hybrid programs at the master’s level in Business Administration and College Student Personnel has addressed unmet needs in high demand areas. Ninety-two percent of the seats were filled in the first semester that the University offered these degree programs in this format. Likewise, we continue to experience online enrollment growth. Course enrollments increased by 3,523 enrollments (35.2%) from 10,111 enrollments in FY13 to 13,534 enrollments in FY16. Online enrollment is mission-consistent. Western Illinois University has the state’s first and largest distance education program.

Our faculty and staff continue to aggressively pursue external funding. The value of grants and contracts received increased by 12.1% in the last two years, from \$9.9 million in FY14 to \$11.1 million in FY16.

Table 6 shows FY16 actions taken to reduce institutional expenditures by \$3.2 million. We reduced the size of the workforce (26 faculty and 33 staff positions), implemented a retirement incentive program, reduced 12-month contracts for select staff positions and departmental chairpersons/school directors, engaged in 110 layoffs (with 87 call backs), initiated a voluntary pay reduction program at the deans level and above, required furloughs for all non-negotiated employees earning more than \$40,000 annually (479 employees), disestablished four academic majors (African-American Studies, Philosophy, Religious Studies and Women’s Studies), and implemented a hiring freeze.

Action	Cost Savings
Retirement Incentive Program	\$85,100
Layoffs	\$486,000
Voluntary Pay Reduction	\$206,700
Furloughs	\$1,200,000
Hiring Freeze	\$1,200,000
Total	\$3,200,000

FY17 plans with preliminary results to increase revenue include:

- Engaging in aggressive recruitment. We stabilized fall 2016 new freshmen enrollment after four years of enrollment decline.
- Establishing high demand programs. We launched new master’s degree programs in Business Analytics and Community and Economic Development (in hybrid format) in fall 2016, and will launch a new undergraduate degree in mechanical engineering in spring 2017.
- Continuing to support increases in student persistence and completion rates, and the value of external grants and contracts.
- Furthering the outreach provided by the President’s Executive Corporate Cluster.
- Positioning the University for the next comprehensive fundraising campaign; and,
- Advocating with business, industry, education, and civic leaders for fair and predictable higher education funding.

FY17 plans with preliminary results to decrease expenditures include:

- Evaluating needs for replacement hiring.
- Continuing to pool attrition savings.
- Closing the Quad Cities Executive Studies Center.
- Adjusting 12 month administrative contracts to 11 or 10 months where feasible.
- Canceling salary increases for non-negotiated personnel.
- Administering the agreement made with University Professionals of Illinois for a 1% FY16 salary give back and temporary FY 17-18 3% salary reductions that will be paid back if enrollment and appropriations triggers are met.
- Implementing a furlough program for non-negotiated administrative/professional staff members earning more than \$40,000 annually.
- Reducing and conserving operating funds.
- Merging Instructional Design and Technology with Engineering Technology; and,
- Discontinuing offering the B.A. in Music in Macomb, as well as the Bachelor's in Early Childhood Education and the Master's in Liberal Arts and Sciences at the Quad Cities.

We will continue to forge ahead and meet our mission of providing quality education to a diverse student population during these challenging fiscal times. Our mission-driven educational experience continues to be predicated on criteria for accreditation. We have:

- The fiscal, staffing, physical, and technological resources to support our academic mission and service operations.
- A *Strategic Plan* with a realistic vision, mission, goals and priorities in light of the University's resources and opportunities.
- Conservative, mission-driven financial practices.
- Commitments to our core values of academic excellence, educational opportunity, personal growth, and social responsibility.

Additionally, I would be remiss if I did not point out how the highly qualified, diverse, and equally dedicated faculty and staff of Western Illinois University continue to advance the University during the State's ongoing budget impasse. Just within the last year:

- *U.S. News and World Report* named Western a "Best Regional University" for the 12<sup>th</sup> consecutive year. The University advanced to the 9<sup>th</sup> "Best Public Midwestern Regional Institution," up from 11<sup>th</sup> place last year.
- Washington Monthly ranked Western in the top 14% of colleges and universities nationally. And in the top 10% of colleges and universities in a 12-state radius.
- The National Council for State Authorization Reciprocity Agreements granted Western membership after we provided evidence of exceeding best practices in distance education.
- College Choice recognized Western's School of Nursing as a "Best Online RN to BSN Degree Program", and the Commission on Collegiate Nursing Education reaffirmed the School's ten-year accreditation status.
- The American Institute of Physics named our physics program as the second best program in the nation for institutions where the master's degree is the highest degree conferred in physics.



Thank you again for understanding that the Illinois public universities did not create the current budget impasse and giving us the opportunity to tell the Western Illinois University story. We appreciate your advocacy. Adequate and consistent funding for public higher education is crucial for continuing to provide affordable academic programs and services, and to meet the expense obligations for this invaluable work. We, like you, will continue to work with state officials and all constituencies to advocate for our students and the adequate support of higher education. If you have any questions about the materials in this letter, please contact me. Have a very happy and safe holiday season.

Sincerely,

Jack Thomas, Ph.D.  
President

Cc: Illinois Board of Higher Education  
Western Illinois University Board of Trustees  
Dr. Steph Brzuzy, Vice President for Accreditation Relations, Higher Learning Commission  
President's Leadership Team  
Dr. Joseph Rives, Vice President Quad Cities and Planning/Accreditation Liaison Officer  
Mr. Zach Waymer, Manager for Legal and Governmental Affairs—State Relations and  
Institutional Complaints

Attachment C

Western Illinois University's Fiscal Year 2018 Financial Recovery Plan  
Submitted to the Higher Learning Commission

Western Illinois University  
*Financial Recovery Plan*  
December 2017

**Executive Summary**

This *Plan* is submitted per request of the Higher Learning Commission. It should be read in combination with Western Illinois University's *February 2016* and *December 2016 Submissions* to the Commission (see Attachments A and B). These three documents provide a chronology of the University's actions taken in response to the State of Illinois' historic and unprecedented budget impasse.

Evidence in this *Plan* will show that Western Illinois University's, and all other Illinois public universities, inclusion in financial panels is the direct result of the historic and unprecedented FY16 and 17 statewide budget impasse causing the Illinois public universities to receive partial FY16 funding in the 10<sup>th</sup> month of the fiscal year and partial funding for FY 17. Never in the 160-year history of Illinois public higher education have these circumstances occurred.

Furthermore, the evidence in this *Plan* will show that annual reporting cycles triggering financial panels do not accurately reflect a one-time, state approved 18-month revenue and expenditure cycle.

Nevertheless, the effects of the statewide budget impasse were pronounced. Results of this plan will show that strong strategic planning processes supported by mission-driven conservative fiscal management resulted in the creation of an even stronger, more resilient, viable institution for the 21<sup>st</sup> century. Furthermore, we continued to advance in national rankings despite the budget impasse.

With strength and resolve, Western Illinois University will continue to provide a quality, well-rounded education to high-achieving, diverse students. We will also continue advancement of the institutional vision to provide national leadership in quality, opportunity, and affordability.

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## Background and Context

Western Illinois University is one of 12 Illinois public universities. We are a regional master's granting institution serving 9,441 students (82% undergraduate and 18% graduate) in fall 2017 with 66 undergraduate degree programs, 38 graduate degree programs, and two doctoral programs. The faculty own and deliver a curriculum that includes the humanities, social sciences, fine arts, business, education, and a number of pre-professional and technical fields of study at its main campus in Macomb, branch campus in Moline, and through the State's first and largest distance education program. Faculty also provide off-campus instruction across Illinois and in Davenport, Iowa.

Western Illinois University has been continuously accredited by the Commission since 1913. The last reaffirmation of accreditation was in academic year 2010-2011, with no follow up visits or reports-the highest distinction a university can achieve. Western is an open pathways institution. We are currently completing the fourth and final year of participation in the Commission's Persistence and Completion Academy (PCA), and our second year of Commission-approved Quality Initiative (QI) priorities. This includes updating the University's *Higher Values in Higher Education* Strategic Plan; increasing enrollment, retention, and graduation rates; continuing participation in the PCA; and, engaging in fiscal reduction and reinvestment, while continuing to advance in national ranking systems.

As a member institution of the Higher Learning Commission, Western Illinois University is subject to monitoring by the Commission to assure and advance quality in areas related to the criteria for accreditation; financial and non-financial indicators; change of control, structure or organization transaction; substantive change; complaints; conformity with *Assumed Practices*; and other Commission review areas.

With this in mind, the University was notified by the Higher Learning Commission on November 14, 2017 to submit a "Financial Recovery Plan" addressing four specific Commission questions by December 11, 2017. Follow up conversations with the Commission's Associate Vice President for Accreditation Processes and Systems indicated that all public institutions from the 19 states that the Commission serves with decreased and/or delayed appropriations causing financial indicators to fall below Commission thresholds are required to engage in a financial panel.

Western Illinois University's, and all other Illinois public universities, inclusion in financial panels is the direct result of the historic and unprecedented FY16 and 17 statewide budget impasse that caused the Illinois public universities to receive partial FY16 funding in the 10<sup>th</sup> month of the fiscal year and partial funding for FY 17. Never in the 160-year history of Illinois public higher education have these circumstances occurred.

Nor have the Illinois public universities ever been allowed to apply an annual appropriation across fiscal years. As a result, annual reporting cycles also triggering financial panels do not accurately reflect a one-time 18-month revenues and expenditure cycle. FY18 appropriations with spending authority concluding at the end of the fiscal year have been made and funds are being incrementally received by institutions. The State does not provide a lump sum payment at the start of the fiscal year.

With causes of financial reporting identified, this *Plan* focuses on the future of Western Illinois University. As will be shown, strong strategic planning processes and mission-driven conservative fiscal management has supported the creation of an even stronger, more resilient, viable institution for the 21<sup>st</sup> century that will continue in the mission and tradition of providing a quality, well-rounded education to high-achieving, diverse students, and the advancement of the institutional vision in national leadership in quality, opportunity, and affordability.

## Higher Learning Commission Questions

**1. Explain the history of CFIs and the components of the ratios that have contributed to being in the zone or below the zone.**

Historical Financial Ratios

Table 1 provides a summary of Western Illinois University’s operations costs by source of funds to inform discussions on institutional expenditures and financial ratios for Fiscal Years (FYs) 2011-2015. In providing context to these data, the State of Illinois was experiencing cash flow issues resulting in decreased and delayed state appropriations for all 12 Illinois public universities during this time. Figure 1 shows that appropriated funds reductions at Western Illinois University were of similar magnitude to the other 11 Illinois public universities.

Table 1  
Institutional Revenue by Source of Funds  
Fiscal Years 2011-2015  
(\$ in Thousands)

	<u>FY2011</u>	<u>FY2012</u>	<u>FY2013</u>	<u>FY2014</u>	<u>FY2015</u>
General Revenue Funds	\$56,182.7	\$55,548.3	\$52,167.8	\$52,755.1	\$51,465.2
Income Funds	60,882.9	68,668.8	71,496.0	73,188.4	74,907.5
Local Grants	151.9	156.7	178.2	167.4	161.9
State Grants	3,607.4	3,356.8	3,281.9	3,307.5	3,272.8
Federal Grants	25,902.2	28,240.3	25,077.8	26,609.0	27,349.4
Private Gifts, Grants, and Contracts	1,721.6	2,113.7	1,635.7	1,699.2	1,487.8
Sales & Service of Auxiliary	48,365.9	49,185.0	52,613.5	49,260.8	48,447.6
Other/Indirect Cost Recovery	21,527.7	21,507.3	21,820.3	25,121.3	23,896.2
<b>Total</b>	<b>\$218,342.3</b>	<b>\$228,776.9</b>	<b>\$228,271.2</b>	<b>\$232,108.7</b>	<b>\$230,988.4</b>

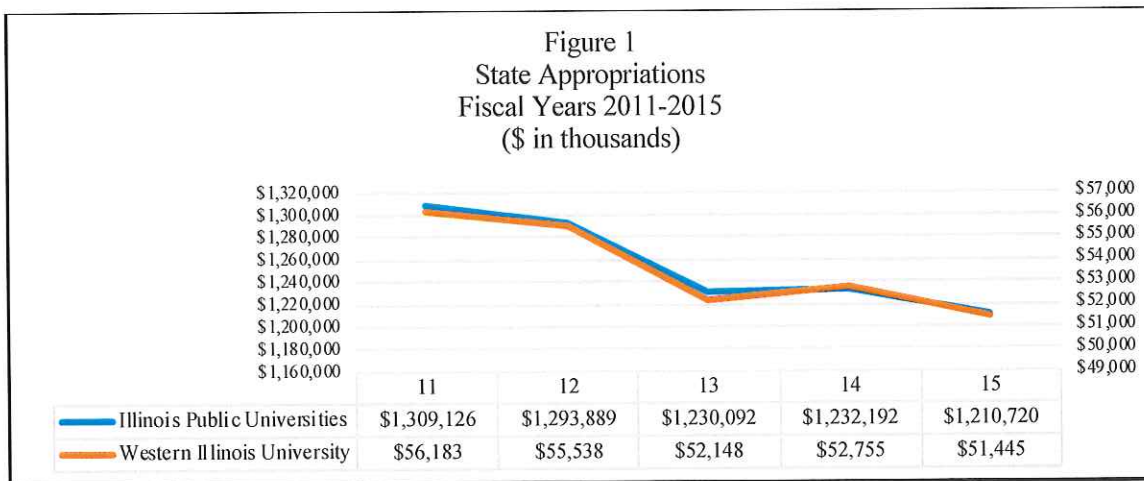


Table 2 presents Western’s historic financial ratios presented to the Commission in *Annual Institutional Data Updates* between Fiscal Years (FYs) 11-15. Despite the State’s fiscal condition and funding practices to Illinois public universities, Western Illinois University maintained its fiscal health as evidenced by:

- Composite Financial Indicator ratios “above the zone,” as identified by criteria in *Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks (Seventh Edition)*, by KPMG LLP; Prager, Sealy & Co., LLC; Attain LLC.

- Primary reserve ratios demonstrating fiscal stability. A negative or decreasing trend over time would have indicated a weakening financial condition.
- Net operating ratios showing institutional operations with a surplus in four of the last five years, therefore enabling the University to carry forward funds in conjunction with limitations established in Illinois statutes for public institutions.
- Net asset ratios showing availability of additional expendable net assets to satisfy debt obligations.
- Strong viability ratios, with only the FY15 ratio reflecting a decrease resulting from the volatile state economy.

Table 2  
Western Illinois University's Historic Financial Ratios  
Fiscal Years 2011-2015

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Composite Financial Indicator	3.60	2.90	1.70	2.75	1.47
Primary Reserve Ratio	0.25	0.27	0.26	0.25	0.26
Net Operating Revenue Ratio	0.06	0.04	0.00	0.01	(0.01)
Return on Net Assets Ratio	0.18	0.12	0.04	0.13	0.02
Viability Ratio	0.73	0.70	0.75	0.77	0.47

To compensate for reduced and delayed appropriations and maintaining its fiscal health between FY11 and 15, the University:

- Restricted spending, monitored travel, and limited replacement hiring.
- Negotiated delayed salary increases with collective bargaining units.
- Cancelled salary increases for non-negotiated personnel.
- Increased university reserves and carefully monitored cash balances.
- Introduced retirement incentives.
- Implemented zero-based budgeting within Academic Affairs.
- Consolidated 18 academic departments/units into 10, and four technology units into one.
- Centralized reporting lines for admissions, advisement, and the School of Graduate Studies between campuses.
- Held at least 25% of annual GRF departmental operating budgets,

Results from these actions reduced state appropriated budgets by \$14.2 million in personal services and \$2.7 million in operating, totaling a \$16.9 million cost savings and avoidance to the University. The size of the University workforce (headcount) decreased by 163 employees (52 faculty and 111 staff) during this time. The academic core was protected by engaging in 2:1 staff-to-faculty reductions. There were only three layoffs and no furloughs during this time.

Table 3 provides further evidence of protecting the academic core and engaging in mission-driven spending. Western Illinois University maintained 66% of all institutional expenditures on academics and academic support during the period of delayed and reduced appropriations.

(In Thousands of \$)	<u>FY2012</u>	<u>FY2013</u>	<u>FY2014</u>	<u>FY2015</u>
Instruction	\$79,449.2	\$77,370.8	\$77,267.6	\$77,237.5
Organized Research	6,074.1	3,540.3	3,535.5	3,083.6
Public Service	14,774.0	12,694.3	13,970.1	14,142.2
Academic Support	8,701.9	8,925.6	8,847.8	8,829.6
Student Services	41,066.6	42,830.7	48,119.7	49,661.2
Subtotal-Dollars	<u>\$150,065.8</u>	<u>\$145,361.7</u>	<u>\$151,740.7</u>	<u>\$152,954.1</u>
Subtotal-Percent	65.6%	63.7%	65.4%	66.2%
Institutional Support	9,277.7	9,473.6	9,675.4	10,238.6
O&M of Physical Plant	30,200.5	30,446.2	31,023.6	27,711.3
Independent Operations	34,944.1	38,651.4	35,090.6	35,419.8
CMS Group Health Insurance	2,724.2	2,735.9	2,909.5	2,998.1
FICA/Medicare	1,564.6	1,602.4	1,668.9	1,666.5
Total	<u>\$228,776.9</u>	<u>\$228,271.2</u>	<u>\$232,108.7</u>	<u>\$230,998.4</u>

Employee and budget reductions could have been deeper had the University not maintained historic efficiency. Tables 4 and 5 show that Western Illinois University consistently places below the statewide average on instructional and administrative costs per credit hour. Using FY15 as an example, Western was third and second lowest of the 12 Illinois public universities on these measures, respectively. Instructional costs were 11.7% below the statewide average, and administrative costs were 20.5% below the statewide average.

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Southern Illinois-Edwardsville	\$240.55	\$249.57	\$257.94	\$269.52	\$261.01
Illinois State	\$267.13	\$286.37	\$297.85	\$300.43	\$311.13
<b>Western Illinois</b>	<b>\$272.68</b>	<b>\$284.01</b>	<b>\$294.30</b>	<b>\$307.32</b>	<b>\$316.86</b>
Southern Illinois-Carbondale	\$302.19	\$309.84	\$314.13	\$329.27	\$331.53
Northeastern Illinois	\$259.39	\$284.40	\$298.35	\$343.49	\$346.07
Northern Illinois	\$282.36	\$306.19	\$331.84	\$339.47	\$348.49
Eastern Illinois	\$270.13	\$289.67	\$331.88	\$352.67	\$358.40
State Average	\$303.41	\$317.81	\$335.60	\$355.00	\$358.73
Illinois-Springfield	\$318.74	\$338.65	\$372.28	\$384.41	\$361.23
Governors State	\$328.00	\$364.12	\$364.31	\$392.48	\$373.04
Illinois-Urbana/Champaign	\$348.71	\$350.07	\$362.97	\$400.24	\$398.54
Illinois-Chicago	\$342.14	\$359.77	\$374.94	\$382.35	\$399.84
Chicago State	\$287.08	\$312.29	\$417.04	\$419.86	\$429.72
% WIU Is Under the State Average	(10.1%)	(10.6%)	(12.3%)	(13.4%)	(11.7%)

Table 5  
Administrative Costs per Credit Hour at Illinois Public Universities  
Fiscal Years 2011 through 2015

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Southern Illinois-Edwardsville	\$61.59	\$64.51	\$58.22	\$63.26	\$60.99
<b>Western Illinois</b>	<b>\$67.76</b>	<b>\$70.94</b>	<b>\$63.48</b>	<b>\$68.85</b>	<b>\$72.06</b>
Illinois-Chicago	\$75.00	\$78.40	\$78.41	\$74.00	\$76.55
Illinois-Urbana/Champaign	\$84.38	\$82.99	\$88.94	\$96.76	\$90.24
State Average	\$83.18	\$87.92	\$86.86	\$90.65	\$90.60
Northeastern Illinois	\$71.80	\$78.60	\$75.16	\$87.76	\$91.63
Eastern Illinois	\$74.80	\$84.37	\$89.03	\$96.55	\$94.78
Southern Illinois-Carbondale	\$81.76	\$81.80	\$80.28	\$90.77	\$96.09
Illinois-Springfield	\$105.00	\$104.18	\$92.60	\$110.23	\$103.26
Illinois State	\$88.86	\$104.83	\$102.01	\$95.81	\$104.54
Governors State	\$125.05	\$142.88	\$118.26	\$120.78	\$106.07
Northern Illinois	\$97.75	\$102.11	\$101.63	\$106.82	\$109.29
Chicago State	\$106.40	\$137.24	\$124.54	\$106.03	\$112.65
% WIU Is Under the State Average	(18.5%)	(19.3%)	(26.9%)	(20.0%)	(20.5%)

#### Historic and Current Financial Ratios

Table 6 displays Western Illinois University's revenue from all sources of funds to inform discussions on institutional expenditures and financial ratios for FY16. There are three important factors to understand before evaluating Western Illinois University's (and all other Illinois public universities) FY16 financial indicators.

*First, data reported for Western Illinois University (and all other Illinois public universities) reflects the effects of the historic and unprecedented two-year statewide budget impasse. Historically, Illinois public universities have received notification of the value of state appropriations for the next fiscal year (July 1) before the end of the current fiscal year (June 30). The Illinois public universities would have received FY16 appropriation notifications before June 30, 2015 if past 158-year practice was adhered to by the Governor and General Assembly.*

However, FY16 appropriations were not made until April 2016-the 10<sup>th</sup> month of the fiscal year and 22 months since the last (FY15) appropriations were made. Moreover, these appropriations were referred to as "Stop Gap I" by the Illinois General Assembly to indicate that partial FY16 appropriations were being made at the time that *Senate Bill 2059* and *Public Act (PA) 99-502* were passed.

Western Illinois University received \$14.9 million in Stop Gap I. This appropriated amount represented 29% of University's \$51.4 million FY15 appropriation. Table 7 shows similar percentage values were received by the other Illinois public universities, with the exception of Chicago State that received additional funding due to fiscal and enrollment challenges.



Table 6  
Fiscal Year 2016 (Stop Gap I) Appropriations as Percent of Fiscal Year  
2015 Appropriations at Illinois Public Universities<sup>1</sup>

	FY 15 Appropriation (PA 99-01)	FY16 Appropriation (PA 99-502)	FY 16 as a Percent of FY 15
Chicago State	\$36,330,500	\$20,107,300	55.3%
Eastern Illinois	42,975,700	12,456,500	29.0%
Governors State	24,062,100	6,974,400	29.0%
Illinois State	72,226,700	20,934,900	29.0%
Northeastern Illinois	36,898,800	10,695,100	29.0%
Northern Illinois	91,092,700	26,403,200	29.0%
Western Illinois	51,445,200	14,911,400	29.0%
Southern Illinois	199,558,500	57,482,200	28.8%
University of Illinois	647,186,400	180,094,100	27.8%
Total	<u>\$1,201,776.60</u>	<u>\$350,059,100</u>	<u>29.1%</u>
	0		

<sup>1</sup>Sothern Illinois University receives one appropriation for the Carbondale and Edwardsville campuses and central administration. The University of Illinois also receives one appropriation for its Chicago, Springfield, and Urbana/Champaign campuses and central administration. The other Illinois public universities do not receive a central administration appropriation.

Sources: IBHE: Fiscal Year 2016 and 2017 Appropriations for Higher Education Overview Stop Gap I and Stop Gap II (Updated August 20, 2016)

Second, values reported in Table 6 were the basis for audited financial statements and resultant financial indicator reporting to the Higher Learning Commission. However, they do not reflect final FY16 spending authority for Western Illinois University or any other Illinois public university.

At the end of June and start of July the Illinois public universities received additional appropriations (termed Stop Gap II by the Illinois General Assembly) that could be applied to FY16 or FY17 expenses through Senate Bill 2047 and Public Act 99-524. These values are displayed in Table 7.

Table 7 shows that Western Illinois University received an additional \$39.8 million for use with FY16 or FY17 expenditures, and raised the University's total FY16-17 appropriations to \$54.7 million.

With regard to Western Illinois University's Stop Gap II appropriation, the University received \$31.4 million from the Governor and General Assembly, and an additional \$8.4 million from the Illinois Board of Higher Education (IBHE). The IBHE recognized the University's best practices of responsible financial stewardship and new freshmen enrollment stabilization. Also receiving funding from the IBHE were Chicago State University (\$3.0 million) and Eastern Illinois University (\$5.6 million).

Table 7  
General Funds Appropriations  
Fiscal Years 2015 and 2016-2017

	FY 15 Appropriation (PA 99-01)	SB 2059 (PA 99-502) Stop Gap I	FY 2016-2017 SB 2047 PA 99-524 Stop Gap II	Total Stop Gaps For 18 Months
Chicago State	\$36,330,500	\$20,107,300	\$12,590,000	\$32,697,300
IBHE Funding	--	--	3,020,100	3,020,100
Total	36,330,500	<u>20,107,300</u>	<u>15,610,000</u>	<u>35,717,400</u>
Eastern Illinois	42,975,700	12,456,500	26,222,000	38,678,500
IBHE Funding	--	--	5,582,000	5,582,000
Total	42,975,700	<u>12,456,500</u>	<u>31,804,000</u>	<u>44,260,000</u>
Governors State	24,062,100	6,974,400	12,757,000	19,731,400
Illinois State	72,226,700	20,934,900	38,291,000	59,225,900
Northeastern Illinois	36,898,800	10,695,100	19,562,000	30,257,100
Northern Illinois	91,092,700	26,403,200	48,293,000	74,696,200
Western Illinois	51,445,200	14,911,400	31,389,000	46,300,400
IBHE Funding	--	--	8,397,900	8,397,900
Total	--	<u>14,911,400</u>	<u>39,786,900</u>	<u>54,698,300</u>
Southern Illinois	199,558,500	57,482,200	106,156,000	163,638,200
University of Illinois	647,186,400	180,094,100	350,599,000	530,693,100
Total	<u>\$1,201,776,600</u>	<u>\$350,059,100</u>	<u>\$665,859,000</u>	<u>\$1,015,918,100</u>

*Source: IBHE: Fiscal Year 2016 and 2017 Appropriations for Higher Education Overview Stop Gap I and Stop Gap II (Updated August 20, 2016) and IBHE Fiscal Year 2017 Supplemental Allocation of Financial Support for Essential Operations.*

Third, following direction from the Illinois Board of Higher Education (the State's coordinating board for Illinois public higher education), and adhering to Illinois Legislative Audit Commission guidelines required that the Illinois public universities only included Stop Gap I funding in audited financial statements. Financial statements are the basis for which Commission financial indicators are reported.

Western Illinois University financial ratios underestimate actual revenue received by \$39.8 million, or 72.8% of the revenue received for use with FY16-17 expenses. The University is concerned that annual fiscal year reporting on an 18-month appropriation and spending cycle does not reflect the fiscal reality of the institution or other Illinois public universities. With these terms and caveats, Table 8 displays Western Illinois University's operation costs by source of funds for FY15-17.

Table 8  
 Operation Costs by Source of Funds  
 Fiscal Years 2015-2017  
 (\$ in Thousands)

	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>
General Revenue Funds or Education Assistance Fund	\$51,465.2	\$14,931.4	\$51,465.2
Income Funds	74,907.5	74,546.9	52,941.7
*Income Fund Reserve	-	30,676.9	-
IBHE Allocation	-	-	8,397.9
Local Grants	161.9	137.8	141.5
State Grants	3,272.8	2,341.8	2,844.8
Federal Grants	27,349.4	26,411.5	25,925.1
Private Gifts, Grants, and Contracts	1,487.8	1,258.0	1,238.5
Sales & Service of Auxiliary	48,447.6	45,783.1	42,950.8
Other/Indirect Cost Recovery	23,896.2	22,798.5	20,572.4
<b>Total</b>	<b>\$230,988.4</b>	<b>\$218,885.9</b>	<b>\$206,477.9</b>

Components of the Ratios that have contributed to Western Illinois University being in the Zone

Table 9 presents the University's current and historic financial indicators as reported to the Commission in March 2017. Again, the University's data are based on funding and expenses associated with Stop Gap I alone. The reporting does not include revenue received from Stop Gap II.

Table 9 Western Illinois University's Historic and Current Financial Ratios Reported to the Higher Learning Commission Fiscal Years 2011-2016						
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Composite Financial Indicator	3.60	2.90	1.70	2.75	1.47	(0.30)
Primary Reserve Ratio	0.25	0.27	0.26	0.25	0.26	0.16
Net Operating Revenue Ratio	0.06	0.04	0.00	0.01	(0.01)	(0.15)
Return on Net Assets Ratio	0.18	0.12	0.04	0.13	0.02	(0.14)
Viability Ratio	0.73	0.70	0.75	0.77	0.86	0.56

The primary cause of the University's Composite Financial Indicator being in the zone is 12-month reporting practices that do not follow 18-month appropriation and spending authorization cycles. FY16 reporting is based on Stop Gap I funding. Likewise, FY17 reporting will be based on Stop Gap II funding. FY17 reporting will see revenue increases. State appropriations included in the University's FY17 financial indicators will increase from \$14.9 million in FY16 to \$39.8 million in FY17. This is an increase of \$24.9 million (167%).

FY18 will see the realignment of 12-month reporting, appropriation and spending authority cycles. With the July 2017 passage of *Illinois Public Act 100-0021*, the reported value of appropriations included in the University's FY18 financial indicators will again increase from \$39.8 million in FY17 to \$46.3 million in FY18. This is an additional increase of \$6.5 million (16.3%).

However, as Table 10 shows, all Illinois public universities are being state funded at 90% of the value of FY15 appropriations. Chicago State received less of a reduction as it continues to address enrollment and

financing challenges. The University of Illinois received increased funding (\$616,000) for the Illinois Fire Services institute, and Southern Illinois University received increased funding (\$1.0 million) for the National Corn to Ethanol Research Institute.

**Table 10**  
Fiscal Year 2018 Appropriations as Percent of Fiscal Year 2015 Appropriations at Illinois Public Universities

	FY 15 Appropriation (PA 99-01)	FY18 Appropriation (PA 100-0024)	FY 18 as a Percent of FY 15
Chicago State	\$36,330,500	\$34,604,400	95.2%
Eastern Illinois	42,975,700	38,686,100	90.0%
Governors State	24,062,100	21,656,000	90.0%
Illinois State	72,226,700	65,004,000	90.0%
Northeastern Illinois	36,898,800	33,209,000	90.0%
Northern Illinois	91,092,700	82,019,500	90.0%
Western Illinois	51,445,200	46,320,700	90.0%
Southern Illinois	199,558,500	182,190,800	91.3%
University of Illinois	647,186,400	588,994,600	91.0%
<b>Total</b>	<b><u>\$1,201,776,600</u></b>	<b><u>\$1,092,685,100</u></b>	<b><u>90.9%</u></b>

Sources: IBHE: Fiscal Year 2016 and 2017 Appropriations for Higher Education Overview Stop Gap I and Stop Gap II (Updated August 20, 2016)

Reduced appropriated funding makes institutional actions reported in the next two sections of this *Plan* especially important. As will be shown, Western Illinois University continues to use strategic planning processes to advance the University.

With regard to the University’s current financial ratios, in addition to the effects on the University’s Composite Financial Index, restricting reporting to Stop Gap I funding had the following effects on the University’s FY16 financial ratios.

- Primary Reserve Ratio: Institutional unrestricted net assets and the resultant numerator are artificially low. This caused the overall ratio to decrease.

**Table 11A**  
Western Illinois University Primary Reserve Ratio  
Fiscal Years 2014-2016

	FY14	FY15	FY16
<b>Unrestricted Net Assets</b>	<b>\$64,965,300</b>	<b>\$67,805,400</b>	<b>\$35,751,580</b>
Expendable Restricted Net Assets	13,159,300	14,108,700	14,992,880
<b>Numerator Total</b>	<b>\$78,124,600</b>	<b>\$81,914,100</b>	<b>\$50,744,460</b>
Operating Expenses	\$303,916,760	\$313,905,700	\$303,916,760
Non-Operating Expenses	4,907,900	4,513,900	3,783,110
<b>Denominator Total</b>	<b>\$310,235,700</b>	<b>\$318,419,600</b>	<b>\$307,699,870</b>
Primary Reserve Ratio	0.25	0.26	0.16
Primary Reserve Ratio CFI	0.66	0.68	0.43

- Net Operating Revenue Ratio: Institutional net non-operating revenues and the resultant numerator ratio are artificially low. The same is true for non-operating revenues and the corresponding

denominator. These factors caused the magnitude of the net operating revenue ratio to artificially increase.

	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>
Institutional Operating Income (loss)	(\$161,702,700)	(\$166,844,900)	(\$165,591,190)
<b>Net Non-Operating Revenues</b>	<b>166,162,000</b>	<b>162,423,200</b>	<b>126,569,820</b>
Numerator Total	\$4,459,300	(\$4,421,700)	(\$39,021,370)
Operating Revenues	\$143,625,000	\$147,060,800	\$138,325,570
<b>Non-Operating Revenues</b>	<b>171,069,800</b>	<b>166,937,100</b>	<b>130,352,930</b>
Denominator Total	\$314,694,800	\$313,997,900	\$268,678,500
Net Operating Revenue Ratio	0.01	(0.01)	(0.15)
Net Operating Revenue CFI	0.11	(0.11)	(0.40)

- Return on Net Assets Ratio: The change in net assets and the resultant numerator are artificially low. This caused return on net assets ratio to be artificially negative.

	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>
<b>Change in Net Assets</b>	<b>\$32,317,400</b>	<b>\$4,828,900</b>	<b>(\$37,892,980)</b>
Total Net Assets (beginning of year)	\$242,546,600	\$272,367,800	\$269,576,060
Return on Net Assets Ratio	0.13	0.02	(0.14)
Return on Net Assets CFI	1.33	0.18	(0.80)

- Viability Ratio: Expendable net assets and the resultant numerator are artificially low. This caused this viability ratio to artificially decrease.

	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>
<b>Expendable Net Assets</b>	<b>\$78,124,600</b>	<b>\$81,914,100</b>	<b>\$50,744,460</b>
Institutional Long-Term Debt	\$101,058,000	\$95,237,400	\$90,007,140
Viability Ratio	0.77	0.86	0.56
Viability CFI	0.65	0.72	0.47

**2. Determine the revenue and expense components that had the greatest impact on the institution's financial health.**

The greatest impacts on Western Illinois University as a result of the historic and unprecedented two-year statewide impasse were on faculty and staff salaries, capital projects, cash flow, institutional reporting, and reserves.

- Faculty and Staff Salaries: Western Illinois University's *Higher Values in Higher Education 2012-2022 Strategic Plan* includes a priority to "Provide faculty and staff salaries that meet and exceed the mean of peer institutions." In FY14 and 15 the University awarded across the board raises of 3.5% and 2.0% to negotiated and non-negotiated employees. Faculty and Academic Support Personnel (who are represented by the University Professionals of Illinois) received a 2.0% raise in FY16. Table 12 shows average faculty salaries during the period in which the University was able to award raises.

	FY13		FY14		FY15		FY16	
	<u>N</u>	<u>Avg.</u>	<u>N</u>	<u>Avg.</u>	<u>N</u>	<u>Avg.</u>	<u>N</u>	<u>Avg.</u>
Professor	170	\$92,990	182	\$96,358	178	\$98,763	176	\$101,437
Associate	155	73,675	146	76,188	143	78,881	153	80,589
Assistant	180	60,768	168	62,282	150	62,120	133	63,649
Instructor	103	44,564	107	42,579	102	45,484	103	47,067
Lecturer	9	43,822	10	45,443	11	41,138	8	44,024
Total	617	\$69,936	613	\$71,997	584	\$74,092	573	\$76,524

*Source: Western Illinois University 2016 Fact Book, [www.wiu.edu/IRP/factbook.php](http://www.wiu.edu/IRP/factbook.php)*

The University has not been able to continue with salary increases due to delayed and decreased state funding. Administrative/professional and civil service personnel earning more than \$40,000 annually were placed a furlough program described in Section 4 of this *Plan* during FY16. Furloughs continued during FY17 and FY18 for administrative personnel. Faculty deferred a negotiated 3.0% raise during this time.

- Capital Projects: Western was in process of bidding for the construction of a new Center for Performing Arts (CPA), a \$71.8 million project, when state capital funding was frozen. A total of \$5.0 million allocated for Phase III planning for the Quad Cities campus was also frozen. Although the State has resolved the operating budget impasse, capital spending has not been appropriated or authorized.

When funding is released, the University will resume work on the CPA project that includes a 1,400-seat proscenium theatre auditorium, 250-seat thrust stage, and 150-seat studio theatre. Phase III will support a new facility for science, engineering, mathematics, and technology instruction, research, and service in the Quad Cities.

The freezing of capital expenditures also hurts our host communities and region. In addition to one-time construction benefits, Western has an annual \$473 million economic impact in our immediate 16-county service region.

- Cash Flow: The President's Leadership Team (President and Vice Presidents) has met weekly to monitor institutional revenue, expenses, and reserves since FY11. This was the first year that the State not only continued to decrease appropriations, but also moved from lump sum appropriations to payment throughout the fiscal year.
- Institutional Reporting: Table 13 documents state appropriations between FY02 and 16. It also illustrates the magnitude and complexity of comparisons when annual reporting is compared to 18-month revenue and spending practices. Specifically:

- The 2016 display only includes Stop Gap I funding. It was the basis for current financial indicator reporting.
- The 2017 display only includes Stop Gap II funding. It will be the basis for the next financial indicator reporting.
- The 16-17 display includes Stop Gap I and II funding. It is not included in financial indicator reporting. However, it is the only one of the three displays to have cumulative percentage comparisons, as it is the only display that reflects current fiscal reality.

Table 13  
Illinois Public Universities General Revenue Appropriations  
Fiscal Years 2002-2017

(in thousands of dollars)		\$ Difference		% Difference	
		Annual	Cumulative	Annual	Cumulative
2002	1,496,839.5	--	--	--	--
2003	1,411,720.3	-\$85,119.2	-\$85,119.2	-5.7%	-5.7%
2004	1,303,564.7	-108,155.6	-193,274.8	-7.7%	-12.9%
2005	1,301,632.9	-1,931.8	-195,206.6	-0.1%	-13.0%
2006	1,316,938.8	15,305.9	-179,900.7	1.2%	-12.0%
2007	1,321,279.4	4,340.6	-175,560.1	0.3%	-11.7%
2008	1,357,067.3	35,787.9	-139,772.2	2.7%	-9.3%
2009	1,393,588.6	36,521.3	-103,250.9	2.7%	-6.9%
2010	1,393,838.6	-103,001	-103,000.9	-7.4%	-6.9%
2011	1,309,126.0	-84,713	-187,713.5	-6.1%	-12.5%
2012	1,293,889.3	-15,237	-202,950.2	-1.2%	-13.6%
2013	1,230,092.0	-63,797	-266,747.5	-4.9%	-17.8%
2014	1,232,192.0	2,100	-264,647.5	0.2%	-17.7%
2015	1,229,438.5	-2,754	-267,401.0	-0.2%	-17.9%
2016	350,059.1	-879,379.4	-1,146,780.4	-71.5%	--
2017	665,859.0	315,799.0	-830,980.5	90.2%	--
16-17	\$1,015,918.1	-213,520.4	-480,921.4	-17.4%	-35.3%

Despite decreased and delayed appropriations shown in Table 14, Western Illinois University has not delayed or defaulted on payments to external vendors. However, due to increased approvals and regulations, and delayed payment by the State of Illinois, there are times when it is a challenge to contract for goods and services. The University cannot promise when payments by the State will be made.

Table 14  
Western Illinois University General Revenue Appropriations  
Fiscal Years 2012-2016-17

(in thousands of dollars)		\$ Difference		% Difference	
		Annual	Cumulative	Annual	Cumulative
2002	\$64,306.7	--	--	--	--
2003	61,126.0	-\$3,180.7	-3,180.7	-4.9%	-4.9%
2004	56,091.1	-5,034.9	-8,215.6	-8.2%	-12.8%
2005	56,091.1	0.0	-8,215.6	0.0%	-12.8%
2006	57,297.7	1,206.6	-7,009.0	2.2%	-10.9%
2007	57,029.3	-268.4	-7,277.4	-0.5%	-11.3%
2008	58,287.5	1,258.2	-6,019.2	2.2%	-9.4%
2009	59,919.6	1,632.1	-4,387.1	2.8%	-6.8%
2010	59,919.6	0.0	-4,387.1	0.0%	-6.8%
2011	56,182.7	-3,736.9	-8,124.0	-6.2%	-12.6%
2012	55,538.3	-644.4	-8,768.4	-1.1%	-13.6%
2013	52,147.8	-3,390.5	-12,158.9	-6.1%	-18.9%
2014	52,755.1	607.3	-11,551.6	1.2%	-18.0%
2015	52,629.3	-125.8	-11,677.4	-0.2%	-18.2%
2016	14,911.4	-37,717.9	-49,395.3	-71.7%	--
2017	39,786.9	24,875.5	-24,519.8	166.8%	--
16-17	\$54,698.3	\$2,069	-\$9,608.4	3.9%	-14.3%

- Reserves: With the advent of state cash flow issues (delayed appropriated funding), Western Illinois University began strategically growing the appropriated funds reserve. Figure 2 shows that it had increased from less than \$6.0 million in FY07 and 08 to a high of \$23.6 million in FY15. These funds and \$7.7 million from unrestricted non-appropriated funds were used to keep the University operating during FY16.

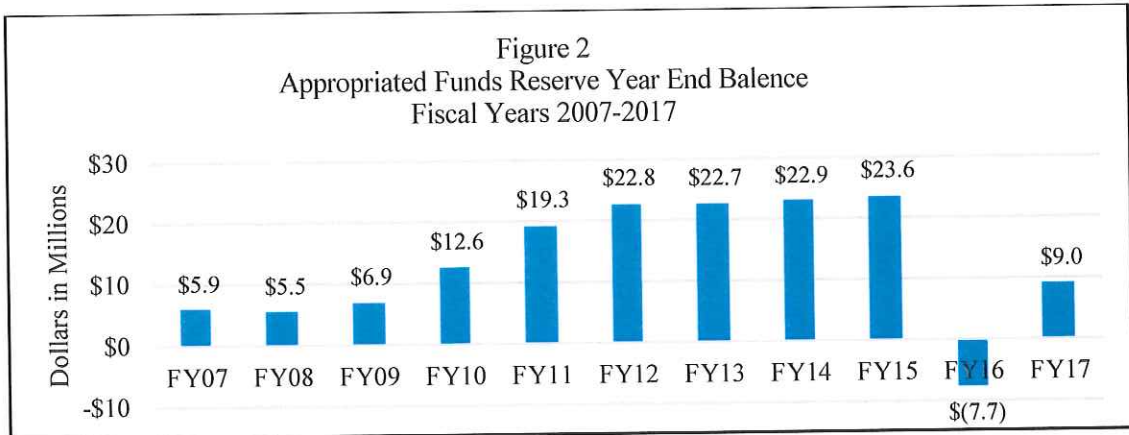
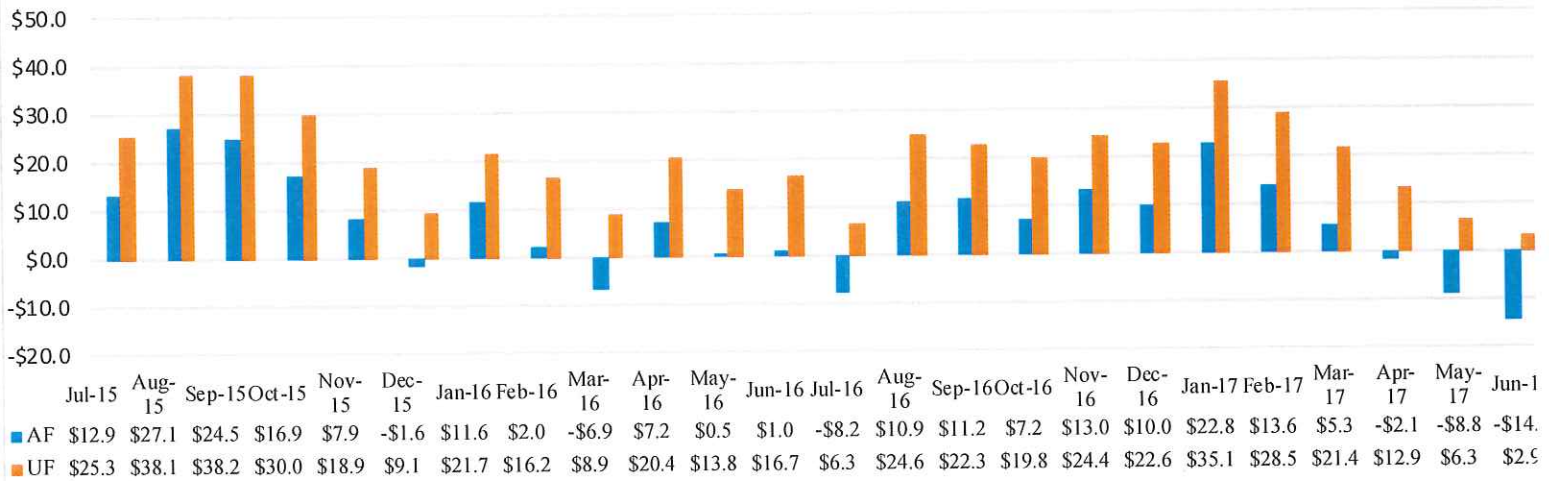




Figure 3  
Cash Flow History: Appropriated Funds (AF) and Unrestricted Funds (UF)  
Fiscal Years 2015-2017



Western Illinois University’s financial health continues to improve as an aftermath of the statewide budget impasse.

- Through planning and budgeting processes described in Sections 3 and 4 of this *Plan*, the appropriated funds reserve balance was restored to \$9.0 million at the end of FY17.
- The State has been following its disbursement schedule for FY18 appropriations.
- Because restricted funds cannot be used in addressing institutional cash flow issues per Illinois Legislative Audit Commission guidelines, the University continued to pay down facilities debt from bonds and certificates of participation status. Total institutional debt decreased from \$101.1 million in FY14 to \$90.0 million at the end of FY16.
- Western Illinois University is the only Illinois public university to have a FY17 positive outlook from Standard & Poor’s. All other Illinois public universities and the State are rated as stable.

**3. Identify specific strategies that have been implemented to re-establish financial health). Indicate how and when those strategies were implemented, results achieved, gaps in the results, and new strategies planned for continued improvement.**

Western Illinois University operates according to its *Higher Values in Higher Education 2012-2022 Strategic Plan*. Through the University’s Quality Initiative for the Higher Learning Commission, Western has enhanced continuity and precision in strategic planning. Annual Strategic Plan Supplements initiated in academic year 2016-2017 enable the University to continue advancing the vision of becoming the leader in quality, opportunity, and affordability, while adjusting tactical actions (where appropriate) to unforeseen and unpredictable circumstances at the time of writing the *2012-2022 Strategic Plan*. The largest of these circumstances being the historic and unrepresented statewide budget impasse. The process of developing and implementing annual Strategic Plan Supplements, therefore, serves as a catalyst to continuous institutional improvement.

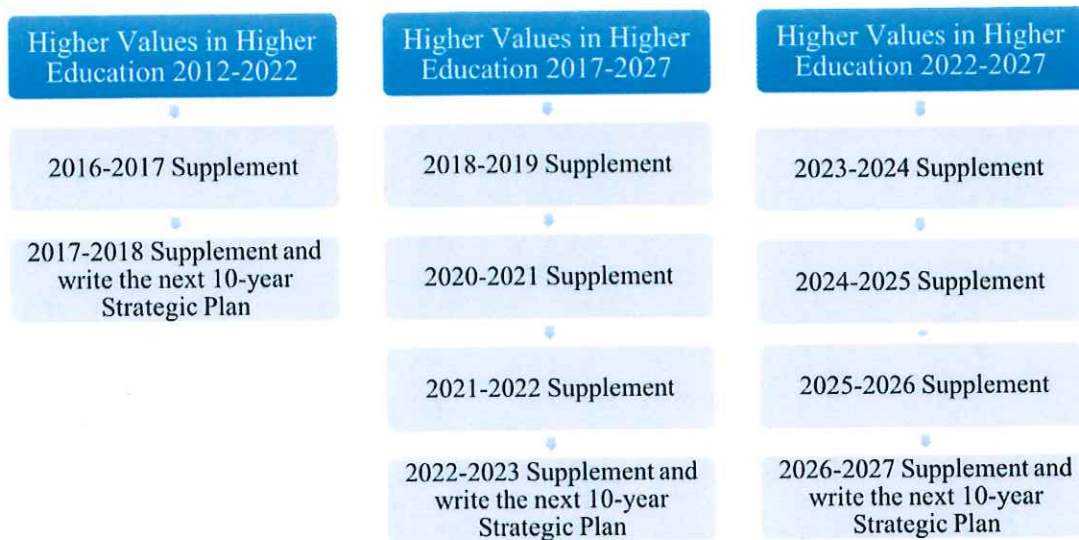
As shown in Figure 4, Western Illinois University has implemented priorities associated with six goals (engaging in university growth through demonstrating accountability) since academic year 2012-2013 as we seek to become a national leader in quality, opportunity, and affordability. Through annual *Strategic Plan Supplements*, the University specifically focused on stabilizing enrollment through increasing business acumen during academic year 2016-2017; and is currently focusing on stabilizing enrollment, enhancing educational opportunities, expanding community engagement, and increasing external funding. Copies University’s Strategic Plan and Strategic Plan Supplements are available at [www.wiu.edu/university\\_planning/strategicplan.php](http://www.wiu.edu/university_planning/strategicplan.php)

Figure 4  
Interrelationships between Western Illinois University’s Strategic Plan  
And Strategic Plan Supplements



Presently, the University is also creating the next ten-year Strategic Plan, Higher Values in Higher Education 2017-2027. The next Strategic Plan Supplement will be implemented in academic year 2018-2019. Figure 5 displays the University’s planning calendar through academic year 2026-2027. Reading down the columns shows how annual Strategic Plan Supplements will inform pursuit of ten-year strategic plan goals and priorities.

Figure 5  
Western Illinois University Planning Calendar  
Academic Years 2016-17 through 2026-27

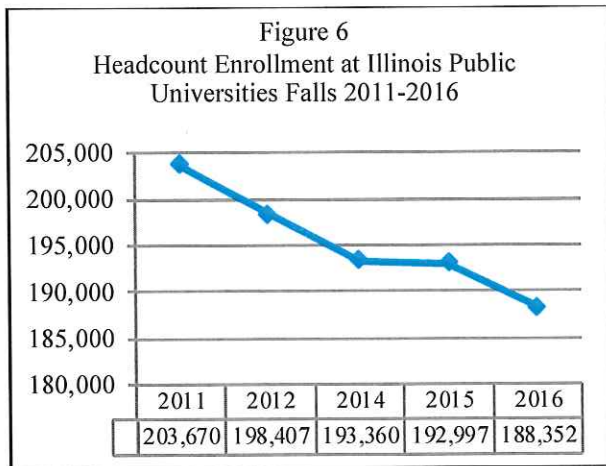


Changes resulting from the University's Strategic Plans and Strategic Plan Supplements are numerous. These are documented in annual *Strategic Plan Updates* presented to the Board of Trustees each fall, and are available at [www.wiu.edu/university\\_planning/annualstrategicplanupdates.php](http://www.wiu.edu/university_planning/annualstrategicplanupdates.php) and in Attachments C and D. Sample accomplishments resulting from Strategic Plan Supplement implementation include:

- Stabilizing fall 2016 new freshmen enrollment.
- Achieving a record number of degree-seeking international students (462) enrolled at the University.
- Enrolling a record number of students (1,000) in Centennial Honors College during fall 2017. The number of student participants equates to 13.2% of the University's total undergraduate enrollment.
- Launching the President's Executive Institute (PEI) to help support external partnerships with education, business, industry, and non-profit communities. Initial efforts focused on creating or enhancing 67 university partnerships with 38 partner organizations, and current accomplishments include:
  - Hosting 19 Education Summits with 144 participants during FY17 to discuss regional needs and partnerships with Western Illinois University.
  - Reinstating the University's Teacher Education Recruitment Fair, with 30 schools recruiting 42 graduates in spring 2017.
  - Conducting partnership meetings at 29 community colleges, resulting in new institutional agreements and stronger working relationships. Currently, 63% of transfer students accepted enroll at Western Illinois University. This is up from 61% in fall 2016.
  - Opening the Quad Cities Small Business Development/International Trade Center to further expand the annual economic impact of Western Illinois University.
  - Raising over \$1.0 million in external funding for the PEI during Fiscal Year 2017.

- Establishing new undergraduate degree modalities and programs. Anthropology was placed online. New degrees are now offered in cybersecurity, mechanical engineering, and middle level education. There are also new graduate degree programs in business analytics and community and economic development (hybrid format).
- Initiating a three-year plan to engage in fiscal reduction and strategic reinvestment of institutional resources (see Section 4 of this *Plan*) to support enrollment growth and academic excellence.

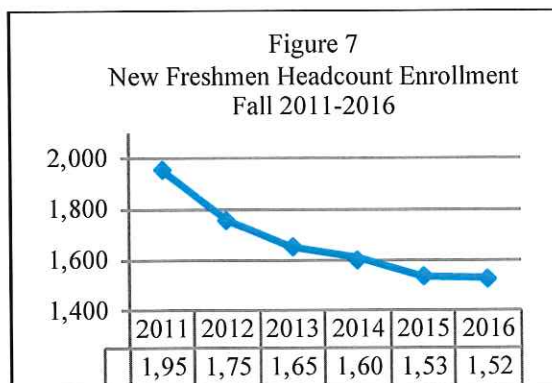
Western Illinois University is addressing enrollment challenges faced locally and by all other Illinois public universities. The Illinois public universities are in a period of enrollment decline. Total headcount enrollment in Illinois public higher education decreased by 7.5% from 203,670 students in fall 2011 to 188,352 students in fall 2016. Many external factors are contributing to this enrollment decline.



#### Challenges to Enrollment Stabilization

- A 2.4% decline in Illinois high school graduates over the last five years.
- An 8.8% decline in high school graduates in the 16 county WIU service region.
- A 1% increase in the number of Illinois community college students enrolled in baccalaureate/transfer programs.
- Over 45% of Illinois college bound students attend out-of-state.
- The historic and unprecedented State of Illinois Fiscal Year 2016 and 2017 budget impasse.
- A 5% projected decline in Illinois high school by academic year 2023-2024.

Even with these challenges, the University has begun to position itself for enrollment stabilization. After five years of new freshmen enrollment decline, we stabilized new freshmen enrollment at 1,527 in fall 2016, just slightly below the fall 2015 new freshmen enrollment of 1,535.



#### Actions Supporting Enrollment Stabilization

- Adding new majors, online programs, and hybrid formats.
- Participating in the Commission's Persistence and Completion Academy.
- Offering new Living-Learning communities.
- Supporting the First Year Experience, Building Connections mentoring program, and University 100.
- Reducing new student tuition by 3%.
- Adding a need-component to merit-based scholarships.

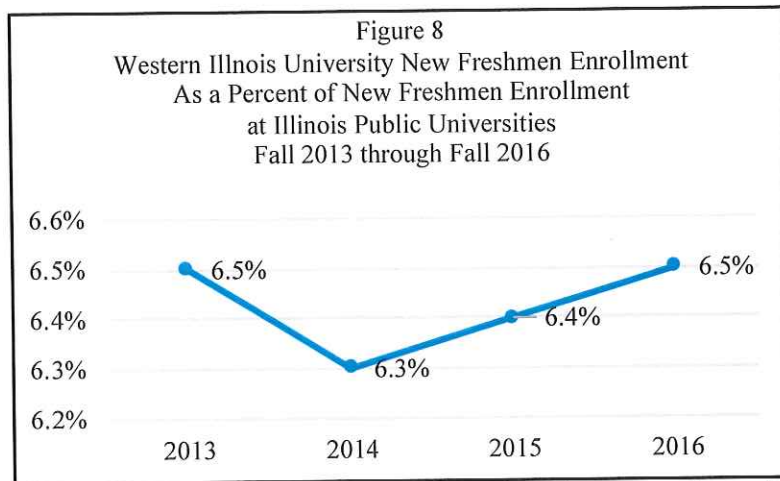
Moving ahead, the University will continue to be aggressive in recruiting new students. Enrollment stabilization remains top priority. Table 15 shows that work remains. However, the University is confident that it can reverse this trend now that the budget impasse has ended for four reasons.

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
11,707	11,458	11,094	10,373	9,441

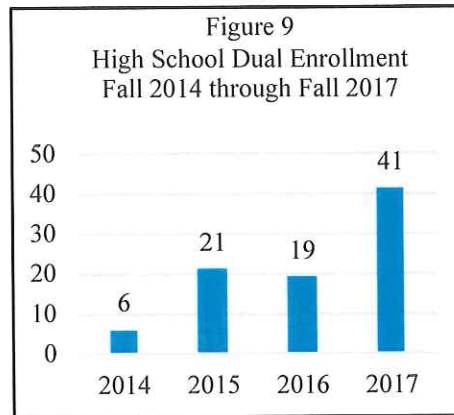
First, ending the statewide budget impasse restores confidence that funding is and will be available to the Monetary Assistance Program (MAP), the statewide need-based financial aid program. Uncertainty of need-based financial aid caused the state to have the highest emigration rate in the nation and created what was termed a “Crisis in Confidence” in Illinois public higher education. Data from the *New York Times* in 2017 showed that only 2,117 out-of-state residents entered Illinois public higher education, while 16,561 in-state residents entered higher education in other states.

Western Illinois University students are cost-sensitive. Approximately 75% of enrolled students receive financial assistance, with 49% of the Macomb students and 31% of the Quad Cities students receiving federal Pell grants. The University held enrollment above 11,000 students in the years prior to the budget impasse, experienced enrollment decline during the budget impasse, and is beginning to stabilize enrollment after the budget impasse. Current year to date comparisons of new freshmen acceptances as of December 8, 2017 show that new freshmen acceptances are up on the Macomb campus by 0.6% (from 2,115 to 2,127) and by 22.4% on the Quad Cities campus (from 49 to 60).

Second, Figure 8 shows that Western Illinois University had an increased market share enrollment of new freshmen enrolled at the University during the statewide budget impasse. We are using proven recruitment tactics to capture new markets and enhanced market share enrollment to increase total enrollment. This includes enrollments of more students from the University’s high school dual enrollment program, working professionals, and military students. Each of these populations have documented enrollment growth, even during the statewide budget impasse.



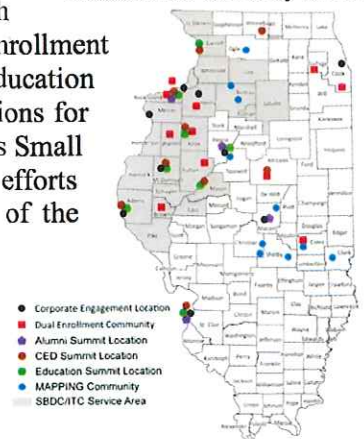
- The University piloted expansion of its High School Dual Enrollment program for academically qualified students to an onsite high school location in fall 2017. Previously, students had to take a Western course on a Western campus or online. Figure 9 shows that the program has grown by 22 students (54%) during the pilot year. Additionally, seven of the 17 pilot students in the off-campus dual enrollment program have applied and been accepted as new freshmen at the University for fall 2018. Based on the program's success, the University is extending the dual enrollment program to academically qualified juniors (as is the practice in other national programs) and increasing the number of off-campus partner high schools. Partnerships are currently being developed with six other high schools. All Western courses taught in this program will continue to be delivered by Western Illinois University faculty members. This is not a concurrent enrollment program.



- The University will continue to recruit even more students who are working professionals. In spring 2015, Western launched the President's Executive Institute, as a means to increase partnerships with business, industry, education, government, and the non-profit sectors with the objective of establishing new and enhanced enrollment pipelines in the Western Illinois/Eastern Missouri corridor. The PEI specifically targets 10 rural and urban areas (Macomb, Moline, Decatur, Galesburg, Havana, Peoria, Quincy, Rockford, Savanna, and Saint Louis Missouri).

A 32-member Steering Team co-chaired by the Vice President for Quad Cities and Planning and Director of Development, Business Engagement and Outreach coordinates PEI implementation. This includes developing corporate and dual enrollment partnerships; sponsoring alumni, community and economic development, and education summits to identify regional needs; offering strategic vision and planning sessions for rural communities; and promoting the programs and services of the University's Small Business Development/International Trade Centers. Figure 10 shows that these efforts have been expanded beyond the original planned corridor due to successes of the programs and services provided by the University.

Figure 10  
Communities Served by the PEI



There have been many institutional successes with regard to the University's ongoing community relations and PEI implementation. Fiscal Year 2017 accomplishments include:

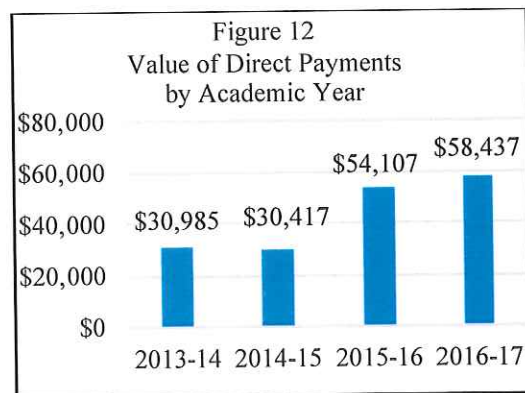
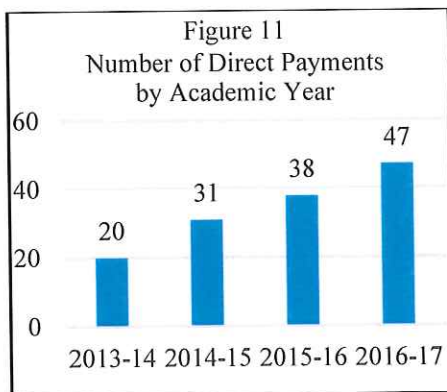
- ✓ Raising \$1.0 million in external funding for Western Illinois University.
- ✓ Supporting 1,160 internship and 255 student teaching placements.
- ✓ Hosting 28 Education and Community and Economic Development Summits with 262 participants in eight communities.
- ✓ Opening a Small Business Development/International Trade Center in the Quad Cities
- ✓ Reinstating the Teacher Recruitment Fair on the Macomb campus.

- ✓ Utilizing the expertise from working professionals in 18 advisory boards across the colleges and administrative units at the University.

Preliminary Fiscal Year 2018 PEI accomplishments include:

- ✓ Serving as the preferred partner for the Illinois Department of Corrections on in-service training and degree completion for correctional officers.
- ✓ Establishing a new five-year integrated degree program between the Bachelors of General Studies and Law Enforcement and Justice Administration to better serve the specific educational and career needs of working professionals.
- ✓ Completing seven military visits and four meetings with institutions specializing in military relations to better understand how to meet and exceed the needs of the Armed Forces.
- ✓ Creating new working relationships with four community college partners (Prairie State, Oakton, Harper, and Southwestern Illinois Community College).
- ✓ Hosting the Midwest Community Development Institute for over 70 participants.
- ✓ Expanding corporate relationships with State Farm Insurance and Nestle Purina.
- ✓ Receiving \$100,000 from the Moline Foundation to establish a dual enrollment program in Agriculture.

Figures 11 and 12 show that enrollment and revenue from companies directly paying Western Illinois University under employee tuition reimbursement plans has increased by 135% and 89%, respectively, since academic year 2013-14-the year before Western launched the PEI.



These numbers and values are expected to increase. After just the fall 2017 semester, Western enrolled 31 students and collected \$42,070 from the sponsoring employers. It is important to note that the totals reported above do not include students who receive reimbursement from their employers to attend the University. Also, Western Illinois University encourages the enrollment of working professionals by providing employee tuition waivers and tuition waivers for school professionals supervising Western students during field placements. The University awarded 216 waivers valued at \$601,411 for employees and 113 waivers valued at \$208,578 for practicing professionals.

Third, Western Illinois University will expand its history and tradition of enrolling students from the United States Armed Forces. The University annually enrolls over 600 military students annually, has an active ROTC program, and was just recently (in December 2017) named for the eighth consecutive year a “Best College” by *Military Times* magazine. Western is the only Illinois

public four-year university in the top 70 and one of two Illinois public universities in the national rankings.

The expected increase in military enrollment is due to the following factors:

- ✓ The Western Illinois University Board of Trustees is expected to lower tuition for active duty military personnel to the maximum rate allowed by the federal Tuition Assistance (TA) program at its December 15, 2017 meeting. This staff recommendation for Board action was informed by the Vice President for Quad Cities and Planning completing partnership meetings at eight installations and two higher education institutions serving the military.
- ✓ Academic Affairs, as discussed in Section 4 of this *Plan*, is adding online programs in high demand by the military.
- ✓ Western Illinois University-Quad Cities is located one mile from the United States Army's logistical hub: The Rock Island Arsenal.
- ✓ The University is targeting a new market of military students. The vast majority of Western's current and historic military enrollments are veterans and dependents. The University has not been cost competitive without Tuition Assistance.

With a history of academic excellence, student-centeredness, new educational opportunities in high-demand disciplines and formats, and a tuition rate that requires no out of pocket expense, Western Illinois University is well positioned to increase enrollments of active duty service members.

Fourth, is institutional participation in the Commission's Persistence and Completion Academy (PCA). Since joining the PCA three years ago, Western Illinois University has:

- ✓ Developed a 69 attribute distributed data warehouse supporting use of the predictive analytic framework and other analytic studies related to student persistence and completion. This is a major shift for the University that primarily relies on a legacy (mainframe) system for transactional and analytic computing.
- ✓ Adapted Western's best practices in academic and student support services for specialized populations (e.g., special admissions, international students, and student-athletes) to all regularly admissible students.
- ✓ Introduced new Living-Learning communities (LLCs) for residential students. Western now offers nine LLCs (in Bio-Life, Broadcasting and Journalism, Community of Liberal Arts and Sciences Students, Environmental Sustainability, Fine Arts, Honors, Pathways (undecided majors), Women in Science, and Transfer Year Experience).
- ✓ Implemented Attendance Tracker software to automatically generate class attendance reports for Academic Advisors. This serves as an early warning system for Advisors to engage in appropriate academic and student support service referrals.
- ✓ Hired an Academic Success Coach (ASC) in the University Advising and Academic Services Center. The ASC works with students on academic warning or probation and their Academic Advisor to develop goals and set action plans for academic improvement. The position is also being supported by graduate practicum students from the University's College Student Personnel program.



- ✓ Identified courses (Calculus and Statistics) where engineering students in the Quad Cities have the most academic difficulty. Western now has a model for identifying courses with the highest D/F/W rates that can be applied across disciplines, campuses, and instructional modalities.
- ✓ Piloted new peer-based tutoring on the Quad Cities campus in fall 2017. The new Learning Assistance program deploys high performing undergraduate students with an aptitude for teaching to facilitate active learning environments. The goal of the three-year pilot is to improve student academic performance in four mathematics and physics co-requisite first year engineering courses. Pilot results and lessons learned will be shared with other schools and departments for additional possible expansion.
- ✓ Installed Respondus Lockdown Browser and Monitor software to enable distance education students to complete examinations online, rather than attending a physical testing center.
- ✓ Completed a survey of 89 faculty members teaching distance education course(s) in fall 2017. Results will be used to inform future professional development offerings in the Center for Innovation in Teaching and Research.
- ✓ Initiated a Retention Newsletter, "Tips" website, and blog to track progress and ideas related to student persistence and completion.

Data in Attachment E shows that when Western Illinois University entered the Persistence and Completion Academy, first-year retention was at a historic peak (72%). Since that time the rate has stabilized at 68% for two of the last three years. Additionally, the third-year continuation rate and four-year graduation rate of full-time, first-time freshmen have increased from 55.6% to 60.1% and from 30.6% to 33.4% since institutional Academy participation, respectively. However, the 2.8% increase in four-year graduation rates does not offset the 5.7% decrease in six-year graduation rates that remain above 50%. The University continues to study and adapt practices in order to increase the overall graduation rate.

**4. Identify specific strategies that have been implemented to address revenue and expense components of the institution's financial health. Indicate how and when those strategies were implemented, results achieved, gaps in the results, and new strategies planned for continued improvement.**

General Institutional Actions

Institutional response to Question 1 and Attachment A demonstrated how the University responded to State cash flow issues between FY11-15. Table 16 shows that the University reduced institutional expenditures by \$13.3 million (10.8%) between FY16 and 17 (i.e., during the statewide budget impasse). Moreover, a recent analysis by the University's Budget Director estimates the FY18 revenue will exceed expenses by \$2.1 million.

Table 16 Appropriated Funds Expenditures Fiscal Years 2015 -2017					
				Savings	
Amount		Percent			
Annual	Cumulative	Annual	Cumulative		

	Operating	Personal Services	Total	Savings Amount	Savings Amount	Savings Percent	Savings Percent
FY15	\$24,407,446	\$101,746,415	\$126,153,861	--	--	--	--
FY16	\$21,206,624	\$98,976,538	\$120,183,162	\$5,970,699	\$5,970,699	4.7%	4.7%
FY17	\$23,036,700	\$89,768,100	\$112,804,800	\$7,378,362	\$13,349,061	6.1%	10.8%

Western Illinois University's mission-driven fiscal planning during the statewide budget impasse focused on increasing revenue, decreasing expenditures, and reducing reliance on state appropriated funding, while continuing to deliver a high-quality educational experience grounded in core values of the University (academic excellence, educational opportunity, personal growth, and social responsibility).

Revenue generation strategies include identifying new markets of students, implementing new and expanded partnerships with business and industry, continuing to advocate for the restoration of fair and predictable funding for Illinois public higher education, increasing grant and contract activity, and preparing the University for the next comprehensive fundraising campaign.

*FY16 Audited Financial Statements of the Western Illinois University Foundation* (see Attachment F) performed by Eck, Schafer & Funke, LLP shows that the total net position of the Foundation was \$61.8 million in FY16, with \$441,698 in net investment in capital assets, \$28.3 million restricted for non-expendable purposes, \$13.1 restricted for expendable purposes, and \$20.0 million unrestricted. The FY16 total net position of the foundation was up \$1.3 million (2.2%) over FY15. This increase was primarily driven by the re-valuation of farm land held for investment.

Successful completion of the next comprehensive funding campaign will position Western Illinois University for a strong financial future and help reduce reliance on state appropriations. The University concluded its last campaign in December 2014, raising \$62 million, \$2 million higher than its goal. As a result, the Foundation's endowment base increased from \$16 million to \$40 million, and the total asset base increased to \$55 million. Earnings from the endowment support student scholarships, academic programs, critical University needs, and many initiatives on both campuses.

Tables 3 and 4 presented earlier in this *Plan* displayed the state-appropriated instructional and administrative costs per credit hour. With Western Illinois University maintaining expenditures in these areas well below statewide averages, we continue to lessen our reliance on state funding. External revenue generation also reduces our state appropriated funding dependency.

Tables 17-19 complement information in Table 16 by presenting additional details on how the University reduced state appropriated expenditures during the statewide budget impasse. While the University reduced appropriated funds personal services expenditures by nearly \$11.8 million (11.8%), it continued to honor contractual agreements. This includes Professional Achievement Awards and Salary Minima in accordance with the University's contract with the University Professionals of Illinois (UPI), which is available at [www.wiu.edu/provost/upi\\_agreement/index.php](http://www.wiu.edu/provost/upi_agreement/index.php).

	FY15	FY16	FY17	Cumulative Reduction	
				Amount	Percent
Administrative	\$23,092,806	\$21,965,529	\$20,106,450	(\$2,986,356)	(12.9%)
Faculty	50,807,647	50,964,699	46,443,196	(4,364,451)	(8.6%)
Civil Service	22,094,879	20,575,680	17,681,424	(4,413,455)	(20.0%)
Extra Help and Overtime	502,224	390,193	534,442	32,218	6.4%
Student Help	1,148,841	978,977	998,905	(149,936)	(13.1%)
Graduate Assistants	2,563,030	2,495,397	2,445,528	(117,502)	(4.6%)

Summer Session	1,510,489	1,586,896	1,551,125	40,636	2.7%
Reimbursement/Award	26,499	9,167	7,043	(19,456)	(73.4%)
Total	<u>\$101,746,415</u>	<u>\$98,976,538</u>	<u>\$89,768,113</u>	<u>(\$11,798,302)</u>	<u>(11.8%)</u>

Source: Western Illinois University Appropriated Funds Budgets ([www.wiu.edu/Budget](http://www.wiu.edu/Budget))

The University reduced the size of the institutional workforce by 271 positions (11.1%) during the statewide budget impasse. Staff-to-faculty reductions occurred at a ratio of 2:1 in order to protect the academic core of the University. Furthermore, the number of graduate assistantships increased by 14 (2.9%) during this time.

	2014	2015	2016	Cumulative Reduction	
				Amount	Percent
Civil Service	<u>806</u>	<u>781</u>	<u>657</u>	(149)	(18.5%)
Negotiated	233	416	342	109	46.8%
Prevailing Wage	40	43	36	(4)	(10.0%)
Non-Negotiated	533	322	279	(254)	(47.7%)
Faculty	<u>705</u>	<u>679</u>	<u>615</u>	(90)	(12.8%)
Negotiated-Unit A <sup>1</sup>	450	454	412	(38)	(8.4%)
Negotiated-Unit B <sup>2</sup>	121	130	120	(1)	(0.8%)
Non-Negotiated/Temporary	96	57	52	(44)	(45.8%)
Departmental Chairpersons	38	38	31	(7)	(18.4%)
Administrators	<u>315</u>	<u>311</u>	<u>279</u>	(36)	(11.4%)
Negotiated	73	71	66	(7)	(9.6%)
Non-Negotiated	242	240	211	(31)	(12.8%)
Non-Negotiated Temporary	--	--	2	2	--
Professionals <sup>3</sup>	<u>144</u>	<u>140</u>	<u>134</u>	(10)	(6.9%)
Negotiated	18	22	24	6	33.3%
Non-Negotiated/Temporary	126	118	110	(16)	(12.7%)
Graduate Assistant	<u>482</u>	<u>492</u>	<u>496</u>	14	2.9%
Total	<u>2,452</u>	<u>2,403</u>	<u>2,181</u>	(271)	(11.1%)
<ol style="list-style-type: none"> <li>1. Unit A consists of tenured/tenure-track faculty, librarians, and counselors.</li> <li>2. Unit B consists of associate faculty and academic support professionals.</li> <li>3. Professionals consists of executive assistants and faculty assistants.</li> </ol>					
Source: Western Illinois University Fact Books, <a href="http://www.wiu.edu/IRP/factbook.php">www.wiu.edu/IRP/factbook.php</a>					

The University reduced appropriated funds operating expenditures by \$547,389 (2.2%) during the statewide budget impasse. Expenditures for library collections were up 1.6% to further protect the academic core. Moreover, over \$2.4 million was applied to student scholarships to advance the University's core value of educational opportunity, and in recognition of the extreme cost sensitivity of Western Illinois University students discussed earlier in this *Plan*.

Table 20  
Detail for Appropriated Funds Operating Expenditures  
Fiscal Years 2015-2017

	FY15	FY16	FY17	Cumulative Reduction	
				Amount	Percent
Reimbursement/Award	\$94,799	\$119,386	\$125,130	\$30,331	32.0%
FICA	1,348,418	1,318,020	1,192,587	(155,831)	(11.6%)
Group Insurance	1,744,800	1,744,800	1,744,800	--	--
Contractual Services	10,335,345	9,082,535	9,637,672	(697,673)	(6.8%)
Travel	674,645	342,277	272,736	(401,909)	(59.6%)
Commodities	1,271,601	752,249	890,986	(380,615)	(29.9%)
Equipment	1,488,095	113,474	143,465	(1,344,630)	(90.4%)
Library Books	1,222,894	1,208,842	1,242,345	19,451	1.6%
Telecommunications	475,281	367,899	327,298	(147,983)	(31.1%)
Automotive	274,631	173,000	126,091	(148,540)	(54.1%)
Awards, Grants, and Matches	4,849,968	5,968,060	7,300,574	2,450,606	50.5%
Permanent Improvements	626,969	16,082	33,200	(593,769)	(94.7%)
Total	\$24,407,446	\$21,206,624	23,036,884	(\$547,389)	(2.2%)

### Specific Institutional Actions

FY16 actions to increase revenue include initiating the President's Executive Institute, signing new dual enrollment agreements with Elgin Community College (Illinois) and Moberly Area Community College (Missouri), implementing hybrid programs in Business Administration and College Student Personnel, offering at least 10 percent of all courses in irregularly scheduled formats (e.g., weekend and distance education), and reducing student costs.

The President's Executive Institute, as discussed in Section 3 of this *Plan*, is being successfully used as a means to attract more working professionals to the University and better position Western for the next comprehensive fundraising campaign. We are working statewide with business, industry, education, government, and the non-profit sector to increase enrollments and future funding partnerships.

Implementing new hybrid programs at the master's level in Business Administration and College Student Personnel addressed unmet needs in high demand areas. Ninety-two percent of the seats were filled in the first semester that the University offered these degree programs in this format. Likewise, the University continued to experience online enrollment growth. Course enrollments increased by 3,523 enrollments (35.2%) from 10,111 enrollments in FY13 to 13,534 enrollments in FY16. Online enrollment is mission-consistent. Western Illinois University has the state's first and largest distance education program.

Western Illinois University faculty and staff continued to aggressively pursue external funding. The value of grants and contracts received increased by 12.1% in the last two years, from \$9.9 million in FY14 to \$11.1 million in FY16.

FY16 actions to decrease personal services appropriated expenditures with a final reduction of \$2.7 million included reducing the size of the workforce (26 faculty, eight administrative/professional, and 25 civil service positions), implementing a retirement incentive program, reducing 12-month contracts for select staff positions and departmental chairpersons/school directors, engaging in 110 layoffs (with 87 call backs), initiating a voluntary pay reduction program at the deans level and above, requiring a furlough program for all non-negotiated employees earning more than \$40,000 annually (479 employees), and implementing a hiring freeze.

FY16 actions to decrease appropriated operating expenditures with a final reduction of \$3.2 million including reducing departmental operating budgets by 25%, limiting spending to immediate operational

needs, monitoring travel requests and expenditures, realizing cost savings from combining 18 departments into 10, reducing contractual services and equipment purchases, and delaying permanent (facilities) improvements.

It should be noted that The Western Illinois University Board of Trustees voted upon recommendation of the Interim Provost and Academic Vice President to disestablish bachelor degree programs in African American Studies, Philosophy, Religious Studies, and Women's Studies at its June 10, 2016, meeting. Reasons for these program disestablishments were low enrollments and a low number of degrees conferred and not as cost savings, as indicated with the *Teach Out Plan* and *Update* on file at the Commission. Courses in these areas remain at the University in support of general education and other academic offerings.

Building on the accomplishments, planning parameters, and decisions of the past year, FY17 plans to increase revenue focused on:

- Engaging in aggressive recruitment. Western stabilized fall 2016 new freshmen enrollment after four years of enrollment decline.
- Establishing high demand programs. Western launched new master's degree programs in Business Analytics and Community and Economic Development (in hybrid format) in fall 2016, and new undergraduate degree in mechanical engineering in spring 2017.
- Continuing to support increases in student persistence and completion rates, and the value of external grants and contracts received.
- Furthering outreach provided by the President's Executive Institute.
- Positioning the University for the next comprehensive fundraising campaign. All college development officers were realigned to report to the Vice President for Advancement and Public Services, so that staff could focus on development matters; and,
- Advocating with business, industry, education, and civic leaders for fair and predictable higher education funding. The budget impasse ended after the Illinois public universities were provided with funding from Stop Gaps I and II and FY18 appropriations.

FY17 actions to decrease appropriated expenditures included:

- Evaluating needs for replacement hiring.
- Continuing to pool attrition savings.
- Closing the Quad Cities Executive Studies Center.
- Adjusting 12 month administrative contracts to 11 or 10 months where feasible.
- Canceling salary increases for non-negotiated personnel.
- Administering the agreement made with University Professionals of Illinois for a 1% FY16 salary give back and temporary FY 17-18 3% salary reductions that will be paid back if enrollment and appropriations triggers are met.
- Implementing a furlough program for non-negotiated administrative/professional staff members earning more than \$40,000 annually.
- Reducing and conserving operating funds.
- Merging Instructional Design and Technology with Engineering Technology; and,
- Discontinuing offering the B.A. in Music in Macomb, as well as the Bachelor's in Early Childhood Education and the Master's in Liberal Arts and Sciences at the Quad Cities.

Throughout the budget impasse Western Illinois University retained:

- The fiscal, staffing, physical, and technological resources to support our academic mission and service operations.
- A *Strategic Plan* with a realistic vision, mission, goals and priorities in light of the University's resources and opportunities.
- Conservative, mission-driven financial practices.
- Commitments to our core values of academic excellence, educational opportunity, personal growth, and social responsibility.

#### Current and Future Institutional Actions

Western Illinois University withstood the statewide budget impasse by focusing on increasing revenue, decreasing expenses, and maintaining fiscal health. The actions will continue, and we are currently creating an even stronger, mission-driven University. This is being achieved by creating a reinvestment pool, providing high demand programs, removing enrollment barriers, improving retention, increasing revenue, decreasing expenses, enhancing operational efficiencies, and continuing to engage in all funds fiscal planning.

These actions provide the framework for Western Illinois University to continue our mission of providing a quality, well rounded education to high-achieving, diverse students. Moreover, it provides the resource base for the University to achieve our *Higher Values in Higher Education* Strategic Plan vision of national leadership in quality, opportunity, and affordability.

Examples of specific actions undertaken during FY18 include:

- Creating a reinvestment pool by holding 25% percent of departmental operating budgets (approximately \$1.5 million), initiating base budget reduction planning for areas that report to the President's and all VP areas (with a target between \$3.3 million and \$5.4 million), continuing to combine programs and units where applicable, and reducing appropriated funding to public service units. The University also plans to increase tuition revenue for the reinvestment pool by attracting new markets of students. To date, actions have included:
  - ✓ Lowering active duty military tuition beginning in fall 2018 to the federal Tuition Assistance rate (currently at \$250/Credit Hour) allowed by the United States Armed Forces,
  - ✓ Increasing values of Western Transfer Commitment Scholarships to \$1,000 or \$2,000 annually renewable scholarships. Western was the only Illinois public university not to have annually renewable transfer scholarships.
  - ✓ Expanding high school dual enrollment. Western recently received \$100,000 from the Moline Foundation to offer Agriculture classes to Quad Cities high school students beginning in fall 2018. Funds received will pay for faculty salary and students tuition. The University is currently developing or expanding partners with seven high schools, and the Council for Admission, Graduation and Academic Standards just approved eligible high school junior participation for students from Cambridge High School.
  - ✓ Continuing to use Summits (24 scheduled for fall 2017) as a means to promote university programs and services and to identify regional needs.
  - ✓ Completing an analysis of Quad Cities student minors to determine if there are markets for new majors.
- Providing high demand programs by

- ✓ Expanding the University's on-line portfolio. This includes the addition of Law Enforcement and Justice Administration, which has the highest undergraduate enrollment at the University (1,525 students in fall 2016). The School anticipates project completion in spring 2018.
  - ✓ Establishing new majors. Curriculum for an interdisciplinary Cybersecurity undergraduate degree has been developed. A Financial Planning Degree is in development by the Accounting and Finance department.
  - ✓ Placing Centennial Honors College on the forefront of the University. The College has grown 68%, from serving 594 students in fall 2012 to 1,000 students in fall 2017. With this growth and a new Pre-Honors program enrollment that increased by 100 students (243.9%) during its first two years of program establishment, the University plans to use a portion of the proceeds for the sale of its 60<sup>th</sup> Street property to remodel a new location for the College. Facilities Management is currently preparing cost estimates for this renovation.
  - ✓ Finalizing agreements with two community colleges in spring 2018 to house Fire Protection Services programs in hybrid formats at their campuses.
  - ✓ Conducting follow up with the eight military installations visited in fall 2017 in spring 2018 to reach agreements on programs and services offered to military and civilians at these locations.
- Removing enrollment barriers is being achieved by eliminating enrollment caps on academic programs, and planning to use tuition waivers to offset the cost between need-based aid and the net price of attendance. Additionally, we are addressing topics related to conditional enrollment for undergraduate students, provision of undergraduate feeder major(s) for Counselor Education, and reviews of teacher education and general education will be completed. Accountability meetings with the President, Provost, Vice President for Quad Cities and Planning, and Deans will be used to ensure progress is being made on eliminating enrollment barriers.
  - Improving retention includes actions described earlier in this *Plan* with regard to institutional participation in the Commission's Persistence and Completion Academy. Additionally, the University plans on:
    - ✓ Conducting a survey to determine why between 30-35% of WIU students transfer to and graduate from another institution of higher education. Presently over 50% of first-time freshmen start and graduate from the University. Survey results will be used to design intervention processes on both campuses and for online students.
    - ✓ Increasing retention strategies for mid-range students on both campuses. Western Illinois University has nationally recognized programs and services for graduating more students than expected based on entering measures of ability, as recognized by Complete College America, the United States Department of Education, US News and World Report, Southern Education Review Board, and the Pell Institute for the Study of Opportunity in Higher Education. Most recently, Western was ranked in the top seven (of 55) Illinois four-year institutions serving underserved students, and appears in the new report, *Cornerstones of Student Success: Institutions Yielding High Return on Investment of Underserved Students* that was published by the Illinois Education Research Council. The University's best practices in retention will be extended to students who may not otherwise seek out services and support.
    - ✓ Developing pathways partnerships and programs with dually enrolled high school and community college students and all other transfer students.

- Increasing revenue will be achieved by expanding efforts of the President's Executive Institute, supporting faculty and staff contract and grant activity, and completing the staffing infrastructure necessary to support the University's next comprehensive fundraising campaign. Replacement hiring for Development Directors and a Director of University Marketing is currently in progress.
- Decreasing expenditures is being achieved by practices used previously by the institution. This includes continuing to monitor expenses, evaluating needs for replacement hiring, and identifying sources other than state appropriations that can be used for expenditures.
- Enhancing operational efficiencies will be achieved by utilizing data from the Illinois Board of Higher Education's Cost Study to determine which programs are 5% above the statewide disciplinary average on the cost of instruction per credit hour, and develop/implement action plans to better align revenue and expenditures. The University will also continue to evaluate opportunities to combine administrative departments and academic units.
- Engaging in all funds fiscal planning will continue to be informed by documenting the actions, personnel reductions (if applicable), cost savings, and sources of funds used in achieving the goals and priorities of this *Plan*. Furthermore, we will develop long-term financial plans across all fund sources, include tuition increases that compensate for increases in planned expenses, and delineate multiyear plans on fiscal reserves and usage.

### **Summary and Conclusion**

This *Plan* was submitted per request of the Higher Learning Commission. It along with Western Illinois University's *February 2016* and *December 2016 Submissions* to the Commission provides a chronology of the University's actions taken in response to the State of Illinois' historic and unprecedented FY16 and 17 budget impasse.

Evidence in this *Plan* demonstrated that Western Illinois University's, and all other Illinois public universities, inclusion in financial panels is the direct result of the budget impasse causing the Illinois public universities to receive partial FY16 funding in the 10<sup>th</sup> month of the fiscal year and partial funding for FY 17. Never in the 160-year history of Illinois public higher education have these circumstances occurred.

Furthermore, the evidence in this *Plan* demonstrated that annual reporting cycles also triggering financial panels do not accurately reflect a one-time, state approved 18-month revenue and expenditure cycle.

Nevertheless, the effects of the statewide budget impasse were pronounced. However, results of this *Plan* demonstrated that through strong strategic planning processes supported by mission-driven conservative fiscal management Western Illinois University emerged an even stronger, more resilient, viable institution for the 21<sup>st</sup> century.

The University is well positioned to continue our mission and tradition of providing a quality, well-rounded education to high-achieving, diverse students. We are also well positioned to continue advancement of the institutional vision of providing national leadership in quality, opportunity, and affordability.

Furthermore, our efforts are recognized nationally. Despite the budget impasse, Western Illinois University maintained its status as a Top 10 Midwestern Regional University by *US News and World Report*, A Best University by the *Princeton Review* for the 14<sup>th</sup> consecutive year, and status a Best University serving the military by *Military Times* for the eighth consecutive year. Additionally, Western Illinois University was



one of 11 colleges and universities from across the United States selected to appear in the U.S. Department of Education's (DOE) College Completion Toolkit, *Promising Practices for Improving Student Degree Attainment*. In 2016, Western received the Minority Access, Inc. *Commitment to Diversity Award* and was also featured in the DOE report, *Fulfilling the Promise, Serving the Need*. We were recognized for outperforming peer institutions in enrolling and graduating Pell Grant recipients. Simply stated, Western Illinois University's traditions of excellence have and will continue.

Attachment D

Higher Learning Commission's Panel Analysis of  
Western Illinois University's Fiscal Year 2018 Financial Recovery Plan



# HIGHER LEARNING COMMISSION

230 South LaSalle Street, Suite 7-500  
Chicago, IL 60604-1411  
312.263.0456 | 800.621.7440  
Fax: 312.263.7462 | [hlcommission.org](http://hlcommission.org)

February 13, 2018

Dr. Jack Thomas  
President  
Western Illinois University  
1 University Circle  
Macomb, IL 61455-1390

Dear President Thomas:

A Financial Panel has reviewed Western Illinois University's recent Interim Report. The Panel's analysis and recommendation are attached; no further monitoring by the Higher Learning Commission (HLC) is required at this time. You are encouraged to review the Panel's comments and to contact your HLC liaison if you have questions.

Sincerely,

Higher Learning Commission

cc: Dr. Joseph Rives, Accreditation Liaison Officer  
Steph Brzuzy, HLC Staff Liaison



# HIGHER LEARNING COMMISSION

230 South LaSalle Street, Suite 7-500  
Chicago, IL 60604-1411  
312.263.0456 | 800.621.7440  
Fax: 312.263.7462 | hlcommission.org

## PANEL ANALYSIS OF FINANCIAL REPORT

DATE: February 5, 2018

PANEL MEMBERS: Michael Gealt (Lead), Jacalyn Askin, Bruce Bollinger

INSTITUTION: Western Illinois University, Macomb, IL

EXECUTIVE OFFICER: Jack Thomas

PREVIOUS HLC ACTION RE: REPORT (If applicable):

ITEMS ADDRESSED IN REPORT: HLC received the institution's report on Composite Financial Index ratios in December 2017.

### PANEL ANALYSIS:

Western Illinois University (WIU) traditionally has been a well managed university. While state appropriations have been generally declining since FY2011, the university has been managing adequately as indicated by the CFI's of 3.60 (FY2011), 2.90 (FY2012), 1.70 (FY2013), 2.75 (FY2014) and 1.47(FY2015). In all those years, except the last, they also had a positive Net Operating Revenue Ratio. While difficult, the university has responded to declining revenue by restricting spending, delaying or cancelling salary increases, and holding back some budgets.

However, in FY2016 state appropriations dropped to 29.0% of the FY2015 value (\$14.9 million vs. \$51.4 million), referred to as Stop Gap I. At the end of June and start of July 2017 the university received an additional appropriation (termed Stop Gap II) of \$31.4 million, plus an additional allocation from the Illinois Board of Higher Education of \$8.4 million. The total appropriation for the FY 16 and 17 was \$54.7 million, or only slightly more than the total appropriation in FY2015. Because of the amount received in FY2016 of 14.9 million, the CFI dropped in a single year from 1.47 to (0.30) and, hence, this current review. Funds included in FY17 calculations will be \$39.8 million appropriation. It will not be until FY18 that the funding cycle and, hopefully, the funds will regain regularity with an anticipated appropriation of 46.3 million. At that time we expect the WIU team will proceed to manage with their traditional level of competence.

### PANEL RECOMMENDATION:

The Panel has reviewed and evaluated the institutional documents provided (report and supplementary documents) in making its recommendation.

X **Accept Report.**

The panel concludes that the institution has substantially met its commitment in its report on financial indicators.

#### **Rationale:**

The budgetary crisis continues in Illinois. While the report indicates that the current year's appropriation is much closer to normal in timing, albeit lower than needed, they repeatedly indicate that the inclusion in the financial panel review "is the direct result [sic] of the historic and unprecedented FY16 and 17 statewide budget impasse" that resulted in payment in FY17 for part of FY16 and part of FY17. While the impasse may be temporarily resolved, there is no guarantee that the resolution will last for many years.

However, after much reflection, the panel thinks that WIU has approached the state-created crisis in a sensible and thoughtful manner. In that sense the institution has met its commitment in its report on the financial indicators. We are convinced that, barring any further disruption in state appropriations, WIU will rapidly regain CFI's that are in or above the zone.

\_\_\_\_\_ **Accept Report with Qualifications.**

Overall, the institution addressed the financial concerns adequately, however, the panel has concerns on the following matters that the institution should consider in future planning.

**Specific concerns:**

\_\_\_\_\_ **Recommend HLC Follow-up.**

The panel reviewed the materials and has concerns that the institution may be at continued financial risk, explained below. The panel is recommending follow-up:

\_\_\_\_\_ **Interim Report** – due three months from the date of action\*.

\_\_\_\_\_ **Focused Visit** – to occur within six months of the date of action\*.

\*HLC staff may adjust this follow-up to be included in future monitoring/visits scheduled with the institution.

**Specific finances at risk with explanation:**

Attachment E  
Western Illinois University Audited Financial Statement  
Fiscal Year 2015

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY**

**FINANCIAL AUDIT  
FOR THE YEAR ENDED JUNE 30, 2015**

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

**State of Illinois  
Western Illinois University  
Financial Audit  
For the Year Ended June 30, 2015**

**Table of Contents**

	<b>Page</b>
University Officials	1
Financial Statement Report	
Summary	2
Independent Auditor's Report	3
Management's Discussion and Analysis (Unaudited)	6
Basic Financial Statements	
Statement of Net Position	13
Statement of Revenues, Expenses and Changes in Net Position	14
Statement of Cash Flows	15
Notes to the Basic Financial Statements	17
Required Supplementary Information - Pension (Unaudited)	49
Notes to the Required Supplementary Information - Pension (Unaudited)	50
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	51
Schedule of Findings	53
Prior Finding Not Repeated	56

**Related Report Issued Under a Separate Cover**

Western Illinois University  
Compliance Examination (In accordance with the Single Audit Act and  
OMB Circular A-133) for the Year Ended June 30, 2015



**State of Illinois  
Western Illinois University  
Financial Audit  
For the Year Ended June 30, 2015**

**University Officials**

President	Dr. Jack Thomas
Provost and Academic Vice President	Dr. Kathleen Neumann, Interim (05/20/15 to Present) Dr. Kenneth Hawkinson (Through 05/19/15)
Vice President for Student Services	Dr. Gary Biller
Vice President for Administrative Services	Ms. Julie DeWees
Vice President for Advancement and Public Services	Mr. Brad Bainter
Vice President for Quad Cities and Planning	Dr. Joseph Rives
Director of Business and Financial Services	Mr. Matthew Bierman, Interim (09/01/14 to Present)
Director of Internal Auditing	Mr. Michael Sartorius (09/08/15 to Present) Vacant (07/01/15 to 09/07/15) Ms. Rita Moore (Through 06/30/15)

**Board of Trustees (as of June 30, 2015)**

Chair	Cathy E. Early, Macomb
Vice Chair	Roger D. Clawson, Moline
Secretary	Phil G. Hare, Rock Island
Member	Lynier R. Cole, Chicago
Member	William L. Epperly, Chicago
Member	Carolyn J. Ehlert Fuller, Milan
Member	Yvonne S. Savala, Moline
Student Member	Michael W. Quigley

University offices are located at:

Macomb Campus  
1 University Circle  
Macomb, Illinois 61455-1390

Quad Cities Campus  
3300 River Drive  
Moline, Illinois 61265-5881

**State of Illinois  
Western Illinois University  
Financial Audit  
For the Year Ended June 30, 2015**

**Financial Statement Report**

**Summary**

The audit of the accompanying financial statements of Western Illinois University (University) was performed by E. C. Ortiz and Co., LLP.

Based on their audit, the auditors expressed an unmodified opinion on the University's basic financial statements.

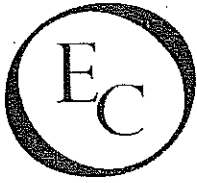
**Summary of Finding**

The auditors identified a matter involving the University's internal control over financial reporting that they considered to be a significant deficiency. The significant deficiency is described in the accompanying Schedule of Finding on pages 53 through 55 of this report as item 2015-001, *Inadequate Controls Over Journal Entries*.

**Exit Conference**

The University waived having an exit conference in a letter dated November 25, 2015 from Dr. Jack Thomas, President.

The response to the recommendation was provided by Dr. Jack Thomas, President, in a letter dated November 25, 2015.



E.C. ORTIZ & CO., LLP  
CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditor's Report

Honorable William G. Holland  
Auditor General  
State of Illinois

and

The Board of Trustees  
Western Illinois University

### Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component unit of Western Illinois University (University), a component unit of the State of Illinois, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component unit, is based solely on the report of the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's

judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the University and its aggregate discretely presented component unit, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 19 to the financial statements, in Fiscal Year 2015, the University adopted new accounting guidance Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. In addition, as discussed in Note 20 to the financial statements, the University's financial statements have been restated as of July 1, 2014 due to adoption of GASB Statement Nos. 68 and 71 and for prior reporting errors pertaining to capitalized interest. Our opinion is not modified with respect to these matters.

### ***Report on Summarized Comparative Information***

We have previously audited the University's 2014 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the business-type activities and aggregate discretely presented component unit of the University in our report dated December 18, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived. Certain 2014 amounts have been reclassified to conform to the 2015 presentation.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 12, Required Supplementary Information - Pension on page 49, and Notes to the Required Supplementary Information - Pension on page 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015 on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

*E. C. Ortiz & Co., LLP*

Chicago Illinois  
December 18, 2015

**State of Illinois  
Western Illinois University  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2015**

This section of the Western Illinois University (University) annual financial report presents management's discussion and analysis (MD&A) of the financial performance of the University during the fiscal year ended June 30, 2015. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The discussion and analysis are designed to focus on current activities, resulting change, current known facts, and future outlook. The financial statements, footnotes and this discussion are the responsibility of University management.

This MD&A focuses on the University. The University's component unit, Western Illinois University Foundation (Foundation), issues separate financial statements that may be obtained at the Foundation's administrative office as summarized in Note 1.

**Using the Financial Report**

The University's annual report includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. The financial statements are prepared in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) which require that financial statements be presented on a consolidated basis to focus on the University as a whole.

The financial statements are prepared under the accrual basis of accounting. Assets and liabilities are categorized as current (due within one year) and noncurrent (due in greater than one year). Current year revenues and expenses are recognized when earned or incurred, regardless of when cash is exchanged. Revenues and expenses are reported as either operating or nonoperating. Significant recurring sources of the University's revenues, including State appropriations, gifts and investment income, are nonoperating as defined by GASB. Scholarship discounts and allowances applied to student accounts are shown as a reduction of tuition and fee revenue and auxiliary enterprise revenue. Stipends and other payments made directly to students are presented as student aid expenses. Depreciation is considered an operating expense and capital assets are reported at cost less accumulated depreciation.

**Financial Highlights**

**Statement of Net Position**

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets, deferred outflows of resources, and liabilities. The difference between total assets and deferred outflows of resources and total liabilities, net position, is one indicator of the financial condition of the University, while the change in net

**State of Illinois  
Western Illinois University  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2015**

position that occurs over time indicates improvement or deterioration in the University's financial condition. Non-financial factors such as enrollment levels and the condition of facilities are relevant when assessing the overall health of the University. Net position is divided into three major categories, as follows: net investment in capital assets reflects the University's equity in capital assets; restricted net position are available for expenditure by the institution, but must be spent for purposes as determined by law, donors and/or external entities that have placed time or purpose restrictions on the use of the assets; and unrestricted net position are available to the University for any lawful purpose of the institution.

A comparative summary of the condensed Statement of Net Position for the years ended June 30, 2015 and 2014 is as follows. The information below includes certain prior-year partial comparative information, which has been derived from the University's 2014 financial statements. This information should be read in conjunction with Notes 19 and 20 in the notes to the basic financial statements which explains certain prior period adjustments.

Condensed Statement of Net Position

	2015	2014
Assets		
Current assets	\$ 86,483,309	\$ 84,485,888
Capital assets, net of accumulated depreciation	261,653,910	270,221,524
Other assets	2,136,771	2,184,072
Total assets	<u>350,273,990</u>	<u>356,891,484</u>
Deferred outflows of resources	<u>821,013</u>	<u>547,510</u>
Liabilities		
Current liabilities	34,784,411	35,697,988
Noncurrent liabilities	99,587,729	105,788,666
Total liabilities	<u>134,372,140</u>	<u>141,486,654</u>
Net position		
Net investment in capital assets	166,916,855	169,896,891
Restricted - Expendable	1,889,880	1,877,287
Unrestricted	47,916,128	44,178,162
Total net position	<u>\$ 216,722,863</u>	<u>\$ 215,952,340</u>

**State of Illinois  
Western Illinois University  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2015**

A review of the University's Statement of Net Position at June 30, 2015 shows that the University continues to build upon its strong financial foundation with assets and deferred outflows of resources of \$351.1 million and liabilities of \$134.4 million. Net position is the difference between total assets and deferred outflows of resources and total liabilities. After the restatement, net position increased by approximately \$771 thousand or 0.4% over the previous year.

Total assets and deferred outflows of resources decreased \$6.3 million or 1.8% during Fiscal Year 2015. Cash and cash equivalents increased \$6.1 million as funds were available due to timing of State payments compared to the Fiscal Year 2014. Capital assets decreased \$8.6 million due mostly to depreciation expense, and a decrease in capital assets construction over the prior fiscal year.

Total liabilities decreased \$7.1 million or 5.0% during Fiscal Year 2015. Total long-term debt decreased due to scheduled debt payments and the refunding of the Series 2005 Revenue Bonds.

**Statement of Revenues, Expenses and Changes in Net Position**

The Statement of Revenues, Expenses and Changes in Net Position presents the University's changes in financial position. Revenues and expenses are classified as operating or nonoperating. A public University's dependency on State appropriations and gifts usually results in operating deficits because the GASB reporting standards classify these revenue sources as nonoperating.

A comparative summary of the condensed Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2015 and 2014 is as follows:

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2015	2014
Total operating revenues	\$ 142,149,667	\$ 139,300,249
Total operating expenses	(309,223,143)	(300,255,906)
Operating loss	(167,073,476)	(160,955,657)
Nonoperating revenues	167,063,219	162,494,351
Nonoperating expenses	(4,522,528)	(4,915,927)
Loss before capital items	(4,532,785)	(3,377,233)
Capital State appropriations	7,799,444	26,367,549
Increase in net position	3,266,659	22,990,316
Net position, beginning of year, as previously reported	215,952,340	192,962,024
Prior period adjustments	(2,496,136)	-
Net position, beginning of year, as restated	213,456,204	192,962,024
Net position, end of year	<u>\$ 216,722,863</u>	<u>\$ 215,952,340</u>

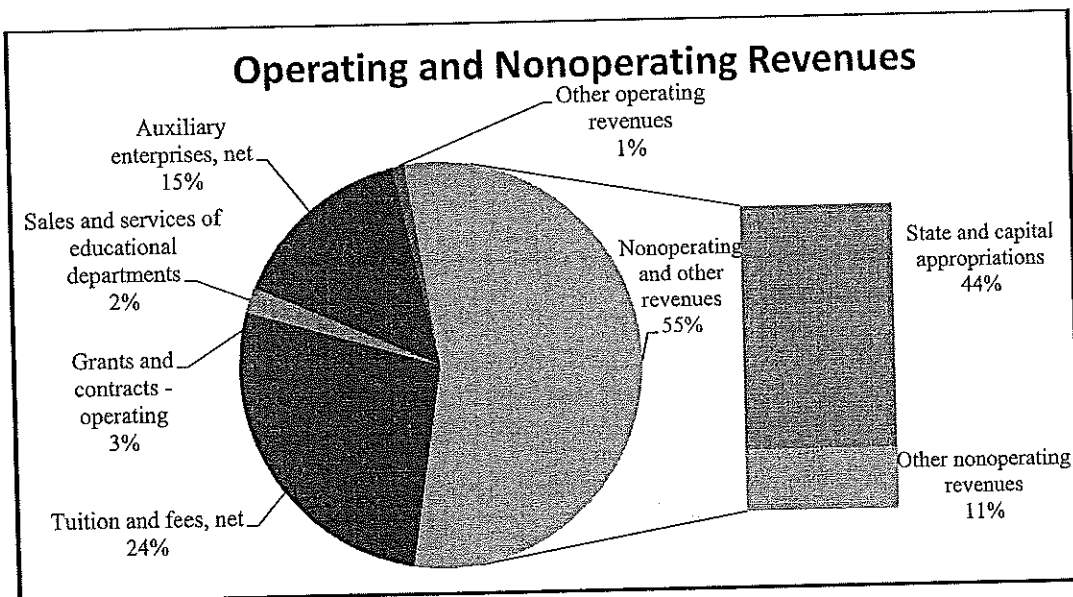


**State of Illinois  
 Western Illinois University  
 Management's Discussion and Analysis (Unaudited)  
 For the Year Ended June 30, 2015**

Total revenues decreased \$11.1 million or 3.4% to \$317.0 million in 2015. Capital State appropriations decreased \$18.6 million in funds from the Capital Development Board, as the University completed Phase II of construction on the University's Quad Cities campus.

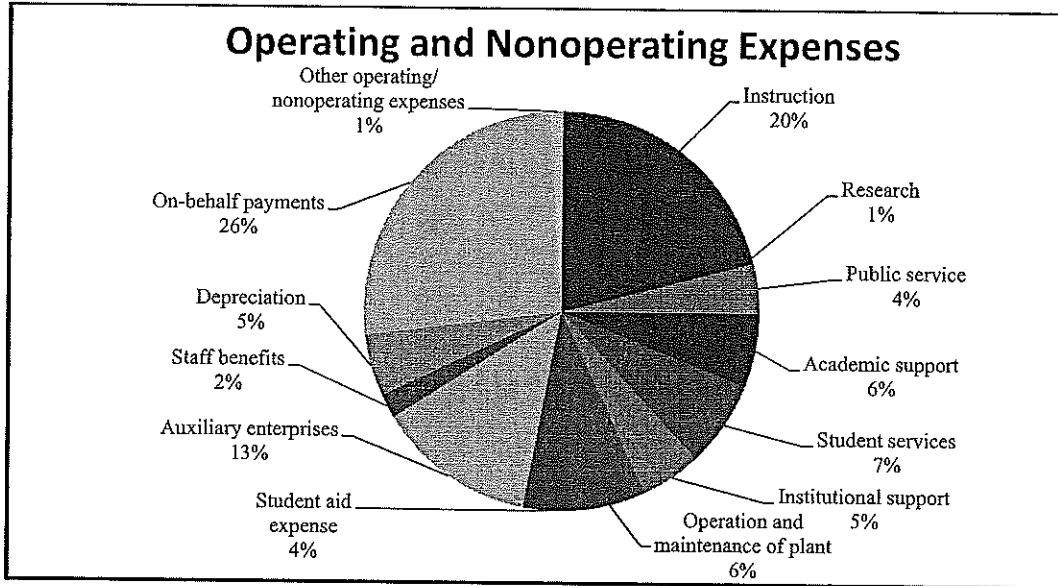
Total expenses increased \$8.6 million or 2.8% to \$313.7 million in 2015. Total operating expenses increased by \$9.0 million in 2015 due to increase in on-behalf payments of approximately \$4.2 million and increase in student aid expense of \$3.2 million. Depreciation expense also increased by \$1.9 million due to the completion of large construction projects in 2014.

For the fiscal year ended June 30, 2015, all sources of revenues totaled \$317.0 million. The following is a graphical illustration of the University's revenues by source:



**State of Illinois  
Western Illinois University  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2015**

For the fiscal year ended June 30, 2015, expenses totaled \$313.7 million. The following is a graphical illustration of the University's expenses:



**Statement of Cash Flows**

The Statement of Cash Flows presents information related to the University's cash receipts and disbursements during the fiscal year. This provides an assessment of the University's ability to generate future cash flows and meet obligations as they come due.

A comparative summary of the condensed Statement of Cash Flows for the years ended June 30, 2015 and 2014 is as follows:

Condensed Statement of Cash Flows

	2015	2014
Cash provided by (used in):		
Operating activities	\$ (70,183,985)	\$ (73,390,264)
Noncapital financing activities	92,968,557	85,908,047
Capital and related financing activities	(16,780,612)	(25,821,226)
Investing activities	144,469	136,223
Net increase (decrease) in cash and cash equivalents	6,148,429	(13,167,220)
Cash and cash equivalents, beginning of year	57,185,585	70,352,805
Cash and cash equivalents, end of year	<u>\$ 63,334,014</u>	<u>\$ 57,185,585</u>

**State of Illinois  
Western Illinois University  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2015**

Major sources of funds included in operating activities are student tuition and fees, grants and contracts and auxiliary enterprises. Payment for employee salaries and benefits, goods and services and scholarships and fellowships continue to comprise the major use of operating funds. Cash used in operating activities decreased \$3.2 million.

Cash inflows from noncapital financing activities consist primarily of State appropriations, Monetary Award Program awards and Pell grant revenues. Cash provided by noncapital financing activities increased \$7.1 million.

Several capital projects were completed in Fiscal Year 2014 contributing to an overall decrease of \$9.0 million in cash used in capital and related financing activities.

Cash provided by investing activity remained consistent with the prior year.

**Capital Assets and Debt Administration**

The University had \$516.1 million invested in capital assets at the end of Fiscal Year 2015. Capital assets net of accumulated depreciation totaled \$261.7 million. Depreciation expense for the current year was \$16.6 million.

Construction of three new buildings on the Quad Cities Riverfront campus and renovations to the University Union were completed during Fiscal Year 2015 totaling \$29.6 million and \$8.2 million, respectively. For the year ended June 30, 2015, construction in progress consisted of engineering and planning costs associated with a new performing arts center on the Macomb campus, with a balance of \$4.6 million.

**University's Economic Outlook**

The ability of the University to fulfill its mission and execute its strategic plan is directly influenced by enrollment, State support and the cost of health care, utilities, employee compensation and benefits and State and federal mandates.

A crucial element to the University's future will continue to be our relationship with the State of Illinois, as we work to manage tuition to make it competitive while providing an outstanding college education for our students. There is a direct relationship between the growth or decline of State support, the impact of State regulations and the University's ability to control tuition growth. The trend of declining State support, the lack of capital investment, declining student assistance and the increase in regulations have and will continue to create more financial burden for our students through increased tuition and fees.

**State of Illinois  
Western Illinois University  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2015**

The State of Illinois has not adopted a complete Fiscal Year 2016 operating budget as of the date of this report, December 18, 2015. The University is part of the executive branch of government and operates under a budget approved by the State of Illinois, in which resources are appropriated for the use of the University. On-behalf payments and operating budget are the annual State appropriations provided by the State of Illinois to the University. Fiscal Year 2015 State appropriations' operating budget was \$51.5 million. This is a decrease in appropriations of \$1.3 million, or 2.5% from Fiscal Year 2014. Additionally, the appropriation for the Fiscal Year 2016 Monetary Assistance Program (MAP) has not yet been approved. The University has applied MAP funding to students accounts in anticipation of this appropriation. The expected MAP funds for Fiscal Year 2016 total \$13.2 million.

The University projects tuition and miscellaneous revenues to remain level with Fiscal Year 2015. In March of 2015, the Board of Trustees passed a 2.0% increase in the tuition rate for new students, those enrolling for the first time in fall 2015. The University offers guaranteed tuition and fees, as well as guaranteed room and board rates for each new class of entering students. Because of an expected decline in enrollment, the tuition increase will not result in increase in overall tuition and miscellaneous revenues. The University's recommended income fund expenditure budget for Fiscal Year 2016 is \$84.4 million.

The University's Auxiliary Enterprises funds budget for Fiscal Year 2016 as approved by the Board of Trustees reflects a level less than Fiscal Year 2015 of approximately \$900 thousand. Other institutional funds include revenues from sponsored projects and departmental activity revenues. The 2016 budget for these funds as approved by the Board of Trustees reflects a \$1.1 million decrease in spending over Fiscal Year 2015.

Private gifts are an important supplement to the University's sources of funding for operating costs. In Fiscal Year 2015, alumni, friends, staff, corporations, and other organizations contributed nearly \$7.9 million to the Foundation in support of the University. These contributions include gifts and additions to permanent endowments. The Foundation distributed nearly \$7.6 million in Fiscal Year 2015 to support academic enhancement and instructional initiatives, student scholarships, capital improvements, cultural activities, athletics, regional outreach efforts, and alumni and Foundation-sponsored programs at Western Illinois University.

The University is committed to pursuing its goal in developing the Quad Cities campus while strategically adding, and when appropriate, eliminating programs. Cost containment and revenue initiatives are challenges the University continues to encounter. Management has historically made the necessary decisions to ensure the strength of the University.

STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
STATEMENT OF NET POSITION  
JUNE 30, 2015  
(With Partial Financial Information as of June 30, 2014)

	University		Component Unit	
	2015	2014	2015	2014
<b>ASSETS</b>				
<i>Current assets:</i>				
Cash and cash equivalents	\$ 63,207,905	57,010,613	\$ 3,331,851	\$ 3,541,526
Cash and cash equivalents, restricted	126,109	174,972	-	-
Investments	-	-	5,191,351	4,708,053
Accounts receivable, net	10,574,095	9,728,314	966,537	1,163,602
Student loans receivable, net	390,748	430,373	-	-
Due from component unit	174,954	128,403	-	-
Due from primary government	9,044,265	13,914,961	-	-
Inventories	2,899,045	2,978,433	6,162	2,839
Prepaid expenses	50,904	98,838	70,269	90,037
Other assets	15,284	20,981	-	-
<i>Total current assets</i>	<u>86,483,309</u>	<u>84,485,888</u>	<u>9,566,170</u>	<u>9,506,057</u>
<i>Noncurrent assets:</i>				
Investments	-	-	1,893,894	733,425
Endowment investments	-	-	6,095,173	5,983,850
Endowment investments, restricted	-	-	36,953,431	37,236,371
Charitable remainder trusts, restricted	-	-	4,895,478	4,060,421
Accounts receivable, net	-	-	538,942	564,405
Student loans receivable, net	1,335,080	1,344,740	82,309	79,912
Capital assets, net of accumulated depreciation	261,653,910	270,221,524	1,105,104	1,105,104
Other assets	801,691	839,332	515,445	703,531
<i>Total noncurrent assets</i>	<u>263,790,681</u>	<u>272,405,596</u>	<u>52,079,776</u>	<u>50,467,019</u>
<b>TOTAL ASSETS</b>	<u>350,273,990</u>	<u>356,891,484</u>	<u>61,645,946</u>	<u>59,973,076</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Unamortized losses on bond refundings	491,758	547,510	-	-
Pension	329,255	-	-	-
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<u>821,013</u>	<u>547,510</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>				
<i>Current liabilities:</i>				
Accounts payable and accrued liabilities	3,672,512	4,780,226	167,268	107,457
Accrued payroll	16,636,706	16,593,016	-	-
Due to primary government	110,034	126,933	174,954	128,403
Unearned revenue	5,183,253	4,847,622	324,767	399,102
Charitable remainder trust distributions payable	-	-	189,935	114,409
Other liabilities	1,165,283	1,534,187	45,896	44,940
Notes payable	145,175	128,835	-	-
Capital leases payable	9,275	-	-	-
Revenue bonds payable	4,377,649	4,200,133	-	-
Certificates of participation	1,666,177	1,615,562	-	-
Compensated absences	1,818,347	1,871,474	-	-
<i>Total current liabilities</i>	<u>34,784,411</u>	<u>35,697,988</u>	<u>902,820</u>	<u>794,311</u>
<i>Noncurrent liabilities:</i>				
Notes payable	147,521	263,951	-	-
Capital leases payable	11,982	-	-	-
Revenue bonds payable	64,776,575	69,080,317	-	-
Certificates of participation	24,103,013	25,769,190	-	-
Other liabilities	150,000	-	269,268	267,174
Compensated absences	10,398,638	10,675,208	-	-
<i>Total noncurrent liabilities</i>	<u>99,587,729</u>	<u>105,788,666</u>	<u>269,268</u>	<u>267,174</u>
<b>TOTAL LIABILITIES</b>	<u>134,372,140</u>	<u>141,486,654</u>	<u>1,172,088</u>	<u>1,061,485</u>
<b>NET POSITION</b>				
Net investment in capital assets	166,916,855	169,896,891	1,105,104	1,105,104
Restricted - nonexpendable	-	-	27,260,609	25,737,410
Restricted - expendable	-	-	-	-
Loans	1,834,116	1,877,287	-	-
Other	55,764	-	12,218,862	11,281,971
Unrestricted	47,916,128	44,178,162	19,889,283	20,787,106
<b>TOTAL NET POSITION</b>	<u>\$ 216,722,863</u>	<u>\$ 215,952,340</u>	<u>\$ 60,473,858</u>	<u>\$ 58,911,591</u>

See accompanying notes to the basic financial statements.

STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2015  
(With Partial Financial Information for the Year Ended June 30, 2014)

	University		Component Unit	
	2015	2014	2015	2014
<b>OPERATING REVENUES</b>				
Tuition and fees, net	\$ 75,644,261	70,658,513	\$ -	\$ -
Grants and contracts	10,684,439	10,649,936	-	-
Sales and services of educational departments	5,009,786	5,156,684	-	-
Auxiliary enterprises, net	46,132,136	48,008,630	-	-
Student loan activities	72,523	51,256	-	-
Other operating revenues	4,606,522	4,775,230	7,436,335	6,661,486
<i>Total operating revenues</i>	<u>142,149,667</u>	<u>139,300,249</u>	<u>7,436,335</u>	<u>6,661,486</u>
<b>OPERATING EXPENSES</b>				
Instruction	63,986,896	63,851,972	1,167,010	1,224,730
Research	3,496,122	3,575,944	158,235	106,933
Public service	10,990,006	10,478,375	1,129,495	1,157,037
Academic support	17,302,049	17,401,648	198,373	122,927
Student services	22,345,473	23,698,404	845,852	577,248
Institutional support	14,403,915	13,810,986	1,273,681	952,988
Operation and maintenance of plant	17,855,888	17,459,050	162,886	369,318
Student aid expense	12,255,127	9,007,606	2,677,398	2,601,568
Auxiliary enterprises	40,502,628	40,559,720	-	-
Staff benefits	7,661,259	8,281,208	-	-
Depreciation	16,573,123	14,700,384	-	-
On-behalf payments	81,503,276	77,330,961	-	-
Other operating expenses	347,381	99,648	-	-
<i>Total operating expenses</i>	<u>309,223,143</u>	<u>300,255,906</u>	<u>7,612,930</u>	<u>7,112,749</u>
<b>OPERATING LOSS</b>	<u>(167,073,476)</u>	<u>(160,955,657)</u>	<u>(176,595)</u>	<u>(451,263)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State appropriations	132,968,476	130,106,057	-	-
Gifts	923,695	642,295	-	-
Nonoperating grants	32,859,506	31,443,005	-	-
Gain/(loss) on disposal of capital assets	(8,638)	(8,076)	-	2,637,264
Investment income	144,469	136,223	94,411	4,855,408
Interest on capital asset - related debt	(4,513,890)	(4,907,851)	-	-
Change in value of charitable remainder trusts	-	-	(91,640)	212,213
Other nonoperating revenues	167,073	166,771	284,823	582,836
<i>Net nonoperating revenues</i>	<u>162,540,691</u>	<u>157,578,424</u>	<u>287,594</u>	<u>8,287,721</u>
<b>INCOME (LOSS) BEFORE CAPITAL ITEMS</b>	<u>(4,532,785)</u>	<u>(3,377,233)</u>	<u>110,999</u>	<u>7,836,458</u>
Capital State appropriations	7,799,444	26,367,549	-	-
Additions to permanent endowments	-	-	1,451,268	1,490,601
<i>Total capital items</i>	<u>7,799,444</u>	<u>26,367,549</u>	<u>1,451,268</u>	<u>1,490,601</u>
<b>INCREASE IN NET POSITION</b>	<u>3,266,659</u>	<u>22,990,316</u>	<u>1,562,267</u>	<u>9,327,059</u>
<b>NET POSITION, BEGINNING OF YEAR AS PREVIOUSLY REPORTED</b>	215,952,340	192,962,024	58,911,591	49,584,532
<b>PRIOR PERIOD ADJUSTMENTS</b>	<u>(2,496,136)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION, BEGINNING OF YEAR AS RESTATED</b>	<u>213,456,204</u>	<u>192,962,024</u>	<u>58,911,591</u>	<u>49,584,532</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 216,722,863</u>	<u>\$ 215,952,340</u>	<u>\$ 60,473,858</u>	<u>\$ 58,911,591</u>

See accompanying notes to the basic financial statements.

STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2015  
(With Partial Financial Information for the Year Ended June 30, 2014)

	University		Component Unit	
	2015	2014	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Tuition and fees, net	\$ 75,347,115	\$ 70,744,748	\$ -	\$ -
Grants and contracts	10,605,750	10,970,451	-	-
Gifts for other than capital and endowment purposes	-	-	6,278,246	4,462,499
Payments for employee salaries and benefits	(138,996,657)	(140,695,545)	-	-
Payments for goods and services	(60,162,058)	(63,570,580)	(5,248,345)	(3,831,370)
Payments to annuitants	-	-	(42,121)	(32,363)
Payments for scholarships and fellowships	(12,064,827)	(8,964,951)	(2,677,398)	(2,601,568)
Student loans issued	(614,252)	(403,845)	-	-
Student loans collected	567,231	455,307	-	-
Student loans interest and fees collected	72,523	72,992	-	-
Auxiliary enterprises charges	45,883,640	48,015,630	-	-
Sales and services of educational departments	4,421,028	5,210,299	-	-
Other receipts	4,756,522	4,775,230	949,750	1,007,959
Net cash used in operating activities	(70,183,985)	(73,390,264)	(739,868)	(994,843)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
State appropriations	56,789,201	53,334,121	-	-
Capital appropriations for operating expenses	2,641,532	648,860	-	-
Gifts	466,952	298,712	1,451,268	1,490,601
Nonoperating grants	32,859,506	31,443,005	-	-
Nonoperating revenues, net	211,366	183,349	268,371	309,400
Cash provided by noncapital financing activities	92,968,557	85,908,047	1,719,639	1,800,001
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(6,412,586)	(15,476,943)	-	-
Proceeds from sale of land	-	-	-	5,637,264
Principal paid on capital debt	(5,762,890)	(5,504,649)	-	-
Interest paid on capital debt	(4,680,136)	(4,839,634)	-	-
Bond refunded	(4,088,410)	-	-	-
Proceeds from issuances of revenue bonds	4,190,000	-	-	-
Deferred loss from bond refunding	(26,590)	-	-	-
Net cash provided by (used in) capital and related financing activities	(16,780,612)	(25,821,226)	-	5,637,264
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sales and maturities of investments	-	-	5,958,368	3,201,292
Earnings on investments	144,469	136,223	(1,273,840)	2,299,733
Purchase of investments	-	-	(5,873,974)	(11,964,390)
Net cash provided by (used in) investing activities	144,469	136,223	(1,189,446)	(6,463,365)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	6,148,429	(13,167,220)	(209,675)	(20,943)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	57,185,585	70,352,805	3,541,526	3,562,469
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 63,334,014	\$ 57,185,585	\$ 3,331,851	\$ 3,541,526

See accompanying notes to the basic financial statements.

STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2015  
(With Partial Financial Information for the Year Ended June 30, 2014)

	University		Component Unit	
	2015	2014	2015	2014
<b>Reconciliation of operating loss to net cash used in operating activities:</b>				
Operating loss	\$ (167,073,476)	\$ (160,955,657)	\$ (176,595)	\$ (451,263)
Adjustments to reconcile operating loss to net cash used in operating activities:				
On-behalf payments	81,503,276	77,330,961	-	-
Stock gifts in process	-	-	(207)	(46,670)
Charitable remainder trust assets donated	-	-	(926,697)	(1,110,712)
Depreciation	16,573,123	14,700,384	-	-
Amortization	20,142	20,981	-	-
Actuarial adjustment to annuities payable	-	-	3,050	11,782
Changes in assets and liabilities:				
Receivables, net	(1,338,237)	601,700	236,583	148,981
Student loans receivables, net	49,285	94,117	-	-
Inventories	79,388	(310,153)	(3,323)	58,246
Prepaid expenses and other assets	43,232	30,916	19,768	11,931
Pension	(23,296)	-	-	-
Accounts payable and accrued liabilities	109,231	(4,513,303)	59,811	26,632
Accrued payroll	43,690	279,151	-	-
Due to primary government, net	-	-	46,551	7,406
Charitable remainder trust distributions payable	-	-	75,526	70,074
Unearned revenue	335,631	-	-	-
Other liabilities	(176,277)	(113,257)	(74,335)	278,750
Compensated absences	(329,697)	(556,104)	-	-
Net cash used in operating activities	\$ (70,183,985)	\$ (73,390,264)	\$ (739,868)	\$ (994,843)

**NONCASH OPERATING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING ACTIVITIES**

On-behalf payments	\$ 81,503,276	\$ 77,330,961	\$ -	\$ -
Capital asset acquisition via capital appropriations	5,157,912	25,718,689	-	-
Capital asset acquisition via support from Foundation	456,743	343,583	-	-
Capitalized interest	-	223,654	-	-
Capital asset changes in accounts payable	1,242,926	801,327	-	-
Gifts in kind	-	-	559,640	519,623
Loss on disposal of capital assets	(8,638)	(8,076)	-	-

See accompanying notes to the basic financial statements.



**State of Illinois  
Western Illinois University  
Notes to the Basic Financial Statements  
June 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

Western Illinois University (University), a component unit of the State of Illinois (State), with a primary focus on instruction and an additional commitment to research and public service, has campuses located in Macomb and Moline, Illinois. The governing body of the University is the Board of Trustees of Western Illinois University (Board). As required by accounting principles generally accepted in the United States of America, these financial statements present the financial position and financial activities of the University and its component unit, the Western Illinois University Foundation (Foundation). The Foundation is included in the University's reporting entity because of the significance of its financial relationship with the University. Complete financial statements for the Foundation may be obtained by contacting the WIU Foundation, 1 University Circle, Macomb, IL 61455-1390.

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 in 1997. The Foundation was formed for the purpose of providing fundraising and other assistance to the University in order to attract private gifts to support the University's instructional, research and public service activities. In this capacity, the Foundation solicits, receives, holds and administers gifts for the benefit of the University.

The 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, therefore, also included in the State's comprehensive annual financial report.

**B. Basis of Accounting and Presentation**

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. The University reports as a Business Type Activity. Business Type Activities are those financed in whole or in part by fees charged to external parties for goods and services.

The University first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net positions are available.

**State of Illinois  
Western Illinois University  
Notes to the Basic Financial Statements  
June 30, 2015**

**C. Prior-Year Information**

The basic financial statements include certain prior-year partial comparative information. Such information does not include full comparative footnote disclosures required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2014, from which the partial information was derived. Certain 2014 amounts have been reclassified to conform to the 2015 presentation.

**D. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and net position, and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

**E. Cash Equivalents**

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2015, cash equivalents consisted primarily of money market and similar funds.

**F. 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 Statement of Revenues, Expenses and Changes in Net Position.

Illinois statutes and Board policy authorize the University to invest in certificates of deposit, The Illinois Funds, United States Government Securities, securities guaranteed by the full faith and credit of the United States government, and any other security permitted by law and approved by the Board.

**G. Accounts Receivable**

Accounts receivable consists of tuition and fee charges to students, amounts receivable from funding agencies for grants, amounts receivable from third parties and charges for

**State of Illinois  
Western Illinois University  
Notes to the Basic Financial Statements  
June 30, 2015**

auxiliary enterprise services provided to students, faculty and staff. Accounts receivable is presented net of estimated uncollectible amounts.

**H. Bonds and Certificates of Participation Issue Costs**

The insurance premium on the bonds and certificates of participation issue costs incurred on the revenue bonds and certificates of participation are being amortized over the life of the bonds/certificates of participation using the straight-line method. Total amortization for the year ended June 30, 2015 was \$20,142.

**I. Student Loans Receivable**

The University makes loans to students under various federal and other loan programs. Such loans receivable is presented net of estimated uncollectible amounts.

**J. Inventories**

Inventories are carried at the lower of cost (determined by first-in, first-out or average cost method, depending on the nature of the inventory item) or market.

**K. Capital Assets**

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. The University's capitalization policy for capital assets is as follows: equipment - \$5,000 or greater; land or buildings - \$100,000 or greater; and site or building improvements - \$25,000 or greater. Intangible assets which are purchased are capitalized at \$100,000 or greater. Internally-generated intangible assets which are primarily software are capitalized at \$1,000,000 or greater. Renovations to buildings and land improvements that increase the value or extend the useful life are capitalized. Routine repairs and maintenance are charged to operating expenses in the year in which the expense is incurred. Depreciation is calculated on a straight-line basis over the estimated useful lives of the class of assets. The following estimated useful lives are being used by the University:

Site improvements	25 years
Buildings	60 years
Building improvements	20 years
Computer equipment	3 years
Trucks greater than 1 ton	12 years
Capital lease equipment	Life of lease
All other equipment	7 years

**State of Illinois  
Western Illinois University  
Notes to the Basic Financial Statements  
June 30, 2015**

University capital assets financed by the State of Illinois Capital Development Board (CDB) are recorded by the University as the funds are expended by the CDB.

**L. Unearned Revenue**

Unearned revenue represents unearned student tuition and fees and advances on grants and contract awards for which the University has not met all of the applicable eligibility requirements.

**M. Compensated Absences**

University policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absences liabilities are computed using the regular pay and termination pay rates in effect at the Statement of Net Position date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

**N. Net Position**

The University's net position is classified as follows:

*Net investment in capital assets* - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets and deferred outflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt.

*Restricted net position - nonexpendable* - are required to be retained and invested in perpetuity.

*Restricted net position - expendable* - are noncapital assets that must be used for a particular purpose as specified by laws, creditors, grantors or donors external to the University, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.

**State of Illinois  
Western Illinois University  
Notes to the Basic Financial Statements  
June 30, 2015**

*Unrestricted* - is the net amount of the assets, deferred outflows of resources, and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position.

**O. Classification of Revenues**

The University has classified its revenues as either operating or nonoperating according to the following criteria:

*Operating revenues* include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises, and (3) interest on student loans.

*Nonoperating revenues* include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources, such as State appropriations and investment income, that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The State of Illinois General Revenue Fund appropriations are reported as nonoperating revenues to the extent that they are expended during the current fiscal year. The University relies on these appropriations to provide funding for operations.

**P. Scholarship Discounts and Allowances**

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship 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 nonoperating revenues 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 allowance. The scholarship allowances on tuition and fees and housing for the year ended June 30, 2015 were \$21,514,390 and \$7,450,259, respectively.

**Q. Collections**

The University has collections of rare manuscripts and art that it does not depreciate. These collections adhere to the University's policy to (a) maintain them for public

**State of Illinois  
Western Illinois University  
Notes to the Basic Financial Statements  
June 30, 2015**

exhibition, education or research, (b) protect, keep unencumbered, care for and preserve them, and (c) require proceeds from their sale to be used to acquire other collection items.

**R. Endowments**

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

For donor restricted endowments, the UPMIFA permits the Board of Directors of the Foundation to appropriate an amount of donor restricted endowments. The Board of Directors has established an investment policy with the objectives of protecting the principal of these funds and maximizing total investment return without assuming extraordinary risks. A similar strategy has been implemented for Foundation designated endowments.

For both donor restricted endowments and Foundation designated endowments, it is the goal of the Foundation to provide spendable income levels that are reasonably stable and sufficient to meet budgetary requirements and to maintain a spending rate, currently established at 4.25% for endowment purposes and 1.25% for operational purposes, of a 36-month moving average of endowment market value, which ensures a proper balance between the preservation of corpus and enhancement of the purchasing power of investment earnings. The Foundation's policy is to retain the endowments' unrealized appreciation with the endowment (either donor restricted or Foundation designated) after spending rule distributions. As of June 30, 2015, the Foundation had a total of \$7,315,547 of net cumulative appreciation from investment of donor-restricted endowments and Foundation designated endowments available for expenditure. This amount is allocated between expendable restricted net position and unrestricted net position in the Statement of Net Position based on the classification of the underlying asset upon which the income was earned.

**S. Split-Interest Agreements**

The Foundation's split-interest agreements with donors consist of irrevocable charitable remainder trusts and irrevocable charitable trusts for which the Foundation is a beneficiary. The fair value of the trust assets are reported in the Statement of Net Position and changes in the fair value of the assets are recognized in the Statement of Revenues, Expenses and Changes in Net Position. It is management's intent to record the

**State of Illinois  
Western Illinois University  
Notes to the Basic Financial Statements  
June 30, 2015**

contribution income from these agreements in the fiscal year the Foundation becomes the irrevocable beneficiary. The Foundation received \$926,697 of new contribution income during Fiscal Year 2015. Any outstanding liabilities relating to the annual distributions required by the trust agreements are recorded in the Statement of Net Position.

**T. Income Taxes**

As a State institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(1) of the Internal Revenue Code and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income.

**U. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the plan net position of the State Universities Retirement System (SURS or the System) and additions to/deduction from SURS' plan net position has been determined on the same basis as they are reported by SURS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For the purpose of financial reporting, the State of Illinois and participating employers are considered to be under a special funding situation. A special funding situation is defined as a circumstance in which a non-employer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either (1) the amount of contributions for which the non-employer entity is legally responsible is not dependent upon one or more events unrelated to pensions or (2) the non-employer is the only entity with a legal obligation to make contributions directly to a pension plan. The State of Illinois is considered a non-employer contributing entity. Participating employers are considered employer contributing entities.

**V. New Accounting Pronouncements**

Effective July 1, 2014, the University adopted the following accounting pronouncements:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which revised existing guidance for financial reporting of pension plans of state and local governments.
- GASB Statement No. 69, *Government Combinations and Disposals of Government*

**State of Illinois  
Western Illinois University  
Notes to the Basic Financial Statements  
June 30, 2015**

*Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations.

- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement effects accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. This Statement amends Statement No. 68, which revised existing guidance for financial reporting of pension plans of state and local governments in regards to contributions to defined benefit plans.

The implementation of GASB Statement Nos. 68 and 71 resulted in a prior period adjustment to net position in order to record the deferred outflows of resources related to pension payments not yet realized. The implementation of GASB Statement Nos. 69 and 70 had no significant impact on the University's financial statements.

**NOTE 2 - DEPOSITS**

**University**

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Illinois; bonds of any city, county, school district or special road district of the State of Illinois; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At June 30, 2015, the book balance of various University bank accounts and certificates of deposit was \$133,143, while the bank balance was \$269,012. The difference between these amounts primarily represents checks that have been issued but have not yet cleared the bank as of June 30, 2015.

**Foundation**

At June 30, 2015, the book balance of the Foundation's various bank accounts was \$3,236,658, while the bank balance was \$3,190,590. The difference between these amounts primarily represents checks that have been issued, but have not yet cleared the bank, and deposits in transit as of June 30, 2015.



**State of Illinois  
Western Illinois University  
Notes to the Basic Financial Statements  
June 30, 2015**

Reconciliation of cash and cash equivalents to deposits:

	<u>University</u>	<u>Foundation</u>
Cash and cash equivalents	\$ 63,207,905	\$ 3,331,851
Cash and cash equivalents, restricted	126,109	-
Less: Money market funds classified as cash and cash equivalents	(63,138,369)	(95,193)
Cash on hand	<u>(62,502)</u>	<u>-</u>
Carrying amount of deposits	<u>\$ 133,143</u>	<u>\$ 3,236,658</u>

**NOTE 3 - INVESTMENTS**

**University**

The University held no investments as of June 30, 2015.

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a financial institution's failure, a government's deposits, investments or collateral securities that are in the possession of an outside party may not be returned to it. The University's policy for custodial credit risk requires compliance with the provisions of State law.

*Interest Rate Risk*

As a means of limiting its exposure to fair value losses arising from rising interest rates, the University's investment policy limits maturity of its investments to five years or less from the date of purchase.

*Credit Risk*

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The University's policy limits its investments to the Illinois Funds investment pool, United States Treasury bills, United States Treasury notes, United States Treasury bonds, Federal Farm Credit Banks bonds, Federal Home Loan Banks notes, Federal National Mortgage Association, Federal Land Bank bonds, Government National Mortgage Association, and Federal Home Loan Mortgage Corporation.

**State of Illinois  
Western Illinois University  
Notes to the Basic Financial Statements  
June 30, 2015**

**Foundation**

At June 30, 2015, the Foundation held investments with the following maturities:

Type	Total Fair Value	Maturities in Years			
		Less Than One Year or No Maturity	1-5 Years	6-10 Years	Over 10 Years
U.S. Treasury notes	\$ 116,040	\$ —	\$ —	\$ 116,040	\$ —
U.S. Treasury bonds	78,652	—	—	—	78,652
U.S. agency obligations (FHLM, FNMA)	86,507	—	56,017	30,490	—
Municipal bonds	564,582	—	275,528	220,177	68,877
Corporate debt securities	3,214,734	249,029	2,005,551	960,154	—
Corporate equity securities	59,139	58,324	815	—	—
International equity securities	1,432,946	1,432,946	—	—	—
Cash equivalents held in investment pools	1,692,662	1,692,662	—	—	—
Real asset tax-exempt	2,301,139	—	697,891	868,320	734,928
Real assets exchange traded funds	2,308,313	2,308,313	—	—	—
Absolute return	8,416,071	8,416,071	—	—	—
Mutual funds, international equity	8,340,933	8,340,933	—	—	—
Mutual funds, domestic equity	8,232,352	8,232,352	—	—	—
Mutual funds, international debt	1,916,752	1,916,752	—	—	—
Open ended mutual funds, U.S. debt	6,770,065	6,770,065	—	—	—
Private equity	3,100,310	—	160,844	1,412,950	1,526,516
Certificates of deposit	1,502,652	1,001,160	501,492	—	—
<b>Total investments</b>	<b>\$ 50,133,849</b>	<b>\$ 40,418,607</b>	<b>\$ 3,698,138</b>	<b>\$ 3,608,131</b>	<b>\$ 2,408,973</b>

The Foundation adheres to the total return concepts of investment management. Total return is defined as the aggregate sum of current income and changes in the market value of the assets under management.

*Custodial Credit Risk*

Custodial credit risk is the risk that when, in the event a financial institution or counterparty fails, the Foundation would not be able to recover the value of deposits, investments, or collateral securities that are in the possession of an outside party. The Federal Deposit Insurance Corporation and Security Investor Protection Corporation insured the account balance of \$3,198,491 as of June 30, 2015. Illinois Funds are in the custody of the State Treasurer and are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act (15 ILCS 520/11). See <http://www.treasurer.il.gov/programs/illinois-funds/about-illinois-funds.aspx> for information on the Illinois Funds. The Foundation's deposits in other institutions' money market funds are subject to the Funds' collateralization and investment policies.

**State of Illinois  
Western Illinois University  
Notes to the Basic Financial Statements  
June 30, 2015**

*Concentration Risk*

Concentration risk exists when a significant portion of the portfolio is invested in items with similar characteristics or subject to similar economic, political or other conditions. As of June 30, 2015, the Foundation has two single user investments that each represent over 5% of the total assets of the Foundation. Foundation management believes these concentration risks represented below are not excessive when considering the overall diversification of the entire investment portfolio. The following issuers hold more than 5% of total Foundation assets as of June 30, 2015:

Vanguard Total Stock Market Index	\$	4,268,754	6.9%
Mercer Hedge Fund Investors SPC		8,416,071	13.7%

*Interest Rate Risk*

Interest rate risk is the risk when there is a possibility that changes in interest rates could adversely affect an investment's value. The Foundation does not have a policy that specifically addresses interest rate risk. The Foundation had the following assets, at fair values, exposed to interest rate risk at June 30, 2015:

U.S. Treasury notes	\$	116,040
U.S. Treasury bonds		78,652
U.S. agency obligations (FHLM, FNMA)		86,507
Municipal bonds		564,582
Corporate debt securities		3,214,734
Cash equivalents held in investment pools		1,692,662
Mutual funds, international debt		1,916,752
Open ended mutual funds, U. S. debt		6,770,065
Certificates of deposit		1,502,652
Sub-total investments		<u>15,942,646</u>
Demand deposit interest bearing funds		2,947,679
Illinois Funds money market funds		95,193
Sub-total cash and cash equivalents		<u>3,042,872</u>
Total assets subject to interest rate risk	\$	<u>18,985,518</u>

*Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Foundation's short-term investments generally are not exposed to foreign currency risk.

State of Illinois  
Western Illinois University  
Notes to the Basic Financial Statements  
June 30, 2015

Credit Rating per Moody's						
	Total Fair Value	U.S. Treasury Notes	U.S. Treasury Bonds	U.S. Agency Obligations (FHLM, FNMA)	Corporate Debt Securities	Municipal Bonds
Aaa	\$ 324,633	\$ 116,040	\$ 78,652	\$ 86,507	\$ -	\$ 43,434
Aa1	99,405	-	-	-	78,105	21,300
Aa2	112,923	-	-	-	91,703	21,220
Aa3	151,052	-	-	-	151,052	-
A1	182,288	-	-	-	90,154	92,134
A2	298,724	-	-	-	298,724	-
A3	327,266	-	-	-	200,716	126,550
B1	25,223	-	-	-	25,223	-
Baa1	368,535	-	-	-	368,535	-
Baa2	246,534	-	-	-	246,534	-
Baa3	89,386	-	-	-	89,386	-
Not Rated	1,834,546	-	-	-	1,574,602	259,944
	<u>\$ 4,060,515</u>	<u>\$ 116,040</u>	<u>\$ 78,652</u>	<u>\$ 86,507</u>	<u>\$ 3,214,734</u>	<u>\$ 564,582</u>

*Summary of Carrying Values*

The carrying values of cash and cash equivalents shown on previous pages are included in the Statement of Net Position as follows:

	University	Foundation
Cash and cash equivalents	\$ 63,207,905	\$ 3,331,851
Cash and cash equivalents, restricted	126,109	-
Total	<u>\$ 63,334,014</u>	<u>\$ 3,331,851</u>

The carrying values of investments shown on previous pages are included in the Statement of Net Position as follows:

	University	Foundation
Current:		
Investments	\$ -	\$ 5,191,351
Noncurrent:		
Endowment investments	-	6,095,173
Endowment investments, restricted	-	36,953,431
Investments	-	1,893,894
Total noncurrent	-	<u>44,942,498</u>
Total investments	<u>\$ -</u>	<u>\$ 50,133,849</u>

**State of Illinois  
Western Illinois University  
Notes to the Basic Financial Statements  
June 30, 2015**

Investment income for the year ended June 30, 2015 consisted of:

	<u>University</u>	<u>Foundation</u>
Interest, dividends, realized gains and market value changes	<u>\$ 144,469</u>	<u>\$ 94,411</u>

**NOTE 4 - ACCOUNTS AND STUDENT LOANS RECEIVABLE**

Accounts receivable are reported net of allowances for uncollectible accounts. Accounts receivable consisted of the following as of June 30, 2015:

Receivables from students	\$ 11,399,451
Receivables from third parties	2,186,697
Receivables from funding agencies	<u>1,543,647</u>
Total gross receivables	15,129,795
Allowance for doubtful accounts	<u>(4,555,700)</u>
Total net receivables	<u>\$ 10,574,095</u>

Student loans receivable totaling \$2,216,728 are reported net of allowance for uncollectible loans of \$490,900 at June 30, 2015.

**NOTE 5 - CAPITAL ASSETS**

The University capitalizes net interest costs incurred on borrowed funds during the construction of capital assets. Total interest of \$4,579,989 was incurred and charged to expense during Fiscal Year 2015.

Capital asset activities for the University for the year ended June 30, 2015 were as follows:

	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance June 30, 2015</u>
<b>Non-depreciable capital assets:</b>					
Land and land improvements	\$ 3,236,432	\$ 20,000	\$ --	\$ --	\$ 3,256,432
Works of art and historical treasures	587,821	31,000	--	--	618,821
Construction in progress	<u>45,663,433</u>	<u>95,106</u>	<u>(18,915)</u>	<u>(38,495,947)</u>	<u>7,243,677</u>
<b>Total non-depreciable capital assets</b>	<u>49,487,686</u>	<u>146,106</u>	<u>(18,915)</u>	<u>(38,495,947)</u>	<u>11,118,930</u>
<b>Depreciable capital assets:</b>					
Site improvements	46,969,591	803,623	(1,668,024)	3,469,209	49,574,399
Buildings and building improvements	334,801,025	7,701,210	(2,164,068)	35,026,738	375,364,905
Equipment	78,660,449	3,194,105	(1,796,871)	--	80,057,683
Capital lease equipment	<u>--</u>	<u>31,928</u>	<u>--</u>	<u>--</u>	<u>31,928</u>
<b>Total depreciable capital assets</b>	<u>460,431,065</u>	<u>11,730,866</u>	<u>(5,628,963)</u>	<u>38,495,947</u>	<u>505,028,915</u>

State of Illinois  
 Western Illinois University  
 Notes to the Basic Financial Statements  
 June 30, 2015

	Balance June 30, 2014	Additions	Retirements	Transfers	Balance June 30, 2015
<b>Less accumulated depreciation:</b>					
Site improvements	18,825,425	1,728,228	-	-	20,553,653
Buildings and building improvements	149,727,491	12,047,814	(28,227)	-	161,747,078
Equipment	71,144,311	2,792,374	(1,753,445)	-	72,183,240
Capital lease equipment	-	9,964	-	-	9,964
<b>Total accumulated depreciation</b>	<u>239,697,227</u>	<u>16,578,380</u>	<u>(1,781,672)</u>	<u>-</u>	<u>254,493,935</u>
<b>Total depreciable capital assets, net</b>	<u>220,733,838</u>	<u>(4,847,514)</u>	<u>(3,847,291)</u>	<u>38,495,947</u>	<u>250,534,980</u>
<b>Capital assets, net</b>	<u>\$ 270,221,524</u>	<u>\$ (4,701,408)</u>	<u>\$(3,866,206)</u>	<u>\$ -</u>	<u>\$ 261,653,910</u>

The FY15 capital asset activities for both site improvements and building and building improvements included prior period adjustments of capitalized construction period interest. As discussed in Note 20, the prior period adjustment, net of accumulated depreciation, totaled \$2,802,095 (net decrease in capital assets).

Capital asset activities for the Foundation for the year ended June 30, 2015 were as follows:

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015
Land and land improvements	<u>\$ 1,105,104</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,105,104</u>

**NOTE 6 - LOSSES ON BOND REFUNDING**

Deferred outflows of resources included losses on bond refunding which resulted from the difference between the reacquisition price and the net carrying amount of the old debt. Total amortization for the year ended June 30, 2015 was \$82,342.

**NOTE 7 - UNEARNED REVENUE**

Unearned revenues consist of the following as of June 30, 2015:

Tuition and fees	\$ 3,291,241
Grants and contracts	1,370,527
Sales and services of educational departments	260,392
Auxiliary enterprises	<u>261,093</u>
<b>Total</b>	<u>\$ 5,183,253</u>

**State of Illinois  
Western Illinois University  
Notes to the Basic Financial Statements  
June 30, 2015**

**NOTE 8 - NOTES PAYABLE**

During the year ended June 30, 2014, the University entered into an installment purchase agreement for networking equipment with an original cost of \$392,786. As of June 30, 2015, the related notes payable obligation was recorded at the present value of the future minimum installment payments, discounted using an applicable discount rate of 1.62%. Notes payable activities for the year ended June 30, 2015 were as follows:

Balance, beginning of year	\$ 392,786
New notes	—
Payments	<u>(100,090)</u>
Balance, end of year	<u>\$ 292,696</u>
Current Portion	<u>\$ 145,175</u>

**NOTE 9 - CAPITAL LEASES PAYABLE**

The University leases equipment under capital lease purchase contracts with an imputed rate of .78% to 9.57%. The capital leases payable are secured by the equipment being financed. The scheduled maturities of the capital leases are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2016	\$ 9,275	\$ 320	\$ 9,595
2017	3,854	80	3,934
2018	3,885	50	3,935
2019	3,915	19	3,934
2020	<u>328</u>	<u>—</u>	<u>328</u>
Total	<u>\$ 21,257</u>	<u>\$ 469</u>	<u>\$ 21,726</u>

**NOTE 10 - REVENUE BONDS PAYABLE AND SUBSEQUENT EVENT**

*General*

At June 30, 2015, revenue bonds payable consists of Western Illinois University Auxiliary Facilities System Revenue Bonds, Series 2015, Western Illinois University Auxiliary Facilities System Revenue Bonds, Series 2012, Western Illinois University Auxiliary Facilities System Revenue Bonds, Series 2010, and Western Illinois University Auxiliary Facilities System Revenue Bonds, Series 2006.

**State of Illinois  
Western Illinois University  
Notes to the Basic Financial Statements  
June 30, 2015**

*Series 2015 Bonds*

On May 8, 2015, the Series 2015 Revenue Bonds were issued in the principal amount of \$4,190,000. The Series 2015 bonds are due April 1, 2020, with annual principal payments ranging from \$605,000 to \$1,715,000 commencing on April 1, 2016 and semi-annual interest payments beginning October 1, 2015 at 1.39% to 2.03%.

Proceeds from the sale of the Series 2015 Bonds were used to provide for the current refunding of the outstanding Series 2005 Bonds in the principal amount of \$4,115,000 and to pay certain expenses related to the issuance of the bonds. The total principal amount was deposited into the Series 2005 Bond Account to redeem all of the Refunded Series 2005 bonds on their redemption date at a price equal to the principal amount thereof. As a result, the Series 2005 Bonds are considered defeased and the liability for that portion of the bonds has been removed from the University's Statement of Net Position.

Although the current refunding resulted in the recognition of an accounting loss of \$26,590 for the year ended June 30, 2015, the University in effect reduced its aggregate debt service payments by \$169,156 over the next 5 years and obtained an economic gain of \$148,873.

*Series 2012 Bonds*

On April 19, 2012, the Series 2012 Revenue Bonds were issued in the principal amount of \$33,520,000. The Series 2012 bonds are due April 1, 2032, with annual principal payments ranging from \$1,290,000 to \$3,130,000 commencing on April 1, 2013 and semi-annual interest payments beginning April 1, 2013 at 3.00% to 4.20%.

Proceeds from the sale of the Series 2012 Bonds were used to finance capital improvements to Thompson Hall and the University Union. In addition, a portion of the proceeds from the Series 2012 Bonds were used to provide for the advance refunding of the outstanding Series 2002 Bonds in the principal amount of \$7,890,000. The total principal amount was deposited into the Series 2002 Refunding Fund to redeem all of the Refunded Series 2002 bonds on their redemption date at a price equal to the principal amount thereof. As a result, the Series 2002 Bonds are considered defeased and the liability for that portion of the bonds has been removed from the University's Statement of Net Position.

*Series 2010 Bonds*

On August 5, 2010, the Series 2010 Revenue Bonds (Build America Bonds) were issued in the principal amount of \$25,510,000. The Series 2010 bonds are due April 1, 2033, with annual principal payments ranging from \$1,120,000 to \$2,010,000 commencing on April 1, 2017 and semi-annual interest payments beginning April 1, 2011 at 4.35% to 6.60%.



**State of Illinois  
Western Illinois University  
Notes to the Basic Financial Statements  
June 30, 2015**

Proceeds from the sale of the Series 2010 Bonds were used to finance capital improvement renovations to Corbin and Olson Residence Halls including the Commons Dining Center.

*Series 2006 Bonds*

On March 9, 2006, the Series 2006 Bonds were issued in the principal amount of \$15,250,000. The Series 2006 Bonds are due April 1, 2027, with annual principal payments ranging from \$265,000 to \$1,170,000 commencing April 1, 2009 and semi-annual interest payments beginning October 1, 2006 at 3.5% to 4.5%.

Proceeds from the sale of the Series 2006 Bonds were used to install fire sprinkler systems in residence hall facilities and graduate and family apartments and to construct an expansion to the Donald S. Spencer Student Recreation Center. In addition, proceeds from the sales of the Series 2006 Bonds, together with other funds of the University, were used to provide for the advance refunding of a portion of the Series 1999 Bonds and to pay certain expenses related to the issuance of the bonds. A portion of bond proceeds plus funds provided by the University were deposited in an irrevocable trust with an escrow agent to provide for a portion of the debt service payments on the 1999 Series Bonds. As a result, a portion of the Series 1999 Bonds are considered defeased and the liability for that portion of the bonds has been removed from the University's Statement of Net Position. The Series 1999 Bonds were retired on April 1, 2009.

*Series 2005 Bonds - Refunded with the Series 2015 Bonds*

On February 16, 2005, the Series 2005 Bonds were issued in the principal amount of \$25,715,000. The Series 2005 Bonds were due April 1, 2020, with annual principal payments ranging from \$580,000 to \$2,845,000 commencing April 1, 2006 and semi-annual interest payments beginning October 1, 2005 at 3.00% to 4.25%.

Proceeds from the sale of the Series 2005 Bonds, together with other funds of the University, were used to provide for the advance refunding of a portion of the Series 1993 Bonds and the Series 1995 Bonds and to pay certain expenses related to the issuance of the bonds. The net proceeds plus funds provided by the University were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1993 and 1995 Series Bonds. As a result, the 1993 and 1995 Series Bonds are considered defeased and the liability for those bonds has been removed from the University's Statement of Net Position.

The Series 2005 Bonds with outstanding principal in the amount of \$4,115,000 were refunded in Fiscal Year 2015.

**State of Illinois  
Western Illinois University  
Notes to the Basic Financial Statements  
June 30, 2015**

*Subsequent Event*

On October 26, 2015, Moody's Investors Service downgraded the University's ratings to "Baa3" from "Baa1" on its Auxiliary Facilities System Revenue Bonds Series 2006 and concluded its review for possible downgrade. The rating action affected approximately \$10.5 million of the University's Auxiliary Facilities System Revenue Bonds.

*Advance Refunded Bonds*

Certain revenue bonds of the University have been defeased in prior years through advance refunding and, accordingly, have been accounted for as if they were retired. The principal amount of advance refunded bonds was fully paid.

*Debt Service Activity Requirements and Collateral*

Following is a schedule depicting Revenue Bonds Payable activities for the year ended June 30, 2015:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Series 2005 Bonds	\$ 5,700,000	\$ -	\$ (5,700,000)	\$ -	\$ -
Series 2006 Bonds	11,320,000	-	(815,000)	10,505,000	845,000
Series 2010 Bonds	25,510,000	-	-	25,510,000	-
Series 2012 Bonds	30,325,000	-	(1,640,000)	28,685,000	1,705,000
Series 2015 Bonds	-	4,190,000	-	4,190,000	1,710,000
Unamortized premium	496,199	-	(171,187)	325,012	127,759
Unamortized discount	(70,749)	-	9,961	(60,788)	(10,110)
	<u>\$ 73,280,450</u>	<u>\$ 4,190,000</u>	<u>\$ (8,316,226)</u>	<u>\$ 69,154,224</u>	<u>\$ 4,377,649</u>

Aggregate maturities of the bonds outstanding as of June 30, 2015 are as follows:

	Principal	Interest
2016	\$ 4,260,000	\$ 3,101,918
2017	4,370,000	2,983,260
2018	4,525,000	2,819,000
2019	4,675,000	2,643,089
2020	4,845,000	2,457,343
2021-2025	19,910,000	9,508,168
2026-2030	16,980,000	5,235,795
2031-2033	9,325,000	998,043
	<u>68,890,000</u>	<u>29,746,616</u>
Unamortized premium	325,012	-
Unamortized discount	(60,788)	-
	<u>\$ 69,154,224</u>	<u>\$ 29,746,616</u>

**State of Illinois  
Western Illinois University  
Notes to the Basic Financial Statements  
June 30, 2015**

None of the bonds described above constitute obligations of either the State of Illinois or the Board of Trustees of Western Illinois University, but together with interest thereon, are payable solely from and are collateralized by: a) the net revenues of the Western Illinois University Auxiliary Facilities System, b) certain pledged student fees, and c) a pledge of student tuition. Maximum annual debt service as defined for all outstanding revenue bonds is \$7,361,918. The estimated debt service coverage ratio based on revenues generated from operations is 1.71. The future pledged revenues for principal and interest in Fiscal Year 2015 are \$98,636,616. Pledged revenue coverage is 13.15 in Fiscal Year 2015. Pledged revenues have a term of commitment through 2033.

**NOTE 11 - CERTIFICATES OF PARTICIPATION PAYABLE AND SUBSEQUENT EVENT**

*General*

At June 30, 2015, certificates of participation consist of Western Illinois University Series 2011 Certificates of Participation, Western Illinois University Series 2010 Certificates of Participation and Western Illinois University Series 2005 Certificates of Participation.

*Series 2011 Certificates of Participation*

On March 30, 2011, the Series 2011 Certificates of Participation were issued in the principal amount of \$11,775,000. The Series 2011 Certificates of Participation are due October 1, 2025 with annual principal payments ranging from \$600,000 to \$1,060,000 commencing October 1, 2011 and semi-annual interest payments beginning October 1, 2011 at 2.50% to 5.37%.

Proceeds from the sale of the Series 2011 Certificates of Participation were used to finance capital improvements projects to several campus buildings as well as Phase II of the campus steam line replacement plan.

*Series 2010 Certificates of Participation*

On March 11, 2010, the Series 2010 Certificates of Participation were issued in the principal amount of \$11,585,000. The Series 2010 Certificates of Participation are due October 1, 2029 with annual principal payments ranging from \$415,000 to \$825,000 commencing October 1, 2010 and semi-annual interest payments beginning October 1, 2010 at 1.30% to 6.37%.

Proceeds from the sale of the Series 2010 Certificates of Participation were used to finance heating plant capital improvements and steam line replacements. Additionally, proceeds

**State of Illinois  
Western Illinois University  
Notes to the Basic Financial Statements  
June 30, 2015**

from the sale will reimburse the University for a portion of the cost of the sprinkler system installation in Thompson and Tanner Halls.

*Series 2005 Certificates of Participation*

On December 7, 2005, the Series 2005 Certificates of Participation (Capital Improvement Projects) were issued in the principal amount of \$10,290,000. The Series 2005 Certificates of Participation are due October 1, 2025 with annual principal payments ranging from \$400,000 to \$805,000 commencing October 1, 2008 and semi-annual interest payments beginning April 1, 2006 at 3.3% to 4.50%.

Proceeds from the sale of the Series 2005 Certificates of Participation were used to renovate the student section of the football stadium, to construct a new multicultural center, and to construct a combination Document and Publication Services and Property Accounting and Redistribution Center. In addition, Series 2005 proceeds were used to pay the costs of issuing the Series 2005 Certificates of Participation.

*Subsequent Event*

Subsequent to year end, on July 14, 2015, the University issued the Series 2015 Certificates of Participation in the principal amount of \$15,100,000. The Series 2015 Certificates of Participation are due October 1, 2024 with annual principal payments ranging from \$1,470,000 to \$1,890,000 commencing October 1, 2016 and semi-annual interest payments beginning October 1, 2016 at 3.00% to 5.00%.

Proceeds from the sale of the Series 2015 Certificates of Participation were used to provide for the current refunding of the outstanding Series 2005 Certificates of Participation in the principal amount of \$7,160,000, the advance refunding of the outstanding Series 2011 Certificates of Participation in the principal amount of \$9,265,000, and to pay certain expenses related to the issuance of the bonds. The net proceeds plus funds provided by the University were deposited into the Series 2005 Installment Payment Fund and the 2011 Installment Payment Fund to redeem all of the Refunded Series 2005 and 2011 Certificates of Participation on their redemption date at a price equal to the principal amount thereof. As a result, the Series 2005 and 2011 Certificates of Participation are considered defeased subsequent to year end.

Although the refunding resulted in the recognition of an accounting loss of \$598,240, the University in effect reduced its aggregate debt service payments by \$1,474,172 over the next 10 years and obtained an economic gain of \$935,187.

**State of Illinois  
Western Illinois University  
Notes to the Basic Financial Statements  
June 30, 2015**

*Debt Service Activity Requirements and Collateral*

Following is a schedule depicting Certificates of Participation activities for the year ended June 30, 2015:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Series 2005	\$ 7,660,000	\$ —	\$ (500,000)	\$ 7,160,000	\$ 520,000
Series 2010	9,830,000	—	(465,000)	9,365,000	475,000
Series 2011	9,920,000	—	(655,000)	9,265,000	675,000
Unamortized discount	(25,248)	—	4,438	(20,810)	(3,823)
	<u>\$ 27,384,752</u>	<u>\$ —</u>	<u>\$ 1,615,562</u>	<u>\$ 25,769,190</u>	<u>\$ 1,666,177</u>

Aggregate maturities of the certificates of participation outstanding as of June 30, 2015 are as follows:

	Principal	Interest
2016	\$ 1,670,000	\$ 1,221,826
2017	1,730,000	1,156,861
2018	1,795,000	1,085,534
2019	1,870,000	1,007,616
2020	1,950,000	922,554
2021-2025	11,140,000	3,092,684
2026-2030	5,635,000	663,813
	<u>25,790,000</u>	<u>9,150,888</u>
Unamortized discount	(20,810)	—
	<u>\$ 25,769,190</u>	<u>\$ 9,150,888</u>

The Certificates of Participation described above do not constitute obligations of either the State of Illinois or the Board of Trustees of Western Illinois University, but together with interest thereon, are payable solely from and are collateralized by lawful appropriations by the General Assembly for such purposes and legally available nonappropriated funds on an annual basis.

**NOTE 12 - COMPENSATED ABSENCES**

Vacation pay earned but not taken may be accumulated up to a specified maximum from 24 to 56 work days, and received as a lump sum payment upon termination. At June 30, 2015, such accumulated benefits totaled \$8,457,251.

**State of Illinois  
Western Illinois University  
Notes to the Basic Financial Statements  
June 30, 2015**

Administrative and faculty unused sick leave may be accumulated up to a specified maximum, generally 360 calendar days. Unused and unpaid sick leave can be applied toward the service time requirements for computing retirement benefits. Civil service exempt and nonexempt employees have no specified maximum accumulation of unused sick leave days. One-half of any unused sick leave earned from January 1, 1984 and prior to January 1, 1998 can be received as a lump sum payment upon termination. At June 30, 2015, such accumulated benefits totaled \$3,759,734. Compensated absences activity for the year ended June 30, 2015 was as follows:

Balance, beginning of year	\$ 12,546,682
Deductions	<u>(329,697)</u>
Balance, end of year	12,216,985
Less: current portion	<u>(1,818,347)</u>
Balance, end of year - noncurrent portion	<u>\$ 10,398,638</u>

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**General Information about the Pension Plan**

*Plan Description*

The University contributes to the State Universities Retirement System of Illinois (SURS or the System), a cost-sharing multiple-employer defined benefit plan with a special funding situation whereby the State 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 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's 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](http://www.SURS.org).

*Benefits Provided*

A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and

**State of Illinois  
Western Illinois University  
Notes to the Basic Financial Statements  
June 30, 2015**

portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed 6 months after their date of hire to make an irrevocable election. A summary of the benefit provisions as of June 30, 2014 can be found in the System's comprehensive annual financial report (CAFR) Notes to the Financial Statements.

*Contributions*

The State of Illinois is primarily responsible for funding the System on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a Statutory Funding Plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members of the System to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from "trust, federal, and other funds" are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for Fiscal Year 2014 and 2015 respectively, was 11.91% and 11.71% of employee payroll. The normal cost is equal to the value of current year's pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

Participating employers make contributions toward separately financed specific liabilities under Section 15.139.5(e) of the Illinois Pension Code (relating to contributions payable due to the employment of "affected annuitants" or specific return to work annuitants) and Section 15.155(g) (relating to contributions payable due to earning increases exceeding 6% during the final rate of earnings period).

**Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Net Pension Liability*

At June 30, 2014, SURS reported a net pension liability (NPL) of \$21,790,983,139. The net pension liability was measured as of June 30, 2013.

*Employer Proportionate Share of Net Pension Liability*

The amount of the proportionate share of the net pension liability to be recognized for the University is \$0. The proportionate share of the State's net pension liability associated with

**State of Illinois  
Western Illinois University  
Notes to the Basic Financial Statements  
June 30, 2015**

the University is \$586,649,047 or 2.69%. This amount should not be recognized in the financial statement. The net pension liability was measured as of June 30, 2014, and the total pension used to calculate the net pension liability was determined based on the June 30, 2013 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS during Fiscal Year 2014.

*Pension Expense*

At June 30, 2014 SURS reported a collective net pension expense of \$1,650,338,263.

*Employer Proportionate Share of Pension Expense*

The employer proportionate share of collective pension expense should be recognized similarly to on-behalf payments as both revenue and matching expenditure in the financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported pensionable contributions made to SURS during Fiscal Year 2014. As a result, the University recognized on-behalf revenue and pension expense of \$44,429,816 for the fiscal year ended June 30, 2015.

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

Deferred outflows of resources are the consumption of net position by the System that is applicable to future reporting periods.

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ —	\$ —
Changes in assumption	88,940,815	—
Net difference between projected and actual earnings on pension plan investments	—	1,271,105,952
Total	<u>\$ 88,940,815</u>	<u>\$ 1,271,105,952</u>

**Employer Deferral of Fiscal Year 2015 Pension Expense**

The University paid \$329,255 in federal, trust or grant contributions for the fiscal year ended June 30, 2015. These contributions were made subsequent to the pension liability measurement date of June 30, 2014 and are recognized as deferred outflows of resources as of June 30, 2015.



**State of Illinois  
Western Illinois University  
Notes to the Basic Financial Statements  
June 30, 2015**

**Assumptions and Other Inputs**

*Actuarial assumptions*

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period June 30, 2006 - 2010 and an economic study completed June 2014. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.75 to 12.00 percent, including inflation
Investment rate of return	7.25 percent beginning with the actuarial valuation as of June 30, 2014

Mortality rates were based on the RP2000 Combined Mortality Table, projected with Scale AA to 2017, sex-distinct, with rates multiplied by 0.80 for males and 0.85 for females.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary(s). For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2014, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term</u>
U.S. equity	31%	7.65%
Private equity	6%	8.65%
Non-U.S. equity	21%	7.85%
Global equity	8%	7.90%
Fixed income	19%	2.50%
Treasury-inflation protected securities	4%	2.30%
Real estate	6%	6.20%
REITS	4%	6.20%
Opportunity fund	1%	2.50%
Total	<u>100%</u>	<u>5.00%</u>
Inflation		<u>2.75%</u>
Expected geometrical normal return		<u>7.75%</u>

**State of Illinois  
Western Illinois University  
Notes to the Basic Financial Statements  
June 30, 2015**

*Discount Rate*

A single discount rate of 7.09% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 4.29% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under the System's funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2065. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2065, and the municipal bond rate was applied to all benefit payments after that date.

*Sensitivity of the System's Net Pension Liability to Changes in the Discount Rate*

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.09%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease 6.09%	Current Single Discount Rate Assumption 7.09%	1% Increase 8.09%
\$ 26,583,701,134	\$ 21,790,983,139	\$ 17,796,570,836

Additional information regarding the SURS basic financial statements including the Plan Net Position can be found in the SURS comprehensive annual financial report by accessing the website at [www.SURS.org](http://www.SURS.org).

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by 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

**State of Illinois  
Western Illinois University  
Notes to the Basic Financial Statements  
June 30, 2015**

covered by Medicare, and whether the annuitant has chosen a managed health care plan. 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.

Public Act 97-0695, effective July 1, 2012, altered the contributions to be paid by the State, annuitants, survivors, and retired employees under the State Employees Group Insurance Act. This act requires the Director of Central Management Services to, on an annual basis, determine the amount that the State should contribute. The remainder of the cost of coverage shall be the responsibility of the annuitant, survivor, or retired employee. These costs were to be assessed beginning July 1, 2013. However, four putative class actions were filed challenging the validity of this legislation under, among other things, the pension protection clause of the Illinois Constitution of 1970. The four class actions were consolidated in the circuit court of Sangamon County. The circuit court dismissed each of them for failure to state a cause of action, without certifying any classes. The Illinois Supreme Court allowed direct appeal. In July of 2014, the Illinois Supreme Court ruled that state retiree health care benefits are protected by the State constitution. The case then reverted to the Circuit Court for further proceedings. As a result, on August 28, 2014, the Sangamon County Circuit Court ordered the State to stop deducting monthly percentage-of-annuity health care premiums from annuity checks of State retirees and survivors enrolled in the State of Illinois Group Health Insurance Plan. The refunding of premiums paid since July 2013 were made during Fiscal Year 2015.

The State pays the 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 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 Central Management Services. A copy of the financial statements of the Department of Central Management Services may be obtained by writing to the Department of Central Management Services, 715 Stratton Building, 401 South Spring Street, Springfield, Illinois, 62606-4100.

**State of Illinois  
Western Illinois University  
Notes to the Basic Financial Statements  
June 30, 2015**

**NOTE 15 - INSURANCE**

The University participates in the State University Risk Management Association (SURMA), a self-insurance pool. Through its participation in the Illinois Public Higher Education Cooperative (IPHEC), the University has contracted with commercial carriers to provide various insurance coverages, including educators' legal and other general liability insurance. The University's liability coverages have a \$250,000 to \$350,000 deductible per occurrence. SURMA member schools may request reimbursement for claim related expenses from SURMA funds. Additionally, the University purchases property insurance coverage for the replacement value of University real property and contents. Settled claims have not exceeded commercial coverage in any of the three preceding years.

**NOTE 16 - OPERATING EXPENSES BY NATURAL CLASSIFICATION**

Operating expenses by natural classification for the year ended June 30, 2015, for the University are summarized as follows:

	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 60,824,146	\$ 3,162,750	\$ -	\$ -	\$ 63,986,896
Research	2,780,315	715,807	-	-	3,496,122
Public service	7,238,409	3,751,597	-	-	10,990,006
Academic support	13,292,739	4,009,310	-	-	17,302,049
Student services	11,387,634	10,957,839	-	-	22,345,473
Institutional support	10,962,163	3,441,752	-	-	14,403,915
Operation and maintenance of plant	9,249,094	8,606,794	-	-	17,855,888
Student aid expense	-	-	12,255,127	-	12,255,127
Auxiliary enterprises	15,234,729	25,267,899	-	-	40,502,628
Staff benefits	7,661,259	-	-	-	7,661,259
Depreciation	-	-	-	16,573,123	16,573,123
On-behalf payments	81,503,276	-	-	-	81,503,276
Other operating expenses	-	347,381	-	-	347,381
Total	\$ 220,133,764	\$ 60,261,129	\$ 12,255,127	\$ 16,573,123	\$ 309,223,143

**NOTE 17 - CONTRACT WITH WESTERN ILLINOIS UNIVERSITY FOUNDATION**

The University has a contract with the Western Illinois University Foundation in which the Foundation has agreed to aid and assist the University in achieving its educational, research, and service goals by developing and administering its gifts. These gifts received by the Foundation are to be used for the benefit of the University in its scholarship, loan, grant and other supporting programs. The University agreed, as part of this contract, to furnish certain services necessary to the operation of the Foundation.

**State of Illinois  
Western Illinois University  
Notes to the Basic Financial Statements  
June 30, 2015**

For Fiscal Year 2015, the Foundation did not specifically reimburse the University for \$1,677,045 of personal service costs, facility use and other costs provided by the University. However, the Foundation gave the University \$3,992,273 for Fiscal Year 2015, in totally unrestricted funds or funds restricted as to department but generally available for on-going University operations.

**NOTE 18 - COMMITMENTS AND CONTINGENCIES**

*Claims and Litigation*

The University is currently involved in various claims and pending legal actions related to matters arising from the ordinary conduct of business. The University administration believes that ultimate disposition of the actions will not have a material effect on the financial statements of the University.

*Government Grants*

The University is currently participating in numerous grants from various departments and agencies of the federal and State governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursements of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

**NOTE 19 - CHANGE IN ACCOUNTING PRINCIPLE**

The University implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, the University adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. This Statement amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

**State of Illinois  
Western Illinois University  
Notes to the Basic Financial Statements  
June 30, 2015**

As discussed in Note 20 to the financial statements, in implementing these pronouncements, the University reported an effect of a change in accounting principle which adjusted the beginning net position as of July 1, 2014, to record pension contributions previously expensed by the University.

**NOTE 20 - PRIOR PERIOD ADJUSTMENTS**

As discussed in Note 1. V. and Note 19, the University restated its net position balance in Fiscal Year 2014 from \$216.0 million to \$213.5 million due to the following:

- A. To reflect pension contribution payments by the University in accordance with the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. This adjustment increased net position (unrestricted) by \$305,959.
- B. To reflect the cumulative effect of the adjustment on capitalized construction period interest. This adjustment decreased net position (net investment in capital assets) by \$2,802,095.

A reconciliation of net position reported in prior period financial statements and as restated follows:

Net position, beginning of year, as previously reported	\$ 215,952,340
Cumulative effect of change in accounting principle	305,959
Cumulative effect of correction of error	<u>(2,802,095)</u>
Net position, beginning of year, as restated	<u>\$ 213,456,204</u>

**NOTE 21 - COMPARABILITY OF FINANCIAL STATEMENTS**

The Fiscal Year 2014 balances in the accompanying financial statements have not been restated for the adoption of GASB Statement Nos. 68 and 71. As such, the Fiscal Year 2014 information are not fully comparable to the Fiscal Year 2015. Differences include:

- A. In Fiscal Year 2015, employer contributions to the State University Retirement System (SURS) have been reported as deferred outflows of resources. However, in Fiscal Year 2014, such payments were expensed.

**State of Illinois  
Western Illinois University  
Notes to the Basic Financial Statements  
June 30, 2015**

- B. In Fiscal Year 2015, the University recognized on-behalf retirement payments (revenue and expense) related to the University's proportionate share of the Fiscal Year 2014 pension expense recognized by the State in accordance with GASB Statement No. 68. In Fiscal Year 2014 and previous years, the University recognized on-behalf retirement payments (revenue and expense) to the extent of contributions the State made to SURS on behalf of the University's employees in those fiscal years.

**NOTE 22 - SUBSEQUENT EVENTS**

The State of Illinois has not adopted a complete Fiscal Year 2016 operating budget as of the date of this report, December 18, 2015. The University is part of the executive branch of the government and operates under a budget approved by the State of Illinois, in which resources are appropriated for the use of the University. The amount and timing of final appropriations may necessitate spending reductions in the future.

**State of Illinois**  
**Western Illinois University**  
**Required Supplementary Information - Pension (Unaudited)**  
**For the Year Ended June 30, 2015**

	<u>FY 2015</u>
(a) Proportion percentage of the collective net pension liability	0%
(b) Proportion amount of the collective net pension liability	\$ -
(c) Portion of nonemployer contributing entities' total proportion of collective net pension liability associated with employer	<u>586,649,047</u>
Total (b) + (c)	<u>\$ 586,649,047</u>
Employer covered-employee payroll	\$ 120,574,096
Proportion of collective net pension liability associated with employer as a percentage of covered-employee payroll	486.55%
SURS plan net position as a percentage of total pension liability	44.39%
Federal, trust, grant, and other contribution	\$ 329,255
Contribution in relation to required contribution	329,255
Contribution deficiency (excess)	-
Employer covered-employee payroll	\$ 120,574,096
Contributions as a percentage of covered-employee payroll	0.27%

\*Note: SURS implemented GASB Statement No. 68 in Fiscal Year 2015. The information above is presented for as many years as available. This schedule is intended to show information for 10 years.



**State of Illinois  
Western Illinois University  
Notes to the Required Supplementary Information - Pension (Unaudited)  
June 30, 2015**

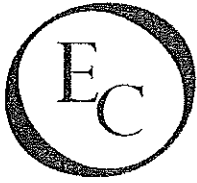
**NOTE 1 - SUMMARY OF SIGNIFICANT CHANGES**

A. Changes of Benefit Terms

There were no benefit changes recognized in the Total Pension Liability as of June 30, 2014.

B. Changes of Assumptions

In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every five years to determine the reasonableness of actuarial assumptions regarding the retirement, disability, mortality, turnover, interest and salary of the members and benefit recipients of SURS. An experience review for the years June 30, 2010 to June 30, 2014 was performed in February 2015, resulting in the adoption of new assumptions as of June 30, 2015. There are no changes of assumptions that affect measurement of the total collective pension liability since the prior measurement date.



E.C. ORTIZ & CO., LLP  
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's 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

The Board of Trustees  
Western Illinois University

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the 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, the financial statements of the business-type activities of Western Illinois University (University) and its aggregate discretely presented component unit, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 18, 2015. Our report includes a reference to other auditors who 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 auditor's testing of internal control 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 of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as item 2015-001 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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*.

### **University's Response to the Finding**

The University's response to the finding identified in our audit is described in the accompanying schedule of findings. The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*E. C. Ortig & Co., LLP*

Chicago, Illinois  
December 18, 2015

**State of Illinois  
Western Illinois University  
Schedule of Findings  
June 30, 2015**

**Current Finding - *Government Auditing Standards***

**2015-001 - Inadequate Controls Over Journal Entries**

Western Illinois University (University) did not have adequate controls over its journal entries. Effective policies and procedures were not in place to ensure that all journal entries were appropriate, properly prepared, and timely approved.

The University used the Financial Records System (FRS) to initiate and process financial information and facilitate its financial reporting. A total number of 4,052 journal entry batches were recorded into the FRS through the use of journal entries. These entries were both prepared and posted by the respective Accountants in-charge of specific accounts in the Business and Financial Services Department.

In the prior audit, the formal journal entry review and approval policies and procedures adopted by the University required review and approval of all journal entries of \$100,000 or more. Further, some journal entries lacked support, independent review, and/or approval. The University responded it would review its policy and procedures for processing, reviewing, and approving journal entries and consider policy revisions to strengthen controls.

Effective July 1, 2014, the University adopted a revised journal entry approval policy, which defined when approval is required for processing journal entries. We tested a sample of Fiscal Year (FY) 2015 journal entries and did not note any entries which lacked supporting documentation, nor entries over the University's review threshold which lacked approval. However, we did note the following exceptions during the FY 2015 audit period:

- The revised policy effective in FY 2015 eliminated the review of all recurring journal entries. Although the revised policy stated mitigating controls were in place with respect to recurring journal entries, the University did not adequately document the specific controls management had identified to support the assessment of not having these types of transactions reviewed and approved during the journal entry process.
- The revised policy lacked monitoring procedures to ensure the recurring journal entry process and system controls are periodically evaluated to ensure the integrity of the financial data being reported and to reassess the design and operating effectiveness of these controls over time. All recurring journal entries (2,647 journal entry batches) recorded in FY 2015 totaled over \$413.9 million.
- During our review of 40 batches of journal entries (73 journal entries), we noted that there was no independent review and/or approval performed on four (10%) non-routine journal entries totaling \$105,383. Individual entries within these batches were below the \$100,000 threshold, and therefore in accordance with the University policy

**State of Illinois  
Western Illinois University  
Schedule of Findings  
June 30, 2015**

**Current Finding - *Government Auditing Standards* (Continued)**

**2015-001 - Inadequate Controls Over Journal Entries (Continued)**

in effect at that time. Non-routine entries (1,283 journal entry batches) totaling over \$9.6 million were not required to be reviewed during FY 2015 because they were below the approval threshold.

- The process in place still allows all journal entries to be both prepared and posted by the same individual.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires agencies establish internal fiscal and administrative controls to provide assurance that obligations and costs are in compliance with applicable law; and that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

Also, sound internal controls require all journal entries, including nonstandard/non-routine entries, to be properly prepared, and be reviewed and approved independently, to prevent errors and fraud.

University management stated that the updated journal entry policy effective July 1, 2014, was intended to satisfy the statute, and strengthen internal controls, given the limited resources available at the University.

The lack of effective controls over journal entries increases the risk of incorrect or unauthorized adjustments posted to the general ledger, which may cause material misstatements to the financial statements. Inadequate journal entry policies and procedures could result in a lack of accountability over the processing of accounting transactions. (Finding Code Nos. 2015-001, 2014-001, and 2013-001)

*Recommendation*

We recommend the University develop effective policies and procedures that will strengthen controls over the journal entry review and approval process to ensure all journal entries are complete, accurate, and independently approved in a timely manner. Further, monitoring procedures should also be established to periodically monitor and evaluate the journal entry process and system controls to ensure functions and controls operate as intended.

**State of Illinois  
Western Illinois University  
Schedule of Findings  
June 30, 2015**

**Current Finding - *Government Auditing Standards* (Continued)**

**2015-001 - Inadequate Controls Over Journal Entries (Continued)**

*University Response*

The University agrees with the finding. Subsequent to Fiscal Year 2015, the University amended the policy to ensure approval for all non-recurring entries, regardless of magnitude. For all recurring entries, the University intends to document, assess, and monitor internal controls with regards to these types of entries, by the means of a formal risk assessment. The University is currently reviewing its options for a more automated system, which would preclude posting of entries in the absence of an approval.

**State of Illinois  
Western Illinois University  
Prior Finding Not Repeated  
For the Year Ended June 30, 2015**

**A. Inaccurate Recording of Transactions**

In the prior audit, Western Illinois University did not properly record certain transactions by capitalizing interest on capital projects already completed.

Status: Not repeated

In the current audit, the University has reviewed its calculation of capitalized interest and appropriate adjustments were made to correct prior year errors. (Finding Code No. 2014-002)

Attachment F  
Western Illinois University Audited Financial Statement  
Fiscal Year 2016





**ADELFA LLC**

CERTIFIED PUBLIC ACCOUNTANTS

400 E. RANDOLPH ST., SUITE 705

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**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY**

**FINANCIAL AUDIT  
FOR THE YEAR ENDED JUNE 30, 2016**

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

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

**Table of Contents**

	<b>Page</b>
University Officials	1
Financial Statement Report	
Summary	2
Independent Auditor's Report	3
Management's Discussion and Analysis (Unaudited)	6
Basic Financial Statements	
Statement of Net Position	13
Statement of Revenues, Expenses and Changes in Net Position	14
Statement of Cash Flows	15
Notes to the Basic Financial Statements	17
Required Supplementary Information – Pension (Unaudited)	49
Notes to the Required Supplementary Information – Pension (Unaudited)	50
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	51
Schedule of Findings	53
Prior Finding Not Repeated	56

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

**University Officials**

President	Dr. Jack Thomas
Provost and Academic Vice President	Dr. Kathleen Neumann, Interim
Vice President for Student Services	Dr. Ronald Williams (01/11/16 to Present) Dr. Gary Biller (Through 01/08/16)
Vice President for Administrative Services	Mr. Matthew Bierman, Interim (01/01/16 to Present) Ms. Julie DeWees (Through 12/31/15)
Vice President for Advancement and Public Services	Mr. Brad Bainter
Vice President for Quad Cities and Planning	Dr. Joseph Rives
Director of Business and Financial Services	Mr. Matthew Bierman, Interim
Director of Internal Auditing	Mr. Michael Sartorius (09/08/15 to Present) Vacant (07/01/15 to 09/07/15)

**Board of Trustees (as of June 30, 2016)**

Chair	Roger D. Clawson, Macomb
Vice Chair	Yvonne S. Savala, Moline
Secretary	Michael W. Quigley, Student Member
Member	Todd V. Lester, Macomb
Member	Carolyn J. Ehlert Fuller, Milan
Member	Lynier R. Cole, Chicago
Member	Cathy E. Early, Macomb
Student Member	Michael W. Quigley

University offices are located at:

Macomb Campus  
1 University Circle  
Macomb, Illinois 61455-1390

Quad Cities Campus  
3300 River Drive  
Moline, Illinois 61265-5881

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

**Financial Statement Report**

**Summary**

The audit of the accompanying financial statements of Western Illinois University (University) was performed by Adelfia LLC.

Based on their audit, the auditors expressed an unmodified opinion on the University's basic financial statements.

**Summary of Finding**

The auditors identified a matter involving the University's internal control over financial reporting that they considered to be a material weakness. The material weakness is described in the accompanying Schedule of Finding on pages 53 through 55 of this report as item 2016-001, *Failure to apply accounting and financial reporting standards for impairment of capital assets.*

**Exit Conference**

The University waived having an exit conference in a letter dated December 7, 2016 from Dr. Jack Thomas, President.

The response to the recommendation was provided by Dr. Jack Thomas, President, in a letter dated December 7, 2016.



**ADELFA LLC**

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CHICAGO, IL 60601

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**Independent Auditor's Report**

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

and

The Board of Trustees  
Western Illinois University

**Report on the Financial Statements**

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component unit of Western Illinois University (University), a component unit of the State of Illinois, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion,

insofar as it relates to the amounts included for the aggregate discretely presented component unit, is based solely on the report of the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Western Illinois University and its aggregate discretely presented component unit, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

As discussed in Note 21 to the financial statements, the University's financial statements have been restated as of July 1, 2015 due to the correction of errors in valuation of certain capital assets that were deemed to be impaired and capitalization of demolition costs in prior periods instead of being expensed as incurred. Our opinion is not modified with respect to the matter.

In addition, as discussed in Note 16 to the financial statements, the University received \$37,328,112 of Fiscal Year 2017 appropriations as reimbursement for Fiscal Year 2016 expenses paid. In accordance with GASB Statement No. 33, the revenues and receivables were not recognized in Fiscal Year 2016. Our opinion is not modified with respect to this matter.

Finally, as discussed in Note 22 to the financial statements, the State of Illinois has not adopted a complete Fiscal Year 2017 operating budget as of the date of this report, January 20, 2017. Our opinion is not modified with respect to this matter.

### ***Report on Summarized Comparative Information***

The University's June 30, 2015 financial statements were audited by other auditors whose report thereon dated December 18, 2015, expressed unmodified audit opinions on the respective financial statements of the business-type activities and aggregate discretely presented component unit of the University. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived. Certain 2015 amounts have been reclassified to conform to the 2016 presentations.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 12, Required Supplementary Information - Pension on page 49, and Notes to the Required Supplementary Information - Pension on page 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2017 on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

**SIGNED ORIGINAL ON FILE**

Chicago, Illinois  
January 20, 2017

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For the Year Ended June 30, 2016**

This section of the Western Illinois University (University) annual financial report presents management's discussion and analysis (MD&A) of the financial performance of the University during the fiscal year ended June 30, 2016. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The discussion and analysis are designed to focus on current activities, resulting change, current known facts, and future outlook. The financial statements, footnotes and this discussion are the responsibility of University management.

This MD&A focuses on the University. The University's component unit, Western Illinois University Foundation (Foundation), issues separate financial statements that may be obtained at the Foundation's administrative office as summarized in Note 1.

**Using the Financial Report**

The University's annual report includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. The financial statements are prepared in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) which require that financial statements be presented on a consolidated basis to focus on the University as a whole.

The financial statements are prepared under the accrual basis of accounting. Assets, deferred outflows of resources, liabilities, and deferred inflows of resources are categorized as current (due within one year) and noncurrent (due in greater than one year). Current year revenues and expenses are recognized when earned or incurred, regardless of when cash is exchanged. Revenues and expenses are reported as either operating or nonoperating. Significant recurring sources of the University's revenues, including State appropriations, gifts and investment income, are nonoperating as defined by GASB. Scholarship discounts and allowances applied to student accounts are shown as a reduction of tuition and fee revenue and auxiliary enterprise revenue. Stipends and other payments made directly to students are presented as student aid expenses. Depreciation is considered an operating expense and capital assets are reported at cost less accumulated depreciation.

**Financial Highlights**

**Statement of Net Position**

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources, net position, is one indicator of the financial condition of the University, while the change in net position that occurs over time indicates improvement or deterioration in the University's financial condition. Non-financial factors such



**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For the Year Ended June 30, 2016**

as enrollment levels and the condition of facilities are relevant when assessing the overall health of the University. Net position is divided into three major categories, as follows: net investment in capital assets reflects the University's equity in capital assets; restricted net position are available for expenditure by the institution, but must be spent for purposes as determined by law, donors and/or external entities that have placed time or purpose restrictions on the use of the assets; and unrestricted net position are available to the University for any lawful purpose of the institution.

A summary of the condensed Statement of Net Position for the years ended June 30, 2016 and 2015 is as follows. The information below includes certain prior-year partial comparative information, which has been derived from the University's 2015 financial statements. This information should be read in conjunction with Footnote 21 in the notes to the basic financial statements which explain certain prior period adjustments.

Condensed Statement of Net Position

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Current assets	\$ 56,105,710	\$ 86,483,309
Capital assets, net of accumulated depreciation	241,014,063	261,653,910
Other assets	<u>1,587,463</u>	<u>2,136,771</u>
Total assets	<u>298,707,236</u>	<u>350,273,990</u>
Deferred outflows of resources	<u>1,374,100</u>	<u>821,013</u>
<b>Liabilities</b>		
Current liabilities	38,325,710	34,784,411
Noncurrent liabilities	<u>91,846,009</u>	<u>99,587,729</u>
Total liabilities	<u>130,171,719</u>	<u>134,372,140</u>
<b>Net position</b>		
Net investment in capital assets	152,236,859	166,916,855
Restricted - Expendable	1,876,455	1,889,880
Unrestricted	<u>15,796,303</u>	<u>47,916,128</u>
Total net position	<u>\$ 169,909,617</u>	<u>\$ 216,722,863</u>

A review of the University's Statement of Net Position at June 30, 2016 shows that although the University had a decline in Net Position, its financial foundation remains strong with assets and deferred outflow of resources of \$300.1 million and liabilities of \$130.2 million. Net position - the difference between total assets and deferred outflow of resources and total liabilities,

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For the Year Ended June 30, 2016**

decreased by approximately \$46.8 million or 21.6% over the previous year.

Total assets and deferred outflow of resources decreased \$51.0 million or 14.5% during Fiscal Year 2016. Cash and cash equivalents decreased \$22.1 million due to a reduction in State appropriations offset in part by a reduction in spending. Capital assets decreased \$20.6 million due to depreciation expense of \$15.4 million, impairment loss of \$719 thousand, and a prior period adjustment to correct an error in the valuation of certain capital assets of \$7.6 million offset slightly by asset additions of \$3.1 million.

Total liabilities decreased \$4.2 million or 3.1% during Fiscal Year 2016. Total long-term debt decreased due to scheduled debt payments and the refunding of the Series 2006 Revenue Bonds and the 2005 and 2011 Certificates of Participation.

**Statement of Revenues, Expenses and Changes in Net Position**

The Statement of Revenues, Expenses and Changes in Net Position present the University's changes in financial position. Revenues and expenses are classified as operating or nonoperating. A public University's dependency on State appropriations and gifts usually results in operating deficits because the GASB reporting standards classify these revenue sources as nonoperating.

A comparative summary of the condensed Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2016 and 2015 is as follows:

Condensed Statement of Revenues, Expenses and Changes in Net Position

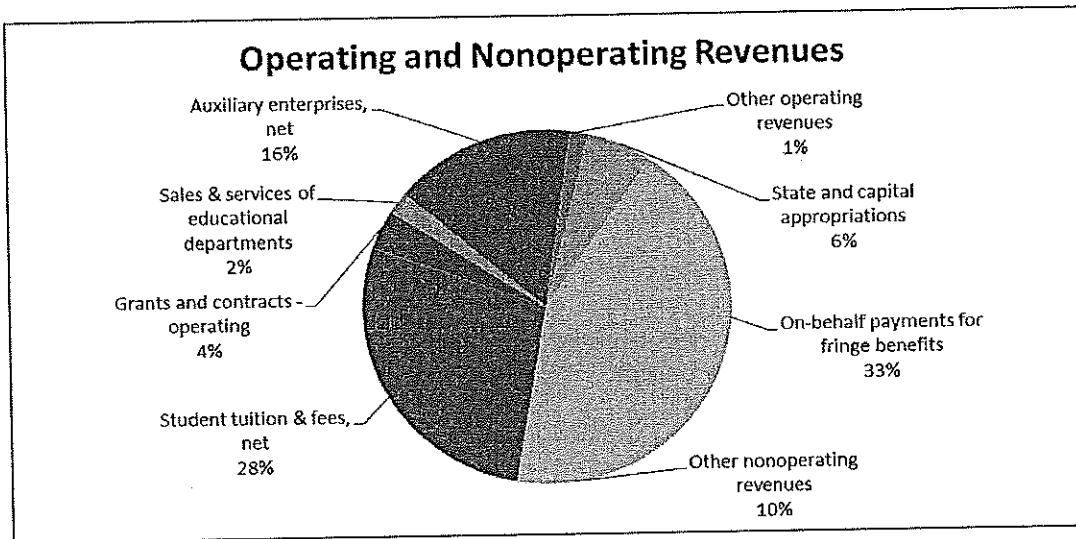
	2016	2015
Total operating revenues	\$ 135,293,327	\$ 142,149,667
Total operating expenses	(299,311,221)	(309,223,143)
Operating loss	(164,017,894)	(167,073,476)
Nonoperating revenues	129,214,719	167,063,219
Nonoperating expenses	(4,502,405)	(4,522,528)
Loss before capital items	(39,305,580)	(4,532,785)
Capital State appropriations	112,992	7,799,444
Increase (decrease) in net position	(39,192,588)	3,266,659
Net position, beginning of year, as previously reported	216,722,863	215,952,340
Prior period adjustments	(7,620,658)	(2,496,136)
Net position, beginning of year, as restated	209,102,205	213,456,204
Net position, end of year	<u>\$ 169,909,617</u>	<u>\$ 216,722,863</u>

Total revenues decreased \$52.4 million or 16.5% to \$264.6 million in 2016. Capital State appropriations decreased \$7.7 million in funds from the Capital Development Board, as the University completed Phase II of construction on the University's Quad Cities campus.

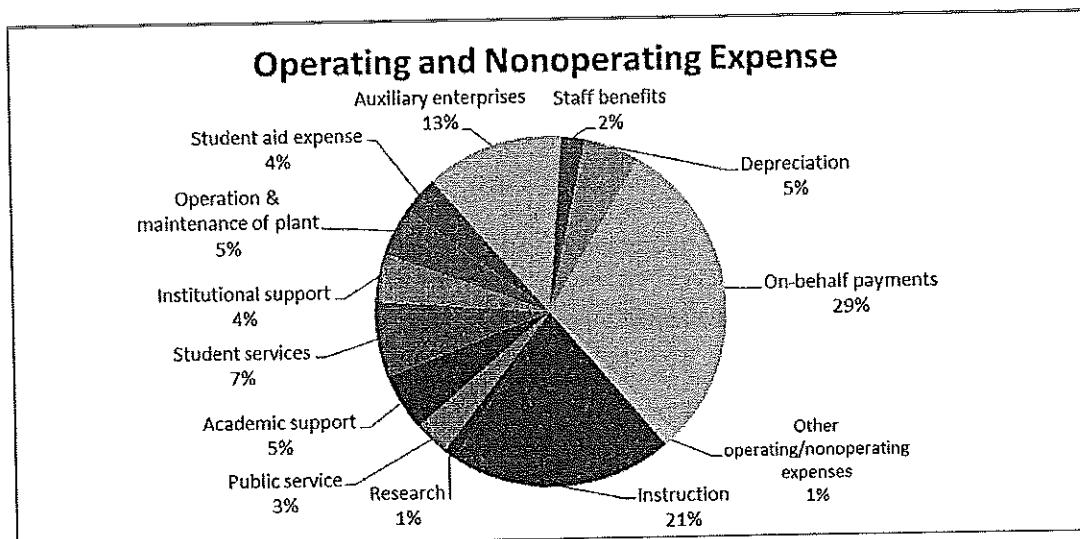
**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For the Year Ended June 30, 2016**

Total expenses decreased \$9.9 million or 3.2% to \$303.8 million in 2016. Total operating expenses decreased by \$9.9 million in 2016 due to decreases in overall University expenses except for on-behalf payments which increased by approximately \$6.6 million.

For the fiscal year ended June 30, 2016, all sources of revenues totaled \$264.6 million. The following is a graphical illustration of revenues by source:



For the fiscal year ended June 30, 2016, expenses totaled \$303.8 million. The following is a graphical illustration of expenses:



**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For the Year Ended June 30, 2016**

**Statement of Cash Flows**

The Statement of Cash Flows presents information related to the University's cash receipts and disbursements during the fiscal year. This provides an assessment of the University's ability to generate future cash flows and meet obligations as they come due.

A comparative summary of the condensed Statement of Cash Flows for the years ended June 30, 2016 and 2015 is as follows:

Condensed Statement of Cash Flows

	2016	2015
Cash provided by (used in):		
Operating activities	\$ (57,292,654)	\$ (70,183,985)
Noncapital financing activities	47,347,681	92,968,557
Capital and related financing activities	(12,374,394)	(16,780,612)
Investing activities	266,599	144,469
Net increase (decrease) in cash and cash equivalents	(22,052,768)	6,148,429
Cash and cash equivalents, beginning of year	63,334,014	57,185,585
Cash and cash equivalents, end of year	\$ 41,281,246	\$ 63,334,014

Major sources of funds included in operating activity are student tuition and fees, grants and contracts and auxiliary enterprises. Payment for employee salaries and benefits, goods and services, and scholarships and fellowships continue to comprise the major use of operating funds. Cash used in operating activities decreased \$12.9 million.

Cash inflows from noncapital financing activities consist primarily of State appropriations, Monetary Award Program awards and Pell grant revenues. Cash provided by noncapital financing activities decreased \$45.6 million.

Several capital projects were completed in Fiscal Year 2015 contributing to an overall decrease of \$4.4 million in cash used in capital and related financing activities.

Cash provided by investing activity increased slightly from the prior year.

Capital Assets and Debt Administration

The University had \$510.9 million invested in capital assets at the end of Fiscal Year 2016. Capital assets net of accumulated depreciation totaled \$241 million. Depreciation expense for the current year was \$15.4 million.

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For the Year Ended June 30, 2016**

There were no major construction projects during Fiscal Year 2016. For the year ended June 30, 2016 construction in progress included engineering and planning costs associated with a new performing arts center on the Macomb campus with a balance of \$4.8 million.

**University's Economic Outlook**

The ability of the University to fulfill its mission and execute its strategic plan is directly influenced by enrollment, State support and the cost of health care, utilities, employee compensation and benefits and State and federal mandates.

A crucial element to the University's future will continue to be our relationship with the State of Illinois, as we work to manage tuition to make it competitive while providing an outstanding college education for our students. There is a direct relationship between the growth or decline of State support, the impact of State regulations and the University's ability to control tuition growth. The trend of declining State support, the lack of capital investment, declining student assistance and the increase in regulations have and will continue to create more pressures on the cost of attendance.

The State of Illinois has not adopted a complete Fiscal Year 2017 operating budget as of the date of this report, January 20, 2017. They have only passed a six-month stop gap measure that provided around 61.0% of Fiscal Year 2015 appropriations.

The University is part of the executive branch of government and operates under a budget approved by the State of Illinois, in which resources are appropriated for the use of the University. On-behalf payments and operating budget are the annual State appropriations provided by the State of Illinois to the University. Fiscal Year 2016 State appropriations' operating budget was \$14.9 million. This is a decrease in appropriations of \$36.5 million, or 71.0% from Fiscal Year 2015. Additionally, the appropriation for the Fiscal Year 2017 Monetary Assistance Program (MAP) has not yet been approved. The University has applied MAP funding to student accounts in anticipation of this appropriation. The expected MAP funds for Fiscal Year 2017 total \$11.2 million.

The University projects tuition and miscellaneous revenues to fall by approximately \$2.2 million as compared with Fiscal Year 2016. In December of 2015, the Board of Trustees passed a 3.0% reduction in the tuition rate for new students, those enrolling for the first time in Fall 2016. The University offers guaranteed tuition and fees, as well as guaranteed room and board rates for each new class of entering students. The University's recommended expenditure budget for income fund and State appropriations for Fiscal Year 2017 is \$126.0 million.

The University's Auxiliary Enterprises funds budget for Fiscal Year 2017 as approved by the Board of Trustees reflects a level less than Fiscal Year 2016 of approximately \$1.3 million. Other institutional funds include revenues from sponsored projects and departmental activity revenues. The 2017 budget for these funds as approved by the Board of Trustees reflects a \$900 thousand decrease in spending over Fiscal Year 2016.

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For the Year Ended June 30, 2016**

Private gifts are an important supplement to the University's sources of funding for operating costs. In Fiscal Year 2016, alumni, friends, staff, corporations, and other organizations contributed nearly \$5.8 million to the Foundation in support of the University. These contributions include gifts and additions to permanent endowments. The Foundation distributed nearly \$7.6 million in Fiscal Year 2016 to support academic enhancement and instructional initiatives, student scholarships, capital improvements, cultural activities, athletics, regional outreach efforts, and alumni and Foundation-sponsored programs at Western Illinois University.

The University is committed to pursuing its goal in developing the Quad Cities campus while strategically adding, and when appropriate, eliminating programs. Cost containment and revenue initiatives are challenges the University continues to encounter. Management has historically made the necessary decisions to ensure the strength of the University.

STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
STATEMENT OF NET POSITION  
For the Year Ended June 30, 2016  
(With Partial Financial Information for the Year Ended June 30, 2015)

	University		Component Unit	
	2016	2015	2016	2015
<b>ASSETS</b>				
<i>Current assets:</i>				
Cash and cash equivalents	\$ 41,140,832	\$ 63,207,905	\$ 2,346,154	\$ 3,331,851
Cash and cash equivalents, restricted	140,414	126,109	-	-
Investments	-	-	3,576,152	5,191,351
Accounts receivable, net	10,750,762	10,574,095	966,077	966,537
Student loans receivable, net	389,081	390,748	-	-
Due from component unit	178,231	174,954	-	-
Due from primary government	1,057,369	9,044,265	-	-
Inventories	2,253,572	2,899,045	-	6,162
Prepaid expenses	169,547	50,904	345,761	70,269
Other assets	25,902	15,284	-	-
<i>Total current assets</i>	<u>56,105,710</u>	<u>86,483,309</u>	<u>7,234,144</u>	<u>9,566,170</u>
<i>Noncurrent assets:</i>				
Investments	-	-	7,941,601	2,610,694
Endowment investments	-	-	3,361,149	6,095,173
Endowment investments, restricted	-	-	38,027,028	36,953,431
Charitable remainder trusts, restricted	-	-	4,712,599	4,895,478
Accounts receivable, net	-	-	545,533	538,942
Student loans receivable, net	1,285,417	1,335,080	84,778	82,309
Capital assets, net of accumulated depreciation	241,014,063	261,653,910	658,304	388,304
Other assets	302,046	801,691	523,257	515,445
<i>Total noncurrent assets</i>	<u>242,601,526</u>	<u>263,790,681</u>	<u>55,854,249</u>	<u>52,079,776</u>
<b>TOTAL ASSETS</b>	<u>298,707,236</u>	<u>350,273,990</u>	<u>63,088,393</u>	<u>61,645,946</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Unamortized losses on debt refunding	1,013,323	491,758	-	-
Pension	360,777	329,255	-	-
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<u>1,374,100</u>	<u>821,013</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>				
<i>Current liabilities:</i>				
Accounts payable and accrued liabilities	4,819,231	3,672,512	131,132	167,268
Accrued payroll	15,623,256	16,636,706	-	-
Due to primary government	1,943,375	110,034	178,231	174,954
Unearned revenue	5,008,790	5,183,253	267,847	324,767
Charitable remainder trust distributions payable	-	-	195,731	189,935
Other liabilities	2,146,117	1,165,283	49,991	45,896
Notes payable	147,521	145,175	19,381	-
Capital leases payable	5,526	9,275	-	-
Revenue bonds payable	4,563,107	4,377,649	-	-
Certificates of participation	2,333,599	1,666,177	-	-
Compensated absences	1,735,188	1,818,347	-	-
<i>Total current liabilities</i>	<u>38,325,710</u>	<u>34,784,411</u>	<u>842,313</u>	<u>902,820</u>
<i>Noncurrent liabilities:</i>				
Notes payable	-	147,521	197,225	-
Capital leases payable	16,369	11,982	-	-
Revenue bonds payable	60,524,955	64,776,575	-	-
Certificates of participation	22,199,454	24,103,013	-	-
Other liabilities	-	150,000	275,393	269,268
Compensated absences	9,105,231	10,398,638	-	-
<i>Total noncurrent liabilities</i>	<u>91,846,009</u>	<u>99,587,729</u>	<u>472,618</u>	<u>269,268</u>
<b>TOTAL LIABILITIES</b>	<u>130,171,719</u>	<u>134,372,140</u>	<u>1,314,931</u>	<u>1,172,088</u>
<b>NET POSITION</b>				
Net investment in capital assets	152,236,859	166,916,855	441,698	388,304
Restricted - nonexpendable	-	-	28,260,062	27,260,609
Restricted - expendable				
Loans	1,800,252	1,834,116	-	-
Other	76,203	55,764	13,116,425	12,218,862
Unrestricted	15,796,303	47,916,128	19,955,277	20,606,083
<b>TOTAL NET POSITION</b>	<u>\$ 169,909,617</u>	<u>\$ 216,722,863</u>	<u>\$ 61,773,462</u>	<u>\$ 60,473,858</u>

See accompanying notes to the basic financial statements

STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Year Ended June 30, 2016  
(With Partial Financial Information for the Year Ended June 30, 2015)

	University		Component Unit	
	2016	2015	2016	2015
<b>OPERATING REVENUES</b>				
Tuition and fees, net	\$ 73,732,875	\$ 75,644,261	\$ -	\$ -
Grants and contracts	9,547,337	10,684,439	-	-
Sales and services of educational departments	5,244,594	5,009,786	-	-
Auxiliary enterprises, net	42,536,027	46,132,136	-	-
Student loan activities	54,042	72,523	-	-
Other operating revenues	4,178,452	4,606,522	5,746,661	7,436,335
<i>Total operating revenues</i>	<u>135,293,327</u>	<u>142,149,667</u>	<u>5,746,661</u>	<u>7,436,335</u>
<b>OPERATING EXPENSES</b>				
Instruction	62,364,512	63,986,896	1,237,067	1,167,010
Research	3,439,674	3,496,122	61,232	158,235
Public service	9,859,816	10,990,006	1,142,344	1,129,495
Academic support	16,173,314	17,302,049	123,018	198,373
Student services	21,155,352	22,345,473	780,129	845,852
Institutional support	13,285,392	14,403,915	1,323,557	1,273,681
Operation and maintenance of plant	13,720,739	17,855,888	114,661	162,886
Student aid expense	10,668,851	12,255,127	2,825,189	2,677,398
Auxiliary enterprises	38,400,834	40,502,628	-	-
Staff benefits	6,738,577	7,661,259	-	-
Depreciation	15,391,211	16,573,123	-	-
On-behalf payments	88,073,687	81,503,276	-	-
Other operating expenses	39,262	347,381	-	-
<i>Total operating expenses</i>	<u>299,311,221</u>	<u>309,223,143</u>	<u>7,607,197</u>	<u>7,612,930</u>
<b>OPERATING LOSS</b>	<u>(164,017,894)</u>	<u>(167,073,476)</u>	<u>(1,860,536)</u>	<u>(176,595)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State appropriations	14,931,400	51,465,200	-	-
On-behalf payments for fringe benefits	88,073,687	81,503,276	-	-
Gifts	570,218	923,695	-	-
Nonoperating grants	25,208,764	32,859,506	-	-
Gain/(loss) on disposal of capital assets	1,697	(8,638)	-	-
(Loss) on impairment of capital assets	(719,294)	-	-	-
Investment income(loss)	266,599	144,469	(771,752)	94,411
Interest on capital asset - related debt	(3,783,111)	(4,513,890)	-	-
Change in value of charitable remainder trusts	-	-	(236,199)	(91,640)
Change in value of land held for investment	-	-	2,617,460	-
Other nonoperating revenues	162,354	167,073	535,236	284,823
<i>Net nonoperating revenues</i>	<u>124,712,314</u>	<u>162,540,691</u>	<u>2,144,745</u>	<u>287,594</u>
<b>INCOME (LOSS) BEFORE CAPITAL ITEMS</b>	<u>(39,305,580)</u>	<u>(4,532,785)</u>	<u>284,209</u>	<u>110,999</u>
Capital State appropriations	112,992	7,799,444	-	-
Additions to permanent endowments	-	-	1,015,395	1,451,268
<i>Total capital items</i>	<u>112,992</u>	<u>7,799,444</u>	<u>1,015,395</u>	<u>1,451,268</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>(39,192,588)</u>	<u>3,266,659</u>	<u>1,299,604</u>	<u>1,562,267</u>
<b>NET POSITION, BEGINNING OF YEAR AS PREVIOUSLY REPORTED</b>	<u>216,722,863</u>	<u>215,952,340</u>	<u>60,473,858</u>	<u>58,911,591</u>
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>(7,620,658)</u>	<u>(2,496,136)</u>	<u>-</u>	<u>-</u>
<b>NET POSITION, BEGINNING OF YEAR AS RESTATED</b>	<u>209,102,205</u>	<u>213,456,204</u>	<u>60,473,858</u>	<u>58,911,591</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 169,909,617</u>	<u>\$ 216,722,863</u>	<u>\$ 61,773,462</u>	<u>\$ 60,473,858</u>

See accompanying notes to the basic financial statements



STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2016  
(With Partial Financial Information for the Year Ended June 30, 2015)

	University		Component Unit	
	2016	2015	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Tuition and fees, net	\$ 74,074,242	\$ 75,347,115	\$ -	\$ -
Grants and contracts	9,279,331	10,605,750	-	-
Gifts for other than capital and endowment purposes	-	-	4,137,902	5,718,605
Payments for employee salaries and benefits	(135,481,814)	(138,996,657)	-	-
Payments for goods and services	(48,255,541)	(60,162,058)	(4,510,460)	(4,688,705)
Payments to annuitants	-	-	(38,449)	(42,121)
Payments for scholarships and fellowships	(10,638,498)	(12,064,827)	(2,825,189)	(2,677,398)
Student loans issued	(382,288)	(614,252)	-	-
Student loans collected	403,317	567,231	-	-
Student loans interest and fees collected	54,042	72,523	-	-
Auxiliary enterprises charges	42,673,812	45,883,640	-	-
Sales and services of educational departments	6,952,291	4,421,028	-	-
Other receipts	4,028,452	4,756,522	964,200	949,750
Net cash used in operating activities	<u>(57,292,654)</u>	<u>(70,183,985)</u>	<u>(2,271,996)</u>	<u>(739,869)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
State appropriations	21,664,954	56,789,201	-	-
Capital appropriations for operating expenses	3,782	2,641,532	-	-
Gifts	316,756	466,952	1,015,395	1,451,268
Nonoperating grants	25,208,764	32,859,506	-	-
Nonoperating revenues, net	153,425	211,366	533,871	456,458
Cash provided by noncapital financing activities	<u>47,347,681</u>	<u>92,968,557</u>	<u>1,549,266</u>	<u>1,907,726</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(2,647,092)	(6,412,586)	(270,000)	-
Proceeds from sale of land	-	-	-	-
Principal paid on capital debt	(4,889,861)	(5,762,890)	-	-
Interest paid on capital debt	(3,982,753)	(4,680,136)	-	-
Bonds refunded	(25,984,316)	(4,088,410)	-	-
Proceeds from issuance of revenue bonds	10,009,255	4,190,000	-	-
Proceeds from issuance of certificates of participation	15,794,261	-	-	-
Deferred loss from bond refunding	(673,888)	(26,590)	-	-
Proceeds from note payable	-	-	270,606	-
Payments made on note payable	-	-	(54,000)	-
Net cash used in capital and related financing activities	<u>(12,374,394)</u>	<u>(16,780,612)</u>	<u>(53,394)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sales and maturities of investments	-	-	8,458,736	5,958,368
Earnings on investments	266,599	144,469	1,574,907	1,383,963
Purchase of investments	-	-	(10,243,216)	(8,719,863)
Net cash provided by (used in) investing activities	<u>266,599</u>	<u>144,469</u>	<u>(209,573)</u>	<u>(1,377,532)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(22,052,768)</u>	<u>6,148,429</u>	<u>(985,697)</u>	<u>(209,675)</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>63,334,014</u>	<u>57,185,585</u>	<u>3,331,851</u>	<u>3,541,526</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 41,281,246</u>	<u>\$ 63,334,014</u>	<u>\$ 2,346,154</u>	<u>\$ 3,331,851</u>

See accompanying notes to the basic financial statements

STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2016  
(With Partial Financial Information for the Year Ended June 30, 2015)

	University		Component Unit	
	2016	2015	2016	2015
<b>Reconciliation of operating loss to net cash used in operating activities:</b>				
Operating loss	\$ (164,017,894)	\$ (167,073,476)	\$ (1,860,536)	\$ (176,595)
Adjustments to reconcile operating loss to net cash used in operating activities:				
On-behalf payments	88,073,687	81,503,276	-	-
Stock gifts in process	-	-	-	(207)
Charitable remainder trust assets donated	-	-	(53,320)	(926,697)
Depreciation	15,391,211	16,573,123	-	-
Amortization	21,881	20,142	-	-
Actuarial adjustment to annuities payable	-	-	10,220	3,050
Changes in assets, deferred outflows and liabilities:				
Receivables, net	1,072,380	(1,338,237)	(15,047)	236,583
Student loans receivables, net	51,330	49,285	-	-
Inventories	645,473	79,388	6,162	(3,323)
Prepaid expenses and other assets	302,568	43,232	(275,492)	19,768
Pension	(31,522)	(23,296)	-	-
Accounts payable and accrued liabilities	2,905,895	109,231	(36,136)	59,811
Accrued payroll	(1,008,816)	43,690	-	-
Due to primary government, net	-	-	3,277	46,551
Charitable remainder trust distributions payable	-	-	5,796	75,526
Unearned revenue	(174,463)	335,631	-	-
Other liabilities	852,182	(176,277)	(56,920)	(74,335)
Compensated absences	(1,376,566)	(329,697)	-	-
Net cash used in operating activities	\$ (57,292,654)	\$ (70,183,985)	\$ (2,271,996)	\$ (739,868)
<b>NONCASH OPERATING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
On-behalf payments	88,073,687	81,503,276	-	-
Capital asset acquisition via capital appropriations	109,210	5,157,912	-	-
Capital asset acquisition via support from Foundation	253,004	456,743	-	-
Capital asset changes in accounts payable	(69,531)	1,242,926	-	-
Gifts in kind	-	-	525,434	559,640
Gain/(loss) on disposal of capital assets	1,697	(8,638)	-	-

See accompanying notes to the basic financial statements

STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

Western Illinois University (University), a component unit of the State of Illinois (State), with a primary focus on instruction and an additional commitment to research and public service, has campuses located in Macomb and Moline, Illinois. The governing body of the University is the Board of Trustees of Western Illinois University (Board). As required by accounting principles generally accepted in the United States of America, these financial statements present the financial position and financial activities of the University and its discretely presented component unit, the Western Illinois University Foundation (Foundation). The Foundation is included in the University's reporting entity because of the significance of its financial relationship with the University. Complete financial statements for the Foundation may be obtained by contacting the WIU Foundation, 1 University Circle, Macomb, IL 61455-1390.

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 in 1997. The Foundation was formed for the purpose of providing fundraising and other assistance to the University in order to attract private gifts to support the University's instructional, research and public service activities. In this capacity, the Foundation solicits, receives, holds and administers gifts for the benefit of the University.

The 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, therefore, also included in the State's comprehensive annual financial report.

B. Basis of Accounting and Presentation

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, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. Business Type Activities are those financed in whole or in part by fees charged to external parties for goods and 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 first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net positions are available.

STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016

C. Prior-Year Information

The basic financial statements include certain prior-year partial comparative information. Such information does not include full comparative footnote disclosures required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2015, from which the partial information was derived.

D. Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The University deferred outflows of resources include a loss on refunding of bonds payable of \$477,667 and a loss on refunding of Certificates of Participation payable of \$535,656 at June 30, 2016. Also included in deferred outflows of resources is a net pension liability of \$360,777 (see Note 13 for more information) at June 30, 2016.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

F. Cash Equivalents

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2016, cash equivalents consisted primarily of money market and similar funds. Included in restricted cash and cash equivalents is unspent loan funds.

G. Investments

The University accounts for its investments at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

Illinois statutes and Board policy authorize the University to invest in certificates of deposit, The Illinois Funds, United States Government Securities, securities guaranteed by the full faith and credit of the United States government, and any other security permitted by law and approved by the Board.

H. Accounts Receivable

Accounts receivable consists of tuition and fee charges to students, amounts receivable from funding agencies for grants, amounts receivable from third parties and charges for auxiliary enterprise services provided to students, faculty and staff. Accounts receivable is presented net of estimated uncollectible amounts.

I. Bonds and Certificates of Participation Issue Costs

The insurance premium on the bonds and certificates of participation issue costs incurred on the revenue bonds and certificates of participation are being amortized over the life of the bonds/certificates of participation using the straight-line method. Total amortization for the year ended June 30, 2016 was \$21,881.

J. Student Loans Receivable

The University makes loans to students under various federal and other loan programs. Such loans receivable is presented net of estimated uncollectible amounts.

K. Inventories

Inventories are carried at the lower of cost (determined by first-in, first-out or average cost method, depending on the nature of the inventory item) or market.

L. Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. The University's capitalization policy for capital assets is as follows: equipment - \$5,000 or greater; land or buildings - \$100,000 or greater; and site, infrastructure, or building improvements - \$25,000 or greater. Intangible assets which are purchased are capitalized at \$100,000 or greater. Internally-generated intangible assets which are primarily software are capitalized at \$1,000,000 or greater. Renovations to buildings and land improvements that increase the value or extend the useful life are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is calculated on a straight-line basis over the estimated useful lives of the class of assets. The following estimated useful lives are being used by the University:

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

Site improvements	25 years
Buildings	60 years
Building improvements	20 years
Computer equipment	3 years
Trucks greater than 1 ton	12 years
Capital lease equipment	Life of lease
All other equipment	7 years

University capital assets financed by the State of Illinois Capital Development Board (CDB) are recorded by the University as the funds are expended by the CDB.

M. Unearned Revenue

Unearned revenue represents unearned student tuition and fees and advances on grants and contract awards for which the University has not met all of the applicable eligibility requirements.

N. Compensated Absences

University policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absences liabilities are computed using the regular pay and termination pay rates in effect at the Statement of Net Position date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

O. Net Position

The University's net position is classified as follows:

*Net investment in capital assets* - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets and deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt.

*Restricted net position - nonexpendable* - net position restricted by externally imposed

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

stipulations.

*Restricted net position - expendable* – net position subject to externally imposed restrictions that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

*Unrestricted* – net position not subject to externally imposed stipulations but may be designated for specific purposes by action of management or the Board of Trustees.

**P. Classification of Revenues**

The University has classified its revenues as either operating or nonoperating according to the following criteria:

*Operating revenues* include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises, (3) most Federal, State and local grants and contracts except for certain student financial aid classified as nonoperating revenues and (4) interest on student loans.

*Nonoperating revenues* include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources, such as State appropriations and investment income, that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The State of Illinois General Revenue Fund appropriations are reported as nonoperating revenues to the extent that they are expended during the current fiscal year. The University relies on these appropriations to provide funding for operations.

**Q. Scholarship Discounts and Allowances**

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship 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 nonoperating revenues 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 allowance. The scholarship allowances on tuition and fees and housing for the year ended June 30, 2016 were \$21,713,715 and \$7,191,255, respectively.

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

R. Collections

The University has collections of rare manuscripts and art that it does not depreciate. These collections adhere to the University's policy to (a) maintain them for public exhibition, education or research, (b) protect, keep unencumbered, care for and preserve them, and (c) require proceeds from their sale to be used to acquire other collection items.

S. Endowments

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

For donor restricted endowments, the UPMIFA permits the Board of Directors of the Foundation to appropriate an amount of donor restricted endowments. The Board of Directors has established an investment policy with the objectives of protecting the principal of these funds and maximizing total investment return without assuming extraordinary risks. A similar strategy has been implemented for Foundation designated endowments.

For both donor restricted endowments and Foundation designated endowments, it is the goal of the Foundation to provide spendable income levels that are reasonably stable and sufficient to meet budgetary requirements and to maintain a spending rate, currently established at 4.25% for endowment purposes and 1.15% for operational purposes, of a 36-month moving average of endowment market value, which ensures a proper balance between the preservation of corpus and enhancement of the purchasing power of investment earnings. The Foundation's policy is to retain the endowments' unrealized appreciation with the endowment (either donor restricted or Foundation designated) after spending rule distributions. As of June 30, 2016, the Foundation had a total of \$4,437,783 of net cumulative appreciation from investment of donor-restricted endowments and Foundation designated endowments available for expenditure. This amount is allocated between expendable restricted net position and unrestricted net position in the Statement of Net Position based on the classification of the underlying asset upon which the income was earned.

T. Split-Interest Agreements

The Foundation's split-interest agreements with donors consist of irrevocable charitable remainder trusts and irrevocable charitable trusts for which the Foundation is a beneficiary. The fair value of the trust assets are reported in the Statement of Net



**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

Position and changes in the fair value of the assets are recognized in the Statement of Revenues, Expenses, and Changes in Net Position. It is management's intent to record the contribution income from these agreements in the fiscal year the Foundation becomes the irrevocable beneficiary. The Foundation received \$53,320 of new contribution income during Fiscal Year 2016. Any outstanding liabilities relating to the annual distributions required by the trust agreements are recorded in the Statement of Net Position.

U. Taxes

As a State institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(1) of the Internal Revenue Code and a similar provision of state law. However, some activities may be subject to taxation as unrelated business income under the Internal Revenue Code and certain activities are subject to State sales tax.

V. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the plan net position of the State Universities Retirement System (SURS or the System) and additions to/deductions from SURS' plan net position has been determined on the same basis as they are reported by SURS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For the purposes of financial reporting, the State of Illinois and participating employers are considered to be under a special funding situation. A special funding situation is defined as a circumstance in which a non-employer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either (1) the amount of the contributions for which the non-employer entity is legally responsible is not dependent upon one or more events unrelated to pensions or (2) the non-employer is the only entity with a legal obligation to make contributions directly to a pension plan. The State of Illinois is considered a non-employer contributing entity. Participating employers are considered employer contributing entities.

W. Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the 2016 presentation.

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

**NOTE 2 - DEPOSITS**

**University**

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Illinois; bonds of any city, county, school district or special road district of the State of Illinois; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At June 30, 2016, the book balance of various University bank accounts and certificates of deposit was \$361,258, while the bank balance was \$345,075. The difference between these amounts represents deposits in transit as of June 30, 2016. In addition, the University had cash on hand in various petty cash and change funds in the amount of \$59,091 as of June 30, 2016.

**Foundation**

At June 30, 2016, the book balance of the Foundation's various bank accounts was \$2,188,680, while the bank balance was \$2,260,625. The difference between these amounts primarily represents checks that have been issued, but have not yet cleared the bank, and deposits in transit as of June 30, 2016.

Reconciliation of cash and cash equivalents to deposits:

	<u>University</u>	<u>Foundation</u>
Cash and cash equivalents	\$ 41,140,832	\$ 2,346,154
Cash and cash equivalents, restricted	140,414	-
Less: Money market funds classified as cash and cash equivalents	(40,860,897)	(157,474)
Cash on hand	(59,091)	-
Carrying amount of deposits	<u>\$ 361,258</u>	<u>\$ 2,188,680</u>

**NOTE 3 – INVESTMENTS**

**University**

The University held no investments as of June 30, 2016.

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a financial institution's failure, a government's deposits, investments or collateral securities that are in the possession of an outside party may not be returned to it. The University's policy for custodial credit risk requires compliance with the provisions of State law.

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

*Interest Rate Risk*

As a means of limiting its exposure to fair value losses arising from rising interest rates, the University's investment policy limits maturity of its investments to five years or less from the date of purchase.

*Credit Risk*

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The University's policy limits its investments to the Illinois Funds investment pool, United States Treasury bills, United States Treasury notes, United States Treasury bonds, Federal Farm Credit Banks bonds, Federal Home Loan Banks notes, Federal National Mortgage Association, Federal Land Bank bonds, Government National Mortgage Association, and Federal Home Loan Mortgage Corporation.

**Foundation**

At June 30, 2016, the Foundation held investments with the following maturities:

Type	2016	Maturities in Years			
		Less Than One Year or No Maturity	1-5 Years	6-10 Years	Over 10 Years
U.S. agency obligations (FHLM, FNMA)	\$ 83,867	\$ -	\$ 83,867	\$ -	\$ -
Municipal bonds	1,654,132	123,854	1,274,568	255,710	-
Corporate debt securities	6,971,168	1,640,877	4,409,259	870,364	50,668
Corporate equity securities	66,152	65,552	600	-	-
International equity securities	1,317,197	1,317,197	-	-	-
Cash equivalents held in investment pools	637,182	637,182	-	-	-
Real asset tax-exempt	2,728,944	-	786,791	793,903	1,148,250
Real assets exchange traded funds	1,323,921	1,323,921	-	-	-
Absolute return	8,026,017	8,026,017	-	-	-
Mutual funds, international equity	7,045,033	7,045,033	-	-	-
Mutual funds, domestic equity	9,229,254	9,229,254	-	-	-
Mutual funds, international debt	1,835,153	1,835,153	-	-	-
Mutual funds, U.S. debt	2,229,200	2,229,200	-	-	-
Private equity	3,906,492	-	107,394	1,897,666	1,901,432
Certificates of deposit	2,517,958	-	2,517,958	-	-
Farm Land	3,334,260	3,334,260	-	-	-
<b>Total investments</b>	<b>\$ 52,905,930</b>	<b>\$ 36,807,500</b>	<b>\$ 9,180,437</b>	<b>\$ 3,817,643</b>	<b>\$ 3,100,350</b>

The Foundation adheres to the total return concepts of investment management. Total return is defined as the aggregate sum of current income and changes in the market value of the assets under management.

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

*Custodial Credit Risk*

Custodial credit risk is the risk that when, in the event a financial institution or counterparty fails, the Foundation would not be able to recover the value of deposits, investments, or collateral securities that are in the possession of an outside party. The Federal Deposit Insurance Corporation and Security Investor Protection Corporation insured account balance of \$2,420,999 as of June 30, 2016. Illinois Funds are in the custody of the State Treasurer and are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act (15 ILCS 520/11). See <http://www.treasurer.il.gov/programs/illinois-funds/about-illinois-funds.aspx> for information on the Illinois Funds. The Foundation's deposits in other institutions' money market funds are subject to the Funds' collateralization and investment policies.

*Concentration Risk*

Concentration risk exists when a significant portion of the portfolio is invested in items with similar characteristics or subject to similar economic, political, or other conditions. As of June 30, 2016, the Foundation has three single user investments that each represents over 5% of the total assets of the Foundation. Foundation management believes these concentration risks represented below are not excessive when considering the overall diversification of the entire investment portfolio. The following issuers hold more than 5% of total Foundation assets as of June 30, 2016:

Mercer Hedge Fund Investors SPC	\$8,026,017	15.4%
Vanguard Total Stock Market Index	\$5,110,044	9.8%
Mid America National Bank Fixed	\$3,447,865	6.6%

*Interest Rate Risk*

Interest rate risk is the risk when there is a possibility that changes in interest rates could adversely affect an investment's value. The Foundation does not have a policy that specifically addresses interest rate risk. The Foundation had the following assets, at fair values, exposed to interest rate risk at June 30, 2016:

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

U.S. agency obligations (FHLM, FNMA)	\$ 83,867
Municipal bonds	1,654,132
Corporate debt securities	6,971,168
Cash equivalents held in investment pools	637,182
Mutual funds, international debt	1,835,153
Mutual funds, U. S. debt	2,229,200
Certificates of Deposit	<u>2,517,958</u>
Sub-total investments	<u>15,928,660</u>
Demand Deposit Interest Bearing Funds	<u>2,222,725</u>
Sub-Total cash and cash equivalents	<u>2,222,725</u>
Total assets subject to interest rate risk	<u><u>\$18,151,385</u></u>

*Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Foundation's short-term investments generally are not exposed to foreign currency risk.

The Foundation's investments in international stock and mutual funds represent 18.4% of the total Foundation investments as of June 30, 2016. The Foundation does not have a policy on foreign currency risk. The U.S. dollar balances of the Foundation's investment exposed to foreign currency risk as of June 30, 2016 are listed below.

<i>Currency</i>	<i>United States Dollar Equivalent</i>
Euro	\$ 1,575,703
United Kingdom British Pound	1,501,386
Japanese Yen	1,305,535
Swiss Franc	778,937
Yuan Renminbi (China)	577,371
Other currencies, individually less than 1% of fund portfolio	<u>4,013,452</u>
Total	<u><u>\$ 9,752,384</u></u>

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligations. Credit quality ratings are not required for U.S. government securities that are explicitly guaranteed by the U.S. government.

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

At June 30, 2016, the Foundation had the following investments and their ratings:

Credit Rating per Standard and Poor's				
	Total Fair Value	U.S. Agency Obligations (FHLM, FNMA)	Corporate Debt Securities	Municipal Bonds
BBB+	\$ 71,000	\$ -	\$ 71,000	\$ -
Not Rated	8,638,167	83,867	6,900,168	1,654,132
	<u>\$ 8,709,167</u>	<u>\$ 83,867</u>	<u>\$ 6,971,168</u>	<u>\$ 1,654,132</u>

Credit Rating per Moody's				
	Total Fair Value	U.S. Agency Obligations (FHLM, FNMA)	Corporate Debt Securities	Municipal Bonds
Aaa	\$ 185,207	\$ 83,867	\$ 80,260	\$ 21,080
Aa1	150,086	-	96,090	53,996
Aa2	368,931	-	107,026	261,905
Aa3	491,576	-	129,540	362,036
A1	408,278	-	408,278	-
A2	558,511	-	434,657	123,854
A3	516,796	-	-	516,796
B3	361,103	-	361,103	-
Baa1	294,885	-	294,885	-
Baa2	89,408	-	89,408	-
Baa3	693,153	-	423,152	270,001
Not Rated	4,591,233	-	4,546,769	44,464
	<u>\$ 8,709,167</u>	<u>\$ 83,867</u>	<u>\$ 6,971,168</u>	<u>\$ 1,654,132</u>

*Fair Value Measurements*

The Foundation measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1 - Quoted prices for identical investments in active markets
- Level 2 - Observable inputs other than quoted market prices
- Level 3 - Unobservable inputs

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

At June 30, 2016, the Foundation had the following recurring fair value measurements.

	2016	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<b>Debt securities</b>				
U.S. agency obligations (FHLM, FNMA)	\$ 83,867	\$ 83,867	\$ -	\$ -
Municipal bonds	1,654,132	-	1,654,132	-
Corporate debt securities	6,971,168	-	6,971,168	-
Mutual funds, international debt	1,835,153	1,835,153	-	-
Mutual funds, U.S. debt	2,229,200	2,229,200	-	-
Total debt securities	12,773,520	4,148,220	8,625,300	-
<b>Equity securities</b>				
Corporate equity securities	66,152	66,152	-	-
International equity securities	1,317,197	1,317,197	-	-
Mutual funds, international equity	7,045,033	7,045,033	-	-
Mutual funds, domestic equity	9,229,254	9,229,254	-	-
Total equity securities	17,657,636	17,657,636	-	-
Real assets exchange traded funds	1,323,921	1,323,921	-	-
Real estate (farm land)	3,334,260	-	3,334,260	-
Charitable remainder trusts	4,712,599	-	-	4,712,599
Total investments by fair value level	39,801,936	\$23,129,777	\$11,959,560	\$ 4,712,599
<b>Investments measured at net asset value</b>				
Real assets tax-exempt	2,728,944			
Absolute return (hedge funds)	8,026,017			
Private equity	3,906,492			
Total other	14,661,453			
Total	54,463,389			
Plus cash equivalents held in investment pools	637,182			
Plus certificates of deposit	2,517,958			
Less charitable remainder trusts	(4,712,599)			
Total investments	\$52,905,930			

Debt and equity securities and real estate exchange traded funds classified in Level 1 are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 are valued using quoted prices for identical securities in markets that are not active, quoted prices for similar securities in active markets, and matrix pricing based on securities' relationship to benchmark quoted prices. Real estate classified in Level 2 is valued using recent appraisals of the real estate's value. Charitable remainder trusts classified in Level 3 are valued at the present value of the estimated future cash receipts from the trust assets. Such present values are generally assumed to be the fair market value of the percentage interest of the underlying assets

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

of the trust.

Investments valued using the net asset value (NAV) per share (or its equivalent) are considered “alternative investments” and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. The Foundation values these investments based on the partnerships’ audited financial statements, when available, or internal interim financial statements.

*Summary of Carrying Values*

The carrying values of cash and cash equivalents shown on previous pages are included in the Statement of Net Position as follows:

	<u>University</u>	<u>Foundation</u>
Cash and cash equivalents	\$ 41,140,832	\$ 2,346,154
Cash and cash equivalents, restricted	140,414	-
Total	<u>\$ 41,281,246</u>	<u>\$ 2,346,154</u>

The carrying values of investments shown on previous pages are included in the Statement of Net Position as follows:

	<u>University</u>	<u>Foundation</u>
Current:		
Investments	\$ -	\$ 3,576,152
Noncurrent:		
Endowment Investments	-	3,361,149
Endowment Investments, restricted	-	38,027,028
Investments	-	7,941,601
Total Noncurrent	<u>\$ -</u>	<u>\$ 49,329,778</u>
Total investments	<u>\$ -</u>	<u>\$ 52,905,930</u>

Investment income (loss) for the year ended June 30, 2016 consisted of:

	<u>University</u>	<u>Foundation</u>
Interest, dividends, realized gains (losses) and market value changes	<u>\$ 266,599</u>	<u>\$ (771,752)</u>



STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016

NOTE 4 - ACCOUNTS AND STUDENT LOANS RECEIVABLE

Accounts receivable are reported net of allowances for uncollectible accounts. Accounts receivable consisted of the following as of June 30, 2016:

Receivable from students	\$ 13,085,990
Receivable from third parties	1,442,320
Receivables from funding agencies	1,897,944
Total gross receivables	<u>16,426,254</u>
Allowance for doubtful accounts	<u>(5,675,492)</u>
Total net receivables	<u>\$ 10,750,762</u>

Student loans receivable totaling \$2,165,698 is reported net of allowance for uncollectible loans of \$491,200 at June 30, 2016.

NOTE 5 - CAPITAL ASSETS

Capital asset activities for the University for the year ended June 30, 2016 were as follows:

	Balance June 30, 2015	Additions	Retirements/ Adjustments	Transfers	Balance June 30, 2016
Non-depreciable capital assets:					
Land and land improvements	\$ 3,256,432	\$ 287,249	\$ -	\$ 59,319	\$ 3,603,000
Works of art and historical treasures	618,821	-	(27,254)	-	591,567
Construction in progress	7,243,677	1,139,386	(2,006,050)	(883,232)	5,493,781
Total non-depreciable capital assets	<u>11,118,930</u>	<u>1,426,635</u>	<u>(2,033,304)</u>	<u>(823,913)</u>	<u>9,688,348</u>
Depreciable capital assets					
Site improvements	49,574,399	77,206	(3,051,647)	250,415	46,850,373
Buildings and building improvements	375,364,905	377,818	-	573,498	376,316,221
Equipment	80,057,683	1,281,933	(3,299,927)	11,928	78,051,617
Capital lease equipment	31,928	10,325	-	(11,928)	30,325
Total depreciable capital assets	<u>505,028,915</u>	<u>1,747,282</u>	<u>(6,351,574)</u>	<u>823,913</u>	<u>501,248,536</u>
Less accumulated depreciation:					
Site improvements	20,553,653	1,749,573	(301,166)	-	22,002,060
Buildings and building improvements	161,747,078	14,764,004	-	-	176,511,082
Equipment	72,183,240	2,454,472	(3,244,578)	5,964	71,399,098
Capital lease equipment	9,964	6,581	-	(5,964)	10,581
Total accumulated depreciation	<u>254,493,935</u>	<u>18,974,630</u>	<u>(3,545,744)</u>	<u>-</u>	<u>269,922,821</u>
Total depreciable capital assets, net	<u>250,534,980</u>	<u>(17,227,348)</u>	<u>(2,805,830)</u>	<u>823,913</u>	<u>231,325,715</u>
Capital assets, net	<u>\$ 261,653,910</u>	<u>\$ (15,800,713)</u>	<u>\$ (4,839,134)</u>	<u>\$ -</u>	<u>\$ 241,014,063</u>

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

The Fiscal Year 2016 capital asset activities for site improvements and buildings and building improvements included prior period adjustments for impaired assets totaling \$2,864,127. The impaired assets included three residential buildings that were taken offline in prior periods as part of the University's master plan. The University reduced their reported balance to zero as the buildings are being prepared for demolition. Also as a part of the prior period adjustments, construction in progress (CIP) and site improvements were reduced in the amount of \$4,756,531 for demolition costs that were capitalized in a prior period instead of being expensed as incurred. See Note 21 for further information related to the prior period adjustment.

In addition to the impaired assets above, the University has a vacant administrative building with a net book value of \$1,138,101 as of June 30, 2016 that is properly being carried at the lower of carrying value or fair market value.

An additional residential building was taken offline in July 2015. The University reduced the carrying value to zero as it is being prepared for demolition resulting in an impairment loss of \$719,294 during Fiscal Year 2016 which is included as a non-operating expense on the Statement of Revenue, Expenditures and Changes in Net Position.

Capital asset activities for the Foundation for the year ended June 30, 2016 were as follows:

	Balance (As restated) June 30, 2015	Additions	Retirements	Transfers	Balance June 30, 2016
Land and land improvements	\$ 388,304	\$ 270,000	\$ -	\$ -	\$ 658,304

As discussed in Note 21, the Foundation's Fiscal Year 2015 financial statements have been restated to incorporate GASB No. 72 guidance for comparability. Thus, the June 30, 2015 capital asset balance of \$1,105,104 has been restated to \$388,304.

**NOTE 6 - LOSSES ON DEBT REFUNDINGS**

Deferred outflow of resources included losses on bond refunding which resulted from the difference between the reacquisition price and the net carrying amount of the old debt. Total amortization for the year ended June 30, 2016 was \$152,323.

**NOTE 7 - UNEARNED REVENUE**

Unearned revenues consist of the following as of June 30, 2016:

Tuition and fees	\$ 3,288,077
Grants and contracts	1,219,158
Sales and services of educational departments	245,449
Auxiliary enterprises	256,106
Total	<u>\$ 5,008,790</u>

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

**NOTE 8 - NOTES PAYABLE**

During the year ended June 30, 2014, the University entered into an installment purchase agreement for networking equipment with an original cost of \$392,786. As of June 30, 2016, the related notes payable obligation was recorded at the present value of the future minimum installment payments, discounted using an applicable discount rate of 1.62%.

Notes payable activities for the year ended June 30, 2016 were as follows:

Balance, beginning of year	\$ 292,696
Payments	<u>(145,175)</u>
Balance, end of year	<u>\$ 147,521</u>
Current portion	<u>\$ 147,521</u>

**NOTE 9 - CAPITAL LEASES PAYABLE**

The University leases equipment under capital lease purchase contracts with an imputed rate of .78% to 22.84%. The capital leases payable are secured by the equipment being financed. The scheduled maturities of the capital leases are as follows:

	Principal	Interest	Total Payments
2017	\$ 5,526	\$ 1,807	\$ 7,333
2018	6,346	1,221	7,567
2019	7,082	484	7,566
2020	2,941	10	2,951
Total	<u>\$ 21,895</u>	<u>\$ 3,522</u>	<u>\$ 25,417</u>

**NOTE 10 - REVENUE BONDS PAYABLE AND SUBSEQUENT EVENT**

*General*

At June 30, 2016, revenue bonds payable consists of Western Illinois University Auxiliary Facilities System Revenue Bonds, Series 2016, Western Illinois University Auxiliary Facilities System Revenue Bonds, Series 2015, Western Illinois University Auxiliary Facilities System Revenue Bonds, Series 2012, and Western Illinois University Auxiliary Facilities System Revenue Bonds, Series 2010.

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

*Series 2016 Bonds*

On February 4, 2016, the Series 2016 Revenue Bonds were issued in the principal amount of \$8,990,000. The Series 2016 bonds are due April 1, 2027, with annual principal payments ranging from \$450,000 to \$1,125,000 commencing on April 1, 2017 and semi-annual interest payments beginning October 1, 2016 at 5.00%.

Proceeds from the sale of the Series 2015 Bonds were used to provide for the current refunding of the outstanding Series 2006 Bonds in the principal amount of \$9,660,000 and to pay certain expenses related to the issuance of the bonds. The total principal amount was deposited into the Series 2006 Bond Account to redeem all of the Refunded Series 2006 bonds on their redemption date at a price equal to the principal amount thereof. As a result, the Series 2006 Bonds are considered defeased and the liability for that portion of the bonds has been removed from the University's Statement of Net Position.

Although the current refunding resulted in the recognition of an accounting loss of \$75,649 for the year ended June 30, 2016, the University in effect reduced its aggregate debt service payments by \$597,298 over the next five years and obtained an economic gain of \$493,966.

*Series 2015 Bonds*

On May 8, 2015, the Series 2015 Revenue Bonds were issued in the principal amount of \$4,190,000. The Series 2015 bonds are due April 1, 2020, with annual principal payments ranging from \$600,000 to \$1,710,000 commencing on April 1, 2016 and semi-annual interest payments beginning October 1, 2015 at 1.39% to 2.03%.

Proceeds from the sale of the Series 2015 Bonds were used to provide for the current refunding of the outstanding Series 2005 Bonds in the principal amount of \$4,115,000 and to pay certain expenses related to the issuance of the bonds. The total principal amount was deposited into the Series 2005 Bond Account to redeem all of the Refunded Series 2005 bonds on their redemption date at a price equal to the principal amount thereof. As a result, the Series 2005 Bonds are considered defeased and the liability for that portion of the bonds has been removed from the University's Statement of Net Position.

*Series 2012 Bonds*

On April 19, 2012, the Series 2012 Revenue Bonds were issued in the principal amount of \$33,520,000. The Series 2012 bonds are due April 1, 2032, with annual principal payments ranging from \$1,290,000 to \$2,140,000 commencing on April 1, 2013 and semi-annual interest payments beginning April 1, 2013 at 3.00% to 4.20%.

Proceeds from the sale of the Series 2012 Bonds were used to finance capital improvements to Thompson Hall and the University Union. In addition, a portion of the proceeds from the Series 2012 Bonds were used to provide for the advance refunding of the outstanding Series 2002

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

Bonds in the principal amount of \$7,890,000. The total principal amount was deposited into the Series 2002 Refunding Fund to redeem all of the Refunded Series 2002 bonds on their redemption date at a price equal to the principal amount thereof. As a result, the Series 2002 Bonds are considered defeased and the liability for that portion of the bonds has been removed from the University's Statement of Net Position.

*Series 2010 Bonds*

On August 5, 2010, the Series 2010 Revenue Bonds (Build America Bonds) were issued in the principal amount of \$25,510,000. The Series 2010 bonds are due April 1, 2033, with annual principal payments ranging from \$1,120,000 to \$2,010,000 commencing on April 1, 2017 and semi-annual interest payments beginning April 1, 2011 at 4.35% to 6.60%.

Proceeds from the sale of the Series 2010 Bonds were used to finance capital improvement renovations to Corbin and Olson Residence Halls including the Commons Dining Center.

*Subsequent Event*

On July 26, 2016, Standard & Poor's downgraded the University's ratings to "BBB-" from "BBB+" on the University's Auxiliary Facilities System Revenue Bonds. On June 9, 2016, Standard & Poor's downgraded the State of Illinois one notch to BBB+. As a result of the downgrades to the State of Illinois, both Moody's and Standard & Poor's took rating actions on all of the Illinois public universities they respectively rate.

*Advance Refunded Bonds*

Certain revenue bonds of the University have been defeased in prior years through advance refunding and, accordingly, have been accounted for as if they were retired. The principal amount of advance refunded bonds was fully paid.

*Debt Service Activity Requirements and Collateral*

Following is a schedule depicting Revenue Bonds Payable activities for the year ended June 30, 2016:

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Series 2006 Bonds	10,505,000	-	(10,505,000)	-	-
Series 2010 Bonds	25,510,000	-	-	25,510,000	1,120,000
Series 2012 Bonds	28,685,000	-	(1,705,000)	26,980,000	1,770,000
Series 2015 Bonds	4,190,000	-	(1,710,000)	2,480,000	600,000
Series 2016 Bonds	-	8,990,000	-	8,990,000	770,000
Unamortized premium	325,012	1,019,255	(216,205)	1,128,062	303,107
Unamortized discount	(60,788)	-	60,788	-	-
	<u>\$ 69,154,224</u>	<u>\$ 10,009,255</u>	<u>\$(14,075,417)</u>	<u>\$ 65,088,062</u>	<u>\$ 4,563,107</u>

Aggregate maturities of the bonds outstanding as of June 30, 2016 are as follows:

	Principal	Interest
2017	\$ 4,260,000	\$ 3,074,425
2018	4,455,000	2,838,750
2019	4,600,000	2,657,189
2020	4,775,000	2,465,743
2021	4,305,000	2,263,965
2022-2026	18,765,000	8,579,130
2027-2031	17,060,000	4,369,898
2032-2033	5,740,000	468,300
	<u>63,960,000</u>	<u>26,717,400</u>
Unamortized premium	1,128,062	-
	<u>\$ 65,088,062</u>	<u>\$ 26,717,400</u>

None of the bonds described above constitute obligations of either the State of Illinois or the Board of Trustees of Western Illinois University, but together with interest thereon, are payable solely from and are collateralized by: a) the net revenues of the Western Illinois University Auxiliary Facilities System, b) certain pledged student fees, and c) a pledge of student tuition. Maximum annual debt service as defined for all outstanding revenue bonds is \$7,334,425. The estimated debt service coverage ratio based on revenues generated from operations is 1.67. The future pledged revenues for principal and interest in Fiscal Year 2016 are \$90,677,399. Pledged revenue coverage is 12.88 in Fiscal Year 2016. Pledged revenues have a term of commitment through 2033.

**NOTE 11 - CERTIFICATES OF PARTICIPATION PAYABLE AND SUBSEQUENT EVENT**

*General*

At June 30, 2016, certificates of participation consist of Western Illinois University Series 2015 Certificates of Participation and Western Illinois University Series 2010 Certificates of Participation.

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

*Series 2015 Certificates of Participation*

On July 14, 2015, the Series 2015 Certificates of Participation were issued in the principal amount of \$15,100,000. The Series 2015 Certificates of Participation are due October 1, 2024 with annual principal payments ranging from \$1,470,000 to \$1,890,000 commencing October 1, 2016 and semi-annual interest payments beginning October 1, 2016 at 3.00% to 5.00%.

Proceeds from the sale of the Series 2015 Certificates of Participation were used to provide for the current refunding of the outstanding Series 2005 Certificates of Participation in the principal amount of \$7,160,000, the advance refunding of the outstanding Series 2011 Certificates of Participation in the principal amount of \$9,265,000, and to pay certain expenses related to the issuance of the bonds. The net proceeds plus funds provided by the University were deposited into the Series 2005 Installment Payment Fund and the 2011 Installment Payment Fund to redeem all of the Refunded Series 2005 and 2011 Certificates of Participation on their redemption date at a price equal to the principal amount thereof. As a result, the Series 2005 and 2011 Certificates of Participation are considered defeased and the liability for that portion of the certificates has been removed from the University's Statement of Net Position.

Although the refunding resulted in the recognition of an accounting loss of \$598,240, the University in effect reduced its aggregate debt service payments by \$1,474,172 over the next 10 years and obtained an economic gain of \$935,187.

*Series 2010 Certificates of Participation*

On March 11, 2010, the Series 2010 Certificates of Participation were issued in the principal amount of \$11,585,000. The Series 2010 Certificates of Participation are due October 1, 2029 with annual principal payments ranging from \$415,000 to \$825,000 commencing October 1, 2010 and semi-annual interest payments beginning October 1, 2010 at 1.30% to 6.37%.

Proceeds from the sale of the Series 2010 Certificates of Participation were used to finance heating plant capital improvements and steam line replacements. Additionally, proceeds from the sale were used to reimburse the University for a portion of the cost of the sprinkler system installation in Thompson and Tanner Halls.

*Subsequent Event*

On July 26, 2016, Standard & Poor's downgraded the University's ratings to "BBB-" from "BBB+" on the University's Certificates of Participation. On June 9, 2016, Standard & Poor's downgraded the State of Illinois one notch to BBB+. As a result of the downgrades to the State of Illinois, both Moody's and Standard & Poor's took rating actions on all of the Illinois public universities they respectively rate.

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

*Debt Service Activity Requirements and Collateral*

Following is a schedule depicting Certificates of Participation activities for the year ended June 30, 2016:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Series 2005	\$ 7,160,000	\$ -	\$ (7,160,000)	\$ -	\$ -
Series 2010	9,365,000	-	(475,000)	8,890,000	490,000
Series 2011	9,265,000	-	(9,265,000)	-	-
Series 2015	-	15,100,000	-	15,100,000	1,730,000
Unamortized premium	-	694,262	(134,222)	560,040	117,289
Unamortized discount	(20,810)	-	3,823	(16,987)	(3,690)
	<u>\$ 25,769,190</u>	<u>\$ 15,794,262</u>	<u>\$ (17,030,399)</u>	<u>\$ 24,533,053</u>	<u>\$ 2,333,599</u>

Aggregate maturities of the certificates of participation outstanding as of June 30, 2016 are as follows:

	Principal	Interest
2017	\$ 2,220,000	\$ 977,944
2018	2,290,000	904,688
2019	2,360,000	827,516
2020	2,435,000	745,875
2021	2,035,000	667,301
2022-2026	9,570,000	2,037,058
2027-2031	3,080,000	402,000
	<u>\$ 23,990,000</u>	<u>\$ 6,562,382</u>
Unamortized premium	560,040	
Unamortized discount	(16,987)	
	<u>\$ 24,533,053</u>	<u>\$ 6,562,382</u>

The Certificates of Participation described above do not constitute obligations of either the State of Illinois or the Board of Trustees of Western Illinois University, but together with interest thereon, are payable solely from and are collateralized by lawful appropriations by the General Assembly for such purposes and legally available nonappropriated funds on an annual basis.

**NOTE 12 - ACCRUED COMPENSATED ABSENCES**

Vacation pay earned but not taken may be accumulated up to a specified maximum from 24 to 56 work days, and received as a lump sum payment upon termination. At June 30, 2016, such accumulated benefits totaled \$7,721,827.



**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

Administrative and faculty unused sick leave may be accumulated up to a specified maximum, generally 360 calendar days. Unused and unpaid sick leave can be applied toward the service time requirements for computing retirement benefits. Civil service exempt and nonexempt employees have no specified maximum accumulation of unused sick leave days. One-half of any unused sick leave earned from January 1, 1984 and prior to January 1, 1998 can be received as a lump sum payment upon termination. At June 30, 2016, such accumulated benefits totaled \$3,118,592. Compensated absences activity for the year ended June 30, 2016 was as follows:

Balance, beginning of year	\$ 12,216,985
Deductions	<u>(1,376,566)</u>
Balance, end of year	10,840,419
Less: current portion	<u>(1,735,188)</u>
Balance, end of year - noncurrent portion	<u>\$ 9,105,231</u>

**NOTE 13 – DEFINED BENEFIT PENSION PLAN**

**General Information about the Pension Plan**

*Plan Description*

The University contributes to the State Universities Retirement System of Illinois (the System), a cost-sharing multiple-employer defined benefit plan with a special funding situation whereby the State 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 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](http://www.SURS.org).

*Benefits Provided*

A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed 6 months after their date of hire to make an irrevocable election. A summary of the

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

benefit provisions as of June 30, 2015 can be found in the System's comprehensive annual financial report (CAFR) Notes to the Financial Statements.

*Contributions*

The State of Illinois is primarily responsible for funding the System on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a Statutory Funding Plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members of the System to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from "trust, federal, and other funds" are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for Fiscal Year 2015 and 2016 respectively, was 11.71% and 12.69% of employee payroll. The normal cost is equal to the value of current year's pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

Participating employers make contributions toward separately financed specific liabilities under Section 15.139.5(e) of the Illinois Pension Code (relating to contributions payable due to the employment of "affected annuitants" or specific return to work annuitants) and Section 15.155(g) (relating to contributions payable due to earning increases exceeding 6% during the final rate of earnings period).

**Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Net Pension Liability*

At June 30, 2015, SURS reported a net pension liability (NPL) of \$23,756,361,087. The net pension liability was measured as of June 30, 2014.

*Employer Proportionate Share of Net Pension Liability*

The amount of the proportionate share of the net pension liability to be recognized for the University is \$0. The proportionate share of the State's net pension liability associated with the University is \$628,376,573 or 2.6451%. This amount should not be recognized in the financial statement. The net pension liability was measured as of June 30, 2015, and the total pension used to calculate the net pension liability was determined based on the June 30, 2014 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS during Fiscal Year 2015.

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

*Pension Expense*

At June 30, 2015 SURS reported a collective net pension expense of \$1,994,587,170.

*Employer Proportionate Share of Pension Expense*

The employer proportionate share of collective pension expense should be recognized similarly to on-behalf payments as both revenue and matching expenditure in the financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported pensionable contributions made to SURS during Fiscal Year 2015. As a result, the University recognized on-behalf revenue and pension expense of \$52,758,579 for the fiscal year ended June 30, 2016, and is reported as part of nonoperating revenues (on-behalf payments for fringe benefits) and operating expenses (on-behalf payments).

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

Deferred outflows of resources are the consumption of net position by the system that is applicable to future reporting periods.

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 27,312,043	\$ -
Changes in assumption	609,393,909	-
Net difference between projected and actual earnings on pension plan investments	<u>593,840,642</u>	<u>953,329,464</u>
Total	<u>\$ 1,230,546,594</u>	<u>\$ 953,329,464</u>

SURS Collective Net Deferred Outflows by Year to be recognized in Future Pension Expenses:

<u>Year Ending June 30</u>	<u>Net Deferred Outflows of Resources</u>
2016	\$ 154,951,326
2017	118,957,720
2018	(145,152,075)
2019	148,460,159
2020	-
Thereafter	-
<u>Total</u>	<u>\$ 277,217,130</u>

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

**Employer Deferral of Fiscal Year 2016 Pension Expense**

The University paid \$360,777 in federal, trust or grant contributions for the fiscal year ended June 30, 2016. These contributions were made subsequent to the pension liability measurement date of June 30, 2015 and are recognized as Deferred Outflows of Resources as of June 30, 2016.

**Assumptions and Other Inputs**

*Actuarial assumptions*

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period June 30, 2010 – 2014. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.75 to 12.00 percent, including flation
Investment rate of return	7.25 percent beginning with the actuarial valuation as of June 30, 2014

Mortality rates were based on the RP2000 Combined Mortality Table, projected with Scale AA to 2017, sex-distinct, with rates multiplied by 0.80 for males and 0.85 for females.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary(s). For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2015, these best estimates are summarized in the following table:

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

Asset class	Target allocation	Weighted average long-term expected real rate of return
U.S. equity	23%	5.77%
Private equity	6%	9.23%
Non-U.S. equity	19%	6.69%
Global equity	8%	6.51%
Fixed Income	19%	1.12%
Treasury-inflation protected securities	4%	1.22%
Emerging market debt	3%	4.61%
REITS	4%	5.85%
Direct real estate	6%	4.37%
Commodities	2%	4.06%
Hedged strategies	5%	3.99%
Opportunity fund	1%	6.80%
Total	100%	5.02%
Inflation		3.00%
Expected arithmetic returns		8.02%

*Discount Rate*

A single discount rate of 7.12% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.80% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under the System's funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2072. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2072, and the municipal bond rate was applied to all benefit payments after that date.

*Sensitivity of the System's Net Pension Liability to Changes in the Discount Rate*

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.12%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

1% Decrease 6.12%	Current Single Discount Rate Assumption 7.12%	1% Increase 8.12%
\$ 28,929,333,917	\$ 23,756,361,087	\$ 19,470,982,362

Additional information regarding the SURS basic financial statements including the Plan Net Position can be found in the SURS comprehensive annual financial report by accessing the website at [www.SURS.org](http://www.SURS.org).

**NOTE 14 – ON-BEHALF PAYMENTS FOR FRINGE BENEFITS**

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the University reported payments made to the State Universities Retirement System on behalf of the University for its proportional share of the State's pension expense of \$52,758,579 as described in Note 13. Substantially all employees participate in group health insurance plans administered by the State. The employer contributions to these plans for a majority of the University's employees are paid by Central Management Services (CMS) on behalf of the University. The University reported group insurance on-behalf payments made to Central Management Services of \$35,315,108 for the year ended June 30, 2016. The on-behalf payments amount that relates to State group health insurance is an allocation of estimated costs incurred by CMS on behalf of the University. The total on-behalf payments of \$88,073,687 are reported as nonoperating revenues and operating expenses.

**NOTE 15 - POSTEMPLOYMENT BENEFITS**

The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by 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 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 the 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

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

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 Central Management Services. A copy of the financial statements of the Department of Central Management Services may be obtained by writing to the Department of Central Management Services, 715 Stratton Building, 401 South Spring Street, Springfield, Illinois, 62606-4100.

**NOTE 16 – STATE OF ILLINOIS APPROPRIATIONS**

On June 30, 2016, the General Assembly passed SB 2047, Public Act 99-524 that included a six-month stop gap budget for universities. The University received Fiscal Year 2017 appropriations of \$31,389,000 from the Education Assistance Fund. The Public Act states that Fiscal Year 2017 appropriations may be used to pay prior year costs through December 31, 2016. The University fully spent the Fiscal Year 2017 appropriation for Fiscal Year 2016 costs. In addition, the spring semester awards made for Fiscal Year 2016 scholarships totaling \$5,939,112 from the Illinois Student Assistance Commission were reimbursed to the University from the Fiscal Year 2017 Fund for the Advancement of Education appropriation. In accordance with GASB Statement No. 33, the revenues paid from Fiscal Year 2017 appropriations totaling \$37,328,112 were not recognized as revenues and receivables at June 30, 2016 even though they were used to pay for Fiscal Year 2016 costs.

**NOTE 17 - INSURANCE**

Through its participation in the Illinois Public Higher Education Cooperative (IPHEC), the University has contracted with commercial carriers to provide various insurance coverages, including educators' legal and other general liability insurance. The University's liability coverages have a \$250,000 to \$350,000 deductible per occurrence. Additionally, the University purchases property insurance coverage for the replacement value of University real property and contents. Settled claims have not exceeded commercial coverage in any of the three preceding years.

**NOTE 18 - OPERATING EXPENSES BY NATURAL CLASSIFICATION**

Operating expenses by natural classification for the year ended June 30, 2016, for the University are summarized as follows:

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 60,536,244	\$ 1,828,268	\$ -	\$ -	\$ 62,364,512
Research	2,816,726	622,948	-	-	3,439,674
Public service	6,378,455	3,481,361	-	-	9,859,816
Academic support	12,948,671	3,224,643	-	-	16,173,314
Student services	10,904,119	10,251,233	-	-	21,155,352
Institutional support	9,677,156	3,608,236	-	-	13,285,392
Operation and maintenance of plant	8,360,817	5,359,922	-	-	13,720,739
Student aid expense	-	-	10,668,851	-	10,668,851
Auxiliary enterprises	14,714,326	23,686,508	-	-	38,400,834
Staff benefits	6,738,577	-	-	-	6,738,577
Depreciation	-	-	-	15,391,211	15,391,211
On-behalf payments	88,073,687	-	-	-	88,073,687
Other operating expenses	-	39,262	-	-	39,262
<b>Total</b>	<b>\$ 221,148,778</b>	<b>\$ 52,102,381</b>	<b>\$ 10,668,851</b>	<b>\$ 15,391,211</b>	<b>\$ 299,311,221</b>

**NOTE 19 - CONTRACT WITH WESTERN ILLINOIS UNIVERSITY FOUNDATION**

The University has a contract with the Western Illinois University Foundation in which the Foundation has agreed to aid and assist the University in achieving its educational, research, and service goals by developing and administering its gifts. These gifts received by the Foundation are to be used for the benefit of the University in its scholarship, loan, grant and other supporting programs. The University agreed, as part of this contract, to furnish certain services necessary to the operation of the Foundation.

For Fiscal Year 2016, the Foundation did not specifically reimburse the University for \$1,859,935 of personal service costs, facility use and other costs provided by the University. However, the Foundation gave the University \$4,106,729 for Fiscal Year 2016, in totally unrestricted funds or funds restricted as to department but generally available for ongoing University operations.

**NOTE 20 - COMMITMENTS AND CONTINGENCIES**

*Claims and Litigation*

The University is currently involved in various claims and pending legal actions related to matters arising from the ordinary conduct of business. The University administration believes that ultimate disposition of the actions will not have a material effect on the financial statements of the University.



**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

*Government Grants*

The University is currently participating in numerous grants from various departments and agencies of the federal and State governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursements of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

**NOTE 21 – PRIOR PERIOD ADJUSTMENT**

**University**

As discussed in Note 5, the University restated its net position balance at July 1, 2015 from \$216.7 to \$209.1 due to the following:

- A. To correct an error in valuation of certain capital assets that were deemed to be impaired prior to July 1, 2015. This adjustment decreased net position (Net investment in capital assets) by \$2,864,127.
- B. To correct an error in capitalizing demolition costs in prior periods instead of being expensed as incurred. This adjustment decreased net position (Net investment in capital assets) by \$4,756,531.

A reconciliation of net position reported in the prior period financial statements and as restated follows:

Net position, beginning of year, as previously reported	\$ 216,722,863
Cumulative effect of correction of errors	<u>(7,620,658)</u>
Net position, beginning of year, as restated	<u>\$ 209,102,205</u>

**Foundation**

During Fiscal Year 2016, the Foundation adopted GASB Statement No. 72, *Fair Value Measurement and Application* (GASB No. 72), which provides guidance for determining fair value measurements for financial reporting purposes and disclosure requirements for all fair value measurements.

The adoption of GASB No. 72 required that certain Foundation real estate property held for investment purposes be carried at its current fair value (based on appraisal). This was a change from the historical approach of using the fair value at the date of donation.

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

The Fiscal Year 2015 financial statements have been restated to incorporate GASB No. 72 guidance for comparability.

The following changes were made to the statement of net position as of June 30, 2015:

	As Previously		
	Reported	Adjustment	As Restated
<b>ASSETS</b>			
Other investments	\$ 1,893,894	\$ 716,800	\$ 2,610,694
Capital assets, net of accumulated depreciation	1,105,104	<u>(716,800)</u>	388,304
		<u>\$ -</u>	
<b>NET POSITION</b>			
Net investment in capital assets	\$ 1,105,104	\$ (716,800)	\$ 388,304
Unrestricted	19,889,283	<u>716,800</u>	20,606,083
		<u>\$ -</u>	

The adoption of GASB No. 72 had no effect on the statement of revenues, expenses and changes in net position for the year ended June 30, 2015.

**NOTE 22 – SUBSEQUENT EVENTS**

The State of Illinois has not adopted a complete Fiscal Year 2017 operating budget as of the date of this report, January 20, 2017. They have only passed a six-month stop gap measure that provided around 61.0% of Fiscal Year 2015 appropriations. The University is part of the executive branch of the government and operates under a budget approved by the State of Illinois, in which resources are appropriated for the use of the University. The amount and timing of final appropriations may necessitate spending reductions in the future.

On November 23, 2016, the Illinois Board of Higher Education allocated \$8,397,900 of the lump sum appropriation of Public Act 99-0524 to the University to provide financial support for essential operations.

The U.S. Department of Labor announced changes to the Fair Labor Standards Act effective December 1, 2016 in regards to the salary threshold for which most employees are considered exempt from overtime. On November 22, 2016, a federal judge issued a preliminary injunction temporarily suspending the revised rules. The expected financial impact to the University is immaterial.

The Federal Perkins Loan Extension Act prohibits any further extensions of the Perkins Loan Program under section 422(a) of the General Education Provisions Act (GEPA). Schools may not make Perkins Loans to any student on or after October 1, 2017. The University is currently assessing the implications of the expiration of the Perkins Loan Program.

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
REQUIRED SUPPLEMENTARY INFORMATION – PENSION (UNAUDITED)  
For the Year Ended June 30, 2016**

**Schedule of Share of Net Pension Liability**

	<u>2014</u>	<u>2015</u>
(a) Proportion percentage of the collective net pension liability	0%	0%
(b) Proportion amount of the collective net pension liability	\$ -	\$ -
(c) Portion of nonemployer contributing entities' total proportion of collective net pension liability associated with employer	<u>586,649,047</u>	<u>628,376,573</u>
Total (b) + (c)	586,649,047	628,376,573
Employer DB covered-employee payroll	\$ 97,810,421	\$ 96,318,804
Proportion of collective net pension liability associated with employer as a percentage of DB covered-employee payroll	599.78%	652.39%
SURS plan net position as a percentage of total pension liability	44.39%	42.37%

**Schedule of Contributions**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Federal, trust, grant, and other contribution	\$ 305,959	\$ 329,255	\$ 360,777
Contribution in relation to required contribution	305,959	329,255	360,777
Contribution deficiency (excess)	-	-	-
Employer covered payroll	\$ 121,080,877	\$ 120,107,278	\$ 115,835,988
Contributions as a percentage of covered payroll	0.25%	0.27%	0.31%

\*Note: SURS implemented GASB No. 68 in fiscal year 2015. The information above is presented for as many years as available. This schedule is intended to show information for 10 years.

STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION  
(UNAUDITED)  
For the Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT CHANGES

A. Changes of Benefit Terms

There were no benefit changes recognized in the Total Pension Liability as of June 30, 2015.

B. Changes of Assumptions

In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every five years to determine the reasonableness of actuarial assumptions regarding the retirement, disability, mortality, turnover, interest and salary of the members and benefit recipients of SURS. An experience review for the years June 30, 2010 to June 30, 2014 was performed in February 2015, resulting in the adoption of new assumptions as of June 30, 2015.

- Mortality rates. Change from the RP 2000 Mortality table projected to 2017, sex distinct, to the RP-2014 mortality tables with projected generational mortality improvement. Change to a separate mortality assumption for disabled participants.
- Salary increase. Change assumption to service-based rates, ranging from 3.75 percent to 15.00 percent based on years of service, with underlying wage inflation of 3.75 percent.
- Normal retirement rates. Change to retirement rates at ages younger than 60, age 66, and ages 70-79 to reflect observed experiences
- Early retirement rates. Change to a slight increase to the rates at ages 55 and 56.
- Turnover rates. Change to produce lower expected turnover for members with less than 10 years of service and higher turnover for members with more than 10 years of service than the currently assumed rates.
- Disability rates. Decrease rates and have separate rates for males and females to reflect observed experience.
- Dependent assumption. Maintain the current assumption on marital status that varies by age and sex and the assumption that males are three years older than their spouses.



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CERTIFIED PUBLIC ACCOUNTANTS

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**Independent Auditor's 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 Frank J. Mautino  
Auditor General  
State of Illinois

and

The Board of Trustees  
Western Illinois University

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the 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, the financial statements of the business-type activities of Western Illinois University (University) and its aggregate discretely presented component unit, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated January 20, 2017. Our report includes a reference to other auditors who 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 auditor's testing of internal control 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 of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as item 2016-001 that we consider to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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*.

### **University's Response to the Finding**

The University's response to the finding identified in our audit is described in the accompanying schedule of findings. The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**SIGNED ORIGINAL ON FILE**

Chicago, Illinois  
January 20, 2017

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

**SCHEDULE OF FINDINGS**

**CURRENT FINDING  
(GOVERNMENT AUDITING STANDARDS)**

**2016-001 FINDING:** (Failure to apply accounting and financial reporting standards for impairment of capital assets)

Western Illinois University (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 the following issues in our audit of financial statements originally submitted by the University to the Office of the State Comptroller:

- The University identified three residential buildings to be demolished in current and prior years, but did not subject these buildings to tests of impairment. The buildings were still being depreciated and maintained on the books as of June 30, 2016 instead of being analyzed for impairment and adjusted to the lower of carrying value or fair value on the date management made the decision to change the manner of use of the buildings. The net book value of the two buildings impaired as of June 30, 2015 totaled \$2,864,127 and the net book value of the other building impaired as of July 1, 2015 amounted to \$719,294. Depreciation charged for Fiscal Year 2016 for these three buildings totaled \$259,792.
- Deconstruction and demolition costs related to these three buildings were capitalized as construction in progress (CIP) instead of being expensed as incurred. Total CIP costs as of June 30, 2015 totaled \$2,006,050 and total CIP costs incurred for Fiscal Year 2016 amounted to \$414,620.
- Three other buildings demolished in prior periods were written off, but the demolition costs of these buildings were capitalized as site improvements. The site improvements were being depreciated instead of being expensed as incurred. The net book value of the site improvements as of June 30, 2015 amounted to \$2,750,481 and the current year depreciation amounted to \$122,065.
- The notes to the financial statements did not include disclosure of idle capital assets or impairment losses. In addition to impairments noted above, another building vacated and listed for sale during Fiscal Year 2016 was properly valued; however, the carrying amount of this impaired capital asset idle at year-end was not disclosed.

Subsequent to audit testing, the University revised the financial statements and footnotes and submitted revised accounting reports to the Office of State Comptroller to include the adjustments and information necessary to apply the appropriate generally accepted accounting principles (GAAP).

Governmental Accounting Standards Board (GASB) Statement No. 42 – *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* requires entities to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred by identifying potential impairments and testing for impairment. Impaired capital assets that will no longer be used should be reported at the lower of carrying value or fair value. The Statement also states the loss should be recognized when the impairment event or change in circumstance occurs.

GASB Statement No. 42 also requires that the amount of the impairment loss, a general description, and the financial statement classification should all be disclosed in the financial statement notes if not readily apparent on the face of the statements. The carrying amount of impaired capital assets that are idle at year-end should be disclosed, regardless of whether the impairment is considered permanent or temporary.

The University Capital Asset Financial Reporting Policy also states that if the University acquired land and buildings with the intent to use the building and the building is subsequently demolished, the asset will be removed from the University's books and demolition costs will be expensed.

According to University personnel, the University misinterpreted GASB Statement No. 42 to mean that impairment happens at the time of demolition rather than at the time of vacancy. Furthermore, the University's practice to capitalize all deconstruction expenses rather than expensing them was incorrect. The University deemed these expenses as capitalizable as they were mistakenly considered part of clearing the land for site improvements rather than as expenses of demolishing the buildings. Required disclosures were omitted due to lack of awareness that a disclosure should be included when an impairment occurred, as well as misinterpretation of the applicability of the standard.

Failure to apply the applicable generally accepted accounting principles resulted in an overstatement of prior year net position balances by \$7,620,658 and an understatement of current year expenses by \$752,057. This caused inaccurate and incomplete financial statements to be submitted with the original financial reporting package submitted to the State Comptroller. Improper application of accounting and financial reporting standards can result in a material misstatement of financial statements and inadequate disclosure of significant events. (Finding Code No. 2016-001)



**RECOMMENDATION:**

We recommend that the University establish procedures to ensure that transactions which include special considerations and reporting be carefully reviewed for proper accounting and disclosure. As necessary, accounting and reporting guidance should be obtained from technical resources to ensure conformity with GAAP.

**UNIVERSITY RESPONSE:**

The University agrees with the finding. The University will modify its capital asset procedures to ensure proper capitalization and as necessary, obtain guidance to ensure conformity with GAAP.

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

**SCHEDULE OF FINDINGS**

**PRIOR FINDING NOT REPEATED**

**A. FINDING: Inadequate Controls Over Journal Entries**

During the previous audit, the University did not have adequate controls over its journal entries. Effective policies and procedures were not in place to ensure that all journal entries were appropriate, properly prepared, and timely approved. (Finding Code No. 2015-001, 2014-001, and 2013-001)

During the current audit, we noted in our testing that effective for fiscal year 2016, the University amended its policy to ensure approval for all non-recurring entries, regardless of magnitude. For all recurring entries, the University documented internal controls with regards to these types of entries and performed a formal risk assessment. Our review of current year journal entries noted internal controls had been implemented.

Attachment G  
Western Illinois University Audited Financial Statement  
Fiscal Year 2017

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**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY**

**FINANCIAL AUDIT  
FOR THE YEAR ENDED JUNE 30, 2017**

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

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
FINANCIAL AUDIT  
For the Year Ended June 30, 2017**

**Table of Contents**

	<b>Page</b>
University Officials	1
Financial Statement Report	
Summary	2
Independent Auditor's Report	4
Management's Discussion and Analysis (Unaudited)	7
Basic Financial Statements	
Statement of Net Position	14
Statement of Revenues, Expenses and Changes in Net Position	15
Statement of Cash Flows	16
Notes to the Basic Financial Statements	18
Required Supplementary Information – Pension (Unaudited)	49
Notes to the Required Supplementary Information – Pension (Unaudited)	50
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	51
Schedule of Findings	53
Prior Finding Not Repeated	56

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
FINANCIAL AUDIT  
For the Year Ended June 30, 2017**

**University Officials**

President	Dr. Jack Thomas
Provost and Academic Vice President	Dr. Kathleen Neumann, Interim
Vice President for Student Services	Dr. Ronald Williams
Vice President for Administrative Services	Mr. Matthew Bierman
Vice President for Advancement and Public Services	Mr. Brad Bainter
Vice President for Quad Cities and Planning	Dr. Joseph Rives
Director of Business and Financial Services	Mr. Matthew Bierman, Interim
Director of Internal Auditing	Mr. Michael Sartorius

**Board of Trustees (as of June 30, 2017)**

Chair	Cathy Early, Macomb
Vice Chair	Yvonne Savala, East Moline
Secretary	Roger Clawson, Moline
Member	Todd Lester, Macomb
Member	Carolyn Ehlert Fuller, Milan
Member	Lynier Cole, Chicago
Member	Steve Nelson, Moline
Student Member	William Gradle

University offices are located at:

Macomb Campus  
1 University Circle  
Macomb, Illinois 61455-1390

Quad Cities Campus  
3300 River Drive  
Moline, Illinois 61265-5881

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
FINANCIAL AUDIT  
For the Year Ended June 30, 2017**

**Financial Statement Report**

**Summary**

The audit of the accompanying financial statements of Western Illinois University (University) was performed by Adelfia LLC.

Based on their audit, the auditors expressed an unmodified opinion on the University's basic financial statements.

**Summary of Findings**

The auditors identified a matter involving the University's internal control over financial reporting that they considered to be a material weakness. The material weakness is described in the accompanying Schedule of Findings on pages 53 through 55 of this report as item 2017-001, *Inadequate Control over Reporting Restricted Accounts*.

**Exit Conference**

The finding and recommendation appearing in this report were discussed with University personnel at an exit conference on January 30, 2018.

Participating were:

Western Illinois University

Dr. Jack Thomas, President  
Lyneir Cole, Audit Committee Chair – Board of Trustees  
Roger Clawson, Secretary – Board of Trustees  
Matthew Bierman, Vice President for Administrative Services  
Kathleen Neumann, Interim Provost and Academic Vice President  
Jessica Dunn, Assistant Comptroller  
Brittany Troline, Accounting Associate  
Michael Sartorius, Director of Internal Auditing  
Megan Newlon, Internal Audit Assistant  
Stephen Frazier, Executive Director of University Technology (CIO)  
Robert Emmert, Director of University Technology  
William Oster, Director of Insurance, Risk Management and Compliance

Office of the Auditor General

Lisa Warden, Senior Audit Manager

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
FINANCIAL AUDIT  
For the Year Ended June 30, 2017**

Adelfia LLC

Stella Marie Santos, Partner  
Ana Lisa Ausan, Manager  
Charlene Baccay, Senior

The response to the recommendation was provided by Dr. Jack Thomas, President, in a letter dated January 30, 2018.





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## Independent Auditor's Report

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

and

The Board of Trustees  
Western Illinois University

### Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component unit of Western Illinois University (University), a component unit of the State of Illinois, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component unit, is based solely on the report of the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Western Illinois University and its aggregate discretely presented component unit, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Report on Summarized Comparative Information*

We have previously audited the University's 2016 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the business-type activities and aggregate discretely presented component unit of the University in our report dated January 20, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived. Certain 2016 amounts have been reclassified to conform to the 2017 presentations.

### *Emphasis of Matter*

As discussed in Note 21 to the financial statements, the University's financial statements have been restated as of July 1, 2016 due to the correction of errors in reporting restricted assets and restricted net position related to its Auxiliary Facilities System revenue bond accounts. Our opinion is not modified with respect to this matter.

As discussed in Note 16 to the financial statements, the University received \$37,328,112 of Fiscal Year 2017 appropriations as reimbursement for Fiscal Year 2016 expenses paid. In accordance with

GASB Statement No. 33, the revenues were recognized in Fiscal Year 2017 even though they were used to pay for Fiscal Year 2016 costs. Our opinion is not modified with respect to this matter.

In addition, as discussed in Note 16 to the financial statements, the University received \$30,996,935 of Fiscal Year 2017 appropriations on July 6, 2017 as reimbursement for Fiscal Year 2017 expenses paid. In accordance with GASB Statement No. 33, the revenues and receivables were not recognized in Fiscal Year 2017 even though they were used to pay for Fiscal Year 2017 costs. Our opinion is not modified with respect to this matter.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 7-13, Required Supplementary Information - Pension on page 49, and Notes to the Required Supplementary Information - Pension on page 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2018 on our consideration of the 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 solely 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 effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

**SIGNED ORIGINAL ON FILE**

Chicago, Illinois  
February 20, 2018

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For the Year Ended June 30, 2017**

This section of the Western Illinois University (University) annual financial report presents management's discussion and analysis (MD&A) of the financial performance of the University during the fiscal year ended June 30, 2017. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The discussion and analysis are designed to focus on current activities, resulting change, current known facts, and future outlook. The financial statements, footnotes and this discussion are the responsibility of University management.

This MD&A focuses on the University. The University's component unit, Western Illinois University Foundation (Foundation), issues separate financial statements that may be obtained at the Foundation's administrative office as summarized in Note 1.

**Using the Financial Report**

The University's annual report includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. The financial statements are prepared in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) which require that financial statements be presented on a consolidated basis to focus on the University as a whole.

The financial statements are prepared under the accrual basis of accounting. Assets, deferred outflows of resources, liabilities, and deferred inflows of resources are categorized as current (due within one year) and noncurrent (due in greater than one year). Current year revenues and expenses are recognized when earned or incurred, regardless of when cash is exchanged. Revenues and expenses are reported as either operating or nonoperating. Significant recurring sources of the University's revenues, including State appropriations, gifts and investment income, are nonoperating as defined by GASB. Scholarship discounts and allowances applied to student accounts are shown as a reduction of tuition and fee revenue and auxiliary enterprise revenue. Stipends and other payments made directly to students are presented as student aid expenses. Depreciation is considered an operating expense and capital assets are reported at cost less accumulated depreciation.

**Financial Highlights**

**Statement of Net Position**

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources, net position, is one indicator of the financial condition of the University, while the change in net position that occurs over time indicates improvement or deterioration in the University's financial condition. Non-financial factors such

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For the Year Ended June 30, 2017**

as enrollment levels and the condition of facilities are relevant when assessing the overall health of the University. Net position is divided into three major categories, as follows: net investment in capital assets reflects the University's equity in capital assets; restricted net position are available for expenditure by the University, but must be spent for purposes as determined by law, donors and/or external entities that have placed time or purpose restrictions on the use of the assets; and unrestricted net position are available to the University for any lawful purpose of the University.

A summary of the condensed Statement of Net Position for the years ended June 30, 2017 and 2016 is as follows.

Condensed Statement of Net Position

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Current assets	\$ 45,733,348	\$ 56,105,710
Capital assets, net of accumulated depreciation	228,561,518	241,014,063
Other noncurrent assets	<u>1,499,063</u>	<u>1,587,463</u>
Total assets	<u>275,793,929</u>	<u>298,707,236</u>
Deferred outflows of resources	<u>1,222,965</u>	<u>1,374,100</u>
<b>Liabilities</b>		
Current liabilities	32,812,198	38,325,710
Noncurrent liabilities	<u>84,411,123</u>	<u>91,846,009</u>
Total liabilities	<u>117,223,321</u>	<u>130,171,719</u>
<b>Net position</b>		
Net investment in capital assets	146,523,057	152,236,859
Restricted - Expendable	29,012,569	25,574,627
Unrestricted	<u>(15,742,053)</u>	<u>(7,901,869)</u>
Total net position	<u>\$ 159,793,573</u>	<u>\$ 169,909,617</u>

A review of the University's Statement of Net Position at June 30, 2017 shows that although the University had a decline in Net Position, its financial foundation remains strong with assets and deferred outflow of resources of \$277.0 million and liabilities of \$117.2 million. Net position, the difference between total assets and deferred outflow of resources and total liabilities, decreased by approximately \$10.1 million or 6.0% over the previous year.

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For the Year Ended June 30, 2017**

Total assets and deferred outflow of resources decreased \$23.1 million or 7.7% during Fiscal Year 2017. Cash and cash equivalents decreased \$9.3 million primarily due to a reduction in operating revenues as a result of decreased enrollment and an increase in capital debt payments. Capital assets decreased \$12.4 million due to depreciation expense of \$15.0 million offset slightly by asset additions of \$2.6 million.

Total liabilities decreased \$12.9 million or 9.9% during Fiscal Year 2017. Total long-term debt decreased due to scheduled debt payments.

**Statement of Revenues, Expenses and Changes in Net Position**

The Statement of Revenues, Expenses and Changes in Net Position presents the University's changes in financial position. Revenues and expenses are classified as operating or nonoperating. A public University's dependency on State appropriations and gifts usually results in operating deficits because the GASB reporting standards classify these revenue sources as nonoperating.

A comparative summary of the condensed Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2017 and 2016 is as follows:

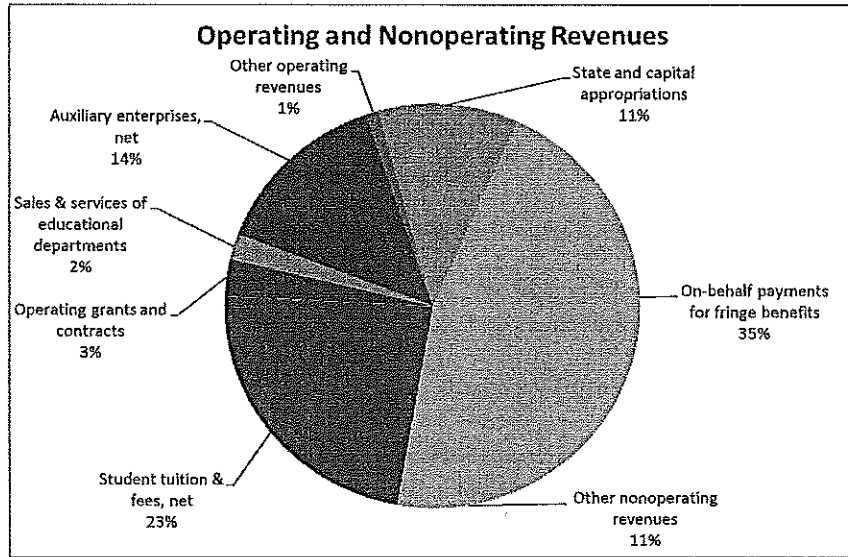
Condensed Statement of Revenues, Expenses and Changes in Net Position

	2017	2016
Total operating revenues	\$ 126,668,413	\$ 135,293,327
Total operating expenses	<u>(299,642,819)</u>	<u>(299,311,221)</u>
Operating loss	(172,974,406)	(164,017,894)
Nonoperating revenues	166,544,811	129,214,719
Nonoperating expenses	<u>(3,686,449)</u>	<u>(4,502,405)</u>
Loss before capital items	(10,116,044)	(39,305,580)
Capital State appropriations	<u>-</u>	<u>112,992</u>
Decrease in net position	(10,116,044)	(39,192,588)
Net position, beginning of year	<u>169,909,617</u>	<u>209,102,205</u>
Net position, end of year	<u>\$ 159,793,573</u>	<u>\$ 169,909,617</u>

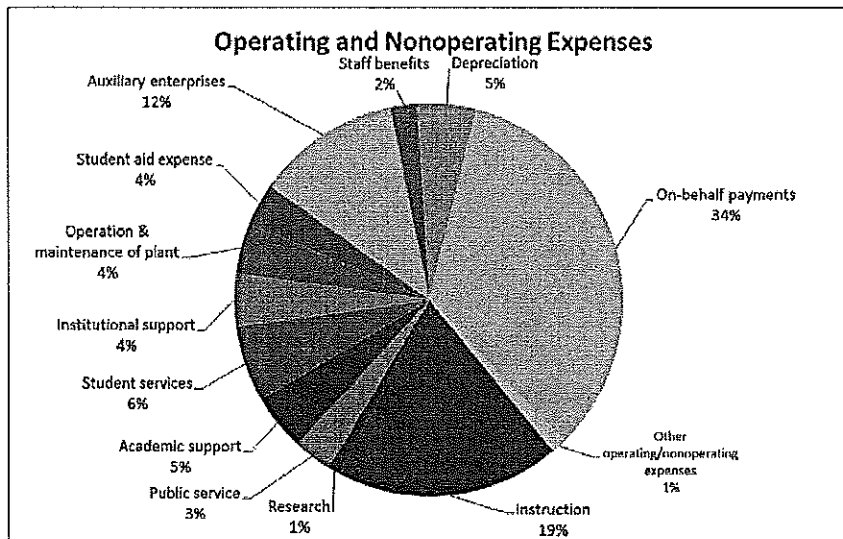
Total revenues increased \$28.7 million or 10.8% to \$293.2 million in 2017 primarily due to an increase in State appropriations of \$16.5 million, on-behalf payments of \$14.1 million, and nonoperating grants of \$6.7 million offset partly by a decrease in operating revenues. Total expenses decreased slightly by \$484 thousand or 0.2% to \$303.3 million in 2017. Total operating expenses increased slightly by \$332 thousand in 2017 due to an increase in on-behalf payments of approximately \$14.1 million offset by a decrease in University operating expenses.

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For the Year Ended June 30, 2017**

For the fiscal year ended June 30, 2017, all sources of revenues totaled \$293.2 million. The following is a graphical illustration of revenues by source:



For the fiscal year ended June 30, 2017, expenses totaled \$303.3 million. The following is a graphical illustration of expenses:



**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For the Year Ended June 30, 2017**

**Statement of Cash Flows**

The Statement of Cash Flows presents information related to the University's cash receipts and disbursements during the fiscal year. This provides an assessment of the University's ability to generate future cash flows and meet obligations as they come due.

A comparative summary of the condensed Statement of Cash Flows for the years ended June 30, 2017 and 2016 is as follows:

Condensed Statement of Cash Flows

	<u>2017</u>	<u>2016</u>
Cash provided by (used in):		
Operating activities	\$ (60,017,319)	\$ (57,292,654)
Noncapital financing activities	63,531,750	47,347,681
Capital and related financing activities	(13,085,373)	(12,374,394)
Investing activities	<u>296,644</u>	<u>266,599</u>
Net decrease in cash and cash equivalents	(9,274,298)	(22,052,768)
Cash and cash equivalents, beginning of year	<u>41,281,246</u>	<u>63,334,014</u>
Cash and cash equivalents, end of year	<u>\$ 32,006,948</u>	<u>\$ 41,281,246</u>

Major sources of funds included in operating activity are student tuition and fees, grants and contracts, and auxiliary enterprises. Payment for employee salaries and benefits, goods and services, and scholarships and fellowships continue to comprise the major use of operating funds. Cash used in operating activities increased \$2.7 million.

Cash inflows from noncapital financing activities consist primarily of State appropriations, Monetary Award Program awards and Pell grant revenues. Cash provided by noncapital financing activities increased \$16.2 million primarily due to an increase in state appropriations and nonoperating grants.

An increase in principal paid on capital debt contributed to the slight increase of \$711 thousand in cash used in capital and related financing activities.

Cash provided by investing activity increased slightly from the prior year.

**Capital Assets and Debt Administration**

The University had \$510.1 million invested in capital assets at the end of Fiscal Year 2017. Capital assets net of accumulated depreciation totaled \$228.6 million. Depreciation expense for the current year was \$15.0 million.



**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For the Year Ended June 30, 2017**

There were no major construction projects during Fiscal Year 2017. For the year ended June 30, 2017 construction in progress included engineering and planning costs associated with a new performing arts center on the Macomb campus with a balance of \$4.8 million.

**University's Economic Outlook**

The ability of the University to fulfill its mission and execute its strategic plan is directly influenced by enrollment, State support and the cost of health care, utilities, employee compensation and benefits and State and federal mandates.

A crucial element to the University's future will continue to be our relationship with the State of Illinois, as we work to manage tuition to make it competitive while providing an outstanding college education for our students. There is a direct relationship between the growth or decline of State support, the impact of State regulations and the University's ability to control tuition growth. The trend of declining State support, the lack of capital investment, declining student financial assistance and the increase in regulations have and will continue to create more pressures on the cost of attendance.

State appropriations represent operating support provided by the Governor and General Assembly for University programs. A Fiscal Year 2018 budget of \$46.3 million was passed into law by the General Assembly. This appropriation is a 10% reduction over Fiscal Year 2015 appropriations provided from the State of Illinois to Western Illinois University.

The University is part of the executive branch of government and operates under a budget approved by the State of Illinois, in which resources are appropriated for the use of the University. On-behalf payments and operating budget are the annual State appropriations provided by the State of Illinois to the University. The stop-gap budgets during the two-year State budget impasse make it difficult to compare fiscal year appropriations. Reportable receipts from the State in Fiscal Year 2017 total \$31.4 million. This is compared to \$21.7 million in Fiscal Year 2016 and \$56.8 million in Fiscal Year 2015. Expected reportable receipts for Fiscal Year 2018 total \$66.4 million. Additionally, the appropriation for the Fiscal Year 2017 Monetary Assistance Program (MAP) was received in July of 2017. The expected MAP funds for Fiscal Year 2018 total \$10.5 million.

The University projects tuition and miscellaneous revenues to fall by approximately \$6.5 million as compared with Fiscal Year 2017. In December of 2016, the Board of Trustees passed a resolution keeping the Fiscal Year 2018 tuition rate level for new students, those enrolling for the first time in Fall 2017. The University offers guaranteed tuition and fees, as well as guaranteed room and board rates for each new class of entering students. The University's recommended expenditure budget for income fund and State appropriations for Fiscal Year 2018 is \$127.4 million.

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For the Year Ended June 30, 2017**

The University's Auxiliary Enterprises funds budget for Fiscal Year 2018 as approved by the Board of Trustees reflects a level less than Fiscal Year 2017 of approximately \$4.5 million. Other institutional funds include revenues from sponsored projects and departmental activity revenues. The 2018 budget for these funds as approved by the Board of Trustees reflects a \$1.0 million decrease in spending over Fiscal Year 2017.

Private gifts are an important supplement to the University's sources of funding for operating costs. In Fiscal Year 2017, alumni, friends, staff, corporations, and other organizations contributed nearly \$6.6 million to the Foundation in support of the University. These contributions include gifts and additions to permanent endowments. The Foundation distributed nearly \$7.8 million in Fiscal Year 2017 to support academic enhancement and instructional initiatives, student scholarships, capital improvements, cultural activities, athletics, regional outreach efforts, and alumni and Foundation-sponsored programs at Western Illinois University.

The University is committed to pursuing its goal in developing the Quad Cities campus while strategically adding, and when appropriate, eliminating programs. Cost containment and revenue initiatives are challenges the University continues to encounter. Management has historically made the necessary decisions to ensure the strength of the University.

STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
STATEMENT OF NET POSITION  
June 30, 2017  
(With Partial Financial Information as of June 30, 2016)

	University		Component Unit	
	2017	2016	2017	2016
<b>ASSETS</b>				
<i>Current assets:</i>				
Cash and cash equivalents	\$ 2,843,281	\$ 16,540,511	\$ 2,022,447	\$ 2,188,680
Cash and cash equivalents, restricted	29,163,667	24,740,735	-	-
Investments	-	-	3,367,615	3,733,626
Accounts receivable, net	7,432,196	8,322,498	1,560,094	966,077
Accounts receivable, net, restricted	2,517,718	2,428,264	-	-
Student loans receivable, net	376,683	389,081	-	-
Due from component unit	200,418	175,577	-	-
Due from component unit, restricted	5,372	2,654	-	-
Due from primary government	1,200,220	1,057,369	-	-
Inventories	1,017,058	1,145,865	38,837	-
Inventories, restricted	920,507	1,107,707	-	-
Prepaid expenses	30,326	169,547	415,273	345,761
Other assets	6,501	6,501	-	-
Other assets, restricted	19,401	19,401	-	-
<i>Total current assets</i>	<u>45,733,348</u>	<u>56,105,710</u>	<u>7,404,266</u>	<u>7,234,144</u>
<i>Noncurrent assets:</i>				
Investments	-	-	5,081,772	7,941,601
Endowment investments	-	-	12,116,028	3,361,149
Endowment investments, restricted	-	-	37,180,579	38,027,028
Charitable remainder trusts, restricted	-	-	4,296,745	4,516,868
Accounts receivable, net	-	-	508,541	545,533
Student loans receivable, net	1,222,919	1,285,417	87,322	84,778
Capital assets, net of accumulated depreciation	228,561,518	241,014,063	658,304	658,304
Other assets	40,632	47,133	548,556	523,257
Other assets, restricted	235,512	254,913	-	-
<i>Total noncurrent assets</i>	<u>230,060,581</u>	<u>242,601,526</u>	<u>60,477,847</u>	<u>55,658,518</u>
<b>TOTAL ASSETS</b>	<u>275,793,929</u>	<u>298,707,236</u>	<u>67,882,113</u>	<u>62,892,662</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Unamortized losses on debt refunding	854,644	1,013,323	-	-
Pension	368,321	360,777	-	-
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<u>1,222,965</u>	<u>1,374,100</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>				
<i>Current liabilities:</i>				
Accounts payable and accrued liabilities	7,675,660	4,819,231	206,741	131,132
Accrued payroll	7,005,588	15,623,256	-	-
Due to primary government	2,169,380	1,943,375	205,790	178,231
Unearned revenue	5,416,953	5,008,790	294,074	267,847
Other liabilities	1,987,489	2,146,117	49,534	49,991
Notes payable	-	147,521	18,471	19,381
Capital leases payable	28,766	5,526	-	-
Revenue bonds payable	4,697,266	4,563,107	-	-
Certificates of participation	2,380,162	2,333,599	-	-
Compensated absences	1,450,934	1,735,188	-	-
<i>Total current liabilities</i>	<u>32,812,198</u>	<u>38,325,710</u>	<u>774,610</u>	<u>646,582</u>
<i>Noncurrent liabilities:</i>				
Notes payable	-	-	180,293	197,225
Capital leases payable	139,930	16,369	-	-
Revenue bonds payable	55,827,689	60,524,955	-	-
Certificates of participation	19,819,292	22,199,454	-	-
Other liabilities	-	-	258,320	275,393
Compensated absences	8,624,212	9,105,231	-	-
<i>Total noncurrent liabilities</i>	<u>84,411,123</u>	<u>91,846,009</u>	<u>438,613</u>	<u>472,618</u>
<b>TOTAL LIABILITIES</b>	<u>117,223,321</u>	<u>130,171,719</u>	<u>1,213,223</u>	<u>1,119,200</u>
<b>NET POSITION</b>				
Net investment in capital assets	146,523,057	152,236,859	459,540	441,698
Restricted - nonexpendable	-	-	29,364,285	28,260,062
Restricted - expendable	29,012,569	25,574,627	13,570,429	13,116,425
Unrestricted	(15,742,053)	(7,901,869)	23,274,636	19,955,277
<b>TOTAL NET POSITION</b>	<u>\$ 159,793,573</u>	<u>\$ 169,909,617</u>	<u>\$ 66,668,890</u>	<u>\$ 61,773,462</u>

See accompanying notes to the basic financial statements

STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Year Ended June 30, 2017  
(With Partial Financial Information for the Year Ended June 30, 2016)

	University		Component Unit	
	2017	2016	2017	2016
<b>OPERATING REVENUES</b>				
Tuition and fees, net	\$ 67,567,759	\$ 73,732,875	\$ -	\$ -
Grants and contracts	10,471,894	9,547,337	-	-
Sales and services of educational departments	4,894,119	5,244,594	-	-
Auxiliary enterprises, net	39,895,099	42,536,027	-	-
Student loan activities	41,146	54,042	-	-
Other operating revenues	3,798,396	4,178,452	6,145,729	5,746,661
<i>Total operating revenues</i>	<u>126,668,413</u>	<u>135,293,327</u>	<u>6,145,729</u>	<u>5,746,661</u>
<b>OPERATING EXPENSES</b>				
Instruction	56,973,379	62,364,512	1,379,963	1,237,067
Research	3,252,347	3,439,674	174,576	61,232
Public service	9,601,469	9,859,816	1,205,322	1,142,344
Academic support	14,142,558	16,173,314	150,069	123,018
Student services	18,893,407	21,155,352	699,508	780,129
Institutional support	13,211,002	13,285,392	1,115,766	1,323,557
Operation and maintenance of plant	12,712,675	13,720,739	306,938	114,661
Student aid expense	10,688,107	10,668,851	2,937,954	2,825,189
Auxiliary enterprises	36,078,220	38,400,834	-	-
Staff benefits	6,854,422	6,738,577	-	-
Depreciation	15,023,275	15,391,211	-	-
On-behalf payments	102,187,436	88,073,687	-	-
Other operating expenses	24,522	39,262	-	-
<i>Total operating expenses</i>	<u>299,642,819</u>	<u>299,311,221</u>	<u>7,970,096</u>	<u>7,607,197</u>
<b>OPERATING LOSS</b>	<u>(172,974,406)</u>	<u>(164,017,894)</u>	<u>(1,824,367)</u>	<u>(1,860,536)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State appropriations	31,409,000	14,931,400	-	-
On-behalf payments for fringe benefits	102,187,436	88,073,687	-	-
Gifts	630,327	570,218	-	-
Nonoperating grants	31,865,150	25,208,764	-	-
Gain (loss) on disposal of capital assets	(10,174)	1,697	-	-
Loss on impairment of capital assets	-	(719,294)	-	-
Investment income	296,644	266,599	4,908,325	1,845,708
Interest on capital asset related debt	(3,676,275)	(3,783,111)	(9,515)	-
Change in value of charitable remainder trusts	-	-	232,050	(236,199)
Other nonoperating revenues	156,254	162,354	317,872	535,236
<i>Net nonoperating revenues</i>	<u>162,858,362</u>	<u>124,712,314</u>	<u>5,448,732</u>	<u>2,144,745</u>
<b>INCOME (LOSS) BEFORE CAPITAL ITEMS</b>	<u>(10,116,044)</u>	<u>(39,305,580)</u>	<u>3,624,365</u>	<u>284,209</u>
Capital State appropriations	-	112,992	-	-
Additions to permanent endowments	-	-	1,271,063	1,015,395
<i>Total capital items</i>	<u>-</u>	<u>112,992</u>	<u>1,271,063</u>	<u>1,015,395</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>(10,116,044)</u>	<u>(39,192,588)</u>	<u>4,895,428</u>	<u>1,299,604</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>169,909,617</u>	<u>209,102,205</u>	<u>61,773,462</u>	<u>60,473,858</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 159,793,573</u>	<u>\$ 169,909,617</u>	<u>\$ 66,668,890</u>	<u>\$ 61,773,462</u>

See accompanying notes to the basic financial statements

STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2017  
(With Partial Financial Information for the Year Ended June 30, 2016)

	University		Component Unit	
	2017	2016	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Tuition and fees, net	\$ 68,047,378	\$ 74,074,242	\$ -	\$ -
Grants and contracts	10,925,054	9,279,331	-	-
Gifts for other than capital and endowment purposes	-	-	4,284,139	4,137,902
Payments for employee salaries and benefits	(131,557,482)	(135,481,814)	-	-
Payments for goods and services	(45,553,365)	(48,255,541)	(4,530,870)	(4,516,256)
Payments to annuitants	-	-	(49,534)	(48,669)
Payments for scholarships and fellowships	(10,598,521)	(10,638,498)	(2,937,954)	(2,814,969)
Student loans issued	(390,875)	(382,288)	-	-
Student loans collected	376,255	403,317	-	-
Student loans interest and fees collected	41,146	54,042	-	-
Auxiliary enterprises charges	39,838,786	42,673,812	-	-
Sales and services of educational departments	5,055,909	6,952,291	-	-
Other receipts	3,798,396	4,028,452	762,325	964,200
Net cash used in operating activities	<u>(60,017,319)</u>	<u>(57,292,654)</u>	<u>(2,471,894)</u>	<u>(2,277,792)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
State appropriations	31,409,000	21,664,954	-	-
Capital appropriations for operating expenses	-	3,782	-	-
Gifts	86,054	316,756	1,271,063	1,015,395
Nonoperating grants	31,865,150	25,208,764	-	-
Nonoperating revenues, net	171,546	153,425	286,867	539,667
Cash provided by noncapital financing activities	<u>63,531,750</u>	<u>47,347,681</u>	<u>1,557,930</u>	<u>1,555,062</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(2,385,849)	(2,647,092)	-	(270,000)
Principal paid on capital asset related debt	(6,638,537)	(4,889,861)	-	-
Interest paid on capital asset related debt	(4,060,987)	(3,982,753)	(9,396)	-
Bonds refunded	-	(25,984,316)	-	-
Proceeds from issuance of revenue bonds	-	10,009,255	-	-
Proceeds from issuance of certificates of participation	-	15,794,261	-	-
Deferred loss from bond refunding	-	(673,888)	-	-
Proceeds from note payable	-	-	-	270,606
Payments made on note payable	-	-	(17,842)	(54,000)
Net cash used in capital and related financing activities	<u>(13,085,373)</u>	<u>(12,374,394)</u>	<u>(27,238)</u>	<u>(53,394)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sales and maturities of investments	-	-	9,420,992	8,458,736
Earnings on investments	296,644	266,599	1,471,558	1,574,907
Purchase of investments	-	-	(10,117,581)	(10,302,950)
Net cash provided by (used in) investing activities	<u>296,644</u>	<u>266,599</u>	<u>774,969</u>	<u>(269,307)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(9,274,298)</b>	<b>(22,052,768)</b>	<b>(166,233)</b>	<b>(1,045,431)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>41,281,246</b>	<b>63,334,014</b>	<b>2,188,680</b>	<b>3,234,111</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 32,006,948</b>	<b>\$ 41,281,246</b>	<b>\$ 2,022,447</b>	<b>\$ 2,188,680</b>

See accompanying notes to the basic financial statements

STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2017  
(With Partial Financial Information for the Year Ended June 30, 2016)

	University		Component Unit	
	2017	2016	2017	2016
<b>Reconciliation of operating loss to net cash used in operating activities:</b>				
Operating loss	\$ (172,974,406)	\$ (164,017,894)	\$ (1,824,367)	\$(1,860,536)
Adjustments to reconcile operating loss to net cash used in operating activities:				
On-behalf payments	102,187,436	88,073,687	-	-
Stock gifts in process	-	-	(41,788)	-
Charitable remainder trust assets donated	-	-	(55,273)	(53,320)
Depreciation	15,023,275	15,391,211	-	-
Amortization	25,902	21,881	-	-
Actuarial adjustment to annuities payable	-	-	(17,530)	10,220
Changes in assets, deferred outflows and liabilities:				
Receivables, net	642,901	1,072,380	(553,863)	(15,047)
Student loans receivables, net	74,896	51,330	-	-
Inventories	316,007	645,473	(38,837)	6,162
Prepaid expenses and other assets	139,221	302,568	(69,512)	(275,492)
Pension	(7,544)	(31,522)	-	-
Accounts payable and accrued liabilities	3,676,018	2,905,895	75,490	(36,136)
Accrued payroll	(8,719,002)	(1,008,816)	-	-
Due to primary government, net	-	-	27,559	3,277
Unearned revenue	408,163	(174,463)	-	-
Other liabilities	(44,913)	852,182	26,227	(56,920)
Compensated absences	(765,273)	(1,376,566)	-	-
<b>Net cash used in operating activities</b>	<b>\$ (60,017,319)</b>	<b>\$ (57,292,654)</b>	<b>\$ (2,471,894)</b>	<b>\$(2,277,792)</b>

**NONCASH OPERATING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING ACTIVITIES**

On-behalf payments	102,187,436	88,073,687	-	-
Capital asset acquisition via capital appropriations	-	109,210	-	-
Capital asset acquisition via support from Foundation	529,488	253,004	-	-
Capital asset changes in accounts payable	492,250	(69,531)	-	-
Gifts in kind	-	-	435,731	525,434
Gain (loss) on disposal of capital assets	(10,174)	1,697	-	-

*See accompanying notes to the basic financial statements*

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

Western Illinois University (University), a component unit of the State of Illinois (State), with a primary focus on instruction and an additional commitment to research and public service, has campuses located in Macomb and Moline, Illinois. The governing body of the University is the Board of Trustees of Western Illinois University (Board). As required by accounting principles generally accepted in the United States of America, these financial statements present the financial position and financial activities of the University and its discretely presented component unit, the Western Illinois University Foundation (Foundation). The Foundation is included in the University's reporting entity because of the significance of its financial relationship with the University. Complete financial statements for the Foundation may be obtained by contacting the Foundation located at 1 University Circle, Macomb, IL 61455-1390.

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 in 1997. The Foundation was formed for the purpose of providing fundraising and other assistance to the University in order to attract private gifts to support the University's instructional, research and public service activities. In this capacity, the Foundation solicits, receives, holds and administers gifts for the benefit of the University.

The 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, therefore, also included in the State's comprehensive annual financial report.

**B. Basis of Accounting and Presentation**

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, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. Business-type activities are those financed in whole or in part by fees charged to external parties for goods and 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 first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net positions are available.

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

C. Prior-Year Information

The basic financial statements include certain prior-year partial comparative information. Such information does not include full comparative footnote disclosures required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2016, from which the partial information was derived.

D. Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The University deferred outflows of resources includes a loss on refunding of bonds payable of \$383,916 and a loss on refunding of Certificates of Participation payable of \$470,728 at June 30, 2017. The loss on refunding resulted from the difference between the reacquisition price and the net carrying amount of the old debt. Total amortization included in interest on capital asset related debt for the year ended June 30, 2017 was \$158,679. Also included in deferred outflows of resources is a net pension liability of \$368,321 (see Note 13 for more information) at June 30, 2017.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

F. Restricted Assets

The University's Auxiliary Facilities System (System) is a "closed system" in accordance with revenue bond covenants where resources within the System are unavailable for use by the University outside of the System and therefore are classified as restricted assets on the statement of net position. The System's restricted assets consist of cash and cash equivalents, accounts receivable, due from component unit, inventories, and other assets.



**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

G. Cash Equivalents

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2017, cash equivalents consisted primarily of money market and similar funds. Included in restricted cash and cash equivalents is unspent loan funds.

H. Investments

The University accounts for its investments at fair value in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Accordingly, the change in fair value of investments is recognized as an increase or decrease in investment assets and investment income.

Illinois statutes and Board policy authorize the University to invest in certificates of deposit, The Illinois Funds, United States Government Securities, securities guaranteed by the full faith and credit of the United States government, and any other security permitted by law and approved by the Board.

I. Accounts Receivable

Accounts receivable consists of tuition and fee charges to students, amounts receivable from funding agencies for grants, amounts receivable from third parties and charges for auxiliary enterprise services provided to students, faculty and staff. Accounts receivable is presented net of estimated uncollectible amounts.

J. Bonds and Certificates of Participation Issue Costs

The insurance premium on the bonds and certificates of participation issue costs incurred on the revenue bonds and certificates of participation are being amortized over the life of the bonds/certificates of participation using the straight-line method. Total amortization for the year ended June 30, 2017 was \$25,902.

K. Student Loans Receivable

The University makes loans to students under various federal and other loan programs. Such loans receivable is presented net of estimated uncollectible amounts.

L. Inventories

Inventories are carried at the lower of cost (determined by first-in, first-out or average cost method, depending on the nature of the inventory item) or market.

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

**M. Capital Assets**

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. The University's capitalization policy for capital assets is as follows: equipment - \$5,000 or greater; land or buildings - \$100,000 or greater; and site, infrastructure, or building improvements - \$25,000 or greater. Intangible assets which are purchased are capitalized at \$100,000 or greater. Internally-generated intangible assets which are primarily software are capitalized at \$1,000,000 or greater. Renovations to buildings and land improvements that increase the value or extend the useful life are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is calculated on a straight-line basis over the estimated useful lives of the class of assets.

The following estimated useful lives are being used by the University:

Site improvements	25 years
Buildings	60 years
Building improvements	20 years
Computer equipment	3 years
Trucks greater than 1 ton	12 years
Capital lease equipment	Life of lease
All other equipment	7 years

University capital assets financed by the State of Illinois Capital Development Board (CDB) are recorded by the University as the funds are expended by the CDB.

**N. Unearned Revenue**

Unearned revenue represents unearned student tuition and fees and advances on grants and contract awards for which the University has not met all of the applicable eligibility requirements.

**O. Compensated Absences**

University policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absences liabilities are computed using the regular pay and termination pay rates in effect at the Statement of Net Position date plus an additional amount for compensation-related payments such as social security and

STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017

Medicare taxes computed using rates in effect at that date.

P. Net Position

The University's net position is classified as follows:

*Net investment in capital assets* - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets and deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt.

*Restricted net position - nonexpendable* - represents endowed funds where the donors have stipulated, as a condition of the gift instrument, that the principal be maintained in perpetuity and invested for the purpose of producing income, which may either be expended or added to the principal.

*Restricted net position - expendable* - net position subject to externally imposed restrictions that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

*Unrestricted* - net position not subject to externally imposed stipulations but may be designated for specific purposes by action of management or the Board of Trustees.

Q. Classification of Revenues

The University has classified its revenues as either operating or nonoperating according to the following criteria:

*Operating revenues* include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises, (3) most federal, State and local grants and contracts except for certain student financial aid classified as nonoperating revenues, and (4) interest on student loans.

*Nonoperating revenues* include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources, such as State appropriations, Pell grants, and investment income, that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The State of Illinois General Revenue Fund appropriations are reported as nonoperating revenues to the extent that they are expended during the current fiscal year. The University relies on

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

these appropriations to provide funding for operations.

**R. Scholarship Discounts and Allowances**

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship 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 nonoperating revenues 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 allowance.

The scholarship allowances on tuition and fees and housing for the year ended June 30, 2017 were \$21,907,093 and \$7,516,438, respectively.

**S. Collections**

The University has collections of rare manuscripts and art that it does not depreciate. These collections adhere to the University's policy to (a) maintain them for public exhibition, education or research, (b) protect, keep unencumbered, care for and preserve them, and (c) require proceeds from their sale to be used to acquire other collection items.

**T. Endowments**

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

For donor restricted endowments, UPMIFA permits the Board of Directors of the Foundation to appropriate an amount of donor restricted endowments. The Board of Directors has established an investment policy with the objectives of protecting the principal of these funds and maximizing total investment return without assuming extraordinary risks. A similar strategy has been implemented for Foundation designated endowments.

For both donor restricted endowments and Foundation designated endowments, it is the goal of the Foundation to provide spendable income levels that are reasonably stable and sufficient to meet budgetary requirements and to maintain a spending rate, currently established at 4.25% for endowment purposes and 1.10% for operational purposes, of a

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

36-month moving average of endowment market value, which ensures a proper balance between the preservation of corpus and enhancement of the purchasing power of investment earnings. The Foundation's policy is to retain the endowments' unrealized appreciation with the endowment (either donor restricted or Foundation designated) after spending rule distributions. As of June 30, 2017, the Foundation had a total of \$7,360,150 of net cumulative appreciation from investment of donor-restricted endowments and Foundation designated endowments available for expenditure. This amount is allocated between expendable restricted net position and unrestricted net position in the Statement of Net Position based on the classification of the underlying asset upon which the income was earned.

U. Split-Interest Agreements

The Foundation's split-interest agreements with donors consist of irrevocable charitable remainder trusts and irrevocable charitable trusts for which the Foundation is a beneficiary. The fair value of the trust assets are reported in the Statement of Net Position and changes in the fair value of the assets are recognized in the Statement of Revenues, Expenses, and Changes in Net Position. It is management's intent to record the contribution income from these agreements in the fiscal year the Foundation becomes the irrevocable beneficiary. The Foundation received \$55,273 of new contribution income during Fiscal Year 2017. Any outstanding liabilities relating to the annual distributions required by the trust agreements are recorded in the Statement of Net Position.

V. Taxes

As a State institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(1) of the Internal Revenue Code and a similar provision of state law. However, some activities may be subject to taxation as unrelated business income under the Internal Revenue Code and certain activities are subject to State sales tax.

The U.S. Treasury Department issued a determination letter dated January of 1948 that the Foundation is exempt from Federal income taxes under what is now Section 501 (c)(3) of the Internal Revenue Code.

W. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the plan net position of the State Universities Retirement System (SURS or the System) and additions to/deductions from SURS' plan net position has been determined on the same basis as they are reported by SURS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

For the purposes of financial reporting, the State of Illinois and participating employers are considered to be under a special funding situation. A special funding situation is defined as a circumstance in which a non-employer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either (1) the amount of the contributions for which the non-employer entity is legally responsible is not dependent upon one or more events unrelated to pensions or (2) the non-employer is the only entity with a legal obligation to make contributions directly to a pension plan. The State of Illinois is considered a non-employer contributing entity. Participating employers are considered employer contributing entities.

**X. Reclassifications**

Certain reclassifications have been made to the component unit's (Foundation) prior year amounts to conform to the 2017 presentation.

**NOTE 2 - DEPOSITS**

**University**

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Illinois; bonds of any city, county, school district or special road district of the State of Illinois; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At June 30, 2017, the book balance of various University bank accounts and certificates of deposit was \$256,932, while the bank balance was \$222,966. The difference between these amounts represents deposits in transit as of June 30, 2017. In addition, the University had cash on hand in various petty cash and change funds in the amount of \$60,729 as of June 30, 2017.

**Foundation**

At June 30, 2017, the book balance of the Foundation's various bank accounts was \$2,022,447, while the bank balance was \$2,076,823. The difference between these amounts primarily represents checks that have been issued, but have not yet cleared the bank, and deposits in transit as of June 30, 2017.

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

Reconciliation of cash and cash equivalents to deposits:

	<u>University</u>	<u>Foundation</u>
Cash and cash equivalents	\$ 2,843,281	\$ 2,022,447
Cash and cash equivalents, restricted	29,163,667	-
Less: Money market funds classified as cash and cash equivalents	(31,689,287)	-
Cash on hand	(60,729)	-
Carrying amount of deposits	<u>\$ 256,932</u>	<u>\$ 2,022,447</u>

**NOTE 3 - INVESTMENTS**

**University**

As of June 30, 2017, the University held investments in the Illinois Funds Investment Pool of \$28,592,196 which are classified as cash and cash equivalents on the University's Statement of Net Position. The Illinois Funds is an external investment pool administered by the State Treasurer. The fair value of the University's investment fund is the same as the value of pool shares and the investments are reported by the State Treasurer at amortized cost. The fund is administered in accordance with the provisions of the Public Funds Investment Act (30 ILCS 235). The Illinois Funds is rated AAAM by Standard & Poor's.

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a financial institution's failure, a government's deposits, investments or collateral securities that are in the possession of an outside party may not be returned to it. The University's policy for custodial credit risk requires compliance with the provisions of State law.

*Interest Rate Risk*

As a means of limiting its exposure to fair value losses arising from rising interest rates, the University's investment policy limits maturity of its investments to five years or less from the date of purchase.

*Credit Risk*

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The University's policy limits its investments to the Illinois Funds investment pool, United States Treasury bills, United States Treasury notes, United States Treasury bonds, Federal Farm Credit Banks bonds, Federal Home Loan Banks notes, Federal National Mortgage Association, Federal Land Bank bonds, Government National Mortgage Association, and Federal Home Loan Mortgage Corporation.

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

**Foundation**

At June 30, 2017, the Foundation held investments with the following maturities:

Type	Total	Maturities in Years			
		Less Than One Year or No Maturity	1-5 Years	6-10 Years	Over 10 Years
Cash equivalents held in investment accounts	\$ 484,366	\$ 484,366	\$ -	\$ -	\$ -
Certificates of deposit	2,533,968	2,533,968	-	-	-
U.S. agency obligations (FHLM, FNMA)	111,079	51,329	59,750	-	-
Municipal bonds	1,433,195	-	1,280,910	152,285	-
Corporate debt securities	6,825,259	1,649,717	4,557,528	568,364	49,650
Corporate equity securities	91,952	91,352	600	-	-
Mutual funds, domestic equity	12,403,378	12,403,378	-	-	-
Mutual funds, international equity	9,101,625	9,101,625	-	-	-
Mutual funds, domestic debt	1,465,918	1,465,918	-	-	-
Mutual funds, international debt	1,483,949	1,483,949	-	-	-
Real assets funds	3,287,824	-	836,799	1,223,365	1,227,660
Private equity	6,628,845	1,622,598	243,262	4,174,227	588,758
Absolute return (hedge funds)	8,686,038	8,686,038	-	-	-
Real Estate (farm land)	3,208,598	3,208,598	-	-	-
<b>Total investments</b>	<b>\$ 57,745,994</b>	<b>\$ 42,782,836</b>	<b>\$ 6,978,849</b>	<b>\$ 6,118,241</b>	<b>\$ 1,866,068</b>

The Foundation adheres to the total return concept of investment management. Total return is defined as the aggregate sum of current income and changes in the market value of the assets under management.

*Custodial Credit Risk*

Custodial credit risk is the risk that when, in the event a financial institution or counterparty fails, the Foundation would not be able to recover the value of deposits, investments, or collateral securities that are in the possession of an outside party. The Federal Deposit Insurance Corporation insured account balances of \$2,076,823 as of June 30, 2017.

*Concentration Risk*

Concentration risk exists when a significant portion of the portfolio is invested in items with similar characteristics or subject to similar economic, political, or other conditions. As of June 30, 2017, the Foundation has two single issuer investments that each represents over 5% of the total assets of the Foundation. Foundation management believes these concentration risks represented below are not excessive when considering the overall diversification of the entire investment portfolio. The following issuers hold more than 5% of total Foundation assets as of June 30, 2017:

Vanguard Total Stock Market Index	\$9,029,783	13.3%
Mercer Hedge Fund Investors SPC	\$8,686,038	12.8%



STATE OF ILLINOIS  
 WESTERN ILLINOIS UNIVERSITY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2017

*Interest Rate Risk*

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's value. The Foundation does not have a policy that specifically addresses interest rate risk. The Foundation had the following assets, at fair values, exposed to interest rate risk at June 30, 2017:

Cash equivalents held in investment accounts	\$ 484,366
Certificates of deposits	2,533,968
U.S. agency obligations (FHLM, FNMA)	111,079
Municipal bonds	1,433,195
Corporate debt securities	6,825,259
Mutual funds, domestic debt	1,465,918
Mutual funds, international debt	1,483,949
Sub-total investments	<u>14,337,734</u>
Demand Deposit Interest Bearing Funds	<u>2,022,347</u>
Total assets subject to interest rate risk	<u><u>\$ 16,360,081</u></u>

*Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Foundation's short-term investments generally are not exposed to foreign currency risk.

The Foundation's investments in international stock and mutual funds represent 15.9% of the total Foundation investments as of June 30, 2017. The Foundation does not have a policy on foreign currency risk. The U.S. dollar balances of the Foundation's investment exposed to foreign currency risk as of June 30, 2017 are listed below.

<i>Currency</i>	<i>United States Dollar Equivalent</i>
Euro	\$ 2,144,678
United Kingdom British Pound	1,443,265
Japanese Yen	1,315,803
Swiss Franc	692,995
Other currencies, individually less than 1% of fund portfolio	<u>3,532,483</u>
Total	<u><u>\$ 9,129,224</u></u>

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligations. Credit quality ratings are not required for U.S. government securities that are explicitly guaranteed by the U.S. government.

At June 30, 2017, the Foundation had the following investments and their ratings:

	Credit Rating per Standard and Poor's			
	Total Fair Value	U.S. Agency Obligations (FHLM, FNMA)	Corporate Debt Securities	Municipal Bonds
AA	\$ 506,023	\$ -	\$ -	\$ 506,023
AA-	497,457	-	244,069	253,388
A-	249,950	-	249,950	-
BBB+	319,237	-	319,237	-
Not Rated	6,796,866	111,079	6,012,003	673,784
	<u>\$ 8,369,533</u>	<u>\$ 111,079</u>	<u>\$ 6,825,259</u>	<u>\$ 1,433,195</u>

	Credit Rating per Moody's			
	Total Fair Value	U.S. Agency Obligations (FHLM, FNMA)	Corporate Debt Securities	Municipal Bonds
Aaa	\$ 93,896	\$ 51,329	\$ -	\$ 42,567
Aa1	40,598	-	20,308	20,290
Aa2	306,241	-	-	306,241
Aa3	255,210	-	-	255,210
A1	163,902	-	67,563	96,339
A2	266,497	-	266,497	-
A3	791,393	-	791,393	-
Baa1	252,060	-	252,060	-
Baa2	159,359	-	159,359	-
Baa3	20,233	-	20,233	-
Not Rated	6,020,144	59,750	5,247,846	712,548
	<u>\$ 8,369,533</u>	<u>\$ 111,079</u>	<u>\$ 6,825,259</u>	<u>\$ 1,433,195</u>

STATE OF ILLINOIS  
 WESTERN ILLINOIS UNIVERSITY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2017

*Fair Value Measurements*

The Foundation measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1 - Quoted prices for identical investments in active markets
- Level 2 - Observable inputs other than quoted market prices
- Level 3 - Unobservable inputs

At June 30, 2017, the Foundation had the following recurring fair value measurements.

	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt securities				
U.S. agency obligations (FHLM, FNMA)	\$ 111,079	\$ -	\$ 111,079	\$ -
Municipal bonds	1,433,195	-	1,433,195	-
Corporate debt securities	6,825,259	-	6,825,259	-
Mutual funds, domestic debt	1,465,918	1,465,918	-	-
Mutual funds, international debt	1,483,949	1,483,949	-	-
Total debt securities	11,319,400	2,949,867	8,369,533	-
Equity securities				
Corporate equity securities	91,952	91,952	-	-
Mutual funds, domestic equity	12,403,378	12,403,378	-	-
Mutual funds, international equity	9,101,625	9,101,625	-	-
Total equity securities	21,596,955	21,596,955	-	-
Real estate (farm land)	3,208,598	-	3,208,598	-
Charitable remainder trusts	4,296,745	-	-	4,296,745
Total investments by fair value level	<u>\$40,421,698</u>	<u>\$24,546,822</u>	<u>\$11,578,131</u>	<u>\$ 4,296,745</u>
Investments measured at net asset value				
Real assets funds	3,287,824			
Private equity funds	6,628,845			
Absolute return (hedge funds)	8,686,038			
Total other	<u>18,602,707</u>			
Total	59,024,405			
Plus cash equivalents held in investment pools	484,366			
Plus certificates of deposit	2,533,968			
Less charitable remainder trusts	<u>(4,296,745)</u>			
Total investments	<u>\$57,745,994</u>			

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

Debt and equity securities and real estate exchange traded funds classified in Level 1 are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 are valued using quoted prices for identical securities in markets that are not active, quoted prices for similar securities in active markets, and matrix pricing based on the securities' relationship to benchmark quoted prices. Real estate classified in Level 2 is valued using recent appraisals and similar processes of comparable real estate properties. Charitable remainder trusts classified in Level 3 are valued at the present value of the estimated future cash receipts from the trust assets. Such present values are generally assumed to be the fair market value of the percentage interest of the underlying assets of the trust.

Investments valued using the net asset value (NAV) per share (or its equivalent) are considered "alternative investments" and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. The following provides additional information related to investments measured at NAV as of June 30, 2017:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Real assets funds	\$ 3,287,824	\$ 1,743,611	-	-
Private equity funds	6,628,845	4,202,215	-	-
Absolute return (hedge funds)	8,686,038	-	Quarterly	100 Days
Total	<u>\$ 18,602,707</u>	<u>\$ 5,945,826</u>		

Real asset funds – This type includes seven real asset funds that invest in global real estate, natural resources, and infrastructure. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Foundation's ownership interest in partners' capital. The fair values of the investments in this type have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments. These investments can never be redeemed with the funds, with the exception of Prudential Real Estate Investors. Distribution from each fund will be received as underlying assets of the funds are liquidated. Each fund is expected to have an approximate ten-year life.

Private equity funds – This type includes ten private equity funds that invest in global buyouts, venture capital, special situations, and secondaries and co-investments. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Foundation's ownership interest in partners' capital. The fair values of the investments in this type have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments. These investments can never be redeemed with the funds. Distributions from each fund will be received as underlying assets of the funds are liquidated. Each fund is expected to have an approximate ten-year life.

Absolute return (hedge funds) – This type includes one hedge fund that pursues multiple strategies to diversify risks and reduce volatility. The strategy mix includes investments in long/short equity, long/short credit, relative value arbitrage, merger arbitrage, convertible

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

arbitrage, capital structure arbitrage, fixed income arbitrage, short credit, distressed debt, global macro, special situations, and private investments. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments. This type allows for quarterly redemptions with 100 days notice.

*Summary of Carrying Values*

The carrying values of cash and cash equivalents shown on previous pages are included in the Statement of Net Position as follows:

	<u>University</u>	<u>Foundation</u>
Cash and cash equivalents	\$ 2,843,281	\$ 2,022,447
Cash and cash equivalents, restricted	29,163,667	-
Total	<u>\$ 32,006,948</u>	<u>\$ 2,022,447</u>

The carrying values of investments shown on previous pages are included in the Statement of Net Position as follows:

	<u>University</u>	<u>Foundation</u>
Current:		
Investments	\$ -	\$ 3,367,615
Noncurrent:		
Endowment Investments	-	12,116,028
Endowment Investments, restricted	-	37,180,579
Investments	-	5,081,772
Total Noncurrent	<u>\$ -</u>	<u>\$ 54,378,379</u>
Total investments	<u>\$ -</u>	<u>\$ 57,745,994</u>

Investment income for the year ended June 30, 2017 consisted of:

	<u>University</u>	<u>Foundation</u>
Interest, dividends, realized gains (losses) and market value changes	<u>\$ 296,644</u>	<u>\$ 4,908,325</u>

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

**NOTE 4 - ACCOUNTS AND STUDENT LOANS RECEIVABLE**

Accounts receivable are reported net of allowances for uncollectible accounts. Accounts receivable consisted of the following as of June 30, 2017:

Receivable from students	\$ 12,854,232
Receivable from third parties	1,636,923
Receivables from funding agencies	1,803,559
Total gross receivables	<u>16,294,714</u>
Allowance for doubtful accounts	<u>(6,344,800)</u>
Total net receivables	<u>\$ 9,949,914</u>

Student loans receivable totaling \$2,157,002 is reported net of allowance for uncollectible loans of \$557,400 at June 30, 2017.

**NOTE 5 - CAPITAL ASSETS**

Capital asset activities for the University for the year ended June 30, 2017 were as follows:

	Balance June 30, 2016	Additions	Retirements/ Adjustments	Transfers	Balance June 30, 2017
Non-depreciable capital assets:					
Land and land improvements	\$ 3,603,000	\$ -	\$ -	\$ -	\$ 3,603,000
Works of art and historical treasures	591,567	-	-	-	591,567
Construction in progress	5,493,781	401,096	-	(865,309)	5,029,568
Total non-depreciable capital assets	<u>9,688,348</u>	<u>401,096</u>	<u>-</u>	<u>(865,309)</u>	<u>9,224,135</u>
Depreciable capital assets					
Site improvements	46,850,373	92,638	(195,816)	-	46,747,195
Buildings and building improvements	376,316,221	1,252,043	(1,902,961)	865,309	376,530,612
Equipment	78,051,617	671,811	(1,341,723)	-	77,381,705
Capital lease equipment	30,325	174,457	(20,000)	-	184,782
Total depreciable capital assets	<u>501,248,536</u>	<u>2,190,949</u>	<u>(3,460,500)</u>	<u>865,309</u>	<u>500,844,294</u>
Less accumulated depreciation:					
Site improvements	22,002,060	1,624,871	(195,816)	-	23,431,115
Buildings and building improvements	176,511,082	11,250,107	(1,902,961)	-	185,858,228
Equipment	71,399,098	2,133,314	(1,328,729)	-	72,203,683
Capital lease equipment	10,581	14,984	(11,680)	-	13,885
Total accumulated depreciation	<u>269,922,821</u>	<u>15,023,276</u>	<u>(3,439,186)</u>	<u>-</u>	<u>281,506,911</u>
Total depreciable capital assets, net	<u>231,325,715</u>	<u>(12,832,327)</u>	<u>(21,314)</u>	<u>865,309</u>	<u>219,337,383</u>
Capital assets, net	<u>\$ 241,014,063</u>	<u>\$ (12,431,231)</u>	<u>\$ (21,314)</u>	<u>\$ -</u>	<u>\$ 228,561,518</u>

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

The University has a vacant administrative building with a net book value of \$1,027,910 as of June 30, 2017 that is properly being carried at the lower of carrying value or fair market value.

Capital asset activities for the Foundation for the year ended June 30, 2017 were as follows:

	Balance June 30, 2016	Additions	Retirements	Transfers	Balance June 30, 2017
Land and land improvements	\$ 658,304	\$ -	\$ -	\$ -	\$ 658,304

**NOTE 6 - UNEARNED REVENUE**

Unearned revenues consist of the following as of June 30, 2017:

Tuition and fees	\$ 3,093,527
Grants and contracts	1,870,658
Sales and services of educational departments	214,813
Auxiliary enterprises	237,955
Total	<u>\$ 5,416,953</u>

**NOTE 7 - NOTES PAYABLE**

During the year ended June 30, 2014, the University entered into an installment purchase agreement for networking equipment with an original cost of \$392,786. The related notes payable obligation was recorded at the present value of the future minimum installment payments, discounted using an applicable discount rate of 1.62%. The note was fully paid during Fiscal Year 2017.

**NOTE 8 - CAPITAL LEASES PAYABLE**

The University leases equipment under capital lease purchase contracts with an imputed rate of 10.67% to 22.84%. The capital leases payable are secured by the equipment being financed. The scheduled maturities of the capital leases are as follows:

	Principal	Interest	Total Payments
2018	\$ 28,766	\$ 17,243	\$ 46,009
2019	32,387	13,622	46,009
2020	32,114	9,935	42,049
2021	35,713	6,336	42,049
2022	39,716	2,333	42,049
Total	<u>\$ 168,696</u>	<u>\$ 49,469</u>	<u>\$ 218,165</u>

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

**NOTE 9 - REVENUE BONDS PAYABLE**

*General*

At June 30, 2017, revenue bonds payable consists of Western Illinois University Auxiliary Facilities System Revenue Bonds, Series 2016, Western Illinois University Auxiliary Facilities System Revenue Bonds, Series 2015, Western Illinois University Auxiliary Facilities System Revenue Bonds, Series 2012, and Western Illinois University Auxiliary Facilities System Revenue Bonds, Series 2010.

*Series 2016 Bonds*

On February 4, 2016, the Series 2016 Revenue Bonds were issued in the principal amount of \$8,990,000. The Series 2016 bonds are due April 1, 2027, with annual principal payments ranging from \$450,000 to \$1,125,000 commencing on April 1, 2017 and semi-annual interest payments beginning October 1, 2016 at 5.00%.

Proceeds from the sale of the Series 2015 Bonds were used to provide for the current refunding of the outstanding Series 2006 Bonds in the principal amount of \$9,660,000 and to pay certain expenses related to the issuance of the bonds. The total principal amount was deposited into the Series 2006 Bond Account to redeem all of the Refunded Series 2006 bonds on their redemption date at a price equal to the principal amount thereof. As a result, the Series 2006 Bonds are considered defeased and the liability for that portion of the bonds has been removed from the University's Statement of Net Position.

*Series 2015 Bonds*

On May 8, 2015, the Series 2015 Revenue Bonds were issued in the principal amount of \$4,190,000. The Series 2015 bonds are due April 1, 2020, with annual principal payments ranging from \$600,000 to \$1,710,000 commencing on April 1, 2016 and semi-annual interest payments beginning October 1, 2015 at 1.39% to 2.03%.

Proceeds from the sale of the Series 2015 Bonds were used to provide for the current refunding of the outstanding Series 2005 Bonds in the principal amount of \$4,115,000 and to pay certain expenses related to the issuance of the bonds. The total principal amount was deposited into the Series 2005 Bond Account to redeem all of the Refunded Series 2005 bonds on their redemption date at a price equal to the principal amount thereof. As a result, the Series 2005 Bonds are considered defeased and the liability for that portion of the bonds has been removed from the University's Statement of Net Position.



**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

*Series 2012 Bonds*

On April 19, 2012, the Series 2012 Revenue Bonds were issued in the principal amount of \$33,520,000. The Series 2012 bonds are due April 1, 2032, with annual principal payments ranging from \$1,290,000 to \$2,140,000 commencing on April 1, 2013 and semi-annual interest payments beginning April 1, 2013 at 3.00% to 4.20%.

Proceeds from the sale of the Series 2012 Bonds were used to finance capital improvements to Thompson Hall and the University Union. In addition, a portion of the proceeds from the Series 2012 Bonds were used to provide for the advance refunding of the outstanding Series 2002 Bonds in the principal amount of \$7,890,000. The total principal amount was deposited into the Series 2002 Refunding Fund to redeem all of the Refunded Series 2002 bonds on their redemption date at a price equal to the principal amount thereof. As a result, the Series 2002 Bonds are considered defeased and the liability for that portion of the bonds has been removed from the University's Statement of Net Position.

*Series 2010 Bonds*

On August 5, 2010, the Series 2010 Revenue Bonds (Build America Bonds) were issued in the principal amount of \$25,510,000. The Series 2010 bonds are due April 1, 2033, with annual principal payments ranging from \$1,120,000 to \$2,010,000 commencing on April 1, 2017 and semi-annual interest payments beginning April 1, 2011 at 4.35% to 6.60%.

Proceeds from the sale of the Series 2010 Bonds were used to finance capital improvement renovations to Corbin and Olson Residence Halls including the Commons Dining Center.

*Advance Refunded Bonds*

Certain revenue bonds of the University have been defeased in prior years through advance refunding and, accordingly, have been accounted for as if they were retired. The principal amount of advance refunded bonds was fully paid.

*Debt Service Activity Requirements and Collateral*

Following is a schedule depicting Revenue Bonds Payable activities for the year ended June 30, 2017:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Series 2010 Bonds	25,510,000	-	(1,120,000)	24,390,000	1,150,000
Series 2012 Bonds	26,980,000	-	(1,770,000)	25,210,000	1,845,000
Series 2015 Bonds	2,480,000	-	(600,000)	1,880,000	615,000
Series 2016 Bonds	8,990,000	-	(770,000)	8,220,000	845,000
Unamortized premium	1,128,062	-	(303,107)	824,955	242,266
	<u>\$ 65,088,062</u>	<u>\$ -</u>	<u>\$ (4,563,107)</u>	<u>\$ 60,524,955</u>	<u>\$ 4,697,266</u>

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

Aggregate maturities of the bonds outstanding as of June 30, 2017 are as follows:

	<u>Principal</u>	<u>Interest</u>
2018	\$ 4,455,000	\$ 2,838,750
2019	4,600,000	2,657,189
2020	4,775,000	2,465,743
2021	4,305,000	2,263,965
2022	4,465,000	2,082,448
2023-2027	17,850,000	7,705,753
2028-2032	17,240,000	3,496,468
2033	2,010,000	132,660
	<u>59,700,000</u>	<u>23,642,976</u>
Unamortized premium	824,955	-
	<u>\$ 60,524,955</u>	<u>\$ 23,642,976</u>

None of the bonds described above constitute obligations of either the State of Illinois or the Board of Trustees of Western Illinois University, but together with interest thereon, are payable solely from and are collateralized by: a) the net revenues of the Western Illinois University Auxiliary Facilities System, b) certain pledged student fees, and c) a pledge of student tuition. Maximum annual debt service as defined for all outstanding revenue bonds is \$7,293,750. The estimated debt service coverage ratio based on revenues generated from operations is 1.66. The future pledged revenues for principal and interest in Fiscal Year 2017 are \$83,342,974. Pledged revenue coverage is 12.23 in Fiscal Year 2017. Pledged revenues have a term of commitment through 2033.

**NOTE 10 - CERTIFICATES OF PARTICIPATION PAYABLE**

*General*

At June 30, 2017, certificates of participation consist of Western Illinois University Series 2015 Certificates of Participation and Western Illinois University Series 2010 Certificates of Participation.

*Series 2015 Certificates of Participation*

On July 14, 2015, the Series 2015 Certificates of Participation were issued in the principal amount of \$15,100,000. The Series 2015 Certificates of Participation are due October 1, 2024 with annual principal payments ranging from \$1,470,000 to \$1,890,000 commencing October 1, 2016 and semi-annual interest payments beginning October 1, 2016 at 3.00% to 5.00%.

Proceeds from the sale of the Series 2015 Certificates of Participation were used to provide for the current refunding of the outstanding Series 2005 Certificates of Participation in the principal amount of \$7,160,000, the advance refunding of the outstanding Series 2011 Certificates of Participation in the principal amount of \$9,265,000, and to pay certain expenses related to the issuance of the bonds. The net proceeds plus funds provided by the University were deposited

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

into the Series 2005 Installment Payment Fund and the 2011 Installment Payment Fund to redeem all of the Refunded Series 2005 and 2011 Certificates of Participation on their redemption date at a price equal to the principal amount thereof. As a result, the Series 2005 and 2011 Certificates of Participation are considered defeased and the liability for that portion of the certificates has been removed from the University's Statement of Net Position.

*Series 2010 Certificates of Participation*

On March 11, 2010, the Series 2010 Certificates of Participation were issued in the principal amount of \$11,585,000. The Series 2010 Certificates of Participation are due October 1, 2029 with annual principal payments ranging from \$415,000 to \$825,000 commencing October 1, 2010 and semi-annual interest payments beginning October 1, 2010 at 1.30% to 6.37%.

Proceeds from the sale of the Series 2010 Certificates of Participation were used to finance heating plant capital improvements and steam line replacements. Additionally, proceeds from the sale were used to reimburse the University for a portion of the cost of the sprinkler system installation in Thompson and Tanner Halls.

*Debt Service Activity Requirements and Collateral*

Following is a schedule depicting Certificates of Participation activities for the year ended June 30, 2017:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Series 2010	\$ 8,890,000	\$ -	\$ (490,000)	\$ 8,400,000	\$ 505,000
Series 2015	15,100,000	-	(1,730,000)	13,370,000	1,785,000
Unamortized premium	560,040	-	(117,288)	442,752	93,451
Unamortized discount	(16,987)	-	3,689	(13,298)	(3,289)
	<u>\$ 24,533,053</u>	<u>\$ -</u>	<u>\$ (2,333,599)</u>	<u>\$ 22,199,454</u>	<u>\$ 2,380,162</u>

Aggregate maturities of the certificates of participation outstanding as of June 30, 2017 are as follows:

	Principal	Interest
2018	\$ 2,290,000	\$ 904,688
2019	2,360,000	827,516
2020	2,435,000	745,875
2021	2,035,000	667,301
2022	2,090,000	592,625
2023-2027	8,200,000	1,616,445
2028-2030	2,360,000	229,988
	<u>\$ 21,770,000</u>	<u>\$ 5,584,438</u>
Unamortized premium	442,752	-
Unamortized discount	(13,298)	-
	<u>\$ 22,199,454</u>	<u>\$ 5,584,438</u>

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

The Certificates of Participation described above do not constitute obligations of either the State of Illinois or the Board of Trustees of Western Illinois University, but together with interest thereon, are payable solely from and are collateralized by lawful appropriations by the General Assembly for such purposes and legally available nonappropriated funds on an annual basis.

**NOTE 11 - ACCRUED COMPENSATED ABSENCES**

Vacation pay earned but not taken may be accumulated up to a specified maximum from 24 to 56 work days, and received as a lump sum payment upon termination. At June 30, 2017, such accumulated benefits totaled \$7,684,422.

Administrative and faculty unused sick leave may be accumulated up to a specified maximum, generally 360 calendar days. Unused and unpaid sick leave can be applied toward the service time requirements for computing retirement benefits. Civil service exempt and nonexempt employees have no specified maximum accumulation of unused sick leave days. One-half of any unused sick leave earned from January 1, 1984 and prior to January 1, 1998 can be received as a lump sum payment upon termination. At June 30, 2017, such accumulated benefits totaled \$2,390,724. Compensated absences activity for the year ended June 30, 2017 was as follows:

Balance, beginning of year	\$ 10,840,419
Deductions	<u>(765,273)</u>
Balance, end of year	10,075,146
Less: current portion	<u>(1,450,934)</u>
Balance, end of year - noncurrent portion	<u>\$ 8,624,212</u>

**NOTE 12 – NET POSITION**

Net position balances by major categories at June 30, 2017 are as follows:

	<u>University</u>	<u>Foundation</u>
Net investment in capital assets	\$ 146,523,057	\$ 459,540
Restricted for:		
Nonexpendable	<u>-</u>	<u>29,364,285</u>
Expendable		
Auxiliary Facilities System		
Operations	3,562,549	-
Retirement of indebtedness	254,913	-
Renewals and replacements	23,405,367	-
Loans	1,690,061	-
Grants and contracts	99,679	-
Scholarships, research, instruction and other		<u>13,570,429</u>
Total expendable	<u>29,012,569</u>	<u>13,570,429</u>
Unrestricted	<u>(15,742,053)</u>	<u>23,274,636</u>
Total net position	<u>\$ 159,793,573</u>	<u>\$ 66,668,890</u>

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

**NOTE 13 - DEFINED BENEFIT PENSION PLAN**

**General Information about the Pension Plan**

*Plan Description*

The University contributes to the State Universities Retirement System of Illinois (the System), a cost-sharing multiple-employer defined benefit plan with a special funding situation whereby the State 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 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 Chapter 40, Act 5, Article 15 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](http://www.SURS.org).

*Benefits Provided*

A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed 6 months after their date of hire to make an irrevocable election. A summary of the benefit provisions as of June 30, 2016 can be found in the System's comprehensive annual financial report (CAFR) Notes to the Financial Statements.

*Contributions*

The State of Illinois is primarily responsible for funding the System on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a Statutory Funding Plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members of the System to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from "trust, federal, and other funds" are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for Fiscal Year 2016 and 2017 respectively, was 12.69% and 12.53% of employee payroll. The normal cost is equal to the value of current year's pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary. The contribution requirements of plan

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

members and employers are established and may be amended by the Illinois General Assembly.

Participating employers make contributions toward separately financed specific liabilities under Section 15.139.5(e) of the Illinois Pension Code (relating to contributions payable due to the employment of "affected annuitants" or specific return to work annuitants) and Section 15-155(g) (relating to contributions payable due to earning increases exceeding 6% during the final rate of earnings period).

**Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Net Pension Liability*

The net pension liability (NPL) was measured as of June 30, 2016. At June 30, 2016, SURS reported an NPL of \$25,965,271,744.

*Employer Proportionate Share of Net Pension Liability*

The amount of the proportionate share of the net pension liability to be recognized for the University is \$0. The proportionate share of the State's net pension liability associated with the University is \$665,077,569 or 2.5614%. This amount should not be recognized in the financial statement. The net pension liability and total pension liability as of June 30, 2016 was determined based on the June 30, 2015 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS during Fiscal Year 2016.

*Pension Expense*

At June 30, 2016 SURS reported a collective net pension expense of \$2,566,164,865.

*Employer Proportionate Share of Pension Expense*

The employer proportionate share of collective pension expense should be recognized similarly to on-behalf payments as both revenue and matching expenditure in the financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported pensionable contributions made to SURS during Fiscal Year 2016. As a result, the University recognized on-behalf revenue and pension expense of \$65,730,053 for the fiscal year ended June 30, 2017, and is reported as part of nonoperating revenues (on-behalf payments for fringe benefits) and operating expenses (on-behalf payments).

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

Deferred outflows of resources are the consumption of net position by the system that is applicable to future reporting periods.

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 14,215,882	\$ 2,298,574
Changes in assumption	655,463,758	-
Net difference between projected and actual earnings on pension plan investments	<u>795,528,330</u>	<u>-</u>
Total	<u>\$ 1,465,207,970</u>	<u>\$ 2,298,574</u>

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Year to be Recognized in Future Pension Expenses:

<u>Year Ending June 30</u>	<u>Net Deferred Outflows of Resources</u>
2017	\$ 539,536,680
2018	275,426,885
2019	401,520,624
2020	246,425,207
2021	-
Thereafter	-
Total	<u>\$ 1,462,909,396</u>

**Employer Deferral of Fiscal Year 2017 Pension Expense**

The University paid \$368,321 in federal, trust or grant contributions for the fiscal year ended June 30, 2017. These contributions were made subsequent to the pension liability date of June 30, 2016 and are recognized as Deferred Outflows of Resources as of June 30, 2017.

**Assumptions and Other Inputs**

*Actuarial assumptions*

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period June 30, 2010 – 2014. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.75 to 15.00 percent, including inflation
Investment rate of return	7.25 percent beginning with the actuarial valuation as of June 30, 2014

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

Mortality rates were based on the RP2014 Combined Mortality Table with projected generational mortality and a separate mortality assumption for disabled participants.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary(s).

For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2016, these best estimates are summarized in the following table:

Asset class	Target allocation	Weighted average long-term expected real rate of return
U.S. equity	23%	6.08%
Private equity	6%	8.73%
Non-U.S. equity	19%	6.95%
Global equity	8%	6.78%
Fixed Income	19%	1.17%
Treasury-inflation protected securities	4%	1.41%
Emerging market debt	3%	4.44%
Direct real estate	4%	5.75%
REITS	6%	4.62%
Commodities	2%	4.23%
Hedged strategies	5%	4.00%
Opportunity fund	1%	6.54%
Total	<u>100%</u>	<u>5.09%</u>
Inflation		<u>2.75%</u>
Expected arithmetic returns		<u>7.84%</u>

*Discount Rate*

A single discount rate of 7.01% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 2.85% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at



**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

rates equal to the statutory contribution rates under the System's funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2073. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2073, and the municipal bond rate was applied to all benefit payments after that date.

*Sensitivity of the System's Net Pension Liability to Changes in the Discount Rate*

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.01%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease 6.01%	Current Single Discount Rate Assumption 7.01%	1% Increase 8.01%
\$ 31,348,831,631	\$ 25,965,271,744	\$ 21,502,421,700

Additional information regarding the SURS basic financial statements including the Plan Net Position can be found in the SURS comprehensive annual financial report by accessing the website at [www.SURS.org](http://www.SURS.org).

**NOTE 14 - ON-BEHALF PAYMENTS FOR FRINGE BENEFITS**

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the University reported payments made to the State Universities Retirement System on behalf of the University for its proportional share of the State's pension expense of \$65,730,053 as described in Note 13. Substantially all employees participate in group health insurance plans administered by the State. The employer contributions to these plans for a majority of the University's employees are paid by the Department of Central Management Services on behalf of the University. The University reported group insurance on-behalf payments made to the Department of Central Management Services of \$36,457,383 for the year ended June 30, 2017. The on-behalf payments amount that relates to State group health insurance is an allocation of estimated costs incurred by the Department of Central Management Services on behalf of the University. The total on-behalf payments of \$102,187,436 are reported as nonoperating revenues and operating expenses.

**NOTE 15 - POSTEMPLOYMENT BENEFITS**

The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by 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

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

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 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 the 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 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 Central Management Services. A copy of the financial statements of the Department of Central Management Services may be obtained by writing to the Department of Central Management Services, 715 Stratton Building, 401 South Spring Street, Springfield, Illinois, 62606-4100.

**NOTE 16 - STATE OF ILLINOIS APPROPRIATIONS**

On June 30, 2016, the General Assembly passed SB 2047, Public Act 99-524 that included a six-month stop gap budget for universities. The University received Fiscal Year 2017 appropriations of \$31,389,000 from the Education Assistance Fund. The Public Act states that Fiscal Year 2017 appropriations may be used to pay prior year costs through December 31, 2016. The University fully spent the Fiscal Year 2017 appropriation for Fiscal Year 2016 costs. In addition, the spring semester awards made for Fiscal Year 2016 scholarships totaling \$5,939,112 from the Illinois Student Assistance Commission were reimbursed to the University from the Fiscal Year 2017 Fund for the Advancement of Education appropriation. In accordance with GASB Statement No. 33, the revenues paid from Fiscal Year 2017 appropriations totaling \$37,328,112 were recognized as revenues in Fiscal Year 2017 even though they were used to pay for Fiscal Year 2016 costs.

On July 6, 2017, the General Assembly passed SB 0006, Public Act 100-0021 that included an appropriation budget for universities. The University received Fiscal Year 2017 appropriations of \$13,262,300 from the General Revenue Fund and \$6,793,900 from the Education Assistance Fund. In addition, the awards made for Fiscal Year 2017 scholarships totaling \$10,940,735 from the Illinois Student Assistance Commission were reimbursed to the University from the Fiscal Year 2017 Fund for the Advancement of Education appropriation. The effective date of Public Act 100-0021 was July 6, 2017, therefore, in accordance with GASB Statement No. 33, the revenues paid from Fiscal Year 2017 appropriations totaling \$30,996,935 were not recognized as revenues and receivables at June 30, 2017 even though they were used to pay for Fiscal Year

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

2017 costs.

**NOTE 17 - INSURANCE**

Through its participation in the Illinois Public Higher Education Cooperative (IPHEC), the University has contracted with commercial carriers to provide various insurance coverages, including educators' legal and other general liability insurance. The University's liability coverages have a \$250,000 to \$350,000 deductible per occurrence. Additionally, the University purchases property insurance coverage for the replacement value of University real property and contents. Settled claims have not exceeded commercial coverage in any of the three preceding years.

**NOTE 18 - OPERATING EXPENSES BY NATURAL CLASSIFICATION**

Operating expenses by natural classification for the year ended June 30, 2017 for the University are summarized as follows:

	Compensation & Benefits	Supplies & Services	Scholarships & Fellowships	Depreciation	Total
Instruction	\$ 55,115,010	\$ 1,858,369	\$ -	\$ -	\$ 56,973,379
Research	2,485,148	767,199	-	-	3,252,347
Public service	6,205,345	3,396,124	-	-	9,601,469
Academic support	11,489,126	2,653,432	-	-	14,142,558
Student services	9,646,546	9,246,861	-	-	18,893,407
Institutional support	9,349,717	3,861,285	-	-	13,211,002
Operation and maintenance of plant	7,412,563	5,300,112	-	-	12,712,675
Student aid expense	-	-	10,688,107	-	10,688,107
Auxiliary enterprises	13,485,935	22,592,285	-	-	36,078,220
Staff benefits	6,854,422	-	-	-	6,854,422
Depreciation	-	-	-	15,023,275	15,023,275
On-behalf payments	102,187,436	-	-	-	102,187,436
Other operating expenses	-	24,522	-	-	24,522
Total	<u>\$ 224,231,248</u>	<u>\$ 49,700,189</u>	<u>\$ 10,688,107</u>	<u>\$ 15,023,275</u>	<u>\$ 299,642,819</u>

**NOTE 19 - CONTRACT WITH WESTERN ILLINOIS UNIVERSITY FOUNDATION**

The University has a contract with the Western Illinois University Foundation in which the Foundation has agreed to aid and assist the University in achieving its educational, research, and service goals by developing and administering its gifts. These gifts received by the Foundation are to be used for the benefit of the University in its scholarship, loan, grant and other supporting programs. The University agreed, as part of this contract, to furnish certain services necessary to the operation of the Foundation.

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

For Fiscal Year 2017, the Foundation did not specifically reimburse the University for \$1,322,227 of personal service costs, facility use and other costs provided by the University. However, the Foundation gave the University \$4,469,714 for Fiscal Year 2017, in totally unrestricted funds or funds restricted as to department but generally available for ongoing University operations.

During the year ended June 30, 2017, the University and Foundation had the following inter-entity transactions:

	<u>University</u>	<u>Foundation</u>
Nonoperating Revenues - Gifts	\$ 600,664	-
Operating Expenses:		
Instruction	-	\$ 309,271
Research	-	49,998
Academic support	-	44,552
Student services	-	54,102
Institutional support	-	112,250
Operation and maintenance of plant	-	15,706
Student aid expense	-	14,785
	<u>\$ 600,664</u>	<u>\$ 600,664</u>

**NOTE 20 - COMMITMENTS AND CONTINGENCIES**

*Claims and Litigation*

The University is currently involved in various claims and pending legal actions related to matters arising from the ordinary conduct of business. The University administration believes that ultimate disposition of the actions will not have a material effect on the financial statements of the University.

*Government Grants*

The University is currently participating in numerous grants from various departments and agencies of the federal and State governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursements of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

STATE OF ILLINOIS  
 WESTERN ILLINOIS UNIVERSITY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2017

NOTE 21 – PRIOR PERIOD ADJUSTMENT

The University corrected its accounting presentation in its final financial statements in accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* to show all non-capital assets associated with the University's Auxiliary Facilities System (System) as restricted assets and reclassified the System's portion of the University's net position to expendable restricted net position. The University restated the classification of its net position balance at July 1, 2016 between Unrestricted and Restricted Expendable Net Position as follows:

NET POSITION	As Previously Reported	Adjustment	As Restated
Restricted – Expendable	\$ 1,876,455	\$23,698,172	\$25,574,627
Unrestricted	\$15,796,303	(\$23,698,172)	(\$ 7,901,869)

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
REQUIRED SUPPLEMENTARY INFORMATION – PENSION (UNAUDITED)  
For the Year Ended June 30, 2017**

**State Universities Retirement System of Illinois  
Schedule of Share of Net Pension Liability**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
(a) Proportion percentage of the collective net pension liability	0%	0%	0%
(b) Proportion amount of the collective net pension liability	\$ -	\$ -	\$ -
(c) Portion of nonemployer contributing entities' total proportion of collective net pension liability associated with employer	<u>586,649,047</u>	<u>628,376,573</u>	<u>665,077,569</u>
Total (b) + (c)	<u>586,649,047</u>	<u>628,376,573</u>	<u>665,077,569</u>
Employer DB covered-employee payroll	\$ 97,810,421	\$ 96,318,804	\$ 92,521,052
Proportion of collective net pension liability associated with employer as a percentage of DB covered-employee payroll	599.78%	652.39%	718.84%
SURS plan net position as a percentage of total pension liability	44.39%	42.37%	39.57%

**Schedule of Contributions**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Federal, trust, grant, and other contribution	\$ 305,959	\$ 329,255	\$ 360,777	\$ 368,321
Contribution in relation to required contribution	305,959	329,255	360,777	368,321
Contribution deficiency (excess)	-	-	-	-
Employer covered payroll	\$ 121,080,877	\$ 120,107,278	\$ 115,835,988	\$ 106,343,389
Contributions as a percentage of covered payroll	0.25%	0.27%	0.31%	0.35%

\*Note: SURS implemented GASB No. 68 in fiscal year 2015. The information above is presented for as many years as available. This schedule is intended to show information for 10 years.

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –  
PENSION (UNAUDITED)  
For the Year Ended June 30, 2017**

1. Changes of Benefit Terms

There were no benefit changes recognized in the Total Pension Liability as of June 30, 2016.

2. Changes of Assumptions

In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every three years to determine the reasonableness of actuarial assumptions regarding the retirement, disability, mortality, turnover, interest and salary of the members and benefit recipients of SURS. An experience review for the years June 30, 2010 to June 30, 2014 was performed in February 2015, resulting in the adoption of new assumptions as of June 30, 2015.

- Mortality rates. Change from the RP 2000 Mortality table projected to 2017, sex distinct, to the RP-2014 mortality tables with projected generational mortality improvement. Change to a separate mortality assumption for disabled participants.
- Salary increase. Change assumption to service-based rates, ranging from 3.75 percent to 15.00 percent based on years of service, with underlying wage inflation of 3.75 percent.
- Normal retirement rates. Change to retirement rates at ages younger than 60, age 66, and ages 70-79 to reflect observed experiences.
- Early retirement rates. Change to a slight increase to the rates at ages 55 and 56.
- Turnover rates. Change to produce lower expected turnover for members with less than 10 years of service and higher turnover for members with more than 10 years of service than the currently assumed rates.
- Disability rates. Decrease rates and have separate rates for males and females to reflect observed experience.
- Dependent assumption. Maintain the current assumption on marital status that varies by age and sex and the assumption that males are three years older than their spouse.



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**Independent Auditor's 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 Frank J. Mautino  
Auditor General  
State of Illinois

and

The Board of Trustees  
Western Illinois University

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the 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, the financial statements of the business-type activities of Western Illinois University (University) and its aggregate discretely presented component unit, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated February 20, 2018. Our report includes a reference to other auditors who 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 auditor's testing of internal control 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 of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.



A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of finding as item 2017-001 that we consider to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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*.

### **University's Response to the Finding**

The University's response to the finding identified in our audit is described in the accompanying schedule of finding. The University's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**SIGNED ORIGINAL ON FILE**

Chicago, Illinois  
February 20, 2018

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
SCHEDULE OF FINDINGS  
For the Year Ended June 30, 2017**

**Current Finding – Government Auditing Standards**

**2017-001 – Inadequate Control over Reporting Restricted Accounts**

The Western Illinois University (University) did not ensure restrictions from revenue bond covenants were properly reflected within the University’s financial statements.

As of June 30, 2017, the University’s Auxiliary Facilities System (System) consisted of certain facilities across campus which are not directly related to the University’s instruction, research, or service units, including:

- multi-purpose facilities, such as Western Hall and the University Student Union building;
- recreation-related facilities, such as the Spencer Student Recreation Center and the WIU Harry Mussatto golf course; and
- residence halls

As of June 30, 2017, the University had outstanding revenue bond issues (Series 2010, Series 2012, Series 2015, and Series 2016) where the proceeds from these bonds had been used to finance certain projects within the System. These bond issues established a “closed system” where the revenues generated by the System could only be used for the following purposes:

- 1) expenses necessary for the operation and reasonable upkeep and repair of the System;
- 2) payment of principal and/or interest amounts when due;
- 3) amounts set aside limited to and used for financing the costs of renovating or replacing capital assets of the System beyond ordinary maintenance and operation of the System;
- 4) amounts set aside limited to and used for constructing new space or additions to existing facilities within the System; and
- 5) amounts set aside limited to acquiring movable equipment to be installed in the facilities constituting the System;

with any excess funds, after maximum deposits have been made to fund the foregoing purposes, being set aside to either fund the redemption of previously issued bonds when callable or the purchase of the University’s bonds on the open market. Notably, resources within the System are unavailable for use by the University outside of the System.

During testing, we noted the University had controls to segregate the System’s assets and include its net position with the University’s financial statements; however, the University had not designed its internal controls to ensure accurate reporting of restricted assets and restricted net position under generally accepted accounting principles. The University originally designed the control due to the implementation of Governmental Accounting Standards Board Statement No. 34 by drawing inferences from the implementation guidance published by the Governmental

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
SCHEDULE OF FINDINGS  
For the Year Ended June 30, 2017**

**Current Finding – *Government Auditing Standards* (Continued)**

**2017-001 – Inadequate Control over Reporting Restricted Accounts (Continued)**

Accounting Standards Board that was not necessarily on point with the University's unique "closed system" situation and from discussions with other universities with closed systems.

Historically, auditors did not take exception to the design flaw until the current year. After this issue was noted during the current year, the Auditor General's Office and the Office of the State Comptroller consulted with staff of the Governmental Accounting Standards Board. After this consultation, the University (and all universities with closed systems) changed its accounting presentation in its final financial statements to show all non-capital assets associated with the System, totaling \$32,776,955 as restricted assets and reclassified the System's portion of the University's net position to expendable restricted net position, totaling \$27,222,829.

Governmental Accounting Standards Board Statement No. 34, Paragraph 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires net position should be reported as restricted when constraints imposed upon the use of the net position are externally imposed by creditors, such as through debt covenants. Further, Governmental Accounting Standards Board Statement No. 34, Paragraph 99, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires the reporting of restricted assets when constraints imposed upon the use of the net position are externally imposed by creditors which changes the nature or normal understanding of the availability of the asset, such as assets that cannot be used to extinguish liabilities outside of those allowed by the bond covenants.

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University establish and maintain a system, or systems, of fiscal and administrative controls to provide assurance that revenues, expenses, resources, and funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial reports and to maintain accountability over the State's resources.

University officials stated they thought they were properly reporting the Auxiliary Facilities System net position and asset balances in accordance with generally accepted accounting principles.

Failure to report the non-capital assets and net position related to the System as restricted resulted in a material misstatement of the University's financial statements and reduced the overall reliability of Statewide financial reporting. (Finding Code No. 2017-001)

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
SCHEDULE OF FINDINGS  
For the Year Ended June 30, 2017**

**Current Finding – *Government Auditing Standards* (Continued)**

**2017-001 – Inadequate Control over Reporting Restricted Accounts (Continued)**

**RECOMMENDATION**

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

**UNIVERSITY RESPONSE**

The University agrees with the finding. The University will periodically review its internal controls over financial reporting to ensure accounts are properly classified in conformity with generally accepted accounting principles.

**STATE OF ILLINOIS  
WESTERN ILLINOIS UNIVERSITY  
PRIOR FINDING NOT REPEATED  
For the Year Ended June 30, 2017**

**A. FINDING** Failure to apply accounting and financial reporting standards for impairment of capital assets

During the previous audit, 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.

During the current audit, we noted that effective February 2017, the University amended its capital asset policy to include evaluation of prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred by identifying potential impairments and testing for impairment. Our current year testing identified the University properly accounted for and disclosed capital asset impairments in the financial statements.

Attachment H  
Western Illinois University Board of Trustees Budget Materials  
Fiscal Year 2017

Note: By State statute, the Western Illinois University Board of Trustees approves a Preliminary Spending Plan, setting maximum expenditure limits prior to the fiscal year. It also refines and approved an All Funds Budget at its fall meeting, which replaces the Preliminary Spending Plan. The Board also approves University requests for new state resources (operating and capital) at its fall meeting. All of these materials are attached.

WESTERN ILLINOIS UNIVERSITY  
BOARD OF TRUSTEES

June 10, 2016

Resolution No. 16.6/3  
FY2017 Preliminary Spending Plan

**WHEREAS** Western Illinois University must prepare a preliminary spending plan prior to July 1 for State Appropriated, University Income, Auxiliary and All Other Funds for the Illinois Board of Higher Education, Illinois State Legislature and the Governor; and,

**WHEREAS** this spending plan requires Board of Trustees approval prior to submission; and,

**WHEREAS** this spending plan reflects Western's tradition of strong, conservative fiscal management and resource allocation to support goals and priorities stated in *Higher Values in Higher Education* and Western Illinois University's *Mission Statement*:

**THEREFORE** be it resolved that the Board of Trustees approves the FY2017 spending plan as presented in the FY2017 spending plan document, and be it further resolved that the President be authorized to make technical adjustments in these budgets if necessary.

Illinois state statute requires Western Illinois University (and all other Illinois public universities) to prepare a *Fiscal Year 2017 Preliminary Spending Plan* prior to July 1 for State Appropriated, University Income, Auxiliary and All Other Funds for the Illinois Board of Higher Education, Illinois State Legislature, and the Governor. Furthermore, the *Fiscal Year 2017 Preliminary Spending Plan* must be approved by the Western Illinois University Board of Trustees prior to institutional submission and expenditure. The Preliminary Spending Plan for Fiscal Year 2017 is displayed in the table below.

	State Appropriated Funds	University Income Funds	Auxiliary Facilities System Funds	Other Non- Appropriated Funds	Total
Personal Services	\$ 38,581,510	\$ 45,718,490	\$ 13,750,000	\$ 13,000,000	\$ 111,050,000
Medicare	830,000	600,000	200,000	150,000	1,780,000
Contractual Services	-	10,000,000	21,000,000	14,350,000	45,350,000
Travel	-	450,000	100,000	500,000	1,050,000
Commodities	-	2,275,200	600,000	2,100,000	4,975,200
Equipment	-	2,800,000	500,000	1,500,000	4,800,000
Awards & Grants and Matching Funds	-	6,000,000	1,500,000	25,000,000	32,500,000
Telecommunication Services	-	450,000	125,000	350,000	925,000
Operation of Automotive Equipment	-	300,000	200,000	500,000	1,000,000
Permanent Improvements	-	250,000	400,000	300,000	950,000
CMS Health Insurance	1,744,800	-	200,000	1,000,000	2,944,800
Other	-	-	13,750,000	250,000	14,000,000
<b>Total FY2017 Operating Budget</b>	<b>\$ 41,156,310</b>	<b>\$ 68,843,690</b>	<b>\$ 52,325,000</b>	<b>\$ 59,000,000</b>	<b>\$ 221,325,000</b>

As of May 31, 2016, the Illinois General Assembly failed to pass any spending bills or a comprehensive FY17 budget plan. In February 2016, the Illinois Governor proposed a budget that would cut all of Higher education by 20% of FY15 appropriation levels.

Because the Governor's Proposed budget is the best known information we have at the time of this writing, the University's Fiscal Year 2017 preliminary spending plan for state appropriated funds is presented at a level that reflects a 20% reduction in our state appropriation. The Income Fund budget reflects the necessary increases in salary obligations and operating increases, and in order to balance this spending plan with the projected revenue, we will lead an effort to identify the necessary expense reductions in the coming weeks.

Western Illinois University's *Fiscal Year 2017 All-Funds Operating Budget* will be presented to the Western Illinois University Board of Trustees in October and will include the appropriation approved by the General Assembly and income projections based on fall enrollment.



Table 2  
Western Illinois University  
Fiscal Year 2014 Through 2016 All-Funds Budget

	State Appropriated Funds	University Income Funds	Auxiliary Facilities System Funds	Other Non- Appropriated Funds	Total
Fiscal Year 2014					
Personal Services	\$ 46,596,900	\$ 58,203,100	\$ 14,000,000	\$ 14,250,000	\$ 133,050,000
Medicare	800,000	700,000	200,000	150,000	1,850,000
Contractual Services	2,500,000	8,100,000	22,155,000	13,000,000	45,755,000
Travel	-	400,000	150,000	750,000	1,300,000
Commodities	383,400	1,500,000	700,000	2,200,000	4,783,400
Equipment	400,000	2,200,000	800,000	2,000,000	5,400,000
Awards & Grants and Matching Funds	-	2,500,000	500,000	25,000,000	28,000,000
Telecommunication Services	180,000	500,000	200,000	360,000	1,240,000
Operation of Automotive Equipment	150,000	241,800	100,000	600,000	1,091,800
Permanent Improvements	-	500,000	500,000	300,000	1,300,000
CMS Health Insurance	1,744,800	-	200,000	1,000,000	2,944,800
Other	-	-	14,495,000	390,000	14,885,000
<b>Total FY2014 Operating Budget</b>	<b>\$ 52,755,100</b>	<b>\$ 74,844,900</b>	<b>\$ 54,000,000</b>	<b>\$ 60,000,000</b>	<b>\$ 241,600,000</b>
Fiscal Year 2015					
Personal Services	\$ 46,471,100	\$ 60,228,900	\$ 13,975,000	\$ 14,250,000	\$ 134,925,000
Medicare	800,000	800,000	200,000	150,000	1,950,000
Contractual Services	2,500,000	8,571,800	22,500,000	14,150,000	47,721,800
Travel	-	800,000	100,000	750,000	1,650,000
Commodities	383,400	2,000,000	600,000	2,200,000	5,183,400
Equipment	400,000	2,500,000	500,000	2,000,000	5,400,000
Awards & Grants and Matching Funds	-	4,000,000	1,400,000	25,000,000	30,400,000
Telecommunication Services	150,000	350,000	125,000	350,000	975,000
Operation of Automotive Equipment	180,000	120,000	200,000	500,000	1,000,000
Permanent Improvements	-	500,000	400,000	400,000	1,300,000
CMS Health Insurance	1,744,800	-	200,000	1,000,000	2,944,800
Other	-	-	14,300,000	250,000	14,550,000
<b>Total FY2015 Operating Budget</b>	<b>\$ 52,629,300</b>	<b>\$ 79,870,700</b>	<b>\$ 54,500,000</b>	<b>\$ 61,000,000</b>	<b>\$ 248,000,000</b>
Fiscal Year 2016					
Personal Services	\$ 45,556,500	\$ 59,943,500	\$ 14,200,000	\$ 13,700,000	\$ 133,400,000
Medicare	800,000	800,000	200,000	150,000	1,950,000
Contractual Services	-	10,730,200	21,000,000	15,000,000	46,730,200
Travel	-	675,000	100,000	750,000	1,525,000
Commodities	-	1,500,000	600,000	2,200,000	4,300,000
Equipment	-	2,800,000	630,000	1,700,000	5,130,000
Awards & Grants and Matching Funds	-	6,500,000	1,500,000	24,000,000	32,000,000
Telecommunication Services	-	500,000	150,000	350,000	1,000,000
Operation of Automotive Equipment	-	300,000	200,000	450,000	950,000
Permanent Improvements	-	650,000	400,000	350,000	1,400,000
CMS Health Insurance	1,744,800	-	200,000	1,000,000	2,944,800
Other	-	-	14,420,000	250,000	14,670,000
<b>Total FY2016 Operating Budget</b>	<b>\$ 48,101,300</b>	<b>\$ 84,398,700</b>	<b>\$ 53,600,000</b>	<b>\$ 59,900,000</b>	<b>\$ 246,000,000</b>

Table 2  
Western Illinois University  
Fiscal Year 2013 Through 2015 All-Funds Budget

	State Appropriated Funds	University Income Funds	Auxiliary Facilities System Funds	Other Non- Appropriated Funds	Total
Fiscal Year 2013					
Personal Services	\$ 46,109,600	\$ 57,190,400	\$ 14,500,000	\$ 14,470,000	\$ 132,270,000
Medicare	800,000	700,000	200,000	150,000	1,850,000
Contractual Services	2,500,000	8,500,000	21,580,000	14,000,000	46,580,000
Travel	-	1,000,000	100,000	750,000	1,850,000
Commodities	263,400	1,700,000	700,000	2,000,000	4,663,400
Equipment	400,000	2,200,000	900,000	2,000,000	5,500,000
Awards & Grants and Matching Funds	-	2,300,000	500,000	26,000,000	28,800,000
Telecommunication Services	150,000	500,000	200,000	380,000	1,230,000
Operation of Automotive Equipment	180,000	161,800	100,000	600,000	1,041,800
Permanent Improvements	-	600,000	400,000	300,000	1,300,000
CMS Health Insurance	1,744,800	-	200,000	900,000	2,844,800
Other	-	-	14,620,000	450,000	15,070,000
<b>Total FY2013 Operating Budget</b>	<b>\$ 52,147,800</b>	<b>\$ 74,852,200</b>	<b>\$ 54,000,000</b>	<b>\$ 62,000,000</b>	<b>\$ 243,000,000</b>
Fiscal Year 2014					
Personal Services	\$ 46,596,900	\$ 58,203,100	\$ 14,000,000	\$ 14,250,000	\$ 133,050,000
Medicare	800,000	700,000	200,000	150,000	1,850,000
Contractual Services	2,500,000	8,100,000	22,155,000	13,000,000	45,755,000
Travel	-	400,000	150,000	750,000	1,300,000
Commodities	383,400	1,500,000	700,000	2,200,000	4,783,400
Equipment	400,000	2,200,000	800,000	2,000,000	5,400,000
Awards & Grants and Matching Funds	-	2,500,000	500,000	25,000,000	28,000,000
Telecommunication Services	180,000	500,000	200,000	360,000	1,240,000
Operation of Automotive Equipment	150,000	241,800	100,000	600,000	1,091,800
Permanent Improvements	-	500,000	500,000	300,000	1,300,000
CMS Health Insurance	1,744,800	-	200,000	1,000,000	2,944,800
Other	-	-	14,495,000	390,000	14,885,000
<b>Total FY2014 Operating Budget</b>	<b>\$ 52,755,100</b>	<b>\$ 74,844,900</b>	<b>\$ 54,000,000</b>	<b>\$ 60,000,000</b>	<b>\$ 241,600,000</b>
Fiscal Year 2015					
Personal Services	\$ 46,471,100	\$ 60,228,900	\$ 13,975,000	\$ 14,250,000	\$ 134,925,000
Medicare	800,000	800,000	200,000	150,000	1,950,000
Contractual Services	2,500,000	8,571,800	22,500,000	14,150,000	47,721,800
Travel	-	800,000	100,000	750,000	1,650,000
Commodities	383,400	2,000,000	600,000	2,200,000	5,183,400
Equipment	400,000	2,500,000	500,000	2,000,000	5,400,000
Awards & Grants and Matching Funds	-	4,000,000	1,400,000	25,000,000	30,400,000
Telecommunication Services	150,000	350,000	125,000	350,000	975,000
Operation of Automotive Equipment	180,000	120,000	200,000	500,000	1,000,000
Permanent Improvements	-	500,000	400,000	400,000	1,300,000
CMS Health Insurance	1,744,800	-	200,000	1,000,000	2,944,800
Other	-	-	14,300,000	250,000	14,550,000
<b>Total FY2015 Operating Budget</b>	<b>\$ 52,629,300</b>	<b>\$ 79,870,700</b>	<b>\$ 54,500,000</b>	<b>\$ 61,000,000</b>	<b>\$ 248,000,000</b>

Instructional Resources and Services	\$545,000	\$235,525	\$0	\$545,000
University Stores and Service Centers	\$850,000	\$32,431	\$0	\$850,000
University Publications	\$26,625	\$0	\$0	\$26,625
Sponsored Credit	\$4,000	\$0	\$0	\$4,000
Parking Operations	\$40,000	\$0	\$0	\$40,000
Transit	\$32,500	\$0	\$0	\$32,500

Parking Lots

Parking Operation	\$1,600,000	\$2	\$0	\$1,600,000
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**Resolution No. 16,6/3: FY2017 Preliminary Spending Plan**

The Board has to approve a spending plan so that spending may begin on July 1, 2016. This is a State of Illinois requirement. The resolution contains the best estimate of the use of appropriated funding in accordance with what was communicated in February by the Governor. The figures reflect a 20% reduction in funding from the state and taking in to account a 10% decline in tuition revenue. The University will come back to the Board with an All Funds Budget after 10<sup>th</sup> day numbers are taken into account and necessary revisions are made by the next Board meeting. He said that he hopes we have a budget by then. Interim VP Bierman asked were there any questions.

Trustee Cole asked what does the spending plan amount to in dollars. The University Budget is \$221,325,000 with a \$110M appropriation from the state. Last year the appropriation was \$135M. Trustee Cole asked would \$110M be a realistic number. Interim VP Bierman said that working with that number would be a challenge. The retirement incentive enacted this past December should start to render savings in FY2017. He added that it will be difficult, but the University will do everything possible to make this work.

Trustee Ehlert Fuller made the motion to approve, and Trustee Savala seconded the motion.

Roll Call

Trustee Clawson	Yes
Trustee Cole	Yes
Trustee Early	Yes
Trustee Ehlert Fuller	Yes
Trustee Lester	Yes
Trustee Savala	Yes

The motion carried.

**Resolution:**

**WHEREAS** Western Illinois University must prepare a preliminary spending plan prior to July 1 for State Appropriated, University Income, Auxiliary and All Other Funds for the Illinois Board of Higher Education, Illinois State Legislature and the Governor; and,

**WHEREAS** this spending plan requires Board of Trustees approval prior to submission; and,

**WHEREAS** this spending plan reflects Western's tradition of strong, conservative fiscal management and resource allocation to support goals and priorities stated in *Higher Values in Higher Education* and Western Illinois University's *Mission Statement*:

**THEREFORE** be it resolved that the Board of Trustees approves the FY2017 spending plan as presented in the FY2017 spending plan document, and be it further resolved that the President be authorized to make technical adjustments in these budgets if necessary.

**Resolution No. 16.6/4: Property Easement – McDonough County**

Interim VP Bierman said that this a request from the City of Macomb to install a sewer line that would access the River Run Apartments and run along the east end of Vince Grady Field and not interrupt the field in any way. The cell phone project that someone asked about during the recess earlier is not the University's project and no University funds are being utilized. The city project for the installation of the sewer line does not use University funds either. The request is to approve access to dig the line through University property.

Trustee Ehlert Fuller made the motion to approve the resolution, and Trustee Lester seconded the motion.

Roll Call

Trustee Clawson	Yes
Trustee Cole	Yes
Trustee Early	Yes
Trustee Ehlert Fuller	Yes
Trustee Lester	Yes
Trustee Savala	Yes

The motion carried.

**ACADEMIC AND STUDENT SERVICES COMMITTEE**

Trustee Early stated that the first report for Academic and Student Services was Report 16.6/4 annual listing of program changes and handed the presentation over to Dr. Kathleen Neumann.

**Report No. 16.6/4: Annual Listing of Program Changes**

Dr. Kathy Neumann began by stating that the report was before the Board and that she would be happy to answer any questions. She added that there were two updates since the booklet was printed under creation of certificate programs as IBHE approved a baccalaureate certificate program for event planning and management on May 25, 2016. Under item number 14 the Bachelor of Science in mechanical engineering was denied by IBHE May 27, 2016. This means that additional documentation needs to be submitted to IBHE which will occur in June. Trustee Early asked were there any questions and there were none.

**Report No. 16.6/5: Academic Curricular and Administrative Changes**

Interim Provost Neumann stated that this report highlights some of the curricular changes that have happened. Academic and Student Services was told that the certificate programs had to increase in credit hours as they were noncompliant if the program did not require at least 18 hours. A vast majority of programs increased the number of hours and there are a few programs that will be phased out. There may be other ways to deliver some of the same content for the programs that were phased out in the future. There were two master's degree programs added, the Master of Art in economic development and the Master of Science in applied statistics. She stated that she would be happy to answer any questions.

**Resolution No. 16.6/5: Academic Program Review Recommendation**

For this resolution, Dr. Neumann stated that there were four programs recommended for elimination. When a major is eliminated this means that no additional students will be accepted into the degree program. The students who are currently enrolled will be allowed to complete the program. There will be teach out plans

# WESTERN ILLINOIS UNIVERSITY BOARD OF TRUSTEES

October 7, 2016

## Resolution No. 16.10/2 FY2017 All-Funds Budget

**Resolution:**

**WHEREAS** Western Illinois University must prepare an annual all-funds budget for Appropriated Funds, University Income Funds, and All Other Funds for the Illinois Board of Higher Education, Illinois State Legislature and the Governor; and,

**WHEREAS** the Fiscal Year 2017 all-funds budget requires Western Illinois University Board of Trustees approval prior to submission; and,

**WHEREAS** the *Fiscal Year 2017 All-Funds Budget* presented today advances the goals of the University's Strategic Plan, Higher Values in Higher Education, on both Western Illinois University campuses, and statewide strategic planning goals for higher education, as identified in IBHE's *Illinois Public Agenda for College and Career Success*; and,

**WHEREAS** the *Fiscal Year 2017 All-Funds Budget* presented today maintains Western Illinois University's public commitments to conservative fiscal management and public accountability to students, their families, and state taxpayers;

**THEREFORE** be it resolved that the Board of Trustees approves the Fiscal Year 2017 All-Funds Budget as presented in the *Fiscal Year 2017 All-Funds Budget* document and be it further resolved that the President be authorized to make technical adjustments in these budgets if necessary.

## Fiscal Year 2017 All-Funds Budget

To ensure full budgetary disclosure within Illinois public universities, the Illinois Board of Higher Education requires each public university Board of Trustees to approve a budget for the upcoming fiscal year. The plan must include all sources of university funds categorized by State Appropriated Funds, University Income Funds, Auxiliary Services Funds, and All Other Non-Appropriated Funds. The budget approved by the Western Illinois University Board of Trustees is submitted to the Illinois Board of Higher Education, Illinois State Legislature, and the Governor.

The following table presents Western Illinois University's *Fiscal Year 2017 All-Funds Budget* to be approved by the Western Illinois University Board of Trustees. This budget assumes a state appropriation \$51.4M which is the level of funding received by WIU in fiscal year 2015. On June 30, 2016, the General Assembly and the Governor approved an FY17 stopgap appropriation, meant to provide 6 months of funding for the University. This amount was \$31.4 million. We expect the legislature and governor to pass further FY17 funding legislation.

Western Illinois University Fiscal Year 2017 All-Funds Budget					
	State Appropriated	University Income	Auxiliary Facilities System	Other Non- Appropriated	Total
Personal Services	\$ 48,870,400	\$ 50,129,600	\$ 13,750,000	\$ 13,000,000	\$ 125,750,000
Medicare	830,000	1,000,000	200,000	150,000	2,180,000
Contractual Services	-	11,000,000	21,000,000	14,350,000	46,350,000
Travel	-	500,000	100,000	500,000	1,100,000
Commodities	-	1,625,200	600,000	2,100,000	4,325,200
Equipment	-	2,500,000	500,000	1,500,000	4,500,000
Awards & Grants and Mat	-	6,500,000	1,500,000	25,000,000	33,000,000
Telecommunication Serv	-	500,000	125,000	350,000	975,000
Operation of Automotiv	-	300,000	200,000	500,000	1,000,000
Permanent Improvement	-	500,000	400,000	300,000	1,200,000
CMS Health Insurance	1,744,800	-	200,000	1,000,000	2,944,800
Other	-	-	13,750,000	250,000	14,000,000
<b>Total FY2016 Operat</b>	<b>\$ 51,445,200</b>	<b>\$ 74,554,800</b>	<b>\$ 52,325,000</b>	<b>\$ 59,000,000</b>	<b>\$ 237,325,000</b>

Statewide budgeting for higher education follows a two-step process. Prior to the start of the fiscal year, the Western Illinois University Board of Trustees must approve a preliminary spending plan for the next fiscal year beginning July 1. Table 1 presents the *Western Illinois University Preliminary Spending Plan* for fiscal years 2015, 2016 and 2017. This plan was approved by Western Illinois University Board of Trustees in June (*Resolution No. 16.6/3*).

Table 2 presents the All-Funds Budget approved by the Western Illinois University Board of Trustees for Fiscal Years 2015, 2016, and 2017. Differences in values budgeted for the *Fiscal Year 2017 Preliminary Spending Plan* (Table 1) and the *Fiscal Year 2017 All-Funds Budget* (Table 2) are due to the following factors.

- The *Fiscal Year 2017 Preliminary Spending Plan*, approved by the Western Illinois University Board of Trustees in June 2016, was based on projected student enrollment. The *Fiscal Year 2017 All-Funds Budget*, presented today, is based on actual Fall 2016 enrollment.
- Western Illinois University bases institutional budgets on previous fiscal year expenditures. The *Fiscal Year 2017 Preliminary Spending Plan*, approved by the Western Illinois University Board of Trustees in June 2016, was based on estimated Fiscal Year 2016 expenditures. The *Fiscal Year 2017 All-Funds Budget*, presented today, is based on actual Fiscal Year 2016 expenditures.

- At the time of presenting the *Fiscal Year 2017 Preliminary Spending Plan* to the Western Illinois University Board of Trustees, the State's *Fiscal Year 2017 Appropriated Funds Budget* had not been enacted. Normally, by the time we present the University's *Fiscal Year 2017 All-Funds Budget*, the state budget has been signed into law. As of September 20, 2016, We have only received a partial state appropriation of \$31.4M which was considered a 6 month stop-gap budget for Western Illinois University.

#### Fiscal Year 2017 Spending Priorities

Following a fiscally conservative model, Western Illinois University's annual budget preparation process uses the previous year's budget and Strategic Plan priority and resource allocation decisions as base. This practice successfully supports advancement of the *University Mission Statement* and attainment of institutional goals and priorities stated in *Higher Values in Higher Education*.

As guided by *Higher Values in Higher Education*, funds will be applied to the University's highest priorities, including increasing faculty and staff salaries to meet and exceed the average of peer institutions, support for academic programs, deferred maintenance, student recruitment, marketing and support for student scholarships and retention efforts.

Pending Board approval, the University will continue to aggressively pursue Strategic Plan priorities. Personal services, Medicare, and CMS health insurance expenditures totaling \$130.9 million represent 55.1 percent of the University's Fiscal Year 2017 planned all-funds budget expenditures, followed by items supporting the academic mission of the University: contractual services (primarily utilities and food service), awards and grants (student financial aid), and equipment.

#### Integrated Planning, Budgeting, and Accountability Reporting Processes

Because Western Illinois University engages in integrated planning, budgeting, and accountability reporting processes, the *Fiscal Year 2017 All-Funds Budget* report should be read in conjunction with *The Fiscal Year 2018 Appropriated Operating and Capital Budget Recommendations* to the Illinois Board of Higher Education identifying how funding will create sustainability for instructional, research, and service activities that directly contribute to Illinois' knowledge-based economy through successful implementation of *Higher Values in Higher Education*.

US Bank, Rock Island, Illinois;  
Wells Fargo Bank, National Association, Canton, Illinois; and,

**WHEREAS** the Vice President for Administrative Services is responsible for depositories and major accounts; and,

**WHEREAS** the following University positions and names to withdraw funds is being requested: Vice President for Administrative Services, Julie DeWees, and President, Jack Thomas; and,

**WHEREAS** guidelines established by the President were followed:

**THEREFORE** be it resolved that the Board of Trustees approves the depositories and signature authority as presented.

**Resolution No. 15.10/3: FY2016 All-Funds Budget**

Trustee Epperly moved that the board accept Resolution 15.10/3, Trustee Early seconded the motion. He asked was there any discussion besides himself.

Trustee Epperly stated that he had a number of questions that he had already inquired of Dir. Matt Bierman regarding. He clarified with Dir. Bierman that all of the items listed were estimated expenses for 2016. Epperly asked what the estimated revenue was for 2016. Dir. Bierman stated that the estimated revenues will match the corresponding expenses "closely." Dir. Bierman currently anticipates a \$6M deficit. The budget numbers are based on what the General Assembly passed in May of 2015 which was a 6.5% reduction in the revised FY'15 appropriation. This was vetoed by the Governor of the State of Illinois.

Trustee Cole asked why the University did not go with increased reductions knowing that the Governor declined the budget recommendations put forth by the General Assembly. Trustee Cole added that we probably will not get a budget until the Governor sees further reductions. He stated that the Board should agree on further reductions before it approves the All-Funds Budget. Trustee Epperly asked were there other questions or comments. Trustee Quigley asked if we approve the budget what it means, and added that if the budget is approved without knowing what is coming from the State of Illinois, and Western does not get a budget, what will result? Dir. Bierman answered that if we do not get a budget we would deficit spend \$48M. Dir. Bierman added that when we do get a budget it may be necessary to revise the budget by adjusting expenditures provided that budget does not provide the needed revenue.

President Thomas mentioned that it was a necessary part of the process to get a budget by first presenting the University's All-Funds Budget recommendations. Revisions may be made after a response from the State of Illinois is received, but presenting the spending plan is a necessary part of the beginning of the process.

Trustee Early asked whether or not there were three different scenarios presented at the Board of Trustees' Retreat. Dir. Bierman responded that, yes, various scenarios were presented to demonstrate what the situation would require of reserve spending depending on what kind of reductions the University faces. If reductions are greater than 6.5% more cuts would be necessary.

Trustee Cole recommended that the All-Funds Budget be approved during the December board meeting. Dir. Bierman explained that the board as a whole passed a preliminary spending plan in June and that the University may continue to operate under the plan passed in June or the budget being presented at the this meeting so that the mandates to present a 2016 budget by October may be met. Dir. Bierman confirmed



for Trustees Cole and Epperly who were questioning how to proceed that the University may continue to operate under the preliminary spending plan.

President Thomas stated that there was a discussion "at length" as to whether or not the University should continue as is or pass the All-Funds Budget. Trustee Cole responded by stating that the board should continue to operate under the preliminary spending plan. Trustee Quigley asked which choice is more "fiscally conservative." Bierman answered that the All-Funds Budget currently on the table is more fiscally conservative than the preliminary spending plan due to information that has come in since June requiring necessary adjustments.

Trustee Hare stated that the All-Funds Budget should be passed as is. Trustee Early concurred as she stated it is more conservative than the preliminary spending plan. Epperly asked was there any other discussion. Trustee Cole stated that the preliminary budget has, "done its job," and continues to be effective. Chair Clawson said that the motion had been made and approved and added that the discussion was closed. Trustee Cole asked that the discussion continue and conferred with Trustee Epperly as the Chair of the Finance Committee to make a decision as to whether or not to continue the discussion. Trustee Epperly indicated that the roll call should go forth.

#### Roll Call

Trustee Clawson	Yes
Trustee Cole	No
Trustee Early	Yes
Trustee Ehlert Fuller	Yes
Trustee Epperly	Yes
Trustee Phil G. Hare	Yes
Trustee Quigley	Yes
Trustee Savala	Yes

#### The motion carried.

Director Bierman asked to make one final comment. This is a common discussion and with the levels approved both campuses understand the gravity of the budget situation. Spending patterns continue to be conservative in light of the budget situation. The entire campus is taking all measures possible to save even more conservatively than the approved budget.

Trustee Ehlert Fuller stated that the information and presentations given spoke to the University taking every step possible to conserve resources, revenue, and funding. Trustee Epperly stated that there were additional transfers to R and R. There was a \$310K balance that accumulated to \$4,365,000. Dir. Bierman responded that University Housing and Dining did a "tremendous job" in conserving their resources, and managed their expenses "well beyond their revenues." Trustee Epperly mentioned that Dr. Biller's area is ahead of where it should be and that it is commendable of the Student Services area.

#### Resolution No. 15.10/4: FY2017 Appropriated Operating Budget Recommendations

Trustee Epperly asked was there a motion to approve Resolution No. 15.10/4. Trustee Cole made the motion and Trustee Hare seconded the motion.

Trustee Quigley indicated that he would like to ask whether or not the University is approving to request of the State Legislature for additional funding for the Operating Budget. Dir. Bierman responded that, yes, Trustee Quigley was correct. Trustee Quigley asked whether or not the requests could be voted on separately. Trustee Quigley began reading off items from the operating budget recommendations list and stated that the items should be addressed individually. Trustee Quigley made a motion to individually

Citizens, a Division of Morton Community Bank, Macomb, Illinois;  
 First Bankers Trust Company, Macomb, Illinois;  
 United Community Bank, Macomb, Illinois;  
 First Midwest Bank, Moline, Illinois;  
 First State Bank of Illinois, Macomb, Illinois;  
 US Bank National Association, Chicago, Illinois;  
~~The National Bank~~, Triumph Community Bank, East Moline, Illinois;  
 Mid-America National Bank, Macomb, Illinois;  
 The Illinois Funds, Springfield, Illinois;  
 Illinois National Bank, Springfield, Illinois;  
 US Bank, Springfield, Illinois;  
 US Bank, Rock Island, Illinois;  
 Wells Fargo Bank, National Association, Canton, Illinois; and,

**WHEREAS** the Vice President for Administrative Services is responsible for depositories and major accounts; and,

**WHEREAS** the following University positions and names to withdraw funds is being requested: Interim Vice President for Administrative Services, Matthew Bierman, and President, Jack Thomas; and,

**WHEREAS** guidelines established by the President were followed:

**THEREFORE** be it resolved that the Board of Trustees approves the depositories and signature authority as presented.

**Resolution No. 16.10/2: FY 2017 All-Funds Budget**  
 Interim Vice President Bierman outlined the materials for the Board.

A motion was made by Trustee Early to approve. Trustee Savala seconded the motion.

**Roll Call**

Trustee Roger Clawson	Yes
Trustee Lyneir Cole	Yes
Trustee Cathy Early	Yes
Trustee Carolyn Ehlert Fuller	Yes
Trustee William Gradle	Yes
Trustee Todd Lester	Yes
Trustee Steven Nelson	Yes
Trustee Yvonne Savala	Yes

The motion carried.

**Resolution:**

**WHEREAS** Western Illinois University must prepare an annual all-funds budget for Appropriated Funds, University Income Funds, and All Other Funds for the Illinois Board of Higher Education, Illinois State Legislature and the Governor; and,

**WHEREAS** the Fiscal Year 2017 all-funds budget requires Western Illinois University Board of Trustees approval prior to submission; and,

**WHEREAS** the *Fiscal Year 2017 All-Funds Budget* presented today advances the goals of the University's Strategic Plan, Higher Values in Higher Education, on both Western Illinois University campuses, and statewide strategic planning goals for higher education, as identified in IBHE's *Illinois Public Agenda for College and Career Success*; and,

**WHEREAS** the *Fiscal Year 2017 All-Funds Budget* presented today maintains Western Illinois University's public commitments to conservative fiscal management and public accountability to students, their families, and state taxpayers:

**THEREFORE** be it resolved that the Board of Trustees approves the Fiscal Year 2017 All-Funds Budget as presented in the *Fiscal Year 2017 All-Funds Budget* document and be it further resolved that the President be authorized to make technical adjustments in these budgets if necessary.

**Fiscal Year 2017 All-Funds Budget**

To ensure full budgetary disclosure within Illinois public universities, the Illinois Board of Higher Education requires each public university Board of Trustees to approve a budget for the upcoming fiscal year. The plan must include all sources of university funds categorized by State Appropriated Funds, University Income Funds, Auxiliary Services Funds, and All Other Non-Appropriated Funds. The budget approved by the Western Illinois University Board of Trustees is submitted to the Illinois Board of Higher Education, Illinois State Legislature, and the Governor.

The following table presents Western Illinois University's *Fiscal Year 2017 All-Funds Budget* to be approved by the Western Illinois University Board of Trustees. This budget assumes a state appropriation \$51.4M which is the level of funding received by WIU in fiscal year 2015. On June 30, 2016, the General Assembly and the Governor approved an FY17 stopgap appropriation, meant to provide 6 months of funding for the University. This amount was \$31.4 million. We expect the legislature and governor to pass further FY17 funding legislation.

Western Illinois University Fiscal Year 2017 All-Funds Budget					
	State Appropriated	University Income	Auxiliary Facilities System	Other Non- Appropriated	Total
Personal Services	\$ 48,870,400	\$ 50,129,600	\$ 13,750,000	\$ 13,000,000	\$ 125,750,000
Medicare	830,000	1,000,000	200,000	150,000	2,180,000
Contractual Services	-	11,000,000	21,000,000	14,350,000	46,350,000
Travel	-	500,000	100,000	500,000	1,100,000
Commodities	-	1,625,200	600,000	2,100,000	4,325,200
Equipment	-	2,500,000	500,000	1,500,000	4,500,000
Awards & Grants and Mat	-	6,500,000	1,500,000	25,000,000	33,000,000
Telecommunication Serv	-	500,000	125,000	350,000	975,000
Operation of Automotive	-	300,000	200,000	500,000	1,000,000
Permanent Improvement	-	500,000	400,000	300,000	1,200,000
CMS Health Insurance	1,744,800	-	200,000	1,000,000	2,944,800
Other	-	-	13,750,000	250,000	14,000,000
<b>Total FY2016 Operat</b>	<b>\$ 51,445,200</b>	<b>\$ 74,554,800</b>	<b>\$ 52,325,000</b>	<b>\$ 59,000,000</b>	<b>\$ 237,325,000</b>

Statewide budgeting for higher education follows a two-step process. Prior to the start of the fiscal year, the Western Illinois University Board of Trustees must approve a preliminary spending plan for the next fiscal year beginning July 1. Table 1 presents the *Western Illinois University Preliminary Spending Plan* for fiscal years 2015, 2016 and 2017. This plan was approved by Western Illinois University Board of Trustees in June (*Resolution No. 16.6/3*).

Table 2 presents the All-Funds Budget approved by the Western Illinois University Board of Trustees for Fiscal Years 2015, 2016, and 2017. Differences in values budgeted for the *Fiscal Year 2017 Preliminary Spending Plan* (Table 1) and the *Fiscal Year 2017 All-Funds Budget* (Table 2) are due to the following factors.

- The *Fiscal Year 2017 Preliminary Spending Plan*, approved by the Western Illinois University Board of Trustees in June 2016, was based on projected student enrollment. The *Fiscal Year 2017 All-Funds Budget*, presented today, is based on actual Fall 2016 enrollment.
- Western Illinois University bases institutional budgets on previous fiscal year expenditures. The *Fiscal Year 2017 Preliminary Spending Plan*, approved by the Western Illinois University Board of Trustees in June 2016, was based on estimated Fiscal Year 2016 expenditures. The *Fiscal Year 2017 All-Funds Budget*, presented today, is based on actual Fiscal Year 2016 expenditures.
- At the time of presenting the *Fiscal Year 2017 Preliminary Spending Plan* to the Western Illinois University Board of Trustees, the State's *Fiscal Year 2017 Appropriated Funds Budget* had not been enacted. Normally, by the time we present the University's *Fiscal Year 2017 All-Funds Budget*, the state budget has been signed into law. As of September 20, 2016, We have only received a partial state appropriation of \$31.4M which was considered a 6 month stop-gap budget for Western Illinois University.

#### Fiscal Year 2017 Spending Priorities

Following a fiscally conservative model, Western Illinois University's annual budget preparation process uses the previous year's budget and Strategic Plan priority and resource allocation decisions as base. This practice successfully supports advancement of the *University Mission Statement* and attainment of institutional goals and priorities stated in *Higher Values in Higher Education*.

As guided by *Higher Values in Higher Education*, funds will be applied to the University's highest priorities, including increasing faculty and staff salaries to meet and exceed the average of peer institutions, support for academic programs, deferred maintenance, student recruitment, marketing and support for student scholarships and retention efforts.

Pending Board approval, the University will continue to aggressively pursue Strategic Plan priorities. Personal services, Medicare, and CMS health insurance expenditures totaling \$130.9 million represent 55.1 percent of the University's Fiscal Year 2017 planned all-funds budget expenditures, followed by items supporting the academic mission of the University: contractual services (primarily utilities and food service), awards and grants (student financial aid), and equipment.

#### Integrated Planning, Budgeting, and Accountability Reporting Processes

Because Western Illinois University engages in integrated planning, budgeting, and accountability reporting processes, the *Fiscal Year 2017 All-Funds Budget* report should be read in conjunction with The *Fiscal Year 2018 Appropriated Operating and Capital Budget Recommendations* to the Illinois Board of Higher Education identifying how funding will create sustainability for instructional, research, and service activities that directly contribute to Illinois' knowledge-based economy through successful implementation of *Higher Values in Higher Education*.

Table 1  
Western Illinois University  
Fiscal Year 2015 Through FY2017 Preliminary Spending Plan

	State Appropriated	University Income	Auxiliary Facilities System	Other Non- Appropriated	Total
<b>Fiscal Year 2015</b>					
Personal Services	\$ 50,184,300	\$ 54,501,900	\$ 14,200,000	\$ 14,250,000	\$ 133,136,200
Medicare	830,000	700,000	200,000	150,000	1,880,000
Contractual Services	-	11,200,000	22,530,000	13,000,000	46,730,000
Travel	-	500,000	150,000	750,000	1,400,000
Commodities	-	2,264,000	650,000	2,200,000	5,114,000
Equipment	-	3,000,000	900,000	2,000,000	5,900,000
Awards & Grants and Matching Funds	-	2,000,000	1,400,000	25,000,000	28,400,000
Telecommunication Services	-	575,000	150,000	360,000	1,085,000
Operation of Automotive Equipment	-	300,000	200,000	600,000	1,100,000
Permanent Improvements	-	700,000	400,000	300,000	1,400,000
CMS Health Insurance	1,744,800	-	200,000	1,000,000	2,944,800
Other	-	-	14,420,000	390,000	14,810,000
<b>Total FY2015 Operating Budget</b>	<b>\$ 52,759,100</b>	<b>\$ 75,740,900</b>	<b>\$ 55,400,000</b>	<b>\$ 60,000,000</b>	<b>\$ 243,900,000</b>
<b>Fiscal Year 2016</b>					
Personal Services	\$ 45,526,500	\$ 61,498,700	\$ 14,200,000	\$ 14,250,000	\$ 135,475,200
Medicare	830,000	700,000	200,000	150,000	1,880,000
Contractual Services	-	11,000,000	23,300,000	14,150,000	48,450,000
Travel	-	500,000	100,000	750,000	1,350,000
Commodities	-	2,400,000	600,000	2,200,000	5,200,000
Equipment	-	3,000,000	500,000	2,000,000	5,500,000
Awards & Grants and Matching Funds	-	5,200,000	1,400,000	25,000,000	31,600,000
Telecommunication Services	-	500,000	125,000	350,000	975,000
Operation of Automotive Equipment	-	300,000	200,000	500,000	1,000,000
Permanent Improvements	-	300,000	400,000	400,000	1,100,000
CMS Health Insurance	1,744,800	-	200,000	1,000,000	2,944,800
Other	-	-	14,440,000	250,000	14,690,000
<b>Total FY2016 Operating Budget</b>	<b>\$ 48,101,300</b>	<b>\$ 85,398,700</b>	<b>\$ 55,665,000</b>	<b>\$ 61,000,000</b>	<b>\$ 250,165,000</b>
<b>Fiscal Year 2017</b>					
Personal Services	\$ 38,581,510	\$ 45,718,490	\$ 13,750,000	\$ 13,000,000	\$ 111,050,000
Medicare	830,000	600,000	200,000	150,000	1,780,000
Contractual Services	-	10,000,000	21,000,000	14,350,000	45,350,000
Travel	-	450,000	100,000	500,000	1,050,000
Commodities	-	2,275,200	600,000	2,100,000	4,975,200
Equipment	-	2,800,000	500,000	1,500,000	4,800,000
Awards & Grants and Matching Funds	-	6,000,000	1,500,000	25,000,000	32,500,000
Telecommunication Services	-	450,000	125,000	350,000	925,000
Operation of Automotive Equipment	-	300,000	200,000	500,000	1,000,000
Permanent Improvements	-	250,000	400,000	300,000	950,000
CMS Health Insurance	1,744,800	-	200,000	1,000,000	2,944,800
Other	-	-	13,750,000	250,000	14,000,000
<b>Total FY2017 Operating Budget</b>	<b>\$ 41,156,310</b>	<b>\$ 68,843,690</b>	<b>\$ 52,325,000</b>	<b>\$ 59,000,000</b>	<b>\$ 221,325,000</b>

Table 2  
Western Illinois University  
Fiscal Year 2015 Through Fiscal Year 2017 All-Funds Budget

	State Appropriated	University Income	Auxiliary Facilities System	Other Non- Appropriated	Total
Fiscal Year 2015					
Personal Services	\$ 46,471,100	\$ 60,228,900	\$ 13,975,000	\$ 14,250,000	\$ 134,925,000
Medicare	800,000	800,000	200,000	150,000	1,950,000
Contractual Services	2,500,000	8,571,800	22,500,000	14,150,000	47,721,800
Travel	-	800,000	100,000	750,000	1,650,000
Commodities	383,400	2,000,000	600,000	2,200,000	5,183,400
Equipment	400,000	2,500,000	500,000	2,000,000	5,400,000
Awards & Grants and Matching Funds	-	4,000,000	1,400,000	25,000,000	30,400,000
Telecommunication Services	150,000	350,000	125,000	350,000	975,000
Operation of Automotive Equipment	180,000	120,000	200,000	500,000	1,000,000
Permanent Improvements	-	500,000	400,000	400,000	1,300,000
CMS Health Insurance	1,744,800	-	200,000	1,000,000	2,944,800
Other	-	-	14,300,000	250,000	14,550,000
<b>Total FY2015 Operating Budget</b>	<b>\$ 52,629,300</b>	<b>\$ 79,870,700</b>	<b>\$ 54,500,000</b>	<b>\$ 61,000,000</b>	<b>\$ 248,000,000</b>
Fiscal Year 2016					
Personal Services	\$ 45,556,500	\$ 59,943,500	\$ 14,200,000	\$ 13,700,000	\$ 133,400,000
Medicare	800,000	800,000	200,000	150,000	1,950,000
Contractual Services	-	10,730,200	21,000,000	15,000,000	46,730,200
Travel	-	675,000	100,000	750,000	1,525,000
Commodities	-	1,500,000	600,000	2,200,000	4,300,000
Equipment	-	2,800,000	630,000	1,700,000	5,130,000
Awards & Grants and Matching Funds	-	6,500,000	1,500,000	24,000,000	32,000,000
Telecommunication Services	-	500,000	150,000	350,000	1,000,000
Operation of Automotive Equipment	-	300,000	200,000	450,000	950,000
Permanent Improvements	-	650,000	400,000	350,000	1,400,000
CMS Health Insurance	1,744,800	-	200,000	1,000,000	2,944,800
Other	-	-	14,420,000	250,000	14,670,000
<b>Total FY2016 Operating Budget</b>	<b>\$ 48,101,300</b>	<b>\$ 84,398,700</b>	<b>\$ 53,600,000</b>	<b>\$ 59,900,000</b>	<b>\$ 246,000,000</b>
Fiscal Year 2017					
Personal Services	\$ 48,870,400	\$ 50,129,600	\$ 13,750,000	\$ 13,000,000	\$ 125,750,000
Medicare	830,000	1,000,000	200,000	150,000	2,180,000
Contractual Services	-	11,000,000	21,000,000	14,350,000	46,350,000
Travel	-	500,000	100,000	500,000	1,100,000
Commodities	-	1,625,200	600,000	2,100,000	4,325,200
Equipment	-	2,500,000	500,000	1,500,000	4,500,000
Awards & Grants and Matching Funds	-	6,500,000	1,500,000	25,000,000	33,000,000
Telecommunication Services	-	500,000	125,000	350,000	975,000
Operation of Automotive Equipment	-	300,000	200,000	500,000	1,000,000
Permanent Improvements	-	500,000	400,000	300,000	1,200,000
CMS Health Insurance	1,744,800	-	200,000	1,000,000	2,944,800
Other	-	-	13,750,000	250,000	14,000,000
<b>Total FY2017 Operating Budget</b>	<b>\$ 51,445,200</b>	<b>\$ 74,554,800</b>	<b>\$ 52,325,000</b>	<b>\$ 59,000,000</b>	<b>\$ 237,325,000</b>

**Resolution No. 16.10/3: FY 2018 Appropriated Operating Budget Recommendations**

Interim Vice President Matt Bierman outlined the recommendations as presented. This is required to be sent to the Illinois Board of Higher Education as well as Governor's and legislature's requests. The President and Interim VP Bierman addressed questions and comments from the Board.

A motion was made by Trustee Early to approve. Trustee Ehlert Fuller seconded the motion.

**Roll Call**

Trustee Roger Clawson	Yes
Trustee Lyneir Cole	Yes
Trustee Cathy Early	Yes
Trustee Carolyn Ehlert Fuller	Yes
Trustee William Gradle	Yes
Trustee Todd Lester	Yes
Trustee Steven Nelson	Yes
Trustee Yvonne Savala	Yes

The motion carried.

**Resolution:**

**WHEREAS** Western Illinois University prepares annual appropriated operating recommendations for the Illinois Board of Higher Education, Illinois State Legislature and the Governor; and,

**WHEREAS** Fiscal Year 2018 appropriated operating budget recommendations require Western Illinois University Board of Trustees approval prior to submission; and,

**WHEREAS** the *Fiscal Year 2018 Appropriated Operating Budget Recommendations* presented today advance the goals of the University's Strategic Plan, Higher Values in Higher Education, on both Western Illinois University campuses, and the Illinois Board of Higher Education's statewide strategic plan for higher education, *IBHE 2012, A Strategic Plan for the Illinois Board of Higher Education*;

**THEREFORE** be it resolved that the Board of Trustees approves the Fiscal Year 2018 appropriated operating budget recommendations as presented in the *Fiscal Year 2018 Appropriated Operating Budget Recommendations* and be it further resolved that the President be authorized to make technical adjustments in the operating budget recommendations if necessary.

Fiscal Year 2018 Appropriated Operating Budget Recommendations  
Western Illinois University

Western Illinois University begins Fiscal Year 2017 with a \$126.0 million base appropriation (32.6 percent from general revenue and 67.3 percent from income fund). The University recommends a \$9.9 million general revenue increase in funding for Fiscal Year 2018 operations.

Through meaningful state support, internal reallocations, and successful implementation of the University's Strategic Plan, Higher Values in Higher Education, Western Illinois University continues to advance the four goals of The Illinois Board of Higher Education's *IBHE 2012, A Strategic Plan for the Illinois Board of Higher Education*;

Goal One: Increase educational attainment to match best-performing states.

Goal Two: Ensure college affordability for students, families, and taxpayers.

Goal Three: Increase the number of high-quality post-secondary credentials to meet the demands of the economy and an increasingly global society.

Goal Four: Better integrate Illinois' educational, research, and innovation assets to meet economic needs of the state and its regions.

Illinois Board of Higher Education guidelines divide operating recommendations into two categories: salary and cost increases and support for program priorities. Eighteen percent of the University's recommendation is for salary and cost increases. This includes funding for salary increases, related Social Security contributions, and other inflationary increases associated with University operations (utilities, library materials, and all other institutional operations). The remaining 82 percent of the University's recommendation supports programs identified in *Higher Values in Higher Education*.

Western Illinois University Fiscal Year 2018 Appropriated Funds Operating Budget Request			
	Dollar Increase	Percent Increase	Priority
<b>Salary and Cost Increases</b>			
Salaries (on 95% of Base)	\$1,000,000	1.05%	
Other General Costs	800,000	3.00%	
Total Salary and Cost Increases	\$1,800,000	1.84%	
<b>Program Priorities</b>			
Student Financial Aid	2,000,000		1
Deferred Maintenance	4,000,000		2
Quad Cities Campus Funding (Phase I and II)	\$1,600,000		3
STEM - Health Care Professional Education	250,000		4
STEM - Engineering	250,000		5
Total Program Priorities	\$8,100,000		
<b>Total All Increases</b>	<b>\$9,900,000</b>		

Salary Increases for Faculty and Staff. As stated in *Higher Values in Higher Education*, Western Illinois University's highest priority is to increase faculty and staff salaries to meet and exceed the mean of peer institutions. The \$1.0 million request for salary increases is 55.6 percent of the University's salary and cost increase recommendation. Salary erosion is a critical issue facing Western Illinois University. The ability to recruit and retain high achieving and diverse faculty and staff is directly related to ensuring educational quality. While internal reallocations provide some level of salary increase for faculty and staff, enhancing competitiveness remains the highest institutional priority, particularly in light of reduced salary competitiveness.

Support for Program Priorities. Western Illinois University is seeking \$8.1 million in funding for program priorities identified in *Higher Values in Higher Education*. These include:

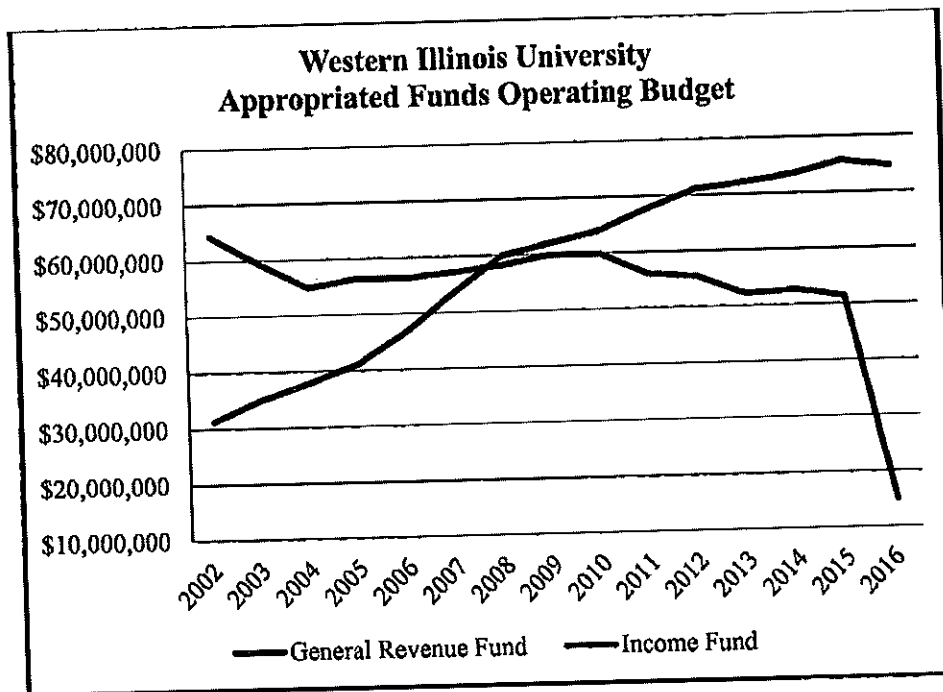
- Student Financial Aid (\$2,000,000) to support access and affordability to higher education.
- Permanent improvements and campus infrastructure enhancements (\$4,000,000) to reduce the deferred maintenance backlog of over \$500 million.



- **Quad Cities Campus Funding - Phase I & II - (\$1,600,000)** for faculty and staff positions needed to support the opening of new facilities and academic programs.
- **STEM - Health Care Professional Education (\$250,000)** provides additional support for needed faculty and equipment for the program.
- **STEM - Engineering Program (\$250,000)** to provide salaries for faculty and support professionals as well as much needed equipment to provide quality education and maintain the ABET accreditation.

The requested \$8.1 million will help restore Western Illinois University's status as a state-supported institution of higher education. Between Fiscal Years 2002 and 2016, state general revenue support for the University decreased by \$49.4 million or 77.0 percent. During this same time period, unfunded cost increases have been incurred for utilities, Illinois Veterans Grants, CMS health insurance and other unfunded budget items.

The effect, shown below, is that tuition costs (University Income Fund) associated with vital functions of higher education are being shifted from a shared statewide priority to the responsibility of students and their families.



Changes from Fiscal Year 2017 Operating Recommendation Request

Consistent with the University's Strategic Plan, salary increases are the University's highest priority. Cost increases for utilities, library material and other operating expenses are also important. Western Illinois University has not received funding for increased costs in over 15 years.

Western Illinois University is also requesting \$8.1 million in state funding to support its Strategic Plan, Higher Values in Higher Education. Funds to support deferred maintenance, student financial aid, operations in the Quad Cities, health care professional education, and the engineering program will improve economic development, educational partnerships, access, diversity, affordability, productivity, and accountability in Illinois public higher education.

**Changes from Fiscal Year 2018 Operating Increase Recommendation**  
**(Dollars in Thousands)**

	Fiscal Year		Difference	
	<u>2017</u>	<u>2018</u>	<u>Amount</u>	<u>Percent</u>
Total Recommended Increase	<u>\$7,870.0</u>	<u>\$9,900.0</u>	<u>\$2,030.0</u>	25.79%
Salary and Cost Increases	<u>\$2,270.0</u>	<u>\$1,800.0</u>	<u>(\$470.0)</u>	-20.70%
Salary Increases	2,000.00	1,000.0	(1,000.0)	
Cost Increases				
Other General Materials	270.0	\$800.0	530.0	
Program Priorities	<u>\$5,600.0</u>	<u>\$8,100.0</u>	<u>\$2,500.0</u>	44.64%
Deferred Maintenance	2,000.0	4,000.0	2,000.0	
Student Financial Aid	1,500.0	2,000.0	500.0	
Quad Cities Campus Funding (Phase I and II)	1,600.0	1,600.0	-	
STEM -Health Care Professional Education	250.0	250.0	-	
STEM - Engineering Program	250.0	250.0	-	

**Western Illinois University's Fiscal Year 2018 Operating Recommendations**  
**To the Illinois Board of Higher Education**

Western Illinois University's Fiscal Year 2018 operating budget request will be submitted to the Illinois Board of Higher Education October 15, 2016, pending board approval.

**FY2018 OPERATIONS AND GRANTS**  
**DETAIL OF RESOURCES REQUESTED FOR NEW PROGRAMS**  
**AND PROGRAM PRIORITIES**

NAME OF INSTITUTION: Western Illinois University

TITLE OF REQUEST: Faculty and Staff Salaries

AMOUNT REQUESTED: \$1,000,000

SOURCE OF FUNDS REQUESTED: Appropriated Funds

**BRIEF DESCRIPTION OF REQUEST:**

*Higher Values in Higher Education*, Western Illinois University's Strategic Plan, displays the University's goals, priorities, and contributions to the statewide strategic plan for higher education, *The Illinois Public Agenda for College and Career Success*. Consistent with these plans, Western Illinois University seeks funding for our highest institutional priority: meeting and exceeding average faculty and staff salaries at peer institutions.

At the core of any great university and system of higher education is a dedicated, diverse, and high-achieving employee base. Implementation and the ultimate success of the goals and priorities of *Higher Values in Higher Education* and the *Illinois Public Agenda for College and Career Success* are the direct responsibility of Western Illinois University's faculty and staff. Compensation is a critical element to the recruitment and retention of a university community dedicated to economic development, educational partnerships, access and diversity, quality, productivity, and accountability.

Recruiting and retaining high-achieving and diverse faculty and staff are directly related to improving the quality of academic and co-curricular programs and services. Such actions in the competitive job market necessitate faculty and staff salaries that meet and exceed the mean of peer institutions.

#### JUSTIFICATION FOR BUDGET REQUEST:

Illinois' strengths include its diverse economy, rich natural resources, strategic location, and well-trained workforce. Illinois owes much of its economic success and stability to the strong system of higher education. Continued prosperity is contingent upon statewide partnerships committed to investment in fair, equitable, market value faculty and staff salaries. The resources requested in this partnership proposal will be combined with other University funds to advance the highest priority actions in *Higher Values in Higher Education* which will help provide faculty and staff salaries that meet and exceed the mean of peer institutions.

### **FY2018 OPERATIONS AND GRANTS DETAIL OF RESOURCES REQUESTED FOR NEW PROGRAMS AND PROGRAM PRIORITIES**

NAME OF INSTITUTION: Western Illinois University

TITLE OF REQUEST: Student Financial Aid

AMOUNT REQUESTED: \$2,000,000

SOURCE OF FUNDS REQUESTED: Appropriated Funds

#### BRIEF DESCRIPTION OF REQUEST:

*Higher Values in Higher Education*, Western Illinois University's Strategic Plan, states:

"Western Illinois University also emphasizes affordability because a college education is essential in today's global and highly technological community. We firmly believe that higher education, and the benefits that it accords, is an investment, and that no student should be denied a college education because of financial need. We provide access and affordability to a high-quality educational experience that is responsive to student needs and circumstances."

Funds are being requested to provide students with financial aid opportunities to support access and affordability to higher education. Over the past several years, Federal and State grant funding has remained fairly constant, while institutional financial aid has increased and at the same time family contributions toward education have declined due to the economy. The result has created a substantial increase in need for financial assistance and has forced needy students to borrow at high levels utilizing federal student loans. Even with higher levels of borrowing, a majority have insufficient funds to pay their college

expenses. Providing new and enhanced strategies for reducing the amount of student indebtedness upon graduation is consistent with University's Strategic Plan, Higher Values in Higher Education, and statewide strategic planning goals for higher education, identified in The Illinois Board of Higher Education's *Illinois Public Agenda for College and Career Success*.

**JUSTIFICATION FOR BUDGET REQUEST:**

The University is making a strong commitment to ensure that no Illinois citizen is denied access to higher education because of financial need. Funding will be used to provide scholarship funds to high-need, academically talented students to help reduce student indebtedness upon graduation.

**FY2018 OPERATIONS AND GRANTS  
DETAIL OF RESOURCES REQUESTED FOR NEW PROGRAMS  
AND PROGRAM PRIORITIES**

NAME OF INSTITUTION: Western Illinois University

TITLE OF REQUEST: Deferred Maintenance

AMOUNT REQUESTED: \$4,000,000

SOURCE OF FUNDS REQUESTED: Appropriated Funds

**BRIEF DESCRIPTION OF REQUEST:**

*Higher Values in Higher Education*, Western Illinois University's Strategic Plan, states:

"Provide safe, accessible, responsible campus environments that meet the needs of University constituencies and reflect the core values of the University."

Providing a safe, accessible, and responsive campus environment conducive to learning is crucial in a community of learners. The University estimates a total appropriated deferred maintenance backlog over \$223 million. This large backlog of projects is negatively impacting the campus learning environment.

In addition to funds requested for deferred maintenance needs, Capital Renewal funds are used to address deferred maintenance priorities on campuses. Between FY2004 and FY2017 Western Illinois University has requested \$18.0 million in Capital renewal funds and has received \$3.6 million. This has resulted in over \$14.4 million in lost funds that would have been used to address elevator maintenance, utility infrastructure repairs, and other critical needs on campus.

**JUSTIFICATION FOR BUDGET REQUEST:**

The University is making a strong commitment toward improving the campus physical environment. A reduction in the deferred maintenance liability is viewed as integral to achieving that objective. Funds will be utilized for classroom modernization; improving HVAC and building energy management controls; enhancing electrical and plumbing distribution systems; and renovating campus sidewalks, drives, and exterior stairs.

**FY2018 OPERATIONS AND GRANTS  
DETAIL OF RESOURCES REQUESTED FOR NEW PROGRAMS  
AND PROGRAM PRIORITIES**

NAME OF INSTITUTION: Western Illinois University

TITLE OF REQUEST: Quad Cities Campus Funding Phase I and II

AMOUNT REQUESTED: \$1,600,000

SOURCE OF FUNDS REQUESTED: Appropriated Funds

**BRIEF DESCRIPTION OF REQUEST:**

In July 2009, the State of Illinois invested \$59.3 million to construct the first two phases of the Western Illinois University-Quad Cities Riverfront Campus. The new location supports doubling enrollment from current levels to 3,000 students to meet the four goals of the *Illinois Public Agenda for College and Career Success* to increase educational attainment, ensure college affordability, address workforce needs, and enhance economic growth.

Phase I of the new Riverfront Campus opened in January 2012. The Phase I facility established a permanent home to the only public University in the Quad Cities. Phase II of the Riverfront Campus opened in August 2014. The State of Illinois has made a commitment to the citizens of Illinois to create and expand educational opportunities in the Quad Cities to advance all four goals of the *Illinois Public Agenda*. Western Illinois University has generated external funding and reallocated resources to support high demand programs and campus operations. We stand ready to continue expansion implementation with the State's partnership contributions

The current budget of Western Illinois University-Quad Cities is \$9.2 million. No new state resources have been given for the operations and maintenance of the Quad Cities Campus. The \$9.2 million in appropriated funding has been reallocated from existing dollars to support the new campus. We are requesting \$1.6 million in funds to support existing operations and future growth opportunities.

**JUSTIFICATION FOR BUDGET REQUEST:**

Western Illinois University reallocated institutional resources to open the Riverfront Campus Phases I and II as soon as construction was completed in 2012 and 2014, respectively. Educational demand has been demonstrated through steady enrollment during a period of decreasing Illinois high school and community college graduates (12% over the last four years).

The University continues to support students in a variety of majors and has made a significant investment in STEM fields. The recent addition of our Engineering to our educational portfolio has generated great interest from the manufacturing and engineering professions. We have developed partnerships with local community colleges and offer high school and community college dual enrollment options for all academic majors.

Illinois is a leading net exporter of high school graduates. The expansion of Western Illinois University gives higher education access to 400,000 residents in a region located on the Illinois/Iowa Boarder. As presented when the University requested capital funds for Riverfront Campus, new faculty and staff positions and operational and maintenance support are needed to support expanded academic programs.

Such actions are necessary to increase educational attainment to match best-performing states (*Illinois Public Agenda, Goal 1*).

However, the University should not be expected to maintain the state's commitment to public higher education in the Quad Cities alone, nor should it rely on large tuition increases. State appropriations to Western Illinois University have decreased by 6 percent from Fiscal Year 2012 to Fiscal Year 2015. Exercising conservative fiscal management, the modest \$1.6 million request covers only a portion of the State's share of essential funds necessary to support public education of Illinois citizens.

With new state funding, Western's expenditures will remain focused on the core function of instruction. The dollars will be allocated to support building additional instructional capacity, enhancements for our STEM fields, and to continue to build necessary and streamlined structures to support Illinois public higher education in the Quad Cities.

Western Illinois University continues to maintain our commitment to provide an affordable education for Illinois Citizens. Our administrative and instructional costs remain below the statewide average. Our four year cost guarantee for tuition and fees, room and board rates sets us apart from other Illinois public universities. Our mission to provide access to all Illinois residents, regardless of their socioeconomic backgrounds, necessitates continued financial support from the state for our Quad Cities campus.

**FY2018 OPERATIONS AND GRANTS  
DETAIL OF RESOURCES REQUESTED FOR NEW PROGRAMS  
AND PROGRAM PRIORITIES**

NAME OF INSTITUTION: Western Illinois University

TITLE OF REQUEST: STEM - Health Care Professional Education

AMOUNT REQUESTED: \$250,000

SOURCE OF FUNDS REQUESTED: Appropriated Funds

BRIEF DESCRIPTION OF REQUEST:

Addressing the critical regional shortage of nurses in West Central Illinois (i.e., Galesburg through Quincy), Western Illinois University-Macomb is coordinating with local community colleges and area health care providers to provide a baccalaureate of science in nursing and an RN-BSN Completion program for community college transfer students, practicing nurses and a pre-licensure program to prepare graduates to take the national council licensing exam (NCLEX) to be an RN. The participating agencies in this collaborative relationship are McDonough District Hospital, Blessing Hospital, St. Mary's Hospital, Memorial Hospital in Carthage, Graham Hospital, Peoria County Jail, Grand Prairie Assisted Living, The Elms, Heartland Health Care, YMCA Child Care Center, Western Illinois Home Health, St. Francis Medical Center, Methodist Hospital, Wesley Village, Everly House, Macomb Public Schools, St. Paul Catholic School, Mental Health Centers of Western Illinois, Beu Health Center, McDonough County Health Department, Fulton County Health Department, and Knox County Health Department. There are three

community colleges in the area whose graduates articulate into the RN-BSN completion program: Black Hawk College, Spoon River College, and Carl Sandburg College.

The demand of the health care delivery system is such that baccalaureate-prepared nurses are urgently needed in hospitals for staff and leadership positions, for positions in specialty units, and for a variety of positions in long-term care facilities and clinics. Some health care agencies in the area hire only BSN prepared nurses. Also, many administrators in public health and community health agencies prefer baccalaureate-prepared nurses. Research conducted by Linda Aiken, PhD, RN and others has indicated that patient care outcomes improve with higher numbers of baccalaureate prepared nurses in the workforce. The latest information available from the IDFPR/Illinois Center for Nursing RN Survey Report in 2014 indicates that over 30% of the RN workforce is over 55-64 years of age and additional 10+% is over 65 years of age. Slightly less than 40% of the total RN workforce has a baccalaureate or higher degree in nursing; the Institute of Medicine recommends that at least 80% of the workforce have a baccalaureate or higher degree in nursing. There is a 40% difference in what is available and what is needed to ensure the safety and well-being of the public. This program addresses the nursing shortage as well as increasing the educational level of the practicing registered nurse.

The Health Care Professional Education program will provide two degree-related programs. The RN-BSN Completion program is designed for nurses who have obtained their registered nurse licensure and seek to acquire a bachelor's degree. The program will provide a bridge for associate degree and diploma nurses who wish to develop the skills preparing them for a higher level of nursing practice and advancement in their nursing careers.

The Pre-licensure Nursing program will provide a four-year baccalaureate degree leading to the BSN and the requisite education for graduates to be able to take the National Council Licensing Exam (NCLEX) to become a registered nurse. The program also provides opportunities to students who have no prior nursing education.

#### JUSTIFICATION FOR BUDGET REQUEST:

The RN to BSN completion program has 12 students enrolled in online courses. The four-year program has 64 pre-licensure students enrolled for fiscal year 2017 with continued growth anticipated through fiscal year 2019. This is based on current pre-nursing enrollment and anticipated transfer students. There are 220 pre-nursing students in the current fiscal year, and, based on state-wide program trends, enrollment increased in fiscal year 2017 and is expected to continue.

Funding requested for the Health Care Professional Education program will provide support for additional full-time faculty, full-time support staff members, and will provide funds to purchase instructional laboratory equipment and library materials.

### **FY 2018 OPERATIONS AND GRANTS DETAIL OF RESOURCES REQUESTED FOR NEW PROGRAMS AND PROGRAM PRIORITIES**

NAME OF INSTITUTION: Western Illinois University

TITLE OF REQUEST: STEM - Bachelor of Science in Engineering

AMOUNT REQUESTED: \$250,000

SOURCE OF FUNDS REQUESTED: Appropriated Funds

**BRIEF DESCRIPTION OF REQUEST:**

Western Illinois University received authorization on October 7, 2008 from the Illinois Board of Higher Education to offer a Bachelor of Science in Engineering degree program at the WIU Quad Cities campus. This is a multidisciplinary engineering degree designed to prepare graduates for technology leadership in the 21<sup>st</sup> Century. The degree requires a minimum of 120 semester hours. Students complete 43 s.h. of WIU's general education core, 30 s.h. of math and science (10 s.h. are dual counted for general education credits), 27 s.h. in core engineering science, and a 30 s.h. emphasis in general engineering, robotics, civil engineering, industrial engineering, and electronics engineering.

The program is designed to meet the Accreditation Board for Engineering and Technology (ABET) general engineering standards and is currently being offered at the new WIU Quad Cities Riverfront campus in Moline, Illinois. This program is vital to the region and is the only public 4-year engineering degree available in the Quad Cities Area.

**JUSTIFICATION FOR BUDGET REQUEST:**

Instruction was first offered starting in August of 2009 to three students of which two graduated in May 2011. The program was accredited in August of 2012 retroactive to November 2011. As of August 2016, there were 27 seniors, 42 juniors, 25 sophomores and 73 freshman students that are taking classes for this program. Almost 50 students at Black Hawk College, Eastern Iowa Community College and other regional community colleges are preparing to enter the program. By the seventh year of operation, the program has grown to 167 majors and 40 degrees awarded. We estimate that another 24 degrees will be awarded this year for a total of 64 degrees awarded by May 2017.

The funds will be used to provide salaries for additional full-time professors, and another technician to handle the rapidly increasing numbers of engineering students enrolled in the program.

Funds will also be used to support operations and purchases of essential software and engineering laboratory equipment to support instruction and to comply with ABET requirements (ABET's criterion states that modern tools, equipment, computing resources, and laboratories appropriate to the program must be available, accessible, and systematically maintained and upgraded to enable students to attain the student outcomes and to support program need).

**Resolution No. 16.10/4: FY 2018 Appropriated Capital Budget Recommendations**

Interim Vice President Bierman outlined the recommendation as submitted to the Board.

**A motion was made by Trustee Cole to approve. Trustee Savala seconded the motion.**

**Roll Call**

Trustee Roger Clawson	Yes
Trustee Lyneir Cole	Yes
Trustee Cathy Early	Yes
Trustee Carolyn Ehlert Fuller	Yes
Trustee William Gradle	Yes
Trustee Todd Lester	Yes
Trustee Steven Nelson	Yes
Trustee Yvonne Savala	Yes



**BRIEF DESCRIPTION OF REQUEST:**

Western Illinois University received authorization on October 7, 2008 from the Illinois Board of Higher Education to offer a Bachelor of Science in Engineering degree program at the WIU Quad Cities campus. This is a multidisciplinary engineering degree designed to prepare graduates for technology leadership in the 21<sup>st</sup> Century. The degree requires a minimum of 120 semester hours. Students complete 43 s.h. of WIU's general education core, 30 s.h. of math and science (10 s.h. are dual counted for general education credits), 27 s.h. in core engineering science, and a 30 s.h. emphasis in general engineering, robotics, civil engineering, industrial engineering, and electronics engineering.

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**Resolution No. 16.10/4: FY 2018 Appropriated Capital Budget Recommendations**  
Interim Vice President Bierman outlined the recommendation as submitted to the Board.

**A motion was made by Trustee Cole to approve. Trustee Savala seconded the motion.**

**Roll Call**

Trustee Roger Clawson	Yes
Trustee Lyneir Cole	Yes
Trustee Cathy Early	Yes
Trustee Carolyn Ehlert Fuller	Yes
Trustee William Gradle	Yes
Trustee Todd Lester	Yes
Trustee Steven Nelson	Yes
Trustee Yvonne Savala	Yes

The motion carried.

**Resolution:**

**WHEREAS** Western Illinois University must prepare annual appropriated capital budget recommendations for the Illinois Board of Higher Education, Illinois State Legislature, and the Governor; and,

**WHEREAS** Western Illinois University's Fiscal Year 2018 budget recommendations advance institutional progress and sustainability for the University's Strategic Plan, *Higher Values in Higher Education*, Campus Master Plans on the Macomb and Quad Cities campuses, and the Illinois Board of Higher Education's statewide strategic plan for higher education, *IBHE 2012, A Strategic Plan for the Illinois Board of Higher Education*; and,

**WHEREAS** the Fiscal Year 2018 Appropriated Capital Budget Recommendations require Western Illinois University Board of Trustees approval prior to submission:

**THEREFORE** be it resolved that the Board of Trustees approves the Fiscal Year 2018 Appropriated Capital Budget Recommendations as presented in the *Fiscal Year 2018 Appropriated Capital Budget Recommendations* document, and be it further resolved that the President be authorized to make technical adjustments in the capital budget recommendations if necessary.

Fiscal Year 2018 Capital Budget Recommendations  
Western Illinois University

Western Illinois University recommends \$288.7 million for capital projects to support high-quality academic programs, co-curricular services, and regional economic development for fiscal year 2018. All of the requested funds will support new construction on the Macomb and Moline campuses to address highly needed space for premier academic programs. A total of \$14.4 million in capital renewal funds is also requested to support critical deferred maintenance needs.

**Background**

**Composition of the Recommendation**

Western Illinois University operates two distinct campuses, and each has unique capital priorities and needs. The University has prioritized the overall needs of the University into the recommendation below.

**Western Illinois University**  
**Fiscal Year 2018 Capital Recommendation**  
(Dollars in Thousands)

<u>Priority</u>	<u>Description</u>	<u>Project Type</u>	<u>Requested Amount</u>
1	WIU - Macomb Science Phase I	New Construction & Renovation	\$64,600
2	WIU - Macomb Science Phase II	Renovation	\$54,300
3	WIU - Macomb Tillman Hall	Renovation	\$22,900
4	WIU - QC Phase Three	New Construction	\$37,400
5	WIU - Macomb Education Building	New Construction	\$73,200
6	WIU - Macomb Stipes Hall	Renovation	<u>\$36,300</u>
<b>Total Recommendation</b>			<b>\$288,700</b>

A summary statement documenting need for these projects is displayed below. Additional, detailed information on the scope, design, and costs of each project begins on page three of this report.

Priority 1: Western Illinois University-Macomb Science Building Phase I The current College of Arts and Sciences' three science facilities, Currens Hall, Waggoner Hall, and Tillman Hall, are obsolete in providing high-quality comprehensive instructional laboratories. All three facilities were constructed before modern laboratory standards were developed for acceptable indoor air quality and energy efficiency. Antiquated laboratory fume-hood systems and poor quality heating, ventilation, and air conditioning systems yield inadequate comfort and humidity control. These lead to detrimental impacts on teaching; research; and student, faculty, and staff recruitment and retention. Phase I includes the construction of a new science building, an addition and remodel to Currens Hall. The new science building will consolidate existing and support new academic programs, as Western Illinois University becomes a leading comprehensive university in the United States.

Priority 2: Western Illinois University-Macomb Science Building Phase II Phase II will continue with the improvements to the science programs at WIU by renovating an existing building. Waggoner Hall will be considered for renovations to improve the overall science facilities.

Priority 3: Western Illinois University-Classroom Building Renovation Tillman Hall. Tillman Hall was originally constructed in 1954 as the first science building on the campus of Western Illinois University. The needs of the University have changed significantly since the building's original construction over sixty years ago. The deferred maintenance needs of the building are also excessive as all of the systems are past expected life.

Priority 4: Western Illinois University-Quad Cities Riverfront Campus Building Phase Three In 2010, the state committed to building the first two phases on the newly developing Western Illinois University-Quad Cities Riverfront Campus. Building Complex Three will complete the construction of the new campus that serves a regional population of 400,000 residents and leverages \$175 million in private investment and foundation support for education, entrepreneurship, technology, new jobs, and economic opportunity.

Priority 5: Western Illinois University-Education Building Horrabin Hall was originally constructed in 1965 as a laboratory school and encompassed K-12 grades. The needs of the College of Education and Human Services do not match the current building construction. This project would reconstruct the building on the site of Horrabin Hall.

Priority 6: Western Illinois University- Stipes Hall Renovation Stipes Hall was constructed in 1968 and has had no major renovations or updates. The University through is the Macomb Facilities Master Plan update and Strategic Building Renovation Matrix has identified the building as a priority for renovation. The building is a high profile, heavily used part of the academic programs on campus and it also has a high deferred maintenance backlog.

Capital Renewal The University is requesting \$14.4 million in capital renewal funds to be utilized for classroom modernization; improving HVAC and building energy management controls; enhancing electrical and plumbing distribution systems; and renovating campus sidewalks, drives, and exterior stairs.

Priority Changes from Fiscal Year 2016

The priorities for FY2016 are shown below. There are no changes between our FY16 and FY17 request.

<b>Priority Changes</b>			
<b>Description</b>	<b>Project Type</b>	<b><u>FY2018</u></b>	<b><u>FY2017</u></b>
WIU - Macomb Science Phase I	New Construction & Renovation	1	1
WIU - Macomb Science Phase II	Renovation	2	2a
WIU - Macomb Tillman Hall	Renovation	3	
WIU - QC Phase Three	New Construction	4	2b
WIU - Macomb Education Building	New Construction	5	4
WIU - Macomb Stipes Hall	Renovation	6	5

Adhering to Illinois Board of Higher Education guidelines and format, the following recommendations for Western Illinois University's Fiscal Year 2018 capital projects will be made (pending Western Illinois University Board of Trustees approval).

PROJECT: WESTERN ILLINOIS UNIVERSITY - MACO

PRIORITY: 1

RAMP BUDGET CATEGORY: Buildings, Additions, and/

REQUESTED FUNDING: \$ 64,600,000 (Planning, Design

#### BACKGROUND DATA

The current College of Arts and Sciences' facilities, Curr sciences, 1968), and Tillman Hall (earth sciences, 195 laboratories. These facilities were constructed before mod Society of Heating, Refrigerating and Air-Conditioning En below acceptable indoor air quality and energy-efficiency and poor quality heating, ventilation, and air conditioning This problem produces detrimental impacts on teaching, re

The basic teaching and laboratory layouts of Western Illinc obsolete and do not easily allow for the integration of ne based programs will provide the ability to integrate new la and will foster multidisciplinary interaction through the locations. In addition, planning studies were completed tc and Waggoner Halls to allow the College of Arts and Scie locale and provide for additional facility improvements/e are critical to the mission of the College of Arts and Scien

The new science building and renovation of Currens H includes the new forensic chemistry program and a ne University Board of Trustees and Illinois Board of Higher

#### QUANTIFICATION

Western Illinois University completed a space planning ar during Fiscal Year 2007 and completed an update in Fis instructional laboratories, office space, and classrooms. appropriately designed to meet academic needs and satis facilities. In addition, the project will include the p development, and connections to Currens Hall and all rec

#### DEPENDENT RELATIONSHIPS

Upon completion of this project, Western Illinois Unive Waggoner Hall. These actions are consistent with the ne master plan.

#### DESIRED COMPLETION DATE

Design will commence as soon as funds are received wil

**TABLE C104  
BUDGET YEAR BUILDING BUDGET ESTIMATION FORM**

FISCAL YEAR 2018  
CAPITAL REQUEST  
PROJECT NAME WIU - Macomb Science Phase 1  
(IN THOUSANDS OF DOLLARS)

SPACE TYPE	NASF	MULTIPLIER FACTOR	GSF	FY2017 \$/GSF*	COST
Office	4,040	1.7	6,868	286.01	\$ 1,964.3
Classrooms	650	1.5	975	276.28	\$ 269.4
Instructional Dry Laboratories	11,000	1.64	18,040	309.5	5,583.4
Instructional Wet Laboratories	12,700	1.64	20,828	327.29	6,816.8
Special Use	2,200	1.8	3,960	276.42	1,094.6
Supporting Facilities	400	1.2	480	258.03	123.9
Current remodel	95,000	1.5	142,500	125.95	17,947.9
<b>1) BASE TOTAL</b>	<b>125,990</b>		<b>193,651</b>		<b>\$ 33,800.2</b>
<b>2) ADDED COSTS:</b>					
a) Historic Preservation Considerations: _____					
b) Green Building Design/LEED Certification Level SILVER (Cert., Silver, Gold, Platinum) (Please use 6% of Base Total to estimate the cost of LEED design.)					2,028.0
c) Other Energy Efficiencies: _____					
<b>3) BASE COST</b>					<b>\$ 47,489.3</b>
<b>4) ADD ESCALATION COST</b>					<b>2,607.2</b>
(For monthly escalation costs, use Statewide Average: 2.2 percent per year, or .183 percent per month from base to bid date.)					
Expected Bid Date: <u>May-19</u> Escalation/month: <u>0.00183</u>					
Number of Months to Bid Date: <u>30</u>					
<b>5) ESCALATED BUILDING BUDGET (BASE PLUS ESCALATION)</b>					<b>\$ 50,096.5</b>
<b>6) ADD 10% FOR CONTINGENCIES</b>					<b>5,009.6</b>
<b>SUBTOTAL, BUILDING BUDGET</b>					<b>\$ 55,106.1</b>
<b>ADDITIONAL BUDGET ADDS:</b>					
1) A/E FEES <u>9.60% *</u>					5,290.2
ON-SITE OBSERVATION:					502.2
NUMBER OF MONTHS <u>24</u>					
DAYS PER WEEK <u>5</u>					
2) REIMBURSABLES (5% of A/E fees unless better estimate available)					289.6
3) CDB CONSTRUCTION ADMINISTRATION FEE (3%)**					1,653.2
4) OTHER ADDS (SEE 2 BELOW)					1,498.3
5) ART IN ARCHITECTURE (As Applicable) -- ONE-HALF OF ONE PERCENT					275.5
<b>SUB-TOTAL, BUDGET ADDS</b>					<b>\$ 9,509.0</b>
<b>TOTAL, BUILDING BUDGET</b>					<b>\$ 64,615.1</b>

**OTHER:**

PROVIDE AN ESTIMATE OF ANNUAL STATE SUPPORTED OPERATIONS AND MAINTENANCE EXPENSE	TOTAL	\$ 1,243.4
Number of additional staff: <u>8</u>	Salaries and Related	415.1
	Utilities	388.3
	Repairs and Maintenance	440.0

**PROVIDE AN EXPLANATION OF ALL DEVIATIONS FROM COST GUIDELINES**

SOURCE OF COST ESTIMATE Science Building Programming Study, Ratio Architects  
NAME OF PERSON TO CONTACT FOR FURTHER INFORMATION Scott Coker  
PHONE NUMBER 309-298-1834

- \* The Capital Development Board's Centralized Fee Negotiation Professional Services and Fees Handbook, (March 2009), provides guidance in developing the budget for A/E fees.
- \*\* If adding CDB Construction Administration Fee, Public Act 93-0032 increased the fee from 1.5% to 3.0% effective July 1, 2003.
- 1 Added costs include: FFE (18%), LEED (6%), Sophisticated Piping (1%) and site/utilities work (15.5%)
- 2 Added costs include: building commissioning, testing and balancing, and technology infrastructure

PROJECT: WESTERN ILLINOIS UNIVERSITY - MACOMB SCIENCE PHASE II

PRIORITY: 2

RAMP BUDGET CATEGORY: Buildings, Additions, and/or Structures

REQUESTED FUNDING: \$ 54,300,000 (Planning, Design and Construction)

#### BACKGROUND DATA

The current College of Arts and Sciences' facilities, Currens Hall (physical sciences, 1970), Waggoner Hall (life sciences, 1968), and Tillman Hall (earth sciences, 1953) are obsolete in providing high-quality instructional laboratories. These facilities were constructed before modern laboratory standards were developed by the American Society of Heating, Refrigerating and Air-Conditioning Engineers. Western Illinois University science facilities fall below acceptable indoor air quality and energy-efficiency standards. The antiquated laboratory fume-hood systems and poor quality heating, ventilation, and air conditioning systems yield inadequate comfort and humidity control. This problem produces extremely detrimental impacts on teaching, research, and student/faculty/staff recruitment and retention.

The basic teaching and laboratory layouts of Western Illinois University's current science facilities are pedagogically obsolete and do not easily allow for the integration of new science technologies. A new facility to house science-based programs will provide the ability to integrate new laboratory technologies with the latest in science pedagogy and will foster multidisciplinary interaction through the consolidation of departments from previously diverse locations. In addition, planning studies were completed to evaluate and program future projects to renovate Currens and Waggoner Halls to allow the College of Arts and Sciences to consolidate academic programs to a single campus locale and provide for additional facility improvements/enhancements for the humanities and social sciences which are critical to the mission of the College of Arts and Sciences.

The new science building and renovation of Currens Hall will also support new academic programs. This includes the new forensic chemistry program and a new nursing program as approved by the Western Illinois University Board of Trustees and Illinois Board of Higher Education.

#### QUANTIFICATION

Western Illinois University completed a space planning and utilization study for a new state-of-the-art science facility during Fiscal Year 2007 with an update completed in Fiscal Year 2014. This project will continue the Science Facilities project by remodeling Waggoner Hall.

#### DEPENDENT RELATIONSHIPS

This project would commence upon completion of the Macomb Science Phase I.

#### DESIRED COMPLETION DATE

Design will commence as soon as funds are received with total project completion estimated at 54 months.

**TABLE C104  
BUDGET YEAR BUILDING BUDGET ESTIMATION FORM**

**FISCAL YEAR 2018  
CAPITAL REQUEST  
PROJECT NAME WIU - Macomb Science Phase II**

(IN THOUSANDS OF DOLLARS)

SPACE TYPE	NASF	MULTIPLIER FACTOR	GSF	FY2017 \$/GSF*	COST
Building Remodel	102,000	1.5	142,000	220.4	\$ 31,296.8
<b>1) BASE TOTAL</b>	<b>102,000</b>		<b>142,000</b>		<b>\$ 31,296.8</b>
<b>2) ADDED COSTS:</b>					<b>\$ 7,511.2</b>
a) Historic Preservation Considerations: _____					
b) Green Building Design/LEED Certification Level SILVER_ (Cert, Silver, Gold, Platinum) (Please use 6% of Base Total to estimate the cost of LEED design.)					<b>1,877.8</b>
c) Other Energy Efficiencies: _____					
<b>3) BASE COST</b>					<b>\$ 40,685.8</b>
<b>4) ADD ESCALATION COST</b> (For monthly escalation costs, use Statewide Average: 2.2 percent per year, or .183 percent per month from base to bid date.) Expected Bid Date: <u>May-19</u> Escalation/month: <u>0.00183</u> Number of Months to Bid Date: <u>30</u>					<b>2,233.7</b>
<b>5) ESCALATED BUILDING BUDGET (BASE PLUS ESCALATION)</b>					<b>\$ 42,919.5</b>
<b>6) ADD 10% FOR CONTINGENCIES</b>					<b>4,291.9</b>
<b>SUBTOTAL, BUILDING BUDGET</b>					<b>\$ 47,211.4</b>
<b>ADDITIONAL BUDGET ADDS:</b>					
1) A/E FEES <u>6.76%</u> *					<b>3,191.5</b>
ON-SITE OBSERVATION: NUMBER OF MONTHS <u>24</u> DAYS PER WEEK <u>5</u>					<b>502.2</b>
2) REIMBURSABLES (5% of A/E fees unless better estimate available)					<b>184.7</b>
3) CDB CONSTRUCTION ADMINISTRATION FEE (3%)**					<b>1,416.3</b>
4) OTHER ADDS (SEE 2 BELOW)					<b>1,564.8</b>
5) ART IN ARCHITECTURE (As Applicable) -- ONE-HALF OF ONE PERCENT					<b>236.1</b>
<b>SUB-TOTAL, BUDGET ADDS</b>					<b>\$ 7,095.6</b>
<b>TOTAL, BUILDING BUDGET</b>					<b>\$ 54,307.1</b>

**OTHER:**

<b>PROVIDE AN ESTIMATE OF ANNUAL STATE SUPPORTED OPERATIONS AND MAINTENANCE EXPENSE</b>	<b>TOTAL</b>	<b>\$</b>	<b>-</b>
Number of additional staff: <u>0</u>	Salaries and Related		<b>-</b>
	Utilities		<b>-</b>
	Repairs and Maintenance		<b>-</b>

**PROVIDE AN EXPLANATION OF ALL DEVIATIONS FROM COST GUIDELINES**

NAME OF PERSON TO CONTACT FOR FURTHER INFORMATION Scott Coker  
PHONE NUMBER 309-298-1834

- \* The Capital Development Board's Centralized Fee Negotiation Professional Services and Fees Handbook, (March 2009), provides guidance in developing the budget for A/E fees.
- \*\* If adding CDB Construction Administration Fee, Public Act 93-0032 increased the fee from 1.5% to 3.0% effective July 1, 2003.
- 1 Added costs include: FFE (18%), LEED (6%), Sophisticated Piping (1%) and Asbestos abatement (5%)
- 2 Added costs include: building commissioning, testing and balancing, and technology infrastructure (5%)



PROJECT: WESTERN ILLINOIS UNIVERSITY - MACOMB TILLMAN HALL REMODEL  
PRIORITY: 3

RAMP BUDGET CATEGORY: Major Remodeling

REQUESTED FUNDING: \$ 22,900,000 (Planning, Design and Construction)

#### BACKGROUND DATA

Tillman Hall was originally constructed in 1954 as the first science building on the campus of Western Illinois University. The needs of the University have changed significantly since the building's original construction over sixty years ago. The deferred maintenance needs of the building are also excessive as all of the systems are past expected life.

#### QUANTIFICATION

Tillman was first constructed as a science building and its use has significantly changed since 1954. The facility is outdated and does not match the latest instruction standards that are demanded at a modern university. Updated academic facilities will benefit the academic mission of the University.

The remodeled facility will utilize green and sustainable technologies appropriately designed to meet academic needs and satisfy the University's goal to construct LEED Silver certified facilities.

#### DEPENDENT RELATIONSHIPS

These actions are consistent with the Western Illinois University-Macomb campus master plan.

#### DESIRED COMPLETION DATE

Design will commence as soon as funds are received with total project completion estimated at 54 months.

TABLE C104  
BUDGET YEAR BUILDING BUDGET ESTIMATION FORM

FISCAL YEAR 2018  
CAPITAL REQUEST  
PROJECT NAME WIU - Macomb Tillman Remodel  
(IN THOUSANDS OF DOLLARS)

SPACE TYPE	NASF	MULTIPLIER FACTOR	GSF	FY2017 \$/GSF*	COST
Building Remodel	58,625	1.70	88,400	\$ 160.60	\$ 14,197.0
					0.0
					0.0
					0.0
					0.0
1) BASE TOTAL	77,971		138,103		\$ 14,197.0
2) ADDED COSTS:					1,703.6
a) Historic Preservation Considerations: _____					
b) Green Building Design/LEED Certification Level _____ (Cert., Silver, Gold, Platinum) (Please use 6% of Base Total to estimate the cost of LEED design.)					851.8
c) Other Energy Efficiencies: _____					
3) BASE COST					\$ 16,752.5
4) ADD ESCALATION COST (For monthly escalation costs, use Statewide Average: 2.2 percent per year, or .183 percent per month from base to bid date.) Expected Bid Date: <u>May-19</u> Escalation/month: <u>0.00183</u> Number of Months to Bid Date: <u>30</u>					\$ 919.7
5) ESCALATED BUILDING BUDGET (BASE PLUS ESCALATION)					\$ 17,672.2
6) ADD 10% FOR CONTINGENCIES					176.7
<b>SUBTOTAL, BUILDING BUDGET</b>					\$ 19,439.4
ADDITIONAL BUDGET ADDS:					
1) A/E FEES <u>7.56%</u> *					1,469.6
ON-SITE OBSERVATION: NUMBER OF MONTHS <u>30</u> DAYS PER WEEK <u>4</u>					502.2
2) REIMBURSABLES (5% of A/E fees unless better estimate available)					98.6
3) CDB CONSTRUCTION ADMINISTRATION FEE (3%)**					583.2
4) OTHER ADDS <u>see 2 below</u> (ADA, Asbestos, Hazardous Materials, etc. -- please specify)					670.1
5) ART IN ARCHITECTURE (As Applicable) -- ONE-HALF OF ONE PERCENT					97.2
<b>SUB-TOTAL, BUDGET ADDS</b>					\$ 3,420.9
<b>TOTAL, BUILDING BUDGET</b>					\$ 22,860.3

OTHER:

PROVIDE AN ESTIMATE OF ANNUAL STATE SUPPORTED OPERATIONS AND MAINTENANCE EXPENSE	TOTAL	\$ 0.0
Number of additional staff: _____	Salaries and Related	_____
	Utilities	_____
	Repairs and Maintenance	_____
	All Other	_____

PROVIDE AN EXPLANATION OF ALL DEVIATIONS FROM COST GUIDELINES

SOURCE OF COST ESTIMATE \_\_\_\_\_

NAME OF PERSON TO CONTACT FOR FURTHER INFORMATION

Scott Coker

PHONE NUMBER

309-298-1834

\* The Capital Development Board's Centralized Fee Negotiation Professional Services and Fees Handbook, (March 2009), provides guidance in developing the budget for A/E fees.

\*\* If adding CDB Construction Administration Fee, Public Act 93-0032 increased the fee from 1.5% to 3.0% effective July 1, 2003.

1 Added costs include: FPE (7%), LEED (6%), and Asbestos Abatement (5%)

2 Added costs include: building commissioning, testing and balancing, and technology infrastructure (4%)

PROJECT: WESTERN ILLINOIS UNIVERSITY - QUAD CITIES  
RIVERFRONT CAMPUS BUILDING COMPLEX THREE

PRIORITY: 4

RAMP BUDGET CATEGORY: Buildings, Additions, and/or Structures

REQUESTED FUNDING: \$37,400,000

BACKGROUND DATA

Western Illinois University-Quad Cities Riverfront Campus Phase III

Western Illinois University-Quad Cities (WIU-QC) is the only public university in a metropolitan area of over 375,000 residents. In recognizing the growth and capacity limits of WIU-QC at its current location, the State supported the first two (of three) phases for construction of the Western Illinois University-Quad Cities Riverfront Campus to achieve *Illinois Public Agenda* Goal 4 of better integrating Illinois' educational, research, and innovation assets to meet economic needs of the state and its regions.

Post-Phase II operations will generate economic impacts for the region of 330 jobs and \$13.0 million in labor income. Phase III will complete the construction of the new campus that serves as an educational and economic stimulus. In total, the Western Illinois University-Quad Cities Riverfront Campus will leverage a total of \$175.0 million in private investment and foundation support for education, entrepreneurship, technology, new jobs, and economic opportunity.

Successful redevelopment of adjacent property to the campus known as "RiverTech" will create a \$100.0 million taxable base; attract 2,000 new and existing jobs with a one-time construction impact in excess of \$150.0million. Current projects that the State of Illinois helped cultivate by developing the Western Illinois University-Quad Cities Riverfront Campus by virtue of the new campus location include:

- A \$50.0 million project by the KONE Corporation to house their North American Operation Center on the Mississippi Riverfront. This new construction completes a three-phase \$71.0 million mixed-use development known as Bass Street Landing.
- A \$45.0 million Transit Oriented Development/Amtrak Station that will include an intermodal pedestrian transport center and a new high rise office structure with retail and food service amenities.
- A \$5.0 million new facility for research and development by public and private sectors.
- A \$12.0 million, 90-unit work-live urban lofts, with retail and businesses located on the lower floors.
- A \$3.0 million new Healthcare Center for those underserved in the Hispanic community.

A fully completed Riverfront Campus is the "cornerstone" to these developments, and Western will continue to be a conservative steward of state resources. Phase III exclusively focuses on the academic mission of the University. All ancillary services such as bookstores, retail, and food service will be privately developed to support the local economy and new job creation.

QUANTIFICATION

Phase III will complete the new Western Illinois University-Quad Cities Riverfront Campus, and provide the infrastructure to support 5,000 students. Phase III is essential for academic programs and support services; lab and research space; and facilities to support technology, patent transfer, and community events.

DEPENDENT RELATIONSHIPS

There are no dependent relationships between this project and any other state-funded capital project. However, there are significant educational and economic development gains to be noted. The completed Western Illinois University-

Quad Cities Riverfront Campus will have an economic impact of over \$50 million annually and will double the number of college graduates to 500 annually.

Phase III provides the necessary facilities to increase enrollment and meet *Illinois Public Agenda Goal 1* of increasing educational attainment to match best-performing states. Without essential space, the University will not be able to increase enrollment and degree attainment. An educated community is especially important to a host county that earns 81.8 percent of the state's median family income. Moreover, spatial access is necessary to achieve *Illinois Public Agenda Goal 4* of increasing the number of high-quality post-secondary credentials to meet the demands of the economy and an increasingly global society.

#### DESIRED COMPLETION DATE

This project will be completed as soon as possible after funds have been released. A traditional planning then construction approach will take up to 54 months to complete.

**TABLE C104  
BUDGET YEAR BUILDING BUDGET ESTIMATION FORM**

FISCAL YEAR 2018  
CAPITAL REQUEST  
PROJECT NAME WIU-QC Riverfront Phase III  
(IN THOUSANDS OF DOLLARS)

SPACE TYPE	NASF	MULTIPLIER FACTOR	GSF	FY2017 \$/GSF*	COST
Office	4,600.0	1.70	7,820	\$286.01	\$ 2,236.6
Classrooms	16,000.0	1.50	24000	276.28	\$ 6,630.7
Instructional Wet Laboratories	2,800.0	1.64	4,592	327.29	\$ 1,502.9
Supporting Facilities	5,000.0	1.20	6,000	258.03	\$ 1,548.2
Research Lab (Wet)	2,800.0	1.67	4,676	433.51	\$ 2,027.1
Special Use	2,575.0	1.80	4,635	276.42	\$ 1,281.2
General Use	12,000.0	1.90	22800	330.24	\$ 7,529.5
<b>1) BASE TOTAL</b>	<b>45,775</b>		<b>74,523</b>		<b>\$ 22,756.2</b>
2) ADDED COSTS: see 1 below					\$ 4,892.6
a) Historic Preservation Considerations: _____					
b) Green Building Design/LEED Certification Level _____ (Cert., Silver, Gold, Platinum) (Please use 6% of Base Total to estimate the cost of LEED design.)					
c) Other Energy Efficiencies: _____					
<b>3) BASE COST</b>					<b>\$ 27,648.8</b>
4) ADD ESCALATION COST					\$ 1,517.9
(For monthly escalation costs, use Statewide Average: 2.2 percent per year, or .183 percent per month from base to bid date.)					
Expected Bid Date: <u>May-19</u> Escalation/month: <u>0.00183</u>					
Number of Months to Bid Date: <u>30</u>					
<b>5) ESCALATED BUILDING BUDGET (BASE PLUS ESCALATION)</b>					<b>\$ 29,166.7</b>
<b>6) ADD 10% FOR CONTINGENCIES</b>					<b>2,916.7</b>
<b>SUBTOTAL, BUILDING BUDGET</b>					<b>\$ 32,083.4</b>
ADDITIONAL BUDGET ADDS:					
1) A/E FEES <u>7.5</u> *					2,406.3
ON-SITE OBSERVATION:					320.9
NUMBER OF MONTHS <u>15</u>					
DAYS PER WEEK <u>5</u>					
2) REIMBURSABLES (5% of A/E fees unless better estimate available)					136.4
3) CDB CONSTRUCTION ADMINISTRATION FEE (3%)**					962.5
4) OTHER ADDS see 2 below (ADA, Asbestos, Hazardous Materials, etc. -- please specify)					1,361.8
5) ART IN ARCHITECTURE (As Applicable) -- ONE-HALF OF ONE PERCENT					160.4
<b>SUB-TOTAL, BUDGET ADDS</b>					<b>\$ 5,348.2</b>
<b>TOTAL, BUILDING BUDGET</b>					<b>\$ 37,431.6</b>

PROVIDE AN ESTIMATE OF ANNUAL STATE SUPPORTED OPERATIONS AND MAINTENANCE EXPENSE	TOTAL	\$ 409.3
Number of additional staff: <u>3</u>	Salaries and Related	<u>143.3</u>
	Utilities	<u>170.0</u>
	Repairs and Maintenance	<u>96.0</u>
	All Other	<u>          </u>

PROVIDE AN EXPLANATION OF ALL DEVIATIONS FROM COST GUIDELINES

SOURCE OF COST ESTIMATE WIU Riverfront Campus  
NAME OF PERSON TO CONTACT FOR FURTHER INFORMATION William Brewer  
PHONE NUMBER 309-762-9481

- \* The Capital Development Board's Centralized Fee Negotiation Professional Services and Fees Handbook, (March 2009), provides guidance in developing the budget for A/E fees.
- \*\* If adding CDB Construction Administration Fee, Public Act 93-0032 increased the fee from 1.5% to 3.0% effective July 1, 2003.
- 1 Added costs include: FFE (7%), LEED (6%), site work (3.5%) and Data Center (5%)
- 2 Added costs include: building commissioning, testing and balancing, technology infrastructure

PROJECT: WESTERN ILLINOIS UNIVERSITY - MACOMB EDUCATION BUILDING

PRIORITY: 5

RAMP BUDGET CATEGORY: Buildings, Additions, and/or Structures

REQUESTED FUNDING: \$ 73,200,000 (Planning, Design and Construction)

#### BACKGROUND DATA

Horrabin Hall was constructed in 1965 as a laboratory school housing K-12 grade. Horrabin has not had any major renovations or retrofits in 50 years. The College of Education and Human Services is housed in the 150,000 square feet of classrooms and offices in Horrabin.

#### QUANTIFICATION

In the Macomb Master Plan update, the Master Plan Steering committee identified eight renovation criteria that were used to prioritize building renovation projects. Horrabin Hall was identified as a high priority for renovation due to high critical deferred maintenance, containing University signature programs and facilities not matching the current needs of the College. Updated academic facilities will benefit the academic mission of the College and the University.

The proposed building would be constructed on the existing site of Horrabin Hall with design features to promote the latest in teaching styles, electronic classrooms and student/faculty interaction.

The new facility will utilize green and sustainable technologies appropriately designed to meet academic needs and satisfy the University's goal to construct LEED Silver certified facilities.

#### DEPENDENT RELATIONSHIPS

This project would construct the new Education building on the current site of Horrabin Hall.

#### DESIRED COMPLETION DATE

Design will commence as soon as funds are received with total project completion estimated at 54 months.

**TABLE C104  
BUDGET YEAR BUILDING BUDGET ESTIMATION FORM**

FISCAL YEAR 2018  
CAPITAL REQUEST  
PROJECT NAME WIU-Education Building

(IN THOUSANDS OF DOLLARS)

SPACE TYPE	NASF	MULTIPLIER FACTOR	GSF	FY2017 \$/GSF*	COST
Building	100,000	1.5	150,000	276.33	\$ 41,449.5
1) BASE TOTAL	100,000		150,000		\$ 41,449.5
2) ADDED COSTS:					\$ 11,191.4
a) Historic Preservation Considerations: _____					
b) Green Building Design/LEED Certification Level SILVER (Cert., Silver, Gold, Platinum) (Please use 6% of Base Total to estimate the cost of LEED design.)					2,487.0
c) Other Energy Efficiencies: _____					
3) BASE COST					\$ 55,127.8
4) ADD ESCALATION COST					3,026.5
(For monthly escalation costs, use Statewide Average: 2.2 percent per year, or .183 percent per month from base to bid date.)					
Expected Bid Date: <u>May-19</u>			Escalation/month: <u>0.00183</u>		
Number of Months to Bid Date: <u>30</u>					
5) ESCALATED BUILDING BUDGET (BASE PLUS ESCALATION)					\$ 58,154.4
6) ADD 10% FOR CONTINGENCIES					5,815.4
SUBTOTAL, BUILDING BUDGET					\$ 63,969.8
ADDITIONAL BUDGET ADDS:					
1) A/E FEES <u>6.34%</u> *					4,055.7
ON-SITE OBSERVATION:					502.2
NUMBER OF MONTHS <u>24</u>					
DAYS PER WEEK <u>5</u>					
2) REIMBURSABLES (5% of A/E fees unless better estimate available)					227.9
3) CDB CONSTRUCTION ADMINISTRATION FEE (3%)**					1,919.1
4) OTHER ADDS (SEE 2 BELOW)					2,205.1
5) ART IN ARCHITECTURE (As Applicable) - ONE-HALF OF ONE PERCENT					319.8
SUB-TOTAL, BUDGET ADDS					\$ 9,229.8
TOTAL, BUILDING BUDGET					\$ 73,199.6

OTHER:

PROVIDE AN ESTIMATE OF ANNUAL STATE SUPPORTED OPERATIONS AND MAINTENANCE EXPENSE	TOTAL	\$ -
Number of additional staff: <u>0</u>	Salaries and Related	-
	Utilities	-
	Repairs and Maintenance	-

PROVIDE AN EXPLANATION OF ALL DEVIATIONS FROM COST GUIDELINES

SOURCE OF COST ESTIMATE \_\_\_\_\_  
NAME OF PERSON TO CONTACT FOR FURTHER INFORMATION Scott Coker  
PHONE NUMBER 309-298-1834

- \* The Capital Development Board's Centralized Fee Negotiation Professional Services and Fees Handbook, (March 2009), provides guidance in developing the budget for A/E fees.
- \*\* If adding CDB Construction Administration Fee, Public Act 93-0032 increased the fee from 1.5% to 3.0% effective July 1, 2003.
- 1 Added costs include: FFE (7%), LEED (6%), site work/building demo (15%) and Asbestos Abatement (5%)
- 2 Added costs include: building commissioning, testing and balancing, and technology infrastructure (4%)

PROJECT: WESTERN ILLINOIS UNIVERSITY - MACOMB STIPES BUILDING REMODEL  
PRIORITY: 6

RAMP BUDGET CATEGORY: Major Remodeling

REQUESTED FUNDING: \$ 36,300,000 (Planning, Design and Construction)

#### BACKGROUND DATA

Stipes Hall was constructed in 1968. Stipes Hall has not had any renovations or major remodeling since its opening over 45 years ago. The University, through its recent Macomb Campus Master Plan update and Strategic Building Renovation matrix, has identified Stipes as a high priority for renovation. Stipes Hall has over 140,000 square feet of classroom and office space and houses the College of Business and Technology.

#### QUANTIFICATION

In the Macomb Master Plan update, the Master Plan Steering committee identified eight renovation criteria that were used to prioritize building renovation projects. Stipes Hall is a high profile building on campus, has high critical deferred maintenance and houses University Signature programs. Updated academic facilities will benefit the academic mission of the University.

The remodeled facility will utilize green and sustainable technologies appropriately designed to meet academic needs and satisfy the University's goal to construct LEED Silver certified facilities.

#### DEPENDENT RELATIONSHIPS

These actions are consistent with the newly developed Western Illinois University-Macomb campus master plan.

#### DESIRED COMPLETION DATE

Design will commence as soon as funds are received with total project completion estimated at 54 months.



**TABLE C104**  
**BUDGET YEAR BUILDING BUDGET ESTIMATION FORM**

FISCAL YEAR 2018  
 CAPITAL REQUEST  
 PROJECT NAME WIU-Stipes Remodel

(IN THOUSANDS OF DOLLARS)

SPACE TYPE	NASF	MULTIPLIER FACTOR	GSF	FY2017 \$/GSF*	COST
Building	100,000	1.7	142,000	160.6	\$ 22,805.2
1) BASE TOTAL	100,000		142,000		\$ 22,805.2
2) ADDED COSTS:					\$ 2,736.6
a) Historic Preservation Considerations: _____					
b) Green Building Design/LEED Certification Level SILVER (Cert., Silver, Gold, Platinum) (Please use 6% of Base Total to estimate the cost of LEED design.)					1,368.3
c) Other Energy Efficiencies: _____					
3) BASE COST					\$ 26,910.1
4) ADD ESCALATION COST					1,477.4
(For monthly escalation costs, use Statewide Average: 2.2 percent per year, or .183 percent per month from base to bid date.)					
Expected Bid Date: <u>May-19</u> Escalation/month: <u>0.00183</u>					
Number of Months to Bid Date: <u>30</u>					
5) ESCALATED BUILDING BUDGET (BASE PLUS ESCALATION)					\$ 28,387.5
6) ADD 10% FOR CONTINGENCIES					2,838.8
<b>SUBTOTAL, BUILDING BUDGET</b>					\$ 31,226.3
ADDITIONAL BUDGET ADDS:					
1) A/E FEES <u>7.26%</u> *					2,267.0
ON-SITE OBSERVATION:					
NUMBER OF MONTHS <u>24</u>					
DAYS PER WEEK <u>5</u>					
2) REIMBURSABLES (5% of A/E fees unless better estimate available)					138.5
3) CDB CONSTRUCTION ADMINISTRATION FEE (3%)**					936.8
4) OTHER ADDS (SEE 2 BELOW)					1,076.4
5) ART IN ARCHITECTURE (As Applicable) - ONE-HALF OF ONE PERCENT					156.1
<b>SUB-TOTAL, BUDGET ADDS</b>					\$ 5,677.0
<b>TOTAL, BUILDING BUDGET</b>					\$ 36,303.3

**OTHER:**

PROVIDE AN ESTIMATE OF ANNUAL STATE SUPPORTED OPERATIONS AND MAINTENANCE EXPENSE	TOTAL	\$	-
Number of additional staff: <u>0</u>	Salaries and Related		-
	Utilities		-
	Repairs and Maintenance		-

PROVIDE AN EXPLANATION OF ALL DEVIATIONS FROM COST GUIDELINES

SOURCE OF COST ESTIMATE \_\_\_\_\_  
 NAME OF PERSON TO CONTACT FOR FURTHER INFORMATION Scott Coker  
 PHONE NUMBER 309-298-1834

\* The Capital Development Board's Centralized Fee Negotiation Professional Services and Fees Handbook, (March 2009), provides guidance in developing the budget for A/E fees.

\*\* If adding CDB Construction Administration Fee, Public Act 93-0032 increased the fee from 1.5% to 3.0% effective July 1, 2003.

- 1 Added costs include: FFE (7%), LEED (6%) and Asbestos Abatement (5%)  
 2 Added costs include: building commissioning, testing and balancing, and technology infrastructure (4%)

PROJECT: WESTERN ILLINOIS UNIVERSITY – MACOMB  
CAPITAL RENEWAL

RAMP BUDGET CATEGORY: Remodeling and Rehabilitation

REQUESTED FUNDING: \$14,400,000

BACKGROUND DATA

*Higher Values in Higher Education*, Western Illinois University's Strategic Plan, states:

"Provide safe, accessible, responsible campus environments that meet the needs of University constituencies and reflect the core values of the University."

Providing a safe, accessible, and responsive campus environment conducive to learning is directly linked to responsive upkeep and repair of facilities. In addition to operating funds, Capital Renewal funds are used to address deferred maintenance needs on campuses. Since Fiscal Year 2004 Western Illinois University has only received \$3.6 million to address critical campus-wide elevator maintenance, utility infrastructure repairs, and numerous other needs on campus. The University currently estimates a total deferred maintenance and capital renewal backlog of over \$500 million. As is the case on all campuses in Illinois, there are many projects that have been critically needed for a substantial period of time and are negatively impacting the learning environment.

QUANTIFICATION

The University is making a strong commitment toward improving the campus physical environment. A reduction in the deferred maintenance liability is viewed as integral to achieving that objective. An increase in the Permanent Improvement budget will allow the University to address the increasing backlog of deferred maintenance projects.

Funds will be utilized for classroom modernization; improving HVAC and building energy management controls; enhancing electrical and plumbing distribution systems; and renovating campus sidewalks, drives, and exterior stairs.

DEPENDENT RELATIONSHIPS

There are no other projects that this proposal is dependent.

DESIRED COMPLETION DATE

Design would commence as soon as funds are received.

**ACADEMIC AND STUDENT SERVICES COMMITTEE**

Trustee Nelson gave opening remarks regarding his happiness to return to the Board.

**Report No. 16.10/3: Annual Report on Athletics**

Director of Athletics Matt Tanney talked about the new Tradition of Tough branding campaign. Trustee Nelson asked about scheduling of football games for Division 1. We do have games on contract for 2017 and 2018, but the marketplace has changed due to the tournament at the end of the year. At this time, there is no indication that University of Illinois will pull out of its 2018 commitment (as Northwestern did for 2017). Trustee Nelson asked for a copy of the budget for Athletics and Director Tanney said he would provide it as requested. President Thomas commended Tanney for the work he and his area are doing. Trustee Savala commented on the high GPA of our student athletes. Trustee Cole commented on how nice it was to see the win against Northern this year.

Attachment I  
Western Illinois University Board of Trustees Budget Materials  
Fiscal Year 2018

Note: By State statute, the Western Illinois University Board of Trustees approves a Preliminary Spending Plan, setting maximum expenditure limits prior to the fiscal year. It also refines and approved an All Funds Budget at its fall meeting, which replaces the Preliminary Spending Plan. The Board also approves University requests for new state resources (operating and capital) at its fall meeting. All of these materials are attached.

WESTERN ILLINOIS UNIVERSITY  
BOARD OF TRUSTEES

June 9, 2017

Resolution No. 17.6/2  
FY2018 Preliminary Spending Plan

**WHEREAS** Western Illinois University must prepare a preliminary spending plan prior to July 1 for State Appropriated, University Income, Auxiliary and All Other Funds for the Illinois Board of Higher Education, Illinois State Legislature and the Governor; and,

**WHEREAS** this spending plan requires Board of Trustees approval prior to submission; and,

**WHEREAS** this spending plan reflects Western's tradition of strong, conservative fiscal management and resource allocation to support goals and priorities stated in *Higher Values in Higher Education* and Western Illinois University's *Mission Statement*:

**THEREFORE** be it resolved that the Board of Trustees approves the FY2018 spending plan as presented in the FY2018 spending plan document, and be it further resolved that the President be authorized to make technical adjustments in these budgets if necessary.

Illinois state statute requires Western Illinois University (and all other Illinois public universities) to prepare a *Fiscal Year 2018 Preliminary Spending Plan* prior to July 1 for State Appropriated, University Income, Auxiliary and All Other Funds for the Illinois Board of Higher Education, Illinois State Legislature, and the Governor. Furthermore, the *Fiscal Year 2018 Preliminary Spending Plan* must be approved by the Western Illinois University Board of Trustees prior to institutional submission and expenditure. The Preliminary Spending Plan for Fiscal Year 2018 is displayed in the table below.

	State Appropriated Funds	University Income Funds	Auxiliary Facilities System Funds	Other Non- Appropriated Funds	Total
Personal Services	\$ 38,611,200	\$ 53,944,000	\$ 13,500,000	\$ 13,000,000	\$ 119,055,200
Medicare	800,000	600,000	200,000	150,000	1,750,000
Contractual Services	-	9,500,000	20,000,000	14,350,000	43,850,000
Travel	-	400,000	100,000	500,000	1,000,000
Commodities	-	1,500,000	500,000	2,100,000	4,100,000
Equipment	-	2,000,000	400,000	1,500,000	3,900,000
Awards & Grants and Matching Funds	-	7,000,000	1,600,000	25,000,000	33,600,000
Telecommunication Services	-	400,000	125,000	350,000	875,000
Operation of Automotive Equipment	-	250,000	175,000	500,000	925,000
Permanent Improvements	-	250,000	400,000	300,000	950,000
CMS Health Insurance	1,744,800	-	200,000	1,000,000	2,944,800
Other	-	-	14,000,000	250,000	14,250,000
<b>Total FY2018 Operating Budget</b>	<b>\$ 41,156,000</b>	<b>\$ 75,844,000</b>	<b>\$ 51,200,000</b>	<b>\$ 59,000,000</b>	<b>\$ 227,200,000</b>

As of May 31, 2017, the Illinois General Assembly failed to pass any spending bills or a comprehensive FY18 budget plan. In February 2017, the Illinois Governor proposed a budget that would cut all of Higher education by 15% of FY15 appropriation levels. In May 2017 the Senate passed SB6 which would have cut funding to Higher Education by 10% of FY15 appropriation levels. In FY16 and FY17 combined, WIU has only received 53% of FY15 appropriation levels.

Because of the uncertainty in our State appropriation at the time of this writing, the University's Fiscal Year 2018 preliminary spending plan for state appropriated funds is presented at a level that reflects a 20% reduction in our state appropriation. The Income Fund budget reflects the necessary salary obligations and operating increases, and in order to balance this spending plan with the projected revenue, the University would need to identify expense reductions.

Western Illinois University's *Fiscal Year 2018 All-Funds Operating Budget* will be presented to the Western Illinois University Board of Trustees in October and will include the appropriation approved by the General Assembly and income projections based on fall enrollment.

Table 2  
Western Illinois University  
Fiscal Year 2015 Through 2017 All-Funds Budget

	State Appropriated Funds	University Income Funds	Auxiliary Facilities System Funds	Other Non- Appropriated Funds	Total
			Fiscal Year 2015		
Personal Services	\$ 46,471,100	\$ 60,228,900	\$ 13,975,000	\$ 14,250,000	\$ 134,925,000
Medicare	800,000	800,000	200,000	150,000	1,950,000
Contractual Services	2,500,000	8,571,800	22,500,000	14,150,000	47,721,800
Travel	-	800,000	100,000	750,000	1,650,000
Commodities	383,400	2,000,000	600,000	2,200,000	5,183,400
Equipment	400,000	2,500,000	500,000	2,000,000	5,400,000
Awards & Grants and Matching Funds	-	4,000,000	1,400,000	25,000,000	30,400,000
Telecommunication Services	150,000	350,000	125,000	350,000	975,000
Operation of Automotive Equipment	180,000	120,000	200,000	500,000	1,000,000
Permanent Improvements	-	500,000	400,000	400,000	1,300,000
CMS Health Insurance	1,744,800	-	200,000	1,000,000	2,944,800
Other	-	-	14,300,000	250,000	14,550,000
<b>Total FY2015 Operating Budget</b>	<b>\$ 52,629,300</b>	<b>\$ 79,870,700</b>	<b>\$ 54,500,000</b>	<b>\$ 61,000,000</b>	<b>\$ 248,000,000</b>
			Fiscal Year 2016		
Personal Services	\$ 45,556,500	\$ 59,943,500	\$ 14,200,000	\$ 13,700,000	\$ 133,400,000
Medicare	800,000	800,000	200,000	150,000	1,950,000
Contractual Services	-	10,730,200	21,000,000	15,000,000	46,730,200
Travel	-	675,000	100,000	750,000	1,525,000
Commodities	-	1,500,000	600,000	2,200,000	4,300,000
Equipment	-	2,800,000	630,000	1,700,000	5,130,000
Awards & Grants and Matching Funds	-	6,500,000	1,500,000	24,000,000	32,000,000
Telecommunication Services	-	500,000	150,000	350,000	1,000,000
Operation of Automotive Equipment	-	300,000	200,000	450,000	950,000
Permanent Improvements	-	650,000	400,000	350,000	1,400,000
CMS Health Insurance	1,744,800	-	200,000	1,000,000	2,944,800
Other	-	-	14,420,000	250,000	14,670,000
<b>Total FY2016 Operating Budget</b>	<b>\$ 48,101,300</b>	<b>\$ 84,398,700</b>	<b>\$ 53,600,000</b>	<b>\$ 59,900,000</b>	<b>\$ 246,000,000</b>
			Fiscal Year 2017		
Personal Services	\$ 48,870,400	\$ 50,129,600	\$ 13,750,000	\$ 13,000,000	\$ 125,750,000
Medicare	830,000	1,000,000	200,000	150,000	2,180,000
Contractual Services	-	11,000,000	21,000,000	14,350,000	46,350,000
Travel	-	500,000	100,000	500,000	1,100,000
Commodities	-	1,625,200	600,000	2,100,000	4,325,200
Equipment	-	2,500,000	500,000	1,500,000	4,500,000
Awards & Grants and Matching Funds	-	6,500,000	1,500,000	25,000,000	33,000,000
Telecommunication Services	-	500,000	125,000	350,000	975,000
Operation of Automotive Equipment	-	300,000	200,000	500,000	1,000,000
Permanent Improvements	-	500,000	400,000	300,000	1,200,000
CMS Health Insurance	1,744,800	-	200,000	1,000,000	2,944,800
Other	-	-	13,750,000	250,000	14,000,000
<b>Total FY2017 Operating Budget</b>	<b>\$ 51,445,200</b>	<b>\$ 74,554,800</b>	<b>\$ 52,325,000</b>	<b>\$ 59,000,000</b>	<b>\$ 237,325,000</b>

Student Programs and Services	\$400,000	\$314,188	\$0	\$400,000
Instructional Resources and Services	\$545,000	\$235,525	\$0	\$545,000
University Stores and Service Centers	\$850,000	\$32,431	\$0	\$850,000
University Publications	\$26,625	\$0	\$0	\$26,625
Sponsored Credit	\$4,000	\$0	\$0	\$4,000
Parking Operations	\$40,000	\$0	\$0	\$40,000
Transit	\$32,500	\$0	\$0	\$32,500

Parking Lots

Parking Operation	\$1,600,000	\$42,157	\$0	\$1,600,000
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**Resolution No. 17.6/2: FY2018 Preliminary Spending Plan**

Vice President Bierman explained that this is official action taken to allow the spending of FY18 funds. He said that more information is being waited on from the General Assembly. This is a preliminary spending plan. More information will be brought at the next Board Meeting.

Trustee Cole moved to approve. Trustee Ehlert Fuller seconded the motion.

Roll Call

Trustee Roger Clawson	Yes
Trustee Lyneir Cole	Yes
Trustee Cathy Early	Yes
Trustee Carolyn Ehlert Fuller	Yes
Trustee Todd Lester	Yes
Trustee Steven Nelson	Yes
Trustee Yvonne Savala	Yes

**Resolution:**

**WHEREAS** Western Illinois University must prepare a preliminary spending plan prior to July 1 for State Appropriated, University Income, Auxiliary and All Other Funds for the Illinois Board of Higher Education, Illinois State Legislature and the Governor; and,

**WHEREAS** this spending plan requires Board of Trustees approval prior to submission; and,

**WHEREAS** this spending plan reflects Western's tradition of strong, conservative fiscal management and resource allocation to support goals and priorities stated in *Higher Values in Higher Education* and Western Illinois University's *Mission Statement*:

**THEREFORE** be it resolved that the Board of Trustees approves the FY2018 spending plan as presented in the FY2018 spending plan document, and be it further resolved that the President be authorized to make technical adjustments in these budgets if necessary.

Illinois state statute requires Western Illinois University (and all other Illinois public universities) to prepare a *Fiscal Year 2018 Preliminary Spending Plan* prior to July 1 for State Appropriated, University Income, Auxiliary and All Other Funds for the Illinois Board of Higher Education, Illinois State Legislature, and the Governor. Furthermore, the *Fiscal Year 2018 Preliminary Spending Plan* must be approved by the Western Illinois University Board of Trustees prior to institutional submission and expenditure. The Preliminary Spending Plan for Fiscal Year 2018 is displayed in the table below.

	State Appropriated Funds	University Income Funds	Auxiliary Facilities System Funds	Other Non- Appropriated Funds	Total
Personal Services	\$ 38,611,200	\$ 53,944,000	\$ 13,500,000	\$ 13,000,000	\$ 119,055,200
Medicare	800,000	600,000	200,000	150,000	1,750,000
Contractual Services	-	9,500,000	20,000,000	14,350,000	43,850,000
Travel	-	400,000	100,000	500,000	1,000,000
Commodities	-	1,500,000	500,000	2,100,000	4,100,000
Equipment	-	2,000,000	400,000	1,500,000	3,900,000
Awards & Grants and Matching Funds	-	7,000,000	1,600,000	25,000,000	33,600,000
Telecommunication Services	-	400,000	125,000	350,000	875,000
Operation of Automotive Equipment	-	250,000	175,000	500,000	925,000
Permanent Improvements	-	250,000	400,000	300,000	950,000
CMS Health Insurance	1,744,800	-	200,000	1,000,000	2,944,800
Other	-	-	14,000,000	250,000	14,250,000
<b>Total FY2018 Operating Budget</b>	<b>\$ 41,156,000</b>	<b>\$ 75,844,000</b>	<b>\$ 51,200,000</b>	<b>\$ 59,000,000</b>	<b>\$ 227,200,000</b>

As of May 31, 2017, the Illinois General Assembly failed to pass any spending bills or a comprehensive FY18 budget plan. In February 2017, the Illinois Governor proposed a budget that would cut all of Higher education by 15% of FY15 appropriation levels. In May 2017 the Senate passed SB6 which would have cut funding to Higher Education by 10% of FY15 appropriation levels. In FY16 and FY17 combined, WIU has only received 53% of FY15 appropriation levels.

Because of the uncertainty in our State appropriation at the time of this writing, the University's Fiscal Year 2018 preliminary spending plan for state appropriated funds is presented at a level that reflects a 20% reduction in our state appropriation. The Income Fund budget reflects the necessary salary obligations and operating increases, and in order to balance this spending plan with the projected revenue, the University would need to identify expense reductions.

Western Illinois University's *Fiscal Year 2018 All-Funds Operating Budget* will be presented to the Western Illinois University Board of Trustees in October and will include the appropriation approved by the General Assembly and income projections based on fall enrollment.



WESTERN ILLINOIS UNIVERSITY  
BOARD OF TRUSTEES

September 29, 2017

Resolution No. 17.9/3  
FY2018 All-Funds Budget

**Resolution:**

**WHEREAS** Western Illinois University must prepare an annual all-funds budget for Appropriated Funds, University Income Funds, and All Other Funds for the Illinois Board of Higher Education, Illinois State Legislature and the Governor; and,

**WHEREAS** the Fiscal Year 2018 all-funds budget requires Western Illinois University Board of Trustees approval prior to submission; and,

**WHEREAS** the *Fiscal Year 2018 All-Funds Budget* presented today advances the goals of the University's Strategic Plan, *Higher Values in Higher Education*, on both Western Illinois University campuses, and statewide strategic planning goals for higher education, as identified in IBHE's *Illinois Public Agenda for College and Career Success*; and,

**WHEREAS** the *Fiscal Year 2018 All-Funds Budget* presented today maintains Western Illinois University's public commitments to conservative fiscal management and public accountability to students, their families, and state taxpayers:

**THEREFORE** be it resolved that the Board of Trustees approves the Fiscal Year 2018 All-Funds Budget as presented in the *Fiscal Year 2018 All-Funds Budget* document and be it further resolved that the President be authorized to make technical adjustments in these budgets if necessary.

## Fiscal Year 2018 All-Funds Budget

To ensure full budgetary disclosure within Illinois public universities, the Illinois Board of Higher Education requires each public university Board of Trustees to approve a budget for the upcoming fiscal year. The plan must include all sources of university funds categorized by State Appropriated Funds, University Income Funds, Auxiliary Services Funds, and All Other Non-Appropriated Funds. The budget approved by the Western Illinois University Board of Trustees is submitted to the Illinois Board of Higher Education, Illinois State Legislature, and the Governor.

The following table presents Western Illinois University's *Fiscal Year 2018 All-Funds Budget* to be approved by the Western Illinois University Board of Trustees. This budget is presented with a FY2018 state appropriation of \$46.3 million. This is the amount that was passed by the General Assembly on July 6, 2017.

Western Illinois University Fiscal Year 2018 All-Funds Budget					
	State Appropriated	University Income	Auxiliary Facilities System	Other Non- Appropriated	Total
Personal Services	\$ 40,883,000	\$ 57,617,000	\$ 12,800,000	\$ 14,000,000	\$ 125,300,000
Medicare	703,800	896,200	200,000	160,000	1,960,000
Contractual Services	2,199,400	9,000,600	18,000,000	14,500,000	43,700,000
Travel	-	500,000	75,000	600,000	1,175,000
Commodities	337,300	1,267,900	400,000	2,200,000	4,205,200
Equipment	351,900	2,148,100	300,000	1,000,000	3,800,000
Awards/Grants & Matching Func	-	8,500,000	1,400,000	24,790,000	34,690,000
Telecommunication Services	131,900	368,100	100,000	500,000	1,100,000
Operation of Automotive Equip	158,400	191,600	125,000	500,000	975,000
Permanent Improvements	-	500,000	200,000	500,000	1,200,000
CMS Health Insurance	1,535,000	209,800	200,000	1,000,000	2,944,800
Other	-	-	14,000,000	250,000	14,250,000
<b>Total FY2018 Operating Budget</b>	<b>\$ 46,300,700</b>	<b>\$ 81,199,300</b>	<b>\$ 47,800,000</b>	<b>\$ 60,000,000</b>	<b>\$ 235,300,000</b>

Statewide budgeting for higher education follows a two-step process. Prior to the start of the fiscal year, the Western Illinois University Board of Trustees must approve a preliminary spending plan for the next fiscal year beginning July 1. Table 1 presents the *Western Illinois University Preliminary Spending Plan* for fiscal years 2016, 2017 and 2018. This plan was approved by Western Illinois University Board of Trustees in June (*Resolution No. 17.6/2*).

Table 2 presents the All-Funds Budget approved by the Western Illinois University Board of Trustees for Fiscal Years 2016, 2017, and 2018. Differences in values budgeted for the *Fiscal Year 2018 Preliminary Spending Plan* (Table 1) and the *Fiscal Year 2018 All-Funds Budget* (Table 2) are due to the following factors.

- The *Fiscal Year 2018 Preliminary Spending Plan*, approved by the Western Illinois University Board of Trustees in June 2017, was based on projected student enrollment. The *Fiscal Year 2018 All-Funds Budget*, presented today, is based on actual Fall 2017 enrollment.
- Western Illinois University bases institutional budgets on previous fiscal year expenditures. The *Fiscal Year 2018 Preliminary Spending Plan*, approved by the Western Illinois University Board of Trustees in June 2017, was based on estimated Fiscal Year 2017 expenditures. The *Fiscal Year 2018 All-Funds Budget*, presented today, is based on actual Fiscal Year 2017 expenditures.
- At the time of presenting the *Fiscal Year 2018 Preliminary Spending Plan* to the Western Illinois University Board of Trustees, the State's *Fiscal Year 2018 Appropriated Funds Budget* had not been enacted. On July

6, 2017, the General Assembly passed a fiscal year 2018 budget which allocates a full years worth of funding for Western Illinois University.

#### Fiscal Year 2018 Spending Priorities

Following a fiscally conservative model, Western Illinois University's annual budget preparation process uses the previous year's budget and Strategic Plan priority and resource allocation decisions as base. This practice successfully supports advancement of the *University Mission Statement* and attainment of institutional goals and priorities stated in *Higher Values in Higher Education*.

As guided by *Higher Values in Higher Education*, funds will be applied to the University's highest priorities, including increasing faculty and staff salaries to meet and exceed the average of peer institutions, support for academic programs, deferred maintenance, student recruitment, marketing and support for student scholarships and retention efforts.

Pending Board approval, the University will continue to aggressively pursue Strategic Plan priorities. Personal services, Medicare, and CMS health insurance expenditures totaling \$130.2 million represent 55.3 percent of the University's Fiscal Year 2018 planned all-funds budget expenditures, followed by items supporting the academic mission of the University: contractual services (primarily utilities and food service), awards and grants (student financial aid), and equipment. .

#### Integrated Planning, Budgeting, and Accountability Reporting Processes

Because Western Illinois University engages in integrated planning, budgeting, and accountability reporting processes, the *Fiscal Year 2018 All-Funds Budget* report should be read in conjunction with The *Fiscal Year 2019 Appropriated Operating and Capital Budget Recommendations* to the Illinois Board of Higher Education identifying how funding will create sustainability for instructional, research, and service activities that directly contribute to Illinois' knowledge-based economy through successful implementation of *Higher Values in Higher Education*.

Trustee Lyneir Cole	Yes
Trustee Cathy Early	Abstain
Trustee Ehlert Fuller	Yes
Trustee William Gradle	Yes
Trustee Todd Lester	Abstain
Trustee Steven Nelson	Abstain
Trustee Yvonne Savala	Yes

Motion carried.

**Resolution:**

**WHEREAS** an informational listing of approved depositories shall be made annually at the fall meeting as part of the President's Report to the Board; and,

**WHEREAS** in accordance with Board of Trustees Regulations Section V.G.1., the following institutions have been approved as depositories of local funds:

Citizens, a Division of Morton Community Bank, Macomb, Illinois;  
 First Bankers Trust Company, Macomb, Illinois;  
 United Community Bank, Macomb, Illinois;  
 First Midwest Bank, Moline, Illinois;  
 First State Bank of Illinois, Macomb, Illinois;  
 US Bank, Chicago, Illinois;  
 Triumph Community Bank, East Moline, Illinois;  
 Mid-America National Bank, Macomb, Illinois;  
 The Illinois Funds, Springfield, Illinois;  
 Illinois National Bank, Springfield, Illinois; and,

**WHEREAS** the Vice President for Administrative Services is responsible for depositories and major accounts; and,

**WHEREAS** the following University positions and names to withdraw funds is being requested: Vice President for Administrative Services, Matthew Bierman, and President, Jack Thomas; and,

**WHEREAS** guidelines established by the President were followed:

**THEREFORE** be it resolved that the Board of Trustees approves the depositories and signature authority as presented.

VP Bainter recognized Shannon Reed for her hard work related to the fundraising and procurement for the Golf Learning Center construction project.

**Resolution No. 17.9/3: FY 2018 All-Funds Budget**

Vice President Bierman presented the resolution as submitted, and highlighted the information contained in the resolution.

A motion was made by Trustee Cole to approve. Trustee Ehlert Fuller seconded the motion.

**Roll Call**

Trustee Roger Clawson	Yes
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Trustee Lyneir Cole	Yes
Trustee Cathy Early	Yes
Trustee Ehlert Fuller	Yes
Trustee William Gradle	Yes
Trustee Todd Lester	Yes
Trustee Steven Nelson	Yes
Trustee Yvonne Savala	Yes

Motion carried.

**Resolution:**

**WHEREAS** Western Illinois University must prepare an annual all-funds budget for Appropriated Funds, University Income Funds, and All Other Funds for the Illinois Board of Higher Education, Illinois State Legislature and the Governor; and,

**WHEREAS** the Fiscal Year 2018 all-funds budget requires Western Illinois University Board of Trustees approval prior to submission; and,

**WHEREAS** the *Fiscal Year 2018 All-Funds Budget* presented today advances the goals of the University's Strategic Plan, *Higher Values in Higher Education*, on both Western Illinois University campuses, and statewide strategic planning goals for higher education, as identified in IBHE's *Illinois Public Agenda for College and Career Success*; and,

**WHEREAS** the *Fiscal Year 2018 All-Funds Budget* presented today maintains Western Illinois University's public commitments to conservative fiscal management and public accountability to students, their families, and state taxpayers:

**THEREFORE** be it resolved that the Board of Trustees approves the Fiscal Year 2018 All-Funds Budget as presented in the *Fiscal Year 2018 All-Funds Budget* document and be it further resolved that the President be authorized to make technical adjustments in these budgets if necessary.

## Fiscal Year 2018 All-Funds Budget

To ensure full budgetary disclosure within Illinois public universities, the Illinois Board of Higher Education requires each public university Board of Trustees to approve a budget for the upcoming fiscal year. The plan must include all sources of university funds categorized by State Appropriated Funds, University Income Funds, Auxiliary Services Funds, and All Other Non-Appropriated Funds. The budget approved by the Western Illinois University Board of Trustees is submitted to the Illinois Board of Higher Education, Illinois State Legislature, and the Governor.

The following table presents Western Illinois University's *Fiscal Year 2018 All-Funds Budget* to be approved by the Western Illinois University Board of Trustees. This budget is presented with a FY2018 state appropriation of \$46.3 million. This is the amount that was passed by the General Assembly on July 6, 2017.

Western Illinois University Fiscal Year 2018 All-Funds Budget					
	State Appropriated	University Income	Auxiliary Facilities System	Other Non- Appropriated	Total
Personal Services	\$ 40,883,000	\$ 57,617,000	\$ 12,800,000	\$ 14,000,000	\$ 125,300,000
Medicare	703,800	896,200	200,000	160,000	1,960,000
Contractual Services	2,199,400	9,000,600	18,000,000	14,500,000	43,700,000
Travel	-	500,000	75,000	600,000	1,175,000
Commodities	337,300	1,267,900	400,000	2,200,000	4,205,200
Equipment	351,900	2,148,100	300,000	1,000,000	3,800,000
Awards/Grants & Matching Fund	-	8,500,000	1,400,000	24,790,000	34,690,000
Telecommunication Services	131,900	368,100	100,000	500,000	1,100,000
Operation of Automotive Equip	158,400	191,600	125,000	500,000	975,000
Permanent Improvements	-	500,000	200,000	500,000	1,200,000
CMS Health Insurance	1,535,000	209,800	200,000	1,000,000	2,944,800
Other	-	-	14,000,000	250,000	14,250,000
<b>Total FY2018 Operating Budget</b>	<b>\$ 46,300,700</b>	<b>\$ 81,199,300</b>	<b>\$ 47,800,000</b>	<b>\$ 60,000,000</b>	<b>\$ 235,300,000</b>

Statewide budgeting for higher education follows a two-step process. Prior to the start of the fiscal year, the Western Illinois University Board of Trustees must approve a preliminary spending plan for the next fiscal year beginning July 1. Table 1 presents the *Western Illinois University Preliminary Spending Plan* for fiscal years 2016, 2017 and 2018. This plan was approved by Western Illinois University Board of Trustees in June (*Resolution No. 17.6/2*).

Table 2 presents the All-Funds Budget approved by the Western Illinois University Board of Trustees for Fiscal Years 2016, 2017, and 2018. Differences in values budgeted for the *Fiscal Year 2018 Preliminary Spending Plan* (Table 1) and the *Fiscal Year 2018 All-Funds Budget* (Table 2) are due to the following factors.

- The *Fiscal Year 2018 Preliminary Spending Plan*, approved by the Western Illinois University Board of Trustees in June 2017, was based on projected student enrollment. The *Fiscal Year 2018 All-Funds Budget*, presented today, is based on actual Fall 2017 enrollment.
- Western Illinois University bases institutional budgets on previous fiscal year expenditures. The *Fiscal Year 2018 Preliminary Spending Plan*, approved by the Western Illinois University Board of Trustees in June 2017, was based on estimated Fiscal Year 2017 expenditures. The *Fiscal Year 2018 All-Funds Budget*, presented today, is based on actual Fiscal Year 2017 expenditures.
- At the time of presenting the *Fiscal Year 2018 Preliminary Spending Plan* to the Western Illinois University Board of Trustees, the State's *Fiscal Year 2018 Appropriated Funds Budget* had not been enacted. On July

6, 2017, the General Assembly passed a fiscal year 2018 budget which allocates a full years worth of funding for Western Illinois University.

#### Fiscal Year 2018 Spending Priorities

Following a fiscally conservative model, Western Illinois University's annual budget preparation process uses the previous year's budget and Strategic Plan priority and resource allocation decisions as base. This practice successfully supports advancement of the *University Mission Statement* and attainment of institutional goals and priorities stated in *Higher Values in Higher Education*.

As guided by *Higher Values in Higher Education*, funds will be applied to the University's highest priorities, including increasing faculty and staff salaries to meet and exceed the average of peer institutions, support for academic programs, deferred maintenance, student recruitment, marketing and support for student scholarships and retention efforts.

Pending Board approval, the University will continue to aggressively pursue Strategic Plan priorities. Personal services, Medicare, and CMS health insurance expenditures totaling \$130.2 million represent 55.3 percent of the University's Fiscal Year 2018 planned all-funds budget expenditures, followed by items supporting the academic mission of the University: contractual services (primarily utilities and food service), awards and grants (student financial aid), and equipment.

#### Integrated Planning, Budgeting, and Accountability Reporting Processes

Because Western Illinois University engages in integrated planning, budgeting, and accountability reporting processes, the *Fiscal Year 2018 All-Funds Budget* report should be read in conjunction with *The Fiscal Year 2019 Appropriated Operating and Capital Budget Recommendations* to the Illinois Board of Higher Education identifying how funding will create sustainability for instructional, research, and service activities that directly contribute to Illinois' knowledge-based economy through successful implementation of *Higher Values in Higher Education*.

Table 1  
Western Illinois University  
Fiscal Year 2016 Through FY2018 Preliminary Spending Plan

	State Appropriated	University Income	Auxiliary Facilities System	Other Non- Appropriated	Total
Fiscal Year 2016					
Personal Services	\$ 45,526,500	\$ 61,498,700	\$ 14,200,000	\$ 14,250,000	\$ 135,475,200
Medicare	830,000	700,000	200,000	150,000	1,880,000
Contractual Services	-	11,000,000	23,300,000	14,150,000	48,450,000
Travel	-	500,000	100,000	750,000	1,350,000
Commodities	-	2,400,000	600,000	2,200,000	5,200,000
Equipment	-	3,000,000	500,000	2,000,000	5,500,000
Awards & Grants and Matching Funds	-	5,200,000	1,400,000	25,000,000	31,600,000
Telecommunication Services	-	500,000	125,000	350,000	975,000
Operation of Automotive Equipment	-	300,000	200,000	500,000	1,000,000
Permanent Improvements	-	300,000	400,000	400,000	1,100,000
CMS Health Insurance	1,744,800	-	200,000	1,000,000	2,944,800
Other	-	-	14,440,000	250,000	14,690,000
<b>Total FY2016 Operating Budget</b>	<b>\$ 48,101,300</b>	<b>\$ 85,398,700</b>	<b>\$ 55,665,000</b>	<b>\$ 61,000,000</b>	<b>\$ 250,165,000</b>
Fiscal Year 2017					
Personal Services	\$ 38,581,510	\$ 45,718,490	\$ 13,750,000	\$ 13,000,000	\$ 111,050,000
Medicare	830,000	600,000	200,000	150,000	1,780,000
Contractual Services	-	10,000,000	21,000,000	14,350,000	45,350,000
Travel	-	450,000	100,000	500,000	1,050,000
Commodities	-	2,275,200	600,000	2,100,000	4,975,200
Equipment	-	2,800,000	500,000	1,500,000	4,800,000
Awards & Grants and Matching Funds	-	6,000,000	1,500,000	25,000,000	32,500,000
Telecommunication Services	-	450,000	125,000	350,000	925,000
Operation of Automotive Equipment	-	300,000	200,000	500,000	1,000,000
Permanent Improvements	-	250,000	400,000	300,000	950,000
CMS Health Insurance	1,744,800	-	200,000	1,000,000	2,944,800
Other	-	-	13,750,000	250,000	14,000,000
<b>Total FY2017 Operating Budget</b>	<b>\$ 41,156,310</b>	<b>\$ 68,843,690</b>	<b>\$ 52,325,000</b>	<b>\$ 59,000,000</b>	<b>\$ 221,325,000</b>
Fiscal Year 2018					
Personal Services	\$ 38,611,200	\$ 53,944,000	\$ 13,500,000	\$ 13,000,000	\$ 119,055,200
Medicare	800,000	600,000	200,000	150,000	1,750,000
Contractual Services	-	9,500,000	20,000,000	14,350,000	43,850,000
Travel	-	400,000	100,000	500,000	1,000,000
Commodities	-	1,500,000	500,000	2,100,000	4,100,000
Equipment	-	2,000,000	400,000	1,500,000	3,900,000
Awards & Grants and Matching Funds	-	7,000,000	1,600,000	25,000,000	33,600,000
Telecommunication Services	-	400,000	125,000	350,000	875,000
Operation of Automotive Equipment	-	250,000	175,000	500,000	925,000
Permanent Improvements	-	250,000	400,000	300,000	950,000
CMS Health Insurance	1,744,800	-	200,000	1,000,000	2,944,800
Other	-	-	14,000,000	250,000	14,250,000
<b>Total FY2018 Operating Budget</b>	<b>\$ 41,156,000</b>	<b>\$ 75,844,000</b>	<b>\$ 51,200,000</b>	<b>\$ 59,000,000</b>	<b>\$ 227,200,000</b>



Table 2  
Western Illinois University  
Fiscal Year 2016 Through 2018 All-Funds Budget

	State Appropriated Funds	University Income Funds	Auxiliary Facilities System Funds	Other Non- Appropriated Funds	Total
Fiscal Year 2016					
Personal Services	\$ 45,556,500	\$ 59,943,500	\$ 14,200,000	\$ 13,700,000	\$ 133,400,000
Medicare	800,000	800,000	200,000	150,000	1,950,000
Contractual Services	-	10,730,200	21,000,000	15,000,000	46,730,200
Travel	-	675,000	100,000	750,000	1,525,000
Commodities	-	1,500,000	600,000	2,200,000	4,300,000
Equipment	-	2,800,000	630,000	1,700,000	5,130,000
Awards & Grants and Matching Funds	-	6,500,000	1,500,000	24,000,000	32,000,000
Telecommunication Services	-	500,000	150,000	350,000	1,000,000
Operation of Automotive Equipment	-	300,000	200,000	450,000	950,000
Permanent Improvements	-	650,000	400,000	350,000	1,400,000
CMS Health Insurance	1,744,800	-	200,000	1,000,000	2,944,800
Other	-	-	14,420,000	250,000	14,670,000
<b>Total FY2016 Operating Budget</b>	<b>\$ 48,101,300</b>	<b>\$ 84,398,700</b>	<b>\$ 53,600,000</b>	<b>\$ 59,900,000</b>	<b>\$ 246,000,000</b>
Fiscal Year 2017					
Personal Services	\$ 48,870,400	\$ 50,129,600	\$ 13,750,000	\$ 13,000,000	\$ 125,750,000
Medicare	830,000	1,000,000	200,000	150,000	2,180,000
Contractual Services	-	11,000,000	21,000,000	14,350,000	46,350,000
Travel	-	500,000	100,000	500,000	1,100,000
Commodities	-	1,625,200	600,000	2,100,000	4,325,200
Equipment	-	2,500,000	500,000	1,500,000	4,500,000
Awards & Grants and Matching Funds	-	6,500,000	1,500,000	25,000,000	33,000,000
Telecommunication Services	-	500,000	125,000	350,000	975,000
Operation of Automotive Equipment	-	300,000	200,000	500,000	1,000,000
Permanent Improvements	-	500,000	400,000	300,000	1,200,000
CMS Health Insurance	1,744,800	-	200,000	1,000,000	2,944,800
Other	-	-	13,750,000	250,000	14,000,000
<b>Total FY2017 Operating Budget</b>	<b>\$ 51,445,200</b>	<b>\$ 74,554,800</b>	<b>\$ 52,325,000</b>	<b>\$ 59,000,000</b>	<b>\$ 237,325,000</b>
Fiscal Year 2018					
Personal Services	\$ 40,883,000	\$ 57,617,000	\$ 12,800,000	\$ 14,000,000	\$ 125,300,000
Medicare	703,800	896,200	200,000	160,000	1,960,000
Contractual Services	2,199,400	9,000,600	18,000,000	14,500,000	43,700,000
Travel	-	500,000	75,000	600,000	1,175,000
Commodities	337,300	1,267,900	400,000	2,200,000	4,205,200
Equipment	351,900	2,148,100	300,000	1,000,000	3,800,000
Awards & Grants and Matching Funds	-	8,500,000	1,400,000	24,790,000	34,690,000
Telecommunication Services	131,900	368,100	100,000	500,000	1,100,000
Operation of Automotive Equipment	158,400	191,600	125,000	500,000	975,000
Permanent Improvements	-	500,000	200,000	500,000	1,200,000
CMS Health Insurance	1,535,000	209,800	200,000	1,000,000	2,944,800
Other	-	-	14,000,000	250,000	14,250,000
<b>Total FY2018 Operating Budget</b>	<b>\$ 46,300,700</b>	<b>\$ 81,199,300</b>	<b>\$ 47,800,000</b>	<b>\$ 60,000,000</b>	<b>\$ 235,300,000</b>

OPERATING - AMENDED

**Resolution No. 17.9/4: FY 2019 Appropriated Operating Budget Recommendations**  
Vice President Bierman presented the resolution as submitted.

DISCUSSION

Trustee Nelson commented that being it is an election year, there may not be a budget until after the election.

A motion was made by Trustee Cole to approve. Trustee Early seconded the motion.

Roll Call

Trustee Roger Clawson	Yes
Trustee Lyneir Cole	Yes
Trustee Cathy Early	Yes
Trustee Ehlert Fuller	Yes
Trustee William Gradle	Yes
Trustee Todd Lester	Yes
Trustee Steven Nelson	Yes
Trustee Yvonne Sayala	Yes

Motion carried.

**Resolution:**

**WHEREAS** Western Illinois University prepares annual appropriated operating recommendations for the Illinois Board of Higher Education, Illinois State Legislature and the Governor; and,

**WHEREAS** Fiscal Year 2019 appropriated operating budget recommendations require Western Illinois University Board of Trustees approval prior to submission; and,

**WHEREAS** the *Fiscal Year 2019 Appropriated Operating Budget Recommendations* presented today advance the goals of the University's Strategic Plan, *Higher Values in Higher Education*, on both Western Illinois University campuses, and the Illinois Board of Higher Education's statewide strategic plan for higher education, *IBHE 2012, A Strategic Plan for the Illinois Board of Higher Education*;

**THEREFORE** be it resolved that the Board of Trustees approves the Fiscal Year 2019 appropriated operating budget recommendations as presented in the *Fiscal Year 2019 Appropriated Operating Budget Recommendations* and be it further resolved that the President be authorized to make technical adjustments in the operating budget recommendations if necessary.

Fiscal Year 2019 Appropriated Operating Budget Recommendations  
Western Illinois University

Western Illinois University begins Fiscal Year 2018 with a \$127.5 million base appropriation (36.3 percent from general revenue and 63.7 percent from income fund). The University recommends a \$15.6 million general revenue increase in funding for Fiscal Year 2019 operations.

Through meaningful state support, internal reallocations, and successful implementation of the University's Strategic Plan, Higher Values in Higher Education, Western Illinois University continues to advance the four goals of The Illinois Board of Higher Education's *IBHE 2012, A Strategic Plan for the Illinois Board of Higher Education*;

Goal One: Increase educational attainment to match best-performing states.

Goal Two: Ensure college affordability for students, families, and taxpayers.

Goal Three: Increase the number of high-quality post-secondary credentials to meet the demands of the economy and an increasingly global society.

Goal Four: Better integrate Illinois' educational, research, and innovation assets to meet economic needs of the state and its regions.

Illinois Board of Higher Education guidelines divide operating recommendations into two categories: salary and cost increases and support for program priorities. Twenty three percent of the University's recommendation is for salary and cost increases. This includes funding for salary increases, related Social Security contributions, and other inflationary increases associated with University operations (utilities, library materials, and all other institutional operations). The remaining 77 percent of the University's recommendation supports programs identified in *Higher Values in Higher Education*.

Western Illinois University Fiscal Year 2019 Appropriated Funds Operating Budget Request			
	Dollar Increase	Percent Increase	Priority
<b>Salary and Cost Increases</b>			
Salaries (on 95% of Base)	\$1,500,000	1.60%	
Other General Costs	<u>870,000</u>	3.00%	
Total Salary and Cost Increases	\$2,370,000	1.84%	
<b>Program Priorities</b>			
Restoration of Budget Reduction	5,144,500		1
Student Financial Aid	2,000,000		2
Deferred Maintenance	4,000,000		3
Quad Cities Campus Funding (Phase I and II)	\$1,600,000		4
STEM, Regional, High Demand Program Investment	500,000		5
Total Program Priorities	\$13,244,500		
<b>Total All Increases</b>	<b>\$15,614,500</b>		

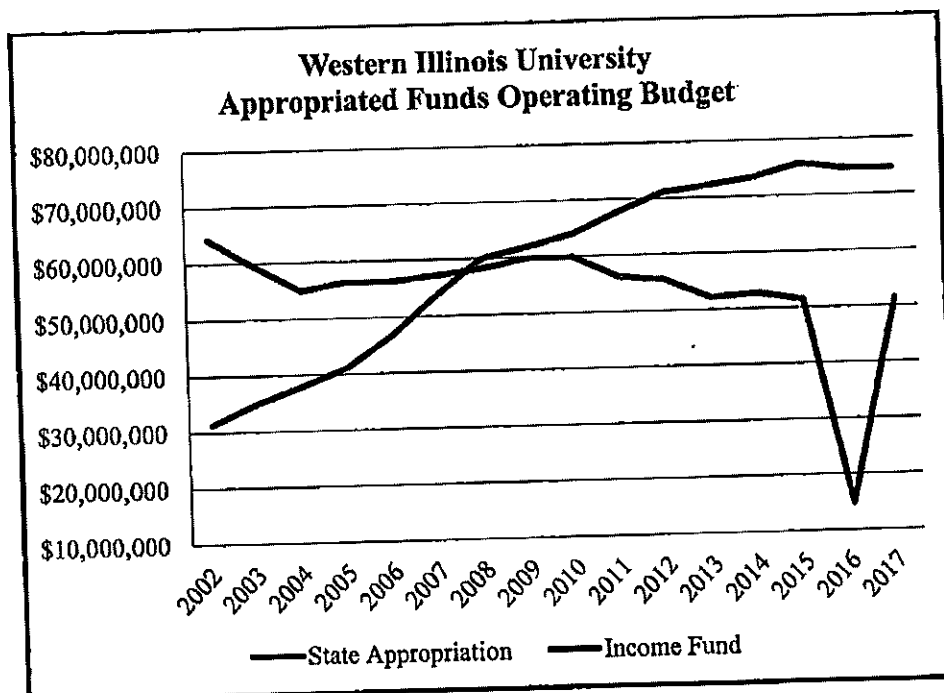
**Salary Increases for Faculty and Staff.** As stated in *Higher Values in Higher Education*, Western Illinois University's highest priority is to increase faculty and staff salaries to meet and exceed the mean of peer institutions. The \$1.5 million request for salary increases is 63.3 percent of the University's salary and cost increase recommendation. Salary erosion is a critical issue facing Western Illinois University. The ability to recruit and retain high achieving and diverse faculty and staff is directly related to ensuring educational quality. Our employees have sacrificed a great deal in the last two years with salary reductions and furloughs. Our request attempts to rebuild the salary erosion and ensure competitiveness.

**Support for Program Priorities.** Western Illinois University is seeking \$13.2 million in funding for program priorities identified in *Higher Values in Higher Education*. These include:

- **Restoration of budget reductions (\$5,144,500)** to restore important positions, reestablish technology and academic initiatives and to support for general operating increases.
- **Student Financial Aid (\$2,000,000)** to support access and affordability to higher education.
- **Permanent improvements and campus infrastructure enhancements (\$4,000,000)** to reduce the deferred maintenance backlog of over \$500 million.
- **Quad Cities Campus Funding - Phase I & II - (\$1,600,000)** for faculty and staff positions needed to support the opening of new facilities and academic programs.
- **STEM, Regional, High Demand Program (\$500,000)** provides additional support for needed faculty, staff, and equipment and facilities improvements for these programs.

The requested \$13.2 million will help restore Western Illinois University's status as a state-supported institution of higher education. Between Fiscal Years 2002 and 2018, state general revenue support for the University decreased by \$18.0 million or 28.0 percent, which doesn't include the unprecedented reductions of Fiscal Year 2016. During this same time period, unfunded cost increases have been incurred for utilities, Illinois Veterans Grants, CMS health insurance and other unfunded budget items.

The effect, shown below, is that tuition costs (University Income Fund) associated with vital functions of higher education are being shifted from a shared statewide priority to the responsibility of students and their families.



Changes from Fiscal Year 2018 Operating Recommendation Request

Consistent with the University's Strategic Plan, salary increases are the University's highest priority. Cost increases for utilities, library material and other operating expenses are also important. Western Illinois University has not received funding for increased costs in over 16 years.

Western Illinois University is also requesting \$13.2 million in state funding to support its Strategic Plan, Higher Values in Higher Education. Funds to restore budget reductions, to support deferred maintenance, student financial aid, operations in the Quad Cities, STEM, Regional and High Demand programs will improve economic development, educational partnerships, access, diversity, affordability, productivity, and accountability in Illinois public higher education.

Changes from Fiscal Year 2019 Operating Increase Recommendation (Dollars in Thousands)				
	Fiscal Year		Difference	
	<u>2018</u>	<u>2019</u>	<u>Amount</u>	<u>Percent</u>
Total Recommended Increase	<u>\$9,900.0</u>	<u>\$15,614.5</u>	<u>\$5,714.5</u>	57.72%
Salary and Cost Increases	<u>\$1,800.0</u>	<u>\$2,370.0</u>	<u>\$570.0</u>	31.67%
Salary Increases	1,000.00	1,500.0	500.0	
Cost Increases				
Other General Materials	800.0	\$870.0	70.0	
Program Priorities	<u>\$8,100.0</u>	<u>\$13,244.5</u>	<u>\$5,144.5</u>	63.51%
Restoration of Budget Reductions	\$0.0	5,144.5	5,144.5	
Student Financial Aid	2,000.0	2,000.0	-	
Deferred Maintenance	4,000.0	4,000.0	-	
Quad Cities Campus Funding (Phase I and II)	1,600.0	1,600.0	-	
STEM, Regional, High Demand Program	500.0	500.0	-	

**Western Illinois University's Fiscal Year 2019 Operating Recommendations  
To the Illinois Board of Higher Education**

Western Illinois University's Fiscal Year 2019 operating budget request will be submitted to the Illinois Board of Higher Education October 15, 2017, pending board approval.

**FY2019 OPERATIONS AND GRANTS  
DETAIL OF RESOURCES REQUESTED FOR NEW PROGRAMS  
AND PROGRAM PRIORITIES**

NAME OF INSTITUTION: Western Illinois University

TITLE OF REQUEST: Faculty and Staff Salaries

AMOUNT REQUESTED: \$1,500,000

SOURCE OF FUNDS REQUESTED: Appropriated Funds

**BRIEF DESCRIPTION OF REQUEST:**

*Higher Values in Higher Education*, Western Illinois University's Strategic Plan, displays the University's goals, priorities, and contributions to the statewide strategic plan for higher education, *The Illinois Public Agenda for College and Career Success*. Consistent with these plans, Western Illinois University seeks funding for our highest institutional priority: meeting and exceeding average faculty and staff salaries at peer institutions.

At the core of any great university and system of higher education is a dedicated, diverse, and high-achieving employee base. Implementation and the ultimate success of the goals and priorities of *Higher Values in Higher Education* and the *Illinois Public Agenda for College and Career Success* are the direct responsibility of Western Illinois University's faculty and staff. Compensation is a critical element to the recruitment and retention of a university community dedicated to economic development, educational partnerships, access and diversity, quality, productivity, and accountability.

Recruiting and retaining high-achieving and diverse faculty and staff are directly related to improving the quality of academic and co-curricular programs and services. Such actions in the competitive job market necessitate faculty and staff salaries that meet and exceed the mean of peer institutions.

**JUSTIFICATION FOR BUDGET REQUEST:**

Illinois' strengths include its diverse economy, rich natural resources, strategic location, and well-trained workforce. Illinois owes much of its economic success and stability to the strong system of higher education. Continued prosperity is contingent upon statewide partnerships committed to investment in fair, equitable, market value faculty and staff salaries. The resources requested in this partnership proposal will be combined with other University funds to advance the highest priority actions in *Higher Values in Higher Education* which will help provide faculty and staff salaries that meet and exceed the mean of peer institutions.

**FY2019 OPERATIONS AND GRANTS  
DETAIL OF RESOURCES REQUESTED FOR NEW PROGRAMS  
AND PROGRAM PRIORITIES**

NAME OF INSTITUTION: Western Illinois University

TITLE OF REQUEST: Restoration of Budget Reductions

AMOUNT REQUESTED: \$5,144,500

SOURCE OF FUNDS REQUESTED: Appropriated Funds

**BRIEF DESCRIPTION OF REQUEST:**

*Higher Values in Higher Education*, Western Illinois University's Strategic Plan, outlines the goals in areas of affordability, student recruitment, employee recruitment, and quality academic programs. The necessary funding from state appropriations and student contributions supports our strategic plan. As the financial support for public higher education in the state of Illinois has continued to erode, the challenges surrounding our goals continue to increase. It is necessary and prudent for the citizens of Illinois to support public higher education with adequate financial support to ensure a well-educated citizenry.

**JUSTIFICATION FOR BUDGET REQUEST:**

Since Fiscal Year 2002, Western Illinois University has experienced declining State support. During that time, the appropriation from Illinois has decreased from \$64.3 million to \$46.3 million. This is a 47% decline in support when adjusted for inflation. In Fiscal year 2016, the university received only 29% of a typical appropriation. This drastic swing in support caused the University to make the very difficult but necessary decisions that have affected our current and former employees. The fiscal year 2018 state budget provided Western Illinois University an additional \$5.1 million reduction in state funding. The continued erosion of state support in fiscal year 2018 causes' further pressure on student's tuition and other revenue sources.

Western Illinois University has nearly a \$500 million economic impact on the state of Illinois. In our 16 county service region we provide quality jobs, we support the local economies; we educate students from all backgrounds and provide much of the intellectual capital for Western Illinois.

**FY2019 OPERATIONS AND GRANTS  
DETAIL OF RESOURCES REQUESTED FOR NEW PROGRAMS  
AND PROGRAM PRIORITIES**

NAME OF INSTITUTION: Western Illinois University

TITLE OF REQUEST: Student Financial Aid

AMOUNT REQUESTED: \$2,000,000

SOURCE OF FUNDS REQUESTED: Appropriated Funds

**BRIEF DESCRIPTION OF REQUEST:**

*Higher Values in Higher Education*, Western Illinois University's Strategic Plan, states:

“Western Illinois University also emphasizes affordability because a college education is essential in today’s global and highly technological community. We firmly believe that higher education, and the benefits that it accords, is an investment, and that no student should be denied a college education because of financial need. We provide access and affordability to a high-quality educational experience that is responsive to student needs and circumstances.”

Funds are being requested to provide students with financial aid opportunities to support access and affordability to higher education. Over the past several years, Federal and State grant funding has remained fairly constant, while institutional financial aid has increased and at the same time family contributions toward education have declined due to the economy. The result has created a substantial increase in need for financial assistance and has forced needy students to borrow at high levels utilizing federal student loans. Even with higher levels of borrowing, a majority have insufficient funds to pay their college expenses. Providing new and enhanced strategies for reducing the amount of student indebtedness upon graduation is consistent with University’s Strategic Plan, *Higher Values in Higher Education*, and statewide strategic planning goals for higher education, identified in The Illinois Board of Higher Education’s *Illinois Public Agenda for College and Career Success*.

**JUSTIFICATION FOR BUDGET REQUEST:**

The University is making a strong commitment to ensure that no Illinois citizen is denied access to higher education because of financial need. Funding will be used to provide scholarship funds to high-need, academically talented students to help reduce student indebtedness upon graduation.



**FY2019 OPERATIONS AND GRANTS  
DETAIL OF RESOURCES REQUESTED FOR NEW PROGRAMS  
AND PROGRAM PRIORITIES**

NAME OF INSTITUTION: Western Illinois University

TITLE OF REQUEST: Deferred Maintenance

AMOUNT REQUESTED: \$4,000,000

SOURCE OF FUNDS REQUESTED: Appropriated Funds

**BRIEF DESCRIPTION OF REQUEST:**

*Higher Values in Higher Education*, Western Illinois University's Strategic Plan, states:

"Provide safe, accessible, responsible campus environments that meet the needs of University constituencies and reflect the core values of the University."

Providing a safe, accessible, and responsive campus environment conducive to learning is crucial in a community of learners. The University estimates a total appropriated deferred maintenance backlog over \$230 million. This large backlog of projects is negatively impacting the campus learning environment.

In addition to funds requested for deferred maintenance needs, Capital Renewal funds are used to address deferred maintenance priorities on campuses. Between FY2004 and FY2018 Western Illinois University has requested \$19.2 million in Capital renewal funds and has received \$3.6 million. This has resulted in over \$15.6 million in lost funds that would have been used to address elevator maintenance, utility infrastructure repairs, and other critical needs on campus.

**JUSTIFICATION FOR BUDGET REQUEST:**

The University is making a strong commitment toward improving the campus physical environment. A reduction in the deferred maintenance liability is viewed as integral to achieving that objective. Funds will be utilized for classroom modernization; improving HVAC and building energy management controls; enhancing electrical and plumbing distribution systems; and renovating campus sidewalks, drives, and exterior stairs.

**FY2019 OPERATIONS AND GRANTS  
DETAIL OF RESOURCES REQUESTED FOR NEW PROGRAMS  
AND PROGRAM PRIORITIES**

NAME OF INSTITUTION: Western Illinois University

TITLE OF REQUEST: Quad Cities Campus Operating Funding for Phases I and II

AMOUNT REQUESTED: \$1,600,000

SOURCE OF FUNDS REQUESTED: Appropriated Funds

**BRIEF DESCRIPTION OF REQUEST:**

The State of Illinois invested \$59.3 million to construct the first two phases of the Western Illinois University-Quad Cities Riverfront Campus in July 2009. This new location provides the physical facilities to support doubling of enrollment from current levels to 3,000 students when properly funded. Operational funding will provide the fiscal resources to support increased educational attainment of Illinois residents, ensure college affordability, address workforce needs, and enhance economic growth.

Phase I of the new Riverfront Campus opened in January 2012. The Phase I facility established a permanent home for the only public University in the Quad Cities. Phase II of the Riverfront Campus opened in August 2014. The State of Illinois made a commitment to the citizens of Illinois to create and expand educational opportunities in the Quad Cities. Western Illinois University has generated external funding and reallocated resources to support high demand programs and campus operations. We stand ready to continue expansion with the State's partnership contributions.

The current budget of Western Illinois University-Quad Cities is over \$9.0 million. No new state resources have been given for the operations and maintenance of the Quad Cities Campus, thereby delaying the growth of the Quad Cities Campus and the State's obligation to community and economic development. The \$9.0 million in appropriated funding has been reallocated from existing dollars to support the new campus. We are requesting \$1.6 million in funds to support enrollment growth and the State's commitment to residents of Illinois.

**JUSTIFICATION FOR BUDGET REQUEST:**

Western Illinois University reallocated institutional resources to open the Riverfront Campus Phases I and II as soon as construction was completed in 2012 and 2014, respectively. Educational demand has been demonstrated through steady enrollment during a period of decreasing Illinois high school and community college graduates (12% over the last four years).

The University continues to support students in a variety of majors and has made a significant investment in STEM fields. The recent addition of our Engineering to our educational portfolio has generated great interest from the manufacturing and engineering professions. We have developed partnerships with local community colleges and offer high school and community college dual enrollment options for all academic majors.

Illinois is a leading net exporter of high school graduates. The expansion of Western Illinois University gives higher education access to 400,000 residents in a region located on the Illinois/Iowa Boarder and helps to prevent out-of-state migration of high school graduates. As presented when the University

requested capital funds for Riverfront Campus, new faculty and staff positions and operational and maintenance support are a requisite component of the State's commitment to enrollment growth. Such actions are necessary to increase educational attainment levels of Illinois residents to match top performing states.

Western Illinois University should not be expected to maintain the state's commitment to public higher education in the Quad Cities alone, nor should it rely on large tuition increases. State appropriations to Western Illinois University have continued to decrease since Fiscal Year 2010 (the year Riverfront Campus opened), and Illinois public higher education has just now begun the process of recovering from the fiscal and enrollment impacts caused by the historic and unprecedented two-year statewide budget impasse. Exercising conservative fiscal management, Western's modest \$1.6 million request covers only a portion of the State's share of essential funds necessary to support public education of Illinois citizens.

With new state funding, Western's expenditures will remain focused on the core function of instruction. The dollars will be allocated to support building additional instructional capacity, enhancements for our STEM and other high-demand fields, and to continue to build necessary and streamlined structures to support Illinois public higher education in the Quad Cities.

Western Illinois University continues to maintain our commitment to provide an affordable education for Illinois Citizens. Our administrative and instructional costs remain below the statewide average. Our four year cost guarantee for tuition and fees, room and board rates sets us apart from other Illinois public universities. Our mission to provide access to all Illinois residents, regardless of their socioeconomic backgrounds, necessitates continued financial support from the state for our Quad Cities campus.

**FY2019 OPERATIONS AND GRANTS  
DETAIL OF RESOURCES REQUESTED FOR NEW PROGRAMS  
AND PROGRAM PRIORITIES**

NAME OF INSTITUTION: Western Illinois University

TITLE OF REQUEST: STEM, Regional, and High Demand Degree Programs

AMOUNT REQUESTED: \$500,000

SOURCE OF FUNDS REQUESTED: Appropriated Funds

BRIEF DESCRIPTION OF REQUEST:

To address the projected workforce needs of 1 million additional STEM graduates by 2022, to also address the needs for graduates that would serve our region, and to enhance our other high demand degree programs, Western Illinois University is increasing our investment in these areas of study. This investment moves us towards realizing the vision of a highly diverse, creative, and adequate STEM, Regional, and high demand workforce. These areas are vital to the transformation and future as a country, the future of our region, and the future of our student's success. Likewise, the United States Department of Labor and the United States Department of Commerce continue to indicate that the demand in these areas are growing at high rate.

Likewise, the convergence of disciplines and the cross-collaboration that characterizes contemporary STEM programs, regional program needs and other high demand programs have made collaboration a centerpiece of our current efforts.

JUSTIFICATION FOR BUDGET REQUEST:

Funds will be used to support:

- update and improve access to existing research facilities in order to support research that can address the challenges of the 21<sup>st</sup> century.
- enable academic departments, disciplinary and cross-disciplinary units, to create or enhance facilities through the addition or augmentation of technology and cyberinfrastructure, to create environments that enhance research and integrate interdisciplinary research.
- to improve teaching effectiveness and student engagement.
- operations and purchases of essential software and laboratory equipment to support instruction and to comply with external accreditation requirement and recommendations.

The funds will also be used to provide salaries for additional full-time faculty, and support staff to accommodate the increasing numbers of students in these areas as well as provide for the necessary facilities and equipment improvements.

**Resolution No. 17.9/5: Appropriated Capital Budget Recommendations**

Vice President Bierman presented the resolution as submitted.

Trustee Lester commented his lack of support for having QC Phase Three being included.

Trustee Gradle expressed his agreement with Trustee Lester's comment, and asked if there are ramifications for shifting the priorities. VP Bierman offered an explanation. President Thomas offered further explanation.

Trustee Nelson also expressed his agreement with Trustee Lester's comment, and asked whether the Performing Arts Center will need to be refunded. VP Bierman and Jeanette Malafa, replied that it needed to be re-appropriated. President Thomas offered further explanation and comments.

A motion was made by Trustee Early to approve. Trustee Savala seconded the motion.

Additional discussion was had and comments were made by several Trustees.

A motion was made by Trustee Early to amend Resolution No. 17.9/5 and substitute item number six for item number 4, so the new priority table would now read:

- 1 WIU - Macomb Science Phase I
- 2 WIU - Macomb Science Phase II
- 3 WIU - Macomb Tillman Hall
- 4 WIU - Macomb Stipes Hall
- 5 WIU - Macomb Education Building
- 6 WIU - QC Phase Three

Trustee Gradle seconded the motion to amend as presented by Trustee Early.

Additional discussion was had and comments were made by several Trustees.

Roll Call

Trustee Roger Clawson	Yes
Trustee Lyneir Cole	Yes
Trustee Cathy Early	Yes
Trustee Ehlert Fuller	Yes
Trustee William Gradle	Yes
Trustee Todd Lester	Yes
Trustee Steven Nelson	Yes
Trustee Yvonne Savala	Yes

Motion carried. Amendment passes.

A motion was made by Trustee Gradle, Trustee Cole seconded the motion.

Motion carried. Resolution passes, as amended.

Roll Call

Trustee Roger Clawson	Yes
Trustee Lyneir Cole	Yes
Trustee Cathy Early	Yes
Trustee Ehlert Fuller	Yes

Trustee William Gradle	Yes
Trustee Todd Lester	Yes
Trustee Steven Nelson	Yes
Trustee Yvonne Savala	Yes

**Resolution, as originally presented, without amendments:**

**WHEREAS** Western Illinois University must prepare annual appropriated capital budget recommendations for the Illinois Board of Higher Education, Illinois State Legislature, and the Governor; and,

**WHEREAS** Western Illinois University's Fiscal Year 2019 budget recommendations advance institutional progress and sustainability for the University's Strategic Plan, *Higher Values in Higher Education*, Campus Master Plans on the Macomb and Quad Cities campuses, and the Illinois Board of Higher Education's statewide strategic plan for higher education, *IBHE 2012, A Strategic Plan for the Illinois Board of Higher Education*; and,

**WHEREAS** the Fiscal Year 2019 Appropriated Capital Budget Recommendations require Western Illinois University Board of Trustees approval prior to submission:

**THEREFORE** be it resolved that the Board of Trustees approves the Fiscal Year 2019 Appropriated Capital Budget Recommendations as presented in the *Fiscal Year 2019 Appropriated Capital Budget Recommendations* document, and be it further resolved that the President be authorized to make technical adjustments in the capital budget recommendations if necessary.

<b>Western Illinois University</b>			
<b>Fiscal Year 2019 Capital Recommendation</b>			
(Dollars in Thousands)			
<u>Priority</u>	<u>Description</u>	<u>Project Type</u>	<u>Requested Amount</u>
1	WIU - Macomb Science Phase I	New Construction & Renovation	\$92,500
2	WIU - Macomb Science Phase II	Renovation	\$60,000
3	WIU - Macomb Tillman Hall	Renovation	\$30,300
4	WIU - QC Phase Three	New Construction	\$39,100
5	WIU - Macomb Education Building	New Construction	\$84,800
6	WIU - Macomb Stipes Hall	Renovation	<u>\$50,900</u>
<b>Total Recommendation</b>			<b>\$357,600</b>

Fiscal Year 2019 Capital Budget Recommendations  
Western Illinois University

Western Illinois University recommends \$357.6 million for capital projects to support high-quality academic programs, co-curricular services, and regional economic development for fiscal year 2019. All of the requested funds will support new construction on the Macomb and Moline campuses to address highly needed space for premier academic programs. A total of \$15.6 million in capital renewal funds is also requested to support critical deferred maintenance needs.

**Background**

Composition of the Recommendation

Western Illinois University operates two distinct campuses, and each has unique capital priorities and needs. The University has prioritized the overall needs of the University into the recommendation below.

A summary statement documenting need for these projects is displayed below. Additional, detailed information on the scope, design, and costs of each project begins on page three of this report.

Priority 1: Western Illinois University-Macomb Science Building Phase I The current College of Arts and Sciences' three science facilities, Currens Hall, Waggoner Hall, and Tillman Hall, are obsolete in providing high-quality comprehensive instructional laboratories. All three facilities were constructed before modern laboratory standards were developed for acceptable indoor air quality and energy efficiency. Antiquated laboratory fume-hood systems and poor quality heating, ventilation, and air conditioning systems yield inadequate comfort and humidity control. These lead to detrimental impacts on teaching; research; and student, faculty, and staff recruitment and retention. Phase I includes the construction of a new science building, an addition and remodel to Currens Hall. The new science building will consolidate existing and support new academic programs, as Western Illinois University becomes a leading comprehensive university in the United States.

Priority 2: Western Illinois University-Macomb Science Building Phase II Phase II will continue with the improvements to the science programs at WIU by renovating an existing building. Waggoner Hall will be considered for renovations to improve the overall science facilities.

Priority 3: Western Illinois University-Classroom Building Renovation Tillman Hall. Tillman Hall was originally constructed in 1954 as the first science building on the campus of Western Illinois University. The needs of the University have changed significantly since the building's original construction over sixty years ago. The deferred maintenance needs of the building are also excessive as all of the systems are past expected life.

Priority 4: Western Illinois University-Quad Cities Riverfront Campus Building Phase Three In 2010, the state committed to building the first two phases on the newly developing Western Illinois University-Quad Cities Riverfront Campus. Building Complex Three will complete the construction of the new campus that serves a regional population of 400,000 residents and leverages \$175 million in private investment and foundation support for education, entrepreneurship, technology, new jobs, and economic opportunity.

Priority 5: Western Illinois University-Education Building Horrabin Hall was originally constructed in 1965 as a laboratory school and encompassed K-12 grades. The needs of the College of Education and Human Services do not match the current building construction. This project would reconstruct the building on the site of Horrabin Hall.

Priority 6: Western Illinois University- Stipes Hall Renovation Stipes Hall was constructed in 1968 and has had no major renovations or updates. The University through is the Macomb Facilities Master Plan update and Strategic Building Renovation Matrix has identified the building as a priority for renovation. The building is a high profile, heavily used part of the academic programs on campus and it also has a high deferred maintenance backlog.

**Capital Renewal** The University is requesting \$15.6 million in capital renewal funds to be utilized for classroom modernization; improving HVAC and building energy management controls; enhancing electrical and plumbing distribution systems; and renovating campus sidewalks, drives, and exterior stairs.

**Priority Changes from Fiscal Year 2018**

The priorities for FY2018 are shown below. There are no changes between our FY19 and FY18 request.

<b>Priority Changes</b>			
<b>Description</b>	<b>Project Type</b>	<b>FY2019</b>	<b>FY2018</b>
WIU - Macomb Science Phase I	New Construction & Renovation	1	1
WIU - Macomb Science Phase II	Renovation	2	2
WIU - Macomb Tillman Hall	Renovation	3	3
WIU - QC Phase Three	New Construction	4	4
WIU - Macomb Education Building	New Construction	5	5
WIU - Macomb Stipes Hall	Renovation	6	6

Adhering to Illinois Board of Higher Education guidelines and format, the following recommendations for Western Illinois University's Fiscal Year 2019 capital projects will be made (pending Western Illinois University Board of Trustees approval).



## PROJECT: WESTERN ILLINOIS UNIVERSITY - MACOMB SCIENCE PHASE I

PRIORITY: 1

RAMP BUDGET CATEGORY: Buildings, Additions, and/or Structures

REQUESTED FUNDING: \$ 92,500,000 (Planning, Design and Construction)

### BACKGROUND DATA

The current College of Arts and Sciences' facilities, Currens Hall (physical sciences, 1970), Waggoner Hall (life sciences, 1968), and Tillman Hall (earth sciences, 1953) are obsolete in providing high-quality instructional laboratories. These facilities were constructed before modern laboratory standards were developed by the American Society of Heating, Refrigerating and Air-Conditioning Engineers. Western Illinois University science facilities fall below acceptable indoor air quality and energy-efficiency standards. The antiquated laboratory fume-hood systems and poor quality heating, ventilation, and air conditioning systems yield inadequate comfort and humidity control. This problem produces detrimental impacts on teaching, research, and student/faculty/staff recruitment and retention.

The basic teaching and laboratory layouts of Western Illinois University's current science facilities are pedagogically obsolete and do not easily allow for the integration of new science technologies. A new facility to house science-based programs will provide the ability to integrate new laboratory technologies with the latest in science pedagogy and will foster multidisciplinary interaction through the consolidation of departments from previously diverse locations. In addition, planning studies were completed to evaluate and program future projects to renovate Currens and Waggoner Halls to allow the College of Arts and Sciences to consolidate academic programs to a single campus locale and provide for additional facility improvements/enhancements for the humanities and social sciences which are critical to the mission of the College of Arts and Sciences.

The new science building and renovation of Currens Hall will also support expanding academic programs. This includes the new forensic chemistry program and a new nursing program as approved by the Western Illinois University Board of Trustees and Illinois Board of Higher Education.

### QUANTIFICATION

Western Illinois University completed a space planning and utilization study for a new state-of-the-art science facility during Fiscal Year 2007 and completed an update in Fiscal Year 2014. The building will include both wet and dry instructional laboratories, office space, and classrooms. The facility will utilize green and sustainable technologies appropriately designed to meet academic needs and satisfy the University's goal to construct LEED Silver certified facilities. In addition, the project will include the provision for service drives; limited parking, exterior site development, and connections to Currens Hall and all required campus utility infrastructure.

### DEPENDENT RELATIONSHIPS

Upon completion of this project, Western Illinois University will seek funds in Science Phase II for the remodel of Waggoner Hall. These actions are consistent with the newly developed Western Illinois University-Macomb campus master plan.

### DESIRED COMPLETION DATE

Design will commence as soon as funds are received with total project completion estimated at 54 months.

TABLE C104  
BUDGET YEAR BUILDING BUDGET ESTIMATION FORM

FISCAL YEAR 2019  
CAPITAL REQUEST  
PROJECT NAME WIU - Macomb Science Phase 1  
(IN THOUSANDS OF DOLLARS)

SPACE TYPE	NASF	MULTIPLIER FACTOR	GSF	FY2019 \$/GSF*	COST
Office	4,040	1.7	6,868	294.3	\$ 2,021.3
Classrooms	650	1.5	975	284.29	\$ 277.2
Instructional Dry Laboratories	11,000	1.64	18,040	318.48	5,745.4
Instructional Wet Laboratories	12,700	1.64	20,828	336.78	7,014.5
Special Use	2,200	1.8	3,960	284.44	1,126.4
Supporting Facilities	400	1.2	480	265.52	127.4
Currens remodel	95,000	1.61	152,950	207.44	31,727.9
1) BASE TOTAL	125,990		204,101		\$ 48,040.0
2) ADDED COSTS:					\$ 16,573.8
a) Historic Preservation Considerations: _____					
b) Green Building Design/LEED Certification Level SILVER_ (Cert., Silver, Gold, Platinum) (Please use 6% of Base Total to estimate the cost of LEED design.)					2,882.4
c) Other Energy Efficiencies: _____					
3) BASE COST					\$ 67,496.3
4) ADD ESCALATION COST (For monthly escalation costs, use Statewide Average: 2.2 percent per year, or .183 percent per month from base to bid date.) Expected Bid Date: <u>May-20</u> Escalation/month: <u>0.2423%</u> Number of Months to Bid Date: <u>30</u>					4,893.5
5) ESCALATED BUILDING BUDGET (BASE PLUS ESCALATION)					\$ 72,389.7
6) ADD 10% FOR CONTINGENCIES					7,239.0
SUBTOTAL, BUILDING BUDGET					\$ 79,628.7
ADDITIONAL BUDGET ADDS:					
1) A/E FEES <u>9.60%</u> *					7,644.4
ON-SITE OBSERVATION:					502.2
NUMBER OF MONTHS <u>24</u>					
DAYS PER WEEK <u>5</u>					
2) REIMBURSABLES (5% of A/E fees unless better estimate available)					407.3
3) CDB CONSTRUCTION ADMINISTRATION FEE (3%)**					2,388.9
4) OTHER ADDS (SEE 2 BELOW)					1,498.3
5) ART IN ARCHITECTURE (As Applicable) - ONE-HALF OF ONE PERCENT					398.1
SUB-TOTAL, BUDGET ADDS					\$ 12,839.2
TOTAL, BUILDING BUDGET					\$ 92,467.9

OTHER:

PROVIDE AN ESTIMATE OF ANNUAL STATE SUPPORTED OPERATIONS AND MAINTENANCE EXPENSE	TOTAL	\$ 1,243.4
Number of additional staff: <u>8</u>	Salaries and Related	415.1
	Utilities	388.3
	Repairs and Maintenance	440.0

PROVIDE AN EXPLANATION OF ALL DEVIATIONS FROM COST GUIDELINES

SOURCE OF COST ESTIMATE Science Building Programming Study, Ratio Architects  
NAME OF PERSON TO CONTACT FOR FURTHER INFORMATION Troy Rhoads  
PHONE NUMBER 309-298-1834

- \* The Capital Development Board's Centralized Fee Negotiation Professional Services and Fees Handbook, (March 2009), provides guidance in developing the budget for A/E fees.
- \*\* If adding CDB Construction Administration Fee, Public Act 93-0032 increased the fee from 1.5% to 3.0% effective July 1, 2003.
- 1 Added costs include: PFE (18%), LEED (6%), Sophisticated Piping (1%) and site/utilities work (15.5%)
- 2 Added costs include: building commissioning, testing and balancing, and technology infrastructure

PROJECT: WESTERN ILLINOIS UNIVERSITY - MACOMB SCIENCE PHASE II

PRIORITY: 2

RAMP BUDGET CATEGORY: Buildings, Additions, and/or Structures

REQUESTED FUNDING: \$ 60,000,000 (Planning, Design and Construction)

#### BACKGROUND DATA

The current College of Arts and Sciences' facilities, Currens Hall (physical sciences, 1970), Waggoner Hall (life sciences, 1968), and Tillman Hall (earth sciences, 1953) are obsolete in providing high-quality instructional laboratories. These facilities were constructed before modern laboratory standards were developed by the American Society of Heating, Refrigerating and Air-Conditioning Engineers. Western Illinois University science facilities fall below acceptable indoor air quality and energy-efficiency standards. The antiquated laboratory fume-hood systems and poor quality heating, ventilation, and air conditioning systems yield inadequate comfort and humidity control. This problem produces extremely detrimental impacts on teaching, research, and student/faculty/staff recruitment and retention.

The basic teaching and laboratory layouts of Western Illinois University's current science facilities are pedagogically obsolete and do not easily allow for the integration of new science technologies. A new facility to house science-based programs will provide the ability to integrate new laboratory technologies with the latest in science pedagogy and will foster multidisciplinary interaction through the consolidation of departments from previously diverse locations. In addition, planning studies were completed to evaluate and program future projects to renovate Currens and Waggoner Halls to allow the College of Arts and Sciences to consolidate academic programs to a single campus locale and provide for additional facility improvements/enhancements for the humanities and social sciences which are critical to the mission of the College of Arts and Sciences.

The new science building and renovation of Currens Hall will also support new academic programs. This includes the new forensic chemistry program and a new nursing program as approved by the Western Illinois University Board of Trustees and Illinois Board of Higher Education.

#### QUANTIFICATION

Western Illinois University completed a space planning and utilization study for a new state-of-the-art science facility during Fiscal Year 2007 with an update completed in Fiscal Year 2014. This project will continue the Science Facilities project by remodeling Waggoner Hall.

#### DEPENDENT RELATIONSHIPS

This project would commence upon completion of the Macomb Science Phase I.

#### DESIRED COMPLETION DATE

Design will commence as soon as funds are received with total project completion estimated at 54 months.

**TABLE C104  
BUDGET YEAR BUILDING BUDGET ESTIMATION FORM**

FISCAL YEAR 2019  
CAPITAL REQUEST  
PROJECT NAME WIU - Macomb Science Phase II  
(IN THOUSANDS OF DOLLARS)

SPACE TYPE	NASF	MULTIPLIER FACTOR	GSF	FY2019 \$/GSF*	COST
Building Remodel	102,000	1.61	164,220	207.44	\$ 34,065.8
1) BASE TOTAL	102,000		164,220		\$ 34,065.8
2) ADDED COSTS:					\$ 8,175.8
a) Historic Preservation Considerations: _____					
b) Green Building Design/LEED Certification Level SILVER_ (Cert., Silver, Gold, Platinum) (Please use 6% of Base Total to estimate the cost of LEED design.)					2,043.9
c) Other Energy Efficiencies: _____					
3) BASE COST					\$ 44,285.5
4) ADD ESCALATION COST					3,210.7
(For monthly escalation costs, use Statewide Average: 2.2 percent per year, or .183 percent per month from base to bid date.)					
Expected Bid Date: <u>May-20</u> Escalation/month: <u>0.242%</u>					
Number of Months to Bid Date: <u>30</u>					
5) ESCALATED BUILDING BUDGET (BASE PLUS ESCALATION)					\$ 47,496.2
6) ADD 10% FOR CONTINGENCIES					4,749.6
<b>SUBTOTAL, BUILDING BUDGET</b>					\$ 52,245.9
ADDITIONAL BUDGET ADDS:					
1) A/E FEES <u>6.76%</u> *					3,531.8
ON-SITE OBSERVATION:					502.2
NUMBER OF MONTHS <u>24</u>					
DAYS PER WEEK <u>5</u>					
2) REIMBURSABLES (5% of A/E fees unless better estimate available)					201.7
3) CDB CONSTRUCTION ADMINISTRATION FEE (3%)**					1,567.4
4) OTHER ADDS (SEE 2 BELOW)					1,703.3
5) ART IN ARCHITECTURE (As Applicable) -- ONE-HALF OF ONE PERCENT					261.2
<b>SUB-TOTAL, BUDGET ADDS</b>					\$ 7,767.6
<b>TOTAL, BUILDING BUDGET</b>					\$ 60,013.5

OTHER:

PROVIDE AN ESTIMATE OF ANNUAL STATE SUPPORTED OPERATIONS AND MAINTENANCE EXPENSE			
Number of additional staff: <u>0</u>	TOTAL	\$	-
	Salaries and Related		-
	Utilities		-
	Repairs and Maintenance		-

PROVIDE AN EXPLANATION OF ALL DEVIATIONS FROM COST GUIDELINES

NAME OF PERSON TO CONTACT FOR FURTHER INFORMATION Troy Rhoads  
PHONE NUMBER 309-298-1834

- \* The Capital Development Board's Centralized Fee Negotiation Professional Services and Fees Handbook, (March 2009), provides guidance in developing the budget for A/E fees.
- \*\* If adding CDB Construction Administration Fee, Public Act 93-0032 increased the fee from 1.5% to 3.0% effective July 1, 2003.
- 1 Added costs include: FFE (18%), LEED (6%), Sophisticated Piping (1%) and Asbestos abatement (5%)
- 2 Added costs include: building commissioning, testing and balancing, and technology infrastructure (5%)

**PROJECT: WESTERN ILLINOIS UNIVERSITY - MACOMB TILLMAN HALL REMODEL**  
**PRIORITY: 3**

**RAMP BUDGET CATEGORY: Major Remodeling**

**REQUESTED FUNDING: \$ 30,300,000 (Planning, Design and Construction)**

#### **BACKGROUND DATA**

Tillman Hall was originally constructed in 1954 as the first science building on the campus of Western Illinois University. The needs of the University have changed significantly since the building's original construction over sixty years ago. The deferred maintenance needs of the building are also excessive as all of the systems are past expected life.

#### **QUANTIFICATION**

Tillman was first constructed as a science building and its use has significantly changed since 1954. The facility is outdated and does not match the latest instruction standards that are demanded at a modern university. Updated academic facilities will benefit the academic mission of the University.

The remodeled facility will utilize green and sustainable technologies appropriately designed to meet academic needs and satisfy the University's goal to construct LEED Silver certified facilities.

#### **DEPENDENT RELATIONSHIPS**

These actions are consistent with the Western Illinois University-Macomb campus master plan.

#### **DESIRED COMPLETION DATE**

Design will commence as soon as funds are received with total project completion estimated at 54 months.

TABLE C104  
BUDGET YEAR BUILDING BUDGET ESTIMATION FORM

FISCAL YEAR 2019  
CAPITAL REQUEST  
PROJECT NAME WIU - Macomb Tillman Remodel  
(IN THOUSANDS OF DOLLARS)

SPACE TYPE	NASF	MULTIPLIER FACTOR	GSF	FY2019 \$/GSF*	COST
Building Remodel	58,625	1.61	94,386	\$ 197.25	\$ 18,617.7
					0.0
					0.0
					0.0
					0.0
<b>1) BASE TOTAL</b>	<b>58,625</b>		<b>94,386</b>		<b>\$ 18,617.7</b>
<b>2) ADDED COSTS:</b>					<b>2,234.1</b>
a) Historic Preservation Considerations: _____					
b) Green Building Design/LEED Certification Level _____ (Cert., Silver, Gold, Platinum) (Please use 6% of Base Total to estimate the cost of LEED design.)					<b>1,117.1</b>
c) Other Energy Efficiencies: _____					
<b>3) BASE COST</b>					<b>\$ 21,968.9</b>
<b>4) ADD ESCALATION COST</b>					<b>\$ 1,592.7</b>
(For monthly escalation costs, use Statewide Average: 2.2 percent per year, or .183 percent per month from base to bid date.)					
Expected Bid Date: <u>May-20</u> Escalation/month: <u>0.242%</u>					
Number of Months to Bid Date: <u>30</u>					
<b>5) ESCALATED BUILDING BUDGET (BASE PLUS ESCALATION)</b>					<b>\$ 23,561.6</b>
<b>6) ADD 10% FOR CONTINGENCIES</b>					<b>235.6</b>
<b>SUBTOTAL, BUILDING BUDGET</b>					<b>\$ 25,917.8</b>
<b>ADDITIONAL BUDGET ADDS:</b>					
1) A/E FEES _____ 7.56% *					<b>1,959.4</b>
ON-SITE OBSERVATION:					<b>502.2</b>
NUMBER OF MONTHS <u>30</u>					
DAYS PER WEEK <u>4</u>					
2) REIMBURSABLES (5% of A/E fees unless better estimate available)					<b>123.1</b>
3) CDB CONSTRUCTION ADMINISTRATION FEE (3%)**					<b>777.5</b>
4) OTHER ADDS _see 2 below_ (ADA, Asbestos, Hazardous Materials, etc. - please specify)					<b>878.8</b>
5) ART IN ARCHITECTURE (As Applicable) - ONE-HALF OF ONE PERCENT					<b>129.6</b>
<b>SUB-TOTAL, BUDGET ADDS</b>					<b>\$ 4,370.5</b>
<b>TOTAL, BUILDING BUDGET</b>					<b>\$ 30,288.3</b>

OTHER:

PROVIDE AN ESTIMATE OF ANNUAL STATE SUPPORTED OPERATIONS AND MAINTENANCE EXPENSE	TOTAL	\$ <u>0.0</u>
Number of additional staff: _____	Salaries and Related	_____
	Utilities	_____
	Repairs and Maintenance	_____
	All Other	_____

PROVIDE AN EXPLANATION OF ALL DEVIATIONS FROM COST GUIDELINES

SOURCE OF COST ESTIMATE \_\_\_\_\_

NAME OF PERSON TO CONTACT FOR FURTHER INFORMATION Troy Rhoads  
PHONE NUMBER 309-298-1834

\* The Capital Development Board's Centralized Fee Negotiation Professional Services and Fees Handbook, (March 2009), provides guidance in developing the budget for A/E fees.

\*\* If adding CDB Construction Administration Fee, Public Act 93-0032 increased the fee from 1.5% to 3.0% effective July 1, 2003.

1 Added costs include: FFE (7%), LEED (6%), and Asbestos Abatement (5%)

2 Added costs include: building commissioning, testing and balancing, and technology infrastructure (4%)

PROJECT: WESTERN ILLINOIS UNIVERSITY - QUAD CITIES  
RIVERFRONT CAMPUS BUILDING COMPLEX THREE

PRIORITY: 4

RAMP BUDGET CATEGORY: Buildings, Additions, and/or Structures

REQUESTED FUNDING: \$39,100,000

BACKGROUND DATA

Western Illinois University-Quad Cities Riverfront Campus Phase III

Western Illinois University-Quad Cities (WIU-QC) is the only public university in a metropolitan area of over 375,000 residents. In recognizing the growth and capacity limits of WIU-QC at its current location, the State supported the first two (of three) phases for construction of the Western Illinois University-Quad Cities Riverfront Campus to achieve *Illinois Public Agenda* Goal 4 of better integrating Illinois' educational, research, and innovation assets to meet economic needs of the state and its regions.

Post-Phase II operations will generate economic impacts for the region of 330 jobs and \$13.0 million in labor income. Phase III will complete the construction of the new campus that serves as an educational and economic stimulus. In total, the Western Illinois University-Quad Cities Riverfront Campus will leverage a total of \$175.0 million in private investment and foundation support for education, entrepreneurship, technology, new jobs, and economic opportunity.

Successful redevelopment of adjacent property to the campus known as "RiverTech" will create a \$100.0 million taxable base; attract 2,000 new and existing jobs with a one-time construction impact in excess of \$150.0million. Current projects that the State of Illinois helped cultivate by developing the Western Illinois University-Quad Cities Riverfront Campus by virtue of the new campus location include:

- A \$50.0 million project by the KONE Corporation to house their North American Operation Center on the Mississippi Riverfront. This new construction completes a three-phase \$71.0 million mixed-use development known as Bass Street Landing.
- A \$45.0 million Transit Oriented Development/Amtrak Station that will include an intermodal pedestrian transport center and a new high rise office structure with retail and food service amenities.
- A \$5.0 million new facility for research and development by public and private sectors.
- A \$12.0 million, 90-unit work-live urban lofts, with retail and businesses located on the lower floors.
- A \$3.0 million new Healthcare Center for those underserved in the Hispanic community.

A fully completed Riverfront Campus is the "cornerstone" to these developments, and Western will continue to be a conservative steward of state resources. Phase III exclusively focuses on the academic mission of the University. All ancillary services such as bookstores, retail, and food service will be privately developed to support the local economy and new job creation.

QUANTIFICATION

Phase III will complete the new Western Illinois University-Quad Cities Riverfront Campus, and provide the infrastructure to support 5,000 students. Phase III is essential for academic programs and support services; lab and research space; and facilities to support technology, patent transfer, and community events.

DEPENDENT RELATIONSHIPS

There are no dependent relationships between this project and any other state-funded capital project. However, there are significant educational and economic development gains to be noted. The completed Western Illinois University-Quad Cities Riverfront Campus will have an economic impact of over \$50 million annually and will double the number of college graduates to 500 annually.

Phase III provides the necessary facilities to increase enrollment and meet *Illinois Public Agenda* Goal 1 of increasing educational attainment to match best-performing states. Without essential space, the University will not be able to increase enrollment and degree attainment. An educated community is especially important to a host county that earns 81.8 percent of the state's median family income. Moreover, spatial access is necessary to achieve *Illinois Public Agenda Goal 4* of increasing the number of high-quality post-secondary credentials to meet the demands of the economy and an increasingly global society.

**DESIRED COMPLETION DATE**

This project will be completed as soon as possible after funds have been released. A traditional planning then construction approach will take up to 54 months to complete.



**BUDGET YEAR BUILDING BUDGET ESTIMATION FORM**

FISCAL YEAR 2019  
 CAPITAL REQUEST  
 PROJECT NAME WIU-QC Riverfront Phase III  
 (IN THOUSANDS OF DOLLARS)

SPACE TYPE	NASF	MULTIPLIER FACTOR	GSF	FY2019 \$/GSF*	COST
Office	4,600.0	1.70	7,820	\$294.30	\$ 2,301.4
Classrooms	16,000.0	1.50	24,000	284.29	\$ 6,823.0
Instructional Wet Laboratories	2,800.0	1.64	4,592	336.78	\$ 1,546.5
Supporting Facilities	5,000.0	1.20	6,000	265.52	\$ 1,593.1
Research Lab (Wet)	2,800.0	1.67	4,676	446.08	\$ 2,085.9
Special Use	2,575.0	1.80	4,635	284.44	\$ 1,318.4
General Use	12,000.0	1.90	22,800	339.81	\$ 7,747.7
<b>1) BASE TOTAL</b>	<b>45,775</b>		<b>74,523</b>		<b>\$ 23,415.9</b>
<b>2) ADDED COSTS:</b> see 1 below					<b>\$ 5,034.4</b>
a) Historic Preservation Considerations: _____					
b) Green Building Design/LEED Certification Level _____ (Cert., Silver, Gold, Platinum) (Please use 6% of Base Total to estimate the cost of LEED design.)					
c) Other Energy Efficiencies: _____					
<b>3) BASE COST</b>					<b>\$ 28,450.3</b>
<b>4) ADD ESCALATION COST</b>					<b>\$ 2,062.6</b>
(For monthly escalation costs, use Statewide Average: 2.2 percent per year, or .183 percent per month from base to bid date.)					
Expected Bid Date: <u>May-20</u> Escalation/month: <u>0.242%</u>					
Number of Months to Bid Date: <u>30</u>					
<b>5) ESCALATED BUILDING BUDGET (BASE PLUS ESCALATION)</b>					<b>\$ 30,513.0</b>
<b>6) ADD 10% FOR CONTINGENCIES</b>					<b>3,051.3</b>
<b>SUBTOTAL, BUILDING BUDGET</b>					<b>\$ 33,564.3</b>
<b>ADDITIONAL BUDGET ADDS:</b>					
1) A/E FEES <u>7.5</u> *					2,517.3
ON-SITE OBSERVATION:					320.9
NUMBER OF MONTHS <u>15</u>					
DAYS PER WEEK <u>5</u>					
2) REIMBURSABLES (5% of A/E fees unless better estimate available)					141.9
3) CDB CONSTRUCTION ADMINISTRATION FEE (3%)**					1,006.9
4) OTHER ADDS see 2 below (ADA, Asbestos, Hazardous Materials, etc. - please specify)					1,361.8
5) ART IN ARCHITECTURE (As Applicable) -- ONE-HALF OF ONE PERCENT					167.8
<b>SUB-TOTAL, BUDGET ADDS</b>					<b>\$ 5,516.7</b>
<b>TOTAL, BUILDING BUDGET</b>					<b>\$ 39,081.0</b>

PROVIDE AN ESTIMATE OF ANNUAL STATE SUPPORTED OPERATIONS AND MAINTENANCE EXPENSE

TOTAL	\$ 409.3
Number of additional staff: <u>3</u>	Salaries and Related <u>143.3</u>
	Utilities <u>170.0</u>
	Repairs and Maintenance <u>96.0</u>
	All Other _____

PROVIDE AN EXPLANATION OF ALL DEVIATIONS FROM COST GUIDELINES

SOURCE OF COST ESTIMATE WIU Riverfront Campus  
 NAME OF PERSON TO CONTACT FOR FURTHER INFORMATION William Brewer  
 PHONE NUMBER 309-762-9481

- \* The Capital Development Board's Centralized Fee Negotiation Professional Services and Fees Handbook, (March 2009), provides guidance in developing the budget for A/E fees.
- \*\* If adding CDB Construction Administration Fee, Public Act 93-0032 increased the fee from 1.5% to 3.0% effective July 1, 2003.
- 1 Added costs include: FFE (7%), LEED (6%), site work (3.5%) and Data Center (5%)
- 2 Added costs include: building commissioning, testing and balancing, technology infrastructure

**PROJECT: WESTERN ILLINOIS UNIVERSITY - MACOMB EDUCATION BUILDING**

**PRIORITY: 5**

**RAMP BUDGET CATEGORY: Buildings, Additions, and/or Structures**

**REQUESTED FUNDING: \$ 84,800,000 (Planning, Design and Construction)**

**BACKGROUND DATA**

Horrabin Hall was constructed in 1965 as a laboratory school housing K-12 grade. Horrabin has not had any major renovations or retrofits in 50 years. The College of Education and Human Services is housed in the 150,000 square feet of classrooms and offices in Horrabin.

**QUANTIFICATION**

In the Macomb Master Plan update, the Master Plan Steering committee identified eight renovation criteria that were used to prioritize building renovation projects. Horrabin Hall was identified as a high priority for renovation due to high critical deferred maintenance, containing University signature programs and facilities not matching the current needs of the College. Updated academic facilities will benefit the academic mission of the College and the University.

The proposed building would be constructed on the existing site of Horrabin Hall with design features to promote the latest in teaching styles, electronic classrooms and student/faculty interaction.

The new facility will utilize green and sustainable technologies appropriately designed to meet academic needs and satisfy the University's goal to construct LEED Silver certified facilities.

**DEPENDENT RELATIONSHIPS**

This project would construct the new Education building on the current site of Horrabin Hall.

**DESIRED COMPLETION DATE**

Design will commence as soon as funds are received with total project completion estimated at 54 months.

TABLE C104  
BUDGET YEAR BUILDING BUDGET ESTIMATION FORM

FISCAL YEAR 2019  
CAPITAL REQUEST  
PROJECT NAME WIU-Education Building

(IN THOUSANDS OF DOLLARS)

SPACE TYPE	NASF	MULTIPLIER FACTOR	GSF	FY2019 \$/GSF*	COST
Building	100,000	1.63	163,000	290.27	\$ 47,314.0
1) BASE TOTAL	100,000		163,000		\$ 47,314.0
2) ADDED COSTS:					\$ 12,774.8
a) Historic Preservation Considerations:					
b) Green Building Design/LEED Certification Level SILVER_ (Cert., Silver, Gold, Platinum) (Please use 6% of Base Total to estimate the cost of LEED design.)					2,838.8
c) Other Energy Efficiencies:					
3) BASE COST					\$ 62,927.6
4) ADD ESCALATION COST (For monthly escalation costs, use Statewide Average: 2.2 percent per year, or .183 percent per month from base to bid date.) Expected Bid Date: <u>May-20</u> Escalation/month: <u>0.242%</u> Number of Months to Bid Date: <u>30</u>					4,562.3
5) ESCALATED BUILDING BUDGET (BASE PLUS ESCALATION)					\$ 67,489.9
6) ADD 10% FOR CONTINGENCIES					6,749.0
<b>SUBTOTAL, BUILDING BUDGET</b>					\$ 74,238.9
ADDITIONAL BUDGET ADDS:					
1) A/E FEES <u>6.34%</u> *					4,706.7
ON-SITE OBSERVATION: NUMBER OF MONTHS <u>24</u> DAYS PER WEEK <u>5</u>					502.2
2) REIMBURSABLES (5% of A/E fees unless better estimate available)					260.4
3) CDB CONSTRUCTION ADMINISTRATION FEE (3%)**					2,227.2
4) OTHER ADDS (SEE 2 BELOW)					2,517.1
5) ART IN ARCHITECTURE (As Applicable) -- ONE-HALF OF ONE PERCENT					371.2
<b>SUB-TOTAL, BUDGET ADDS</b>					\$ 10,584.9
<b>TOTAL, BUILDING BUDGET</b>					\$ 84,823.7

OTHER:

PROVIDE AN ESTIMATE OF ANNUAL STATE SUPPORTED OPERATIONS AND MAINTENANCE EXPENSE	TOTAL	\$	-
Number of additional staff: <u>0</u>	Salaries and Related		-
	Utilities		-
	Repairs and Maintenance		-

PROVIDE AN EXPLANATION OF ALL DEVIATIONS FROM COST GUIDELINES

SOURCE OF COST ESTIMATE \_\_\_\_\_  
NAME OF PERSON TO CONTACT FOR FURTHER INFORMATION Troy Rhoads  
PHONE NUMBER 309-298-1834

- \* The Capital Development Board's Centralized Fee Negotiation Professional Services and Fees Handbook, (March 2009), provides guidance in developing the budget for A/E fees.
- \*\* If adding CDB Construction Administration Fee, Public Act 93-0032 increased the fee from 1.5% to 3.0% effective July 1, 2003.
- 1 Added costs include: FFE (7%), LEED (6%), site work/building demo (15%) and Asbestos Abatement (5%)
- 2 Added costs include: building commissioning, testing and balancing, and technology infrastructure (4%)

**PROJECT: WESTERN ILLINOIS UNIVERSITY - MACOMB STIPES BUILDING REMODEL**  
**PRIORITY: 6**

**RAMP BUDGET CATEGORY: Major Remodeling**

**REQUESTED FUNDING: \$ 50,900,000 (Planning, Design and Construction)**

#### **BACKGROUND DATA**

Stipes Hall was constructed in 1968. Stipes Hall has not had any renovations or major remodeling since its opening over 45 years ago. The University, through its recent Macomb Campus Master Plan update and Strategic Building Renovation matrix, has identified Stipes as a high priority for renovation. Stipes Hall has over 140,000 square feet of classroom and office space and houses the College of Business and Technology.

#### **QUANTIFICATION**

In the Macomb Master Plan update, the Master Plan Steering committee identified eight renovation criteria that were used to prioritize building renovation projects. Stipes Hall is a high profile building on campus, has high critical deferred maintenance and houses University Signature programs. Updated academic facilities will benefit the academic mission of the University.

The remodeled facility will utilize green and sustainable technologies appropriately designed to meet academic needs and satisfy the University's goal to construct LEED Silver certified facilities.

#### **DEPENDENT RELATIONSHIPS**

These actions are consistent with the newly developed Western Illinois University-Macomb campus master plan.

#### **DESIRED COMPLETION DATE**

Design will commence as soon as funds are received with total project completion estimated at 54 months.

TABLE C104  
BUDGET YEAR BUILDING BUDGET ESTIMATION FORM

FISCAL YEAR 2019  
CAPITAL REQUEST  
PROJECT NAME WIU-Stipes Remodel

(IN THOUSANDS OF DOLLARS)

SPACE TYPE	NASF	MULTIPLIER FACTOR	GSF	FY2019 \$/GSF*	COST
Building	100,000	1.66	166,000	190.2	\$ 31,573.2
1) BASE TOTAL	100,000		166,000		\$ 31,573.2
2) ADDED COSTS:					\$ 3,788.8
a) Historic Preservation Considerations: _____					
b) Green Building Design/LEED Certification Level SILVER_ (Cert., Silver, Gold, Platinum) (Please use 6% of Base Total to estimate the cost of LEED design.)					1,894.4
c) Other Energy Efficiencies: _____					
3) BASE COST					\$ 37,256.4
4) ADD ESCALATION COST (For monthly escalation costs, use Statewide Average: 2.2 percent per year, or .183 percent per month from base to bid date.) Expected Bid Date: <u>May-20</u> Escalation/month: <u>0.242%</u> Number of Months to Bid Date: <u>30</u>					2,701.1
5) ESCALATED BUILDING BUDGET (BASE PLUS ESCALATION)					\$ 39,957.5
6) ADD 10% FOR CONTINGENCIES					3,995.7
<b>SUBTOTAL, BUILDING BUDGET</b>					<b>\$ 43,953.2</b>
ADDITIONAL BUDGET ADDS:					
1) A/E FEES <u>7.26%</u> *					3,191.0
ON-SITE OBSERVATION:					502.2
NUMBER OF MONTHS <u>24</u>					
DAYS PER WEEK <u>5</u>					
2) REIMBURSABLES (5% of A/E fees unless better estimate available)					184.7
3) CDB CONSTRUCTION ADMINISTRATION FEE (3%)**					1,318.6
4) OTHER ADDS (SEE 2 BELOW)					1,490.3
5) ART IN ARCHITECTURE (As Applicable) - ONE-HALF OF ONE PERCENT					219.8
<b>SUB-TOTAL, BUDGET ADDS</b>					<b>\$ 6,906.5</b>
<b>TOTAL, BUILDING BUDGET</b>					<b>\$ 50,859.7</b>

OTHER:

PROVIDE AN ESTIMATE OF ANNUAL STATE SUPPORTED OPERATIONS AND MAINTENANCE EXPENSE	TOTAL	\$	-
Number of additional staff: <u>0</u>	Salaries and Related		-
	Utilities		-
	Repairs and Maintenance		-

PROVIDE AN EXPLANATION OF ALL DEVIATIONS FROM COST GUIDELINES

SOURCE OF COST ESTIMATE \_\_\_\_\_  
NAME OF PERSON TO CONTACT FOR FURTHER INFORMATION Troy Rhoads  
PHONE NUMBER 309-298-1834

- \* The Capital Development Board's Centralized Fee Negotiation Professional Services and Fees Handbook, (March 2009), provides guidance in developing the budget for A/E fees.
- \*\* If adding CDB Construction Administration Fee, Public Act 93-0032 increased the fee from 1.5% to 3.0% effective July 1, 2003.
- 1 Added costs include: FFE (7%), LEED (6%) and Asbestos Abatement (5%)
- 2 Added costs include: building commissioning, testing and balancing, and technology infrastructure (4%)

PROJECT: WESTERN ILLINOIS UNIVERSITY – MACOMB  
CAPITAL RENEWAL

RAMP BUDGET CATEGORY: Remodeling and Rehabilitation

REQUESTED FUNDING: \$15,600,000

BACKGROUND DATA

*Higher Values in Higher Education*, Western Illinois University's Strategic Plan, states:

“Provide safe, accessible, responsible campus environments that meet the needs of University constituencies and reflect the core values of the University.”

Providing a safe, accessible, and responsive campus environment conducive to learning is directly linked to responsive upkeep and repair of facilities. In addition to operating funds, Capital Renewal funds are used to address deferred maintenance needs on campuses. Since Fiscal Year 2004 Western Illinois University has only received \$3.6 million to address critical campus-wide elevator maintenance, utility infrastructure repairs, and numerous other needs on campus. The University currently estimates a total deferred maintenance and capital renewal backlog of over \$500 million. As is the case on all campuses in Illinois, there are many projects that have been critically needed for a substantial period of time and are negatively impacting the learning environment.

QUANTIFICATION

The University is making a strong commitment toward improving the campus physical environment. A reduction in the deferred maintenance liability is viewed as integral to achieving that objective. An increase in the Permanent Improvement budget will allow the University to address the increasing backlog of deferred maintenance projects.

Funds will be utilized for classroom modernization; improving HVAC and building energy management controls; enhancing electrical and plumbing distribution systems; and renovating campus sidewalks, drives, and exterior stairs.

DEPENDENT RELATIONSHIPS

There are no other projects that this proposal is dependent.

DESIRED COMPLETION DATE

Design would commence as soon as funds are received.

Resolution 17.9/5 approved with amendments, see page 34.

**Resolution No. 17.9/6: Removal of East Village from the Auxiliary Facilities System (AFS)**

Vice President Williams presented the resolution as submitted.

A motion was made by Trustee Ehlert Fuller to approve. Trustee Cole seconded the motion.

Roll Call

Trustee Roger Clawson	Yes
Trustee Lyneir Cole	Yes
Trustee Cathy Early	Yes
Trustee Ehlert Fuller	Yes
Trustee William Gradle	Yes
Trustee Todd Lester	Yes
Trustee Steven Nelson	Yes

Attachment J  
Western Illinois University Board of Trustees Budget Materials  
Fiscal Year 2019

Note: By State statute, the Western Illinois University approves a Preliminary Spending Plan prior to the fiscal year. It also refined and approved as All Funds Budget in the fall meeting. The Board also approves University requests for new state resources (operating and capital) at its fall meeting.

The Board approved FY19 Spending Plan is attached. Minutes of the June 8, 2018 meetings and other materials (FY19 All Funds Budget and Operating and Capital Requests to the State) are not included as the Commission's reporting deadline for this submission (September 7, 2018) is in advance of the Board's fall meeting (September 28, 2018). The remaining data are, therefore, not available.

# WESTERN ILLINOIS UNIVERSITY BOARD OF TRUSTEES

June 8, 2018

## Resolution No. 18.6/3 FY2019 Preliminary Spending Plan

**WHEREAS** Western Illinois University must prepare a preliminary spending plan prior to July 1 for State Appropriated, University Income, Auxiliary and All Other Funds for the Illinois Board of Higher Education, Illinois State Legislature and the Governor; and,

**WHEREAS** this spending plan requires Board of Trustees approval prior to submission; and,

**WHEREAS** this spending plan reflects Western's tradition of strong, conservative fiscal management and resource allocation to support goals and priorities stated in *Higher Values in Higher Education* and Western Illinois University's *Mission Statement*:

**THEREFORE** be it resolved that the Board of Trustees approves the FY2019 spending plan as presented in the FY2019 spending plan document, and be it further resolved that the President be authorized to make technical adjustments in these budgets if necessary.



Illinois state statute requires Western Illinois University (and all other Illinois public universities) to prepare a *Fiscal Year 2019 Preliminary Spending Plan* prior to July 1 for State Appropriated, University Income, Auxiliary and All Other Funds for the Illinois Board of Higher Education, Illinois State Legislature, and the Governor. Furthermore, the *Fiscal Year 2019 Preliminary Spending Plan* must be approved by the Western Illinois University Board of Trustees prior to institutional submission and expenditure. The Preliminary Spending Plan for Fiscal Year 2019 is displayed in the table below.

	State Appropriated Funds	University Income Funds	Auxiliary Facilities System Funds	Other Non- Appropriated Funds	Total
Personal Services	\$ 44,681,900	\$ 47,318,100	\$ 12,800,000	\$ 13,000,000	\$ 117,800,000
Medicare	800,000	600,000	200,000	150,000	1,750,000
Contractual Services	-	9,600,000	18,000,000	14,350,000	41,950,000
Travel	-	400,000	75,000	500,000	975,000
Commodities	-	1,500,000	400,000	2,100,000	4,000,000
Equipment	-	2,000,000	300,000	1,500,000	3,800,000
Awards & Grants and Matching Funds	-	8,000,000	1,400,000	25,000,000	34,400,000
Telecommunication Services	-	400,000	100,000	350,000	850,000
Operation of Automotive Equipment	-	250,000	125,000	500,000	875,000
Permanent Improvements	-	250,000	200,000	300,000	750,000
CMS Health Insurance	1,744,800	-	200,000	1,000,000	2,944,800
Other	-	-	14,000,000	250,000	14,250,000
<b>Total FY2019 Operating Budget</b>	<b>\$ 47,226,700</b>	<b>\$ 70,318,100</b>	<b>\$ 47,800,000</b>	<b>\$ 59,000,000</b>	<b>\$ 224,344,800</b>

As of May 31, 2018, the Illinois General Assembly passed an operating bill for Illinois higher education. Therefore, the University's FY19 preliminary spending plan for state appropriated funds is presented at a passed appropriation of \$47,226,700, which is a 2% increase over FY18 state appropriated funds.

The Income Fund budget reflects the necessary projected FY19 salary obligations and operating increases. In order to balance this spending plan with projected revenue for FY19, the University would need to identify expense reductions.

Western Illinois University's *Fiscal Year 2019 All-Funds Operating Budget* will be presented to the Western Illinois University Board of Trustees in October and will include the appropriation approved by the General Assembly and income projections based on fall enrollment.

Table 2  
Western Illinois University  
Fiscal Year 2016 Through 2018 All-Funds Budget

	State Appropriated Funds	University Income Funds	Auxiliary Facilities System Funds	Other Non- Appropriated Funds	Total
Fiscal Year 2016					
Personal Services	\$ 45,556,500	\$ 59,943,500	\$ 14,200,000	\$ 13,700,000	\$ 133,400,000
Medicare	800,000	800,000	200,000	150,000	1,950,000
Contractual Services	-	10,730,200	21,000,000	15,000,000	46,730,200
Travel	-	675,000	100,000	750,000	1,525,000
Commodities	-	1,500,000	600,000	2,200,000	4,300,000
Equipment	-	2,800,000	630,000	1,700,000	5,130,000
Awards & Grants and Matching Funds	-	6,500,000	1,500,000	24,000,000	32,000,000
Telecommunication Services	-	500,000	150,000	350,000	1,000,000
Operation of Automotive Equipment	-	300,000	200,000	450,000	950,000
Permanent Improvements	-	650,000	400,000	350,000	1,400,000
CMS Health Insurance	1,744,800	-	200,000	1,000,000	2,944,800
Other	-	-	14,420,000	250,000	14,670,000
<b>Total FY2016 Operating Budget</b>	<b>\$ 48,101,300</b>	<b>\$ 84,398,700</b>	<b>\$ 53,600,000</b>	<b>\$ 59,900,000</b>	<b>\$ 246,000,000</b>
Fiscal Year 2017					
Personal Services	\$ 48,870,400	\$ 50,129,600	\$ 13,750,000	\$ 13,000,000	\$ 125,750,000
Medicare	830,000	1,000,000	200,000	150,000	2,180,000
Contractual Services	-	11,000,000	21,000,000	14,350,000	46,350,000
Travel	-	500,000	100,000	500,000	1,100,000
Commodities	-	1,625,200	600,000	2,100,000	4,325,200
Equipment	-	2,500,000	500,000	1,500,000	4,500,000
Awards & Grants and Matching Funds	-	6,500,000	1,500,000	25,000,000	33,000,000
Telecommunication Services	-	500,000	125,000	350,000	975,000
Operation of Automotive Equipment	-	300,000	200,000	500,000	1,000,000
Permanent Improvements	-	500,000	400,000	300,000	1,200,000
CMS Health Insurance	1,744,800	-	200,000	1,000,000	2,944,800
Other	-	-	13,750,000	250,000	14,000,000
<b>Total FY2017 Operating Budget</b>	<b>\$ 51,445,200</b>	<b>\$ 74,554,800</b>	<b>\$ 52,325,000</b>	<b>\$ 59,000,000</b>	<b>\$ 237,325,000</b>
Fiscal Year 2018					
Personal Services	\$ 40,883,000	\$ 57,617,000	\$ 12,800,000	\$ 14,000,000	\$ 125,300,000
Medicare	703,800	896,200	200,000	160,000	1,960,000
Contractual Services	2,199,400	9,000,600	18,000,000	14,500,000	43,700,000
Travel	-	500,000	75,000	600,000	1,175,000
Commodities	337,300	1,267,900	400,000	2,200,000	4,205,200
Equipment	351,900	2,148,100	300,000	1,000,000	3,800,000
Awards & Grants and Matching Funds	-	8,500,000	1,400,000	24,790,000	34,690,000
Telecommunication Services	131,900	368,100	100,000	500,000	1,100,000
Operation of Automotive Equipment	158,400	191,600	125,000	500,000	975,000
Permanent Improvements	-	500,000	200,000	500,000	1,200,000
CMS Health Insurance	1,535,000	209,800	200,000	1,000,000	2,944,800
Other	-	-	14,000,000	250,000	14,250,000
<b>Total FY2018 Operating Budget</b>	<b>\$ 46,300,700</b>	<b>\$ 81,199,300</b>	<b>\$ 47,800,000</b>	<b>\$ 60,000,000</b>	<b>\$ 235,300,000</b>

Attachment K  
Western Illinois University Board of Trustees Audit Committee Materials  
Fiscal Years 2016-2018

Trustee Clawson	Yes
Trustee Cole	Yes
Trustee Early	Yes
Trustee Ehlert Fuller	Yes
Trustee Lester	Yes
Trustee Savala	Yes

The motion carried.

**Resolution:**

**WHEREAS** the attached tenure recommendations are in accordance with Article 20 of the 2010-2015 (extended through 2017) Collective Bargaining Agreement with UPI Local 4100 and applicable Board Regulations:

**THEREFORE** be it resolved that the Board of Trustees of Western Illinois University approves, as presented, the tenure recommendations for 2016-2017.

**AUDIT COMMITTEE**

Brittany Kruse introduced herself as the Assistant Comptroller who has served in the capacity since May of 2015. She was the main audit contact for fiscal year 2015. There was one financial audit finding. There were seven compliance findings. There were eight material findings. Seven were repeated from the previous fiscal year. Two were new. There were three peer institutions with fewer findings than Western Illinois University. Five institutions had more. There were three material findings at ISU and thirty at the U of I.

Western Illinois University has put together a risk advisory council. The council is made up of Interim VP Matt Bierman, Assistant to VPAS Digger Oster, General Legal Counsel Rica Calhoun, and Comptroller Brittany Kruse. The council meets on a regular basis to discuss the findings to ensure that findings are eliminated. There will be a new external audit firm Adelphia LLC for financial and compliance. Adelphia will also do the IT Systems Audit. She asked were there any questions. There were none.

**Resolution No. 16.6/7: Audit Committee Charter**

The Audit Director, Michael Sartorius presented the Audit Committee Charter. The Audit Committee is appointed by the Board of Trustees to provide oversight of the accounting and financial recording processes of the University. The external auditors audit the University's financial statements and the integrity of those statements. To improve organizational governance, and provide a flexible framework for the Audit Commit to operate and provide oversight, the charter was drafted. The Charter clearly defines roles and responsibilities of the Audit Committee for financial reporting and internal controls, external auditing, internal auditing, compliance, and risk management. It facilitates transparency and establishes relationships with the Administration and Board. The Charter also helps to improve fiscal accountability and governance of the University.

The Audit Charter that is being presented is both dynamic and flexible. Director Sartorius asked were there any questions. There were no questions or discussion.

The motion to approve was made by Trustee Early and seconded by Trustee Ehlert Fuller.

**Roll Call**

Trustee Clawson	Yes
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Trustee Cole	Yes
Trustee Early	Yes
Trustee Ehlert Fuller	Yes
Trustee Lester	Yes
Trustee Savala	Yes

The motion carried.

**Resolution:**

**WHEREAS** the Western Illinois University Board of Trustee Bylaws Section IX establishes the Audit Committee as a standing committee of the Board of Trustees and;

**WHEREAS** Western Illinois University proposes the establishment of an Audit Committee Charter to define the purpose, authority, and scope of responsibility for the Audit Committee; and

**WHEREAS** The proposed Audit Committee Charter defines the oversight duties of the Western Illinois University Audit Committee concerning external audits; internal auditing, compliance, legal matters and risk management:

**THEREFORE** be it resolved that the Board of Trustees approves the Western Illinois University Board of Trustees Audit Committee Charter as presented.

**PRESIDENTIAL ASSESSMENT and EVALUATION COMMITTEE**

**Resolution No. 16.6/8: Presidential Contract**

The Presidential Assessment and Evaluation Committee consists of Trustees Yvonne Savala and Carolyn Ehlert Fuller. Trustee Savala stated that the committee completed the review and Chair Clawson gave the concluding remarks. The Board of Trustees commended President Thomas for his outstanding leadership during such a difficult economic period. The Board supports President Thomas strategic vision. If funds were available, President Thomas would deserve an increase. President Thomas has declined the raise he deserves.

A motion was made by Trustee Early to approve the Presidential Contract, and Chair Clawson seconded the motion.

President Jack Thomas thanked the Board and the Leadership Team for their confidence and support during such difficult times. He added that there have been numerous calls, interviews, and meetings to assess President Thomas' performance, and he thanked everyone who worked and participated in the process.

**Roll Call**

Trustee Clawson	Yes
Trustee Cole	Yes
Trustee Early	Yes
Trustee Ehlert Fuller	Yes
Trustee Lester	Yes
Trustee Savala	Yes

**THEREFORE** be it resolved in accordance with the priorities and goals of Higher Values in Higher Education that the Board of Trustees approves tuition rates for FY2018 (effective fall semester 2017) as enumerated in the FY2018 Tuition Recommendation document which follows.

FY2018 Tuition Recommendation

	FY2015	FY2016	FY2017	Proposed FY2018		
				Amount	\$ Change	% Change
<b>I. <u>Undergraduate Students</u></b>						
Academic Year (Based on 30 SCH)	\$8,632.20	\$8,805.00	\$8,541.00	\$8,541.00	\$ -	0.00%
Per Credit Hour	\$287.74	\$293.50	\$284.70	\$284.70	\$ -	0.00%
<b>II. <u>Graduate Students</u></b>						
Academic Year (Based on 24 SCH)	\$7,615.44	\$7,767.36	\$7,767.36	\$7,767.36	\$ -	0.00%
Per Credit Hour	\$317.31	\$323.64	\$323.64	\$323.64	\$ -	0.00%

**III. Out-of-State Students - Domestic Students**

New students beginning fall semester 2016 at Western Illinois University who have a permanent legal domicile within the United States of America will be assessed in-state tuition.

**IV. Out-of-State Students - International Students**

International students tuition will be assessed at one and one-half times the in-state rate.

**AUDIT COMMITTEE**

Trustee Clawson gave opening remarks.

**Resolution No. 16.12/2: Annual Review of Internal Audit Charter**

Director of Internal Audit Mike Sartorius presented the Internal Audit Charter, well as clarifying the changes made in the Charter and the rationale behind the changes.

A motion was made by Trustee Early to approve. Trustee Ehlert Fuller seconded the motion.

**Roll Call**

Trustee Roger Clawson	Yes
Trustee Lyneir Cole	Yes
Trustee Cathy Early	Yes

Trustee Carolyn Ehlert Fuller	Yes
Trustee William Gradle	Yes
Trustee Steven Nelson	Yes
Trustee Yvonne Savala	Yes

Motion carried.

**Resolution:**

**WHEREAS** Western Illinois University has a need to periodically review and present the Internal Auditing Department Charter to the Senior Leadership team and the Board of Trustees to be in compliance with regulatory requirements and the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing*; and,

**WHEREAS** the WIU Internal Auditing Department Charter includes the mission, purpose, and organizational structure and authority of the department; statement of professional practice; statement of independence and objectivity; the types of internal audit services provided; departmental objectives; and the duties and responsibilities of the department; and,

**WHEREAS** the Internal Auditing Charter includes the primary responsibilities of the Internal Audit Department, which includes: developing a two-year risk based audit schedule that is updated and approved annually; performing audit assurance engagements, consulting services, special investigations, and follow-up reviews on audit findings issued; reporting material results of audits, reviews, and investigations to University management and the Audit Committee; and providing an annual summary of the Internal Auditing Department activities to the University President and Audit Committee by September 30<sup>th</sup> for the previous fiscal year:

**THEREFORE** be it resolved that the Board of Trustees approves the Internal Audit Charter as presented.

**GENERAL DISCUSSION and ACTION ITEMS**

**Report No. 16.12/5: Facility Assessment Report**

Director of Facilities Maintenance Scott Coker gave a PowerPoint presentation to add to the written report as presented. The presentation highlighted utility usage on campus, DCEO grants, facility condition assessments, age of buildings on campus, and images of deferred maintenance.

Coker answered a question from Trustee Gradle about LED lighting in classrooms.

**Report No. 16.12/6: Fiscal Year 2017 Master Plan Update**

Vice President Joe Rives gave a PowerPoint presentation to add to the written report as presented. Master planning is about people, place and programs. The presentation discussed the guiding principles of the Macomb Campus Master Plan and examples of images showing these principles from the Macomb Campus, and guiding principles of the Quad Cities Campus Master Plan and images showing these principles from the Quad Cities Campus.

Trustee Gradle commented on the accessibility of outlets and how it varies greatly between the Quad Cities and Macomb. Students choose where they want to sit or study based on the availability of outlets. He would like to see more tables with outlets built into them in buildings in Macomb. Trustee Clawson asked about wireless on campus and Interim Provost Neumann answered his questions.

**WHEREAS** special provisions have been made for students attending outside the designated terms of August 1 to January 31 and February 1 to July 31:

**THEREFORE** be it resolved that the Board of Trustees approves the Western Illinois University Student Health Insurance Program rate for Fiscal Year 2017 as proposed.

### **AUDIT COMMITTEE**

Trustee Clawson gave opening remarks. In good news, we are number 3 of nine colleges in the least amount of material findings, and also moved up a notch in immaterial findings.

#### **Report No. 17.3/6: Annual Review of Internal Audit Charter**

Interim Vice President Matt Bierman and Assistant Comptroller Jessica Dunn presented the report and summarized the work that is taking place to address any findings. This was the first year with external firm Adelphia. They are expected to begin their next audit process in May.

Trustee Nelson asked about steps being taken to handle the findings. Dunn provided answers to his question.

The written report is as follows:

This is a report of the activity and the results of the FY 2016 Annual External Financial and Compliance Audits, and other outsourced audits released in FY 2016.

#### **Annual External Financial and Compliance Audits FY2016**

- A. Financial Audit – One finding
  1. Failure to Apply Accounting and Financial Reporting Standards for Impairment of Capital Assets
- B. Compliance Audit – total findings 7 – the one above and the following:
  2. Inadequate Review of Loan Disbursement Transaction and Reporting and Inadequate Performance of Verification Procedures (repeat)
  3. Noncompliance with Required Contracting Procedures (repeat)
  4. Noncompliance with University Guidelines on Excess Funds
  5. Inadequate Controls over Property and Equipment
  6. Subsidies between Accounting Entities (repeat)
  7. Weaknesses in Computer Inventory Controls

Full detail of these audits may be found on the State of Illinois Auditor General's Website:

<http://www.auditor.illinois.gov/Audit-Reports/WESTERN-ILLINOIS-UNIVERSITY.asp>

#### **Other External/Outsourced Audits, Regulatory Reviews, or Agreed Upon Procedures:**

1. NCAA – Independent Accountants' Report on Applying Agreed Upon Procedures – June 30, 2016
2. WIUM-FM/WIUW-FM Radio Financial Statements & Independent Auditors' Report - June 30, 2016 & 2015
3. Western Illinois University Foundation Financial Statements & Independent Auditor's Report - June 30, 2016 and 2015
4. WQPT-TV Annual Financial Report – June 30, 2016



**Number of Material Findings by University:**

	Financial Audit		Compliance Audit	
	FY2016	FY2015	FY2016	FY2015
<u>Eastern Illinois University</u>	0	0	3	4
<u>Illinois State University</u>	1	0	4	3
<u>Western Illinois University</u>	1	1	7	8
<u>Northern Illinois University</u>	2	1	12	10
<u>Southern Illinois University</u>	0	0	12	11
<u>Chicago State University</u>	2	1	15	15
<u>Northeastern Illinois University</u>	3	1	17	14
<u>U of I</u>	3	3	18	30
<u>Governors State University</u>	2	0	20	7

**PRESIDENTIAL ASSESSMENT AND EVALUATION**

There was no discussion for this committee.

**GENERAL DISCUSSION and ACTION ITEMS**

**Report No. 17.3/7: Quarterly Planning Update**

Vice President Joe Rives presented the report and asked for questions. Trustee Savala talked about how the Summits in the Quad Cities target multiple high schools and hits a large potential population. She gave kudos for the relationships created.

**Report No. 17.3/8: Update to the Higher Learning Commission**

Vice President Joe Rives explained the rationale behind the report, which is to show that the Board is aware of what the University provides to the Higher Learning Commission. Dr. Rives explained that while the Board had previously received this letter, it is included in today's meeting materials for documentation on Board engagement in University governance and its fiduciary responsibilities. Rives reminded the Board that the three-year budget reduction and reinvestment is a moving target and time sensitive. Initially what was reported to the Board in December was \$20 million. However, based on cost saving measures taken to date, it is now targeted at around \$15 million. This value will change as the status of state appropriations, contract negotiations, and other variables becomes clear. We must all be responsible and report the most current value when figures are used. It is our social responsibility. To quote earlier figures that we correct at the time of publication is incorrect.

**Report No. 17.3/9: Discussion Draft for the Academic Year 2017-2018 Higher Values in Higher Education Supplement**

Vice President Rives gave a PowerPoint presentation. The Board asked for annual Supplements to the Strategic Plan last year. There is a 10 year review of the vision, 5 year review of the mission, and 1 year review of the goals. Rives went over the changes to the goal statements. Dr. Rives asked for feedback from the Board. He will complete meetings with governance groups. The final 2017-2018 Supplement will be presented to the Board for Action at the June Meeting.

Trustee Gradle commented on a few items in the Supplement. He also asked that students be invited into the process sooner. Trustee Gradle would like to make sure the student voice is integrated in all levels of

**WHEREAS**, Western Illinois University is committed to expanding our commitment and service to the military through strategic planning and continued expansion of the President's Executive Institute; and,

**WHEREAS**, tuition is to be established annually by the Western Illinois University Board of Trustees, following the general guidelines established by the Illinois Board of Higher Education; and,

**WHEREAS**, these guidelines were followed:

**THEREFORE** be it resolved in accordance with the priorities and goals of Higher Values in Higher Education and the President's Executive Institute that the Board of Trustees establishes a new tuition rate for United States military personnel who are serving in active duty status for the purposes other than training, as of the official university census day each term.

**BE IT FURTHER RESOLVED** this rate shall not exceed the tuition rate established by the Armed Forces (currently \$250 per credit hour) and become effective for FY2019 (fall semester 2018).

#### **AUDIT COMMITTEE REPORT**

Roger Clawson on behalf of Lyneir Cole, Chair

#### **Resolution No. 17.12/2: Annual Review of Internal Audit Charter**

Director of Auditing Mike Sartorius reported no internal changes to the audit charter with just a few wording updates, having previously presented to, and received approval from senior management.

A motion was made by Trustee Ehlert fuller to approve. Trustee Gradle seconded the motion.

#### **Roll Call**

Trustee Roger Clawson	Yes
Trustee Cathy Early	Yes
Trustee Carolyn Ehlert Fuller	Yes
Trustee William Gradle	Yes
Trustee Todd Lester	Yes
Trustee Steven Nelson	Yes
Trustee Yvonne Savala	Yes

Motion carried.

#### **Resolution:**

**WHEREAS** Western Illinois University has a need to periodically review and present the Internal Auditing Department Charter to the Senior Leadership team and the Board of Trustees to be in compliance with regulatory requirements and the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing*; and,

**WHEREAS** the WIU Internal Auditing Department Charter includes the mission, purpose, and organizational structure and authority of the department; statement of professional practice; statement of independence and objectivity; the types of internal audit services provided; departmental objectives; and the duties and responsibilities of the department; and,

**WHEREAS** the Internal Auditing Charter includes the primary responsibilities of the Internal Audit Department, which includes: developing a two-year risk based audit schedule that is updated and

approved annually; performing audit assurance engagements, consulting services, special investigations, and follow-up reviews on audit findings issued; reporting material results of audits, reviews, and investigations to University management and the Audit Committee; and providing an annual summary of the Internal Auditing Department activities to the University President and Audit Committee by September 30<sup>th</sup> for the previous fiscal year:

**THEREFORE** be it resolved that the Board of Trustees approves the Internal Audit Charter as presented.

**Western Illinois University  
Internal Auditing Department Charter**

**Mission:**

The WIU Office of Internal Auditing is dedicated to improving University and Foundation operations by providing independent, objective assurance and consulting / advisory services. Our mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

**Purpose:**

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The internal audit function is an integral part of the organization's internal control system; however, the internal audit review and appraisal process does not, in any way, relieve other University or Foundation personnel of the responsibilities assigned to them.

**Organization and Authority:**

The Department functions in accordance with the Institute of Internal Auditors International Professional Practices Framework (IPPF); the Fiscal Control and Internal Auditing Act (FCIAA) enacted by the State of Illinois (Illinois Compiled Statutes, 30 ILCS 10); the State of Illinois Internal Audit Advisory Board, and the University's Policy on Internal Auditing (<http://www.wiu.edu/vpas/policies/intaudit.php>).

The WIU Office of Internal Auditing reports administratively to the President of the University and functionally to the Western Illinois University Board of Trustees Audit Committee. The Department provides results of reports relating to the WIU Foundation activities to their respective audit committee. This reporting relationship permits independent and unbiased judgments essential to the proper conduct of audits. Internal Audit staff have free and unrestricted communication with management and members of the Audit Committee.

In carrying out their duties and responsibilities, internal auditors will have full, free, and unrestricted access to all University and Foundation activities, records, property and personnel. No officer, administrator, or staff member may prohibit the internal auditors from examining any University or Foundation record, or access to personnel which is deemed pertinent to the audit, review or investigation. Internal auditors will handle any information obtained during a review in the same prudent manner as the custodian of such information.

### **Statement of Professional Practice:**

Western Illinois University is committed to the professional practice of internal auditing. The WIU Office of Internal Auditing will ensure conformance with the Institute of Internal Auditors (IIA) International Professional Practices Framework. The mandatory requirements include the *Code of Ethics*, *Definition of Internal Auditing*, *Core Principles for the Professional Practice of Internal Auditing*, and the *International Standards for the Professional Practice of Internal Auditing*. Other professional accounting and auditing standards may be followed as applicable.

### **Independence/Objectivity:**

Independence is defined as the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.

Internal auditing staff will be independent of the activities that they review. Internal Auditing staff have no direct responsibility or any authority over the activities or operations being reviewed. Internal Auditing staff may not implement accounting procedures, controls or prepare financial records that could compromise the auditor's independence. Internal auditors may act in a consulting and advisory role without adversely affecting their objectivity.

### **Auditing Objectives:**

In an effort to provide value-added services, the WIU Office of Internal Auditing assists management in the effective discharge of their responsibilities relating to the University's strategies, key business objectives, associated risks, and risk management processes. To accomplish this, the Department will furnish management with analyses, recommendations, counsel and pertinent information concerning the activities reviewed or investigated. The attainment of this overall objective involves such activities as:

1. Evaluating the organization's governance process and making recommendations to assist in enhancing:
  - a. Strategic and operational decisions.
  - b. Oversight and communication of the risk management and control process.
  - c. Ethics and values programs.
  - d. Organizational performance, management, and accountability.
  - e. Communication of information among the board, external and internal auditors, other assurance providers, and management.
2. During audits, determining if the overall system of internal control is adequate, effective, efficient and functioning properly to reduce risk and achieve objectives.
3. Assessing the reliability and adequacy of the accounting, financial, technology and reporting systems and procedures.
4. Ensuring key risks are identified and managed.
5. Determining if University and Foundation activities are in conformity with generally accepted accounting principles; policies and procedures; state and federal laws and regulations; contractual obligations and good business practices.
6. Ascertaining the extent to which the organization's assets exist, are properly accounted for and are safeguarded from losses through theft, fraud or other means.
7. Developing the professional skills and competence of the internal auditing staff.

### **Audit Services:**

The Internal Auditing Department performs internal operational, technology, compliance and financial related audits of programs, functions, services, departments and accounts under the authority of the University or Foundation. There are four primary types of audit services provided:

1. **Assurance Services:** an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. These types of audits include financial, operational, compliance, information technology pre-implementations, and due diligence engagements.
2. **Consulting Services:** advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. When performing consulting services, the WIU Office of Internal Auditing will not assume management's responsibilities in order to maintain their objectivity and independence.
3. **Special Investigations:** Investigations evaluate allegations of unethical business practices and/or financial and operational misconduct to determine if allegations are substantiated and to prevent future occurrences. These steps are also taken to prevent additional occurrences from happening. The WIU Policy on Fraud (<http://www.wiu.edu/vpas/policies/fraud.php>) defines the roles and responsibilities for internal audit staff to follow when investigating allegations of fraud.
4. **Follow-up Engagements:** Follow-up engagements evaluate plans and actions taken to correct reported conditions or deficiencies.

### **Primary Duties and Responsibilities:**

1. Ensure conformance with the mandatory elements of the IIA International Professional Practices Framework and Fiscal Control and Internal Auditing Act.
2. Prior to June 30th of each year, submit a flexible, two-year, risk-based audit plan identifying audits scheduled to the University President and Audit Committee Chairperson for approval. The plan will include risks and control concerns identified by management or through the annual risk assessment process and address compliance requirements established by FCIAA.
3. Implement the audit plan by performing internal operational, compliance, technology and/or financial audits of programs, functions, services, departments and accounts that are under the authority of the University and the Foundation.
4. Adjust the plan and address special request audits, reviews or investigations as requested by management or deemed necessary as a result of potential fraudulent activity, significant internal control weaknesses identified, or emerging issues that may significantly impact the University.
5. Ensure major information systems of internal and accounting administrative controls are reviewed at least once every two years. This includes review of the design of major new information systems and major modifications of those systems before their installation.
6. Report all material results of audits, reviews, or investigations to the appropriate levels of management and the Audit Committee.

7. Prepare an annual report by September 30th, summarizing the scope, results and status of implemented action plans; and the results and activities of the WIU Office of Internal Auditing throughout the previous fiscal year.
8. Report annually to the President and Audit Committee regarding the accomplishments of the Department, the audit plan, operational activities, budget, and staffing of the WIU Office of Internal Auditing.
9. Establish an audit finding follow-up process to monitor and identify if management actions have been effectively implemented, or if senior management has accepted the risk of not taking any action. This includes proper disclosure to the Audit Committee when risks have been accepted.
10. Coordinate with external auditors and regulatory agencies concerning the scope of work to be performed to reduce duplication and optimize audit coverage.
11. Assist management in the coordination of the annual FCIAA certification of internal controls for the University and Foundation.
12. Assist in the investigation of potentially fraudulent activities as required by the WIU Policy on Fraud and ensure due diligence is performed to identify fraud in planned audits.
13. Periodically communicate and meet with University Senior Leadership and the Audit Committee to review the results of audits, consulting services, and investigations.
14. At least annually, provide the Internal Audit Charter and to Senior Leadership and the Audit Committee for review and approval.

**Approvals:**

Original Charter Approved by President & BOT: June 1, 2007

Revisions Approved: June, 29, 2010; November 11, 2011; See Below

BOT: December 16, 2011; December 14, 2012; December 13, 2013; December 19, 2014; December 18, 2015; December 16, 2016; President: Nov 1, 2013; November 10, 2014; October 26, 2015; November 14, 2016

**GENERAL DISCUSSION AND ACTION ITEMS REPORT**

**Report No. 17.12/6: Report on Quarterly Planning Update**

VP Rives introduced the quarterly update as presented.

**Report No. 17.12/7: Report on Fiscal Year 2017 Master Plan Update**

VP Rives presented a power point presentation, which highlighted many campus initiatives and capital projects.

**Report No. 17.12/8: Report on Higher Learning Commission Quality Initiative: Fiscal Year 2017 Update**

VP Rives highlighted the report and presented it as information.

**Report No. 17.12/9: Report on Iowa Re-Certification for Museum Studies and Distance Education**

VP Rives highlighted the report and discussed its necessity.

**THEREFORE**, be it resolved that the Board of Trustees of Western Illinois University approves the conferral of a Doctor of Humane Letters upon James E. Shipp and Robert and Blenda Ontiveros at a Western Illinois University commencement ceremony.

### **AUDIT COMMITTEE REPORT**

Lyneir Cole, Chair

#### **Report No. 18.3/7: External Audit Report**

Trustee Cole reported that asks that this report be tabled until the required audit information is received.

A motion to table Report 18.3/7 was made by Trustee Gradle. Trustee Nelson seconded the motion. Trustee Gradle rescinded his motion.

### **PRESIDENTIAL ASSESSMENT AND EVALUATION COMMITTEE REPORT**

Yvonne Savala, Chair

Trustee Savala stated that an assessment will be led and governance groups will be contacted shortly.

### **GENERAL DISCUSSION AND ACTION ITEMS REPORT**

#### **Report No. 18.3/8: Macomb Campus Facility Assessment Report**

Vice President Matt Bierman highlighted the report as presented. Trustee Cole asked a question regarding the University Union to which Vice President Bierman responded that the concerns had been resolved. Trustee Nelson asked about the land plans for the former site of Higgins. Vice President Bierman indicated that as part of the project, the contractor is required to return it to greenspace with either grass or native grasses.

#### **Report No. 18.3/9: Quarterly Planning Update**

Vice President Joe Rives presented the report.

#### **Report No. 18.3/10: Higher Values in Higher Education 2017-2022, Draft #1**

Vice President Joe Rives highlighted the report as presented, explaining that this report is desired to be viewed as a discussion draft. Trustee Nelson asked which groups would be reviewing the document. Trustee Rives indicated that the six governance groups on two campus would perform the review.

#### **Report No. 18.3/11: Higher Learning Commission: Financial Indicator Report**

Vice President Joe Rives presented the report, and explained the need for the report, and further called attention to the page 28, where it stated, "projection made by the budget office," which should have been delineated from the report prior to filing it with the Higher Learning Commission. VP Rives explained that he called the Higher Learning Commission to inquire as to any ramifications that would have resulted from this error and was assured that there was none. Chair Early further reported that the Higher Learning Commission received and accepted the report as presented.

#### **Report No. 18.3/12: President's Executive Institute**

President Jack Thomas and Vice President Joe Rives presented a power point presentation, along with and on behalf of President Jack Thomas. Many campus-wide and outreach initiatives and accomplishments were itemized and expanded upon.

#### **Report No. 18.3/13: The Statewide Budget Context and Western Illinois University's Mission-Driven Planning and Results, Fiscal Year 2018 Update**

# WESTERN ILLINOIS UNIVERSITY BOARD OF TRUSTEES

June 8, 2018

## Report 18.6/6 Report on External Audits

This is a report of the activity and the results of the FY 2017 Annual External Financial and Compliance Audits, and other outsourced audits released in FY 2017.

### Annual External Financial and Compliance Audits FY2017

- A. Financial Audit – One finding
  - 1. Inadequate Control over Reporting Restricted Accounts
- B. Compliance Audit – total findings 6 – the one above and the following:
  - 2. Improper Verification Procedures and Delay in Disbursement Reporting and Approval of Work Authorization (repeat)
  - 3. Noncompliance with University Guidelines on Excess Funds (repeat)
  - 4. Noncompliance with the University Guidelines on Subsidies (repeat)
  - 5. Weaknesses in Computer Inventory Controls (repeat)
  - 6. Expenditures in Excess of License Plate Fees Earned

Full detail of these audits may be found on the State of Illinois Auditor General's Website:

<http://www.auditor.illinois.gov/Audit-Reports/WESTERN-ILLINOIS-UNIVERSITY.asp>

### Other External/Outsourced Audits, Regulatory Reviews, or Agreed Upon Procedures:

1. NCAA – Independent Accountants' Report on Applying Agreed Upon Procedures – June 30, 2017
2. WIUM-FM/WIUV-FM Radio Financial Statements & Independent Auditors' Report - June 30, 2017 & 2016
3. Western Illinois University Foundation Financial Statements & Independent Auditor's Report - June 30, 2017 and 2016
4. WQPT-TV Annual Financial Report – June 30, 2017

### Number of Material Findings by University:

	Financial Audit		Compliance Audit	
	FY2017	FY2016	FY2017	FY2016
<a href="#">Eastern Illinois University</a>	1	0	4	3
<a href="#">Western Illinois University</a>	1	1	6	7
<a href="#">Illinois State University</a>	3	1	7	4
<a href="#">Southern Illinois University</a>	1	0	13	12
<a href="#">Northern Illinois University</a>	4	2	14	12
<a href="#">Northeastern Illinois University</a>	1	3	18	17
<a href="#">Chicago State University</a>	4	2	18	13
<a href="#">U of I</a>	3	3	18	18
<a href="#">Governors State University</a>	0	2	19	20



Attachment L  
Western Illinois University Enrollment Trends  
Fall 2013 through Fall 2017

Data also available from Western Illinois University Fact Book, [www.wiu.edu/IRP/factbook.php](http://www.wiu.edu/IRP/factbook.php)

Table 23. Undergraduate and Graduate Enrollment by College, Department and Major, Fall 2013-2017

College/Department/Major	2013		2014		2015		2016		2017		Percent Change 2013-2017	
	Undergrad	Grad	Undergrad	Grad	Undergrad	Grad	Undergrad	Grad	Undergrad	Grad	Undergrad	Grad
<b>COLLEGE OF ARTS &amp; SCIENCES</b>												
African American Studies*	17	-	10	1	13	-	10	-	-	-	-	-
African American Studies*	17	-	10	-	13	-	10	-	-	-	-	-
African & African Diaspora World Studies-PBC	458	70	442	76	429	89	424	83	384	69	453	-14.2%
Biology	429	50	409	70	401	80	393	79	353	67	420	-12.1%
Biology Education	16	-	22	-	22	-	20	-	17	-	17	6.3%
Clinical Laboratory Science	14	-	11	-	8	-	11	-	14	-	14	-
GIS Analysis-Ecological GIS-PBC	2	-	-	-	1	-	-	-	-	-	-	-
Zoo & Aquarium Studies-PBC	18	-	-	-	8	-	-	-	2	-	2	-100.0%
Chemistry	202	28	212	41	186	36	170	39	150	33	183	-25.7%
Chemistry	67	28	85	41	81	36	65	39	53	33	86	-20.9%
Chemistry Education	5	-	5	-	4	-	6	-	6	-	6	20.0%
Forensic Chemistry	126	-	122	-	99	-	99	-	91	-	91	-27.8%
Pre-Chemical Engineering	2	-	2	-	-	-	-	-	-	-	-	-100.0%
Pre-Pharmacy	2	-	4	-	2	-	101	37	92	38	130	-58.2%
English	220	44	170	42	114	38	64	37	101	57	94	-39.4%
English	84	42	78	40	76	37	101	37	37	35	35	-11.9%
English Education	82	-	42	-	36	-	37	-	-	-	-	-43.5%
English-PBC	64	-	50	-	-	-	-	-	-	-	-	-100.0%
Journalism (moved to Broadcasting F.I.S.)	26	-	30	-	27	-	37	-	33	-	33	26.9%
Foreign Languages & Literatures	-	-	6	-	10	-	18	-	22	-	22	-80.0%
French	5	-	4	-	3	-	4	-	1	-	1	-100.0%
French	2	-	2	-	2	-	1	-	-	-	-	-100.0%
French Education	13	-	13	-	4	-	6	-	1	-	1	-92.3%
Spanish	6	-	5	-	8	-	8	-	8	-	8	50.0%
Spanish Education	-	-	-	-	-	-	-	-	-	-	-	-
Environmental Science, Ph. D.	-	-	-	-	-	-	-	-	-	-	-	-
Geography, Geographic Info Sci & Meteorology**	56	13	61	14	50	17	37	12	48	28	40	-47.3%
Geography & Geographic Information Science	15	12	19	14	14	17	31	12	23	9	20	-40.0%
Meteorology	40	-	42	-	36	-	26	-	20	-	20	-50.0%
Meteorology	-	-	-	-	-	-	-	-	-	-	-	-100.0%
Community Development-PBC	37	-	39	-	35	-	26	-	25	-	17	-64.1%
Geology	121	28	121	28	109	30	94	28	89	16	105	-26.4%
History	59	28	59	28	54	30	55	28	40	18	58	-42.0%
History Education	52	-	62	-	55	-	39	-	49	-	49	-5.8%
Liberal Arts & Sciences	94	30	89	24	73	19	68	7	76	10	90	-18.9%
Liberal Arts & Sciences*	-	-	-	-	-	-	-	-	-	-	-	-66.7%
Liberal Arts & Sciences*	94	30	89	24	73	19	68	7	75	10	80	-25.5%
Religious Studies*	-	-	-	-	-	-	-	-	-	-	-	-
Women's Studies*	72	16	64	24	69	20	52	15	67	13	134	-26.0%
Mathematics & Philosophy**	-	-	-	-	-	-	-	-	-	-	-	-
Applied Mathematics-PBC	34	16	28	23	31	20	24	15	22	13	35	-55.3%
Mathematics	20	-	20	-	24	-	24	-	21	-	21	5.0%
Mathematics Education	-	-	-	-	-	-	-	-	8	-	8	-
Philosophy*	4	-	-	-	-	-	-	-	-	-	-	-100.0%
Pre-Architecture*	14	-	5	-	13	-	4	-	3	-	3	-78.6%
Pre-Engineering	261	-	230	-	203	-	301	-	304	-	304	16.6%
Nursing, School of	70	-	68	-	71	-	71	-	68	-	68	-2.9%
Nursing	191	-	162	-	132	-	230	-	238	-	238	23.6%
Pre-Nursing	13	-	16	-	22	-	15	-	15	-	15	-
Philosophy & Religious Studies*	10	-	12	-	17	-	14	-	14	-	14	-
Philosophy*	3	-	3	-	4	-	5	-	1	-	1	-
Physics	37	33	43	27	33	32	26	28	20	21	41	-45.8%
Physics Education	36	33	38	27	65	32	25	28	16	21	37	-54.3%
Pre-Architecture* (see Mathematics)	2	-	5	-	7	-	4	-	4	-	4	100.0%
Pre-Engineering (see Mathematics)	-	-	-	-	-	-	-	-	-	-	-	-

Table 23. Undergraduate and Graduate Enrollment by College, Department and Major (Continued)

College/Department/Major	2013			2014			2015			2016			2017			Percent Change 2013-2017		
	Undergrad	Grad	Total	Undergrad	Grad	Total	Undergrad	Grad	Total	Undergrad	Grad	Total	Undergrad	Grad	Total	Undergrad	Grad	Total
Political Science	114	34	148	105	28	138	80	32	122	99	20	119	81	19	100	-28.9%	-44.1%	-32.4%
Psychology	382	61	443	361	60	421	347	64	401	346	62	398	330	64	384	-13.6%	-11.6%	-13.3%
Psychology	382	40	422	361	38	399	347	34	381	340	34	380	330	37	367	-13.6%	-7.6%	-13.0%
School Psychology	-	21	21	-	22	22	-	20	20	-	19	19	-	17	17	-	-19.0%	-19.0%
Sociology & Anthropology	104	18	122	78	14	90	77	14	91	65	16	71	81	13	74	-41.3%	-27.8%	-33.3%
Anthropology	24	-	24	18	-	18	15	-	15	13	-	13	20	-	20	-18.7%	-	-18.1%
Sociology	80	18	98	68	14	72	62	14	76	42	16	58	41	13	54	-48.6%	-27.6%	-44.8%
Women's Studies*	9	3	12	7	1	8	7	-	7	8	-	8	-	-	-	-	-	-
Women's Studies	9	3	12	7	1	8	7	-	7	8	-	8	-	-	-	-	-	-
Women's Studies-PBC	-	3	3	-	1	1	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL ARTS &amp; SCIENCES</b>	<b>2,222</b>	<b>378</b>	<b>2,600</b>	<b>2,069</b>	<b>380</b>	<b>2,449</b>	<b>1,684</b>	<b>384</b>	<b>2,268</b>	<b>1,865</b>	<b>343</b>	<b>2,208</b>	<b>1,724</b>	<b>303</b>	<b>2,027</b>	<b>-22.4%</b>	<b>-19.8%</b>	<b>-22.9%</b>
<b>COLLEGE OF BUSINESS &amp; TECHNOLOGY</b>																		
Accounting & Finance	376	22	397	378	29	398	367	20	377	367	22	389	364	26	390	-2.6%	18.2%	-1.8%
Accountancy	123	22	145	131	20	151	117	20	137	136	22	158	121	28	147	-1.6%	18.2%	1.4%
Pre-Accountancy	165	-	165	170	-	170	183	-	183	169	-	169	160	-	160	3.2%	-	3.2%
Finance	46	-	46	39	-	39	23	-	23	24	-	24	36	-	36	-21.7%	-	-21.7%
Pre-Finance	51	-	51	38	-	38	34	-	34	49	-	49	47	-	47	-7.8%	-	-7.8%
Agriculture, School of	306	-	306	354	-	354	362	-	362	360	-	360	321	-	321	-12.1%	-	-12.1%
Agriculture	333	-	333	319	-	319	320	-	320	316	-	316	286	-	286	-11.1%	-	-11.1%
Agriculture Education	22	-	22	19	-	19	25	-	25	19	-	19	23	-	23	4.5%	-	4.5%
Pre-Veterinary Medicine	10	-	10	18	-	18	17	-	17	16	-	16	2	-	2	-80.0%	-	-80.0%
Computer Science, School of	242	72	314	288	119	407	277	148	426	264	160	414	244	174	418	0.8%	141.7%	33.7%
Computer Science	165	72	237	165	119	304	175	148	323	164	160	324	150	174	324	-9.1%	141.7%	38.7%
Cyber Security*	-	-	-	-	-	-	-	-	-	-	-	-	7	-	7	-	-	-
Information Systems (B.B.) <i>Phase out FL11</i>	2	-	2	-	-	-	-	-	-	-	-	-	1	-	1	-50.0%	-	-50.0%
Information Systems (B.S.)	65	-	65	73	-	73	74	-	74	68	-	68	67	-	67	3.6%	-	3.6%
Pre-Information Systems	-	-	-	1	-	1	-	-	-	-	-	-	-	-	-	-	-	-
Network Technologies*	20	-	20	29	-	29	28	-	28	24	-	24	29	-	29	45.0%	-	45.0%
Economics & Decision Sciences	42	27	69	44	22	66	61	26	76	43	36	78	27	40	67	-36.7%	48.1%	-2.8%
Applied Statistics & Decision Analytics(M.S.)	-	-	-	-	-	-	-	-	-	5	5	-	12	-	12	-	-	-
Business Analytics-PBC	-	-	-	1	-	1	-	4	4	-	5	-	5	-	5	-	-	-
Economics (B.A.) (M.A.)	10	27	37	10	21	31	11	21	32	14	25	39	8	27	35	-20.0%	-	-5.4%
Economics (B.B.)	9	-	9	11	-	11	15	-	15	15	-	15	8	-	8	-11.1%	-	-11.1%
Pre-Economics	23	-	23	23	-	23	26	-	26	14	-	14	11	-	11	-62.2%	-	-62.2%
Engineering, School of	138	-	138	153	-	153	153	-	153	167	-	167	138	-	138	0.6%	-	0.6%
Engineering	138	-	138	153	-	153	153	-	153	167	-	167	110	-	110	-20.3%	-	-20.3%
Mechanical Engineering (new EP 17)	-	-	-	-	-	-	-	-	-	-	-	-	28	-	28	-	-	-
Engineering Technology	284	8	293	309	13	322	266	31	297	287	94	381	269	91	360	-8.8%	911.1%	19.6%
Construction Management	115	-	115	123	-	123	95	-	95	93	-	93	87	-	87	-24.3%	-	-24.3%
Engineering Technology	99	-	99	120	-	120	113	-	113	143	-	143	142	-	142	43.4%	-	43.4%
Engineering Technology Leadership	-	8	8	13	-	13	-	31	31	-	26	26	-	30	30	-	233.3%	233.3%
Graphic Communication	70	-	70	66	-	66	68	-	68	41	-	41	20	-	20	-62.9%	-	-62.9%
Instructional Design & Technology*	-	-	-	-	-	-	-	-	-	-	62	62	-	58	58	-	-	-
Instructional Design & Technology-PBC*	-	-	-	-	-	-	-	-	-	7	7	-	5	-	5	-	-	-
Media & Instructional Technology*	-	-	-	-	-	-	-	-	-	10	-	10	4	-	4	-	-	-
Management & Marketing	716	95	811	747	95	842	692	117	809	604	90	694	647	115	682	-23.5%	21.1%	-18.4%
Business Administration	-	76	76	-	60	60	-	88	88	-	77	77	-	107	107	-	40.8%	40.8%
Business Administration-PBC	-	10	10	-	15	15	-	17	17	-	8	8	-	4	4	-	-73.3%	-73.3%
Human Resource Management	17	-	17	38	-	38	36	-	36	31	-	31	22	-	22	29.4%	-	29.4%
Pre-Human Resource Management	81	-	81	82	-	82	61	-	61	48	-	48	49	-	49	-19.7%	-	-19.7%
Management	82	-	82	114	-	114	123	-	123	90	-	90	78	-	78	-4.9%	-	-4.9%
Pre-Management	231	-	231	214	-	214	160	-	160	134	-	134	121	-	121	-47.6%	-	-47.6%
Marketing	71	-	71	78	-	78	65	-	65	62	-	62	45	-	45	-38.6%	-	-38.6%
Pre-Marketing	129	-	129	125	-	125	94	-	94	82	-	82	79	-	79	-38.8%	-	-38.8%
Supply Chain Management	61	-	61	65	-	65	76	-	76	80	-	80	66	-	66	8.2%	-	8.2%
Pre-Supply Chain Management	64	-	64	81	-	81	87	-	87	77	-	77	87	-	87	35.8%	-	35.8%
Supply Chain Management-PBC	-	4	4	-	14	14	-	12	12	-	5	5	-	4	4	-	-	-

Table 23. Undergraduate and Graduate Enrollment by College, Department and Major (Continued)

College/Department/Major	2013			2014			2015			2016			2017			Percent Change 2013-2017		
	Undergrad	Grad	Total	Undergrad	Grad	Total	Undergrad	Grad	Total	Undergrad	Grad	Total	Undergrad	Grad	Total	Undergrad	Grad	Total
Pre-Business Undecided	36	-	36	49	-	49	99	-	99	82	-	82	88	-	88	144.4%	-	144.4%
<b>TOTAL BUSINESS &amp; TECHNOLOGY</b>	<b>2,188</b>	<b>226</b>	<b>2,414</b>	<b>2,321</b>	<b>269</b>	<b>2,590</b>	<b>2,257</b>	<b>341</b>	<b>2,598</b>	<b>2,164</b>	<b>401</b>	<b>2,565</b>	<b>1,888</b>	<b>446</b>	<b>2,334</b>	<b>-28.6%</b>	<b>88.2%</b>	<b>0.9%</b>
<b>COLLEGE OF EDUCATION &amp; HUMAN SERVICES</b>																		
Counseling	-	72	72	-	77	77	-	78	78	-	73	73	-	72	72	-	-	16.0%
Curriculum & Instruction	486	210	696	440	183	623	346	163	509	306	147	453	280	126	406	-42.4%	-40.5%	-41.8%
Elementary Education/Curriculum & Instruction	139	73	212	133	68	201	117	60	177	65	60	125	58	62	120	-58.3%	12.3%	-34.0%
Middle Level Education	-	-	-	-	-	-	-	-	-	-	-	-	15	-	15	-	-	-
Pre-Elementary Education	212	-	212	193	-	193	131	-	131	136	-	136	149	-	149	-29.7%	-	-29.7%
Reading	-	109	109	-	89	89	-	51	51	-	39	39	-	25	25	-	-77.1%	-77.1%
Special Education	135	28	163	114	28	140	98	22	120	85	18	103	68	18	86	-57.0%	-35.7%	-53.4%
Dietetics, Fashion Merchandising & Hospitality	258	-	258	225	-	225	193	-	193	146	-	146	122	-	122	-52.7%	-	-52.7%
Family & Consumer Sciences	258	-	258	225	-	225	183	-	183	76	-	76	26	-	26	-89.9%	-	-89.9%
Apparel & Textile Merchandising	-	-	-	-	-	-	2	-	2	20	-	20	32	-	32	-	-	-
Dietetics	-	-	-	-	-	-	4	-	4	23	-	23	26	-	26	-	-	-
Hospitality Management	-	-	-	-	-	-	2	-	2	16	-	16	23	-	23	-	-	-
Nutrition & Foodservice Management	-	-	-	-	-	-	1	-	1	-	-	-	2	-	2	-	-	-
Pre-Dietetics	-	-	-	-	-	-	1	-	1	8	-	8	13	-	13	-	-	-
Educational Studies	16	269	284	8	244	252	8	288	297	9	279	288	11	273	284	-26.7%	1.6%	0.0%
Bilingual/English as a Second Language*	15	-	15	8	-	8	9	-	9	8	-	8	11	-	11	-26.7%	-	-26.7%
College Student Personnel	-	45	45	-	51	51	-	78	78	-	75	75	-	68	68	-	51.1%	51.1%
Educational & Interdisciplinary Studies*	-	35	35	-	38	38	-	27	27	-	27	27	-	33	33	-	-5.7%	-5.7%
Educational Studies*	-	-	-	-	-	-	-	5	5	-	2	2	-	2	2	-	-100.0%	-100.0%
TESOL-PBC	-	5	5	-	5	5	-	5	5	-	44	44	-	54	54	-	20.0%	20.0%
Doctorate of Education	-	45	45	-	37	37	-	41	41	-	27	27	-	27	27	-	-14.1%	-14.1%
Educational Leadership	-	85	85	-	59	59	-	82	82	-	83	83	-	73	73	-	-20.4%	-20.4%
Ed Leadership-6th Year	-	54	54	-	54	54	-	65	65	-	48	48	-	43	43	-	-	-
Health Sciences & Social Work	356	47	403	338	45	383	367	43	410	346	44	390	291	59	350	-18.3%	25.6%	-13.2%
Emergency Management	60	-	60	45	-	45	30	-	30	33	-	33	30	-	30	-50.0%	-	-50.0%
Health Sciences	18	41	59	-	41	41	1	40	41	-	44	44	-	57	57	-100.0%	39.0%	-60.0%
Health Services Administration-PBC	-	8	8	-	4	4	-	3	3	-	-	-	-	2	2	-	-66.7%	-66.7%
Health Services Management	76	-	76	79	-	79	87	-	87	68	-	68	60	-	60	-21.1%	-	-21.1%
Public Health	-	-	-	16	-	16	19	-	19	27	-	27	24	-	24	-	-	-
Social Work	67	-	67	68	-	68	72	-	72	114	-	114	81	-	81	20.9%	-	20.9%
Pre-Social Work	137	-	137	132	-	132	168	-	168	107	-	107	96	-	96	-29.9%	-	-29.9%
Instructional Design & Technology (moved to EIT FL16)	22	99	121	21	91	112	20	87	107	-	-	-	-	-	-	-	-	-
Media & Instructional Technology/MT	22	88	110	21	77	98	20	76	96	-	-	-	-	-	-	-	-	-
Instructional Design & Technology-PBC	-	13	13	-	14	14	-	12	12	-	-	-	-	-	-	-	-	-
Kinesiology	456	89	545	457	87	544	397	82	479	348	94	442	293	109	402	-35.7%	22.6%	-26.2%
Athletic Training	102	-	102	101	-	101	113	-	113	99	-	99	71	-	71	-30.4%	-	-30.4%
Exercise Science	268	-	268	283	-	283	216	-	216	168	-	168	165	-	165	-36.4%	-	-36.4%
Kinesiology	-	33	33	-	34	34	-	41	41	-	47	47	-	44	44	-	33.3%	33.3%
Physical Education K-12	80	-	80	73	-	73	68	-	68	61	-	61	57	-	57	-33.7%	-	-33.7%
Sport Management	-	58	58	-	53	53	-	41	41	-	47	47	-	65	65	-	10.1%	10.1%
Law Enforcement & Justice Admin, School of	1,637	50	1,687	1,607	48	1,655	1,686	48	1,734	1,626	42	1,667	1,369	61	1,430	-16.4%	22.0%	-15.2%
Fire Protection Services	33	-	33	76	-	76	102	-	102	127	-	127	133	-	133	303.0%	-	303.0%
Law Enforcement & Justice Administration	672	50	722	619	45	664	1,484	44	1,528	1,398	39	1,437	1,236	60	1,296	83.9%	20.0%	78.5%
Pre-Law Enforcement & Justice Administration	932	-	932	912	-	912	-	-	-	-	-	-	-	-	-	-100.0%	-	-100.0%
Police Executive Certificate-PBC	-	-	-	3	-	3	-	4	4	-	3	3	-	1	1	-	-	-
Recreation, Park & Tourism Administration	214	33	247	203	30	233	209	40	249	201	35	236	159	30	189	-25.7%	-9.1%	-23.5%
Recreation, Park & Tourism Administration	214	33	247	203	30	233	209	40	249	201	35	236	159	30	189	-25.7%	-9.1%	-23.5%
Event Planning & Management-PBC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL EDUCATION &amp; HUMAN SERVICES</b>	<b>3,444</b>	<b>869</b>	<b>4,313</b>	<b>3,299</b>	<b>805</b>	<b>4,104</b>	<b>3,127</b>	<b>819</b>	<b>3,946</b>	<b>2,850</b>	<b>714</b>	<b>3,564</b>	<b>2,626</b>	<b>729</b>	<b>3,354</b>	<b>-26.7%</b>	<b>18.1%</b>	<b>-24.6%</b>

Table 23. Undergraduate and Graduate Enrollment by College, Department and Major (Continued)

College/Department/Major	2013			2014			2015			2016			2017			Percent Change 2013-2017		
	Undergrad	Grad	Total	Undergrad	Grad	Total	Undergrad	Grad	Total	Undergrad	Grad	Total	Undergrad	Grad	Total	Undergrad	Grad	Total
<b>COLLEGE OF FINE ARTS &amp; COMMUNICATION</b>																		
Art	107	-	107	116	-	115	103	-	103	108	-	108	96	-	96	-10.3%	-	-10.3%
Art (BFA)	82	-	82	85	-	85	80	-	80	80	-	80	77	-	77	-6.1%	-	-6.1%
Art Education	7	-	7	12	-	12	11	-	11	12	-	12	7	-	7	-33.3%	-	-33.3%
Broadcasting & Journalism	18	-	18	18	-	18	12	-	12	14	-	14	12	-	12	-7.2%	-	-7.2%
Broadcasting	207	-	207	188	-	188	221	-	221	202	-	202	192	-	192	-22.2%	-	-22.2%
Journalism	207	-	207	186	-	186	178	-	178	167	-	167	161	-	161	-	-	-
Communication	278	21	299	277	22	299	260	24	284	232	17	249	180	26	205	-35.3%	18.0%	-31.4%
Communication Sciences & Disorders	68	39	104	71	38	109	78	40	118	70	40	110	60	42	92	-24.2%	10.5%	-11.6%
Museum Studies	-	25	25	-	23	23	-	25	25	-	33	33	-	37	37	-	48.0%	48.0%
Museum Studies	-	23	23	-	23	23	-	23	23	-	32	32	-	34	34	-	47.8%	47.8%
Museum Studies-PBC	-	2	2	-	-	-	-	2	2	-	1	1	-	3	3	-	1	1
Music, School of	202	28	230	181	28	206	185	28	210	174	27	201	163	29	192	-19.3%	3.8%	-16.5%
Music (B.A.)	4	-	4	7	-	7	1	-	1	2	-	2	-	-	-	-100.0%	-	-100.0%
Music (B.M.) (M.M.)	107	28	135	103	25	128	114	25	139	105	25	130	100	26	126	-8.5%	-7.1%	-6.7%
Music Education	91	-	91	71	-	71	70	-	70	67	-	67	63	-	63	-30.8%	-	-30.8%
Music Performance-PBC	67	16	83	77	21	98	76	24	100	73	17	90	69	16	74	-11.9%	-8.3%	-10.6%
Theatre and Dance	35	-	35	31	-	31	29	-	29	28	-	28	27	-	27	-22.9%	-	-22.9%
Musical Theatre	32	16	48	48	21	67	47	24	71	45	17	62	32	15	47	-	-6.3%	-2.1%
Theatre	32	16	48	48	21	67	47	24	71	45	17	62	32	15	47	-	-6.3%	-2.1%
<b>TOTAL FINE ARTS &amp; COMMUNICATION</b>	<b>827</b>	<b>128</b>	<b>1,055</b>	<b>817</b>	<b>129</b>	<b>1,048</b>	<b>823</b>	<b>138</b>	<b>1,091</b>	<b>657</b>	<b>134</b>	<b>991</b>	<b>740</b>	<b>148</b>	<b>988</b>	<b>-20.2%</b>	<b>16.9%</b>	<b>-18.0%</b>
<b>OTHER</b>																		
Non-Degree Advanced Graduate	-	83	83	-	73	73	-	88	88	-	78	78	-	84	84	-	33.3%	33.3%
Community & Economic Development (M.A.)	-	-	-	-	-	-	-	-	-	-	7	7	-	16	16	-	-	-
General Studies	494	-	494	478	-	478	488	-	488	420	-	420	389	-	389	-25.3%	-	-25.3%
Interdisciplinary Studies	39	-	39	23	-	23	20	-	20	10	-	10	9	-	9	-76.9%	-	-76.9%
Non-Degree Student (High School)	1	-	1	6	-	6	21	-	21	19	-	19	40	-	40	3900.0%	-	3900.0%
Unclassified	70	141	217	39	118	160	38	148	184	22	144	166	7	107	114	-92.8%	-24.1%	-47.5%
University Advising	401	-	401	424	-	424	388	-	388	275	-	275	182	-	182	-54.6%	-	-54.6%
WESL	71	30	101	70	39	109	17	35	52	41	9	50	15	0	15	-78.5%	-70.0%	-79.2%
<b>TOTAL OTHER</b>	<b>1,082</b>	<b>234</b>	<b>1,316</b>	<b>1,039</b>	<b>230</b>	<b>1,259</b>	<b>860</b>	<b>271</b>	<b>1,221</b>	<b>787</b>	<b>239</b>	<b>1,025</b>	<b>622</b>	<b>216</b>	<b>838</b>	<b>-42.6%</b>	<b>-7.7%</b>	<b>-36.2%</b>
<b>ENROLLMENT TOTAL</b>	<b>9,873</b>	<b>1,834</b>	<b>11,707</b>	<b>9,845</b>	<b>1,813</b>	<b>11,458</b>	<b>9,141</b>	<b>1,953</b>	<b>11,094</b>	<b>8,543</b>	<b>1,830</b>	<b>10,313</b>	<b>7,899</b>	<b>1,842</b>	<b>9,441</b>	<b>-23.0%</b>	<b>0.4%</b>	<b>-19.4%</b>

Includes undeclared and transitional students

PBC = Post-Baccalaureate Certificate

Note: Pre-Engineering and Pre-Engineering have Mathematics CP Codes, so totals are reflected in Mathematics. However, these students are advised by the Physics Dept.

\*Program Change FL16 - Industrial Design & Technology moved from COEHS to Dept. of Engineering Tech in CBT.

\*Program Change FL17 - African Am Studies, Religious Studies, Women's Studies merged under Liberal Arts & Education; Philosophy merged with Mathematics; Network Technologies BS changed to Cyber Security; M.Ed. in EIS changed to M.Ed. in Educational Studies.

\*\*Department Title Changes FL17

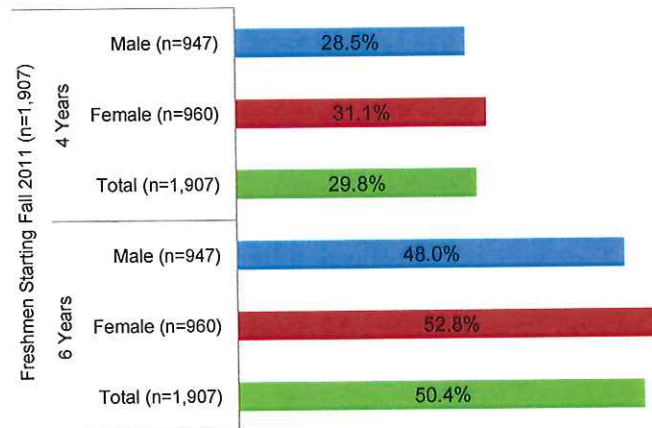
Attachment M  
Retention and Graduation Rates of New Full-Time Freshmen by Sex  
Fall 2010-2016 Cohorts

Data also available from the Western Illinois University Fact Book, [www.wiu.edu/IRP/factbook.php](http://www.wiu.edu/IRP/factbook.php)

**Table 35. Retention and Graduation Rates of New Full-Time Freshmen by Sex, Fall 2010-2016**

Year Enrolled		Number Enrolled	Continuation Rates %		Cumulative Graduation Rates %		
			Continued to 2nd Yr	Continued to 3rd Yr	Graduated in 4 Yrs	Graduated in 5 Yrs	Graduated in 6 Yrs
2010	Male	855	70.7%	62.7%	31.0%	47.9%	52.5%
	Female	886	72.0%	62.6%	30.3%	50.5%	53.7%
	<b>Total</b>	<b>1,741</b>	<b>71.4%</b>	<b>62.7%</b>	<b>30.6%</b>	<b>49.2%</b>	<b>53.1%</b>
2011	Male	947	64.7%	56.0%	28.5%	44.4%	48.0%
	Female	960	70.6%	60.9%	31.1%	49.7%	52.8%
	<b>Total</b>	<b>1,907</b>	<b>67.7%</b>	<b>58.5%</b>	<b>29.8%</b>	<b>47.1%</b>	<b>50.4%</b>
2012	Male	848	62.9%	53.9%	26.3%	40.0%	
	Female	879	63.8%	57.3%	29.9%	47.7%	
	<b>Total</b>	<b>1,727</b>	<b>63.3%</b>	<b>55.6%</b>	<b>28.1%</b>	<b>43.9%</b>	
2013	Male	783	72.5%	62.1%	34.8%		
	Female	821	71.6%	59.7%	32.0%		
	<b>Total</b>	<b>1,604</b>	<b>72.1%</b>	<b>60.8%</b>	<b>33.4%</b>		
2014	Male	729	66.0%	54.7%			
	Female	847	69.2%	55.7%			
	<b>Total</b>	<b>1,576</b>	<b>67.7%</b>	<b>55.2%</b>			
2015	Male	695	68.8%	61.6%			
	Female	813	69.5%	58.8%			
	<b>Total</b>	<b>1,508</b>	<b>69.2%</b>	<b>60.1%</b>			
2016	Male	632	68.0%				
	Female	833	67.7%				
	<b>Total</b>	<b>1,465</b>	<b>67.8%</b>				

**Figure 3. 4-Year and 6-Year Graduation Rates of New Full-Time Freshmen by Sex Fall 2011 Cohort**



Attachment N  
FY17 Audited Financial Statements of the Western Illinois University Foundation



WESTERN ILLINOIS UNIVERSITY FOUNDATION

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

June 30, 2017 and 2016

## CONTENTS

	Page
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
INDEPENDENT AUDITORS' REPORT	9
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	12
FINANCIAL STATEMENTS	
STATEMENTS OF NET POSITION	14
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	15
STATEMENTS OF CASH FLOWS	16
NOTES TO FINANCIAL STATEMENTS	18

**Western Illinois University Foundation  
Management's Discussion and Analysis  
Years Ended June 30, 2017 and 2016**

**Introduction**

This section of the Western Illinois University Foundation (the Foundation) annual financial report presents an overview of the financial performance and activities of the Foundation during the fiscal years ended June 30, 2017 and 2016. This discussion should be read in conjunction with the accompanying financial statements and footnotes, and it is designed to focus on current activities, resulting changes, current known facts, and future outlook. The financial statements, footnotes, and this discussion are the responsibility of the Foundation's management.

**Using the Annual Financial Report**

This annual report consists of financial statements, prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

**Financial Highlights**

**Statement of Net Position**

The Statement of Net Position includes all assets and liabilities, as well as the net position of the Foundation at the end of the fiscal year. Current assets consist primarily of cash, investments, and receivables. Current liabilities consist of liabilities that are due within the following fiscal year.

The net position is divided into four major categories: net investment in capital assets, restricted non-expendable, restricted expendable, and unrestricted. Net investment in capital assets shows the Foundation's equity in capital assets, net of related debt. Restricted non-expendable net position includes endowments that are to be held and invested in perpetuity with earnings thereof to be used for various purposes as determined by donors. Restricted expendable net position includes assets held in charitable remainder trusts, as well as donor restricted earnings on endowments and annuities. The expenditure of these assets is at the discretion of the Foundation after giving consideration to any restrictions placed on the funds by donors. Unrestricted net position includes assets in which the donated principal was unrestricted. Unrestricted net position includes funds designated by the Foundation as quasi endowments, as well as non-endowment donations with no restrictions. Currently, it is the intent of the Foundation Board to only distribute the earnings on quasi endowments and to hold the principal on such assets in perpetuity.

During the fiscal year ended June 30, 2017, the net position of the Foundation increased \$4,895,428 (7.92%). The increase was primarily driven by the performance of the endowment investment pool. The endowment fund increased in value by \$7,908,430 due to contributions of \$1,271,063, the transfer of the farmland held for investment to the endowment valued at \$3,208,598, and the overall market performance of the investments.

**Western Illinois University Foundation  
Management's Discussion and Analysis  
Years Ended June 30, 2017 and 2016**

Condensed Statement of Net Position

<b>Assets</b>	<b>2017</b>	<b>% change '17-'16</b>	<b>2016</b>
<b>Current assets:</b>			
Cash, cash equivalents and investments	\$ 5,390,062	-9.0%	\$ 5,922,306
Pledges receivable, net	1,442,688	69.4%	851,833
Other receivables	117,406	2.8%	114,244
Inventories	38,837		-
Other current assets	415,273	20.1%	345,761
<b>Noncurrent assets:</b>			
Endowment investments	12,116,028	260.5%	3,361,149
Endowment investments, restricted	37,180,579	-2.2%	38,027,028
Charitable remainder trusts, net	4,296,745	-4.9%	4,516,868
Other investments	5,081,772	-36.0%	7,941,601
Pledges receivable, net	508,541	-2.8%	523,257
Long-term loans	87,322	-84.0%	545,533
Cash surrender value of life insurance policies	548,556	547.0%	84,778
Capital assets, net of accumulated depreciation	658,304	0.0%	658,304
Total assets	<u>67,882,113</u>		<u>62,892,662</u>
<b>Liabilities</b>			
Current liabilities	774,610	19.8%	646,582
Noncurrent liabilities	438,613	-7.2%	472,618
Total liabilities	<u>1,213,223</u>		<u>1,119,200</u>
<b>Net Position</b>			
Net investment in capital assets	459,540	4.0%	441,698
Restricted for nonexpendable purposes	29,364,285	3.9%	28,260,062
Restricted for expendable purposes	13,570,429	3.5%	13,116,425
Unrestricted	23,274,636	16.6%	19,955,277
Total net position	<u>\$ 66,668,890</u>		<u>\$ 61,773,462</u>

**Statement of Revenues, Expenses and Changes in Net Position**

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues of the Foundation and the expenses incurred during the year. The largest component of operating revenues is gifts (in the form of cash, pledges, and other considerations), which coincides with the purpose of the Foundation; to provide support to Western Illinois University. The Foundation's operating expenses are primarily distributions of gift income and earnings on investments utilized to carry out the mission of the Foundation.

**Western Illinois University Foundation  
Management's Discussion and Analysis  
Years Ended June 30, 2017 and 2016**

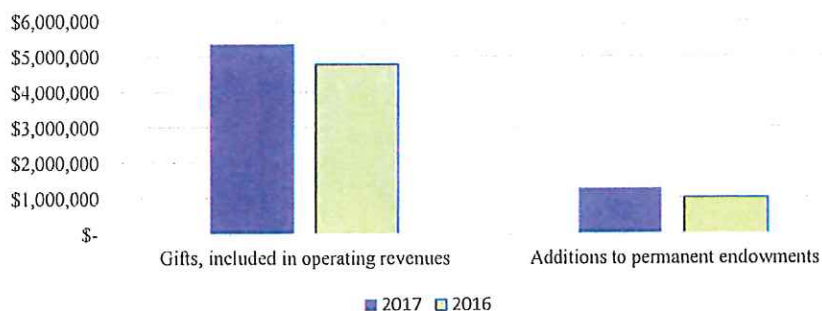
Condensed Statement of Revenues, Expenses and Changes in Net Position

	2017	% change '17-'16	2016
Total operating revenues	\$ 6,145,729	6.9%	\$ 5,746,661
Total operating expenses	7,970,096	4.8%	7,607,197
Net operating loss	(1,824,367)		(1,860,536)
Net non-operating revenues	5,448,732	154.1%	2,144,745
Gain before other revenues, expenses, gains, and losses	3,624,365	1175.2%	284,209
Additions to permanent endowments	1,271,063	25.2%	1,015,395
Change in net position	4,895,428		1,299,604
Net position, beginning of year	61,773,462		60,473,858
Net position, end of year	\$ 66,668,890		\$ 61,773,462

The largest component of operating revenues is contributions that support the purpose of the Foundation which is to enhance the programs, facilities and services of Western Illinois University (the University). The table below presents contribution revenues for fiscal years 2017 and 2016, including additions to the permanent endowment.

	2017	% change '17-'16	2016
Gifts, included in operating revenues	\$ 5,344,567	11.6%	\$ 4,788,623
Additions to permanent endowments	1,271,063	25.2%	1,015,395
Contribution revenues	\$ 6,615,630		\$ 5,804,018

**Contribution Revenue**



During fiscal year 2017, total contribution revenue increased approximately \$ 800,000 from fiscal year 2016.

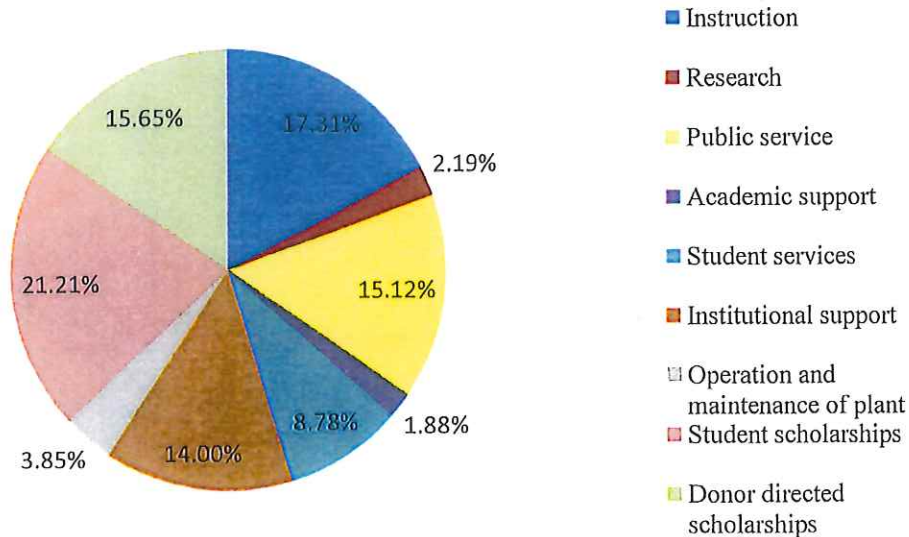
**Western Illinois University Foundation  
Management's Discussion and Analysis  
Years Ended June 30, 2017 and 2016**

In addition to the non-operating revenues shown in the condensed statement, the University provided the Foundation personal services, facility use, and other services, valued at \$1,322,227 during fiscal year 2017; this compares to a figure of \$1,859,935 for fiscal year 2016. Although the Foundation did not specifically pay for these services, the Foundation provided \$4,469,714 to the University in unrestricted funds and funds restricted only as to department and generally available for ongoing University operations during fiscal year 2017, which compares to a figure of \$4,106,729 for fiscal year 2016.

Operating expenses by functional category for the years ended June 30, 2017 and 2016 were as follows:

	2017	% change '17-'16	2016
Instruction	\$ 1,379,963	11.6%	\$ 1,237,067
Research	174,576	185.1%	61,232
Public service	1,205,322	5.5%	1,142,344
Academic support	150,069	22.0%	123,018
Student services	699,508	-10.3%	780,129
Institutional support	1,115,766	-15.7%	1,323,557
Operation and maintenance of plant	306,938	167.7%	114,661
Student scholarships	1,690,798	9.3%	1,547,087
Donor directed scholarships	1,247,156	-2.4%	1,278,102
<b>Total operating expenses</b>	<b>\$ 7,970,096</b>		<b>\$ 7,607,197</b>

**FY2017 Expenses by Functional Category**



**Western Illinois University Foundation  
Management's Discussion and Analysis  
Years Ended June 30, 2017 and 2016**

**Statement of Cash Flows**

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing, and investing activities. It helps measure the ability to meet financial obligations as they mature.

Condensed Statement of Cash Flows

	<u>2017</u>	<u>2016</u>
Cash provided by (used in):		
Operating activities	\$ (2,471,894)	\$ (2,277,792)
Noncapital financing activities	1,557,930	1,555,062
Capital and related financing activities	(27,238)	(53,394)
Investing activities	<u>774,969</u>	<u>(269,307)</u>
Net change in cash and cash equivalents	(166,233)	(1,045,431)
Cash and cash equivalents, beginning of year	<u>2,188,680</u>	<u>3,234,111</u>
Cash and cash equivalents, end of year	<u>\$ 2,022,447</u>	<u>\$ 2,188,680</u>

Foundation's Economic Outlook

The mission of the Foundation is to maximize private support for the University and to assist in advancing the University's core values of academic excellence, educational opportunity, personal growth, and social responsibility. Private support enables the University to enhance educational opportunities for its students and advance its mission of preparing a socially responsible, diverse student, faculty and staff population to lead in the global society. As state appropriated funds continue to provide a smaller portion of the University's operating revenue, funds solicited by the Foundation will continue to play an important role in helping the University and its students achieve their mission and goals. To help solicit and manage contributions to support the University, the Foundation annually embarks on an aggressive campaign to contact our donors and prospects and make them aware of needs.

The Western Challenge has emerged as the University's new tradition of giving to support scholarships, academic departments, student resources and special projects. Held annually on Purple and Gold day, the Western Challenge 24-hour giving event encourages alumni, students, faculty and staff to give back to the University in support of any area that is most meaningful to them. The inaugural Western Challenge held on April 26, 2016 raised nearly \$65,000 from over 400 individual donors. The second event held on April 24, 2017 engaged over 1,000 individual donors, raising over \$130,000 in an ambitious, one-day show of Leatherneck pride, while supporting our students. The Foundation continues to focus on securing significant gifts, and will continue to implement and develop the Western Challenge each year in support of the Foundation's mission.

**Western Illinois University Foundation  
Management's Discussion and Analysis  
Years Ended June 30, 2017 and 2016**

The economy continues to play a factor in both the solicitation of contributions and the performance of the investment pool. During fiscal year 2017, the endowment portfolio performance was above-par and the endowment ended with a 12.2% increase from the fiscal year 2016 level. The Foundation seeks guidance from an outside investment manager to assist the Foundation and its Board of Directors in establishing an appropriate investment portfolio for the endowment pool that will yield maximum income to meet our needs and goals while minimizing risk. The Foundation remains pleased with the performance of the endowment investment manager, Mercer Investment Consulting LLC.

During fiscal year 2017, farmland assets were transferred into the endowment portfolio. In addition, a few changes were made within the endowment portfolio to help increase the probability of achieving its long-term investment objective. For example, equity exposure was increased by five percentage points at the expense of fixed income and hedge funds. While we remain concerned about equity valuations, we believe it is too early to move to a defensive stance given the favorable macro environment. Also, an active global equity strategy was added to the portfolio as investment mandates with fewer geographic constraints offer skilled managers more flexibility to opportunistically allocate capital and an enhanced ability to create value.

Looking toward fiscal year 2018, we expect contributions to the Foundation to remain stable. Despite uncertainties in the current economic climate, our expectations are that the Foundation's asset base will continue to grow in the long-term despite uncertainties in short-term investment performance.



## Independent Auditors' Report

The Board of Directors  
Western Illinois University Foundation  
Macomb, Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Western Illinois University Foundation (the Foundation), which are comprised of the statements of net position as of June 30, 2017 and 2016, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Western Illinois University Foundation as of June 30, 2017 and 2016, and the changes in its net position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2017, on our consideration of the Foundation'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* in considering the Foundation's internal control over financial reporting and compliance.

*Eck, Schaefer & Pionke, LLP*

Springfield, Illinois  
October 30, 2017



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Independent Auditors' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

The Board of Directors  
Western Illinois University Foundation  
Macomb, Illinois

We have audited, 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, the financial statements of Western Illinois University Foundation (the Foundation) as of and for the year ended June 30, 2017, and have issued our report thereon dated October 30, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant 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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Eck Schafw & Pundt, LLP*

Springfield, Illinois  
October 30, 2017

Western Illinois University Foundation

STATEMENTS OF NET POSITION

June 30	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,022,447	\$ 2,188,680
Investments	3,367,615	3,733,626
Pledges receivable, net	1,442,688	851,833
Other receivables	117,406	114,244
Inventories	38,837	-
Prepaid expenses	<u>415,273</u>	<u>345,761</u>
Total current assets	<u>7,404,266</u>	<u>7,234,144</u>
<b>NONCURRENT ASSETS</b>		
Endowment investments	12,116,028	3,361,149
Endowment investments, restricted	37,180,579	38,027,028
Charitable remainder trusts, net	4,296,745	4,516,868
Other investments	5,081,772	7,941,601
Pledges receivable, net	508,541	545,533
Long-term loans	87,322	84,778
Cash surrender value of life insurance policies	548,556	523,257
Capital assets, net of accumulated depreciation	<u>658,304</u>	<u>658,304</u>
Total noncurrent assets	<u>60,477,847</u>	<u>55,658,518</u>
<b>TOTAL ASSETS</b>	<u>67,882,113</u>	<u>62,892,662</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	206,741	131,132
Current portion of note payable	18,471	19,381
Due to Western Illinois University	205,790	178,231
Annuities payable	49,534	49,991
Deferred revenue	<u>294,074</u>	<u>267,847</u>
Total current liabilities	774,610	646,582
<b>NONCURRENT LIABILITIES</b>		
Note payable, less current portion	180,293	197,225
Annuities payable	<u>258,320</u>	<u>275,393</u>
Total noncurrent liabilities	<u>438,613</u>	<u>472,618</u>
<b>TOTAL LIABILITIES</b>	<u>1,213,223</u>	<u>1,119,200</u>
<b>NET POSITION</b>		
Net investment in capital assets	459,540	441,698
Restricted - nonexpendable	29,364,285	28,260,062
Restricted - expendable	13,570,429	13,116,425
Unrestricted	<u>23,274,636</u>	<u>19,955,277</u>
<b>TOTAL NET POSITION</b>	<u>\$ 66,668,890</u>	<u>\$ 61,773,462</u>

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

Western Illinois University Foundation

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years Ended June 30

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Gifts	\$ 5,344,567	\$ 4,788,623
Other grants	201,419	301,429
Sales and services	<u>599,743</u>	<u>656,609</u>
Total operating revenues	6,145,729	5,746,661
OPERATING EXPENSES		
Instruction	1,379,963	1,237,067
Research	174,576	61,232
Public service	1,205,322	1,142,344
Academic support	150,069	123,018
Student services	699,508	780,129
Institutional support	1,115,766	1,323,557
Operation and maintenance of plant	306,938	114,661
Student scholarships	1,690,798	1,547,087
Donor directed scholarships	<u>1,247,156</u>	<u>1,278,102</u>
Total operating expenses	<u>7,970,096</u>	<u>7,607,197</u>
NET OPERATING LOSS	(1,824,367)	(1,860,536)
NON-OPERATING REVENUES (LOSSES)		
Investment income, net of investment expense	4,908,325	1,845,708
Change in value of charitable remainder trusts	232,050	(236,199)
Interest on capital asset related debt	(9,515)	-
Other non-operating revenues	<u>317,872</u>	<u>535,236</u>
Total non-operating revenues, net	<u>5,448,732</u>	<u>2,144,745</u>
Gain before other revenues, expenses, gains and losses	3,624,365	284,209
Additions to permanent endowments	<u>1,271,063</u>	<u>1,015,395</u>
CHANGE IN NET POSITION	4,895,428	1,299,604
NET POSITION, BEGINNING OF YEAR	<u>61,773,462</u>	<u>60,473,858</u>
NET POSITION, END OF YEAR	<u>\$ 66,668,890</u>	<u>\$ 61,773,462</u>

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

Western Illinois University Foundation

STATEMENTS OF CASH FLOWS

Years Ended June 30

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Gifts for other than capital and endowment purposes	\$ 4,284,139	\$ 4,137,902
Sales, services and other grants	762,325	964,200
Payments for goods and services	(4,530,870)	(4,516,256)
Payment for scholarships and fellowships	(2,937,954)	(2,814,969)
Payments to annuitants	<u>(49,534)</u>	<u>(48,669)</u>
Net cash flows from operating activities	(2,471,894)	(2,277,792)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Private contributions for endowment purposes	1,271,063	1,015,395
Non-operating revenues, net	<u>286,867</u>	<u>539,667</u>
Net cash flows from noncapital financing activities	1,557,930	1,555,062
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	-	(270,000)
Proceeds from note payable	-	270,606
Payments made on note payable	(17,842)	(54,000)
Interest paid on capital asset related debt	<u>(9,396)</u>	<u>-</u>
Net cash flows from capital and related financing activities	(27,238)	(53,394)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	9,420,992	8,458,736
Earnings on investments, net of investment expense	1,471,558	1,574,907
Purchases of investments	<u>(10,117,581)</u>	<u>(10,302,950)</u>
Net cash flows from investing activities	<u>774,969</u>	<u>(269,307)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(166,233)	(1,045,431)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,188,680</u>	<u>3,234,111</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,022,447</u>	<u>\$ 2,188,680</u>



Western Illinois University Foundation

STATEMENTS OF CASH FLOWS - CONTINUED

Years Ended June 30

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	\$ (1,824,367)	\$ (1,860,536)
Adjustments to reconcile net operating loss to net cash flows from operating activities		
Stock gifts in process	(41,788)	-
Charitable remainder trust assets donated	(55,273)	(53,320)
Actuarial adjustment to annuities payable	(17,530)	10,220
Change in certain operating assets and liabilities		
Pledges receivable, net	(553,863)	(15,047)
Inventories	(38,837)	6,162
Prepaid expenses	(69,512)	(275,492)
Accounts payable and accrued expenses	75,490	(36,136)
Due to Western Illinois University	27,559	3,277
Deferred revenue	<u>26,227</u>	<u>(56,920)</u>
Net cash flows from operating activities	<u>\$ (2,471,894)</u>	<u>\$ (2,277,792)</u>
NONCASH NONCAPITAL FINANCING ACTIVITIES		
Gifts in kind	<u>\$ 435,731</u>	<u>\$ 525,434</u>

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

Western Illinois University Foundation  
NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Institution

The Western Illinois University Foundation (the Foundation) exists for the principal purpose of aiding and assisting Western Illinois University (the University) in achieving its educational, research, and service goals and responsibilities.

The Foundation is a "University Related Organization," as defined under the University Guidelines adopted by the Legislative Audit Commission in 1982, as amended in 1997, and a component unit of the State of Illinois for financial reporting purposes. Due to the significance of the financial relationship with the University, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment to GASB Statement No. 14, the Foundation is also included as a component unit of the University for financial reporting purposes. The financial balances and activities included in these financial statements are therefore also included as part of the University's financial statements and the State of Illinois Comprehensive Annual Financial Report. All funds of the Foundation are locally administered and are neither subject to the State of Illinois appropriation process nor held in the State Treasury.

2. Measurement Focus and Basis of Accounting

The financial statements of the Foundation have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. The Foundation first utilizes its restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net positions are available.

The Foundation has classified its revenues and expenses as either operating or non-operating according to the following criteria:

Operating:

Operating revenues and expenses include activities that have the characteristics of exchange transactions. Also included in operating revenues is contribution revenue, as the Foundation's primary purpose is to secure contributions on behalf of the University.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. Measurement Focus and Basis of Accounting - Continued

Non-operating:

Non-operating revenues and expenses include activities that have the characteristics of non-exchange transactions, such as investment income and other revenue sources and expenditure uses that are defined as non-operating revenues and expenses by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Non-exchange transactions, including contributions from donors, are in accordance with the recognition requirements of GASB Statement No. 53.

The financial statement presentation required by GASB Statement numbers 35, 37 and 38 provides a comprehensive perspective of the Foundation's assets, liabilities, net position, revenues, expenses, changes in net position and cash flows.

3. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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, expenses and other changes in net position, during the reporting period. Actual results could differ from those estimates.

4. Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Foundation considers all highly-liquid investments with original maturities of three months or less to be cash and cash equivalents. Cash and cash equivalents held temporarily as part of an investment portfolio are considered to be an investment and are therefore excluded from cash and cash equivalents.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Investments and Investment Income

The Foundation accounts for its investments based on fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Changes in fair value of investments are reported in the non-operating section of the accompanying statement of revenues, expenses and changes in net position.

The Board of Directors of the Foundation is responsible for the management of the Foundation's investments. The Investment Committee is responsible for recommending investment policy for Board approval. Investment performance is reviewed three times by the Investment Committee and reviewed nine times by the Executive Committee during each fiscal year.

The Foundation's permissible investment categories include:

- Domestic equity
- International equity
- Emerging markets equity
- Fixed income
- Real assets
- Private equity
- Absolute return (hedge funds)
- Cash and cash equivalents

6. Capital Assets

Land and equipment purchased by the Foundation are recorded at cost. Donated assets are capitalized at fair value at the date of the contribution. The Foundation capitalizes all equipment items that cost \$ 5,000 or more, and have an estimated useful life of greater than one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Depreciation is calculated using the straight-line method over the estimated useful lives of the class of assets.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. Deferred Revenue

Revenues from dues for various memberships and donor directed scholarships for subsequent academic years are deferred and recognized in the periods to which they relate.

8. Endowments

On June 30, 2009, the Illinois Governor signed the Uniform Prudent Management of Institutional Funds Act (UPMIFA) into law. UPMIFA replaced the Uniform Management of Institutional Funds Act 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 utilizes UPMIFA's provisions for spending decisions regarding the Foundation's endowment funds.

For donor restricted endowments, UPMIFA permits the Board of Directors of the Foundation to appropriate an amount of donor restricted endowments. The Board of Directors has established an investment policy with the objectives of protecting the principal of these funds and maximizing total investment return without assuming extraordinary risks. A similar strategy has been implemented for Foundation designated endowments.

For both donor restricted endowments and Foundation designated endowments, it is the goal of the Foundation to provide spendable income levels that are reasonably stable and sufficient to meet budgetary requirements and to maintain a spending rate, currently established at 4.25% for endowment purposes and 1.10% and 1.15% for the years ended June 30, 2017 and 2016, respectively, for operational purposes. Distributions are based on a 36-month moving average of endowment market value (excluding farmland values), which ensures a proper balance between the preservation of corpus and enhancement of the purchasing power of investment earnings. The Foundation's policy is to retain the endowment's unrealized appreciation with the endowment (either donor restricted or Foundation designated) after spending rate distributions. As of June 30, 2017, the Foundation had a total of \$ 7,360,150 of net cumulative appreciation from investment of donor restricted endowments and Foundation designated endowments available for expenditure. This amount is allocated between expendable restricted net position and unrestricted net position in the statement of net position based on the classification (restricted nonexpendable vs. unrestricted) of the underlying asset upon which the income was earned.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

9. Federal Income Tax Status

The U. S. Treasury Department issued a determination letter dated January 1948 that the Foundation is exempt from Federal income taxes under what is now Section 501(c)(3) of the Internal Revenue Code.

10. Split-Interest Agreements

The Foundation's split-interest agreements with donors consist of irrevocable charitable remainder trusts and irrevocable charitable trusts for which the Foundation is a beneficiary. The fair value of the trust assets are reported in the statement of net position, and changes in the fair value of the assets are recognized in the statement of revenues, expenses and changes in net position. It is management's intent to record the contribution income from these agreements in the fiscal year the Foundation becomes the irrevocable beneficiary. The Foundation received \$ 55,273 and \$ 53,320 of new contribution income during fiscal years 2017 and 2016, respectively. Any outstanding liabilities relating to the annual distributions required by the trust agreements have been netted with the charitable remainder trust assets in the statement of net position.

11. Net Position

The Foundation's net position is classified as follows:

*Net investment in capital assets:* Represents the investment in capital assets after depreciation, net of outstanding debt related to capital assets.

*Restricted - nonexpendable:* Represents endowed funds where the donors have stipulated, as a condition of the gift instrument, that the principal be maintained in perpetuity and invested for the purpose of producing income, which may either be expended or added to principal.

*Restricted - expendable:* Represents funds where the donors have stipulated a specific or general purpose restriction regarding the expenditure of the gift.

*Unrestricted:* Represents funds where the donors have not stipulated any restriction on the utilization of the gift and all other accumulated unrestricted resources. These resources may be used to meet current expenditures for any purpose. Unrestricted net position includes Foundation designated endowments.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

12. Subsequent Events

The Foundation assessed events that have occurred subsequent to June 30, 2017 through October 30, 2017, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to or disclosure in the financial statements.

13. Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the 2017 presentation.

NOTE B - CASH AND CASH EQUIVALENTS

1. Deposits

Cash and cash equivalents consist of the following at June 30:

	<u>2017</u>		<u>2016</u>	
	<u>Carrying</u>	<u>Bank</u>	<u>Carrying</u>	<u>Bank</u>
	<u>Amount</u>	<u>Balance</u>	<u>Amount</u>	<u>Balance</u>
Cash and cash equivalents	<u>\$ 2,022,447</u>	<u>\$ 2,076,823</u>	<u>\$ 2,188,680</u>	<u>\$ 2,263,625</u>

The difference between these amounts primarily represents checks that have been issued, but have not yet cleared the bank, and deposits in transit as of June 30, 2017 and 2016.

2. Custodial Credit Risk

Custodial credit risk is the risk that when, in the event a financial institution or counterparty fails, the Foundation would not be able to recover the value of deposits, investments, or collateral securities that are in the possession of an outside party. The Federal Deposit Insurance Corporation insured account balances of \$ 2,076,823 and \$ 2,263,625 as of June 30, 2017 and 2016, respectively.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE C - INVESTMENTS

1. Summary of Investments

The Foundation has the following investments as of June 30:

	<u>2017</u>	<u>2016</u>
Cash equivalents held in investment accounts	\$ 484,366	\$ 794,656
Certificates of deposit	2,533,968	2,517,958
U. S. agency obligations (FHLM, FNMA)	111,079	83,867
Municipal bonds	1,433,195	1,654,132
Corporate debt securities	6,825,259	6,971,168
Corporate equity securities	91,952	66,152
Mutual funds, domestic equity	12,403,378	10,553,175
Mutual funds, international equity	9,101,625	7,045,033
Mutual funds, domestic debt	1,465,918	2,229,200
Mutual funds, international debt	1,483,949	1,835,153
Real assets funds	3,287,824	2,728,944
Private equity funds	6,628,845	5,223,689
Absolute return (hedge funds)	8,686,038	8,026,017
Real estate (farm land)	<u>3,208,598</u>	<u>3,334,260</u>
Total investments	<u>\$ 57,745,994</u>	<u>\$ 53,063,404</u>



Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE C - INVESTMENTS - Continued

2. Maturities of Investments

At June 30, 2017, the Foundation had the following investments and maturities:

	<u>2017</u>	<u>Maturities in Years</u>			
		<u>Less Than One Year or No Maturity</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>Over 10 Years</u>
Cash equivalents held in investment accounts	\$ 484,366	\$ 484,366	\$ -	\$ -	\$ -
Certificates of deposit	2,533,968	2,533,968	-	-	-
U. S. agency obligations (FHLM, FNMA)	111,079	51,329	59,750	-	-
Municipal bonds	1,433,195	-	1,280,910	152,285	-
Corporate debt securities	6,825,259	1,649,717	4,557,528	568,364	49,650
Corporate equity securities	91,952	91,352	600	-	-
Mutual funds, domestic equity	12,403,378	12,403,378	-	-	-
Mutual funds, international equity	9,101,625	9,101,625	-	-	-
Mutual funds, domestic debt	1,465,918	1,465,918	-	-	-
Mutual funds, international debt	1,483,949	1,483,949	-	-	-
Real assets funds	3,287,824	-	836,799	1,223,365	1,227,660
Private equity funds	6,628,845	1,622,598	243,262	4,174,227	588,758
Absolute return (hedge funds)	8,686,038	8,686,038	-	-	-
Real estate (farm land)	<u>3,208,598</u>	<u>3,208,598</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 57,745,994</u>	<u>\$ 42,782,836</u>	<u>\$ 6,978,849</u>	<u>\$ 6,118,241</u>	<u>\$ 1,866,068</u>

The Foundation adheres to the total return concept of investment management. Total return is defined as the aggregate sum of current income and changes in the market value of the assets under management.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE C - INVESTMENTS - Continued

3. Summary of Carrying Values

Investments are reported in the statement of net position as follows at June 30:

	<u>2017</u>	<u>2016</u>
Current		
Investments	\$ 3,367,615	\$ 3,733,626
Noncurrent		
Endowment investments	12,116,028	3,361,149
Endowment investments, restricted	37,180,579	38,027,028
Other investments	<u>5,081,772</u>	<u>7,941,601</u>
Total	<u>\$ 57,745,994</u>	<u>\$ 53,063,404</u>

Investment income was as follows for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Investment and dividend income	\$ 1,511,245	\$ 1,220,539
Gain (loss) on sale of investments	358,970	(497,552)
Net increase (decrease) in fair market value of investments	3,796,753	(891,545)
Gain (loss) on land held for investments	(125,662)	2,617,460
Investment expense	<u>(632,981)</u>	<u>(603,194)</u>
Investment income, net	<u>\$ 4,908,325</u>	<u>\$ 1,845,708</u>

4. Concentration Risk

Concentration risk exists when a significant portion of the portfolio is invested in items with similar characteristics or subject to similar economic, political, or other conditions. As of June 30, 2017, the Foundation has two single issuer investments that each represent over 5% of the total assets of the Foundation. Foundation management believes these concentration risks represented below are not excessive when considering the overall diversification of the entire investment portfolio. The following issuers hold more than 5% of total Foundation assets as of June 30, 2017:

Vanguard Total Stock Market Index	\$ 9,029,783	13.3%
Mercer Hedge Fund Investors SPC	8,686,038	12.8%

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE C - INVESTMENTS - Continued

5. Interest Rate Risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's value. The Foundation does not have a policy that specifically addresses interest rate risk. The Foundation had the following assets, at fair values, exposed to interest rate risk at June 30:

	<u>2017</u>	<u>2016</u>
Cash equivalents held in investment accounts	\$ 484,366	\$ 794,656
Certificates of deposit	2,533,968	2,517,958
U. S. agency obligations (FHLM, FNMA)	111,079	83,867
Municipal bonds	1,433,195	1,654,132
Corporate debt securities	6,825,259	6,971,168
Mutual funds, domestic debt	1,465,918	2,229,200
Mutual funds, international debt	<u>1,483,949</u>	<u>1,835,153</u>
Sub-total investments	14,337,734	16,086,134
Demand deposit interest bearing funds	<u>2,022,347</u>	<u>2,188,580</u>
Total assets subject to interest rate risk	<u>\$ 16,360,081</u>	<u>\$ 18,274,714</u>

6. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Foundation's short-term investments generally are not exposed to foreign currency risk.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE C - INVESTMENTS - Continued

6. Foreign Currency Risk - Continued

The Foundation's investments in international stock and mutual funds represent 15.9% and 18.4% of the total Foundation investments at June 30, 2017 and 2016, respectively. The Foundation does not have a policy on foreign currency risk. The U. S. dollar balances of the Foundation's investment exposed to foreign currency risk as of June 30, 2017 and 2016 are listed below.

<u>2017</u>	
Euro	\$ 2,144,678
United Kingdom British Pound	1,443,265
Japanese Yen	1,315,803
Swiss Franc	692,995
Other currencies, individually less than 1% of investment portfolio	<u>3,532,483</u>
Total	<u>\$ 9,129,224</u>

<u>2016</u>	
Euro	\$ 1,575,703
United Kingdom British Pound	1,501,386
Japanese Yen	1,305,535
Swiss Franc	778,937
Yuan Renminbi (China)	577,371
Other currencies, individually less than 1% of investment portfolio	<u>4,013,452</u>
Total	<u>\$ 9,752,384</u>

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE C - INVESTMENTS - Continued

7. Credit Risk

Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligations. Credit quality ratings are not required for U. S. government securities that are explicitly guaranteed by the U. S. government.

At June 30, 2017, the Foundation had the following investments and their ratings.

Credit Rating Per Standard and Poor's  
June 30, 2017

	U.S. Agency Obligations (FHLM, FNMA)	Municipal Bonds	Corporate Debt Securities	Total
Not rated	\$ 111,079	\$ 673,784	\$ 6,012,003	\$ 6,796,866
AA	-	506,023	-	506,023
AA-	-	253,388	244,069	497,457
A-	-	-	249,950	249,950
BBB+	-	-	319,237	319,237
Total	<u>\$ 111,079</u>	<u>\$ 1,433,195</u>	<u>\$ 6,825,259</u>	<u>\$ 8,369,533</u>

Credit Rating Per Moody's  
June 30, 2017

	U.S. Agency Obligations (FHLM, FNMA)	Municipal Bonds	Corporate Debt Securities	Total
Not rated	\$ 59,750	\$ 712,548	\$ 5,247,846	\$ 6,020,144
Aaa	51,329	42,567	-	93,896
Aa1	-	20,290	20,308	40,598
Aa2	-	306,241	-	306,241
Aa3	-	255,210	-	255,210
A1	-	96,339	67,563	163,902
A2	-	-	266,497	266,497
A3	-	-	791,393	791,393
Baa1	-	-	252,060	252,060
Baa2	-	-	159,359	159,359
Baa3	-	-	20,233	20,233
Total	<u>\$ 111,079</u>	<u>\$ 1,433,195</u>	<u>\$ 6,825,259</u>	<u>\$ 8,369,533</u>

Western Illinois University Foundation  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE D - PLEDGES RECEIVABLE

At June 30, pledges receivable balances consisted of the following:

	2017	
	Current	Noncurrent
Pledges receivable		
Due within 1 year	\$ 1,487,307	\$ -
Due in more than 1 year	-	548,932
Total pledges receivable	1,487,307	548,932
Less		
Discount for time - value of money	-	(24,663)
Allowance for doubtful accounts	(44,619)	(15,728)
	\$ 1,442,688	\$ 508,541
	2016	
	Current	Noncurrent
Pledges receivable		
Due within 1 year	\$ 878,178	\$ -
Due in more than 1 year	-	604,465
Total pledges receivable	878,178	604,465
Less		
Discount for time - value of money	-	(42,060)
Allowance for doubtful accounts	(26,345)	(16,872)
	\$ 851,833	\$ 545,533

Management believes the allowance for uncollectible pledges is adequate based on information currently known. However, events impacting donors could occur in the future which would materially increase the allowance for pledges receivable.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE E - CAPITAL ASSETS

The following is a summary of capital assets activity for the years ended June 30:

	Balance June 30, <u>2016</u>	<u>Additions</u>	<u>Adjustments</u>	Balance June 30, <u>2017</u>
Land and land improvements	\$ 658,304	\$ -	\$ -	\$ 658,304

	Balance June 30, <u>2015</u>	<u>Additions</u>	<u>Adjustments</u>	Balance June 30, <u>2016</u>
Land and land improvements	\$ 388,304	\$ 270,000	\$ -	\$ 658,304

NOTE F - ASSETS HELD IN TRUST

The Foundation is named as the residual beneficiary of the following charitable remainder unitrusts: Arlington L. & Arlene Seymour Charitable Remainder Trust, Charles R. O'Brien Charitable Remainder Trust, Kenneth and Lorriane Epperson Charitable Remainder Trust, and the Strong Western Piano Trust.

The terms of the unitrust agreements provide for annual distributions to primary beneficiaries based on a predetermined percentage of the net fair market value of the trust as of the first day of the taxable year. At the death of the primary beneficiaries, the Foundation receives the remainder of the trusts' principal and income, net of any amounts established in the trust agreements for other residual beneficiaries. During the year ended June 30, 2017, the Marian Harvey Charitable Remainder Trust and the William G. Hoover Charitable Remainder Trust were dissolved due to the death of the primary beneficiaries and the Foundation received the funds as the remainder beneficiary.

The Foundation is a named beneficiary of the Knappenberger Charitable Trust from which the Foundation receives a set percentage distribution of earnings for 50 years, as well as a distribution of a percentage of the corpus of the trust after 50 years. The Foundation is also a named beneficiary of the Dale and Esther Armstrong WIU Foundation Trust, of which the Foundation will receive a set percentage distribution after the death of the first primary beneficiary, as well as a distribution of the entire corpus of the trust after the death of the second primary beneficiary.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE F - ASSETS HELD IN TRUST - Continued

The Foundation's share of the fair value of the underlying assets totaled \$ 4,320,853 and \$ 4,712,599 at June 30, 2017 and 2016, respectively, and are reported as noncurrent assets in the statement of net position. The outstanding liability arising from annual unitrust distribution requirements totaled \$ 24,108 and \$ 195,731 at June 30, 2017 and 2016, respectively, and is reported net of the assets in the statement of net position. The change in the Foundation's share of the fair market value of the underlying assets is recorded as non-operating revenues in the statement of revenues, expenses, and changes in net position as a gain of \$ 232,050 and a loss of \$ 236,199 for the years ended June 30, 2017 and 2016, respectively.

NOTE G - LONG-TERM DEBT

During the year ended June 30, 2016, the Foundation obtained a note payable for the purchase of three lots of land near the University.

\$ 216,606 note payable, annual installments through  
June 1, 2026, including interest at 4.35% \$ 198,764

Future principal and interest requirements on this note payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30,			
2018	\$ 18,472	\$ 8,766	\$ 27,238
2019	19,286	7,952	27,238
2020	20,117	7,121	27,238
2021	21,024	6,214	27,238
2022	21,951	5,287	27,238
2023-2026	<u>97,914</u>	<u>11,038</u>	<u>108,952</u>
	<u>\$ 198,764</u>	<u>\$ 46,378</u>	<u>\$ 245,142</u>



Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE H - ANNUITY OBLIGATIONS

The Foundation administers various charitable gift annuities. A charitable gift annuity provides for distributions to the grantor or other designated beneficiaries based on the terms of the agreements. The annuities payable to beneficiaries resulting from these agreements are reported as a liability at the present value of the estimated future payments to be distributed over the beneficiaries' lives. The Foundation recalculates the present value of these payments through the use of Internal Revenue Service (IRS) discount rates and IRS expectancy tables.

The following is a summary of annuity obligations for the Foundation for the years ended June 30:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
<u>2017</u>					
Annuities payable	\$ <u>325,384</u>	\$ <u>-</u>	\$ <u>(17,530)</u>	\$ <u>307,854</u>	\$ <u>49,534</u>
<u>2016</u>					
Annuities payable	\$ <u>315,164</u>	\$ <u>25,394</u>	\$ <u>(15,174)</u>	\$ <u>325,384</u>	\$ <u>49,991</u>

NOTE I - RISK MANAGEMENT

The Foundation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to workers' compensation, errors and omissions, employee health and natural disasters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

NOTE J - ENDOWMENTS

The Foundation's endowments consist of approximately 630 individual funds established for a variety of purposes. Its endowments include both donor restricted endowment funds and funds designated by the Foundation to function as endowments. As required by accounting principles generally accepted in the United States of America, net position associated with endowment funds, including funds designated by the Foundation to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE J - ENDOWMENTS - Continued

The fair market value of donor restricted endowment funds are reported as restricted-nonexpendable net position. The fair market value of endowment funds, designated as such by the Foundation are reported as either restricted-expendable or unrestricted based on the original intent of the donor. The following summarizes the endowments at June 30:

	<u>2017</u>	<u>2016</u>
Restricted by the donor, included as:		
Restricted-nonexpendable net position	\$ 29,364,285	\$ 28,260,062
Designated by the Foundation, included as:		
Restricted-expendable net position	5,408,019	4,990,911
Unrestricted net position	<u>15,212,924</u>	<u>11,898,311</u>
 Total board-designated endowments	 <u>20,620,943</u>	 <u>16,889,222</u>
 Total endowment net position	 <u>\$ 49,985,228</u>	 <u>\$ 45,149,284</u>

Although not required by law, it is the intent of the Foundation to maintain the corpus of both donor restricted endowment funds and endowment funds designated by the Foundation in perpetuity, only allowing the income on the principal to be spent.

NOTE K - TRANSACTIONS WITH WESTERN ILLINOIS UNIVERSITY

The Foundation has a contract with the University Board of Trustees (acting for and on behalf of the University) in which the Foundation has agreed to aid and assist the University in achieving its educational, research, and service goals by developing and administering gifts made to the Foundation to be used for the benefit of the University for scholarships, loans, grants and other supporting programs. The University agreed, as part of this contract, to furnish certain services necessary to the operation of the Foundation.

For fiscal years 2017 and 2016, the University provided for the Foundation's personal service costs, facility use, and other costs totaling \$ 1,322,227 and \$ 1,859,935, respectively. The Foundation did not specifically pay for these services; however, for fiscal years 2017 and 2016, the Foundation gave the University \$ 4,469,714 and \$ 4,106,729, respectively, in unrestricted funds or funds restricted only as to department and generally available for ongoing University operations.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE L - FAIR VALUE MEASUREMENTS

The Foundation measures and records its investments using fair value measurement guidelines established by accounting principles generally accepted in the United States of America. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1 - Quoted prices for identical investments in active markets
- Level 2 - Observable inputs other than quoted market prices
- Level 3 - Unobservable inputs

At June 30, 2017, the Foundation had the following recurring fair value measurements.

	2017	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<b>Debt securities</b>				
U.S. agency obligations (FHLM, FNMA)	\$ 111,079	\$ -	\$ 111,079	\$ -
Municipal bonds	1,433,195	-	1,433,195	-
Corporate debt securities	6,825,259	-	6,825,259	-
Mutual funds, domestic debt	1,465,918	1,465,918	-	-
Mutual funds, international debt	<u>1,483,949</u>	<u>1,483,949</u>	-	-
Total debt securities	11,319,400	2,949,867	8,369,533	-
<b>Equity securities</b>				
Corporate equity securities	91,952	91,952	-	-
Mutual funds, domestic equity	12,403,378	12,403,378	-	-
Mutual funds, international equity	<u>9,101,625</u>	<u>9,101,625</u>	-	-
Total equity securities	21,596,955	21,596,955	-	-
Real estate (farm land)	3,208,598	-	3,208,598	-
Charitable remainder trusts, net	<u>4,296,745</u>	-	-	<u>4,296,745</u>
Total investments by fair value level	<u>40,421,698</u>	<u>\$ 24,546,822</u>	<u>\$ 11,578,131</u>	<u>\$ 4,296,745</u>

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE L - FAIR VALUE MEASUREMENTS - Continued

	<u>2017</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Total investments by fair value level	\$ 40,421,698	\$ 24,546,822	\$ 11,578,131	\$ 4,296,745
Investments measured at net asset value (NAV)				
Real assets funds	3,287,824			
Private equity funds	6,628,845			
Absolute return (hedge funds)	<u>8,686,038</u>			
Total other	<u>18,602,707</u>			
Total	59,024,405			
Plus cash equivalents held in investment accounts	484,366			
Plus certificates of deposit	2,533,968			
Less charitable remainder trusts	<u>(4,296,745)</u>			
Total investments	<u>\$ 57,745,994</u>			

At June 30, 2016, the Foundation had the following recurring fair value measurements.

	<u>2016</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt securities				
U.S. agency obligations (FHLM, FNMA)	\$ 83,867	\$ -	\$ 83,867	\$ -
Municipal bonds	1,654,132	-	1,654,132	-
Corporate debt securities	6,971,168	-	6,971,168	-
Mutual funds, domestic debt	2,229,200	2,229,200	-	-
Mutual funds, international debt	<u>1,835,153</u>	<u>1,835,153</u>	-	-
Total debt securities	12,773,520	4,064,353	8,709,167	-

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE L - FAIR VALUE MEASUREMENTS - Continued

	2016	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Equity securities				
Corporate equity securities	\$ 66,152	\$ 66,152	\$ -	\$ -
Mutual funds, domestic equity	10,553,175	10,553,175	-	-
Mutual funds, international equity	<u>7,045,033</u>	<u>7,045,033</u>	-	-
Total equity securities	17,664,360	17,664,360	-	-
Real estate (farm land)	3,334,260	-	3,334,260	-
Charitable remainder trusts	<u>4,712,599</u>	-	-	<u>4,712,599</u>
Total investments by fair value level	<u>38,484,739</u>	<u>\$ 21,728,713</u>	<u>\$ 12,043,427</u>	<u>\$ 4,712,599</u>
Investments measured at net asset value (NAV)				
Real assets funds	2,728,944			
Private equity funds	5,223,689			
Absolute return (hedge funds)	<u>8,026,017</u>			
Total other	<u>15,978,650</u>			
Total	54,463,389			
Plus cash equivalents held in investment pools	794,656			
Plus certificates of deposit	2,517,958			
Less charitable remainder trusts	<u>(4,712,599)</u>			
Total investments	<u>\$ 53,063,404</u>			

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE L - FAIR VALUE MEASUREMENTS - Continued

Debt and equity securities and real estate exchange traded funds classified in Level 1 are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 are valued using quoted prices for identical securities in markets that are not active, quoted prices for similar securities in active markets, and matrix pricing based on the securities' relationship to benchmark quoted prices. Real estate classified in Level 2 is valued using recent appraisals and similar processes of comparable real estate properties. Charitable remainder trusts classified in Level 3 are valued at the present value of the estimated future cash receipts from the trust assets. Such present values are generally assumed to be the fair market value of the percentage interest of the underlying assets of the trust.

Investments valued using the net asset value (NAV) per share (or its equivalent) are considered "alternative investments" and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. The following provides additional information related to investments measured at NAV as of June 30, 2017:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Real assets funds	\$ 3,287,824	\$ 1,743,611	-	-
Private equity funds	6,628,845	4,202,215	-	-
Absolute return (hedge funds)	<u>8,686,038</u>	-	Quarterly	100 Days
Total	<u>\$ 18,602,707</u>	<u>\$ 5,945,826</u>		

Real asset funds - This type includes seven real asset funds that invest in global real estate, natural resources, and infrastructure. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Foundation's ownership interest in partners' capital. The fair values of the investments in this type have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments. These investments can never be redeemed with the funds, with the exception of Prudential Real Estate Investors. Distribution from each fund will be received as underlying assets of the funds are liquidated. Each fund is expected to have an approximate ten-year life.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE L - FAIR VALUE MEASUREMENTS - Continued

Private equity funds - This type includes ten private equity funds that invest in global buyouts, venture capital, special situations, and secondaries and co-investments. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Foundation's ownership interest in partners' capital. The fair values of the investments in this type have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments. These investments can never be redeemed with the funds. Distributions from each fund will be received as underlying assets of the funds are liquidated. Each fund is expected to have an approximate ten-year life.

Absolute return (hedge funds) - This type includes one hedge fund that pursues multiple strategies to diversify risks and reduce volatility. The strategy mix includes investments in long/short equity, long/short credit, relative value arbitrage, merger arbitrage, convertible arbitrage, capital structure arbitrage, fixed income arbitrage, short credit, distressed debt, global macro, special situations, and private investments. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments. This type allows for quarterly redemptions with 100 days notice.