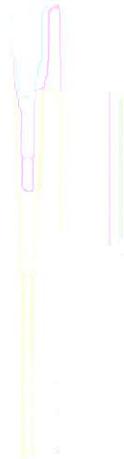


Attachment G
Annual Financial Report

- Western Illinois University *Annual Financial Report Fiscal Year 2011*



Western Illinois University
Annual Financial Report
Fiscal Year 2011



**WESTERN
ILLINOIS
UNIVERSITY**

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Board of Trustees of Western Illinois University

June 30, 2011

Appointed Members

J. Michael Houston, Chair	Springfield
Carolyn J. Ehlert Fuller, Vice Chair	Milan
William L. Epperly, Secretary	Chicago
Donald W. "Bill" Griffin	Macomb
Steven L. Nelson	Rock Island

Student Member

Christopher G. Bronson	Arlington Heights
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University Administration

Alvin Goldfarb	President
Jack Thomas	Provost & Academic Vice President
Julie DeWees	Interim Vice President for Administrative Services <i>(Effective 6/30/11)</i>
Jacqueline K. Thompson	Vice President for Administrative Services <i>(Through 6/29/11)</i>
W. Garry Johnson	Vice President for Student Services

University offices:

Macomb Campus
1 University Circle
Macomb, IL 61455

Quad Cities Campus
3561 60th Street
Moline, IL 61265



WESTERN
ILLINOIS
UNIVERSITY

Dr. Alvin Goldfarb, President
Western Illinois University
1 University Circle
Macomb, IL 61455

Dear Dr. Goldfarb:

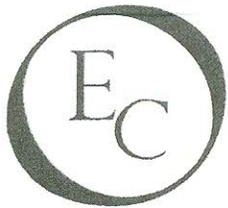
I am submitting herewith the annual report of the financial operations of Western Illinois University for the fiscal year ended June 30, 2011. This report consists of a condensed summary of the financial status of this institution.

The financial statements as of June 30, 2011 and for the year then ended have been audited by E.C. Ortiz & Co., LLP, independent auditors, as stated in their report appearing herein. Their audit was conducted under the supervision of the Office of the Auditor General for the State of Illinois.

Respectfully submitted,

A handwritten signature in cursive script that reads "Julie DeWees".

Julie DeWees
Interim Vice President for Administrative Services



Independent Auditors' Report

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 the accompanying financial statements of the business-type activities of Western Illinois University (University) and its discretely presented component unit, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2011, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the University's June 30, 2010 financial statements and, in our report dated February 4, 2011, we expressed unqualified opinions on the respective financial statements of the business-type activities and the discretely presented component unit prior to their restatement. We did not audit the financial statements of the discretely presented component unit, as described in Note 1 of the financial statements. Those financial statements were audited by other auditors whose report thereon has been provided to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the discretely presented component unit, is based 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our 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 and the discretely presented component unit of the University, as of June 30, 2011, and the respective changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The fiscal year 2010 summarized comparative information of the component unit has been restated by other auditors as discussed in Note 17, and our opinion, insofar as it relates to the amounts of the restatements, is based solely on the report of the other auditors.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 8, 2012 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The *Management's Discussion and Analysis* on pages 6 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

C. C. Gray & Co. LLP
Chicago, Illinois
February 8, 2012

Management's Discussion and Analysis

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, 2011. 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 Assets; the Statement of Revenues, Expenses and Changes in Net Assets; 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 Assets

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

assets are divided into three major categories, as follows: invested in capital assets, net of related debt, reflects the University's equity in capital assets; restricted net assets 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 assets are available to the University for any lawful purpose of the institution.

A comparative summary of the condensed Statement of Net Assets for the years ended June 30, 2011 and 2010 is as follows:

Condensed Statement of Net Assets

	<u>2011</u>	<u>2010</u>
Assets		
Current assets	\$ 119,213,904	\$ 82,118,680
Capital assets, net of accumulated depreciation	173,565,011	153,934,104
Other assets	<u>3,380,587</u>	<u>2,500,082</u>
Total assets	<u>296,159,502</u>	<u>238,552,866</u>
Liabilities		
Current liabilities	34,214,268	31,687,617
Noncurrent liabilities	<u>97,019,660</u>	<u>66,072,420</u>
Total liabilities	<u>131,233,928</u>	<u>97,760,037</u>
Net assets		
Invested in capital assets, net of related debt	122,136,440	106,814,814
Restricted	2,047,052	2,028,285
Unrestricted	<u>40,742,082</u>	<u>31,949,730</u>
Total net assets	<u>\$ 164,925,574</u>	<u>\$ 140,792,829</u>

The University's financial position continues to remain strong at June 30, 2011 with assets of \$296.2 million and liabilities of \$131.2 million. Net assets, the difference between total assets and total liabilities, increased by \$24.1 million or 17.1% over the previous year.

Total assets increased \$57.6 million or 24.1% during fiscal year 2011. The largest components of this change included increases of \$11.0 million in cash and cash equivalents and \$18.0 million in investments from unspent debt issue proceeds. The University continued to experience delays in reimbursement for state-funded expenditures as the receivable from the State of Illinois increased \$7.4 million from the previous year. Capital assets increased \$19.6 million. An increase of \$0.8 million in accounts receivable, net was primarily due to the increases in receivables from funding agencies for grants and contracts and third parties.

Total liabilities increased \$33.5 million or 34.2% during fiscal year 2011. The University issued the Series 2010 Revenue Bonds for \$25.5 million in August 2010 and the Series 2011 Certificates of Participation for \$11.8 million in March 2011. Total long-term debt increased \$32.1 million. Accounts payable increased \$2.3 million and the liability for accrued compensated absences decreased \$1.7 million.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets 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 Assets for the years ended June 30, 2011 and 2010 is as follows:

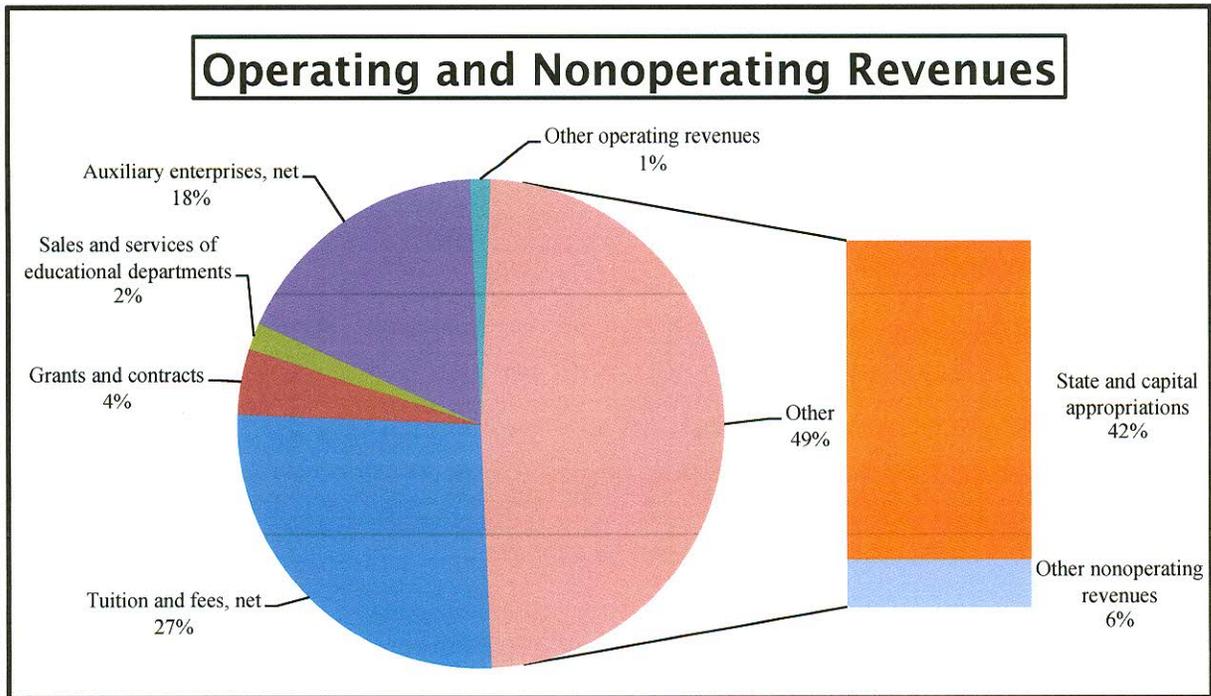
Condensed Statement of Revenues, Expenses and Changes in Net Assets

	<u>2011</u>	<u>2010</u>
Total operating revenues	\$148,085,287	\$143,738,475
Total operating expenses	<u>(262,048,789)</u>	<u>(258,803,275)</u>
Operating loss	(113,963,502)	(115,064,800)
Nonoperating revenues	128,641,657	125,537,604
Nonoperating expenses	<u>(2,066,799)</u>	<u>(1,780,278)</u>
Income before other revenues, expenses, gains and losses	12,611,356	8,692,526
Capital State appropriations	11,471,389	6,495,559
Capital gifts	<u>50,000</u>	<u>-</u>
Increase in net assets	24,132,745	15,188,085
Net assets, beginning of year	<u>140,792,829</u>	<u>125,604,744</u>
Net assets, end of year	<u>\$164,925,574</u>	<u>\$140,792,829</u>

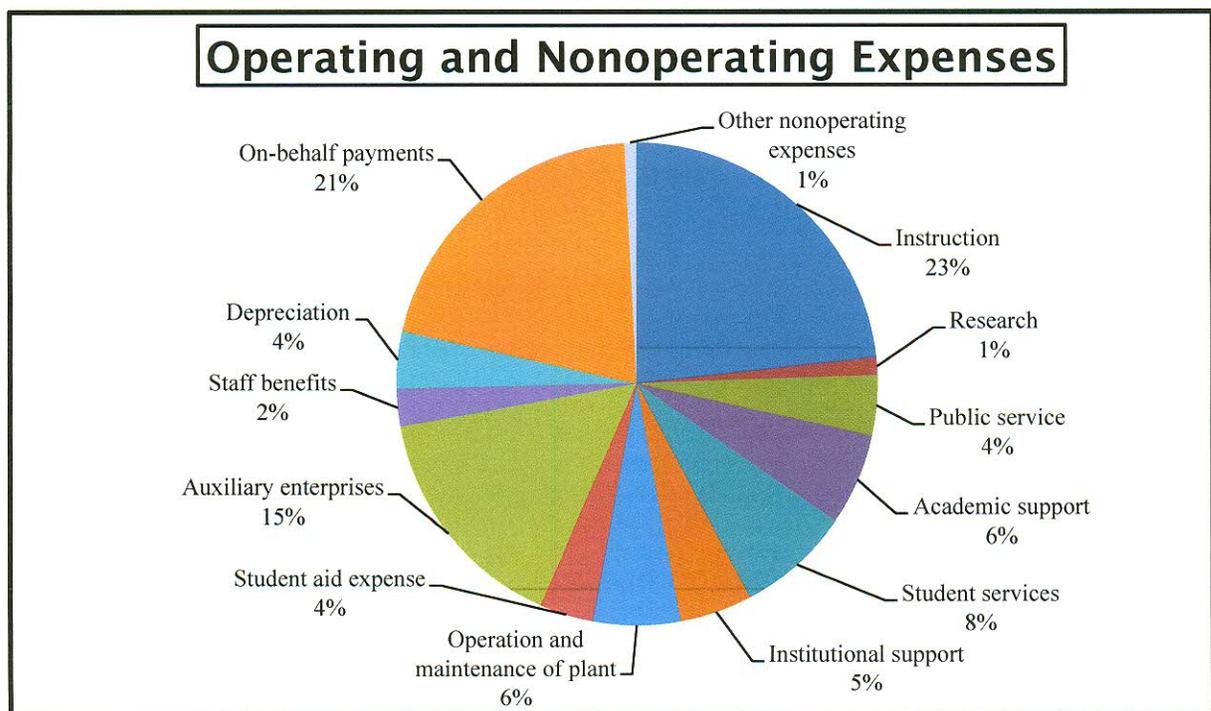
Total revenues increased \$12.5 million or 4.5% to \$288.2 million. The primary sources of funding for academic programs are student tuition and State appropriations. In fiscal year 2011, tuition revenues increased due in part to an annual increase for tuition and fee rates as approved by the Board of Trustees. Revenue from Pell grants increased \$3.0 million.

Total expenses increased \$3.5 million or 1.4% to \$264.1 million. Overall functional expenses decreased during fiscal year 2011. Contributions by the State for on-behalf payments related to employee benefits increased \$3.9 million.

For the fiscal year ended June 30, 2011, all sources of revenues totaled \$288.2 million. The following is a graphical illustration of revenues by source:



For the fiscal ended June 30, 2011, expenses totaled \$264.1 million. The following is a graphical illustration of 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, 2011 and 2010 is as follows:

Condensed Statement of Cash Flows

	<u>2011</u>	<u>2010</u>
Cash provided by (used in):		
Operating activities	\$ (50,339,257)	\$ (54,579,714)
Noncapital financing activities	65,958,095	61,909,185
Capital and related financing activities	13,207,773	(1,721,979)
Investing activities	<u>(17,813,316)</u>	<u>(5,879,783)</u>
Net increase (decrease) in cash and cash equivalents	11,013,295	(272,291)
Cash and cash equivalents - beginning of year	<u>43,888,882</u>	<u>44,161,173</u>
Cash and cash equivalents - end of year	<u>\$ 54,902,177</u>	<u>\$ 43,888,882</u>

Major sources for operating activities were tuition and fees, grants and contracts and auxiliary enterprises. Payments 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 \$4.2 million.

Cash inflows from noncapital financing activities consist primarily of State appropriations and Pell grant revenues. Cash provided from noncapital financing activities increased \$4.0 million.

Revenue Bonds and Certificates of Participation issued during the fiscal year provided an inflow of \$36.6 million for capital projects. Funds allocated for the acquisition and construction of capital assets increased \$8.8 million. Interest paid on capital debt increased \$1.4 million.

Cash used in investing activities increased \$11.9 million as more funds were available for investment from unspent debt proceeds.

Capital Assets and Debt Administration

The University had \$383.6 million invested in capital assets at the end of fiscal year 2011. Capital assets net of accumulated depreciation totaled \$173.6 million. Depreciation expense for the current year was \$10.3 million.

The Series 2010 Revenue Bonds were issued in the principal amount of \$25.5 million to fund capital improvement renovations to Corbin and Olson Residence Halls including the dining commons center. The Series 2011 Certificates of Participation were issued in the principal amount of \$11.8 million to fund capital improvements projects to several campus buildings as well as Phase II of the campus steam line replacement plan.

Construction in progress at June 30, 2011 increased \$14.4 million over the prior year. Capital appropriations through the Capital Development Board (CDB) funded renovations of \$11.5 million to Memorial Hall and the Quad Cities Riverfront campus. The University expended \$8.3 million for renovations to Corbin/Olson and Lincoln/Washington Residence Halls in fiscal year 2011. Capital projects completed in fiscal year 2011 include Memorial Hall.

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 of State support and the University's ability to control tuition growth, as declines in State appropriations generally result in increased tuition levels.

State appropriations represent operating support provided by the Governor and General Assembly for University programs. The fiscal year 2012 budget of \$55.5 million, as approved by the Governor, decreased \$0.6 million or 1.1%, from the 2011 approved budget.

The University projects an increase in tuition and miscellaneous revenues. The recommended \$71.5 million fiscal year 2012 tuition and miscellaneous revenues budget represents a \$3.7 million or 5.5% increase from fiscal year 2011. The estimated increase in tuition revenues is the result of a 5.9% tuition rate increase approved by the Board of Trustees. Western Illinois University offers guaranteed tuition and fees, as well as guaranteed room and board rates for each new class of entering students. The tuition increase is only for new students, those enrolling for the first time in Fall 2011.

The University's Auxiliary Enterprises funds budget for fiscal year 2012 as approved by the Board of Trustees reflects a \$3.2 million increase in spending over fiscal year 2011. Other institutional funds include revenues from sponsored projects and departmental activity revenues. The 2012 budget for these funds as approved by the Board of Trustees reflects an increase in spending over fiscal year 2011.

Private gifts are an important supplement to the University's sources of funding for operating costs. In fiscal year 2011, alumni, friends, staff, corporations, and other organizations contributed nearly \$7.9 million to the Foundation in support of the University. The Foundation

distributed nearly \$6.0 million in fiscal year 2011 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. While it is not possible to predict the ultimate results, management believes the University's financial condition is strong enough to weather economic uncertainties.

Audited Financial Statements

Statement of Net Assets as of June 30, 2011

With Partial Financial Information for 2010

	University		Component Unit	
	2011	2010	2011	2010
ASSETS				
<i>Current assets:</i>				
Cash and cash equivalents	\$ 54,825,938	\$ 43,706,204	\$ 3,540,099	\$ 2,647,665
Cash and cash equivalents, restricted	76,239	182,678	-	-
Investments	28,004,685	10,000,205	3,918,627	3,854,431
Accounts receivable, net	8,059,275	7,285,370	3,950,355	1,527,254
Student loans receivable, net	388,028	409,363	-	-
Due from component unit	98,031	120,770	-	-
Due from primary government	25,359,680	17,925,991	-	-
Inventories	2,225,104	2,359,401	-	-
Prepaid expenses	52,396	49,407	34,580	35,744
Other assets	124,528	79,291	-	-
Total current assets	119,213,904	82,118,680	11,443,661	8,065,094
<i>Noncurrent assets:</i>				
Investments	-	-	457,494	1,304,571
Endowment investments	-	-	6,309,249	5,103,415
Endowment investments, restricted	-	-	21,566,560	18,089,526
Charitable remainder trusts, restricted	-	-	2,529,563	2,313,652
Accounts receivable, net	-	-	1,034,040	771,147
Student loans receivable, net	1,605,086	1,446,130	-	-
Capital assets, net of accumulated depreciation	173,565,011	153,934,104	1,140,104	1,138,104
Other assets	1,775,501	1,053,952	626,536	579,253
Total noncurrent assets	176,945,598	156,434,186	33,663,546	29,299,668
TOTAL ASSETS	296,159,502	238,552,866	45,107,207	37,364,762
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable and accrued liabilities	5,095,763	2,791,624	81,628	118,610
Accrued payroll	16,206,185	15,868,039	-	-
Due to primary government	179,766	126,282	98,031	120,770
Deferred revenues	5,209,598	5,212,037	118,085	161,608
Charitable remainder trust distributions payable	-	-	43,713	42,218
Other liabilities	1,355,662	758,808	29,272	26,219
Notes payable	149,848	259,349	-	-
Revenue bonds payable	2,694,602	4,077,680	-	-
Certificates of participation	1,484,943	838,081	-	-
Compensated absences	1,837,901	1,755,717	-	-
Total current liabilities	34,214,268	31,687,617	370,729	469,425
<i>Noncurrent liabilities:</i>				
Notes payable	142,980	292,827	-	-
Revenue bonds payable	54,290,293	31,474,896	-	-
Certificates of participation	30,470,171	20,172,555	-	-
Other obligations	-	224,175	195,772	172,089
Compensated absences	12,116,216	13,907,967	-	-
Total noncurrent liabilities	97,019,660	66,072,420	195,772	172,089
TOTAL LIABILITIES	131,233,928	97,760,037	566,501	641,514
NET ASSETS				
Invested in capital assets, net of related debt	122,136,440	106,814,814	1,140,104	1,138,104
Restricted - nonexpendable	-	-	18,576,569	14,305,400
Restricted - expendable				
Loans	2,047,052	2,028,285	-	-
Other	-	-	7,825,581	7,799,968
Unrestricted	40,742,082	31,949,730	16,998,452	13,479,776
TOTAL NET ASSETS	\$ 164,925,574	\$ 140,792,829	\$ 44,540,706	\$ 36,723,248

Statement of Revenues, Expenses and Changes in Net Assets

Year Ended June 30, 2011 with Partial Financial Information for 2010

	University		Component Unit	
	2011	2010	2011	2010
OPERATING REVENUES				
Tuition and fees, net	\$ 75,988,377	\$ 73,193,414	\$ -	\$ -
Grants and contracts	12,492,123	12,200,079	-	-
Sales and services of educational departments	5,106,058	5,152,143	-	-
Auxiliary enterprises, net	50,574,372	49,638,751	-	-
Student loan activities	84,142	114,279	-	-
Other operating revenues	3,840,215	3,439,809	7,719,203	6,572,337
<i>Total operating revenues</i>	<u>148,085,287</u>	<u>143,738,475</u>	<u>7,719,203</u>	<u>6,572,337</u>
OPERATING EXPENSES				
Instruction	61,150,804	61,811,875	926,587	938,719
Research	3,142,658	2,979,445	121,885	22,806
Public service	10,557,238	10,521,948	152,021	120,023
Academic support	17,268,784	17,687,263	118,160	141,376
Student services	20,013,208	19,746,898	581,083	427,260
Institutional support	12,814,727	12,485,295	2,052,185	1,423,449
Operation and maintenance of plant	15,463,334	16,908,879	58,795	143,684
Student aid expense	9,533,397	8,134,983	1,975,463	1,946,081
Auxiliary enterprises	40,884,119	40,065,528	-	-
Staff benefits	6,595,910	7,800,322	-	-
Depreciation	10,268,225	10,167,598	-	-
On-behalf payments	54,313,978	50,455,685	-	-
Other operating expenses	42,407	37,556	-	-
<i>Total operating expenses</i>	<u>262,048,789</u>	<u>258,803,275</u>	<u>5,986,179</u>	<u>5,163,398</u>
OPERATING INCOME (LOSS)	<u>(113,963,502)</u>	<u>(115,064,800)</u>	<u>1,733,024</u>	<u>1,408,939</u>
NONOPERATING REVENUES (EXPENSES)				
State appropriations	110,504,651	106,856,785	-	-
Gifts	320,827	301,803	-	-
Nonoperating grants	17,324,135	14,293,498	-	-
Gain (loss) on disposal of capital assets	(45,816)	30,170	-	-
Investment income	298,293	97,094	4,336,649	2,356,946
Interest on capital asset - related debt	(2,020,983)	(1,780,278)	-	-
Change in value of charitable remainder trusts	-	-	186,100	58,054
Other nonoperating revenues	193,751	3,958,254	673,020	304,445
<i>Net nonoperating revenues</i>	<u>126,574,858</u>	<u>123,757,326</u>	<u>5,195,769</u>	<u>2,719,445</u>
INCOME BEFORE CAPITAL ITEMS	12,611,356	8,692,526	6,928,793	4,128,384
Capital State appropriations	11,471,389	6,495,559	-	-
Additions to permanent endowments	-	-	888,665	1,344,890
Capital gifts	50,000	-	-	-
<i>Total capital items</i>	<u>11,521,389</u>	<u>6,495,559</u>	<u>888,665</u>	<u>1,344,890</u>
INCREASE IN NET ASSETS	<u>24,132,745</u>	<u>15,188,085</u>	<u>7,817,458</u>	<u>5,473,274</u>
NET ASSETS, BEGINNING OF YEAR AS PREVIOUSLY REPORTED	140,792,829	125,604,744	36,723,248	31,146,862
PRIOR PERIOD ADJUSTMENT	-	-	-	103,112
NET ASSETS, BEGINNING OF YEAR AS RESTATED	<u>140,792,829</u>	<u>125,604,744</u>	<u>36,723,248</u>	<u>31,249,974</u>
NET ASSETS, END OF YEAR	<u>\$ 164,925,574</u>	<u>\$ 140,792,829</u>	<u>\$ 44,540,706</u>	<u>\$ 36,723,248</u>

Statement of Cash Flows

Year Ended June 30, 2011 with Partial Financial Information for 2010

	University		Component Unit	
	2011	2010	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees	\$ 75,604,571	\$ 73,473,385	\$ -	\$ -
Grants and contracts	12,846,007	11,199,313	-	-
Gifts for other than capital and endowment purposes	-	-	3,796,977	4,630,775
Payments for employee salaries and benefits	(135,159,128)	(134,810,198)	-	-
Payments for goods and services	(52,874,202)	(53,737,854)	(3,316,019)	(2,281,815)
Payments to annuitants	-	-	(165,967)	(222,648)
Payments for scholarships and fellowships	(10,098,991)	(8,952,679)	(1,975,463)	(1,946,081)
Student loans issued	(594,251)	(478,207)	-	-
Student loans collected	479,098	518,056	-	-
Student loans interest and fees collected	81,861	112,666	-	-
Auxiliary enterprises charges	50,314,890	49,617,385	-	-
Sales and services of educational departments	5,220,673	5,038,611	-	-
Other receipts	3,840,215	3,439,808	717,523	490,390
Net cash provided by (used in) operating activities	(50,339,257)	(54,579,714)	(942,949)	670,621
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriations	48,161,022	43,814,632	-	-
Gifts	231,987	224,306	888,665	1,344,890
Nonoperating grants	17,324,135	14,293,498	-	-
Nonoperating revenues, net	240,951	3,576,749	587,150	387,462
Net cash provided by noncapital financing activities	65,958,095	61,909,185	1,475,815	1,732,352
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(14,466,683)	(5,646,819)	-	-
Proceeds from issuance of certificates of participation	11,600,260	11,266,413	-	-
Proceeds from issuance of revenue bonds	25,001,721	-	-	-
Payments of bond issuance costs	(181,945)	(87,631)	-	-
Principal paid on capital debt and leases	(5,244,349)	(5,153,246)	-	-
Interest paid on capital debt and leases	(3,501,231)	(2,100,696)	-	-
Net cash provided by (used in) capital and related financing activities	13,207,773	(1,721,979)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	22,005,073	6,017,834	4,545,872	6,067,200
Earnings on investments	187,465	102,818	2,255,949	1,078,022
Purchase of investments	(40,005,854)	(12,000,435)	(6,442,253)	(9,870,983)
Net cash provided by (used in) investing activities	(17,813,316)	(5,879,783)	359,568	(2,725,761)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,013,295	(272,291)	892,434	(322,788)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	43,888,882	44,161,173	2,647,665	2,970,453
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 54,902,177	\$ 43,888,882	\$ 3,540,099	\$ 2,647,665

Statement of Cash Flows

Year Ended June 30, 2011 with Partial Financial Information for 2010

	University		Component Unit	
	2011	2010	2011	2010
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (113,963,502)	\$ (115,064,800)	\$ 1,733,024	\$ 1,408,939
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
On-behalf payments	54,313,978	50,455,685	-	-
Capital assets donated	-	-	(2,000)	-
Depreciation expense	10,268,225	10,167,598	-	2,102
Actuarial adjustment to annuities payable	-	-	26,736	(12,300)
Changes in assets and liabilities:				
Receivables, net	(58,680)	(1,017,107)	(2,600,124)	(894,086)
Student loans receivables, net	(137,621)	(22,273)	-	-
Inventories	134,297	220,878	-	-
Prepaid expenses and other assets	104,518	65,986	1,164	6,031
Accounts payable and accrued liabilities	464,852	(2,426)	(36,982)	8,804
Accrued payroll	338,146	1,004,620	-	-
Due to University	-	-	(22,739)	107,788
Charitable remainder trust distribution payable	-	-	1,495	14,950
Other liabilities	(93,903)	(111,292)	(43,523)	28,393
Compensated absences	(1,709,567)	(276,583)	-	-
Net cash provided by (used in) operating activities	\$ (50,339,257)	\$ (54,579,714)	\$ (942,949)	\$ 670,621
NONCASH OPERATING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING ACTIVITIES				
On-behalf payments	\$ 54,313,978	\$ 50,455,685	\$ -	\$ -
Capital asset acquisition via notes and leases payable	-	164,170	-	-
Capital asset acquisition via capital appropriations	11,471,389	6,495,559	-	-
Capital asset acquisition via support from Foundation	88,840	77,497	-	-
Capitalized interest	1,974,207	503,148	-	-
Capital asset changes in accounts payable	1,893,170	(1,020,895)	-	-
Other capital asset adjustments	50,000	2,296,490	-	-
Gifts in kind	-	-	561,056	585,479
Gain (loss) on disposal of equipment	(45,816)	30,170	-	-

Notes to Financial Statements

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 assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the University follows all applicable GASB Pronouncements. In addition, the University applies all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting

Research Bulletins (ARBs) of the Committee on Accounting Procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The University has elected not to apply FASB pronouncements issued after November 30, 1989.

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, 2010, from which the partial information was derived. Certain 2010 amounts have been reclassified to conform to the 2011 presentation. However, as more fully discussed in Note 17, the prior year partial comparative information of the component unit reflects the correction of errors in the 2010 financial statements.

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, liabilities, and net assets, 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 assets 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, 2011, 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 Assets.

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

H. Deferred Bond and Certificates of Participation Issue Costs

Bond and certificates of participation issue costs incurred on the revenue bond and certificates of participation issues have been deferred and 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, 2011 was \$108,167.

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 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.

L. Deferred Revenues

Deferred revenues represent 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 Assets 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 Assets

Net assets of the University are classified in four components:

Invested in capital assets, net of related debt - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing used to finance the purchase or construction of those assets.

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

Restricted net assets - 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.

Unrestricted net assets - are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt, restricted nonexpendable or restricted expendable.

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 non-operating 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 Assets. 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, 2011 were \$10,563,353 and \$3,920,121, 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 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 1.40% 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, 2011, the Foundation had a total of \$5,468,946 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 assets and unrestricted net assets in the Statement of Net Assets based on the classification (restricted non-expendable vs. unrestricted) 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 Assets and changes in the fair value of the assets are recognized in the Statement of Revenues, Expenses, and Changes in Net Assets. 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 \$29,810 of new contribution income during fiscal year 2011. Management did identify during fiscal year 2011 a previously unrecorded split-interest agreement contribution that irrevocably named the Foundation the beneficiary during a prior fiscal year. The fiscal year 2011 financial statements reflect this contribution's assets and related activities. Any outstanding liabilities relating to the annual distributions required by the trust agreements are recorded in the Statement of Net Assets.

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(a) 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.

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, 2011, the book balance of various University bank accounts and certificates of deposit was \$31,125,384, while the bank balance was \$31,142,530. The difference between these amounts primarily represents checks that have been issued but have not yet cleared the bank as of June 30, 2011.

Foundation

At June 30, 2011, the book balance of the Foundation's various bank accounts was \$274,586, while the bank balance was \$316,660. 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, 2011.

Reconciliation of cash and cash equivalents to deposits:

	<u>University</u>	<u>Foundation</u>
Cash and cash equivalents	\$ 54,825,938	\$ 3,540,099
Cash and cash equivalents, restricted	76,239	-
Less: Money market funds classified as cash and cash equivalents	(51,716,267)	(3,366,090)
Cash on hand	(65,211)	(200)
Add: Certificates of deposit	28,004,685	100,777
Carrying amount of deposits	<u>\$ 31,125,384</u>	<u>\$ 274,586</u>

NOTE 3 - INVESTMENTS

University

At June 30, 2011, the University had investments with carrying and fair market values of \$51,716,267 invested in the Illinois Funds Money Market. The Illinois Funds Money Market Fund had maturities of less than one year and a Standard and Poor's AAA rating.

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.

Foundation

At June 30, 2011, 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	\$ 739,751	\$ -	\$ 512,095	\$227,656	\$ -
U.S. Treasury bonds	508,638	-	-	-	508,638
U.S. agency obligations (FHLM, FNMA)	1,268,887	303,013	355,439	392,362	218,073
Municipal bonds	166,251	-	145,607	20,644	-
Corporate debt securities	1,128,235	257,202	400,256	234,973	235,804
Corporate equity securities	25,380	25,380	-	-	-
International equity securities	1,771,973	1,771,973	-	-	-
Cash equivalents held in investment pools	623,950	623,950	-	-	-
Real asset tax-exempt	528,073	528,073	-	-	-
Real assets exchange traded funds	1,581,040	1,581,040	-	-	-
Absolute return	5,117,633	5,117,633	-	-	-
Mutual funds, international equity	4,647,312	4,647,312	-	-	-
Mutual funds, domestic equity	6,430,222	6,430,222	-	-	-
Open ended mutual funds, U.S. debt	6,580,507	6,580,507	-	-	-
Private equity	1,033,301	1,033,301	-	-	-
Certificates of deposit	100,777	100,777	-	-	-
Total investments	<u>\$ 32,251,930</u>	<u>\$ 29,000,383</u>	<u>\$1,413,397</u>	<u>\$875,635</u>	<u>\$ 962,515</u>

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 account balances were of \$2,722,764 as of June 30, 2011. 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

The Foundation does not have any investments representing 5% or more of the total assets in any single issuer. Managers may not purchase securities on margin or leverage. The Foundation does not have a policy that specifically addresses concentration risk.

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, 2011:

U.S. Treasury notes	\$ 739,751
U.S. Treasury bonds	508,638
U.S. agency obligations (FHLM, FNMA)	1,268,887
Municipal bonds	166,251
Corporate debt securities	1,128,235
Cash equivalents held in investment pools	623,950
Open ended mutual funds, U.S. debt	6,580,507
Certificates of deposit	100,777
Sub-total investments	<u>11,116,996</u>
Bank money market funds	2,526,704
Illinois Funds money market funds	<u>839,386</u>
Sub-total cash and cash equivalents	<u>3,366,090</u>
Total assets subject to interest rate risk	<u>\$ 14,483,086</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 20% of the total Foundation investments as of June 30, 2011. The Foundation does not have a policy on foreign currency risk.

The U.S. dollar balances of the Foundation's investments exposed to foreign currency risk as of June 30, 2011 are listed below.

<u>Currency</u>	<u>United States Dollar Equivalent</u>
Euro	\$ 1,272,140
United Kingdom British Pound	1,237,265
Japanese Yen	1,039,124
Swiss Franc	446,826
Yuan Renminbi (China)	404,402
Brazilian Real	317,870
Australian Dollar	306,939
Other currencies, individually less than 1% of fund portfolio	<u>1,388,694</u>
Total	<u>\$ 6,413,260</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. The Foundation's mutual funds are invested in funds held by Citizens, a division of Morton Bank, and Charles Schwab.

At June 30, 2011, the Foundation had the following investments and their ratings:

<u>Type</u>	<u>Total Fair Value</u>	<u>Credit Rating per Standard and Poor's</u>				
		<u>AAA</u>	<u>AA-</u>	<u>A+</u>	<u>BBB+</u>	<u>Not Rated</u>
U.S. Treasury notes	\$ 739,751	\$ 512,095	\$ -	\$ -	\$ -	\$ 227,656
U.S. Treasury bonds	508,638	248,447	-	-	-	260,191
U.S. agency obligations (FHLM, FNMA)	1,268,887	760,088	-	-	-	508,799
Corporate debt securities	1,128,235	102,910	31,126	204,922	69,271	720,006
Other	<u>28,606,419</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,606,419</u>
Total investments	<u>\$ 32,251,930</u>	<u>\$ 1,623,540</u>	<u>\$ 31,126</u>	<u>\$204,922</u>	<u>\$ 69,271</u>	<u>\$30,323,071</u>

	Total Fair Value	Credit Rating per Moody's								Not Rated
		Aaa	Aa2	Aa3	A1	A2	A3	Baa1	B3	
U.S. Treasury notes	\$ 739,751	\$ 512,095	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 227,656
U.S. Treasury bonds	508,638	248,447	-	-	-	-	-	-	-	260,191
U.S. agency obligations (FHLM, FNMA)	1,268,887	1,268,887	-	-	-	-	-	-	-	-
Corporate debt securities	1,128,235	-	200,504	38,758	110,051	315,529	133,563	69,271	48,430	212,129
Other	28,606,419	-	-	-	166,251	-	-	-	-	28,440,168
	<u>\$ 32,251,930</u>	<u>\$ 2,029,429</u>	<u>\$ 200,504</u>	<u>\$ 38,758</u>	<u>\$ 276,302</u>	<u>\$315,529</u>	<u>\$133,563</u>	<u>\$ 69,271</u>	<u>\$ 48,430</u>	<u>\$29,140,144</u>

Summary of Carrying Values

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

	University	Foundation
Cash and cash equivalents	\$ 54,825,938	\$ 3,540,099
Cash and cash equivalents, restricted	76,239	-
Investments	28,004,685	32,251,930
Total	<u>\$ 82,906,862</u>	<u>\$ 35,792,029</u>

Investments at June 30, 2011 are as follows:

	University	Foundation
Current:		
Investments	\$ 28,004,685	\$ 3,918,627
Noncurrent:		
Endowment investments	-	6,309,249
Endowment investments, restricted	-	21,566,560
Other investments	-	457,494
Sub-total	28,004,685	32,251,930
Money market funds classified as cash and cash equivalents	51,716,267	3,366,090
Total investments	<u>\$ 79,720,952</u>	<u>\$ 35,618,020</u>

Investment income for the year ended June 30, 2011 consisted of:

	University	Foundation
Interest, dividends, realized gains and market value changes	\$ 298,293	\$ 4,336,649

NOTE 4 - ACCOUNTS AND STUDENT LOANS RECEIVABLE

Accounts receivable are reported net of allowances for uncollectible accounts of \$3,172,600 at June 30, 2011. Accounts receivable consisted of the following as of June 30, 2011:

Receivables from students	\$ 7,629,196
Receivables from funding agencies	2,272,646
Receivables from third parties	<u>1,330,033</u>
Total gross receivables	11,231,875
Allowance for doubtful accounts	<u>(3,172,600)</u>
Total net receivables	<u>\$ 8,059,275</u>

Student loans receivable totaling \$2,447,414 are reported net of allowance for uncollectible loans of \$454,300 at June 30, 2011.

The University changed its basis for estimating the allowance for doubtful accounts in fiscal year 2011. In the prior year, the allowance was calculated on 1% of current year charges for the fiscal year. In 2011, the University changed the allowance calculation to 1% of current year outstanding accounts receivable at yearend.

NOTE 5 - CAPITAL ASSETS

The University capitalizes net interest costs incurred on borrowed funds during the construction of capital assets. Net interest of \$1,974,207 was capitalized during fiscal year 2011.

Capital asset activities for the University for the year ended June 30, 2011 were as follows:

	Balance June 30, 2010	Additions	Retirements	Transfers	Balance June 30, 2011
Non-depreciable capital assets:					
Land and land improvements	\$ 3,221,432	\$ 50,000	\$ (35,000)	\$ -	\$ 3,236,432
Works of art and historical treasures	471,569	-	-	-	471,569
Construction in progress	<u>15,715,051</u>	<u>26,777,548</u>	<u>-</u>	<u>(12,368,186)</u>	<u>30,124,413</u>
Total non-depreciable capital assets	<u>19,408,052</u>	<u>26,827,548</u>	<u>(35,000)</u>	<u>(12,368,186)</u>	<u>33,832,414</u>
Depreciable capital assets:					
Site improvements	28,638,147	-	-	-	28,638,147
Buildings and building improvements	233,180,970	1,556,361	-	12,368,186	247,105,517
Equipment	<u>73,736,645</u>	<u>1,595,545</u>	<u>(1,331,582)</u>	<u>-</u>	<u>74,000,608</u>
Total depreciable capital assets	<u>335,555,762</u>	<u>3,151,906</u>	<u>(1,331,582)</u>	<u>12,368,186</u>	<u>349,744,272</u>
Less accumulated depreciation:					
Site improvements	14,084,887	931,649	-	-	15,016,536
Buildings and building improvements	121,351,849	6,587,508	-	-	127,939,357
Equipment	<u>65,592,974</u>	<u>2,749,068</u>	<u>(1,286,260)</u>	<u>-</u>	<u>67,055,782</u>
Total accumulated depreciation	<u>201,029,710</u>	<u>10,268,225</u>	<u>(1,286,260)</u>	<u>-</u>	<u>210,011,675</u>
Total depreciable capital assets, net	<u>134,526,052</u>	<u>(7,116,319)</u>	<u>(45,322)</u>	<u>12,368,186</u>	<u>139,732,597</u>
Capital assets, net	<u>\$ 153,934,104</u>	<u>\$ 19,711,229</u>	<u>\$ (80,322)</u>	<u>\$ -</u>	<u>\$ 173,565,011</u>

Capital asset activities for the Foundation for the year ended June 30, 2011 were as follows:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2011</u>
Land and land improvements	\$ 1,138,104	\$ 2,000	\$ -	\$ 1,140,104

NOTE 6 - DEFERRED REVENUES

Deferred revenues consist of the following as of June 30, 2011:

Tuition and fees	\$ 2,549,381
Grants and contracts	1,694,143
Sales and services of educational departments	252,181
Auxiliary enterprises	<u>713,893</u>
Total	<u>\$ 5,209,598</u>

NOTE 7 - NOTES PAYABLE

The University has entered into installment purchase agreements for equipment and vehicles with an original cost of \$1,023,651. The related notes payable obligations were recorded at the present value of the future minimum installment payments, discounted using applicable discount rates, which range from 3.55% to 5.33%. Notes payable activities for the year ended June 30, 2011 were as follows:

Balance, beginning of year	\$ 552,176
Payments	<u>(259,348)</u>
Balance, end of year	<u>\$ 292,828</u>
Current Portion	<u>\$ 149,848</u>

Following is a schedule by years of the total future minimum note payments under these agreements together with the present value of the net minimum note payments as of June 30, 2011.

2012	\$ 160,452
2013	113,049
2014	<u>36,497</u>
Total minimum note payments	309,998
Less: amount representing interest	<u>(17,170)</u>
Present value of net minimum note payments	<u>\$ 292,828</u>

NOTE 8 - REVENUE BONDS PAYABLE

General

At June 30, 2011, revenue bonds payable consists of Western Illinois University Auxiliary Facilities System Revenue Bonds, Series 2010, Western Illinois University Auxiliary Facilities System Revenue Bonds, Series 2006, Western Illinois University Auxiliary Facilities System Revenue Bonds, Series 2005, and Western Illinois University Auxiliary Facilities System Revenue Bonds, Series 2002.

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 will be used for issuance costs and to finance capital improvement renovations to Corbin and Olson Residence Halls including the dining commons 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 Assets. The Series 1999 Bonds were retired on April 1, 2009.

Although the advance refunding resulted in the recognition of an accounting loss of \$249,562, for the year ended June 30, 2006, the University in effect reduced its aggregate debt service payments by \$401,922 over the next 19 years and obtained an economic gain of \$365,626.

Series 2005 Bonds

On February 16, 2005, the Series 2005 Bonds were issued in the principal amount of \$25,715,000. The Series 2005 Bonds are 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 Assets.

Although the advance refunding resulted in the recognition of an accounting loss of \$1,345,010, for the year ended June 30, 2005, the University in effect reduced its aggregate debt service payments by \$7,682,725 over the next 15 years and obtained an economic gain of \$2,548,409.

Series 2002 Bonds

On February 6, 2002, the Series 2002 Bonds were issued in the principal amount of \$12,605,000. The Series 2002 Bonds are due April 1, 2022, with annual principal payments ranging from \$450,000 to \$970,000 commencing April 1, 2004 and semi-annual interest payments beginning April 1, 2002 at 3.50% to 5.00%.

Proceeds from the sale of the Series 2002 Bonds were used to construct a new residence hall, to renovate existing residence halls, to renovate married student and family housing apartments, and to purchase property adjacent to the University. In addition, Series 2002 Bonds proceeds were used to pay interest on the Series 2002 Bonds through October 1, 2003, to fund a deposit to the Debt Service Reserve Account and to pay the costs of issuing the Series 2002 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 as of June 30, 2010.

Debt Service Activity Requirements and Collateral

Following is a schedule depicting Revenue Bonds Payable activities for the year ended June 30, 2011:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Series 2002 Bonds	\$ 9,085,000	\$ —	\$ 585,000	\$ 8,500,000	\$ 610,000
Series 2005 Bonds	12,970,000	—	2,845,000	10,125,000	1,425,000
Series 2006 Bonds	14,305,000	—	710,000	13,595,000	730,000
Series 2010 Bonds	—	25,510,000	—	25,510,000	—
Unamortized premium	47,733	—	16,482	31,251	9,481
Unamortized discount	(124,154)	—	(9,488)	(114,666)	(10,566)
Deferred loss of refunding	(731,003)	—	(69,313)	(661,690)	(69,313)
	<u>\$35,552,576</u>	<u>\$ 25,510,000</u>	<u>\$ 4,077,681</u>	<u>\$ 56,984,895</u>	<u>\$ 2,694,602</u>

Aggregate maturities of the bonds outstanding as of June 30, 2011 are as follows:

	Principal	Interest
2012	\$ 2,765,000	\$ 2,866,555
2013	2,870,000	2,762,618
2014	2,975,000	2,652,335
2015	3,095,000	2,529,678
2016	3,215,000	2,401,707
2017-2021	17,375,000	9,800,420
2022-2026	12,400,000	5,935,477
2027-2031	9,095,000	2,997,760
2032-2033	3,940,000	392,700
	<u>57,730,000</u>	<u>32,339,250</u>
Unamortized premium	31,251	-
Unamortized discount	(114,666)	-
Deferred loss of refunding	(661,690)	-
	<u>\$ 56,984,895</u>	<u>\$ 32,339,250</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 \$5,632,618. The estimated debt service coverage ratio based on revenues generated from operations is 2.13. The future pledged revenues for principal and interest in fiscal year 2011 are \$90,069,250. Pledged revenue coverage is 15.68 in fiscal year 2011. Pledged revenues have a term of commitment through 2033.

NOTE 9 - CERTIFICATES OF PARTICIPATION PAYABLE

General

At June 30, 2011, 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 2, 2011 at 2.50% to 5.375%.

Proceeds from the sale of the Series 2011 Certificates of Participation will be used for issuance costs and 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 February 23, 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 6.375%.

Proceeds from the sale of the Series 2010 Certificates of Participation will be used for issuance costs and to finance heating plant capital improvements and steam line replacements. Additionally, proceeds 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 4.5%.

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.

Debt Service Activity Requirements and Collateral

Following is a schedule depicting Certificates of Participation activities for the year ended June 30, 2011:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Series 2005	\$ 9,475,000	\$ -	\$ 430,000	\$ 9,045,000	\$ 445,000
Series 2010	11,585,000	-	415,000	11,170,000	440,000
Series 2011	-	11,775,000	-	11,775,000	600,000
Unamortized premium	-	9,988	2,429	7,559	6,270
Unamortized discount	(49,364)	-	(6,919)	(42,445)	(6,327)
	<u>\$ 21,010,636</u>	<u>\$ 11,784,988</u>	<u>\$ 840,510</u>	<u>\$ 31,955,114</u>	<u>\$ 1,484,943</u>

Aggregate maturities of the certificates of participation outstanding as of June 30, 2011 are as follows:

	<u>Principal</u>	<u>Interest</u>
2012	\$ 1,485,000	\$ 1,419,305
2013	1,525,000	1,376,117
2014	1,570,000	1,330,002
2015	1,620,000	1,279,625
2016	1,670,000	1,221,826
2017-2021	9,380,000	5,003,104
2022-2026	11,660,000	2,523,957
2027-2030	3,080,000	402,000
	<u>31,990,000</u>	<u>14,555,936</u>
Unamortized premium	7,559	-
Unamortized discount	(42,445)	-
	<u>\$ 31,955,114</u>	<u>\$ 14,555,936</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 10 - 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, 2011, such accumulated benefits totaled \$7,484,291.

Administrative and faculty unused sick leave may be accumulated up to a specified maximum, generally 300 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 through January 1, 1998 can be received as a lump sum payment upon termination. At June 30, 2011, such accumulated benefits totaled \$6,469,826. Compensated absences activity for the year ended June 30, 2011 was as follows:

Balance, beginning of year	\$ 15,663,684
Deductions	<u>(1,709,567)</u>
Balance, end of year	13,954,117
Less: current portion	<u>(1,837,901)</u>
Balance, end of year - noncurrent portion	<u>\$ 12,116,216</u>

NOTE 11 - RETIREMENT PLAN

Plan Description

The University contributes to the State Universities Retirement System of Illinois (SURS), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation whereby the State of Illinois makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941 to provide retirement annuities and other benefits for staff members and employees of the State universities, certain affiliated organizations, and certain other State educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the State's financial reports as a pension trust fund. SURS is governed by Section 5/15, Chapter 40, of the *Illinois Compiled Statutes*.

SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.SURS.org or by calling 1-800-275-7877.

Funding Policy

Plan members are required to contribute 8.0% of their annual covered salary and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The current rate for FY12 is 24.21% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly. The employer contributions to SURS for the years ending June 30, 2011, 2010, and 2009 were \$22,432,857, \$20,300,347, \$12,794,632, respectively, equal to the required contributions for each year.

NOTE 12 - 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 Healthcare and Family Services along with the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute towards health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes \$5,000.

The State pays 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 Healthcare and Family Services. A copy of the financial statements of the Department of Healthcare and Family Services may be obtained by writing to the Department of Healthcare and Family Services, 201 South Grand Ave., Springfield, Illinois, 62763-3838.

NOTE 13 - 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 (IPHC), 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 14 - OPERATING EXPENSES BY NATURAL CLASSIFICATION

Operating expenses by natural classification for the year ended June 30, 2011, for the University are summarized as follows:

	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 58,279,174	\$ 2,797,195	\$ 74,435	\$ -	\$ 61,150,804
Research	2,491,368	651,290	-	-	3,142,658
Public service	7,180,529	3,354,733	21,976	-	10,557,238
Academic support	12,606,435	4,662,290	59	-	17,268,784
Student services	10,854,294	9,105,480	53,434	-	20,013,208
Institutional support	10,918,042	1,896,685	-	-	12,814,727
Operation and maintenance of plant	9,113,014	6,350,320	-	-	15,463,334
Student aid	-	-	9,533,397	-	9,533,397
Auxiliary enterprises	15,757,427	24,731,296	395,396	-	40,884,119
Staff benefits	6,595,910	-	-	-	6,595,910
Depreciation expense	-	-	-	10,268,225	10,268,225
On-behalf payments	54,313,978	-	-	-	54,313,978
Other operating expenses	-	42,407	-	-	42,407
Total	<u>\$ 188,110,171</u>	<u>\$ 53,591,696</u>	<u>\$ 10,078,697</u>	<u>\$ 10,268,225</u>	<u>\$262,048,789</u>

NOTE 15 - 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 2011, the Foundation did not specifically reimburse the University for \$684,700 of personal service costs or for facility use provided by the University. However, the Foundation gave the University \$3,327,112 for fiscal year 2011, in totally unrestricted funds or funds restricted as to department but generally available for on-going University operations.

NOTE 16 - 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 17 - FOUNDATION PRIOR PERIOD ADJUSTMENTS

The Foundation restated the beginning net assets balance in fiscal year 2010 from \$31.1 million to \$31.2 million, as follows:

- Certain 990-T income taxes remained prepaid during the prior period. As a result, unrestricted net assets were restated and increased by \$9,682 due to correction of errors in reporting prior prepaid expense.
- Certain charitable remainder trusts were not reported as income in the year it became known to the Foundation that the trusts were irrevocable. As a result, restricted expendable net assets were restated and increased by \$58,430 due to correction of errors in reporting prior charitable remainder trusts.

- Certain capital assets previously reported as owned by the University, is now reported by the Foundation in order to be consistent with the deed. As a result, net assets (invested in capital assets, net of related debt) were restated and increased by \$35,000 due to correction of errors in reporting capital asset during the prior period.