



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

NORTHERN ILLINOIS UNIVERSITY

FINANCIAL AUDIT

For the One Year Ended: June 30, 2011

Release Date: March 8, 2012

Summary of Findings:

Total this audit:	1
Total last audit:	0
Repeated from last audit:	0

INTRODUCTION

This digest covers our financial audit of Northern Illinois University for the year ended June 30, 2011. A compliance examination covering the year ended June 30, 2011 will be issued at a later date.

SYNOPSIS

- The University needs to improve internal controls over financial reporting.

{Expenditures and Activity Measures are summarized on the reverse page.}

NORTHERN ILLINOIS UNIVERSITY
FINANCIAL AUDIT
For The Year Ended June 30, 2011 (in thousands)

STATEMENT OF NET ASSETS	2011	2010
Assets		
Cash and cash equivalents.....	\$ 42,055	\$ 60,220
Investments.....	187,236	43,371
Accounts and student loans receivable, net.....	33,389	36,066
Appropriations receivable from the state.....	45,307	27,894
Capital assets, net.....	327,427	317,403
Other.....	10,123	7,568
Total.....	<u>\$ 645,537</u>	<u>\$ 492,522</u>
Liabilities		
Accounts payable and accrued liabilities.....	\$ 53,737	\$ 45,289
Accrued compensated absences.....	20,942	22,331
Revenue bonds, contracts and leases payable..	271,593	150,404
Other.....	29,200	20,210
Total.....	<u>\$ 375,472</u>	<u>\$ 238,234</u>
Net Assets		
Invested in capital assets, net of related debt...	\$ 154,167	\$ 156,523
Restricted.....	3,185	7,155
Unrestricted.....	112,713	90,610
Total.....	<u>\$ 270,065</u>	<u>\$ 254,288</u>

REVENUES, EXPENSE AND CHANGES IN NET ASSETS	2011	2010
Revenues		
State appropriations.....	\$ 197,923	\$ 199,657
Tuition and fees, net.....	144,212	138,526
Auxiliary enterprises.....	99,986	98,632
Federal and state grants and other contracts.....	71,513	66,883
Sales and services of educational activities.....	18,757	21,452
Other.....	8,397	9,390
Total.....	<u>\$ 540,788</u>	<u>\$ 534,540</u>
Expenses		
Instruction.....	\$ 129,155	\$ 130,029
Staff benefits.....	105,487	91,308
Auxilliary enterprises.....	83,023	78,768
Institutional support.....	35,179	38,892
Academic support.....	31,163	30,568
Operation and maintenance of plant.....	27,836	26,739
Public service.....	27,135	22,081
Student aid.....	26,078	24,013
Other.....	59,955	59,716
Total.....	<u>\$ 525,011</u>	<u>\$ 502,114</u>
Change in net assets.....	<u>\$ 15,777</u>	<u>\$ 32,426</u>

AGENCY DIRECTOR

During Examination Period: Dr. John G. Peters
Currently: Dr. John G. Peters

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

FINANCIAL REPORTING PROCESS

Financial reporting controls need to be improved

Northern Illinois University needs to improve internal control over financial reporting.

During our review of the draft financial statements of the University provided to the auditors, several errors and omissions relating to the draft financial statements and note disclosures were identified and corrected. Some of the more significant items were as follows:

Economic gain and debt service loss from bond refunding were not disclosed

- In January 2011, the University issued \$67,135,000 of Auxiliary Facilities System Revenue Bonds (Series 2011) to refund the outstanding principal amount of the Series 1999 and the Series 2001 Auxiliary Facilities System Revenue Bonds. In relation to the issuance of the Series 2011 Bonds, the University did not disclose the economic gain resulting from the transaction of \$500,000 or the difference in debt service between the new and old debt, a loss of \$1,200,000, as required by generally accepted accounting principles (GAAP).

Restricted investments of \$42 million were improperly classified as current assets

- Part of the restricted investments and marketable securities balance related to proceeds from bonds that will be used for capital additions, improvements and renovations was not properly classified between the current and noncurrent assets on the Statement of Net Assets, resulting in a reclassification of \$42,160,000 in restricted investments and marketable securities from current assets to noncurrent assets.

Missing disclosures were due to oversight

According to University management, the missing disclosures were due to an oversight by management when the draft financial statements were prepared. (Finding #1, pages 5-6 in the Report Required Under *Government Auditing Standards*)

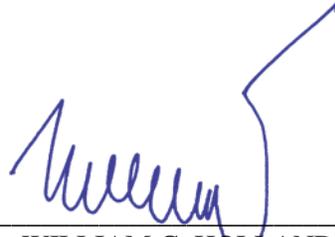
The University accepted our recommendation

We recommended the University improve controls over financial reporting to ensure accurate presentation and disclosure of the University's annual financial statements.

The University accepted our recommendation.

AUDITORS' OPINION

Our auditors stated the financial statements of Northern Illinois University as of June 30, 2011, and for the year then ended, are fairly stated in all material respects.

A handwritten signature in blue ink, appearing to read 'William G. Holland', is positioned above a horizontal line. The signature is stylized and cursive.

WILLIAM G. HOLLAND
- Auditor General

WGH:jaf:rt

SPECIAL ASSISTANT AUDITORS

Our special assistant auditors for this audit were McGladrey & Pullen LLP.