



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, 2013

Release Date: December 19, 2013

Summary of Findings:

Total this audit: 1

Total last audit: 1

Repeated from last audit: 1

INTRODUCTION

This digest covers our financial audit of Northern Illinois University for the year ended June 30, 2013. A compliance examination covering the year ended June 30, 2013 will be issued at a later date.

SYNOPSIS

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

{Financial information is summarized on the reverse page.}

NORTHERN ILLINOIS UNIVERSITY
FINANCIAL AUDIT
For The Year Ended June 30, 2013 (in thousands)

STATEMENT OF NET POSITION	2013	2012
Assets		
Cash and cash equivalents.....	\$ 50,726	\$ 60,889
Investments.....	158,320	189,650
Accounts and student loans receivable, net.....	40,552	41,608
Appropriations receivable from the State.....	28,137	28,359
Capital assets, net.....	465,749	437,646
Other.....	11,101	10,118
Total.....	754,585	768,270
Liabilities		
Accounts payable and accrued liabilities.....	62,555	60,587
Accrued compensated absences.....	18,552	18,646
Revenue bonds, contracts and leases payable.....	370,627	376,691
Other.....	21,235	27,080
Total.....	472,969	483,004
Net Position		
Invested in capital assets, net of related debt.....	154,273	154,695
Restricted.....	3,634	3,518
Unrestricted.....	123,709	127,053
Total.....	\$ 281,616	\$ 285,266

REVENUES, EXPENSES AND CHANGES IN NET POSITION	2013	2012
Revenues		
State appropriations.....	\$ 239,371	\$ 218,887
Tuition and fees, net.....	141,229	138,529
Auxiliary enterprises.....	104,635	104,970
Federal and state grants and other contracts.....	83,901	93,605
Sales and services of educational activities.....	20,497	19,447
Other.....	19,520	12,711
Total.....	609,153	588,149
Expenses		
Instruction.....	133,355	136,867
Staff benefits.....	153,712	121,732
Auxilliary enterprises.....	90,992	85,651
Institutional support.....	34,002	30,817
Academic support.....	34,119	32,198
Operation and maintenance of plant.....	24,507	27,320
Public service.....	42,988	51,265
Student aid.....	25,574	22,369
Other.....	73,554	64,729
Total.....	612,803	572,948
Change in net position.....	\$ (3,650)	\$ 15,201

UNIVERSITY PRESIDENT
During Examination Period: Dr. John G. Peters - (July 1, 2012 - June 30, 2013)
Currently: Dr. Douglas D. Baker - (effective July 1, 2013)

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

NEED TO IMPROVE FINANCIAL REPORTING

Reporting controls

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

\$4.3 million adjustment to increase interest expense

During our review of the draft financial statements, we noted the University did not properly accrue interest on a capital lease. As a result of bringing this to their attention, the University recorded an adjustment of approximately \$4.3 million to increase interest expense.

According to University management the error resulted from management using a cash based repayment schedule for the principal and interest instead of recalculating interest expense over the entire term of the agreement. (Finding #1, page 5 in the Report Required Under *Government Auditing Standards*) **This finding was first reported in 2011.**

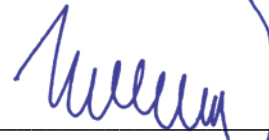
We recommended the University improve controls over financial reporting to ensure accurate presentation and disclosure of the University's annual financial statements.

University agrees with auditors

University officials accepted our recommendation. (For the previous University response, see Digest Footnote #1.)

AUDITORS' OPINION

Our auditors stated the financial statements of Northern Illinois University as of June 30, 2013, and for the year then ended, are fairly stated in all material respects.



WILLIAM G. HOLLAND
Auditor General

WGH:TLK:rt

SPECIAL ASSISTANT AUDITORS

McGladrey LLP were our special assistant auditors for this engagement.

DIGEST FOOTNOTES

#1 –Need to Improve Financial Reporting – Previous University Response

The University agrees.