



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, 2012

Release Date: February 6, 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, 2012. A compliance examination covering the year ended June 30, 2012 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, 2012 (in thousands)

STATEMENT OF NET ASSETS	2012	2011*
Assets		
Cash and cash equivalents.....	\$ 60,889	\$ 42,055
Investments.....	189,650	187,236
Accounts and student loans receivable, net.....	41,608	33,389
Appropriations receivable from the State.....	28,359	45,307
Capital assets, net.....	437,646	327,427
Other.....	10,118	10,123
Total.....	768,270	645,537
Liabilities		
Accounts payable and accrued liabilities.....	60,587	53,737
Accrued compensated absences.....	18,646	20,942
Revenue bonds, contracts and leases payable.....	376,691	271,593
Other.....	27,080	29,200
Total.....	483,004	375,472
Net Assets		
Invested in capital assets, net of related debt.....	154,695	165,751
Restricted.....	3,518	3,185
Unrestricted.....	127,053	101,129
Total.....	\$ 285,266	\$ 270,065
*Certain reclassifications have been made to the 2011 amounts to conform to the 2012 presentation		

REVENUES, EXPENSES AND CHANGES IN NET ASSETS	2012	2011
Revenues		
State appropriations.....	\$ 218,887	\$ 197,923
Tuition and fees, net.....	138,529	144,212
Auxiliary enterprises.....	104,970	99,986
Federal and state grants and other contracts.....	93,605	71,513
Sales and services of educational activities.....	19,447	18,757
Other.....	12,711	8,397
Total.....	588,149	540,788
Expenses		
Instruction.....	136,867	129,155
Staff benefits.....	121,732	105,487
Auxilliary enterprises.....	85,651	83,023
Institutional support.....	30,817	35,179
Academic support.....	32,198	31,163
Operation and maintenance of plant.....	27,320	27,836
Public service.....	51,265	27,135
Student aid.....	22,369	26,078
Other.....	64,729	59,955
Total.....	572,948	525,011
Change in net assets.....	\$ 15,201	\$ 15,777

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

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

NEED TO IMPROVE FINANCIAL REPORTING

Reporting controls

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

During our review of the draft financial statements and notes several errors and omissions were identified and subsequently corrected. Some of the more significant items noted follow:

Reclassifications for 2012 totaled \$9,897,000

Reclassification for 2011 totaled \$11,584,000

Concentrations of Credit Risk disclosures were missing

Subsequent event with its Foundation not disclosed

- “Net assets invested in capital assets, net of related debt” and “unrestricted net assets” required a reclassification of \$9,897,000 for 2012 and a similar reclassification of \$11,584,000 for 2011 related to the inclusion of accreted interest on capital appreciation bonds as part of the principal amount used in calculating the related debt portion of “Net assets invested in capital assets, net of related debt.” After this item was brought to the attention of the University, reclassifications were made to correct the balances of the affected accounts.
- The University did not disclose its exposures to concentrations of credit risk. The University had concentrations of credit risk related to investments in securities issued by the Federal Home Loan Bank of about \$33,507,000, investments in securities issued by the Federal National Mortgage Association of about \$41,140,000 and investments in securities issued by the Federal Home Loan Mortgage Corporation of about \$46,629,000. The investments in securities from each of these issuers exceeded 5% of the University’s total investments. Once this was brought to the attention of the University, they corrected the disclosure.
- The University did not disclose a subsequent event. The University signed an irrevocable letter of intent with the Foundation. Under this letter of intent, the University leased land to the Foundation for the construction of a facility. The University committed to lease the facility, upon completion, from the Foundation for a period of 90 months. Once this was brought to the attention of the University, they added a disclosure for this event.

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*)
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.

AUDITORS' OPINION

Our auditors stated the financial statements of Northern Illinois University as of June 30, 2012, 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 written over a horizontal line.

WILLIAM G. HOLLAND
•• Auditor General

WGH:TLK:rt

SPECIAL ASSISTANT AUDITORS

McGladrey LLP were our special assistant auditors for this engagement.