

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
COMPLIANCE EXAMINATION
(IN ACCORDANCE WITH THE SINGLE AUDIT ACT
AND OMB CIRCULAR A-133)**

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

For the Year Ended June 30, 2005

**State of Illinois
 Northeastern Illinois University
 Compliance Examination
 (In Accordance with the Single Audit Act
 and OMB Circular A-133)
 For the Year Ended June 30, 2005**

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State of Illinois
Northeastern Illinois University
Compliance Examination
(In Accordance with the Single Audit Act
and OMB Circular A-133)
For the Year Ended June 30, 2005

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**State of Illinois
Northeastern Illinois University**

Agency Officials

President	Dr. Salme Harju Steinberg
Vice President for Finance and Administration	Mr. Mark Wilcockson, CPA
Associate Vice President - Financial and Administrative Affairs	Mr. David Jonaitis
Director of Financial Affairs / Controller	Ms. Peggy Ho
Acting Director of Internal Audit	Mr. Ronald Cierny, CPA
Executive Director – Office of University Budgets	Dr. Helen Ang

Agency offices are located at:

5500 North St. Louis Avenue
Chicago, Illinois 60625

November 28, 2005

E. C. Ortiz & Co., LLP
333 S. Des Plaines Street, Suite 2-N
Chicago, Illinois 60661

Ladies and Gentlemen:

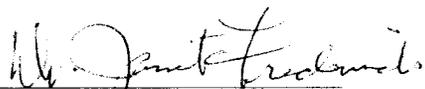
We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of Northeastern Illinois University (University). We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the University's compliance with the following assertions during the year ended June 30, 2005. Based on this evaluation, we assert that during the year ended June 30, 2005, the University has materially complied with the assertions below.

- A. The University has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The University has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The University has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the University are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. The money or negotiable securities or similar assets handled by the University on behalf of the State or held in trust by the University have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

E. C. Ortiz & Co., LLP
November 28, 2005
Page 2

Yours very truly,

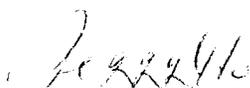
Northeastern Illinois University



Dr. Salmé Harju Steinberg
President



Mark Wilcockson, CPA
Vice President for Finance and Administration



Peggy Ho
Director of Financial Affairs/Controller

**State of Illinois
Northeastern Illinois University**

Compliance Report

Summary

The compliance testing performed during this examination was conducted in accordance with Government Auditing Standards and in accordance with the Illinois State Auditing Act.

Auditor's Reports

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

Summary of Audit Findings

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	6	2
Repeated audit findings	1	0
Prior recommendations implemented or not repeated	1	2

Details of audit findings are presented in a separately tabbed report section.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Prior Finding Code</u>
FINDING (GOVERNMENT AUDITING STANDARDS)			
05-1	19	Inadequate Controls over Bank Reconciliations	N/A
FINDING (FEDERAL COMPLIANCE)			
05-2	21	Quarterly Expenditure Reports Not Submitted Timely	N/A

**State of Illinois
Northeastern Illinois University**

Compliance Report

Summary of Audit Findings, Continued

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Prior Finding Code</u>
FINDINGS (STATE COMPLIANCE)			
05-3	23	Inadequate Controls over University Property and Equipment	04-2
05-4	29	Time Sheets not Required	N/A
05-5	31	Noncompliance with Required Contracting Procedures	N/A
05-6	33	Ethics Training for New Employees Not Completed Within the Required Timeframe	N/A
PRIOR FINDING NOT REPEATED (GOVERNMENT AUDITING STANDARDS)			
05-7	34	Failure to Apply Appropriate Accounting Principles	04-1
PRIOR FINDING NOT REPEATED (FEDERAL COMPLIANCE)			
None			
PRIOR FINDING NOT REPEATED (STATE COMPLIANCE)			
None			

**State of Illinois
Northeastern Illinois University**

Compliance Report

Exit Conference

The findings and recommendations appearing in this report were discussed with University personnel at an exit conference held on December 8, 2005. Attending were:

Representing Northeastern Illinois University

Dean of the Graduate College

Vice President for Finance & Administration
Director of Financial Affairs/Controller
Acting Director, Internal Audit

Dr. Janet Fredericks (representing
President Steinberg)
Mr. Mark Wilcockson, CPA
Ms. Peggy Ho
Mr. Ronald Cierny, CPA

Representing E.C. Ortiz & Co., LLP

Partner
Manager

Ms. Stella Marie B. Santos, CPA
Ms. Gilda M. Belmonte, CPA

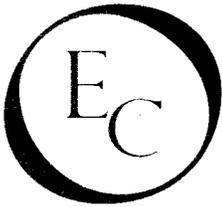
Representing the Office of the Auditor General

Audit Manager

Mr. Thomas L. Kizziah, CPA

Responses to the recommendations were provided by Mark Wilcockson in a letter dated December 8, 2005.

The financial audit report for the year ended June 30, 2005 is issued under a separate cover.



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

**INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined Northeastern Illinois University's (University) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2005. The management of the University is responsible for compliance with these requirements. Our responsibility is to express an opinion on the University's compliance based on our examination.

- A. The University has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The University has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The University has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the University are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the University on behalf of the State or held in trust by the University have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the University's compliance with specified requirements.

In our opinion, the University complied, in all material respects, with the aforementioned requirements during the year ended June 30, 2005. However, the results of our procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of State findings and questioned costs as findings 05-2 to 05-6. As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter to your office.

Internal Control

The management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered the University's internal control over compliance with the aforementioned requirements in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General.

Our consideration of internal control over compliance with the aforementioned requirements would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance that we consider to be material weaknesses. The results of our procedures disclosed no other matters involving internal control which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General. As required by the Audit Guide, immaterial findings relating to internal control deficiencies excluded from this report have been reported in a separate letter to your office.

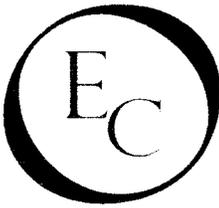
Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities of the University as of and for the year ended June 30, 2005, which comprise the University's basic financial statements, and have issued our report thereon dated November 28, 2005. The accompanying supplementary information, as listed in the Table of Contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the University. The 2005 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2005, taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States, the University's basic financial statements for the year ended June 30, 2004. In our report dated November 4, 2004, we expressed unqualified opinion on those statements. In our opinion, the 2004 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited" is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2004, taken as a whole. The financial statements of the University as of June 30, 2003 were audited by other independent auditors whose report dated November 7, 2003 expressed an unqualified opinion on those statements.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and University management, and is not intended to be and should not be used by anyone other than these specified parties.

E. C. Keith & Co. LLP

November 28, 2005



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements as listed in the Table of Contents of Northeastern Illinois University (University) as of and for the year ended June 30, 2005 and have issued our report thereon dated November 28, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the University's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 05-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness. We noted certain deficiencies in the design or operation of internal control over financial reporting which do not meet the criteria for reporting herein and which are reported as State compliance findings in the schedule of findings. We also noted certain immaterial instances of internal control deficiencies, which we have reported to management of the University in a separate letter dated November 28, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters which are reported as State compliance findings in the schedule of findings. We also noted certain matters, which we have reported to management of the University in a separate letter dated November 28, 2005.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, University management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

E. C. Ortiz & Co. LLP

November 28, 2005



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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the compliance of Northeastern Illinois University (University) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 05-2.

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business-type activities of Northeastern Illinois University as of and for the year ended June 30, 2005 and have issued our report thereon dated November 28, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprised the University's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, University management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

E. C. Gentry & Co LLP

November 28, 2005

**SCHEDULE OF FINDINGS
AND
QUESTIONED COSTS**

State of Illinois
Northeastern Illinois University

Single Audit - Summary of Auditor's Results

For the Year Ended June 30, 2005

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weakness(es)? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weakness(es)? Yes No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes No

State of Illinois
Northeastern Illinois University

Single Audit - Summary of Auditor's Results (Continued)

For the Year Ended June 30, 2005

Identification of major programs:

<u>CFDA#</u>	<u>Name of Federal Program or Cluster</u>
	Student Financial Assistance Cluster
84.287	Twenty-First Century Community Learning Centers
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs

Dollar threshold used to distinguish between type A and type B Programs:

\$ 702,089

Auditee qualified as low-risk auditee?

 Yes X No

State of Illinois
Northeastern Illinois University

CURRENT FINDING - Government Auditing Standards

For the Year Ended June 30, 2005

05-1. Inadequate Controls Over Bank Reconciliations

The University did not have adequate controls over bank reconciliations.

The University maintains cash and investment balances totaling \$20,874,878 as of June 30, 2005 in 29 bank accounts. In our review of monthly bank reconciliations, we noted the following:

- Bank reconciliations for 19 bank accounts were not completed within 30 days after the end of the month. Bank reconciliations for these bank accounts for July 2004 to January 2005 were prepared 3 to 46 days late.
- Bank reconciliations for the month of February 2005 for 19 bank accounts were not prepared timely. The reconciliations for February's transactions were included in the bank reconciliation for March 2005.
- Bank reconciliations for the months of November 2004 and April 2005 for 1 bank account did not have evidence of review and approval by either the Controller or Assistant Controller.

Sound internal controls require the preparation of bank reconciliations on a timely basis and prompt disposition of reconciling items. Bank reconciliations should also be reviewed and approved by a person independent of the preparer.

According to University personnel, bank reconciliations for the months identified were prepared late due to a leave of absence of the staff performing the reconciliations. Since the bank reconciliations were already late for February 2005, the accountant deemed it sufficient to prepare that month's reconciliation together with March 2005 balances. The bank reconciliations for one bank were reviewed but not signed due to an oversight.

Failure to prepare bank reconciliations timely may result in errors or irregularities not being detected timely. Absence of review and approval by a person independent of the preparer may result in inaccurate bank reconciliations. (Finding Code No. 05-1)

State of Illinois
Northeastern Illinois University

CURRENT FINDING - Government Auditing Standards (Continued)

For the Year Ended June 30, 2005

Recommendation

We recommend the University require bank reconciliations to be prepared 30 days from receipt of the bank statements. In addition, the Controller or a person independent of the preparer should review and approve the bank reconciliations monthly to ensure accuracy and timeliness of preparation. The University should also ensure that required reconciliations are performed during employee leaves.

University Response

The University agrees with the above finding and that bank reconciliations should be done in a timely manner and discrepancies should be handled immediately. We have developed procedures to do so. We were not aware of any requirement that bank reconciliations be done 30 days after receipt of the bank statements, although our goal is to do so. During the time in question, all reconciliations were completed and done as soon as possible, reviewed by an independent person and all discrepancies were reconciled.

**State of Illinois
Northeastern Illinois University**

CURRENT FINDING – Federal Compliance

For the Year Ended June 30, 2005

Federal Agency: U.S. Department of Education

Program Name: Twenty-First Century Community Learning Centers

CFDA # and Program Expenditures: #84.287 (\$1,129,976)

Questioned Costs: None

05-2. Quarterly Expenditure Reports not Submitted Timely

The University did not submit the required quarterly expenditure reports for its grant program passed through the Illinois State Board of Education.

During our detailed testing of the Twenty-First Century Community Learning Centers program, we noted the following submission dates for the Quarterly Expenditure Reports:

21st Century Community Learning Centers I (Code 00)

<u>Quarterly Reports</u>	<u>Due Date</u>	<u>Date Submitted</u>	<u>Days delayed</u>
September 30, 2004	October 31, 2004	March 4, 2005	124
December 31, 2004	January 31, 2005	July 15, 2005	165
March 31, 2005	April 30, 2005	July 15, 2005	76
June 30, 2005	July 31, 2005	October 6, 2005	67

21st Century Community Learning Centers II (Code 04)

<u>Quarterly Reports</u>	<u>Due Date</u>	<u>Date Submitted</u>	<u>Days delayed</u>
September 30, 2004	October 31, 2004	February 23, 2005	115
December 31, 2004	January 31, 2005	February 23, 2005	23
March 31, 2005	April 30, 2005	June 17, 2005	48
June 30, 2005	July 31, 2005	September 30, 2005	61

We also noted that these grant projects were initially frozen by the grantor due to non-submission of the fourth quarter expenditure reports as of September 22, 2005.

State of Illinois
Northeastern Illinois University

CURRENT FINDING – Federal Compliance (Continued)

For the Year Ended June 30, 2005

The financial and reporting requirements section of the grant agreement states that quarterly expenditure reports are due on a quarterly basis by the end of the following month of each State fiscal year quarter electronically through the ISBE Web Application Security (IWAS).

University personnel stated that the details of the expenditure by budget line, by function, required for the quarterly expenditure reporting were not received from program personnel.

Failure to submit the required quarterly expenditure reports in a timely manner results in noncompliance with the terms of the grant agreement and resulted in the project being frozen by the grantor. This also reflects adversely on the University's effectiveness in managing its grant program. (Finding Code No. 05-2)

Recommendation

We recommend the University comply with all the reporting requirements of its grant agreements and ensure timely submission of reports. We also recommend that a calendar of reporting deadlines be compiled and be monitored by the grant fiscal administration to ensure compliance.

University Response

We agree that the University must comply with the reporting requirements of the grant agreements and will strengthen our efforts to do so. The grant identified as having late quarterly expenditure reports had unusual expenditure reporting requirements that required special data compilations which delayed our submission of the reports. While we do maintain a schedule of reporting deadlines, we will revise our internal submission timelines to better assure the timeliness of these reports. In addition, the planned implementation of our new information system has a grants accounting module that will better facilitate the completion of these reports.

State of Illinois

Northeastern Illinois University

CURRENT FINDINGS – State Compliance

For the Year Ended June 30, 2005

05-3. Inadequate Controls Over University Property and Equipment

Northeastern Illinois University (University) did not have adequate controls over its property and equipment.

In our physical identification of 90 items in the property records, we noted the following:

- Twelve (12) equipment items tested with a total value of \$86,430 were not tagged with the University decal. Nine (9) of the 12 equipment items had the inventory number marked with permanent ink. These items consisted of: computer switching equipment, an audio visual system, a rapid eye system, portable changeable sign, a 3-section recycling center, a pitching machine, a kayak, a typewriter, and a computer. The remaining 3 items represent 2 cars and a Motorola repeater that were not marked by permanent ink nor tagged with the University decal. The University subsequently affixed the University decal on these items.
- Five (5) items with a total value of \$10,059 representing a printer, a projector and three laptops were not found.
- Information in the property records for thirty four (34) equipment items tested were not updated as follows:
 - Three (3) items with a total value of \$47,752 representing an Isokinetic Knee Machine scrapped in December 2003, a telephone transferred to the State, and a mobile storage donated to a school were not deleted from the property records.
 - Five (5) items representing a muscle stimulator and four laptops with a total value of \$13,545 were no longer in use but not reported as surplus.
 - The tag number affixed for four (4) items with a total value of \$9,590 representing a microscope, a digital camcorder, a digital camera and a laptop did not match the tag number in the Property Listing.
 - The user name for eleven (11) laptops with a total value of \$30,487 were not indicated or did not match the username in the Property Listing.

State of Illinois

Northeastern Illinois University

CURRENT FINDINGS – State Compliance (Continued)

For the Year Ended June 30, 2005

- Eleven (11) items with a total value of \$33,016 were found in a different location. These items were a microscope, a safety cabinet, a scrubber, a router, a projector, a television, a wooden workstation, a chair, and 3 printers.

The University subsequently updated the property records.

During our tracing to the Property Listing of items physically identified, we noted five (5) of 35 (14%) equipment items tested were not included in the Property Listing. These items represent a VHS, a scanner, a monitor, and 2 computers. The scanner was marked as disposed in 2002 in the property system. The University subsequently recorded these items in the property records.

In our detailed testing of vouchers representing purchases of new furniture with a total value of \$228,076, we noted that all of the 5 (100%) vouchers tested were not supported with a state property surplus-new furniture affidavit required to be filed with the state surplus administrator.

We also noted in our detailed testing of telecommunications vouchers, that a voucher amounting to \$2,904 representing 8 handheld radios were not included in the Property Listing. The University subsequently recorded these items in the property system.

During our review of University controls over off-campus use of equipment and our detailed testing of sixty (60) off-campus equipment use forms on file and physical verification of the 25 laptops personally assigned, we noted the following:

- Fifty-four (54) off-campus equipment use forms obtained from Property Control covering 80 equipment items were not completed properly. The forms had missing information such as the department name and number, the location, the date of move, the expected date of return, the tag number, the item description, the serial number, the justification for being off-campus, and the Fiscal Agent and Vice President/Dean's approval.
- Items covered by thirteen (13) of these off-campus equipment use forms were past due of their return, the longest being more than a year from the date of move. These items were 11 laptops, a microscope and a dry gas meter.
- Two (2) of the 80 (2%) items listed in two off-campus equipment use forms were not included in the Property Listing. These represent 2 laptops. The University subsequently recorded the laptops in the property system.

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CURRENT FINDINGS – State Compliance (Continued)

For the Year Ended June 30, 2005

- The tag number indicated in the off-campus equipment use forms for 5 equipment items tested did not match the tag number in the Property Listing. These items were a pocket PC, an external hard drive, and 3 laptops. The University subsequently updated the property records.
- Off-campus equipment use forms were not prepared for 3 laptops assigned to employees.

During our detailed testing of the Form C-15 for the 4 quarters during the fiscal year, we noted that the University prepared the report for the last quarter on July 28, 2005 and mailed it to the Office of the Comptroller the same day. The Office of the Comptroller did not receive the report on July 31, 2005 (due date) and sent out a delinquency letter on August 1, 2005.

Department of Central Management Services (DCMS) Property Control Rules (44 Illinois Administrative Code 5010) requires each piece of equipment to be marked with a unique six-digit identification number, that all additions, deletions, or other changes be made within 30 days and that the purchase price is the price of the equipment delivered and installed, including delivery and installation costs. It also requires all equipment regardless of value shall be clearly marked to indicate that it is the property of the State of Illinois.

Statewide Accounting Management System (SAMS) Procedure 29.10.10 requires agencies to maintain detailed property records and update property records as necessary to reflect the current balance of State property. Such detail records are to be organized by major asset category and include the following information for each asset: (1) Cost (or other value); (2) function and activity; (3) reference to acquisition source document; (4) acquisition date and date placed in service; (5) name and address of vendor; (6) short description of asset; (7) organization unit charged with custody; (8) location; (9) fund and account from which the item was purchased; (10) method of acquisition; (11) estimated useful life; (12) estimated salvage value; (13) date, method and authorization of disposition; (14) tag number; (15) accumulated depreciation; (16) depreciation method; (17) depreciation convention; and (18) insured value (if applicable).

State Property Control Act (30 ILCS 605/7a) requires agencies that desire to purchase new furniture to first check with the administrator if any of the surplus furniture under the administrator's control can be used in place of new furniture. If an agency finds that it is unable to use the surplus property, the agency shall file an affidavit with the administrator prior to any purchase, specifying the types of new furniture to be bought, the quantities of each type of new furniture, the cost per type, and the total cost per category. The affidavit shall also clearly state why the furniture must be purchased new as opposed to obtained from the administrator's surplus.

State of Illinois

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CURRENT FINDINGS – State Compliance (Continued)

For the Year Ended June 30, 2005

University Fiscal Agent Handbook on Off-Campus Use of Property (Section H4) requires that an *Off-Campus Equipment Use Contract* be submitted to the accountable fiscal agent, Department Chair, Director, or other designee, describing the equipment, reason for off campus use, date to be taken, and expected date of return. Return date must be within one year. If property must be used off campus for more than one year, a new *Off-Campus Equipment Use Contract* must be filled out and approved.

SAMS Procedure 29.20.10 requires state agencies to submit the Agency Report of State Property on a quarterly basis to the Office of the Comptroller no later than the last day of the month following the last day of the quarter.

The University Director of Auxiliary and Support Services notifies the entire university community annually of appropriate property control procedures. University officials stated that the problems related to lack of adherence to University procedures. The University was not aware of the requirement to contact DCMS prior to purchasing new equipment for space newly remodeled by the Capital Development Board when it was unlikely that DCMS had the appropriated furniture for the renovated space. The Form C-15 was mailed before the due date but was not sent by fax.

Inadequate controls over University property and equipment results in inaccurate and incomplete property records. It could also result in incorrect accounting information and could cause unnecessary equipment expenditures and inaccurate financial reporting. Loss of University property and equipment may not be detected timely or remain undetected without an accurate property inventory listing and/or strict compliance with University property control procedures. Failure to submit new furniture affidavits resulted in noncompliance with the State Property Control Act. Failure to submit the Form C-15 by the reporting deadline resulted in noncompliance with SAMS procedures. (Finding Code Nos. 05-3, 04-2)

Recommendation

We recommend the University adhere to its procedures to ensure that property and equipment records are accurately maintained and updated. The University should also improve its controls over off-campus use of property and equipment by reviewing the forms submitted by the employees for completeness and accuracy. Periodic physical inventories should be conducted and property records should be updated with the results of the inventory. We also recommend that the state property surplus-new furniture affidavit be filed with the state surplus administrator for purchases of new furniture. The University should also ensure submission of the Agency Report of State Property by the reporting deadlines.

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Northeastern Illinois University

CURRENT FINDINGS – State Compliance (Continued)

For the Year Ended June 30, 2005

University Response

The University concurs with the finding and feels it has made significant progress in improving controls over property control since this report finding last year. Our efforts have focused in four main areas – improve the recording of equipment purchases in the fixed asset accounting records, improve the tagging of equipment and property control records, revise our off-campus use of equipment procedures, and contact CMS for available surplus property prior to the purchase of new furniture. A discussion of each of these areas follows.

Accounting Records

The prior year audit reported that 85% (17 of 20) of taggable items tested were not found in the Property Listing. In addition, the total amount of equipment not entered as fixed assets in the accounting records totaled nearly \$2.5 million and included some equipment purchased several years prior. During this past year, the University made significant progress in this area. As of June 30, 2005, a total of only \$645,629 in equipment purchased by the University was waiting input into the fixed asset records, a reduction of nearly 75%. Most of these items are equipment purchased for the refurbishing of a recently completed CDB remodeling project. We are up to date in our input - none of the items awaiting input are from a prior year. The audit report shows that the number of unlisted items was reduced from 85% to 14% (5 of 35).

Equipment Tagging and Property Control Records

This was our primary focus after last year's finding. The University hired a crew of four temporary staff to work exclusively on equipment tagging. Each equipment item was marked with a permanent marker and then the University property control tag. During the year we implemented a new tagging system decal that includes an individual bar code for each equipment item. The auditors note that in a sample of 90 items, only three had no inventory marking, including two police cars and one item of telecommunications equipment.

Off-campus Use of Equipment Form

The third major area of improvement is the initiation of the Off-campus Use of Equipment form. This implementation was in progress during the audit and implementation continues. As recommended by the auditors last year, we implemented a new procedure that does not require annual renewal and we are receiving new signed forms from all employees who are authorized to take equipment (primarily laptops) off-campus.

State of Illinois
Northeastern Illinois University

CURRENT FINDINGS – State Compliance (Continued)

For the Year Ended June 30, 2005

Surplus Property Request

The University was not aware of the requirement to contact CMS prior to purchasing new equipment for space newly remodeled by the Capital Development Board when it was unlikely that CMS had the appropriate furniture for the renovated space. We have implemented procedures to comply with that statute.

The University concurs with the auditors recommendations and has implemented many of their recommendations. We will continue to make progress in property control areas in the coming year.

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Northeastern Illinois University

CURRENT FINDINGS – State Compliance (Continued)

For the Year Ended June 30, 2005

05-4. Time Sheets Not Required

Northeastern Illinois University (University) did not require all employees to submit time sheets as required by the State Officials and Employees Ethics Act (Act).

The Act required the Illinois Board of Higher Education (IBHE), with respect to State employees of public universities, to adopt and implement personnel policies. The Act (5 ILCS 430/5-5(c)) states, “The policies shall require State employees to periodically submit time sheets documenting the time spent each day on official State business to the nearest quarter hour.” The IBHE adopted personnel policies for public universities on February 3, 2004 in accordance with the Act. The University has not incorporated these policies into the University’s policies.

During our review of time sheets for 30 employees during the year, we noted that 11 employees documented time to the nearest quarter hour and 19 employees were using the “negative” timekeeping system whereby the employee is assumed to be working unless noted otherwise. Of the 11 employees required to submit time sheets, one employee did not submit his time sheet for two pay periods and another employee did not submit his time sheet for one pay period.

University procedures do not require time sheets documenting the time spent each day on official State business to the nearest quarter hour to be submitted for faculty, administrative and professional, exempt civil service, student aide, and graduate assistants. The employees documenting time to the nearest quarter hour were only non-exempt civil service, work study, temporary help, and hourly professional.

University officials stated that the University received a memo from the Executive Inspector General and the General Counsel Office of the Inspector General that states “it appears that a system of absence reporting would be an appropriate method of time keeping under the Ethics Act. Under this system, an employee would only report time during their normal work schedule that was not spent at work and provide the category of leave taken for that time away.” The University relied on this memo in its efforts to comply with the statute. Thus, the University did not require positive time sheets to be submitted by faculty, administrative and professional, exempt civil service, student aide, and graduate assistants.

By not requiring positive time sheets from its employees, the University is not in compliance with the Act. (Finding Code No. 05-4)

Recommendation

We recommend the University amend its policies to require all employees to submit time sheets in compliance with the Act.

State of Illinois
Northeastern Illinois University

CURRENT FINDINGS – State Compliance (Continued)

For the Year Ended June 30, 2005

University Response

The University does not concur with this finding. The University assumed compliance with the statute based upon the guidance from the Executive Inspector General and developed its procedures accordingly. The University received a memo from the Office of the Inspector General that states “it appears that absence reporting would be an appropriate method of time keeping under the Ethics Act. Under this system, an employee would only report time during their normal work schedule that was not spent at work and provide the category of leave taken for that time away.”

Auditor Comment

The State Officials and Employees Ethics Act defines "State agency" to include "public institutions of higher learning. . ." 5 ILCS 430/1-5. Northeastern Illinois University is defined as a "public institution of higher learning" in Section 2 of the Higher Education Cooperation Act. . ." 110 ILCS 220/2. Further, the State Officials and Ethics Act defines "State employee" to be "any employee of a State agency." 5 ILCS 430/1-5.

As noted in the finding, the State Officials and Employees Ethics Act requires "State employees to periodically submit time sheets documenting the time spent each day on official State business to the nearest quarter hour. . ." 5 ILCS 430/5-5 (c). This timekeeping requirement went into effect March 1, 2004. The negative timekeeping system used for several categories of University employees requires those employees to report only time away from State business, not the time spent each day on State business. Further, it is logical to assume that, by adopting this language, the legislature meant to effect a change in the method used by State employees to record their time - that is, to adopt a positive timekeeping system. Finally, the May 24, 2004, memorandum from the Office of Executive Inspector General upon which the University relied in maintaining its customary negative timekeeping system for several categories of its employees clearly states that it "is not a legal opinion."

The auditors continue to believe that a positive timekeeping system for State employees is required by the State Officials and Employees Ethics Act. If the University disagrees with this conclusion, we further recommend that it seek a formal, written opinion from the Attorney General's Office on the requirements of this statutory provision.

State of Illinois

Northeastern Illinois University

CURRENT FINDINGS – State Compliance (Continued)

For the Year Ended June 30, 2005

05-05. Noncompliance with Required Contracting Procedures

The University did not comply with certain required contracting procedures.

During our tests of contractual service expenditures, we noted the following:

- 11 of 30 contracts (37%) were not filed with the State Comptroller’s Office as of fiscal year end. All of the 11 contracts were executed in the current fiscal year and were incurred against locally held funds.
- Payments for bus services to a single vendor totaling \$28,355 were not competitively bid. There was also no contract formally executed for these services.

The Illinois Procurement Code (30 ILCS 500/20-80(b)) and SAMS Procedure 15.10.40 require all state agencies to file contracts exceeding \$10,000 with the State Comptroller within 15 calendar days after execution. Contracts for professional or artistic services that exceed \$5,000 in a fiscal year to any single vendor must be reduced to writing, filed with the Comptroller within fifteen days of execution, and individually obligated on SAMS. The \$5,000 is based on the total contract and not on individual payments. An Affidavit for Late Filing must be completed for any contract liability not filed within thirty (30) days of execution.

SAMS Procedure 15.20.10 states, “File Only contracts, including contracts paid entirely from locally held funds, do not require obligation and are not entered into the SAMS system. They must, however, be filed with the Illinois Office of the Comptroller (IOC) and must meet all IOC documentation and certification requirements.”

The University’s Fiscal Agent Handbook requires three vendor quotes (faxed or written) to accompany requisitions of \$5,000 to \$9,999.

The University had procedures in place to file the contracts with the State Comptroller but there was miscommunication between two administrative offices and some contracts were not filed.

The original purchase requisition for the bus services was below the amount requiring competitive solicitations and the level of need for these services for the fiscal year was underestimated. The Purchase Order was amended for subsequent services and the requirement for bidding and formal execution of a contract was overlooked by the Program Director requiring the services.

State of Illinois
Northeastern Illinois University

CURRENT FINDINGS – State Compliance (Continued)

For the Year Ended June 30, 2005

Failure to file contracts with the State of Illinois, Office of the Comptroller on a timely basis is not in compliance with State statutes and regulations. Failure to adhere to a competitive bidding process may result in the University not getting the lowest possible cost for the services provided. Failure to reduce in writing the contract for these services exposes the University to potential liabilities and unnecessary legal costs in case of dispute over the scope of services and responsibilities. (Finding Code No. 05-5)

Recommendation

We recommend the University adhere to its procedures to ensure all contracts over \$10,000 are filed with the Office of the Comptroller in accordance with State statutes and regulations. We further recommend that an Affidavit for Late Filing should be completed for any contract liability not filed within thirty (30) days of execution. We also recommend that the University review recurring services like bus services for the annual requirements and ensure that services that will exceed \$5,000 in a fiscal year to any single vendor be reduced to writing and filed with the Comptroller within fifteen days of execution. Required competitive solicitation procedures must be observed in all instances.

University Response

The University several years ago implemented procedures to file these contracts with the State Comptroller. This year, there was miscommunication between two administrative offices and some contracts were not filed. The University concurs with the recommendation and will make sure the contracts are filed in accordance with the statutes and regulations.

As stated in the cause, the University underestimated the costs of the bus services and did not believe they would meet the bid requirements. The University and the Program Director will revise procedures to better estimate these types of costs to comply with the bidding requirements.

State of Illinois
Northeastern Illinois University

CURRENT FINDINGS – State Compliance (Continued)

For the Year Ended June 30, 2005

05-6. *Ethics Training for New Employees Not Completed Within the Required Timeframe*

New employees of the University have not completed their initial ethics training within 6 months after commencement of employment.

During our review of 30 new employees during the year, we noted that 16 (53%) employees did not have their ethics training at all and 3 (10%) employees had completed their ethics training beyond the 6 month requirement.

State Officials and Employees Ethics Act (5 ILCS 430/5-10) (Act) requires each State officer, member, and employee to complete his or her initial ethics training within 6 months after commencement of his or her office or employment.

University Officials stated that they were informed by the Office of the Executive Inspector General that they would be provided online training materials quarterly which would fulfill the 6 months requirement. However, as of February 2005, the online materials were not available and the University was informed that manual documents would be developed for them to use. The first set of documents was received by the University in July 2005. As a result, some new employees were not tested due to this delay.

Failure to provide ethics training within the required timeframe results in noncompliance with State statutes and regulations. In addition, new employees may be unaware of specific ethical requirements for State employees. (Finding Code 05-6)

Recommendation

We recommend that the University develop and implement procedures to ensure that employees complete ethics training within six months of their initial date of employment.

University Response

The University agrees with the information provided above; that new University employees were not tested as required by the Ethics Act. However, the University developed procedures for testing new employees based on the timely availability of the Ethics tests from the Office of the Executive Inspector General. Those tests were not made available to the University until after the end of the fiscal year, even though, as stated in the above finding, they were promised to the University in time to comply with the 6 month requirement.

State of Illinois
Northeastern Illinois University

Prior Finding Not Repeated

For the Year Ended June 30, 2005

Government Auditing Standards

05-7. *Failure to Apply Appropriate Accounting Principles*

Status: Implemented.

It was recommended that the University establish procedures to ensure that transactions, which include special terms and reporting, be carefully reviewed for proper accounting and recognition of related transactions. If necessary, accounting and reporting guidance should be obtained from technical resources to be in conformity with generally accepted accounting principles.

Our testing did not disclose any instances where generally accepted accounting principles were not complied with for financial reporting. (Finding Code No. 04-1)

State of Illinois Northeastern Illinois University

Supplementary Information for State Compliance Purposes

Summary

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis
 - Schedule of Expenditures of Federal Awards
 - Notes to the Schedule of Expenditures of Federal Awards
 - Schedule of Net Appropriations, Expenditures and Lapsed Balances
 - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
 - Comparative Schedule of Income Fund Revenues and Expenditures
 - Schedule of Changes in State Property
 - Analysis of Significant Variations in Expenses
 - Analysis of Significant Variations in Revenues
 - Analysis of Significant Lapse Period Spending
 - Analysis of Significant Account Balances
 - Summary of Indirect Cost Reimbursement Funds
- Analysis of Operations
 - University Functions and Planning Program
 - University Enrollment and Employee Information (Unaudited)
 - Emergency Purchases
 - Illinois First Projects
 - Schedule of Federal and Nonfederal Expenditures
 - Service Efforts and Accomplishments (Unaudited)
 - Schedule of Tuition and Fee Waivers (Unaudited)
 - Classroom Utilization Statistics (Unaudited)
- Special Data Requirements for Audits of Universities
 - University Reporting in Accordance with University Guidelines
 - Schedule of Indirect Cost Funds to be deposited into the University Income Fund as Required by 1982 University Guidelines (1997 Amended)
 - Calculation Sheet for Current Excess Funds - Other Entities and Auxiliary Enterprises
 - Description of Accounting Entities
 - Balance Sheets - Other Entities and Auxiliary Enterprises
 - Schedule of Changes in Fund Balances - Current Funds - Other Entities and Auxiliary Enterprises
 - Summary of Foundation Payments to the University

**State of Illinois
Northeastern Illinois University**

Supplementary Information for State Compliance Purposes

Summary, Continued

The auditors' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, except for that portion marked "unaudited", on which no opinion is expressed, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2005 Expenditures
MAJOR PROGRAMS			
<u>DEPARTMENT OF EDUCATION</u>			
STUDENT FINANCIAL ASSISTANCE CLUSTER			
Federal Pell Grant Program	84.063		\$ 7,972,205
Federal Supplemental Educational Opportunity Grants	84.007		385,328
Federal Work-Study Program	84.033		501,312
Federal Perkins Loan Program - Federal Capital Contributions (Note 2)	84.038		105,621
Federal Family Education Loan Program (Note 3)	84.032		
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			<u>\$ 8,964,466</u>
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		<u>\$ 9,297,991</u>
Twenty-First Century Community Learning Centers			
Passed-Through Illinois State Board of Education			
<i>Title IV - 21st Century Community Learning Centers</i>	84.287	2004-4421-00	\$ 148,891
<i>Title IV - 21st Century Community Learning Centers</i>	84.287	2005-4421-00	505,542
<i>Title IV - 21st Century Community Learning Centers</i>	84.287	2004-4421-04	87,892
<i>Title IV - 21st Century Community Learning Centers</i>	84.287	2005-4421-05	387,651
			<u>\$ 1,129,976</u>
TOTAL DEPARTMENT OF EDUCATION			<u>\$ 19,392,433</u>
TOTAL MAJOR PROGRAMS			<u>\$ 19,392,433</u>
OTHER PROGRAMS			
<u>DEPARTMENT OF EDUCATION</u>			
TRIO CLUSTER			
TRIO - Talent Search Program	84.044A		\$ 430,586
TRIO - Upward Bound Program	84.047A		372,667
TRIO - Upward Bound Math and Science Competition	84.047M		193,423
TRIO - Ronald E. McNair Post-Baccalaureate Achievement	84.217		216,904
TOTAL TRIO CLUSTER			<u>\$ 1,213,580</u>
Higher Education Institutional Aid			
<i>Strengthening Institutions - Hispanic Serving Institutions</i>	84.031		<u>\$ 449,082</u>
Early Reading First			
<i>Roots of Language and Literacy</i>	84.359		<u>\$ 447,132</u>

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2005 Expenditures
Bilingual Education Training Grants			
<i>Career Ladder Program</i>	84.195		\$ 14,114
<i>Training for All Teachers</i>	84.195		239,608
			<u>\$ 253,722</u>
Special Education Personnel Preparation to Improve Services and Results for Children with Disabilities			
<i>Special Education - Personnel Preparation to Improve Services and Results for Children with Disabilities</i>	84.325		<u>\$ 134,280</u>
Fund for the Improvement of Postsecondary Education			
<i>FIPSE Comprehensive Program</i>	84.116		<u>\$ 130,202</u>
Child Care Access Means Parents in School			
<i>Child Care Access Means Parents in Schools</i>	84.335		<u>\$ 49,156</u>
Improving Teacher Quality State Grants			
Passed-Through Illinois Board of Higher Education			
<i>No Child Left Behind</i>	84.367	None	<u>\$ 304,939</u>
Arts in Education			
Passed-Through Beacon Street Gallery			
<i>Arts Impacting Achievemeent</i>	84.351	None	<u>\$ 229,858</u>
Teacher Quality Enhancement Grants			
Passed-Through Illinois State University			
<i>Teacher Quality Enhancement Partnership</i>	84.336	None	\$ 123,317
Passed-Through Illinois Board of Higher Education			
<i>Illinois Title II Teacher Quality Enhancement</i>	84.336	None	5,041
			<u>\$ 128,358</u>
Preparing Tomorrow's Teachers to Use Technology			
Passed-Through Chicago Public Schools			
<i>Preparing Tomorrow's Teachers to Use Technology (PT3)</i>	84.342	02-0123-PR18	<u>\$ 88,493</u>
Minority Science and Engineering Improvement			
Passed-Through St. Augustine College			
<i>Minority Science and Engineering Program</i>	84.120	None	<u>\$ 30,754</u>
TOTAL DEPARTMENT OF EDUCATION			<u>\$ 3,459,556</u>

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2005 Expenditures
<u>NATIONAL SCIENCE FOUNDATION</u>			
RESEARCH AND DEVELOPMENT CLUSTER			
Mathematical and Physical Sciences			
<i>Topics in Stochastic Control, Portfolio Optimization and Credit Risk Analysis</i>	47.049		39,158
<i>Robust Numerical Methods in Polynomial Algebra with Approximate Data</i>	47.049		15,846
Passed-Through Purdue University			
<i>Undergraduate Research Centers</i>	47.049	501-1324-01	1,244
			56,248
Education and Human Resources			
<i>The Chicago Math Scholars Program</i>	47.076		12,624
Passed-Through Chicago State University			
<i>Illinois Louis Stokes Alliance for Minority Participation</i>	47.076	None	6,345
Passed-Through City College of New York			
<i>Peer- Led Team-Learning: National Dissemination by the Workshop Project</i>	47.076	40301, 40257, 40443	156,783
			175,752
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			\$ 232,000
TOTAL NATIONAL SCIENCE FOUNDATION			\$ 232,000
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Developmental Disabilities Basic Support and Advocacy Grants			
Passed-Through Illinois Council on Developmental Disabilities			
<i>Teacher Preparation in Undergraduate College/University Programs</i>	93.630	2203	\$ 87,642
Block Grants for Prevention and Treatment of Substance Abuse			
Passed-Through Illinois Department of Human Services			
<i>Substance Abuse Prevention</i>	93.959	11G5373000	\$ 50,872
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 138,514
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Equal Opportunity in Housing			
<i>College Housing Debt Service Grant Program</i>	14.000		\$ 70,000

STATE OF ILLINOIS
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2005 Expenditures
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			\$ 70,000
<u>DEPARTMENT OF STATE</u>			
Educational Partnerships Program <i>Educational Partnership with Tanzania</i>	19.424		\$ 54,289
TOTAL DEPARTMENT OF STATE			\$ 54,289
<u>DEPARTMENT OF COMMERCE</u>			
Technology Opportunities Program Passed-Through Chicago Housing Authority <i>Technology Opportunities Program</i>	11.552	17-60-101056	\$ 34,899
TOTAL DEPARTMENT OF COMMERCE			\$ 34,899
<u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</u>			
Aerospace Education Services Program Passed-Through United Negro College Fund <i>Infusing Space Science into a Science Core Curriculum</i>	43.001	None	\$ 6,601
TOTAL NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			\$ 6,601
<u>DEPARTMENT OF INTERIOR</u>			
National Cooperative Geologic Mapping Program <i>Geologic Mapping of the Mokena Quadrangle for Informed Land Use Plannin</i>	15.810		\$ 6,377
TOTAL DEPARTMENT OF INTERIOR			\$ 6,377
<u>NATIONAL ENDOWMENT FOR THE HUMANITIES</u>			
Promotion of the Humanities-Extending the Reach Grants to Presidentially-Designated Minority Institutions <i>Creation of an Academic Major for the Mexican and Carribbean Studies Prog</i>	45.167		\$ 5,680
TOTAL NATIONAL ENDOWMENT FOR THE HUMANITIES			\$ 5,680
<u>DEPARTMENT OF AGRICULTURE</u>			
Soil and Water Conservation Passed-Through Great Lakes Commission			

STATE OF ILLINOIS
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2005

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2005 Expenditures
<i>Soil and Water Conservation</i>	10.902	None	\$ 2,623
TOTAL DEPARTMENT OF AGRICULTURE			\$ 2,623
TOTAL OTHER PROGRAMS			\$ 4,010,539
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 23,402,972

**State of Illinois
Northeastern Illinois University**

Notes to the Schedule of Expenditures of Federal Awards

1. Significant Accounting Policy

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards by federal agency and program represent the financial assistance transactions of the State of Illinois, Northeastern Illinois University which are recorded on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. Student Loan Program Administered by the University

The University administered the following federal loan program during the year ended June 30, 2005:

Perkins Loan Program CFDA #84.038

Outstanding Balance - July 1, 2004		\$ 2,635,554
Additions:		
Interest income		58,612
Decrease in allowance for doubtful accounts		66,671
Other income		71,283
Capital contributions:		
U.S. Government	\$ 105,621	
University	<u>35,207</u>	
Total Contributions		<u>140,828</u>
Total Additions		<u>337,394</u>
Deductions:		
Loans cancelled or written off		111,503
Administrative charges		29,892
Collection costs		<u>28,981</u>
Total Deductions		<u>170,376</u>
Outstanding Balance - June 30, 2005		<u>\$ 2,802,572</u>

The Schedule of Expenditures of Federal Awards only includes the additional federal capital contribution of the loan program.

**State of Illinois
Northeastern Illinois University**

Notes to the Schedule of Expenditures of Federal Awards, Continued

3. Guaranteed Loans

During the year ended June 30, 2005, the University awarded \$9,177,052 in new loans under the Federal Family Education Loan Program (CFDA #84.032).

4. Waived Matching Requirement

During the year ended June 30, 2005, the State of Illinois, Northeastern Illinois University was granted a waiver from the U.S. Department of Education that released the University from the requirement of matching any Federal Work Study (FWS) funds and any Federal Supplemental Education Opportunity Grant (FSEOG) funds.

State of Illinois
Northeastern Illinois University

Schedule of Net Appropriations, Expenditures, and Lapsed Balances*

Appropriations for Fiscal Year 2005
Fourteen months ended August 31, 2005

	Appropriations, (Net After Transfers)	Expenditures Through June 30, 2005	Lapse Period Expenditures July 1, to August 31, 2005	Total Expenditures	Balances Lapsed
APPROPRIATED FUNDS					
General Revenue Fund 001 (Public Act 93-0842):					
Personal services	\$ 33,655,100	\$ 33,655,098	\$ -	\$ 33,655,098	\$ 2
Social Security - Medicare Contributions	400,000	400,000	-	400,000	-
Employer Contributions to Group Insurance	1,072,600	1,072,600	-	1,072,600	-
Contractual Services	2,650,000	1,931,436	698,348	2,629,784	20,216
Equipment	1,200,000	975,698	222,491	1,198,189	1,811
Match Federal Title II Programs	250,000	200,381	47,778	248,159	1,841
Total General Revenue Fund	<u>39,227,700</u>	<u>38,235,213</u>	<u>968,617</u>	<u>39,203,830</u>	<u>23,870</u>
Capital Development Fund 141 (Public Act 93-0842):					
Equipment and Remodeling of Buildings	2,071,805	-	-	-	2,071,805
Total Appropriated Funds	<u>41,299,505</u>	<u>38,235,213</u>	<u>968,617</u>	<u>39,203,830</u>	<u>2,095,675</u>
NON-APPROPRIATED FUNDS					
Northeastern Illinois University Income Fund - 037 (**):					
Personal services	-	21,653,655	376,899	22,030,554	-
Contributions to Social Security System	-	289,787	-	289,787	-
Contractual Services	-	6,263,404	570,303	6,833,707	-
Travel	-	135,713	21,427	157,140	-
Commodities	-	683,036	126,324	809,360	-
Equipment	-	1,154,515	253,100	1,407,615	-
Telecommunication services	-	608,072	94,248	702,320	-
Operation of Automotive Equipment	-	9,150	525	9,675	-
Permanent improvements	-	295,919	420,877	716,796	-
Awards, grants and matching funds	-	145,893	6,455	152,348	-
Total Income Fund	<u>-</u>	<u>31,239,144</u>	<u>1,870,158</u>	<u>33,109,302</u>	<u>-</u>
Grand Total	<u>\$ 41,299,505</u>	<u>\$ 69,474,357</u>	<u>\$ 2,838,775</u>	<u>\$ 72,313,132</u>	<u>\$ 2,095,675</u>

* The information contained in this schedule was taken from the University records which have been reconciled to those of the State Comptroller.
 ** The University Income Fund is not an appropriated fund, therefore no appropriation or lapsed balances are presented.

State of Illinois
Northeastern Illinois University

Comparative Schedule of Income Fund (037) Revenues and Expenditures*
For the Years Ended June 30, 2005 and 2004

	2005	2004
Fund balance, beginning of year	\$ (2,736,772)	\$ 899,233
Income fund revenues:		
Tuition	29,810,831	27,278,963
Rental income	30,333	29,980
Investment income	343,421	95,887
Miscellaneous	501,355	772,305
	<u>30,685,940</u>	<u>28,177,135</u>
Total income fund revenues		
Income fund expenditures:		
Personal services (including change in accrued compensated absences)	22,475,453	14,832,851
Social security, medicare, health and life insurance	289,787	1,326,842
Contractual services	7,085,465	7,848,394
Travel	153,217	138,263
Commodities	787,216	828,703
Equipment and library books	1,415,550	2,240,548
Telecommunications	720,141	646,356
Operation of automotive	9,782	14,526
Awards, grants and matching funds	143,576	202,167
Permanent improvements	1,102,729	1,857,929
Tuition and fee waivers	2,016,325	1,876,561
	<u>36,199,241</u>	<u>31,813,140</u>
Total income fund expenditures		
Fund balance, end of year	<u>\$ (8,250,073)</u>	<u>\$ (2,736,772)</u>

** This schedule has been prepared on the accrual basis of accounting.*

**State of Illinois
Northeastern Illinois University**

Schedule of Changes in Capital Assets*

*For the Years Ended June 30, 2005, 2004, and 2003
Amount in thousands*

	Balance		Balance		Balance	
	June 30, 2003	June 30, 2004	June 30, 2004	June 30, 2005	June 30, 2005	June 30, 2005
Land	\$ 3,481,601	\$ -	\$ 3,481,601	\$ -	\$ -	\$ 3,481,601
Land improvements	8,644,792	752,239	9,123,205	776,608	163,962	9,735,851
Building and building improvements	88,288,566	7,714,341	96,002,907	1,826,284	2,228,924	95,600,267
Equipment	47,329,327	3,672,805	50,034,486	3,806,944	1,688,634	52,152,796
Construction in progress	-	3,071,026	3,071,026	15,750,079	-	18,821,105
Total	\$ 147,744,286	\$ 15,210,411	\$ 161,713,225	\$ 22,159,915	\$ 4,081,520	\$ 179,791,620

* This schedule has been prepared from the University's property control records. These records are maintained on a basis prescribed by the Department of Central Management Services and differ from the information presented in the basic financial statements due to the higher capitalization thresholds which were adopted for financial reporting purposes. These records have been reconciled to the property records submitted to the Office of the State Comptroller.

**State of Illinois
Northeastern Illinois University**

Analysis of Significant Variations in Expenses
For the Year Ended June 30, 2005

Following are explanations for significant variances between expense accounts exceeding \$47,000 and 15%:

	2005	Increase (Decrease)	2004	Comments
Public service	\$ 15,607,667	\$ 2,965,114	\$ 12,642,553	Increase due to the significant increase in activities for GEAR-UP projects and grants like Roots of Language and Literacy, Housing and Supportive Services, and other public service grants in fiscal year 2005.
Institutional support	30,171,195	(21,485,858)	51,657,053	Decrease was due to the on-behalf catch-up of contributions made by the State of Illinois to the State Universities Retirement System in fiscal year 2004 to reduce actuarial reserve deficiencies.
Depreciation expense	3,563,528	(830,766)	4,394,294	Decrease mainly due to substantial amount of equipment which were fully-depreciated in fiscal year 2004.
Other operating expenses	210,638	(107,632)	318,270	Decrease due to the significant reduction in the costs of loan cancellations in fiscal year 2005.
Interest on indebtedness	995,779	529,678	466,101	Increase due to the University's first year interest payment on the 2004 Revenue Bonds.

**State of Illinois
Northeastern Illinois University**

Analysis of Significant Variations in Revenues
For the Year Ended June 30, 2005

Following are explanations for significant variances between revenue accounts exceeding \$47,000 and 15%:

	2005	Increase (Decrease)	2004	Comments
Federal grants and contracts	\$ 21,087,782	\$ 2,831,652	\$ 18,256,130	Increase was due to new grants received in fiscal year 2005 namely Strengthening Hispanic Serving Institutions and Roots of Language and Literacy and a significant increase in the activities for GEAR-UP and Upward Bound for Math and Science projects.
Payments on behalf of the University	17,437,422	(24,253,671)	41,691,093	Decrease due to a significant infusion of funds from the State of Illinois to the State Universities Retirement System in fiscal year 2004.
State appropriations - Capital Development Fund	-	(62,404)	62,404	The University did not receive appropriations from the Capital Development Fund in fiscal year 2005.
Gifts and donations	100,000	97,000	3,000	Increase due to the \$100,000 annual pledge of the former NEIU Board of Trustee Chairman.

**State of Illinois
Northeastern Illinois University**

Analysis of Significant Variations in Revenues, Continued
For the Year Ended June 30, 2005

Following are explanations for significant variances between revenue accounts exceeding \$47,000 and 15%:

	2005	Increase (Decrease)	2004	Comments
Investment income	385,046	364,929	20,117	Increase mainly attributed to the significant market recovery of investments and increase in the interest rates in fiscal year 2005.
Capital additions provided by State of Illinois	2,911,831	(2,613,746)	5,525,577	Decrease mainly due to the Capital Development Board project for the renovation of Building E which was substantially completed in fiscal year 2004.

State of Illinois
Northeastern Illinois University

Analysis of Significant Lapse Period Spending

June 30, 2005

Significant lapse period spending pertains mainly to contractual services of \$1,268,651 and equipment expenditures of \$475,591 and permanent improvements of \$420,877 paid from the Income Fund and General Revenue Fund in July and August 2005 for expenditures incurred prior to July 1st.

State of Illinois
Northeastern Illinois University

Analysis of Significant Account Balances

For the Years Ended June 30, 2005 and 2004

Cash and Investments

The University's cash and investments are classified as follows:

	2005	2004
Cash and cash equivalents - current assets	\$ 5,960,370	\$ 10,399,132
Short-term Investments	1,001,560	-
Restricted cash and cash equivalents	2,767,284	13,869,697
Investments, noncurrent assets	8,797,555	9,902,077
	<u>\$ 18,526,769</u>	<u>\$ 34,170,906</u>

The University's cash and investments were held in the following accounts:

Deposits held as U.S. Bank		
University 2004 Bond Reserve Account	29,501	999
University 2004 Bond Account	426,544	-
University 1997 Bond Reserve Account	1,430	1,004
University 1997 Bond Account	426,463	343,755
University 1973 Bond Reserve Account	21,457	180,496
University 1973 Bond Account	114,790	11,106
Deposits held at Pittsburgh National Bank	81,542	51,304
Deposits held at Bank One		
University Operating Account	1,054,572	1,695,037
University Clearing Account	(1,482,144)	(3,808,977)
University Payroll Account	(712,784)	(597,041)
University 2004 Bond Proceeds	850,260	12,223,686
Student Union Revenue Fund	300	36
Repair and Replacement Account	1,339	170
Non-Instructional Facility Reserve	56,068	154,942
Equipment Reserve	51,644	3,505
University Emergency Loan Account	(385)	(1,700)
University Clearing Money Market Account	3,915,991	2,967,172
University Investment Pool Account	6,977,438	-
Repair and Replacement Money Market Account	753,185	754,686
U.S. Treasury Notes	1,529,791	1,856,728
Federal Home Loan Bank Bonds	1,164,039	7,223,963
Federal Home Loan Mortgage Corporation Note	127,847	1,047,500
Illinois Funds	3,125,021	10,049,675
Petty Cash - all accounts	12,860	12,860
	<u>\$ 18,526,769</u>	<u>\$ 34,170,906</u>
Cash and Short Term Investment Balance at June 30	<u>\$ 18,526,769</u>	<u>\$ 34,170,906</u>

As of June 30, 2005, all deposit amounts were fully collateralized with federal government securities pledged by the applicable financial institution, were invested in U.S. government securities, money market mutual funds, or were on deposit with Illinois Funds. The Illinois Funds includes investment in U.S. government-backed securities which yielded an average annual rate of 2.882% during fiscal year 2005. The University has the right to withdraw its participation from the pool at any point in time. The U.S. Treasury Notes have interest rates of 3.125 - 4.75%. The Federal Home Loan Bank Bonds have interest rates of 2.150% - 5.375%. The Federal Home Loan Mortgage Corporation Note have interest rates of 3.30% - 7.0%.

State of Illinois
Northeastern Illinois University

Analysis of Significant Account Balances, Continued

For the Years Ended June 30, 2005 and 2004

Accounts Receivable

The University's accounts receivable (net of allowance for doubtful accounts) are classified as follows:

	2005	2004
Grants	\$ 3,566,901	\$ 1,391,366
Student Loans	2,345,895	2,273,859
Tuition and Fees	2,019,564	1,402,697
Other Receivables	<u>1,238,767</u>	<u>259,884</u>
	<u>\$ 9,171,127</u>	<u>\$ 5,327,806</u>

Grants receivable consists of amounts due from the federal government and other granting sources at the end of the fiscal year. The increase is mainly due to slower payment of grant funds during fiscal year 2005.

Student loan accounts receivable consist almost entirely of student loans issued under the Federal Perkins Loan Program.

Tuition and fees receivable increased due to the 4.5% increase in the undergraduate tuition and fee rates and a modest increase in student enrollment in fiscal year 2005.

Other receivables consist primarily of amounts due from State appropriations, students, parking fines, library fines and other miscellaneous receivables. The increase is mainly attributable to the outstanding claims or charges for fiscal year 2005 State appropriations.

The aging of such receivables, by type, as of June 30, 2005, is as follows:

	Current	1-2 years	2-3 years	Over 3 years	Total
Grants	<u>\$ 3,566,901</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,566,901</u>
Student Loans					
Perkins Loan	\$ 2,669,109	\$ 71,810	\$ 94,886	\$ 193,502	\$ 3,029,307
Emergency Loan	12,698	3,471	2,788	26,335	45,292
Total Student Loans	<u>\$ 2,681,807</u>	<u>\$ 75,281</u>	<u>\$ 97,674</u>	<u>\$ 219,837</u>	3,074,599
Allowance for doubtful accounts					(728,704)
Net Student Loans					<u>\$ 2,345,895</u>
Tuition and Fees					
From students	\$ 1,845,989	\$ 258,200	\$ 130,216	\$ 33,183	\$ 2,267,588
Third party reimbursements	617,406	-	-	-	617,406
Total Tuition and Fees	<u>\$ 2,463,395</u>	<u>\$ 258,200</u>	<u>\$ 130,216</u>	<u>\$ 33,183</u>	2,884,994
Allowance for doubtful accounts					(865,430)
Net Tuition and Fees					<u>\$ 2,019,564</u>
Other Receivables					
Parking fines	\$ 65,827	\$ 76,368	\$ 93,661	\$ 182,535	\$ 418,391
Library fines	76,199	46,771	119,522	326,427	568,919
Other accruals	1,120,381	-	-	-	1,120,381
Total Other Receivables	<u>\$ 1,262,407</u>	<u>\$ 123,139</u>	<u>\$ 213,183</u>	<u>\$ 508,962</u>	2,107,691
Allowance for doubtful accounts					(868,924)
Net Other Receivables					<u>\$ 1,238,767</u>

**State of Illinois
Northeastern Illinois University**

Analysis of Significant Account Balances, Continued

Inventories

	<u>2005</u>	<u>2004</u>
Inventories	\$ <u>90,375</u>	\$ <u>83,003</u>

Inventories are valued at cost (first-in, first-out method) or market, whichever is lower, and primarily consist of office and printing supplies and vending machine merchandise. The variance is insignificant.

Deferred Charges

	<u>2005</u>	<u>2004</u>
Deferred summer term tuition waivers	\$ <u>112,643</u>	\$ <u>147,026</u>

The University defers a portion of the revenue related to its summer term based on the number of class days before and after June 30. Tuition waivers related to the summer term are deferred in the same manner. The variance is primarily due to a decrease in the number of summer semester credit hours and tuition and fee rate increases.

Liabilities

A comparative analysis of liabilities of the University is provided below:

	<u>2005</u>	<u>2004</u>
Accounts payable and accrued payroll	\$ 5,510,670	\$ 4,128,270
Deferred tuition and fees	2,479,588	2,265,979
Revenue bonds payable	21,730,000	22,020,000
Funds held in custody for others	145,028	69,321
Liability for compensated absences	<u>11,553,035</u>	<u>11,131,044</u>
 Total Liabilities	 <u>\$41,418,321</u>	 <u>\$39,614,614</u>

The increase in accounts payable and accrued payroll is due to the delayed processing of payments during the fiscal yearend. Vendor invoices were not timely submitted for payment. The increase in deferred tuition and fees is due to the modest increase in enrollment and 4.5% tuition rate increase in fiscal year 2005. The decrease in revenue bonds payable is due to the payment of principal for Revenue Bonds Series 1973 and 1997 during the fiscal year. The increase in funds held in custody for others is mainly due to the early collection from members of the International Service Organization, an agency account, for future travel. The increase in liability for compensated absences is due to a 4.7% average salary increase.

State of Illinois
Northeastern Illinois University

Summary of Indirect Cost Reimbursement Funds
For the Year Ended June 30, 2005

Fund Balance - June 30, 2004		\$	756,755
Add: Reimbursement Revenues			
ACT4L Training Teachers	\$	17,825	
Academic Enhancements		11,986	
Beacon: Arts Impacing Achieving		36,930	
Bookstore		19,591	
Bridges to Future		1,446	
Budlong School		2,262	
Campus Recreation		37,291	
CCLC Middle School		2,063	
Chicago Housing Authority		59,439	
Child Care Access Programs		4,674	
Child Care Center		24,356	
Chicago Public Schools		10,821	
Chicago State University		1,812	
Cicero Public School		5,617	
College Work Study Program		23,585	
Comprehensive Programs		9,681	
Creation of Academic Major		1,815	
Des Plaines		7,929	
Gear Up Programs		379,039	
GLC: Construction of Vegetated Settings		1,551	
Health Services		13,501	
Infusing Space Science		5,732	
Interactive Teaching		22,462	
ITL-Cook School		2,309	
Lake Michigan Basin		3,567	
Least Restrictive Environment		13,203	
Maine Township		8,934	
McNair Scholarship Program		14,093	
Mostly Music		1,190	
Muticultural Arts		3,000	
NCLB: Learning Together		21,468	
New Trier High School District		14,247	
Non-Credit Contracts		4,827	
Overton School		1,116	
Parking Lot Administration		99,479	
Pep Villa Park		6,551	
Performing Arts		7,029	
Perkins Loan Program		29,892	
PLTL: National Dissemination		20,660	
PT3: Office of Technology Service		6,555	
Robust Number Methods		3,534	
Roots of Language		67,150	
Samuelson Fen Insects		1,565	
SEOG		18,349	
Skokie School		1,760	
St. Augustine College		2,375	
State Pre Kindergarten		4,286	
Student Government		23,101	
Student Union		88,969	
Talent Search Programs		31,819	
Teacher Preparation		6,492	
Technology Initiatives		46,362	
TQE Illinois Professional Learners		9,265	
Upward Bound		30,709	
Vending Services		11,631	
West Chicago Prairie Insect		1,783	
21st Century Learning Center		23,036	
Other Sources		40,206	
Total Revenues			<u>1,371,920</u>
Total Available			<u>2,128,675</u>
Less: Expenditures and Transfer			
Academic Support		192,994	
Administrative Services		328,807	
Student Services		56,813	
Funds transferred to Income Fund		133,965	
Total Expenditures			<u>712,579</u>
Fund Balance - June 30, 2005		\$	<u>1,416,096</u>

State of Illinois Northeastern Illinois University

Analysis of Operations

University Functions and Planning Program Description of Planning System:

Functions

The University's major goal is "...to serve the people of the State of Illinois by providing quality higher education at the bachelor's and master's degree level in the liberal arts, professional education and such other areas as would enhance the State's delivery of post-secondary instruction to the citizens of the Chicago area." The University accomplishes its mission by offering undergraduate and graduate degree courses, non-degree courses and community services.

Planning

Included in the University's Priorities Statements for fiscal years 2006 through 2011 are the highest priorities of the University and serve as the planning documents in the development of new and expanded programs, the reallocation of current sources, and requests for new funds to support initiatives. The University has identified seven major goals: 1) Recruiting and retaining a diverse student body, both at the undergraduate and graduate levels through coordinated enrollment management; 2) Fostering a student/learner-centered community that supports successful outcomes; 3) Creating a University environment which fosters excellence in teaching, learning and scholarship through the use of information technology and learning resources; 4) Strengthening and expanding international educational opportunities to enhance understanding of social, cultural, economic, political, and scientific aspects of a global society; 5) Collaborating with external constituents to provide instruction, research, and service programs that build upon the programmatic strengths of the University and are consistent with the University's instructional, research, and service missions; 6) Securing the necessary resources to enhance working conditions for faculty and staff and to meet programmatic needs; and 7) Allocating resources through the development of integrated budget, planning and evaluation processes which clearly identify the University's strengths, weaknesses, opportunities, challenges, goals and priorities. Also outlined are the specific strategies to be used to achieve the objectives.

The state-level budget and planning process is derived from the Illinois State Board of Higher Education and involves both a top-down and bottom-up approach. The University evaluates planning and results on an annual basis, beginning at the departmental level and eventually resulting in reviews by the President and the Board of Trustees. Evaluations are used to obtain information regarding the University's progress towards reaching their objectives. Reports are created showing University results, which are then submitted to the Illinois State Board of Higher Education for review and discussion.

**State of Illinois
Northeastern Illinois University**

Analysis of Operations, continued

**University Functions and Planning Program, continued
Description of Planning System:**

Auditor's Assessment of Planning Program

A planning process exists at Northeastern Illinois University both at the department and the University-wide level. The University has established written long-term and short-term goals in its planning process. Each fiscal year, new goals and objectives are developed and the University is held accountable on its progress in the next fiscal year. Implementation of the University goals and objectives is dependent upon the level of funding received from the State. The University's planning process has been designed and implemented to meet the needs of the University and the requirements of the State.

Location, Address and Head of the University

Dr. Salme Harju Steinberg, President
Northeastern Illinois University
Chicago, Illinois 60625

**State of Illinois
Northeastern Illinois University**

Analysis of Operations, continued

University Enrollment and Employee Information (Unaudited)

Enrollment Information

Enrollments of both undergraduate and graduate students for each term (including extension centers and part-time students) for the school years 2004-2005 and 2003-2004 as shown in the Board of Trustees' Enrollment Report were as follows:

	<u>2004-05</u>	<u>2003-04</u>
Fall	12,164	11,825
Spring	11,404	11,381
Summer	6,644	6,713

Average Annual Full Time Equivalent (FTE) Enrollment

In FY05, the University had an average FTE enrollment of 8,546 students, comprised of 6,907 undergraduates and 1,639 graduate students. This number was calculated in accordance with the Illinois Board of Higher Education guidelines as follows: annual undergraduate semester credit hours (SCH) divided by 30. It is assumed that a full time undergraduate student enrolls for 15 hours per term, 2 terms per year. The same logic was used to calculate graduate FTE, except that SCH was divided by 24. It is assumed that a full time graduate student enrolls for 12 hours per term, 2 terms per year.

Annual Cost per FTE Student

The University, like all other public universities in Illinois, is required to submit to the Illinois Board of Higher Education an annual cost study. This cost study calculates the number of dollars per credit hour by discipline and student level. Operating costs are accounted for in this study.

Assuming an undergraduate FTE enrolls for two terms at 15 hours per term, and that a graduate FTE enrolls for 2 terms at 12 hours per term, the fiscal 2005 annual costs per FTE, calculated by dividing the total costs of instruction by the corresponding FTE, were as follows: a) undergraduate - \$7,318; and, b) graduate - \$10,214.

Costs per Credit Hour

The University's costs per credit hour (based upon total expenditures for instruction divided by total credit hours) for fiscal years 2005 and 2004 is as follows:

	<u>2005</u>	<u>2004</u>
Costs per Credit Hour	<u>\$ 273</u>	<u>\$ 261</u>

**State of Illinois
Northeastern Illinois University**

Analysis of Operations, continued

**University Enrollment and Employee Information (Unaudited),
Continued**

Student/Faculty Ratio

The University's student/faculty ratio (based upon full time equivalent students and faculty on a staff year basis) for fiscal years 2005 and 2004 is as follows:

	<u>2005</u>	<u>2004</u>
Student/Faculty Ratio	<u>16:1</u>	<u>17:1</u>

Employee Information

The average number of employees at the University during fiscal years 2005 and 2004 is as follows:

	<u>2005</u>	<u>2004</u>
Administration	257	263
Faculty	436	419
Civil Service	469	474
Students	<u>399</u>	<u>397</u>
Total Employees	<u>1,561</u>	<u>1,553</u>

State of Illinois
Northeastern Illinois University
June 30, 2005

Analysis of Operations, continued

Emergency Purchases

The University did not make any emergency purchases during FY 2005.

Illinois First Projects

The University did not receive any funding under the Illinois First Program.

Schedule of Federal and Nonfederal Expenditures

	<u>Amount</u>	<u>Percentage</u>
Federal Funds	\$ 23,402,972	19.5%
Nonfederal Funds	<u>96,523,823</u>	<u>80.5%</u>
Total	<u>\$ 119,926,795</u>	<u>100.0%</u>

Note: Total expenditures from nonfederal funds represents the difference between total University expenses per Statement of Revenues, Expenses and Changes in Net Assets and total federal funds expended per Schedule of Expenditures of Federal Awards.

STATE OF ILLINOIS
 NORTHEASTERN ILLINOIS UNIVERSITY
 ANALYSIS OF OPERATIONS
 FOR THE YEAR ENDED JUNE 30, 2005

SERVICE EFFORTS AND ACCOMPLISHMENTS: (UNAUDITED)

- Mission Statement:** Northeastern Illinois University is dedicated to both excellence and access. The most important facets of the University's mission are to offer high quality undergraduate and graduate programs to a broad spectrum of students and to foster student growth and development. To these ends, the University attaches primary importance to excellence in teaching, with emphasis also given to pure and applied research and to academic and public service.
- Program Goals:** (1) To serve a population which is diverse in age, culture, language, and race; and (2) To provide students and faculty with opportunities to integrate field-based learning, research and public service with classroom instruction.

	Fiscal Year 2003 Actual	Fiscal Year 2004 Actual	Fiscal Year 2005 Target	Fiscal Year 2005 Actual
<u>Input Indicators</u>				
Total expenditures—all sources (in thousands) (a)	\$104,191.2	\$108,935.2	\$108,150.8	\$114,204.0
Total expenditures—state appropriated funds (in thousands)	\$42,610.3	\$38,362.3	\$39,227.7	\$39,203.8
Total staff—all fund sources (b)	1,492	1,466	1,466	1,493
Total staff—state appropriated fund sources (b)	1,138	1,112	1,112	1,132
<u>Output Indicators</u>				
Undergraduate headcount enrollment	8,674	8,985	9,305	9,305
Total headcount enrollment	11,409	11,825	12,164	12,164
Percent: part-time student enrollment (c)	54.0%	53.8%	53.8%	54.3%
Baccalaureate degrees conferred	1,197	1,162	N/A	1,247
Master's degrees conferred	544	507	N/A	558
Minority Graduates: percent of total baccalaureate degrees conferred	48.0%	48.6%	N/A	47.4%
Minority Graduates: percent of total Master's degrees	30.5%	35.5%	N/A	36.9%

NA—Information was not available or not applicable to the period presented.

STATE OF ILLINOIS
 NORTHEASTERN ILLINOIS UNIVERSITY
 ANALYSIS OF OPERATIONS
 FOR THE YEAR ENDED JUNE 30, 2005

SERVICE EFFORTS AND ACCOMPLISHMENTS: (UNAUDITED) (continued)

	Fiscal Year 2003 Actual	Fiscal Year 2004 Actual	Fiscal Year 2005 Target	Fiscal Year 2005 Actual
<u>Outcome Indicators</u>				
Percent of graduates employed full-time (d)	82.5%	75.9%	N/A	N/A
Percent of graduates employed part-time (d)	7.9%	9.8%	N/A	N/A
Percent of graduates unemployed and not seeking employment (d)	6.2%	5.4%	N/A	N/A
Percent of graduates employed full-time in a related field (d)	77.4%	66.5%	N/A	N/A
Percent of graduates earning a post-baccalaureate degree (d)	51.4%	31.7%	N/A	N/A
Percent of graduates satisfied with career path preparation provided by the undergraduate education experience (d)	91.0%	72.8%	N/A	N/A
Percent of graduates satisfied with post-graduate employment (d)	88.1%	76.8%	N/A	N/A
Six year graduation rate: first-time, full-time freshman (c)	17.9%	15.2%	N/A	N/A
Percent of baccalaureate degree recipients employed or enrolled in further education within one year of graduation	89.9%	90.6%	N/A	N/A
Annual number of students completing requirements for initial teacher certification	307	312	N/A	N/A
<u>External Benchmarks</u>				
Six-year graduation rate: statewide average (c)	56.9%	56.7%	N/A	N/A
Instructional cost per credit hour: public university average, all instructional levels (in dollars)	\$279.19	\$281.99	N/A	N/A
Percent of total expenditures (all sources) devoted to Instruction: public university average	26.5%	26.2%	26.2%	26.9%
Percent of total expenditures (all sources) devoted to Research and Public Service: public university average	24.8%	23.4%	23.4%	23.6%
Percent of total expenditures (all sources) devoted to Academic and Student Support: public university average	23.5%	23.8%	23.8%	24.6%

NA—Information was not available or not applicable to the period presented.

STATE OF ILLINOIS
 NORTHEASTERN ILLINOIS UNIVERSITY
 ANALYSIS OF OPERATIONS
 FOR THE YEAR ENDED JUNE 30, 2005

SERVICE EFFORTS AND ACCOMPLISHMENTS: (UNAUDITED)

	Fiscal Year 2003 Actual	Fiscal Year 2004 Actual	Fiscal Year 2005 Target	Fiscal Year 2005 Actual
External Benchmarks (continued)				
Percent of total expenditures (all sources) devoted to all other programs: public university average (e)	25.2%	26.6%	26.6%	24.9%
Undergraduate tuition and mandatory fees: annual based on thirty credit hours, public university average (in dollars) (f)	\$5,084.0	\$5,682.0	\$6,349.0	\$6,185.0
Undergraduate tuition and mandatory fees as a percentage of Illinois per capita disposable income	11.1%	13.8%	N/A	15.3%
Percent of undergraduate students receiving some form of financial aid: public university average	67.5%	66.8%	N/A	N/A
Percent of undergraduate students receiving grant or scholarship assistance: public university average	50.0%	50.3%	N/A	N/A
Percent of undergraduate students receiving loan assistance: public university average	42.5%	42.4%	N/A	N/A
Percent of undergraduate students receiving employment assistance: public university average	19.9%	21.0%	N/A	N/A
Efficiency/Cost-Effectiveness				
Instructional cost per credit hour, all instructional levels (in dollars)	\$255.01	\$260.88	N/A	N/A
Percent of total expenditures (all sources) devoted to Instruction	35.1%	35.9%	35.9%	36.0%
Percent of total expenditures (all sources) devoted to Research and Public Service	15.9%	11.7%	11.7%	14.3%
Percent of total expenditures (all sources) devoted to Academic and Student Support	20.4%	21.5%	21.5%	20.3%

N/A—information was not available or not applicable to the period presented.

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2005

SERVICE EFFORTS AND ACCOMPLISHMENTS: (UNAUDITED)

	Fiscal Year 2003 Actual	Fiscal Year 2004 Actual	Fiscal Year 2005 Target	Fiscal Year 2005 Actual
<u>Efficiency/Cost-Effectiveness (continued)</u>				
Percent of total expenditures (all sources) devoted to all other programs (e)	28.6%	30.9%	30.9%	29.4%
Undergraduate tuition and mandatory fees: annual based on thirty credit hours (in dollars) (f)	\$3,326.0	\$4,331.0	\$4,932.0	\$4,932.0
Percent of undergraduate students receiving some form of financial aid	51.8%	48.8%	N/A	N/A
Percent of undergraduate students receiving grant or scholarship assistance	45.6%	41.4%	N/A	N/A
Percent of undergraduate students receiving loan assistance	13.8%	14.9%	N/A	N/A
Percent of undergraduate students receiving employment assistance	5.9%	5.7%	N/A	N/A

N/A—information was not available or not applicable to the period presented.

Explanatory information

Several fiscal year 2003 and 2004 indicators have been changed from last year's report to reflect updated or newly available information.

Footnotes

- a Total expenditures include expenditures from appropriated funds (primarily general funds) as well as from restricted and non-appropriated fund sources.
- b Staff levels reference the number of staff years (a measure of staff effort over a twelve-month period) supported by respective fund sources. State appropriated funds include university income funds.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2005**

SERVICE EFFORTS AND ACCOMPLISHMENTS: (UNAUDITED)

- c Institutions with high ratios of part-time students will have lower graduation rates.
- d Data regarding graduate employment, attainment, and career path preparation/satisfaction was obtained from the Illinois Board of Higher Education's Baccalaureate Follow-Up Survey. The Survey is conducted annually on a rolling cycle that surveys graduates one, five, and nine years after graduation. Data provided reflects the class of 2003 one year out (FY 2004), and the class of 1994 nine years out (FY 2003).
- e All other programs include Institutional Support, Operation and Maintenance of Physical Plant, and Independent Operations, including student housing and food service operations.
- f Entry-level tuition and fees.

STATE OF ILLINOIS
 NORTEASTERN ILLINOIS UNIVERSITY
 ANALYSIS OF OPERATIONS
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE OF TUITION AND FEE WAIVERS (UNAUDITED) (In Thousands of Dollars)

	Undergraduate				Graduate			
	Tuition Waived		Fees Waived		Tuition Waived		Fees Waived	
	Recipients	Value of Waivers	Recipients	Value of Waivers	Recipients	Value of Waivers	Recipients	Value of Waivers
<u>MANDATORY WAIVERS</u>								
<u>(SUBTOTAL)</u>	91	\$ 171.4	53	\$ 4.9	29	\$ 39.6	29	\$ 0.8
Teacher Special Education	7	20.6	7	0.4	23	35.5	23	0.7
General Assembly	39	95.4	39	1.9	6	4.1	6	0.1
ROTC	4	9.8	4	0.3	-	-	-	-
DCFS	3	2.0	3	2.3	-	-	-	-
Children of Employees	35	38.2	-	-	-	-	-	-
Senior Citizens	3	5.4	-	-	-	-	-	-
	498	618.7	102	17.6	1,221	1,111.1	471	91.9
<u>DISCRETIONARY WAIVERS</u>								
<u>(SUBTOTAL)</u>	-	-	-	-	68	54.9	68	6.8
Faculty/Administrators (Non-Civil Service)	46	44.8	46	6.7	51	40.3	51	5.0
Civil Service	33	31.0	33	6.8	14	11.1	14	2.1
Interinstitutional/Related Agencies	1	4.5	1	0.7	-	-	-	-
Children of Deceased Employees	-	-	-	-	104	52.3	-	-
Cooperating Professionals	330	426.7	-	-	616	450.6	-	-
Academic/Other Talent	-	-	-	-	9	12.4	9	2.4
Research Assistants	-	-	-	-	21	28.6	21	5.4
Teaching Assistants	-	-	-	-	117	274.2	117	52.2
Other Assistants	-	-	-	-	30	39.5	-	-
Student Need - Financial Aid	66	58.7	-	-	-	-	-	-
Student Need - Special Programs	-	-	-	-	165	67.9	165	12.9
Contract/Training Grants	-	-	-	-	26	79.3	26	5.1
Foreign Exchange Students	22	53.0	22	3.4	-	-	-	-
Total	589	\$ 790.1	155	\$ 22.5	1,250	\$ 1,150.7	500	\$ 92.7

State of Illinois
Northeastern Illinois University

Classroom Utilization Statistics (Unaudited)

For the year ended June 30, 2005

Weekly Student Hours (Monday - Friday)

	<u>Classroom</u>	<u>Class Laboratory</u>	<u>Total</u>
Number of Rooms	136	25	161
Number of Stations	3,249	670	3,919
Daytime - 7 a.m. to 5 p.m.	76,298	7,616	83,914
Percent Assigned	47.0%	22.7%	42.8%
Evening - 5 p.m. to 10 p.m.	33,436	3,747	37,183
Percent Assigned	41.2%	22.4%	38.0%

Weekly Room Hours (Monday - Friday)

	<u>Classroom</u>	<u>Class Laboratory</u>	<u>Total</u>
Daytime - 7 a.m. to 5 p.m.	4,231	392	4,623
Percent Assigned	62.2%	31.4%	57.4%
Evening - 5 p.m. to 10 p.m.	1,732	220	1,952
Percent Assigned	50.9%	35.2%	48.5%

Computations:

Weekly Student Hours

Day = Assigned Stations / (Number of Stations x 50)

Evening = Assigned Stations / (Number of Stations x 25)

Weekly Room Hours

Day = Assigned Room Hours / (Number of Rooms x 50)

Evening = Assigned Room Hours / (Number of Rooms x 25)

State of Illinois
Northeastern Illinois University

Special Data Requirements for Audits of Universities

For the year ended June 30, 2005

University Reporting in Accordance with University Guidelines

The Auditor General requires that certain special data for audits of universities, specified in a memorandum dated July 25, 1983, be presented. The following information lettered (a) through (u), is provided in response to that requirement of the "University Guidelines - 1982 Amended 1997." Our audit which was made for the purpose described on pages 4 to 5 of our financial audit report and would not necessarily disclose all situations which might be at variance with the following statements.

Compliance Findings

- (a) There were no violations with University Guidelines for the year ended June 30, 2005.

Indirect Cost Reimbursements

- (b) Refer to page 55 of this report for an analysis of the sources and applications of indirect cost reimbursements for the year ended June 30, 2005.
- (c) Refer to page 71 of this report for calculation of allowable indirect cost carryforward and required remittances to the Income Fund.

Tuition Charges and Fees

- (d) Northeastern Illinois University did not divert tuition to auxiliary enterprise operations.

Auxiliary Enterprises, Activities and Accounting Entities

- (e) Accounting entities as defined by the 1982 Legislative Audit Commission Guidelines and their primary revenue sources are described on page 73.
- (f) Refer to pages 74-75 of this report for financial statements for each accounting entity.
- (g) Calculations of current excess funds for each entity are presented on page 72. The excess funds were deposited to the Income Fund within 45 days after the end of the lapse period.
- (h) Auxiliary Enterprises and Activities received no support from appropriated State funds except for retirement contributions which are allowed by Public Act 87-794.

State of Illinois
Northeastern Illinois University

Special Data Requirements for Audits of Universities

For the year ended June 30, 2005

University Reporting in Accordance with University Guidelines, Continued

- (i) A Statement of Revenue and Expenditures for various bond indenture required accounts is presented on page 38 of the financial audit report.
- (j) The revenue bond fund accounting conforms to the terms of the bond issue, including all covenants thereto.
- (k) A list and description of non-instructional facilities reserves are presented on page 36 of the financial audit report.

University Related Organizations

- (l) The University recognizes the Northeastern Illinois University Foundation (Foundation) as a University Related Organization. There are no organizations considered by the University to be “Independent Organizations” as defined in Section VII of “University Guidelines – 1982 as Amended in 1997.”
- (m) The Foundation does not pay the University for services provided. Compensation is in the form of University support. See page 76 for details related to services and support provided.
- (n) The University does not pay the Foundation for services provided. Compensation is in the form of services and facilities provided. See footnote 6 on page 40 of the financial audit report for details related to services and support provided.
- (o) There are no cumulative unreimbursed subsidies from the University or appropriated funds to the Foundation.
- (p) There is no debt financing provided by the Foundation.

Other Topics

- (q) Refer to page 52 for the Schedule of Cash and Short-Term Investments for the year ended June 30, 2005.

State of Illinois
Northeastern Illinois University

Special Data Requirements for Audits of Universities

For the year ended June 30, 2005

University Reporting in Accordance with University Guidelines, Continued

- (r) Income from the investment of pooled funds is credited to the University's Income Fund. Income from the investment of non-pooled funds is credited to the fund making the investment.
- (s) Refer to page 58 for student cost statistics.
- (t) Neither the University nor the Foundation has purchased any real estate during the year ended June 30, 2005.
- (u) Neither the University nor the Foundation issued or participated in certificates of participation during the year ended June 30, 2005.

State of Illinois
Northeastern Illinois University

**Schedule of Indirect Cost Funds to be Deposited into the
University Income Fund as Required by the 1982
(Amended 1997) University Guidelines**

June 30, 2005

1. Cash and cash equivalents balance:	
Cash and cash equivalents	<u>\$ 1,432,381</u>
2. Allocated reimbursements:	
Total indirect cost reimbursements allocated for expenditure for the fiscal year completed:	
\$1,400,000: enter 30% of this amount	<u>420,000</u>
3. Unallocated reimbursements:	
Lesser of the actual unallocated indirect cost reimbursements for the year completed OR 10 % of total indirect cost allocations for the year completed	<u>140,000</u>
4. Encumbrances and current liabilities paid in the lapse period:	
Current liabilities and Encumbrances	<u>56,232</u>
Indirect cost carry-forward	<u>616,232</u>
Excess Cash to be deposited to the University Income Fund	<u><u>\$ 816,149</u></u>

State of Illinois
 Northeastern Illinois University

Other Entities and Auxiliary Enterprises

Calculation Sheet for Current Excess Funds

June 30, 2005

	Student Fee Programs	Public Service Activities	Student and Staff Services	Service Departments	Other Educational Services	Educational Contracts	Student Union	Auxiliary Enterprises	
								Parking Lot Administration	Other Auxiliary Enterprises
1. Current available funds									
Cash	\$ 567,559	\$ 194,915	\$ 442,763	\$ 242,072	\$ 203,288	\$ 76,522	\$ 772,618	\$ 245,912	\$ 165,067
2. Working capital allowance									
Highest month's expenditures	353,794	158,844	603,629	649,255	49,242	52,210	725,573	636,237	59,835
Encumbrances and current liabilities paid in lapse period	73,283	41,755	10,134	207,831	24,053	6,646	7,722	37,608	1,785
Deferred income	177,508	-	20,838	-	-	-	103,069	96,795	62,465
Refundable deposits	-	-	-	-	-	-	123,054	-	-
Working capital allowance	604,585	200,599	634,601	857,086	73,295	58,856	959,418	770,640	124,085
3. Current excess funds (margin of compliance):									
Deduct B from A	(37,026)	(5,684)	(191,838)	(615,014)	129,993	17,666	(186,800)	(524,728)	40,982
4. Calculation of income fund remittance:									
An entity may offset excess capital or current funds within the entity.									
Enter the amount to be offset, if any, here					(772,903)	(127,267)			(1,123,785)
Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund					(642,910)	(109,601)			(1,082,803)
Excess Funds Offset									
Buildings and improvements					\$ 4,353,280	\$ 1,285,860			\$ 21,738,640
Land and land improvements					\$ 48,680	\$ 800			\$ 243,120
Equipment					\$ 2,764,025	\$ 314,670			\$ 123,485
Maximum - 5% for buildings and improvements					\$ 217,664	\$ 64,293			\$ 1,086,932
Maximum - 5% for land improvements					2,434	40			12,156
Maximum - 20% for equipment					552,805	62,934			24,697
Total Excess Funds Offset					\$ 772,903	\$ 127,267			\$ 1,123,785

State of Illinois Northeastern Illinois University

Description of Accounting Entities

June 30, 2005

Accounting entities as defined by the 1982 (Amended 1997) Legislative Audit Commission Guidelines and their primary revenue sources as follows:

Activities

Student Fee Programs are organized student activities funded primarily by student fees.

Public Service Activities are noncredit conferences, seminars, short courses and other services offered to the public for a fee. The primary revenue source is the fee charged to participants.

Student and Staff Services are services offered at a charge to University staff and students.

Service Departments provide products or services to organizational units within the University. Charges for services provide the revenue.

Other Educational Services are activities related to the educational process which incidentally generate products or services made available to the public for a charge.

Educational Contracts are courses for credit which are presented by, and have the course content coordinated with, a government unit, community organization or private business.

Auxiliary Enterprises

Student Union is an operation financed by revenue bonds with principal operations, including food service, vending machines, conference and assembly space and information services.

Parking Lot Administration provides the operation, maintenance and development of the University parking facilities. Revenues come from charges for parking and fines.

Other Auxiliary Enterprises are self-supporting activities that include vending machines, child care, bookstore and student card services.

State of Illinois
 Northeastern Illinois University
 Other Entities and Auxiliary Enterprises
 Balance Sheets
 June 30, 2005

	Student Fee Programs	Indirect Cost	Public Service Activities	Student and Staff Services	Service Departments	Educational Services	Educational Contracts	Student Union	Auxiliary Enterprises			Totals	
									Parking Lot Administration	Other Auxiliary Enterprises			
Assets													
Current Fund Assets													
Cash and investments	\$ 567,559	\$ 1,432,381	\$ 194,915	\$ 442,763	\$ 242,072	\$ 203,288	\$ 76,522	\$ 772,618	\$ 245,912	\$ 165,067	\$ 4,343,097	\$ 4,343,097	
Accounts receivable - Net	156,678	-	-	-	-	-	-	165,485	94,069	-	416,232	416,232	
Inventories	-	-	-	-	86,070	-	-	4,304	-	-	90,374	90,374	
Total	724,237	1,432,381	194,915	442,763	328,142	203,288	76,522	942,407	339,981	165,067	4,849,703	4,849,703	
Plant Fund Assets													
Cash and investments	752,133	-	128,366	64,356	1,438,395	25,302	604	1,694,747	772,525	211,063	5,087,491	5,087,491	
Land and land improvements	1,239,328	-	38,790	95,215	114,532	48,687	808	483,497	4,429,715	243,126	6,693,698	6,693,698	
Buildings and construction in progress	6,754,999	-	824,007	264,086	1,473,792	840,892	303,985	5,456,836	13,966,990	3,334,230	33,219,817	33,219,817	
Equipment	3,673,932	-	197,417	43,975	6,742,104	2,764,024	314,671	860,392	522,695	123,485	15,242,695	15,242,695	
Total	12,420,392	-	1,188,580	467,632	9,768,323	3,673,905	620,068	8,495,472	19,691,925	3,911,904	60,243,701	60,243,701	
Total assets	\$ 13,144,629	\$ 1,432,381	\$ 1,383,495	\$ 910,395	\$ 10,096,965	\$ 3,882,193	\$ 696,590	\$ 9,437,879	\$ 20,031,906	\$ 4,076,971	\$ 65,093,404	\$ 65,093,404	
Liabilities													
Current Fund Liabilities													
Accounts payable and accrued liabilities	\$ 70,872	\$ 16,285	\$ 28,201	\$ 9,590	\$ 65,284	\$ 22,119	\$ 6,646	\$ 124,705	\$ 30,079	\$ 1,317	\$ 375,098	\$ 375,098	
Deferred income	177,508	-	-	20,838	-	-	-	103,069	96,795	-	398,210	398,210	
Refundable deposits	-	-	-	-	-	-	-	123,054	-	62,467	185,521	185,521	
Total	248,380	16,285	28,201	30,428	65,284	22,119	6,646	350,828	126,874	63,784	958,829	958,829	
Plant Fund Liabilities													
Accounts payable and accrued liabilities	4,878	-	409	531	3,427	-	-	29,467	179,886	-	218,598	218,598	
Revenue bonds payable	-	-	-	-	-	-	-	4,760,000	16,970,000	-	21,730,000	21,730,000	
Total	4,878	-	409	531	3,427	-	-	4,789,467	17,149,886	-	21,948,598	21,948,598	
Total liabilities	253,258	16,285	28,610	30,959	68,711	22,119	6,646	5,140,295	17,276,760	63,784	22,907,427	22,907,427	
Net assets													
Current unrestricted	475,857	1,416,096	166,714	412,335	262,858	181,169	69,876	591,579	213,107	101,283	3,890,874	3,890,874	
Reserves - Plant	747,255	-	127,957	63,825	1,434,968	25,302	604	1,665,280	592,639	211,063	4,868,893	4,868,893	
Investment in Plant	11,668,259	-	1,060,214	403,276	8,330,428	3,653,603	619,464	2,040,725	1,949,400	3,700,841	33,426,210	33,426,210	
Total net assets	12,891,371	1,416,096	1,354,885	879,436	10,028,254	3,860,074	689,944	4,297,584	2,755,146	4,013,187	42,185,977	42,185,977	
Total liabilities and net assets	\$ 13,144,629	\$ 1,432,381	\$ 1,383,495	\$ 910,395	\$ 10,096,965	\$ 3,882,193	\$ 696,590	\$ 9,437,879	\$ 20,031,906	\$ 4,076,971	\$ 65,093,404	\$ 65,093,404	

**State of Illinois
Northeastern Illinois University**

**Other Entities and Auxiliary Enterprises
Schedule of Changes in Fund Balances - Current Funds**

For the Year Ended June 30, 2005

Accounting Entity	Balance June 30, 2004	Revenues	Expenditures and Transfers	Balance June 30, 2005
Student Fee Programs	\$ 307,841	\$ 2,592,062	\$ 2,424,046	\$ 475,857
Indirect Cost	756,755	1,371,920	712,579	1,416,096
Public Service Activities	177,053	520,747	531,086	166,714
Student and Staff Services	545,336	1,469,550	1,602,551	412,335
Service Departments	(83,365)	3,650,375	3,304,152	262,858
Other Educational Services	144,048	210,431	173,310	181,169
Educational Contracts	48,088	272,671	250,883	69,876
Student Union	295,442	2,363,635	2,067,498	591,579
Parking Lot Administration	514,210	1,894,936	2,196,039	213,107
Other Auxiliary Enterprises	93,383	487,187	479,287	101,283
Total	\$ 2,798,791	\$ 14,833,514	\$ 13,741,431	\$ 3,890,874

State of Illinois
Northeastern Illinois University

Summary of Foundation Payments to the University

June 30, 2005

During FY 05, the University engaged the Foundation, under contract, to provide fundraising services. As provided in the contract agreement, the University advanced \$ -0- in funds and provided an additional \$260,448 of services to the Foundation. As required by the contract, the Foundation repaid the University, using funds considered unrestricted for purposes of the University Guidelines computations. In addition, the Foundation gave the University non-qualifying restricted funds. Presented below is a summary of all funds that the Foundation gave to the University during the audit period.

Funds Considered UNRESTRICTED for Purposes
of the Guidelines Computations:

- Totally Unrestricted	\$ 1,300
- Restricted Only as to Campus, College or Department and Generally Available for On-Going University Operations:	
- Given to a Particular Department	<u>155,866</u>
Total Funds Considered Unrestricted	<u>157,166</u>

Funds Considered RESTRICTED for Purposes
of the Guidelines Computations:

- Provided for equipment, property and improvements	23,265
- Given for Scholarships	<u>110,495</u>
	<u>133,760</u>
Total Funds Provided to the University by the Foundation	290,926

The Foundation also provided fundraising activities for the University.
The value of the activities on a time and material basis were:

- Fundraising Expenses	<u>65,039</u>
Total Financial and Service Support	<u>\$ 355,965</u>