

STATE OF ILLINOIS
EASTERN ILLINOIS UNIVERSITY
FINANCIAL AUDIT
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

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

EASTERN ILLINOIS UNIVERSITY

FINANCIAL AUDIT

Years ended June 30, 2005 and 2004

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EASTERN ILLINOIS UNIVERSITY

UNIVERSITY OFFICIALS

June 30, 2005

President	Mr. Louis V. Hencken
Provost and Vice President for Academic Affairs	Dr. Blair Lord
Vice President for Business Affairs	Mr. Jeffrey L. Cooley, CPA
Acting Vice President for Student Affairs - until December 31, 2004	Ms. Shirley Stewart
Vice President for Student Affairs - January 1, 2005 to January 31, 2005	Vacant
Interim Vice President for Student Affairs - as of February 1, 2005 until July 31, 2005	Ms. Lynette Drake
Vice President for Student Affairs - as of August 1, 2005	Dr. Daniel Nadler
Vice President for External Relations	Dr. Jill F. Nilsen
Director of Accounting & Finance and Assistant Director of Business Services	Mr. Larry G. Cannon
General Counsel	Mr. Joseph T. Barron
Director of Internal Auditing	Ms. Kathleen Moreno, CGFM

University offices are located at:

600 Lincoln Avenue
Charleston, Illinois 61920

EASTERN ILLINOIS UNIVERSITY
FINANCIAL STATEMENT REPORT SUMMARY

June 30, 2005 and 2004

The audits of the accompanying financial statements of Eastern Illinois University were conducted by Doehring, Winders & Co. LLP.

Based on their audits, the auditors expressed an unqualified opinion on the University's basic financial statements.

DOEHRING, WINDERS & CO. LLP
*Certified Public Accountants
& Business Advisers*
1601 LAFAYETTE AVENUE
MATTOON, ILLINOIS 61938

Independent Auditor's Report

Honorable William G. Holland
Auditor General, State of Illinois
Springfield, Illinois

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements as listed in the table of contents of Eastern Illinois University (the University) and its aggregate discretely presented component units, collectively a component unit of the State of Illinois, as of and for the years ended June 30, 2005 and 2004. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and of its aggregate discretely presented component units as of June 30, 2005 and 2004, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 4, 2005, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 6 through 16, is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements of the University and its aggregate discretely presented component units taken as a whole. The schedules listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required

part of these financial statements. The supplementary information is presented with these financial statements in accordance with the University's bond covenants. The supplementary information is marked "unaudited" because it has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

In connection with our audits, nothing came to our attention that caused us to believe that the Eastern Illinois University Auxiliary Facilities System was not in compliance with any of the fund accounting covenants of the Resolutions of the Eastern Illinois University Auxiliary Facilities System Revenue Bonds (Series 1997, 1998 and 2000).

Doehring, Winders & Co. LLP

November 4, 2005

EASTERN ILLINOIS UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Eastern Illinois University (the University) annual financial report presents management's discussion and analysis (MD&A) of the financial performance of the University during fiscal years ended June 30, 2005 and 2004. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes and this discussion are the responsibility of University management.

Reporting Entity

Eastern Illinois University is an institution of higher education and is considered to be a component unit of the State of Illinois because the Governor of the State of Illinois appoints its Board of Trustees. Accordingly, the University is included in the State's financial statements as a discrete component unit. Transactions with the State of Illinois relate primarily to appropriations for operations, grants from various State agencies, funding of capital projects and payments for employee benefits.

The University is a comprehensive, regional service institution located in Charleston, Illinois on approximately 320 acres. The University consists of 72 buildings, including 12 residence halls and 17 apartment buildings. The University enrolls approximately 11,000 students and employs approximately 1,800 faculty and staff. The University is primarily an undergraduate institution. Originally established in 1895 as a teachers' college, today the University encompasses four colleges and a graduate school. Undergraduate degrees are offered through the College of Arts and Humanities, the College of Business and Applied Sciences (which includes the School of Family and Consumer Sciences and the School of Technology), the College of Sciences and the College of Education and Professional Studies. Master degrees, and in some cases specialist degrees, are offered at the graduate level in each of the colleges. In addition to its on-campus programs, the University maintains a strong extension program.

Using the Annual Report

These financial statements are prepared in accordance with guidance found in the statements issued by the Governmental Accounting Standards Board (GASB), including GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. These statements focus on the financial condition of the University, the results of operations and cash flows of the University as a whole.

As prescribed by GASB Statement No. 35, this annual report includes three financial statements: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. The financial statements encompass the University and its discretely presented component units. The Combining Statements of Net Assets; Combining Statements of Revenues, Expenses and Changes in Net Assets; and Combining Statements of Cash Flows show the combining of the major discretely presented component units and are not discussed in this MD&A. The accompanying notes to the financial statements provide more detailed information regarding the items presented on the face of the financial statements. Information regarding these

EASTERN ILLINOIS UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Using the Annual Report - continued

component units, including their separately issued financial statements, is summarized in Note 1 to the financial statements. This MD&A focuses on the University excluding the discretely presented component units. MD&A for these component units is included in their separately issued financial statements. An explanation of the financial statement presentation follows.

The Statement of Net Assets reflects the assets and liabilities of the University using the accrual basis of accounting and presents the financial position of the University at a specified point in time. The difference between total assets and total liabilities, known as net assets, is one indicator of the current financial condition of the University. The increases or decreases in net assets that occur over time indicate the improvement or erosion of the University's financial condition.

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the fiscal year. Revenues and expenses are reported as either operating or nonoperating. Under the current reporting model, a significant portion of the University's revenue is considered nonoperating. State and capital appropriations (2005 - \$47,945,243 and 2004 - \$47,400,776) and payments on behalf of the University (2005 - \$25,551,432 and 2004 - \$59,683,866) are reported as nonoperating revenues and results in the University showing an operating loss of \$70,100,211 for the year ended June 30, 2005 and \$100,862,129 for the year ended June 30, 2004.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing and investing activities.

Financial Highlights

During the fiscal year ended June 30, 2005, the University issued \$9.7 million of Certificates of Participation to finance, in combination with State appropriated and University funds, various capital projects. The proceeds are being used to assist in the complete renovation and expansion of the Doudna Fine Arts Center, supplement insurance proceeds to allow for the renovation and expansion of Blair Hall after a fire did extensive damage in 2004 and various other planned projects.

During the fiscal year ended June 30, 2004, the University issued \$8.6 million of Certificates of Participation for a guaranteed energy performance contract and network infrastructure measures in accordance with state statutes. The proceeds are being used to fund various energy conservation measures, capital additions and other improvements that will result in energy cost savings to the University and for certain network infrastructure improvements that will increase the speed and reliability of the network system for the University.

During the years ended June 30, 2005 and 2004, the University's net assets increased by approximately \$10.0 million to \$98.7 million and \$7.9 million to \$88.7 million respectively. These increases are primarily due to an increase in income, along with an increase in Capital Development Board (CDB) provided funds for capital projects in fiscal year 2005, and an increase in income and gifts to the University in fiscal year 2004.

EASTERN ILLINOIS UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

The Statement of Net Assets

Condensed Statement of Net Assets
June 30

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Assets			
Current assets	\$ 41,199,063	\$ 35,477,346	\$ 31,616,214
Noncurrent assets			
Capital	153,154,084	143,117,350	134,120,991
Other	12,593,410	13,726,234	12,232,090
Total noncurrent assets	<u>165,747,494</u>	<u>156,843,584</u>	<u>146,353,081</u>
Total assets	<u>\$ 206,946,557</u>	<u>\$ 192,320,930</u>	<u>\$ 177,969,295</u>
Liabilities			
Current liabilities	\$ 22,714,573	\$ 22,194,884	\$ 19,489,990
Noncurrent liabilities	<u>85,551,273</u>	<u>81,465,110</u>	<u>77,714,640</u>
Total liabilities	<u>108,265,846</u>	<u>103,659,994</u>	<u>97,204,630</u>
Net Assets			
Invested in capital assets	91,254,190	81,574,619	75,954,810
Restricted			
Nonexpendable	457,130	412,832	336,114
Expendable	12,896,724	14,557,154	13,342,155
Unrestricted	<u>(5,927,333)</u>	<u>(7,883,669)</u>	<u>(8,868,414)</u>
Total net assets	<u>98,680,711</u>	<u>88,660,936</u>	<u>80,764,665</u>
Total liabilities and net assets	<u>\$ 206,946,557</u>	<u>\$ 192,320,930</u>	<u>\$ 177,969,295</u>

University assets totaled nearly \$207.0 and \$192.3 million at June 30, 2005 and 2004, respectively. The largest asset of the University is its investment in land, buildings and equipment which totaled approximately \$153.2 and \$143.1 million for 2005 and 2004, respectively. In fiscal year 2005, cash and investments increased by approximately \$2.7 million to approximately \$36.7 million as a result of the issue of a Certificates of Participation and also a greater diversification of investments during fiscal year 2005. During fiscal year 2004, cash and investments increased by approximately \$6.7 million to approximately \$34.0 million due to a Certificates of Participation issue of \$8.6 million.

University liabilities totaled approximately \$108.3 and \$103.7 million at June 30, 2005 and 2004, respectively. Long-term debt of approximately \$71.9 and \$67.1 million at June 30, 2005 and 2004, respectively, which consisted of notes, leases and bonds payable and Certificates of Participation, is the largest portion of the liability.

The University's current assets of approximately \$41.2 and \$35.5 million for June 30, 2005 and 2004, respectively, were sufficient to cover the current liabilities of approximately \$22.7 and \$22.2 million for fiscal years 2005 and 2004, respectively. The current ratio of current assets to current liabilities is \$1.82 and \$1.60 in current assets for every \$1 in current liabilities for fiscal years 2005 and 2004, respectively.

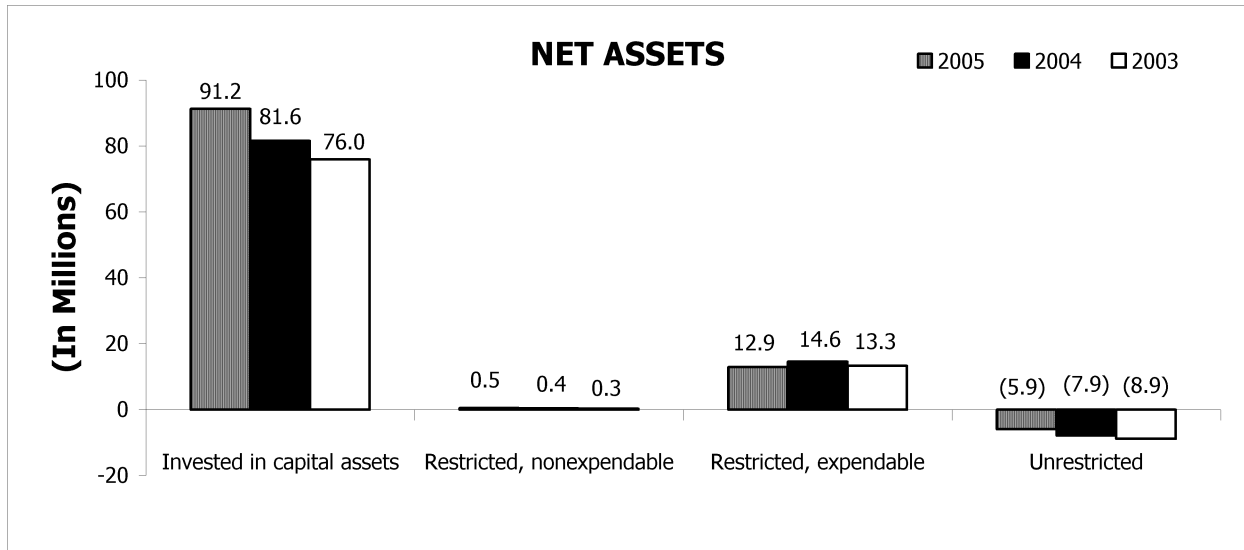
Net assets increased by approximately \$10.0 million in fiscal year 2005 and by \$7.9 million in fiscal year 2004. Net assets totaled approximately \$98.7 million at June 30, 2005 and \$88.7 million at June 30, 2004.

EASTERN ILLINOIS UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

The Statement of Net Assets - continued

The following graph shows net assets by classification and restriction:



Capital Assets and Related Financing Activities

The Eastern Illinois University facilities include 72 buildings totaling about 3 million gross square feet. Funding from state, private, borrowed, and internal sources are used to accomplish the capital objectives of the University.

The University continues to expand and renovate its campus facilities. University capital additions totaled approximately \$21.7 million for fiscal year 2005 and \$19.3 million for fiscal year 2004. For 2005, the additions included ongoing renovations to the Doudna Fine Arts building, as well as Blair Hall reconstruction efforts. For 2004, the additions included a project for a variety of energy conservation measures and also a project for network infrastructure improvements, both financed with Certificates of Participation (COPS) Series 2003 issued during fiscal year 2004. The expected cost for the remodeling project for the Doudna Fine Arts Center funded by the Capital Development Board, is approximately \$54 million which includes about \$7.1 million in furnishings.

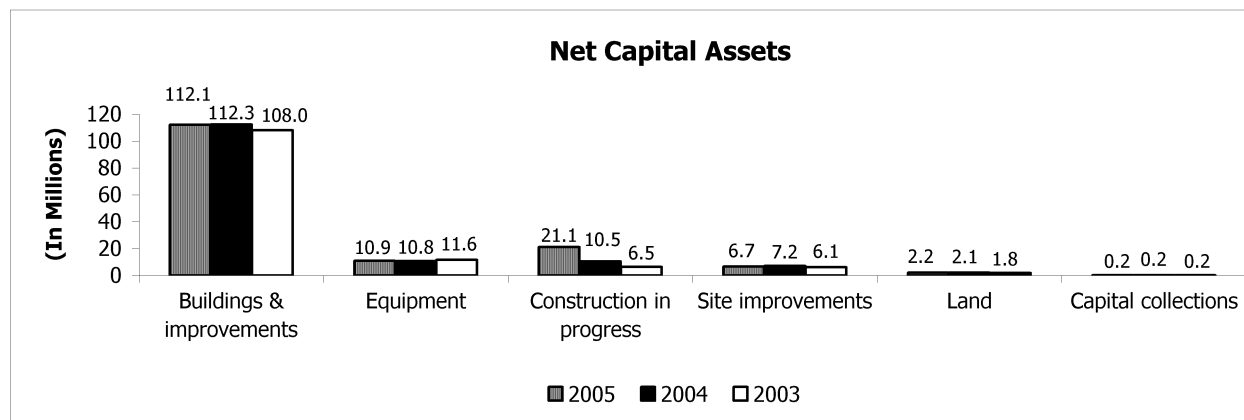
The University had approximately \$44.9 and \$47.5 million of bonded debt outstanding and \$26.2 and \$18.0 million of COPS outstanding at June 30, 2005 and 2004, respectively. On July 1, 2005 the University issued the Auxiliary Facilities System Revenue Bonds, Series 2005 in the amount of \$19,345,000. Proceeds from the sale of these bonds will be used to advance refund all of the Series 1997 and portions of both the Series 1998 and Series 2000 bonds outstanding. There were no new revenue bond issues during fiscal year 2004. For more information concerning Capital Assets, Construction in Progress, Bonds Payable, Lease Obligations, and COPS Payable see Notes 6, 7, 9, 10, 11, and 12.

EASTERN ILLINOIS UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Capital Assets and Related Financing Activities - continued

The following chart shows the breakdown of the University's capital assets, net of depreciation, by category:



The Statement of Revenues, Expenses and Changes in Net Assets

Condensed Statement of Revenues, Expenses and Changes in Net Assets
For the years ended June 30

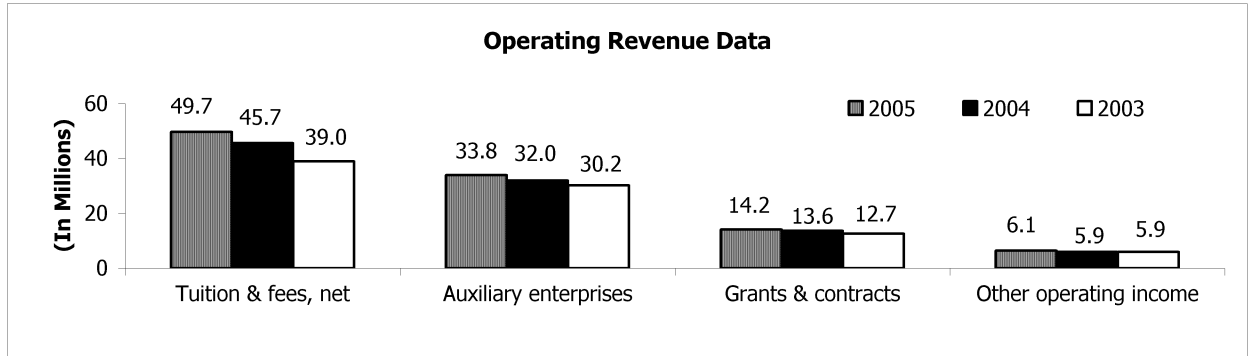
	2005	2004	2003
Operating revenues			
Tuition and fees, net	\$ 49,726,069	\$ 45,670,270	\$ 39,040,593
Grants and contracts	14,179,194	13,612,542	12,627,031
Auxiliary enterprises	33,777,288	31,999,799	30,197,309
Other operating revenues	6,052,838	5,935,292	5,924,398
Total operating revenues	103,735,389	97,217,903	87,789,331
Operating expenses	173,835,600	198,080,032	151,058,374
Operating income (loss)	(70,100,211)	(100,862,129)	(63,269,043)
Nonoperating revenues (net of expenses)			
State appropriations	47,609,309	46,691,598	50,461,113
Payments on behalf of the University	25,551,432	59,683,866	19,568,936
Other net nonoperating revenues (expenses)	1,927,184	(1,057,176)	(1,167,914)
Net nonoperating revenues and expenses	75,087,925	105,318,288	68,862,135
Income before capital contributions	4,987,714	4,456,159	5,593,092
Capital appropriations	335,934	709,178	1,809,418
Assets donated by other State agencies	3,391,529	423,851	2,267,421
Other revenues and expense	1,304,598	2,307,083	35,577
Total increase in net assets	10,019,775	7,896,271	9,705,508
Net assets			
Net assets, beginning of year	88,660,936	80,764,665	71,059,157
Net assets, end of year	\$ 98,680,711	\$ 88,660,936	\$ 80,764,665

EASTERN ILLINOIS UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Operating Revenues

Total operating revenues for fiscal years 2005 and 2004 were \$103.7 million and \$97.2 million, respectively. The most significant sources of operating revenues for each fiscal year were tuition and fees, grants and contracts, and auxiliary services as shown in the graph below:



State appropriations to the University only increased by approximately two percent in fiscal year 2005 and decreased approximately seven percent for fiscal year 2004. Also, during fiscal year 2005, the "Truth in Tuition" regulations took effect (a first time attendee is guaranteed the same tuition rate for four years as long as they are undergraduates). Because of this, tuition rates were increased by 16.0 percent for new students and continuing students saw an increase of 7.5 percent for fiscal year 2005. In fiscal year 2004, the increase was 9.5 percent. The University also implemented student fee increases of 4.6 percent in fiscal year 2005 and 10.0 percent in fiscal year 2004. This, coupled with a one percent enrollment increase in fiscal year 2005 and a three percent growth in enrollment for fiscal year 2004, accounts for the increase in tuition, fees and housing revenue.

Tuition and Fees

The University's tuition and fees has consistently been one of the lowest out of the twelve state universities in Illinois. It is currently only one of two public universities to continue to offer textbook rental as a service to students, rather than requiring students to spend hundreds of dollars for textbooks each year. The following explains the rates for tuition and fees for a student attending 12 or more hours during the Fall and Spring semesters of fiscal years 2005, 2004 and 2003:

For 2005

Full-time Undergraduates

- In-State
 - Continuing Students \$127.65/hour + \$800.45 fees/semester
 - New Students \$137.75/hour + \$800.45 fees/semester
- Out-of-State
 - Continuing Students \$382.95/hour + \$800.45 fees/semester
 - New Students \$413.25/hour + \$800.45 fees/semester

Full-time Graduates

- In-State \$134.40/hour + \$802.45 fees/semester
- Out-of-State \$403.20/hour + \$802.45 fees/semester

EASTERN ILLINOIS UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Tuition and Fees - continued

For 2004

Full-time Undergraduates

- In-State \$118.75/hour + \$769.55 fees/semester
- Out-of-State \$356.25/hour + \$769.55 fees/semester

Full-time Graduates

- In-State \$125.00/hour + \$771.55 fees/semester
- Out-of-State \$375.00/hour + \$771.55 fees/semester

For 2003

Full-time Undergraduates:

- In-State \$108.45/hour + \$697.00 fees/semester
- Out-of-State \$325.35/hour + \$697.00 fees/semester

Full-time Graduate:

- In-State \$114.20/hour + \$698.00 fees/semester
- Out-of-State \$342.60/hour + \$698.00 fees/semester

Room and Board

The University currently has 12 traditional residence halls and a village of fraternity and sorority residences ("Greek Court"), with a capacity of approximately 4,700 students. In addition, there are 154 married and graduate student apartments ("University Apartments") and 146 undergraduate apartment units in 11 buildings ("University Court"). For Fall 2004, the residence halls were about 85% occupied; the University Apartments were about 100% occupied; and, University Court was 100% occupied. For Fall 2003, the residence halls were about 89% occupied; the University Apartments were about 99% occupied; and, University Court was 99% occupied. The following table outlines the rates charged for room and board:

2005	2004
<i>University Apartments</i>	
• Efficiency \$367/month	• Efficiency \$356/month
• One bedroom \$385/month	• One bedroom \$374/month
• Super efficiency \$343/month	• Super efficiency \$333/month
<i>University Court</i>	
• Rates vary from \$2,146 to \$2,743 per semester	• Rates vary from \$2,071 to \$2,922 per semester
<i>Residence Halls</i>	
• 5 Plus Meal Plan \$2,551/per semester	• 5 Plus Meal Plan \$2,384/per semester
• 10 Plus Meal Plan \$2,664/per semester	• 10 Plus Meal Plan \$2,490/per semester
• 12 Plus Meal Plan \$2,764/per semester	• 12 Plus Meal Plan \$2,583/per semester
• 15 Plus Meal Plan \$2,875/per semester	• 15 Plus Meal Plan \$2,687/per semester

EASTERN ILLINOIS UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Room and Board - continued

2003

University Apartments

- Efficiency \$346/month
- One bedroom \$364/month
- Super efficiency \$323/month

University Court

- Rates vary from \$1,956 to \$2,656 per semester

Residence Halls

- 5 Plus Meal Plan \$2,265/per semester
- 10 Plus Meal Plan \$2,365/per semester
- 12 Plus Meal Plan \$2,454/per semester
- 15 Plus Meal Plan \$2,553/per semester

The Plus Meal Option permits each student the flexibility to make purchases at various campus locations, including the following:

- Any residence hall dining center
- Purchases at the food court within the University Union
- Purchases at campus convenience centers

Operating Expenses

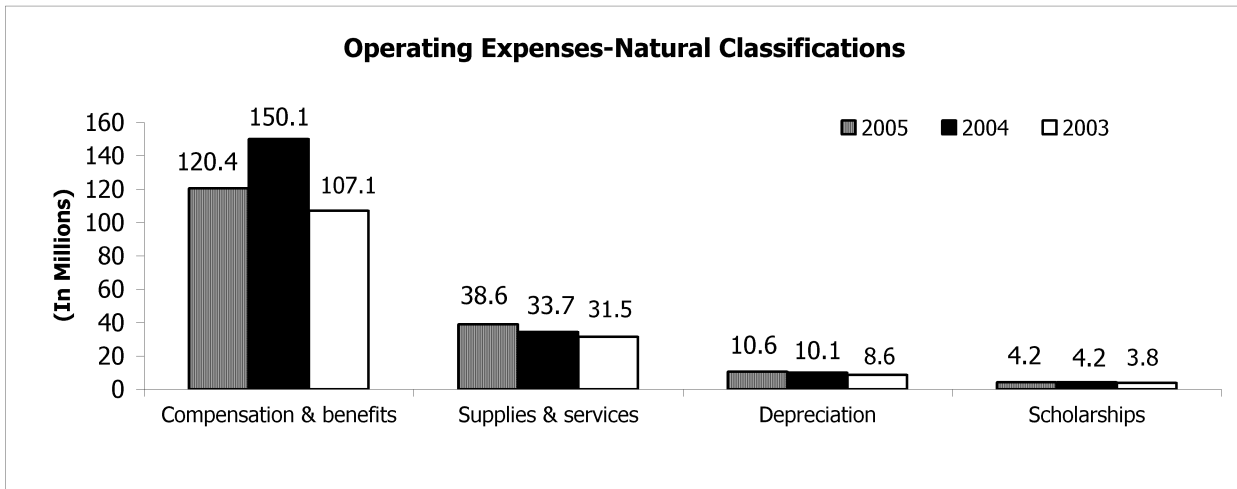
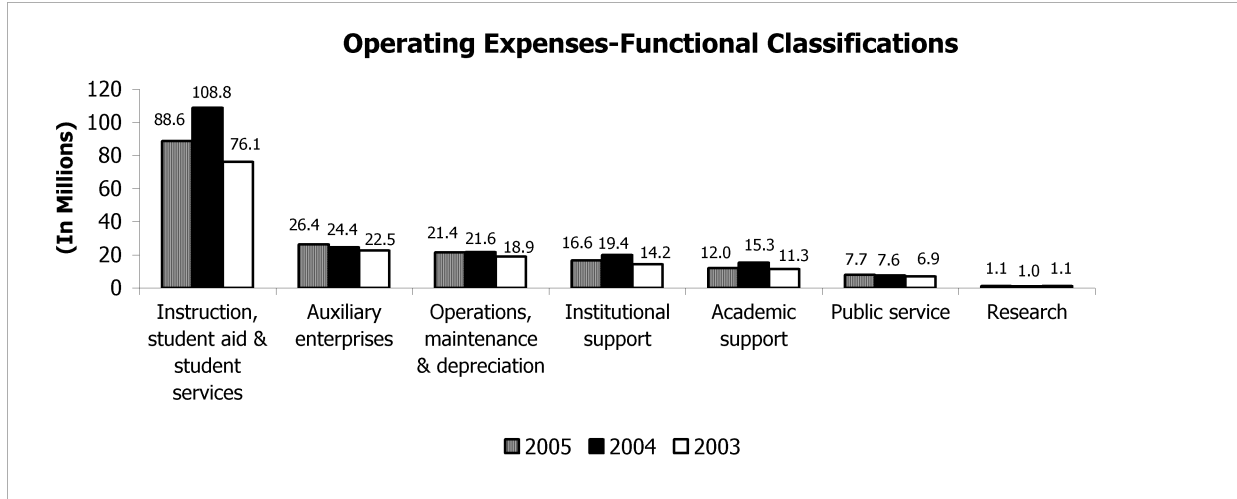
GASB Statement No. 35 gives the reporting entities the choice of reporting expenses in functional or natural classifications. The University chose to report the expenses in their functional categories on the face of the statement and has displayed the natural categories in the footnotes to the financial statements. The operating expenses for fiscal year 2005, including depreciation of \$10.6 million, totaled \$173.8 million. Under the functional classifications, \$88.6 million or 51% was used for instruction, student aid, and student services; \$26.4 million, or 15% was used for auxiliary services; \$16.6 million, or 10% was used for institutional support, which includes such areas as computer services and University police; and \$12.0 million, or 7% was used for academic support, for such areas as the library and various dean' offices. Under the natural classifications, \$120.4 million, or 69% was used for compensation and benefits; \$38.6 million, or 22% was used for supplies, contractual services, travel, utilities, repairs and maintenance and other; \$4.2 million, or 2% was used for scholarships; and \$10.6 million, or 6% was depreciation.

The operating expenses for fiscal year 2004, including depreciation of \$10.1 million, totaled \$198.1 million. Under the functional classifications, \$108.8 million or 55% was used for instruction, student aid, and student services; \$24.4 million, or 12% was used for auxiliary services; \$19.4 million, or 10% was used for institutional support, which includes such areas as computer services and University police; and \$15.3 million, or 8% was used for academic support, for such areas as the library and various dean' offices. Under the natural classifications, \$150.1 million, or 76% was used for compensation and benefits; \$33.7 million, or 17% was used for supplies, contractual services, travel, utilities, repairs and maintenance and other; \$4.2 million, or 2% was used for scholarships; and \$10.1 million, or 5% was depreciation.

EASTERN ILLINOIS UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Operating Expenses - continued



Other

For fiscal year 2005, the State appropriation was the largest source of nonoperating revenues at \$47.6 million. For fiscal year 2004, the largest source of nonoperating revenues was the payments on behalf of the University, at \$59.7 million. This was unusually large due to the State of Illinois funding an additional amount of unfunded liability of the State University Retirement System.

Interest expense on outstanding debt was \$2.8 million for fiscal year 2005 and \$3.2 million for fiscal year 2004 and is the largest category of nonoperating expenses in both years.

EASTERN ILLINOIS UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

The Statement of Cash Flows

The Statement of Cash Flows provides information about the University's sources and uses of cash and cash equivalents during the fiscal year.

Condensed Statement of Cash Flows
For the year ended June 30

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Cash provided (used) by:			
Operating activities	\$ (33,075,694)	\$ (30,592,309)	\$ (37,340,662)
Noncapital financing activities	49,447,691	50,657,217	50,060,936
Capital and related financing activities	(14,565,829)	(13,852,014)	(20,190,644)
Investing activities	<u>(2,046,647)</u>	<u>(1,231,120)</u>	<u>5,732,873</u>
 Net increase (decrease) in cash and cash equivalents	 (240,479)	 4,981,774	 (1,737,497)
Cash and cash equivalents, beginning of year	<u>26,819,312</u>	<u>21,837,538</u>	<u>23,575,035</u>
Cash and cash equivalents, end of year	<u>\$ 26,578,833</u>	<u>\$ 26,819,312</u>	<u>\$ 21,837,538</u>

Major sources of funds included in operating activities for both fiscal years are student tuition and fees, and auxiliary services. Student tuition and fees provided \$49.4 million for 2005 and \$45.5 million for 2004. Auxiliary enterprises income provided \$33.2 million for 2005 and \$31.6 million for 2004. The major source of funds included in noncapital financing activities for each year is state appropriations. These provided \$47.1 million for 2005 and \$48.6 million for 2004.

The net cash used by capital and related financing activities in each year represents numerous purchases of capital assets as well as costs incurred for many campus construction projects in progress during both years.

The net cash used by investing activities of \$2.0 million in fiscal year 2005 and \$1.2 million in fiscal year 2004 is due in large part to COPS issues of which the proceeds had been invested and not completely spent at each year end.

The University's Economic Outlook

The State of Illinois (State) General Fund appropriation represents a significant, but decreasing, portion of operating support for University programs. State General Fund appropriations were approximately 30% of the University's operating budget in 2004, but are projected to be only about 27% for 2006. Although the University's operating budget in 2005 did not suffer a mandated lapse or rescission, there was no capital budget approved for higher education in Illinois. The lack of a capital budget adds more financial stress to an already strained higher education infrastructure. The tardiness in the economic recovery for the State has prompted the need to reduce expenditures by the legislature and the higher education capital budget has bourn the brunt of this policy.

Fortunately, the legislative budget process for fiscal year 2005 restored the lapse amount from FY 2004. However, the legislature has provided a flat appropriations budget at the same dollar amount as the previous two years appropriations for fiscal year 2006. After the budget years of 2002, 2003, and 2004, where the University suffered lapses and rescissions, a flat appropriations budget seems like an improved financial

EASTERN ILLINOIS UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

The University's Economic Outlook - continued

circumstance for the University. In addition to those lapses and rescissions, the State had also imposed a "charge-backs" system for employee health insurance. Prior to the initiation of this charge-back system, the State paid the employee health insurance coverage for most University employees. Now the University is making a contribution to the State of \$1,713,300 dollars annually for employee health insurance. This system of "charge backs" remains in effect today with no "talk" of going back to a fully state-paid health care coverage plan.

The University increased tuition revenue in fiscal year 2005 and is doing so again in 2006. Tuition rates for first time enrolled students increased 16.5% in 2005 and 12% in 2006. The "Truth in Tuition" Act grants these students a four year guarantee that tuition rates will not increase during their four year course of studies. Continuing students' tuition increased much less than first time enrolled students. Continuing students' tuition increased 7.5% in 2005 and will increase 8.0% in 2006. Student enrollment remained nearly level in 2005, but an increase is projected in 2006. With no increase in funding from the State, student enrollment increases and the increases in tuition rates, tuition will account for most of the revenue increase in fiscal year 2006. Between fiscal years 2002 and 2004, the State's general funds for higher education decreased by \$310 million (12.8%). For this University to make up its share of the 12.8% budget cut, it will take several years of tuition increases and growing enrollments.

In an effort to free up resources for core academic priorities and reduce the burden of state funding declines, public universities have reduced administrative costs 18.4% cumulatively from fiscal year 2002 to fiscal year 2004. Eastern Illinois University will continue to reduce administrative and support services cost until it has achieved the goal of a 25% reduction in administrative costs from the fiscal year 2002 levels. University administrative and support service costs were cut 12.5% in fiscal year 2003, 8.9% in fiscal year 2004 and 3.6% was planned for fiscal year 2005. However, the University was able to do better than planned. At the end of fiscal year 2005, the University had reduced administrative costs by 30.3% from the fiscal year 2002 levels. No further cuts are anticipated at this time.

In 2006, modest student fee and housing increases will result in a 7.7% increase in revenues in non-appropriated unrestricted funds. However, the University still maintains affordable services for students both on and off campus.

Grants and contracts income from third party sources should increase by approximately 5.4%. In spite of the economic downturn, the University expects that revenue levels for these restricted projects to maintain steady growth. The University is somewhat cautious about the impact of the growing federal deficit on grant and contract funding that derives resources from the federal government in coming years.

The University issued revenue bond debt of \$19.4 million on July 1, 2005 (Series 2005). Proceeds from the sale were used to fund the advance refunding of existing Auxiliary System Revenue Bonds. This refunding included Series 1997 and portions of Series 1998 and Series 2000. Additionally, a portion of the proceeds were used to pay for the cost of issuance of the Series 2005 Bonds.

Note - Eastern Illinois University is not required to present budgetary comparison information that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements because Eastern Illinois University is not legally required to adopt a budget.

EASTERN ILLINOIS UNIVERSITY

STATEMENT OF NET ASSETS

June 30, 2005 and 2004

	University		Component Units	
	2005	2004	2005	2004
Assets				
Current assets:				
Cash and cash equivalents	\$ 10,000,609	\$ 10,388,949	\$ 496,433	\$ 304,913
Restricted cash and cash equivalents	16,578,224	15,498,873	1,411,068	1,687,349
Short-term investments	1,096,724	-	360,610	503,787
Restricted short-term investments	1,839,047	10,783	1,725,155	1,702,952
Accounts receivable, net of allowance for doubtful accounts	7,762,408	6,577,662	97,937	122,677
State appropriation receivable	471,736	-	-	-
Interest receivable	89,483	46,196	11,160	14,035
Inventories	1,630,272	1,720,206	9,600	34,734
Notes receivable, current portion, net of allowance for doubtful accounts	861,786	834,575	-	-
Other assets	868,774	400,102	148,768	129,000
Total current assets	<u>41,199,063</u>	<u>35,477,346</u>	<u>4,260,731</u>	<u>4,499,447</u>
Noncurrent assets:				
Restricted cash and cash equivalents	-	931,490	17,143	171,376
Notes receivable, less current portion, net of allowance for doubtful accounts	4,980,349	4,909,172	-	-
Endowment investments	457,144	412,832	18,445,205	15,536,114
Restricted investments	4,223,859	3,253,264	20,841,601	19,005,946
Other long-term investments	2,520,935	3,482,943	781,930	685,580
Other long-term assets	411,123	736,533	533,943	114,589
Capital assets, net of accumulated depreciation	153,154,084	143,117,350	2,273,328	2,289,908
Total noncurrent assets	<u>165,747,494</u>	<u>156,843,584</u>	<u>42,893,150</u>	<u>37,803,513</u>
Total assets	<u>\$ 206,946,557</u>	<u>\$ 192,320,930</u>	<u>\$ 47,153,881</u>	<u>\$ 42,302,960</u>
Liabilities and net assets				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 12,125,908	\$ 10,545,655	\$ 13,557	\$ 16,054
Deferred revenue	2,499,402	3,890,158	-	-
Long-term liabilities, current portion	8,089,263	7,759,071	382,517	322,505
Demand mortgage payable	-	-	1,512,238	1,494,356
Total current liabilities	<u>22,714,573</u>	<u>22,194,884</u>	<u>1,908,312</u>	<u>1,832,915</u>
Noncurrent liabilities:				
Long-term liabilities, less current portion	80,188,844	76,180,257	2,310,588	2,327,123
Due to others	-	-	5,193,509	4,906,053
Federal loan program contributions refundable	5,362,429	5,284,853	-	-
Total noncurrent liabilities	<u>85,551,273</u>	<u>81,465,110</u>	<u>7,504,097</u>	<u>7,233,176</u>
Total liabilities	<u>108,265,846</u>	<u>103,659,994</u>	<u>9,412,409</u>	<u>9,066,091</u>
Net assets:				
Invested in capital assets, net of related debt	91,254,190	81,574,619	761,090	795,553
Restricted:				
Nonexpendable				
Scholarships and fellowships	457,130	412,832	-	-
Endowments	-	-	18,462,348	15,707,490
Expendable				
Scholarships and fellowships	41,655	43,575	-	-
Other	-	-	16,284,821	15,031,606
Instructional department uses	2,893,071	3,267,428	-	-
Loans	1,362,259	1,197,430	-	-
Capital projects	5,898,041	7,250,870	-	-
Debt service	2,701,698	2,797,851	-	-
Unrestricted	<u>(5,927,333)</u>	<u>(7,883,669)</u>	<u>2,233,213</u>	<u>1,702,220</u>
Total net assets	<u>98,680,711</u>	<u>88,660,936</u>	<u>37,741,472</u>	<u>33,236,869</u>
Total liabilities and net assets	<u>\$ 206,946,557</u>	<u>\$ 192,320,930</u>	<u>\$ 47,153,881</u>	<u>\$ 42,302,960</u>

The accompanying notes are an integral part of these financial statements.

EASTERN ILLINOIS UNIVERSITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Years ended June 30, 2005 and 2004

	University		Component Units	
	2005	2004	2005	2004
Revenues				
Operating revenues				
Student tuition and fees (net of scholarship allowances of \$5,894,187 in fiscal year 2005 and \$5,445,980 in fiscal year 2004)	\$ 49,726,069	\$ 45,670,270	\$ -	\$ -
Federal grants & contracts	8,340,373	8,638,916	-	-
State grants & contracts	3,781,050	3,614,257	-	-
Local grants & contracts	130,090	123,926	-	-
Private grants & contracts	1,927,681	1,235,443	-	-
Sales and services of educational departments	3,691,383	3,722,294	-	-
Auxiliary enterprises (net of scholarship allowances of \$1,362,392 in fiscal year 2005 and \$1,368,345 in fiscal year 2004)	33,777,288	31,999,799	-	-
Gifts	-	-	905,231	1,117,368
Service contract with University	-	-	209,308	202,370
Budget allocation from the University	-	-	59,672	167,904
Membership dues	-	-	46,015	41,710
Merchandise sales	-	-	-	430
Royalties	-	-	650,440	2,073
Alumni promotions	-	-	1,020	1,177
Other operating revenues	2,361,455	2,212,998	126,319	81,500
Total operating revenues	103,735,389	97,217,903	1,998,005	1,614,532
Expenses				
Operating expenses				
Educational and general				
Instruction	67,892,563	87,079,406	-	-
Research	1,152,343	1,011,479	-	-
Public service	7,724,273	7,583,254	-	-
Academic support	11,993,150	15,293,528	-	-
Student services	16,287,373	17,398,558	-	-
Institutional support	16,648,005	19,358,917	720,434	764,002
Operations and maintenance of plant	10,845,988	11,497,238	-	-
Student aid	4,384,504	4,353,409	-	-
Auxiliary enterprises	26,356,774	24,446,039	-	-
Depreciation expense	10,550,627	10,058,204	34,463	33,909
Total operating expenses	173,835,600	198,080,032	754,897	797,911
Operating income (loss)	(70,100,211)	(100,862,129)	1,243,108	816,621

The accompanying notes are an integral part of these financial statements.

EASTERN ILLINOIS UNIVERSITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (CONTINUED)

Years ended June 30, 2005 and 2004

	University		Component Units	
	2005	2004	2005	2004
Operating income (loss)	\$ (70,100,211)	\$(100,862,129)	\$ 1,243,108	\$ 816,621
Nonoperating revenues (expenses)				
State appropriations	47,609,309	46,691,598	-	-
Payments on behalf of the University	25,551,432	59,683,866	-	-
Gifts	2,437,745	2,399,891	-	-
Investment income (net)	917,046	530,330	1,073,078	749,249
Net increase (decrease) in fair value of investments	57,522	(35,609)	1,702,872	3,967,112
Scholarships	-	-	(528,678)	(539,767)
Distributions to annuity/unitrust beneficiaries	-	-	(251,486)	(338,259)
Actuarial adjustments	-	-	(28,651)	(40,977)
Interest on capital asset-related debt	(2,756,638)	(3,189,748)	(83,363)	(77,560)
Nonoperating grants & contracts	85,440	6,106	-	-
Amortization of bond costs	(38,764)	(29,359)	-	-
Grants to the University	-	-	(1,113,233)	(3,406,804)
Payments to the Foundation	(11,594)	(14,876)	-	-
(Loss) on disposal of capital assets	(1,245,197)	(82,199)	-	-
Blair Hall fire gain	2,500,000	19,739	-	-
Blair Hall fire expenses	-	(661,451)	-	-
Other nonoperating activity	(18,376)	-	(4,539)	(5,418)
Total nonoperating revenues	75,087,925	105,318,288	766,000	307,576
Income before capital contributions	4,987,714	4,456,159	2,009,108	1,124,197
Capital appropriations	335,934	709,178	-	-
Additions to permanent endowments	-	-	2,495,495	320,003
Capital grants & gifts	1,304,598	2,307,083	-	-
Assets donated by other State agencies	3,391,529	423,851	-	-
Increase in net assets	10,019,775	7,896,271	4,504,603	1,444,200
Net assets				
Net assets, beginning of year	88,660,936	80,764,665	33,236,869	31,792,669
Net assets, end of year	\$ 98,680,711	\$ 88,660,936	\$37,741,472	\$33,236,869

The accompanying notes are an integral part of these financial statements.

EASTERN ILLINOIS UNIVERSITY

STATEMENT OF CASH FLOWS

Years ended June 30, 2005 and 2004

	University		Component Units	
	2005	2004	2005	2004
Cash flows from operating activities				
Tuition and fees	\$ 49,397,281	\$ 45,533,375	\$ -	\$ -
Grants and contracts (noncapital)	13,531,428	13,747,083	-	-
Sales and services of educational departments	2,945,656	3,418,533	-	-
Auxiliary enterprise	33,236,103	31,593,507	-	-
Payments to suppliers	(35,439,814)	(32,389,857)	(531,823)	(514,764)
Payments to employees	(88,579,799)	(84,911,652)	-	-
Payments for employee benefits	(6,362,820)	(5,642,263)	-	-
Payments for scholarships and fellowships	(4,236,212)	(4,174,545)	-	-
Federal loan program contributions refundable	77,576	215,647	-	-
Loans issued to students	(1,250,277)	(1,296,514)	-	-
Collection of loans from students	1,151,890	1,130,645	-	-
Royalties	-	-	203,758	2,073
Membership dues	-	-	43,646	43,116
Service contract with the University	-	-	148,250	-
Gifts	-	-	881,960	1,539,842
Promotional revenue	-	-	1,020	1,177
Other receipts (payments)	2,453,294	2,183,732	126,319	81,930
Net cash provided (used) by operating activities	(33,075,694)	(30,592,309)	873,130	1,153,374
Cash flows from noncapital financing activities				
State appropriations	47,137,607	48,585,589	-	-
Grants to the University	-	-	(1,113,233)	(3,406,804)
Payments to the Foundation	(11,594)	(14,876)	-	-
Nonexchange grants	(91,731)	14,116	-	-
Grants to organizations	-	-	(4,906)	(5,418)
Scholarships	-	-	(527,936)	(540,509)
Payments for costs associated with fire damage	-	(337,830)	-	-
Distributions to annuity/unitrust beneficiaries	-	-	(324,658)	(351,708)
Agency receipts	-	-	138,024	779,371
Agency payments	-	-	(176,014)	(669,697)
Other non-operating activities	(18,376)	-	-	-
Private gifts other than capital purposes	2,431,785	2,410,218	2,396,525	282,406
Net cash provided (used) by noncapital financing activities	49,447,691	50,657,217	387,802	(3,912,359)
Cash flows from capital and related financing activities				
Proceeds from bond issue/notes payable	9,869,672	8,869,703	-	-
Principal paid on capital debt and leases	(5,097,846)	(3,905,834)	-	-
Interest paid on capital debt and leases	(3,112,370)	(3,121,139)	(90,355)	(77,351)
Insurance proceeds from fire damage	2,500,000	250,000	-	-
Capital appropriations	335,934	666,317	-	-
Capital grants and gifts	941,093	2,549,924	-	-
Bond issue costs paid	(46,000)	(57,352)	-	-
Proceeds of mortgage loan	-	-	17,883	68,775
Purchases of capital assets	(19,956,312)	(19,103,633)	(17,883)	(68,775)
Net cash (used) by capital and related financing activities	(14,565,829)	(13,852,014)	(90,355)	(77,351)

The accompanying notes are an integral part of these financial statements.

EASTERN ILLINOIS UNIVERSITY

STATEMENT OF CASH FLOWS (CONTINUED)

Years ended June 30, 2005 and 2004

	University		Component Units	
	2005	2004	2005	2004
Cash flow from investing activities				
Proceeds from the sale and maturities of investments	\$ 55,809,920	\$ 5,077,974	\$ 409,324	\$ 1,833,638
Interest received on investments	850,413	509,826	1,151,681	765,526
Sale of gift stock and real estate	-	-	123,080	357,346
Purchase of investments	(58,706,980)	(6,818,920)	(3,093,656)	(1,347,559)
Net cash provided (used) by investing activities	(2,046,647)	(1,231,120)	(1,409,571)	1,608,951
Net increase (decrease) in cash and cash equivalents	(240,479)	4,981,774	(238,994)	(1,227,385)
Cash and cash equivalents, beginning of year	26,819,312	21,837,538	2,163,638	3,391,023
Cash and cash equivalents, end of year	\$ 26,578,833	\$ 26,819,312	\$ 1,924,644	\$ 2,163,638
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (70,100,211)	\$ (100,862,129)	\$ 1,243,108	\$ 816,621
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	10,550,627	10,058,204	34,463	33,909
Payments on behalf of the University	25,551,432	59,683,866	-	-
Non-cash stock, real estate gifts	-	-	(26,149)	(45,124)
Actuarial adjustment of new annuities and unitrusts	-	-	31,970	376,731
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(907,042)	(104,340)	38,164	28,548
Decrease in inventory	89,934	76,427	-	-
(Increase) in notes receivable	(98,388)	(165,869)	-	-
(Increase) decrease in other assets	(72,907)	135,375	(450,228)	5,887
Increase (decrease) in accounts payable	3,402,634	1,123,581	1,802	(63,198)
(Decrease) in deferred revenue	(1,122,877)	(138,538)	-	-
(Decrease) in compensated absences	(361,673)	(515,239)	-	-
Increase in federal loan program refundable	77,576	215,647	-	-
(Decrease) in other long-term liabilities	(95,533)	(65,634)	-	-
Increase (decrease) in deposits	10,734	(33,660)	-	-
Net cash provided (used) by operating activities	\$ (33,075,694)	\$ (30,592,309)	\$ 873,130	\$ 1,153,374
Noncash investing, noncapital financing, and capital and related financing transactions				
Change in fair value of investments	\$ 57,522	\$ (35,609)	\$ 1,701,852	\$ 3,965,566
Change in interest receivable affecting interest received	\$ 43,287	\$ 21,692	\$ -	\$ -
Change in accrued interest affecting interest paid	\$ (52,823)	\$ 71,712	\$ (4,299)	\$ 209
Change in accrued costs relating to capital assets	\$ 302,401	\$ 25,434	\$ -	\$ (15,628)
Donation of property, plant and equipment	\$ 3,391,529	\$ 423,851	\$ -	\$ -
Property, plant and equipment acquired by capital lease obligations	\$ 408,841	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

EASTERN ILLINOIS UNIVERSITY
 COMBINING STATEMENT OF NET ASSETS
 FOR MAJOR COMPONENT UNITS

June 30, 2005

	Foundation	Alumni Association	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 366,673	\$ 129,760	\$ 496,433
Restricted cash and cash equivalents	1,411,068	-	1,411,068
Short-term investments	-	360,610	360,610
Restricted short-term investments	1,725,155	-	1,725,155
Accounts receivable, net of allowance for doubtful accounts	92,957	4,980	97,937
Interest receivable	-	11,160	11,160
Inventories	9,600	-	9,600
Other assets	20,748	128,020	148,768
Total current assets	<u>3,626,201</u>	<u>634,530</u>	<u>4,260,731</u>
Noncurrent assets:			
Restricted cash and cash equivalents	17,143	-	17,143
Endowment investments	18,445,205	-	18,445,205
Restricted investments	20,841,601	-	20,841,601
Other long-term investments	-	781,930	781,930
Other long-term assets	94,840	439,103	533,943
Capital assets, net of accumulated depreciation	2,043,645	229,683	2,273,328
Total noncurrent assets	<u>41,442,434</u>	<u>1,450,716</u>	<u>42,893,150</u>
Total assets	<u>\$45,068,635</u>	<u>\$ 2,085,246</u>	<u>\$47,153,881</u>
Liabilities and net assets			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 13,552	\$ 5	\$ 13,557
Long-term liabilities, current portion	382,517	-	382,517
Demand mortgage payable	1,512,238	-	1,512,238
Total current liabilities	<u>1,908,307</u>	<u>5</u>	<u>1,908,312</u>
Noncurrent liabilities:			
Long-term liabilities, less current portion	2,310,588	-	2,310,588
Due to others	5,193,509	-	5,193,509
Total noncurrent liabilities	<u>7,504,097</u>	<u>-</u>	<u>7,504,097</u>
Total liabilities	<u>9,412,404</u>	<u>5</u>	<u>9,412,409</u>
Net assets:			
Invested in capital assets, net of related debt	531,407	229,683	761,090
Restricted:			
Nonexpendable			
Endowments	18,462,348	-	18,462,348
Expendable			
Other	16,284,821	-	16,284,821
Unrestricted	377,655	1,855,558	2,233,213
Total net assets	<u>35,656,231</u>	<u>2,085,241</u>	<u>37,741,472</u>
Total liabilities and net assets	<u>\$45,068,635</u>	<u>\$ 2,085,246</u>	<u>\$47,153,881</u>

The accompanying notes are an integral part of these financial statements.

EASTERN ILLINOIS UNIVERSITY
 COMBINING STATEMENT OF NET ASSETS
 FOR MAJOR COMPONENT UNITS

June 30, 2004

	Foundation	Alumni Association	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 288,568	\$ 16,345	\$ 304,913
Restricted cash and cash equivalents	1,687,349	-	1,687,349
Short-term investments	9,900	493,887	503,787
Restricted short-term investments	1,702,952	-	1,702,952
Accounts receivable, net of allowance for doubtful accounts	118,916	3,761	122,677
Interest receivable	-	14,035	14,035
Inventories	34,734	-	34,734
Other assets	14,075	114,925	129,000
Total current assets	<u>3,856,494</u>	<u>642,953</u>	<u>4,499,447</u>
Noncurrent assets:			
Restricted cash and cash equivalents	171,376	-	171,376
Endowment investments	15,536,114	-	15,536,114
Restricted investments	19,005,946	-	19,005,946
Other long-term investments	-	685,580	685,580
Other long-term assets	109,789	4,800	114,589
Capital assets, net of accumulated depreciation	2,054,226	235,682	2,289,908
Total noncurrent assets	<u>36,877,451</u>	<u>926,062</u>	<u>37,803,513</u>
Total assets	<u>\$40,733,945</u>	<u>\$ 1,569,015</u>	<u>\$42,302,960</u>
Liabilities and net assets			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 14,848	\$ 1,206	\$ 16,054
Long-term liabilities, current portion	322,505	-	322,505
Demand mortgage payable	1,494,356	-	1,494,356
Total current liabilities	<u>1,831,709</u>	<u>1,206</u>	<u>1,832,915</u>
Noncurrent liabilities:			
Long-term liabilities, less current portion	2,327,123	-	2,327,123
Due to others	4,906,053	-	4,906,053
Total noncurrent liabilities	<u>7,233,176</u>	<u>-</u>	<u>7,233,176</u>
Total liabilities	<u>9,064,885</u>	<u>1,206</u>	<u>9,066,091</u>
Net assets:			
Invested in capital assets, net of related debt	559,871	235,682	795,553
Restricted:			
Nonexpendable			
Endowments	15,707,490	-	15,707,490
Expendable			
Other	15,031,606	-	15,031,606
Unrestricted	370,093	1,332,127	1,702,220
Total net assets	<u>31,669,060</u>	<u>1,567,809</u>	<u>33,236,869</u>
Total liabilities and net assets	<u>\$40,733,945</u>	<u>\$ 1,569,015</u>	<u>\$42,302,960</u>

The accompanying notes are an integral part of these financial statements.

EASTERN ILLINOIS UNIVERSITY

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

FOR MAJOR COMPONENT UNITS

Year ended June 30, 2005

	Foundation	Alumni Association	Total
Revenues			
Operating revenues			
Gifts	\$ 903,941	\$ 1,290	\$ 905,231
Service contract with University	183,683	25,625	209,308
Budget allocation from the University	49,501	10,171	59,672
Membership dues	-	46,015	46,015
Royalties	-	650,440	650,440
Alumni promotions	-	1,020	1,020
Other operating revenues	126,201	118	126,319
	<u>1,263,326</u>	<u>734,679</u>	<u>1,998,005</u>
Total operating revenues			
Expenses			
Operating expenses			
Educational and general			
Institutional support	573,941	146,493	720,434
Depreciation expense	28,464	5,999	34,463
	<u>602,405</u>	<u>152,492</u>	<u>754,897</u>
Total operating expenses			
Operating income	<u>660,921</u>	<u>582,187</u>	<u>1,243,108</u>
Nonoperating revenues (expenses)			
Investment income (net)	1,024,316	48,762	1,073,078
Net increase (decrease) in fair value of investments	1,720,832	(17,960)	1,702,872
Scholarships	(523,678)	(5,000)	(528,678)
Distributions to annuity/unitrust beneficiaries	(251,486)	-	(251,486)
Actuarial adjustments	(28,651)	-	(28,651)
Interest on capital asset-related debt	(83,363)	-	(83,363)
Grants to the University	(1,022,676)	(90,557)	(1,113,233)
Other nonoperating activity	(4,539)	-	(4,539)
	<u>830,755</u>	<u>(64,755)</u>	<u>766,000</u>
Total nonoperating revenues (expenses)			
Income before capital contributions	1,491,676	517,432	2,009,108
Additions to permanent endowments	2,495,495	-	2,495,495
	<u>3,987,171</u>	<u>517,432</u>	<u>4,504,603</u>
Increase in net assets			
Net assets			
Net assets, beginning of year	31,669,060	1,567,809	33,236,869
Net assets, end of year	<u>\$35,656,231</u>	<u>\$ 2,085,241</u>	<u>\$37,741,472</u>

The accompanying notes are an integral part of these financial statements.

EASTERN ILLINOIS UNIVERSITY

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

FOR MAJOR COMPONENT UNITS

Year ended June 30, 2004

	Foundation	Alumni Association	Total
Revenues			
Operating revenues			
Gifts	\$ 1,116,838	\$ 530	\$ 1,117,368
Service contract with University	177,130	25,240	202,370
Budget allocation from the University	144,355	23,549	167,904
Membership dues	-	41,710	41,710
Merchandise sales	-	430	430
Royalties	-	2,073	2,073
Alumni promotions	-	1,177	1,177
Other operating revenues	81,061	439	81,500
	<u>1,519,384</u>	<u>95,148</u>	<u>1,614,532</u>
Total operating revenues			
Expenses			
Operating expenses			
Educational and general			
Institutional support	617,859	146,143	764,002
Depreciation expense	27,910	5,999	33,909
	<u>645,769</u>	<u>152,142</u>	<u>797,911</u>
Total operating expenses			
Operating income (loss)	<u>873,615</u>	<u>(56,994)</u>	<u>816,621</u>
Nonoperating revenues (expenses)			
Investment income (net)	696,873	52,376	749,249
Net increase (decrease) in fair value of investments	3,987,103	(19,991)	3,967,112
Scholarships	(534,567)	(5,200)	(539,767)
Distributions to annuity/unitrust beneficiaries	(338,259)	-	(338,259)
Actuarial adjustments	(40,977)	-	(40,977)
Interest on capital asset-related debt	(77,560)	-	(77,560)
Grants to the University	(3,396,304)	(10,500)	(3,406,804)
Other nonoperating activity	(5,418)	-	(5,418)
	<u>290,891</u>	<u>16,685</u>	<u>307,576</u>
Total nonoperating revenues (expenses)			
Income (loss) before capital contributions	1,164,506	(40,309)	1,124,197
Additions to permanent endowments	320,003	-	320,003
Increase (decrease) in net assets	<u>1,484,509</u>	<u>(40,309)</u>	<u>1,444,200</u>
Net assets			
Net assets, beginning of year	<u>30,184,551</u>	<u>1,608,118</u>	<u>31,792,669</u>
Net assets, end of year	<u>\$31,669,060</u>	<u>\$ 1,567,809</u>	<u>\$33,236,869</u>

The accompanying notes are an integral part of these financial statements.

EASTERN ILLINOIS UNIVERSITY
COMBINING STATEMENT OF CASH FLOWS
FOR MAJOR COMPONENT UNITS

Year ended June 30, 2005

	Foundation	Alumni Association	Total
Cash flows from operating activities			
Payments to suppliers	\$ (420,359)	\$ (111,464)	\$ (531,823)
Royalties	-	203,758	203,758
Membership dues	-	43,646	43,646
Service contract with University	148,250	-	148,250
Gifts	880,670	1,290	881,960
Promotional revenue	-	1,020	1,020
Other receipts (payments)	126,201	118	126,319
Net cash provided by operating activities	<u>734,762</u>	<u>138,368</u>	<u>873,130</u>
Cash flows from noncapital financing activities			
Grants to the University	(1,022,676)	(90,557)	(1,113,233)
Grants to organizations	(4,906)	-	(4,906)
Scholarships	(522,936)	(5,000)	(527,936)
Distributions to annuity/unitrust beneficiaries	(324,658)	-	(324,658)
Agency receipts	138,024	-	138,024
Agency payments	(176,014)	-	(176,014)
Gifts received for endowment purposes	2,396,525	-	2,396,525
Net cash provided (used) by noncapital financing activities	<u>483,359</u>	<u>(95,557)</u>	<u>387,802</u>
Cash flows from capital and related financing activities			
Interest paid on capital debt and leases	(90,355)	-	(90,355)
Proceeds of mortgage loan	17,883	-	17,883
Purchases of capital assets	(17,883)	-	(17,883)
Net cash (used) by capital and related financing activities	<u>(90,355)</u>	<u>-</u>	<u>(90,355)</u>
Cash flow from investing activities			
Proceeds from the sale and maturities of investments	339,324	70,000	409,324
Interest received on investments	1,100,044	51,637	1,151,681
Sale of gift stock and real estate	123,080	-	123,080
Purchase of investments	(3,042,623)	(51,033)	(3,093,656)
Net cash provided (used) by investing activities	<u>(1,480,175)</u>	<u>70,604</u>	<u>(1,409,571)</u>
Net increase (decrease) in cash and cash equivalents	(352,409)	113,415	(238,994)
Cash and cash equivalents, beginning of year	2,147,293	16,345	2,163,638
Cash and cash equivalents, end of year	<u>\$ 1,794,884</u>	<u>\$ 129,760</u>	<u>\$ 1,924,644</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 660,921	\$ 582,187	\$ 1,243,108
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	28,464	5,999	34,463
Non-cash stock, real estate gifts	(26,149)	-	(26,149)
Actuarial adjustment of new annuities and unitrusts	31,970	-	31,970
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	40,533	(2,369)	38,164
(Increase) in other assets	(3,980)	(446,248)	(450,228)
Increase (decrease) in accounts payable	3,003	(1,201)	1,802
Net cash provided by operating activities	<u>\$ 734,762</u>	<u>\$ 138,368</u>	<u>\$ 873,130</u>
Noncash investing, noncapital financing, and capital and related financing transactions			
Change in fair value of investments	<u>\$ 1,719,812</u>	<u>\$ (17,960)</u>	<u>\$ 1,701,852</u>
Change in accrued interest affecting interest paid	<u>\$ (4,299)</u>	<u>\$ -</u>	<u>\$ (4,299)</u>

The accompanying notes are an integral part of these financial statements.

EASTERN ILLINOIS UNIVERSITY
 COMBINING STATEMENT OF CASH FLOWS
 FOR MAJOR COMPONENT UNITS

Year ended June 30, 2004

	Foundation	Alumni Association	Total
Cash flows from operating activities			
Payments to suppliers	\$ (427,181)	\$ (87,583)	\$ (514,764)
Royalties	-	2,073	2,073
Membership dues	-	43,116	43,116
Gifts	1,539,312	530	1,539,842
Promotional revenue	-	1,177	1,177
Other receipts (payments)	81,061	869	81,930
Net cash provided (used) by operating activities	<u>1,193,192</u>	<u>(39,818)</u>	<u>1,153,374</u>
Cash flows from noncapital financing activities			
Grants to the University	(3,396,304)	(10,500)	(3,406,804)
Grants to organizations	(5,418)	-	(5,418)
Scholarships	(535,309)	(5,200)	(540,509)
Distributions to annuity/unitrust beneficiaries	(351,708)	-	(351,708)
Agency receipts	779,371	-	779,371
Agency payments	(669,697)	-	(669,697)
Gifts received for endowment purposes	282,406	-	282,406
Net cash (used) by noncapital financing activities	<u>(3,896,659)</u>	<u>(15,700)</u>	<u>(3,912,359)</u>
Cash flows from capital and related financing activities			
Interest paid on capital debt and leases	(77,351)	-	(77,351)
Proceeds of mortgage loan	68,775	-	68,775
Purchases of capital assets	(68,775)	-	(68,775)
Net cash (used) by capital and related financing activities	<u>(77,351)</u>	<u>-</u>	<u>(77,351)</u>
Cash flow from investing activities			
Proceeds from the sale and maturities of investments	1,769,638	64,000	1,833,638
Interest received on investments	711,126	54,400	765,526
Sale of gift stock and real estate	357,346	-	357,346
Purchase of investments	(1,293,220)	(54,339)	(1,347,559)
Net cash provided by investing activities	<u>1,544,890</u>	<u>64,061</u>	<u>1,608,951</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,235,928)</u>	<u>8,543</u>	<u>(1,227,385)</u>
Cash and cash equivalents, beginning of year	<u>3,383,221</u>	<u>7,802</u>	<u>3,391,023</u>
Cash and cash equivalents, end of year	<u>\$ 2,147,293</u>	<u>\$ 16,345</u>	<u>\$ 2,163,638</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 873,615	\$ (56,994)	\$ 816,621
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	27,910	5,999	33,909
Non-cash stock, real estate gifts	(45,124)	-	(45,124)
Actuarial adjustment of new annuities and unitrusts	376,731	-	376,731
Change in assets and liabilities:			
Decrease in accounts receivable	21,242	7,306	28,548
Decrease in other assets	3,004	2,883	5,887
Increase (decrease) in accounts payable	(64,186)	988	(63,198)
Net cash provided (used) by operating activities	<u>\$ 1,193,192</u>	<u>\$ (39,818)</u>	<u>\$ 1,153,374</u>
Noncash investing, noncapital financing, and capital and related financing transactions			
Change in fair value of investments	<u>\$ 3,985,557</u>	<u>\$ (19,991)</u>	<u>\$ 3,965,566</u>
Change in accrued interest affecting interest paid	<u>\$ 209</u>	<u>\$ -</u>	<u>\$ 209</u>
Change in accrued costs relating to capital assets	<u>\$ (15,628)</u>	<u>\$ -</u>	<u>\$ (15,628)</u>

The accompanying notes are an integral part of these financial statements.

EASTERN ILLINOIS UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Eastern Illinois University is a comprehensive, state-assisted, regional service institution and is primarily an undergraduate institution. Established in 1895 as a normal school, Eastern is a multi-purpose institution, continuing its strong heritage in teacher preparation while at the same time offering a strong, comprehensive undergraduate program in the arts, sciences, humanities, and professions. The Graduate School complements and builds upon the undergraduate curriculum, providing programs of excellence at the master's and specialist's levels.

Financial Reporting Entity

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. Based upon the factors discussed below, these financial statements include the accounts of Eastern Illinois University (the University) as the primary government, and the component units of the Eastern Illinois University Foundation (the Foundation) and the Eastern Illinois University Alumni Association, Inc., (the Alumni Association), discretely presented.

A primary government is financially accountable for a component unit if it appoints a voting majority of the organization's governing body and (1) is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government may also be financially accountable if an organization is fiscally dependent on the primary government.

The University and the related organizations have also implemented GASB No. 39, *Determining Whether Certain Organizations Are Component Units* (an amendment of GASB Statement No. 14, *The Financial Reporting Entity*) which increased the factors to consider when determining if a component unit should be included in the financial reporting entity of a primary government.

As stated in GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, a legally separate organization should be considered a component unit of the primary government if the following three factors are met: 1) the separate organization's economic resources are almost entirely held for the direct benefit of the primary government; 2) the primary government is entitled to or has access to the majority of the resources held or received by the separate organization; and 3) the resources held or received by the separate organization are significant to the primary government.

The Foundation is a legally separate, tax-exempt component unit. It acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The Board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University and its students, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. Complete financial statements for the Foundation can be obtained from the University's Administrative Office at 600 Lincoln Avenue, Charleston, IL 61920.

EASTERN ILLINOIS UNIVERSITY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Financial Reporting Entity - continued

The Alumni Association is also a legally separate, tax-exempt component unit. The Alumni Association is governed by a separately elected Board of Directors and its primary functions are to foster loyalty and fellowship among the alumni of the University and to receive gifts, which are contributed for the welfare of the University. The Alumni Association uses its resources entirely or almost entirely for the direct benefit of the University or its constituents. In addition, the University is entitled to or has access to the majority of the resources of the Alumni Association, and such resources are significant to the University. Therefore, the Alumni Association is considered a component unit of the University and is discretely presented in the University's financial statements. Complete financial statements for the Alumni Association can be obtained from the University's Administrative Office at 600 Lincoln Avenue, Charleston, IL 61920.

The University is a component unit of the State of Illinois and is included in the general purpose financial statements of the State of Illinois.

Financial Statement Presentation

The University has adopted the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The financial statements of the University have been prepared in conformance with these statements.

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected to not apply FASB pronouncements issued after the applicable date.

Cash Equivalents

For purposes of the Statement of Cash Flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the Illinois Funds are considered cash equivalents.

Investments

The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in the unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets.

Inventories

Inventories are carried at the lower of cost (first-in, first-out method) or market.

EASTERN ILLINOIS UNIVERSITY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of Illinois. Accounts receivable also includes amounts due from the federal government, state and local governments, or private sources, in connection with the reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable is recorded net of estimated uncollectible amounts.

Restricted Assets

Restricted assets consist of cash and investments that are restricted by external sources and are classified as either current or noncurrent assets in the Statement of Net Assets depending upon when the assets become available for use.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. The University's capitalization policy for capital assets is as follows: equipment \$5,000 or greater, land or buildings \$100,000 or greater and site or building improvements \$25,000 or greater. Renovations to buildings and equipment that significantly increase the value or extend the useful life of the asset are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 15 to 20 years for site and building improvements, 5 years for library books, 4 to 7 years for equipment and 2 years for textbooks. Depreciation also includes amortization of capitalized leased equipment.

Deferred Revenues

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Compensated Absences

Employee vacation pay, sick pay, and compensable time are accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued payments in the Statement of Net Assets, and as functionalized expenses in the Statement of Revenues, Expenses, and Changes in Net Assets.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year and (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

EASTERN ILLINOIS UNIVERSITY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Assets

The University's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets - expendable: Restricted expendable net assets include resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted net assets - nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the fiscal agent of the University account uses discretion in deciding which resources to apply.

Income Taxes

The University, as a political subdivision of the State of Illinois is excluded from Federal income taxes under Section 115(I) of the Internal Revenue Code, as amended.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Classification of Revenues

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state and local grants and contracts and federal appropriations, and (4) interest on institutional student loans.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations and investment income.

EASTERN ILLINOIS UNIVERSITY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

On-Behalf Payments for Fringe Benefits

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the University has reported on-behalf payments made by the State of Illinois to the Department of Central Management Services State Employees Group Insurance Program and the State Universities' Retirement System of Illinois (SURS) of \$25,551,432 and \$59,683,866 for group insurance and retirement costs for the years ended June 30, 2005 and 2004, respectively. These costs are reflected as nonoperating revenues and operating expenses with revenues reported as payments on behalf of the University and expenses allocated to each educational and general program.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

New Accounting Standard

In an effort to provide the public with better information about the risks that could potentially impact a government's ability to provide services and pay its debts, GASB has published Statement No. 40, *Deposit and Investment Risk Disclosures*, which has been adopted by the University for the years ended June 30, 2005 and 2004. The new accounting guidance requires that the University communicate deposit and investment risks. Under GASB Statement No. 40, the University is required to disclose information covering four principal areas: (1) investment credit risk disclosures, including credit quality information issued by credit ratings agencies, (2) interest rate disclosures that include investment maturity information, such as weighted average maturities of specific identification of securities, (3) interest rate sensitivity for investments that are highly sensitive to changes in interest rates, and (4) foreign exchange exposures that would indicate the foreign investment's denomination.

2 CASH AND CASH EQUIVALENTS; OTHER DEPOSITS; AND INVESTMENTS

Cash and Cash Equivalents

The University maintains deposits at financial institutions authorized by the Board of Trustees. The carrying amount of these deposits was \$32,973 and \$22,273 at June 30, 2005 and 2004, respectively, and were fully covered by depository insurance. In addition, the University had cash on hand in various petty cash and change funds in the amount of \$39,715 and \$37,995 at June 30, 2005 and 2004, respectively.

Investments

Illinois Statutes and the Board of Trustees authorize the University to invest in United States Government securities, securities guaranteed by the full faith and credit of the United States Government, interest-bearing savings accounts, certificate and time deposits in financial institutions fully insured by the FDIC, and any other security or investment permitted by law and approved by the Board. The Vice-President for Business Affairs has

EASTERN ILLINOIS UNIVERSITY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2 CASH AND CASH EQUIVALENTS; OTHER DEPOSITS; AND INVESTMENTS - Continued

Investments - continued

the authority to prescribe investment guidelines consistent with the Board of Trustee regulations, the provisions of the Public Funds Investment Act (30 ILCS 235/2.5 et seq.) and the Uniform Management of Institutional Funds Act (760 ILCS 50/1-10).

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University has established a maximum maturity of up to four years for any investment. State statutes limit maturity on commercial paper investments to 180 days. Effective duration ranges for investments required to be disclosed are shown as follows:

<u>Effective Duration</u>	<u>0-1 Year</u>	<u>1-4 Years</u>
June 30, 2005		
U. S. agency & government sponsored corporation	\$ 2,934,300	\$ 6,744,794
Mutual bond funds	112,909	-
June 30, 2004		
U. S. agency & government sponsored corporation	\$ -	\$ 6,736,207
Mutual bond funds	105,724	-

Credit Risk

Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligations. At June 30, 2005 and 2004 all investments, other than the mutual bond fund, were in US agencies or government sponsored corporation securities, which are either explicitly or implicitly guaranteed by the U.S. Government. They are all classified as AAA rated securities. An assumption is made that callable investments will be held until maturity. During fiscal year 2005 the University did invest in commercial paper. Commercial paper ratings must be in the 3 highest classifications established by at least 2 standard rating services. The mutual bond fund invests in AAA and AA rated securities. The average effective maturity is 43 days. The University investment policy has no specific guidelines addressing the credit rating of mutual bond funds.

Custodial Credit Risk

Custodial credit risk is the risk that when, in the event a financial institution or counterparty fails, the University would not be able to recover value of deposits, investments or collateral securities that are in the possession of an outside party. One hundred percent of the Universities investments are held by a custodian in the University's name and are not subject to creditors of the custodial bank.

The University's investments in the Illinois Funds, mutual funds and money market funds are not subject to detailed disclosure because the University owns shares of each investment fund and not the physical securities.

Concentration Risk

The University does not have any investments representing 5% or more of total assets in any single issuer other than the U.S. Government, its agencies or sponsored corporations. State statutes limit investment in short term debts of corporations to one-third of the agency's funds, and no more than 10% of any one corporation's outstanding obligations. The University has limited commercial paper investments to two million dollars per issuer.

The University has not held foreign currency positions other than the purchase of foreign payment drafts to vendors, nor has it participated in securities lending.

EASTERN ILLINOIS UNIVERSITY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2 CASH AND CASH EQUIVALENTS; OTHER DEPOSITS; AND INVESTMENTS - Continued

Investments - continued

The Illinois Funds are in the custody of the State Treasurer and are pooled and invested with other state funds in accordance with the Deposits of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Details on the nature of these investments are available within the State of Illinois' Comprehensive Annual Financial Report.

The Illinois Funds do not have any direct or indirect investments in derivative instruments. The money market funds and mutual funds have not disclosed to the University whether derivatives are used, held, or were written during the period covered by the financial statements.

Reconciliation to the Statement of Net Assets

A reconciliation of cash and investments as presented previously to amounts reported in the University's Statement of Net Assets at June 30, 2005 and 2004, follows:

	2005	2004
Cash deposits	\$ 32,973	\$ 22,273
Petty cash funds	39,715	37,995
The Illinois Funds money market accounts	25,225,729	25,360,374
Money market accounts administered by LaSalle Bank	1,280,416	1,398,670
Investments administered by Charles Schwab & Co., Inc.	457,597	423,615
Common stock	1,019	-
U. S. Treasury/agency securities	9,679,093	6,736,207
As reported in the Statement of Net Assets	<u>\$ 36,716,542</u>	<u>\$ 33,979,134</u>

3 ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30:

	2005	2004
Sales and service	\$ 1,789,721	\$ 1,143,289
Student tuition and fees	2,558,609	2,381,219
Auxiliary enterprises and other operating activities	2,277,120	1,926,852
Federal, State, and private grants and contracts	1,104,072	1,004,454
Other	1,831,535	1,739,176
	<u>9,561,057</u>	<u>8,194,990</u>
Less allowance for doubtful accounts	(1,798,649)	(1,617,328)
Net accounts receivable	<u>\$ 7,762,408</u>	<u>\$ 6,577,662</u>

4 INVENTORIES

Inventories consisted of the following at June 30:

	2005	2004
Union operations	\$ 53,743	\$ 53,390
Bookstore	698,378	749,081
Pharmacy	31,802	63,585
Postage	70,780	62,051
Food services/housing	119,528	116,718
Facilities, plant, & maintenance	652,370	668,880
Other	3,671	6,501
	<u>\$ 1,630,272</u>	<u>\$ 1,720,206</u>

EASTERN ILLINOIS UNIVERSITY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

5 LOANS RECEIVABLE

Student loans made through the Federal Perkins Loan Program (the "Program") comprise substantially all of the loans receivable at June 30, 2005 and 2004. Under this Program, the federal government provides funds for approximately 75% of the total contribution for student loans with the University providing the balance. Under certain conditions such loans can be forgiven at annual rates of 10% to 30% of the original balance up to maximums of 50% to 100% of the original loan. The federal government reimburses the University to the extent of 10% of the amounts forgiven for loans originated prior to July 1, 1993, under the Federal Perkins Loan Program. No reimbursements are provided for loans originated after this date. Amounts refundable to the U.S. Government upon cessation of the Program of \$5,362,429 and \$5,284,853 at June 30, 2005 and 2004, respectively, are reflected in the accompanying Statement of Net Assets as noncurrent liabilities.

As the University determines that loans are uncollectible and not eligible for reimbursement by the Federal government, the loans may be assigned to the U.S. Department of Education. The allowance for uncollectible loans only applies to University funded loans and the University portion of federal student loans, as the University is not obligated to fund the federal portion of uncollected student loans. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2005 and 2004, the allowance for uncollectible loans was approximately \$80,200 and \$79,900, respectively.

6 CAPITAL ASSETS

	Year ended June 30, 2005 (Presented in thousands)				
	6/30/2004	Additions	Deletions	Transfers	6/30/2005
Capital assets not being depreciated					
Land and land improvements	\$ 2,127	\$ 45	\$ -	\$ -	\$ 2,172
Capitalized collections	190	9	-	-	199
Construction in progress	10,530	16,071	-	(5,540)	21,061
Total capital assets not being depreciated	12,847	16,125	-	(5,540)	23,432
Other capital assets being depreciated					
Site improvements	13,683	9	-	159	13,851
Buildings & building improvements	190,041	319	2,474	5,381	193,267
Equipment	46,952	4,850	2,251	380	49,931
Capital leases-equipment	351	409	-	(380)	380
Total capital assets being depreciated	251,027	5,587	4,725	5,540	257,429
Less accumulated depreciation for:					
Site improvements	6,498	637	-	-	7,135
Buildings & building improvements	77,792	4,727	1,373	-	81,146
Equipment	36,292	5,097	2,228	-	39,161
Capital leases-equipment	175	90	-	-	265
Total accumulated depreciation	120,757	10,551	3,601	-	127,707
Total capital assets, being depreciated, net	130,270	(4,964)	1,124	5,540	129,722
Capital assets, net	\$ 143,117	\$ 11,161	\$ 1,124	\$ -	\$ 153,154

EASTERN ILLINOIS UNIVERSITY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

6 CAPITAL ASSETS - Continued

	Year ended June 30, 2004				
	6/30/2003	Additions	(Presented in thousands)		6/30/2004
			Deletions	Transfers	
Capital assets not being depreciated					
Land and land improvements	\$ 1,767	\$ 360	\$ -	\$ -	\$ 2,127
Capitalized collections	180	10	-	-	190
Construction in progress	6,470	13,268	-	(9,208)	10,530
Total capital assets not being depreciated	8,417	13,638	-	(9,208)	12,847
Other capital assets being depreciated					
Site improvements	12,035	22	-	1,626	13,683
Buildings & building improvements	181,483	1,183	207	7,582	190,041
Equipment	44,216	4,459	1,893	170	46,952
Capital leases-equipment	521	-	-	(170)	351
Total capital assets being depreciated	238,255	5,664	2,100	9,208	251,027
Less accumulated depreciation for:					
Site improvements	5,927	571	-	-	6,498
Buildings & building improvements	73,474	4,322	4	-	77,792
Equipment	33,017	5,123	1,848	-	36,292
Capital leases-equipment	133	42	-	-	175
Total accumulated depreciation	112,551	10,058	1,852	-	120,757
Total capital assets, being depreciated, net	125,704	(4,394)	248	9,208	130,270
Capital assets, net	\$ 134,121	\$ 9,244	\$ 248	\$ -	\$ 143,117

7 CONSTRUCTION IN PROGRESS

The University had numerous construction projects in progress at June 30, 2005. The Fine Arts Building project is to be funded mainly by appropriations from the Capital Development Board. The Coal Heat Plant project is only in the planning stages at this time, with funding sources still being identified. Below is a listing of the major construction projects in progress at June 30, 2005 and 2004.

	June 30, 2005		
	Project Estimate	Expended to 6/30/05	Committed
Coal heat plant	\$ 34,000,000	\$ 74,600	\$ 33,925,400
Fine Arts building renovation	46,946,457	7,124,541	39,821,916
WEIU digitalization	1,223,158	1,116,811	106,347
Voice/video data infrastructure	6,138,616	5,882,442	256,174
Blair reconstruction	9,000,000	3,324,499	5,675,501
Various residence hall projects	3,196,904	1,771,448	1,425,456
Spectrometer	378,500	339,050	39,450
Other miscellaneous	6,116,384	1,427,920	4,688,464
	<u>\$ 107,000,019</u>	<u>\$ 21,061,311</u>	<u>\$ 85,938,708</u>

EASTERN ILLINOIS UNIVERSITY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

7 CONSTRUCTION IN PROGRESS - Continued

	June 30, 2004		
	Project Estimate	Expended to 6/30/04	Committed
Coal heat plant	\$ 34,000,000	\$ 74,600	\$ 33,925,400
Fine Arts building renovation	46,946,457	3,941,555	43,004,902
University Court sprinkler system	1,273,110	930,045	343,065
WEIU digitalization	468,288	182,821	285,467
Voice/video data infrastructure	5,575,036	3,135,407	2,439,629
McAfee chiller & electrical	1,125,282	259,632	865,650
Weller Hall air conditioning & mechanical	1,065,659	427,907	637,752
Taylor Hall south renovate five floors	879,845	525,215	354,630
Various residence hall projects	547,730	210,776	336,954
Lantz southeast deck	403,310	224,290	179,020
Other miscellaneous	2,022,971	618,061	1,404,910
	<u>\$ 94,307,688</u>	<u>\$ 10,530,309</u>	<u>\$ 83,777,379</u>

8 DEFERRED REVENUE

Deferred revenue consists of the following at June 30:

	2005	2004
Prepaid tuition and fees	\$ 1,150,135	\$ 1,245,319
Sales and service	165,881	239,286
Auxiliary enterprises	446,849	593,042
Grants and contracts	625,269	1,719,035
Miscellaneous	111,268	93,476
	<u>\$ 2,499,402</u>	<u>\$ 3,890,158</u>

9 LONG-TERM LIABILITIES

	At June 30, 2005				
	Balance 6/30/2004	Additions	Reductions	Balance 6/30/2005	Amounts due within one year
Bonds and notes payable and capital lease obligations					
Revenue bonds payable (1)	\$ 47,530,000	-	\$ 2,585,000	\$ 44,945,000	\$ 2,695,000
Revenue bond discounts	(193,122)	-	(27,114)	(166,008)	(24,374)
Notes payable (1)	338,295	-	71,244	267,051	214,987
Capital lease obligations (2)	1,221,162	408,841	901,601	728,402	715,313
Certificates of Participation (3)	17,985,000	9,730,000	1,540,000	26,175,000	1,645,000
COPS premium	255,835	-	66,110	189,725	51,554
COPS discount	-	(218,427)	(1,678)	(216,749)	(20,153)
Other liabilities					
Accrued compensated absences *	15,078,449	-	361,673	14,716,776	1,297,267
Federal loan program contributions *	5,284,853	77,576	-	5,362,429	-
Deposits *	1,723,709	-	84,799	1,638,910	1,514,669
Total long-term liabilities	<u>\$ 89,224,181</u>	<u>\$ 9,997,990</u>	<u>\$ 5,581,635</u>	<u>\$ 93,640,536</u>	<u>\$ 8,089,263</u>

EASTERN ILLINOIS UNIVERSITY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

9 LONG-TERM LIABILITIES - Continued

	At June 30, 2004				
	Balance 6/30/2003	Additions	Reductions	Balance 6/30/2004	Amounts due within one year
Bonds and notes payable and capital lease obligations					
Revenue bonds payable (1)	\$ 50,000,000	\$ -	\$ 2,470,000	\$ 47,530,000	\$ 2,585,000
Revenue bond discounts	(223,429)	-	(30,307)	(193,122)	(27,115)
Notes payable (1)	405,148	-	66,853	338,295	237,755
Capital lease obligations (2)	1,810,143	-	588,981	1,221,162	515,311
Certificates of Participation (3)	10,125,000	8,640,000	780,000	17,985,000	1,540,000
COPS premium	77,641	270,785	92,591	255,835	66,109
Other liabilities					
Accrued compensated absences *	15,593,689	-	515,240	15,078,449	1,347,950
Federal loan program contributions *	5,069,206	215,647	-	5,284,853	-
Deposits *	1,823,003	-	99,294	1,723,709	1,494,061
Total long-term liabilities	\$ 84,680,401	\$ 9,126,432	\$ 4,582,652	\$ 89,224,181	\$ 7,759,071

(1) See Note 10 for more information on revenue bonds and notes payable.

(2) See Note 11 for more information on capital lease obligations

(3) See Note 12 for more information on Certificates of Participation

* Due to limitations in the University's accounting system, the gross amounts for additions and reductions is not readily available for fiscal year 2005 or 2004.

Total interest expense for the years ended June 30, 2005 and 2004 was \$3,059,546 and \$3,189,748, respectively. Of these amounts, \$302,908 was capitalized as part of capital projects in progress during 2005; however, no amount was capitalized during 2004.

10 REVENUE BONDS AND NOTES PAYABLE

Revenue bonds payable are comprised of the following at June 30:

	2005	2004
\$13,170,000, Auxiliary Facilities System Revenue Bonds, Series 1997; term bonds due in annual installments (principal only) of \$460,000 to \$835,000 through April 1, 2010, and \$5,550,000 on April 1, 2018; interest ranges from 4.15% to 5.62%; bonds are subject to mandatory redemption without premium in varying amounts from 2011 through 2018.	\$ 8,205,000	\$ 8,665,000
\$34,720,000, Auxiliary Facilities System Revenue Bonds, Series 1998, term bonds due in semi-annual installments (principal only) of \$620,000 to \$1,190,000 through October 1, 2008; \$2,295,000 through October 1, 2009; \$2,400,000 through October 1, 2010; \$2,520,000 through October 1, 2011; \$2,640,000 through October 1, 2012; \$2,770,000 through October 1, 2013; \$7,725,000 through April 1, 2016; interest ranges from 3.9% to 5.0%; bonds maturing October 1, 2009 through April 1, 2016 are subject to mandatory redemption without premium in varying amounts.	27,525,000	29,415,000

EASTERN ILLINOIS UNIVERSITY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

10 REVENUE BONDS AND NOTES PAYABLE - Continued

\$10,000,000, Auxiliary Facilities System Revenue Bonds, Series 2000, term bonds due in annual installments (principal only) of \$110,000 to \$515,000 through April 1, 2020; \$1,730,000 on April 1, 2023; \$2,055,000 on April 1, 2026; interest ranges from 5.0% to 5.5%; bonds maturing April 1, 2023 through April 1, 2026 are subject to mandatory redemption without premium in varying amounts.

\$ 9,215,000 \$ 9,450,000

Total bonds outstanding

\$ 44,945,000 \$ 47,530,000

All bonds outstanding are payable by the Board of Trustees solely from the net revenue of the Eastern Illinois University Auxiliary Facilities System (the "System") and from pledged tuition and fees, as well as from certain other funds pledged to pay the principal, redemption premiums, if any, and interest on the bonds.

At June 30, 2005 and 2004, \$6,508,874 and \$22,620,689, respectively, of previously refunded bonds were outstanding. Assets held in irrevocable trust accounts, along with interest, are anticipated to be sufficient to retire these bonds. As such, these bonds are defeased and accordingly have been accounted for as if they were retired. The balances of the related escrow funds were \$6,506,552 and \$23,236,708 as of June 30, 2005 and 2004, respectively.

The estimated annual amounts required for the payment of principal and interest on the outstanding revenue bonds as of June 30, 2005, are set forth in the following table:

Year ending June 30	Principal	Interest	Total Payments
2006	\$ 2,695,000	\$ 2,239,152	\$ 4,934,152
2007	2,815,000	2,117,014	4,932,014
2008	2,950,000	1,986,770	4,936,770
2009	3,090,000	1,848,566	4,938,566
2010	3,235,000	1,701,143	4,936,143
2011-2015	18,810,000	5,889,378	24,699,378
2016-2020	7,565,000	1,774,276	9,339,276
2021-2025	3,060,000	723,525	3,783,525
2025-2029	725,000	39,876	764,876
Total	<u>\$ 44,945,000</u>	<u>\$ 18,319,700</u>	<u>\$ 63,264,700</u>

The following reserve accounts were established by the bond resolutions for the 1997, 1998 and 2000 Bond Series:

Retirement of Indebtedness -- These accounts include the Bond and Interest Sinking Account and the Debt Service Reserve Account.

The bond indenture requires the University to set aside in the Bond and Interest Sinking Account on or before five banking days prior to April 1 and October 1, amounts sufficient to equal the next semi-annual payment (principal and interest). These amounts are to be provided after payment of current operating and maintenance costs.

EASTERN ILLINOIS UNIVERSITY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

10 REVENUE BONDS AND NOTES PAYABLE - Continued

The amount required in the Debt Service Reserve Account, which is only required for the Series 1997 bonds, is to equal the maximum annual debt service requirements. Whenever a deficiency exists in the Bond and Interest Sinking Account, the Debt Service Reserve Account will be used for the payment of principal or interest on the bonds.

Repair and Replacement Reserve Account -- Under the terms of the bond indenture, a transfer is made each fiscal year, if approved by the Board, to the Repair and Replacement Reserve Account. The maximum amount which may be accumulated in this account, including investments thereof, shall not exceed 5 percent of the replacement costs of the facilities constituting the System, plus either 10 percent of the historical costs of the parking lots or 100 percent of the estimated cost of resurfacing any one existing parking lot. This account will be used to pay the cost of unusual or extraordinary maintenance or repairs, renewals, replacements and renovating of the facilities or replacement of fixed equipment not paid as part of the ordinary maintenance and operations. Funds can be transferred from this account to the Bond and Interest Sinking Account if a deficiency occurs in that account which cannot be funded from the Debt Service Reserve Account.

Development Reserve Account -- Under the terms of the bond indenture, funds approved by the Board for expenditure for new space or construction of a facility are deposited in this account.

Equipment Reserve Account -- Under the terms of the bond indenture, funds approved by the Board for expenditure in connection with the acquisition of movable equipment to be installed in the facilities are deposited in this account. The maximum amount accumulated shall not exceed 20 percent of the cost of the movable equipment of the System.

Surplus Revenues -- After all mandatory transfers to the above accounts have been made, any excess funds may be used to: redeem or purchase bonds, advance refund bonds, credit funds to a utility reserve to provide for the payment of utilities (amount not to exceed 5 percent of the operating costs during such fiscal year), or to establish a self-insurance fund in connection with claims against or damage to the System.

The amounts required by the bond resolution for these purposes as of June 30, 2005 compared with the amounts included within the accounts as of June 30, 2005 are as follows:

	Minimum Amount Required by Bond Resolution	Cash and Investments Deposited in the Account
Debt Service Reserve Account	\$ 931,490	\$ 931,490
Repair and Replacement Reserve Account	\$ -	\$ 2,154,985

EASTERN ILLINOIS UNIVERSITY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

10 REVENUE BONDS AND NOTES PAYABLE - Continued

Notes Payable -- Notes payable consisted of the following on June 30:

	<u>2005</u>	<u>2004</u>
University demand note payable to First Mid-Illinois Bank and Trust, to finance equipment for the union bowling center; payable on demand, but if no demand is made, payable in annual installments of \$29,239 including interest at 5.44%; final payment due February, 2012; secured by union bowling center equipment	\$ 166,510	\$ 185,623
University demand note payable to First Mid-Illinois Bank and Trust, to finance mail addressing system; payable on demand, but if no demand is made, payable in annual installments of \$7,336 including interest at 4.85%; final payment due August, 2004; secured by mail addressing system	-	6,995
University note payable to GE Capital Public Finance, to finance Daktronics scoreboards; payable in annual installments of \$55,917 including interest at 7.4%; final payment due August, 2006; secured by scoreboards	<u>100,541</u>	<u>145,677</u>
Total notes payable	<u>\$ 267,051</u>	<u>\$ 338,295</u>

Maturity Information

The scheduled maturities of the notes payable, if demand is made, are as follows:

Year ending June 30	Principal	Interest	Total Payments
2006	\$ 214,987	\$ 16,498	\$ 231,485
2007	52,064	3,853	55,917
Total	<u>\$ 267,051</u>	<u>\$ 20,351</u>	<u>\$ 287,402</u>

11 LEASES

The University leases various computers and other equipment under capital lease purchase contracts. The equipment and related capital lease obligations are presented on the Statement of Net Assets at the net present value of the future minimum lease payments due under the capital leases as determined using applicable discount rates.

Also, the University, acting through the Department of Central Management Services and in conjunction with the Department of Natural Resources, acquired certain energy conservation measures under a capital lease agreement which is payable over a period of years.

Following is a schedule by years of the total future minimum lease payments due under these equipment capital leases together with the net present value of the future minimum lease payments as of June 30, 2005:

EASTERN ILLINOIS UNIVERSITY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

11 LEASES - Continued

	Payable From		
	Other Funds	Energy Conservation Measures Phase I	Total
Year ending June 30,			
2006	\$ 109,724	\$ 647,076	\$ 756,800
2007	10,038	-	10,038
2008	3,346	-	3,346
Total minimum lease payments	123,108	647,076	770,184
Less, amount representing interest	5,155	36,627	41,782
Net present value of future minimum lease payments	<u>\$ 117,953</u>	<u>\$ 610,449</u>	<u>\$ 728,402</u>

The University also made rental payments under operating leases in 2005 of \$303,242 primarily for office space used by various grant activities, temporary fine arts facilities due to renovations, and the University's textbook rental system. For 2004 rental payments of \$262,692 were paid for similar items. The University expects that in the foreseeable future rents in similar amounts will be incurred for temporary classroom space due to expansions on campus.

Following is a schedule by years of the total future minimum lease payments due under two operating lease agreements for the temporary fine arts facilities due to renovations. One lease expires August 31, 2005 and will be renewed on a month-by-month basis. The other lease was extended until August 2007. The amounts shown are for the signed lease agreement up until the point in time that they will become monthly renewals.

Year ending June 30,	Rental Payment
2006	\$ 86,774
2007	12,000
Total	<u>\$ 98,774</u>

12 CERTIFICATES OF PARTICIPATION

On June 1, 2005, the University issued Certificates of Participation to provide funds for various capital improvement projects, including additional funding requirements for the Doudna Fine Arts Center, along with expansion of Blair Hall. During fiscal year 2004, the University issued Certificates of Participation to provide funds for enhancement to Phase II of an energy conservation project. The savings generated from the energy conservation measures upon completion of the installation is guaranteed by the vendor to be sufficient to meet the project costs.

EASTERN ILLINOIS UNIVERSITY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

12 CERTIFICATES OF PARTICIPATION - Continued

The Certificates of Participation (COPS) are comprised of the following at June 30:

	2005	2004
<p>\$10,775,000 Certificates of Participation, Series 2001; due in annual installments (principal only) of \$650,000 beginning August 15, 2002, to \$1,550,000 through August 15, 2011; interest ranges from 2.35% to 5.25%; bonds are subject to redemption, in whole, at the price of par (100%), plus accrued interest to the date fixed for redemption in the Event of Nonappropriation as defined in the Bond Resolution.</p>	\$ 8,500,000	\$ 9,345,000
<p>\$8,640,000 Certifications of Participation, Series 2003; due in annual installments (principal only) of \$695,000 beginning in August 15, 2004 to \$1,075,000 through August 15, 2013; interest ranges from 3% to 4%; bonds are subject to redemption, in whole, at the price of par (100%), plus accrued interest to the date fixed for redemption in the Event of Nonappropriation as defined in the Bond Resolution.</p>	7,945,000	8,640,000
<p>\$9,730,000 Certificates of Participation, Series 2005; due in annual installments (principal only) of \$260,000 beginning February 15, 2008, to \$1,020,000 through February 15, 2025, interest ranges from 3.0% to 4.3%; bonds are subject to redemption, in whole, at the price of par (100%), plus accrued interest to the date fixed for redemption in the Event of Nonappropriation as defined in the Bond Resolution and are subject to mandatory redemption, in whole, at the price of the principal amount, plus accrued interest, on February 15, 2025 should the Board renew the Purchase Contract. The bonds are also callable at the option of the Board on any date on or after February 15, 2015 at the price of the principal amount, plus accrued interest.</p>	9,730,000	-
<p>Total Certificates of Participation</p>	\$ 26,175,000	\$ 17,985,000

Per the COPS Series 2001, COPS Series 2003, and the COPS Series 2005 official statements, the Board is obligated to make installment payments either from funds derived from State appropriations or from legally available nonappropriated funds. Such legally available nonappropriated funds will include payments from the auxiliary facilities system using the savings derived from improvements within the system that are part of the energy services component of the issues. In addition, for the COPS Series 2003, such legally available funds include an increase of the student technology fee related to the network infrastructure upgrade and for the COPS Series 2005, such legally available funds include an increase in the campus improvement fee. The estimated annual amounts required for the payment of principal and interest on the outstanding Certificates of Participation as of June 30, 2005, are set forth in the following table:

EASTERN ILLINOIS UNIVERSITY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

12 CERTIFICATES OF PARTICIPATION - Continued

Year ending June 30	Principal	Interest	Total Payments
2006	\$ 1,645,000	\$ 899,903	\$ 2,544,903
2007	1,755,000	958,131	2,713,131
2008	2,150,000	889,138	3,039,138
2009	2,295,000	802,794	3,097,794
2010	2,455,000	709,944	3,164,944
2011-2015	8,485,000	2,165,575	10,650,575
2016-2020	2,690,000	1,367,694	4,057,694
2021-2025	4,700,000	613,641	5,313,641
Total	<u>\$ 26,175,000</u>	<u>\$ 8,406,820</u>	<u>\$ 34,581,820</u>

13 RETIREMENT PLANS

Plan Description

Eastern Illinois University contributes to the State Universities' Retirement System of Illinois (SURS), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation whereby the State of Illinois makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941, to provide retirement annuities and other benefits for staff members and employees of the state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the state's financial reports as a pension trust fund. SURS is governed by Section 5/15, Chapter 40, of the Illinois Compiled Statutes. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SURS, 1901 Fox Drive, Champaign, IL 61820 or by calling 1-800-275-7877.

Funding Policy

Plan members are required to contribute 8.0% of their annual covered salary and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The current rate is 11.12% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly. The employer contributions to SURS for the years ending June 30, 2005, 2004, and 2003, were \$7,009,881, \$43,848,319, and \$6,956,496, respectively, equal to the required contributions for each year.

14 POST EMPLOYMENT BENEFITS

In addition to providing the above pension benefits, the State provides certain health, dental and life insurance benefits to the University's annuitants who participate in SURS. Health and dental benefits include basic benefits for annuitants under the State's self-insurance plan and insurance contracts currently in force. Under the law in force at June 30, 1997, the retiree had fully paid health and dental insurance. As of January 1, 1998, the state will pay 5% of the monthly group insurance premiums for each year of service, until full coverage is reached after 20 years of service. Life insurance benefits for annuitants under the age of 60 are equal to their annual salary at the time of retirement; life insurance benefits for annuitants age 60 and older are limited to five thousand dollars per annuitant.

EASTERN ILLINOIS UNIVERSITY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

14 POST EMPLOYMENT BENEFITS - Continued

Currently, the State does not segregate payments made to annuitants from those made to current employees for health, dental and life insurance benefits. The cost of health, dental and life insurance benefits is recognized on a pay-as-you-go basis. These costs are funded by the State, except for certain non-appropriated funds funded by the University.

15 SELF INSURANCE

The University is self insured for general liability through SURMA, the State Universities' Risk Management Association. SURMA is a cooperative agency voluntarily established by contracting Illinois State Universities, as defined by various sections of Chapter 110 of the *Illinois Compiled Statutes*. Its purpose is to prevent or lessen casualty losses to State University properties and injuries to persons or property which might result in claims being made against the State University and which would not be defended by the Illinois Attorney General and paid for by the State of Illinois and in most cases adjudicated through the Court of Claims. Each participating University's portion of the premium was determined based upon an actuarial evaluation. The University carries commercial excess general liability coverage with coverage up to \$5 million with a \$350,000 self-insured retention.

In addition, the University offers a self-insured health plan to its students and is the administrator of this plan. A student health insurance fee is assessed each semester to fund this plan. Students who enroll for nine or more hours are automatically covered and students who enroll for six to eight hours can request to be included under the plan. Dependents of an eligible student are not allowed to enroll in this plan. Students who are enrolled for nine or more hours may elect not to participate in the plan if they can provide proof of existing medical insurance that exceeds the benefits offered under the University's plan.

This plan is considered secondary or excess insurance if the student possesses any other medical insurance. This plan has a \$50 deductible per diagnosis per school year and allows benefits up to 80%, subject to some limitations. The lifetime maximum benefits of the plan are \$15,000 per diagnosis for medical services and \$5,000 for mental illness and substance abuse. Total claims of \$912,957 and \$765,995 were paid for the years ended June 30, 2005 and 2004, respectively.

The University has established a reserve for its self insurance costs to offset claims incurred but not submitted and the continuing rise of health care costs. The balance of this reserve was \$156,693 and \$154,397 at June 30, 2005 and 2004, respectively.

16 SIGNIFICANT TRANSACTIONS WITH PRIMARY GOVERNMENT

The University, being a state university, is a component unit of the State of Illinois (the State). The State provided the University with funds to spend on general and educational purposes as well as capital items during fiscal years 2005 and 2004. The University received from the State \$47,609,309 and \$46,691,598, respectively, for general and educational purposes and \$335,934 and \$666,316, respectively, for capital expenditures.

The University also received funds from the Capital Development Board (CDB), another component unit of the State of Illinois. These funds were used to make various capital improvements at the University. During fiscal years 2005 and 2004, the University received \$3,391,529 and \$423,851, respectively, of capital improvements that were funded and paid for directly by CDB. For fiscal year 2004, the University also received \$42,862 of non-capitalized contributions from CDB, which are reported as capital appropriations on the Statement of Revenues, Expenses and Changes in Net Assets. No such contributions were received for fiscal year 2005.

EASTERN ILLINOIS UNIVERSITY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

17 COMMITMENTS AND CONTINGENT LIABILITIES

The University is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of University management, the ultimate resolution of these matters will not have a material adverse effect upon the University's financial position.

The University participates in certain Federal and State Government agencies grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

18 NATURAL CLASSIFICATIONS OF EXPENSES

Operating expenses by natural classification for the years ended June 30 are summarized as follows:

	2005	2004
Salaries	\$ 88,891,102	\$ 85,287,522
Benefits	31,552,578	64,810,889
Supplies	5,426,782	5,281,990
Contractual services	16,078,034	13,256,651
Utilities	3,268,519	3,172,389
Travel	1,814,575	1,727,282
Repairs and maintenance, equipment and buildings	5,195,135	4,004,793
Scholarships	4,236,212	4,174,545
Other	6,822,036	6,305,767
Depreciation	10,550,627	10,058,204
	\$ 173,835,600	\$ 198,080,032

19 DISCLOSURES OF COMPONENT UNITS

As the cash, investments and liabilities of the Foundation are considered material to the University's financial statements taken as a whole, the following disclosures are made regarding these items.

Cash and Cash Equivalents

The Foundation maintains deposits at those depository institutions authorized by the Foundation Board of Directors. The carrying amount and bank balance of cash on deposit with financial institutions was \$121 and \$29,975 at June 30, 2005 and 2004, respectively. These deposits are fully covered by Federal Depository Insurance.

Investments

The Foundation is authorized by its Board of Directors to invest funds in compliance with stated investment policies. Investments in real estate and farm properties are carried at cost, or when donated, at the fair value at the date of donation. All other investments are carried at their fair value, as determined by quoted market prices.

EASTERN ILLINOIS UNIVERSITY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

19 DISCLOSURES OF COMPONENT UNITS - Continued

Investments - continued

If a donor has not provided specific instructions, Illinois Compiled Statutes (760 ILCS 50/3) permits the Board of Directors to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the Board of Directors is required to consider the Foundation's long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

The long-term objective of the endowment funds, as determined by the Board of Directors, is to achieve a total return in excess of its current spending rate policy over a twenty-year time horizon. The current rate of the spending rate policy is 5% per year, comprised of a 4.25% spending rate and 0.75% for administrative expenses. In addition to achieving the 5% spending rate policy, the policy asset allocation is designed to cover the costs of inflation, investment management/consulting fees, and other related costs. The spending allowance calculation is determined by taking the spending rate (currently 5%) times the investment portfolio's trailing twelve-quarter average market value, as of December 31st of each year. Any remaining return over the 5% spending rate will be retained for use in future years. At June 30, 2005 and 2004, net appreciation of \$9,884,916 and \$8,520,555, respectively, is available to be spent, but is restricted to specific purposes. Also at June 30, 2005 and 2004, the fair market value of certain endowment investments were below their original cost by \$1,265 and \$3,457, respectively.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's fixed income investments are disclosed as follows:

<u>Effective Duration</u>	<u>0-1 Year</u>	<u>1-4 Years</u>
June 30, 2005		
U.S. Government	\$ -	\$ -
Mutual bond funds	13,542,394	-
June 30, 2004		
U.S. Government	\$ 9,900	\$ -
Mutual bond funds	11,561,809	-

The Foundation holds mutual funds with PIMCO and Vanguard. PIMCO bond funds have an average maturity of 6 years. Vanguard bond funds have an average maturity of 7.2 years. The Foundation does not have a policy that specifically addresses interest rate risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligations. PIMCO bond funds are rated AAA by S&P. Vanguard bond funds are rated AAA and AA by S&P. The Foundation has no specific guidelines addressing the credit rating of fixed income securities. The quality ratings for investments disclosed are shown as follows:

<u>Quality Rating</u>	<u>AAA</u>	<u>AA</u>
June 30, 2005		
Money market funds	\$ 1,062,523	\$ -
U.S. Government	-	-
Mutual bond funds	13,096,070	446,325

EASTERN ILLINOIS UNIVERSITY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

19 DISCLOSURES OF COMPONENT UNITS - Continued

Investments - continued

<u>Quality Rating</u>	<u>AAA</u>	<u>AA</u>
June 30, 2004		
Money market funds	\$ 1,012,865	\$ -
U.S. Government	9,900	-
Mutual bond funds	11,124,583	437,226

Custodial Credit Risk

Custodial credit risk is the risk that when, in the event a financial institution or counterparty fails, the Foundation would not be able to recover value of deposits, investments or collateral securities that are in the possession of an outside party. One hundred percent of the Foundation's investments are held by a custodian in the Foundation's name and are not subject to creditors of a custodial bank.

The Foundation's investments in The Illinois Funds, money market mutual funds, mutual funds, bond funds, equity funds and Federated Treasury Obligations Trust are not subject to detail disclosure because the Foundation owns shares of each investment fund and not the physical securities. Cash surrender value of life insurance and real estate are also not subject to disclosure.

Concentration Risk

The Foundation does not have any investments representing 5% or more of total assets in any single issuer. The Foundation does not have a policy that specifically addresses concentration risk.

The Foundation has not held foreign currency positions. Managers are authorized to participate in securities lending, but did not participate in securities lending other than participation in a mutual fund.

The Illinois Funds are in custody of the State Treasurer and are pooled and invested with other state funds in accordance with the Deposits of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Details on the nature of these investments are available within the State of Illinois' Comprehensive Annual Financial Report.

The Illinois Funds do not have any direct or indirect investments in derivative instruments. The money market mutual funds, bond funds, equity funds, Federal Treasury Obligations Trust and mutual funds have not disclosed to the Foundation whether derivatives are used, held or were written during the period covered by the financial statements.

Reconciliation to the Statement of Net Assets

A reconciliation of cash and investments, as presented previously, to amounts reported in the Foundation's Statement of Net Assets at June 30, 2005 and 2004, follows:

EASTERN ILLINOIS UNIVERSITY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

19 DISCLOSURES OF COMPONENT UNITS - Continued

Reconciliation to the Statement of Net Assets -continued

	2005	2004
First Mid-Illinois Bank & Trust cash accounts	\$ 121	\$ 29,975
The Illinois Funds money market accounts	1,794,763	2,117,318
Total cash and cash equivalents	<u>1,794,884</u>	<u>2,147,293</u>
Money market accounts administered by First Mid-Illinois Bank & Trust	131,962	124,054
Money market accounts administered by Charles Schwab & Co., Inc.	930,561	888,811
Investments administered by Charles Schwab & Co., Inc.		
Bond funds	13,542,394	11,561,809
Equity funds	19,077,219	17,108,616
Investments administered by Davis Funds	5,125,351	4,361,544
Common and preferred stock	1,593	575
Life insurance cash values	56,527	53,249
Real estate	2,146,354	2,146,354
U.S. Treasury/agency securities	-	9,900
Total investments	<u>41,011,961</u>	<u>36,254,912</u>
As reported on the Statement of Net Assets	<u>\$ 42,806,845</u>	<u>\$ 38,402,205</u>

Long-term Liabilities

The Foundation incurred a demand mortgage note payable to a bank for the purchase of land and construction of a new foundation center, known as the Neal Welcome Center. The balance of this note was \$1,512,238 and \$1,494,356 at June 30, 2005 and 2004, respectively. The building, as well as two unitrust gifts were pledged as collateral on this note. The interest rate on this note was increased from 5.25% to 6.50% on April 10, 2005. Accrued interest is payable on demand, but if no demand is made, then on the 10th day of each month. The principal is payable on demand, but if no demand is made, then on October 10, 2011.

In addition, the Foundation had amounts due to others at June 30, 2005 and 2004, in the amounts of \$5,193,509 and \$4,906,053, respectively. These liabilities arose as the Foundation acts as the trustee for certain trusts. Also, the Foundation has control of the assets under certain split interest agreements which will eventually need to be paid to outside parties.

20 SUBSEQUENT EVENT

On July 1, 2005 the University issued the Auxiliary Facilities System Revenue Bonds, Series 2005 in the amount of \$19,345,000. Proceeds from the sale of the Series 2005 Bonds will be used to advance refund all of the Auxiliary Facilities System Revenue Bonds, Series 1997 and portions of both the Auxiliary Facilities System Revenue Bonds, Series 1998 and Series 2000 bonds outstanding, as well as to pay for the costs of issuance of the Series 2005 bonds.

The final bond payment is April 1, 2026. The interest rates vary from 3% to 5% over the life of the bonds.

EASTERN ILLINOIS UNIVERSITY

NOTES TO FINANCIAL STATEMENTS - CONTINUED

20 SUBSEQUENT EVENT - Continued

Source of funds:	
Principal amount of Series 2005 Bonds	\$19,345,000
Plus net premium	<u>545,919</u>
Total source of funds	<u><u>\$19,890,919</u></u>
Use of funds:	
Cost of refunding escrow	\$19,507,132
Underwriter's discount, including bond insurance premium	270,253
Costs of issuance	<u>113,534</u>
Total use of funds	<u><u>\$19,890,919</u></u>

SUPPLEMENTARY INFORMATION

EASTERN ILLINOIS UNIVERSITY

UNAUDITED DATA REQUIRED BY REVENUE BOND RESOLUTIONS

June 30, 2005

SCHEDULE OF INSURANCE

1. Insurance coverage: Property damage including building, contents, business interruption, and electronic data processing. Coverage is for fire, lightning, windstorms, hail, explosion, riot, civil commotion, vandalism and malicious mischief, and flood and earthquake.

	<u>Coverage Amount</u>	<u>Deductible</u>
Most building, contents, business interruption, electronic data processing and builders' risk	\$ 500,000,000	\$ 25,000
Boiler and Machinery	\$ 100,000,000	\$ 25,000
Flood	\$ 50,000,000	\$ - *
Earthquake	\$ 100,000,000	\$ 25,000

Insurance company: Lexington Insurance Company

Policy period: July 1, 2004 to July 1, 2005

* 2% of total insurable value per building, per occurrence, subject to a minimum of \$1,000,000.

EASTERN ILLINOIS UNIVERSITY

UNAUDITED DATA REQUIRED BY REVENUE BOND RESOLUTIONS - CONTINUED

June 30, 2005

ENROLLMENT DATA

<u>Enrollment Date</u>	<u>Undergraduate Students</u>	<u>Graduate Students</u>	<u>Extension Students</u>	<u>Total</u>
Summer 2004	1,750	910	1,267	3,927
Fall 2004	9,429	1,228	994	11,651
Spring 2005	8,599	1,198	1,042	10,839
Summer 2005	1,880	840	1,422	4,142

OCCUPANCY DATA

<u>OCCUPANCY</u>	<u>Occupancy</u>	<u>Rated Occupancy</u>	<u>% of Occupancy</u>
Residence halls			
Summer 2004	50	150	33%
Fall 2004 (1)	3,987	4,689	85%
Spring 2005 (1)	3,700	4,689	79%
Summer 2005 (Intercession)	32	150	21%
Married student housing			
Summer 2004	87	154	56%
Fall 2004	154	154	100%
Spring 2005	154	154	100%
Summer 2005	106	154	69%
University Court			
Summer 2004	106	146	73%
Fall 2004	146	146	100%
Spring 2005	145	146	99%
Summer 2005	115	146	79%

(1) reflects adjustment for floors used for faculty offices during construction of new Fine Arts building

EASTERN ILLINOIS UNIVERSITY

UNAUDITED DATA REQUIRED BY REVENUE BOND RESOLUTIONS - CONTINUED

June 30, 2005

RATES	<u>Double Occupancy</u>	<u>Single Occupancy</u>
Residence halls		
Summer 2004	\$ 887	N/A
Fall 2004		
5 meals	\$ 2,551	\$ 3,251
10 meals	2,664	3,364
12 meals	2,764	3,464
15 meals	2,875	3,575
Spring 2005		
5 meals	\$ 2,551	\$ 3,251
10 meals	2,664	3,364
12 meals	2,764	3,464
15 meals	2,875	3,575
Summer 2005	\$ 949	N/A

RATES	<u>Efficiency</u>	<u>One Bedroom</u>	<u>Super Efficiency</u>
Married student housing (monthly rent)			
Fall 2004	\$ 367	\$ 385	\$ 343
Spring 2005	367	385	343
Summer 2005	367	385	343

	<u>Range</u>			
University Court (semester)				
Fall 2004	\$ 2,146	to	\$ 2,743	
Spring 2005	2,146	to	2,743	
Summer 2005 (8 week session)	808	to	896	

	<u>Fees</u>
Bond revenue fees	
Summer 2004	\$ 255.70
Fall 2004	263.25
Spring 2005	263.25
Summer 2005	263.25