

**STATE OF ILLINOIS
EASTERN ILLINOIS UNIVERSITY**

**FINANCIAL AUDIT
For the Year Ended June 30, 2007**

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

EASTERN ILLINOIS UNIVERSITY

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EASTERN ILLINOIS UNIVERSITY

UNIVERSITY OFFICIALS

President – (7/1/07 to present)

President – (7/1/06 to 6/30/07)

Dr. William L. Perry

Mr. Louis V. Hencken

Provost and Vice President for Academic Affairs

Dr. Blair M. Lord

Vice President for Business Affairs

Mr. Jeffrey L. Cooley, CPA

Vice President for Student Affairs

Dr. Daniel P. Nadler

Vice President for External Relations

Dr. Jill F. Nilsen

Director of Business Services and Treasurer

Mr. Paul A. McCann, CPA

Director of Accounting & Finance
and Assistant Director of Business Services

Mr. Larry G. Cannon

General Counsel – (6/25/07 to present)

General Counsel – (7/1/06 to 6/25/07)

Mr. Robert L. Miller

Mr. Joseph T. Barron

Acting Director of Internal Auditing (4/1/07 to present)

Director of Internal Auditing (7/1/06 to 3/31/07)

Ms. Rebecca L. Litton

Ms. Kathleen Moreno, CGFM

University offices are located at:

600 Lincoln Avenue
Charleston, Illinois 61920

EASTERN ILLINOIS UNIVERSITY FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of Eastern Illinois University was performed by E.C. Ortiz & Co., LLP.

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

SUMMARY OF FINDINGS

The auditors identified a matter involving the University's internal control over financial reporting that they considered to be a significant deficiency. The significant deficiency is described in the accompanying Schedule of Findings of this report, as finding 07-1.

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with University personnel at an exit conference on January 28, 2008. Attending were:

Eastern Illinois University

Jeffrey Cooley, Vice President of Business Affairs

Paul McCann, Director of Business Services and Treasurer

Monty Bennett, Director of Purchasing

Larry Cannon, Director of Accounting and Finance and Assistant Director of Business Services

Carol Morgan, Assistant Comptroller

Rick Edwards, Assistant Comptroller

Mihir Chatterji, Assistant Vice President for Information Technology Systems

Adam Dodge, Assistant Director for Information Security

Rebecca Litton , Acting Internal Audit Director

Auditor General

Karen Appelbaum, Audit Manager

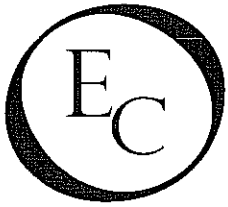
Joe Gudgel, Information System Audit Manager

E. C. Ortiz & Co. LLP

Stella Marie B. Santos, Partner

Marites U. Sy, Partner

The response to the recommendation was provided by Paul McCann in a letter dated February 20, 2008.



Independent Auditors' Report

Honorable William G. Holland
Auditor General
State of Illinois

and

The Board of Trustees
Eastern Illinois University

As Special Assistant Auditors for the Auditor General, we have audited the accompanying basic financial statements of Eastern Illinois University (University) and its aggregate discretely presented component units, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2007, as listed in the table of contents. 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 audit. The prior year partial comparative information has been derived from the University's June 30, 2006 financial statements and, in our report dated November 10, 2006, we expressed an unqualified opinion on those financial statements. We did not audit the financial statements of the aggregate discretely presented component units, as described in Note 1 of the financial statements, which represent 100% of the transactions and account balances of the aggregate discretely presented component units' column. Those statements were audited by other auditors whose report has been provided to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the financial position of

Eastern Illinois University and its aggregate discretely presented component units as of June 30, 2007, and the respective changes in financial position and cash flows for the year 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 March 28, 2008 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.

The Management's Discussion and Analysis on pages 5 through 16 is not a required part of the basic 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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Eastern Illinois University's basic financial statements. The accompanying supplementary information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, as listed in the Table of Contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

In connection with our audit, 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 1998, 2000, and 2005).

E. C. Ortiz & Co. LLP

March 28, 2008

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 the fiscal year ended June 30, 2007 with comparative information for the year ended June 30, 2006. 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 the University's 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 full time 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 continuing education 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 - 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.

EASTERN ILLINOIS UNIVERSITY MANAGEMENT'S DISCUSSION AND ANALYSIS

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 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 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 increase or decrease 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 of \$48,684,955 and payments on behalf of the University of \$27,545,752 are reported as nonoperating revenues and results in the University showing an operating loss of \$71,345,398 for the year ended June 30, 2007.

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 year ended June 30, 2007, the University's net assets increased by approximately \$28.9 million to \$158.9 million. This increase is primarily due to an increase in student tuition and fees, an increase in grant revenues, and an increase in investment income.

**EASTERN ILLINOIS UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Statement of Net Assets

Condensed Statement of Net Assets, as of June 30,

	<u>2007</u>	<u>2006</u>
Assets		
Current assets	\$ 57,526,934	\$ 45,588,297
Noncurrent assets		
Capital assets, net	195,293,070	178,184,836
Other	5,976,177	6,831,009
Total noncurrent assets	<u>201,269,247</u>	<u>185,015,845</u>
Total assets	<u>\$ 258,796,181</u>	<u>\$ 230,604,142</u>
Liabilities		
Current liabilities	22,937,424	18,847,820
Noncurrent liabilities	76,953,568	81,748,366
Total liabilities	<u>99,890,992</u>	<u>100,596,186</u>
Net Assets		
Invested in capital assets, net	139,836,950	119,767,950
Restricted		
Nonexpendable	583,362	497,281
Expendable	19,396,980	12,249,187
Unrestricted	<u>(912,103)</u>	<u>(2,506,462)</u>
Total net assets	<u>158,905,189</u>	<u>130,007,956</u>
Total liabilities and net assets	<u>\$ 258,796,181</u>	<u>\$ 230,604,142</u>

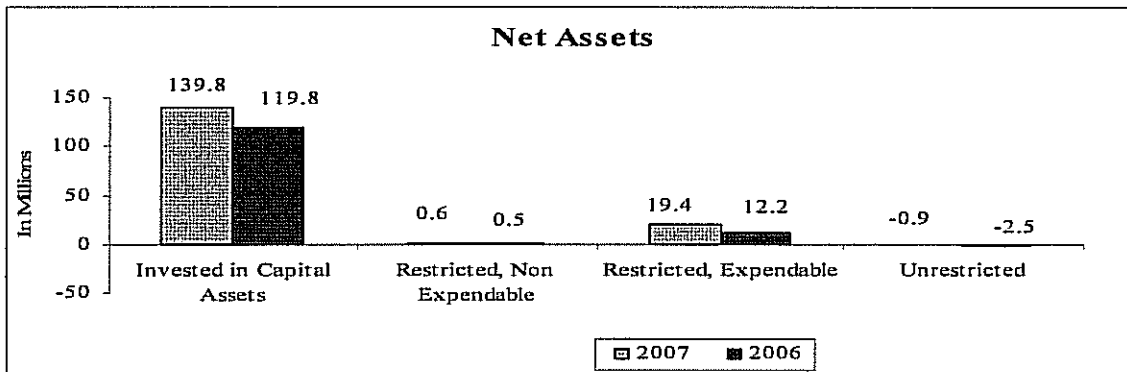
University assets totaled nearly \$258.8 million as of June 30, 2007. The largest asset of the University is its investment in land, buildings and equipment which totaled approximately \$195.3 million for 2007. In fiscal year 2007, cash and cash equivalents increased by approximately \$16.6 million to approximately \$44.2 million due to management's decision to not reinvest in securities but rather leave cash in cash and cash equivalents.

University liabilities totaled approximately \$99.9 million as of June 30, 2007. Long-term debt of approximately \$63.0 million as of June 30, 2007, which consisted of notes, leases and bonds payable and Certificates of Participation, is the largest portion of the liability.

**EASTERN ILLINOIS UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The University's current assets of approximately \$57.5 million as of June 30, 2007 were sufficient to cover the current liabilities of approximately \$22.9 million as of June 30, 2007. The current ratio of current assets to current liabilities is 2.51 in current assets for every \$1 in current liabilities for fiscal year 2007.

The following graph shows net assets by classification and restriction:



Capital Assets and Related Financing Activities

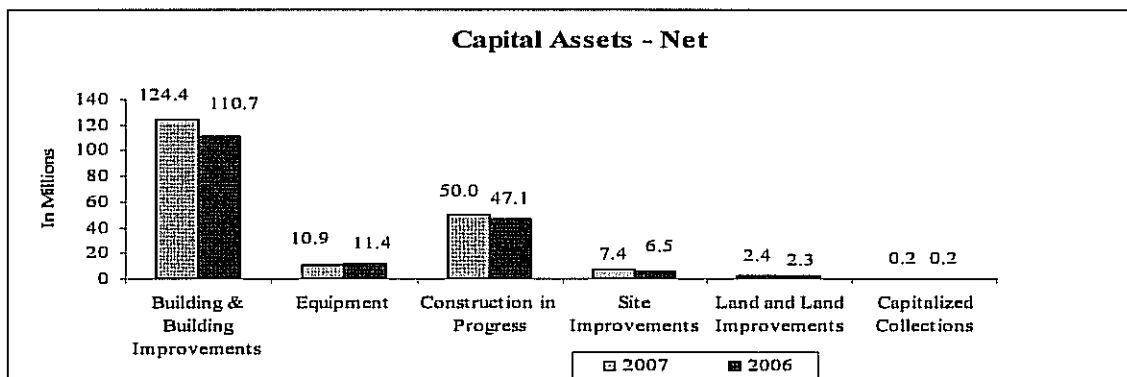
The Eastern Illinois University facilities include 72 buildings totaling about 3 million gross square feet. Funding from State, private, borrowed, and internal sources are used to accomplish the capital objectives of the University.

The University continues to expand and renovate its campus facilities. University capital additions totaled approximately \$27.4 million for fiscal years 2007. The additions included ongoing renovations to the Doudna Fine Arts building, as well as Blair Hall reconstruction efforts. 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 \$40.8 million of bonded debt outstanding and \$22.8 million of COPS outstanding as of June 30, 2007. For more information concerning Capital Assets, Construction in Progress, Bonds Payable, Lease Obligations, and COPS Payable see Notes 6, 7, 10, 11, 12 and 13.

**EASTERN ILLINOIS UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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



Statement of Revenues, Expenses and Changes in Net Assets

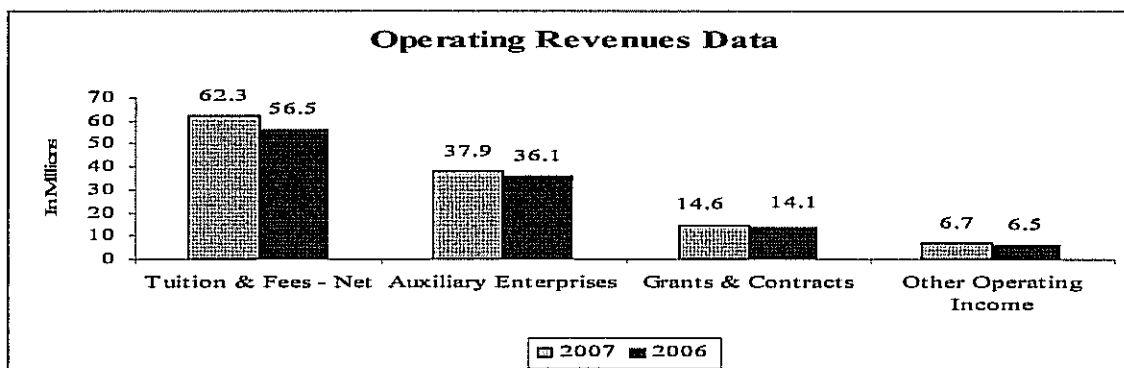
Condensed Statement of Revenues, Expenses and Changes in Net Assets
For the years ended June 30,

	2007	2006
Operating revenues		
Tuition and fees, net	\$ 62,305,638	\$ 56,480,594
Grants and contracts	14,596,831	14,137,808
Auxiliary enterprises	37,943,403	36,096,832
Other operating revenues	6,713,699	6,466,407
Total operating revenues	121,559,571	113,181,641
Operating expenses	192,904,969	180,083,793
Operating loss	(71,345,398)	(66,902,152)
Nonoperating revenues (net of expenses)		
State appropriations	48,282,450	47,609,499
Payments on behalf of the University	27,545,752	24,902,749
Other nonoperating revenues - net	5,847,321	4,041,387
Net nonoperating revenues	81,675,523	76,553,635
Income before capital contributions	10,330,125	9,651,483
Capital appropriations	402,505	381,209
Assets donated by other State agencies	17,688,297	21,240,680
Capital grants and gifts	476,306	53,873
Total increase in net assets	28,897,233	31,327,245
Net assets, beginning of year	130,007,956	98,680,711
Net assets, end of year	\$ 158,905,189	\$ 130,007,956

**EASTERN ILLINOIS UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Operating Revenues

Operating revenues for fiscal years 2007 totaled \$121.6 million. The most significant source of operating revenues were tuition and fees, grants and contracts, and auxiliary services as shown in the graph below:



State appropriations to the University increased during fiscal year 2007 by \$0.7 million. During fiscal year 2005, the "Truth in Tuition" regulations took affect (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 12% for new students and approximately 7.5% for continuing students in both fiscal years 2007 and 2006. The University also implemented a student fee increase of 7.1% in fiscal year 2007. This, coupled with an enrollment increase of 2% in fiscal year 2007, accounted for the increase in tuition, fees and housing revenues.

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 2007 and 2006.

	2007	2006
Full-time Undergraduates		
In-State		
Continuing Non-guaranteed	\$147.55/hour + \$890.39 fees/semester	\$137.75/hour + \$831.05 fees/semester
New student FY06	\$154.30/hour + \$890.39 fees/semester	\$154.30/hour + \$831.05 fees/semester
New student FY07	\$173.55/hour + \$890.39 fees/semester	

**EASTERN ILLINOIS UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

	2007	2006
Out of State		
Continuing Non-guaranteed	\$442.65/hour + \$890.39 fees/semester	\$411.75/hour + \$831.05 fees/semester
New students FY06	\$462.90/hour + \$890.39 fees/semester	\$462.90/hour + \$831.05 fees/semester
New students FY07	\$520.65/hour + \$890.39 fees/semester	
Full-time graduates		
In State	\$169.40/hour + \$891.99 fees/semester	\$150.55/hour + \$833.05 fees/semester
Out of State	\$508.20/hour + \$891.99 fees/semester	\$451.65/hour + \$833.05 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 2006, the residence halls were 85% occupied; the University Apartments were about 100% occupied; and the University Court was 100% occupied.

The following table outlines the rates charged for room and board:

	2007	2006
University Apartments		
Efficiency	\$389/month	\$377/month
One bedroom	\$409/month	\$397/month
Super efficiency	\$364/month	\$353/month
University Court	Rates vary from \$2,093 to \$2,824/semester	Rates vary from \$2,093 to \$2,824/semester
Residence Halls		
7 plus meal plan	\$2,955/semester	\$2,749/semester
10 plus meal plan	\$3,086/semester	\$2,874/semester
12 plus meal plan	\$3,203/semester	\$2,979/semester
15 plus meal plan	\$3,330/semester	\$3,098/semester

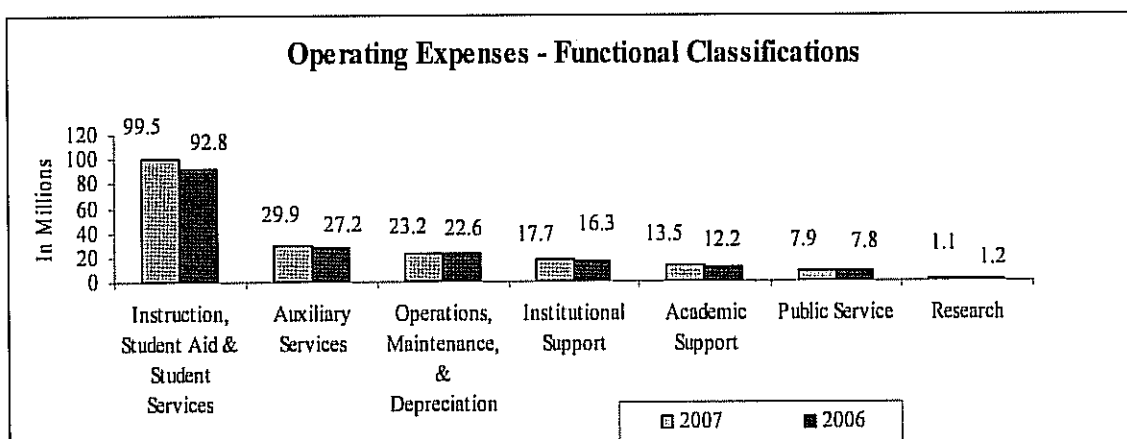
**EASTERN ILLINOIS UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

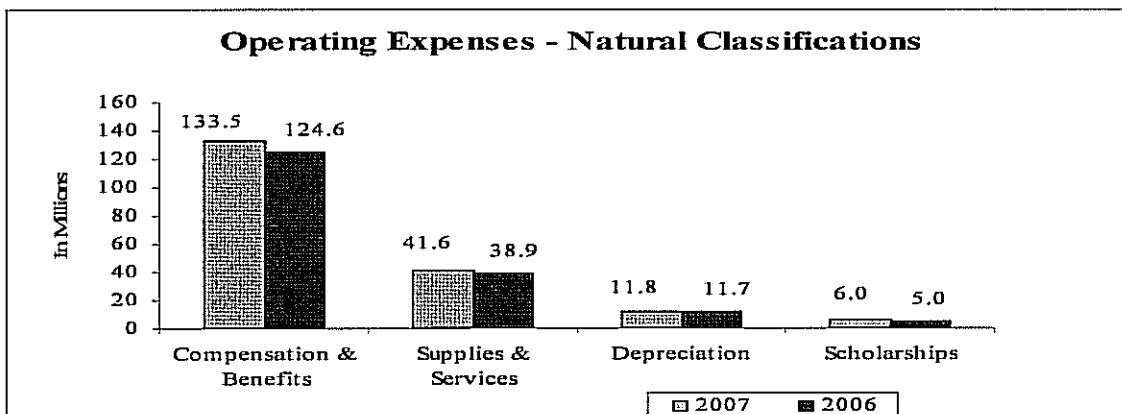
- Any residence hall dining center
- Purchases at the food court within the University Union
- Purchases at campus convenience centers

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 2007, including depreciation of \$11.8 million, totaled \$192.9 million. Under the functional classifications, \$99.5 million or 52% was used for instruction, student aid, and student services; \$29.9 million, or 15% was used for auxiliary services; \$17.7 million, or 9% was used for institutional support, which includes such areas as computer services and University police; and \$13.5 million, or 7% was used for academic support, for such areas as the library and various dean' offices. Under the natural classifications, \$133.5 million, or 69% was used for compensation and benefits; \$41.6 million, or 22% was used for supplies, contractual services, travel, utilities and other; \$6.0 million, or 3% was used for scholarships; and \$11.8 million, or 6% was depreciation.



**EASTERN ILLINOIS UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**



Other

The State appropriation was the largest source of nonoperating revenues at \$48.3 million in fiscal year 2007.

Interest expense on outstanding debt was \$2.8 million for fiscal year 2007, and is the largest category of nonoperating expenses.

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 Years Ended June 30,

	2007	2006
Cash provided by (used in):		
Operating activities	\$ (28,705,768)	\$ (36,045,016)
Noncapital financing activities	51,151,125	50,568,243
Capital and related financing activities	(14,276,440)	(18,212,159)
Investing activities	8,382,488	4,801,939
Net increase in cash and cash equivalents	16,551,405	1,113,007
Cash and cash equivalents, beginning of year	27,691,840	26,578,833
Cash and cash equivalents, end of year	<u>\$ 44,243,245</u>	<u>\$ 27,691,840</u>

Major sources of funds included in operating activities are student tuition and fees, and auxiliary services. Student tuition and fees provided \$62.0 million for 2007. Auxiliary enterprises income provided \$37.5 million for 2007. The major source of funds included

EASTERN ILLINOIS UNIVERSITY MANAGEMENT'S DISCUSSION AND ANALYSIS

in noncapital financing activities is state appropriations which provided \$48.3 million for 2007.

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

The net cash provided by investing activities of \$8.4 million in fiscal year 2007 is due mainly to management's decision to not reinvest securities.

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 represented approximately 28% of the University's operating budget in 2007 and 30% in 2006. After several years of flat appropriations, the General Assembly increased the State General Fund appropriation for the University in fiscal year 2008 by approximately \$907,000 (1.9%) and \$673,300 (1.4%) in fiscal year 2007. Although the University's operating budget continues to grow, we project that the State's share of funding will continue to decline. The University will strive to manage tuition levels to meet its mission of superior yet accessible education.

In 2003, Public Act 93-0228 was enacted. This act placed a limitation on increases in tuition at Illinois public institutions of higher education. For students that initially enroll in the University after the 2003-04 academic year, the tuition charged to an undergraduate student can not increase, above the amount charged when the student enrolled, for 4 continuous academic years, with limited exceptions. Consequently, the University must establish a tuition rate for incoming students that takes into account all potential cost increases and the rate of inflation. For the Fall semester of 2007, the University increased tuition for incoming students by 12.0% over the rate paid by students starting in the Fall of 2006. A similar increase is projected for the Fall of 2008.

It is the plan of the University to maintain a stable enrollment of approximately 12,000 students. The University had a Fall, 2006 enrollment of 12,349. The Fall, 2007 enrollment decreased by 1.4% to 12,179. The University does not anticipate any change to the plan in the foreseeable future. Likewise, it is the University's plan to maintain stable occupancy in University owned housing. In Fall, 2006, the University had 4,303 students in University owned housing. In Fall, 2007, students living in University owned housing increased by 1.4% to 4,362.

University owned housing rates are not under the same limitations as tuition. However, they are limited by rates charged in the local housing market for similar accommodations. All Freshman are required to live in University owned housing, and all other students are

EASTERN ILLINOIS UNIVERSITY MANAGEMENT'S DISCUSSION AND ANALYSIS

encouraged to live there, because it has been the University's experience that students living in University owned housing graduate at a higher rate and with higher grade point averages. For the Fall semester of 2006, the typical room and board rate for a full time student was \$3,330. For the Fall semester of 2007, the typical room and board rate increased by 7.0% to \$3,562. The University's Board of Trustees has approved an increase of 6.5% to \$3,794 for the Fall of 2008.

On November 8, 2006, the Board of Trustees approved a four year contract with the University Professionals of Illinois (UPI) Local 4100 (the Union representing University Faculty members) that was retroactive to September 1, 2006. The contract provides bargaining unit members with annual across the board salary increases that average approximately 3.2% over the term of the agreement and other benefits. UPI represents almost 600 faculty members on campus and is the single largest union representing employees on campus. In addition, on September 15, 2006, the Board of Trustees approved a three year agreement with the American Federation of State, County and Municipal Employees (AFSCME) Local 981 (the Union representing University clerical employees) that was retroactive to July 1, 2006. The contract provides bargaining unit members with annual across the board salary increases of 3% over the term of the agreement and other benefits. The AFSCME clerical unit represents about 150 employees on campus.

The University is currently involved in a joint project with the Illinois Capital Development Board to construct a new Fine Arts Center on campus. The Doudna Fine Arts Center will open in the Fall of 2008. The \$63 million plus project has already generated a tremendous amount of excitement within the academic and cultural communities. The Capital Development Board is investing another \$4 million upgrading the campus' electrical distribution system. In addition, the University is involved in a ten year plan to renovate the residence halls on campus. The cost for these renovations is projected to be in excess of \$75 million and will be paid totally from student room and board fees.

The original Steam Plant structure was built in the 1920's and still uses some of the original coal handling equipment. Coal-fired water tube boilers built in the 1950's, and housed in the Steam Plant, are currently being used to heat and cool the University. In 2007, repairs to the legacy coal handling equipment and the coal boilers cost the University an estimated \$400,000 to correct and \$500,000 in excess expenditures for natural gas. Due to the complete failure of the plant's scrubber equipment, the University is not able to burn high-sulfur Illinois coal. Therefore, the University is required to purchase higher cost low-sulfur coal from a source outside of the State of Illinois. Due to the age of the plant and the significant advancements made in technology over the last 80 years, the University estimates that replacing the plant would be the most economical way to proceed. The University is requesting money from the State of Illinois to fund the project.

**EASTERN ILLINOIS UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Private gifts are an important source of funding for University operations. In association with The Eastern Illinois University Foundation, fundraising in fiscal 2007 hit a new high, over \$5 million was raised in gifts and additions to the endowments. With public financing representing a smaller portion of the University's budget, private philanthropy will continue to grow in importance. It is the University's intention to maintain the level of giving achieved and to look for opportunities to attract additional donors and gifts.

EASTERN ILLINOIS UNIVERSITY
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2007
(With Comparative Totals for 2006)

	University		Component Units	
	2007	2006	2007	2006
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 17,602,144	\$ 11,497,859	\$ 651,736	\$ 548,889
Restricted cash and cash equivalents	26,641,101	16,193,981	2,206,773	2,084,881
Short-term investments	463,041	3,277,716	673,414	466,683
Restricted short-term investments	568,760	2,514,726	1,948,651	1,830,455
Accounts receivable, net of allowance for doubtful accounts	9,405,044	9,066,517	181,960	238,987
State appropriation receivable	115	-	-	-
Interest receivable	9,013	66,673	11,885	12,835
Inventories	1,567,960	1,540,233	-	-
Notes receivable; current portion, net of allowance for doubtful accounts	880,163	862,708	-	-
Other assets	389,593	567,884	27,797	1,516
Total current assets	57,526,934	45,588,297	5,702,216	5,184,246
Noncurrent assets:				
Restricted cash and cash equivalents	-	-	216,085	-
Notes receivable, less current portion, net of allowance for doubtful accounts	5,107,154	5,007,888	-	-
Endowment investments	583,363	497,281	24,766,701	20,021,592
Restricted investments	-	972,690	24,739,367	21,486,321
Other long-term investments	-	-	596,637	741,573
Other long-term assets	285,660	353,150	337,585	410,856
Capital assets, net of accumulated depreciation	195,293,070	178,184,836	2,204,044	2,238,686
Total noncurrent assets	201,269,247	185,015,845	52,860,419	44,899,028
TOTAL ASSETS	\$ 258,796,181	\$ 230,604,142	\$ 58,562,635	\$ 50,083,274
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 11,828,311	\$ 8,798,361	\$ 22,498	\$ 13,618
Deferred revenues	2,862,986	3,175,101	-	-
Long-term liabilities, current portion	8,246,127	6,874,358	296,197	322,850
Demand mortgage payable	-	-	1,512,238	1,512,238
Total current liabilities	22,937,424	18,847,820	1,830,933	1,848,706
Noncurrent liabilities:				
Long-term liabilities, less current portion	71,332,092	76,220,006	1,129,275	1,998,698
Due to others	-	-	6,179,149	5,421,365
Federal loan program contributions refundable	5,621,476	5,528,360	-	-
Total noncurrent liabilities	76,953,568	81,748,366	7,308,424	7,420,063
Total liabilities	99,890,992	100,596,186	9,139,357	9,268,769
Net assets:				
Invested in capital assets, net of related debt	139,836,950	119,767,950	691,806	726,448
Restricted:				
Nonexpendable				
Scholarships and fellowships	583,362	497,281	-	-
Endowments	-	-	24,982,786	20,021,592
Expendable				
Scholarships and fellowships	46,438	44,759	-	-
Instructional department uses	3,562,548	3,414,162	-	-
Loans	1,310,153	1,273,532	-	-
Capital projects	13,411,564	6,623,543	-	-
Debt service	1,066,277	893,191	-	-
Other	-	-	21,436,978	17,869,384
Unrestricted	(912,103)	(2,506,462)	2,311,708	2,197,081
Total net assets	158,905,189	130,007,956	49,423,278	40,814,505
TOTAL LIABILITIES AND NET ASSETS	\$ 258,796,181	\$ 230,604,142	\$ 58,562,635	\$ 50,083,274

See accompanying notes to financial statements.

EASTERN ILLINOIS UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(With Comparative Totals for 2006)

	<u>University</u>		<u>Component Units</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
OPERATING REVENUES				
Student tuition and fees (net of scholarship allowances of \$6,947,174 in fiscal year 2007 and \$6,277,374 in fiscal year 2006)	\$ 62,305,638	\$ 56,480,594	\$ -	\$ -
Federal grants and contracts	9,421,164	8,737,303	-	-
State grants and contracts	4,118,304	4,035,120	-	-
Local grants and contracts	176,744	223,812	-	-
Private grants and contracts	880,619	1,141,573	-	-
Sales and services of educational departments	4,221,724	3,972,693	-	-
Auxiliary enterprises (net of scholarship allowances of \$1,294,796 in fiscal year 2007 and \$1,304,169 in fiscal year 2006)	37,943,403	36,096,832	-	-
Gifts	-	-	1,392,970	1,166,128
Service contract with the University	-	-	223,337	215,054
Budget allocation from the University	-	-	92,038	55,131
Membership dues	-	-	42,045	41,715
Merchandise sales	-	-	989	677
Royalties	-	-	39,187	13,623
Alumni promotions	-	-	995	380
Other operating revenues	2,491,975	2,493,714	164,981	135,756
Total operating revenues	121,559,571	113,181,641	1,956,542	1,628,464
OPERATING EXPENSES				
Educational and general				
Instruction	75,436,556	70,108,070	-	-
Research	1,111,083	1,171,032	-	-
Public service	7,922,071	7,758,929	-	-
Academic support	13,509,570	12,254,338	-	-
Student services	18,012,013	17,606,275	-	-
Institutional support	17,730,818	16,319,773	793,631	736,548
Operations and maintenance of plant	11,458,348	10,895,526	-	-
Student aid	6,083,286	5,128,002	-	-
Auxiliary enterprises	29,867,003	27,178,279	-	-
Depreciation expense	11,774,221	11,663,569	34,642	34,642
Total operating expenses	192,904,969	180,083,793	828,273	771,190
Operating income (loss)	(71,345,398)	(66,902,152)	1,128,269	857,274

See accompanying notes to financial statements.

EASTERN ILLINOIS UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(With Comparative Totals for 2006)

	University		Component Units	
	2007	2006	2007	2006
NONOPERATING REVENUES (EXPENSES)				
State appropriations	48,282,450	47,609,499	-	-
Payments on behalf of the University	27,545,752	24,902,749	-	-
Gifts	2,950,537	2,356,684	-	-
Investment income (net)	2,535,992	1,888,134	1,535,612	1,257,314
Net increase in fair value of investments	141,586	15,700	3,930,972	1,249,177
Scholarships	-	-	(710,595)	(619,524)
Distributions to annuity/unitrust beneficiaries	-	-	(233,699)	(229,051)
Actuarial adjustments	-	-	590,239	267,150
Interest on capital asset-related debt	(2,845,848)	(2,964,097)	(98,027)	(98,565)
Nonoperating grants and contracts	(37,238)	(23,691)	-	-
Amortization of bond costs	(138,459)	(123,029)	-	-
Grants to the University	-	-	(1,673,326)	(923,033)
Payments to the Foundation	(46,320)	(16,339)	-	-
Loss on disposal of capital assets	(100,942)	(103,609)	-	-
Blair Hall fire insurance recoveries	3,382,819	3,000,000	-	-
Other nonoperating revenues (expenses)	5,194	11,634	-	(2,387)
Total nonoperating revenues	81,675,523	76,553,635	3,341,176	901,081
Income before capital contributions	10,330,125	9,651,483	4,469,445	1,758,355
Capital appropriations	402,505	381,209	-	-
Capital grants and gifts	476,306	53,873	-	-
Transfers from Capital Development Board	17,688,297	21,240,680	-	-
Additions to permanent endowments	-	-	4,139,328	1,314,678
Increase in net assets	28,897,233	31,327,245	8,608,773	3,073,033
NET ASSETS				
Net assets, beginning of year	130,007,956	98,680,711	40,814,505	37,741,472
Net assets, end of year	\$ 158,905,189	\$ 130,007,956	\$ 49,423,278	\$ 40,814,505

See accompanying notes to financial statements.

EASTERN ILLINOIS UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(With Comparative Totals for 2006)

	University		Component Units	
	2007	2006	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees	\$ 62,018,981	\$ 56,183,016	\$ -	\$ -
Grants and contracts (non-capital)	15,143,915	13,692,167	-	-
Sales and services of educational departments	3,553,888	3,559,119	-	-
Auxiliary enterprise	37,532,439	36,123,812	-	-
Payments to suppliers	(40,354,306)	(43,640,525)	(548,673)	(519,552)
Payments to employees	(96,120,742)	(92,836,912)	-	-
Payments for employee benefits	(7,176,302)	(6,706,823)	-	-
Payments for scholarships and fellowships	(5,959,601)	(4,979,286)	-	-
Federal loan program contributions refundable	93,116	165,931	-	-
Loans issued to students	(1,264,226)	(1,192,169)	-	-
Collection of loans from students	1,147,505	1,163,708	-	-
Royalties	-	-	113,190	123,985
Membership dues	-	-	42,979	43,861
Service contract with the University	-	-	78,625	78,625
Gifts	-	-	1,431,030	1,089,866
Promotional revenues	-	-	995	380
Other receipts	2,679,565	2,422,946	175,970	136,433
Net cash provided from (used in) operating activities	<u>(28,705,768)</u>	<u>(36,045,016)</u>	<u>1,294,116</u>	<u>953,598</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriations	48,282,335	48,081,235	-	-
Private gifts other than capital purposes	2,939,346	2,348,738	-	1,256,852
Payments to the Foundation	(46,320)	(16,339)	-	-
Nonexchange grants	-	142,975	-	-
Grants to organizations	(29,430)	-	-	(12,270)
Scholarships	-	-	(708,888)	(621,416)
Distributions to annuity/unitrust beneficiaries	-	-	(357,388)	(372,020)
Agency receipts	-	-	284,503	118,115
Agency payments	-	-	(151,768)	(215,580)
Other non-operating activities	5,194	11,634	4,056,568	-
Grants to the University	-	-	(1,673,326)	(923,033)
Net cash provided by (used in) noncapital financing activities	<u>51,151,125</u>	<u>50,568,243</u>	<u>1,449,701</u>	<u>(769,352)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from bond issue/notes payable	50,585	19,684,646	-	-
Principal paid on capital debt and leases	(3,920,012)	(5,524,512)	-	-
Principal paid through advance refunding	-	(19,507,132)	-	-
Interest paid on capital debt and leases	(2,901,540)	(2,392,747)	(106,375)	(90,217)
Insurance proceeds from fire damage	3,000,000	3,000,000	-	-
Capital appropriations	402,506	381,209	-	-
Capital grants and gifts	58,638	565,346	-	-
Bond issue costs paid	-	(83,990)	-	-
Purchases of capital assets	(10,966,617)	(14,334,979)	-	-
Net cash used in capital and related financing activities	<u>(14,276,440)</u>	<u>(18,212,159)</u>	<u>(106,375)</u>	<u>(90,217)</u>

See accompanying notes to financial statements.

EASTERN ILLINOIS UNIVERSITY
STATEMENT OF CASH FLOWS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(With Comparative Totals for 2006)

	University		Component Units	
	2007	2006	2007	2006
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale and maturities of investments	5,807,513	43,746,896	4,133,073	3,765,890
Interest received on investments	2,593,180	1,911,326	1,590,445	1,318,652
Sale of gift stock and real estate	-	-	99,430	140,784
Purchase of investments	(18,205)	(40,856,283)	(8,019,566)	(4,610,229)
Net cash provided by (used in) investing activities	<u>8,382,488</u>	<u>4,801,939</u>	<u>(2,196,618)</u>	<u>615,097</u>
Net increase in cash and cash equivalents	16,551,405	1,113,007	440,824	709,126
Cash and cash equivalents, beginning of year	<u>27,691,840</u>	<u>26,578,833</u>	<u>2,633,770</u>	<u>1,924,644</u>
Cash and cash equivalents, end of year	<u>\$ 44,243,245</u>	<u>\$ 27,691,840</u>	<u>\$ 3,074,594</u>	<u>\$ 2,633,770</u>

Reconciliation of net operating income (loss) to net cash provided from (used in) operating activities

Operating income (loss)	\$ (71,345,398)	\$ (66,902,152)	\$ 1,128,269	\$ 857,274
Adjustments to reconcile operating income (loss) to net cash provided from (used in) operating activities:				
Depreciation	11,774,221	11,663,569	34,642	34,642
Payments on behalf of the University	27,545,752	24,902,749	-	-
Non-cash stock, real estate gifts	-	-	(30,095)	(117,133)
Actuarial adjustments of new annuities and unitrusts	-	-	23,894	46,197
Changes in assets and liabilities:				
Accounts receivable	(591,102)	(1,577,465)	55,195	(3,180)
Inventories	(27,727)	90,039	-	-
Notes receivable	(116,721)	(28,461)	-	-
Other assets	169,831	(97,666)	68,376	141,392
Accounts payable and accrued liabilities	3,446,674	(4,478,453)	13,835	(5,594)
Deferred revenues	54,813	278,860	-	-
Compensated absences	405,398	(178,804)	-	-
Federal loan program contributions refundable	93,116	165,931	-	-
Other long-term liabilities	(109,173)	120,342	-	-
Deposits	(5,452)	(3,505)	-	-
Net cash provided from (used in) operating activities	<u>\$ (28,705,768)</u>	<u>\$ (36,045,016)</u>	<u>\$ 1,294,116</u>	<u>\$ 953,598</u>

NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS

Change in fair value of investments	\$ 141,586	\$ 15,700	\$ 3,930,972	\$ 1,247,713
Change in interest receivable affecting interest received	\$ (57,660)	\$ (22,810)	\$ -	\$ -
Change in accrued interest affecting interest paid	\$ 98,388	\$ (104,413)	\$ (5,655)	\$ 5,655
Change in accrued costs relating to capital assets	\$ (891,947)	\$ 146,377	\$ -	\$ -
Donation of capital assets	\$ 17,688,297	\$ 21,240,680	\$ -	\$ -
Capital assets acquired by capital lease obligations	\$ 50,585	\$ 63,980	\$ -	\$ -

See accompanying notes to financial statements.

**EASTERN ILLINOIS UNIVERSITY
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS**

	June 30, 2007		
	Foundation	Alumni Association	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 437,301	\$ 214,435	\$ 651,736
Restricted cash and cash equivalents	2,206,773	-	2,206,773
Short-term investments	32,000	641,414	673,414
Restricted short-term investments	1,948,651	-	1,948,651
Accounts receivable, net of allowance for doubtful accounts	77,443	104,517	181,960
Interest receivable	-	11,885	11,885
Other assets	26,733	1,064	27,797
Total current assets	4,728,901	973,315	5,702,216
Noncurrent assets			
Restricted cash and cash equivalents	216,085	-	216,085
Endowment investments	24,766,701	-	24,766,701
Restricted investments	24,739,367	-	24,739,367
Other long-term investments	-	596,637	596,637
Other long-term assets	71,936	265,649	337,585
Capital assets, net of accumulated depreciation	1,986,359	217,685	2,204,044
Total noncurrent assets	51,780,448	1,079,971	52,860,419
TOTAL ASSETS	\$ 56,509,349	\$ 2,053,286	\$ 58,562,635
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued liabilities	\$ 22,421	\$ 77	\$ 22,498
Long-term liabilities, current portion	296,197	-	296,197
Demand mortgage payable	1,512,238	-	1,512,238
Total current liabilities	1,830,856	77	1,830,933
Noncurrent liabilities			
Long-term liabilities	1,129,275	-	1,129,275
Due to others	6,179,149	-	6,179,149
Total noncurrent liabilities	7,308,424	-	7,308,424
Total liabilities	9,139,280	77	9,139,357
Net assets			
Invested in capital assets, net of related debt	474,121	217,685	691,806
Restricted for:			
Nonexpendable endowment	24,982,786	-	24,982,786
Expendable	21,436,978	-	21,436,978
Unrestricted	476,184	1,835,524	2,311,708
Total net assets	47,370,069	2,053,209	49,423,278
TOTAL LIABILITIES AND NET ASSETS	\$ 56,509,349	\$ 2,053,286	\$ 58,562,635

See accompanying notes to financial statements.

EASTERN ILLINOIS UNIVERSITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
COMPONENT UNITS

	<u>For the Year Ended June 30, 2007</u>		
	<u>Foundation</u>	<u>Alumni Association</u>	<u>Total</u>
OPERATING REVENUES			
Gifts	\$ 1,386,360	\$ 6,610	\$ 1,392,970
Service contract with the University	194,245	29,092	223,337
Budget allocation from the University	79,372	12,666	92,038
Membership dues	-	42,045	42,045
Merchandise sales	-	989	989
Royalties	-	39,187	39,187
Alumni promotions	-	995	995
Other operating revenues	162,439	2,542	164,981
Total operating revenues	<u>1,822,416</u>	<u>134,126</u>	<u>1,956,542</u>
OPERATING EXPENSES			
Educational and general			
Institutional support	677,569	116,062	793,631
Depreciation expense	28,643	5,999	34,642
Total operating expenses	<u>706,212</u>	<u>122,061</u>	<u>828,273</u>
Operating income	<u>1,116,204</u>	<u>12,065</u>	<u>1,128,269</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income (net)	1,479,280	56,332	1,535,612
Net increase in fair market value of investments	3,902,490	28,482	3,930,972
Scholarships	(705,395)	(5,200)	(710,595)
Distributions to annuity/unitrust beneficiaries	(233,699)	-	(233,699)
Actuarial adjustments	590,239	-	590,239
Interest on capital asset-related debt	(98,027)	-	(98,027)
Grants to the University	(1,628,923)	(44,403)	(1,673,326)
Net nonoperating revenues	<u>3,305,965</u>	<u>35,211</u>	<u>3,341,176</u>
Income before capital contributions	4,422,169	47,276	4,469,445
Additions to permanent endowments	4,139,328	-	4,139,328
Increase in net assets	8,561,497	47,276	8,608,773
NET ASSETS			
Net assets, beginning of year	<u>38,808,572</u>	<u>2,005,933</u>	<u>40,814,505</u>
Net assets, end of year	<u>\$ 47,370,069</u>	<u>\$ 2,053,209</u>	<u>\$ 49,423,278</u>

See accompanying notes to financial statements.

**EASTERN ILLINOIS UNIVERSITY
COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS**

	For the Year Ended June 30, 2007		
	Foundation	Alumni Association	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and vendors	\$ (474,279)	\$ (74,394)	\$ (548,673)
Royalties	-	113,190	113,190
Membership dues	-	42,979	42,979
Service contract with the University	78,625	-	78,625
Gifts	1,424,420	6,610	1,431,030
Promotional revenues	-	995	995
Other receipts	172,439	3,531	175,970
Net cash provided from operating activities	<u>1,201,205</u>	<u>92,911</u>	<u>1,294,116</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Grants to the University	(1,628,923)	(44,403)	(1,673,326)
Scholarships	(703,688)	(5,200)	(708,888)
Distributions to annuity/unitrust beneficiaries	(357,388)	-	(357,388)
Agency receipts	284,503	-	284,503
Agency payments	(151,768)	-	(151,768)
Gifts received for endowment purposes	4,056,568	-	4,056,568
Net cash provided by (used in) noncapital financing activities	<u>1,499,304</u>	<u>(49,603)</u>	<u>1,449,701</u>
CASH FLOWS FROM RELATED CAPITAL AND FINANCING ACTIVITIES			
Interest paid for capital debt and leases	(106,375)	-	(106,375)
Net cash used in capital and related financing activities	<u>(106,375)</u>	<u>-</u>	<u>(106,375)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale and maturities of investments	4,013,073	120,000	4,133,073
Interest received on investments	1,533,163	57,282	1,590,445
Sale of gift stock and real estate	99,430	-	99,430
Purchase of investments	(7,848,953)	(170,613)	(8,019,566)
Net cash provided by (used in) investing activities	<u>(2,203,287)</u>	<u>6,669</u>	<u>(2,196,618)</u>
Net increase in cash and cash equivalents	390,847	49,977	440,824
Cash and cash equivalents, beginning of year	2,469,312	164,458	2,633,770
Cash and cash equivalents, end of year	<u>\$ 2,860,159</u>	<u>\$ 214,435</u>	<u>\$ 3,074,594</u>
Reconciliation of operating income to net cash provided from operating activities			
Operating income	\$ 1,116,204	\$ 12,065	\$ 1,128,269
Adjustments to reconcile net income to net cash provided from operating activities:			
Depreciation expense	28,643	5,999	34,642
Non-cash stock, real estate gifts	(30,095)	-	(30,095)
Actuarial adjustment of new annuities and unitrusts	23,894	-	23,894
Changes in assets and liabilities:			
Accounts receivable	54,261	934	55,195
Royalties receivable	-	74,004	74,004
Prepaid expense	(5,527)	(101)	(5,628)
Accounts payable	13,825	10	13,835
Net cash provided from operating activities	<u>\$ 1,201,205</u>	<u>\$ 92,911</u>	<u>\$ 1,294,116</u>
NONCASH INVESTING TRANSACTIONS			
Change in fair value of investments	\$ 3,902,490	\$ 28,482	\$ 3,930,972
Change in accrued interest affecting interest paid	(5,655)	-	(5,655)

See accompanying notes to financial statements.

**EASTERN ILLINOIS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Eastern Illinois University is a comprehensive, state-assisted, regional service 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, Eastern Illinois University Foundation (the Foundation) and 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.

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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 Directors 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. An audit of the Foundation's financial statements, for the fiscal year ended June 30, 2007, was conducted by an independent certified public accountant and can be obtained from the University's Administrative Office at 600 Lincoln Avenue, Charleston, IL 61920.

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 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. An audit of the Alumni Association's financial statements, for the fiscal year ended June 30, 2007, was conducted by an independent certified public accountant and 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.

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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*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. The financial statements of the University have been prepared in conformance with these statements.

The basic financial statements include prior year comparative information which has been derived from the University and the Component Units' 2006 financial statements. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University and Component Units' financial statements for the year ended June 30, 2006.

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.

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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 net increase (decrease) in fair value of investments 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.

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

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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 liabilities outstanding are reported as accrued liabilities in the Statement of Net Assets, and the expenses incurred are reported as functionalized expenses in the Statement of Revenues, Expenses, and Changes in Net Assets.

Long-term Liabilities

Long-term 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.

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.

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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 Account Manager 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,

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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.

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) totaling \$27,545,752 representing \$21,335,496 and \$6,210,256 for group insurance and retirement costs, 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.

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2. CASH AND CASH EQUIVALENTS, OTHER DEPOSITS, AND INVESTMENTS

Cash and Deposits

The University maintains deposits at financial institutions authorized by the Board of Trustees. The carrying amount of the University's deposits was \$19,249 as of June 30, 2007. These were fully covered by federal depository insurance. In addition, the University had cash on hand in various petty cash and change funds in the amount of \$42,305 as of June 30, 2007.

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 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 maturity ranges for investments as of June 30, 2007 are as follows:

Effective Maturity	0-1 Year
Illinois Funds	\$ 44,178,835
U.S. Treasury/Agency securities	995,350
Mutual bond funds	154,649
Money market funds	2,856

Credit Risk

Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligations. As of June 30, 2007, all investments, other than the mutual bond fund, were in U.S. agencies or government sponsored corporation

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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 the fiscal year 2007, 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 7.6 years. The University's investment policy has no specific guidelines addressing the credit rating of mutual bond funds. The Illinois Funds are rated AAA and all other money market fund portfolios consist of investments rated in the top two classification tiers.

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. All of the University's 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.

The Illinois Funds are in the custody of the State Treasurer and are pooled and invested with other state funds in accordance with the Deposit of State Moneys Act (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

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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 Statement of Net Assets as of June 30, 2007 are as follows:

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Cash and cash equivalents	\$17,602,144	\$ -	\$17,602,144
Restricted cash and cash equivalents	26,641,101	-	26,641,101
Short-term investments	463,041	-	463,041
Restricted investments	568,760	-	568,760
Endowment investments	-	583,363	583,363
	<u>\$45,275,046</u>	<u>\$ 583,363</u>	<u>\$45,858,409</u>

Breakdown and carrying amounts of the cash and investments are as follows:

Cash deposits	\$ 19,249
Petty cash funds	42,305
The Illinois Funds money market accounts	44,178,835
Money market accounts – US Bank	2,856
Bond mutual funds – Charles Schwab and Co., Inc.	154,649
Equity mutual funds – Charles Schwab and Co., Inc.	465,165
U.S. Treasury/agency securities	995,350
	<u>\$ 45,858,409</u>

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2007:

Sales and services	\$ 2,922,009
Student tuition and fees	3,450,673
Auxiliary enterprises and other operating activities	2,358,253
Federal, State, and private grants and contracts	1,007,103
Others	2,348,080
Total	<u>12,086,118</u>
Less allowance for doubtful accounts	(2,681,074)
Net accounts receivable	<u>\$ 9,405,044</u>

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4. INVENTORIES

Inventories consisted of the following as of June 30, 2007:

Bookstore	\$ 760,772
Facilities	483,103
Food services/housing	162,335
Postage	66,670
Union operation	50,356
Pharmacy	43,568
Others	1,156
	<u>\$ 1,567,960</u>

5. NOTES RECEIVABLE

Student loans made through the Federal Perkins Loan Program (the "Program") comprise substantially all of the notes receivable as of June 30, 2007. 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 \$5,621,476 as of June 30, 2007, 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. As of June 30, 2007, the allowance for uncollectible loans was \$80,936.

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6. CAPITAL ASSETS

	For the Year Ended June 30, 2007				6/30/2007
	6/30/2006	Additions	Deletions	Transfers	
Capital assets not being depreciated					
Land and land improvements	\$ 2,259	\$ -	\$ -	\$ 110	\$ 2,369
Capitalized collections	199	-	-	-	199
Construction in progress	47,091	23,943	27	(21,030)	49,977
Total capital assets not being depreciated	49,549	23,943	27	(20,920)	52,545
Capital assets being depreciated					
Site improvements	14,334	-	-	1,648	15,982
Buildings and building improvements	196,942	-	-	19,272	216,214
Equipment	54,377	5,040	2,875	28	56,570
Capital leases-equipment	93	49	-	(28)	114
Total capital assets being depreciated	265,746	5,089	2,875	20,920	288,880
Less accumulated depreciation for:					
Site improvements	7,828	753	-	-	8,581
Buildings and building improvements	86,197	5,619	-	-	91,816
Equipment	43,074	5,389	2,752	11	45,722
Capital leases-equipment	11	13	-	(11)	13
Total accumulated depreciation	137,110	11,774	2,752	-	146,132
Total capital assets, being depreciated, net	128,636	(6,685)	123	20,920	142,748
Capital assets, net	\$ 178,185	\$ 17,258	\$ 150	\$ -	\$ 195,293

7. CONSTRUCTION IN PROGRESS

The University had numerous construction projects in progress as of June 30, 2007. The Fine Arts Building project is to be funded mainly by appropriations to 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 as of June 30, 2007:

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	<u>Project Estimate</u>	<u>Expended to 6/30/07</u>	<u>Committed</u>
Coal heat plant	\$ 60,000,000	\$ 74,600	\$ 59,925,400
Fine Arts building renovation	48,443,000	43,919,855	4,523,145
Various residence hall projects	4,740,138	1,801,115	2,939,023
Electrical distribution upgrade	2,261,029	2,028,632	232,397
Various bond facility projects	36,211	22,924	13,287
Other miscellaneous	2,589,915	1,020,487	1,569,428
Lantz addition	1,243,952	1,103,940	140,012
Textbook rental	2,400,000	6,220	2,393,780
	<u>\$ 121,714,245</u>	<u>\$ 49,977,773</u>	<u>\$ 71,736,472</u>

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following as of June 30, 2007:

Accounts payable	\$ 1,869,239
Accrued wages	7,834,579
Accrued expenses	1,976,489
Other	148,004
	<u>\$ 11,828,311</u>

9. DEFERRED REVENUES

Deferred revenues consisted of the following as of June 30, 2007:

Tuition and fees	\$ 1,482,320
Sales and services	197,613
Auxiliary enterprises	205,559
Grants and contracts	878,889
Miscellaneous	98,605
	<u>\$ 2,862,986</u>

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10. LONG-TERM LIABILITIES

		As of June 30, 2007				
		Balance			Balance	Amounts due
		6/30/2006	Additions	Reductions	6/30/2007	within one year
Revenue bonds, notes payable and Certificates of Participation						
Revenue bonds payable	(1)	\$ 42,900,000	\$ -	\$ 2,060,000	\$ 40,840,000	\$ 3,095,000
Revenue bond discounts		(62,148)	-	(15,451)	(46,697)	(10,595)
Revenue bond premiums		286,819	-	40,647	246,172	38,189
Deferred accounting loss		(1,055,762)	-	(108,283)	(947,479)	(108,283)
Notes payable	(1)	198,342	-	73,291	125,051	125,051
Certificates of Participation	(2)	24,530,000	-	1,755,000	22,775,000	2,150,000
COPS premium		138,171	-	40,970	97,201	32,318
COPS discount		(196,356)	-	(20,392)	(175,964)	(19,481)
Capital lease obligations	(3)	61,579	50,585	31,721	80,443	25,448
Other liabilities						
Accrued compensated absences	*	14,537,972	405,398		14,943,370	1,329,557
Deposits	*	1,755,747		114,627	1,641,120	1,588,923
Federal loan program contributions	*	5,528,360	93,116	-	5,621,476	-
Total long-term liabilities		\$ 88,622,724	\$ 549,099	\$ 3,972,130	\$ 85,199,693	\$ 8,246,127

- (1) See Note 11 for more information on revenue bonds and notes payable.
(2) See Note 12 for more information on Certificates of Participation.
(3) See Note 13 for more information on capital lease obligations.

* Due to limitations in the University's accounting system, the gross amounts for additions and reductions are not readily available for fiscal year 2007.

Total interest expense for the year ended June 30, 2007 was \$2,845,848. There was no interest capitalized as part of capital projects in progress during the year.

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11. REVENUE BONDS AND NOTES PAYABLE

Revenue bonds payable consisted of the following as June 30, 2007:

\$34,720,000, Auxiliary Facilities System Revenue Bonds, Series 1998, term bonds due in semi-annual installments (principal only) of \$960,000 to \$1,315,000 through April 1, 2012; \$1,105,000 to \$1,595,000 through April 1, 2016; interest ranges from 4.4% to 5.0%; bonds maturing October 1, 2009 through April 1, 2016 are subject to mandatory redemption without premium in varying amounts.	\$ 21,685,000
\$10,000,000, Auxiliary Facilities System Revenue Bonds, Series 2000, term bonds due in annual installments (principal only) of \$270,000 to \$300,000 through April 1, 2010; interest rate is 5.0%.	855,000
\$19,345,000, Auxiliary Facilities System Revenue Bonds, Series 2005, term bonds due in annual installments (principal only) of \$675,000 to \$1,300,000 through April 1, 2012; \$1,370,000 to \$1,595,000 through April 1, 2017; \$540,000 to \$965,000 through April 1, 2022; \$635,000 to \$730,000 through April 1, 2026; interest ranges from 3.0% to 5.0%.	18,300,000
Total bonds outstanding	<u>\$ 40,840,000</u>

On July 1, 2005, the Series 2005 Bonds were issued in the principal amount of \$19,345,000. Proceeds from the sale of the Series 2005 Bonds were used to advance refund all of the Series 1997 Bonds and portions of the outstanding Series 1998 and Series 2000 Bonds. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1997 Series Bonds as well as the portions of the Series 1998 and Series 2000 Bonds that were advance refunded. As a result, the 1997 Bonds and refunded portions of the 1998 and 2000 Bonds are considered defeased and the liability for those bonds has been removed from the University's Statement of Net Assets.

Although the advance refunding resulted in the recognition of an accounting loss of \$1,164,045, the University in effect reduced its aggregate debt service payments by \$951,513 over the next 21 years and also gained the University the release of the Series 1997 Debt Service Reserve Fund in the amount of \$953,416.

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

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pledged to pay the principal, redemption premiums, if any, and interest on the bonds.

As of June 30, 2007, \$10,975,000 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 \$11,294,086 as of June 30, 2007.

The estimated annual amounts required for the payment of principal and interest on the outstanding revenue bonds as of June 30, 2007, are set forth in the following table:

Year ending June 30	Principal	Interest	Total Payments
2008	\$ 3,095,000	\$ 1,837,628	\$ 4,932,628
2009	3,230,000	1,708,380	4,938,380
2010	3,360,000	1,572,358	4,932,358
2011	3,515,000	1,423,030	4,938,030
2012	3,665,000	1,268,850	4,933,850
2013-2017	17,985,000	3,437,280	21,422,280
2018-2022	3,260,000	952,740	4,212,740
2023-2026	2,730,000	299,055	3,029,055
Total	<u>\$ 40,840,000</u>	<u>\$ 12,499,321</u>	<u>\$ 53,339,321</u>

The following reserve accounts were established by the bond resolutions for the 1998, 2000, and 2005 Bond Series:

Retirement of Indebtedness -- These accounts include the Bond and Interest Sinking Accounts.

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.

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

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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, 2007 compared with the amounts included within the accounts as of June 30, 2007 are as follows:

	Minimum Amount Required By Bond Resolution	Cash and Investments Deposited in the Account
Repair and Replacement Reserve Account	\$ -	<u>\$ 4,649,722</u>

EASTERN ILLINOIS UNIVERSITY
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Notes payable consisted of the following as of June 30, 2007:

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	\$ 125,051
	<u>\$ 125,051</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
<u>2008</u>	<u>\$ 125,051</u>	<u>\$ 6,803</u>	<u>\$ 131,854</u>

12. CERTIFICATES OF PARTICIPATION

The Certificates of Participation (COPS) consisted of the following as of June 30, 2007:

\$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%; certificates 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 non-appropriation as defined in the Indenture.	\$ 6,580,000
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EASTERN ILLINOIS UNIVERSITY
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\$8,640,000 Certificates 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%; certificates 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 non-appropriation as defined in the Indenture. 6,465,000

\$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%; certificates 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 non-appropriation as defined in the Indenture 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 certificates 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. 9,730,000

Total Certificates of Participation \$22,775,000

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 non-appropriated funds. Such legally available non-appropriated 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, 2007, are set forth in the following table:

EASTERN ILLINOIS UNIVERSITY
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Year ending June 30	Principal	Interest	Total Payments
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	2,630,000	607,662	3,237,662
2012	2,810,000	491,456	3,301,456
2013-2017	3,735,000	1,662,591	5,397,591
2018-2022	3,765,000	1,131,050	4,896,050
2023-2025	2,935,000	254,150	3,189,150
Total	<u>\$ 22,775,000</u>	<u>\$ 6,548,785</u>	<u>\$ 29,323,785</u>

13. LEASES PAYABLE

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.

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, 2007:

Year ending June 30,	
2008	\$ 30,724
2009	28,037
2010	12,900
2011	12,900
2012	<u>9,675</u>
Total minimum lease payments	94,236
Less amount representing interest	<u>13,793</u>
Net present value of future minimum lease payment	<u>\$ 80,443</u>

The University also made rental payments under operating leases in 2007 of \$258,733 primarily for office space used by various grant activities, temporary fine arts facilities due to renovations, and the University's textbook rental system. The University expects that in the foreseeable future, rents in similar amounts will be incurred for temporary classroom space due to expansions on campus.

**EASTERN ILLINOIS UNIVERSITY
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The University has two operating leases for the temporary fine arts facilities due to renovations. One lease agreement expired on August 31, 2005 and is being renewed on a month-by-month basis. The other lease was extended until June 30, 2008. The amounts shown are for the signed lease agreements up until the point in time that they will become monthly renewals.

Year ending June 30,	<u>Rental Payment</u>
2008	<u>\$ 72,000</u>
Total	<u><u>\$ 72,000</u></u>

14. RETIREMENT PLAN

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 10.61% 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 year ended June 30, 2007, 2006, and 2005 were \$6,494,479, \$4,384,895 and \$7,009,881 respectively, equal to the required contributions for each year.

**EASTERN ILLINOIS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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15. 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.

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.

16. 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.

EASTERN ILLINOIS UNIVERSITY
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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 \$962,160 were paid for the year ended June 30, 2007.

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 \$168,248 as of June 30, 2007.

17. TRANSACTIONS WITH RELATED PARTIES

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 year 2007. The University received from the State \$48,282,450 for general and educational purposes and \$402,505 for capital expenditures during the fiscal year 2007.

The University also received assets from the Capital Development Board (CDB), an agency of the State of Illinois. CDB administered various capital improvements at the University. During fiscal year 2007, the University received \$17,688,297 of capital improvements that were funded and paid for directly by CDB.

The Eastern Illinois University Foundation (Foundation) has a contract with Eastern Illinois University in which the Foundation has agreed to aid and assist the University in achieving its education, research and service goals by developing and administering gifts made to the Foundation to be used for the benefit of the University for scholarships, grants and other supporting programs. The University agreed, as a part of this contract, to furnish certain services necessary to the operation of the Foundation which are to be repaid by the Foundation either in the form of money or its equivalent in services or resources.

During the year ended June 30, 2007, the University provided cash, services and other resources to the Foundation totaling \$194,245 to help defray the Foundation's costs incurred under the contract. During the year ended June 30, 2007, the Foundation incurred expenses of \$115,620 under the contract.

During the year ended June 30, 2007, the Foundation gave the University \$1,698,194 of cash, services and resources, unrestricted or restricted only as to department, which were generally for on-going operations of the University. In addition, the Foundation gave the University restricted scholarships, grants and

**EASTERN ILLINOIS UNIVERSITY
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awards of \$705,395 during the year. Also, the Foundation received \$48,894 for the year ended June 30, 2007, in gifts from the University's restricted gift account with the donor's consent and \$146,000 from a University grant account.

The Eastern Illinois University Alumni Association, Inc. (Association) had an agreement with Eastern Illinois University to coordinate the University's alumni activities. The University agreed to provide the Association with money or in-kind services in an amount not to exceed the Association's cost of coordinating these activities. The Association has also agreed to pay the University for all facilities, services, and resources used. The payment is to be either in the form of money or its equivalent in services or resources.

During the year ended June 30, 2007, the University provided the Association with \$29,092 in services in accordance with the contract.

In fulfilling its fiscal year 2007 contract with the University, the Association incurred \$129,905 of expenses and \$41,759 of in-kind expenses. Included in the fiscal year 2007 expenses of \$129,905 are unrestricted gifts/grants of \$44,403 to the University. In addition, the Association provided the use of its facilities at no charge to the University. The value of these facilities was \$47,533 for the year ended June 30, 2007.

18. 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.

**EASTERN ILLINOIS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

19. NATURAL CLASSIFICATIONS OF EXPENSES

Operating expenses by natural classification for the year ended June 30, 2007 are as follows:

Salaries	\$ 98,411,706
Benefits	35,127,451
Supplies	6,422,326
Contractual services	17,852,389
Utilities	4,147,181
Travel	2,293,470
Repairs and maintenance, equipment and buildings	3,975,000
Scholarships	5,959,601
Other	6,941,624
Depreciation	11,774,221
	<u>\$ 192,904,969</u>

20. 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's cash deposits mainly represent funds held by the University in the Illinois Funds. The Illinois Funds are pooled short term fully collateralized money market accounts administered by the Treasurer of the State of Illinois. The Foundation also maintains deposits at those depository institutions authorized by the Foundation Board of Directors. These deposits are fully covered by Federal Depository Insurance.

Investments

The Foundation is authorized by the 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 for investments that have readily available fair value. For investments for which a readily determinable fair value does not exist (e.g. private equities and alternative investments), the investments are valued at estimated fair

EASTERN ILLINOIS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

values based on information provided by the fund managers. Because of the inherent uncertainty of valuation relating to the Foundation's investments in investee funds and their underlying investments, the estimate of fair value may differ from the values that would have been used had a ready market existed, and any difference could be material.

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-term and short-term needs, present and anticipated financial requirement, 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 of 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. As of June 30, 2007, net appreciation of \$13,589,681 is available to be spent, but is restricted to specific purposes. Also, as of June 30, 2007, the fair market values of certain endowment investments were below their original cost by \$14,927.

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 the value of deposits, investments or collateral securities that are in the possession of an outside party. The Foundation's policy does not address custodial credit risk. All 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

**EASTERN ILLINOIS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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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 the custody of the State Treasurer and are pooled and invested with other state funds in accordance with the Deposit of State Moneys Act (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, Federated 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.

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 as of June 30, 2007 are disclosed as follows:

<u>Effective Duration</u>	<u>0-1 Year</u>
Mutual Bond Funds	\$ 13,670,638

The Foundation holds mutual bond funds with PIMCO and Vanguard. PIMCO bond funds have an average maturity of 6.96 to 7.25 years. Vanguard bond funds have an average maturity of 7.2 to 10 years. The Foundation does not have a policy that specifically addresses interest rate risk.

EASTERN ILLINOIS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

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 Standard & Poor (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 as of June 30, 2007 are shown as follows.

Quality Rating	AAA	AA
Money Market	\$ 1,348,763	\$ -
Mutual Bond Funds	3,133,850	10,536,788

Reconciliation to the Statement of Net Assets

A reconciliation of cash and investments as shown on the June 30, 2007 Statement of Net Assets is as follows:

	Current	Noncurrent	Total
Cash and cash equivalents	\$ 437,301	\$ -	\$ 437,301
Restricted cash and cash equivalents	2,206,773	216,085	2,422,858
Restricted investments	1,948,651	24,739,367	26,688,018
Other current investments	32,000	-	32,000
Endowment investments	-	24,766,701	24,766,701
Total cash and investments	\$ 4,624,725	\$ 49,722,153	\$ 54,346,878

**EASTERN ILLINOIS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Breakdown and carrying amount of the cash and investments are as follows:

The Illinois Funds money market accounts	\$ 2,860,159
Money market accounts administered by First-Mid-Illinois Bank and Trust	185,384
Money market accounts administered by Charles Schwab & Co., Inc.	1,163,379
Investments administered by Charles Schwab & Co., Inc.	
Bond funds	13,670,638
Equity funds	26,541,803
Investments administered by Davis Funds	4,461,611
Alternative Investments	
Investments administered by the Commonfund	1,036,828
Investments administered by Corbin Pinehurst	1,987,386
Private Equities	
Investments administered by Park Street Capital	197,772
Cooperative stock	870
Life insurance cash values	62,694
Real estate	2,178,354
	<hr/>
Total cash and investments	<u>\$ 54,346,878</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 as of June 30, 2007. The building, as well as two unitrust gifts were pledged as collateral on this note. 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 as of June 30, 2007, in the amounts of \$6,179,149. 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.

**EASTERN ILLINOIS UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

21. SUBSEQUENT EVENTS

In March 2008, the University issued the Auxiliary Facilities System Revenue Bonds, Series 2008, in the amount of \$18,590,000. Proceeds from the sale of the Series 2008 bonds will be used to refund and redeem in April 2008, all of the outstanding Auxiliary Facilities Revenue Bonds, Series 1998 that mature on or after October 1, 2008. The Series 1998 bonds due on April 1, 2008 will be paid from other available University funds.

EASTERN ILLINOIS UNIVERSITY
UNAUDITED DATA REQUIRED BY REVENUE BOND RESOLUTIONS
June 30, 2007

SCHEDULE OF INSURANCE

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 builder's 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, 2006 to July 1, 2007

* 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
June 30, 2007

RATES	<u>Double Occupancy</u>	<u>Single Occupancy</u>
Residence halls		
Summer 2006	\$ 1,023	N/A
Fall 2006		
7 meals	2,955	3,705
10 meals	3,086	3,836
12 meals	3,203	3,953
15 meals	3,330	4,080
Spring 2007		
7 meals	2,955	3,705
10 meals	3,086	3,836
12 meals	3,203	3,953
15 meals	3,330	4,080
Summer 2007 (8 week session)	1,100	1,375

RATES	<u>Efficiency</u>	<u>One bedroom</u>	<u>Super Efficiency</u>
Married student housing (monthly rent)			
Fall 2006	\$ 389	\$ 409	\$ 364
Spring 2007	389	409	364
Summer 2007	389	409	364
University Court (semester)			
		<u>Range</u>	
Fall 2006	\$ 2,093	to \$ 2,824	
Spring 2007	2,093	to 2,824	
Summer 2007 (8 week session)	832	to 944	

	<u>Fees</u>
Bond revenue fees	
Summer 2006	\$ 265.10
Fall 2006	267.39
Spring 2007	267.39
Summer 2007	267.39

EASTERN ILLINOIS UNIVERSITY
UNAUDITED DATA REQUIRED BY REVENUE BOND RESOLUTIONS
June 30, 2007

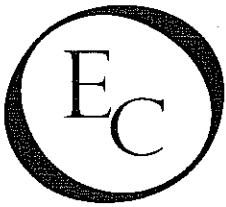
ENROLLMENT DATA

<u>Enrollment Date</u>	<u>Undergraduate Students</u>	<u>Graduate Students</u>	<u>Extension Students</u>	<u>Total</u>
Summer 2006	2,044	883	1,549	4,476
Fall 2006	9,937	1,243	1,169	12,349
Spring 2007	8,968	1,213	1,155	11,336
Summer 2007	2,016	791	1,600	4,407

OCCUPANCY DATA

<u>OCCUPANCY</u>	<u>Occupancy</u>	<u>Rate Occupancy</u>	<u>% of Occupancy</u>
Residence halls			
Fall 2006	(1) 4,003	4,689	85%
Spring 2007	(1) 3,628	4,689	77%
Married student housing			
Summer 2006	91	154	59%
Fall 2006	154	154	100%
Spring 2007	146	154	95%
Summer 2007	79	154	51%
University Court			
Summer 2006	88	146	60%
Fall 2006	146	146	100%
Spring 2007	145	146	99%
Summer 2007	95	146	65%

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



Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable William G. Holland
Auditor General
State of Illinois

and

The Board of Trustees
Eastern Illinois University

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of Eastern Illinois University (University), and its discretely presented component units, collectively a component unit of the State of Illinois as of and for the year ended June 30, 2007, and have issued our report thereon dated March 28, 2008. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the aggregate discretely presented component units. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying Schedule of Finding as 07-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described is not a material weakness.

Compliance and Other Matters

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

We are currently conducting a State compliance examination of the University as required by the Illinois State Auditing Act. The results of that examination will be reported to management under separate cover.

The University's response to the finding identified in our audit is described in the accompanying Schedule of Finding. We did not audit the University's response and, accordingly, we express no opinion on it.

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

E. C. Ortiz & Co. LLP

March 28, 2008

**EASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDING
For the Year Ended June 30, 2007**

CURRENT FINDING – *GOVERNMENT AUDITING STANDARDS*

07-1. Finding – (Inadequate control over bank reconciliations)

The University did not have adequate controls over bank reconciliations.

Each month, the University is reconciling four separate bank accounts: the General Fund, the Foundation account, the Payroll disbursements account, and the Athletics account, therefore a total of 48 reconciliations are to be performed each year. During our review of the monthly bank reconciliations, we noted the following:

- Reconciliations were not timely completed. The June 30, 2007 reconciliation for the General Fund account was completed 83 days after the month ended.
- No reconciliations were prepared for the Payroll Bank account from February through June 2007. As of June 30, 2007, the balances per book and bank were \$1,684,465 and \$1,807,689, respectively.
- Long outstanding checks from the General Fund account were not promptly investigated and disposed. As of the June 30, 2007 bank account reconciliations, 38 outstanding checks totaling \$12,823 were more than 6 months from issuance date, some dating as far back as July 2006.

Effective internal control policies require all transactions be recorded in the accounting system and bank reconciliations be performed and reviewed in a timely manner. Reconciling items should be investigated and disposed of promptly.

According to University personnel, the reconciliation for the General Fund account was late due to other tasks that took precedence. Since this is the first year of Banner implementation there was difficulty in extracting information in order to prepare the payroll bank reconciliation. The function of the payroll module of the Banner system that reconciles outstanding checks was not yet configured in such a way that reconciliation of outstanding checks is done through automatic feeds.

Failure to perform and review monthly bank reconciliations in a timely manner may result in inaccurate financial statement information. Additionally, inaccurate information may mislead management in analyzing cash flow and cash availability of the University. Improprieties involving cash accounts could also go unnoticed until the reconciliation is completed. (Finding Code No. 07-01, 06-1, 05-1)

**EASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDING
For the Year Ended June 30, 2007**

Recommendation

We recommend the University establish procedures to perform and review bank account reconciliations in a timely manner. In addition, long outstanding checks should be reviewed and disposed of promptly.

University Response

We agree that the bank reconciliation process is an important element of the University's system of internal controls. We have had difficulty in this area due to retirements and the training of new personnel. This situation will be corrected.