STATE OF ILLINOIS
EASTERN ILLINOIS UNIVERSITY

FINANCIAL AUDIT
For the Year Ended June 30, 2012

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

CliftonLarsonAllen

STATE OF ILLINOIS
EASTERN ILLINOIS UNIVERSITY
FINANCIAL AUDIT
For the Year Ended June 30, 2012

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UNIVERSITY OFFICIALS

President	Dr. William L. Perry
Provost and Vice President for Academic Affairs	Dr. Blair M. Lord
Vice President for Business Affairs	Dr. William V. Weber
Vice President for Student Affairs	Dr. Daniel P. Nadler
Vice President for University Advancement	Mr. Robert K. Martin
Director of Business Services and Treasurer	Mr. Paul A. McCann, CPA
General Counsel	Mr. Robert L. Miller
Director of Internal Auditing (7/1/11 – 4/30/12)	Ms. Sharon K. McRaven, CPA, CIA
Interim Director of Internal Auditing (5/1/12 – Present)	Ms. Rebecca Litton

BOARD OF TRUSTEES (as of June 30, 2012)

Chairperson	Mr. Roger Kratochvil
Vice Chairperson	Mr. Leo Welch
Secretary	Mr. Joseph R. Dively
Member	Mr. Rene M. Hutchinson
Member	Mr. William E. Dano III
Member	Mr. Kristopher Goetz
Member	Dr. Robert D. Webb
Student Member	Mr. Jarrod Scherle

University offices are located at:

600 Lincoln Avenue
Charleston, Illinois 61920

SUMMARY

The audit of the accompanying financial statements of the Eastern Illinois University was performed by CliftonLarsonAllen, LLP.

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

SUMMARY OF FINDINGS

The auditors identified matters involving the Eastern Illinois University's internal control over financial reporting that they considered to be a material weakness or significant deficiency. The material weakness is described in the accompanying Schedule of Findings listed in the table of contents as finding 12-1 (Failure to Capitalize Interest Costs). The significant deficiency is described in the accompanying Schedule of Findings listed in the table of contents as finding 12-2 (Improper Accounting for the Student Self-Insurance Health Plan).

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with University personnel at an exit conference on March 4, 2013. Attending were:

Eastern Illinois University

William Weber, Vice President of Business Affairs
Paul McCann, Director of Business Services and Treasurer
Michael Hutchinson, Assistant Comptroller
Tami Babbs, Assistant Comptroller
Kathy Reed, Assistant Vice President for Information Technology
Jerry Alan Donna, Director of Financial Aid
Rebecca L. Litton, Interim Director - Internal Auditing
Leigh Cottingham, Internal Auditor Associate
Linda Coffey, Bursar
Lynette Drake, Director of Health Services

Auditor General

Daniel J. Nugent, Audit Manager
Joseph A. Gudgel, Audit Manager

CliftonLarsonAllen, LLP

Michael T. Hillary, Partner
Sandy M. Cook, Engagement Director
Todd Davis, Manager

The responses to the recommendations were provided by Paul McCann in a letter dated March 11, 2013.

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

and

Board of Trustees
The Eastern Illinois University

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities of the Eastern Illinois 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, 2012, which collectively comprise the Eastern Illinois University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Eastern Illinois University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units. The financial statements of the discretely presented component units were audited by other auditors whose reports thereon have been provided to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors. The prior year partial comparative information has been derived from the Eastern Illinois University's June 30, 2011 financial statements, which were audited by other auditors. In their report dated January 31, 2012, they expressed unqualified opinions on the respective financial statements of the business-type activities and the aggregate discretely presented component units.

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, 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 report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Eastern Illinois University, as of June 30, 2012, and the respective changes in its financial position and its cash flows, where applicable, 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 11, 2013 on our consideration of the Eastern Illinois 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Eastern Illinois University's basic financial statements. The Unaudited Data Required by Revenue Bond Resolutions is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Unaudited Data Required by Revenue Bond Resolutions has not been subjected to the auditing procedures applied by us or the other auditors 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 2005, 2008, and 2008B).

CliftonLarsonAllen LLP

Peoria, Illinois
March 11, 2013

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, 2012 with comparative information for the year ended June 30, 2011. 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 12,000 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 Lumpkin 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.

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 non-operating. Under the current reporting model, a significant portion of the University's revenue is considered non-operating. State and capital appropriations of $46,881,200 and payments on behalf of the University of $54,969,098 are reported as non-operating revenues and results in the University showing an operating loss of $102,985,426 for the year ended June 30, 2012.

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, 2012, the University's net assets increased by approximately $15.0 million to $228.0 million. This increase is primarily due to increases in tuition, fees, and room and board revenues.

Statement of Net Assets

Condensed Statement of Net Assets, as of June 30,

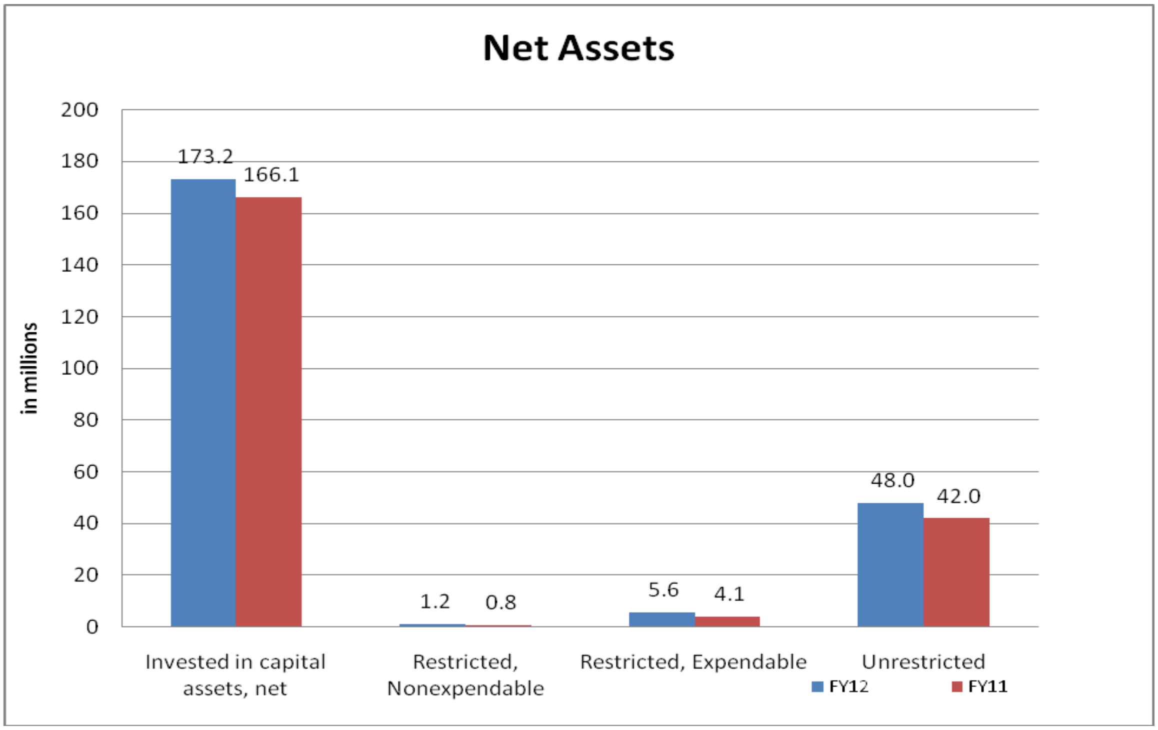
	2012	2011
Assets		
Current assets	$ 85,344,704	$ 82,140,119
Noncurrent assets		
Capital assets, net	294,518,150	292,808,934
Other	8,377,056	8,529,946
Total noncurrent assets	302,895,206	301,338,880
Total assets	$ 388,239,910	$ 383,478,999
Liabilities		
Current liabilities	$ 27,758,210	$ 30,201,531
Noncurrent liabilities	132,435,583	140,263,733
Total liabilities	160,193,793	170,465,264
Net Assets		
Invested in capital assets, net	173,206,950	166,087,461
Restricted		
Nonexpendable	1,210,216	847,247
Expendable	5,638,351	4,127,572
Unrestricted	47,990,600	41,951,455
Total net assets	228,046,117	213,013,735
Total liabilities and net assets	$ 388,239,910	$ 383,478,999

University assets totaled $388.2 million as of June 30, 2012. The largest asset of the University is its investment in land, buildings and equipment which totaled approximately $294.5 million at June 30, 2012.

University liabilities totaled approximately $160.2 million as of June 30, 2012. Long-term debt of approximately $141.5 million as of June 30, 2012, is the largest portion of the liability. Long-term liabilities consisted of bonds payable, Certificates of Participation, accrued compensated absences, housing and registration deposits, and federal loan program contributions refundable to the federal government.

The University's current assets of approximately $85.3 million as of June 30, 2012 were sufficient to cover the current liabilities of approximately $27.8 million as of June 30, 2012. The current ratio of current assets to current liabilities is $3.07 in current assets for every $1 in current liabilities at June 30, 2012.

The following graph shows net assets by classification and restriction:



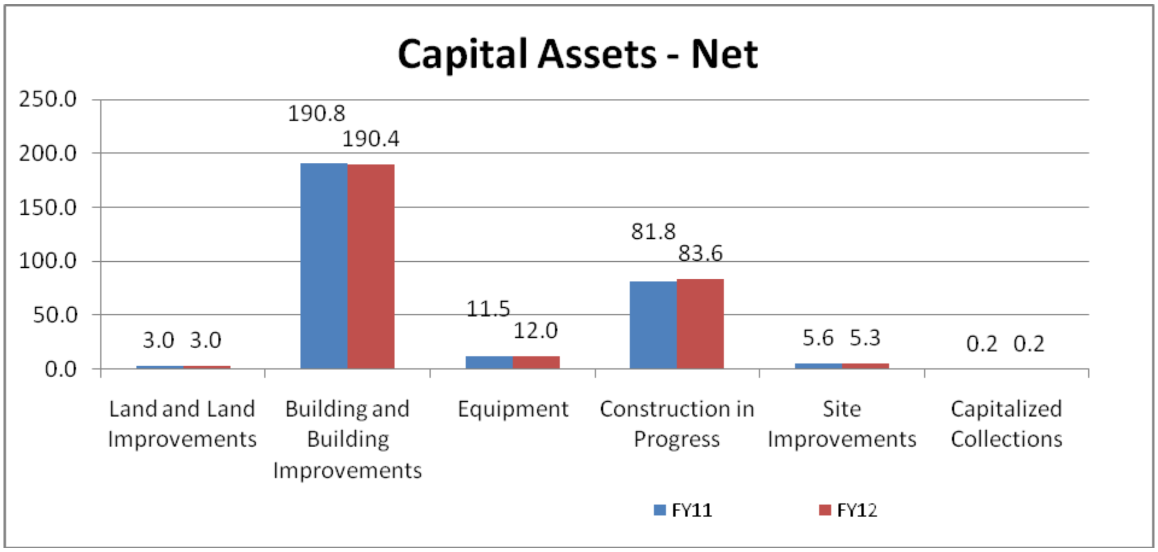
Capital Assets and Related Financing Activities

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 $16.2 million for fiscal year 2012. During fiscal year 2012, the University completed portions of its energy savings projects and residence hall renovation projects.

The University had approximately $28.0 million of bonded debt outstanding and $95.4 million of Certificates of Participation outstanding as of June 30, 2012. For more information concerning Capital Assets, Construction in Progress, Bonds Payable, Lease Obligations, and COPS Payable see Notes 6, 7, 10, 11, and 12.

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



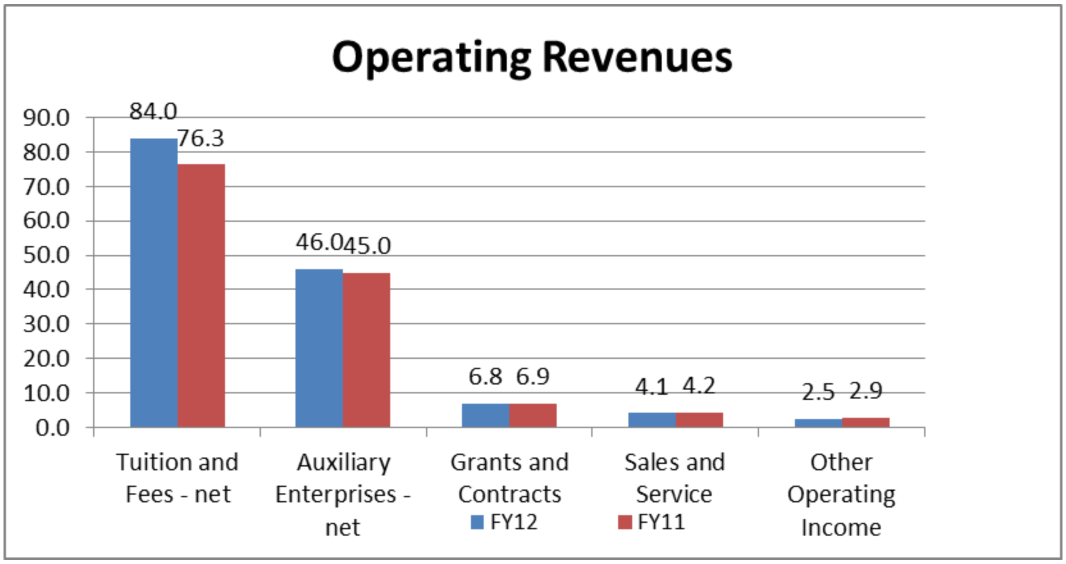
Statement of Revenues, Expenses and Changes in Net Assets

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

	2012	2011
Operating revenues		
Tuition and fees, net	$ 83,965,369	$ 76,341,978
Grants and contracts	6,771,589	6,945,261
Auxiliary enterprises	46,050,511	44,953,396
Other operating revenues	6,573,363	7,104,438
Total operating revenues	143,360,832	135,345,073
Operating expenses	246,346,258	233,707,568
Operating loss	(102,985,426)	(98,362,495)
Nonoperating revenues (net of expenses)		
State appropriations	46,881,200	47,417,250
Payments on behalf of the University	54,969,098	48,399,928
Other nonoperating revenues - net	15,609,875	15,725,249
Net nonoperating revenues	117,460,173	111,542,427
Income before capital contributions	14,474,747	13,179,932
Capital appropriations	-	377,404
Transfers from Capital Development Board	526,692	240,471
Capital grants and gifts	30,943	1,255,221
Total increase in net assets	15,032,382	15,053,028
Net assets, beginning of year	213,013,735	197,960,707
Net assets, end of year	$ 228,046,117	$ 213,013,735

Operating Revenues

Operating revenues for fiscal year 2012 totaled $143.4 million. The most significant sources of operating revenues were tuition and fees, grants and contracts, and auxiliary services as shown in the graph below:



State appropriations to the University decreased from $47.4 million to $46.9 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 6% for new students and approximately 10% for continuing students in fiscal year 2012. The University also implemented a student fee increase of 4% in fiscal year 2012. These account for the increase in tuition and fees.

Tuition and Fees

The University's tuition and fees have consistently been one of the lowest out of the nine 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 2012 and 2011.

	2012	2011
Full-time Undergraduates		
In-State		
Continuing Non-guaranteed	$218.00/hour + $1,015.01 fees/semester	$197.00/hour + $1,003.94 fees/semester
New students FY08	$194.40/hour + $1,150.97 fees/semester	$194.40/hour + $1,109.90 fees/semester
New students FY09	$218.00/hour + $1,150.97 fees/semester	$218.00/hour + $1,109.90 fees/semester
New students FY10	$239.00/hour + $1,150.97 fees/semester	$239.00/hour + $1,109.90 fees/semester
New students FY11	$254.00/hour + $1,150.97 fees/semester	$254.00/hour + $1,109.90 fees/semester
New students FY12	$269.00/hour + $1,150.97 fees/semester	
Out-of-State		
Continuing Non-guaranteed	$654.00/hour + $1,015.01 fees/semester	$590.00/hour + $1,003.94 fees/semester
New students FY08	$583.20/hour + $1,109.90 fees/semester	$583.20/hour + $1,109.90 fees/semester
New students FY09	$654.00/hour + $1,150.97 fees/semester	$654.00/hour + $1,109.90 fees/semester
New students FY10	$717.00/hour + $1,150.97 fees/semester	$717.00/hour + $1,109.90 fees/semester
New students FY11	$762.00/hour + $1,150.97 fees/semester	$762.00/hour + $1,109.90 fees/semester
New students FY12	$807.00/hour + $1,150.97 fees/semester	
Full-time graduates		
In-State	$269.00/hour + $1,018.01 fees/semester	$254.00/hour + $1,006.94 fees/semester
New students	$269.00/hour + $1,153.97 fees/semester	$254.00/hour + $1,112.90 fees/semester
Out-of-State	$645.00/hour + $1,018.01 fees/semester	$686.00/hour + $1,006.94 fees/semester
New students	$645.00/hour + $1,153.97 fees/semester	$686.00/hour + $1,112.90 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 2011, the residence halls were about 69% occupied; the University Apartments were about 98% occupied; and the University Court was 99% occupied.

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

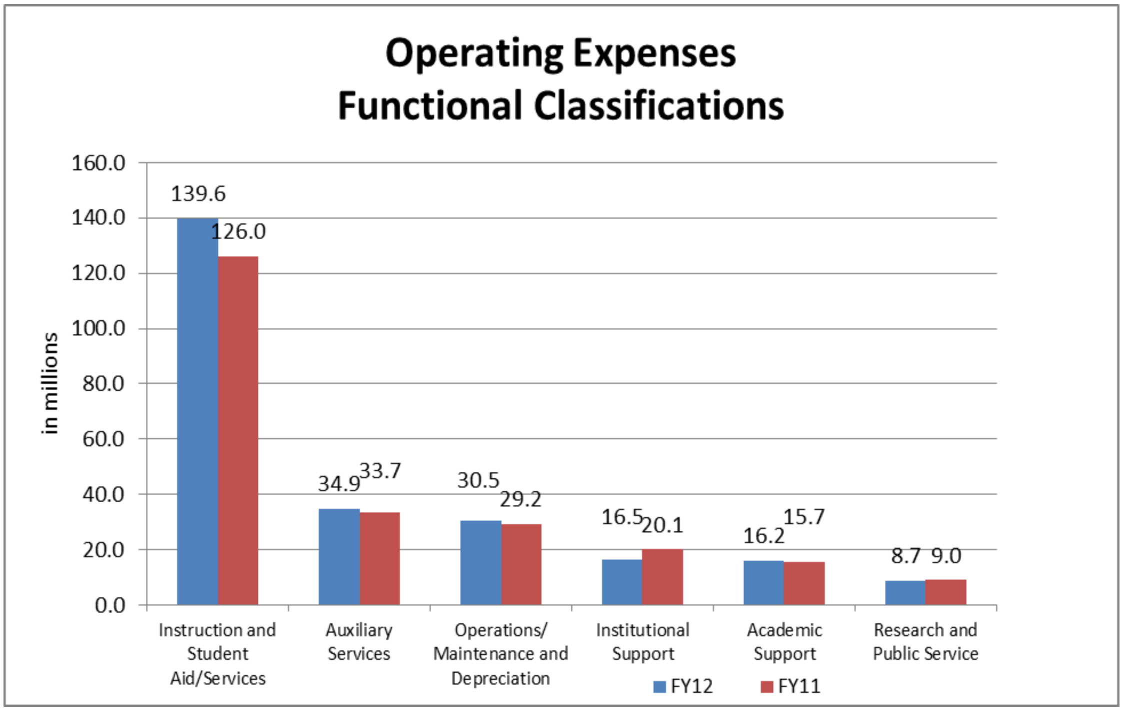
	2012	2011
University Apartments		
Efficiency	$451/month	$438/month
One bedroom	$474/month	$460/month
Super efficiency	$422/month	$409/month
University Court	Rates vary from $2,377 to $3,178/semester	Rates vary from $2,331 to $3,116/semester
Residence Halls		
7 plus meal plan	$3,941/semester	$3,808/semester
10 plus meal plan	$4,116/semester	$3,977/semester
12 plus meal plan	$4,271/semester	$4,127/semester
15 plus meal plan	$4,442/semester	$4,292/semester

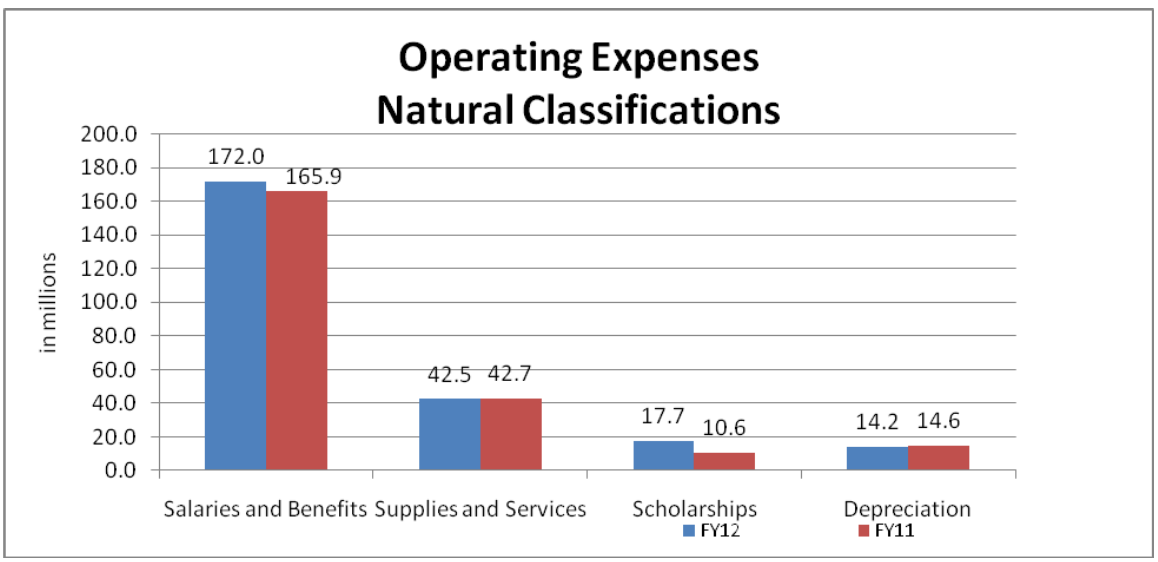
The Plus Meal Option permits each student the flexibility to make purchases at various campus locations, including any residence hall dining center, the food court within the University Union, and campus convenience centers.

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 2012, including depreciation of $14.2 million, totaled $246.3 million. Under the functional classifications, $139.6 million, or 57%, was used for instruction, student aid, and student services; $34.9 million, or 14%, was used for auxiliary services; $30.5 million, or 12%, was used for operations and maintenance of plant and depreciation; $16.5 million, or 7%, was used for institutional support, which includes such areas as computer services and University police; $16.2 million, or 7%, was used for academic support, for such areas as the library and various dean's offices; and $8.7 million, or 4%, was used for research and public service, for such areas as grants and contracts. Under the natural classifications, $172.0 million, or 70%, was used for salaries and benefits; $42.4 million, or 17%, was used for supplies, contractual services, utilities, travel, repairs and maintenance and other; $17.7 million, or 7%, was used for scholarships; and $14.2 million, or 6%, was depreciation.

Operating expenses are shown in the graphs below by both functional and natural classifications.





Other

Payments on behalf of the University were the largest source of non-operating revenues at $55.0 million in fiscal year 2012.

Interest expense on outstanding debt was $5.2 million for fiscal year 2012; this was the largest category of non-operating 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,

	2012	2011
Cash provided by (used in):		
Operating activities	$ (36,732,115)	$ (35,974,790)
Noncapital financing activities	77,350,939	60,273,260
Capital and related financing activities	(28,604,439)	(50,876,817)
Investing activities	64,591	106,715
Net increase in cash and cash equivalents	12,078,976	(26,471,632)
Cash and cash equivalents, beginning of year	43,966,333	70,437,965
Cash and cash equivalents, end of year	$ 56,045,309	$ 43,966,333

Major sources of funds included in operating activities are student tuition and fees, and auxiliary services. Student tuition and fees provided $84.2 million for fiscal year 2012. Auxiliary enterprises income provided $45.7 million for 2012. The major source of funds included in noncapital financing activities is state appropriations, which provided $55.9 million for 2012.

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 University's Economic Outlook

The University's mission is to "provide superior, yet accessible, undergraduate and graduate education." The University's ability to meet that mission is directly related to its enrollment, tuition and fee rates, and State support.

Appropriations from the State of Illinois represent a significant, but decreasing, portion of operating support for University programs. State appropriations continued to decline, decreasing by $536,050 from fiscal year 2011 to fiscal year 2012. For fiscal year 2013, State appropriations decreased by approximately an additional $2.8 million.

Although the University's operating budget continues to grow, we project that the State's share of funding will continue to decline. As we navigate the financial uncertainties of the State and nation, we will continue to manage our resources with care and diligence. The University remains committed to managing 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 cannot increase, above the amount charged when the student enrolled, for four 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 2012, the University increased tuition for incoming students by 4% over the rate paid by students starting in the fall semester of 2011. The political climate for tuition increases is uncertain, and consequently, the University is unable to estimate what, if any, increase may occur for the fall semester of 2013.

It is the plan of the University to maintain a stable enrollment of approximately 11,600 students. The fall semester of 2012 enrollment was 10,417, a decrease of 6.8% from the fall semester of 2011. The University does not anticipate any change to its plan in the foreseeable future and has taken several initiatives to increase enrollment. Increasing institutional scholarships and tuition waivers and actively recruiting students from border states are two of these initiatives. Likewise, it is the University's plan to maintain stable occupancy in University owned housing. In fall semester of 2012, the University had 3,223 students in University owned housing, a decrease of 9.1% from the fall semester of 2011.

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 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 2012, the typical room and board rate for a full time student was $4,250, an increase of 3.25% from fall semester of 2011.

Using the Interest Based Bargaining process, the University has completed negotiating a four-year agreement with the University Professionals of Illinois (UPI) Local 4100 (the union representing University faculty members). UPI represents approximately 659 faculty members on campus and is the single largest union representing employees on campus. During fiscal year 2012, the University negotiated five smaller collective bargaining agreements with two wage openers and two additional bargaining agreements in progress.

As other funding sources decline, private gifts are an important source of funding for University operations. In association with the Eastern Illinois University Foundation, $3.4 million was raised in new gifts and additions to the endowment during fiscal year 2012. The Foundation's annual return on its endowment in fiscal year 2012 was 1.6%, which is better than the estimated median NACUBO institution decrease of 0.3%. With public financing representing a smaller portion of the University's budget, private philanthropy will continue to grow in importance.

During the fall of 2010, the University announced its first comprehensive fundraising campaign, named Expect Greatness, with a goal of raising $50 million. The gifts from this campaign will be used for the following priorities:

- Student scholarships and assistantships;
- Attracting and retaining world-class faculty and supporting their research;
- Capital improvement projects, including a new science center; and,
- Developing and expanding programs, including autism, ethics, community service, arts, and speakers.

During February of 2012, the campaign reached its goal, which includes deferred giving through estates and life insurance contracts.

STATE OF ILLINOIS
EASTERN ILLINOIS UNIVERSITY
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012
(With Comparative Totals for 2011)

	University		Component Units	
	2012	**2011**	**2012**	**2011**
ASSETS				
Current assets:				
Cash and cash equivalents	$ 51,530,875	$ 41,601,939	$ 800,413	$ 807,606
Restricted cash and cash equivalents	4,514,434	2,364,394	3,284,521	2,902,903
Short-term investments	245,000	245,000	497,250	466,806
Restricted short-term investments	33,775	16,397	3,811,604	2,872,973
Accounts receivable, net of allowance for doubtful accounts	13,403,351	13,181,079	528,590	340,359
State appropriation receivable	11,785,035	20,815,237	-	-
Interest receivable	416	991	-	-
Inventories	2,050,015	2,057,629	60,000	59,200
Notes receivable, current portion, net of allowance for doubtful accounts	964,331	956,821	-	-
Other assets	817,472	900,632	3,360	2,777
Total current assets	85,344,704	82,140,119	8,985,738	7,452,624
Noncurrent assets:				
Restricted cash and cash equivalents	-	-	3,254,742	337,515
Notes receivable, less current portion, net of allowance for doubtful accounts	5,483,029	5,413,588	-	-
Endowment investments	522,215	550,971	36,566,385	35,230,786
Restricted investments	-	-	19,587,079	21,727,404
Other long-term investments	-	-	1,135,116	1,118,064
Other long-term assets	2,371,812	2,565,387	851,981	313,608
Capital assets, net of accumulated depreciation	294,518,150	292,808,934	2,030,834	2,065,476
Total noncurrent assets	302,895,206	301,338,880	63,426,137	60,792,853
TOTAL ASSETS	$ 388,239,910	$ 383,478,999	$ 72,411,875	$ 68,245,477
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued liabilities	$ 14,651,720	$ 16,649,738	$ 46,641	$ 11,920
Deferred revenues	4,048,710	3,940,806	-	-
Long-term liabilities, current portion	9,057,780	9,610,987	41,875	217,769
Demand mortgage payable	-	-	1,387,238	1,387,238
Total current liabilities	27,758,210	30,201,531	1,475,754	1,616,927
Noncurrent liabilities:				
Long-term liabilities, less current portion	126,706,496	134,552,909	260,012	791,962
Due to others	-	-	6,539,456	6,281,523
Federal loan program contributions refundable	5,729,087	5,710,824	-	-
Total noncurrent liabilities	132,435,583	140,263,733	6,799,468	7,073,485
Total liabilities	160,193,793	170,465,264	8,275,222	8,690,412
Net assets:				
Invested in capital assets, net of related debt	173,206,950	166,087,461	643,596	678,238
Restricted:				
Nonexpendable				
Scholarships and fellowships	1,210,216	847,247	-	-
Endowments	-	-	40,270,237	35,739,020
Expendable				
Scholarships and fellowships	64,697	87,125	-	-
Instructional department uses	2,526,415	2,090,517	-	-
Loans	1,373,960	1,366,007	-	-
Debt service	1,673,279	583,923	-	-
Other	-	-	20,749,578	20,736,974
Unrestricted	47,990,600	41,951,455	2,473,242	2,400,833
Total net assets	228,046,117	213,013,735	64,136,653	59,555,065
TOTAL LIABILITIES AND NET ASSETS	$ 388,239,910	$ 383,478,999	$ 72,411,875	$ 68,245,477

See accompanying notes to financial statements.

STATE OF ILLINOIS
EASTERN ILLINOIS UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

	University		Component Units	
	2012	**2011**	**2012**	**2011**
OPERATING REVENUES				
Student tuition and fees (net of scholarship allowances of $7,327,945 in fiscal year 2012 and $13,069,222 in fiscal year 2011)	$ 83,965,369	$ 76,341,978	$ -	$ -
Federal grants and contracts	2,344,042	2,035,912	-	-
State grants and contracts	2,367,609	2,475,164	-	-
Local grants and contracts	436,995	420,163	-	-
Private grants and contracts	1,622,943	2,014,022	-	-
Sales and services of educational departments	4,080,440	4,157,156	-	-
Auxiliary enterprises (net of scholarship allowances of $939,434 in fiscal year 2012 and $2,684,744 in fiscal year 2011)	46,050,511	44,953,396	-	-
Gifts	-	-	3,381,760	2,274,824
Service contract with the University	-	-	242,317	244,399
Budget allocation from the University	-	-	223,075	181,238
Membership dues	-	-	58,435	59,280
Royalties	-	-	11,528	15,733
Alumni promotions	-	-	1,120	815
Other operating revenues	2,492,923	2,947,282	277,805	273,826
Total operating revenues	143,360,832	135,345,073	4,196,040	3,050,115
OPERATING EXPENSES				
Educational and general				
Instruction	99,289,773	94,171,743	-	-
Research	1,194,562	1,147,875	-	-
Public service	7,515,241	7,896,281	-	-
Academic support	16,211,305	15,736,629	-	-
Student services	22,624,750	20,871,872	-	-
Institutional support	16,451,242	20,078,350	1,204,412	1,232,247
Operations and maintenance of plant	16,340,503	14,633,999	-	-
Student aid	17,659,541	10,905,280	-	-
Auxiliary enterprises	34,867,831	33,661,480	-	-
Depreciation expense	14,191,510	14,604,059	34,642	34,642
Total operating expenses	246,346,258	233,707,568	1,239,054	1,266,889
Operating income (loss)	(102,985,426)	(98,362,495)	2,956,986	1,783,226

STATE OF ILLINOIS
EASTERN ILLINOIS UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS *(Continued)*
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

	University		Component Units	
	2012	**2011**	**2012**	**2011**
NONOPERATING REVENUES (EXPENSES)				
State appropriations	$ 46,881,200	$ 47,417,250	$ -	$ -
Payments on behalf of the University	54,969,098	48,399,928	-	-
Gifts	2,722,213	1,729,803	-	-
Investment income (net)	81,393	108,015	1,369,362	1,476,433
Net increase (decrease) in fair value of investments	(28,756)	86,145	(541,894)	6,908,333
Scholarships	-	-	(965,612)	(814,851)
Distributions to annuity/unitrust beneficiaries	-	-	(108,193)	(128,951)
Actuarial adjustments	-	-	380,321	806
Interest on capital asset-related debt	(5,166,926)	(4,731,328)	(72,830)	(74,133)
Nonoperating grants and contracts	16,780,948	16,985,494	-	-
Amortization of bond costs, premiums, and discounts	(185,237)	(147,037)	-	-
Grants to the University	-	-	(2,593,862)	(1,408,175)
Payments to the Foundation	(21,396)	(8,340)	-	-
Loss on disposal of capital assets	(335,957)	(58,895)	-	-
Other nonoperating revenues (expenses)	1,763,593	1,761,392	-	-
Total nonoperating revenues (expenses)	117,460,173	111,542,427	(2,532,708)	5,959,462
Income (loss) before capital contributions	14,474,747	13,179,932	424,278	7,742,688
Capital appropriations	-	377,404	-	-
Capital grants and gifts	30,943	1,255,221	-	-
Transfers from Capital Development Board	526,692	240,471	-	-
Additions to permanent endowments	-	-	4,157,310	1,280,097
Increase (decrease) in net assets	15,032,382	15,053,028	4,581,588	9,022,785
NET ASSETS				
Net assets, beginning of year	213,013,735	197,960,707	59,555,065	50,532,280
Net assets, end of year	$ 228,046,117	$ 213,013,735	$ 64,136,653	$ 59,555,065

STATE OF ILLINOIS
EASTERN ILLINOIS UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

	University		Component Units	
	2012	**2011**	**2012**	**2011**
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees	$ 84,181,621	$ 75,884,857	$ -	$ -
Grants and contracts (noncapital)	6,873,123	7,594,800	-	-
Sales and services of educational departments	3,138,792	4,076,027	-	-
Auxiliary enterprise	45,704,903	44,555,000	-	-
Payments to suppliers	(42,121,842)	(42,800,524)	(808,441)	(886,621)
Payments to employees	(111,107,558)	(109,401,962)	-	-
Payments for employee benefits	(8,348,304)	(8,309,377)	-	-
Payments for scholarships and fellowships	(17,722,602)	(10,555,901)	-	-
Federal loan program contributions refundable	18,263	(10,036)	-	-
Loans issued to students	(1,528,263)	(1,225,241)	-	-
Collection of loans from students	1,451,312	1,109,834	-	-
Royalties	-	-	11,528	122,271
Membership dues	-	-	60,349	55,980
Service contract with the University	-	-	78,625	78,625
Gifts	-	-	2,648,319	1,611,556
Promotional revenues	-	-	1,120	815
Other receipts	2,728,440	3,107,733	277,805	273,827
Net cash provided from (used in) operating activities	$ (36,732,115)	$ (35,974,790)	$ 2,269,305	$ 1,256,453
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriations	55,911,402	39,868,510	-	-
Private gifts other than capital purposes	2,722,228	1,868,548	-	-
Payments to the Foundation	(21,396)	(8,340)	-	-
Scholarships	-	-	(941,588)	(818,099)
Distributions to annuity/unitrust beneficiaries	-	-	(173,698)	(215,013)
Agency receipts	-	-	258,274	217,063
Agency payments	-	-	(233,784)	(244,082)
Other nonoperating activities	1,763,593	1,761,392	4,132,089	1,248,755
Nonoperating grants	16,975,112	16,783,150	(2,593,862)	(1,408,175)
Net cash provided by (used in) noncapital financing activities	$ 77,350,939	$ 60,273,260	$ 447,431	$ (1,219,551)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on capital debt and leases	(6,627,071)	(6,287,617)	-	(50,000)
Interest paid on capital debt and leases	(4,964,767)	(4,736,569)	(71,974)	(74,670)
Capital appropriations	-	377,404	-	-
Capital grants and gifts	260,430	1,233,468	-	-
Purchases of capital assets	(17,273,031)	(41,463,503)	-	-
Net cash provided by (used in) capital and related financing activities	$ (28,604,439)	$ (50,876,817)	$ (71,974)	$ (124,670)

See accompanying notes to financial statements.

STATE OF ILLINOIS
EASTERN ILLINOIS UNIVERSITY
STATEMENT OF CASH FLOWS *(Continued)*
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

	University		Component Units	
	2012	2011	2012	2011
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale and maturities of investments	$ 245,000	$ 336,145	$ 1,743,936	$ 3,177,648
Interest received on investments	81,968	109,218	1,416,102	1,520,436
Sale of gift stock and real estate	-	-	39,998	97,963
Purchase of investments	(262,377)	(338,648)	(2,553,146)	(4,892,784)
Net cash provided by (used in) investing activities	64,591	106,715	646,890	(96,737)
Net increase (decrease) in cash and cash equivalents	12,078,976	(26,471,632)	3,291,652	(184,505)
Cash and cash equivalents, beginning of year	43,966,333	70,437,965	4,048,024	4,232,529
Cash and cash equivalents, end of year	$ 56,045,309	$ 43,966,333	$ 7,339,676	$ 4,048,024
Reconciliation of net operating income (loss) to net cash provided from (used in) operating activities				
Operating income (loss)	$ (102,985,426)	$ (98,362,495)	2,956,986	$ 1,783,226
Adjustments to reconcile operating income (loss) to net cash provided from (used in) operating activities:				
Depreciation	14,191,510	14,604,059	34,642	34,642
Bad debt	-	-	97	800
Payments on behalf of the University	54,969,098	48,399,928	-	-
Noncash stock, real estate gifts	-	-	(5,073)	(74,354)
Changes in assets and liabilities:				
Accounts receivable	(603,904)	(728,252)	(726,454)	(592,213)
Royalties receivable	-	-		106,538
Inventories	7,614	(323,435)	-	-
Notes receivable	(76,951)	(115,408)	-	-
Other assets	68,871	(282,458)	(583)	18,671
Accounts payable and accrued liabilities	(637,136)	752,958	9,690	(20,857)
Deferred revenues	65,873	176,412	-	-
Compensated absences	(1,476,158)	(427,375)	-	-
Federal loan program contributions refundable	18,263	(10,036)	-	-
Other long-term liabilities	(170,869)	70,910	-	-
Deposits	(102,900)	270,402	-	-
Net cash provided from (used in) operating activities	$ (36,732,115)	$ (35,974,790)	$ 2,269,305	$ 1,256,453
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS				
Change in fair value of investments	$ (28,756)	$ 86,145	$ (541,894)	$ 6,908,333
Change in interest receivable affecting interest received	$ 575	$ (1,203)	$ -	$ -
Change in accrued interest affecting interest paid	$ 202,159	$ (5,241)	$ 857	$ (537)
Change in accrued costs relating to capital assets	$ 1,563,040	$ (3,615,156)	$ -	$ -
Transfers of capital assets	$ 526,692	$ 240,471	$ -	$ -

See accompanying notes to financial statements.

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

	June 30, 2012		
	Foundation	Alumni Association	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 483,018	$ 317,395	$ 800,413
Restricted cash and cash equivalents	3,284,521	-	3,284,521
Short-term investments	32,000	465,250	497,250
Restricted short-term investments	3,811,604	-	3,811,604
Accounts receivable, net of allowance for doubtful accounts	520,804	7,786	528,590
Inventories	60,000	-	60,000
Other assets	2,332	1,028	3,360
Total current assets	8,194,279	791,459	8,985,738
Noncurrent assets			
Restricted cash and cash equivalents	3,254,742	-	3,254,742
Endowment investments	36,566,385	-	36,566,385
Restricted investments	19,587,079	-	19,587,079
Other long-term investments	-	1,135,116	1,135,116
Other long-term assets	844,181	7,800	851,981
Capital assets, net of accumulated depreciation	1,843,144	187,690	2,030,834
Total noncurrent assets	62,095,531	1,330,606	63,426,137
TOTAL ASSETS	$ 70,289,810	$ 2,122,065	$ 72,411,875
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued liabilities	$ 36,057	$ 10,584	$ 46,641
Long-term liabilities, current portion	41,875	-	41,875
Demand mortgage payable	1,387,238	-	1,387,238
Total current liabilities	1,465,170	10,584	1,475,754
Noncurrent liabilities			
Long-term liabilities, less current portion	260,012	-	260,012
Due to others	6,539,456	-	6,539,456
Total noncurrent liabilities	6,799,468	-	6,799,468
Total liabilities	8,264,638	10,584	8,275,222
Net assets			
Invested in capital assets, net of related debt	455,906	187,690	643,596
Restricted for:			
Nonexpendable endowment	40,270,237	-	40,270,237
Expendable	20,749,578	-	20,749,578
Unrestricted	549,451	1,923,791	2,473,242
Total net assets	62,025,172	2,111,481	64,136,653
TOTAL LIABILITIES AND NET ASSETS	$ 70,289,810	$ 2,122,065	$ 72,411,875

See accompanying notes to financial statements.

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

	For the Year Ended June 30, 2012		
	Foundation	Alumni Association	Total
OPERATING REVENUES			
Gifts	$ 3,378,642	$ 3,118	$ 3,381,760
Service contract with the University	221,236	21,081	242,317
Budget allocation from the University	205,931	17,144	223,075
Membership dues	-	58,435	58,435
Royalties	-	11,528	11,528
Alumni promotions	-	1,120	1,120
Other operating revenues	276,254	1,551	277,805
Total operating revenues	4,082,063	113,977	4,196,040
OPERATING EXPENSES			
Educational and general			
Institutional support	1,049,830	154,582	1,204,412
Depreciation expense	28,643	5,999	34,642
Total operating expenses	1,078,473	160,581	1,239,054
Operating income (loss)	3,003,590	(46,604)	2,956,986
NONOPERATING REVENUES (EXPENSES)			
Investment income (net)	1,324,377	44,985	1,369,362
Net increase (decrease) in fair market value of investments	(544,411)	2,517	(541,894)
Scholarships	(960,612)	(5,000)	(965,612)
Distributions to annuity/unitrust beneficiaries	(108,193)	-	(108,193)
Actuarial adjustments	380,321	-	380,321
Interest on capital asset-related debt	(72,830)	-	(72,830)
Grants to the University	(2,575,694)	(18,168)	(2,593,862)
Net nonoperating revenues (expenses)	(2,557,042)	24,334	(2,532,708)
Income before capital contributions	446,548	(22,270)	424,278
Additions to permanent endownments	4,157,310	-	4,157,310
Increase (decrease) in net assets	4,603,858	(22,270)	4,581,588
NET ASSETS			
Net assets, beginning of year	57,421,314	2,133,751	59,555,065
Net assets, end of year	$ 62,025,172	$ 2,111,481	$ 64,136,653

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

	For the Year Ended June 30, 2012		
	Foundation	Alumni Association	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and vendors	$ (702,565)	$ (105,876)	$ (808,441)
Royalties	-	11,528	11,528
Membership dues	-	60,349	60,349
Gifts	2,645,201	3,118	2,648,319
Promotional revenues	-	1,120	1,120
Service contract with the University	78,625	-	78,625
Other receipts	276,254	1,551	277,805
Net cash provided from (used in) operating activities	2,297,515	(28,210)	2,269,305
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Grants to the University	(2,575,694)	(18,168)	(2,593,862)
Scholarships	(936,588)	(5,000)	(941,588)
Distributions to annuity/unitrust beneficiaries	(173,698)	-	(173,698)
Agency receipts	258,274	-	258,274
Agency payments	(233,784)	-	(233,784)
Gifts received for endowment purposes	4,132,089	-	4,132,089
Net cash provided from (used in) noncapital financing activities	470,599	(23,168)	447,431
CASH FLOWS FROM RELATED CAPITAL AND FINANCING ACTIVITIES			
Interest paid for capital debt and leases	(71,974)	-	(71,974)
Net cash used in capital and related financing activity	(71,974)	-	(71,974)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale and maturities of investments	1,267,935	476,001	1,743,936
Interest received on investments	1,371,123	44,979	1,416,102
Sale of gift stock and real estate	39,998	-	39,998
Purchase of investments	(2,032,172)	(520,974)	(2,553,146)
Net cash provided from investing activities	646,884	6	646,890
Net increase (decrease) in cash and cash equivalents	3,343,024	(51,372)	3,291,652
Cash and cash equivalents, beginning of year	3,679,257	368,767	4,048,024
Cash and cash equivalents, end of year	$ 7,022,281	$ 317,395	$ 7,339,676
Reconciliation of operating income (loss) to net cash provided from operating activities			
Operating income (loss)	$ 3,003,590	$ (46,604)	$ 2,956,986
Adjustments to reconcile net income to net cash provided from (used in) operating activities:			
Depreciation expense	28,643	5,999	34,642
Bad debt expense	97	-	97
Noncash stock, real estate gifts	(5,073)	-	(5,073)
Changes in assets and liabilities:			
Accounts receivable	(728,368)	1,914	(726,454)
Prepaid expense	(566)	(17)	(583)
Accounts payable	(808)	10,498	9,690
Net cash provided from operating activities	$ 2,297,515	$ (28,210)	$ 2,269,305
NONCASH INVESTING TRANSACTIONS			
Change in fair value of investments	$ (544,411)	$ 2,517	$ (541,894)
Change in accrued interest affecting interest paid	$ 857	$ -	$ 857

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

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

The Foundation is a legally separate, tax-exempt component unit. It acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The Board of 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, 2012, was conducted by an independent certified public accountant and can be obtained from the University's Administrative Office at 600 Lincoln Avenue, Charleston, Illinois 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. 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, 2012, was conducted by an independent certified public accountant and can be obtained from the University's Administrative Office at 600 Lincoln Avenue, Charleston, Illinois 61920.

Eastern Illinois University is a component unit of the State of Illinois for financial reporting purposes. The financial balances and activities included in these financial statements are also included in the State of Illinois' Comprehensive Annual Financial Report. The State of Illinois' Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Division of Financial Reporting, 325 West Adams Street, Springfield, Illinois 62704-1871 or accessing its website at www.ioc.state.il.us.

Financial Statement Presentation

The basic financial statements include prior year comparative information which has been derived from the University and the Component Units' 2011 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, 2011.

Basis of Accounting

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

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

Cash Equivalents

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

Investments

The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in the unrealized gain (loss) on the carrying value of investments are reported as 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 at $5,000 or greater, land or buildings at $100,000 or greater, and site or building improvements at $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. The University purchases textbooks and library materials for its textbook rental service and library. The University capitalizes all library books and textbooks purchases.

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

Deferred Revenues

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

Compensated Absences

Employee vacation pay, sick pay, and compensable time are accrued at year-end for financial statement purposes. The 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.

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 Financial 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(1) of the Internal Revenue Code, as amended.

Classification of Revenues

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

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

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* 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, totaling $54,969,098, representing $31,044,548 and $23,924,550 for group insurance and retirement costs, respectively. These costs are reflected as non-operating 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 other federal, state or nongovernmental programs, are recorded as operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

New Governmental Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following statements which are effective for periods beginning July 1, 2011, or later which may impact the University:

Statement No. 57 - *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* amends Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* to permit an agent employer that has an individual-employer OPEB Plan with fewer than 100 total plan members to use the alternative measurement method. The statement also amends a Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* requirement that a defined benefit OPEB plan obtain an actuarial valuation. The statement is effective for periods beginning after June 15, 2011. It did not impact the University.

Statement No. 60 - *Accounting and Financial Reporting for Service Concession Arrangements,* applies to public-private partnerships in which the public institution retains specific control criteria. The standard generally applies to arrangements to provide services through the use of infrastructure or another public asset, such as a facility. The statement is effective for periods beginning after December 15, 2011. The impact on the University will be reviewed.

Statement No. 61 - *The Financial Reporting Entity: Omnibus,* amends the requirements of Statements No. 14, *The Financial Reporting Entity,* and No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments.* The primary significance to public universities is that Statement 61 amends the criteria for blending, or reporting component units as if they were part of the primary governments. The statement is effective for periods beginning after June 15, 2012. It is not expected to impact the University.

Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements,* incorporates guidance that previously could only be found in certain FASB and American Institute of Certified Public Accountants (AICPA) pronouncements. The standard supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting.* The statement is effective for periods beginning after December 15, 2011. The impact on the University will be reviewed.

Statement No. 63 - *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position,* addresses how to report elements of financial statements that are deferrals. The statement clarifies that amounts that are required to be reported as deferred outflows or inflows of resources should be reported in a separate section in a statement of net assets. The statement is effective for periods beginning after December 15, 2011. The impact on the University will be reviewed.

Statement No. 64 - *Derivative Instruments: Application of Hedge Accounting Termination Provisions,* provides guidance for circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The statement is effective for periods beginning after June 15, 2011. It did not impact the University.

Statement No. 65 - *Items Previously Reported as Assets and Liabilities,* establishes accounting and financial reporting standards that reclassify, as deferred outflows or deferred inflows of resources, certain items previously reported as assets and liabilities and recognizes, as outflows or inflows of resources, certain items that were previously reported as assets and liabilities. The statement is effective for periods beginning after December 15, 2012. The impact on the University will be reviewed.

Statement No. 66 - *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62,* resolves conflicting guidance that resulted from the issuance of Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* as well as Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues.* The statement is effective for periods beginning after December 15, 2012. The impact on the University will be reviewed.

Statement No. 67 - *Financial Reporting for Pension Plans,* amends Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* to revise existing guidance for financial reporting of pension plans of state and local governments. The statement is effective for fiscal years beginning after June 15, 2013. The impact on the University will be reviewed.

Statement No. 68 - *Accounting and Financial Reporting for Pensions,* amends Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* to revise and establish new financial reporting requirements for most governments that provide pension benefits. The statement is effective for fiscal years beginning after June 15, 2014. The impact on the University will be reviewed.

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 $63,455 as of June 30, 2012. 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 $33,400 as of June 30, 2012.

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 Trustees' 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, 2012 are as follows:

Effective Maturity	0-1 Year	1-5 Years	6-10 Years
Illinois Funds	$55,948,454	$ -	$ -
Mutual bond funds	-	30,896	111,842
	$55,948,454	$ 30,896	$ 111,842

Credit Risk

Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligations. Credit ratings for University investments are shown below. The bond funds are not rated. The University's investment policy has no specific guidelines addressing the credit rating of mutual bond funds.

Credit Rating	AAA	Not Rated
Illinois Funds	$55,948,454	$ -
Mutual bond funds	-	142,738
	$55,948,454	$142,738

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 and mutual 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 mutual funds have not disclosed to the University whether derivatives are used, held, or were written during the period covered by the financial statements.

Reconciliation to the Statement of Net Assets

A reconciliation of cash and investments as presented previously to amounts reported in the Statement of Net Assets as of June 30, 2012 are as follows:

	Current	Noncurrent	Total
Cash and cash equivalents	$51,530,875	$ -	$51,530,875
Restricted cash and cash equivalents	4,514,434	-	4,514,434
Short-term investments	245,000	-	245,000
Restricted investments	33,775	-	33,775
Endowment investments	-	522,215	522,215
	$56,324,084	$522,215	$56,846,299

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

Cash deposits	$ 63,455
Petty cash funds	33,400
The Illinois Funds accounts	55,948,454
Bond mutual funds – Charles Schwab and Co., Inc.	142,738
Equity mutual funds – Charles Schwab and Co., Inc.	413,252
Certificate of deposit	245,000
	$ 56,846,299

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2012:

Sales and services	$ 3,088,388
Student tuition and fees	5,039,334
Auxiliary enterprises and other operating activities	5,636,285
Federal, State, and private grants and contracts	727,149
Others	5,665,714
Total	20,156,870
Less allowance for doubtful accounts	(6,753,519)
Net accounts receivable	$ 13,403,351

4. INVENTORIES

Inventories consisted of the following as of June 30, 2012:

Bookstore	$ 1,120,316
Facilities	634,506
Food services/housing	171,067
Union operation	59,800
Postage	43,114
Pharmacy	19,115
Others	2,097
	$ 2,050,015

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, 2012. 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 $5,729,087 as of June 30, 2012, 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, 2012, the allowance for uncollectible loans was $86,328.

6. CAPITAL ASSETS

	For the Year Ended June 30, 2012				
	6/30/2011	Additions	Deletions	Transfers	6/30/2012
Capital assets not being depreciated					
Land and land improvements	$ 2,968,015	$ -	$ -	$ -	$ 2,968,015
Capitalized collections	198,646	-	-	-	198,646
Construction in progress	81,768,176	10,135,227	156,565	(8,127,611)	83,619,227
Total capital assets not being depreciated	84,934,837	10,135,227	156,565	(8,127,611)	86,785,888
Capital assets being depreciated					
Site improvements	17,443,573	-	-	587,537	18,031,110
Buildings and building improvements	310,615,512	-	-	7,540,074	318,155,586
Equipment	66,407,301	6,110,357	3,353,012	50,585	69,215,231
Capital leases-equipment	50,585	-	-	(50,585)	-
Total capital assets being depreciated	394,516,971	6,110,357	3,353,012	8,127,611	405,401,927
Less accumulated depreciation for:					
Site improvements	11,856,971	831,401	-	-	12,688,372
Buildings and building improvements	119,842,385	7,955,767	-	-	127,798,152
Equipment	54,940,562	5,377,189	3,164,719	30,109	57,183,141
Capital leases-equipment	30,109	-	-	(30,109)	-
Total accumulated depreciation	186,670,027	14,164,357	3,164,719	-	197,669,665
Intangible assets being amortized					
Software	380,146	-	-	-	380,146
Less amortization	352,993	27,153	-	-	380,146
Total intangible assets being amortized	27,153	(27,153)	-	-	-
Total capital assets, being depreciated or amortized, net	207,874,097	(8,081,153)	188,293	8,127,611	207,732,262
Capital assets, net	$ 292,808,934	$ 2,054,074	$ 344,858	$ -	$ 294,518,150

7. CONSTRUCTION IN PROGRESS

Below is a listing of the major construction projects in progress as of June 30, 2012:

	Project Estimate	Expended to 6/30/12	Committed
ESCO III	$ 71,429,008	$ 70,568,391	$ 860,617
Lincoln Hall renovations	4,569,427	4,120,361	449,066
Honors College renovations	3,857,569	475,212	3,382,357
Parking Lot repairs	1,577,917	903,102	674,815
Residence hall renovations	2,387,819	1,103,632	1,284,187
Residence hall sprinkler project	4,990,213	3,339,106	1,651,107
Football field/track replacement	3,495,724	1,490,817	2,004,907
Other miscellaneous	2,944,946	1,618,606	1,326,340
	$ 95,252,623	$ 83,619,227	$ 11,633,396

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following as of June 30, 2012:

Accounts payable	$ 2,624,252
Accrued wages	6,206,409
Accrued expenses	5,363,733
Other	457,326
	$ 14,651,720

9. DEFERRED REVENUES

Deferred revenues consisted of the following as of June 30, 2012:

Tuition and fees	$ 2,080,826
Sales and services	325,732
Auxiliary enterprises	333,109
Grants and contracts	1,298,199
Miscellaneous	10,844
	$ 4,048,710

10. LONG-TERM LIABILITIES

		As of June 30, 2012				
		Balance 6/30/11	Additions	Reductions	Balance 6/30/12	Amounts due within one year
Revenue bonds, notes payable and Certificates of Participation						
Revenue bonds payable	(1)	$ 31,785,000	$ -	$ 3,780,000	$ 28,005,000	$ 3,975,000
Revenue bond discounts		(14,311)	-	(1,419)	(12,892)	(1,286)
Revenue bond premiums		438,012	-	152,366	285,646	111,409
Deferred accounting loss		(595,941)	-	(121,339)	(474,602)	(121,338)
Notes payable	(1)	27,802	-	27,802	-	-
Certificates of Participation	(2)	98,175,000	-	2,810,000	95,365,000	2,285,000
COPS premium		9,826	-	6,684	3,142	3,142
COPS discount		(108,219)	-	(13,666)	(94,553)	(12,714)
Capital lease obligations	(3)	9,269	-	9,269	-	-
Other liabilities						
Accrued compensated absences	*	12,958,444	8,027	1,484,186	11,482,285	1,613,317
Deposits	*	1,479,014		273,764	1,205,250	1,205,250
Federal loan program contributions	*	5,710,824	18,263	-	5,729,087	-
Total long-term liabilities		$ 149,874,720	$ 26,290	$ 8,407,647	$ 141,493,363	$ 9,057,780

(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 2012.

Total interest expense for the year ended June 30, 2012 was $7,178,412. There was $2,011,486 of interest capitalized as part of capital projects in progress during the year.

11. REVENUE BONDS AND NOTES PAYABLE

Revenue bonds payable consisted of the following as of June 30, 2012:

$19,345,000, Auxiliary Facilities System Revenue Bonds, Series 2005, term bonds due in annual installments (principal only) of $885,000 to $1,370,000 through April 1, 2013; $965,000 to $1,595,000 through April 1, 2018; $540,000 to $635,000 through April 1, 2023; $665,000 to $730,000 through April 1, 2026; interest ranges from 3.0% to 5.0%.	$ 13,270,000
$18,590,000 Auxiliary Facilities System Revenue Bonds, Series 2008, term bonds due in annual installments (principal only) of $1,000,000 to $2,900,000 through October 1, 2015; interest ranges from 3.25% to 5.0%.	10,795,000
$4,230,000 Auxiliary Facilities System Revenue Bonds, Series 2008B, term bonds due in annual installments (principal only) of $95,000 to $1,340,000 through October 1, 2033; interest ranges from 2.0% to 5.85%.	3,940,000
Total bonds outstanding	$ 28,005,000

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.

During March of 2008, the Series 2008 Bonds were issued in the principal amount of $18,590,000. Proceeds from the sale of the Series 2008 Bonds were used to refund and redeem in April 2008, all of the outstanding Auxiliary Facilities System Revenue Bonds, Series 1998, that matured on and after October 1, 2008. The Series 1998 Bonds due on April 1, 2008 were paid from other available University funds. This portion of the Series 1998 Bonds are no longer outstanding and the liability for those bonds has been removed from the University's Statement of Net Assets.

Although the current refunding resulted in the recognition of an accounting loss of $124,024, the University in effect reduced its aggregate debt service payments by $920,974 over the next eight years.

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

As of June 30, 2012, no previously refunded bonds were outstanding.

The estimated annual amounts required for the payment of principal and interest on the outstanding revenue bonds as of June 30, 2012, are set forth in the following table:

Year ending June 30	Principal	Interest	Total Payments
2013	$ 3,975,000	$ 1,259,946	$ 5,234,946
2014	4,175,000	1,059,324	5,234,324
2015	4,385,000	848,519	5,233,519
2016	4,610,000	626,891	5,236,891
2017	1,490,000	488,016	1,978,016
2018-2022	3,960,000	1,799,018	5,759,018
2023-2027	3,630,000	939,435	4,569,435
2028-2032	1,195,000	349,285	1,544,285
2033-2034	585,000	34,365	619,365
Total	$ 28,005,000	$ 7,404,799	$ 35,409,799

The following reserve accounts were established by the bond resolutions for the 2005, 2008 and 2008B 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 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, 2012 compared with the amounts included within the accounts as of June 30, 2012 are as follows:

	Minimum Amount Required By Bond Resolution	Cash and Investments Deposited in the Account
Repair and Replacement Reserve Account	$ -	$ 5,181,714

Pledged Revenues and Debt Service Requirements

The University has pledged specific revenues, net of specified operating expenses, to repay the principal and interest of revenue bonds. The following is a schedule of the pledged revenues and related debt:

Pledged Revenues					
Bond Issue	Purpose	Source of Revenue Pledged	Future Revenues Pledged[1]	Term of Commitment	Debt Service to Pledged Revenues
Auxiliary Facilities System (AFS)	Refundings, various improvements and additions to the System	Net AFS revenue, student tuition and fees	$35,409,799	2033	5.79%

[1] Total future principal and interest payments on bonds.

For the current year, principal and interest paid by the University and the total net revenues pledged were $5,230,334 and $90,340,456, respectively.

12. CERTIFICATES OF PARTICIPATION

The Certificates of Participation (COPS) consisted of the following as of June 30, 2012:

$8,640,000 Certificates of Participation, Series 2003; due in annual installments (principal only) of $695,000 beginning 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.	2,095,000

$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.	8,340,000
$84,930,000 Certificates of Participation, Series 2009A; due in annual installments (principal only) of $960,000 beginning April 1, 2013, to $3,710,000 through April 1, 2036, interest ranges from 3.5% to 6.35%; certificates are subject to redemption, in part or 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. The certificates due April 1, 2020 and thereafter are also callable at the option of the Board on any date on or after April 1, 2019 at the price of the principal amount, plus accrued interest.	84,930,000
Total Certificates of Participation	$95,365,000

Per the COPS Series 2003, the COPS Series 2005, and the COPS Series 2009A 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, 2012, are set forth in the following table:

Year Ending June 30	Principal	Interest	Build America Subsidy	Total
2013	2,285,000	5,433,881	(1,761,392)	5,957,489
2014	2,610,000	5,347,859	(1,749,631)	6,208,228
2015	2,155,000	5,267,774	(1,733,047)	5,689,727
2016	2,415,000	5,175,391	(1,704,865)	5,885,526
2017	3,650,000	5,065,069	(1,670,649)	7,044,420
2018-2022	20,565,000	22,340,653	(7,423,361)	35,482,292
2023-2027	20,830,000	16,555,092	(5,705,330)	31,679,762
2028-2032	21,795,000	10,295,417	(3,603,396)	28,487,021
2033-2036	19,060,000	2,918,142	(1,021,350)	20,956,792
Total	$95,365,000	$78,399,278	$(26,373,021)	$147,391,257

13. LEASES PAYABLE

The University made rental payments under operating leases during 2012 of $55,697, primarily for office space used by various grant activities, storage for surplus equipment, and the shuttle buses.

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 accessing its website at www.SURS.org, or calling 1-800-275-7877.

Funding Policy

Plan members are required to contribute 8.0% of their annual covered salary (9% for University Police Officers) and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The rate for the years ended June 30, 2012, 2011, and 2010 were 34.51%, 21.27%, and 18.61%, respectively, of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly. The employer contributions to SURS for the years ended June 30, 2012, 2011, and 2010 were $24,175,696, $19,453,172, and $18,020,036, respectively, equal to the required contributions for each year.

15. POST EMPLOYMENT BENEFITS

The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Healthcare and Family Services along with the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute towards health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes $5,000.

The State pays the University's portion of employer costs for the benefits provided. The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as expenditure by the State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Healthcare and Family Services. A copy of the financial statements of the Department of Healthcare and Family Services may be obtained by writing to the Department of Healthcare and Family Services, 201 South Grand Avenue, Springfield, Illinois, 62763-3838.

16. SELF INSURANCE

The University is self insured for general liability through SURMA, the State University 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 $11 million with a $350,000 self-insured retention. Settled claims have not exceeded commercial general liability coverage in any of the three preceding years. The University has recorded an allocation of SURMA's net assets of $729,712 as an other non-current asset for the year ended June 30, 2012.

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

This plan is considered secondary or excess insurance if the student possesses any other medical insurance. This plan has a $50 deductible per diagnosis per school year and allows benefits up to 80%, subject to some limitations. The lifetime maximum benefits of the plan are $25,000 per diagnosis for medical services and $5,000 for mental illness and substance abuse. Total claims of $1,403,367 were paid for the year ended June 30, 2012.

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. This reserve is based on estimated ultimate cost of settling claims applying historical experience and is presented on the cash basis of accounting. Changes in the reserve balance for the year ended June 30, 2012 are as follows:

Reserve balance, June 30, 2011	$1,988,850
Transfers and fees	1,533,474
Payment of claims	(1,403,367)
Administrative cost	(297,313)
Reserve balance, June 30, 2012	$1,821,644

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 $46,869,200 for general and educational purposes during the fiscal year 2012.

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 2012, the University received $526,692 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 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, 2012, the University provided cash, services and other resources to the Foundation, totaling $221,236, to help defray the Foundation's cost incurred under the contract. During the year ended June 30, 2012, the Foundation incurred expenses of $142,611 under the contract.

During the year ended June 30, 2012, the Foundation gave the University $2,655,709 of cash, services and resources, unrestricted or restricted only as to department, which are generally for on-going operations of the University. In addition, the Foundation gave the University restricted scholarships, grants and awards of $960,612 during the year. Also, the Foundation received $35,359 for the year ended June 30, 2012 in gifts from the University's restricted gift account with the donor's consent.

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 had also agreed to pay the University for all facilities, services, and resources used. The payment was to be either in the form of money or its equivalent in services or resources. During the year ended June 30, 2012, the University provided the Association with $21,081 in services in accordance with the contract.

In fulfilling its fiscal year 2012 contract with the University, the Association incurred $122,356 of expenses and $38,225 of in-kind expenses. Included in the fiscal year 2012 expenses of $122,356 are unrestricted gifts, grants and scholarships of $23,168 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 $44,375 for the year ended June 30, 2012.

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.

19. NATURAL CLASSIFICATIONS OF EXPENSES

Operating expenses by natural classification for the year ended June 30, 2012 are as follows:

Salaries	$ 110,120,604
Benefits	61,841,243
Supplies	5,231,719
Contractual services	23,834,369
Travel	1,594,263
Repairs and maintenance, equipment and buildings	3,276,867
Scholarships	17,722,602
Other	8,533,081
Depreciation	14,191,510
	$ 246,346,258

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. All other investments are carried at their fair value, as determined by quoted market prices for investments that have readily available fair values. 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 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, the Illinois Compiled Statutes (760 ILCS 51/4) 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 requirements, expected total return on its investments, price-level trends, and general economic conditions. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

The long-term objective of the endowment funds, as determined by the Board of Directors, is to achieve a total return in excess of its current spending rate policy over a twenty-year time horizon. The current rate of the spending rate policy is 5% per year, comprised of a 4.25% spending rate and 0.75% for administrative expenses. In addition to achieving the 5% spending rate policy, the policy asset allocation is designed to cover the costs of inflation, investment management/consulting fees, and other related costs. The spending allowance calculation is determined by taking the spending rate (currently 5%) times the investment portfolio's trailing twelve-quarter average market value, as of December 31st of each year. Any remaining return over the 5% spending rate will be retained for use in future years. As of June 30, 2012, net appreciation of $10,424,311 is available to be spent but is restricted to specific purposes. Also, as of June 30, 2012, the fair market values of certain endowment investments were below their original cost by $794,678.

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, 2012 are disclosed as follows:

Effective Maturity	0-1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	Total
The Illinois Funds	$7,022,281	$ -	$ -	$ -	$ -	$7,022,281
Money Market Funds	1,174,988	-	-	-	-	1,174,988
Mutual Bond Funds	-	1,314,901	9,128,559	1,293,005	-	11,736,465

The Foundation does not have a policy that specifically addresses interest rate risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligations. The Foundation has no specific guidelines addressing the credit rating of fixed income securities. The quality ratings for investments disclosed as of June 30, 2012 are as follows.

Quality Rating	AAA	Not Rated
The Illinois Funds	$7,022,281	$ -
Money Market Funds	125,119	1,050,869
Mutual Bond Funds	-	11,736,465
	$7,147,400	$12,787,334

The money market funds administered by Charles Schwab & Co., Inc. do not have a quality rating, but the fund's policy generally limits investments to the top two tiers. Mutual bond fund ratings represent investments in the portfolio, but the bond fund themselves are not rated.

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. One hundred percent of the Foundation's investments are held by a custodian in the Foundation's name and are not subject to creditors of a custodial bank.

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

Concentration Risk

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

The Foundation has not held foreign currency positions. While managers are authorized to participate in securities lending, they did not participate in securities lending other than through 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 of the Illinois Compiled Statutes (15 ILCS 520/11). Details on the nature of these investments are available within the State of Illinois' Comprehensive Annual Financial Report. The Illinois Funds do not have any direct or indirect investments in derivative instruments.

The money market mutual funds, bond funds, equity funds, and mutual funds have not disclosed to the Foundation whether derivatives were used or held during the period covered by the financial statements.

Reconciliation to the Statement of Net Assets

A reconciliation of cash and investments as shown on the June 30, 2012 Statement of Net Assets is as follows:

	Current	Noncurrent	Total
Cash and cash equivalents	$ 483,018	$ -	$ 483,018
Restricted cash and cash equivalents	3,284,521	3,254,742	6,539,263
Restricted investments	3,811,604	19,587,079	23,398,683
Other current investments	32,000	-	32,000
Endowment investments	-	36,566,385	36,566,385
Total cash and investments	$ 7,611,143	$ 59,408,206	$ 67,019,349

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

The Illinois Funds money market accounts	$ 7,022,281
Money market accounts administered by First-Mid-Illinois Bank and Trust	125,119
Money market accounts administered by Charles Schwab & Co., Inc.	1,050,869
Investments administered by Charles Schwab & Co., Inc.	
Open Ended Mutual Bond funds	10,443,460
Open Ended Mutual Equity funds	30,829,271
Corporate Equity - Student Investment	46,673
Investments administered by Brandywine Global	
Open Ended Mutual Bond funds	1,293,005
Investments administered by First Mid-Illinois Bank	
Corporate Equity - Cooperative Stock	1,780
Alternative Investments	
Investments administered by Corbin Pinehurst	4,653,175
Investments administered by CITCO Fund Services	3,417,007
Investments administered by Park Street Capital	1,036,277
Investments administered by Goldman Sachs	625,551
Investments administered by Portfolio Advisors	651,882
Investments administered by Montauk	79,498
Life insurance cash values	83,367
Real estate	5,660,134
Total cash and investments	$ 67,019,349

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 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 tenth day of each month. At June 30, 2012, the interest rate on this note was 5.25%. The principal is payable on demand, but if no demand is made, then on August 5, 2014.

The two unitrust gifts matured on April 12, 2012. The Foundation is waiting on legal counsel to approve distribution of the assets. The Foundation's share of those unitrusts are currently estimated to be $1,352,301.

The balance of the demand mortgage note payable was $1,387,238 as of June 30, 2012.

In addition, the Foundation had $6,539,456 due to others as of June 30, 2012. 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.

SCHEDULE OF INSURANCE

Insurance Coverage:

Insurance covers property damage to buildings, 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.

	Coverage Amount	Deductible
Most buildings, contents, business interruption, electronic data processing and builder's risk	$ 500,000,000	$ 25,000
Boiler and machinery	100,000,000	25,000
Flood	100,000,000	25,000
Earthquake	100,000,000	25,000

Insurance company: Lexington Insurance Company

Policy period: July 1, 2011 to July 1, 2012

STATE OF ILLINOIS
EASTERN ILLINOIS UNIVERSITY
UNAUDITED DATA REQUIRED BY REVENUE BOND RESOLUTIONS
JUNE 30, 2012

RATES	Double Occupancy	Single Occupancy
Residence halls		
Summer 2011	$ 1,411	$ 1,767
Fall 2011		
7 meals	3,941	4,791
10 meals	4,116	4,966
12 meals	4,271	5,121
15 meals	4,442	5,292
Spring 2012		
7 meals	3,941	4,791
10 meals	4,116	4,966
12 meals	4,271	5,121
15 meals	4,442	5,292
Summer 2012 (8 week session)	1,460	1,829

RATES	Efficiency	One Bedroom	Super Efficiency
Married student housing (monthly rent)			
Fall 2011	$ 451	$ 474	$ 422
Spring 2012	$ 451	$ 474	$ 422
Summer 2012	$ 451	$ 474	$ 422

University Court (semester)	Range		
Fall 2011 semester	$ 2,377	to	$ 3,178
Spring 2012 semester	2,377	to	3,178
Summer 2012 (8-week session)	946	to	1,062

	Fees
Bond revenue fees	
Summer 2011	$ 399.47
Fall 2011	541.07
Spring 2012	541.07
Summer 2012	541.07

STATE OF ILLINOIS
EASTERN ILLINOIS UNIVERSITY
UNAUDITED DATA REQUIRED BY REVENUE BOND RESOLUTIONS
JUNE 30, 2012

ENROLLMENT DATA

Enrollment Date	Undergraduate Students	Graduate Students	Extension Students	Total
Summer 2011	1,817	797	1,320	3,934
Fall 2011	8,879	1,157	1,142	11,178
Spring 2012	7,983	1,125	1,147	10,255
Summer 2012	1,798	762	1,293	3,853

OCCUPANCY DATA

	Occupancy	Rate Occupancy	% of Occupancy
Residence halls			
Summer 2011	78	150	52%
Fall 2011	3,275	4,722	69%
Spring 2012	3,017	4,722	64%
Summer 2012	-	150	0%
Married student housing			
Summer 2011	73	130	56%
Fall 2011	127	130	98%
Spring 2012	122	130	94%
Summer 2012	59	130	45%
University Court			
Summer 2011	134	146	92%
Fall 2011	144	146	99%
Spring 2012	145	146	99%
Summer 2012	61	146	42%

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 financial statements of the business-type activities of the Eastern Illinois 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, 2012, which collectively comprise the Eastern Illinois University's basic financial statements and have issued our report thereon dated March 11, 2013. Our report 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 Eastern Illinois University's discretely presented component units, as described in our report on the Eastern Illinois University's financial statements. 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 auditors.

Internal Control Over Financial Reporting

Management of the Eastern Illinois University is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Eastern Illinois University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the Eastern Illinois University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Eastern Illinois University's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as item 12-1 to be a material weakness.

A *significant deficiency* is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings as item 12-2 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Eastern Illinois 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.*

The Eastern Illinois University's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Eastern Illinois University's responses and, accordingly, we express no opinion on the responses.

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 of the Eastern Illinois University, the Eastern Illinois 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.

CliftonLarsonAllen LLP

Peoria, Illinois
March 11, 2013

CURRENT FINDINGS – *GOVERNMENT AUDITING STANDARDS*

12-1. **FINDING** (Failure to Capitalize Interest Costs)

The Eastern Illinois University (University) did not properly capitalize interest costs incurred related to the construction of the University's Renewable Energy Center.

In November 2009, the University began construction on the Renewable Energy Center to replace the University's steam plant. While the Renewable Energy Center produced some steam to support campus operations during Fiscal Year 2012, the Renewable Energy Center was not functioning as designed or intended. The University has been working with the University's contractor to identify and remedy issues preventing the Renewable Energy Center from operating at full capacity.

During testing, the auditors noted the University properly recorded the Renewable Energy Center as construction in progress as it was not ready for its intended use; however, the University did not capitalize corresponding interest costs of $2,011,486 incurred during Fiscal Year 2012 for the Renewable Energy Center. The auditors proposed an adjusting journal entry to the University to correct this error, which the University recorded in the financial statements.

Statement of Financial Accounting Standards No. 34, Paragraphs 17-18, *Capitalization of Interest Cost*, requires the University capitalize interest costs while interest costs are being incurred, activities necessary to get the asset ready for its intended use are in progress, and expenditures for the asset have been made. The capitalization of interest costs ceases only when the asset is substantially complete and ready for its intended use.

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University establish and maintain a system, or systems, of fiscal and administrative controls to provide assurance resources applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial reports and to maintain accountability over the State's resources.

University personnel stated they chose not to capitalize interest costs incurred during the fiscal year as they viewed not capitalizing these costs as a more conservative accounting practice. However, the auditors note this viewpoint is contrary to the purpose of the interest capitalization requirement as promulgated by the Financial Accounting Standards Board (FASB). In Statement of Financial Accounting Standards No. 34, Paragraph 12, *Capitalization of Interest Cost*, the FASB states:

CURRENT FINDINGS – *GOVERNMENT AUDITING STANDARDS*

> The amount of interest cost to be capitalized for qualifying assets is intended to be that portion of the interest cost incurred during the assets' acquisition periods that theoretically could have been avoided (for example, by avoiding additional borrowings or by using the funds expended for the assets to repay existing borrowings) if expenditures for the assets had not been made.

Failure to accurately capitalize interest costs within the University's basic financial statements in accordance with generally accepted accounting principles could have resulted, if not detected and corrected, in a material misstatement of the University's financial position and negatively impacted the State's financial statements. Further, a delay in completing the University's financial audit due to errors and omissions negatively impacts the timely completion of the State's financial statements. (Finding Code No. 12-1)

RECOMMENDATION

We recommend the University capitalize interest cost in accordance with generally accepted accounting principles.

UNIVERSITY RESPONSE

The University has complied with the auditor's recommendation. We have recorded an adjustment to our fiscal year 2012 ledger.

CURRENT FINDINGS – *GOVERNMENT AUDITING STANDARDS*

12-2. **FINDING** (Improper Accounting for the Student Self-Insurance Health Plan)

The Eastern Illinois University (University) did not account for the University's Student Self-Insurance Health Plan in accordance with the accrual basis of accounting.

The University administers a self-insured health plan for students funded by fees paid by the users of the plan, as described in Note 16 on pages 49-50 in the University's financial statements.

During testing, the auditors noted the University accounted for expenditures related to this health plan on the cash, rather than the accrual, basis of accounting. The auditors analyzed Fiscal Year 2012 expenditures paid between July 1, 2012 through October 16, 2012, noting unrecorded self-insurance claims payable and a resultant understatement of self-insurance expense by $128,018. This amount was deemed immaterial by University management and was not adjusted in the final financial statements.

Governmental Accounting Standards Board Statement No. 34, Paragraph 92, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires the University present both the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets on the accrual basis of accounting using the economic re-sources measurement focus. The accrual basis of accounting recognizes the financial impact of events and transactions when they occur, regardless of the actual timing of related cash flows. The economic resources measurement focus is designed to report all inflows, outflows, and balances affecting or reflecting the University's net asset position.

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University establish and maintain a system, or systems, of fiscal and administrative controls to provide assurance revenues, expenditures, and resources applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial reports and to maintain accountability over the State's resources.

University personnel stated the errors were due to oversight.

Failure to properly account for the University's Student Self-Insurance Health Plan resulted in an understatement of liabilities and expenditures on the University's basic financial statements and reduces the overall reliability of Statewide financial reporting. (Finding Code No. 12-2)

CURRENT FINDINGS – *GOVERNMENT AUDITING STANDARDS*

RECOMMENDATION

We recommend the University account for the activities of the University's Student Self-Insurance Health Plan on the accrual basis of accounting.

UNIVERSITY RESPONSE

The University agrees with the auditor's recommendation. In the future, we will review and, if material, record a liability for claims incurred but not paid.

PRIOR FINDINGS NOT REPEATED

A. **Finding** (Inaccurate Accounting for Participation in a Public Entity Risk Pool)

During the prior audit, the Eastern Illinois University (University) did not properly account for its participation in the State University Risk Management Association (SURMA). (Finding Code No. 11-1)

Status: Not Repeated

During the current audit, the auditors' testing disclosed conditions that did not rise to a significant deficiency in internal control over financial reporting. However, the auditors' testing did disclose a significant deficiency in internal control over State compliance reported as item 12-13.

B. **Finding** (Inaccurate Capital Asset Accounting and Depreciation Calculations)

During the prior audit, the Eastern Illinois University (University) did not properly calculate current depreciation and improperly classified completed projects in the University's financial statements. (Finding Code Nos. 11-2, 10-1)

Status: Implemented

During the current audit, the auditors' testing did not disclose calculation errors for depreciation or any improperly classified completed projects in the University's financial statements.