STATE OF ILLINOIS
EASTERN ILLINOIS UNIVERSITY

FINANCIAL AUDIT
For the Year Ended June 30, 2009

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

EASTERN ILLINOIS UNIVERSITY
FINANCIAL AUDIT
For the Year Ended June 30, 2009

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EASTERN ILLINOIS UNIVERSITY

UNIVERSITY OFFICIALS

President	Dr. William L. Perry
Provost and Vice President for Academic Affairs	Dr. Blair M. Lord
Vice President for Business Affairs (7/1/09 to present)	Dr. William V. Weber
Interim Vice President for Business Affairs (1/1/09 to 6/30/09)	Mr. Paul A. McCann, CPA
Vice President for Business Affairs (7/1/08 to 12/31/08)	Mr. Jeffrey L. Cooley, CPA
Vice President for Student Affairs	Dr. Daniel P. Nadler
Vice President for External Relations	Dr. Jill F. Nilsen
Director of Business Services and Treasurer (7/1/08 to 12/31/08 and 7/1/09 to present)	Mr. Paul A. McCann, CPA
Interim Director of Business Services and Treasurer (1/1/09 to 6/30/09)	Ms. Linda C. Holloway
Director of Accounting and Finance and Assistant Director of Business Services (12/1/08 to present)	Vacant
Director of Accounting and Finance and Assistant Director of Business Services (7/1/08 to 11/30/08)	Mr. Larry G. Cannon
General Counsel	Mr. Robert L. Miller
Director of Internal Auditing (7/22/08 to present)	Ms. Sharon K. McRaven, CPA, CIA
Interim Director of Internal Auditing (7/1/08 to 7/21/08)	Ms. Rebecca L. Litton

University offices are located at:

600 Lincoln Avenue
Charleston, Illinois 61920

EASTERN ILLINOIS UNIVERSITY
FINANCIAL STATEMENT REPORT

SUMMARY

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

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

SUMMARY OF FINDINGS

The auditors identified matters involving the University's internal control over financial reporting that they considered to be significant deficiencies. The significant deficiencies are described in the accompanying Schedule of Findings on pages 63 to 66 of this report, as finding 09-1, (Inadequate process in establishing accounting estimate) and finding 09-2, (Failure to timely revoke access to University information systems and timely cancel telephone credit cards assigned to former employees).

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with University personnel at an exit conference on February 2, 2010. Attending were:

Eastern Illinois University
William Weber, Vice President of Business Affairs
Paul McCann, Director of Business Services
Michael Hutchinson, Accountant IV and Interim Assistant Comptroller
Linda Holloway, Assistant Director of Payroll and Benefits
Linday Coffey, Bursar
Jerry Donna, Director of Financial Aid
Dianna Ensign, Associate Director of Financial Aid
Greg De Young, Associate Director of Information Technology Services
Sherry McRaven, Director of Internal Audit
Rebecca Litton, Internal Auditor III
Monty Bennett, Director of Procurement, Disbursements and Contract Services
Adam Due, Chief of Police
Jenifer Shupe, Office Support Specialist

Auditor General
Jon Fox, Audit Manager
Jennifer Ballweg, Audit Supervisor

E. C. Ortiz & Co. LLP
Marites Sy, Partner
Shirley Trinidad, Manager

The responses to the recommendations were provided by Paul McCann in a letter dated February 24, 2010.

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

Independent Auditors' Report

Honorable William G. Holland
Auditor General
State of Illinois

and

The Board of Trustees
Eastern Illinois University

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities of Eastern Illinois University (University) and its aggregate discretely presented component units, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2009, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the University's June 30, 2008 financial statements and, in our report dated April 20, 2009, we expressed an unqualified opinion on those financial statements of the business-type activities and the aggregate discretely presented component units. We did not audit the financial statements of the aggregate discretely presented component units, as described in Note 1 of the financial statements. Those statements were audited by other auditors whose reports thereon have been provided to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

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

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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 Eastern Illinois University, as of June 30, 2009, and the respective changes in financial position and cash flows thereof 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 February 24, 2010 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 6 through 18 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Eastern Illinois University's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, as listed in the table of contents, has not been subjected to the auditing procedures applied by us 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 2000, 2005, 2008, and 2008B).

E.C. Ortiz & Co., LLP

February 24, 2010

EASTERN ILLINOIS UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Eastern Illinois University (the University) annual financial report presents management's discussion and analysis (MD&A) of the financial performance of the University during the fiscal year ended June 30, 2009 with comparative information for the year ended June 30, 2008. 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 nonoperating. Under the current reporting model, a significant portion of the University's revenue is considered nonoperating. State and capital appropriations of $51,377,973 and payments on behalf of the University of $34,842,123 are reported as nonoperating revenues and results in the University showing an operating loss of $85,397,971 for the year ended June 30, 2009.

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, 2009, the University's net assets increased by approximately $12.3 million to $183.3 million. This increase is primarily due to an increase in student tuition and fees, an increase in grant revenues, and an increase in auxiliary enterprise revenues.

During the fiscal year ended June 30, 2009, the University issued $4.2 million of Revenue Bonds to fund the construction and equipping of the new textbook rental service facility.

Statement of Net Assets

Condensed Statement of Net Assets, as of June 30,

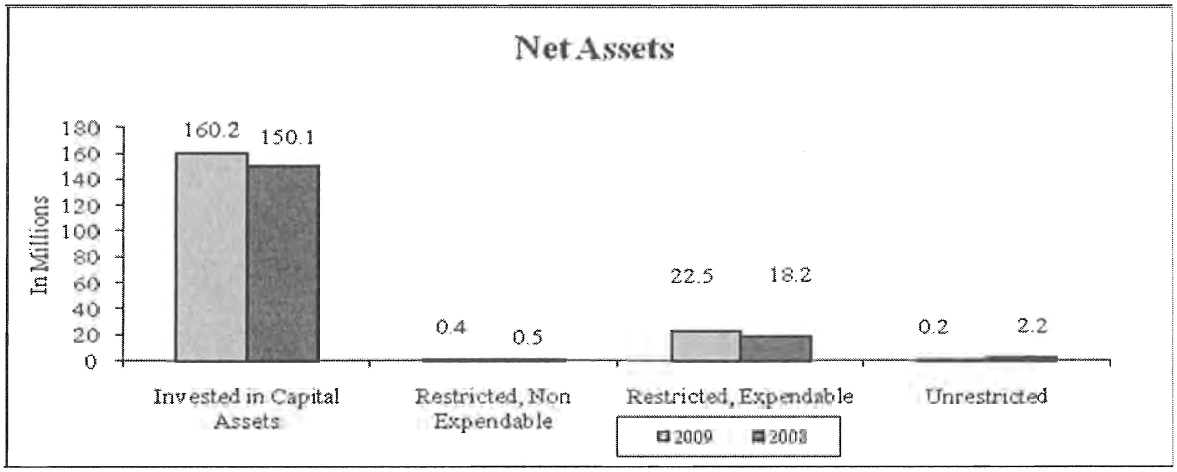
	2009	2008
Assets		
Current assets	$ 58,230,011	$ 50,063,703
Noncurrent assets		
Capital assets, net	212,851,757	206,552,679
Other	6,078,899	9,127,463
Total noncurrent assets	218,930,656	215,680,142
Total assets	$ 277,160,667	$ 265,743,845
Liabilities		
Current liabilities	$ 24,664,413	$ 23,387,984
Noncurrent liabilities	69,164,013	71,312,649
Total liabilities	93,828,426	94,700,633
Net Assets		
Invested in capital assets, net	160,214,306	150,147,682
Restricted		
Nonexpendable	422,685	548,808
Expendable	22,494,706	18,186,901
Unrestricted	200,544	2,159,821
Total net assets	183,332,241	171,043,212
Total liabilities and net assets	$ 277,160,667	$ 265,743,845

University assets totaled nearly $277.2 million as of June 30, 2009. The largest asset of the University is its investment in land, buildings and equipment which totaled approximately $212.9 million for 2009.

University liabilities totaled approximately $93.8 million as of June 30, 2009. Long-term debt of approximately $78.2 million as of June 30, 2009, is the largest portion of the liability. Long-term liabilities consisted of notes, leases and 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 $58.2 million as of June 30, 2009 were sufficient to cover the current liabilities of approximately $24.7 million as of June 30, 2009. The current ratio of current assets to current liabilities is 2.36 in current assets for every $1 in current liabilities for fiscal year 2009.

The following graph shows net assets by classification and restriction:



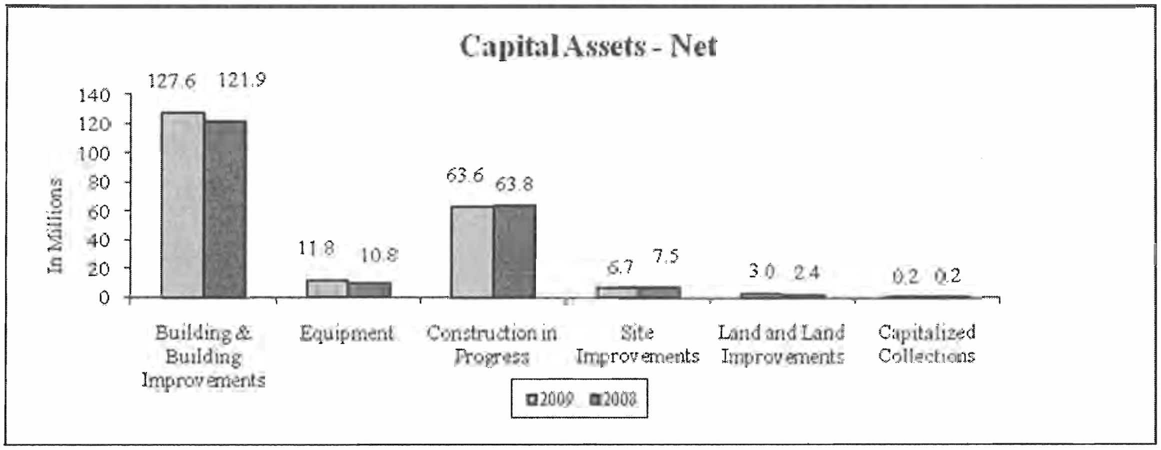
Capital Assets and Related Financing Activities

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 $19.1 million for fiscal year 2009. The additions included ongoing renovations to the Doudna Fine Arts building. During fiscal year 2009, the University broke ground on a new textbook rental service facility.

The University had approximately $38.9 million of bonded debt outstanding and $18.3 million of Certificates of Participation outstanding as of June 30, 2009. In October 2009, the university issued its Certificates of Participation, Series 2009A, in the amount of $84,930,000. Proceeds from the sale of these COPs will be used to construct a renewable energy center and other energy conservation measures, as well as provide capitalized interest and certain costs of issuance. For more information concerning Capital Assets, Construction in Progress, Bonds Payable, Lease Obligations, and COPS Payable see Notes 6, 7, 10, 11, 12 and 13.

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



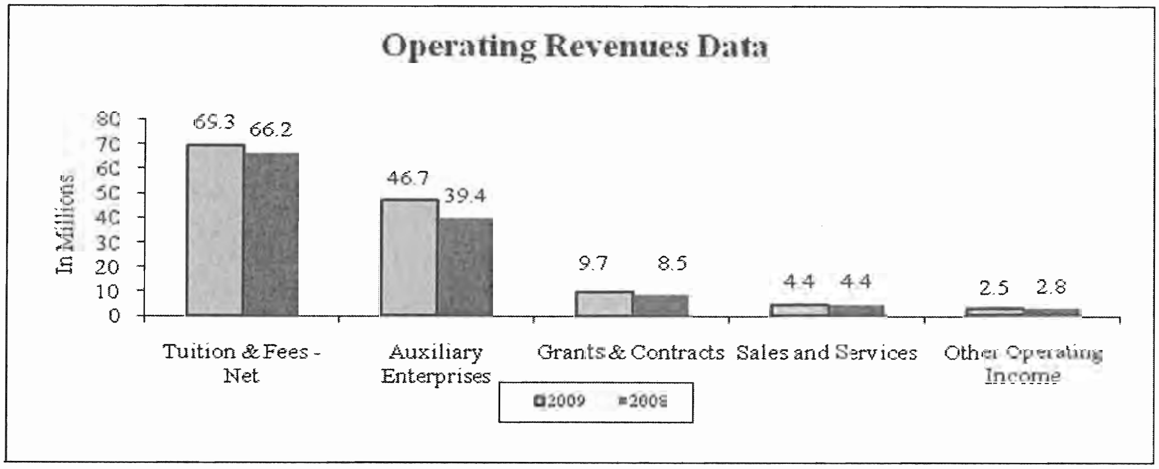
Statement of Revenues, Expenses and Changes in Net Assets

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

	2009	2008
Operating revenues		
Tuition and fees, net	$ 69,339,046	$ 66,225,748
Grants and contracts	9,702,110	8,460,240
Auxiliary enterprises	46,705,647	39,416,747
Other operating revenues	6,928,057	7,169,511
Total operating revenues	132,674,860	121,272,246
Operating expenses	218,072,831	204,516,408
Operating loss	(85,397,971)	(83,244,162)
Nonoperating revenues (net of expenses)		
State appropriations	49,302,337	49,189,200
Payments on behalf of the University	34,842,123	31,652,439
Other nonoperating revenues - net	8,882,537	9,121,507
Net nonoperating revenues	93,026,997	89,963,146
Income before capital contributions	7,629,026	6,718,984
Capital appropriations	2,075,636	2,657,335
Transfers from Capital Development Board	1,586,957	2,455,532
Capital grants and gifts	997,410	306,172
Total increase in net assets	12,289,029	12,138,023
Net assets, beginning of year	171,043,212	158,905,189
Net assets, end of year	$ 183,332,241	$ 171,043,212

Operating Revenues

Operating revenues for fiscal year 2009 totaled $132.7 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 increased during fiscal year 2009 by $0.1 million. During fiscal year 2005, the "Truth in Tuition" regulations took affect (a first time attendee is guaranteed the same tuition rate for four years as long as they are undergraduates). Because of this, tuition rates were increased by 12% for new students and approximately 7.5% for continuing students in both fiscal years 2009 and 2008. The University also implemented a student fee increase of 3.9% in fiscal year 2009. 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 twelve State universities in Illinois. It is currently only one of two public universities to continue to offer textbook rental as a service to students, rather than requiring students to spend hundreds of dollars for textbooks each year. The following explains the rates for tuition and fees for a student attending 12 or more hours during the Fall and Spring semesters of fiscal years 2009 and 2008.

	2009	2008
Full-time Undergraduates		
In-State		
Continuing Non-guaranteed	$170.55/hour + $979.32 fees/semester	$158.65/hour + $940.09 fees/semester
New student FY06	$154.30/hour + $979.32 fees/semester	$154.30/hour + $940.09 fees/semester
New student FY07	$173.55/hour + $979.32 fees/semester	$173.55/hour + $940.09 fees/semester

	2009	2008
In-State		
New student FY08	$194.40/hour + $1,055.28 fees/semester	$194.40/hour + $1,016.05 fees/semester
New student FY09	$218.00/hour + $1,055.28 fees/semester	
Out of State		
Continuing Non-guaranteed	$511.65/hour + $979.32 fees/semester	$475.95/hour + $940.09 fees/semester
New students FY06	$462.90/hour + $979.32 fees/semester	$462.90/hour + $940.09 fees/semester
New students FY07	$520.65/hour + $979.32 fees/semester	$520.65/hour + $940.09 fees/semester
New students FY08	$583.20 hour + $1,055.28 fees/semester	$583.20 hour + $1,016.05 fees/semester
New students FY09	$654.00 hour + $1,055.28 fees/semester	
Full-time graduates		
In State	$248.00/hour + $981.32 fees/semester	$189.75/hour + $942.09 fees/semester
New students	$218.00/hour + $1,057.28 fees/semester	$189.75/hour + $1,018.05 fees/semester
Out of State	$654.00/hour + $981.32 fees/semester	$569.25/hour + $942.09 fees/semester
New students	$654.00/hour + $1,057.28 fees/semester	$569.25/hour + $1,016.05 fees/semester

Room and Board

The University currently has 12 traditional residence halls and a village of fraternity and sorority residences ("Greek Court"), with a capacity of approximately 4,700 students. In addition, there are 154 married and graduate student apartments ("University Apartments") and 146 undergraduate apartment units in 11 buildings ("University Court"). For Fall 2008, the residence halls were about 84% occupied; the University Apartments were about 86% occupied; and the University Court was 87% occupied.

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

	2009	2008
University Apartments		
Efficiency	$412/month	$400/month
One bedroom	$434/month	$421/month
Super efficiency	$386/month	$375/month

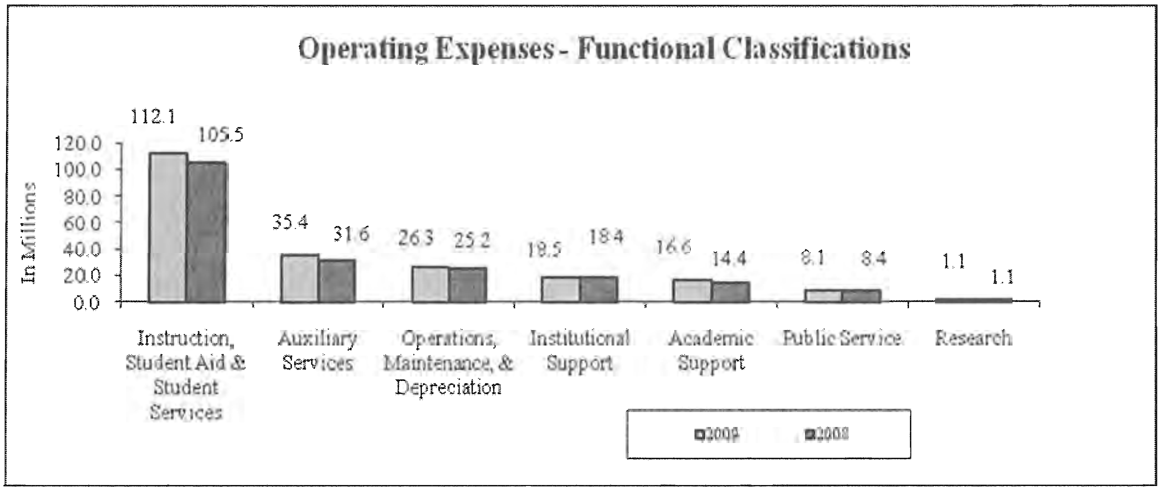
	2009	2008
University Court	Rates vary from $2,263 to $3,025/semester	Rates vary from $2,197 to $2,937/semester
Residence Halls		
7 plus meal plan	$3,367/semester	$3,161/semester
10 plus meal plan	$3,516/semester	$3,301/semester
12 plus meal plan	$3,649/semester	$3,426/semester
15 plus meal plan	$3,794/semester	$3,562/semester

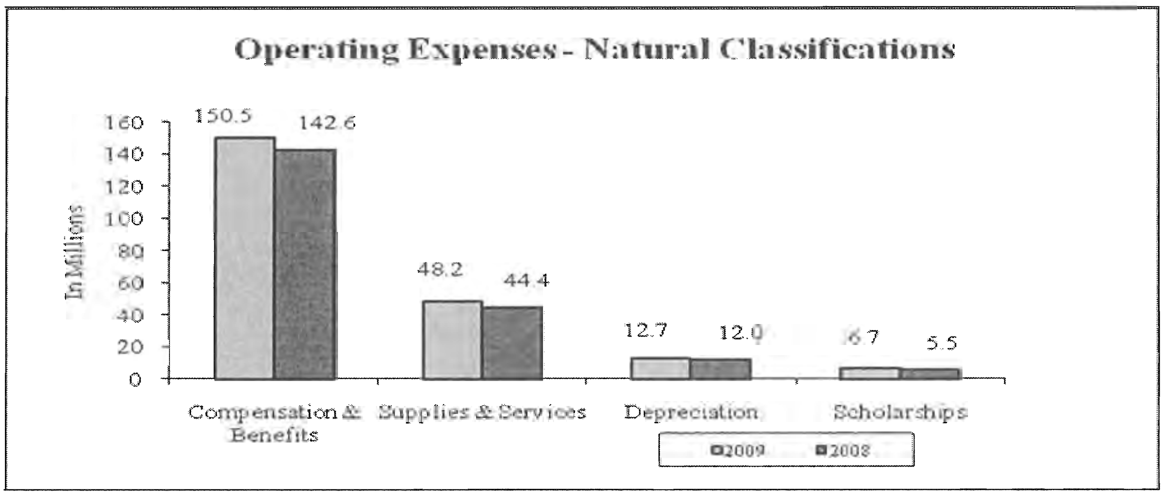
The Plus Meal Option permits each student the flexibility to make purchases at various campus locations, including any residence hall dining center, the food court within the University Union, and campus convenience centers.

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 2009, including depreciation of $12.7 million, totaled $218.1 million. Under the functional classifications, $112.1 million, or 51.4%, was used for instruction, student aid, and student services; $35.4 million, or 16.2%, was used for auxiliary services; $26.3 million, or 12.1%, was for operations and maintenance of plant and depreciation; $18.5 million, or 8.5%, was used for institutional support, which includes such areas as computer services and University police; $16.6 million, or 7.6%, was used for academic support, for such areas as the library and various dean's offices; and $9.2 million, or 4.2%, was used for research and public service, for such areas as grants and contracts. Under the natural classifications, $150.5 million, or 69%, was used for compensation and benefits; $48.2 million, or 22.1%, was used for supplies, contractual services, utilities, travel, repairs and maintenance and other; $6.7 million, or 3.1%, was used for scholarships; and $12.7 million, or 5.8%, was depreciation.

Operating expenses are shown in the graphs on the next page, by both functional and natural classifications.





Other

The State appropriation was the largest source of nonoperating revenues at $49.3 million in fiscal year 2009.

Interest expense on outstanding debt was $2.3 million for fiscal year 2009, and is the largest category of nonoperating expenses.

Statement of Cash Flows

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

Condensed Statement of Cash Flows
For the Years Ended June 30,

	2009	2008
Cash provided by (used in):		
Operating activities	$ (35,416,599)	$ (44,805,775)
Noncapital financing activities	52,988,731	59,192,616
Capital and related financing activities	(19,277,017)	(24,149,941)
Investing activities	3,256,727	(212,016)
Net increase (decrease) in cash and cash equivalents	1,551,842	(9,975,116)
Cash and cash equivalents, beginning of year	34,268,129	44,243,245
Cash and cash equivalents, end of year	$ 35,819,971	$ 34,268,129

Major sources of funds included in operating activities are student tuition and fees, and auxiliary services. Student tuition and fees provided $69.9 million for fiscal year 2009. Auxiliary enterprises income provided $46.8 million for 2009. The major source of funds included in noncapital financing activities is state appropriations, which provided $42.3 million for 2009.

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

The net cash provided by investing activities of $3.3 million in fiscal year 2009 was due mainly to proceeds from the maturity of investments.

The University's Economic Outlook

The State of Illinois (State) General Revenue Fund appropriation represents a significant, but decreasing, portion of operating support for University programs. State General Revenue Fund appropriations represented approximately 26% of the University's operating budget in 2009, 27% in 2008 and 28% in 2007. In fiscal year 2010, the General Assembly decreased the University's State General Revenue Fund appropriation by $2,957,000 (6.0%) and supplemented it with appropriations from the State's share of the American Recovery and Reinvestment Act of 2009 totaling $2,957,000. The General Assembly increased the State Revenue General Fund appropriation for the University in fiscal year 2009 by approximately $113,000 (0.2%) and $907,000 (1.9%) in 2008.

Although the University's operating budget continues to grow, we project that the State's share of funding will continue to decline. Fiscal years 2011 and beyond are of particular concern to the University since the American Recovery and Reinvestment Act money is only temporary. 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, 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 4 continuous academic years, with limited exceptions. Consequently, the University must establish a tuition rate for incoming students that takes into account all potential cost increases and the rate of inflation. For the Fall semester of 2009, the University increased tuition for incoming students by 9.6% over the rate paid by students starting in the Fall of 2008. Although the political climate for tuition increases is uncertain, the University is projecting an increase of approximately 5% for the Fall of 2010.

It is the plan of the University to maintain a stable enrollment of approximately 12,000 students. The University had a Fall 2008 enrollment of 12,040. The Fall 2009 enrollment decreased by 0.6% to 11,966. The University does not anticipate any change to the plan in the foreseeable future. Likewise, it is the University's plan to maintain stable occupancy in University owned housing. In Fall 2008, the University had 4,204 students in University owned housing. In Fall 2009, students living in University owned housing decreased by 2.2% to 4,110.

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 2008, the typical room and board rate for a full time student was $3,516. For the Fall semester of 2009, the typical room and board rate increased by 6.5% to $3,743.

On November 8, 2006, the Board of Trustees approved a four year contract with the University Professionals of Illinois (UPI) Local 4100 (the Union representing University Faculty members) that was retroactive to September 1, 2006. The contract provided bargaining unit members with annual across the board salary increases that average approximately 3.2% over the term of the agreement and other benefits. UPI represents almost 600 faculty members on campus and is the single largest union representing employees on campus. It is anticipated that the University will begin negotiations with UPI for a new contract in Spring 2010. On September 15, 2006, the Board of Trustees approved a three year agreement with the American Federation of State, County and Municipal Employees (AFSCME) Local 981 (the Union representing University clerical employees) that was retroactive to July 1, 2006. The contract provided bargaining unit members with annual across the board salary increases of 3% over the term of the agreement and other benefits. The AFSCME clerical employees unit represents about 150 employees on campus. The University has reached a tentative agreement with AFSCME to replace the 2006 agreement. The contract has not been ratified by either the clerical employees or the Board of Trustees at this time. In addition, on November 21, 2008, the Board of Trustees approved a three year agreement with the American Federation of State, County and Municipal Employees (AFSCME) Local 981 (the Union representing University service employees) that was retroactive to September 15, 2008. The contract provides bargaining unit members with annual across the board salary increases of 3% over the term of the agreement and other benefits. The AFSCME service employees unit represents about 175 employees on campus.

The Doudna Fine Arts Center opened in the Fall of 2008 after five years of construction and renovation. The $63 million plus project, which was a joint project with the Illinois Capital Development Board, has generated a tremendous amount of excitement within the academic and cultural communities and will be a great asset to the State and University. The Capital Development Board is investing another $4 million upgrading the campus' electrical distribution system. In addition, the University is involved in a ten year plan to renovate the residence halls on campus. The cost for these renovations is projected to be in excess of $75 million and will be paid totally from student room and board fees. In December, 2008, the University issued $4,230,000 of revenue bonds to construct a new Textbook Rental Service Facility on campus. The state of the art facility will enhance the textbook rental process. The bonds will be paid for by a special $1 per credit hour fee approved by the students.

In November 2009, the University broke ground for the new environmentally friendly biomass-fired Renewal Energy Center. The Center will replace the University's Steam Plant that was built in the 1920's. The Steam Plant has become increasingly more unreliable, and, due to the complete failure of the plant's scrubber equipment in 2001, the University has been unable to burn high-sulfur Illinois coal. Therefore, the University is required to purchase higher cost low-sulfur coal from a source outside of the State of Illinois. Approximately $85 million of Certificates of Participation were issued to fund this project and numerous other energy conservation projects around campus. Energy savings from the projects will generate enough cash to repay the certificates. The energy savings from the projects are guaranteed by Honeywell International, Inc.

Private gifts are an important source of funding for University operations. In association with the Eastern Illinois University Foundation, over $2.1 million was raised in new gifts and additions to the endowment during a very difficult 2009 fiscal year. As with all investment portfolios around the world, FY09 proved to be a difficult year with the Foundation's investments losing almost $6.5 million (16.3%) in value. The good news is that a large portion of those losses have been restored through market advances and prudent management of the assets by the end of calendar 2009. With public financing representing a smaller portion of the University's budget, private philanthropy will continue to grow in importance. It is the University's intention to work diligently to attract additional donors and gifts.

EASTERN ILLINOIS UNIVERSITY
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009
(With Comparative Totals for 2008)

	University 2009	University 2008	Component Units 2009	Component Units 2008
ASSETS				
Current assets:				
Cash and cash equivalents	$ 10,067,329	$ 16,186,353	$ 749,869	$ 640,003
Restricted cash and cash equivalents	25,752,642	18,081,776	3,476,995	3,255,125
Short-term investments	250,000	-	600,924	557,274
Restricted short-term investments	19,102	20,963	1,725,061	1,908,315
Accounts receivable, net of allowance for doubtful accounts	11,352,019	12,264,930	144,911	216,401
State appropriation receivable	7,035,671	-	-	-
Interest receivable	1,529	36,144	12,278	12,276
Inventories	1,976,536	1,711,897	-	-
Notes receivable, current portion, net of allowance for doubtful accounts	907,036	905,059	-	-
Other assets	868,147	856,581	3,324	1,636
Total current assets	58,230,011	50,063,703	6,713,362	6,591,030
Noncurrent assets:				
Restricted cash and cash equivalents	-	-	509,811	130,110
Notes receivable, less current portion, net of allowance for doubtful accounts	5,300,533	5,242,836	-	-
Endowment investments	422,685	548,808	32,564,104	32,093,418
Restricted investments	-	1,810,568	10,695,634	19,861,544
Other long-term investments	-	1,178,647	707,121	740,992
Other long-term assets	355,681	346,604	144,598	242,943
Capital assets, net of accumulated depreciation	212,851,757	206,552,679	2,134,760	2,169,402
Total noncurrent assets	218,930,656	215,680,142	46,756,028	55,238,409
TOTAL ASSETS	$ 277,160,667	$ 265,743,845	$ 53,469,390	$ 61,829,439
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued liabilities	$ 11,744,543	$ 13,081,432	$ 34,631	$ 17,788
Deferred revenues	3,838,788	2,625,941	-	-
Long-term liabilities, current portion	9,081,082	7,680,611	206,283	308,211
Demand mortgage payable	-	-	1,437,238	1,437,238
Total current liabilities	24,664,413	23,387,984	1,678,152	1,763,237
Noncurrent liabilities:				
Long-term liabilities, less current portion	63,427,875	65,586,222	849,486	960,825
Due to others	-	-	5,319,459	6,015,235
Federal loan program contributions refundable	5,736,138	5,726,427	-	-
Total noncurrent liabilities	69,164,013	71,312,649	6,168,945	6,976,060
Total liabilities	93,828,426	94,700,633	7,847,097	8,739,297
Net assets:				
Invested in capital assets, net of related debt	160,214,306	150,147,682	697,522	732,164
Restricted:				
Nonexpendable				
Scholarships and fellowships	422,685	548,808	-	-
Endowments	-	-	33,073,915	32,223,528
Expendable				
Scholarships and fellowships	60,131	-	-	-
Instructional department uses	3,459,185	3,328,143	-	-
Loans	1,354,815	1,353,403	-	-
Capital projects	17,182,613	12,466,938	-	-
Debt service	437,962	1,038,417	-	-
Other	-	-	9,564,138	17,802,011
Unrestricted	200,544	2,159,821	2,286,718	2,332,439
Total net assets	183,332,241	171,043,212	45,622,293	53,090,142
TOTAL LIABILITIES AND NET ASSETS	$ 277,160,667	$ 265,743,845	$ 53,469,390	$ 61,829,439

See accompanying notes to financial statements.

EASTERN ILLINOIS UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(With Comparative Totals for 2008)

	University		Component Units	
	2009	2008	2009	2008
OPERATING REVENUES				
Student tuition and fees (net of scholarship allowances of $9,484,157 in fiscal year 2009 and $8,488,292 in fiscal year 2008)	$ 69,339,046	$ 66,225,748	$ -	$ -
Federal grants and contracts	4,149,028	2,796,185	-	-
State grants and contracts	3,209,140	4,041,978	-	-
Local grants and contracts	362,868	446,754	-	-
Private grants and contracts	1,981,074	1,175,323	-	-
Sales and services of educational departments	4,407,951	4,417,308	-	-
Auxiliary enterprises (net of scholarship allowances of $1,989,903 in fiscal year 2009 and $1,614,004 in fiscal year 2008)	46,705,647	39,416,747	-	-
Gifts	-	-	1,419,279	$ 1,517,296
Service contract with the University	-	-	234,818	235,293
Budget allocation from the University	-	-	123,976	107,301
Membership dues	-	-	46,995	46,860
Merchandise sales	-	-	700	-
Royalties	-	-	33,805	61,717
Alumni promotions	-	-	4,642	680
Other operating revenues	2,520,106	2,752,203	181,299	221,450
Total operating revenues	132,674,860	121,272,246	2,045,514	2,190,597
OPERATING EXPENSES				
Educational and general				
Instruction	85,652,082	80,496,843	-	-
Research	1,130,711	1,133,892	-	-
Public service	8,057,260	8,371,245	-	-
Academic support	16,585,664	14,354,957	-	-
Student services	19,485,583	19,132,739	-	-
Institutional support	18,494,507	18,359,463	1,007,476	888,279
Operations and maintenance of plant	13,603,854	13,179,805	-	-
Student aid	6,997,818	5,886,312	-	-
Auxiliary enterprises	35,390,047	31,592,699	-	-
Depreciation expense	12,675,305	12,008,453	34,642	34,642
Total operating expenses	218,072,831	204,516,408	1,042,118	922,921
Operating income (loss)	(85,397,971)	(83,244,162)	1,003,396	1,267,676

See accompanying notes to financial statements.

EASTERN ILLINOIS UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS *(Continued)*
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(With Comparative Totals for 2008)

	University		Component Units	
	2009	**2008**	**2009**	**2008**
NONOPERATING REVENUES (EXPENSES)				
State appropriations	$ 49,302,337	$ 49,189,200	$ -	$ -
Payments on behalf of the University	34,842,123	31,652,439	-	-
Gifts	1,963,314	2,297,218	-	-
Investment income (net)	470,671	1,799,245	1,836,338	2,101,359
Net decrease in fair value of investments	(115,757)	(40,308)	(8,493,766)	(4,304,906)
Scholarships	-	-	(898,157)	(796,175)
Distributions to annuity/unitrust beneficiaries	-	-	(150,124)	(174,526)
Actuarial adjustments	-	-	105,187	100,515
Interest on capital asset-related debt	(2,259,818)	(2,595,950)	(82,470)	(97,364)
Nonoperating grants and contracts	8,930,701	7,560,900	-	-
Amortization of bond costs, premiums, and discounts	131,114	981	-	-
Grants to the University	-	-	(1,744,517)	(1,214,587)
Payments to the Foundation	(129,295)	(30,791)	-	-
Loss on disposal of capital assets	(98,102)	(146,145)	-	-
Blair Hall fire insurance recoveries	-	-	-	-
Other nonoperating revenues (expenses)	(10,291)	276,357	-	-
Total nonoperating revenues (expenses)	93,026,997	89,963,146	(9,427,509)	(4,385,684)
Income (loss) before capital contributions	7,629,026	6,718,984	(8,424,113)	(3,118,008)
Capital appropriations	2,075,636	2,657,335	-	-
Capital grants and gifts	997,410	306,172	-	-
Transfers from Capital Development Board	1,586,957	2,455,532	-	-
Additions to permanent endowments	-	-	956,264	5,259,092
Increase (decrease) in net assets	12,289,029	12,138,023	(7,467,849)	2,141,084
NET ASSETS				
Net assets, beginning of year	171,043,212	158,905,189	53,090,142	50,949,058
Net assets, end of year	$ 183,332,241	$ 171,043,212	$ 45,622,293	$ 53,090,142

See accompanying notes to financial statements.

EASTERN ILLINOIS UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(With Comparative Totals for 2008)

	University		Component Units	
	2009	2008	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees	$ 69,864,732	$ 66,686,366	$ -	$ -
Grants and contracts (noncapital)	10,591,348	7,735,648	-	-
Sales and services of educational departments	4,885,100	4,304,594	-	-
Auxiliary enterprise	46,848,226	35,121,572	-	-
Payments to suppliers	(48,343,325)	(44,467,812)	(712,570)	(620,968)
Payments to employees	(108,023,020)	(105,289,679)	-	-
Payments for employee benefits	(7,581,938)	(7,136,992)	-	-
Payments for scholarships and fellowships	(6,682,838)	(5,492,061)	-	-
Federal loan program contributions refundable	9,711	104,951	-	-
Loans issued to students	(1,282,058)	(1,067,312)	-	-
Collection of loans from students	1,222,385	906,733	-	-
Royalties	-	-	123,640	124,476
Membership dues	-	-	43,805	45,665
Service contract with the University	-	-	157,250	-
Gifts	-	-	1,378,086	1,532,284
Promotional revenues	-	-	4,642	680
Other receipts	3,075,078	3,788,217	181,999	221,450
Net cash provided from (used in) operating activities	(35,416,599)	(44,805,775)	1,176,852	1,303,587
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriations	42,266,666	49,189,315	-	-
Private gifts other than capital purposes	1,950,842	2,204,645	-	-
Payments to the Foundation	(129,295)	(30,791)	-	-
Scholarships	-	-	(898,665)	(793,303)
Distributions to annuity/unitrust beneficiaries	-	-	(253,481)	(302,092)
Agency receipts	-	-	244,315	179,210
Agency payments	-	-	(268,370)	(232,925)
Other nonoperating activities	(672)	276,359	951,169	5,005,165
Nonoperating grants	8,901,190	7,553,088	(1,744,517)	(1,214,587)
Net cash provided by (used in) noncapital financing activities	52,988,731	59,192,616	(1,969,549)	2,641,468
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from bond issue/notes payable	4,210,855	19,805,247	-	-
Principal paid on capital debt and leases	(4,512,744)	(5,292,848)	-	-
Principal paid through current refunding	-	(19,535,000)	-	-
Interest paid on capital debt and leases	(2,262,242)	(2,651,698)	(82,127)	(90,486)
Mortgage loan payment	-	-	-	(75,000)
Insurance proceeds from fire damage	-	382,819	-	-
Capital appropriations	2,075,636	2,657,335	-	-
Capital grants and gifts	654,529	297,253	-	-
Bond issue costs paid	(116,425)	(268,040)	-	-
Purchases of capital assets	(19,326,626)	(19,545,009)	-	-
Net cash used in capital and related financing activities	(19,277,017)	(24,149,941)	(82,127)	(165,486)

See accompanying notes to financial statements.

EASTERN ILLINOIS UNIVERSITY
STATEMENT OF CASH FLOWS *(Continued)*
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(With Comparative Totals for 2008)

	University		Component Units	
	2009	2008	2009	2008
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale and maturities of investments	$ 3,001,441	$ 4,972,537	$ 1,795,686	$ 5,911,157
Interest received on investments	505,286	1,772,114	1,919,475	2,220,443
Sale of gift stock and real estate	-	-	51,168	328,195
Purchase of investments	(250,000)	(6,956,667)	(2,180,068)	(11,288,720)
Net cash provided by (used in) investing activities	3,256,727	(212,016)	1,586,261	(2,828,925)
Net increase (decrease) in cash and cash equivalents	1,551,842	(9,975,116)	711,437	950,644
Cash and cash equivalents, beginning of year	34,268,129	44,243,245	4,025,238	3,074,594
Cash and cash equivalents, end of year	$ 35,819,971	$ 34,268,129	$ 4,736,675	$ 4,025,238
Reconciliation of net operating income (loss) to net cash provided from (used in) operating activities				
Operating income (loss)	$ (85,397,971)	$ (83,244,162)	$ 1,003,396	$ 1,267,676
Adjustments to reconcile operating income (loss) to net cash provided from (used in) operating activities:				
Depreciation	12,675,305	12,008,453	34,642	34,642
Bad debt	-	-	-	9,517
Payments on behalf of the University	34,842,123	31,652,439	-	-
Noncash stock, real estate gifts	-	-	(46,341)	(71,831)
Actuarial adjustments of new annuities and unitrusts	-	-	-	19,202
Changes in assets and liabilities:				
Accounts receivable	1,303,136	(2,494,998)	79,783	(12,204)
Inventories	(264,639)	(143,937)	-	-
Notes receivable	(59,674)	(160,578)	-	-
Other assets	(27,559)	(416,642)	88,147	68,267
Accounts payable and accrued liabilities	497,015	(792,811)	17,225	(11,682)
Deferred revenues	1,207,484	(187,434)	-	-
Compensated absences	(372,982)	(898,499)	-	-
Federal loan program contributions refundable	9,711	104,951	-	-
Other long-term liabilities	307,175	(4,164)	-	-
Deposits	(135,723)	(228,393)	-	-
Net cash provided from (used in) operating activities	$ (35,416,599)	$ (44,805,775)	$ 1,176,852	$ 1,303,587
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS				
Change in fair value of investments	$ (115,757)	$ (40,308)	$ (8,493,766)	$ (4,304,906)
Change in interest receivable affecting interest received	$ (34,615)	$ 27,131	$ -	$ -
Change in accrued interest affecting interest paid	$ 18,366	$ (57,956)	$ 343	$ 4,185
Change in accrued costs relating to capital assets	$ 299,459	$ 154,568	$ -	$ -
Transfers of capital assets	$ 1,586,957	$ 2,455,532	$ -	$ -

See accompanying notes to financial statements.

EASTERN ILLINOIS UNIVERSITY
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS

	June 30, 2009		
	Foundation	Alumni Association	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 493,632	$ 256,237	$ 749,869
Restricted cash and cash equivalents	3,476,995	-	3,476,995
Short-term investments	32,000	568,924	600,924
Restricted short-term investments	1,725,061	-	1,725,061
Accounts receivable, net of allowance for doubtful accounts	32,493	112,418	144,911
Interest receivable	-	12,278	12,278
Inventories	-	-	-
Other assets	2,284	1,040	3,324
Total current assets	5,762,465	950,897	6,713,362
Noncurrent assets			
Restricted cash and cash equivalents	509,811	-	509,811
Endowment investments	32,564,104	-	32,564,104
Restricted investments	10,695,634	-	10,695,634
Other long-term investments	-	707,121	707,121
Other long-term assets	35,059	109,539	144,598
Capital assets, net of accumulated depreciation	1,929,073	205,687	2,134,760
Total noncurrent assets	45,733,681	1,022,347	46,756,028
TOTAL ASSETS	$ 51,496,146	$ 1,973,244	$ 53,469,390
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued liabilities	$ 34,587	$ 44	$ 34,631
Long-term liabilities, current portion	206,283	-	206,283
Demand mortgage payable	1,437,238	-	1,437,238
Total current liabilities	1,678,108	44	1,678,152
Noncurrent liabilities			
Long-term liabilities, less current portion	849,486	-	849,486
Due to others	5,319,459	-	5,319,459
Total noncurrent liabilities	6,168,945	-	6,168,945
Total liabilities	7,847,053	44	7,847,097
Net assets			
Invested in capital assets, net of related debt	491,835	205,687	697,522
Restricted for:			
Nonexpendable endowment	33,073,915	-	33,073,915
Expendable	9,564,138	-	9,564,138
Unrestricted	519,205	1,767,513	2,286,718
Total net assets	43,649,093	1,973,200	45,622,293
TOTAL LIABILITIES AND NET ASSETS	$ 51,496,146	$ 1,973,244	$ 53,469,390

See accompanying notes to financial statements.

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

	For the Year Ended June 30, 2009		
	Foundation	Alumni Association	Total
OPERATING REVENUES			
Gifts	$ 1,417,303	$ 1,976	$ 1,419,279
Service contract with the University	209,772	25,046	234,818
Budget allocation from the University	110,971	13,005	123,976
Membership dues	-	46,995	46,995
Merchandise sales	-	700	700
Royalties	-	33,805	33,805
Alumni promotions	-	4,642	4,642
Other operating revenues	180,537	762	181,299
Total operating revenues	1,918,583	126,931	2,045,514
OPERATING EXPENSES			
Educational and general			
Institutional support	824,893	182,583	1,007,476
Depreciation expense	28,643	5,999	34,642
Total operating expenses	853,536	188,582	1,042,118
Operating income	1,065,047	(61,651)	1,003,396
NONOPERATING REVENUES (EXPENSES)			
Investment income (net)	1,792,257	44,081	1,836,338
Net decrease in fair market value of investments	(8,460,459)	(33,307)	(8,493,766)
Scholarships	(893,157)	(5,000)	(898,157)
Distributions to annuity/unitrust beneficiaries	(150,124)	-	(150,124)
Actuarial adjustments	105,187	-	105,187
Interest on capital asset-related debt	(82,470)	-	(82,470)
Grants to the University	(1,723,106)	(21,411)	(1,744,517)
Net nonoperating revenues	(9,411,872)	(15,637)	(9,427,509)
Loss before capital contributions	(8,346,825)	(77,288)	(8,424,113)
Additions to permanent endownments	956,264	-	956,264
Decrease in net assets	(7,390,561)	(77,288)	(7,467,849)
NET ASSETS			
Net assets, beginning of year	51,039,654	2,050,488	53,090,142
Net assets, end of year	$ 43,649,093	$ 1,973,200	$ 45,622,293

See accompanying notes to financial statements.

EASTERN ILLINOIS UNIVERSITY
COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS

	For the Year Ended June 30, 2009		
	Foundation	Alumni Association	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and vendors	$ (567,221)	$ (145,349)	$ (712,570)
Royalties	-	123,640	123,640
Membership dues	-	43,805	43,805
Gifts	1,376,110	1,976	1,378,086
Promotional revenues	-	4,642	4,642
Service contract with Eastern Illinois University	157,250	-	157,250
Other receipts	180,537	1,462	181,999
Net cash provided from operating activities	1,146,676	30,176	1,176,852
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Grants to the University	(1,723,106)	(21,411)	(1,744,517)
Scholarships	(893,665)	(5,000)	(898,665)
Distributions to annuity/unitrust beneficiaries	(253,481)	-	(253,481)
Agency receipts	244,315	-	244,315
Agency payments	(268,370)	-	(268,370)
Gifts received for endowment purposes	951,169	-	951,169
Net cash used in noncapital financing activities	(1,943,138)	(26,411)	(1,969,549)
CASH FLOWS FROM RELATED CAPITAL AND FINANCING ACTIVITIES			
Interest paid for capital debt and leases	(82,127)	-	(82,127)
Net cash used in capital and related financing activity	(82,127)	-	(82,127)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale and maturities of investments	1,708,952	86,734	1,795,686
Interest received on investments	1,875,397	44,078	1,919,475
Sale of gift stock and real estate	51,168	-	51,168
Purchase of investments	(2,050,249)	(129,819)	(2,180,068)
Net cash provided by investing activities	1,585,268	993	1,586,261
Net increase in cash and cash equivalents	706,679	4,758	711,437
Cash and cash equivalents, beginning of year	3,773,759	251,479	4,025,238
Cash and cash equivalents, end of year	$ 4,480,438	$ 256,237	$ 4,736,675
Reconciliation of operating income (loss) to net cash provided from operating activities			
Operating income (loss)	$ 1,065,047	$ (61,651)	$ 1,003,396
Adjustments to reconcile net income to net cash provided from operating activities:			
Depreciation expense	28,643	5,999	34,642
Bad debt expense	-	-	-
Noncash stock, real estate gifts	(46,341)	-	(46,341)
Actuarial adjustment of new annuities and unitrusts	-	-	-
Changes in assets and liabilities:			
Accounts receivable	82,973	(3,190)	79,783
Royalties receivable	-	89,835	89,835
Prepaid expense	(1,687)	(1)	(1,688)
Accounts payable	18,041	(816)	17,225
Net cash provided from operating activities	$ 1,146,676	$ 30,176	$ 1,176,852
NONCASH INVESTING TRANSACTIONS			
Change in fair value of investments	$ (8,460,459)	$ (33,307)	$ (8,493,766)
Change in accrued interest affecting interest paid	343	-	343

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

Financial Reporting Entity

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

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

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

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, 2009, was conducted by an independent certified public accountant and can be obtained from the University's Administrative Office at 600 Lincoln Avenue, Charleston, IL 61920.

The Alumni Association is also a legally separate, tax-exempt component unit. The Alumni Association is governed by a separately elected Board of Directors and its primary functions are to foster loyalty and fellowship among the alumni of the University and to receive gifts, which are contributed for the welfare of the University. The Alumni Association uses its resources entirely or almost entirely for the direct benefit of the University or its constituents. In addition, the University is entitled to or has access to the majority of the resources of the Association, and such resources are significant to the University. Therefore, the Alumni Association is considered a component unit of the University and is discretely presented in the University's financial statements. An audit of the Alumni Association's financial statements, for the fiscal year ended June 30, 2009, was conducted by an independent certified public accountant and can be obtained from the University's Administrative Office at 600 Lincoln Avenue, Charleston, IL 61920.

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

Financial Statement Presentation

The basic financial statements include prior year comparative information which has been derived from the University and the Component Units' 2008 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, 2008.

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 $5,000 or greater, land or buildings $100,000 or greater and site or building improvements $25,000 or greater. Renovations to buildings and equipment that significantly increase the value or extend the useful life of the asset are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. 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 Account Manager of the University account uses discretion in deciding which resources to apply.

Income Taxes

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

Reclassifications and Accounting Changes

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. The Statement of Revenues, Expenses, and Changes in Net Assets for fiscal year 2008 has been changed to reclassify Pell grants as nonoperating revenues and a corresponding deduction from tuition.

Classification of Revenues

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

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

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB 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 (SURS), totaling $34,842,123, representing $23,582,603 and $11,259,520 for group insurance and retirement costs, respectively. These costs are reflected as nonoperating revenues and operating expenses with revenues reported as payments on behalf of the University and expenses allocated to each educational and general program.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as 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.

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 $43,119 as of June 30, 2009. 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 $35,780 as of June 30, 2009.

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, 2009 are as follows:

Effective Maturity	0-1 Year	1-5 Years	6-10 Years
Illinois Funds	$35,740,947	$ -	$ -
Money market funds	125	-	-
Mutual bond funds	-	-	186,456
	$35,741,072	$ -	$186,456

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. Bond fund ratings represent individual credit ratings on the investments in the portfolio, but the bond funds themselves are not rated. The University's investment policy has no specific guidelines addressing the credit rating of mutual bond funds.

Credit Rating	AAA	AA	A
Illinois Funds	$35,740,947	$ -	$ -
Money market funds	125	-	-
Mutual bond funds	53,854	59,744	72,858
	$35,794,926	$ 59,744	$ 72,858

Custodial Credit Risk

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

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

Concentration Risk

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

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

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

The Illinois Funds do not have any direct or indirect investments in derivative instruments. The money market funds and mutual funds have not disclosed to the 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, 2009 are as follows:

	Current	Noncurrent	Total
Cash and cash equivalents	$10,067,329	$ -	$10,067,329
Restricted cash and cash equivalents	25,752,642	-	25,752,642
Short-term investments	250,000	-	250,000
Restricted investments	19,102	-	19,102
Endowment investments	-	422,685	422,685
	$36,089,073	$422,685	$36,511,758

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

Cash deposits	$ 43,119
Petty cash funds	35,780
The Illinois Funds money market accounts	35,740,947
Money market accounts – US Bank	125
Bond mutual funds – Charles Schwab and Co., Inc.	186,456
Equity mutual funds – Charles Schwab and Co., Inc.	255,331
Certificate of deposit	250,000
	$ 36,511,758

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2009:

Sales and services	$ 1,887,657
Student tuition and fees	3,083,050
Auxiliary enterprises and other operating activities	6,252,851
Federal, State, and private grants and contracts	1,414,839
Others	2,696,263
Total	15,334,660
Less allowance for doubtful accounts	(3,982,641)
Net accounts receivable	$ 11,352,019

4. INVENTORIES

Inventories consisted of the following as of June 30, 2009:

Bookstore	$ 1,098,918
Facilities	544,720
Food services/housing	182,304
Union operation	72,331
Postage	43,371
Pharmacy	33,559
Others	1,333
	$ 1,976,536

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, 2009. 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 $5,736,138 as of June 30, 2009, 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, 2009, the allowance for uncollectible loans was $82,067.

6. CAPITAL ASSETS

			(In thousands)		
	6/30/2008	Additions	Deletions	Transfers	6/30/2009
Capital assets not being depreciated					
Land and land improvements	$ 2,369	$ -	$ -	$ 599	$ 2,968
Capitalized collections	199	-	-	-	199
Construction in progress	63,787	12,133	85	(12,281)	63,554
Total capital assets not being depreciated	66,355	12,133	85	(11,682)	66,721
Capital assets being depreciated					
Site improvements	16,909	-	-	-	16,909
Buildings and building improvements	219,383	54	-	11,682	231,119
Equipment	60,055	6,885	3,161	64	63,843
Capital leases-equipment	114	-	-	(64)	50
Total capital assets being depreciated	296,461	6,939	3,161	11,682	311,921
Less accumulated depreciation for:					
Site improvements	9,387	839	-	-	10,226
Buildings and building improvements	97,494	6,025	-	-	103,519
Equipment	49,348	5,804	3,148	25	52,029
Capital leases-equipment	34	7	-	(25)	16
Total accumulated depreciation	156,263	12,675	3,148	-	165,790
Total capital assets, being depreciated, net	140,198	(5,736)	13	11,682	146,131
Capital assets, net	$ 206,553	$ 6,397	$ 98	$ -	$ 212,852

7. CONSTRUCTION IN PROGRESS

The University had numerous construction projects in progress as of June 30, 2009. The Fine Arts Building project is funded mainly by appropriations from the Capital Development Board. The Coal Heat Plant project is only in the planning stages at this time. Subsequent to June 30, 2009, the University issued $84,930,000 Certificates of Participation, Series 2009A to finance the construction of a renewable energy center and other energy conservation measures as discussed in Note 21. Below is a listing of the major construction projects in progress as of June 30, 2009:

	Project Estimate	Expended to 6/30/09	Committed
Ninth Street Hall Addition	$ 1,698,000	$ 1,617,720	$ 80,280
EIU Renewable Energy Center	56,550,000	83,100	56,466,900
Fine Arts building renovation	55,430,000	48,179,321	7,250,679
Natural gas fired boiler	1,090,000	480,459	609,541
Various residence hall projects	7,234,000	5,597,743	1,636,257
Electrical distribution upgrade	4,220,000	3,312,520	907,480
Various bond facility projects	305,000	191,437	113,563
Textbook rental facility	3,062,000	1,121,732	1,940,268
Fine Arts sound systems	1,485,000	1,460,784	24,216
Other miscellaneous	2,275,000	1,509,426	765,574
	$ 133,349,000	$ 63,554,242	$ 69,794,758

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following as of June 30, 2009:

Accounts payable	$ 2,799,934
Accrued wages	6,937,031
Accrued expenses	1,719,785
Other	287,793
	$ 11,744,543

9. DEFERRED REVENUES

Deferred revenues consisted of the following as of June 30, 2009:

Tuition and fees	$ 2,241,830
Sales and services	234,856
Auxiliary enterprises	319,722
Grants and contracts	957,105
Miscellaneous	85,275
	$ 3,838,788

10. LONG-TERM LIABILITIES

		As of June 30, 2009				
		Balance 6/30/08	Additions	Reductions	Balance 6/30/09	Amounts due within one year
Revenue bonds, notes payable and Certificates of Participation						
Revenue bonds payable	(1)	$ 36,800,000	$ 4,230,000	$ 2,170,000	$ 38,860,000	$ 3,455,000
Revenue bond discounts		(783)	(19,144)	(1,887)	(18,040)	(2,132)
Revenue bond premiums		1,283,089	-	370,315	912,774	271,730
Deferred accounting loss		(959,956)	-	(121,339)	(838,617)	(121,338)
Notes payable	(1)	102,651	-	23,640	79,011	79,011
Certificates of Participation	(2)	20,625,000	-	2,295,000	18,330,000	2,455,000
COPS premium		64,885	-	24,882	40,003	18,177
COPS discount		(156,483)	-	(17,515)	(138,968)	(16,000)
Capital lease obligations	(3)	54,996	-	24,105	30,891	10,273
Other liabilities						
Accrued compensated absences	*	14,044,871	-	372,983	13,671,888	1,406,603
Deposits	*	1,408,563	-	(171,452)	1,580,015	1,524,758
Federal loan program contributions	*	5,726,427	9,711	-	5,736,138	-
Total long-term liabilities		$ 78,993,260	$ 4,220,567	$ 4,968,732	$ 78,245,095	$ 9,081,082

(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 2009.

Total interest expense for the year ended June 30, 2009 was $2,259,818. There was $324,778 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, 2009:

$10,000,000, Auxiliary Facilities System Revenue Bonds, Series 2000, term bonds due in annual installments (principal only) of $285,000 to $300,000 through April 1, 2010; interest rate is 5.0%.	$ 300,000
$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%.	16,740,000
$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%.	17,590,000
$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%.	4,230,000
Total bonds outstanding	$ 38,860,000

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, 2009, $8,655,000 of previously refunded bonds were outstanding. Assets held in irrevocable trust accounts, along with interest, are anticipated to be sufficient to retire these bonds. As such, these bonds are defeased and accordingly have been accounted for as if they were retired. The balances of the related escrow funds were $8,770,530 as of June 30, 2009.

The estimated annual amounts required for the payment of principal and interest on the outstanding revenue bonds as of June 30, 2009, are set forth in the following table:

Year ending June 30	Principal	Interest	Total Payments
2010	$ 3,455,000	$ 1,772,944	$ 5,227,944
2011	3,620,000	1,613,439	5,233,439
2012	3,780,000	1,450,334	5,230,334
2013	3,975,000	1,259,946	5,234,946
2014	4,175,000	1,059,324	5,234,324
2015-2019	12,250,000	2,779,320	15,029,320
2020-2024	3,825,000	1,474,349	5,299,349
2025-2029	2,440,000	628,570	3,068,570
2030-2034	1,340,000	203,290	1,543,290
Total	$ 38,860,000	$ 12,241,516	$ 51,101,516

The following reserve accounts were established by the bond resolutions for the 2000, 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, 2009 compared with the amounts included within the accounts as of June 30, 2009 are as follows:

	Minimum Amount Required By Bond Resolution	Cash and Investments Deposited in the Account
Repair and Replacement Reserve Account	$ -	$ 7,227,873

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	$ 51,101,516	2033	4.6%

[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 $3,941,429 and $85,221,952, respectively.

Notes payable consisted of the following as of June 30, 2009:

University demand note payable to First Mid-Illinois Bank and Trust, to finance equipment for the union bowling center; payable on demand, but if no demand is made, payable in annual installments of $29,239 including interest at 5.44%; final payment due February, 2012; secured by union bowling center equipment	$ 79,011
	$ 79,011

Maturity Information

The University has classified the note payable as a current liability because it is payable on demand and the University does not have agreements in place to extend the note in case the bank makes demand.

Year ending June 30	Principal	Interest	Total Payments
2010	$ 79,011	$ 4,296	$ 83,307

12. CERTIFICATES OF PARTICIPATION

The Certificates of Participation (COPS) consisted of the following as of June 30, 2009:

$10,775,000 Certificates of Participation, Series 2001; due in annual installments (principal only) of $650,000 beginning August 15, 2002, to $1,550,000 through August 15, 2011; interest ranges from 2.35% to 5.25%; certificates are subject to redemption, in whole, at the price of par (100%), plus accrued interest to the date fixed for redemption in the event of non-appropriation as defined in the Indenture.	$ 4,285,000
$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.	4,845,000
$9,730,000 Certificates of Participation, Series 2005; due in annual installments (principal only) of $260,000 beginning February 15, 2008, to $1,020,000 through February 15, 2025, interest ranges from 3.0% to 4.3%; certificates are subject to redemption, in whole, at the price of par (100%), plus accrued interest to the date fixed for redemption in the event of non-appropriation as defined in the Indenture and are subject to mandatory redemption, in whole, at the price of the principal amount, plus accrued interest, on February 15, 2025 should the Board renew the Purchase Contract. The certificates are also callable at the option of the Board on any date on or after February 15, 2015 at the price of the principal amount, plus accrued interest.	9,200,000
Total Certificates of Participation	$18,330,000

Per the COPS Series 2001, COPS Series 2003, and the COPS Series 2005 official statements, the Board is obligated to make installment payments either from funds derived from State appropriations or from legally available non-appropriated funds. Such legally available non-appropriated funds will include payments from the auxiliary facilities system using the savings derived from improvements within the system that are part of the energy services component of the issues. In addition, for the COPS Series 2003, such legally available funds include an increase of the student technology fee related to the network infrastructure upgrade and for the COPS Series 2005, such legally available funds include an increase in the campus improvement fee. The estimated annual amounts required for the payment of principal and interest on the outstanding Certificates of Participation as of June 30, 2009, are set forth in the following table:

Year ending June 30	Principal	Interest	Total Payments
2010	$ 2,455,000	$ 709,944	$ 3,164,944
2011	2,630,000	607,663	3,237,663
2012	2,810,000	491,456	3,301,456
2013	1,325,000	401,334	1,726,334
2014	1,395,000	348,911	1,743,911
2015-2019	2,180,000	1,452,919	3,632,919
2020-2024	4,515,000	800,768	5,315,768
2025	1,020,000	43,860	1,063,860
Total	$ 18,330,000	$ 4,856,855	$ 23,186,855

13. LEASES PAYABLE

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

Following is a schedule by years of the total future minimum lease payments due under these equipment capital leases together with the net present value of the future minimum lease payments as of June 30, 2009:

Year ending June 30,	
2010	$ 12,900
2011	12,900
2012	9,675
Total minimum lease payments	35,475
Less amount representing interest	4,584
Net present value of future minimum lease payment	$ 30,891

The University also made rental payments under operating leases in 2009 of $130,609 primarily for office space used by various grant activities, temporary fine arts facilities due to renovations, and the University's textbook rental system.

The University had two operating leases for the temporary fine arts facilities for a portion of fiscal year 2009. Both agreements were renewed on a month-by-month basis for fiscal year 2009 and were terminated on September 30, 2008 once the new Doudna Fine Arts facility was operational.

14. RETIREMENT PLAN

Plan Description

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

Funding Policy

Plan members are required to contribute 8.0% of their annual covered salary and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The rate for the year ended June 30, 2009, 2008 and 2007 were 12.88%, 10.61%, and 10.18%, 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 year ended June 30, 2009, 2008, and 2007 were $11,511,485, $8,837,061 and $6,494,479, 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 Ave., Springfield, Illinois, 62763-3838.

16. SELF INSURANCE

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

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

This plan is considered secondary or excess insurance if the student possesses any other medical insurance. This plan has a $50 deductible per diagnosis per school year and allows benefits up to 80%, subject to some limitations. The lifetime maximum benefits of the plan are $15,000 per diagnosis for medical services and $5,000 for mental illness and substance abuse. Total claims of $976,259 were paid for the year ended June 30, 2009.

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. Changes in the reserve balance for the year ended June 30, 2009 are as follows:

Reserve balance, June 30, 2008	$ 173,148
Transfers and fees	2,474,448
Payment of claims	(976,259)
Administrative cost	(278,098)
Reserve balance, June 30, 2009	$1,393,239

17. TRANSACTIONS WITH RELATED PARTIES

The University, being a State university, is a component unit of the State of Illinois (the State). The State provided the University with funds to spend on general and educational purposes as well as capital items during fiscal year 2009. The University received from the State $49,302,337 for general and educational purposes and $2,075,636 for capital expenditures during the fiscal year 2009.

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 2009, the University received $1,586,957 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, 2009, the University provided cash, services and other resources to the Foundation, totaling $209,772, to help defray the Foundation's cost incurred under the contract. During the year ended June 30, 2009, the Foundation incurred expenses of $131,147 under the contract.

During the year ended June 30, 2009, the Foundation gave the University $1,784,235 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 $893,157 during the year. Also, the Foundation received $155,130 for the year ended June 30, 2009 in gifts from the University's restricted gift account with the donor's consent and $146,000 from a University grant account.

The Eastern Illinois University Alumni Association, Inc. (Association) had an agreement with Eastern Illinois University to coordinate the University's alumni activities. The University agreed to provide the Association with money or in-kind services in an amount not to exceed the Association's cost of coordinating these activities. The Association 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, 2009, the University provided the Association with $25,046 in services in accordance with the contract.

In fulfilling its fiscal year 2009 contract with the University, the Association incurred $176,942 of expenses and $38,051 of in-kind expenses. Included in the fiscal year 2009 expenses of $176,942 are unrestricted gifts/grants of $21,411 to the University. In addition, the Association provided the use of its facilities at no charge to the University. The value of these facilities was $47,544 for the year ended June 30, 2009.

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, 2009 are as follows:

Salaries	$ 108,417,964
Benefits	42,051,079
Supplies	6,854,363
Contractual services	18,648,430
Utilities	5,272,517
Travel	1,815,697
Repairs and maintenance, equipment and buildings	5,684,609
Scholarships	6,682,838
Other	9,970,029
Depreciation	12,675,305
	$ 218,072,831

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, 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, 2009, net appreciation of $5,470,645 is available to be spent, but is restricted to specific purposes. Also, as of June 30, 2009, the fair market values of certain endowment investments were below their original cost by $3,172,426.

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, 2009 are disclosed as follows:

Effective Maturity	0-1 Year	1-5 Years	5-10 Years	10-15 Years	Total
The Illinois Funds	$4,480,438	$ -	$ -	$ -	$4,480,438
Money Market Funds	1,318,691	-	-	-	1,318,691
Mutual Bond Funds	-	-	8,827,107	429,587	9,256,694

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, 2009 are shown as follows.

Quality Rating	AAA	AA	A	Unrated
The Illinois Funds	$4,480,438	$ -	$ -	$ -
Money Market Funds	140,884	-	-	1,177,807
Mutual Bond Funds	916,662	7,910,445	429,587	-
	$5,537,984	$7,910,445	$429,587	$1,177,807

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.

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. Managers are authorized to participate in securities lending, but did not participate in securities lending other than participation in a mutual fund.

The Illinois Funds are in the custody of the State Treasurer and are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act 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, Northern Prime Obligations #887 and mutual funds have not disclosed to the Foundation whether derivatives are used, held or were written during the period covered by the financial statements.

Reconciliation to the Statement of Net Assets

A reconciliation of cash and investments as shown on the June 30, 2009 Statement of Net Assets is as follows:

	Current	Noncurrent	Total
Cash and cash equivalents	$ 493,632	$ -	$ 493,632
Restricted cash and cash equivalents	3,476,995	509,811	3,986,806
Restricted investments	1,725,061	10,695,634	12,420,695
Other current investments	32,000	-	32,000
Endowment investments	-	32,564,104	32,564,104
Total cash and investments	$ 5,727,688	$ 43,769,549	$ 49,497,237

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

The Illinois Funds money market accounts	$ 4,480,438
Money market accounts administered by First-Mid-Illinois Bank and Trust	140,884
Money market accounts administered by Charles Schwab & Co., Inc.	1,177,807
Investments administered by Charles Schwab & Co., Inc.	
Mutual Bond funds	9,256,694
Mutual Equity funds	20,865,057
Corporate Equity - Student Investment	46,795
Investments administered by Davis Funds	
Mutual Equity funds	2,779,862
Private Equity - Alternative Investments	
Investments administered by Corbin Pinehurst	3,322,531
Investments administered by CITCO Fund Services	2,538,773
Investments administered by Park Street Capital	474,272
Investments administered by Goldman Sachs	112,233
Cooperative stock	870
Life insurance cash values	71,888
Real estate	4,229,133
Total cash and investments	$ 49,497,237

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 10th day of each month. The principal is payable on demand, but if no demand is made, then on October 10, 2011. The Foundation made no voluntary payments to principal during fiscal year 2009.

The balance of the demand mortgage note payable was $1,437,238 as of June 30, 2009.

In addition, the Foundation had $5,319,459 due to others as of June 30, 2009. 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.

21. SUBSEQUENT EVENTS

On October 8, 2009, the University issued Certificates of Participation, Series 2009A, in the amount of $84,930,000. Proceeds from the sale of the Series 2009A COPS will be used to construct a renewable energy center and other energy conservation measures, as well as fund the issuance costs of the Series 2009A COPS and capitalized interest. The final payment for the Series 2009A COPS is April 1, 2036. The interest rates vary from 3.5% to 6.35% over the life of the COPS. The COPS will be paid from legally-available appropriated and non-appropriated funds.

EASTERN ILLINOIS UNIVERSITY
UNAUDITED DATA REQUIRED BY REVENUE BOND RESOLUTIONS
June 30, 2009

SCHEDULE OF INSURANCE

Insurance Coverage:

Property damage including 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	50,000,000	-*
Earthquake	100,000,000	25,000

Insurance company: Lexington Insurance Company

Policy period: July 1, 2008 to July 1, 2009

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

EASTERN ILLINOIS UNIVERSITY
UNAUDITED DATA REQUIRED BY REVENUE BOND RESOLUTIONS
June 30, 2009

RATES	Double Occupancy	Single Occupancy
Residence halls		
Summer 2008	$ 1,176	$ 1,471
Fall 2008		
7 meals	3,367	4,117
10 meals	3,516	4,266
12 meals	3,649	4,399
15 meals	3,794	4,544
Spring 2009		
7 meals	3,367	4,117
10 meals	3,516	4,266
12 meals	3,649	4,399
15 meals	3,794	4,544
Summer 2009 (8 week session)	1,252	1,567

RATES	Efficiency	One Bedroom	Super Efficiency
Married student housing (monthly rent)			
Fall 2008	$ 412	$ 434	$ 386
Spring 2009	412	434	386
Summer 2009	412	434	386

University Court (semester)	Range		
Fall 2008	$ 2,263	to	$ 3,025
Spring 2009	2,263	to	3,025
Summer 2009 (8 week session)	900	to	1,012

	Fees
Bond revenue fees	
Summer 2008	$ 267.39
Fall 2008	272.22
Spring 2009	272.22
Summer 2009	272.22

EASTERN ILLINOIS UNIVERSITY
UNAUDITED DATA REQUIRED BY REVENUE BOND RESOLUTIONS
June 30, 2009

ENROLLMENT DATA

Enrollment Date	Undergraduate Students	Graduate Students	Extension Students	Total
Summer 2008	2,071	829	1,561	4,461
Fall 2008	9,636	1,227	1,177	12,040
Spring 2009	8,804	1,164	1,189	11,157
Summer 2009	1,827	882	1,546	4,255

OCCUPANCY DATA

		Occupancy	Rate Occupancy	% of Occupancy
Residence halls				
Summer 2008		-	150	0%
Fall 2008	(1)	3,944	4,689	84%
Spring 2009	(1)	3,659	4,689	78%
Summer 2009		58	150	39%
Married student housing				
Summer 2008		71	154	46%
Fall 2008		133	154	86%
Spring 2009		114	154	74%
Summer 2009		52	154	34%
University Court				
Summer 2008		132	146	90%
Fall 2008		127	146	87%
Spring 2009		133	146	91%
Summer 2009		90	146	62%

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

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

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 Eastern Illinois University (University) and its aggregate discretely presented component units, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2009, which collectively comprise the University's basic financial statements and have issued our report thereon dated February 24, 2010. 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 University's discretely presented component units, as described in our report on the 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

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

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

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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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in findings 09-1 and 09-2 in the accompanying schedule of findings that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a 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.

Compliance and Other Matters

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

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

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, University management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

E. C. Ortiz & Co. LLP

February 24, 2010

CURRENT FINDINGS – *GOVERNMENT AUDITING STANDARDS*

09-1 **Finding** (Inadequate process in establishing accounting estimates)

Eastern Illinois University (University) did not establish an adequate process to estimate the allowance for bad debts.

The University estimated the allowance for bad debts of the student accounts receivable to be $3,982,640 at the end of June 30, 2009 which represented 35% of the student accounts receivable balance at the end of the fiscal year. The allowance for bad debts was computed based on estimated rates established and applied to the student accounts receivable balance by semester. During our audit, we noted the University did not establish a process to prepare these estimates. There was not sufficient data on which the estimates were based that were available for review. As such, we could not test information used by management to develop the estimates. Auditors analyzed the allowance for doubtful student receivable accounts and determined that it was not materially misstated.

According to Generally Accepted Accounting Principles (GAAP), allowance for uncollectible accounts should represent management's best estimates for the amount of receivables that will not be collected. The allowance for the uncollectible account is a significant estimate that requires proper analysis and evaluation of past and current events as well as assumptions used. In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls.

According to University personnel, the rates had been established in prior years and have been consistently used. The basis of the estimated rates was historical collection experience of the University. Due to employee turnover and change in the accounting system, the relevant information is not readily available.

Because there is a degree of uncertainty and subjectivity associated with establishing an accounting estimate, failure to establish a process for determining and analyzing the estimate increases the likelihood of material misstatements of accounting estimates. (Finding Code No. 09-1)

Recommendation

We recommend University management establish a process to prepare accounting estimates. Specifically, we recommend the following:

- Accumulate relevant, sufficient, and reliable data on which to base an accounting estimate;
- Identify relevant factors that may affect the accounting estimate;
- Adequately review and approve the accounting estimates by appropriate levels of authority. The review should include review of sources of relevant information, developments of assumptions, reasonableness of assumptions and resulting estimates, and changes in previously established methods to arrive at accounting estimates;
- Compare prior accounting estimates with subsequent results to assess the reliability of the process used to develop estimates;
- Consider whether the resulting accounting estimates are consistent with the operational plans of the University; and
- Determine that the accounting estimate is presented in conformity with applicable accounting principles and properly disclosed.

University Response

The University accepts the auditor's recommendation.

The University spends a considerable amount of time each year in calculating and evaluating the accounting estimate called the Allowance for Bad Debts. The University will attempt to improve the documentation supporting the methodology used in the calculation of the Allowance in the future. We noted that the auditors did not find the Allowance to be "materially misstated."

09-2 **Finding** (Failure to timely revoke access to University information systems and timely cancel telephone credit cards assigned to former employees)

Eastern Illinois University (University) did not timely revoke access to University information systems, including the Banner system, and timely cancel telephone credit cards upon employee termination.

During our testing of the access revocation of 25 terminated employees, we noted that 5 of 10 (50%) employees' access to the Banner System were revoked 6 to 172 days after the employee's termination date. The Banner System is an enterprise resource planning system developed specifically for higher education institutions. It is a web-enabled software application that integrates data so that information is shared among departments across the University. It has six different modules which were all implemented by the University.

In addition, we tested all cancelled credit cards and found 2 of 3 (67%) terminated employees' telephone credit cards were both cancelled 28 days after the employees' termination dates.

The University employee exit procedures require all employees to return telephone credit cards to the Telecommunication Office so the card can be cancelled, and notify Information Technology Services to revoke access rights to systems. Resigning employees are also required to obtain clearance from various departments and the department head for grade books, computer passwords, University identification card, departmental telephone calling card, departmental issue keys, etc.

Generally accepted information systems audit guidance endorses the implementation of security controls to protect computer systems and data. In addition, good internal control requires timely cancellation of telephone credit cards and revocation of employees' access to the University's information systems upon employees' termination of employment.

According to University personnel, Department Chairpersons did not inform the Information Technology Services and the Telecommunication Department when they signed the Clearance Sheet and/Civil Service Employee Exit Interview Checklists of the resigning employees which resulted in untimely revocation of employee access to the University information systems and cancellation of telephone credit cards.

Failure to timely revoke access to University computer systems may result in unauthorized access to University records and could expose the University to the risk of data theft, hacking and other forms of unauthorized transactions. Failure to timely cancel telephone credit cards may result in unauthorized use and monetary losses through unnecessary charges. (Finding Code No. 09-2)

Recommendation

We recommend the University timely revoke access of terminated employees to the University information systems and cancel telephone credit cards of these employees. We also recommend each Department Chairpersons initiate contact with the Information Technology Services and Telecommunication Department at the time they sign the Clearance Sheets and/ Civil Service Employee Exit Interview Checklists of resigning employees to ensure that access to the University Information Systems had been revoked, assigned telephone credit cards turned over and pin numbers deactivated in a timely manner.

University Response

The University concurs with the auditor's recommendation.

The University is working on the development of a reporting process that will automate the notification of appropriate departments when employees leave University employment. When implemented the reporting process should provide for the timely revocation of access to University assets for all terminated employees.

EASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS
June 30, 2009

PRIOR FINDINGS NOT REPEATED

A. **Finding** (Inadequate control over bank reconciliations)

During the prior year engagement, Eastern Illinois University (University) did not have adequate controls over bank reconciliations. Several bank reconciliations were not prepared and reviewed timely and long outstanding checks were not promptly investigated and disposed of. (Finding Code No. 08-1)

Status: Implemented

During the current year engagement sample testing indicated that the University prepared and reviewed bank reconciliations on a timely basis and reconciling items were disposed of or investigated promptly.

B. **Finding** (Draft financial statements not completed timely)

During the prior year engagement, the University did not provide the auditors with complete and accurate financial statements on a timely basis. (Finding Code No. 08-2)

Status: Implemented

During the current year engagement, the University provided the auditors with the draft financial statements on a timely basis.