

**STATE OF ILLINOIS
EASTERN ILLINOIS UNIVERSITY
FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2013**

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



CliftonLarsonAllen

STATE OF ILLINOIS
 EASTERN ILLINOIS UNIVERSITY
 FINANCIAL AUDIT
 For the Year Ended June 30, 2013

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The University's Compliance Examination (including the Single Audit) for the year ended June 30, 2013, which includes the reports of independent auditors, Schedule of Findings and Questioned Costs, and Supplementary Information for State Compliance Purposes, will be issued at a later date under a separate cover.

In accordance with *Government Auditing Standards*, we have also issued a report under a separate cover entitled Report Required Under *Government Auditing Standards* for the Year Ended June 30, 2013 on our consideration of the Eastern Illinois University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of the audit.

STATE OF ILLINOIS
EASTERN ILLINOIS UNIVERSITY
UNIVERSITY OFFICIALS
FINANCIAL AUDIT
For the Year Ended June 30, 2013

UNIVERSITY OFFICIALS

President	Dr. William L. Perry
Provost and Vice President for Academic Affairs	Dr. Blair M. Lord
Vice President for Business Affairs	Dr. William V. Weber
Vice President for Student Affairs	Dr. Daniel P. Nadler
Vice President for University Advancement	Mr. Robert K. Martin
Director of Business Services and Treasurer	Mr. Paul A. McCann, CPA
General Counsel	Mr. Robert L. Miller
Interim Director of Internal Auditing	Ms. Rebecca Litton

BOARD OF TRUSTEES (as of June 30, 2013)

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

University offices are located at:

600 Lincoln Avenue
Charleston, Illinois 61920

STATE OF ILLINOIS
EASTERN ILLINOIS UNIVERSITY
FINANCIAL STATEMENT REPORT SUMMARY
For the Year Ended June 30, 2013

SUMMARY

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

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

Exit Conference

The University waived an exit conference in correspondence dated November 22, 2013.

INDEPENDENT AUDITOR'S REPORT

Honorable William G. Holland
Auditor General
State of Illinois
and
Board of Trustees
Eastern Illinois University

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of Eastern Illinois University, a component unit of the State of Illinois, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Eastern Illinois University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the report 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Eastern Illinois University and its aggregate discretely presented component units, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Eastern Illinois University's 2012 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the business-type activities and aggregate discretely presented component units of Eastern Illinois University in our report dated March 11, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5-14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eastern Illinois University's basic financial statements. The Unaudited Data Required by Revenue Bond Resolutions is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Unaudited Data Required by Revenue Bond Resolutions has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

In connection with our audit, nothing came to our attention that caused us to believe that the Eastern Illinois University Auxiliary Facilities System was not in compliance with any of the fund accounting covenants of the Resolutions of the Eastern Illinois University Auxiliary Facilities System Revenue Bonds (Series 2005, 2008, and 2008B).

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2013 on our consideration of Eastern Illinois University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Eastern Illinois University's internal control over financial reporting and compliance.



Peoria, Illinois
December 5, 2013

STATE OF ILLINOIS
EASTERN ILLINOIS UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

This section of the Eastern Illinois University (the University) annual financial report presents management's discussion and analysis (MD&A) of the financial performance of the University during the fiscal year ended June 30, 2013 with comparative information for the year ended June 30, 2012. 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 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. 61, *The Financial Reporting Entity: Omnibus*. 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 Position; Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. The financial statements encompass the University and its discretely presented component units. The Combining Statements of Net Position; Combining Statements of Revenues, Expenses and Changes in Net Position; and Combining Statements of Cash Flows show the combining of the major discretely presented component units and are not discussed in this MD&A. The accompanying notes to the financial statements provide more detailed information regarding the items presented on the face of the financial statements. Information regarding these 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.

STATE OF ILLINOIS
 EASTERN ILLINOIS UNIVERSITY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED JUNE 30, 2013

The Statement of Net Position 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 position, is one indicator of the current financial condition of the University. The increase or decrease in net position that occurs over time indicate the improvement or erosion of the University's financial condition.

The Statement of Revenues, Expenses and Changes in Net Position 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 \$44,051,100 and payments on behalf of the University of \$71,496,939 are reported as nonoperating revenues and results in the University showing an operating loss of \$129,634,105 for the year ended June 30, 2013.

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 years ended June 30, 2013, the University's net position increased by approximately \$4.1 million to \$232.1 million. This change is primarily due to a decrease in operating expenses after taking into account the increase in payments on behalf of the University, an increase in capitalized interest, and capital development funding by the State.

Statement of Net Position

Condensed Statement of Net Position, as of June 30,

	<u>2013</u>	<u>2012</u>
Assets		
Current assets	\$ 77,240,871	\$ 85,344,704
Noncurrent assets		
Capital	297,837,166	294,518,150
Other	8,198,223	8,377,056
Total noncurrent assets	<u>306,035,389</u>	<u>302,895,206</u>
Total assets	<u>\$ 383,276,260</u>	<u>\$ 388,239,910</u>
Liabilities		
Current liabilities	\$ 25,063,733	\$ 27,758,210
Noncurrent liabilities	126,097,101	132,435,583
Total liabilities	<u>\$ 151,160,834</u>	<u>\$ 160,193,793</u>
Net Position		
Net investment in capital assets	183,892,303	173,206,950
Restricted		
Nonexpendable	1,387,446	1,210,216
Expendable	6,374,299	5,638,351
Unrestricted	40,461,378	47,990,600
Total net position	<u>232,115,426</u>	<u>228,046,117</u>
Total liabilities and net position	<u>\$ 383,276,260</u>	<u>\$ 388,239,910</u>

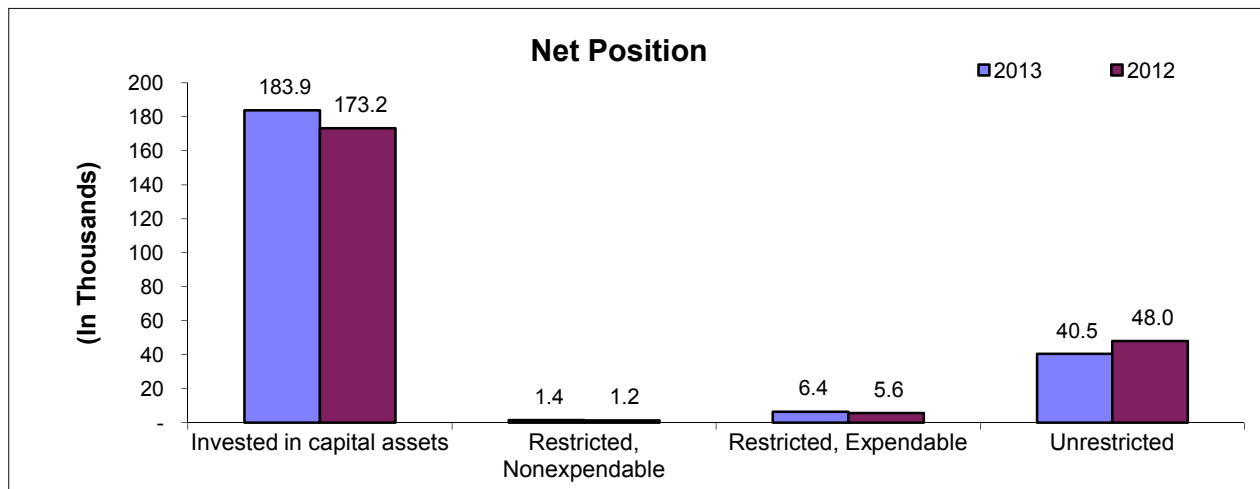
STATE OF ILLINOIS
 EASTERN ILLINOIS UNIVERSITY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED JUNE 30, 2013

University assets totaled nearly \$383.3 million at June 30, 2013. The largest asset of the University is its net investment in land, buildings, and equipment which totaled approximately \$297.8 million at June 30, 2013.

University liabilities totaled approximately \$151.2 million at June 30, 2013. Long-term debt of approximately \$135.4 million at June 30, 2013, is the largest portion of the liability. Long-term liabilities consisted of bonds payable, certificates of participation, accrued compensated absences, housing and registration deposits, and the University's obligation to refund certain amounts under federal loan programs.

The University's current assets of approximately \$77.2 million for June 30, 2013, were sufficient to cover the current liabilities of approximately \$25.1 million for June 30, 2013. The current ratio of current assets to current liabilities is \$3.07 in current assets for every \$1 in current liabilities at June 30, 2013.

The following graph shows net position by classification and restriction:



Capital Assets and Related Financing Activities

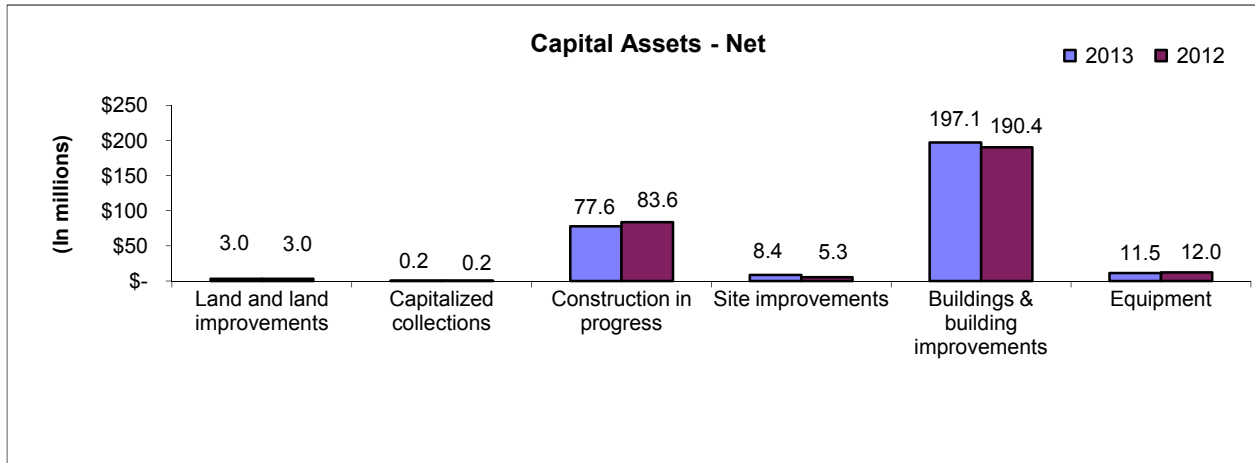
The Eastern Illinois University facilities include 72 buildings totaling about 3 million gross square feet. Funding from state, private, borrowed, and internal sources are used to accomplish the capital objectives of the University.

The University continues to expand and renovate its campus facilities. University capital additions totaled approximately \$19.7 million for fiscal year 2013. This includes continuing energy savings projects, constructing a building to house the new Center for Renewable Energy Research, renovations to house the Honors College, and other campus improvements.

The University had approximately \$24.0 million of bonded debt outstanding and \$93.1 million of certificates of participation outstanding at June 30, 2013. 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.

STATE OF ILLINOIS
 EASTERN ILLINOIS UNIVERSITY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED JUNE 30, 2013

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 Position

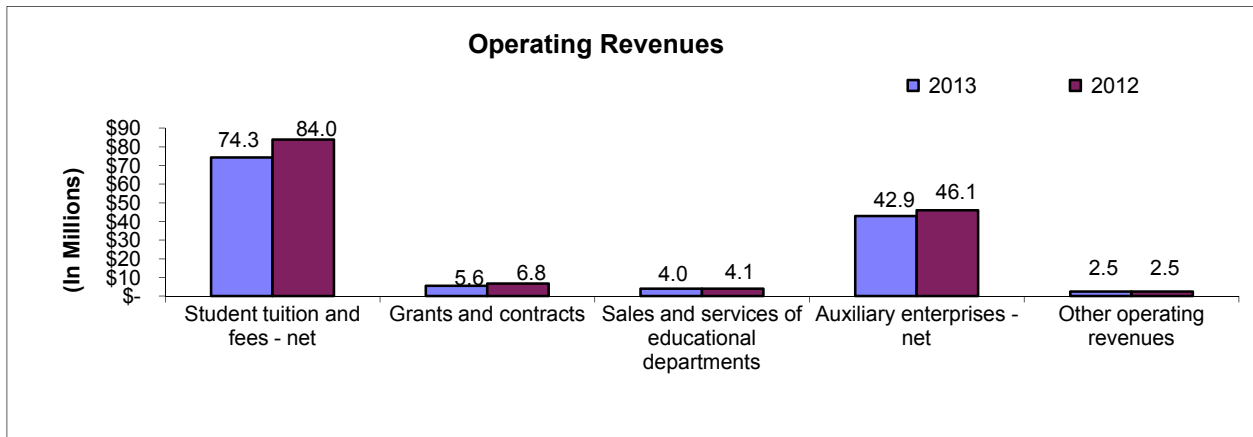
Condensed Statement of Revenues, Expenses and Changes in Net Position
 For the years ended June 30,

	2013	2012
Operating revenues		
Tuition and fees, net	\$ 74,282,421	\$ 83,965,369
Grants and contracts	5,627,109	6,771,589
Auxiliary enterprises	42,922,305	46,050,511
Other operating revenues	6,555,446	6,573,363
Total operating revenues	<u>129,387,281</u>	<u>143,360,832</u>
Operating expenses	<u>259,021,386</u>	<u>246,346,258</u>
Operating income (loss)	<u>(129,634,105)</u>	<u>(102,985,426)</u>
Nonoperating revenues (net of expenses)		
State appropriations	44,051,100	46,881,200
Payments on behalf of the University	71,496,939	54,969,098
Other net nonoperating revenues (expenses)	16,385,365	15,609,875
Net nonoperating revenues and expenses	<u>131,933,404</u>	<u>117,460,173</u>
Income before capital contributions	2,299,299	14,474,747
Capital appropriations	594,682	-
Assets donated by other State agencies	1,025,328	526,692
Other revenues and expense	150,000	30,943
Total increase in net assets	<u>4,069,309</u>	<u>15,032,382</u>
Net assets-beginning of year	228,046,117	213,013,735
Net assets-end of year	<u>\$ 232,115,426</u>	<u>\$ 228,046,117</u>

STATE OF ILLINOIS
 EASTERN ILLINOIS UNIVERSITY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED JUNE 30, 2013

Operating Revenues

Total operating revenues for fiscal year 2013 totaled \$129.4 million. The most significant sources of operating revenues were tuition and fees, grants and contracts, and auxiliary services as shown in the graph below:



State appropriations to the University decreased \$2.8 million, from \$46.9 million in fiscal year 2012 to \$44.1 in fiscal year 2013.

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 approximately 3.7% for new students and 9.6% for continuing students in fiscal year 2013. The University also implemented student fee increases of 1.1% in fiscal year 2013. Despite these increases, decreases in enrollment caused net tuition and fee revenue to decrease between fiscal years 2012 and 2013.

Tuition and Fees

The University's tuition and fees have consistently been one of the lowest out of the nine State universities in Illinois. It is currently only one of two public universities to continue to offer textbook rental as a service to students, rather than requiring students to spend hundreds of dollars for textbooks each year. The following explains the rates for tuition and fees for a student attending 12 or more hours during the Fall and Spring semesters of fiscal years 2013 and 2012.

Full-time Undergraduates	2013	2012
In-State		
Continuing Non-Guaranteed	\$239.00/hour + \$1,025.88 fees/semester	\$218.00/hour + \$1,015.01 fees/semester
New Student FY08	\$194.40/hour + \$1,191.84 fees/semester	\$194.40/hour + \$1,150.97 fees/semester
New Student FY09	\$218.00/hour + \$1,191.84 fees/semester	\$218.00/hour + \$1,150.97 fees/semester

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 FOR THE YEAR ENDED JUNE 30, 2013

New Student FY10	\$239.00/hour + \$1,191.84 fees/semester	\$239.00/hour + \$1,150.97 fees/semester
New Student FY11	\$254.00/hour + \$1,191.84 fees/semester	\$254.00/hour + \$1,150.97 fees/semester
New Student FY12	\$269.00/hour + \$1,191.84 fees/semester	\$269.00/hour + \$1,150.97 fees/semester
New Student FY13	\$279.00/hour + \$1,191.84 fees/semester	fees/semester
Out-of-State		
Continuing Non-Guaranteed	\$717.00/hour + \$1,025.88 fees/semester	\$654.00/hour + \$1,015.01 fees/semester
New Student FY08	\$583.20/hour + \$1,191.84 fees/semester	\$583.20/hour + \$1,150.97 fees/semester
New Student FY09	\$654.00/hour + \$1,191.84 fees/semester	\$654.00/hour + \$1,150.97 fees/semester
New Student FY10	\$717.00/hour + \$1,191.84 fees/semester	\$717.00/hour + \$1,150.97 fees/semester
New Student FY11	\$762.00/hour + \$1,191.84 fees/semester	\$762.00/hour + \$1,150.97 fees/semester
New Student FY12	\$807.00/hour + \$1,191.84 fees/semester	\$807.00/hour + \$1,150.97 fees/semester
New Student FY13	\$837.00/hour + \$1,191.84 fees/semester	fees/semester
Full-time Graduates		
In-State	\$279.00/hour + \$1,028.88 fees/semester	\$269.00/hour + \$1,018.01 fees/semester
New Students	\$279.00/hour + \$1,194.84 fees/semester	\$269.00/hour + \$1,153.97 fees/semester
Out-of-State	\$670.00/hour + \$1,028.88 fees/semester	\$645.00/hour + \$1,018.01 fees/semester
New Students	\$670.00/hour + \$1,194.84 fees/semester	\$645.00/hour + \$1,153.97 fees/semester

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 EASTERN ILLINOIS UNIVERSITY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED JUNE 30, 2013

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 2012, the residence halls were about 62% occupied, the University Apartments were about 97% occupied, and University Court was 100% occupied.

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

	<u>2013</u>	<u>2012</u>
University Apartments		
Efficiency	\$464/month	\$451/month
One bedroom	\$488/month	\$474/month
Super efficiency	\$435/month	\$422/month
University Court	Rates vary from \$2,412 to \$3,225 per semester	Rates vary from \$2,377 to \$3,178 per semester
Residence Halls		
7 Plus Meal Plan	\$4,069/semester	\$3,941/semester
10 Plus Meal Plan	\$4,250/semester	\$4,116/semester
12 Plus Meal Plan	\$4,410/semester	\$4,271/semester
15 Plus Meal Plan	\$4,587/semester	\$4,442/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.

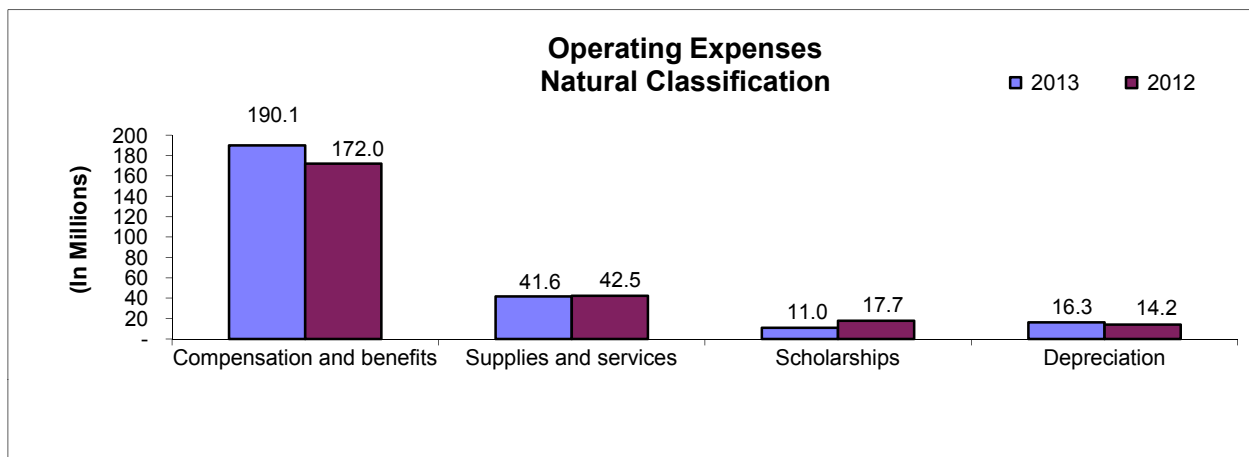
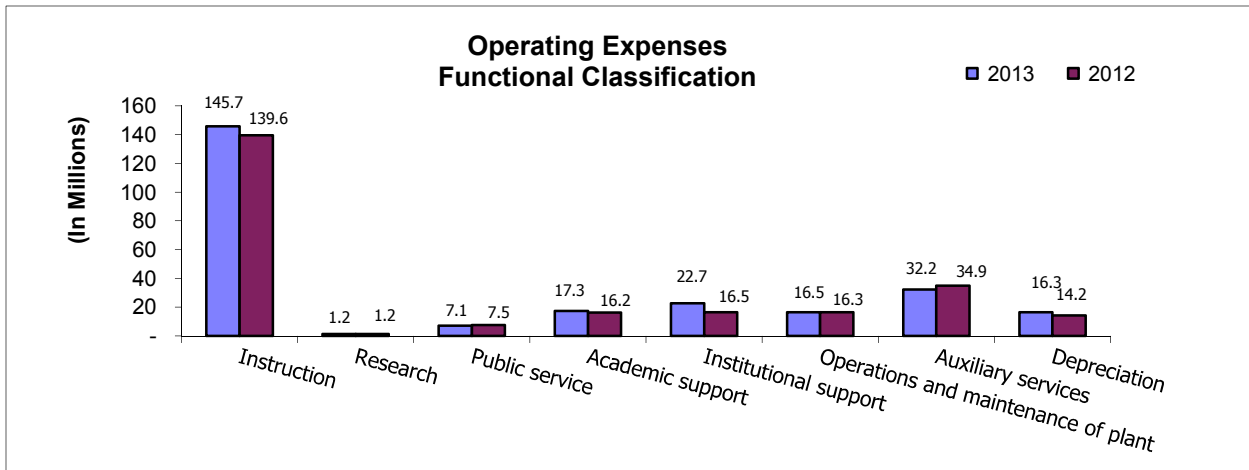
Operating Expenses

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 2013, including depreciation of \$16.3 million, totaled \$259.0 million. Under the functional classifications, \$145.7 million, or 56%, was used for instruction, student aid, and student services; \$32.2 million, or 13%, was used for auxiliary services; \$32.8 million, or 13%, was used for operations and maintenance of plant and depreciation; \$22.7 million, or 8%, was used for institutional support, which includes such areas as computer services and University police; \$17.3 million, or 7%, was used for academic support, for such areas as the library and various dean' offices; and \$8.3 million, or 3%, was used for research and public service, for such areas as grants and contracts.

Under the natural classifications, \$190.1 million, or 74%, was used for compensation and benefits; \$41.6 million, or 16%, was used for supplies, contractual services, utilities, travel, repairs and maintenance, and other; \$11.0 million, or 4%, was used for scholarships; and \$16.3 million, or 6%, was depreciation.

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 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED JUNE 30, 2013

Operating expenses are shown in the graphs below and at the top of the following page, by both functional and natural classifications:



Other

Payments on behalf of the University were the largest source of nonoperating revenues at \$71.5 million in fiscal year 2013.

Interest expense on outstanding debt was \$2.8 million for fiscal year 2013, and is the largest category of nonoperating expenses.

STATE OF ILLINOIS
 EASTERN ILLINOIS UNIVERSITY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED JUNE 30, 2013

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,

	<u>2013</u>	<u>2012</u>
Cash provided (used) by:		
Operating activities	\$ (43,335,391)	\$ (36,732,115)
Noncapital financing activities	63,231,299	77,350,939
Capital and related financing activities	(28,072,242)	(28,604,439)
Investing activities	(142,138)	64,591
Net increase (decrease) in cash and cash equivalents	<u>(8,318,472)</u>	<u>12,078,976</u>
Cash and cash equivalents, beginning of year	56,045,309	43,966,333
Cash and cash equivalents, end of year	<u><u>\$ 47,726,837</u></u>	<u><u>\$ 56,045,309</u></u>

Major sources of funds included in operating activities are student tuition and fees and auxiliary services. Student tuition and fees provided \$74.4 million for fiscal year 2013. Auxiliary enterprises income provided \$42.3 million for 2013. The major source of funds included in noncapital financing activities for each year is State appropriations, which provided \$44.0 million for fiscal year 2013.

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

The University's Economic Outlook

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

Appropriations from the State of Illinois represent a significant, but decreasing, portion of operating support for University programs. During fiscal year 2013, State appropriations continued to decline. For fiscal year 2014, State appropriations are stable.

Although the University's operating budget continues to grow, we project that the State's share of funding will continue to decline. As we navigate the financial uncertainties of the State and nation, we will continue to manage our resources with care and diligence. The University remains committed to managing tuition levels to meet its mission of superior, yet accessible education.

In 2003, Public Act 93-0228 was enacted. This act placed a limitation on increases in tuition at Illinois public institutions of higher education. For students that initially enroll in the University after the 2003-04 academic year, the tuition charged to an undergraduate student cannot increase, above the amount charged when the student enrolled, for four continuous academic years, with limited exceptions. Consequently, the University must establish a tuition rate for incoming students that takes into account all potential cost increases and the rate of inflation. For the fall semester of 2013, the University increased tuition for incoming students by 1.4% over the rate paid by students starting in the fall semester of 2012. The political climate for tuition increases is uncertain, and consequently, the University is unable to estimate what, if any, increase may occur for the fall semester of 2014.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

It is the plan of the University to maintain a stable enrollment of approximately 11,600 students. The fall semester of 2013 enrollment was 9,775, a decrease of 6.2% from the fall semester of 2012. The University does not anticipate any change to its plan in the foreseeable future and has taken several initiatives to increase enrollment. Increasing institutional scholarships and tuition waivers, implementing new marketing tactics, and actively recruiting students from border states are some of these initiatives. Likewise, it is the University's plan to maintain stable occupancy in University owned housing. In fall semester of 2013, the University had 3,135 students in University owned housing, a decrease of 2.6% from the fall semester of 2012.

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 2013, the typical room and board rate for a full time student was \$4,335, an increase of 2% from fall semester of 2012.

During the spring semester of 2012, the University announced that it will temporarily close Carman Hall, one of its residence halls. During fiscal year 2014, the University will evaluate potential upgrades to Carman Hall to prepare the residence hall for the next generation of students.

The University currently has a two-year agreement with the University Professionals of Illinois (UPI) Local 4100 (the union representing University faculty members). UPI represents almost 700 faculty members on campus and is the single largest union representing employees on campus. During fiscal year 2011, the University negotiated four smaller collective bargaining agreements and is in the process of another.

As other funding sources decline, private gifts are an important source of funding for University operations. In association with the Eastern Illinois University Foundation, about \$3.5 million was raised in new gifts and additions to the endowment during fiscal year 2013. The Foundation's annual return on its endowment in fiscal year 2013 was 12%, which is better than the Broad Policy Index return of 9.9%. With public financing representing a smaller portion of the University's budget, private philanthropy will continue to grow in importance.

STATE OF ILLINOIS
EASTERN ILLINOIS UNIVERSITY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2013
(With Comparative Totals for 2012)

	University		Component Units	
	2013	2012	2013	2012
Assets				
Current assets:				
Cash and cash equivalents	\$ 42,333,202	\$ 51,530,875	\$ 763,742	\$ 800,413
Restricted cash and cash equivalents	5,393,635	4,514,434	3,258,529	3,284,521
Short-term investments	485,000	245,000	563,749	497,250
Restricted short-term investments	17,394	33,775	4,608,817	3,811,604
Accounts receivable, net of allowance for doubtful accounts	13,016,507	13,403,351	441,835	528,590
State appropriation receivable	11,791,903	11,785,035	-	-
Interest receivable	1,233	416	-	-
Inventories	2,238,613	2,050,015	-	60,000
Notes receivable, current portion, net of allowance for doubtful accounts	962,982	964,331	-	-
Other assets	1,000,402	817,472	12,263	3,360
Total current assets	77,240,871	85,344,704	9,648,935	8,985,738
Noncurrent assets:				
Restricted cash and cash equivalents	-	-	1,345,999	3,254,742
Notes receivable, less current portion, net of allowance for doubtful accounts	5,505,604	5,483,029	-	-
Endowment investments	563,221	522,215	40,489,815	36,566,385
Restricted investments	-	-	20,578,894	19,587,079
Other long-term investments	-	-	1,144,985	1,135,116
Other long-term assets	2,129,398	2,371,812	944,431	851,981
Capital assets, net of accumulated depreciation	297,837,166	294,518,150	1,996,192	2,030,834
Total noncurrent assets	306,035,389	302,895,206	66,500,316	63,426,137
Total assets	\$ 383,276,260	\$ 388,239,910	\$ 76,149,251	\$ 72,411,875
Liabilities and Net Position				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 11,785,005	\$ 14,651,720	\$ 15,947	\$ 46,641
Unearned revenue	3,994,670	4,048,710	-	-
Long-term liabilities, current portion	9,284,058	9,057,780	40,681	41,875
Demand mortgage payable	-	-	-	1,387,238
Total current liabilities	25,063,733	27,758,210	56,628	1,475,754
Noncurrent liabilities:				
Long-term liabilities, less current portion	120,329,630	126,706,496	231,049	260,012
Due to others	-	-	5,320,109	6,539,456
Federal loan program contributions refundable	5,767,471	5,729,087	-	-
Total noncurrent liabilities	126,097,101	132,435,583	5,551,158	6,799,468
Total liabilities	151,160,834	160,193,793	5,607,786	8,275,222
Net position:				
Net investment in capital assets	183,892,303	173,206,950	1,996,192	643,596
Restricted:				
Nonexpendable				
Scholarships and fellowships	1,387,446	1,210,216	-	-
Endowments	-	-	42,294,834	40,270,237
Expendable				
Scholarships and fellowships	64,697	64,697	-	-
Instructional department uses	2,747,009	2,526,415	-	-
Loans	1,389,313	1,373,960	-	-
Debt service	2,173,280	1,673,279	-	-
Other	-	-	23,723,832	20,749,578
Unrestricted	40,461,378	47,990,600	2,526,607	2,473,242
Total net position	232,115,426	228,046,117	70,541,465	64,136,653
Total liabilities and net position	\$ 383,276,260	\$ 388,239,910	\$ 76,149,251	\$ 72,411,875

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

STATE OF ILLINOIS
EASTERN ILLINOIS UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(With Comparative Totals for 2012)

	University		Component Units	
	2013	2012	2013	2012
Operating Revenues				
Student tuition and fees (net of scholarship allowance of \$14,424,717 in fiscal year 2013 and \$7,327,945 in fiscal year 2012)	\$ 74,282,421	\$ 83,965,369	\$ -	\$ -
Federal grants & contracts	1,461,851	2,344,042	-	-
State grants & contracts	1,972,634	2,367,609	-	-
Local grants & contracts	531,336	436,995	-	-
Private grants & contracts	1,661,288	1,622,943	-	-
Sales and services of educational departments	4,036,959	4,080,440	-	-
Auxiliary enterprises (net of scholarship allowances of \$2,328,897 in fiscal year 2013 and \$939,434 in fiscal year 2012)	42,922,305	46,050,511	-	-
Gifts	-	-	2,002,062	3,381,760
Service contract with University	-	-	220,804	242,317
Budget allocation from the University	-	-	291,389	223,075
Membership dues	-	-	45,755	58,435
Royalties and merchandise sales	-	-	15,491	11,528
Alumni promotions	-	-	1,288	1,120
Other operating revenues	2,518,487	2,492,923	289,503	277,805
Total operating revenues	\$ 129,387,281	\$ 143,360,832	\$ 2,866,292	\$ 4,196,040
Operating Expenses				
Educational and general				
Instruction	109,564,996	99,289,773	-	-
Research	1,248,751	1,194,562	-	-
Public service	7,074,139	7,515,241	-	-
Academic support	17,268,096	16,211,305	-	-
Student services	24,698,691	22,624,750	-	-
Institutional support	22,684,882	16,451,242	1,210,597	1,204,412
Operations and maintenance of plant	16,482,238	16,340,503	-	-
Student aid	11,462,753	17,659,541	-	-
Auxiliary enterprises	32,189,298	34,867,831	-	-
Depreciation expense	16,347,542	14,191,510	34,642	34,642
Total operating expenses	\$ 259,021,386	\$ 246,346,258	\$ 1,245,239	\$ 1,239,054
Operating income (loss)	\$ (129,634,105)	\$ (102,985,426)	\$ 1,621,053	\$ 2,956,986

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

STATE OF ILLINOIS
EASTERN ILLINOIS UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(With Comparative Totals for 2012)

	University		Component Units	
	2013	2012	2013	2012
Nonoperating Revenues (Expenses)				
State appropriations	\$ 44,051,100	\$ 46,881,200	\$ -	\$ -
Payments on behalf of the University	71,496,939	54,969,098	-	-
Gifts	2,327,144	2,722,213	-	-
Investment income (net)	35,833	81,393	1,612,861	\$ 1,369,362
Net increase (decrease) in fair value of investments	87,471	(28,756)	4,626,427	(541,894)
Scholarships	-	-	(981,610)	(965,612)
Distributions to annuity/unitrust beneficiaries	-	-	(41,094)	(108,193)
Actuarial adjustments	-	-	30,158	380,321
Interest on capital asset-related debt	(2,831,760)	(5,166,926)	(54,298)	(72,830)
Nonoperating grants & contracts	15,302,325	16,780,948	-	-
Amortization of bond costs, premiums, and discounts	(214,363)	(185,237)	-	-
Grants to the University	-	-	(2,192,131)	(2,593,862)
Payments to the Foundation	(72,110)	(21,396)	-	-
Loss on disposal of capital assets	(10,567)	(335,957)	-	-
Other nonoperating activity	1,761,392	1,763,593	-	-
Total nonoperating revenues (expenses)	\$ 131,933,404	\$ 117,460,173	\$ 3,000,313	\$ (2,532,708)
Income before capital contributions	\$ 2,299,299	\$ 14,474,747	\$ 4,621,366	\$ 424,278
Capital appropriations	594,682	-	-	-
Additions to permanent endowments	-	-	1,783,446	4,157,310
Capital grants & gifts	150,000	30,943	-	-
Assets donated by other State agencies	1,025,328	526,692	-	-
Increase in net assets	4,069,309	15,032,382	6,404,812	4,581,588
Net Position				
Net position, beginning of year	228,046,117	213,013,735	64,136,653	59,555,065
Net position, end of year	<u>\$ 232,115,426</u>	<u>\$ 228,046,117</u>	<u>\$ 70,541,465</u>	<u>\$ 64,136,653</u>

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

STATE OF ILLINOIS
EASTERN ILLINOIS UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(With Comparative Totals for 2012)

	University		Component Units	
	2013	2012	2013	2012
Cash flows from operating activities				
Tuition and fees	\$ 74,355,136	\$ 84,181,621	\$ -	\$ -
Grants and contracts (noncapital)	5,949,172	6,873,123	-	-
Sales and services of educational departments	4,370,741	3,138,792	-	-
Auxiliary enterprises	42,317,811	45,704,903	-	-
Payments to suppliers	(43,603,276)	(42,121,842)	(790,451)	(808,441)
Payments to employees	(109,439,739)	(111,107,558)	-	-
Payments for employee benefits	(9,144,971)	(8,348,304)	-	-
Payments for scholarships and fellowships	(10,974,863)	(17,722,602)	-	-
Federal loan program contributions refundable	38,384	18,263	-	-
Loans issued to students	(1,193,882)	(1,528,263)	-	-
Collection of loans from students	1,172,657	1,451,312	-	-
Royalties and merchandise sales	-	-	15,491	11,528
Membership dues	-	-	49,691	60,349
Service contract with the University	-	-	78,625	78,625
Gifts	-	-	1,957,989	2,648,319
Promotional revenue	-	-	1,288	1,120
Other receipts	2,817,439	2,728,440	289,503	277,805
Net cash provided by (used in) operating activities	<u>(43,335,391)</u>	<u>(36,732,115)</u>	<u>1,602,136</u>	<u>2,269,305</u>
Cash flows from noncapital financing activities				
State appropriations	44,044,232	55,911,402	-	-
Grants to the University	2,327,308	2,722,228	-	-
Payments to the Foundation	(72,110)	(21,396)	-	-
Scholarships	-	-	(1,002,564)	(941,588)
Distributions to annuity/unitrust beneficiaries	-	-	(1,399,412)	(173,698)
Agency receipts	-	-	237,033	258,274
Agency payments	-	-	(230,983)	(233,784)
Other non-operating activities	1,761,392	1,763,593	1,718,466	4,132,089
Nonoperating grants	15,170,477	16,975,112	(2,192,131)	(2,593,862)
Net cash provided by (used in) noncapital financing activities	<u>63,231,299</u>	<u>77,350,939</u>	<u>(2,869,591)</u>	<u>447,431</u>
Cash flows from capital and related financing activities				
Principal paid on capital debt and leases	(6,260,000)	(6,627,071)	(1,387,238)	-
Interest paid on capital debt and leases	(2,867,705)	(4,964,767)	(59,146)	(71,974)
Capital appropriations	594,682	-	-	-
Capital grants and gifts	150,000	260,430	-	-
Purchases of capital assets	(19,689,219)	(17,273,031)	-	-
Net cash provided by (used in) capital and related financing activities	<u>(28,072,242)</u>	<u>(28,604,439)</u>	<u>(1,446,384)</u>	<u>(71,974)</u>

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

STATE OF ILLINOIS
EASTERN ILLINOIS UNIVERSITY
STATEMENT OF CASH FLOWS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(With Comparative Totals for 2012)

	University		Component Units	
	2013	2012	2013	2012
Cash flow from investing activities				
Proceeds from the sale and maturities of investments	\$ 348,852	\$ 245,000	\$ 5,768,736	\$ 1,743,936
Interest received on investments	35,016	81,968	1,641,738	1,416,102
Sale of gift stock and real estate	-	-	99,146	39,998
Purchase of investments	(526,006)	(262,377)	(6,767,187)	(2,553,146)
Net cash provided by (used in) investing activities	(142,138)	64,591	742,433	646,890
Net increase (decrease) in cash and cash equivalents	(8,318,472)	12,078,976	(1,971,406)	3,291,652
Cash and cash equivalents, beginning of year	56,045,309	43,966,333	7,339,676	4,048,024
Cash and cash equivalents, end of year	\$ 47,726,837	\$ 56,045,309	\$ 5,368,270	\$ 7,339,676
Reconciliation of net operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (129,634,105)	\$ (102,985,426)	\$ 1,621,053	\$ 2,956,986
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	16,347,542	14,191,510	34,642	34,642
Bad debt	-	-	111	97
Payments on behalf of the University	71,496,939	54,969,098	-	-
Non-cash stock, real estate gifts	-	-	(34,180)	(5,073)
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	470,657	(603,904)	(5,957)	(726,454)
(Increase) decrease in inventory	(188,598)	7,614	-	-
(Increase) decrease in notes receivable	(21,226)	(76,951)	-	-
(Increase) decrease in other assets	(134,091)	68,871	(8,902)	(583)
Increase (decrease) in accounts payable	(1,793,350)	(637,136)	(4,631)	9,690
Increase (decrease) in unearned revenue	(6,168)	65,873	-	-
Increase (decrease) in compensated absences	217,631	(1,476,158)	-	-
Increase in federal loan program refundable	38,384	18,263	-	-
Increase (decrease) in other long-term liabilities	(26,350)	(170,869)	-	-
Increase (decrease) in deposits	(102,656)	(102,900)	-	-
Net cash provided by (used in) operating activities	\$ (43,335,391)	\$ (36,732,115)	\$ 1,602,136	\$ 2,269,305
Noncash investing, noncapital financing, and capital and related financing transactions				
Change in fair value of investments	\$ 87,471	\$ (28,756)	\$ 4,626,427	\$ (541,894)
Change in interest receivable affecting interest received	\$ 817	\$ 575	\$ -	\$ -
Change in accrued interest affecting interest paid	\$ (35,945)	\$ 202,159	\$ (4,848)	\$ 857
Change in accrued costs relating to capital assets	\$ (1,037,421)	\$ 1,563,040	\$ -	\$ -
Donation of property, plant and equipment	\$ 1,025,328	\$ 526,692	\$ -	\$ -

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

STATE OF ILLINOIS
EASTERN ILLINOIS UNIVERSITY
COMBINING STATEMENT OF NET POSITION
FOR MAJOR COMPONENT UNITS
AS OF JUNE 30, 2013

	Foundation	Alumni Association	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 458,483	\$ 305,259	\$ 763,742
Restricted cash and cash equivalents	3,258,529	-	3,258,529
Short-term investments	32,000	531,749	563,749
Restricted short-term investments	4,608,817	-	4,608,817
Accounts receivable, net of allowance for doubtful accounts	435,685	6,150	441,835
Other assets	11,361	902	12,263
	<u>8,804,875</u>	<u>844,060</u>	<u>9,648,935</u>
Total current assets			
Noncurrent assets:			
Restricted cash and cash equivalents	1,345,999	-	1,345,999
Endowment investments	40,489,815	-	40,489,815
Restricted investments	20,578,894	-	20,578,894
Other long-term investments	-	1,144,985	1,144,985
Other long-term assets	938,931	5,500	944,431
Capital assets, net of accumulated depreciation	1,814,501	181,691	1,996,192
	<u>65,168,140</u>	<u>1,332,176</u>	<u>66,500,316</u>
Total noncurrent assets			
Total assets	<u>\$ 73,973,015</u>	<u>\$ 2,176,236</u>	<u>\$ 76,149,251</u>
Liabilities and Net Position			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 12,734	\$ 3,213	15,947
Long-term liabilities, current portion	40,681	-	40,681
	<u>53,415</u>	<u>3,213</u>	<u>56,628</u>
Total current liabilities			
Noncurrent liabilities:			
Long-term liabilities, less current portion	231,049	-	231,049
Due to others	5,320,109	-	5,320,109
	<u>5,551,158</u>	<u>-</u>	<u>5,551,158</u>
Total noncurrent liabilities			
Total liabilities	<u>5,604,573</u>	<u>3,213</u>	<u>5,607,786</u>
Net position:			
Net investment in capital assets	1,814,501	181,691	1,996,192
Restricted:			
Nonexpendable	-	-	-
Endowments	42,294,834	-	42,294,834
Expendable			
Other	23,723,832	-	23,723,832
Unrestricted	535,275	1,991,332	2,526,607
	<u>68,368,442</u>	<u>2,173,023</u>	<u>70,541,465</u>
Total net position			
Total liabilities and net position	<u>\$ 73,973,015</u>	<u>\$ 2,176,236</u>	<u>\$ 76,149,251</u>

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

STATE OF ILLINOIS
EASTERN ILLINOIS UNIVERSITY
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR MAJOR COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Foundation	Alumni Association	Total
Operating Revenues			
Gifts	\$ 1,993,302	\$ 8,760	\$ 2,002,062
Service contract with University	206,442	14,362	220,804
Budget allocation from the University	275,251	16,138	291,389
Membership dues	-	45,755	45,755
Royalties and merchandise sales	-	15,491	15,491
Alumni promotions	-	1,288	1,288
Other operating revenues	288,233	1,270	289,503
Total operating revenues	<u>2,763,228</u>	<u>103,064</u>	<u>2,866,292</u>
Operating Expenses			
Educational and general			
Institutional support	1,110,669	99,928	1,210,597
Depreciation expense	28,643	5,999	34,642
Total operating expenses	<u>1,139,312</u>	<u>105,927</u>	<u>1,245,239</u>
Operating income (loss)	<u>1,623,916</u>	<u>(2,863)</u>	<u>1,621,053</u>
Nonoperating Revenues (Expenses)			
Investment income (net)	1,574,705	38,156	1,612,861
Net increase (decrease) in fair value of investments	4,588,215	38,212	4,626,427
Scholarships	(976,610)	(5,000)	(981,610)
Distributions to annuity/unitrust beneficiaries	(41,094)	-	(41,094)
Actuarial adjustments	30,158	-	30,158
Interest on capital asset-related debt	(54,298)	-	(54,298)
Grants to the University	(2,185,168)	(6,963)	(2,192,131)
Total nonoperating revenues (expenses)	<u>2,935,908</u>	<u>64,405</u>	<u>3,000,313</u>
Income (loss) before capital contributions	4,559,824	61,542	4,621,366
Additions to permanent endowments	<u>1,783,446</u>	<u>-</u>	<u>1,783,446</u>
Increase (decrease) in net position	<u>6,343,270</u>	<u>61,542</u>	<u>6,404,812</u>
Net Position			
Net position, beginning of year	<u>62,025,172</u>	<u>2,111,481</u>	<u>64,136,653</u>
Net position, end of year	<u>\$ 68,368,442</u>	<u>\$ 2,173,023</u>	<u>\$ 70,541,465</u>

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

STATE OF ILLINOIS
EASTERN ILLINOIS UNIVERSITY
COMBINING STATEMENT OF CASH FLOWS
FOR MAJOR COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Foundation	Alumni Association	Total
Cash flows from operating activities			
Payments to suppliers	\$ (713,778)	\$ (76,673)	\$ (790,451)
Royalties and merchandise sales	-	15,491	15,491
Membership dues	-	49,691	49,691
Gifts	1,949,229	8,760	1,957,989
Promotional revenue	-	1,288	1,288
Service contract with Eastern Illinois University	78,625	-	78,625
Other receipts	288,233	1,270	289,503
Net cash provided by (used in) operating activities	<u>1,602,309</u>	<u>(173)</u>	<u>1,602,136</u>
Cash flows from noncapital financing activities			
Grants to the University	(2,185,168)	(6,963)	(2,192,131)
Scholarships	(997,564)	(5,000)	(1,002,564)
Distributions to annuity/unitrust beneficiaries	(1,399,412)	-	(1,399,412)
Agency receipts	237,033	-	237,033
Agency payments	(230,983)	-	(230,983)
Gifts received for endowment purposes	1,718,466	-	1,718,466
Net cash provided by (used in) noncapital financing activities	<u>(2,857,628)</u>	<u>(11,963)</u>	<u>(2,869,591)</u>
Cash flows from capital and related financing activities			
Interest paid on capital debt and leases	(59,146)	-	(59,146)
Payment of mortgage loan	(1,387,238)	-	(1,387,238)
Net cash provided by (used in) capital and related financing activities	<u>(1,446,384)</u>	<u>-</u>	<u>(1,446,384)</u>
Cash flow from investing activities			
Proceeds from the sale and maturities of investments	5,752,854	15,882	5,768,736
Interest received on investments	1,603,582	38,156	1,641,738
Sale of gift stock and real estate	99,146	-	99,146
Purchase of investments	(6,713,149)	(54,038)	(6,767,187)
Net cash provided by (used in) investing activities	<u>742,433</u>	<u>-</u>	<u>742,433</u>
Net increase (decrease) in cash and cash equivalents	(1,959,270)	(12,136)	(1,971,406)
Cash and cash equivalents, beginning of year	7,022,281	317,395	7,339,676
Cash and cash equivalents, end of year	<u>\$ 5,063,011</u>	<u>\$ 305,259</u>	<u>\$ 5,368,270</u>

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

STATE OF ILLINOIS
EASTERN ILLINOIS UNIVERSITY
COMBINING STATEMENT OF CASH FLOWS (Continued)
FOR MAJOR COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Foundation</u>	<u>Alumni Association</u>	<u>Total</u>
Reconciliation of net operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ 1,623,916	\$ (2,863)	\$ 1,621,053
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	28,643	5,999	34,642
Bad debt expense	111	-	111
Non-cash stock, real estate gifts	(34,180)	-	(34,180)
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(9,893)	3,936	(5,957)
(Increase) decrease in prepaid expense	(9,028)	126	(8,902)
Increase (decrease) in accounts payable	2,740	(7,371)	(4,631)
Net cash provided by (used in) operating activities	<u>\$ 1,602,309</u>	<u>\$ (173)</u>	<u>\$ 1,602,136</u>
Noncash investing, noncapital financing, and capital and related financing transactions			
Change in fair value of investments	\$ 4,588,215	\$ 38,212	\$ 4,626,427
Change in accrued interest affecting interest paid	\$ (4,848)	\$ -	\$ (4,848)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

Financial Reporting Entity

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. Based upon the factors discussed below, these financial statements include the accounts of Eastern Illinois University (the University) as the primary government, and the component units of 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*) and GASB No. 61, *The Financial Reporting Entity: Omnibus* (an amendment of GASB Statement No. 14 and No. 34), which increased the factors to consider when determining if a component unit should be included in the financial reporting entity of a primary government.

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

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

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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. Complete financial statements for the Alumni Association can be obtained from the University's Business Office at 600 Lincoln Avenue, Charleston, IL 61920.

For both the Foundation and Alumni Association, under GASB Statement No. 61, the University has determined that it would be misleading not to include the Foundation and Alumni Association as component units.

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

Financial Statement Presentation

The basic financial statements include prior year comparative information which has been derived from the University and Component Units' 2012 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, 2012.

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.

Cash Equivalents

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

Investments

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

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.

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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 Position 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 book and textbook 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.

Unearned Revenues

Unearned 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. Unearned 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 Position, and the expenses incurred are reported as functionalized expenses in the Statement of Revenues, Expenses, and Changes in Net Position.

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 Position

The University's net position are classified as follows:

Net investment in capital assets: 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 net investment in capital assets.

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

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

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

Income Taxes

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

Reclassifications

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

Classification of Revenues

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

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

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *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 \$71,496,939, representing \$37,485,342 for group insurance costs and \$34,011,597 for retirement costs. These costs are reflected as non-operating revenues and operating expenses with revenues reported as payments on behalf of the University and expenses allocated to each educational and general program.

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

New Governmental Accounting Standards

The following Governmental Accounting Standards Board (GASB) statements were effective for the period beginning July 1, 2012:

GASB Statement No. 60 - *Accounting and Financial Reporting for Service Concession Arrangements*. This Statement applies to public-private partnerships in which the public institution retains specific control criteria. The standard generally applies to arrangements to provide services through the use of infrastructure or another public asset, such as facilities. This Statement is effective for periods beginning after December 15, 2011. The University has determined that it does not have any service concession arrangements as defined by the Statement.

GASB Statement No. 61 - *The Financial Reporting Entity: Omnibus*. This Statement amends the requirements of GASB Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The Statement amends the criteria for including a component unit, as well as the criteria for how to disclose component units' financial information. The Statement is effective for periods beginning after June 15, 2012. The Statement does not impact the University.

GASB Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. This Statement incorporates guidance that previously could only be found in certain FASB and AICPA pronouncements. The Statement supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. This Statement is effective for periods beginning after December 15, 2011. Because the Statement incorporates existing guidance, the Statement does affect the University, but does not significantly change the financial reporting of the University.

GASB Statement No. 63 - *Financial Reporting of Deferred Outflow of Resources, Deferred Inflow of Resources, and Net Position*. This Statement addresses how to report elements of financial statements that are deferred inflows and deferred outflows and clarifies that they should be reported in a separate section in the Statement of Net Position. The Statement is effective for periods beginning after December 15, 2011. The Statement does not significantly impact the University.

2 CASH AND CASH EQUIVALENTS, OTHER DEPOSITS, AND INVESTMENTS

Cash and Cash Equivalents

The University maintains deposits at financial institutions authorized by the Board of Trustees. The carrying amount of these deposits was \$17,940 at June 30, 2013, and were fully covered by depository insurance. In addition, the University had cash on hand in various petty cash and change funds in the amount of \$27,611 at June 30, 2013.

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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 (VPBA) has the authority to prescribe 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, 2013, are as follows:

Effective Maturity	<u>0-1 Years</u>	<u>1-5 Years</u>	<u>6-10 Years</u>
Illinois Funds	\$ 47,681,286	\$ -	\$ -
Mutual Bond Funds	-	25,420	100,653
	<u>\$ 47,681,286</u>	<u>\$ 25,420</u>	<u>\$ 100,653</u>

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

Credit Rating	<u>AAA</u>	<u>Not Rated</u>
Illinois Funds	\$ 47,681,286	\$ -
Mutual Bond Funds	-	126,073
	<u>\$ 47,681,286</u>	<u>\$ 126,073</u>

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

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

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

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

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

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

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Reconciliation to the Statement of Net Position

A reconciliation of cash and investments as presented previously to amounts reported in the Statement of Net Position as of June 30, 2013, are as follows:

	Current	Noncurrent	Total
Cash and cash equivalents	\$ 42,333,202	\$ -	\$ 42,333,202
Restricted cash and cash equivalents	5,393,635	-	5,393,635
Short-term investments	485,000	-	485,000
Restricted investments	17,394	-	17,394
Endowment investments	-	563,221	563,221
	<u>\$ 48,229,231</u>	<u>\$ 563,221</u>	<u>\$ 48,792,452</u>

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

Cash deposits	\$ 17,940
Petty cash funds	27,611
The Illinois Funds accounts	47,681,286
Bond Mutual Funds - Charles Schwab & Co., Inc.	126,073
Equity Mutual Funds - Charles Schwab & Co., Inc.	454,542
Certificates of Deposit	485,000
As reported in the Statement of Net Position	<u>\$ 48,792,452</u>

3 ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2013:

Sales and service	\$ 2,667,638
Student tuition and fees	4,870,978
Auxiliary enterprises and other operating activities	6,193,259
Federal, State, and private grants and contracts	575,656
Others	7,081,530
Total	<u>\$ 21,389,061</u>
Less allowance for doubtful accounts	(8,372,554)
Net accounts receivable	<u>\$ 13,016,507</u>

4 INVENTORIES

Inventories consisted of the following at June 30, 2013:

Union Bookstore	\$ 1,042,331
Facilities Planning and Management	930,123
Dining Services	146,609
Union operations	53,681
Postage	39,196
Pharmacy	17,888
Other	8,785
	<u>\$ 2,238,613</u>

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5 LOANS RECEIVABLE

Student loans made through the Federal Perkins Loan Program (the "Program") comprise substantially all of the notes receivable as of June 30, 2013. 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 \$5,767,471 as of June 30, 2013, are reflected in the accompanying Statement of Net Position as noncurrent liabilities.

As the University determines that loans are uncollectible and not eligible for reimbursement by the Federal government, the loans may be assigned to the U.S. Department of Education. The allowance for uncollectible loans only applies to University funded loans and the University portion of federal student loans, as the University is not obligated to fund the federal portion of uncollected student loans. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2013, the allowance for uncollectible loans was \$94,961.

6 CAPITAL ASSETS

	For the Year Ended June 30, 2013				
	6/30/2012	Additions	Deletions	Transfers	6/30/2013
Capital assets not being depreciated					
Land and land improvements	\$ 2,968,015	\$ -	\$ -	\$ -	\$ 2,968,015
Capitalized collections	198,646	8,500	-	-	207,146
Construction in progress	83,619,227	14,906,488	21,156	(20,858,047)	77,646,512
Total capital assets not being depreciated	86,785,888	14,914,988	21,156	(20,858,047)	80,821,673
Other capital assets being depreciated					
Site improvements	18,031,110	-	-	3,958,965	21,990,075
Buildings & building improvements	318,155,586	-	-	16,899,082	335,054,668
Equipment	69,215,231	4,787,175	3,165,749	-	70,836,657
Total capital assets being depreciated	405,401,927	4,787,175	3,165,749	20,858,047	427,881,400
Less accumulated depreciation for:					
Site improvements	12,688,372	852,191	-	-	13,540,563
Buildings & building improvements	127,798,152	10,154,291	-	-	137,952,443
Equipment	57,183,141	5,341,060	3,151,300	-	59,372,901
Total accumulated depreciation	197,669,665	16,347,542	3,151,300	-	210,865,907
Intangible assets being amortized					
Software	380,146	-	-	-	380,146
Less amortization	380,146	-	-	-	380,146
Total intangible assets being amortized	-	-	-	-	-
Total capital assets, being depreciated or amortized, net	207,732,262	(11,560,367)	14,449	20,858,047	217,015,493
Capital assets, net	\$ 294,518,150	\$ 3,354,621	\$ 35,605	\$ -	\$ 297,837,166

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7 CONSTRUCTION IN PROGRESS

Below is a listing of the major construction projects in progress at June 30, 2013:

	Project Estimate	Expended to 6/30/2013	Committed
Center for Renewable Energy Research & Education	\$ 1,421,721	\$ 166,213	\$ 1,255,508
EIU Renewable Energy Center/Energy Savings Projects	69,612,308	68,063,706	1,548,602
Fine Arts building chiller and renovations	1,169,687	673,247	496,440
Grounds shop building	1,081,712	717,299	364,413
Pemberton Hall/Honors College renovations	3,318,569	3,178,692	139,877
Various residence hall projects	2,141,249	1,625,929	515,320
Old Main renovations	775,962	656,334	119,628
Parking lot repairs	2,446,692	1,382,269	1,064,423
Other miscellaneous	3,762,534	1,182,823	2,579,711
	<u>\$ 85,730,434</u>	<u>\$ 77,646,512</u>	<u>\$ 8,083,922</u>

8 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following as of June 30, 2013:

Accounts payable	\$ 1,346,352
Accrued wages	5,990,485
Accrued expenses	4,114,780
Other	333,388
	<u>\$ 11,785,005</u>

9 UNEARNED REVENUE

Unearned revenue consisted of the following at June 30, 2013:

Prepaid tuition and fees	\$ 1,890,138
Sales and service	238,764
Auxiliary enterprises	308,793
Grants and contracts	1,337,084
Miscellaneous	219,891
	<u>\$ 3,994,670</u>

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10 LONG-TERM LIABILITIES

As of June 30, 2013					
	Balance 6/30/2012	Additions	Reductions	Balance 6/30/2013	Amounts Due Within One Year
Revenue bonds, notes payable, and Certificates of Participation					
Revenue bonds payable	(1) \$ 28,005,000	\$ -	\$ 3,975,000	\$ 24,030,000	\$ 4,175,000
Revenue bond discounts	(12,892)	-	(1,285)	(11,607)	(1,177)
Revenue bond premiums	285,646	-	111,407	174,239	76,330
Deferred accounting loss	(474,602)	-	(121,338)	(353,264)	(121,338)
Certificates of Participation	(2) 95,365,000	-	2,285,000	93,080,000	2,610,000
COPS premium	3,142	-	3,142	-	-
COPS discount	(94,553)	-	(12,714)	(81,839)	(11,847)
Other liabilities					
Accrued compensated absences	11,482,285	217,630	-	11,699,915	1,480,846
Deposits	*	-	129,006	1,076,244	1,076,244
Federal loan program contributions	5,729,087	38,384	-	5,767,471	-
Total long-term liabilities	<u>\$ 141,493,363</u>	<u>\$ 256,014</u>	<u>\$ 6,368,218</u>	<u>\$ 135,381,159</u>	<u>\$ 9,284,058</u>

(1) See Note 11 for more information on revenue bonds.

(2) See Note 13 for more information on Certificates of Participation

* Due to limitations in the University's accounting system, the gross amounts for additions and reductions is not readily available for fiscal year 2013.

Total interest expense for the year ended June 30, 2013 was \$6,657,882. There was \$3,826,122 of interest capitalized as part of capital projects in progress during the year.

11 REVENUE BONDS AND NOTES PAYABLE

Revenue bonds payable are comprised of the following at June 30, 2013:

\$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%.	\$ 11,900,000
\$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%.	8,295,000
\$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%.	<u>3,835,000</u>
Total bonds outstanding	<u>\$ 24,030,000</u>

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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 Position.

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 or 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 is no longer outstanding and the liability for those bonds has been removed from the University's Statement of Net Position.

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 (the "System") and from pledged tuition and fees, as well as from certain other funds pledged to pay the principal, redemption premiums, if any, and interest on the bonds.

At June 30, 2013, no previously refunded bonds were outstanding.

The estimated annual amounts required for the payment of principal and interest on the outstanding revenue bonds as of June 30, 2013, are set forth in the following table:

Year ending June 30	Principal	Interest	Total Payments
2014	\$ 4,175,000	\$ 1,059,324	\$ 5,234,324
2015	4,385,000	848,519	5,233,519
2016	4,610,000	626,891	5,236,891
2017	1,490,000	488,016	1,978,016
2018	1,090,000	429,771	1,519,771
2019-2023	3,665,000	1,632,590	5,297,590
2024-2028	3,050,000	772,432	3,822,432
2029-2033	1,265,000	278,610	1,543,610
2034	300,000	8,700	308,700
Total	<u>\$ 24,030,000</u>	<u>\$ 6,144,853</u>	<u>\$ 30,174,853</u>

The following reserve accounts were established by the bond resolutions for the 2005, 2008, and 2008B Bond Series:

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

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

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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, 2013 compared with the amounts included within the accounts as of June 30, 2013 are as follows:

	Minimum Amount Required By Bond Resolution	Cash and Investments Deposited in the Account
	<u> </u>	<u> </u>
Repair and Replacement Reserve Account	<u>\$ -</u>	<u>\$ 6,032,541</u>

Pledge 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	\$ 30,174,853	2033	5.72%

¹ Total future principal and interest payments on bonds.

For the current year, principal and interest paid by the University and the total net revenues pledged were \$5,234,946 and \$91,558,767, respectively.

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12 LEASES

The University made rental payments under operating leases during 2013 of \$71,322, primarily for office space used by various grant activities, storage for surplus equipment, and the shuttle buses.

13 CERTIFICATES OF PARTICIPATION

The Certificates of Participation (COPS) are comprised of the following at June 30, 2013:

\$8,640,000 Certificates of Participation, Series 2003; due in annual installments (principal only) of \$695,000 beginning in August 15, 2004 to \$1,075,000 through August 15, 2013; interest ranges from 3% to 4%; certificates are subject to redemption, in whole, at the price of par (100%), plus accrued interest to the date fixed for redemption in the Event of Nonappropriation as defined in the Indenture. \$ 1,075,000

\$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 Nonappropriation as defined in the Indenture and are subject to mandatory redemption, in whole, at the price of the principal amount, plus accrued interest, on February 15, 2025 should the Board renew the Purchase Contract. The certificates are also callable at the option of the Board on any date on or after February 15, 2015 at the price of the principal amount, plus accrued interest. 8,035,000

\$84,930,000 Certificates of Participation, Series 2009A; due in annual installments (principal only) of \$960,000 beginning April 1, 2013, to \$3,710,000 through April 1, 2036; interest ranges from 3.5% to 6.35%; certificates are subject to redemption, in whole, at the price of par (100%), plus accrued interest to the date fixed for redemption in the Event of Nonappropriation as defined in the Indenture. The certificates due April 1, 2020 and thereafter are also callable at the option of the Board on any date on or after April 1, 2019 at the price of the principal amount, plus accrued interest. 83,970,000

Total Certificates of Participation \$ 93,080,000

Per the COPS Series 2003, the COPS Series 2005, and the COPS Series 2009A Official Statements, the Board is obligated to make installment payments either from funds derived from State appropriations or from legally available non-appropriated funds. Such legally available non-appropriated funds will include payments from the auxiliary facilities system using the savings derived from improvements within the system that are part of the energy services component of the issues. In addition, for the COPS Series 2003, such legally available funds include an increase of the student technology fee related to the network infrastructure upgrade and for the COPS Series 2005, such legally available funds include an increase in the campus improvement fee. The estimated annual amounts required for the payment of principal and interest on the outstanding Certificates of Participation as of June 30, 2013, are set forth in the following table:

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Year ending June 30	Principal	Interest	Build America Subsidy ¹	Total
2014	\$ 2,610,000	\$ 5,347,859	\$ (1,749,632)	\$ 6,208,227
2015	2,155,000	5,267,774	(1,733,047)	5,689,727
2016	2,415,000	5,175,391	(1,704,865)	5,885,526
2017	3,650,000	5,065,069	(1,670,649)	7,044,420
2018	3,765,000	4,886,119	(1,612,986)	7,038,133
2019-2023	21,045,000	21,253,996	(7,096,513)	35,202,483
2024-2028	20,605,000	15,337,622	(5,322,888)	30,619,734
2029-2033	22,685,000	8,923,735	(3,123,307)	28,485,428
2034-2036	14,150,000	1,707,833	(597,742)	15,260,091
Total	\$ 93,080,000	\$ 72,965,398	\$ (24,611,629)	\$ 141,433,769

¹ assuming no future effects from the Federal government's sequestration.

14 RETIREMENT PLANS

Plan Description

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

Funding Policy

Plan members are required to contribute 8.0% of their annual covered salary (9% for University Police Officers) and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The rate for the years ended June 30, 2013, 2012, and 2011 were 34.51%, 22.85%, and 21.27%, respectively, of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly. The employer contributions to SURS for the years ending June 30, 2013, 2012, and 2011, were \$34,194,019, \$24,175,696, and \$19,453,172, 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 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 their 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 Employees' 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 an 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 Central Management Services. A copy of the financial statements of the Department of Central Management Services may be obtained by writing to the Department of Central Management Services, 401 S. Spring Street, Springfield, IL 62706-4100.

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. The University has recorded an allocation of SURMA's net position of \$663,432 as an other non-current asset for the year ended June 30, 2013.

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 \$1,330,885 were paid for the year ended June 30, 2013.

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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, 2013 are as follows:

Reserve balance, June 30, 2012	\$ 1,821,644
Transfers and fees	1,432,685
Administrative costs	(205,695)
Payment of claims	(1,330,885)
Reserve balance, June 30, 2013	<u>\$ 1,717,749</u>

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 \$44,041,100 for general and educational purposes, \$10,000 for scholarships, and \$594,682 for certain capital improvements during fiscal year 2013.

The University also received funds from the Capital Development Board (CDB), another agency of the State of Illinois. CDB administered various capital improvement projects at the University. During fiscal year 2013, the University received \$1,025,328 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, 2013, the University provided cash, services and other resources to the Foundation, totaling \$206,442, to help defray the Foundation's costs incurred under the contract. During the year ended June 30, 2013, the Foundation incurred expenses of \$127,817 under the contract.

During the year ended June 30, 2013, the Foundation gave the University \$2,256,031 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 \$976,610 during the year. Services and resources totaling \$70,863 for the year are included above, but not reflected in the financial statements. Also, the Foundation received \$108,595 for the year ended June 30, 2013, in gifts from the University's restricted gift account with the donor's consent.

The Eastern Illinois University Alumni Association, Inc. (Association) had an agreement with Eastern Illinois University to coordinate the University's alumni activities. The University agreed to provide the Association with money or in-kind services in an amount not to exceed the Association's cost of coordinating these activities. The Association has also agreed to pay the University for all facilities, services, and resources used. The payment is to be either in the form of money or its equivalent in services or resources. During the year ended June 30, 2013, the University provided the Association with \$14,362 in services in accordance with the contract.

In fulfilling its fiscal year 2013 contract with the University, the Association incurred \$72,214 of expenses and \$30,500 of in-kind expenses. Included in the fiscal year 2013 expenses of \$72,214 are unrestricted gifts, grants, and scholarships of \$11,963 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 \$39,866 for the year ended June 30, 2013.

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, 2013 are as follows:

Salaries	\$ 109,223,816
Benefits	80,859,541
Supplies	5,034,066
Contractual services	14,583,698
Utilities	9,361,292
Travel	1,597,346
Repairs and maintenance, equipment and buildings	3,095,569
Scholarships	10,974,863
Other	7,943,653
Depreciation	16,347,542
	<u>\$ 259,021,386</u>

20 DISCLOSURES OF COMPONENT UNITS

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

Cash and Cash Equivalents

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

Investments

The Foundation is authorized by the Board of Directors to invest funds in compliance with stated investment policies. All other investments are carried at their fair value, as determined by quoted market prices for investments that have readily available fair value. For investments for which a readily determinable fair value does not exist (e.g. private equities and alternative investments), the investments are valued at estimated fair 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.

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

The long-term objective of the endowment funds, as determined by the Board of Directors, is to achieve a total return in excess of its current spending rate policy over a twenty-year time horizon. The current rate of the spending rate policy is 5% per year, comprised of a 4.25% spending rate and 0.75% for administrative expenses. In addition to achieving the 5% spending rate policy, the policy asset allocation is designed to cover the costs of inflation, investment management/consulting fees, and other related costs. The spending allowance calculation is determined by taking the spending rate (currently 5%) times the investment portfolio's trailing twelve-quarter average market value, as of December 31st of each year. Any remaining return over the 5% spending rate will be retained for use in future years. As of June 30, 2013 net appreciation of \$14,236,616 is available to be spent, but is restricted to specific purposes.

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, 2013 are disclosed as follows:

<u>Effective Maturity</u>	<u>0-1 Year</u>	<u>1-5 Year</u>	<u>5-10 Year</u>	<u>Total</u>
The Illinois Funds	\$ 5,063,011	\$ -	\$ -	\$ 5,063,011
Money Market Funds	1,370,956	-	-	1,370,956
Mutual Bond Funds	-	1,491,061	10,398,031	11,889,092
Total	<u>\$ 6,433,967</u>	<u>\$ 1,491,061</u>	<u>\$ 10,398,031</u>	<u>\$ 18,323,059</u>

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, 2013 are as follows:

<u>Quality Rating</u>	<u>AAA</u>	<u>Not Rated</u>
The Illinois Funds	\$ 5,063,011	\$ -
Money Market Funds	156,976	1,213,980
Mutual Bond Funds	-	11,899,092
Total	<u>\$ 5,219,987</u>	<u>\$ 13,113,072</u>

The money market funds administered by Charles Schwab & Co., Inc. do not have a quality rating, but the funds' investment policy generally limits investment to the top two tiers. Mutual bond funds are not rated.

Custodial Credit Risk

Custodial credit risk is the risk that when, in the event a financial institution or counterparty fails, the Foundation would not be able to recover 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.

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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 Deposits of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Details on the nature of these investments are available within the State of Illinois' Comprehensive Annual Financial Report. The Illinois Funds do not have any direct or indirect investments in derivative instruments.

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

A reconciliation of cash and investments as shown on the June 30, 2013 Statement of Net Position are as follows:

	Current	Noncurrent	Total
Cash and cash equivalents	\$ 458,483	\$ -	\$ 458,483
Restricted cash and cash equivalents	3,258,529	1,345,999	4,604,528
Restricted investments	4,608,817	20,578,894	25,187,711
Other current investments	32,000	-	32,000
Endowment investments	-	40,489,815	40,489,815
Total cash and investments	<u>\$ 8,357,829</u>	<u>\$ 62,414,708</u>	<u>\$ 70,772,537</u>

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

The Illinois Funds money market accounts	\$ 5,063,011
Money market accounts administered by First-Mid-Illinois Bank and Trust	156,976
Money market accounts administered by Charles Schwab & Co., Inc.	1,213,980
Investments administered by Charles Schwab & Co., Inc.	
Open Ended Mutual Bond funds	10,024,688
Open Ended Mutual Equity funds	32,451,472
Corporate Equity - Student Investment	87,036
Investments administered by Brandywine Global	
Open Ended Mutual Bond fund	1,864,404
Investments administered by First Mid-Illinois Bank	
Corporate Equity - Cooperatives Stock	1,780
Alternative Investments	
Investments administered by Corbin Pinehurst	5,115,666
Investments administered by Mercer	5,391,241
Investments administered by Neuberger Berman	26,815
Investments administered by Park Street Capital	1,142,447
Investments administered by Goldman Sachs	713,395
Investments administered by Portfolio Advisors	846,826
Investments administered by Montauk	267,514
Life insurance cash values	95,152
Real estate	<u>6,310,134</u>
Total cash and investments	<u>\$ 70,772,537</u>

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Long-Term Liabilities

The Foundation incurred a demand mortgage note payable to a bank for the purchase of land and construction of the Foundation center, known as the Neal Welcome Center. The building, as well as two unitrust gifts, were pledged as collateral on this note. The two unitrust gifts matured on April 12, 2012. The Foundation's share of those unitrusts was \$1,358,318. The loan was paid in full using an additional \$28,920 from Foundation unrestricted funds.

In addition, the Foundation had amounts due to others as of June 30, 2013, in the amounts of \$5,320,109. 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 NEW GOVERNMENTAL ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) has issued the following statements which are effective for periods beginning July 1, 2013 or later which may impact the University:

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

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

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

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

OTHER INFORMATION

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 UNAUDITED DATA REQUIRED BY REVENUE BOND RESOLUTIONS
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SCHEDULE OF INSURANCE

Insurance Coverage:

Insurance covers property damage to buildings, contents, business interruption, and electronic data processing. Coverage is for fire, lightning, windstorms, hail, explosion, riot, civil commotion, vandalism and malicious mischief, and flood and earthquake.

	<u>Coverage Amount</u>	<u>Deductible</u>
Most building, contents, business interruption, electronic data processing, and builder's risk	\$ 500,000,000	\$ 25,000
Boiler and machinery	\$ 100,000,000	\$ 25,000
Flood	\$ 100,000,000	\$ 25,000
Earthquake	\$ 100,000,000	\$ 25,000

Insurance company: Lexington Insurance Company

Policy period: July 1, 2012 to July 1, 2013

STATE OF ILLINOIS
 EASTERN ILLINOIS UNIVERSITY
 UNAUDITED DATA REQUIRED BY REVENUE BOND RESOLUTIONS (Continued)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

RATES	<u>Double Occupancy</u>	<u>Single Occupancy</u>
Residence halls		
Summer 2012 (8 week session)	\$ 1,460	\$ 1,829
Fall 2012		
7 meals	\$ 4,069	\$ 4,919
10 meals	4,250	5,100
12 meals	4,410	5,260
15 meals	4,587	5,437
Spring 2013		
7 meals	\$ 4,069	\$ 4,919
10 meals	4,250	5,100
12 meals	4,410	5,260
15 meals	4,587	5,437
Summer 2013 (8 week session)	\$ 1,507	\$ 1,888

RATES	<u>Efficiency</u>	<u>One Bedroom</u>	<u>Super Efficiency</u>
Married student housing (monthly rent)			
Fall 2012	\$ 464	\$ 488	\$ 435
Spring 2013	\$ 464	\$ 488	\$ 435
Summer 2013	\$ 464	\$ 488	\$ 435

	<u>Range</u>		
University Court (semester)			
Fall 2012	\$ 2,412	to	\$ 3,225
Spring 2013	\$ 2,412	to	\$ 3,225
Summer 2013 (8 week session)	\$ 960	to	\$ 1,078

	<u>Fees</u>
Bond revenue fees	
Summer 2012	\$ 435.28
Fall 2012	\$ 441.28
Spring 2013	\$ 441.28
Summer 2013	\$ 441.28

STATE OF ILLINOIS
 EASTERN ILLINOIS UNIVERSITY
 UNAUDITED DATA REQUIRED BY REVENUE BOND RESOLUTIONS (Continued)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

ENROLLMENT DATA

<u>Enrollment Date</u>	<u>Undergraduate Students</u>	<u>Graduate Students</u>	<u>Extension Students</u>	<u>Total</u>
Summer 2012	1,798	762	1,293	3,853
Fall 2012	8,188	1,068	1,162	10,418
Spring 2013	7,376	1,040	1,059	9,475
Summer 2013	1,703	681	1,251	3,635

OCCUPANCY DATA

<u>OCCUPANCY</u>	<u>Occupancy</u>	<u>Rated Occupancy</u>	<u>% of Occupancy</u>
Residence halls			
Summer 2012	-	150	0%
Fall 2012	2,947	4,689	63%
Spring 2013	2,720	4,689	58%
Summer 2013	134	150	89%
Married student housing			
Summer 2012	59	130	45%
Fall 2012	126	130	97%
Spring 2013	106	130	82%
Summer 2013	53	130	41%
University Court			
Summer 2012	61	146	42%
Fall 2012	146	146	100%
Spring 2013	141	146	97%
Summer 2013	58	146	40%

**INDEPENDENT AUDITOR'S 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
Board of Trustees
Eastern Illinois University

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the 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, the financial statements of the business-type activities of Eastern Illinois University and its aggregate discretely presented component units, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Eastern Illinois University's basic financial statements, and have issued our report thereon dated December 5, 2013. Our report includes a reference to other auditors who audited the financial statements of Eastern Illinois University's discretely presented component units, as described in our report on Eastern Illinois University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Eastern Illinois University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Eastern Illinois University's internal control. Accordingly, we do not express an opinion on the effectiveness of Eastern Illinois University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eastern Illinois University's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Eastern Illinois University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Eastern Illinois University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Clifton Larson Allen LLP".

Peoria, Illinois
December 5, 2013

STATE OF ILLINOIS
EASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

CURRENT FINDING – GOVERNMENT AUDITING STANDARDS

None

PRIOR FINDINGS NOT REPEATED

A. Finding – Failure to Capitalize Interest Costs

Eastern Illinois University (University) did not properly capitalize interest costs incurred related to the construction of the University’s Renewable Energy Center. (Finding Code No. 12-1)

Status: Not repeated

During the current audit, the auditors’ testing disclosed the University properly capitalized interest cost related to the construction of the Center.

B. Finding – Improper Accounting for the Student Self-Insurance Health Plan

Eastern Illinois University (University) did not account for the University’s Student Self-Insurance Health Plan in accordance with the accrual basis of accounting. (Finding Code No. 12-2)

Status: Not repeated

During the current audit, the auditors’ testing disclosed the University properly accounted for the University’s Student Self-Insurance Health Plan.