

**STATE OF ILLINOIS  
EASTERN ILLINOIS UNIVERSITY  
FINANCIAL AUDIT  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



STATE OF ILLINOIS  
 EASTERN ILLINOIS UNIVERSITY  
 FINANCIAL AUDIT  
 For the Years Ended June 30, 2016 and 2015

**TABLE OF CONTENTS**

	<u>Page</u>
University Officials	1
Financial Statement Report	
Summary	2
Independent Auditor's Report	3
Management's Discussion and Analysis	5
Basic Financial Statements	
Statements of Net Position	16
Statements of Revenues, Expenses, and Changes in Net Position	17
Statements of Cash Flows	19
Combining Statements of Component Units	
Combining Statements of Net Position	21
Combining Statements of Revenues, Expenses, and Changes in Net Position	23
Combining Statements of Cash Flows	25
Notes to Financial Statements	29
Required Supplementary Information	58
Other Information (Unaudited)	
Unaudited Data Required by Revenue Bond Resolutions	60
Independent Auditors' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	63
Schedule of Findings	65
Prior Findings Not Repeated	65
Other Reports Issued Under Separate Cover	

The University's Compliance Examination (including the Single Audit) for the year ended June 30, 2016, which includes the reports of the independent auditor, Schedule of Findings and Questioned Costs, and Supplementary Information for State Compliance Purposes, has been issued under a separate cover.

STATE OF ILLINOIS  
EASTERN ILLINOIS UNIVERSITY  
UNIVERSITY OFFICIALS  
FINANCIAL AUDIT  
FOR THE YEAR ENDED JUNE 30, 2016

**UNIVERSITY OFFICIALS**

President	Dr. David M. Glassman
Provost and Vice President for Academic Affairs	Dr. Blair M. Lord
Interim Vice President for Business Affairs	Mr. Paul A. McCann
Vice President for Student Affairs	Dr. Daniel P. Nadler
Vice President for University Advancement (to February 23, 2016)	Mr. Robert K. Martin
Vice President for University Advancement (from February 24, 2016)	Vacant
Interim Director of Business Services and Treasurer	Ms. Linda Holloway
General Counsel	Mr. Robert L. Miller
Director of Internal Auditing	Ms. Leigh C. Moon

**BOARD OF TRUSTEES** (as of June 30, 2016)

Chairperson	Mr. Joseph R. Dively
Vice Chairperson	Mr. Kristopher Goetz
Secretary	Mr. Timothy Burke
Member	Mr. Daniel P. Caulkins
Member	Dr. Jan Spivey Gilchrist
Member	Mr. Rene M. Hutchinson
Student Member	Ms. Catie Witt

University offices are located at:

600 Lincoln Avenue  
Charleston, Illinois 61920

STATE OF ILLINOIS  
EASTERN ILLINOIS UNIVERSITY  
FINANCIAL STATEMENT REPORT SUMMARY  
For the Years Ended June 30, 2016 and 2015

**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 March 11, 2017.



CliftonLarsonAllen

CliftonLarsonAllen LLP  
CLAconnect.com

## Independent Auditor's Report

Honorable Frank J. Mautino  
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 years ended June 30, 2016 and 2015, 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 audits. We did not audit the financial statements of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have 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 reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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. According, 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 audits 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, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matters***

As discussed in note 22 to the financial statements, Public Act 099-0524 granted the University Fiscal Year 2017 appropriations, totaling \$26,222,000, which the University has used to pay Fiscal Year 2016 costs as allowed for by Public Act 099-0524. Even though this law was enacted on June 30, 2016, the University did not recognize this nonoperating appropriations revenue from the State of Illinois at June 30, 2016, in accordance with generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Additionally, as discussed in note 23 to the financial statements, the State of Illinois has not enacted an appropriations bill to fund the University's Fiscal Year 2017 operations. Our opinions are not modified with respect to this matter.

Furthermore, as discussed in note 23 to the financial statements, the University has taken significant measures to address the decline in State appropriations and student enrollment. Our opinions are not modified with respect to this matter.

### ***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 to 15 and pension information on pages 58 and 59 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 audits were 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 failed to comply with terms, covenants, or provisions of the Resolutions of the Eastern Illinois University Auxiliary Facilities System Revenue Bonds (Series 2005, 2008, and 2008B) in so far as they relate to accounting matters. However, our audits were not directed primarily toward obtaining knowledge of such compliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the University's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the indentures, insofar as they relate to accounting matters.

#### ***Restricted Use Related to the Other Matter***

The communication related to compliance with the aforementioned indentures described in the Other Matters paragraph is intended solely for the information and use of the Board of Trustees and management of the University and U.S. Bank and is not intended to be and should not be used by anyone other than these specified parties.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2017, 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.

## **Original Signature on File**

Peoria, Illinois  
March 13, 2017

STATE OF ILLINOIS  
EASTERN ILLINOIS UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Years Ended June 30, 2016 and 2015

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 years ended June 30, 2016 and 2015 with comparative information for the year ended June 30, 2014. 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 8,500 students and employs approximately 1,750 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.

The Statement of Net Position reflects the assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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 deferred outflows of resources and total liabilities and deferred inflows of resources, 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 indicates the improvement or erosion of the University's financial condition.

STATE OF ILLINOIS  
 EASTERN ILLINOIS UNIVERSITY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 For the Fiscal Years Ended June 30, 2016 and 2015

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 appropriations of \$12,464,500 and \$42,923,858, respectively, and payments on behalf of the University of \$68,730,270 and \$69,150,918, respectively, are reported as nonoperating revenues and results in the University showing operating losses of \$118,927,141 and \$140,117,539 for the years ended June 30, 2016 and 2015, respectively.

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

**Financial Highlights**

During the year ended June 30, 2016, the University's net position decreased by approximately \$19.7 million to \$213.4 million. This decrease was primarily due to decreases in student enrollment and State appropriations. During the year ended June 30, 2015, the University's net position increased by approximately \$1.5 million to \$233.1 million.

**Statement of Net Position**

Condensed Statement of Net Position, as of June 30,

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Assets</b>			
Current assets	\$ 39,824,756	\$ 62,373,164	\$ 70,559,191
Noncurrent assets			
Capital	287,467,406	295,410,246	296,551,671
Other	10,284,901	11,066,816	7,675,041
Total noncurrent assets	<u>297,752,307</u>	<u>306,477,062</u>	<u>304,226,712</u>
Total assets	<u>\$ 337,577,063</u>	<u>\$ 368,850,226</u>	<u>\$ 374,785,903</u>
Deferred outflows of resources	<u>\$ 158,747</u>	<u>\$ 230,767</u>	<u>\$ 231,925</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 337,735,810</u>	<u>\$ 369,080,993</u>	<u>\$ 375,017,828</u>
<b>Liabilities</b>			
Current liabilities	\$ 20,732,735	\$ 25,526,557	\$ 25,433,256
Noncurrent liabilities	103,599,854	110,457,580	117,992,970
Total liabilities	<u>\$ 124,332,589</u>	<u>\$ 135,984,137</u>	<u>\$ 143,426,226</u>
<b>Net Position</b>			
Net investment in capital assets	\$ 192,807,394	\$ 194,513,156	\$ 189,218,968
Restricted			
Nonexpendable	4,958,720	5,123,237	1,504,337
Expendable	8,265,631	7,333,767	6,292,748
Unrestricted	7,371,476	26,126,696	34,575,549
Total net position	<u>\$ 213,403,221</u>	<u>\$ 233,096,856</u>	<u>\$ 231,591,602</u>

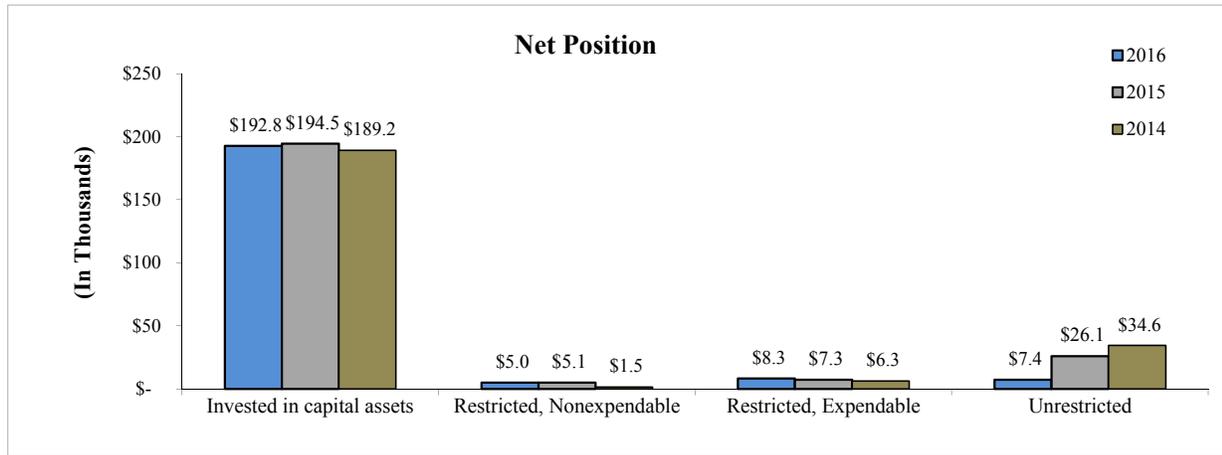
University assets totaled about \$337.6 and \$368.9 million at June 30, 2016 and 2015, respectively. The largest asset of the University is its net investment in land, buildings, and equipment which totaled approximately \$287.5 and \$295.4 million at June 30, 2016 and 2015, respectively.

STATE OF ILLINOIS  
 EASTERN ILLINOIS UNIVERSITY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 For the Fiscal Years Ended June 30, 2016 and 2015

University liabilities totaled approximately \$124.3 and \$136.0 million at June 30, 2016 and 2015, respectively. Long-term debt of approximately \$111.3 and \$120.0 million at June 30, 2016 and 2015, respectively, 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 \$39.8 and \$62.4 million for June 30, 2016 and 2015, respectively, were sufficient to cover the current liabilities of approximately \$20.7 and \$25.5 million for June 30, 2016 and 2015, respectively. The current ratio of current assets to current liabilities was \$1.92 and \$2.44 in current assets for every \$1 in current liabilities at June 30, 2016 and 2015, respectively.

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.

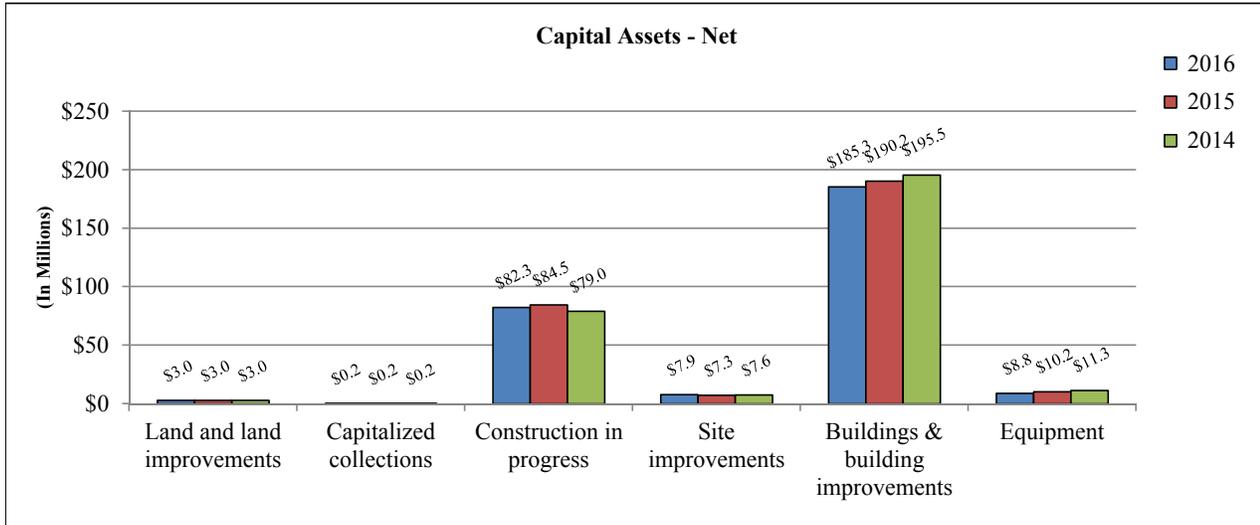
During the year ended June 30, 2016, the University suspended most renovations to campus facilities to conserve its cash position. University capital additions totaled approximately \$9.0 and \$15.1 million for fiscal years 2016 and 2015, respectively. This includes continuing energy savings projects, residence hall and classroom renovations and improvements, and an addition to the Tarble Arts Center.

The University had approximately \$10.9 and \$15.5 million of bonded debt outstanding and \$85.9 and \$88.3 million of certificates of participation outstanding at June 30, 2016 and 2015, respectively. 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.

On June 30, 2016, Moody's Investors Service downgraded Eastern Illinois University's ratings on its Auxiliary Facilities System Revenue Bonds to B1 from Ba1 and Certificates of Participation to Caa1 from Ba3.

STATE OF ILLINOIS  
 EASTERN ILLINOIS UNIVERSITY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 For the Fiscal Years Ended June 30, 2016 and 2015

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**

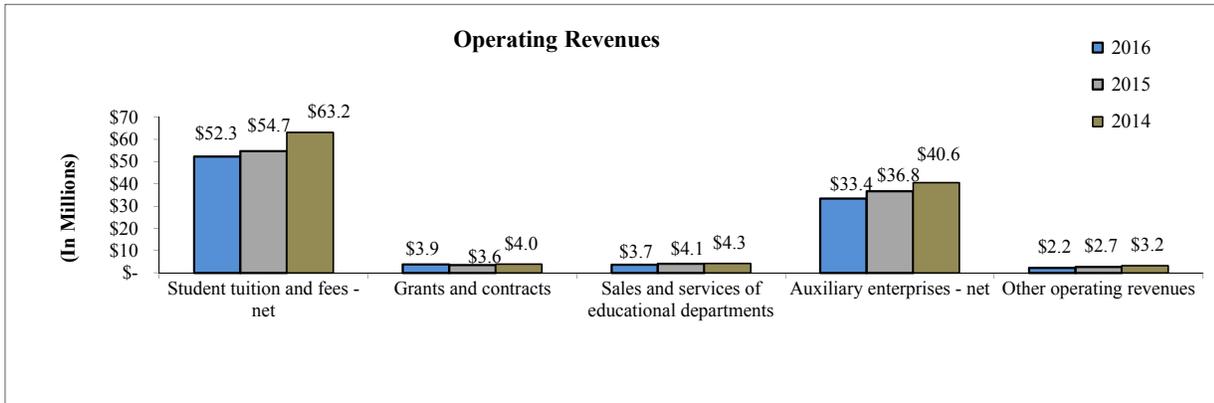
Condensed Statement of Revenues, Expenses and Changes in Net Position  
 For the years ended June 30,

	2016	2015	2014
Operating revenues			
Tuition and fees, net	\$ 52,312,571	\$ 54,735,045	\$ 63,167,723
Grants and contracts	3,913,450	3,573,892	4,028,459
Auxiliary enterprises	33,448,968	36,783,016	40,552,326
Other operating revenues	5,949,996	6,878,107	7,459,561
Total operating revenues	<u>95,624,985</u>	<u>101,970,060</u>	<u>115,208,069</u>
Operating expenses	<u>214,552,126</u>	<u>242,087,599</u>	<u>250,149,322</u>
Operating income (loss)	<u>(118,927,141)</u>	<u>(140,117,539)</u>	<u>(134,941,253)</u>
Nonoperating revenues (net of expenses)			
State appropriations	12,464,500	42,923,858	44,083,100
Payments on behalf of the University	68,730,270	69,150,918	66,343,635
Other net nonoperating revenues (expenses)	19,155,283	24,214,631	24,928,755
Net nonoperating revenues and expenses	<u>100,350,053</u>	<u>136,289,407</u>	<u>135,355,490</u>
Income (loss) before capital contributions	<u>(18,577,088)</u>	<u>(3,828,132)</u>	414,237
Capital appropriations	-	514,755	442,478
Assets donated by other State agencies	7,047	958,332	59,298
Other revenues and expense	<u>(1,123,594)</u>	<u>3,720,666</u>	<u>155,000</u>
Total increase (decrease) in net assets	<u>(19,693,635)</u>	<u>1,365,621</u>	<u>1,071,013</u>
Net position-beginning of year	233,096,856	231,591,602	230,520,589
Change in accounting principal	-	139,633	-
Net position-end of year	<u>\$ 213,403,221</u>	<u>\$ 233,096,856</u>	<u>\$ 231,591,602</u>

STATE OF ILLINOIS  
 EASTERN ILLINOIS UNIVERSITY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 For the Fiscal Years Ended June 30, 2016 and 2015

**Operating Revenues**

Total operating revenues for fiscal year 2016 and 2015 totaled \$95.6 and \$102.0 million, respectively. The most significant sources of operating revenues were tuition and fees, grants and contracts, and auxiliary services as shown in the graph below:



Due to a budget impasse, State appropriations decreased significantly by approximately \$30.5 million from fiscal year 2015 to 2016. Between fiscal year 2014 and 2015, the appropriation decreased by \$1.2 million.

Other non-operating revenues of \$18.0 and \$24.2 million in fiscal years 2016 and 2015, respectively, were primarily federal Pell grants and State MAP grants.

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). For fiscal year 2016, tuition was increased 0.7% over fiscal year 2015. Tuition and student fees were not increased for fiscal year 2015. Decreases in enrollment caused net tuition and fee revenue to decrease between fiscal years 2014 and 2016.

**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 2016 through 2014.

Full-time Undergraduates	2016	2015	2014
In-State			
Continuing Non-Guaranteed	\$283.00/hour + \$1,307.66 fees/semester	\$269.00/hour + \$1,104.00 fees/semester	\$269.00/hour + \$1,034.97 fees/semester
New Students FY10	\$283.00/hour + \$1,307.66 fees/semester	\$239.00/hour + \$1,230.96 fees/semester	\$239.00/hour + \$1,230.93 fees/semester
New Students FY11	\$254.00/hour + \$1,307.66 fees/semester	\$254.00/hour + \$1,230.96 fees/semester	\$254.00/hour + \$1,230.93 fees/semester
New Students FY12	\$269.00/hour + \$1,307.66 fees/semester	\$269.00/hour + \$1,230.96 fees/semester	\$269.00/hour + \$1,230.93 fees/semester

STATE OF ILLINOIS  
 EASTERN ILLINOIS UNIVERSITY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 For the Fiscal Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>	<u>2014</u>
New Students FY13	\$279.00/hour + \$1,307.66 fees/semester	\$279.00/hour + \$1,230.96 fees/semester	\$279.00/hour + \$1,230.93 fees/semester
New Students FY14	\$283.00/hour + \$1,307.66 fees/semester	\$283.00/hour + \$1,230.96 fees/semester	\$283.00/hour + \$1,230.93 fees/semester
New Students FY15	\$283.00/hour + \$1,307.66 fees/semester	\$283.00/hour + \$1,230.96 fees/semester	
New Students FY16	\$285.00/hour + \$1,307.66 fees/semester		
Out-of-State			
Continuing Non-Guaranteed	\$356.00/hour + \$1,307.66 fees/semester	\$780.00/hour + \$1,034.97 fees/semester	\$717.00/hour + \$1,025.88 fees/semester
New Students FY09	\$654.00/hour + \$1,230.96 fees/semester	\$654.00/hour + \$1,230.93 fees/semester	\$654.00/hour + \$1,191.84 fees/semester
New Students FY10	\$717.00/hour + \$1,230.96 fees/semester	\$717.00/hour + \$1,230.93 fees/semester	\$717.00/hour + \$1,191.84 fees/semester
New Students FY11	\$356.00/hour + \$1,306.77 fees/semester	\$762.00/hour + \$1,230.93 fees/semester	\$762.00/hour + \$1,191.84 fees/semester
New Students FY12	\$356.00/hour + \$1,306.77 fees/semester	\$807.00/hour + \$1,230.93 fees/semester	\$807.00/hour + \$1,191.84 fees/semester
New Students FY13	\$356.00/hour + \$1,307.66 fees/semester	\$837.00/hour + \$1,230.93 fees/semester	\$837.00/hour + \$1,191.84 fees/semester
New Students FY14	\$356.00/hour + \$1,307.66 fees/semester	\$849.00/hour + \$1,230.93 fees/semester	
New Students FY15	\$356.00/hour + \$1,307.66 fees/semester	\$849.00/hour + \$1,230.96 fees/semester	
New Students FY16	\$356.00/hour + \$1,307.66 fees/semester		

STATE OF ILLINOIS  
 EASTERN ILLINOIS UNIVERSITY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 For the Fiscal Years Ended June 30, 2016 and 2015

	2016	2015	2014
Full-time Graduates			
In-State and entered prior to fall 2007 semester	\$285.00/hour + \$1,201.70 fees/semester	\$283.00/hour + \$1,037.97 fees/semester	\$279.00/hour + \$1,028.88 fees/semester
In-State and entered in fall 2007 semester or after	\$285.00/hour + \$1,310.66 fees/semester	\$283.00/hour + \$1,233.93 fees/semester	\$279.00/hour + \$1,194.84 fees/semester
Out-of-State and entered prior to fall 2007 semester	\$684.00/hour + \$1,201.70 fees/semester	\$679.00/hour + \$1,037.97 fees/semester	\$670.00/hour + \$1,028.88 fees/semester
Out-of-State and entered in fall 2007 semester or after	\$684.00/hour + \$1,310.66 fees/semester	\$679.00/hour + \$1,233.93 fees/semester	\$670.00/hour + \$1,194.84 fees/semester

**Room and Board**

The University currently has 12 traditional residence halls and a village of fraternity and sorority residences (“Greek Court”), with a capacity of approximately 4,700 students. In addition, there are 154 married and graduate student apartments (“University Apartments”) and 146 undergraduate apartment units in 11 buildings (“University Court”). For Fall 2015 and 2014, respectively, the residence halls were about 52% and 55% occupied, the University Apartments were about 52% and 66% occupied, and University Court was 99% and 97% occupied.

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

	2016	2015	2014
University Apartments			
Efficiency	\$488/month	\$478/month	\$478/month
One bedroom	\$513/month	\$503/month	\$503/month
Super efficiency	\$457/month	\$448/month	\$448/month
University Court	Rates vary from \$2,460 to \$3,290 per semester	Rates vary from \$2,412 to \$3,225 per semester	Rates vary from \$2,412 to \$3,225 per semester
	2016	2015	2014
Residence Halls			
7 Plus Meal Plan	\$4,233/semester	\$4,150/semester	\$4,150/semester
10 Plus Meal Plan	\$4,422/semester	\$4,335/semester	\$4,335/semester
12 Plus Meal Plan	\$4,588/semester	\$4,498/semester	\$4,498/semester
15 Plus Meal Plan	\$4,773/semester	\$4,679/semester	\$4,679/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.

STATE OF ILLINOIS  
 EASTERN ILLINOIS UNIVERSITY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 For the Fiscal Years Ended June 30, 2016 and 2015

**Operating Expenses**

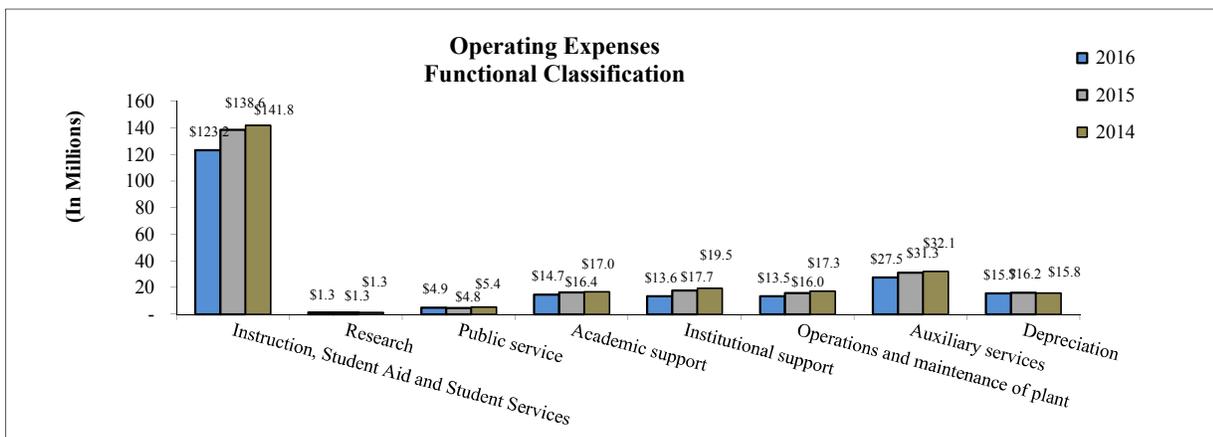
GASB Statement No. 35 gives the reporting entities the choice of reporting expenses in functional or natural classifications. The University chose to report the expenses in their functional categories on the face of the statement and has displayed the natural categories in the footnotes to the financial statements. The operating expenses for fiscal year 2016, including depreciation of \$15.7 million, totaled \$214.6 million. Under the functional classifications, \$123.2 million, or 57%, was used for instruction, student aid, and student services; \$27.5 million, or 13%, was used for auxiliary services; \$29.3 million, or 14%, was used for operations and maintenance of plant and depreciation; \$13.6 million, or 6%, was used for institutional support, which includes such areas as computer services and University police; \$14.7 million, or 7%, was used for academic support, for such areas as the library and various dean' offices; and \$6.2 million, or 3%, was used for research and public service, for such areas as grants and contracts.

Under the natural classifications, \$167.7 million, or 77%, was used for compensation and benefits; \$28.0 million, or 14%, was used for supplies, contractual services, travel, repairs and maintenance, utilities and other; \$3.1 million, or 2%, was used for scholarships; and \$15.7 million, or 7%, was depreciation.

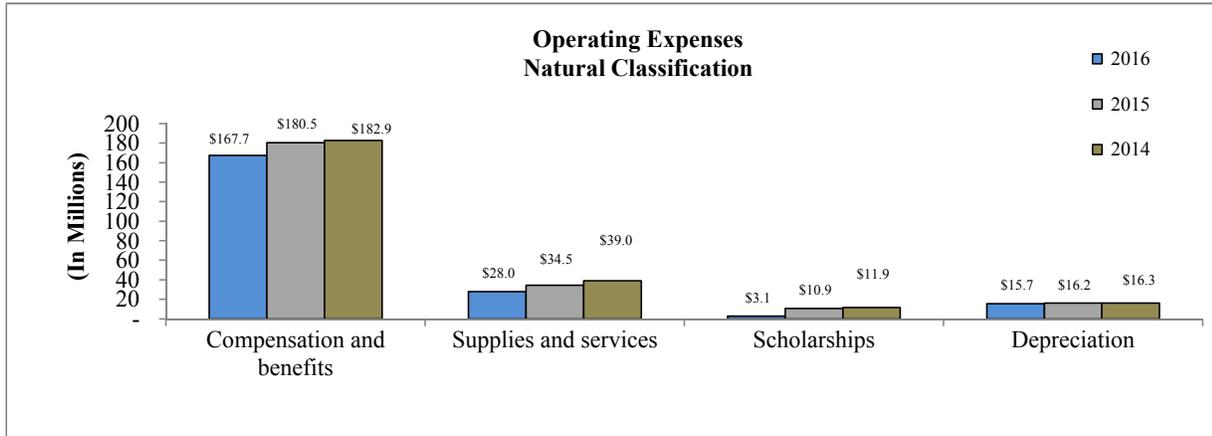
The operating expenses for fiscal year 2015, including depreciation of \$16.2 million, totaled \$242.1 million. Under the functional classifications, \$138.6 million, or 58%, was used for instruction, student aid, and student services; \$31.3 million, or 13%, was used for auxiliary services; \$32.1 million, or 13%, was used for operations and maintenance of plant and depreciation; \$17.7 million, or 7%, was used for institutional support, which includes such areas as computer services and University police; \$16.4 million, or 7%, was used for academic support, for such areas as the library and various dean' offices; and \$6.0 million, or 2%, was used for research and public service, for such areas as grants and contracts.

Under the natural classifications, \$180.5 million, or 75%, was used for compensation and benefits; \$34.5 million, or 14%, was used for supplies, contractual services, travel, repairs and maintenance, utilities and other; \$10.9 million, or 4%, was used for scholarships; and \$16.2 million, or 7%, was depreciation.

Operating expenses are shown in the following graphs, by both functional and natural classifications:



STATE OF ILLINOIS  
 EASTERN ILLINOIS UNIVERSITY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 For the Fiscal Years Ended June 30, 2016 and 2015



**Other**

For both fiscal years 2016 and 2015, payments on behalf of the University were the largest source of nonoperating revenues at \$68.7 and \$69.1 million, respectively.

Interest expense on outstanding debt was the largest category of nonoperating expenses for both fiscal years 2016 and 2015. For fiscal years 2016 and 2015, interest expense was \$1.7 and \$2.1 million, respectively.

**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,

	2016	2015	2014
Cash provided (used) by:			
Operating activities	\$ (41,160,832)	\$ (54,763,751)	\$ (55,313,058)
Noncapital financing activities	39,077,864	71,482,994	77,737,192
Capital and related financing activities	(17,952,708)	(22,652,599)	(23,967,085)
Investing activities	82,672	(1,375,589)	(741,533)
Net increase (decrease) in cash and cash equivalents	(19,953,004)	(7,308,945)	(2,284,484)
Cash and cash equivalents, beginning of year	38,133,408	45,442,353	47,726,837
Cash and cash equivalents, end of year	<u>\$ 18,180,404</u>	<u>\$ 38,133,408</u>	<u>\$ 45,442,353</u>

Major sources of funds included in operating activities are student tuition and fees and auxiliary services. Student tuition and fees provided \$48.2 and \$55.1 million for fiscal years 2016 and 2015, respectively. Auxiliary enterprises income provided \$33.1 and \$36.0 million for fiscal years 2016 and 2015, respectively. The major source of funds included in noncapital financing activities for each year is State appropriations, which provided \$18.0 and \$43.2 million for fiscal years 2016 and 2015, respectively. Another major source and use of funds included in noncapital financing activities is student loan receipts and disbursements, which were \$45.9 and \$52.3 million in fiscal years 2016 and 2015, respectively.

The net cash used by capital and related financing activities represents purchases of capital assets, as well as costs incurred for 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.

*State appropriations* . State appropriation declined from \$42.9 million in fiscal year 2015 to \$12.5 million in fiscal year 2016. This unexpected decline resulted in the University using funds held in reserve to cover operating losses. The University received a "stop-gap" appropriation from the State in fiscal year 2017 amounting to \$26.2 million. In addition, the University received in the "stop-gap" appropriation a payment of spring 2016 State Monetary Assistance Program (MAP) aid that the University had advanced to its students on behalf of the State.

*Tuition and fees* . Since 2003, the University has been limited in its ability to increase tuition. Under Public Act 93-0228, 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 2016, the University increased tuition and fee rates for incoming students \$4 per credit hour, or 1.4%, over the rate paid by students starting in the fall semester of 2015. The political climate for State appropriations and tuition increases is uncertain, and consequently, the University is unable to estimate what, if any, increase may occur for the fall semester of 2017.

*Enrollment* . After several years of declining enrollment, the University is striving to stabilize its enrollment. The first step in that process is to receive from the State a stable appropriation. The University's administration is working closely with the Legislature and Governor to achieve that goal. In addition, the University is looking at rebranding itself and expanding its marketing efforts to let people know the value of Eastern Illinois University.

*Housing* . 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 2016, the typical room and board rate for a full time student remained \$4,422, with no change from the fall semester of 2015.

*Gifts and grants* . As other funding sources decline, private gifts become a more important source of funding for University operations. In association with the Eastern Illinois University Foundation, about \$2.9 million was raised in new gifts and additions to the endowment during fiscal year 2016. Asset allocations are recommended by the Foundation's investment consultants and approved by the Foundation's Investment Committee and Board. Since its July 1998 inception date, the Foundation's endowment has earned 5.9% annualized and net of fees.

*Bargaining agreements* . The University currently has an agreement with the University Professionals of Illinois (UPI) Local 4100 (the union representing University faculty members) through 2017. UPI represents almost 530 faculty members on campus and is the single largest union representing employees on campus. The University believes it has good working relationships with the various unions representing its employees.

STATE OF ILLINOIS  
EASTERN ILLINOIS UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Years Ended June 30, 2016 and 2015

*Vitalization Initiative.* Due to a continuing environment of reductions in revenues due to both lower enrollments and State appropriations, the University has begun a process to assess the viability, efficiency, and sustainability of the University's academic and other programs and services. Seven committees are charged with producing recommendations to the University's President and Board of Trustees on the current academic programs, student services, information technology, intercollegiate athletics, enrollment management, facilities, and marketing and branding. Two additional committees are charged with creating a vision, including recommending reorganizations and new programs. The University's President will make recommendations to the Board of Trustees in January 2017.

Users of these financial statements with additional questions or requests for additional financial information should contact:

Eastern Illinois University  
Business Office  
600 West Lincoln Avenue  
Charleston, IL 61920

STATE OF ILLINOIS  
EASTERN ILLINOIS UNIVERSITY  
STATEMENTS OF NET POSITION  
AS OF JUNE 30, 2016 AND 2015

	University		Component Units	
	2016	2015	2016	2015
<b>Assets and Deferred Outflows of Resources</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 8,221,888	\$ 32,751,600	\$ 1,083,115	\$ 988,893
Restricted cash and cash equivalents	9,958,516	5,381,808	6,396,814	5,453,996
Short-term investments	243,089	241,562	779,117	505,914
Restricted short-term investments	59,513	42,825	6,373,888	6,599,498
Accounts receivable, net of allowance for doubtful accounts	18,273,280	14,887,281	443,322	627,818
State appropriation receivable	8,000	5,528,937	-	-
Interest receivable	624	302	-	-
Inventories	1,672,975	1,869,645	-	-
Notes receivable, current portion, net of allowance for doubtful accounts	920,530	950,205	-	-
Other assets	466,341	718,999	33,866	7,145
Total current assets	<u>39,824,756</u>	<u>62,373,164</u>	<u>15,110,122</u>	<u>14,183,264</u>
<b>Noncurrent assets:</b>				
Restricted cash and cash equivalents	-	-	1,639,241	1,851,747
Notes receivable, less current portion, net of allowance for doubtful accounts	5,325,596	5,489,995	-	-
Endowment investments	4,944,577	5,020,430	49,953,375	48,079,324
Restricted investments	-	-	19,901,182	23,085,461
Other long-term investments	-	-	1,084,162	1,340,969
Other long-term assets	14,728	556,391	371,966	767,214
Capital assets, net of accumulated depreciation	287,467,406	295,410,246	1,892,266	1,926,908
Total noncurrent assets	<u>297,752,307</u>	<u>306,477,062</u>	<u>74,842,192</u>	<u>77,051,623</u>
Total assets	<u>\$ 337,577,063</u>	<u>\$ 368,850,226</u>	<u>\$ 89,952,314</u>	<u>\$ 91,234,887</u>
<b>Deferred Outflows of Resources</b>				
Employer contributions subsequent to pension liability measurement date	\$ 158,747	\$ 120,181		
Excess of bond reacquisition costs over carrying value	-	110,586	\$ -	\$ -
Total Assets and Deferred Outflows of Resources	<u>\$ 337,735,810</u>	<u>\$ 369,080,993</u>	<u>\$ 89,952,314</u>	<u>\$ 91,234,887</u>
<b>Liabilities and Net Position</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities	\$ 9,255,877	\$ 11,246,796	\$ 45,644	\$ 46,297
Unearned revenue	3,807,428	4,695,607	-	-
Long-term liabilities, current portion	7,669,430	9,584,154	34,998	37,807
Total current liabilities	<u>20,732,735</u>	<u>25,526,557</u>	<u>80,642</u>	<u>84,104</u>
<b>Noncurrent liabilities:</b>				
Long-term liabilities, less current portion	97,839,914	104,706,462	183,989	205,279
Due to others	-	-	3,954,355	4,051,195
Federal loan program contributions refundable	5,759,940	5,751,118	-	-
Total noncurrent liabilities	<u>103,599,854</u>	<u>110,457,580</u>	<u>4,138,344</u>	<u>4,256,474</u>
Total liabilities	<u>124,332,589</u>	<u>135,984,137</u>	<u>4,218,986</u>	<u>4,340,578</u>
<b>Net position:</b>				
Net investment in capital assets	192,807,394	194,513,156	1,892,266	1,926,908
Restricted:				
Nonexpendable				
Endowments	4,958,720	5,123,237	51,990,211	50,828,687
Expendable				
Scholarships and fellowships	181,124	115,539	-	-
Instructional department uses	3,478,940	2,893,772	-	-
Loans	1,460,715	1,441,177	-	-
Debt service	3,144,852	2,883,279	-	-
Other	-	-	28,893,563	31,305,889
Unrestricted	7,371,476	26,126,696	2,957,288	2,832,825
Total net position	<u>\$ 213,403,221</u>	<u>\$ 233,096,856</u>	<u>\$ 85,733,328</u>	<u>\$ 86,894,309</u>

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

STATE OF ILLINOIS  
EASTERN ILLINOIS UNIVERSITY  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

	University		Component Units	
	2016	2015	2016	2015
<b>Operating Revenues</b>				
Student tuition and fees (net of scholarship allowance of \$26,292,765 in fiscal year 2016 and \$26,157,875 in fiscal year 2015)	\$ 52,312,571	\$ 54,735,045	\$ -	\$ -
Federal grants & contracts	837,087	663,975	-	-
State grants & contracts	1,497,063	1,844,961	-	-
Local grants & contracts	119,841	148,262	-	-
Private grants & contracts	1,459,459	916,694	-	-
Sales and services of educational departments	3,701,190	4,133,129	-	-
Auxiliary enterprises (net of scholarship allowances of \$4,479,501 in fiscal year 2016 and \$2,826,564 in fiscal year 2015)	33,448,968	36,783,016	-	-
Gifts	-	-	1,727,472	3,216,713
Service contract with University	-	-	138,948	206,019
Budget allocation from the University	-	-	302,346	315,408
Membership dues	-	-	52,380	52,585
Royalties and merchandise sales	-	-	26,000	24,000
Other operating revenues	2,248,806	2,744,978	244,268	300,100
Total operating revenues	<u>\$ 95,624,985</u>	<u>\$ 101,970,060</u>	<u>\$ 2,491,414</u>	<u>\$ 4,114,825</u>
<b>Operating Expenses</b>				
Educational and general				
Instruction	99,454,504	103,104,753	-	-
Research	1,253,784	1,262,844	-	-
Public service	4,932,065	4,760,445	-	-
Academic support	14,733,511	16,376,944	-	-
Student services	20,083,651	24,097,730	-	-
Institutional support	13,620,911	17,728,272	1,052,640	1,241,892
Operations and maintenance of plant	13,545,234	15,964,693	-	-
Student aid	3,664,323	11,369,344	-	-
Auxiliary enterprises	27,522,283	31,264,105	-	-
Depreciation expense	15,741,860	16,158,469	34,642	34,642
Total operating expenses	<u>\$ 214,552,126</u>	<u>\$ 242,087,599</u>	<u>\$ 1,087,282</u>	<u>\$ 1,276,534</u>
Operating income (loss)	<u>\$ (118,927,141)</u>	<u>\$ (140,117,539)</u>	<u>\$ 1,404,132</u>	<u>\$ 2,838,291</u>

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

STATE OF ILLINOIS  
EASTERN ILLINOIS UNIVERSITY  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Continued)  
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

	University		Component Units	
	2016	2015	2016	2015
<b>Nonoperating Revenues (Expenses)</b>				
State appropriations	\$ 12,464,500	\$ 42,923,858	\$ -	\$ -
Payments on behalf of the University	68,730,270	69,150,918	-	-
Gifts	2,030,781	1,867,026	-	-
Investment income (net)	189,875	97,421	1,890,476	\$ 2,083,144
Net increase (decrease) in fair value of investments	(164,517)	(97,373)	(2,468,858)	(1,674,231)
Scholarships	-	-	(1,280,493)	(1,073,411)
Distributions to annuity/unitrust beneficiaries	-	-	(36,694)	(39,557)
Actuarial adjustments	-	-	24,099	15,972
Interest on capital asset-related debt	(1,723,088)	(2,149,828)	-	-
Nonoperating grants & contracts	17,436,590	23,044,087	-	-
Amortization of premiums and discounts	(110,499)	(97,728)	-	-
Grants to the University	-	-	(1,864,746)	(1,692,999)
Payments to the Foundation	(4,886)	(15,579)	-	-
Loss on disposal of capital assets	(83,770)	(35,832)	-	-
Other nonoperating activity	1,584,797	1,602,437	-	-
	<u>\$ 100,350,053</u>	<u>\$ 136,289,407</u>	<u>\$ (3,736,216)</u>	<u>\$ (2,381,082)</u>
Income (loss) before other revenues, losses and capital items	\$ (18,577,088)	\$ (3,828,132)	\$ (2,332,084)	\$ 457,209
Capital appropriations	-	514,755	-	-
Additions to permanent endowments	-	3,705,666	1,171,103	3,092,138
Impairment loss	(1,145,177)	-	-	-
Capital grants & gifts	21,583	15,000	-	-
Assets donated by other State agencies	7,047	958,332	-	-
Increase (Decrease) in net position	<u>(19,693,635)</u>	<u>1,365,621</u>	<u>(1,160,981)</u>	<u>3,549,347</u>
<b>Net Position</b>				
Net position, beginning of year, as previously reported	233,096,856	231,591,602	86,894,309	83,344,962
Change in accounting principle	-	139,633	-	-
Net position, beginning of year, as restated	<u>233,096,856</u>	<u>231,731,235</u>	<u>86,894,309</u>	<u>83,344,962</u>
Net position, end of year	<u>\$ 213,403,221</u>	<u>\$ 233,096,856</u>	<u>\$ 85,733,328</u>	<u>\$ 86,894,309</u>

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

STATE OF ILLINOIS  
EASTERN ILLINOIS UNIVERSITY  
STATEMENTS OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

	University		Component Units	
	2016	2015	2016	2015
<b>Cash flows from operating activities</b>				
Tuition and fees	\$ 48,159,299	\$ 55,063,388	\$ -	\$ -
Grants and contracts (noncapital)	3,092,717	3,737,687	-	-
Sales and services of educational departments	4,074,445	5,140,961	-	-
Auxiliary enterprises	33,136,541	35,989,790	-	-
Payments to suppliers	(28,210,225)	(34,429,856)	(602,410)	(765,219)
Payments to employees	(92,883,776)	(103,170,906)	-	-
Payments for employee benefits	(8,519,397)	(8,833,416)	-	-
Payments for scholarships and fellowships	(3,116,562)	(10,938,956)	-	-
Federal loan program contributions refundable	8,822	(4,230)	-	-
Loans issued to students	(933,078)	(1,204,388)	-	-
Collection of loans from students	1,127,153	1,315,627	-	-
Royalties and merchandise sales	-	-	26,000	24,000
Membership dues	-	-	50,630	53,635
Service contract with the University	-	-	26,208	52,417
Gifts	-	-	1,763,829	1,961,470
Other receipts	2,903,229	2,570,548	244,268	300,100
Net cash provided by (used in) operating activities	(41,160,832)	(54,763,751)	1,508,525	1,626,403
<b>Cash flows from noncapital financing activities</b>				
State appropriations	17,985,437	43,227,310	-	-
Gifts to the University	2,030,781	3,660,547	-	-
Payments to the Foundation	(4,886)	(15,578)	-	-
Scholarships	-	-	(1,279,546)	(1,071,482)
Distributions to annuity/unitrust beneficiaries	-	-	(36,694)	(39,557)
Agency receipts	-	-	109,788	1,948,684
Agency payments	-	-	(129,384)	(1,981,550)
Direct lending student loan receipts	45,922,950	52,304,506	-	-
Direct lending student loan payments	(45,922,950)	(52,304,506)	-	-
Other nonoperating activities	1,584,797	1,602,584	1,627,239	1,062,497
Nonoperating grants	17,481,735	23,008,131	(1,864,746)	(1,692,999)
Net cash provided by (used in) noncapital financing activities	39,077,864	71,482,994	(1,573,343)	(1,774,407)
<b>Cash flows from capital and related financing activities</b>				
Principal paid on capital debt and leases	(7,025,000)	(6,540,000)	-	-
Interest paid on capital debt and leases	(1,880,325)	(2,221,952)	-	-
Other interest paid	-	(146)	-	-
Capital appropriations	-	514,755	-	-
Capital grants and gifts	21,583	15,000	-	-
Purchases of capital assets	(9,068,966)	(14,420,256)	-	-
Net cash provided by (used in) by capital and related financing activities	(17,952,708)	(22,652,599)	-	-

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

STATE OF ILLINOIS  
EASTERN ILLINOIS UNIVERSITY  
STATEMENTS OF CASH FLOWS (Continued)  
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

	University		Component Units	
	2016	2015	2016	2015
<b>Cash flows from investing activities</b>				
Proceeds from the sale and maturities of investments	\$ 152,897	\$ 387,627	\$ 3,990,313	\$ 3,654,282
Interest received on investments	189,553	98,486	1,856,993	2,097,667
Sale of gift stock and real estate	-	-	32,357	3,105,799
Purchase of investments	(259,778)	(1,861,702)	(4,990,311)	(9,953,616)
Net cash provided by (used in) investing activities	82,672	(1,375,589)	889,352	(1,095,868)
Net increase (decrease) in cash and cash equivalents	(19,953,004)	(7,308,945)	824,534	(1,243,872)
Cash and cash equivalents, beginning of year	38,133,408	45,442,353	8,294,636	9,538,508
Cash and cash equivalents, end of year	\$ 18,180,404	\$ 38,133,408	\$ 9,119,170	\$ 8,294,636
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>				
Operating income (loss)	\$ (118,927,141)	\$ (140,117,539)	\$ 1,404,132	\$ 2,838,291
Adjustments to reconcile operating income (loss) to net cash provided from (used in) operating activities:				
Depreciation expense	15,741,860	16,158,469	34,642	34,642
Bad debt	-	-	39,463	17,270
Payments on behalf of the University	68,730,270	69,150,918	-	-
Non-cash stock, real estate gifts	-	-	(45,116)	(1,308,174)
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(3,388,147)	(60,942)	79,723	55,481
(Increase) decrease in inventory	196,670	154,302	-	-
(Increase) decrease in notes receivable	194,074	111,239	-	-
(Increase) decrease in other assets	788,972	259,321	(2,719)	7,856
(Increase) decrease in pension deferred outflows	(38,566)	19,452	-	-
Increase (decrease) in accounts payable	(1,786,854)	(335,719)	(1,600)	(17,463)
Increase (decrease) in unearned revenue	(929,958)	439,199	-	(1,500)
Increase (decrease) in compensated absences	(1,633,139)	(537,915)	-	-
Increase (decrease) in federal loan program refundable	8,822	(4,230)	-	-
Increase (decrease) in other long-term liabilities	(101,250)	(37,350)	-	-
Increase (decrease) in deposits	(16,445)	37,044	-	-
Net cash provided by (used in) operating activities	\$ (41,160,832)	\$ (54,763,751)	\$ 1,508,525	\$ 1,626,403
<b>Noncash investing, noncapital financing, and capital and related financing transactions</b>				
Change in fair value of investments	\$ (164,517)	\$ (97,373)	\$ (2,476,752)	\$ (1,689,865)
Change in interest receivable affecting interest received	\$ 322	\$ (1,065)	\$ -	\$ -
Change in accrued interest affecting interest paid	\$ (157,236)	\$ (72,124)	\$ -	\$ -
Change in accrued costs relating to capital assets	\$ (48,048)	\$ (325,708)	\$ -	\$ -
Donation of property, plant and equipment	\$ 7,047	\$ 958,332	\$ -	\$ -

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, 2016

<b>Assets</b>	Foundation	Alumni Association	Total
<b>Current assets:</b>			
Cash and cash equivalents	\$ 874,056	\$ 209,059	\$ 1,083,115
Restricted cash and cash equivalents	6,396,814	-	6,396,814
Short-term investments	-	779,117	779,117
Restricted short-term investments	6,373,888	-	6,373,888
Accounts receivable, net of allowance for doubtful accounts	438,022	5,300	443,322
Other assets	30,855	3,011	33,866
<b>Total current assets</b>	<b>14,113,635</b>	<b>996,487</b>	<b>15,110,122</b>
<b>Noncurrent assets:</b>			
Restricted cash and cash equivalents	1,639,241	-	1,639,241
Endowment investments	49,953,375	-	49,953,375
Restricted investments	19,901,182	-	19,901,182
Other long-term investments	-	1,084,162	1,084,162
Other long-term assets	366,816	5,150	371,966
Capital assets, net of accumulated depreciation	1,728,572	163,694	1,892,266
<b>Total noncurrent assets</b>	<b>73,589,186</b>	<b>1,253,006</b>	<b>74,842,192</b>
<b>Total assets</b>	<b>\$ 87,702,821</b>	<b>\$ 2,249,493</b>	<b>\$ 89,952,314</b>
<b>Liabilities and Net Position</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	\$ 45,618	\$ 26	\$ 45,644
Long-term liabilities, current portion	34,998	-	34,998
<b>Total current liabilities</b>	<b>80,616</b>	<b>26</b>	<b>80,642</b>
<b>Noncurrent liabilities:</b>			
Long-term liabilities, less current portion	183,989	-	183,989
Due to others	3,954,355	-	3,954,355
<b>Total noncurrent liabilities</b>	<b>4,138,344</b>	<b>-</b>	<b>4,138,344</b>
<b>Total liabilities</b>	<b>4,218,960</b>	<b>26</b>	<b>4,218,986</b>
<b>Net position:</b>			
Net investment in capital assets	1,728,572	163,694	1,892,266
Restricted:			
Nonexpendable			
Endowments	51,990,211	-	51,990,211
Expendable			
Other	28,893,563	-	28,893,563
Unrestricted	871,515	2,085,773	2,957,288
<b>Total net position</b>	<b>\$ 83,483,861</b>	<b>\$ 2,249,467</b>	<b>\$ 85,733,328</b>

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, 2015

<b>Assets</b>	Foundation	Alumni Association	Total
<b>Current assets:</b>			
Cash and cash equivalents	\$ 757,297	\$ 231,596	\$ 988,893
Restricted cash and cash equivalents	5,453,996	-	5,453,996
Short-term investments	2,767	503,147	505,914
Restricted short-term investments	6,599,498	-	6,599,498
Accounts receivable, net of allowance for doubtful accounts	623,468	4,350	627,818
Other assets	6,119	1,026	7,145
<b>Total current assets</b>	<b>13,443,145</b>	<b>740,119</b>	<b>14,183,264</b>
<b>Noncurrent assets:</b>			
Restricted cash and cash equivalents	1,851,747	-	1,851,747
Endowment investments	48,079,324	-	48,079,324
Restricted investments	23,085,461	-	23,085,461
Other long-term investments	-	1,340,969	1,340,969
Other long-term assets	762,864	4,350	767,214
Capital assets, net of accumulated depreciation	1,757,215	169,693	1,926,908
<b>Total noncurrent assets</b>	<b>75,536,611</b>	<b>1,515,012</b>	<b>77,051,623</b>
<b>Total assets</b>	<b>\$ 88,979,756</b>	<b>\$ 2,255,131</b>	<b>\$ 91,234,887</b>
<b>Liabilities and Net Position</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	\$ 46,248	\$ 49	\$ 46,297
Long-term liabilities, current portion	37,807	-	37,807
<b>Total current liabilities</b>	<b>84,055</b>	<b>49</b>	<b>84,104</b>
<b>Noncurrent liabilities:</b>			
Long-term liabilities, less current portion	205,279	-	205,279
Due to others	4,051,195	-	4,051,195
<b>Total noncurrent liabilities</b>	<b>4,256,474</b>	<b>-</b>	<b>4,256,474</b>
<b>Total liabilities</b>	<b>4,340,529</b>	<b>49</b>	<b>4,340,578</b>
<b>Net position:</b>			
Net investment in capital assets	1,757,215	169,693	1,926,908
Restricted:			
Nonexpendable			
Endowments	50,828,687	-	50,828,687
Expendable			
Other	31,305,889	-	31,305,889
Unrestricted	747,436	2,085,389	2,832,825
<b>Total net position</b>	<b>\$ 84,639,227</b>	<b>\$ 2,255,082</b>	<b>\$ 86,894,309</b>

*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, 2016

	Foundation	Alumni Association	Total
<b>Operating Revenues</b>			
Gifts	\$ 1,726,262	\$ 1,210	\$ 1,727,472
Service contract with University	97,612	41,336	138,948
Budget allocation from the University	257,393	44,953	302,346
Membership dues	-	52,380	52,380
Royalties and merchandise sales	-	26,000	26,000
Other operating revenues	242,841	1,427	244,268
Total operating revenues	<u>2,324,108</u>	<u>167,306</u>	<u>2,491,414</u>
<b>Operating Expenses</b>			
Educational and general			
Institutional support	890,351	162,289	1,052,640
Depreciation expense	28,643	5,999	34,642
Total operating expenses	<u>918,994</u>	<u>168,288</u>	<u>1,087,282</u>
Operating income (loss)	<u>1,405,114</u>	<u>(982)</u>	<u>1,404,132</u>
<b>Nonoperating Revenues (Expenses)</b>			
Investment income (net)	1,858,147	32,329	1,890,476
Net increase (decrease) in fair value of investments	(2,455,691)	(13,167)	(2,468,858)
Scholarships	(1,275,493)	(5,000)	(1,280,493)
Distributions to annuity/unitrust beneficiaries	(36,694)	-	(36,694)
Actuarial adjustments	24,099	-	24,099
Grants to the University	(1,845,951)	(18,795)	(1,864,746)
Total nonoperating revenues (expenses)	<u>(3,731,583)</u>	<u>(4,633)</u>	<u>(3,736,216)</u>
Income (loss) before capital contributions	(2,326,469)	(5,615)	(2,332,084)
Additions to permanent endowments	1,171,103	-	1,171,103
Increase (decrease) in net position	<u>(1,155,366)</u>	<u>(5,615)</u>	<u>(1,160,981)</u>
<b>Net Position</b>			
Net position, beginning of year	84,639,227	2,255,082	86,894,309
Net position, end of year	<u>\$ 83,483,861</u>	<u>\$ 2,249,467</u>	<u>\$ 85,733,328</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, 2015

	<u>Foundation</u>	<u>Alumni Association</u>	<u>Total</u>
<b>Operating Revenues</b>			
Gifts	\$ 3,212,520	\$ 4,193	\$ 3,216,713
Service contract with University	180,848	25,171	206,019
Budget allocation from the University	289,194	26,214	315,408
Membership dues	-	52,585	52,585
Royalties and merchandise sales	-	24,000	24,000
Other operating revenues	297,823	2,277	300,100
Total operating revenues	<u>3,980,385</u>	<u>134,440</u>	<u>4,114,825</u>
<b>Operating Expenses</b>			
Educational and general			
Institutional support	1,112,134	129,758	1,241,892
Depreciation expense	28,643	5,999	34,642
Total operating expenses	<u>1,140,777</u>	<u>135,757</u>	<u>1,276,534</u>
Operating income (loss)	<u>2,839,608</u>	<u>(1,317)</u>	<u>2,838,291</u>
<b>Nonoperating Revenues (Expenses)</b>			
Investment income (net)	2,052,755	30,389	2,083,144
Net increase (decrease) in fair value of investments	(1,648,651)	(25,580)	(1,674,231)
Scholarships	(1,068,411)	(5,000)	(1,073,411)
Distributions to annuity/unitrust beneficiaries	(39,557)	-	(39,557)
Actuarial adjustments	15,972	-	15,972
Grants to the University	(1,678,306)	(14,693)	(1,692,999)
Total nonoperating revenues (expenses)	<u>(2,366,198)</u>	<u>(14,884)</u>	<u>(2,381,082)</u>
Income (loss) before capital contributions	473,410	(16,201)	457,209
Additions to permanent endowments	3,092,138	-	3,092,138
Increase (decrease) in net position	<u>3,565,548</u>	<u>(16,201)</u>	<u>3,549,347</u>
<b>Net Position</b>			
Net position, beginning of year	<u>81,073,679</u>	<u>2,271,283</u>	<u>83,344,962</u>
Net position, end of year	<u>\$ 84,639,227</u>	<u>\$ 2,255,082</u>	<u>\$ 86,894,309</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, 2016

	Foundation	Alumni Association	Total
<b>Cash flows from operating activities</b>			
Payments to suppliers	\$ (524,401)	\$ (78,009)	\$ (602,410)
Royalties and merchandise sales	-	26,000	26,000
Membership dues	-	50,630	50,630
Gifts	1,762,619	1,210	1,763,829
Service contract with Eastern Illinois University	26,208	-	26,208
Other receipts	242,841	1,427	244,268
Net cash provided by (used in) operating activities	<u>1,507,267</u>	<u>1,258</u>	<u>1,508,525</u>
<b>Cash flows from noncapital financing activities</b>			
Grants to the University	(1,845,951)	(18,795)	(1,864,746)
Scholarships	(1,274,546)	(5,000)	(1,279,546)
Distributions to annuity/unitrust beneficiaries	(36,694)	-	(36,694)
Agency receipts	109,788	-	109,788
Agency payments	(129,384)	-	(129,384)
Gifts received for endowment purposes	1,627,239	-	1,627,239
Net cash provided by (used in) noncapital financing activities	<u>(1,549,548)</u>	<u>(23,795)</u>	<u>(1,573,343)</u>
<b>Cash flows from investing activities</b>			
Proceeds from the sale and maturities of investments	3,466,634	523,679	3,990,313
Interest received on investments	1,824,663	32,330	1,856,993
Sale of gift stock and real estate	32,357	-	32,357
Purchase of investments	(4,434,302)	(556,009)	(4,990,311)
Net cash provided by (used in) investing activities	<u>889,352</u>	<u>-</u>	<u>889,352</u>
Net increase (decrease) in cash and cash equivalents	847,071	(22,537)	824,534
Cash and cash equivalents, beginning of year	8,063,040	231,596	8,294,636
Cash and cash equivalents, end of year	<u>\$ 8,910,111</u>	<u>\$ 209,059</u>	<u>\$ 9,119,170</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, 2016

	<u>Foundation</u>	<u>Alumni Association</u>	<u>Total</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>			
Operating income (loss)	\$ 1,405,114	\$ (982)	\$ 1,404,132
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	28,643	5,999	34,642
Bad debt expense	39,463	-	39,463
Non-cash stock, real estate gifts	(45,116)	-	(45,116)
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	81,473	(1,750)	79,723
(Increase) decrease in prepaid expense	(733)	(1,986)	(2,719)
Increase (decrease) in accounts payable	(1,577)	(23)	(1,600)
Net cash provided by (used in) operating activities	<u>\$ 1,507,267</u>	<u>\$ 1,258</u>	<u>\$ 1,508,525</u>
<b>Noncash investing, noncapital financing, and capital and related financing transactions</b>			
Change in fair value of investments	\$ (2,455,691)	\$ (21,061)	\$ (2,476,752)

*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, 2015

	Foundation	Alumni Association	Total
<b>Cash flows from operating activities</b>			
Payments to suppliers	\$ (686,257)	\$ (78,962)	\$ (765,219)
Royalties and merchandise sales	-	24,000	24,000
Membership dues	-	53,635	53,635
Gifts	1,957,277	4,193	1,961,470
Service contract with Eastern Illinois University	52,417	-	52,417
Other receipts	297,823	2,277	300,100
Net cash provided by (used in) operating activities	<u>1,621,260</u>	<u>5,143</u>	<u>1,626,403</u>
<b>Cash flows from noncapital financing activities</b>			
Grants to the University	(1,678,306)	(14,693)	(1,692,999)
Scholarships	(1,066,482)	(5,000)	(1,071,482)
Distributions to annuity/unitrust beneficiaries	(39,557)	-	(39,557)
Agency receipts	1,948,684	-	1,948,684
Agency payments	(1,981,550)	-	(1,981,550)
Gifts received for endowment purposes	1,062,497	-	1,062,497
Net cash provided by (used in) noncapital financing activities	<u>(1,754,714)</u>	<u>(19,693)</u>	<u>(1,774,407)</u>
<b>Cash flows from investing activities</b>			
Proceeds from the sale and maturities of investments	2,429,920	1,224,362	3,654,282
Interest received on investments	2,067,278	30,389	2,097,667
Sale of gift stock and real estate	3,105,799	-	3,105,799
Purchase of investments	(8,698,865)	(1,254,751)	(9,953,616)
Net cash provided by (used in) investing activities	<u>(1,095,868)</u>	<u>-</u>	<u>(1,095,868)</u>
Net increase (decrease) in cash and cash equivalents	(1,229,322)	(14,550)	(1,243,872)
Cash and cash equivalents, beginning of year	9,292,362	246,146	9,538,508
Cash and cash equivalents, end of year	<u>\$ 8,063,040</u>	<u>\$ 231,596</u>	<u>\$ 8,294,636</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, 2015

	<u>Foundation</u>	<u>Alumni Association</u>	<u>Total</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>			
Operating income (loss)	\$ 2,839,608	\$ (1,317)	\$ 2,838,291
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	28,643	5,999	34,642
Bad debt expense	17,270	-	17,270
Non-cash stock, real estate gifts	(1,308,174)	-	(1,308,174)
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	54,431	1,050	55,481
(Increase) decrease in prepaid expense	7,870	(14)	7,856
Increase (decrease) in unearned revenue	(1,500)	-	(1,500)
Increase (decrease) in accounts payable	(16,888)	(575)	(17,463)
Net cash provided by (used in) operating activities	<u>\$ 1,621,260</u>	<u>\$ 5,143</u>	<u>\$ 1,626,403</u>
<b>Noncash investing, noncapital financing, and capital and related financing transactions</b>			
Change in fair value of investments	\$ (1,648,651)	\$ (41,214)	\$ (1,689,865)

*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. Based upon the factors discussed below, these financial statements include the accounts of Eastern Illinois University (the University) as the primary government, and the component units of the Eastern Illinois University Foundation (the Foundation) and the Eastern Illinois University Alumni Association, Inc., (the Alumni Association), discretely presented.

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

The University and the related organizations have also implemented GASB No. 39, *Determining Whether Certain Organizations Are Component Units* (an amendment of GASB Statement No. 14, *The Financial Reporting Entity*) and GASB No. 61, *The Financial Reporting Entity: Omnibus* (an amendment of GASB Statements 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.

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.

STATE OF ILLINOIS  
EASTERN ILLINOIS UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

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***

During 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB No. 68 requires additional disclosures to the University's financial statements as shown in Note 14. GASB No. 71 reclassifies fiscal year 2015 pension expense relating to grant funds as a deferred outflow, because the State Universities Retirement System used June 30, 2013 to measure its net pension liability.

During 2016, the University adopted GASB Statement No. 72, *Fair Value Measurement and Application*. GASB No. 72 requires additional disclosures relating to how investments are valued on the University's financial statements.

***Basis of Accounting***

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

***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* and GASB Statement No. 72, *Fair Value Measurement and Applications*. Additionally, the University accounts for land held by endowments at fair value in accordance with GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. 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.

***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 Revenue***

Unearned revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year that are related to the subsequent accounting period. Unearned revenue also includes 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 is 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 includes resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

*Restricted net position - nonexpendable:* Nonexpendable restricted net position consists 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.

STATE OF ILLINOIS  
EASTERN ILLINOIS UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

*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.

***Deferred Inflows/Outflows of Resources***

In addition to assets and liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows or outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an expense until then. The University has two items that qualifies for reporting in this category, the deferred charge on refunding bonds and the deferral of employer pension contributions. The separate financial statement element, deferred inflows of resources, represents an increase in net position that applies to a future period. The University will not recognize the related revenue until a future event occurs. No deferred inflows of resources are reported in these financial statements in the current year or prior year.

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The University has also deferred its fiscal years 2016 (to fiscal year 2017) and 2015 (to fiscal year 2016) pension contributions as required by GASB No. 71. The pension contribution will be recognized as expense during the fiscal year noted above.

***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 nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *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 (DCMS) State Employees Group Insurance Program and the State Universities Retirement System of Illinois (SURS).

The University reported contributions by the State to SURS on behalf of the University for retirement purposes totaling \$43,195,228 and \$38,665,128 for fiscal years 2016 and 2015, respectively.

In addition, substantially all employees participate in group health insurance and post-employment benefit plans provided by the State and administered by DCMS. DCMS prepared an estimation of the total employer contributions allocable to the University's employees, totaling \$70,943,000, during the year ended June 30, 2016. The University reported on-behalf payments of \$25,535,042 and \$30,485,790 for fiscal years 2016 and 2015, respectively.

***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.

***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the plan net position of the State Universities Retirement System (SURS or the System) and additions to/deductions from SURS' plan net position has been determined on the same basis as they are reported by SURS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For the purposes of financial reporting, the State of Illinois and participating employers are considered to be under a special funding situation. A special funding situation is defined as a circumstance in which a non-employer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either (1) the amount of the contributions for which the non-employer entity is legally responsible is not dependent upon one or more events unrelated to pensions or (2) the non-employer is the only entity with a legal obligation to make contributions directly to a pension plan. The State of Illinois is considered a non-employer contributing entity. Participating employers are considered employer contributing entities.

**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 amounts of these deposits were \$444,085 and \$119,248 at June 30, 2016 and 2015, respectively, and were fully covered by depository insurance. In addition, the University had cash on hand in various petty cash and change funds in the amount of \$27,230 and \$28,269 at June 30, 2016 and 2015, respectively.

STATE OF ILLINOIS  
 EASTERN ILLINOIS UNIVERSITY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

**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, 2016 and 2015, are as follows:

Effective Maturity	At June 30, 2016		
	0-1 Years	1-5 Years	6-10 Years
Illinois Funds	\$ 16,266,927	\$ -	\$ -
Mutual Bond Funds	-	73,924	493,703
	<u>\$ 16,266,927</u>	<u>\$ 73,924</u>	<u>\$ 493,703</u>

Effective Maturity	At June 30, 2015		
	0-1 Years	1-5 Years	6-10 Years
Illinois Funds	\$ 37,985,891	\$ -	\$ -
Mutual Bond Funds	-	118,130	509,317
	<u>\$ 37,985,891</u>	<u>\$ 118,130</u>	<u>\$ 509,317</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.

Quality Rating	At June 30, 2016	
	AAA	Not Rated
Illinois Funds	\$ 16,266,927	\$ -
Mutual Bond Funds	-	567,627
	<u>\$ 16,266,927</u>	<u>\$ 567,627</u>

Quality Rating	At June 30, 2015	
	AAA	Not Rated
Illinois Funds	\$ 37,985,891	\$ -
Mutual Bond Funds	-	627,447
	<u>\$ 37,985,891</u>	<u>\$ 627,447</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 the 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.

STATE OF ILLINOIS  
 EASTERN ILLINOIS UNIVERSITY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

**Concentration Risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. 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.

**Fair Value Measurements.** The University categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation methods used to measure the fair value of the asset. The hierarchy gives the highest priority to an adjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The fair value hierarchy is as follows:

Level 1 - Quoted prices (unadjusted) for identical assets in active markets that the University has the ability to access as of the measurement date.

Level 2 - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs that reflect a reporting entity's own assumptions about what market participants would use in pricing an asset such as farm property.

Investments and Derivative Instruments Measured at Fair Market Value at June 30, 2016	Total	Quoted Prices in Active Markets		Significant Unobservable Inputs (Level 3)
		for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
Certificate of deposit	\$ 243,089	\$ -	\$ 243,089	\$ -
Bond mutual funds	567,627	567,627	-	-
Equity mutual funds	1,818,677	1,818,677	-	-
Farm assets	2,617,786	-	-	2,617,786
	<u>\$ 5,247,179</u>	<u>\$ 2,386,304</u>	<u>\$ 243,089</u>	<u>\$ 2,617,786</u>

Investments and Derivative Instruments Measured at Fair Market Value at June 30, 2015	Total	Quoted Prices in Active Markets		Significant Unobservable Inputs (Level 3)
		for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
Certificate of deposit	\$ 241,562	\$ -	\$ 241,562	\$ -
Bond mutual funds	627,447	627,447	-	-
Equity mutual funds	1,764,316	1,764,316	-	-
Farm assets	2,671,492	-	-	2,671,492
	<u>\$ 5,304,817</u>	<u>\$ 2,391,763</u>	<u>\$ 241,562</u>	<u>\$ 2,671,492</u>

STATE OF ILLINOIS  
 EASTERN ILLINOIS UNIVERSITY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

**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, 2016 and June 30, 2015, is as follows:

	At June 30, 2016		
	Current	Noncurrent	Total
Cash and cash equivalents	\$ 8,221,888	\$ -	\$ 8,221,888
Restricted cash and cash equivalents	9,958,516	-	9,958,516
Short-term investments	243,089	-	243,089
Restricted investments	59,513	-	59,513
Endowment investments	-	4,944,577	4,944,577
	<u>\$ 18,483,006</u>	<u>\$ 4,944,577</u>	<u>\$ 23,427,583</u>

	At June 30, 2015		
	Current	Noncurrent	Total
Cash and cash equivalents	\$ 32,751,600	\$ -	\$ 32,751,600
Restricted cash and cash equivalents	5,381,808	-	5,381,808
Short-term investments	241,562	-	241,562
Restricted investments	42,825	-	42,825
Endowment investments	-	5,020,430	5,020,430
	<u>\$ 38,417,795</u>	<u>\$ 5,020,430</u>	<u>\$ 43,438,225</u>

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

	2016	2015
Cash deposits	\$ 444,085	\$ 119,248
Petty cash funds	27,230	28,269
The Illinois Funds accounts	16,266,927	37,985,891
Trust Accounts - US Bank	117	-
Commercial Paper Sweep Accounts - US Bank	1,442,045	-
Bond Mutual Funds - Charles Schwab & Co., Inc.	567,627	627,447
Equity Mutual Funds - Charles Schwab & Co., Inc.	1,818,677	1,764,316
Certificates of Deposit	243,089	241,562
Farm Assets - First Mid-Illinois Bank & Trust	2,617,786	2,671,492
As reported in the Statement of Net Position	<u>\$ 23,427,583</u>	<u>\$ 43,438,225</u>

STATE OF ILLINOIS  
 EASTERN ILLINOIS UNIVERSITY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

**3 ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following at June 30:

	2016	2015
Sales and service	\$ 1,903,907	\$ 2,294,623
Student tuition and fees	9,260,015	5,313,769
Auxiliary enterprises and other operating activities	7,989,100	7,824,035
Federal, State, and private grants and contracts	935,156	667,149
Others	12,980,076	11,422,559
Total	33,068,254	27,522,135
Less allowance for doubtful accounts	(14,794,974)	(12,634,854)
Net accounts receivable	<u>\$ 18,273,280</u>	<u>\$ 14,887,281</u>

**4 INVENTORIES**

Inventories consisted of the following at June 30:

	2016	2015
Union Bookstore	\$ 812,853	\$ 868,379
Facilities Planning and Management	640,772	739,372
Dining Services	110,766	142,739
Union operations	42,282	45,451
Postage	32,137	40,021
Pharmacy	9,433	12,124
Other	24,732	21,559
	<u>\$ 1,672,975</u>	<u>\$ 1,869,645</u>

**5 NOTES RECEIVABLE**

Student loans made through the Federal Perkins Loan Program (the "Program") comprise substantially all of the notes receivable as of June 30, 2016 and 2015. 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 15% to 30% of the original balance up to maximums of 50% to 100% of the original loan. The federal government reimburses the University according to a formula. Amounts refundable to the U.S. Government upon cessation of the Program of \$5,759,940 and \$5,751,118 as of June 30, 2016 and 2015, respectively, 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, 2016 and 2015, the allowance for uncollectible loans was \$107,559 and \$103,294, respectively.

The Federal Perkins Loan Program Extension Act of 2015 (Extension Act) enacted December 18, 2015, extends the Perkins Loan Program through September 30, 2017. The Extension Act provides certain requirements for disbursements of loan funds to students. The Extension Act also prohibits any further extensions of the Perkins Loan Program beyond September 30, 2017.

STATE OF ILLINOIS  
EASTERN ILLINOIS UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

**6 CAPITAL ASSETS**

Capital assets consisted of the following at June 30:

	For the Year Ended June 30, 2016				
	6/30/2015	Additions	Deletions	Transfers	6/30/2016
Capital assets not being depreciated					
Land and land improvements	\$ 3,007,015	\$ -	\$ -	\$ -	\$ 3,007,015
Capitalized collections	207,146	14,000	-	-	221,146
Construction in progress	84,462,570	5,671,900	77,831	(7,787,207)	82,269,432
<b>Total capital assets not being depreciated</b>	<b>87,676,731</b>	<b>5,685,900</b>	<b>77,831</b>	<b>(7,787,207)</b>	<b>85,497,593</b>
Other capital assets being depreciated					
Site improvements	23,179,320	-	-	1,711,015	24,890,335
Buildings & building improvements	347,696,535	(1,776)	6,910,602	6,076,192	346,860,349
Equipment	75,039,905	3,349,693	1,910,751	11,500	76,490,347
<b>Total capital assets being depreciated</b>	<b>445,915,760</b>	<b>3,347,917</b>	<b>8,821,353</b>	<b>7,798,707</b>	<b>448,241,031</b>
Less accumulated depreciation for:					
Site improvements	15,872,594	1,143,289	-	-	17,015,883
Buildings & building improvements	157,485,836	9,830,860	5,765,955	-	161,550,741
Equipment	64,823,815	4,767,711	1,898,432	11,500	67,704,594
<b>Total accumulated depreciation</b>	<b>238,182,245</b>	<b>15,741,860</b>	<b>7,664,387</b>	<b>11,500</b>	<b>246,271,218</b>
Intangible assets being amortized					
Software	380,146	-	-	-	380,146
Less amortization	380,146	-	-	-	380,146
<b>Total intangible assets being amortized</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total capital assets, being depreciated or amortized, net</b>	<b>207,733,515</b>	<b>(12,393,943)</b>	<b>1,156,966</b>	<b>7,787,207</b>	<b>201,969,813</b>
<b>Capital assets, net</b>	<b>\$ 295,410,246</b>	<b>\$ (6,708,043)</b>	<b>\$ 1,234,797</b>	<b>\$ -</b>	<b>\$ 287,467,406</b>

STATE OF ILLINOIS  
 EASTERN ILLINOIS UNIVERSITY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

	For the Year Ended June 30, 2015				
	6/30/2014	Additions	Deletions	Transfers	6/30/2015
Capital assets not being depreciated					
Land and land improvements	\$ 3,007,015	\$ -	\$ -	\$ -	\$ 3,007,015
Capitalized collections	207,146	-	-	-	207,146
Construction in progress	79,036,069	10,751,401	28,332	(5,296,568)	84,462,570
<b>Total capital assets not being depreciated</b>	<b>82,250,230</b>	<b>10,751,401</b>	<b>28,332</b>	<b>(5,296,568)</b>	<b>87,676,731</b>
Other capital assets being depreciated					
Site improvements	22,127,875	276,844	-	774,601	23,179,320
Buildings & building improvements	343,206,263	-	-	4,490,272	347,696,535
Equipment	72,392,521	4,029,631	1,608,920	226,673	75,039,905
<b>Total capital assets being depreciated</b>	<b>437,726,659</b>	<b>4,306,475</b>	<b>1,608,920</b>	<b>5,491,546</b>	<b>445,915,760</b>
Less accumulated depreciation for:					
Site improvements	14,576,931	1,295,663	-	-	15,872,594
Buildings & building improvements	147,706,891	9,778,945	-	-	157,485,836
Equipment	61,141,396	5,083,861	1,596,420	194,978	64,823,815
<b>Total accumulated depreciation</b>	<b>223,425,218</b>	<b>16,158,469</b>	<b>1,596,420</b>	<b>194,978</b>	<b>238,182,245</b>
Intangible assets being amortized					
Software	380,146	-	-	-	380,146
Less amortization	380,146	-	-	-	380,146
<b>Total intangible assets being amortized</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total capital assets, being depreciated or amortized, net</b>	<b>214,301,441</b>	<b>(11,851,994)</b>	<b>12,500</b>	<b>5,296,568</b>	<b>207,733,515</b>
<b>Capital assets, net</b>	<b>\$ 296,551,671</b>	<b>\$ (1,100,593)</b>	<b>\$ 40,832</b>	<b>\$ -</b>	<b>\$ 295,410,246</b>

**7 CONSTRUCTION IN PROGRESS**

Below is a listing of the major construction projects in progress at June 30, 2016:

	Project Estimate	Expended to 6/30/2016	Committed
EIU Renewable Energy Center/Energy Savings Projects	\$ 79,054,660	\$ 79,054,660	\$ -
Science Buildings renovations	1,254,055	962,358	291,697
Tarble Arts Center addition	201,673	108,272	93,401
Various athletic facilities renovations	456,395	394,855	61,540
Various classroom renovations	412,700	277,477	135,223
Other miscellaneous	4,989,751	1,471,810	3,517,941
<b>Total</b>	<b>\$ 86,369,234</b>	<b>\$ 82,269,432</b>	<b>\$ 4,099,802</b>

STATE OF ILLINOIS  
 EASTERN ILLINOIS UNIVERSITY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

**8 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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

	2016	2015
Accounts payable	\$ 2,184,947	\$ 1,784,441
Accrued wages	5,018,638	5,778,808
Accrued expenses	1,748,817	3,379,189
Other	303,475	304,358
	<u>\$ 9,255,877</u>	<u>\$ 11,246,796</u>

**9 UNEARNED REVENUE**

Unearned revenue consisted of the following at June 30:

	2016	2015
Prepaid tuition and fees	\$ 2,030,478	\$ 2,362,597
Sales and service	216,605	234,067
Auxiliary enterprises	239,241	309,205
Grants and contracts	1,270,338	1,777,920
Miscellaneous	50,766	11,818
	<u>\$ 3,807,428</u>	<u>\$ 4,695,607</u>

**10 LONG-TERM LIABILITIES**

As of June 30, 2016						
	Balance 6/30/2015	Additions	Reductions	Balance 6/30/2016	Amounts Due Within One Year	
Revenue bonds, notes payable, and Certificates of Participation						
Revenue bonds payable	(1) \$ 15,470,000	\$ -	\$ 4,610,000	\$ 10,860,000	\$	1,490,000
Revenue bond discounts	(9,342)	-	(1,009)	(8,333)	-	(938)
Revenue bond premiums	52,740	-	16,764	35,976	-	8,085
Certificates of Participation	(2) 88,315,000	-	2,415,000	85,900,000	-	3,650,000
COPS discount	(58,943)	-	(10,315)	(48,628)	-	(9,619)
Other liabilities						
Accrued compensated absences	*	9,527,574	-	1,633,137	7,894,437	1,656,010
Deposits	*	993,587	11,655	129,350	875,892	875,892
Federal loan program contributions		5,751,118	8,822	-	5,759,940	-
Total long-term liabilities	<u>\$ 120,041,734</u>	<u>\$ 20,477</u>	<u>\$ 8,792,927</u>	<u>\$ 111,269,284</u>	<u>\$</u>	<u>7,669,430</u>

STATE OF ILLINOIS  
 EASTERN ILLINOIS UNIVERSITY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

As of June 30, 2015						
	Balance			Balance	Amounts Due Within	
	6/30/2014	Additions	Reductions	6/30/2015	One Year	
Revenue bonds, notes payable, and Certificates of Participation						
Revenue bonds payable	(1) \$ 19,855,000	\$ -	\$ 4,385,000	\$ 15,470,000	\$ 4,610,000	
Revenue bond discounts	(10,430)	-	(1,088)	(9,342)	(1,009)	
Revenue bond premiums	97,909	-	45,169	52,740	16,762	
Certificates of Participation	(2) 90,470,000	-	2,155,000	88,315,000	2,415,000	
COPS discount	(69,992)	-	(11,049)	(58,943)	(10,315)	
Other liabilities						
Accrued compensated absences	* 10,065,489	-	537,915	9,527,574	1,560,129	
Deposits	* 993,894	33,226	33,533	993,587	993,587	
Federal loan program contributions	5,755,349	-	4,231	5,751,118	-	
<b>Total long-term liabilities</b>	<b>\$ 127,157,219</b>	<b>\$ 33,226</b>	<b>\$ 7,148,711</b>	<b>\$ 120,041,734</b>	<b>\$ 9,584,154</b>	

(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 the fiscal years presented.

Total interest expense for the years ended June 30, 2016 and 2015 was \$5,645,046 and \$6,044,169, respectively. There was \$3,921,958 and \$3,894,341 of interest capitalized as part of capital projects in progress during the years ended June 30, 2016 and 2015, respectively.

## 11 REVENUE BONDS

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

	2016	2015
\$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%.	\$ 7,360,000	\$ 8,955,000
\$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%.	-	2,900,000
\$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 5.80%.	3,500,000	3,615,000
<b>Total bonds outstanding</b>	<b>\$ 10,860,000</b>	<b>\$ 15,470,000</b>

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.

STATE OF ILLINOIS  
 EASTERN ILLINOIS UNIVERSITY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

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 2008 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, 2016 and 2015, 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, 2016, are set forth in the following table:

Year ending June 30	Principal	Interest	Total Payments
2017	\$ 1,490,000	\$ 488,016	\$ 1,978,016
2018	1,090,000	429,771	1,519,771
2019	675,000	386,123	1,061,123
2020	700,000	357,989	1,057,989
2021	730,000	328,362	1,058,362
2022-2026	4,195,000	1,128,249	5,323,249
2027-2031	1,130,000	415,630	1,545,630
2032-2034	850,000	75,980	925,980
Total	<u>\$ 10,860,000</u>	<u>\$ 3,610,120</u>	<u>\$ 14,470,120</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.

*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.

STATE OF ILLINOIS  
 EASTERN ILLINOIS UNIVERSITY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

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

	Minimum Amount Required By Bond Resolution	Cash and Investments Deposited in the Account
Repair and Replacement Reserve Account - June 30, 2016	\$ -	\$ 5,060,954
Repair and Replacement Reserve Account - June 30, 2015	\$ -	\$ 2,654,588

**Pledged Revenues and Debt Service Requirements**

The University has pledged specific revenues, net of specified operating expenses, to repay the principal and interest of revenue bonds. The following is a schedule of the pledged revenues and related debt for June 30:

Pledged Revenues - Year Ended June 30, 2016					
Bond Issue	Purpose	Source of Revenue Pledged	Future Revenues Pledged <sup>1</sup>	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	\$ 14,470,120	2033	7.38%

Pledged Revenues - Year Ended June 30, 2015					
Bond Issue	Purpose	Source of Revenue Pledged	Future Revenues Pledged <sup>1</sup>	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	\$ 19,707,011	2033	7.15%

<sup>1</sup> Total future principal and interest payments on bonds.

For the years ended June 30, 2016 and 2015, principal and interest paid by the University were \$5,236,891 and \$5,233,519, respectively. For the years ended June 30, 2016 and 2015, the total net revenues pledged were \$70,921,840 and \$73,237,343, respectively.

STATE OF ILLINOIS  
 EASTERN ILLINOIS UNIVERSITY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

**12 LEASES**

The University made rental payments under operating leases during 2016 and 2015 of \$34,077 and \$68,563, respectively, primarily for storage for surplus equipment, the shuttle buses, and various short-term equipment rentals.

**13 CERTIFICATES OF PARTICIPATION**

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

	2016	2015
\$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.	\$ 7,055,000	\$ 7,390,000
\$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.	78,845,000	80,925,000
Total Certificates of Participation	\$ 85,900,000	\$ 88,315,000

Per 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. The University has not received savings from the energy components to date. As a result the University has been utilizing funds from the Income Fund to make the applicable payments. Additionally, the University is in litigation with the vendor related to the project paid from the COP funds. In addition, 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, 2016, are set forth in the following table:

Year ending June 30	Principal	Interest	Build America Subsidy <sup>1</sup>	Total
2017	\$ 3,650,000	\$ 5,065,069	\$ (1,670,649)	\$ 7,044,420
2018	3,765,000	4,886,119	(1,612,987)	7,038,132
2019	4,120,000	4,693,019	(1,550,512)	7,262,507
2020	4,270,000	4,480,079	(1,487,183)	7,262,896
2021	4,225,000	4,254,319	(1,419,857)	7,059,462
2022-2026	21,150,000	17,760,587	(6,070,586)	32,840,001
2027-2031	20,945,000	11,607,327	(4,062,564)	28,489,763
2032-2036	23,775,000	4,427,855	(1,549,749)	26,653,106
Total	\$ 85,900,000	\$ 57,174,374	\$ (19,424,087)	\$ 123,650,287

<sup>1</sup> Assuming no future effects from the Federal government's sequestration.

## 14 DEFINED BENEFIT PENSION PLANS

### *General Information about the Pension Plan*

*Plan Description.* The 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 (the State) 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 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 Chapter 40, Act 5, Article 15 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](http://www.surs.org).

*Benefits Provided.* A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed 6 months after their date of hire to make an irrevocable election. A summary of the benefit provisions as of June 30, 2015 can be found in the System's comprehensive annual financial report (CAFR) Notes to the Financial Statements.

*Contributions.* The State of Illinois is primarily responsible for funding the System on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a Statutory Funding Plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members of the System to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from "trust, federal, and other funds" are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for fiscal year 2015 and 2016 was 11.71% and 12.69%, respectively, of employee payroll. The normal cost is equal to the value of current year's pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

Participating employers make contributions toward separately financed specific liabilities under Section 15-139.5(e) of the Illinois Pension Code (relating to contributions payable due to the employment of "affected annuitants" or specific return to work annuitants) and Section 15-155(g) (relating to contributions payable due to earning increases exceeding 6% during the final rate of earnings period).

### *Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

*Net Pension Liability.* At June 30, 2015, SURS reported a net pension liability (NPL) of \$23,756,361,087. The net pension liability was measured as of June 30, 2014.

*Employer Proportionate Share of Net Pension Liability.* The amount of the proportionate share of the net pension liability to be recognized for the University is \$0. The proportionate share of the State's net pension liability associated with the University is \$514,473,091, or 2.1656%. This amount should not be recognized in the financial statement. The net pension liability and total pension liability as of June 30, 2015 was determined based on the June 30, 2014 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS during fiscal year 2015.

*Pension Expense.* For the year ended June 30, 2015, SURS reported a collective net pension expense of \$1,994,587,170.

STATE OF ILLINOIS  
 EASTERN ILLINOIS UNIVERSITY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

*Employer Proportionate Share of Pension Expense.* The employer proportionate share of collective pension expense should be recognized similarly to on behalf payments as both revenue and matching expenditure in the financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported pensionable contributions made to SURS during fiscal year 2015. As a result, the University recognized on-behalf revenue and pension expense of \$43,195,228 for the fiscal year ended June 30, 2016.

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* Deferred outflows of resources are the consumption of net position by the System that is applicable to future reporting periods.

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Sources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 27,312,043	\$ -
Changes in assumption	609,393,909	-
Net difference between projected and actual earnings on pension plan investments	<u>593,840,642</u>	<u>953,329,464</u>
Total	<u><u>\$ 1,230,546,594</u></u>	<u><u>\$ 953,329,464</u></u>

*SURS Collective Deferred Outflows and Deferred Inflows of Resources by Year to be Recognized in Future Pension Expenses*

Year Ending June 30	Net Deferred Outflows of Resources
2016	\$ 154,951,326
2017	118,957,720
2018	(145,152,075)
2019	148,460,159
2020	-
Thereafter	-
	<u><u>\$ 277,217,130</u></u>

***Employer Deferral of Fiscal Year 2016 Pension Expense***

The University paid \$158,747 in federal, trust or grant contributions for the fiscal year ended June 30, 2016. These contributions were made subsequent to the pension liability measurement date of June 30, 2015 and are recognized as Deferred Outflows of Resources as of June 30, 2016.

***Assumptions and Other Inputs***

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period June 30, 2010 – 2014. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.75 to 12.00 percent, including inflation
Investment rate of return	7.25 percent beginning with the actuarial valuation as of June 30, 2014

STATE OF ILLINOIS  
 EASTERN ILLINOIS UNIVERSITY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

Mortality rates were based on the RP2000 Combined Mortality Table, projected with Scale AA to 2017, sex-distinct, with rates multiplied by 0.80 for males and 0.85 for females.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary(s). For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2015, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	23%	5.77%
Private Equity	6%	9.23%
Non-U.S. Equity	19%	6.69%
Global Equity	8%	6.51%
Fixed Income	19%	1.12%
Treasury-Inflation Protected Securities	4%	1.22%
Emerging Market Debt	3%	4.61%
Real Estate REITS	4%	5.85%
Direct Real Estate	6%	4.37%
Commodities	2%	4.06%
Hedged Strategies	5%	3.99%
Opportunity Fund	1%	6.80%
Total	<u>100%</u>	<u>5.02%</u>
Inflation		<u>3.00%</u>
Expected Arithmetic Return		<u>8.02%</u>

*Discount Rate.* A single discount rate of 7.120% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 7.250% and a municipal bond rate of 3.80% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under the System's funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2072. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2072, and the municipal bond rate was applied to all benefit payments after that date.

*Sensitivity of the System's Net Pension Liability to Changes in the Discount Rate.* Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.12%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Single Discount Rate Assumption	1% Increase
<u>6.12%</u>	<u>7.12%</u>	<u>8.12%</u>
\$28,929,333,917	\$23,756,361,087	\$19,470,982,362

Additional information regarding the SURS basic financial statements, including the Plan Net Position, can be found in the SURS comprehensive annual financial report by accessing the website at [www.SURS.org](http://www.SURS.org).

## 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, Stratton Office Building, 401 South Spring Street, Springfield, IL 62706.

## 16 SELF INSURANCE

During a portion of the fiscal year 2016, the University was self insured for general liability through SURMA, the State Universities' Risk Management Association. SURMA was 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 was 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 recorded an allocation of SURMA's net position of \$537,790 at June 30, 2015, as an other noncurrent asset.

During fiscal year 2016, the State Universities' Risk Management Association (SURMA) voted to disband. The University received a distribution of \$576,590 and created an internal self-insurance reserve fund. The University carries commercial excess general liability coverage with coverage up to \$11 million with a \$350,000 self-insured retention. Settled claims have not exceeded commercial general liability coverage in any of the three preceding years.

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

This plan is considered secondary or excess insurance if the student possesses any other medical insurance. This plan has a \$50 deductible per diagnosis and allows benefits up to 80%, subject to some limitations. The maximum annual benefits of the plan are \$20,000. Total claims of \$1,387,429 and \$1,102,047 were paid for the years ended June 30, 2016 and 2015, respectively.

STATE OF ILLINOIS  
 EASTERN ILLINOIS UNIVERSITY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

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 years ended June 30, 2016 and 2015 are as follows:

	2016	2015
Reserve balance, June 30 (prior year)	\$ 1,511,268	\$ 1,793,076
Transfers and fees	1,275,261	1,281,720
Administrative costs	(288,035)	(461,481)
Payment of claims	(1,387,429)	(1,102,047)
Reserve balance, June 30 (current year)	<u>\$ 1,111,065</u>	<u>\$ 1,511,268</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 \$12,456,500 and \$42,902,858 for general and educational purposes, \$8,000 and \$21,000 for scholarships, and \$0 and \$514,755 for certain capital improvements during fiscal years 2016 and 2015, respectively.

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 years 2016 and 2015, the University received \$7,047 and \$958,332, respectively, 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 years ended June 30, 2016 and 2015, the University provided cash, services and other resources to the Foundation, totaling \$97,612 and \$180,848, respectively, to help defray the Foundation's costs incurred under the contract. During the years ended June 30, 2016 and 2015, the Foundation incurred expenses of \$71,404 and \$128,431, respectively, under the contract.

During the years ended June 30, 2016 and 2015, the Foundation gave the University \$1,932,369 and \$1,755,133, respectively, 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 \$1,275,493 and \$1,068,411 during the years ended June 30, 2016 and 2015, respectively. Services and resources totaling \$86,418 and \$76,827 for the years ended June 30, 2016 and 2015, respectively, are included above, but not reflected in the financial statements. Also, the Foundation received \$17,391 and \$33,847 for the years ended June 30, 2016 and 2015, respectively, in gifts from the University's restricted gift account with the donor's consent.

The Eastern Illinois University Alumni Association, Inc. (Association) has 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 years ended June 30, 2016 and 2015, the University provided the Association with \$41,336 and \$25,171, respectively, in services in accordance with the contract.

In fulfilling its fiscal year 2016 and 2015 contracts with the University, the Association incurred \$105,794 and \$104,065, respectively, of expenses and \$86,289 and \$51,385, respectively, of in-kind expenses. Included in the fiscal years 2016 and 2015 expenses of \$105,794 and \$104,065, respectively, are unrestricted gifts, grants, and scholarships of \$23,795 and \$19,693, respectively, 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 \$37,240 and \$45,211 for the years ended June 30, 2016 and 2015, respectively.

STATE OF ILLINOIS  
 EASTERN ILLINOIS UNIVERSITY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

**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 CLASSIFICATION OF EXPENSES**

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

	2016	2015
Salaries	\$ 92,123,606	\$ 103,062,828
Benefits	75,577,962	77,465,870
Supplies	3,038,013	4,005,528
Contractual services	8,654,204	9,900,892
Utilities	9,833,735	11,318,701
Travel	707,098	1,208,768
Repairs and maintenance, equipment and buildings	430,419	1,737,474
Scholarships	3,116,562	10,938,956
Other	5,328,667	6,290,113
Depreciation	15,741,860	16,158,469
	<u>\$ 214,552,126</u>	<u>\$ 242,087,599</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.

STATE OF ILLINOIS  
 EASTERN ILLINOIS UNIVERSITY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

**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.

If a donor has not provided specific instructions, Illinois Compiled Statutes (760 ILCS 51/4) permits the Board of Directors to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the Board of Directors is required to consider the Foundation's long-term and short-term needs, present and anticipated financial 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 June 30 of each year. Any remaining return over the 5% spending rate will be retained for use in future years. As of June 30, 2016 and 2015, net appreciation of \$13,540,721 and \$16,212,193, respectively, was available to be spent, but was 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 are disclosed as follows:

Effective Maturity	At June 30, 2016		
	0-1 Years	1-5 Years	6-10 Years
Illinois Funds	\$ 8,910,111	\$ -	\$ -
Money Market Funds	2,152,680	-	-
Mutual Bond Funds	-	2,403,865	7,854,775
	<u>\$ 11,062,791</u>	<u>\$ 2,403,865</u>	<u>\$ 7,854,775</u>

Effective Maturity	At June 30, 2015		
	0-1 Years	1-5 Years	6-10 Years
Illinois Funds	\$ 8,063,040	\$ -	\$ -
Money Market Funds	2,302,718	-	-
Mutual Bond Funds	-	2,370,729	10,043,966
	<u>\$ 10,365,758</u>	<u>\$ 2,370,729</u>	<u>\$ 10,043,966</u>

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

STATE OF ILLINOIS  
 EASTERN ILLINOIS UNIVERSITY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

***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 are as follows:

Quality Rating	At June 30, 2016	
	AAA	Not Rated
Illinois Funds	\$ 8,910,111	\$ -
Money Market Funds	92,989	2,059,691
Mutual Bond Funds	-	10,258,640
	<u>\$ 9,003,100</u>	<u>\$ 12,318,331</u>

Quality Rating	At June 30, 2015	
	AAA	Not Rated
Illinois Funds	\$ 8,063,040	\$ -
Money Market Funds	80,224	2,222,494
Mutual Bond Funds	-	12,414,695
	<u>\$ 8,143,264</u>	<u>\$ 14,637,189</u>

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

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.

STATE OF ILLINOIS  
 EASTERN ILLINOIS UNIVERSITY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

**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.

Reconciliations of cash and investments as shown on the June 30 Statement of Net Position are as follows:

	At June 30, 2016		
	Current	Noncurrent	Total
Cash and cash equivalents	\$ 874,056	\$ -	\$ 874,056
Restricted cash and cash equivalents	6,396,814	1,639,241	8,036,055
Restricted investments	6,373,888	19,901,182	26,275,070
Other current investments	-	-	-
Endowment investments	-	49,953,375	49,953,375
<b>Total cash and investments</b>	<b>\$ 13,644,758</b>	<b>\$ 71,493,798</b>	<b>\$ 85,138,556</b>

	At June 30, 2015		
	Current	Noncurrent	Total
Cash and cash equivalents	\$ 757,297	\$ -	\$ 757,297
Restricted cash and cash equivalents	5,453,996	1,851,747	7,305,743
Restricted investments	6,599,498	23,085,461	29,684,959
Other current investments	2,767	-	2,767
Endowment investments	-	48,079,324	48,079,324
<b>Total cash and investments</b>	<b>\$ 12,813,558</b>	<b>\$ 73,016,532</b>	<b>\$ 85,830,090</b>

STATE OF ILLINOIS  
 EASTERN ILLINOIS UNIVERSITY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

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

	2016	2015
The Illinois Funds money market accounts	\$ 8,910,111	\$ 8,063,040
Money market accounts administered by First-Mid-Illinois Bank and Trust	92,989	80,224
Money market accounts administered by Charles Schwab & Co., Inc.	2,059,691	2,222,494
Investments administered by Charles Schwab & Co., Inc.		
Open Ended Mutual Bond funds	10,258,640	12,414,695
Open Ended Mutual Equity funds	36,709,195	37,763,004
Corporate Equity - Student Investment	209,109	187,029
Alternative Investments		
Investments administered by Corbin Pinehurst	6,513,389	6,830,874
Investments administered by Mercer	7,926,388	7,606,909
Investments administered by Neuberger Berman	358,107	179,268
Investments administered by Park Street Capital	843,102	1,016,475
Investments administered by Goldman Sachs	581,440	681,246
Investments administered by Portfolio Advisors	1,767,944	1,789,762
Investments administered by Montauk	316,697	357,602
Investments administered by Copper Rock	1,898,711	-
Common Stock	56,703	-
Life insurance cash values	120,794	117,707
Real estate	6,515,546	6,519,761
	<u>\$ 85,138,556</u>	<u>\$ 85,830,090</u>
Total cash and investments	<u>\$ 85,138,556</u>	<u>\$ 85,830,090</u>

***Fair Value Measurements***

The Foundation categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation methods used to measure the fair value of the asset. Level 1 inputs are quoted prices for identical assets in active markets that the Foundation can access. Level 2 inputs are observable prices, either directly or indirectly, for an asset. Level 3 inputs are unobservable inputs for an asset.

STATE OF ILLINOIS  
EASTERN ILLINOIS UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

During fiscal year 2016, there were no changes in valuation techniques that would have a significant impact on the results.

Investments by fair value level	6/30/2016	Quoted Prices	Significant	Significant
		in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual bond funds	\$ 10,258,640	\$ 10,258,640	\$ -	\$ -
Mutual equity funds	36,709,195	36,709,195	-	-
Common stock	265,812	265,812	-	-
Real estate	6,515,546	-	-	6,515,546
Total investments by fair value level	\$ 53,749,193	\$ 47,233,647	\$ -	\$ 6,515,546
Investments measured at the net asset value (NAV)				
Pinehurst Institutional, Ltd.	6,513,389			
Park Street Capital Private Equity Funds VII, LP	543,902			
Park Street Natural Resources Fund IV	299,200			
Portfolio Advisors Private Equity Fund VI	904,811			
Portfolio Advisors Private Equity Fund VII	494,156			
Portfolio Advisors Private Equity Fund VIII	368,977			
Mercer Hedge Fund	7,252,602			
Mercer Private Investment Partners III	673,786			
Goldman Sachs & Company GS Distressed Opportunities Fund IV, LP	581,440			
Montauk TriGuard V	316,697			
Neuberger Berman Secondary Opportunities Fund III	216,844			
Neuberger Berman Crossroads Fund XXI	141,263			
Copper Rock International Small Cap	1,898,711			
Total investments measured at the NAV	20,205,778			
Total investments measured at fair value	\$ 73,954,971			

Investments by fair value level	6/30/2015	Quoted Prices	Significant	Significant
		in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual bond funds	\$ 12,414,695	\$ 12,414,695	\$ -	\$ -
Mutual equity funds	37,763,004	37,763,004	-	-
Common stock	187,029	187,029	-	-
Real estate	6,519,761	-	-	6,519,761
Total investments by fair value level	\$ 56,884,489	\$ 50,364,728	\$ -	\$ 6,519,761
Investments measured at the net asset value (NAV)				
Pinehurst Institutional, Ltd.	6,830,874			
Park Street Capital Private Equity Funds VII, LP	697,791			
Park Street Natural Resources Fund IV	318,684			
Portfolio Advisors Private Equity Fund VI	937,845			
Portfolio Advisors Private Equity Fund VII	423,053			
Portfolio Advisors Private Equity Fund VIII	428,864			
Mercer Hedge Fund	7,606,909			
Goldman Sachs & Company GS Distressed Opportunities Fund IV, LP	681,246			
Montauk TriGuard V	357,602			
Neuberger Berman Secondary Opportunities Fund III	179,268			
Total investments measured at the NAV	18,462,136			
Total investments measured at fair value	\$ 75,346,625			

STATE OF ILLINOIS  
EASTERN ILLINOIS UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

As part of the Foundation's investment portfolio, there are investments in entities in which purchases and withdrawals within these entities are not made in an open market. Instead, the purchases and withdrawals occur with the entities, and in certain circumstances, those transactions are entirely controlled and/or restricted by the entity. The fair value of these investments is determined by the management of the entities and is reported to the Foundation as the Foundation's proportionate share of the net asset fair value of the entity.

The following tables provide information relative to these types of investments. The additional information that follows the tables provides information associated with these investments. None of the investments are probable of being sold at an amount different from net asset value per share.

For the investments shown, the Foundation is not able to redeem the investments until the termination date of the fund. As such, there is no redemption frequency or redemption notice period shown. The final termination date of each fund is presented in the table. The terminate date is estimated as most funds have an option of extending the fund for an additional period of time, if needed or desired.

Category	Fair Value		Unfunded Commitments	Termination Date of Fund
	6/30/2016	6/30/2015		
Park Street Capital Private Equity Funds VII, LP	\$ 543,902	\$ 697,791	\$ 40,000	4/14/2018 to 4/14/2019
Park Street Natural Resources Fund IV	299,200	318,684	13,750	9/30/2024
Portfolio Advisors Private Equity Fund VI	904,811	937,845	432,363	7/30/2022 to 7/30/2024
Portfolio Advisors Private Equity Fund VII	494,156	423,053	342,079	4/18/2024 to 4/15/2026
Portfolio Advisors Private Equity Fund VIII	368,977	428,864	1,140,364	10/15/2026 to 10/15/2028
Mercer Private Investment Partners III	673,786	-	642,500	7/10/2027
Goldman Sachs & Company GS Distressed Opportunities Fund IV, LP	581,440	681,246	437,389	5/15/2018
Montauk TriGuard V	316,697	357,602	270,000	7/1/2025
Neuberger Berman Secondary Opportunities Fund III	216,844	179,268	319,895	1/5/2022
Neuberger Berman Crossroads Fund XXI	141,263	-	1,350,000	10/23/2025 to 10/23/2027
	<u>\$ 4,541,076</u>	<u>\$ 4,024,353</u>	<u>\$ 4,988,340</u>	

The following investments are also valued at the Foundation's proportionate share of the net asset value of the entity. However, these funds are liquid and can be redeemed with the required notification period.

	Fair Value		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
	6/30/2016	6/30/2015			
Pinehurst Institutional, Ltd.	\$ 6,513,389	\$ 6,830,874	\$ -	Quarterly	100 days
Mercer Hedge Fund	7,252,602	7,606,909	-	Quarterly	100 days
Copper Rock International Small Cap	1,898,711	-	-	Daily	1 day
	<u>\$ 15,664,702</u>	<u>\$ 14,437,783</u>	<u>\$ -</u>		

More detailed information on each entity valued at the net asset value is available within the Foundation's audited financial statements.

**21 IMPAIRMENT LOSS**

During fiscal year 2016, the University determined that one of its residence halls, Carman Hall, had suffered an impairment due to a lower service utility. The impairment loss, equal to the net book value of Carman Hall, is \$1,145,177.

**22 BUDGET IMPASSE**

Article 74 of Public Act 99-0524, enacted June 30, 2016, authorized the University to pay Fiscal Year 2016 costs using the University's Fiscal Year 2017 appropriation for operational expenditures totaling \$26,222,000. The University has submitted vouchers to the State Comptroller for Fiscal Year 2016 operating costs in July 2016. This appropriation, however, will be recognized as revenue in Fiscal Year 2017 because the period to which the appropriation applied had not begun as of June 30, 2016, as noted in GASB Statement No. 33, Paragraph 74. As of March 1, 2017, the State Comptroller had disbursed all of this appropriation to the University.

**23 SUBSEQUENT EVENTS**

Currently, the State of Illinois has not enacted an appropriations bill to fund the University's Fiscal Year 2017 operations. Due to this, the University has developed a strategy to manage the reduction in Fiscal Year 2017 appropriations and the decline in enrollment. As outlined below, the University has identified savings measures in order to overcome the decline in State appropriations and student enrollment.

On June 24, 2016, the Board of Trustees approved a Fiscal Year 2017 budget totaling \$148.2 million, which is a decrease of \$23.7 million from the Fiscal Year 2016 actual budget.

The University instituted lay-offs for civil service employees and certain adjunct faculty positions as well as furloughs for administrative and professional employees.

The University is in the midst of a "Vitalization" process. The purpose of the Vitalization process is to: identify and invest in the University's signature academic programs and student experiences, create or modify other academic programs and student experiences to meet market needs and demands, and reduce expenditures in non-sustainable programs and services across the campus. Vitalization also addresses the branding and marketing of the University as a vital and first-choice university.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF ILLINOIS  
 EASTERN ILLINOIS UNIVERSITY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Fiscal Year 2014*</u>	<u>Fiscal Year 2015*</u>
<b><u>SCHEDULE OF SHARE OF NET PENSION LIABILITY</u></b>		
(a) Proportionate percentage of the collective net pension liability	0%	0%
(b) Proportionate amount of the collective net pension liability	\$ -	\$ -
(c) Portion of nonemployer contributing entities' total proportion of collective net pension liability associated with employer	\$ 510,532,400	\$ 514,473,091
Total (b) + (c)	\$ 510,532,400	\$ 514,473,091
Employer covered employee payroll	\$ 103,362,269	\$ 97,778,632
Proportion of collective net pension liability associated with employer as a percentage of covered-employee payroll	493.93%	526.16%
SURS Plan Net Position as a percentage of total pension liability	44.39%	42.37%

	<u>Fiscal Year 2014</u>	<u>Fiscal Year 2015</u>	<u>Fiscal Year 2016</u>
<b><u>SCHEDULE OF CONTRIBUTIONS</u></b>			
Federal, trust, grant, and other contributions	\$ 138,371	\$ 120,181	\$ 158,747
Contribution in relation to required contribution	\$ 138,371	\$ 120,181	\$ 158,747
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer covered employee payroll	\$ 103,362,269	\$ 97,778,632	\$ 87,014,389
Contributions as a percentage of covered-employee payroll	0.13%	0.12%	0.18%

\* SURS implemented GASB Statement No. 68 in fiscal year 2015. The information above is presented for as many years as available. This Schedule is intended to show information for ten years.

**1. Changes of Benefit Terms**

There were no benefit changes recognized in the Total Pension Liability as of June 30, 2015.

**2. Changes of Assumptions**

In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every three years to determine the reasonableness of actuarial assumptions regarding the retirement, disability, mortality, turnover, interest and salary of the members and benefit recipients of SURS. An experience review for the years June 30, 2010 to June 30, 2014 was performed in February 2015, resulting in the adoption of new assumptions as of June 30, 2015.

- \* Mortality rates. Change from the RP2000 Mortality table projected to 2017, sex distinct, to the RP-2014 mortality tables with projected generational mortality improvement. Change to a separate mortality assumption for disabled participants.
- \* Salary increase. Change assumption to service-based rates, ranging from 3.75% to 15.00% based on years of service, with underlying wage inflation of 3.75%.
- \* Normal retirement rates. Change to retirement rates at ages younger than 60, age 66, and ages 70-79 to reflect observed experiences.
- \* Early retirement rates. Change to a slight increase to the rates at ages 55 and 56.
- \* Turnover rates. Change to produce lower expected turnover for members with less than 10 years of service and higher turnover for members with more than 10 years of service than the currently assumed rates.
- \* Disability rates. Decrease rates and have separate rates for males and females to reflect observed experience.
- \* Dependent assumption. Maintain the current assumption on marital status that varies by age and sex and the assumption that males are three years older than their spouses.

**3. Covered Payroll**

The definition of covered payroll has been redefined in GASB Statement Number 82, *Pension Issues - An Amendment of GASB Statements Number 67, Number 68, and Number 73*. Below are the definitions from the glossaries of each Statement.

*GASB 67 Covered-Employee Payroll.* The payroll of employees that are provided with pensions through the pension plan.

*GASB 82 Covered Payroll.* All elements included in compensation paid to active employees on which contributions to a pension plan are based.

OTHER INFORMATION

STATE OF ILLINOIS  
 EASTERN ILLINOIS UNIVERSITY  
 UNAUDITED DATA REQUIRED BY REVENUE BOND RESOLUTIONS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, 2015 to July 1, 2016

STATE OF ILLINOIS  
 EASTERN ILLINOIS UNIVERSITY  
 UNAUDITED DATA REQUIRED BY REVENUE BOND RESOLUTIONS (Continued)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

RATES	<u>Double Occupancy</u>	<u>Single Occupancy</u>
Residence halls		
Summer 2015 (8 week session)	\$ 1,537	\$ 1,926
Fall 2015		
7 meals	\$ 4,233	\$ 5,083
10 meals	4,422	5,272
12 meals	4,588	5,438
15 meals	4,773	5,623
Spring 2016		
7 meals	\$ 4,233	\$ 5,083
10 meals	4,422	5,272
12 meals	4,588	5,438
15 meals	4,773	5,623
Summer 2016 (8 week session)	\$ 1,568	\$ 1,965

RATES	<u>1 1/2 Room Apartment</u>	<u>2 Room Apartment</u>	<u>Efficiency</u>
Married student housing (monthly rent)			
Fall 2015	\$ 488	\$ 513	\$ 457
Spring 2016	\$ 488	\$ 513	\$ 457
Summer 2016	\$ 488	\$ 513	\$ 457

	<u>Range</u>			
University Court (semester)				
Fall 2015	\$ 2,460	to	\$ 3,290	
Spring 2016	\$ 2,460	to	\$ 3,290	
Summer 2016 (8 week session)	\$ 980	to	\$ 1,100	

	<u>Fees</u>
Bond revenue fees	
Summer 2015	\$ 451.08
Fall 2015	\$ 451.08
Spring 2016	\$ 451.08
Summer 2016	\$ 451.08

STATE OF ILLINOIS  
 EASTERN ILLINOIS UNIVERSITY  
 UNAUDITED DATA REQUIRED BY REVENUE BOND RESOLUTIONS (Continued)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

ENROLLMENT DATA

<u>Enrollment Date</u>	<u>Undergraduate Students</u>	<u>Graduate Students</u>	<u>Extension Students</u>	<u>Total</u>
Summer 2015	1,105	586	1,386	3,077
Fall 2015	6,535	1,081	904	8,520
Spring 2016	5,851	1,140	885	7,876
Summer 2016	854	560	1,604	3,018

OCCUPANCY DATA

<u>OCCUPANCY</u>	<u>Occupancy</u>	<u>Rated Occupancy</u>	<u>% of Occupancy</u>
Residence halls			
Summer 2015	68	150	45%
Fall 2015	2,522	4,689	54%
Spring 2016	2,301	4,689	49%
Summer 2016	12	150	8%
Married student housing			
Summer 2015	37	130	28%
Fall 2015	68	130	52%
Spring 2016	67	130	52%
Summer 2016	28	130	22%
University Court			
Summer 2015	75	146	51%
Fall 2015	144	146	99%
Spring 2016	139	146	95%
Summer 2016	40	146	27%



**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 Frank J. Mautino  
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, 2016, 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 March 13, 2017. 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. However, material weaknesses 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.

## Original Signature on File

Peoria, Illinois  
March 13, 2017

STATE OF ILLINOIS  
EASTERN ILLINOIS UNIVERSITY  
SCHEDULE OF FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**CURRENT FINDING – GOVERNMENT AUDITING STANDARDS**

None

**PRIOR FINDINGS NOT REPEATED**

None