STATE OF ILLINOIS
EASTERN ILLINOIS UNIVERSITY

FINANCIAL AUDIT
For the Year Ended June 30, 2010

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

STATE OF ILLINOIS
EASTERN ILLINOIS UNIVERSITY
FINANCIAL AUDIT
For the Year Ended June 30, 2010

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EASTERN ILLINOIS UNIVERSITY

UNIVERSITY OFFICIALS

President	Dr. William L. Perry
Provost and Vice President for Academic Affairs	Dr. Blair M. Lord
Vice President for Business Affairs	Dr. William V. Weber
Vice President for Student Affairs	Dr. Daniel P. Nadler
Vice President for University Advancement (1/1/10 – present)	Mr. Robert K. Martin
Vice President for External Relations (7/1/09 – 12/31/09)	Dr. Jill F. Nilsen
Director of Business Services and Treasurer	Mr. Paul A. McCann, CPA
General Counsel	Mr. Robert L. Miller
Director of Internal Auditing	Ms. Sharon K. McRaven, CPA, CIA

University offices are located at:

600 Lincoln Avenue
Charleston, Illinois 61920

EASTERN ILLINOIS UNIVERSITY
FINANCIAL STATEMENT REPORT

SUMMARY

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

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

SUMMARY OF FINDINGS

The auditors identified matters involving the University's internal control over financial reporting that they considered to be a material weakness. The material weakness is described in the accompanying Schedule of Findings listed in the table of contents, as finding 10-1, (Completed building not depreciated).

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with University personnel at an exit conference on March 14, 2011. Attending were:

Eastern Illinois University

William Weber, Vice President of Business Affairs
Paul McCann, Director of Business Services
Michael Hutchinson, Interim Assistant Comptroller
Tami Babbs, Interim Assistant Comptroller
Linda Coffey, Bursar
Rebecca Litton, Internal Auditor III
Kathy Reed, Interim Assistant Vice President for Information Technology
Adam Dodge, Information Technology Security Officer

Auditor General

Jon Fox, Audit Manager

E. C. Ortiz & Co. LLP

Edilberto Ortiz, Partner
Marites Sy, Partner
Shirley Trinidad, Manager
Marceliana Caragan, Senior Auditor

EASTERN ILLINOIS UNIVERSITY
FINANCIAL STATEMENT REPORT

The responses to the recommendations were provided by Paul McCann in a letter dated March 21, 2011.

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

Independent Auditors' Report

Honorable William G. Holland
Auditor General
State of Illinois

and

The Board of Trustees
Eastern Illinois University

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities of Eastern Illinois University (University) and its aggregate discretely presented component units, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2010, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the University's June 30, 2009 financial statements and, in our report dated February 24, 2010, we expressed an unqualified opinion on the respective financial statements of the business-type activities and the aggregate discretely presented component units. We did not audit the financial statements of the aggregate discretely presented component units, as described in Note 1 of the financial statements. Those statements were audited by other auditors whose reports thereon have been provided to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

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

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In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of Eastern Illinois University, as of June 30, 2010, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 1, 2011 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 6 through 17 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eastern Illinois University's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, as listed in the table of contents, has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements, and accordingly, we express no opinion on it.

In connection with our audit, nothing came to our attention that caused us to believe that the Eastern Illinois University Auxiliary Facilities System was not in compliance with any of the fund accounting covenants of the Resolutions of the Eastern Illinois University Auxiliary Facilities System Revenue Bonds (Series 2000, 2005, 2008, and 2008B).

E. C. Ortiz & Co., LLP

E.C. Ortiz & Co., LLP
April 1, 2011

This section of the Eastern Illinois University (the University) annual financial report presents management's discussion and analysis (MD&A) of the financial performance of the University during the fiscal year ended June 30, 2010 with comparative information for the year ended June 30, 2009. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes and this discussion are the responsibility of the University's management.

Reporting Entity

Eastern Illinois University is an institution of higher education and is considered to be a component unit of the State of Illinois because the Governor of the State of Illinois appoints its Board of Trustees. Accordingly, the University is included in the State's financial statements as a discrete component unit. Transactions with the State of Illinois relate primarily to appropriations for operations, grants from various State agencies, funding of capital projects and payments for employee benefits.

The University is a comprehensive, regional service institution located in Charleston, Illinois on approximately 320 acres. The University consists of 72 buildings, including 12 residence halls and 17 apartment buildings. The University enrolls approximately 12,000 students and employs approximately 1,800 full time faculty and staff. The University is primarily an undergraduate institution. Originally established in 1895 as a teachers' college, today the University encompasses four colleges and a graduate school. Undergraduate degrees are offered through the College of Arts and Humanities, the Lumpkin College of Business and Applied Sciences (which includes the School of Family and Consumer Sciences and the School of Technology), the College of Sciences and the College of Education and Professional Studies. Master degrees, and in some cases specialist degrees, are offered at the graduate level in each of the colleges. In addition to its on-campus programs, the University maintains a strong continuing education program.

Using the Annual Report

These financial statements are prepared in accordance with guidance found in the statements issued by the Governmental Accounting Standards Board (GASB), including GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*; GASB Statement No. 37, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. These statements focus on the financial condition of the University, the results of operations and cash flows of the University as a whole.

As prescribed by GASB Statement No. 35, this annual report includes three financial statements: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. The financial statements encompass the University and its discretely presented component units. The Combining Statements of Net Assets; Combining Statements of Revenues, Expenses and Changes in Net Assets; and Combining Statements of Cash Flows show the combining of the discretely presented component units and are not discussed in this MD&A. The accompanying notes to the financial statements provide more detailed information regarding the items presented on the face of the financial statements. Information regarding these component units, including their separately issued financial statements, is summarized in Note 1 to the financial statements. This MD&A focuses on the University excluding the discretely presented component units. MD&A for these component units is included in their separately issued financial statements. An explanation of the financial statement presentation follows.

The Statement of Net Assets reflects the assets and liabilities of the University using the accrual basis of accounting and presents the financial position of the University at a specified point in time. The difference between total assets and total liabilities, known as net assets, is one indicator of the current financial condition of the University. The increase or decrease in net assets that occur over time indicate the improvement or erosion of the University's financial condition.

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the fiscal year. Revenues and expenses are reported as either operating or nonoperating. Under the current reporting model, a significant portion of the University's revenue is considered nonoperating. State and capital appropriations of $50,570,713 and payments on behalf of the University of $44,755,254 are reported as nonoperating revenues and results in the University showing an operating loss of $94,731,395 for the year ended June 30, 2010.

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, 2010, the University's net assets increased by approximately $14.6 million to $198 million. This increase is primarily due to an increase in student tuition and fees and an increase in grant revenues, primarily the student financial aid grants.

During the fiscal year ended June 30, 2010, the University issued $84.9 million of Certificates of Participation (COPs) to fund the construction of a new renewable energy center and other energy conservation projects.

Statement of Net Assets

Condensed Statement of Net Assets, as of June 30,

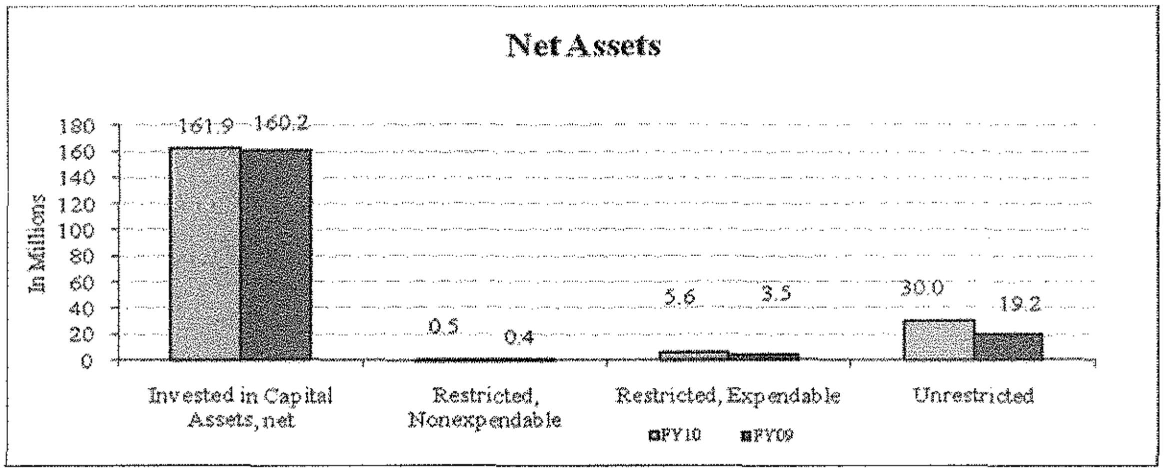
	2010	2009
Assets		
Current assets	$ 100,451,066	$ 58,230,011
Noncurrent assets		
Capital assets, net	269,602,692	212,851,757
Other	7,835,287	6,078,899
Total noncurrent assets	277,437,979	218,930,656
Total assets	$ 377,889,045	$ 277,160,667
Liabilities		
Current liabilities	$ 32,522,346	$ 24,664,413
Noncurrent liabilities	147,405,992	69,164,013
Total liabilities	179,928,338	93,828,426
Net Assets		
Invested in capital assets, net	161,921,484	160,214,306
Restricted		
Nonexpendable	459,477	422,685
Expendable	5,574,656	3,474,131
Unrestricted	30,005,090	19,221,119
Total net assets	197,960,707	183,332,241
Total liabilities and net assets	$ 377,889,045	$ 277,160,667

University assets totaled nearly $377.9 million as of June 30, 2010. The largest asset of the University is its investment in land, buildings and equipment which totaled approximately $270 million for 2010.

University liabilities totaled approximately $179.9 million as of June 30, 2010. Long-term debt of approximately $156.3 million as of June 30, 2010, is the largest portion of the liability. Long-term liabilities consisted of notes, leases and bonds payable, Certificates of Participation, accrued compensated absences, housing and registration deposits, and federal loan program contributions refundable to the federal government.

The University's current assets of approximately $100.5 million as of June 30, 2010 were sufficient to cover the current liabilities of approximately $32.5 million as of June 30, 2010. The current ratio of current assets to current liabilities is $3.09 in current assets for every $1 in current liabilities for fiscal year 2010.

The following graph shows net assets by classification and restriction:



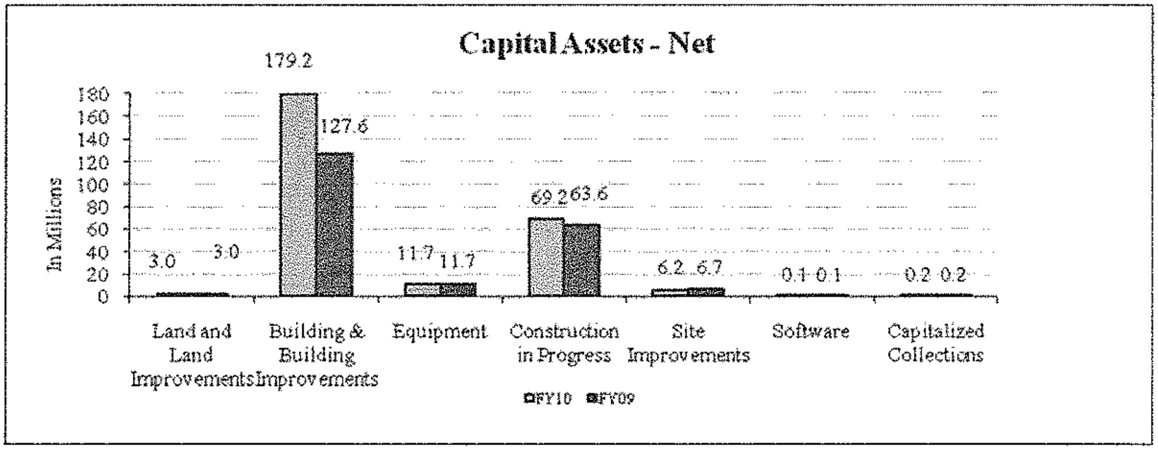
Capital Assets and Related Financing Activities

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

The University continues to expand and renovate its campus facilities. University capital additions totaled approximately $71.7 million for fiscal year 2010. During fiscal year 2010, the University completed its new textbook rental service facility and broke ground on a new renewable energy center.

The University had approximately $35.4 million of bonded debt outstanding and $100.8 million of Certificates of Participation outstanding as of June 30, 2010. In October 2009, the university issued its Certificates of Participation, Series 2009A, in the amount of $84,930,000. Proceeds from the sale of these COPs are being used to construct a renewable energy center and other energy conservation measures, as well as provide capitalized interest and certain costs of issuance. For more information concerning Capital Assets, Construction in Progress, Bonds Payable, Lease Obligations, and COPS Payable see Notes 6, 7, 10, 11, 12 and 13.

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



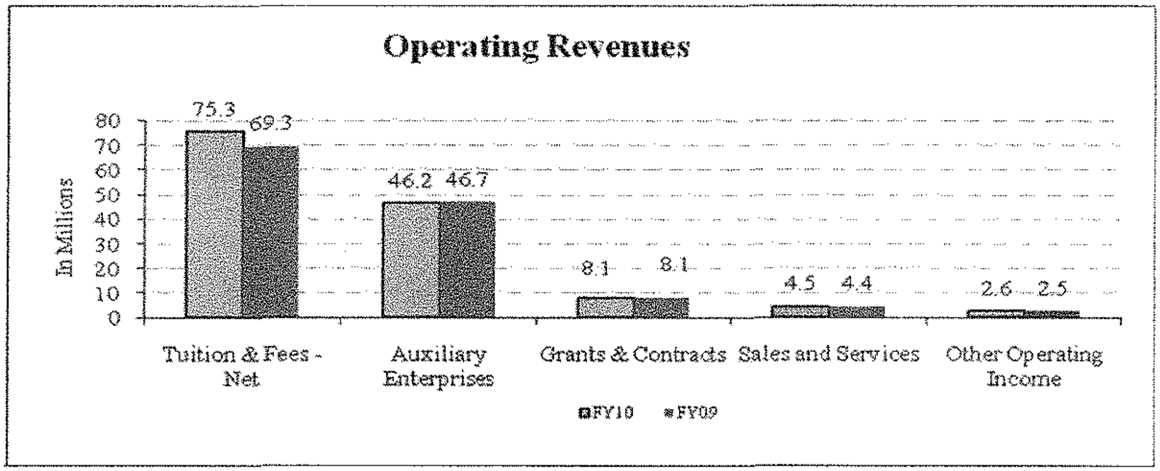
Statement of Revenues, Expenses and Changes in Net Assets

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

	2010	2009
Operating revenues		
Tuition and fees, net	$ 75,349,113	$ 69,339,046
Grants and contracts	8,141,479	8,133,816
Auxiliary enterprises	46,248,703	46,705,647
Other operating revenues	7,124,108	6,928,057
Total operating revenues	136,863,403	131,106,566
Operating expenses	231,594,798	217,940,308
Operating loss	(94,731,395)	(86,833,742)
Nonoperating revenues (net of expenses)		
State appropriations	50,570,713	49,302,337
Payments on behalf of the University	44,755,254	34,842,123
Other nonoperating revenues - net	12,371,375	10,318,308
Net nonoperating revenues	107,697,342	94,462,768
Income before capital contributions	12,965,947	7,629,026
Capital appropriations	-	2,075,636
Transfers from Capital Development Board	1,212,275	1,586,957
Capital grants and gifts	450,244	997,410
Total increase in net assets	14,628,466	12,289,029
Net assets, beginning of year	183,332,241	171,043,212
Net assets, end of year	$ 197,960,707	$ 183,332,241

Operating Revenues

Operating revenues for fiscal year 2010 totaled $136.9 million. The most significant sources of operating revenues were tuition and fees, grants and contracts, and auxiliary services as shown in the graph below:



State appropriations to the University remained the same, due to funding through the American Recovery and Reinvestment Act. During 2010, the University returned 2.5% of its fiscal year 2009 appropriation, or $1,264,163 to the State Treasurer.

During fiscal year 2005, the "Truth in Tuition" regulations took affect (a first time attendee is guaranteed the same tuition rate for four years as long as they are undergraduates). Because of this, tuition rates were increased by 10% for new students and approximately 7.3% for continuing students in fiscal year 2010. The University also implemented a student fee increase of 1% in fiscal year 2010. These account for the increase in tuition and fees.

Tuition and Fees

The University's tuition and fees have consistently been one of the lowest out of the twelve State universities in Illinois. It is currently only one of two public universities to continue to offer textbook rental as a service to students, rather than requiring students to spend hundreds of dollars for textbooks each year. The following explains the rates for tuition and fees for a student attending 12 or more hours during the Fall and Spring semesters of fiscal years 2010 and 2009.

	2010	2009
Full-time Undergraduates		
In-State		
Continuing Non-guaranteed	$183.00/hour + $987.57 fees/semester	$170.55/hour + $979.32 fees/semester

	2010	2009
In-State		
New student FY06	$154.30/hour + $987.57 fees/semester	$154.30/hour + $979.32 fees/semester
New student FY07	$173.55/hour + $987.57 fees/semester	$173.55/hour + $979.32 fees/semester
New student FY08	$194.40/hour + $1,063.53 fees/semester	$194.40/hour + $1,055.28 fees/semester
New student FY09	$218.00/hour + $1,063.53 fees/semester	$218.00/hour + $1,055.28 fees/semester
New student FY10	$239.00/hour + $1,063.53 fees/semester	
Out of State		
Continuing Non-guaranteed	$549.00/hour + $987.57 fees/semester	$511.65/hour + $979.32 fees/semester
New students FY06	$462.90/hour + $987.57 fees/semester	$462.90/hour + $979.32 fees/semester
New students FY07	$520.65/hour + $987.57 fees/semester	$520.65/hour + $979.32 fees/semester
New students FY08	$583.20/hour + $1,063.53 fees/semester	$583.20 hour + $1,055.28 fees/semester
New students FY09	$654.00/hour + $1,063.53 fees/semester	$654.00 hour + $1,055.28 fees/semester
New students FY10	$717.00/hour + $1,063.53 fees/semester	
Full-time graduates		
In State	$239.00/hour + $990.07 fees/semester	$218.00/hour + $981.32 fees/semester
New students	$239.00/hour + $1,066.03 fees/semester	$218.00/hour + $1,057.28 fees/semester
Out of State	$717.00/hour + $990.07 fees/semester	$654.00/hour + $981.32 fees/semester
New students	$717.00/hour + $1,066.03 fees/semester	$654.00/hour + $1,057.28 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 2009, the residence halls were about 81% occupied; the University Apartments were about 82% occupied; and the University Court was 97% occupied.

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

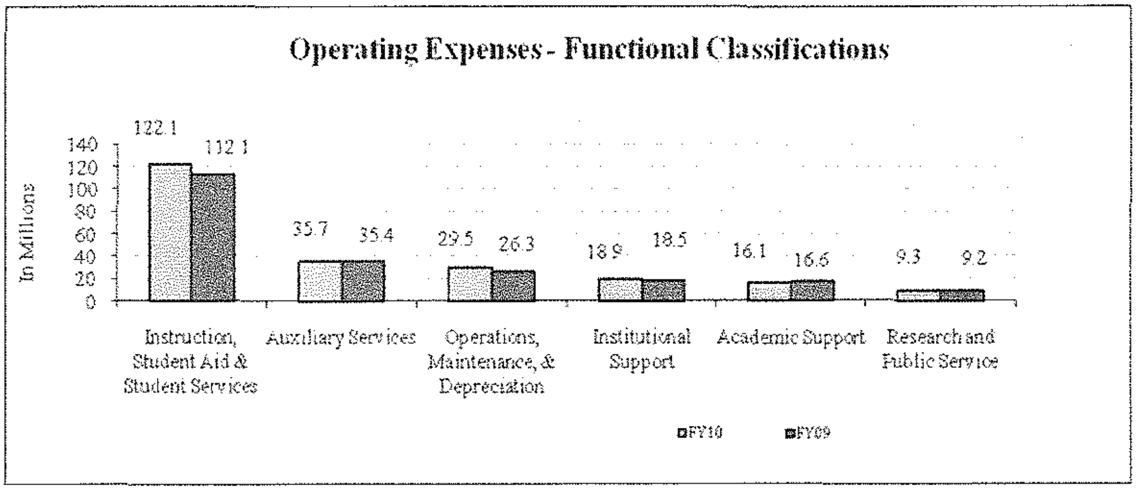
	2010	2009
University Apartments		
Efficiency	$425/month	$412/month
One bedroom	$447/month	$434/month
Super efficiency	$398/month	$386/month
University Court	Rates vary from $2,263 to $3,025/semester	Rates vary from $2,263 to $3,025/semester
Residence Halls		
7 plus meal plan	$3,584/semester	$3,367/semester
10 plus meal plan	$3,743/semester	$3,516/semester
12 plus meal plan	$3,884/semester	$3,649/semester
15 plus meal plan	$4,039/semester	$3,794/semester

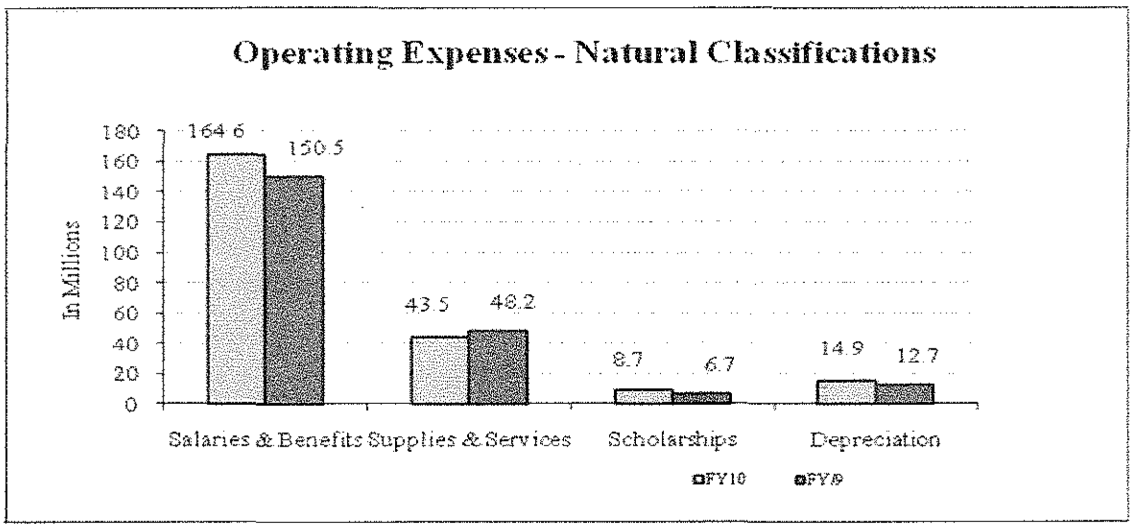
The Plus Meal Option permits each student the flexibility to make purchases at various campus locations, including any residence hall dining center, the food court within the University Union, and campus convenience centers.

Operating Expenses

GASB Statement No. 35 gives the reporting entities the choice of reporting expenses in functional or natural classifications. The University chose to report the expenses in their functional categories on the face of the statement and has displayed the natural categories in the footnotes to the financial statements. The operating expenses for fiscal year 2010, including depreciation of $14.9 million, totaled $231.6 million. Under the functional classifications, $122.1 million, or 53%, was used for instruction, student aid, and student services; $35.7 million, or 15%, was used for auxiliary services; $29.5 million, or 13%, was for operations and maintenance of plant and depreciation; $18.9 million, or 8%, was used for institutional support, which includes such areas as computer services and University police; $16.1 million, or 7%, was used for academic support, for such areas as the library and various dean's offices; and $9.3 million, or 4%, was used for research and public service, for such areas as grants and contracts. Under the natural classifications, $164.6 million, or 71%, was used for salaries and benefits; $43.5 million, or 19%, was used for supplies, contractual services, utilities, travel, repairs and maintenance and other; $8.7 million, or 4%, was used for scholarships; and $14.9 million, or 6%, was depreciation.

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





Other

The State appropriation was the largest source of nonoperating revenues at $50.6 million in fiscal year 2010.

Interest expense on outstanding debt was $4.5 million for fiscal year 2010; this was the largest category of nonoperating expenses.

Statement of Cash Flows

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

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

	2010	2009
Cash provided by (used in):		
Operating activities	$ (37,468,392)	$ (36,852,370)
Noncapital financing activities	61,209,911	54,424,502
Capital and related financing activities	10,717,185	(19,277,017)
Investing activities	159,290	3,256,727
Net increase in cash and cash equivalents	34,617,994	1,551,842
Cash and cash equivalents, beginning of year	35,819,971	34,268,129
Cash and cash equivalents, end of year	$ 70,437,965	$ 35,819,971

Major sources of funds included in operating activities are student tuition and fees, and auxiliary services. Student tuition and fees provided $73.2 million for fiscal year 2010. Auxiliary enterprises income provided $47.5 million for 2010. The major source of funds included in noncapital financing activities is state appropriations, which provided $44.3 million for 2010.

The net cash provided by capital and related financing activities represents the issuance of the Series 2009A Certificates of Participation, netted against numerous purchases of capital assets as well as costs incurred for many campus construction projects in progress.

The University's Economic Outlook

The State of Illinois (State) General Revenue Fund appropriation represents a significant, but decreasing, portion of operating support for University programs. State General Revenue Fund appropriations represented approximately 23% of the University's operating budget in fiscal year 2010, 26% in 2009, 27% in 2008 and 28% in 2007. In fiscal year 2010, the General Assembly decreased the University's State General Revenue Fund appropriation by $2,957,000 (6.0%) and supplemented it with appropriations from the State's share of the American Recovery and Reinvestment Act of 2009 totaling $2,957,000. In fiscal year 2011, the General Assembly decreased the University's State General Revenue Fund appropriation by an additional $196,500, with no ARRA funds. In effect, the University lost $3,153,500 of State funding between fiscal years 2010 and 2011.

Although the University's operating budget continues to grow, we project that the State's share of funding will continue to decline. As we navigate the financial uncertainties of the State and nation, we will continue to manage our resources with care and diligence.

The University remains committed to managing tuition levels to meet its mission of superior, yet accessible education.

In 2003, Public Act 93-0228 was enacted. This act placed a limitation on increases in tuition at Illinois public institutions of higher education. For students that initially enroll in the University after the 2003-04 academic year, the tuition charged to an undergraduate student cannot increase, above the amount charged when the student enrolled, for 4 continuous academic years, with limited exceptions. Consequently, the University must establish a tuition rate for incoming students that takes into account all potential cost increases and the rate of inflation. For the fall semester of 2010, the University increased tuition for incoming students by 6% over the rate paid by students starting in the fall semester of 2009. Although the political climate for tuition increases is uncertain, the University is projecting an increase of approximately 3% for the fall semester of 2011.

It is the plan of the University to maintain a stable enrollment of approximately 12,000 students. The fall semester of 2010 enrollment was 11,966, a decrease of 0.6% from the fall semester of 2009. The University does not anticipate any change to the plan in the foreseeable future. Likewise, it is the University's plan to maintain stable occupancy in University owned housing. In fall semester of 2010, the University had 4,110 students in University owned housing, a decrease of 2.2% from the fall semester of 2009.

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 2010, the typical room and board rate for a full time student was $3,977, an increase of 6.2% from fall semester of 2009.

During fiscal year 2011, the University's four-year agreement with the University Professionals of Illinois (UPI) Local 4100 (the union representing University faculty members) will end. UPI represents almost 600 faculty members on campus and is the single largest union representing employees on campus. During fall 2010, the University and UPI began negotiations for a new contract.

During fiscal year 2010, the University opened its new Textbook Rental Service facility. The facility was financed by bonds, which will be repaid using a special $1 per credit hour fee approved by the students. In November 2009, the University also broke ground on its new biomass-fired Renewable Energy Center. The Center will replace the University's Steam Plant that was built in the 1920's. The Steam Plant has become increasingly more unreliable, and, due to the complete failure of the plant's scrubber equipment in 2001, the University has been unable to burn high-sulfur Illinois coal. Therefore, the University is required to purchase higher cost low-sulfur coal from a source outside of the State of Illinois. Approximately $85 million of Certificates of Participation were issued to fund this project and numerous other energy conservation projects around campus. Energy savings from the projects will generate enough cash to repay the certificates. The energy savings from the projects are guaranteed by Honeywell International, Inc. Also during fiscal year 2010, the University reviewed and updated its Campus Master Plan, looking at present and future facility needs.

As other funding sources decline, private gifts are an important source of funding for University operations. In association with the Eastern Illinois University Foundation, almost $2.5 million was raised in new gifts and additions to the endowment during a difficult 2010 fiscal year. After its loss in fiscal year 2009, the Foundation's fiscal year 2010 increase of 12.5% was better than the estimated median NACUBO institution increase of 11%. In light of the continued volatility in the equity markets towards the middle of the fiscal year, the Foundation reduced risk in the portfolio by cutting overall exposure to equities, boosting the tilt towards quality stocks and inflation-protected assets. With public financing representing a smaller portion of the University's budget, private philanthropy will continue to grow in importance.

During the fall of 2010, the University announced its first comprehensive fundraising campaign, termed Expect Greatness, to raise $50 million. The gifts from this campaign will be used for the following priorities:

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

EASTERN ILLINOIS UNIVERSITY
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010
(With Comparative Totals for 2009)

	University		Component Units	
	2010	**2009**	**2010**	**2009**
ASSETS				
Current assets:				
Cash and cash equivalents	$ 11,141,644	$ 10,067,329	$ 778,120	$ 749,869
Restricted cash and cash equivalents	59,296,321	25,752,642	3,005,742	3,476,995
Short-term investments	250,000	250,000	513,866	600,924
Restricted short-term investments	14,244	19,102	2,478,703	1,725,061
Accounts receivable, net of allowance for doubtful accounts	12,458,834	11,352,019	153,742	144,911
State appropriation receivable	13,266,497	7,035,671	-	-
Interest receivable	2,194	1,529	5,262	12,278
Inventories	1,734,194	1,976,536	48,000	-
Notes receivable, current portion, net of allowance for doubtful accounts	922,730	907,036	-	-
Other assets	1,364,408	868,147	21,448	3,324
Total current assets	100,451,066	58,230,011	7,004,883	6,713,362
Noncurrent assets:				
Restricted cash and cash equivalents	-	-	448,667	509,811
Notes receivable, less current portion, net of allowance for doubtful accounts	5,332,271	5,300,533	-	-
Endowment investments	459,477	422,685	33,728,476	32,564,104
Restricted investments	-	-	14,453,102	10,695,634
Other long-term investments	-	-	930,309	707,121
Other long-term assets	2,043,539	355,681	15,351	144,598
Capital assets, net of accumulated depreciation	269,602,692	212,851,757	2,100,118	2,134,760
Total noncurrent assets	277,437,979	218,930,656	51,676,023	46,756,028
TOTAL ASSETS	$ 377,889,045	$ 277,160,667	$ 58,680,906	$ 53,469,390
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued liabilities	$ 19,736,802	$ 11,744,543	$ 37,362	$ 34,631
Deferred revenues	3,855,752	3,838,788	-	-
Long-term liabilities, current portion	8,929,792	9,081,082	209,698	206,283
Demand mortgage payable	-	-	1,437,238	1,437,238
Total current liabilities	32,522,346	24,664,413	1,684,298	1,678,152
Noncurrent liabilities:				
Long-term liabilities, less current portion	141,685,132	63,427,875	784,366	849,486
Due to others	-	-	5,679,962	5,319,459
Federal loan program contributions refundable	5,720,860	5,736,138	-	-
Total noncurrent liabilities	147,405,992	69,164,013	6,464,328	6,168,945
Total liabilities	179,928,338	93,828,426	8,148,626	7,847,097
Net assets:				
Invested in capital assets, net of related debt	161,921,484	160,214,306	662,880	697,522
Restricted:				
Nonexpendable				
Scholarships and fellowships	459,477	422,685	-	-
Endowments	-	-	34,177,143	33,073,915
Expendable				
Scholarships and fellowships	64,697	60,131	-	-
Instructional department uses	2,075,257	2,059,185	-	-
Loans	1,364,792	1,354,815	-	-
Debt service	2,069,909	-	-	-
Other	-	-	13,330,054	9,564,138
Unrestricted	30,005,091	19,221,119	2,362,203	2,286,718
Total net assets	197,960,707	183,332,241	50,532,280	45,622,293
TOTAL LIABILITIES AND NET ASSETS	$ 377,889,045	$ 277,160,667	$ 58,680,906	$ 53,469,390

See accompanying notes to financial statements.

EASTERN ILLINOIS UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(With Comparative Totals for 2009)

	University		Component Units	
	2010	**2009**	**2010**	**2009**
OPERATING REVENUES				
Student tuition and fees (net of scholarship allowances of $10,869,400 in fiscal year 2010 and $9,484,157 in fiscal year 2009)	$ 75,349,113	$ 69,339,046	$ -	$ -
Federal grants and contracts	2,963,553	2,713,257	-	-
State grants and contracts	2,534,502	3,076,617	-	-
Local grants and contracts	310,956	362,868	-	-
Private grants and contracts	2,332,468	1,981,074	-	-
Sales and services of educational departments	4,486,307	4,407,951	-	-
Auxiliary enterprises (net of scholarship allowances of $2,284,702 in fiscal year 2010 and $1,989,903 in fiscal year 2009)	46,248,703	46,705,647	-	-
Gifts	-	-	1,420,944	1,419,279
Service contract with the University	-	-	221,108	234,818
Budget allocation from the University	-	-	151,500	123,976
Membership dues	-	-	63,049	46,995
Merchandise sales	-	-	351	700
Royalties	-	-	20,769	33,805
Alumni promotions	-	-	1,280	4,642
Other operating revenues	2,637,801	2,520,106	292,491	181,299
Total operating revenues	136,863,403	131,106,566	2,171,492	2,045,514
OPERATING EXPENSES				
Educational and general				
Instruction	93,706,501	85,652,082	-	-
Research	1,231,187	1,130,711	-	-
Public service	8,044,122	8,057,260	-	-
Academic support	16,095,347	16,585,664	-	-
Student services	19,321,993	19,485,583	-	-
Institutional support	18,942,757	18,494,507	1,035,650	1,007,476
Operations and maintenance of plant	14,594,327	13,603,854	-	-
Student aid	9,073,353	6,865,295	-	-
Auxiliary enterprises	35,716,891	35,390,047	-	-
Depreciation expense	14,868,320	12,675,305	34,642	34,642
Total operating expenses	231,594,798	217,940,308	1,070,292	1,042,118
Operating income (loss)	(94,731,395)	(86,833,742)	1,101,200	1,003,396

See accompanying notes to financial statements.

EASTERN ILLINOIS UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS *(Continued)*
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(With Comparative Totals for 2009)

	University		Component Units	
	2010	2009	2010	2009
NONOPERATING REVENUES (EXPENSES)				
State appropriations	$ 47,613,750	$ 49,302,337	$ -	$ -
State appropriations through Federal ARRA funds	2,956,963	-	-	-
Payments on behalf of the University	44,755,254	34,842,123	-	-
Gifts	1,717,722	1,963,314	-	-
Investment income (net)	155,102	470,671	1,026,542	1,836,338
Net increase (decrease) in fair value of investments	36,791	(115,757)	4,374,483	(8,493,766)
Scholarships	-	-	(892,838)	(898,157)
Distributions to annuity/unitrust beneficiaries	-	-	(125,348)	(150,124)
Actuarial adjustments	-	-	43,008	105,187
Interest on capital asset-related debt	(4,503,647)	(2,259,818)	(82,496)	(82,470)
Nonoperating grants and contracts	14,309,497	10,366,472	-	-
Amortization of bond costs, premiums, and discounts	(57,658)	131,114	-	-
Grants to the University	-	-	(1,610,092)	(1,744,517)
Payments to the Foundation	(6,740)	(129,295)	-	-
Loss on disposal of capital assets	(62,856)	(98,102)	-	-
Other nonoperating revenues (expenses)	783,164	(10,291)	-	-
Total nonoperating revenues (expenses)	107,697,342	94,462,768	2,733,259	(9,427,509)
Income (loss) before capital contributions	12,965,947	7,629,026	3,834,459	(8,424,113)
Capital appropriations	-	2,075,636	-	-
Capital grants and gifts	450,244	997,410	-	-
Transfers from Capital Development Board	1,212,275	1,586,957	-	-
Additions to permanent endowments	-	-	1,075,528	956,264
Increase (decrease) in net assets	14,628,466	12,289,029	4,909,987	(7,467,849)
NET ASSETS				
Net assets, beginning of year	183,332,241	171,043,212	45,622,293	53,090,142
Net assets, end of year	$ 197,960,707	$ 183,332,241	$ 50,532,280	$ 45,622,293

See accompanying notes to financial statements.

EASTERN ILLINOIS UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(With Comparative Totals for 2009)

	University		Component Units	
	2010	**2009**	**2010**	**2009**
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees	$ 73,241,372	$ 69,864,732	$ -	$ -
Grants and contracts (noncapital)	7,955,988	9,023,054	-	-
Sales and services of educational departments	4,399,230	4,885,100	-	-
Auxiliary enterprise	47,457,103	46,848,226	-	-
Payments to suppliers	(43,517,381)	(48,343,325)	(757,048)	(712,570)
Payments to employees	(111,433,408)	(108,023,020)	-	-
Payments for employee benefits	(8,668,417)	(7,581,938)	-	-
Payments for scholarships and fellowships	(8,679,413)	(6,550,315)	-	-
Federal loan program contributions refundable	(15,278)	9,711	-	-
Loans issued to students	(1,633,040)	(1,282,058)	-	-
Collection of loans from students	1,585,607	1,222,385	-	-
Royalties	-	-	123,956	123,640
Membership dues	-	-	61,084	43,805
Service contract with the University	-	-	78,625	157,250
Gifts	-	-	1,423,285	1,378,086
Promotional revenues	-	-	1,280	4,642
Other receipts	1,839,245	3,075,078	292,842	181,999
Net cash provided from (used in) operating activities	$ (37,468,392)	$ (36,852,370)	$ 1,224,024	$ 1,176,852
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriations	41,382,924	42,266,666	-	-
State appropriations through Federal ARRA funds	2,956,963	-	-	-
Private gifts other than capital purposes	1,578,798	1,950,842	-	-
Payments to the Foundation	(6,740)	(129,295)	-	-
Scholarships	-	-	(891,880)	(898,665)
Distributions to annuity/unitrust beneficiaries	-	-	(205,966)	(253,481)
Agency receipts	-	-	192,211	244,315
Agency payments	-	-	(213,199)	(268,370)
Other nonoperating activities	846,447	(672)	1,062,966	951,169
Nonoperating grants	14,451,519	10,336,961	(1,610,092)	(1,744,517)
Net cash provided by (used in) noncapital financing activities	$ 61,209,911	$ 54,424,502	$ (1,665,960)	$ (1,969,549)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from bond issue/notes payable	84,930,000	4,210,855	-	-
Principal paid on capital debt and leases	(5,945,214)	(4,512,744)	-	-
Interest paid on capital debt and leases	(4,151,498)	(2,262,242)	(82,496)	(82,127)
Capital appropriations	-	2,075,636	-	-
Capital grants and gifts	572,032	654,529	-	-
Bond issue costs paid	(2,022,280)	(116,425)	-	-
Purchases of capital assets	(62,665,855)	(19,326,626)	-	-
Net cash provided by (used in) capital and related financing activities	$ 10,717,185	$ (19,277,017)	$ (82,496)	$ (82,127)

See accompanying notes to financial statements.

EASTERN ILLINOIS UNIVERSITY
STATEMENT OF CASH FLOWS *(Continued)*
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(With Comparative Totals for 2009)

	University		Component Units	
	2010	**2009**	**2010**	**2009**
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale and maturities of investments	$ 291,649	$ 3,001,441	$ 4,429,453	$ 1,795,686
Interest received on investments	154,432	505,286	1,044,124	1,919,475
Sale of gift stock and real estate		-	27,233	51,168
Purchase of investments	(286,791)	(250,000)	(5,480,524)	(2,180,068)
Net cash provided by investing activities	159,290	3,256,727	20,286	1,586,261
Net increase (decrease) in cash and cash equivalents	34,617,994	1,551,842	(504,146)	711,437
Cash and cash equivalents, beginning of year	35,819,971	34,268,129	4,736,675	4,025,238
Cash and cash equivalents, end of year	$ 70,437,965	$ 35,819,971	$ 4,232,529	$ 4,736,675
Reconciliation of net operating income (loss) to net cash provided from (used in) operating activities				
Operating income (loss)	$ (94,731,395)	$ (86,833,742)	1,101,200	$ 1,003,396
Adjustments to reconcile operating income (loss) to net cash provided from (used in) operating activities:				
Depreciation	14,868,320	12,675,305	34,642	34,642
Bad debt	-	-	500	-
Payments on behalf of the University	44,755,254	34,842,123	-	-
Noncash stock, real estate gifts	-	-	(15,884)	(46,341)
Changes in assets and liabilities:				
Accounts receivable	(1,127,061)	1,303,136	17,060	79,783
Inventories	242,342	(264,639)	-	-
Notes receivable	(47,432)	(59,674)	-	-
Other assets	(369,933)	(27,559)	85,060	88,147
Accounts payable and accrued liabilities	(227,152)	497,015	1,446	17,225
Deferred revenues	(87,674)	1,207,484	-	-
Compensated absences	(286,070)	(372,982)	-	-
Federal loan program contributions refundable	(15,278)	9,711	-	-
Other long-term liabilities	(813,366)	307,175	-	-
Deposits	371,053	(135,723)	-	-
Net cash provided from (used in) operating activities	$ (37,468,392)	$ (36,852,370)	$ 1,224,024	$ 1,176,852
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS				
Change in fair value of investments	$ 36,791	$ (115,757)	$ 4,374,483	$ (8,493,766)
Change in interest receivable affecting interest received	$ 665	$ (34,615)	$ -	$ -
Change in accrued interest affecting interest paid	$ 367,925	$ 18,366	$ -	$ 343
Change in accrued costs relating to capital assets	$ 8,438,966	$ 299,459	$ -	$ -
Transfers of capital assets	$ 1,212,275	$ 1,586,957	$ -	$ -

See accompanying notes to financial statements.

EASTERN ILLINOIS UNIVERSITY
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS

	June 30, 2010		
	Foundation	Alumni Association	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 457,508	$ 320,612	$ 778,120
Restricted cash and cash equivalents	3,005,742	-	3,005,742
Short-term investments	32,000	481,866	513,866
Restricted short-term investments	2,478,703	-	2,478,703
Accounts receivable, net of allowance for doubtful accounts	41,454	112,288	153,742
Interest receivable	-	5,262	5,262
Inventories	48,000	-	48,000
Other assets	20,458	990	21,448
Total current assets	6,083,865	921,018	7,004,883
Noncurrent assets			
Restricted cash and cash equivalents	448,667	-	448,667
Endowment investments	33,728,476	-	33,728,476
Restricted investments	14,453,102	-	14,453,102
Other long-term investments	-	930,309	930,309
Other long-term assets	6,901	8,450	15,351
Capital assets, net of accumulated depreciation	1,900,430	199,688	2,100,118
Total noncurrent assets	50,537,576	1,138,447	51,676,023
TOTAL ASSETS	$ 56,621,441	$ 2,059,465	$ 58,680,906
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued liabilities	$ 37,311	$ 51	$ 37,362
Long-term liabilities, current portion	209,698	-	209,698
Demand mortgage payable	1,437,238	-	1,437,238
Total current liabilities	1,684,247	51	1,684,298
Noncurrent liabilities			
Long-term liabilities, less current portion	784,366	-	784,366
Due to others	5,679,962	-	5,679,962
Total noncurrent liabilities	6,464,328	-	6,464,328
Total liabilities	8,148,575	51	8,148,626
Net assets			
Invested in capital assets, net of related debt	463,192	199,688	662,880
Restricted for:			
Nonexpendable endowment	34,177,143	-	34,177,143
Expendable	13,330,054	-	13,330,054
Unrestricted	502,477	1,859,726	2,362,203
Total net assets	48,472,866	2,059,414	50,532,280
TOTAL LIABILITIES AND NET ASSETS	$ 56,621,441	$ 2,059,465	$ 58,680,906

See accompanying notes to financial statements.

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

	For the Year Ended June 30, 2010		
	Foundation	Alumni Association	Total
OPERATING REVENUES			
Gifts	$ 1,417,406	$ 3,538	$ 1,420,944
Service contract with the University	198,978	22,130	221,108
Budget allocation from the University	137,295	14,205	151,500
Membership dues	-	63,049	63,049
Merchandise sales	-	351	351
Royalties	-	20,769	20,769
Alumni promotions	-	1,280	1,280
Other operating revenues	291,874	617	292,491
Total operating revenues	2,045,553	125,939	2,171,492
OPERATING EXPENSES			
Educational and general			
Institutional support	896,932	138,718	1,035,650
Depreciation expense	28,643	5,999	34,642
Total operating expenses	925,575	144,717	1,070,292
Operating income (loss)	1,119,978	(18,778)	1,101,200
NONOPERATING REVENUES (EXPENSES)			
Investment income (net)	986,427	40,115	1,026,542
Net decrease in fair market value of investments	4,285,484	88,999	4,374,483
Scholarships	(884,338)	(8,500)	(892,838)
Distributions to annuity/unitrust beneficiaries	(125,348)	-	(125,348)
Actuarial adjustments	43,008	-	43,008
Interest on capital asset-related debt	(82,496)	-	(82,496)
Grants to the University	(1,594,470)	(15,622)	(1,610,092)
Net nonoperating revenues	2,628,267	104,992	2,733,259
Income before capital contributions	3,748,245	86,214	3,834,459
Additions to permanent endownments	1,075,528	-	1,075,528
Increase in net assets	4,823,773	86,214	4,909,987
NET ASSETS			
Net assets, beginning of year	43,649,093	1,973,200	45,622,293
Net assets, end of year	$ 48,472,866	$ 2,059,414	$ 50,532,280

See accompanying notes to financial statements.

EASTERN ILLINOIS UNIVERSITY
COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS

	For the Year Ended June 30, 2010		
	Foundation	Alumni Association	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and vendors	$ (654,720)	$ (102,328)	$ (757,048)
Royalties	-	123,956	123,956
Membership dues	-	61,084	61,084
Gifts	1,419,747	3,538	1,423,285
Promotional revenues	-	1,280	1,280
Service contract with Eastern Illinois University	78,625	-	78,625
Other receipts	291,874	968	292,842
Net cash provided from operating activities	1,135,526	88,498	1,224,024
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Grants to the University	(1,594,470)	(15,622)	(1,610,092)
Scholarships	(883,380)	(8,500)	(891,880)
Distributions to annuity/unitrust beneficiaries	(205,966)	-	(205,966)
Agency receipts	192,211	-	192,211
Agency payments	(213,199)	-	(213,199)
Gifts received for endowment purposes	1,062,966	-	1,062,966
Net cash used in noncapital financing activities	(1,641,838)	(24,122)	(1,665,960)
CASH FLOWS FROM RELATED CAPITAL AND FINANCING ACTIVITIES			
Interest paid for capital debt and leases	(82,496)	-	(82,496)
Net cash used in capital and related financing activity	(82,496)	-	(82,496)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale and maturities of investments	3,876,544	552,909	4,429,453
Interest received on investments	996,993	47,131	1,044,124
Sale of gift stock and real estate	27,233	-	27,233
Purchase of investments	(4,880,483)	(600,041)	(5,480,524)
Net cash provided by (used in) investing activities	20,287	(1)	20,286
Net increase (decrease) in cash and cash equivalents	(568,521)	64,375	(504,146)
Cash and cash equivalents, beginning of year	4,480,438	256,237	4,736,675
Cash and cash equivalents, end of year	$ 3,911,917	$ 320,612	$ 4,232,529
Reconciliation of operating income (loss) to net cash provided from operating activities			
Operating income (loss)	$ 1,119,978	$ (18,778)	$ 1,101,200
Adjustments to reconcile net income to net cash provided from operating activities:			
Depreciation expense	28,643	5,999	34,642
Bad debt expense	500	-	500
Noncash stock, real estate gifts	(15,884)	-	(15,884)
Changes in assets and liabilities:			
Accounts receivable	19,025	(1,965)	17,060
Royalties receivable	-	103,184	103,184
Prepaid expense	(18,174)	50	(18,124)
Accounts payable	1,438	8	1,446
Net cash provided from operating activities	$ 1,135,526	$ 88,498	$ 1,224,024
NONCASH INVESTING TRANSACTIONS			
Change in fair value of investments	$ 4,285,484	$ 88,999	$ 4,374,483

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

Financial Reporting Entity

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

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

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

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

The Foundation is a legally separate, tax-exempt component unit. It acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The Board of Directors of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University and its students, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. An audit of the Foundation's financial statements, for the fiscal year ended June 30, 2010, was conducted by an independent certified public accountant and can be obtained from the University's Administrative Office at 600 Lincoln Avenue, Charleston, IL 61920.

The Alumni Association is also a legally separate, tax-exempt component unit. The Alumni Association is governed by a separately elected Board of Directors and its primary functions are to foster loyalty and fellowship among the alumni of the University and to receive gifts, which are contributed for the welfare of the University. The Alumni Association uses its resources entirely or almost entirely for the direct benefit of the University or its constituents. In addition, the University is entitled to or has access to the majority of the resources of the Association, and such resources are significant to the University. Therefore, the Alumni Association is considered a component unit of the University and is discretely presented in the University's financial statements. An audit of the Alumni Association's financial statements, for the fiscal year ended June 30, 2010, was conducted by an independent certified public accountant and can be obtained from the University's Administrative Office at 600 Lincoln Avenue, Charleston, IL 61920.

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

Financial Statement Presentation

The basic financial statements include prior year comparative information which has been derived from the University and the Component Units' 2009 financial statements. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University and Component Units' financial statements for the year ended June 30, 2009.

Basis of Accounting

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

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

Cash Equivalents

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

Investments

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

Inventories

Inventories are carried at the lower of cost (first-in, first-out method) or market.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of Illinois. Accounts receivable also includes amounts due from the federal government, state and local governments, or private sources, in connection with the reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable is recorded net of estimated uncollectible amounts.

Restricted Assets

Restricted assets consist of cash and investments that are restricted by external sources and are classified as either current or noncurrent assets in the Statement of Net Assets depending upon when the assets become available for use.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. The University's capitalization policy for capital assets is as follows: equipment $5,000 or greater, land or buildings $100,000 or greater and site or building improvements $25,000 or greater. Renovations to buildings and equipment that significantly increase the value or extend the useful life of the asset are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. The University purchases textbooks and library materials for its textbook rental service and library. The University capitalizes all library books and textbooks purchases.

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

Deferred Revenues

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

Compensated Absences

Employee vacation pay, sick pay, and compensable time are accrued at year-end for financial statement purposes. The liabilities outstanding are reported as accrued liabilities in the Statement of Net Assets, and the expenses incurred are reported as functionalized expenses in the Statement of Revenues, Expenses, and Changes in Net Assets.

Long-term Liabilities

Long-term liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year and (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Net Assets

The University's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

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

Restricted net assets - nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

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

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

Income Taxes

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

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. The Statement of Revenues, Expenses, and Changes in Net Assets for fiscal year 2009 has been changed to reclassify other Student Financial Aid grants as nonoperating revenues.

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.

Non-operating revenues: Non-operating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* such as state appropriations and investment income.

On-Behalf Payments for Fringe Benefits

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the University has reported on-behalf payments made by the State of Illinois to the Department of Central Management Services State Employees Group Insurance Program and the State Universities' Retirement System of Illinois (SURS), totaling $44,755,254, representing $26,957,870 and $17,797,384 for group insurance and retirement costs, respectively. These costs are reflected as nonoperating revenues and operating expenses with revenues reported as payments on behalf of the University and expenses allocated to each educational and general program.

Scholarship Discounts and Allowances

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

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

Cash and Deposits

The University maintains deposits at financial institutions authorized by the Board of Trustees. The carrying amount of the University's deposits was $15,562 as of June 30, 2010. These were fully covered by federal depository insurance. In addition, the University had cash on hand in various petty cash and change funds in the amount of $35,480 as of June 30, 2010.

Investments

Illinois Statutes and the Board of Trustees authorize the University to invest in United States Government securities, securities guaranteed by the full faith and credit of the United States Government, interest-bearing savings accounts, certificate and time deposits in financial institutions fully insured by the FDIC, and any other security or investment permitted by law and approved by the Board. The Vice President for Business Affairs has the authority to prescribe investment guidelines consistent with the Board of Trustees' regulations, the provisions of the Public Funds Investment Act (30 ILCS 235/2.5 et seq.) and the Uniform Management of Institutional Funds Act (760 ILCS 50/1-10).

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University has established a maximum maturity of up to four years for any investment. State statutes limit maturity on commercial paper investments to 180 days. Effective maturity ranges for investments as of June 30, 2010 are as follows:

Effective Maturity	0-1 Year	1-5 Years	6-10 Years
Illinois Funds	$70,386,923	$ -	$ -
Mutual bond funds	-	-	125,715
	$70,386,923	$ -	$ 125,715

Credit Risk

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

Credit Rating	AAA	Not Rated
Illinois Funds	$70,386,923	$ -
Mutual bond funds	-	125,715
	$70,386,923	$125,715

Custodial Credit Risk

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

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

Concentration Risk

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

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

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

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

Reconciliation to the Statement of Net Assets

A reconciliation of cash and investments as presented previously to amounts reported in the Statement of Net Assets as of June 30, 2010 are as follows:

	Current	Noncurrent	Total
Cash and cash equivalents	$11,141,644	$ -	$11,141,644
Restricted cash and cash equivalents	59,296,321	-	59,296,321
Short-term investments	250,000	-	250,000
Restricted investments	14,244	-	14,244
Endowment investments	-	459,477	459,477
	$70,702,209	$459,477	$71,161,686

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

Cash deposits	$ 15,562
Petty cash funds	35,480
The Illinois Funds accounts	70,386,923
Bond mutual funds – Charles Schwab and Co., Inc.	125,715
Equity mutual funds – Charles Schwab and Co., Inc.	348,006
Certificate of deposit	250,000
	$ 71,161,686

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2010:

Sales and services	$ 2,044,468
Student tuition and fees	4,706,760
Auxiliary enterprises and other operating activities	4,919,547
Federal, State, and private grants and contracts	1,591,554
Others	4,011,188
Total	17,273,517
Less allowance for doubtful accounts	(4,814,683)
Net accounts receivable	$ 12,458,834

4. INVENTORIES

Inventories consisted of the following as of June 30, 2010:

Bookstore	$ 892,617
Facilities	554,705
Food services/housing	164,269
Union operation	65,872
Postage	31,519
Pharmacy	23,778
Others	1,434
	$ 1,734,194

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, 2010. Under this Program, the federal government provides funds for approximately 75% of the total contribution for student loans with the University providing the balance. Under certain conditions, such loans can be forgiven at annual rates of 10% to 30% of the original balance up to maximums of 50% to 100% of the original loan. The federal government reimburses the University to the extent of 10% of the amounts forgiven for loans originated prior to July 1, 1993, under the Federal Perkins Loan Program. No reimbursements are provided for loans originated after this date. Amounts refundable to the U.S. Government upon cessation of the Program of $5,720,860 as of June 30, 2010, are reflected in the accompanying Statement of Net Assets as noncurrent liabilities.

As the University determines that loans are uncollectible and not eligible for reimbursement by the Federal government, the loans may be assigned to the U.S. Department of Education. The allowance for uncollectible loans only applies to University funded loans and the University portion of federal student loans, as the University is not obligated to fund the federal portion of uncollected student loans. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. As of June 30, 2010, the allowance for uncollectible loans was $80,994.

6. CAPITAL ASSETS

	For the Year Ended June 30, 2010				
	6/30/2009	Additions	Deletions	Transfers	6/30/2010
Capital assets not being depreciated					
Land and land improvements	$ 2,968,015	$ -	$ -	$ -	$ 2,968,015
Capitalized collections	198,646	-	-	-	198,646
Construction in progress	63,554,242	65,899,394	-	(60,252,577)	69,201,059
Total capital assets not being depreciated	66,720,903	65,899,394	-	(60,252,577)	72,367,720
Capital assets being depreciated					
Site improvements	16,909,297	-	-	316,900	17,226,197
Buildings and building improvements	231,118,843	(264,278)	-	59,935,677	290,790,242
Equipment	63,462,818	6,046,995	2,411,563	(15,078)	67,083,172
Capital leases-equipment	50,585	-	-	-	50,585
Total capital assets being depreciated	311,541,543	5,782,717	2,411,563	60,237,499	375,150,196
Less accumulated depreciation for:					
Site improvements	10,226,207	846,962	-	(26,775)	11,046,394
Buildings and building improvements	103,518,928	8,153,059	131,287	-	111,540,700
Equipment	51,785,664	5,806,766	2,217,420	11,697	55,386,707
Capital leases-equipment	15,657	7,226	-		22,883
Total accumulated depreciation	165,546,456	14,814,013	2,348,707	(15,078)	177,996,684
Intangible assets being amortized					
Software	380,146	-	-	-	380,146
Less amortization	244,379	54,307	-	-	298,686
Total intangible assets being amortized	135,767	(54,307)	-	-	81,460
Total capital assets, being depreciated or amortized, net	146,130,854	(9,085,603)	62,856	60,252,577	197,234,972
Capital assets, net	$ 212,851,757	$ 56,813,791	$ 62,856	$ -	$ 269,602,692

7. CONSTRUCTION IN PROGRESS

Below is a listing of the major construction projects in progress as of June 30, 2010:

	Project Estimate	Expended to 6/30/10	Committed
Renewable Energy Center/ESCO III	$ 78,902,995	$ 54,668,398	$ 24,234,597
Lincoln Hall renovations	8,594,194	5,733,436	2,860,758
Electrical distribution upgrade	4,217,100	4,120,498	96,602
Residence hall sprinkler projects	4,339,922	2,285,318	2,054,604
Other miscellaneous	3,303,130	2,393,409	909,721
	$ 99,357,341	$ 69,201,059	$ 30,156,282

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following as of June 30, 2010:

Accounts payable	$ 1,872,438
Accrued wages	6,959,112
Accrued expenses	10,575,884
Other	329,368
	$ 19,736,802

9. DEFERRED REVENUES

Deferred revenues consisted of the following as of June 30, 2010:

Tuition and fees	$ 2,113,718
Sales and services	304,589
Auxiliary enterprises	306,900
Grants and contracts	1,073,217
Miscellaneous	57,328
	$ 3,855,752

10. LONG-TERM LIABILITIES

		As of June 30, 2010				
		Balance 6/30/09	Additions	Reductions	Balance 6/30/10	Amounts due within one year
Revenue bonds, notes payable and Certificates of Participation						
Revenue bonds payable	(1)	$ 38,860,000	$ -	$ 3,455,000	$ 35,405,000	$ 3,620,000
Revenue bond discounts		(18,040)	-	(2,132)	(15,908)	(1,597)
Revenue bond premiums		912,774	-	271,730	641,044	203,032
Deferred accounting loss		(838,617)	-	(121,338)	(717,279)	(121,338)
Notes payable	(1)	79,011	-	24,941	54,070	54,070
Certificates of Participation	(2)	18,330,000	84,930,000	2,455,000	100,805,000	2,630,000
COPS premium		40,003	-	18,177	21,826	12,001
COPS discount		(138,968)	-	(16,000)	(122,968)	(14,749)
Capital lease obligations	(3)	30,891	-	10,273	20,618	11,349
Other liabilities						
Accrued compensated absences	*	13,671,888	225,054	511,124	13,385,818	1,457,248
Deposits	*	1,580,015	-	442,312	1,137,703	1,079,776
Federal loan program contributions	*	5,736,138	-	15,278	5,720,860	-
Total long-term liabilities		$ 78,245,095	$ 85,155,054	$ 7,064,365	$ 156,335,784	$ 8,929,792

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

* Due to limitations in the University's accounting system, the gross amounts for additions and reductions are not readily available for fiscal year 2010.

Total interest expense for the year ended June 30, 2010 was $4,503,647. There was $756,733 interest capitalized as part of capital projects in progress during the year.

11. REVENUE BONDS AND NOTES PAYABLE

Revenue bonds payable consisted of the following as of June 30, 2010:

$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%.	$ 15,830,000
$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%.	15,440,000
$4,230,000 Auxiliary Facilities System Revenue Bonds, Series 2008B, term bonds due in annual installments (principal only) of $95,000 to $1,340,000 through October 1, 2033; interest ranges from 2.0% to 5.85%.	4,135,000
Total bonds outstanding	$ 35,405,000

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

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

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

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

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

As of June 30, 2010, \$545,000 of previously refunded bonds were outstanding. Assets held in irrevocable trust accounts, along with interest, are anticipated to be sufficient to retire these bonds. As such, these bonds are defeased and accordingly have been accounted for as if they were retired. The balance of the related escrow fund was \$538,846 as of June 30, 2010.

The estimated annual amounts required for the payment of principal and interest on the outstanding revenue bonds as of June 30, 2010, are set forth in the following table:

Year ending June 30	Principal	Interest	Total Payments
2011	$ 3,620,000	$ 1,613,439	$ 5,233,439
2012	3,780,000	1,450,334	5,230,334
2013	3,975,000	1,259,946	5,234,946
2014	4,175,000	1,059,324	5,234,324
2015	4,385,000	848,518	5,233,518
2016-2020	8,565,000	2,288,790	10,853,790
2021-2025	4,005,000	1,306,531	5,311,531
2026-2030	1,800,000	509,160	2,309,160
2031-2034	1,100,000	132,530	1,232,530
Total	$ 35,405,000	$ 10,468,572	$ 45,873,572

The following reserve accounts were established by the bond resolutions for the 2000, 2005, 2008 and 2008B Bond Series:

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

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

Repair and Replacement Reserve Account -- Under the terms of the bond indenture, a transfer is made each fiscal year, if approved by the Board, to the Repair and Replacement Reserve Account. The maximum amount which may be accumulated in this account, including investments thereof, shall not exceed 5 percent of the replacement costs of the facilities constituting the System, plus either 10 percent of the historical costs of the parking lots or 100 percent of the estimated cost of resurfacing any one existing parking lot. This account will be used to pay the cost of unusual or extraordinary maintenance or repairs, renewals, replacements and renovating of the facilities or replacement of fixed equipment not paid as part of the ordinary maintenance and operations. Funds can be transferred from this account to the Bond and Interest Sinking Account if a deficiency occurs in that account which cannot be funded from the Debt Service Reserve Account.

Development Reserve Account -- Under the terms of the bond indenture, funds approved by the Board for expenditure for new space or construction of a facility are deposited in this account.

Equipment Reserve Account -- Under the terms of the bond indenture, funds approved by the Board for expenditure in connection with the acquisition of movable equipment to be installed in the facilities are deposited in this account. The maximum amount accumulated shall not exceed 20 percent of the cost of the movable equipment of the System.

Surplus Revenues -- After all mandatory transfers to the above accounts have been made, any excess funds may be used to: redeem or purchase bonds, advance refund bonds, credit funds to a utility reserve to provide for the payment of utilities (amount not to exceed 5 percent of the operating costs during such fiscal year), or to establish a self-insurance fund in connection with claims against or damage to the System.

The amounts required by the bond resolution for these purposes as of June 30, 2010 compared with the amounts included within the accounts as of June 30, 2010 are as follows:

	Minimum Amount Required By Bond Resolution	Cash and Investments Deposited in the Account
Repair and Replacement Reserve Account	$ -	$ 7,564,373

Pledged Revenues and Debt Service Requirements

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

Pledged Revenues					
Bond Issue	Purpose	Source of Revenue Pledged	Future Revenues Pledged[1]	Term of Commitment	Debt Service to Pledged Revenues
Auxiliary Facilities System (AFS)	Refundings, various improvements and additions to the System	Net AFS revenue, student tuition and fees	$ 45,873,572	2033	5.8%

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

For the current year, principal and interest paid by the University and the total net revenues pledged were $5,227,944 and $90,775,065, respectively.

Notes payable consisted of the following as of June 30, 2010:

University demand note payable to First Mid-Illinois Bank and Trust, to finance equipment for the union bowling center; payable on demand, but if no demand is made, payable in annual installments of $29,239 including interest at 5.44%; final payment due February, 2012; secured by union bowling center equipment	$ 54,070
	$ 54,070

Maturity Information

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

Year ending June 30	Principal	Interest	Total Payments
2010	$ 54,070	$ 2,939	$ 57,009

12. CERTIFICATES OF PARTICIPATION

The Certificates of Participation (COPS) consisted of the following as of June 30, 2010:

$10,775,000 Certificates of Participation, Series 2001; due in annual installments (principal only) of $650,000 beginning August 15, 2002, to $1,550,000 through August 15, 2011; interest ranges from 2.35% to 5.25%; certificates are subject to redemption, in whole, at the price of par (100%), plus accrued interest to the date fixed for redemption in the event of non-appropriation as defined in the Indenture.	$ 2,975,000
$8,640,000 Certificates of Participation, Series 2003; due in annual installments (principal only) of $695,000 beginning August 15, 2004, to $1,075,000 through August 15, 2013; interest ranges from 3% to 4%; certificates are subject to redemption, in whole, at the price of par (100%), plus accrued interest to the date fixed for redemption in the event of non-appropriation as defined in the Indenture.	3,975,000
$9,730,000 Certificates of Participation, Series 2005; due in annual installments (principal only) of $260,000 beginning February 15, 2008, to $1,020,000 through February 15, 2025, interest ranges from 3.0% to 4.3%; certificates are subject to redemption, in whole, at the price of par (100%), plus accrued interest to the date fixed for redemption in the event of non-appropriation as defined in the Indenture and are subject to mandatory redemption, in whole, at the price of the principal amount, plus accrued interest, on February 15, 2025 should the Board renew the Purchase Contract. The certificates are also callable at the option of the Board on any date on or after February 15, 2015 at the price of the principal amount, plus accrued interest.	8,925,000
$84,930,000 Certificates of Participation, Series 2009A; due in annual installments (principal only) of $960,000 beginning April 1, 2013, to $3,710,000 through April 1, 2036, interest ranges from 3.5% to 6.35%; certificates are subject to redemption, in part or whole, at the price of par (100%) plus accrued interest to the date fixed for redemption in the event of non-appropriation as defined in the Indenture. The certificates due April 1, 2020 and thereafter are also callable at the option of the Board on any date on or after April 1, 2019 at the price of the principal amount, plus accrued interest.	84,930,000
Total Certificates of Participation	$100,805,000

Per the COPS Series 2001, COPS Series 2003, the COPS Series 2005, and the COPS Series 2009A official statements, the Board is obligated to make installment payments either from funds derived from State appropriations or from legally available non-appropriated funds. Such legally available non-appropriated funds will include payments from the auxiliary facilities system using the savings derived from improvements within the system that are part of the energy services component of the issues. In addition, for the COPS Series 2003, such legally available funds include an increase of the student technology fee related to the network infrastructure upgrade and for the COPS Series 2005, such legally available funds include an increase in the campus improvement fee. The estimated annual amounts required for the payment of principal and interest on the outstanding Certificates of Participation as of June 30, 2010, are set forth in the following table:

Year Ending June 30	Principal	Interest	Total	Build America Subsidy
2011	$ 2,630,000	$ 5,640,210	$ 8,270,210	$ (1,761,392)
2012	2,810,000	5,524,004	8,334,004	(1,761,392)
2013	2,285,000	5,433,881	7,718,881	(1,761,392)
2014	2,610,000	5,347,859	7,957,859	(1,749,631)
2015	2,155,000	5,267,774	7,422,774	(1,733,047)
2016-2020	18,220,000	24,299,676	42,519,676	(8,026,194)
2021-2025	21,660,000	18,962,954	40,622,954	(6,422,259)
2026-2030	20,130,000	12,861,912	32,991,912	(4,501,669)
2031-2035	24,595,000	5,989,638	30,584,638	(2,096,373)
2036	3,710,000	235,585	3,945,585	(82,455)
Total	$100,805,000	$89,563,493	$190,368,493	$(29,895,804)

13. LEASES PAYABLE

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

Following is a schedule by years of the total future minimum lease payments due under these equipment capital leases together with the net present value of the future minimum lease payments as of June 30, 2010:

Year ending June 30,	
2011	$ 12,900
2012	9,675
Total minimum lease payments	22,575
Less amount representing interest	(1,957)
Net present value of future minimum lease payment	$ 20,618

The University also made rental payments under operating leases during 2010 of $77,849 primarily for office space used by various grant activities, storage for surplus equipment, and the University's textbook rental system.

14. RETIREMENT PLAN

Plan Description

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

Funding Policy

Plan members are required to contribute 8.0% of their annual covered salary and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The rate for the years ended June 30, 2010, 2009, and 2008 were 18.61%, 12.88%, and 10.61%, respectively, of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly. The employer contributions to SURS for the years ended June 30, 2010, 2009, and 2008 were $18,020,036, $11,511,485 and $8,837,061, respectively, equal to the required contributions for each year.

15. POST EMPLOYMENT BENEFITS

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

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

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

16. SELF INSURANCE

The University is self insured for general liability through SURMA, the State Universities' Risk Management Association. SURMA is a cooperative agency voluntarily established by contracting Illinois State Universities, as defined by various sections of Chapter 110 of the *Illinois Compiled Statutes*. Its purpose is to prevent or lessen casualty losses to State University properties and injuries to persons or property which might result in claims being made against the State University and which would not be defended by the Illinois Attorney General and paid for by the State of Illinois and in most cases adjudicated through the Court of Claims. Each participating University's portion of the premium was determined based upon an actuarial evaluation. The University carries commercial excess general liability coverage with coverage up to $11 million with a $350,000 self-insured retention. Settled claims have not exceeded commercial general liability coverage in any of the three preceding years.

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

This plan is considered secondary or excess insurance if the student possesses any other medical insurance. This plan has a $50 deductible per diagnosis per school year and allows benefits up to 80%, subject to some limitations. The lifetime maximum benefits of the plan are $15,000 per diagnosis for medical services and $5,000 for mental illness and substance abuse. Total claims of $964,037 were paid for the year ended June 30, 2010.

The University has established a reserve for its self insurance costs to offset claims incurred but not submitted and the continuing rise of health care costs. This reserve is based on estimated ultimate cost of settling claims applying historical experience. Changes in the reserve balance for the year ended June 30, 2010 are as follows:

Reserve balance, June 30, 2009	$1,393,239
Transfers and fees	1,602,233
Payment of claims	(964,037)
Administrative cost	(251,959)
Reserve balance, June 30, 2010	$1,779,476

17. TRANSACTIONS WITH RELATED PARTIES

The University, being a State university, is a component unit of the State of Illinois (the State). The State provided the University with funds to spend on general and educational purposes during fiscal year 2010. The University received from the State $47,613,750 for general and educational purposes during the fiscal year 2010. The University also received $1,683,300 of General Government and $1,273,663 of educational stabilization funding from the American Recovery and Reinvestment Act (ARRA) through the state.

The University also received assets from the Capital Development Board (CDB), an agency of the State of Illinois. CDB administered various capital improvements at the University. During fiscal year 2010, the University received $1,212,275 of capital improvements that were funded and paid for directly by CDB.

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

During the year ended June 30, 2010, the University provided cash, services and other resources to the Foundation, totaling $198,978, to help defray the Foundation's cost incurred under the contract. During the year ended June 30, 2010, the Foundation incurred expenses of $120,353 under the contract.

During the year ended June 30, 2010, the Foundation gave the University $1,670,015 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 $884,338 during the year. Also, the Foundation received $12,480 for the year ended June 30, 2010 in gifts from the University's restricted gift account with the donor's consent and $146,000 from a University grant account.

The Eastern Illinois University Alumni Association, Inc. (Association) had an agreement with Eastern Illinois University to coordinate the University's alumni activities. The University agreed to provide the Association with money or in-kind services in an amount not to exceed the Association's cost of coordinating these activities. The Association had also agreed to pay the University for all facilities, services, and resources used. The payment was to be either in the form of money or its equivalent in services or resources. During the year ended June 30, 2010, the University provided the Association with $22,130 in services in accordance with the contract.

In fulfilling its fiscal year 2010 contract with the University, the Association incurred $132,504 of expenses and $36,335 of in-kind expenses. Included in the fiscal year 2010 expenses of $132,504 are unrestricted gifts, grants and scholarships of $24,122 to the University. In addition, the Association provided the use of its facilities at no charge to the University. The value of these facilities was $47,416 for the year ended June 30, 2010.

18. COMMITMENTS AND CONTINGENT LIABILITIES

The University is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of University management, the ultimate resolution of these matters will not have a material adverse effect upon the University's financial position.

The University participates in certain Federal and State Government agencies grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

19. NATURAL CLASSIFICATIONS OF EXPENSES

Operating expenses by natural classification for the year ended June 30, 2010 are as follows:

Salaries	$ 111,455,490
Benefits	53,137,601
Supplies	6,150,890
Contractual services	18,575,710
Utilities	6,142,764
Travel	1,482,603
Repairs and maintenance, equipment and buildings	2,361,691
Scholarships	8,679,413
Other	8,740,316
Depreciation	14,868,320
	$ 231,594,798

20. DISCLOSURES OF COMPONENT UNITS

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

Cash and Cash Equivalents

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

Investments

The Foundation is authorized by the Board of Directors to invest funds in compliance with stated investment policies. All other investments are carried at their fair value, as determined by quoted market prices for investments that have readily available fair values. For investments for which a readily determinable fair value does not exist (e.g. private equities and alternative investments), the investments are valued at estimated fair values based on information provided by the fund managers. Because of the inherent uncertainty of valuation relating to the Foundation's investments in investee funds and their underlying investments, the estimate of fair value may differ from the values that would have been used had a ready market existed, and any difference could be material.

If a donor has not provided specific instructions, Illinois Compiled Statutes (760 ILCS 51/4) permits the Board of Directors to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the Board of Directors is required to consider the Foundation's long-term and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

The long-term objective of the endowment funds, as determined by the Board of Directors, is to achieve a total return in excess of its current spending rate policy over a twenty-year time horizon. The current rate of the spending rate policy is 5% per year, comprised of a 4.25% spending rate and 0.75% for administrative expenses. In addition to achieving the 5% spending rate policy, the policy asset allocation is designed to cover the costs of inflation, investment management/consulting fees, and other related costs. The spending allowance calculation is determined by taking the spending rate (currently 5%) times the investment portfolio's trailing twelve-quarter average market value, as of December 31st of each year. Any remaining return over the 5% spending rate will be retained for use in future years. As of June 30, 2010, net appreciation of $7,739,756 is available to be spent, but is restricted to specific purposes. Also, as of June 30, 2010, the fair market values of certain endowment investments were below their original cost by $1,950,855.

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, 2010 are disclosed as follows:

Effective Maturity	0-1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	Total
The Illinois Funds	$3,911,917	$ -	$ -	$ -	$ -	$3,911,917
Money Market Funds	1,365,275	-	-	-	-	1,365,275
Mutual Bond Funds	-	410,817	10,085,325	-	1,057,317	11,553,459

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligations. The Foundation has no specific guidelines addressing the credit rating of fixed income securities. The quality ratings for investments disclosed as of June 30, 2010 are as follows.

Quality Rating	Top Two Tiers	AAA	Not Rated
The Illinois Funds	$ -	$3,911,917	$ -
Money Market Funds	1,277,355	87,920	-
Mutual Bond Funds	-	-	11,553,459
	$1,277,355	$3,999,837	$11,553,459

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

Custodial Credit Risk

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

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

Concentration Risk

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

The Foundation has not held foreign currency positions. Managers are authorized to participate in securities lending, but did not participate in securities lending other than participation in a mutual fund.

The Illinois Funds are in the custody of the State Treasurer and are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Details on the nature of these investments are available within the State of Illinois' Comprehensive Annual Financial Report. The Illinois Funds do not have any direct or indirect investments in derivative instruments.

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

Reconciliation to the Statement of Net Assets

A reconciliation of cash and investments as shown on the June 30, 2010 Statement of Net Assets is as follows:

	Current	Noncurrent	Total
Cash and cash equivalents	$ 457,508	$ -	$ 457,508
Restricted cash and cash equivalents	3,005,742	448,667	3,454,409
Restricted investments	2,478,703	14,453,102	16,931,805
Other current investments	32,000	-	32,000
Endowment investments	-	33,728,476	33,728,476
Total cash and investments	$ 5,973,953	$ 48,630,245	$ 54,604,198

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

The Illinois Funds money market accounts	$ 3,911,917
Money market accounts administered by First-Mid-Illinois Bank and Trust	87,920
Money market accounts administered by Charles Schwab & Co., Inc.	1,277,355
Investments administered by Charles Schwab & Co., Inc.	
Open Ended Mutual Bond funds	10,496,142
Open Ended Mutual Equity funds	24,248,678
Corporate Equity - Student Investment	11,998
Investments administered by Brandywine Global	
Open Ended Mutual Bond funds	1,057,317
Investments administered by Davis Funds	
Open Ended Mutual Equity funds	1,115,046
Private Equity - Alternative Investments	
Investments administered by Corbin Pinehurst	3,767,606
Investments administered by CITCO Fund Services	2,781,290
Investments administered by Park Street Capital	683,482
Investments administered by Goldman Sachs	298,060
Cooperative stock	1,379
Life insurance cash values	75,874
Real estate	4,790,134
Total cash and investments	$ 54,604,198

Long-term Liabilities

The Foundation incurred a demand mortgage note payable to a bank for the purchase of land and construction of a new foundation center, known as the Neal Welcome Center. The building, as well as two unitrust gifts, were pledged as collateral on this note. Accrued interest is payable on demand, but if no demand is made, then on the tenth day of each month. At June 30, 2010, the interest rate on this note was 5.75%. The principal is payable on demand, but if no demand is made, then on October 10, 2011. Subsequent to year end, the due date of this note was extended to August 5, 2014, and the interest rate was renegotiated and lowered from 5.75% to 5.25%, beginning in August 2010. The Foundation made no voluntary payments to principal during fiscal year 2010.

The balance of the demand mortgage note payable was $1,437,238 as of June 30, 2010.

In addition, the Foundation had $5,679,962 due to others as of June 30, 2010. These liabilities arose as the Foundation acts as the trustee for certain trusts. Also, the Foundation has control of the assets under certain split interest agreements, which will eventually need to be paid to outside parties.

EASTERN ILLINOIS UNIVERSITY
UNAUDITED DATA REQUIRED BY REVENUE BOND RESOLUTIONS
June 30, 2010

SCHEDULE OF INSURANCE

Insurance Coverage:

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

	Coverage Amount	Deductible
Most buildings, contents, business interruption, electronic data processing and builder's risk	$ 500,000,000	$ 25,000
Boiler and machinery	100,000,000	25,000
Flood	50,000,000	-*
Earthquake	100,000,000	25,000

Insurance company: Lexington Insurance Company

Policy period: July 1, 2009 to July 1, 2010

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

EASTERN ILLINOIS UNIVERSITY
UNAUDITED DATA REQUIRED BY REVENUE BOND RESOLUTIONS
June 30, 2010

RATES	Double Occupancy	Single Occupancy
Residence halls		
Summer 2009	$ 1,252	$ 1,567
Fall 2009		
7 meals	3,584	4,384
10 meals	3,743	4,543
12 meals	3,884	4,684
15 meals	4,039	4,839
Spring 2010		
7 meals	3,584	4,384
10 meals	3,743	4,543
12 meals	3,884	4,684
15 meals	4,039	4,839
Summer 2009 (8 week session)	1,328	

RATES	Efficiency		One Bedroom	Super Efficiency
Married student housing (monthly rent)				
Fall 2009	$ 425		$ 447	$ 398
Spring 2010	$ 425		$ 447	$ 398
Summer 2010	$ 425		$ 447	$ 398
University Court (semester)	Range			
Fall 2009	$ 2,263	to	$ 3,025	
Spring 2010	2,263	to	3,025	
Summer 2010 (8 week session)	900	to	1,012	

	Fees
Bond revenue fees	
Summer 2009	$ 272.22
Fall 2009	272.22
Spring 2010	272.22
Summer 2010	272.22

EASTERN ILLINOIS UNIVERSITY
UNAUDITED DATA REQUIRED BY REVENUE BOND RESOLUTIONS
June 30, 2010

ENROLLMENT DATA

Enrollment Date	Undergraduate Students	Graduate Students	Extension Students	Total
Summer 2009	1,827	882	1,546	4,255
Fall 2009	9,540	1,248	1,178	11,966
Spring 2010	8,692	1,195	1,188	11,075
Summer 2010	1,796	898	1,385	4,079

OCCUPANCY DATA

	Occupancy	Rate Occupancy	% of Occupancy
Residence halls			
Summer 2009	58	150	39%
Fall 2009	3,843	4,689	82%
Spring 2010	3,531	4,689	75%
Summer 2010	79	150	53%
Married student housing			
Summer 2009	52	154	34%
Fall 2009	126	154	82%
Spring 2010	125	154	81%
Summer 2010	46	154	30%
University Court			
Summer 2009	90	146	62%
Fall 2009	141	146	97%
Spring 2010	143	146	98%
Summer 2010	74	146	51%

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

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

Honorable William G. Holland
Auditor General
State of Illinois

and

The Board of Trustees
Eastern Illinois University

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities of Eastern Illinois University (University) and its aggregate discretely presented component units, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2010, which collectively comprise the University's basic financial statements and have issued our report thereon dated April 1, 2011. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the University's discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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accompanying schedule of findings, we identified certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in finding 10-1 in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

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

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

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

E. C. Ortiz & Co., LLP

E.C. Ortiz & Co. LLP
April 1, 2011

CURRENT FINDINGS – *GOVERNMENT AUDITING STANDARDS*

10-1 **Finding** (Completed building not depreciated)

Eastern Illinois University (University) did not properly classify costs associated with the construction of a building that was substantially completed as a depreciable asset in accordance with generally accepted accounting principles.

In January 2001, the University through the Capital Development Board (CDB) entered into various construction contracts for the renovation and expansion of the Doudna Fine Arts Building funded through direct appropriation to CDB. The construction project estimated cost was $56 million. CDB turned over the building to the University upon substantial completion in September 2008 at which time the University occupied and used the building for its intended purpose. From the time of substantial completion until June 30, 2010, the University continued to account for the costs of the construction of the building in a construction in progress account. As a result no depreciation was allocated to the asset and an adjustment to depreciation expense and accumulated depreciation totaling $1.7 million was necessary at year-end. In addition, a reclassification entry was made to reclassify related construction costs from construction in progress to building account.

Generally Accepted Accounting Principles and Statewide Accounting Management Systems (SAMS) procedure 03.30.10 page 5 states when a construction is substantially completed; i.e., the asset constructed is ready for its intended purpose, the costs should be transferred from construction in progress to an appropriate fixed asset account and depreciated over the useful life of the asset.

According to University personnel, the University reluctantly agreed to substantial completion of the building. The University still had a significant work and various safety issues that prevented full and complete use of the building at the time when the building was turned over to the University.

Failure to properly depreciate buildings at the time they are substantially complete, occupied and used by the University results in the overstatement of assets and the understatement of operating expenses. (Finding Code No. 10-1)

Recommendation

We recommend the University review its policies and procedures related to accounting for completed capital asset projects. Projects substantially complete and put into service should be capitalized and depreciated in accordance with Generally Accepted Accounting Principles.

University Response

The University recorded the Doudna Fine Arts Center as a capital asset and began depreciating it during the year ended June 30, 2010.

The Illinois Capital Development Board (CDB) is responsible for the construction of the Doudna Fine Arts Center. Construction of the facility began in 2002. Construction was scheduled to be completed in 2006, but due to the State's money issues and various design issues, delays occurred.

For planning purposes, the University was in continual communication with CDB and in 2007, CDB told the University that construction would be complete in time for the 2008-09 academic year. Accordingly, the University notified the landlords of the buildings that we were renting to house the academic programs normally located in Doudna that we would be terminating the rental agreements in August, 2008 and we started to plan the opening of the facility. Due to the State's money issues, the University was also covering costs of construction. Covering both the cost of the rental properties and part of the costs of construction were expensive so the University needed the facility to be completed as soon as possible.

In June, 2008, CDB gave the University notice of substantial completion. However, numerous issues still existed with the building and the University refused to provide final acceptance of the building. Since the University no longer had the option of going back to the rental facilities, we agreed to sign the notice of substantial completion but with the understanding that additional work had to be done before the University would accept the building.

At June 30, 2010, there were over 80 significant items on the "to do" list, significant amounts of retainage had not been paid to the contractors and we estimate approximately $1.7 million of work was still needed to complete the facility. Examples of the types of items that need to be finished were doors on the main stage were improperly installed, became detached and fell on a piano hurting two students, decorative copper sheets that are attached to the walls are loose and must be reattached, a basement lounge fills with water when it rains, fume hoods were not properly designed and installed, guard rails need to be installed and restrooms need to be modified to comply with ADA standards.

During 2010, the Governor released $1.6 million that had been appropriated by the Legislature for finishing the facility in 2009. CDB is currently working with the University and the contractors to finish the facility.

Based upon conversations with the University's engineer and architect, we made a professional decision that the building was not done and should not be depreciated. We believe that our position is reasonable and complies with Generally Accepted Accounting Principles that state "ownership is a collection of rights to 'use and enjoy' property. For assets held for public benefit…the right to use and enjoy property includes the right to determine how the property is used" (Comprehensive Implementation Guide, 2009 Question 7.9.6). At June 30, 2010, we did not have that right and therefore believe that depreciation of the asset was not appropriate.

Auditors' Comment

While we understand the University has some ongoing construction items needed to completely finish the construction of the Doudna Fine Arts Center, the University occupied and began using the building in September 2008. Accounting rules use the concept and criteria of "substantial completion" to delineate the time depreciation should begin. Its important to note that the accounting standard for beginning depreciation is "substantial completion" and not "absolute completion". By any reasonable standard, once the University decided to occupy and use the building, the building was effectively substantially complete and depreciation should have begun.

Comprehensive Implementation Guide 2009 Question 7.9.6 deals with issue of "title and ownership" of property, which is a different issue than the issue of this finding and thus would not apply. We continue to recommend the University review its policy and procedure for determining when a construction project is substantially complete and when depreciation should begin.

PRIOR FINDINGS NOT REPEATED

A. **Finding** (Inadequate process in establishing accounting estimates)

During the prior year engagement, Eastern Illinois University (University) did not establish an adequate process to estimate the allowance for bad debts. The allowance for bad debts was computed based on estimated rates established and applied to the student accounts receivable balance by semester. The University had not established a process to prepare these estimates and did not have sufficient data on which the estimated allowance was based. (Finding Code No. 09-1)

Status: Implemented

During the current year engagement, we noted in our audit of student accounts receivable that the University had established a process for calculating an estimate of the allowance for bad student loans based on a statistical regression analysis utilizing historical data to determine the reasonableness of the rates. The regression analysis considered relevant factors such as collection, accounts receivable balances, historical experience, and economic conditions in determining the amount of allowance for bad debts.

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

During the prior year engagement, the University did not timely revoke access to University information systems, including the Banner system and did not timely cancel telephone credit cards upon employee termination. (Finding Code No. 09-2)

Status: Partially Implemented

During the current year engagement, our sample testing disclosed no instances of untimely removal of access to University information systems. However, exceptions were still noted on untimely cancellation of telephone credit cards but they were not considered to be as significant as in the prior year and thus were reported to the University in the Report of Immaterial Findings.