

# City Colleges of Chicago Community College District No. 508

Basic Financial Statements as of and for the  
Years Ended June 30, 2010 and 2009, Independent  
Auditors' Reports, and Single Audit Report  
(In Accordance With the Single Audit Act of 1984 and  
Amendments of 1996, and OMB Circular A-133)  
for the Year Ended June 30, 2010

**CITY COLLEGES OF CHICAGO  
COMMUNITY COLLEGE DISTRICT NO. 508**

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## **PART I**

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
City Colleges of Chicago  
Community College District No. 508:

We have audited the accompanying basic financial statements of City Colleges of Chicago, Community College District No. 508 (City Colleges) as of and for the years ended June 30, 2010 and 2009, as listed in the foregoing table of contents. These basic financial statements are the responsibility of City Colleges' management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City Colleges' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of City Colleges of Chicago, Community College District No. 508 as of June 30, 2010 and 2009, and the changes in its financial position and its cash flows thereof for the years 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 our report on pages 45-46, dated December 15, 2010, on our consideration of City Colleges' 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 audits.

The Management's Discussion and Analysis on pages 5-14 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of City Colleges' management. 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 such information and we do not express an opinion on it.

Our audits were conducted for the purpose of forming an opinion on City Colleges' basic financial statements. The accompanying schedule of expenditures of federal awards as listed in the foregoing table of contents is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such additional information on pages 49 through 56 has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Deloitte & Touche LLP*

December 15, 2010

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# Management Discussion and Analysis (MD&A)



## **Community College District No. 508 Management's Discussion and Analysis**

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The discussion and analysis of City Colleges of Chicago (City Colleges) financial performance provides an overall review of City Colleges' financial activities for the fiscal years ended June 30, 2010 and 2009. This discussion and analysis focuses on current activities, currently known facts and related changes. The management of City Colleges encourages readers to consider the information being presented herein in conjunction with the transmittal letter, which precedes this section, the basic financial statements and accompanying notes, which immediately follow this section, to enhance their understanding of City Colleges' financial performance. All amounts, unless otherwise indicated, are expressed in millions of dollars. Certain comparative information between the current and prior year is required to be presented in the Management Discussion and Analysis (the "MD&A"). Responsibility for the completeness and fairness of the information presented here rests with City Colleges.

### **Using This Annual Report**

The financial statements focus on City Colleges as a whole. The accompanying financial statements are designed to emulate the presentation model of private sector business-type activities, whereby all City Colleges' activities are consolidated into one total. The Statement of Net Assets combines and consolidates current financial resources (short-term expendable resources) with long-term capital assets. The Statement of Revenues, Expenses, and Changes in Net Assets describes operating results, comparing revenues derived from operations such as tuition and fees with operating expenses, and non-operating results. Non-operating revenues include funding received from State apportionment, grants, and property taxes. This approach is intended to facilitate analysis of financial results of various services to students and the public.

### **Financial Highlights**

The following analysis is prepared from City Colleges' Condensed Statement of Net Assets which is presented on page 7.

**Fiscal year 2010** - Total net assets as of June 30, 2010 increased by \$26.9 to \$793.9 million.

Current assets decreased by \$2.8 million due in part to a \$9.1 million decrease in short-term investments, a \$8.0 million decrease in property tax receivable, and a \$27.6 million decrease in accounts receivable. This was offset by an increase in cash of \$42.0 million. The \$9.1 million decrease in short-term investments was primarily due to a change in the maturity dates of the instruments by our investment management firm. The \$8.0 million decrease in property tax receivable is due to the increase of collections from prior years. The \$27.6 million decrease in accounts receivable is due to the \$1.3 million increase in grants receivable, \$3.8 million increase in student receivables, offset by a \$.6 million decrease in accounts receivable and interest receivable, an \$18.7 million decrease in the State of Illinois receivable, and a \$13.4 million decrease in capital projects.





## **Community College District No. 508 Management's Discussion and Analysis**

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The investment in capital assets increased by \$22.2 million due to the \$14.1 million increase in construction work in progress, \$25.1 million increase in building improvements, equipment, software and vehicles, offset by an increase in accumulated depreciation of \$17.0 million.

The other non-current assets increased by \$12.1 million due in part to an increase in long term investments of \$14.9 million, a \$.3 million increase in restricted cash which was offset by a \$3.1 million decrease in the Funds Held by the Public Building Commission of Chicago.

Total current liabilities decreased slightly primarily due to an increase of \$3.2 million in accounts payable, a \$.6 million increase in deferred salaries, tuition, property tax, and grant revenues, a \$3.1 million increase in other liabilities, offset by a \$4.2 million decrease in accrued payroll, property tax refunds and other accruals. Total non-current liabilities increased by \$4.6 million due to \$.2 million increase in accrued compensated absences and a \$5.0 million increase in other post employment benefits, offset by a \$.6 million decrease in sick leave benefits.

**Fiscal year 2009** - Total net assets as of June 30, 2009 increased by \$24.0 to \$767.0 million.

Current assets increased by \$33.8 million due in part to a \$25.0 million decrease in short-term investments, a \$18.4 million increase in property tax receivable, and a \$44.5 million increase in accounts receivable. The \$25.0 million decrease in short-term investments was primarily due to a change in the maturity dates of the instruments by our investment management firm. The \$18.4 million increase in property tax receivable is due to a property tax levy increase of \$9.2 million which was doubled due to a decrease in collections of \$9.2 million. The \$44.5 million increase in accounts receivable is due to the \$5.1 million increase in grants receivable, \$1.1 million increase in student receivables, a \$27.5 million increase in the State of Illinois receivable, and a \$13.4 million increase in capital projects.

The investment in capital assets increased by \$1.3 million, which was primarily due to the \$10.7 million increase in land and construction work in progress, \$11.9 million increase in building improvements, equipment and software, offset by an increase in accumulated depreciation of \$21.3 million.

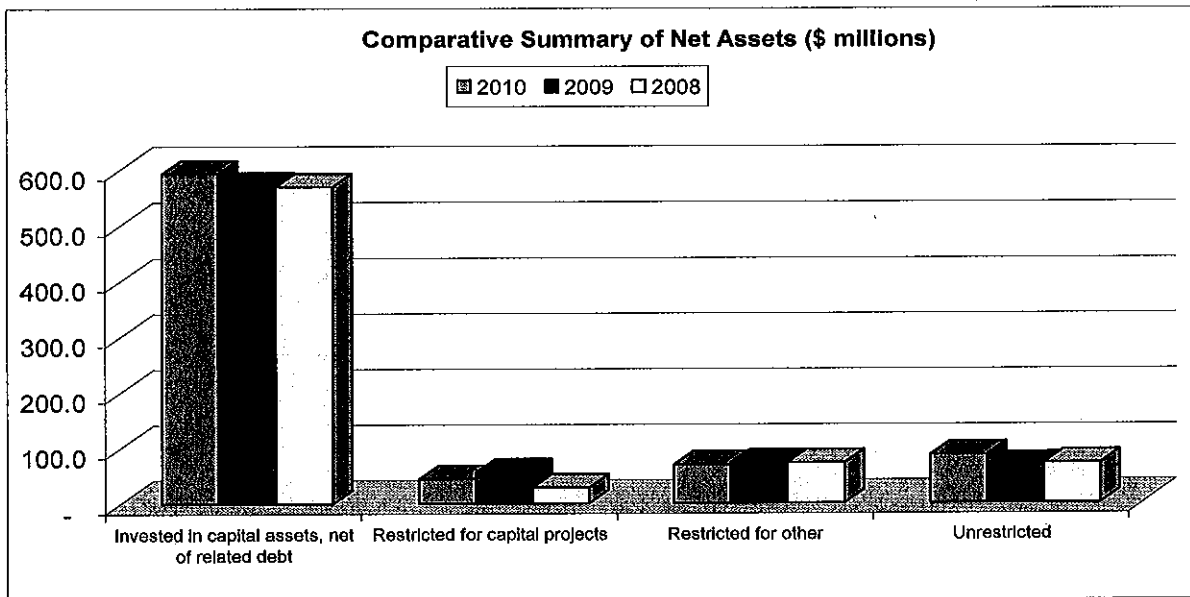
The other non-current assets decreased \$9.0 million due in part to the transfer of \$6.6 million in investments from short-term to long-term, which was offset by a \$5.2 million decrease in restricted cash and investments as well as a \$10.4 million decrease in the Funds Held by the Public Building Commission of Chicago.

Total current liabilities decreased by \$2.1 million primarily due to a decrease of \$4.5 million in accounts payable, a \$2.7 million decrease in accrued property tax refunds offset by a \$3.2 million increase in deferred property tax revenue. Total non-current liabilities increased by \$4.2 million due to a \$4.2 million increase in other post-employment benefits.

**Community College District No. 508  
Management's Discussion and Analysis**

**Table 1**  
**Condensed Statement of Net Assets**  
*(in millions of dollars)*

	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease)</u>	<u>2008</u>	<u>Increase (Decrease)</u>
Current assets	\$ 284.7	\$ 287.5	\$ (2.8)	\$ 253.7	\$ 33.8
Non-current assets					
Capital assets	818.5	779.3	39.2	756.7	22.6
Less accumulated depreciation	(225.3)	(208.3)	(17.0)	(187.0)	(21.3)
Other assets	80.8	68.8	12.0	77.8	(9.0)
<b>Total assets</b>	<b><u>\$ 958.7</u></b>	<b><u>\$ 927.3</u></b>	<b><u>\$ 31.4</u></b>	<b><u>\$ 901.2</u></b>	<b><u>\$ 26.1</u></b>
Current liabilities	\$ 122.3	\$ 122.4	\$ (0.1)	\$ 124.5	\$ (2.1)
Non-current liabilities	42.5	37.8	4.7	33.6	4.2
<b>Total liabilities</b>	<b><u>\$ 164.8</u></b>	<b><u>\$ 160.2</u></b>	<b><u>\$ 4.6</u></b>	<b><u>\$ 158.1</u></b>	<b><u>\$ 2.1</u></b>
<b>Net assets</b>					
Invested in capital assets, net of related debt	\$ 593.2	\$ 571.0	\$ 22.2	\$ 569.7	\$ 1.3
Restricted for expendable:					
Capital projects	44.5	56.1	(11.6)	28.8	27.3
Other	69.4	72.8	(3.4)	72.7	0.1
Unrestricted	86.8	67.1	19.7	71.8	(4.7)
<b>Total net assets</b>	<b><u>\$ 793.9</u></b>	<b><u>\$ 767.0</u></b>	<b><u>\$ 26.9</u></b>	<b><u>\$ 743.0</u></b>	<b><u>\$ 24.0</u></b>





**Community College District No. 508  
Management's Discussion and Analysis**

**Table 2  
Revenues, Expenses and Changes in Net Assets  
(in millions of dollars)**

	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease)</u>	<u>2008</u>	<u>Increase (Decrease)</u>
<b>Operating</b>					
Revenues	\$ 55.5	\$ 54.5	\$ 1.0	\$ 44.8	\$ 9.7
Expenses	<u>(404.4)</u>	<u>(372.2)</u>	<u>(32.2)</u>	<u>(390.0)</u>	<u>17.8</u>
Operating loss	(348.9)	(317.7)	(31.2)	(345.2)	27.5
<b>Non-operating</b>					
Revenues	368.5	325.7	42.8	321.4	4.3
Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2.0)</u>	<u>(2.0)</u>
Net non-operating revenue	368.5	325.7	42.8	319.4	6.3
Income (Loss) before capital contributions	19.6	8.0	11.6	(25.8)	33.8
Capital contributions	<u>7.3</u>	<u>16.0</u>	<u>(8.7)</u>	<u>53.6</u>	<u>(37.6)</u>
Change in net assets	26.9	24.0	2.9	27.8	(3.8)
Net assets, beginning of year	<u>767.0</u>	<u>743.0</u>	<u>24.0</u>	<u>715.2</u>	<u>27.8</u>
Net assets, end of year	<u>\$ 793.9</u>	<u>\$ 767.0</u>	<u>\$ 26.9</u>	<u>\$ 743.0</u>	<u>\$ 24.0</u>

**Fiscal year 2010** - In fiscal year 2010, income before capital contributions increased by \$11.6 million for the year. Operating revenues increased by \$1.0 million due to an increase in net tuition and fees. Operating expenses increased by \$32.2 million due to a \$4.3 million increase in staffing costs, a \$12.5 million increase in fringe benefits, a \$4.8 million increase in contractual services, \$4.5 million increase in supplies, equipment not capitalized and other expenses, and a \$10.4 million increase in financial aid, which were offset by \$1.1 million decrease in utilities, \$2 million decrease in professional development, and a \$3.0 million decrease in depreciation. These changes caused an increase in the operating loss of \$31.2 million.

Net non-operating revenues increased by \$42.8 million due in part to a \$.9 million increase in state apportionment, a \$9.2 million increase in local and other state grants, a \$6.3 million increase in local property taxes, a \$31.7 million increase in federal grants, and a \$.7 increase in litigation settlements, which were offset by a \$2.2 million decrease in property replacement tax, and a \$3.8 million decrease in investment income.



**Community College District No. 508  
Management's Discussion and Analysis**

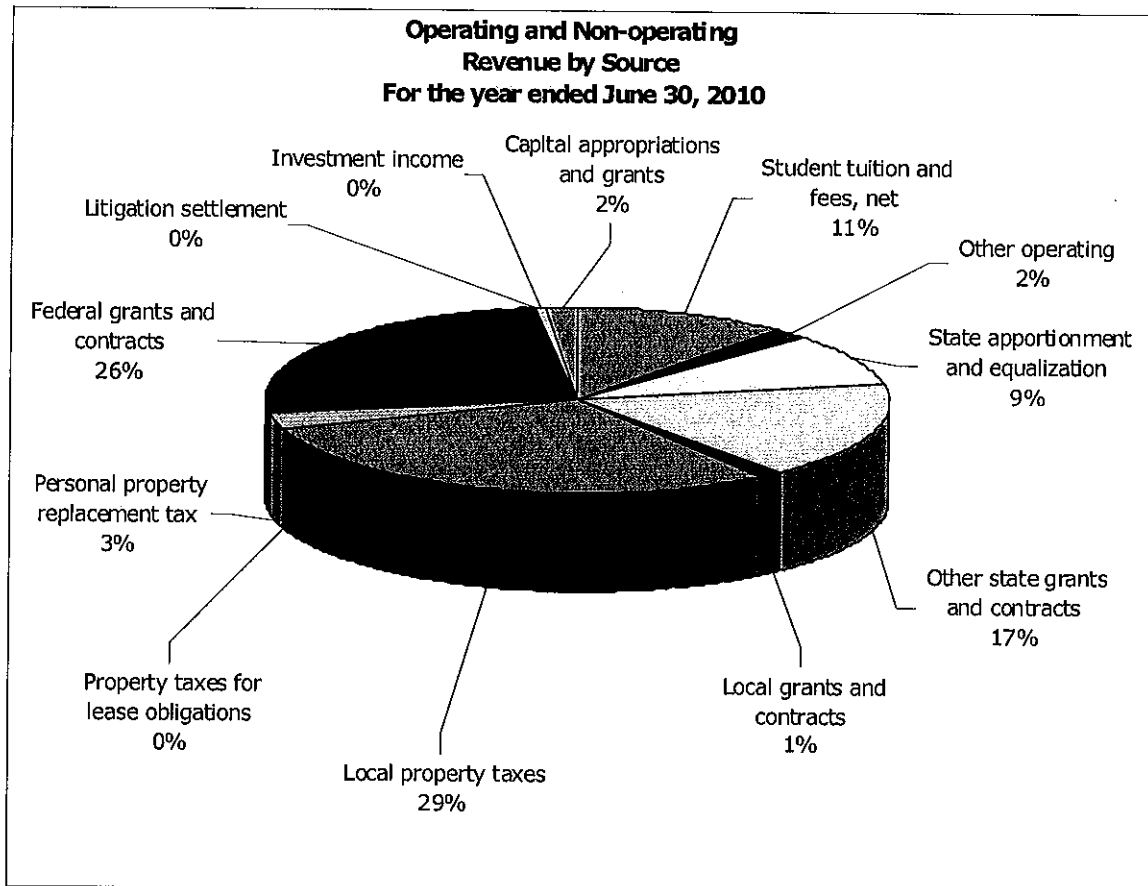
**Fiscal year 2009** - In fiscal year 2009, income before capital contributions increased by \$33.8 million for the year. Operating revenues increased by \$9.7 million due mainly to an increase in net tuition and fees. Operating expenses decreased by \$17.8 million due to a \$5.8 million increase in staffing costs, a \$3.4 million increase in fringe benefits, a \$7.8 million increase in contractual services, and a \$14.2 million increase in financial aid, which were offset by a \$4.5 million decrease in supplies, and a \$21.6 million decrease in equipment not capitalized, a \$1.2 million decrease in utilities, and a \$5.9 decrease in depreciation. These changes caused a decrease in the operating loss of \$27.5 million.

Net non-operating revenues increased by \$6.3 million due in part to a \$4.7 million increase in other state grants, a \$7.8 million increase in local property taxes, a \$14.4 million increase in federal grants, and a \$2 million increase in lease and interest payments, which were offset by a \$1.9 million decrease in property replacement tax, a \$2 million decrease in state apportionment, a \$13.9 million decrease in property taxes for lease obligations, and a \$5.5 million decrease in investment income.

**Table 3  
Operating and Non-operating Revenues  
(in millions of dollars)**

	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease)</u>	<u>2008</u>	<u>Increase (Decrease)</u>
<b>Operating revenues</b>					
Student tuition and fees	\$ 104.8	\$ 85.8	\$ 19.0	\$ 75.3	\$ 10.5
Less scholarships	(56.7)	(39.1)	(17.6)	(37.5)	(1.6)
Other operating	<u>7.4</u>	<u>7.8</u>	<u>(0.4)</u>	<u>7.0</u>	<u>0.8</u>
Total operating revenues	55.5	54.5	1.0	44.8	9.7
<b>Non-operating revenues</b>					
State apportionment and equalization	38.7	37.8	0.9	39.8	(2.0)
Other state grants and contracts	72.6	64.2	8.4	59.4	4.8
Local grants and contracts	5.6	4.7	0.9	4.1	0.6
Local property taxes	127.3	121.0	6.3	113.2	7.8
Property taxes for lease obligations	-	-	-	13.9	(13.9)
Personal property replacement tax	11.4	13.6	(2.2)	15.5	(1.9)
Federal grants and contracts	110.2	78.6	31.6	64.2	14.4
Litigation settlement	0.7	-	0.7	-	-
Investment income	<u>2.0</u>	<u>5.8</u>	<u>(3.8)</u>	<u>11.3</u>	<u>(5.5)</u>
Total non-operating revenues	368.5	325.7	42.8	321.4	4.3
Capital appropriations and grants	<u>7.3</u>	<u>16.0</u>	<u>(8.7)</u>	<u>53.6</u>	<u>(37.6)</u>
Total revenues	<u>\$ 431.3</u>	<u>\$ 396.2</u>	<u>\$ 35.1</u>	<u>\$ 419.8</u>	<u>\$ (23.6)</u>

**Community College District No. 508  
Management's Discussion and Analysis**



**Fiscal year 2010** – Operating expenses for fiscal year 2010 increased by \$32.2 million, mainly due to a \$10.4 increase in Financial Aid expenses caused by more students applying for aid, a \$10.1 increase in Institutional Support salaries and contractual services expenses, and a \$6.4 increase in Instructional salaries and expenses.

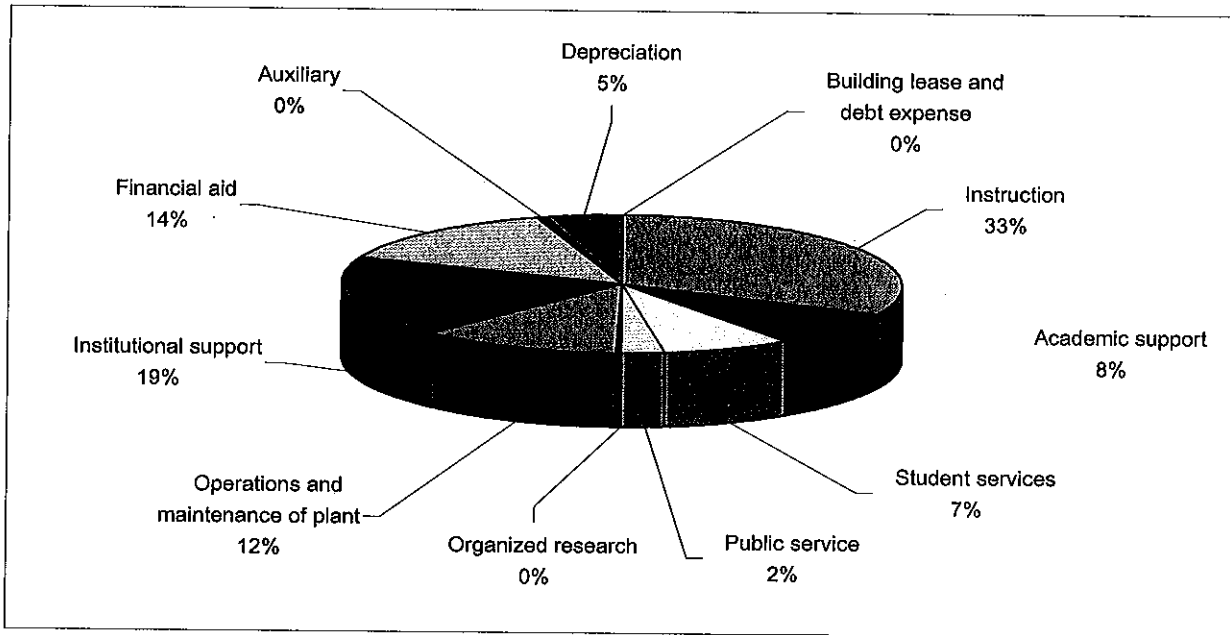
**Fiscal year 2009** – Operating expenses for fiscal year 2009 decreased by \$17.8 million, mainly due to a \$23.6 million decrease in Institutional Support expenses, and \$18.6 decrease in Operations and Maintenance of Plant expenses, a \$5.9 decrease in Depreciation expense, which was offset by a \$16.4 million increase in Instructional salaries and expenses, and a \$14.2 increase in Financial Aid expenses. Non-operating expenses decreased by \$2.0 million as building leases were paid off in fiscal year 2008.

See Table 4 on page 11.

**Community College District No. 508  
Management's Discussion and Analysis**

**Table 4  
Operating and Non-operating Functional Expenses  
(in millions of dollars)**

	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease)</u>	<u>2008</u>	<u>Increase (Decrease)</u>
<b>Operating Expenses</b>					
Instruction	\$ 127.8	\$ 121.4	\$ 6.4	\$ 105.0	\$ 16.4
Academic support	33.8	33.5	0.3	31.7	1.8
Student services	30.3	28.1	2.2	29.6	(1.5)
Public service	10.0	9.6	0.4	9.9	(0.3)
Organized research	0.9	0.8	0.1	0.7	0.1
Operations and maintenance of plant	48.1	42.8	5.3	61.4	(18.6)
Institutional support	76.3	66.2	10.1	89.8	(23.6)
Financial aid	57.2	46.8	10.4	32.6	14.2
Auxiliary	1.7	1.7	-	2.1	(0.4)
Depreciation	18.3	21.3	(3.0)	27.2	(5.9)
<b>Total Operating Expenses</b>	<u>404.4</u>	<u>372.2</u>	<u>32.2</u>	<u>390.0</u>	<u>(17.8)</u>
<b>Non-operating expenses</b>					
Building lease and debt expense	-	-	-	2.0	(2.0)
<b>Total Expenses</b>	<u>\$ 404.4</u>	<u>\$ 372.2</u>	<u>\$ 32.2</u>	<u>\$ 392.0</u>	<u>\$ (19.8)</u>





**Community College District No. 508  
Management's Discussion and Analysis**

**Table 5**  
**Capital Assets (Net of accumulated depreciation)**  
**As of June 30**  
*(in millions of dollars)*

	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease)</u>	<u>2008</u>	<u>Increase (Decrease)</u>
Capital Assets					
Land	\$ 49.1	\$ 49.1	\$ -	\$ 49.0	\$ 0.1
Buildings and improvements	680.5	654.3	26.2	643.0	11.3
Construction in progress	43.0	29.0	14.0	18.4	10.6
Equipment	15.7	17.1	(1.4)	16.8	0.3
Software	29.4	29.0	0.4	28.8	0.2
Vehicles	0.8	0.8	-	0.7	0.1
Total	<u>818.5</u>	<u>779.3</u>	<u>39.2</u>	<u>756.7</u>	<u>22.6</u>
Less accumulated depreciation	<u>(225.3)</u>	<u>(208.3)</u>	<u>(17.0)</u>	<u>(187.0)</u>	<u>(21.3)</u>
Net capital assets	<u>\$ 593.2</u>	<u>\$ 571.0</u>	<u>\$ 22.2</u>	<u>\$ 569.7</u>	<u>\$ 1.3</u>

**Capital Assets**

**Fiscal year 2010** - As of June 30, 2010, City Colleges had \$818.5 million in capital assets, \$225.3 million in accumulated depreciation, and \$593.2 million in net capital assets. This investment in net capital assets includes land, buildings and improvements, construction in progress, equipment, vehicles and software. The total increase in City Colleges' net capital assets for the current fiscal year was \$22.2 million. (See Note 5)

Major capital asset events during fiscal year 2010 included the following:

- Construction in progress costs of \$14.0 million for the renovation of the Olive Harvey exterior facade and the Truman student services center and parking garage.
- A net increase of \$26.2 million in buildings and improvements was due to the site upgrades at each of the campuses, parking lots and sidewalks at Malcolm X, renovations of various rooms at Kennedy King.



## **Community College District No. 508 Management's Discussion and Analysis**

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### **Capital Assets** *(Continued)*

**Fiscal year 2009** - As of June 30, 2009, City Colleges had \$779.3 million in capital assets, \$208.3 million in accumulated depreciation, and \$571.0 million in net capital assets. This investment in net capital assets includes land, buildings and improvements, construction in progress, equipment, vehicles and software. The total increase in City Colleges' net capital assets for the current fiscal year was \$1.3 million. **(See Note 5)**

Major capital asset events during fiscal year 2009 included the following:

- Construction in progress costs of \$10.6 million include site upgrades to the seven campuses and the district office such as the parking lot, sidewalks and first floor renovation at Malcolm X, Olive-Harvey building repairs and the Kennedy-King second floor expansion.
- A net increase of \$11.3 million in buildings and improvements was due to a \$7.5 million renovation at Dawson Tech for CCTV and bathroom upgrades, \$1.9 million in upgrades for the Kennedy-King restaurants and nursing labs, and a combined \$1.9 million in building renovations to various rooms at Truman, Harold Washington, Olive-Harvey and West Side Tech.

### **Non-current Liabilities**

**Fiscal year 2010** - As of June 30, 2010, City Colleges had total non-current liabilities of \$44.7 million before reduction of current maturities. This amount includes \$2.9 million for compensated absences, \$19.5 million of accumulated sick leave benefit liability for current employees and \$22.3 million of other post-employment benefits for retired employees.

**Fiscal year 2009** - As of June 30, 2009, City Colleges had total non-current liabilities of \$40.1 million before reduction of current maturities. This amount includes \$2.7 million for compensated absences, \$20.1 million of accumulated sick leave benefit liability for current employees and \$17.3 million of other post-employment benefits for retired employees.





**Community College District No. 508  
Management's Discussion and Analysis**

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**Table 6  
Non-current Liabilities  
As of June 30  
(in millions of dollars)**

	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease)</u>	<u>2008</u>	<u>Increase (Decrease)</u>
Accrued compensated absences	\$ 2.9	\$ 2.7	\$ 0.2	\$ 2.7	\$ 0.0
Sick leave benefits	19.5	20.1	(0.6)	20.5	(0.4)
Other post retirement benefits	<u>22.3</u>	<u>17.3</u>	<u>5.0</u>	<u>13.1</u>	<u>4.2</u>
Sub-total	44.7	40.1	4.6	36.3	3.8
Less current portion	<u>(2.3)</u>	<u>(2.3)</u>	<u>-</u>	<u>(2.7)</u>	<u>0.4</u>
Total non-current liabilities	<u>\$ 42.4</u>	<u>\$ 37.8</u>	<u>\$ 4.6</u>	<u>\$ 33.6</u>	<u>\$ 4.2</u>

**Requests for Information**

This financial report is designed to provide a general overview of City Colleges' finances. Questions concerning the report or requests for additional information should be addressed to the Chief Financial Officer, City Colleges of Chicago, 11<sup>th</sup> Floor, 226 West Jackson Boulevard, Chicago, IL 60606.

# College-Wide Financial Statements

**City Colleges of Chicago  
Community College District No. 508  
Statements of Net Assets  
June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 43,354,420	\$ 1,341,090
Short-term investments	152,669,337	161,735,928
Property tax receivable, net	59,574,942	67,584,701
Personal property replacement tax receivable	2,074,089	2,119,531
Other accounts receivable, net	26,946,708	54,546,915
Prepaid items and other assets	<u>44,024</u>	<u>155,678</u>
Total current assets	284,663,520	287,483,843
Non-current assets:		
Restricted cash	2,083,053	1,771,624
Funds held by Public Building Commission	2,734,557	5,879,547
Long-term investments	76,047,269	61,125,267
Capital assets	818,501,528	779,269,828
Less: Accumulated depreciation	<u>(225,326,563)</u>	<u>(208,307,417)</u>
Total non-current assets	<u>674,039,844</u>	<u>639,738,849</u>
Total assets	<u>958,703,364</u>	<u>927,222,692</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	14,952,180	11,748,806
Accrued payroll	7,240,135	6,646,148
Other accruals	449,962	1,259,828
Deferred salaries	3,285,805	2,953,779
Deposits held in custody for others	1,991,323	2,117,453
Deferred tuition and fees revenue	7,105,037	5,790,205
Deferred property tax revenue	58,781,511	59,528,579
Accrued property tax refunds	8,305,585	12,275,262
Deferred grant revenue	4,379,524	7,373,789
Other liabilities	13,546,085	10,456,197
Current portion of non-current liabilities	<u>2,308,346</u>	<u>2,261,530</u>
Total current liabilities	122,345,493	122,411,576
Non-current liabilities:		
Accrued compensated absences	2,904,460	2,682,430
Sick leave benefits	19,534,758	20,108,306
Other post-employment benefits	22,308,306	17,304,515
Less current portion of non-current liabilities	<u>(2,308,346)</u>	<u>(2,261,530)</u>
Total non-current liabilities	<u>42,439,178</u>	<u>37,833,721</u>
Total liabilities	164,784,671	160,245,297
<b>Net assets</b>		
Net assets invested in capital assets	593,174,965	570,962,411
Restricted for expendable:		
Capital projects	44,507,719	56,156,946
Working cash	69,361,867	72,753,667
Unrestricted	<u>86,874,142</u>	<u>67,104,370</u>
Total net assets	<u>\$ 793,918,693</u>	<u>\$ 766,977,395</u>

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

**City Colleges of Chicago**  
**Community College District No. 508**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**For the fiscal years ended June 30, 2010 and 2009**

<b>Revenues</b>	<u>2010</u>	<u>2009</u>
Operating revenues:		
Student tuition and fees:		
Resident tuition	\$ 72,890,679	\$ 57,166,504
Nonresident tuition	8,961,053	9,945,284
Fees	22,910,250	18,725,390
Less: Scholarship allowances	<u>(56,717,736)</u>	<u>(39,117,916)</u>
Net student tuition and fees	48,044,246	46,719,262
Other operating revenues	<u>7,442,333</u>	<u>7,773,577</u>
Total operating revenues	55,486,579	54,492,839
 <b>Expenses</b>		
Operating expenses:		
Instructional salaries	90,477,097	88,799,795
Non-instructional salaries	95,556,737	92,884,417
Fringe benefits	64,479,515	52,008,207
Supplies	14,646,462	13,262,646
Professional development	1,826,668	2,053,242
Equipment not capitalized	4,838,391	3,846,842
Utilities	10,299,268	11,405,723
Contractual services	42,380,663	37,549,206
Depreciation	18,367,180	21,336,035
Financial aid, exclusive of scholarship allowances	57,192,354	46,833,746
Other expenses	<u>4,301,200</u>	<u>2,222,996</u>
Total operating expenses	<u>404,365,535</u>	<u>372,202,855</u>
Operating loss	(348,878,956)	(317,710,016)
 Non-operating revenues (expenses):		
State apportionment and equalization	38,637,438	37,759,550
Other state grants and contracts	72,578,870	64,191,417
Local grants and contracts	5,646,914	4,706,664
Local property taxes	127,316,069	121,020,792
Personal property replacement tax	11,416,700	13,581,642
Federal grants and contracts	110,203,448	78,525,778
Litigation settlement	656,745	-
Investment income	<u>2,028,369</u>	<u>5,829,685</u>
Non-operating revenues, net	<u>368,484,553</u>	<u>325,615,528</u>
Income (Loss) before capital appropriations and grants	19,605,597	7,905,512
Capital appropriations and grants	<u>7,335,701</u>	<u>16,035,019</u>
Change in net assets	26,941,298	23,940,531
Net assets, beginning of year	<u>766,977,395</u>	<u>743,036,864</u>
<b>Net assets, end of year</b>	<u>\$ 793,918,693</u>	<u>\$ 766,977,395</u>

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

**City Colleges of Chicago**  
**Community College District No. 508**  
**Statements of Cash Flows**  
**For the fiscal years ended June 30, 2010 and 2009**

	2010	2009
<b>Cash flows from operating activities</b>		
Tuition and fees	\$ 64,702,986	\$ 18,010,393
Payments to suppliers	(101,242,759)	(102,220,878)
Payments to employees	(186,739,557)	(183,171,633)
Payments to students	(57,192,354)	(46,833,746)
Other	8,099,078	7,773,577
Net cash used for operating activities	(272,372,606)	(306,442,287)
<b>Cash flows from noncapital financing activities</b>		
Local property taxes	130,609,083	103,122,124
State appropriations	80,928,010	82,580,920
Personal property replacement tax	11,462,142	13,804,495
Grants and contracts	115,540,783	80,605,811
Net cash provided by noncapital financing activities	338,540,018	280,113,350
<b>Cash flows from capital and related financing activities</b>		
Capital appropriations and grants	20,052,304	15,141,674
Purchases of capital assets	(40,579,734)	(21,880,910)
Net cash used for capital and related financing activities	(20,527,430)	(6,739,236)
<b>Cash flows from investing activities</b>		
Proceeds from sales and maturities of investments	603,994,975	684,247,272
Purchases of investments	(609,850,386)	(664,945,829)
Interest received on investments	2,540,188	5,554,323
Net cash (used by) provided by investing activities	(3,315,223)	24,855,766
Net increase (decrease) in cash	42,324,759	(8,212,407)
Cash and cash equivalents at beginning of year	3,112,714	11,325,121
Cash and cash equivalents at end of year	\$ 45,437,473	\$ 3,112,714
Cash and cash equivalents	\$ 43,354,420	\$ 1,341,090
Restricted cash	2,083,053	1,771,624
	\$ 45,437,473	\$ 3,112,714
<b>Noncash Transactions</b>		
State payments on behalf of fringe benefits	30,288,298	19,370,047
Increase in fair market value of investments	331,610	835,063

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

**City Colleges of Chicago**  
**Community College District No. 508**  
**Statements of Cash Flows (Continued)**  
**For the fiscal years ended June 30, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
<b>Reconciliation of operating loss to net cash used by operating activities</b>		
Operating loss	\$ (348,878,956)	\$ (317,710,016)
Depreciation	18,367,180	21,336,035
State payment for retirement obligation	30,288,298	19,370,047
Changes in net assets:		
Receivables, net	14,832,089	(29,170,709)
Prepaid items and other assets	111,654	(151,586)
Accounts payable	3,203,374	(4,758,220)
Accrued payroll	593,987	385,369
Other accruals	(809,866)	(120,719)
Deferred salaries	332,026	203,253
Deposits held in custody for others	(126,130)	170,474
Deferred tuition and fees revenue	1,314,832	737,202
Other liabilities	3,089,888	(515,425)
Accrued compensated absences	222,030	(11,865)
Sick leave benefits	(573,548)	(391,630)
Other post employment benefits	5,003,791	4,185,503
Litigation settlement	656,745	-
Net cash used for operating activities	<b>\$ (272,372,606)</b>	<b>\$ (306,442,287)</b>

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

# Notes to Financial Statements

**City Colleges of Chicago  
Community College District No. 508**

**Notes to Basic Financial Statements  
June 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

City Colleges of Chicago, Community College District No. 508 (City Colleges), is a separate taxing body created under the Illinois Public Community College Act of 1965 with boundaries coterminous with the City of Chicago. City Colleges delivers educational and student services through seven colleges, each of which is separately accredited by the North Central Association. The Board of Trustees, appointed by the Mayor of Chicago and ratified by the City Council, is responsible for establishing the policies and procedures by which City Colleges is governed.

**A. Reporting Entity**

The accompanying financial statements include all entities for which the Board of Trustees of City Colleges has financial accountability. In defining the financial reporting entity, City Colleges has considered whether there are any potential component units.

The Public Building Commission of Chicago (PBCC) and the City Colleges of Chicago Foundation are organizations affiliated with City Colleges. These entities are not reflected in these financial statements as component units of City Colleges. The resources of PBCC are not received or held entirely or almost entirely for City Colleges, nor can City Colleges access a majority of PBCC's resources. The City Colleges of Chicago Foundation's resources are equivalent to less than 0.63% of City Colleges' net assets and, therefore, deemed not significant.

**B. Basis of Accounting**

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



**City Colleges of Chicago**  
**Community College District No. 508**

**Notes to Basic Financial Statements**  
**June 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**B. Basis of Accounting** *(Continued)*

Non-exchange transactions, in which City Colleges receives value without directly giving equal value in return, include property taxes; federal, state, and local grants; state appropriations; and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance. Revenue from grants, state appropriations, and other contributions are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which City Colleges must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to City Colleges on a reimbursement basis.

The accounting policies of City Colleges conform to accounting principles generally accepted in the United States of America as applicable to colleges and universities, as well as those prescribed by the Illinois Community College Board (ICCB). City Colleges' reports are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**C. Cash and Cash Equivalents**

Cash includes petty cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of purchase, except for Illinois funds, Illinois Institutional Investor Trust and money market mutual funds, which are treated as investments due to their maturity dates.

**D. Investments**

Investments are reported at fair value based upon quoted market prices. Changes in the carrying value of investments, resulting in realized and unrealized gains or losses, are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term that could materially affect the amounts reported in the statements of financial position and in the statements of activities.

**City Colleges of Chicago**  
**Community College District No. 508**

**Notes to Basic Financial Statements**  
**June 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**E. Receivables**

Accounts receivable consists of property taxes, personal property replacement taxes, tuition and fee charges to students and auxiliary facilities service provided to students, faculty and staff. Accounts receivable also includes amounts due from the federal government, as well as state and local governments, in connection with reimbursement of allowable expenditures made pursuant to City Colleges' grants and contract agreements. Receivables are recorded net of estimated uncollectible amounts.

**F. Allowance for Uncollectibles**

City Colleges provides allowances for uncollectible student accounts and student loans for any outstanding receivable balances greater than 150 days.

**G. Property Taxes**

City Colleges' property taxes are levied each calendar year on all taxable real property located in City Colleges' district. Property taxes are collected by the Cook and DuPage County Collectors and are submitted to each county's respective county Treasurer, who remits to the units their respective shares of the collections. Cook County taxes levied in one year become generally due and payable in two installments (March 1 and September 1) of the following year. The first installment is an estimated bill and is one half of the prior year's tax bill. The second installment is based on the current levy, assessment, and equalization. Any changes from the prior year will be reflected in the second installment bill. Taxes must be levied by the last Tuesday in December for the following levy year. DuPage County, which represents 1/100 of one percent, follows a similar practice as Cook County. The levy becomes an enforceable lien against the property as of January 1 of the levy year.

Taxes are levied on all taxable real property located in the district for educational purposes, operations and maintenance purposes, financial auditing purposes, liability protection and settlement, the retirement of bonded indebtedness, and lease payments to the PBCC. The tax levies for the educational, operations and maintenance, and financial auditing purposes are limited by Illinois statute to .175%, .05%, and .005%, respectively, of the equalized assessed valuation (EAV).

In accordance with City Colleges' Board resolution, 50% of property taxes extended for the 2009 tax year and collected in 2010 are recorded as revenue in fiscal year 2010. The remaining revenue related to the 2009 tax year extension was deferred and will be recorded as revenue in fiscal year 2011. Based upon collection histories, City Colleges recorded real property taxes at 97% of the 2009 extended levy.

**City Colleges of Chicago  
Community College District No. 508**

**Notes to Basic Financial Statements  
June 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**H. Personal Property Replacement Tax Revenue**

Personal property replacement taxes are recognized as revenue when these amounts are deposited by the State of Illinois in its Replacement Tax Fund for distribution.

**I. Prepaid Items and Other Assets**

Prepaid expenses and other assets represent amounts paid as of June 30 whose recognition is postponed to a future period. Prepaid expenses consist primarily of prepayments to vendors for maintenance contracts.

**J. Restricted Cash and Investments**

Cash and investments externally restricted for lease or debt service payments, or to purchase or construct capital or other non-current assets, are classified as non-current assets in the Statement of Net Assets.

**K. Capital Assets**

Capital assets of City Colleges consist of land, buildings, improvements, computer equipment and other equipment. Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation.

Major outlays for assets or improvements to assets over \$200,000 are capitalized as projects are constructed. These are categorized as construction work in process until completed at which time they are reclassified to the appropriate asset type.

City Colleges implemented procedures related to impaired assets. Generally, a capital asset is considered impaired when its service utility has declined significantly and the events or changes in the circumstances are unexpected or outside the normal life cycle.

City Colleges' capitalization policy for movable property includes only items with a unit cost greater than \$25,000 and an estimated useful life greater than one year. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure and are over \$200,000 are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

Renovations that increase the value of the structure and do not extend its life are depreciated over the remaining balance of the building's estimated useful life. When renovations are capitalized, a portion of the original asset renovated is retired from

**City Colleges of Chicago  
Community College District No. 508**

**Notes to Basic Financial Statements  
June 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**K. Capital Assets** *(Continued)*

capital assets and accumulated depreciation, using a deflated replacement cost methodology.

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Computer equipment	4
Vehicles	5
Software	3
Other equipment	3 - 10

**L. Deferred Revenues**

Deferred revenues include: (1) tax levies passed that are legally restricted for the subsequent fiscal year; (2) amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year that are related to the subsequent fiscal year; and (3) amounts received from grant and contract sponsors that have not yet been earned.

**M. Non-Current Liabilities**

Non-current liabilities include: (1) principal amounts of capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences, sick leave benefits (payments to retirees for accumulated unused sick days), other post-employment benefits and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as non-current assets.

**N. Compensated Absences**

City Colleges records a liability for employees' vacation leave earned, but not taken up to a maximum number allowed to be carried forward from year to year.

**City Colleges of Chicago**  
**Community College District No. 508**

**Notes to Basic Financial Statements**  
**June 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**O. Net Assets**

City Colleges' net assets are classified as follows:

*Net Assets Invested In Capital Assets*

Invested in capital assets, net of related debt represents the City Colleges' total investment in capital assets, net of accumulated depreciation and reduced by outstanding debt obligations related to acquisition, construction, or improvement of those capital assets.

*Restricted Net Assets -- Expendable*

Restricted expendable net assets include resources that the City Colleges is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. When both restricted and unrestricted resources are available for use, it is City Colleges' policy to use restricted resources first and then use unrestricted resources when they are needed. It also includes resources that the City Colleges is restricted from spending by statute.

*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 City Colleges and may be used at the discretion of the governing board to meet current expenses for any purpose.

**P. Classification of Revenues and Expenses**

City Colleges has classified its revenues and expenses as either operating or non-operating according to the following criteria:

*Operating Revenue and Expenses*

Operating revenue and expenses includes activities that have the characteristics of exchange transactions, such as: (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises, (3) salaries and benefits, and (4) materials and supplies.

*Non-Operating Revenue and Expenses*

Non-operating revenue and expenses includes activities that have the characteristics of non-exchange transactions, such as: (1) local property taxes, (2) state appropriations, (3) most federal, state, and local grants and contracts and federal appropriations, (4) gifts and contributions, and (5) principal and interest on debt.

**City Colleges of Chicago  
Community College District No. 508**

**Notes to Basic Financial Statements  
June 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**Q. Tuition and Fees**

Tuition and fees include all such items charged to students for educational and service purposes. Tuition waivers and scholarships are reported as a discount to tuition revenue. Scholarship grants that are paid to students are recorded as an expense. Tuition and fees revenue is recognized when the educational services are performed.

**R. Income Taxes**

City Colleges is a governmental body that is not subject to state or federal income taxes.

**S. Use of Estimates**

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

**T. New Accounting Standards**

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, is effective for financial statements for periods beginning after June 15, 2009. The adoption of GASB 51 had no material impact on the financial statements or note disclosures.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, is effective for financial statements for periods beginning after June 15, 2009. The adoption of GASB 53 had no impact on the financial statements or note disclosures.

GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, is effective upon issuance, for financial statements for periods beginning March 2009. In fiscal year 2009, City Colleges implemented this standard.

GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, is effective upon issuance, for financial statements for periods beginning March 2009. In fiscal year 2009, City Colleges implemented this standard.

**City Colleges of Chicago  
Community College District No. 508**

**Notes to Basic Financial Statements  
June 30, 2010**

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**2. DEPOSITS AND INVESTMENTS**

The Illinois Public Community College Act and the Illinois Investment of the Public Funds Act allow funds belonging to City Colleges to be invested. City Colleges' policy delegates this authority to the Treasurer of the Board of Trustees as permitted by Illinois law.

In accordance with City Colleges' investment policy, funds may be invested in the following types of securities within certain limitations: (a) securities backed by the full faith and credit of the United States, (b) United States or its agencies government securities, (c) bank certificates of deposit, (d) commercial paper, (e) money market mutual funds, when they are invested in securities noted in items (a) and (b) above, (f) obligations of agencies created by an Act of Congress, (g) savings and loan securities, (h) certain credit unions if specifically authorized by the Board of Trustees and fully secured, (i) the Illinois Funds (Money Market and Prime), and, (j) repurchase agreements. It is the policy of City Colleges to invest its funds in a manner which will provide for the preservation of capital while providing for yields consistent with the market and meeting the daily cash flow demands of City Colleges and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio.

The primary objective of the policy is legality, safety, and preservation of capital and protection of investment principal, liquidity and yield.

**Deposits**

***Custodial credit risk*** – with regards to deposits with financial institutions, this is the risk that in the event of bank failure, City Colleges' deposits may not be returned. City Colleges' investment policy requires pledging of collateral for all bank balances in excess of federal depository insurance.

**Investments**

In accordance with its investment policy, City Colleges limits its exposure to **interest rate risk** by maintaining substantial balances in money market funds and limiting maturities to not more than two years at the time of purchase. City Colleges limits its exposure to the **credit risk**, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government or securities issued by agencies of the United States Government that are explicitly guaranteed by the United States Government. However, City Colleges' investment policy does not specifically limit City Colleges to these types of investments, as noted above.

**City Colleges of Chicago  
Community College District No. 508**

**Notes to Basic Financial Statements  
June 30, 2010**

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**2. DEPOSITS AND INVESTMENTS (Continued)**

**Investments (Continued)**

***Custodial credit risk*** – relating to investments, this is the risk that, in the event of the failure of the counterparty to the investment, City Colleges will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, City Colleges' investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as City Colleges' agent separate from where the investment was purchased. Illinois Funds is not subject to custodial credit risk.

***Concentration of credit risk*** – At June 30, 2010, City Colleges had less than one percent of its overall portfolio invested in the Illinois Funds. At June 30, 2009, City Colleges had greater than five percent of its overall portfolio invested in the Illinois Funds. This is in accordance with City Colleges' investment policy, which does not contain any specific guidelines on the diversification of the investment portfolio.

***Derivatives*** – City Colleges' investment policy specifically prohibits the use of or investment in derivatives.

Investments are commingled in order to maximize earnings.

The State Treasurer maintains the Illinois Funds at cost and fair value through daily adjustment in the interest earnings. The State Treasurer also maintains the average duration of the Pool at less than 20 days. The Pool funds are deposits received from participating local governments within the State of Illinois. The fair value of City Colleges' investment in the funds is the same as the value of the Pool shares. The Pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. The Pool maintains a Standard and Poor's AAAM rating. City Colleges' investments in the Illinois Funds are not required to be categorized because they are not securities. The relationship between City Colleges and the investment agent is direct contractual relationship and the investments are not supported by a transferable instrument that evidences ownership or creditorship. All funds deposited in the Illinois Funds (Money Market) and Money Market Mutual Funds are classified as investments even though they could be withdrawn within one day. The Prime Fund requires deposits for a minimum of 30 days and a 7 day notice for withdrawals. Although not subject to direct regulatory oversight, the Illinois Fund is administered in accordance with provisions of the Illinois Public Investment Act, 30ILCS 235. The reported value of the funds is the same as the fair value.

The carrying amount of its investments at June 30, 2010, which approximates fair value, is \$228,716,606. The amount at June 30, 2009 was \$222,861,195.



**City Colleges of Chicago  
Community College District No. 508**

**Notes to Basic Financial Statements  
June 30, 2010**

**2. DEPOSITS AND INVESTMENTS (Continued)**

**Investments (Continued)**

City Colleges' investments are shown in the following tables:

<u>Investment Type</u>	<u>S&amp;P Rating</u>	<u>June 30, 2010</u>	<u>Investment Maturities (in years)</u>	
		<u>Fair Value</u>	<u>Less Than 1</u>	<u>Greater Than 1</u>
US Treasury Obligations	AAA	\$ 35,776,907	\$ 22,082,131	\$ 13,694,776
Federal National Mortgage Assoc.	AAA	132,878,666	101,274,956	31,603,710
Illinois Funds (Money Market)	AAAm	119,083	119,083	-
IL Institutional Investor Trust	AAA	28,353,360	28,353,360	-
Commercial Paper	A-1+	31,588,590	31,588,590	-
Total investments		<u>\$ 228,716,606</u>	<u>\$ 183,418,120</u>	<u>\$ 45,298,486</u>

<u>Investment Type</u>	<u>S&amp;P Rating</u>	<u>June 30, 2009</u>	<u>Investment Maturities (in years)</u>	
		<u>Fair Value</u>	<u>Less Than 1</u>	<u>Greater Than 1</u>
US Treasury Obligations	AAA	\$ 26,083,253	\$ 16,591,306	\$ 9,491,947
Federal Agency Securities	AAA	101,949,715	73,877,647	28,072,068
Federal National Mortgage Assoc.	AAA	31,082,730	24,488,863	6,593,867
Illinois Funds (Money Market)	AAAm	18,236,416	18,236,416	-
Illinois Funds (Prime)	AAAm	5,289,391	5,289,391	-
IL Institutional Investor Trust	AAA	40,219,690	40,219,690	-
Total investments		<u>\$ 222,861,195</u>	<u>\$ 178,703,313</u>	<u>\$ 44,157,882</u>

Per Statement of Net Assets:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Investments:		
Short-term investments	\$ 152,669,337	\$ 161,735,928
Long-term investments	<u>76,047,269</u>	<u>61,125,267</u>
Total Investments	<u>\$ 228,716,606</u>	<u>\$ 222,861,195</u>

**City Colleges of Chicago  
Community College District No. 508**

**Notes to Basic Financial Statements  
June 30, 2010**

**3. OTHER ACCOUNTS RECEIVABLE**

City Colleges' other accounts receivable consist of the following:

	<b>June 30</b>	
	<b>2010</b>	<b>2009</b>
Student	\$ 11,963,573	\$ 8,254,570
Grants	8,534,293	7,365,764
City of Chicago - Capital	-	13,424,828
State of Illinois	8,832,906	27,528,226
Other	817,994	1,419,027
Gross other accounts receivable	30,148,766	57,992,415
Less: Allowance for uncollectibles	(3,202,058)	(3,445,500)
Net other accounts receivable	\$ 26,946,708	\$ 54,546,915

**4. RESTRICTED ASSETS**

City Colleges' restricted assets consist of the following:

	<b>June 30</b>	
	<b>2010</b>	<b>2009</b>
(A) Cash	\$ 2,083,053	\$ 1,771,624
(B) Funds held by PBCC	2,734,557	5,879,547
Total restricted assets	\$ 4,817,610	\$ 7,651,171

Restricted for:

- (A) Funds held in trust, and grant funds
- (B) Capital construction

**City Colleges of Chicago  
Community College District No. 508**

**Notes to Basic Financial Statements  
June 30, 2010**

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**5. CAPITAL ASSETS**

On August 8, 2000, the City of Chicago agreed to provide the funds for a capital improvement program, which included the construction of Kennedy-King Campus and other capital renovations. As of June 30, 2009, the City of Chicago had a balance of \$11,566,408 available for City Colleges' projects, and as of June 30, 2010 the balance was zero. These funds were provided from proceeds of City of Chicago general obligation bonds. In connection therewith, City Colleges agreed to abate a portion of its direct annual tax levy on its debt service for lease obligations for the years 2001 through 2006 in amounts equal to the City of Chicago's debt service requirements for the bonds for those years. City Colleges agreed to provide and restrict funds from its own resources for payments to be made under its PBCC agreements through fiscal year 2008. (See Note 4)

In fiscal year 2010, the renovations district-wide were completed which had a life-to-date cost of \$26.9 million. In accordance with the policy explained in Note 1.K, retirements in the amount of \$32.2 million were recorded.

**City Colleges of Chicago  
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**Notes to Basic Financial Statements  
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**5. CAPITAL ASSETS (Continued)**

	<u>July 1, 2009</u>	<u>Additions and Transfers In</u>	<u>Retirements and Transfers Out</u>	<u>June 30, 2010</u>
Capital assets not being depreciated:				
Land	\$ 49,094,047	\$ -	\$ -	\$ 49,094,047
Construction work in progress	28,955,476	44,502,124	(30,422,294)	43,035,306
Subtotal	78,049,523	44,502,124	(30,422,294)	92,129,353
Capital assets being depreciated:				
Vehicles	795,093	29,943	-	825,036
Equipment	17,124,537	380,371	(1,781,934)	15,722,974
Software	29,008,086	334,485	-	29,342,571
Buildings and improvements	654,292,589	26,189,005	-	680,481,594
Subtotal	701,220,305	26,933,804	(1,781,934)	726,372,175
Total capital assets	779,269,828	71,435,928	(32,204,228)	818,501,528
Accumulated depreciation:				
Vehicles	350,819	159,779	-	510,598
Equipment	9,656,564	1,502,020	(1,348,037)	9,810,547
Software	28,709,231	117,506	-	28,826,737
Buildings and improvements	169,590,803	16,587,878	-	186,178,681
Total accumulated depreciation	208,307,417	18,367,183	(1,348,037)	225,326,563
Capital assets, net	<u>\$ 570,962,411</u>	<u>\$ 53,068,745</u>	<u>\$ (30,856,191)</u>	<u>\$ 593,174,965</u>
Cost of buildings and improvements acquired under capital leases (included in total capital assets above)	<u>\$ 391,825,192</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 391,825,192</u>
	<u>July 1, 2008</u>	<u>Additions and Transfers In</u>	<u>Retirements and Transfers Out</u>	<u>June 30, 2009</u>
Capital assets not being depreciated:				
Land	\$ 48,988,547	\$ 105,500	\$ -	\$ 49,094,047
Construction work in progress	18,421,821	22,311,736	(11,778,081)	28,955,476
Subtotal	67,410,368	22,417,236	(11,778,081)	78,049,523
Capital assets being depreciated:				
Vehicles	741,182	53,911	-	795,093
Equipment	16,833,429	291,108	-	17,124,537
Software	28,734,268	273,818	-	29,008,086
Buildings and improvements	642,987,012	11,305,577	-	654,292,589
Subtotal	689,295,891	11,924,414	-	701,220,305
Total capital assets	756,706,259	34,341,650	(11,778,081)	779,269,828
Accumulated depreciation:				
Vehicles	198,640	152,179	-	350,819
Equipment	7,546,521	2,110,043	-	9,656,564
Software	25,796,338	2,912,893	-	28,709,231
Buildings and improvements	153,429,883	16,160,920	-	169,590,803
Total accumulated depreciation	186,971,382	21,336,035	-	208,307,417
Capital assets, net	<u>\$ 569,734,877</u>	<u>\$ 13,005,615</u>	<u>\$ (11,778,081)</u>	<u>\$ 570,962,411</u>
Cost of buildings and improvements acquired under capital leases (included in total capital assets above)	<u>\$ 391,825,192</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 391,825,192</u>

**City Colleges of Chicago  
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**Notes to Basic Financial Statements  
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**6. NET ASSETS**

The Board of Trustees of City Colleges has designated certain unrestricted net assets for capital projects. In fiscal year 2010, \$11.4 million was designated from current personal property taxes, \$19.2 million from the bond fund, and \$.7 million for miscellaneous projects for an ending balance of \$67.4 million. In fiscal year 2009, \$13.6 million was designated from current personal property taxes for an ending balance of \$36.1 million.

**7. LEASES**

**A. Capital Leases**

City Colleges had capital lease agreements with the PBCC covering various facilities. For each lease, the amounts necessary to meet the lease payments were accumulated for the Colleges. These amounts included principal and interest for PBCC debt service requirements and other payments required by the leases. Upon payment of all obligations under each lease, all rights and title pertaining to the facilities have been transferred to City Colleges.

Total costs of buildings and improvements acquired under capital leases amounted to \$391,825,192 in fiscal years 2010 and 2009. (See Note 5)

Other estimated payments consist principally of administrative charges assessed by the PBCC and amounts to be used for future repair and maintenance related to the leased facilities. Administrative charges by the PBCC are recognized in the period assessed, while repair and maintenance expenses are recognized in the period in which they are incurred.

Funds held by the PBCC at June 30, 2010 and 2009 primarily represent unused construction proceeds from lease transactions, amounts for renewal and replacement of current leased facilities, amounts held for financed construction, and other estimated administrative expenses. These funds are recorded as restricted accounts by City Colleges.

As of June 30, 2010, there are no any outstanding capital leases.

**City Colleges of Chicago  
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**Notes to Basic Financial Statements  
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**7. LEASES (Continued)**

**B. Operating Leases**

City Colleges leases equipment and office space under various operating lease agreements that expire at various dates over the next ten years. Certain leases for office space contain renewal provisions.

Operating lease expense was \$2,109,526 for the year ended June 30, 2010 compared to \$2,683,908 for the year ended June 30, 2009.

Obligations under non-cancelable operating leases with initial or remaining terms in excess of one year as of June 30 are as follows:

	<b><u>June 30, 2010</u></b>	
2011		587,303
2012		604,922
2013		623,069
2014		641,761
2015		161,979
June 30, 2010	<u>\$</u>	<u>2,619,034</u>

	<b><u>June 30, 2009</u></b>	
2010		570,197
2011		587,303
2012		604,922
2013		623,069
2014		641,761
2015		161,979
June 30, 2009	<u>\$</u>	<u>3,189,231</u>

**City Colleges of Chicago  
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**8. OTHER ACCRUALS AND OTHER LIABILITIES**

City Colleges' other accruals and other liabilities consist of the following as of June 30:

	<b>2010</b>	<b>2009</b>
<b>Other accruals</b>		
Accrued for services	\$ 432,962	\$ 705,534
Accrued for goods	17,000	554,294
<b>Total other accruals</b>	<b>\$ 449,962</b>	<b>\$ 1,259,828</b>
 <b>Other liabilities</b>		
Self insurance	\$ 7,517,039	\$ 5,541,875
Unclaimed property	3,981,179	3,768,708
Other	2,047,867	1,145,614
<b>Total other liabilities</b>	<b>\$ 13,546,085</b>	<b>\$ 10,456,197</b>

**9. PROPERTY TAXES**

The taxes levied for education, operations and maintenance liability protection and settlement, audit, retirement of bonded indebtedness, and lease payments to the PBCC are based on the estimated requirements for such purposes. Recent EAV's for tax levies are as follows:

<b>December</b>	<b>Cook County</b>	<b>DuPage County</b>
2009	\$84,545,026,609	\$5,478,653
2008	80,923,884,233	5,696,291
2007	73,605,314,512	5,841,665
2006	69,473,229,020	6,071,637
2005	59,268,296,045	6,296,295
2004	55,302,579,309	6,543,343
2003	53,137,668,356	6,792,347

In fiscal year 2010, City Colleges' reserve for loss and cost was \$2,086,733. Accrued property tax refunds in 2010 are \$8,305,585. In fiscal year 2009, City Colleges' reserve for loss and cost was \$2,241,618. Accrued property tax refunds in 2009 were \$12,275,262.

Accrued property tax refunds are based on a ten-year historical trend analysis of back taxes paid, and this is how City Colleges determines how much is needed in the future.

**City Colleges of Chicago  
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**Notes to Basic Financial Statements  
June 30, 2010**

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**10. ACCRUED COMPENSATED ABSENCES**

At June 30, 2010, City Colleges had recorded a liability of \$2,904,460 for compensated absences, and estimated that \$161,948 of these liabilities are current and due within one year. At June 30, 2009, the liability was \$2,682,430 for which City Colleges estimated that \$193,671 of these liabilities were current and due within one year. (See Note 12)

**11. SICK LEAVE BENEFITS**

**Unused Sick Pay**

Upon the retirement, permanent disability, or death of a full-time eligible employee, it is the policy of City Colleges to pay over a 3 to 5 year period an amount equal to a percentage of the individual's accumulated unused sick days in the form of a termination benefit. Eligible employees include administrative employees and certain union-represented employees who have served continuously for 10 years or more and are eligible for an annuity under the State University Retirement System (SURS), generally at age 55. City Colleges has recorded a liability for the estimated present value of such benefits earned to date based upon an actuarial study. The method of calculating the estimated present value of an eligible employee's termination benefit liability uses the following assumptions: (1) estimated average annual salary increments of 4.0%, (2) future payments discounted by a 4.5% interest factor in 2010, and (3) estimated rates of retention as adopted from the *Actuary's Pension Handbook* adjusted for mortality in accordance with published mortality tables.

At June 30, 2010, City Colleges accrued \$16,537,672 for the estimated present value of these future retiree benefits for current employees and \$2,997,086 in benefits payable to retired employees for a total of \$19,534,758.

At June 30, 2009, City Colleges accrued \$17,135,834 for the estimated present value of these future retiree benefits for current employees and \$2,972,472 in benefits payable to retired employees for a total of \$20,108,306. (See Note 12)



**City Colleges of Chicago  
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June 30, 2010**

**12. CHANGES IN NON-CURRENT LIABILITIES**

Changes in non-current liabilities for the years ended June 30, 2010 and 2009 are summarized in the table below:

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Reductions/ Adjustments</u>	<u>June 30, 2010</u>	<u>Amounts due within one year</u>
Accrued compensated absences	\$ 2,682,430	\$ 3,778,659	\$ (3,556,629)	\$ 2,904,460	\$ 161,948
Sick leave benefits	20,108,306	1,058,188	(1,631,736)	19,534,758	2,146,398
Other post-retirement benefits	17,304,515	11,294,194	(6,290,403)	22,308,306	-
	<u>\$ 40,095,251</u>	<u>\$ 16,131,041</u>	<u>\$ (11,478,768)</u>	<u>\$ 44,747,524</u>	<u>\$ 2,308,346</u>

	<u>July 1, 2008</u>	<u>Additions</u>	<u>Reductions/ Adjustments</u>	<u>June 30, 2009</u>	<u>Amounts due within one year</u>
Accrued compensated absences	\$ 2,694,295	\$ 3,240,564	\$ (3,252,430)	\$ 2,682,430	\$ 193,671
Sick leave benefits	20,499,936	1,660,683	(2,052,313)	20,108,306	2,067,859
Other post-retirement benefits	13,119,012	10,361,000	(6,175,497)	17,304,515	-
	<u>\$ 36,313,243</u>	<u>\$ 15,262,247</u>	<u>\$ (11,480,240)</u>	<u>\$ 40,095,251</u>	<u>\$ 2,261,530</u>

**13. EMPLOYEE RETIREMENT PENSION PLAN**

**Plan Description:** City Colleges contributes to the SURS defined benefit and defined contribution plans. SURS is a cost-sharing, multiple-employer defined 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, certain other state educational and scientific agencies, and for survivors, dependents, and other beneficiaries of such employees. SURS is included in the State's financial reports as a pension trust fund. SURS is governed by section 5/15, Chapter 40, of the Illinois Compiled Statutes. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SURS, 1901 Fox Drive, Champaign, IL 61820 or by calling 1-800-275-7877.

**City Colleges of Chicago  
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**Notes to Basic Financial Statements  
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**13. EMPLOYEE RETIREMENT PENSION PLAN (Continued)**

**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 is 18.61%, 12.88%, and 10.61% of annual covered payroll for fiscal year 2010, 2009 and 2008, respectively. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

Employer contributions to SURS directly appropriated by the state for the years ended June 30 are as follows:

<b>Fiscal Year</b>	<b>Amount</b>
2010	\$ 30,288,298
2009	19,370,047
2008	14,700,452

City Colleges recognizes the amount appropriated by the State as additional state appropriations (non-operating) revenue and recognizes corresponding expense as operating. While the majority of the employer contributions are made by the State, employer contributions for some positions that are federal grant funded are the responsibility of the employer. City Colleges contributed the following for the years ended June 30:

<b>Fiscal Year</b>	<b>Amount</b>
2010	\$ 69,266
2009	414,766
2008	848,018

**City Colleges of Chicago  
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**14. OTHER POST-EMPLOYMENT BENEFITS**

**Plan Description:** In addition to providing the pension benefits described in Note 13, City Colleges provides post-employment health care benefits (OPEB) and life insurance to retirees and their spouses. The benefits, benefit levels, employee contributions and employer contributions are governed by City Colleges and can be amended by City Colleges through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report.

**Benefits Provided:** City Colleges pays approximately 90% of the medical and life insurance premiums for most retirees and spouses. For other retirees, City Colleges pays a portion of the medical premium. To be eligible for benefits, an employee must qualify for retirement under the State University Retirement System. It is expected that all full-time active employees who retire directly from City Colleges and meet the eligibility criteria will participate.

<b>Membership:</b> As of June 30, 2010 and 2009, membership consisted of:	<b><u>2010</u></b>	<b><u>2009</u></b>
Retirees and beneficiaries currently receiving benefits	614	703
Active employees – vested	<u>1,668</u>	<u>1,686</u>
<b>TOTAL</b>	<b><u>2,282</u></b>	<b><u>2,389</u></b>
Participating Employers	<u>1</u>	<u>1</u>

**Funding Policy:** The contribution percentages are negotiated between City Colleges and the retirees. Currently, City Colleges contributes approximately 90% of the premium. For the fiscal years ended June 30, 2010 and 2009, City Colleges contributed \$6,290,403 and \$6,175,497, respectively.

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**Notes to Basic Financial Statements  
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**14. OTHER POST-EMPLOYMENT BENEFITS** *(Continued)*

*Annual OPEB Costs and Net OPEB Obligation*

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Increase in Net OPEB Obligation</u>
June 30, 2010	\$ 11,294,194	\$ 6,290,403	55.7%	\$ 5,003,791
June 30, 2009	10,361,000	6,175,497	59.6%	4,185,503
June 30, 2008	9,958,539	6,498,620	65.3%	3,459,919
June 30, 2007	12,792,179	7,562,710	59.1%	5,229,469
June 30, 2006	12,851,308	8,421,684	65.5%	<u>4,429,624</u>
<b>Total Net OPEB Obligation</b>				<b><u>\$22,308,306</u></b>

Annual OPEB Costs and Net OPEB Obligation – City Colleges’ annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Annual Required Contribution	\$ 11,552,729	\$ 10,557,002
Interest on Net OPEB Obligation	778,703	590,356
Adjustment to Annual Required Contribution	<u>(1,037,238)</u>	<u>(786,358)</u>
Annual OPEB Cost	11,294,194	10,361,000
Contributions Made	<u>(6,290,403)</u>	<u>(6,175,497)</u>
Increase in Net OPEB Obligation	5,003,791	4,185,503
Net OPEB Obligation Beginning of Year	<u>17,304,515</u>	<u>13,119,012</u>
<b>Net OPEB Obligation End of Year</b>	<b><u>\$ 22,308,306</u></b>	<b><u>\$ 17,304,515</u></b>

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**Notes to Basic Financial Statements  
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**14. OTHER POST-EMPLOYMENT BENEFITS** *(Continued)*

The funded status of the plan as of June 30, 2010 and 2009 was as follows:

	<u>2010</u>	<u>2009</u>
Actuarial Value of Assets	\$ -	\$ -
Actuarial Accrued Liability (AAL)	<u>117,079,887</u>	<u>121,654,154</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$117,079,887</u>	<u>\$121,654,154</u>
Funded Ratio (actuarial value of assets/AAL)	-%	-%
Covered Payroll (active plan members)	\$102,896,841	\$101,030,184
UAAL as a Percentage of Covered Payroll (AAL less Actuarial Value of Assets / UAAL)	113.8%	120.4%

For the fiscal years ending June 30, 2009 and 2010, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions for fiscal years 2009 and 2010 included an annual healthcare cost trend rate of 9.0% and 8.5%, respectively, which gradually declines to 5.0% by the year 2018. The assumptions for both fiscal years include an inflation rate of 3.0% per year, an investment return rate of 4.5% per year based on projected salary increases of 4.0% per year. The annual required contribution is calculated to include the normal cost plus a 30-year amortization of the unfunded actuarial liability using a level-dollar amount. The actuarial value of assets was not determined as City Colleges has not fully advance-funded its obligation. However, City Colleges has \$18.1 million in investments designated for this obligation in 2010, and had \$10.0 million designated in 2009.

**15. RISK MANAGEMENT**

City Colleges is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. City Colleges self-insures some of the risk and purchases commercial insurance for others. City Colleges purchased property insurance for losses of real and personal property, boilers, machinery, and motor vehicles with varying degrees of terms, coverage and limitations. There have been no significant reductions in insurance coverage from the prior year and claims have not exceeded coverage in any of the past three fiscal years.

**A. General Liability – Self-Insurance**

City Colleges self-insures for a portion of general liability exposure and has coverage by an independent insurer for claims exceeding \$250,000 up to a ceiling of \$1,000,000. City Colleges has supplemental coverage by an independent insurer for claims exceeding \$1,000,000 up to a ceiling of \$15,000,000. Claims based on occurrences prior to June 15, 1977, remain insured under previous insurance policies. The “Local

**City Colleges of Chicago  
Community College District No. 508**

**Notes to Basic Financial Statements  
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**15. RISK MANAGEMENT (Continued)**

Government and Governmental Employees Tort Immunity Act” limits the amount of liability of City Colleges. This act gives City Colleges the authority to levy a special judgment tax or to issue bonds to pay any tort liability judgment.

City Colleges follows the practice of recognizing the expenses for general liability claims in the year such settlements become probable and estimable. City Colleges has accrued for estimated future claims of \$2,396,000 and \$947,676 as of June 30, 2010 and 2009, respectively.

Management of City Colleges believes there are no material lawsuits or claims covered by the general liability self-insurance programs that have not been adequately accrued.

**B. Workers’ Compensation – Self-Insurance**

City Colleges self-insures for a portion of workers’ compensation claims and has coverage by an independent insurer for individual claims exceeding \$425,000 up to the statutory limit. The amount of liability of City Colleges is further limited by the “Local Government and Governmental Employees Tort Immunity Act.” This Act gives City Colleges the authority to levy a special judgment tax or to issue bonds to pay any workers’ compensation awards.

City Colleges estimates future claims based on a loss development factor and a specific claim reserve. City Colleges has accrued for estimated future claims of \$3,941,205 and \$3,300,573 as of June 30, 2010 and 2009, respectively. This amount is reported with “Other liabilities – Self-insurance reserves”. Management of City Colleges believes that there are no material lawsuits or claims covered by the workers’ compensation self-insurance program that have not been adequately covered.

**C. Health Insurance – Self-Insurance**

City Colleges self-insures for a portion of its health costs for eligible employees. Future claims are estimated based on historical charges and lag periods. City Colleges has accrued estimated medical expenses of \$1,179,834, and \$1,293,626 as of June 30, 2010 and 2009, respectively that have been incurred, but not claimed.

**City Colleges of Chicago  
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**Notes to Basic Financial Statements  
June 30, 2010**

**15. RISK MANAGEMENT** *(Continued)*

**Summary of Changes in Self-Insurance**

	<u>June 30, 2009</u>	<u>Incurred Claims</u>	<u>Payment on Claims</u>	<u>June 30, 2010</u>	<u>Amounts due within one year</u>
General liability	\$ 947,676	\$ 2,079,474	\$ (631,150)	\$ 2,396,000	\$ 2,396,000
Workers' compensation	3,300,573	1,414,722	(774,090)	3,941,205	3,941,205
Health insurance	<u>1,293,626</u>	<u>22,653,498</u>	<u>(22,767,290)</u>	<u>1,179,834</u>	<u>1,179,834</u>
	<u>\$ 5,541,875</u>	<u>\$ 26,147,694</u>	<u>\$ (24,172,530)</u>	<u>\$ 7,517,039</u>	<u>\$ 7,517,039</u>

	<u>June 30, 2008</u>	<u>Incurred Claims</u>	<u>Payment on Claims</u>	<u>June 30, 2009</u>	<u>Amounts due within one year</u>
General liability	\$ 424,400	\$ 611,805	\$ (88,529)	\$ 947,676	\$ 947,676
Workers' compensation	3,828,949	(47,367)	(481,009)	3,300,573	3,300,573
Health insurance	<u>1,388,479</u>	<u>22,396,492</u>	<u>(22,491,345)</u>	<u>1,293,626</u>	<u>1,293,626</u>
	<u>\$ 5,641,828</u>	<u>\$ 22,960,930</u>	<u>\$ (23,060,883)</u>	<u>\$ 5,541,875</u>	<u>\$ 5,541,875</u>

These amounts are recorded on the Statement of Net Assets as Current Liabilities – Other liabilities. (See Note 8)

**16. COMMITMENTS AND CONTINGENCIES**

City Colleges is a defendant in litigation under various matters (sexual harassment, discrimination, personal injury, loss of wages, unfair labor practice, breach of employment contract, etc.) arising in the ordinary course of business. In the opinion of management, this litigation will be vigorously defended and resolved without any material adverse effect upon the financial position of City Colleges.

As of June 30, 2010, City Colleges had \$73.5 million in purchase commitments for its capital plan, of which \$14.8 million is being funded by the State of Illinois, \$10.0 million by the City of Chicago Tax Increment Funding, and \$48.7 million by the City Colleges.

As of June 30, 2009, City Colleges had \$60.5 million in purchase commitments for its capital plan, of which \$14.8 million is being funded by the State of Illinois, \$10.0 million by the City of Chicago Tax Increment Funding, and \$35.7 million by the City Colleges.

## **PART II**



## **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**

Board of Trustees  
City Colleges of Chicago  
Community College District No. 508:

We have audited the basic financial statements of the City Colleges of Chicago, Community College District No. 508 ("City Colleges") as of and for the year ended June 30, 2010, and have issued our report thereon dated December 15, 2010. 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.

### **Internal Control over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency in internal control over financial reporting (see finding 2010-1). A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether City Colleges' basic 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*.

We noted certain matters that we reported to management of City Colleges in a separate letter dated February 7, 2011.

This report is intended solely for the information and use of management, the Board of Trustees of the City Colleges, 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.

The image shows a handwritten signature in cursive script that reads "Deloitte & Touche LLP". The signature is written in black ink and is positioned above the date.

December 15, 2010

## **PART III**

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees  
City Colleges of Chicago  
Community College District No. 508:

### **Compliance**

We have audited City Colleges of Chicago, Community College District No. 508 ("City Colleges") compliance with the types of compliance requirements described in the Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of City Colleges' major federal programs for the year ended June 30, 2010. City Colleges' major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City Colleges' management. Our responsibility is to express an opinion on City Colleges' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City Colleges' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City Colleges' compliance with those requirements.

In our opinion, City Colleges complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2010-2, 2010-3 and 2010-4.

### **Internal Control over Compliance**

Management of City Colleges is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City Colleges' internal control over compliance with the requirements that could have a direct and material effect on a major federal program

to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City Colleges' internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item 2010-2. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

City Colleges' responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit City Colleges' responses, and accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Trustees of the City Colleges, 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.

*Deloitte & Touche LLP*

February 28, 2011

**PART IV:**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**CITY COLLEGES OF CHICAGO  
COMMUNITY COLLEGE DISTRICT NO. 508**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2010**

<b>Source of Funds Program Name</b>	<b>CFDA Number</b>	<b>Grant Number</b>	<b>Expenditures</b>
U.S. Department of Education —			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants Program	84.007	P007A061123	\$ 1,403,932
Federal Work-Study Program	84.033	P033A061123	2,091,831
Federal Pell Grant Program	84.063	P063P061341	90,715,816
Federal Academic Competitiveness Grant Passed through Sally Mae Student Loans and various vendors — Federal Family Education Loans	84.375	P375A061341	334,045
	84.032		<u>6,412,622</u>
Total Student Financial Assistance Cluster			<u>100,958,246</u>
U.S. Department of Education — TRIO Cluster:			
TRIO — Upward Bound Program:			
Upward Bound Grant	84.047A	PO47A030557	58,612
Upward Bound Grant	84.047A	PO47A080685	<u>177,545</u>
			<u>236,157</u>
TRIO — Educational Opportunity Centers:			
Educational Opportunity Centers Program	84.066A	P066A070373	56,871
Educational Opportunity Centers Program	84.066A	P066A070373	<u>194,596</u>
			<u>251,467</u>
TRIO — Talent Search Program:			
Talent Search Grant	84.044A	P044A070719	60,836
Talent Search Grant	84.044A	P044A070719	186,857
Talent Search Grant	84.044A	P044A060892	60,024
Talent Search Grant	84.044A	P044A060892	<u>230,172</u>
			<u>537,889</u>
TRIO — Student Support Services:			
Student Support Services Program	84.042A	P042A050726	296,252
Student Support Services Program	84.042A	P042A050311	285,610
Student Support Services Program	84.042A	P042A051218	218,724
Student Support Services Program	84.042A	P042A050804	316,603
Student Support Services Program	84.042A	P042A051235	<u>232,376</u>
			<u>1,349,565</u>
Total TRIO Cluster			<u>2,375,078</u>

(Continued)

**CITY COLLEGES OF CHICAGO  
COMMUNITY COLLEGE DISTRICT NO. 508**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2010**

<b>Source of Funds Program Name</b>	<b>CFDA Number</b>	<b>Grant Number</b>	<b>Expenditures</b>
U.S. Department of Education — Passed through the Illinois Community College Board — Adult Education — State Grants Program:			
Adult Education Grant — Basic	84.002A	50800	\$ 2,786,231
Adult Education Grant — Civic	84.002A	50800	<u>413,335</u>
			<u>3,199,566</u>
U.S. Department of Education — Strengthening Institutions — Higher Education — Institutional Aid	84.031A	P031A090185	<u>100,954</u>
U.S. Department of Education — Higher Education — Institutional Aid Collaboration to Improve Hispanic Transfer and Degree	84.031S	P031S040011	<u>173,739</u>
U.S. Department of Education — Passed through Illinois State University — Real Men Choose Nursing: Strategies for Recruitment and Retention of Males in the Nursing Profession	84.048	O9D267.03	<u>1,287</u>
U.S. Department of Education — Passed through the Illinois Community College Board Vocational Education — Basic Grant to States (Perkins III) Programs:			
Perkins III Grant	84.048	CTE50809	3,783,272
Career and Technical Education Program/ Innovation Grant	84.048	CTEL09508	75,122
Partnership for College and Career Success Grant	84.243	09PCCS5080	<u>495,168</u>
			<u>4,353,562</u>
U.S. Department of Education — Passed through Northeastern University: Gear-up Program Chicago Gear Up Alliance	84.334 84.334	P334A050146 P334A050146	9,495 <u>53,918</u>
			<u>63,413</u>

(Continued)



**CITY COLLEGES OF CHICAGO  
COMMUNITY COLLEGE DISTRICT NO. 508**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2010**

<b>Source of Funds Program Name</b>	<b>CFDA Number</b>	<b>Grant Number</b>	<b>Expenditures</b>
U.S. Department of Education — Passed through Illinois State University — Teacher Quality Enhancement Grant Partnership	84.336C	P336C050025	\$ <u>5,670</u>
U.S. Department of Education — Strengthening Minority Serving Institutions — Nursing Programs Applied Sciences/Career Programs	84.382A 84.382A	P382A080037 P382A080037	346,994 <u>263,468</u> <u>610,462</u>
U.S. Department of Education — Strengthening Minority Serving Institutions — Raising African-American Students’ Success in Science through the use of the Studio Classroom Model	84.382A 84.382A	P382A080012 P382A080012	126,312 <u>150,036</u> <u>276,348</u>
U.S. Department of Education — Strengthening Minority Serving Institutions — Learning Communities in Health Education	84.382A 84.382A	P382A080028 P382A080028	390,744 <u>518,402</u> <u>909,146</u>
Total Expenditures — U.S. Department of Education			<u>113,027,471</u>
U.S. Department of Health and Human Services — Passed through the Illinois Department of Human Services — Division of Community and Prevention Teen Reach	93.558	11GL802000	<u>98,449</u>
U.S. Department of Health and Human Services — Passed through the City of Chicago Department of Family and Support Services — Child Care and Development Block Grant:			
Wrap Around Grant — Child Care Services	93.575	18112-1	315,374
Wrap Around Grant — Child Care Services	93.575	18112-2	<u>411,782</u>
Total Child Care and Development Block Grant Cluster			<u>727,156</u>

(Continued)

**CITY COLLEGES OF CHICAGO  
COMMUNITY COLLEGE DISTRICT NO. 508**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2010**

<b>Source of Funds Program Name</b>	<b>CFDA Number</b>	<b>Grant Number</b>	<b>Expenditures</b>
U.S. Department of Health and Human Services — Passed through the City of Chicago Department of Family and Support Services — Head Start Program:			
Child Development Assoc Training Grant	93.600	18398-1	\$ 188,405
Child Development Assoc Training Grant	93.600	18398-2	196,713
Collaboration Full Day Child Care Grant	93.600	18112-1	265,869
Collaboration Full Day Child Care Grant	93.600	18112-2	<u>123,263</u>
			<u>774,250</u>
U.S. Department of Health and Human Services — Passed through the City of Chicago Department of Family and Support Services — Headstart ARRA Expansion (COLA and Quality Improvement), ARRA Funded			
	93.708	05SE0101/01	<u>1,545</u>
Total Head Start Cluster			<u>775,795</u>
U.S. Department of Health and Human Services — Bridges to the Baccalaureate — Center of Science Success			
	93.879	5 R25 GM066344	<u>81,266</u>
Total Expenditures — U.S. Department of Health and Human Services			<u>1,681,120</u>
U.S. Department of Agriculture — Passed through the Illinois State Board of Education Child and Adult Care Food Program — Child Care Food Grants			
	10.558	14016508051	23,556
	10.558	14016508051	<u>125,711</u>
			<u>149,267</u>
U.S. Department of Agriculture — Passed through the Illinois State Board of Education Nat'l Youth Summer Food Program			
	10.559	14016508051	<u>9,954</u>
Total Expenditures — U.S. Department of Agriculture			<u>159,221</u>
U.S. Department of Labor — Passed through National Council of La Raza Health Care Sector and Other High Growth and Emerging Industries			
	17.275	5509	<u>16,035</u>
U.S. Department of Labor — Passed through Occupational Safety and Health Administration Health Administration — Susan Harwood Training Grant Program			
	17.502	SH-17810-SH8	<u>63,084</u>

(Continued)

**CITY COLLEGES OF CHICAGO  
COMMUNITY COLLEGE DISTRICT NO. 508**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2010**

Source of Funds Program Name	CFDA Number	Grant Number	Expenditures
U.S. Department of Labor — Passed through the Department of Commerce and Economic Opportunity — Passed through the Department of Family and Support Services: Nursing Support Program	17.258	16433/1	\$ <u>23,330</u>
U.S. Department of Labor — Passed through the Illinois Department of Commerce and Economic Opportunity — Passed through Department of Family and Support Services WIA Stimulus Summer Youth Employment, ARRA Funded	17.259	AA-17119-08-55	<u>628,771</u>
Total Workforce Investment Act Cluster			652,101
U.S. Department of Labor — Passed through the Illinois Community College Board CIMA CIMA Technology Center	17.267	WIACIMA508	<u>50,000</u>
U.S. Department of Labor — Passed through the Illinois Community College Board: Nursing Program of Study Improvement Grant	17.267	WIAPIG508HST	12,914
Nursing Program of Study Improvement Grant	17.267	WIAPIG508RJD	<u>15,128</u>
			<u>28,042</u>
U.S. Department of Labor — Passed through the Illinois Community College Board — Local Program of Study Implementation Grant	17.267	WIAPOS508	<u>20,000</u>
U.S. Department of Labor — Passed through Employment and Training Administration — Community-Based Job Grant	17.269	CB-18221-09-60-A-17	<u>160,436</u>
U.S. Department of Labor — Women in Nanotechnology Project	17.700	DOLB09E421898	<u>3,115</u>
Total Expenditures — U.S. Department of Labor			<u>364,042</u>
National Science Foundation — Exploring New Models for Authentic Undergraduate Research with Two-Year College Students	47.049	CHE-0629174	324,659
	47.049	CHE-0629174	<u>247,389</u>
			<u>572,048</u>
National Science Foundation — Adapting and Implementing Process Oriented Guided Inquiry Learning	47.076	DUE-0536113	<u>6,372</u>

(Continued)

**CITY COLLEGES OF CHICAGO  
COMMUNITY COLLEGE DISTRICT NO. 508**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2010**

<b>Source of Funds Program Name</b>	<b>CFDA Number</b>	<b>Grant Number</b>	<b>Expenditures</b>
National Science Foundation — Biotechnology Program and Research — The Road to Career Development in Two-Year Colleges	47.076	DUE-0903067	\$ <u>5,104</u>
National Science Foundation — Passed through Purdue University Undergraduate Research Center — Center for Authentic Science Practice In Education	47.049	CHE-0418902	<u>500</u>
National Science Foundation — Passed through DePaul University:			
Building a STEM Pipeline in Chicago	47.076	DUE-0653198	1,938
Building a STEM Pipeline in Chicago	47.076	DUE-0653198	13,124
Building a STEM Pipeline in Chicago	47.076	DUE-0653198	14,722
Building a STEM Pipeline in Chicago	47.076	DUE-0653198	25,342
Building a STEM Pipeline in Chicago	47.076	DUE-0653198	<u>3</u>
			<u>55,129</u>
National Science Foundation — Passed through Chicago State University — Illinois Louis Stokes Alliance for Minority Participation	47.076	HRD-0413000	<u>1,980</u>
National Science Foundation — Passed through Cabrillo Community College — Bridging Community College Chemistry Faculty into the National Educational Community	47.076	0737166	<u>9,146</u>
National Science Foundation — Passed through Roosevelt University:			
RU-HWC Partnership for STEM Education	47.076	DUE-0757053	24,938
RU-HWC Partnership for STEM Education	47.076	DUE-0757053	<u>30,481</u>
			<u>55,419</u>
National Science Foundation — Passed through Chicago State University — Illinois Louis Stokes Alliance for Minority Participation	47.076	DUE-0856827	<u>16,717</u>
National Science Foundation — Passed through Loyola University — Introduction to Mass Spectrometry to the Chemistry Curriculum of the Chicago-area Community Colleges	47.076	DUE-0837344	<u>5,000</u>
Total Expenditures — National Science Foundation			<u>727,414</u>

(Continued)

**CITY COLLEGES OF CHICAGO  
COMMUNITY COLLEGE DISTRICT NO. 508**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2010**

Source of Funds Program Name	CFDA Number	Grant Number	Expenditures
U.S. Department of Homeland Security — Transportation Security Administration — Passed through American Association of Community Colleges Crew Member Self-Defense Training Program	97.HST	HSTS07-08-H00012-P00017	\$ 10,932
U.S. Department of Homeland Security — Scientific Leadership Awards for Minority Serving Institutions Grant Program Wilbur Wright College College Emergency Management Associates in Applied Science Program	97.062	2008-ST-062-000002	<u>102,173</u>
Total Expenditures — U.S. Department of Homeland Security			<u>113,105</u>
U.S. Environment Protection Agency — City Science — A Series of Television Shows Highlighting Environmental Issues and Other Science-Related Issues for Children, Parents, and Teachers	66.606	X-00E49401-1	<u>1,825</u>
National Endowment For the Humanities — Enduring Questions: What is Freedom?	45.163	AQ-50011-09	<u>5,278</u>
Laura Bush 21st Century Librarian Program — Passed through Institute of Museum and Library Services — Passed through Network of Illinois Learning Resources in Community Colleges	45.313 45.313	RE-01-07-0036 RE-01-07-0036	11,721 <u>12,506</u> <u>24,227</u>
U.S. Department of Housing and Urban Development — Passed through Chicago Housing Authority — Passed through Chicago Department of Family Support Services — CHA Learn and Earn Program	14.218	22213	<u>91,575</u>
Total Expenditures — Other Federal Agencies			<u>236,010</u>
U.S. Department of Education — Passed through the Illinois Community College Board: State Fiscal Stabilization Fund — Education State Grants, American Recovery and Reinvestment Act (ARRA) Funded	84.394		1,062,115
State Fiscal Stabilization Fund — Government Services, ARRA Funded	84.397		<u>281,149</u>
Total State Fiscal Stabilization Fund Cluster			<u>1,343,264</u>

(Continued)

**CITY COLLEGES OF CHICAGO  
COMMUNITY COLLEGE DISTRICT NO. 508**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2010**

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<b>Source of Funds Program Name</b>	<b>CFDA Number</b>	<b>Grant Number</b>	<b>Expenditures</b>
U.S. Department of Labor — Passed through Cook County President’s Office of Employment Training Green A+ Computer Recycling and Refurbishing, ARRA Funded	17.279	2009-125AS	<u>\$ 39,327</u>
U.S. Department of Transportation/Federal Highway Administration — Passed through the Illinois Community College Board Highway Construction Careers Training Program, ARRA Funded	20.205	HCCTP508	<u>5,290</u>
National Science Foundation — IRES U.S. — Kenya — Effects of habitat changes on distribution, abundance and resource exploitation by globally threatened and forest specialist birds in Arabuku-Sokoke Forest, Kenya, ARRA Funded	47.082	OISE-0927254	<u>38,071</u>
<b>TOTAL EXPENDITURES OF ALL PROGRAMS</b>			<u><b>\$ 118,251,548</b></u>
See notes to schedule of expenditures of federal awards			(Concluded)

# CITY COLLEGES OF CHICAGO COMMUNITY COLLEGE DISTRICT NO. 508

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2010

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### 1. SCOPE OF ENTITY

City Colleges of Chicago, Community College District No. 508 (City Colleges) is a separate taxing body created under the Illinois Public Community College Act of 1965, with boundaries coterminous with the City of Chicago. City Colleges delivers educational and student services through seven colleges, each of which is separately accredited by the North Central Association. The seven colleges are Richard J. Daley College, Harold Washington College, Kennedy-King College, Malcolm X College, Olive-Harvey College, Harry S. Truman College, and Wilbur Wright College. The Board of Trustees (the "Board"), appointed by the Mayor of the City of Chicago and ratified by the City Council of Chicago, is responsible for establishing the policies and procedures by which City Colleges is governed. The U.S. Department of Education has been designated as the City Colleges' cognizant agency for the Office of Management and Budget (OMB) Circular A-133 audit (the "Single Audit").

**Fiscal Period Audited**—Single Audit testing procedures were performed for program transactions that occurred during the fiscal year ended June 30, 2010.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting**—The accompanying schedule of expenditures of federal awards includes the federal grant activity of City Colleges and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The amounts presented in this schedule have been reconciled to the City Colleges' basic financial statements.

**Cost Allocation**—City Colleges has a plan for allocation of common and indirect costs related to grant programs. The amounts allocated to grant programs during the fiscal year ended June 30, 2010, are primarily based on a federally negotiated higher education rate agreement.

Individual campuses' indirect cost rates for the fiscal year ended June 30, 2010, have been approved by the appropriate federal and state agencies.

### 3. FEDERAL AWARD THRESHOLD

The federal expenditure dollar threshold used to distinguish between Type A and Type B programs for fiscal year 2010 was \$3,000,000.

**4. FEDERAL STUDENT LOAN PROGRAM**

Loans were made under federal student loans programs and federally guaranteed loans issued to eligible students of City Colleges during the fiscal year ended June 30, 2010, and are summarized as follows:

Guaranteed loan programs:	
Unsubsidized Stafford	\$ 1,874,341
Subsidized Stafford	4,358,223
PLUS student loans	<u>180,058</u>
 Total federal student loan programs	 <u>\$6,412,622</u>

**5. OTHER NONCASH ASSISTANCE**

Noncash federal awards totaling \$423,204 were received as in-kind contributions for the Head Start Collaboration Grant.

**6. FINDINGS AND NONCOMPLIANCE**

The findings and noncompliance identified in connection with the 2010 Single Audit are disclosed in the Schedule of Findings and Questioned Costs.

**7. SUBRECIPIENTS**

Of the federal expenditures presented in the schedule of expenditures and federal awards, City Colleges did not provide federal awards to subrecipients during the fiscal year ended June 30, 2010.

**8. AMOUNT OF FEDERAL INSURANCE IN EFFECT DURING THE YEAR**

No federal insurance was received by City Colleges during the year ended June 30, 2010.

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**PART V:  
CITY COLLEGES OF CHICAGO  
COMMUNITY COLLEGE DISTRICT NO. 508  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

**CITY COLLEGES OF CHICAGO  
COMMUNITY COLLEGE DISTRICT NO. 508**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

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**SECTION I — SUMMARY OF INDEPENDENT AUDITORS' RESULTS**

**Financial Statements**

<b>Type of auditors' report issued:</b>	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	None Reported
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	Finding 2010-1
• Noncompliance material to financial statements noted?	None Reported

**Federal Awards**

Internal control over major programs:	
• Material weakness(es) identified?	None Reported
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	Finding 2010-2

<b>Type of auditors' report issued on compliance for major programs:</b>	Unqualified
• Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes

(Continued)

**CITY COLLEGES OF CHICAGO  
COMMUNITY COLLEGE DISTRICT NO. 508**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

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**SECTION I — IDENTIFICATION OF MAJOR PROGRAMS**

<b>CFDA Number</b>	<b>Name of Federal Program or Cluster</b>
84.007/84.032/84.033/84.063/84.375	Student Financial Assistance Cluster
84.394/84.397	State Fiscal Stabilization Grant Cluster (ARRA Funded)
17.259/17.258	Workforce Investment Act Grant Cluster (ARRA Funded)
• Dollar threshold used to distinguish Type A and Type B programs	\$3,000,000
• Auditee qualified as a low-risk auditee?	No

(Concluded)

**CITY COLLEGES OF CHICAGO  
COMMUNITY COLLEGE DISTRICT NO. 508**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

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**SECTION II — FINANCIAL STATEMENT FINDINGS**

**FINDING 2010 — 1**

**Management of Deferred Capital Projects Revenue**

*Condition*

During our testing of current year deferred revenue related to capital projects, D&T identified an error of \$2.7 million. The error was a result of three capital projects which were completed in prior years, however, completion was not properly reflected in the account balances, and as a result, deferred revenue was overstated and capital appropriations revenue was not properly recognized.

*Cause*

Reconciliations for deferred revenue related to capital projects were not performed in a timely manner.

*Criteria*

Deferred revenue related to capital projects should represent funding received for projects which have not yet been completed.

*Context*

The error identified was approximately \$2.7 million out of a total deferred revenue balance of \$3.5 million.

*Effect*

Inadequate and/or untimely reconciliations of account balances can cause misstatements within the financial statements.

*Recommendation*

Reconcile capital projects on a monthly basis to ensure that completed projects are properly accounted for in the correct accounting period. Review beginning balances of deferred capital projects revenue each year end to ensure that it is properly stated and revenue is appropriately recognized.

Refer to page 66 for management's response and corrective action plan.

**CITY COLLEGES OF CHICAGO  
COMMUNITY COLLEGE DISTRICT NO. 508**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

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**SECTION III — FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION**

**FINDING 2010 — 2**

**Student Financial Assistance Cluster — CFDA 84.007, 84.032, 84.033, 84.063, 84.375  
U.S. Department of Education**

*Condition*

Of the 60 selections tested for Return of Title IV (R2T4) funds, we noted errors in the calculations, which resulted in three out of 60 selections incorrectly reporting a postwithdrawal disbursement amount that totaled \$917, which resulted in an understatement of PELL award that should have been applied to a student account. In addition, of the 60 selections tested for Return of Title IV (R2T4) funds, we noted in four out of 60 selections that the R2T4 funds were not deposited into the student financial aid accounts or returned to the appropriate lender within the 45 days after the withdrawal date.

*Cause*

Errors in the manual calculation of R2T4 and lack of timely return of the R2T4 funds to be returned or applied to a student account.

*Criteria*

The calculation of the amount of Title IV funds earned by the student is determined by dividing the total number of calendar days in the payment period or period of enrollment into the number of calendar days completed in that period as of the student's withdrawal date as per 34 CFR Section 668.22(f). R2T4 funds are required to be deposited to the student financial aid accounts or returned to the appropriate lender within 45 days after the date the institution determines that the student withdrew as per 34 CFR Section 668.22(j).

*Context*

The expenditures for student financial assistance cluster are approximately \$94.5 million out of total federal expenditures of \$118.3 million.

*Effect*

Errors in the manual calculation of R2T4 can result in inaccurate amounts of federal funds returned. Lack of timely review of R2T4 funds can result in untimely submission. These errors can result in penalties and the reduction of future revenue funding.

**CITY COLLEGES OF CHICAGO  
COMMUNITY COLLEGE DISTRICT NO. 508**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

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*Recommendation*

Perform a review of all R2T4 calculations before submitting to help identify errors resulting from the manual process. Inquire as to whether a program can be developed in the PeopleSoft system to automatically calculate the Title IV amounts earned by a student to avoid potential clerical errors. Review calculations consistently throughout the year and implement policies, procedures, and timelines for all appropriate personnel to allow for timely submission.

*Views of Responsible Officials*

Refer to page 66 for management's response and corrective action plan.

**CITY COLLEGES OF CHICAGO  
COMMUNITY COLLEGE DISTRICT NO. 508**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

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**FINDING 2010 — 3**

**Workforce Investment Act — CFDA 17.258 and 17.259**

*Condition*

Of the 41 selections tested for allowability of expenditures, we noted three errors in the calculations in total hours on the timesheets, which resulted in paying a summer youth intern the incorrect payroll amount.

*Cause*

Inadequate review of payroll timesheets by the supervisor, did not properly identify errors in total hours worked.

*Criteria*

The City of Chicago Department of Family and Social Services Scope of Services contract dated May 26, 2009, states that timesheets should reflect hours worked.

*Context*

The expenditures for the Workforce Investment Act Program are approximately \$0.6 million out of total federal expenditures of \$118.3 million.

*Effect*

Incorrect payroll timesheets could result in unallowable expenditures being charged to the Workforce Investment Act Program.

*Recommendation*

Properly train employees on completion of timesheets. Perform reviews of timesheets by supervisors.

*Views of Responsible Officials*

Refer to page 67 for management's response and corrective action plan.

**CITY COLLEGES OF CHICAGO  
COMMUNITY COLLEGE DISTRICT NO. 508**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

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**FINDING 2010 — 4**

**STUDENT FINANCIAL ASSISTANCE CLUSTER — CFDA 84.007, 84.032, 84.033, 84.063,  
84.375  
U.S. DEPARTMENT OF EDUCATION**

**Condition**

During our testing for eligibility we noted two out of the 60 students sampled, that did not meet the financial need requirement, however were awarded subsidized Stafford loans. The eligibility errors resulted in \$3,694 awarded to students which should not have been.

**Cause**

Inadequate review of eligibility determination requirements for subsidized Stafford loans prior to awarding to students.

**Criteria**

Awards must be coordinated among the various programs and with other Federal and non-Federal aid to ensure that total aid is not awarded in excess of the student's financial need as per 34 CFR Section 682.603.

**Context**

The total subsidized Stafford loans within the Student Financial Assistance cluster are approximately \$4.4 million out of total federal expenditures of \$118.3 million.

**Effect**

Students are awarded subsidized Stafford loans that do not meet the financial need requirement, which could result in penalties and reduction of future federal funding.

**Recommendation**

Perform adequate reviews of eligibility determinations; including financial need, prior to awarding students subsidized Stafford loans.

**Views of Responsible Officials**

Refer to page 67 for management's response and corrective action plan.



**CITY COLLEGES OF CHICAGO  
COMMUNITY COLLEGE DISTRICT NO. 508**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

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**SECTION IV — CORRECTIVE ACTION PLANS**

**FINDING 2010-1**

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**Corrective Action Plan**

Person Responsible: Controller

Completion Date: Fiscal 2011

We concur with this finding. Our corrective action plan is as follows:

1. We will post our capital asset transactions on a monthly basis, as well as perform a reconciliation of the related accounts, including deferred capital projects revenue.
2. We will coordinate our efforts with the Administrative Services department to identify completed projects on a quarterly basis.
3. We will perform a year-end review of all related transactions that occurred during the fiscal year.

**FINDING 2010-2**

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**Corrective Action Plan**

Person Responsible: District Director of Student Financial Aid

Completion Date: Fiscal 2011

We concur with this finding.

The review of the R2T4 transactions will become one of several methods used to measure the effectiveness of the Financial Aid operations. Therefore, the District will produce and submit to each college on a weekly basis, the R2T4 report for Financial Aid Director's review and completion. As a result, we will provide a monthly status report to executive management as to the status of the R2T4 review process for each college. To ensure timely submission of R2T4 calculations, Student Finance will work with OIT to develop an "Aging Report" in which R2T4 calculations are to be performed.

### **FINDING 2010-3**

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#### **Corrective Action Plan**

Person Responsible: Executive Director of Payroll

Completion Date: Fiscal 2011

We concur with this finding. Our corrective action plan is as follows:

1. Developed a PowerPoint presentation on how to complete a certificate of attendance correctly to be used by the campuses for training.
2. District Office will perform random audits to ensure timesheets are calculated correctly.

### **FINDING 2010-4**

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#### **Corrective Action Plan**

Person Responsible: District Director of Student Financial Aid

Completion Date: Fiscal 2011

We concur. Our corrective action plan is as follows:

Office of Finance will instruct the Financial Aid Directors to perform a monthly review of at least 30% of student's files; specifically students participating in the Direct Loan Program. This review will consist of, but not limited to, evaluating the completion and accuracy of the Direct Loan Certification form used in determining students' eligibility.

**PART VI:  
CITY COLLEGES OF CHICAGO  
COMMUNITY COLLEGE DISTRICT NO. 508  
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2010**

**CITY COLLEGES OF CHICAGO  
COMMUNITY COLLEGE DISTRICT NO. 508**

**SUMMARY OF PRIOR-YEAR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2010**

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**PRIOR-YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**FINDING 2009-1**

**Student Financial Assistance Cluster — CFDA 84.007, 84.032, 84.033, 84.063, 84.375  
U.S. Department of Education**

*Condition*

In four out of 25 selections tested for return of Title IV (R2T4) funds, we noted the percentage of Title IV funds earned was not properly calculated as stated in 3 CFR 668.22. We also noted that R2T4 funds were not processed by the deadline as stated in 3 CFR 668.22 for one out of our 25 selections.

*Corrective Action Plan*

We concur with this finding. Effective for the 2009 summer school term, City Colleges of Chicago will become a nonattendance-taking institution. As a result, all R2T4 calculations will be calculated with a withdrawal date equal to the midterm date. The calculation will be based on withdrawals at midterm thus minimizing the risk of clerical errors. We are in the process of working with the Office of Information Technology (OIT) to develop a report summarizing R2T4 funds payments to assist with monitoring of compliance with withdrawals requiring return calculations.

*Status*

Refer to the current-year finding 2010-2.