City Colleges of Chicago Community College District No. 508

Basic Financial Statements as of and for the
Years Ended June 30, 2011 and 2010, 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, 2011

CITY COLLEGES OF CHICAGO
COMMUNITY COLLEGE DISTRICT NO. 508

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PART I

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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, 2011 and 2010, 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, 2011 and 2010, 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 November 15, 2011, 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 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 49–54 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

November 15, 2011

Management Discussion and Analysis (MD&A)

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, 2011 and 2010. 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 basic financial statements focus on City Colleges as a whole. The accompanying basic 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 2011 - Total net assets as of June 30, 2011 increased by $30.3 to $824.2 million.

Current assets increased by $20 million due in part to an increase in cash of $76.5 million and a $7.8 million increase in accounts receivable. This was offset by a $61.3 million decrease in short term investments and a $3.1 million decrease in property tax receivable. The $76.5 million increase in cash is due to transfers from the investment accounts to the cash accounts. The $7.8 million increase in accounts receivable is primarily due to the $6.1 million increase in other receivables and a $2.4 million increase in grants receivable. The $6.1 million increase in other receivables is due to a $3.6 million increase in the State of Illinois receivable and a $2.5 million increase in Government claims that was offset by a $.7 decrease in student receivables. The $61.3 million decrease in short-term investments was primarily due to a change in the maturity dates of the instruments in our investment portfolio. The $3.1 million decrease in property tax receivable is due to the increase of collections from prior years.

Other non-current assets increased by $28.4 million due in part to an increase in long term investments of $28.6 million which was offset by a decrease in restricted cash of $300,000.

The investment in capital assets decreased by $200,000 due an increase in accumulated depreciation of $21.4 million that is offset by a $21.2 million increase in capital assets.

Total current liabilities increased by $14.2 million due to an increase of $6.4 million in accounts payable, $1.6 million increase in deferrals, $.8 million increase in accruals and a $7.7 million increase in other liabilities which were offset by a $2.4 million decrease in deposits held for others and accrued property tax refunds. Total non-current liabilities increased by $3.7 million due to an increase of $4.4 in other post-employment benefits offset by a decrease of $.7 in accrued compensated absences and sick leave benefits.

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.

The other non-current assets increased by $12.0 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.

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.

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 $4.7 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.

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

	2011	2010	Change	2009	Change
Current assets	$ 304.7	$ 284.7	$ 20.0	$ 287.5	$ (2.8)
Non-current assets					
Capital assets	839.8	818.5	21.2	779.3	39.2
Less accumulated depreciation	(246.7)	(225.3)	(21.4)	(208.3)	(17.0)
Other assets	109.2	80.8	28.4	68.8	12.0
Total assets	$ 1,006.9	$ 958.7	$ 48.2	$ 927.3	$ 31.4
Current liabilities	$ 136.5	$ 122.3	$ 14.2	$ 122.4	$ (0.1)
Non-current liabilities	46.2	42.5	3.7	37.8	4.7
Total liabilities	$ 182.7	$ 164.8	$ 17.9	$ 160.2	$ 4.6
Net assets					
Invested in capital assets, net of related debt	$ 593.0	$ 593.2	$ (0.2)	$ 571.0	$ 22.2
Restricted for expendable:					
Capital projects	93.0	44.5	48.5	56.1	(11.6)
Other	71.8	69.4	2.4	72.8	(3.4)
Unrestricted	66.4	86.8	(20.4)	67.1	19.7
Total net assets	$ 824.2	$ 793.9	$ 30.3	$ 767.0	$ 26.9

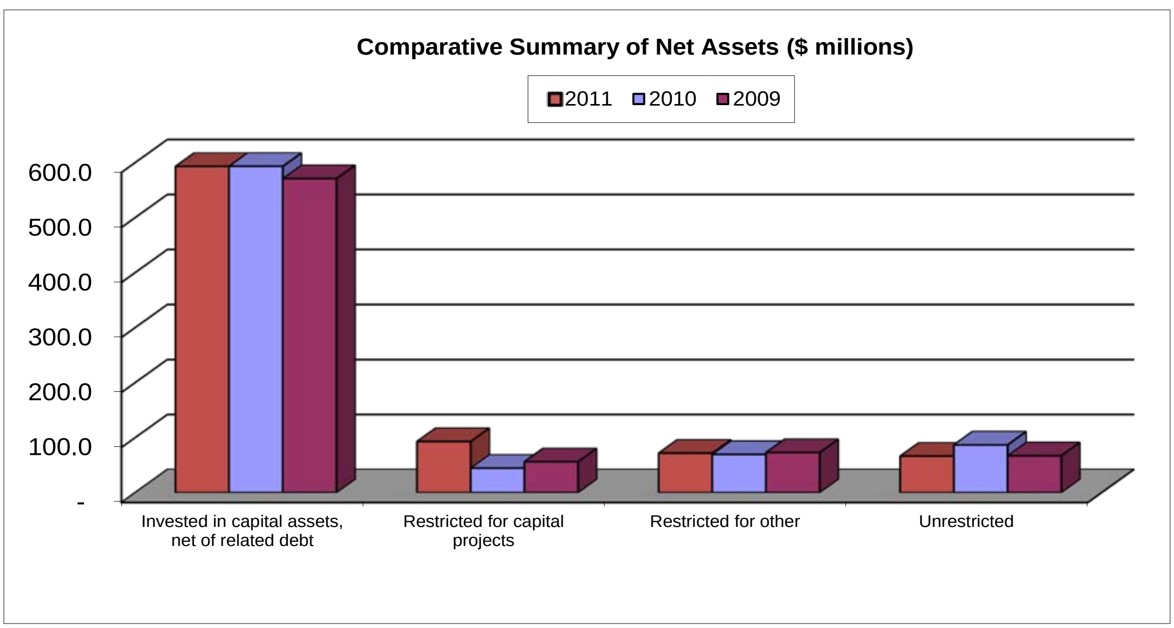

Table 2
Revenues, Expenses and Changes in Net Assets
(in millions of dollars)

Operating	**2011**	**2010**	**Change**	**2009**	**Change**
Revenues	$ 54.5	$ 55.5	$ (1.0)	$ 54.5	$ 1.0
Expenses	(435.4)	(404.4)	(31.0)	(372.2)	(32.2)
Operating loss	(380.9)	(348.9)	(32.0)	(317.7)	(31.2)
Non-operating					
Revenues	408.6	368.5	40.1	325.7	42.8
Expenses	-	-	-	-	-
Net non-operating revenue	408.6	368.5	40.1	325.7	42.8
Income (Loss) before capital contributions	27.7	19.6	8.1	8.0	11.6
Capital contributions	2.6	7.3	(4.7)	16.0	(8.7)
Change in net assets	30.3	26.9	3.4	24.0	2.9
Net assets, beginning of year	793.9	767.0	26.9	743.0	24.0
Net assets, end of year	$ 824.2	$ 793.9	$ 30.3	$ 767.0	$ 26.9

Fiscal year 2011 - In fiscal year 2011, the income before capital contributions increased by $8.1 million. Operating revenues decreased by $1 million due to a decrease in net tuition and fees. Operating expenses increased by $31.0 million due to a $15.8 million increase in financial aid, $3.5 million increase in fringe benefits, $4.8 million increase in equipment not capitalized, and contractual services, a $3.9 million increase in depreciation and a $9 million increase in other expenses. This was offset by a $4.4 million decrease in staffing costs, and a $1.7 million decrease in supplies, travel and utility expenses.

Net non-operating revenues increased by $40.1 million due in part to a $10.1 million increase in state apportionment, a $2.8 million increase in other state grants, a $2.5 million increase in corporate personal property taxes, and a $30 million increase in federal grants, which were offset by a $3.8 million decrease in local property taxes, and a combined $1.5 million decrease in local grants, litigation settlements and investment income.

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.

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

Operating revenues	**2011**	**2010**	**Change**	**2009**	**Change**
Student tuition and fees	$ 114.6	$ 104.8	$ 9.8	$ 85.8	$ 19.0
Less scholarships	(68.5)	(56.7)	(11.8)	(39.1)	(17.6)
Other operating	8.4	7.4	1.0	7.8	(0.4)
Total operating revenues	54.5	55.5	(1.0)	54.5	1.0
Non-operating revenues					
State apportionment and equalization	48.7	38.7	10.0	37.8	0.9
Other state grants and contracts	75.4	72.6	2.8	64.2	8.4
Local grants and contracts	5.3	5.6	(0.3)	4.7	0.9
Local property taxes	123.5	127.3	(3.8)	121.0	6.3
Personal property replacement tax	13.9	11.4	2.5	13.6	(2.2)
Federal grants and contracts	140.2	110.2	30.0	78.6	31.6
Litigation settlement	-	0.7	(0.7)	-	0.7
Investment income	1.6	2.0	(0.4)	5.8	(3.8)
Total non-operating revenues	408.6	368.5	40.1	325.7	42.8
Capital appropriations and grants	2.6	7.3	(4.7)	16.0	(8.7)
Total revenues	$ 465.7	$ 431.3	$ 34.4	$ 396.2	$ 35.1

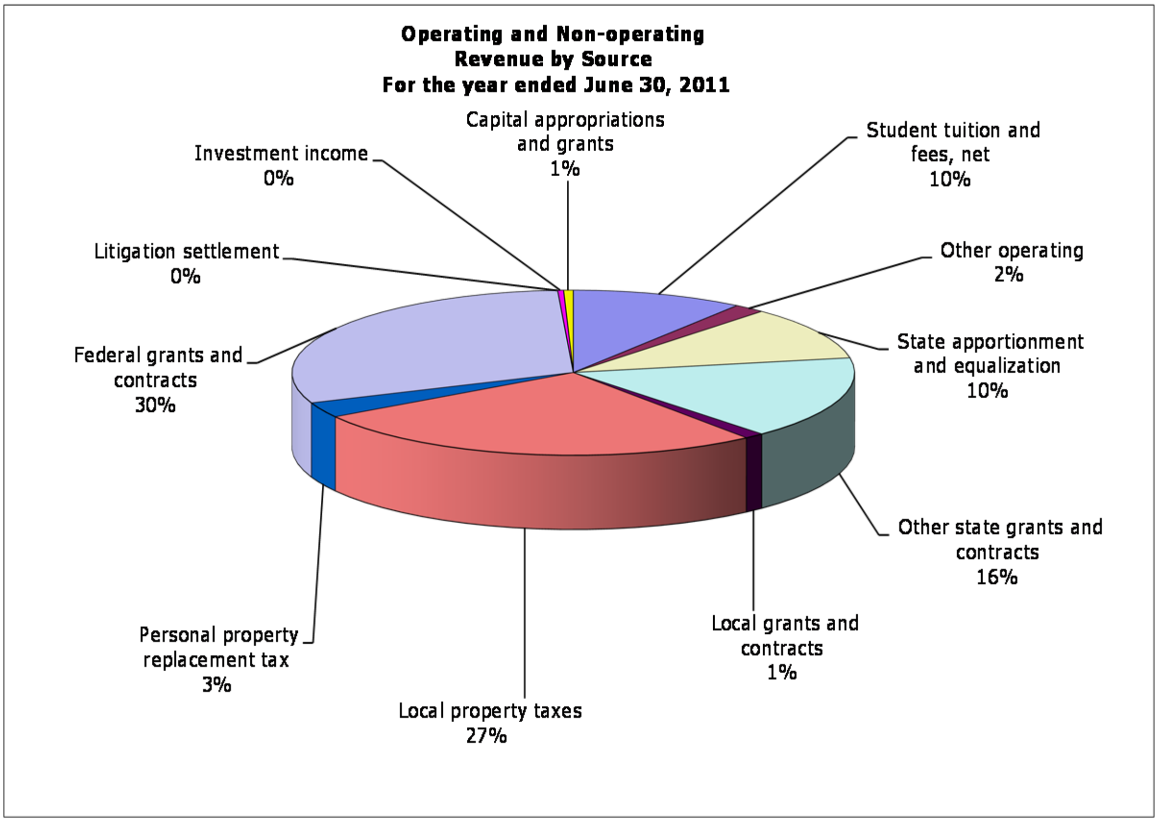
Operating and Non-operating
Revenue by Source
For the year ended June 30, 2011
Capital appropriations and grants 1%
Student tuition and fees, net 10%
Investment income 0%
Other operating 2%
Litigation settlement 0%
State apportionment and equalization 10%
Federal grants and contracts 30%
Other state grants and contracts 16%
Local grants and contracts 1%
Personal property replacement tax 3%
Local property taxes 27%

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

	2011	2010	Change	2009	Change
Operating Expenses					
Instruction	$ 132.3	$ 127.8	$ 4.5	$ 121.4	$ 6.4
Academic support	31.0	33.8	(2.8)	33.5	0.3
Student services	31.5	30.3	1.2	28.1	2.2
Public service	8.3	10.0	(1.7)	9.6	0.4
Organized research	0.6	0.9	(0.3)	0.8	0.1
Operations and maintenance of plant	55.5	48.1	7.4	42.8	5.3
Institutional support	78.8	76.3	2.5	66.2	10.1
Financial aid	73.0	57.2	15.8	46.8	10.4
Auxiliary	2.1	1.7	0.4	1.7	-
Depreciation	22.2	18.3	3.9	21.3	(3.0)
Total Operating Expenses	435.3	404.4	30.9	372.2	32.2
Non-operating expenses					
Building lease and debt expense	-	-	-	-	-
Total Expenses	$ 435.3	$ 404.4	$ 30.9	$ 372.2	$ 32.2

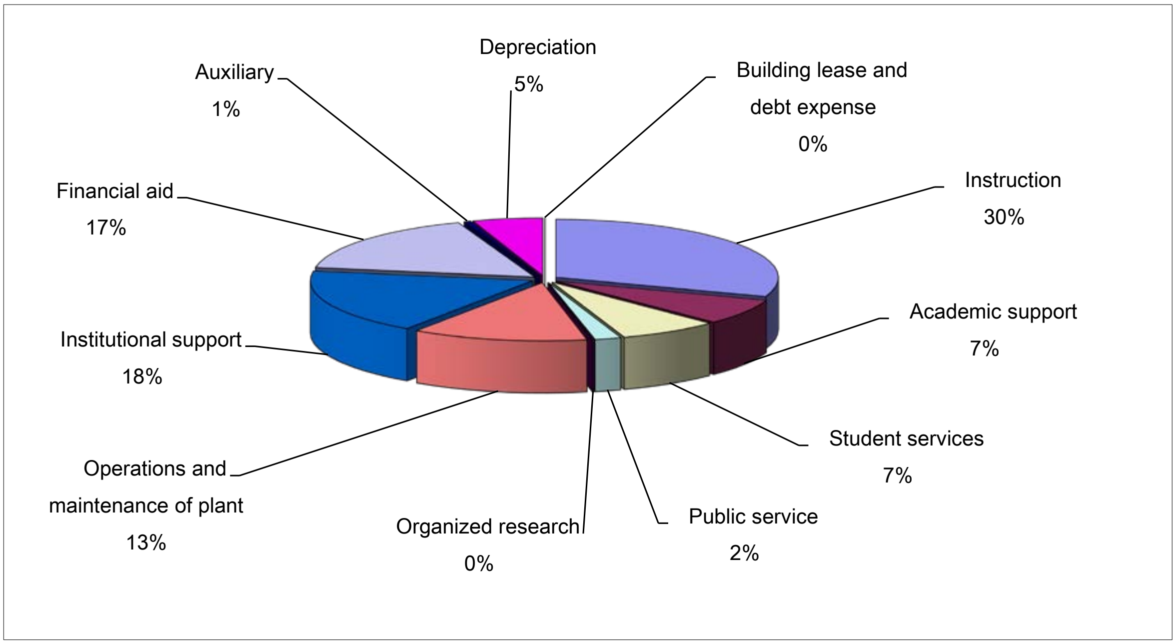

Table 5
Capital Assets (Net of accumulated depreciation)
As of June 30
(in millions of dollars)

	2011	2010	Change	2009	Change
Capital Assets					
Land	$ 50.0	$ 49.1	$ 0.9	$ 49.1	$ -
Buildings and improvements	692.7	680.5	12.2	654.3	26.2
Construction in progress	51.8	43.0	8.8	29.0	14.0
Equipment	15.9	15.7	0.2	17.1	(1.4)
Software	29.3	29.4	(0.1)	29.0	0.4
Vehicles	-	0.8	(0.8)	0.8	-
Total	839.7	818.5	21.2	779.3	39.2
Less accumulated depreciation	(246.7)	(225.3)	(21.4)	(208.3)	(17.0)
Net capital assets	$ 593.0	$ 593.2	$ (0.2)	$ 571.0	$ 22.2

Capital Assets

Fiscal year 2011 - As of June 30, 2011, City Colleges had $839.7 million in capital assets, $246.7 million in accumulated depreciation, and $593.0 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 decrease in City Colleges' net capital assets for the current fiscal year is $.2 million. **(See Note 5)**

Major capital asset events during fiscal year 2011 included the following:

- A net increase of $12.2 million in buildings and improvements was due to site upgrades at the District Office and at each of the campuses parking lots and sidewalks and renovations of various rooms at Harold Washington, Malcolm X, Olive-Harvey and Truman.
- Construction in progress costs of $8.8 million for the renovation of the Olive-Harvey exterior facade and parking lot and the Truman student services center and parking garage.

Capital Assets *(Continued)*

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.

Non-current Liabilities

Fiscal year 2011 - As of June 30, 2011, City Colleges had total non-current liabilities of $48.7 million before reduction of current maturities. This amount includes $2.7 million for compensated absences, $19.3 million of accumulated sick leave benefit liability for current employees and $26.7 million of other post-employment benefits for retired employees.

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.

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

	2011	2010	Change	2009	Change
Accrued compensated absences	$ 2.7	$ 2.9	$ (0.2)	$ 2.7	$ 0.2
Sick leave benefits	19.3	19.5	(0.2)	20.1	(0.6)
Other post retirement benefits	26.7	22.3	4.4	17.3	5.0
Sub-total	48.7	44.7	4.0	40.1	4.6
Less current portion	(2.5)	(2.3)	(0.2)	(2.3)	-
Total non-current liabilities	$ 46.2	$ 42.4	$ 3.8	$ 37.8	$ 4.6

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, 11th Floor, 226 West Jackson Boulevard, Chicago, IL 60606.

Basic Financial Statements

City Colleges of Chicago
Community College District No. 508
Statements of Net Assets
June 30, 2011 and 2010

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	$ 119,912,936	$ 43,354,420
Short-term investments	91,408,206	152,669,337
Property tax receivable, net	56,673,602	59,574,942
Personal property replacement tax receivable	1,858,390	2,074,089
Other accounts receivable, net	34,759,446	26,946,708
Prepaid items and other assets	46,868	44,024
Total current assets	304,659,448	284,663,520
Non-current assets:		
Restricted cash	1,778,722	2,083,053
Funds held by Public Building Commission	2,762,337	2,734,557
Long-term investments	104,664,276	76,047,269
Capital assets	839,764,390	818,501,528
Less: Accumulated depreciation	(246,743,974)	(225,326,563)
Total non-current assets	702,225,751	674,039,844
Total assets	1,006,885,199	958,703,364
Liabilities		
Current liabilities:		
Accounts payable	21,185,009	14,952,180
Accrued payroll	7,542,753	7,240,135
Other accruals	973,972	449,962
Deferred salaries	3,726,330	3,285,805
Deposits held in custody for others	1,610,311	1,991,323
Deferred tuition and fees revenue	7,471,623	7,105,037
Deferred property tax revenue	59,161,623	58,781,511
Accrued property tax refunds	6,292,190	8,305,585
Deferred grant revenue	4,810,007	4,379,524
Other liabilities	21,196,468	13,546,085
Current portion of non-current liabilities	2,530,122	2,308,346
Total current liabilities	136,500,408	122,345,493
Non-current liabilities:		
Accrued compensated absences	2,735,949	2,904,460
Sick leave benefits	19,270,303	19,534,758
Other post-employment benefits	26,712,237	22,308,306
Less current portion of non-current liabilities	(2,530,122)	(2,308,346)
Total non-current liabilities	46,188,367	42,439,178
Total liabilities	182,688,775	164,784,671
Net assets		
Net assets invested in capital assets	593,020,416	593,174,965
Restricted for expendable:		
Capital projects	92,978,002	44,507,719
Working capital	71,830,566	69,361,867
Unrestricted	66,367,440	86,874,142
Total net assets	$ 824,196,424	$ 793,918,693

The accompanying notes are an integral part of these basic 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, 2011 and 2010

Revenues	**2011**	**2010**
Operating revenues:		
Student tuition and fees:		
Resident tuition	$ 83,336,784	$ 72,890,679
Nonresident tuition	7,248,471	8,961,053
Fees	24,002,076	22,910,250
Less: Scholarship allowances	(68,487,277)	(56,717,736)
Net student tuition and fees	46,100,054	48,044,246
Other operating revenues	8,370,707	7,442,333
Total operating revenues	54,470,761	55,486,579
Expenses		
Operating expenses:		
Instructional salaries	88,565,180	90,477,097
Non-instructional salaries	93,023,672	95,556,737
Fringe benefits	67,970,166	64,479,515
Supplies	13,885,552	14,646,462
Professional development	1,325,058	1,826,668
Equipment not capitalized	5,765,922	4,838,391
Utilities	9,834,789	10,299,268
Contractual services	46,303,596	42,380,663
Depreciation	22,245,912	18,367,180
Financial aid, exclusive of scholarship allowances	73,006,767	57,192,354
Other expenses	13,379,760	4,301,200
Total operating expenses	435,306,374	404,365,535
Operating loss	(380,835,613)	(348,878,956)
Non-operating revenues (expenses):		
State apportionment and equalization	48,683,543	38,637,438
Other state grants and contracts	75,378,306	72,578,870
Local grants and contracts	5,273,784	5,646,914
Local property taxes	123,516,103	127,316,069
Personal property replacement tax	13,924,035	11,416,700
Federal grants and contracts	140,186,492	110,203,448
Litigation settlement	-	656,745
Investment income	1,589,648	2,028,369
Non-operating revenues, net	408,551,911	368,484,553
Income before capital appropriations and grants	27,716,298	19,605,597
Capital appropriations and grants	2,561,433	7,335,701
Change in net assets	30,277,731	26,941,298
Net assets, beginning of year	793,918,693	766,977,395
Net assets, end of year	$ 824,196,424	$ 793,918,693

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

City Colleges of Chicago
Community College District No. 508
Statements of Cash Flows
For the fiscal years ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Tuition and fees	$ 41,067,316	$ 64,702,986
Payments to suppliers	(108,446,739)	(101,242,759)
Payments to employees	(183,360,875)	(186,739,557)
Payments to students	(73,006,767)	(57,192,354)
Other	8,370,707	8,099,078
Net cash used for operating activities	(315,376,358)	(272,372,606)
Cash flows from noncapital financing activities		
Local property taxes	124,784,160	130,609,083
State appropriations	91,026,421	80,928,010
Personal property replacement tax	14,139,734	11,462,142
Grants and contracts	143,570,606	115,540,783
Net cash provided by noncapital financing activities	373,520,921	338,540,018
Cash flows from capital and related financing activities		
Capital appropriations and grants	2,440,392	20,052,304
Purchases of capital assets	(18,637,037)	(40,579,734)
Net cash used for capital and related financing activities	(16,196,645)	(20,527,430)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	630,406,707	603,994,975
Purchases of investments	(597,762,583)	(609,850,386)
Interest received on investments	1,662,143	2,540,188
Net cash provided by (used by) investing activities	34,306,267	(3,315,223)
Net increase in cash	76,254,185	42,324,759
Cash and cash equivalents at beginning of year	45,437,473	3,112,714
Cash and cash equivalents at end of year	$ 121,691,658	$ 45,437,473
Cash and cash equivalents	$ 119,912,936	$ 43,354,420
Restricted cash	1,778,722	2,083,053
	$ 121,691,658	$ 45,437,473
Noncash Transactions		
State payments on behalf of fringe benefits	33,035,428	30,288,298
Increase in fair market value of investments	191,365	331,610

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

City Colleges of Chicago
Community College District No. 508
Statements of Cash Flows *(Continued)*
For the fiscal years ended June 30, 2011 and 2010

	2011	2010
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	$ (380,835,613)	$ (348,878,956)
Depreciation	22,245,912	18,367,180
State payment for retirement obligation	33,035,428	30,288,298
Changes in net assets:		
Receivables, net	(5,471,819)	14,832,089
Prepaid items and other assets	(2,844)	111,654
Accounts payable	2,778,503	3,203,374
Accrued payroll	302,618	593,987
Other accruals	524,010	(809,866)
Deferred salaries	440,525	332,026
Deposits held in custody for others	(381,012)	(126,130)
Deferred tuition and fees revenue	366,586	1,314,832
Other liabilities	7,650,383	3,089,888
Accrued compensated absences	(168,511)	222,030
Sick leave benefits	(264,455)	(573,548)
Other post employment benefits	4,403,931	5,003,791
Litigation settlement	-	656,745
Net cash used for operating activities	$ (315,376,358)	$ (272,372,606)

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

Notes to Basic Financial Statements

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 basic 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, and has concluded that there are none.

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 basic 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 0.7% 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' basic 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 incurred. All significant intra-agency transactions have been eliminated.

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.

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 2010 tax year and collected in 2011 are recorded as revenue in fiscal year 2011. The remaining revenue related to the 2010 tax year extension was deferred and will be recorded as revenue in fiscal year 2012. Based upon collection histories, City Colleges recorded real property taxes at 97% of the 2010 extended levy.

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

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:

Assets	Years
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) 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 (2) 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.

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.

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 a financial aid 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 basic 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. 59, *Financial Instruments Omnibus*, is effective for financial statements for periods beginning after June 15, 2010. The adoption of GASB 59 had no material impact on the financial statements or note disclosures.

U. Subsequent Events

Management has evaluated all subsequent events through November 15, 2011, which is the date the basic financial statements were available to be issued

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.

2. <u>DEPOSITS AND INVESTMENTS</u> *(Continued)*

<u>Investments</u> *(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, 2011, City Colleges had none of its overall portfolio invested in the Illinois Funds. At June 30, 2010 , City Colleges had less than one percent of its overall portfolio invested in the Illinois Funds also. 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, 2011, which approximates fair value, is \$196,072,482. The amount at June 30, 2010 was \$228,716,606.

2. DEPOSITS AND INVESTMENTS *(Continued)*

Investments *(Continued)*

City Colleges' investments are shown in the following tables:

Investment Type	S&P Rating	June 30, 2011 Fair Value	Investment Maturities (in years) Less Than 1	Greater Than 1
US Treasury Obligations	AAA	$ 44,769,553	$ 28,840,218	$ 15,929,335
Federal National Mortgage Assoc.	AAA	72,939,010	27,373,961	45,565,049
IL Institutional Investor Trust	AAA	28,856,344	28,856,344	-
Commercial Paper	A-1+	49,507,575	49,507,575	-
Total investments		$ 196,072,482	$ 134,578,098	$ 61,494,384

Investment Type	S&P Rating	June 30, 2010 Fair Value	Investment Maturities (in years) Less Than 1	Greater Than 1
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		$ 228,716,606	$ 183,418,120	$ 45,298,486

Per Statement of Net Assets:

	June 30, 2011	June 30, 2010
Investments:		
Short-term investments	$ 91,408,206	$ 152,669,337
Long-term investments	104,664,276	76,047,269
Total Investments	$ 196,072,482	$ 228,716,606

3. OTHER ACCOUNTS RECEIVABLE

City Colleges' other accounts receivable consist of the following:

	June 30	
	2011	2010
Student	$ 11,338,226	$ 11,963,573
Grants	10,947,707	8,534,293
State of Illinois	12,461,551	8,832,906
Other	3,261,947	817,994
Gross other accounts receivable	38,009,431	30,148,766
Less: Allowance for uncollectibles	(3,249,985)	(3,202,058)
Net other accounts receivable	$ 34,759,446	$ 26,946,708

4. RESTRICTED ASSETS

City Colleges' restricted assets consist of the following:

	June 30	
	2011	2010
(A) Cash	$ 1,778,722	$ 2,083,053
(B) Funds held by PBCC	2,762,337	2,734,557
Total restricted assets	$ 4,541,059	$ 4,817,610

Restricted for:

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

5. CAPITAL ASSETS

In fiscal year 2011, the renovations district-wide were completed which had a life-to-date cost of $12.5 million. In fiscal year 2010, the renovations district-wide were completed which had a life-to-date cost of $26.9 million. Please see Capital Assets table below.

5. CAPITAL ASSETS *(Continued)*

	July 1, 2010	Additions and Transfers In	Retirements and Transfers Out	June 30, 2011
Capital assets not being depreciated:				
Land	$ 49,094,047	$ 865,287	$ -	$ 49,959,334
Construction work in progress	43,035,306	31,530,393	(22,733,269)	51,832,430
Subtotal	92,129,353	32,395,680	(22,733,269)	101,791,764
Capital assets being depreciated:				
Vehicles	825,036	-	(825,036)	-
Equipment	15,722,974	278,303	(99,801)	15,901,476
Software	29,342,571	-	-	29,342,571
Buildings and improvements	680,481,594	12,246,985	-	692,728,579
Subtotal	726,372,175	12,525,288	(924,837)	737,972,626
Total capital assets	818,501,528	44,920,968	(23,658,106)	839,764,390
Accumulated depreciation:				
Vehicles	510,598	-	(510,598)	-
Equipment	9,810,547	1,523,423	(317,903)	11,016,067
Software	28,826,737	162,073	-	28,988,810
Buildings and improvements	186,178,681	20,560,416	-	206,739,097
Total accumulated depreciation	225,326,563	22,245,912	(828,501)	246,743,974
Capital assets, net	$ 593,174,965	$ 22,675,056	$ (22,829,605)	$ 593,020,416
Cost of buildings and improvements acquired under capital leases (included in total capital assets above)	$ 391,825,192	$ -	$ -	$ 391,825,192

	July 1, 2009	Additions and Transfers In	Retirements and Transfers Out	June 30, 2010
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	$ 570,962,411	$ 53,068,745	$ (30,856,191)	$ 593,174,965
Cost of buildings and improvements acquired under capital leases (included in total capital assets above)	$ 391,825,192	$ -	$ -	$ 391,825,192

6. NET ASSETS

The Board of Trustees of City Colleges has designated certain unrestricted net assets for capital projects. In fiscal year 2011, $13.9 million was designated from current personal property taxes. 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.

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 as of June 30, 2011 and 2010. **(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, 2011 and 2010 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.

At June 30, 2011 and 2010, there were no outstanding capital leases.

7. LEASES (*Continued*)

B. Operating Leases

City Colleges leases equipment and office space under various operating lease agreements that will expire at various dates in the future. Certain leases for office space contain renewal provisions.

Operating lease expense was $2,296,499 for the year ended June 30, 2011 compared to $2,109,526 for the year ended June 30, 2010.

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

June 30, 2011	
2012	604,922
2013	623,069
2014	641,761
2015	161,979
2016	-
	$ 2,031,731

June 30, 2010	
2011	587,303
2012	604,922
2013	623,069
2014	641,761
2015	161,979
	$ 2,619,034

8. OTHER ACCRUALS AND OTHER LIABILITIES

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

	2011	2010
Other accruals		
Accrued for services	$ 973,972	$ 432,962
Accrued for goods	-	17,000
Total other accruals	$ 973,972	$ 449,962
Other liabilities		
Self insurance	$ 5,154,274	$ 7,517,039
Unclaimed property	3,611,391	3,981,179
*Federal Government	10,787,316	-
Other	1,643,487	2,047,867
Total other liabilities	$21,196,468	$13,546,085

*This liability related to an investigation performed by the U.S. Department of Education over the Title IV Program. The results of the investigation are pending and as such, City Colleges has recorded the entire amount being investigated.

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:

December	Cook County	DuPage County
2010	$82,046,916,439	$5,306,256
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	53,137,728,356	6,732,347

Accrued property tax refunds in 2011 are $6,292,190. Accrued property tax refunds in 2010 were $8,305,585. Accrued property tax refunds are estimated using a ten-year historical trend analysis of back taxes paid to determine how much will be refunded in the future.

10. ACCRUED COMPENSATED ABSENCES

At June 30, 2011, City Colleges had recorded a liability of $2,735,949 for compensated absences, and estimated that $191,571 of these liabilities are current and due within one year. At June 30, 2010, the liability was $2,904,460 for which City Colleges estimated that $161,948 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, 2011, City Colleges accrued $15,873,355 for the estimated present value of these future retiree benefits for current employees and $3,396,948 in benefits payable to retired employees for a total of $19,270,303.

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. **(See Note 12)**

12. CHANGES IN NON-CURRENT LIABILITIES

Changes in non-current liabilities for the years ended June 30, 2011 and 2010 are summarized in the table below:

	July 1, 2010	Additions	Reductions/ Adjustments	June 30, 2011	Amounts due within one year
Accrued compensated absences	$ 2,904,460	$ 3,115,000	$ (3,283,511)	$ 2,735,949	$ 191,571
Sick leave benefits	19,534,758	1,471,857	(1,736,312)	19,270,303	2,338,551
Other post-retirement benefits	22,308,306	11,029,375	(6,625,444)	26,712,237	-
	$ 44,747,524	$ 15,616,232	$ (11,645,267)	$ 48,718,489	$ 2,530,122

	July 1, 2009	Additions	Reductions/ Adjustments	June 30, 2010	Amounts due within one year
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	-
	$ 40,095,251	$ 16,131,041	$ (11,478,768)	$ 44,747,524	$ 2,308,346

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.

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 21.27% 18.61% and 12.88% of annual covered payroll for fiscal year 2011, 2010 and 2009, 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:

Fiscal Year	Amount
2011	$ 33,035,428
2010	30,288,298
2009	19,370,047

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 100% of the annual required contributions as shown for the years ended June 30:

Fiscal Year	Amount
2011	$ 25,165
2010	69,266
2009	414,766

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.

Membership: As of June 30, 2011, 2010 and 2009, membership consisted of:

	2011	2010	2009
Retirees and beneficiaries currently receiving benefits	654	614	703
Active employees – vested	1,594	1,668	1,686
TOTAL	2,248	2,282	2,389
Participating Employers	1	1	1

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, 2011 and 2010, City Colleges contributed $6,625,444 and $6,290,403, respectively.

14. OTHER POST-EMPLOYMENT BENEFITS *(Continued)*

Annual OPEB Costs and Net OPEB Obligation

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Increase in Net OPEB Obligation
June 30, 2011	$11,029,375	$ 6,625,444	60.1%	$ 4,403,931
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%	4,429,624
			Total Net OPEB Obligation	$26,712,237

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 2011, 2010 and 2009 were as follows:

	2011	2010	2009
Annual Required Contribution	$ 11,362,668	$ 11,552,729	$ 10,557,002
Interest on Net OPEB Obligation	1,003,874	778,703	590,356
Adjustment to Annual Required Contribution	(1,337,167)	(1,037,238)	(786,358)
Annual OPEB Cost	11,029,375	11,294,194	10,361,000
Contributions Made	(6,625,444)	(6,290,403)	(6,175,497)
Increase in Net OPEB Obligation	4,403,931	5,003,791	4,185,503
Net OPEB Obligation Beginning of Year	22,308,306	17,304,515	13,119,012
Net OPEB Obligation End of Year	$ 26,712,237	$ 22,308,306	$ 17,304,515

14. OTHER POST-EMPLOYMENT BENEFITS *(Continued)*

The funded status of the plan as of June 30, 2011 and 2010 was as follows:

	2011	2010	2009
Actuarial Value of Assets	$ -	$ -	$ -
Actuarial Accrued Liability (AAL)	124,498,937	117,079,887	121,654,154
Unfunded Actuarial Accrued Liability (UAAL)	$124,498,937	$117,079,887	$121,654,154
Funded Ratio (actuarial value of assets/AAL)	-%	-%	-%
Covered Payroll (active plan members)	$ 99,595,638	$102,896,841	$101,030,184
UAAL as a Percentage of Covered Payroll (AAL less Actuarial Value of Assets / UAAL)	125.0%	113.8%	120.4%

For the fiscal years ending June 30, 2010 and 2011, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions for fiscal years 2010 and 2011 included an annual healthcare cost trend rate of 8.5% and 9.0%, 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 and an investment return rate of 4.5% per year. Using an open amortization period, 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 $18.3 million in investments designated for this obligation in 2011, and had $18.1 million designated in 2010.

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 $3,000,000. City Colleges has supplemental coverage by an independent insurer for claims exceeding $3,000,000 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

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 $764,100 and $2,396,000 as of June 30, 2011 and 2010, 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 $500,000 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 $3,510,705 and $3,941,205 as of June 30, 2011 and 2010, 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 $879,469 and $1,179,834, as of June 30, 2011 and 2010, respectively that have been incurred, but not claimed.

15. RISK MANAGEMENT *(Continued)*

Summary of Changes in Self-Insurance

	June 30, 2010	Incurred Claims	Payment on Claims	June 30, 2011	Amounts due within one year
General liability	$ 2,396,000	$ (1,482,500)	$ (149,400)	$ 764,100	$ 764,100
Workers' compensation	3,941,205	168,834	(599,334)	3,510,705	3,510,705
Health insurance	1,179,834	22,779,740	(23,080,105)	879,469	879,469
	$ 7,517,039	$ 21,466,074	$ (23,828,839)	$ 5,154,274	$ 5,154,274

	June 30, 2009	Incurred Claims	Payment on Claims	June 30, 2010	Amounts due within one year
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	1,293,626	22,653,498	(22,767,290)	1,179,834	1,179,834
	$ 5,541,875	$ 26,147,694	$ (24,172,530)	$ 7,517,039	$ 7,517,039

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, 2011, City Colleges had $23.5 million in purchase commitments for its capital plan, of which all is being funded by the 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.

PART II

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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, 2011, and have issued our report thereon dated November 15, 2011. 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

Management of the City Colleges is responsible for establishing and maintaining effective 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.

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 November 15, 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.

Deloitte & Touche LLP

November 15, 2011

PART III

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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, 2011. City Colleges' major federal programs are identified in the summary of auditor's 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 of 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, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1.

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 was not designed to identify all deficiencies in internal control over compliance 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 2011-1. 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

December 29, 2011

PART IV:
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY COLLEGES OF CHICAGO COMMUNITY COLLEGE DISTRICT NO. 50

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2011

Source of Funds Program Name	CFDA Number	Grant Number	Expenditures
U.S. Department of Education —			
Student Financial Assistance Cluster (Major Program):			
Federal Supplemental Educational Opportunity Grants Program	84.007	P007A101123	$ 1,256,419
Federal Work-Study Program	84.033	P033A101123	2,089,140
Federal Pell Grant Program	84.063	P063P101341	110,479,051
Federal Academic Competitiveness Grant	84.375	P375A101341	327,649
Federal Direct Loan (Major Program):			
Kennedy King College	84.268	P268K116807	4,603,125
Harold Washington College	84.268	P268K116870	1,747,090
Olive Harvey College	84.268	P268K116999	1,274,947
Truman College	84.268	P268K116996	914,305
Malcolm X College	84.268	P268K116907	825,820
Daley College	84.268	P268K116878	471,765
Wright College	84.268	P268K116997	283,149
Total Student Financial Assistance Cluster (Major Program)			124,272,460
TRIO Cluster:			
TRIO — Student Support Services:			
Student Support Services Program	84.042A	P042A050726	29,345
Student Support Services Program	84.042A	P042A100449	156,357
Student Support Services Program	84.042A	P042A050311	48,049
Student Support Services Program	84.042A	P042A100110	197,730
Student Support Services Program	84.042A	P042A051218	84,298
Student Support Services Program	84.042A	P042A050804	42,291
Student Support Services Program	84.042A	P042A051235	60,941
			619,011
TRIO — Talent Search Program:			
Talent Search Grant	84.044A	P044A070719	50,725
Talent Search Grant	84.044A	P044A070719-10	186,525
Talent Search Grant	84.044A	P044A060892	49,555
Talent Search Grant	84.044A	P044A060892-10	245,886
			532,691
TRIO — Upward Bound Program:			
Upward Bound Grant	84.047A	PO47A080685	70,610
Upward Bound Grant	84.047A	PO47A080685-10	184,783
			255,393
TRIO — Educational Opportunity Centers			
Educational Opportunity Centers Program	84.066A	P066A070373	46,786
Educational Opportunity Centers Program	84.066A	P066A070373	186,343
			233,129
Total TRIO Cluster			1,640,224

(Continued)

CITY COLLEGES OF CHICAGO COMMUNITY COLLEGE DISTRICT NO. 50

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2011

Source of Funds Program Name	CFDA Number	Grant Number	Expenditures
U.S. Department of Education —			
Passed through the Illinois Community College Board			
Adult Education — State Grants Program:			
Adult Education Grant — Basic	84.002A	50800	$ 2,768,423
Adult Education Grant — Civic	84.002A	50800	452,077
			3,220,500
U.S. Department of Education —			
Strengthening Institutions	84.031A	P031A090185-10	127,906
Higher Education — Institutional Aid	84.031A	P031A090185-10	87,143
			215,049
U.S. Department of Education —			
Predominantly Black Institutions	84.031P	P031P100013	32,215
U.S. Department of Education —			
Predominantly Black Institutions	84.031P	P031P100017	115,717
U.S. Department of Education —			
Predominantly Black Institutions	84.031P	P031P100011	259,839
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	CTE50811	4,003,553
Career and Technical Education Program/Innovation grant	84.048	CTEL11508	48,828
Partnership for College and Career Success Grant	84.243	11PCCS5080	481,862
			4,534,243
U.S. Department of Education —			
Passed through Northeastern University			
Gear-up Program	84.334	P334A050146	4,258
Chicago GEAR UP Alliance	84.334	P334A050146	68,785
			73,043
U.S. Department of Education —			
Strengthening Minority Serving Institutions			
Nursing Programs Applied Sciences/Career Programs	84.382A	P382A080037	304,583
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	P382A080012	465,727

(Continued)

CITY COLLEGES OF CHICAGO COMMUNITY COLLEGE DISTRICT NO. 50

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2011

Source of Funds Program Name	CFDA Number	Grant Number	Expenditures
U.S. Department of Education —			
Strengthening Minority Serving Institutions			
Learning Communities in Health Education	84.382A	P382A080028	$ 81,598
U.S. Department of Education —			
Nursing Simulation Learning Center at Malcom X College	84.382A	P382A090026	600,000
Total expenditures — U.S. Department of Education			135,815,198
U.S. Department of Health and Human Services —			
Passed through the Illinois Department of Human Services:			
Division of Community Health and Prevention Teen Reach	93.558	11GM802000	99,092
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	18112-2	313,914
Wrap Around Grant — Child Care Services	93.575	18112-6	410,926
			724,840
Passed through the City of Chicago Department of Family and Support Services:			
Head Start Program:			
Child Development Associate Training Grant	93.600	18398-2	171,440
Child Development Associate Training Grant	93.600	18398-3	200,934
Collaboration Full Day Child Care Grant	93.600	18112-2	323,119
Collaboration Full Day Child Care Grant	93.600	18112-6	209,065
			904,558
U.S. Department of Health and Human Services —			
Bridges to the Baccalaureate: Center of Science Success	93.879	5 R25 GM066344	14,541
Total expenditures — U.S. Department of Health and Human Services			1,743,031
U.S. Department of Agriculture —			
Passed through the Illinois State Board of Education			
Child and Adult Care Food Program	10.558	14016508051	14,721
Child Care Food Grant	10.558	14016508051	110,327
			125,048
U.S. Department of Agriculture —			
Passed through Illinois State Board of Education National Youth Summer Food Progr	10.559	15016508051	68,942
Total expenditures — U.S. Department of Agriculture			193,990

(Continued)

CITY COLLEGES OF CHICAGO COMMUNITY COLLEGE DISTRICT NO. 50

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2011

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	$ 2,412
Nursing Support Program	17.258	AA-20192-10-55-A-17	24,003
			26,415
U.S. Department of Labor —			
Passed through Employment and Training Administration			
Community-Based Job Training Grant	17.269	CB-18221-09-60-A-17	429,790
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	198,554
U.S. Department of Labor:			
Women in Nanotechnology Project	17.700	DOLB09E421898	1,885
Women in Nanotechnology Project	17.700	DOLB10E422329	1,000
			2,885
Total expenditures — U.S. Department of Labor			657,644
National Science Foundation:			
Exploring New Models for Authentic Undergraduate Research with	47.049	CHE-0629174	218,432
Two-Year College Students	47.049	CHE-0629174	245,792
			464,224
National Science Foundation —			
Passed through Purdue University			
Undergraduate Research Center —			
Center for Authentic Science Practice In Education	47.049	CHE-0418902	4,000
National Science Foundation —			
Biotechnology Program and Research: The Road to Career Development in Two			
Year Colleges	47.076	DUE-0903067	68,375
National Science Foundation —			
Passed through DePaul University:			
Building a STEM Pipeline in Chicago	47.076	DUE-0653198	5,252
Building a STEM Pipeline in Chicago	47.076	DUE-0653198	1,816
Building a STEM Pipeline in Chicago	47.076	DUE-0653198	18,393
Building a STEM Pipeline in Chicago	47.076	DUE-0653198	7,036
Building a STEM Pipeline in Chicago	47.076	DUE-0653198	4,230
			36,727
National Science Foundation —			
Passed through Chicago State University:			
Illinois Louis Stokes Alliance for Minority Participation	47.076	HRD-0904024	2,500
Illinois Louis Stokes Alliance for Minority Participation	47.076	HRD-0413000	4,000
Illinois Louis Stokes Alliance for Minority Participation	47.076	HRD-0904024	3,430
Illinois Louis Stokes Alliance for Minority Participation	47.076	HRD-0413000	520
			10,450

(Continued)

CITY COLLEGES OF CHICAGO COMMUNITY COLLEGE DISTRICT NO. 50

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2011

Source of Funds Program Name	CFDA Number	Grant Number	Expenditures
National Science Foundation —			
Passed through Cabrillo Community College			
Bridging Community College Chemistry Faculty into the National Educational Community	47.076	737166	$ 9,676
National Science Foundation —			
Passed through Roosevelt University:			
RU-HWC Partnership for STEM Education	47.076	DUE-0757053	9,699
RU-HWC Partnership for STEM Education	47.076	DUE-0757053	27,439
			37,138
National Science Foundation —			
Passed through Chicago State University:			
Illinois Louis Stokes Alliance for Minority Participation	47.076	DUE-0856827	62,500
Illinois Louis Stokes Alliance for Minority Participation	47.076	DUE-0856827	45,783
Illinois Louis Stokes Alliance for Minority Participation	47.076	DUE-0856827	550
Illinois Louis Stokes Alliance for Minority Participation	47.076	DUE-0856827	27,564
			136,397
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	10,941
National Science Foundation —			
Passed through National Center for Science and Civic Engagement			
Science Education for New Civic Engagement and Responsibilities	47.076	717407	2,143
Total expenditures — National Science Foundation			780,071
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	212,514
	14.218	24761	18,887
			231,401
National Endowment For The Humanities —			
Enduring Questions: What is Freedom?	45.163	AQ-50011-09	19,700
Corporation for National and Community Service —			
Passed through National Center for Science and Civic Engagement			
Great Lakes Innovative Stewardship Through Education Network	94.005	09LHAPA002	14,077
U.S. Department of Homeland Security —			
Scientific Leadership Awards for Minority Serving Institutions Grant Program			
Wilbur Wright College Emergency Management Associates in Applied Science Program	97.062	2008-ST-062-000002	15,990

(Continued)

CITY COLLEGES OF CHICAGO COMMUNITY COLLEGE DISTRICT NO. 50

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2011

Source of Funds Program Name	CFDA Number	Grant Number	Expenditures
U.S. Department of Labor — Passed through Illinois Department of Commerce and Economic Opportunity WIA Healthcare Training Grants ARRA Funded	17.258	AA-17119-08-55	$ 292,000
U.S. Department of Labor — Passed through Cook County President's Office of Employment Training Green A+ Computer Recycling and Refurbishing	17.279	2009-125AS	2,338
U.S. Department of Transportation/Federal Highway Administration Passed through the Illinois Community College Board Highway Construction Careers Training Program	20.205	HCCTP508	152,160
National Science Foundation — IRES US-Kenya: Effects of habitat changes on distribution, abundance and resource exploitation by globally threatened and forest specialist birds in Arabuku-Sokoke Forest, Kenya	47.082	OISE-0927254	51,437
U.S. Department of Energy — Weatherization Assistance Program Training Centers and Programs	81.042	DE-EE0003859	79,036
U.S. Department of Energy — Passed through Illinois Community College Board Illinois Home Weatherization Assistance Program	81.042	IHWAP508	45,063
U.S. Department of Education Office of Special Education and Rehabilitative Services Passed through Illinois Department of Human Services — ARRA Funded Rehabilitation Services — Vocational Rehabilitation Grants to States	84.390	ARRA VR	16,977
National Institute of Health U.S. Department of Health and Human Services — Passed through University of Chicago Re-Engineering Translation Research at the University of Chicago (UL1) with KKC	93.701	UL1RR024999-03S4	37,800
U.S. Department of Health and Human Services — Passed through the City of Chicago Department of Family and Support Services Headstart ARRA Funded Expansion (COLA and Quality Improvement)	93.708	05SE0101/01	8,744
Total all programs			$ 140,156,657

(Concluded)

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, 2011.

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, 2011, are primarily based on a federally negotiated higher education rate agreement.

Individual campuses' indirect cost rates for the fiscal year ended June 30, 2011, 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 2011 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, 2011, and are summarized as follows:

Guaranteed loan programs:	
Subsidized	$ 6,602,965
Unsubsidized	3,323,727
Parent Plus	193,509
Total federal student loan programs	$ 10,120,201

5. OTHER NONCASH ASSISTANCE

Noncash federal awards totaling $461,883 were received as in-kind contributions for the Head Start Collaboration Grant and Head Start Support Services Grant.

6. FINDINGS AND NONCOMPLIANCE

The findings and noncompliance identified in connection with the 2011 Single Audit are disclosed in the Schedule of Findings and Questioned Costs.

7. SUBRECIPIENTS

City Colleges did not provide federal awards to subrecipients during the fiscal year ended June 30, 2011.

8. AMOUNT OF FEDERAL INSURANCE IN EFFECT DURING THE YEAR

No federal insurance was received by City Colleges during the year ended June 30, 2011.

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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, 2011

CITY COLLEGES OF CHICAGO
COMMUNITY COLLEGE DISTRICT NO. 508

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

SECTION I — SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	Finding 2011-1
Type of auditors' report issued on compliance for major programs:	Unqualified
• Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Finding 2011-1

(Continued)

SECTION I — IDENTIFICATION OF MAJOR PROGRAMS

CFDA Number	Name of Federal Program or Cluster
84.007/84.033/84.063/84.268/84.375	Student Financial Assistance Cluster

• 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, 2011

SECTION II — FINANCIAL STATEMENT FINDINGS

There were no financial statement findings for the year ended June 30, 2011.

SECTION III — FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

FINDING 2011 — 1

Student Financial Assistance Cluster — CFDA 84.007, 84.033, 84.063, 84.268, 84.375
U.S. Department of Education

Condition

Of the 60 selections tested for Return of Title IV (R2T4) funds, we noted that three out of 60 selections that the returned 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 are caused by the lack of monitoring of the timing of returns of the R2T4 funds.

Criteria

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 $124.2 million out of total federal expenditures of $140.2 million.

Effect

These errors can result in penalties and the reduction of future revenue funding.

Recommendation

Review the return 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 62 for management's response and corrective action plan.

SECTION IV — CORRECTIVE ACTION PLANS

FINDING 2011-1

Corrective Action Plan

Person Responsible: District Director of Student Financial Aid Completion Date: Fiscal 2012

We concur with this finding.

The review of the R2T4 transactions continues to be one of the several methods used to measure the effectiveness of the Financial Aid operations. We will provide a monthly status report to executive management as to the status of the R2T4 review process for each college. In collaboration with the Office of Information Technology (OIT), we have created an Aging Report of R2T4 calculations to be performed to ensure the timely submission of these calculations. In addition, all seven campuses have hired an Assistant Financial Aid Director. These additional resources should help eliminate late R2T4 calculations.

PART VI:
CITY COLLEGES OF CHICAGO
COMMUNITY COLLEGE DISTRICT NO. 508
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011

PRIOR-YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING 2010-1

Management of Deferred Capital Projects Revenue

Condition

During our testing of current-year deferred revenue related to capital projects, Deloitte & Touche LLP 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.

Corrective Action Plan

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.

Status

Finding was not repeated as a significant deficiency in the current year.

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 post-withdrawal disbursement amount that totaled $917, which resulted in an understatement of PELL award that should have be 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.

Corrective Action Plan

We concur with this finding. Effective for the 2010 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 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 2011-1.

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.

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.

Status

Finding was not repeated in the current year.

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.

Corrective Action Plan

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.

Status

Finding was not repeated in the current year.