

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2003



CITY COLLEGES OF CHICAGO Fiscal year ended June 30, 2003

Community College District 508
226 W. Jackson Blvd., Chicago, Illinois 60606

City Colleges of Chicago
Community College District No. 508
Chicago, Illinois

Comprehensive Annual Financial Report
For the fiscal years ended June 30, 2003 and 2002

Prepared by:

Finance Division

Introductory Section

City Colleges of Chicago
Community College District No. 508

Comprehensive Annual Financial Report

Fiscal years ended June 30, 2003 and 2002

	<u>Sch./Table</u>	<u>Pages</u>
INTRODUCTORY SECTION		
Table of Contents		i-iv
Transmittal Letter		v-xii
Principal Officials		xiii
Organizational Chart		xiv
FINANCIAL SECTION		
Report of Independent Auditors		1
Management's Discussion and Analysis (Required Supplementary Information)		2
Basic Financial Statements:		
Statements of Net Assets		11
Statements of Revenues, Expenses, and Changes in Net Assets		12
Statements of Cash Flows		13
Notes to Financial Statements		15
STATISTICAL SECTION		
Assessed and Estimated Actual Value of Taxable Property	A	39
Property Tax Levies and Collections	B	40
Schedule of Assessed Valuations, Rates, Extensions, and Collections	C	41
Property Tax Rates – Direct and Overlapping Governments	D	42
Principal Taxpayers	E	43
Operating and Nonoperating Revenues by Source	F	44
Operating and Nonoperating Expenses by Object	G	45
Current Funds Revenues by Source	H	46
Current Funds Expenditures by Function	I	47
Ratio of Net General Bonded Debt to Assessed Value and Net General Bonded Debt Per Capita	J	48
Ratio of Annual Debt Service for General Bonded Debt to Current Funds Expenditures	J	48
Computation of Legal Debt Margin	J	48
Computation of Direct and Overlapping Debt	K	49

City Colleges of Chicago
Community College District No. 508

Comprehensive Annual Financial Report (continued)

Fiscal years ended June 30, 2003 and 2002

	<u>Sch./Table</u>	<u>Pages</u>
STATISTICAL SECTION (CONTINUED)		
Revenue Bond Coverage – Working Cash Revenue Bonds	L	50
Demographic Statistics: Student Enrollment Fiscal Year Enrollment	M	51
Demographic Statistics: Student Enrollment Credit		
Hours by Category	N	52
Property Value, Construction, and Bank Deposits	O	53
Miscellaneous Statistics	P	54
 SPECIAL REPORTS SECTION		
State Required Report Section		
Report of Independent Auditors on Other Financial Information		55
Uniform Financial Statements:		
All Funds Summary	1	56
Summary of Fixed Assets and Debt	2	57
Operating Funds Revenues and Expenditures	3	58
Restricted Purpose Fund Revenues and Expenditures	4	60
Current Funds Expenditures by Activity	5	61
Certification of Chargeback Reimbursement for Fiscal Year 2004	6	63
Report of Independent Auditors on Schedule of Enrollment		
Data and Other Bases Upon Which Claims are Filed		64
Schedule of Enrollment Data and Other Bases Upon Which		
Claims are Filed	7	65
Summary of Assessed Valuation	8	67
 State Grant Compliance Section		
Ernst & Young LLP		
Report of Independent Auditors on State Grants		68
Report on Compliance		69
Workforce Development Component Grant Program:		
Balance Sheet		70
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance		71
ICCB Compliance Statement for Workforce		
Development (Business/Industry) Grant Program		72

City Colleges of Chicago
Community College District No. 508

Comprehensive Annual Financial Report (continued)

Fiscal years ended June 30, 2003 and 2002

	<u>Sch./Table</u> <u>Pages</u>
SPECIAL REPORTS SECTION (CONTINUED)	
State Grant Compliance Section (continued)	
Ernst & Young LLP (continued)	
Advanced Technology (Technology Support and Staff Technical Skills Enhancement) Component Grant Program:	
Combined Balance Sheet	73
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance	74
Deferred Maintenance Grant Program:	
Balance Sheet	75
Statement of Revenues, Expenditures, and Changes in Fund Balance	76
State Adult Education And Family Literacy Restricted Funds:	
Combined Balance Sheet	77
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance	78
TV Digitalization Infrastructure Grant Program:	
Balance Sheet	79
Statement of Revenues, Expenditures, and Changes in Fund Balance	80
Retirees Health Insurance Grant:	
Balance Sheet	81
Statement of Revenues, Expenditures, and Changes in Fund Balance	82
Notes to Financial Statements	83
William Morales & Associates, P.C.	
Report of Independent Auditors on State Grants	84
Report on Compliance	86
Advanced Technology (Instructional Equipment and Illinois Community Colleges Online) Component Grant Program:	
Combined Balance Sheet	87
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance	88
Notes to Financial Statements	89

City Colleges of Chicago
Community College District No. 508

Comprehensive Annual Financial Report (continued)

Fiscal years ended June 30, 2003 and 2002

	<u>Sch./Table</u>	<u>Pages</u>
SPECIAL REPORTS SECTION (CONTINUED)		
State Grant Compliance Section (continued)		
William Morales & Associates, P.C. (continued)		
On Line Course Development Grant Program:		
Balance Sheet		92
Statement of Revenues, Expenditures, and Changes in Fund Balance		93
Notes to Financial Statements		94
P-16 Initiative Grant Program:		
Balance Sheet		96
Statement of Revenues, Expenditures, and Changes in Fund Balance		97
Notes to Financial Statements		98



October 27, 2003

To Members of the Board of Trustees of City Colleges
of Chicago, Community College District No. 508:

The Comprehensive Annual Financial Report (CAFR) of City Colleges of Chicago, Community College District No. 508 (City Colleges), County of Cook, State of Illinois, for the fiscal year ended June 30, 2003, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management of the City Colleges. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and changes in financial position of City Colleges. All disclosures necessary to enable the reader to gain an understanding of City Colleges' financial activities in relation to its mission have been included.

FINANCIAL STATEMENTS

This letter of transmittal should be read in conjunction with the accompanying *Management's Discussion and Analysis*, which focuses on current activities, accounting changes, and currently known facts.

The CAFR is presented in four sections: introductory, financial, statistical, and special reports. The introductory section includes, this transmittal letter, City Colleges' principal officials and an organization chart. The financial section includes the report of independent auditors, the management's discussion and analysis, the basic financial statements, and notes to financial statements. The statistical section includes selected unaudited financial and demographic information, generally presented on a multi-year basis. The special reports section includes uniform financial statements, the certificate of chargeback reimbursement, grant financial statements and enrollment schedules required by the Illinois Community College Board, together with the related auditors' reports.

VISION, MISSION AND GOALS

City Colleges' strategic plan, strategic goals, and tactical plans were developed in 2002 by a team from the campuses and district office, and are reviewed and updated annually.

The District's Vision Statement:

Our Vision is to be the leader among educational institutions in the delivery of quality academic and workforce development programs that enhance the quality of life for Chicago's diverse communities.

The District's Mission Statement:

The City Colleges of Chicago, a system of seven colleges provides learning opportunities for Chicago's diverse populations to enhance knowledge and skills through quality, comprehensive, and affordable educational programs and services.

The following four strategic goals define the framework within which the District's annual operating and capital budgets are formulated and considered for the next three to five years.

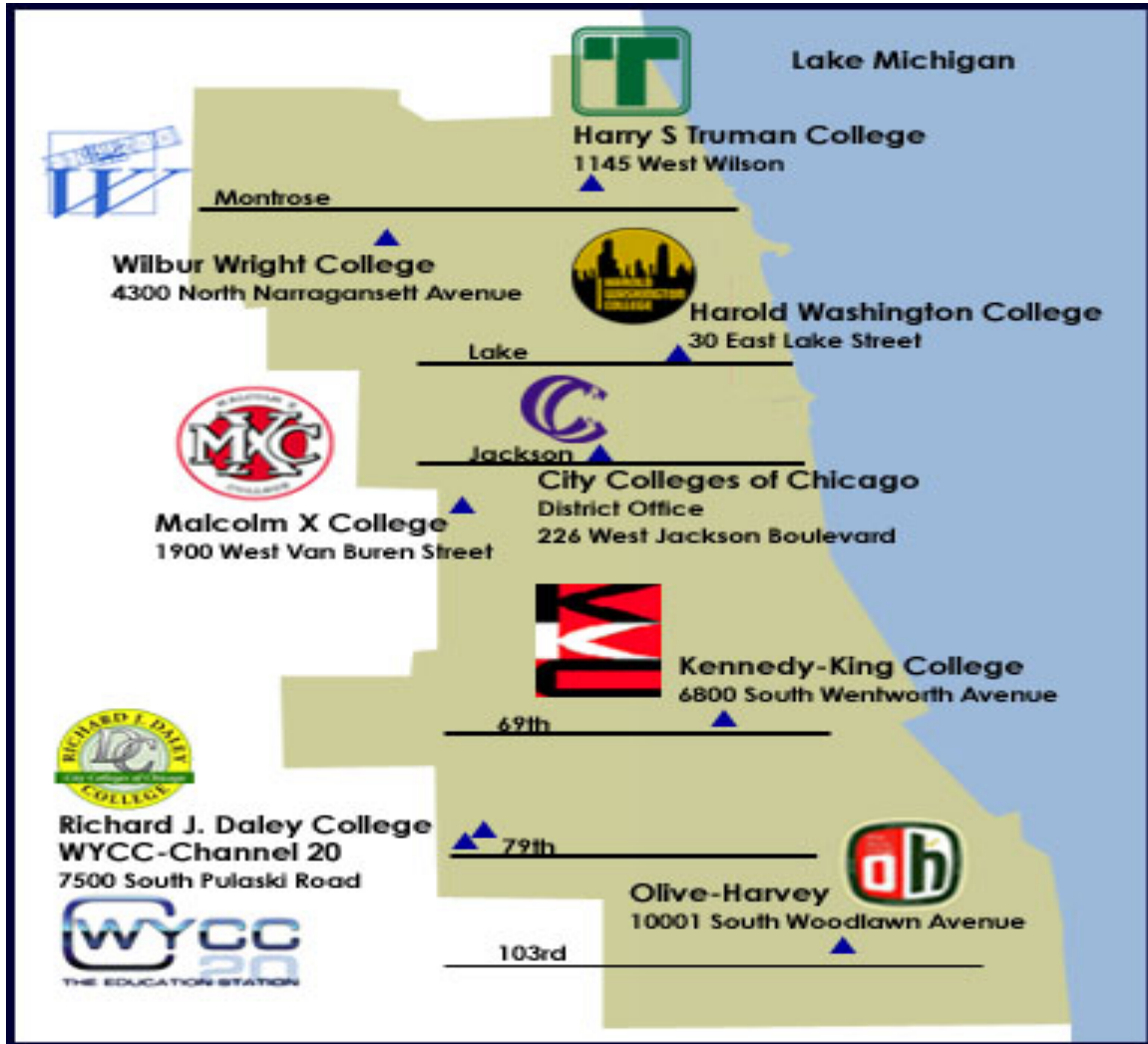
1. Improve the quality of all programs and services.
2. Expand services to meet the needs of all students and workforce partners.
3. Increase enrollment and retention.
4. Effectively utilize resources and maximize revenue opportunities.

GENERAL

City Colleges prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) as set forth by the Governmental Accounting Standards Boards (GASB). City Colleges maintains its accounts in accordance with guidelines set forth by the National Association of College and University Business Officers (NACUBO) and the Illinois Community College Board (ICCB). The ICCB requires accounting by funds in order that limitations and restrictions on resources can be easily accounted for. The financial records of City Colleges are maintained on the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal obligation to pay. The notes to the financial statements expand and explain the financial statements and the accounting principles applied. The independent public auditors, Ernst & Young LLP, have audited City Colleges' financial statements. Their report is included as part of the financial presentation.

ECONOMIC CONDITION AND OUTLOOK

City Colleges' district is located coterminous with the City of Chicago with campuses located strategically across the city as noted in the following map.



The following table illustrates enrollments over the last five years.

**Student Enrollment Headcount
Fiscal Year**

Type	2003	2002	2001	2000	1999
Credit	49,484	47,240	46,035	48,463	48,684
Pre-Credit	4,207	4,031	3,287	3,654	3,498
Continuing Ed.	10,575	12,321	13,177	13,511	14,237
Special Interest	34,099	34,821	36,865	39,951	43,469
Adult Education	58,595	60,818	60,800	59,942	62,847
Other	3,947	4,206	5,544	4,449	4,486
Military	7803	10,626	11,490	8,706	8,183
<hr/>					
Total, Unduplicated No Military	146,030	147,120	148,881	151,493	157,655
<hr/>					
Total, Unduplicated With Military	153,833	157,746	160,371	160,199	165,838
<hr/>					
FTE Total, Unduplicated With Military	49,838	51,611	50,749	52,018	56,338

FINANCIAL INFORMATION

Internal Control. Management of City Colleges is responsible for establishing and maintaining internal control designed to protect the assets of City Colleges, prevent loss from theft or misuse and to provide that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgeting Controls. The objective of City Colleges' budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Colleges' Board of Trustees.

Activities of the following fund groups and individual funds are included in the annual budget. These funds are required for ICCB reporting purposes only.

Fund Group	Fund
Current Unrestricted	Education Operations and Maintenance Auxiliary/Enterprise Public Building Commission of Chicago Operations and Maintenance Liability, Protection, and Settlement Audit
Current Restricted	Restricted Purposes
Plant and Other	Public Building Commission of Chicago Rental Building Bonds Proceeds General Fixed Asset Trust & Agency Working Cash Operations and Maintenance (Restricted)

The level of budgetary control (that is, the level at which expenditures cannot exceed the appropriated amount) is established for each individual fund and college. City Colleges also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end.

As demonstrated by the statements included in the financial section of this report, City Colleges continues to meet its responsibility for sound financial management.

Property Taxes. The following table illustrates City Colleges' property tax levy rates over the last few years.

Levy Rates (Per \$100 of assessed valuation):

Property Tax Year		2002	2001	2000	1999
Assessed valuation (in millions)		\$45,309	\$41,966	\$40,466	\$35,342
Tax Rates	Legal Limit				
Audit Fund	\$0.005	\$0.0012	\$0.0008	\$0.0009	\$0.0022
Tort Liability		0.0133	0.0105	0.0139	0.0098
Education Fund	0.175	0.1438	0.1562	0.1418	0.1651
Operation and Maintenance Fund	0.050	0.0260	0.0415	0.0268	0.0472
Life Safety Fund	0.050	-	-	-	-
Oper & Main Pub Buildings		0.0278	0.0132	0.0375	0.0186
Public Building Commission		0.0680	0.0847	0.0902	0.1031
Total(Rounded by County to 3 decimals)		\$0.2801	\$0.3069	\$0.3111	\$0.3460

Estimated assessed value of taxable property for 2002, for taxes collectible in 2003, is \$45,309,524,105.

City Colleges' average collection rate over the past five years, including collection of back taxes, has been 96.5 %, as Cook County extends City Colleges' levies up to 103% depending on the tax cap limitation.

PROSPECTS FOR THE FUTURE

City Colleges' financial outlook for the future continues to be cautious. As illustrated in an earlier table, City Colleges' student and adult continuing education enrollments fluctuated over the past five years but have shown gains in the last two years. State funding has declined for the last two years.

Public Act 89-1 placed limitations on the annual growth of property tax collections of most local governments, including the City Colleges.

City Colleges' capital improvement plan for fiscal year 2003 and four years beyond is approximately \$400 million, which includes the replacement of the Kennedy King campus, a number of significant improvements at the other campuses, and the installation of an Enterprise Management System.

DEBT ADMINISTRATION

City Colleges has two debt issues outstanding, the first is building lease obligations for the construction and maintenance of the buildings of the district. On June 30, 2003, \$118,545,000 was outstanding and during the fiscal year then ended, \$17,700,000 in principal was retired. The second is working cash bonds being paid out of the State of Illinois Personal Property Replacement Tax. On June 30, 2003, \$32,945,000 was outstanding and during the fiscal year then ended, \$1,200,000 was retired.

CASH MANAGEMENT

With respect to investment of excess funds, City Colleges is governed by the Illinois Public Community College Act (Chapter 110 of Illinois Compiled Statutes Act 805) and the Illinois Public Funds Investment Act (Chapter 30 of Illinois Compiled Statutes Act 235). The fiduciary responsibility for investments is entrusted to City Colleges Board of Trustees who has delegated this function to the Treasurer of City Colleges as permitted by the Illinois Public Community College Act.

In keeping with existing Board policy, all investments of excess funds are made in a prudent, conservative and secure manner and in accordance with the guidelines detailed in the Board Rules for Management and Government section 5.4 *Investment and Depository Policies*. Designation of depositories and investment managers are as authorized by the Board of Trustees.

City Colleges invests funds in the Illinois Funds, a money market fund managed by the Illinois State Treasurers office for investors of public funds, other money market funds, U.S. Treasury bonds, bills, and notes, and certificates of deposit.

RISK MANAGEMENT

City Colleges purchases commercial insurance to cover significant property, liability, and workers compensation losses. Claims for general liability up to \$50,000 are self-insured by City Colleges. Claims for workers compensation up to \$250,000 are self-insured by City Colleges.

City Colleges maintain a comprehensive self-insurance plan through third party administrators for some of its employee's health coverage. City Colleges maintain adequate reserves to cover potential losses.

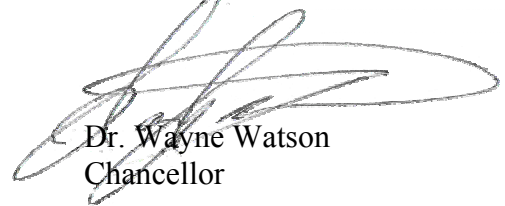
OTHER INFORMATION

Independent Audit. State statutes require an annual audit by independent certified public accountants. The City Colleges of Chicago College's Board of Trustees selected the accounting firm of Ernst & Young LLP. The auditors' report on the financial statements and schedules is included in the financial section of this report.

Respectfully submitted,



Abe Eshkenazi
Vice Chancellor Finance



Dr. Wayne Watson
Chancellor

**CITY COLLEGES OF CHICAGO
COMMUNITY COLLEGE DISTRICT NO. 508
PRINCIPAL OFFICIALS
Year Ended June 30, 2003**

BOARD OF TRUSTEES

James C. Tyree, Chairman
James A. Dyson, Vice Chairman
Terry E. Newman, Secretary
Nancy C. Clawson, Trustee
Rudy R. Mendez, Trustee
Ralph G. Moore, Trustee
Rev. Albert D. Tyson III, Trustee
Elliott Johnson, Student Trustee

OFFICERS OF THE DISTRICT

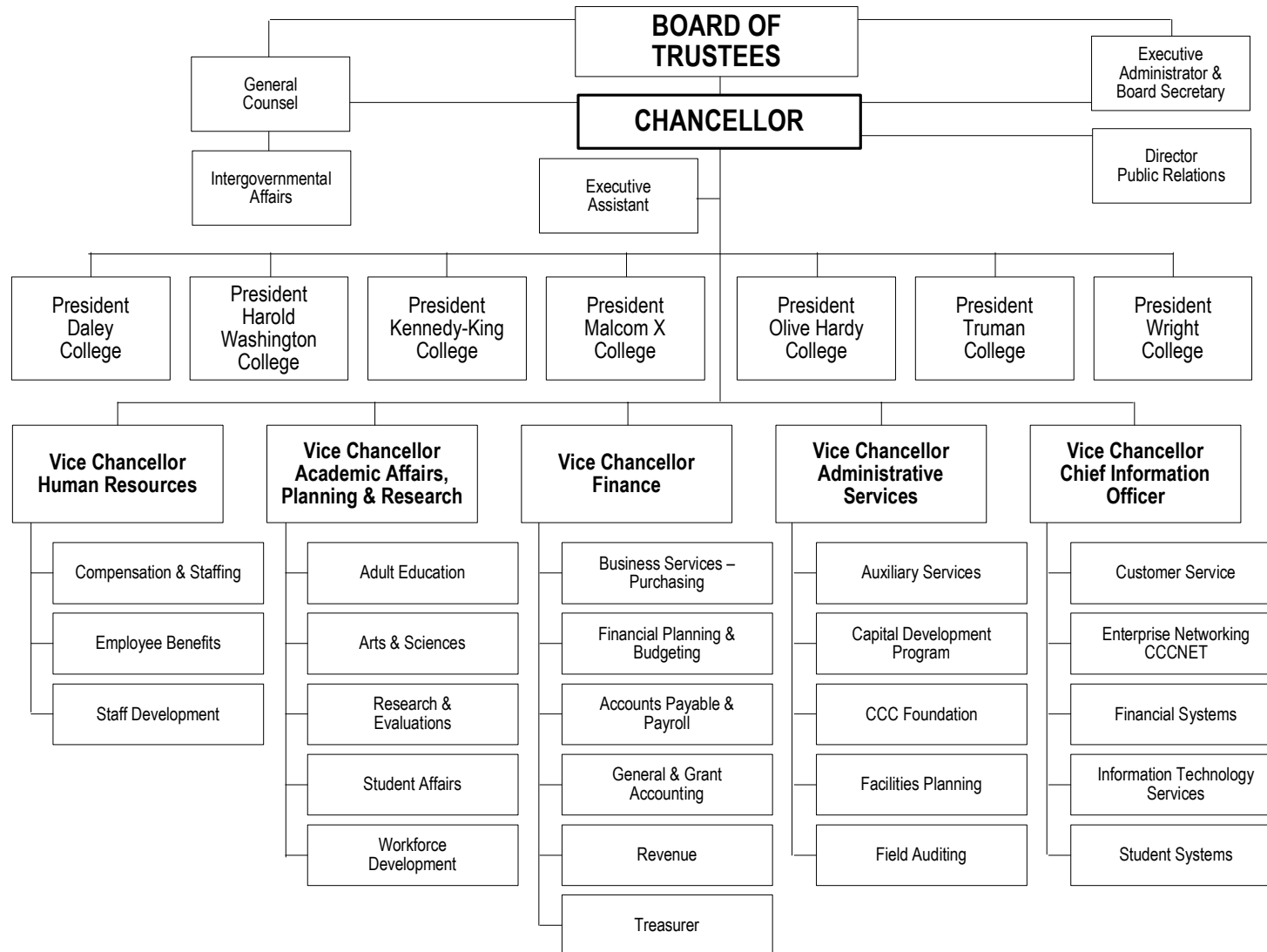
Wayne Watson, Chancellor

Deidra Lewis, Vice Chancellor Academic Affairs
Yolande Bourgeois, General Counsel
Maritza Marrero, Vice Chancellor Human Resources
William Donahue, Vice Chancellor Administrative Services
Abe Eshkenazi, Vice Chancellor Finance/CFO
Claudine Jones, Vice Chancellor Information Technology/CIO
Michael Mutz, Vice Chancellor Development
Sylvia R. Ramos, President, Richard J. Daley College
Clyde El-Amin, Interim President, Kennedy-King College
Zerrie D. Campbell, President, Malcolm X College
Craig S. Washington, President, Olive-Harvey College
Phoebe Helm, President, Harry S. Truman College
Nancy C. DeSombre, President, Harold Washington College
Charles Guengerich, President, Wilbur Wright

DEPARTMENT ISSUING REPORT

Finance

District-Wide Organization



Financial Section

Report of Independent Auditors

City Colleges of Chicago
Community College District No. 508

We have audited the accompanying statements of net assets of City Colleges of Chicago, Community College District No. 508 (City Colleges) as of June 30, 2003 and 2002, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of City Colleges' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 financial statements referred to above present fairly, in all material respects, the financial position of City Colleges of Chicago, Community College District No. 508 at June 30, 2003 and 2002, and its changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

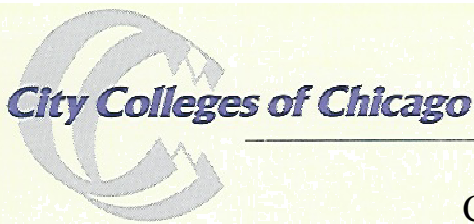
As discussed in Note 1C, City Colleges has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of June 30, 2001.

The accompanying management's discussion and analysis on pages 2 through 10 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Ernst + Young LLP

October 24, 2003



City Colleges of Chicago
Community College District No. 508

Management’s Discussion and Analysis

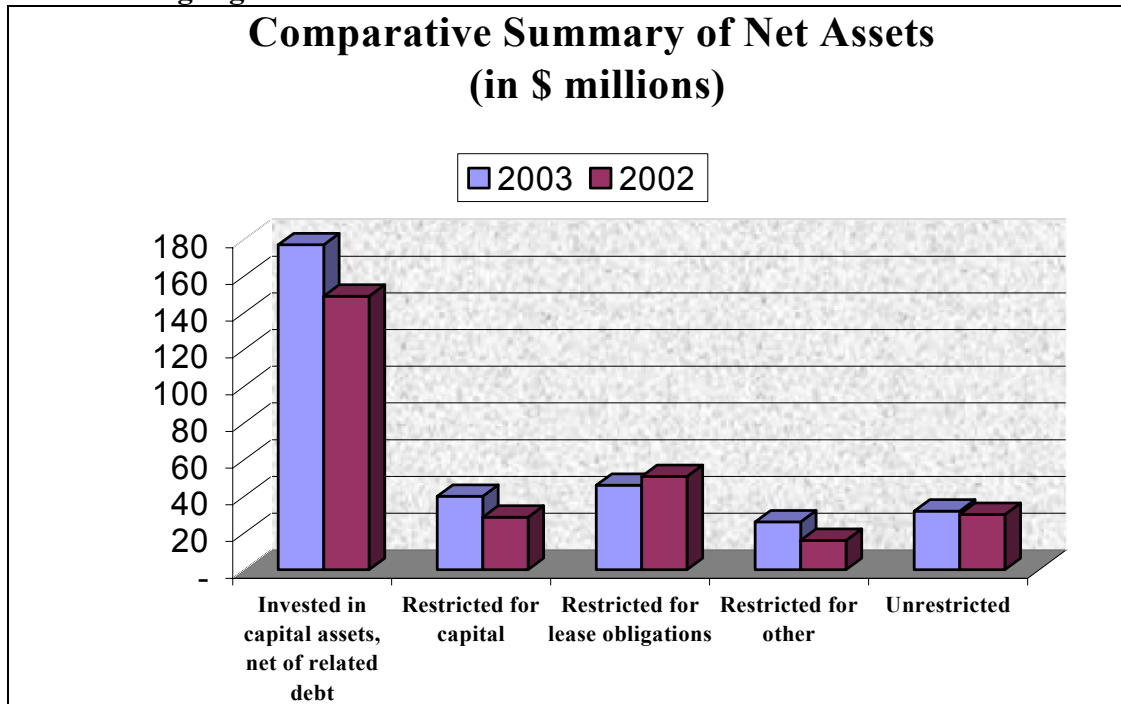
Fiscal year ended June 30, 2003

This section of City Colleges of Chicago’s (City Colleges) Comprehensive Annual Financial Report presents management’s discussion and analysis of the Colleges’ financial activity during the fiscal years ended June 30, 2003, and June 30, 2002. Since this management’s discussion and analysis is designed to focus on current activities, resulting change and currently known facts, please read it in conjunction with the accompanying transmittal letter, the Colleges’ basic financial statements and the footnotes. Responsibility for the completeness and fairness of this information rests with City Colleges.

Using This Annual Report

The financial statements focus on City Colleges as a whole. The accompanying financial statements are designed to emulate corporate presentation models whereby all City Colleges’ activities are consolidated into one total. The Statements of Net Assets combine and consolidate current financial resources (short-term spendable resources) with capital assets. The Statements of Revenues, Expenses, and Changes in Net Assets focus on operating results such as tuition and operating expenses, as well as nonoperating results such as revenues from state apportionment, grants and property taxes. This approach is intended to facilitate the user’s analysis of financial results of various services to students and the public.

Financial Highlights



Financial Analysis of City Colleges

Net Assets

(In millions)

	June 30		Increase (Decrease)	Percent Change
	2003	2002		
Current assets	\$233.8	\$215.0	\$18.8	8.7%
Noncurrent assets:				
Capital assets	504.0	477.6	26.4	5.5
Less depreciation	(208.1)	(192.4)	(15.7)	8.2
Other	110.0	81.4	28.6	35.1
Total assets	639.7	581.6	58.1	10.0
Current liabilities	158.5	133.3	25.2	18.9
Noncurrent liabilities	160.3	173.9	(13.6)	(7.8)
Total liabilities	318.8	307.2	11.6	3.8
Net assets:				
Invested in capital assets, net of related debt	177.3	148.9	28.4	19.1
Restricted for capital	39.6	28.6	11.0	38.5
Restricted for lease obligations	46.4	50.8	(4.4)	(8.7)
Restricted for other	25.5	15.9	9.6	60.4
Unrestricted	32.1	30.2	1.9	6.3
Total net assets	\$320.9	\$274.4	\$46.5	16.9%

This schedule is prepared from City Colleges' statements of net assets, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

Total net assets at June 30, 2003 increased to \$320.9 million from \$274.4 million in fiscal year 2002. Current assets have increased \$18.8 million as short-term investments increased \$15.6 million. Capital assets increased \$26.4 million reflecting additional construction work in progress on the new Kennedy-King campus and other projects. Depreciation increased to reflect the increased assets and an additional year of service. Current liabilities also increased as deferred grant revenue increased \$21.7 million. Noncurrent liabilities decreased with the payment of lease obligations and the working cash bonds. Invested in capital assets, net of related debt increased due to additional capital assets and the payment of lease obligations. The increase in the unrestricted net assets reflects increased enrollment and contained costs.

Revenues, Expenses, and Changes in Net Assets

For the Years Ended June 30
(In millions)

	2003	2002	Increase (Decrease)	Percent Change
Operating revenues	\$ 37.9	\$ 28.2	\$ 9.7	34.4%
Operating expenses	300.2	281.6	18.6	6.6
Operating loss	(262.3)	(253.4)	(8.9)	3.5
Nonoperating revenues (expenses):				
Revenues	288.3	297.1	(8.8)	(3.0)
Expenses	(16.0)	(17.3)	1.3	(7.5)
Income before capital contributions	10.0	26.4	(16.4)	(62.1)
Capital contributions	36.5	10.3	26.2	254.4
Change in net assets	46.5	36.7	9.8	26.7
Net assets, beginning of year	274.4	237.7	36.7	15.4
Net assets, end of year	<u>\$320.9</u>	<u>\$274.4</u>	<u>\$46.5</u>	16.9%

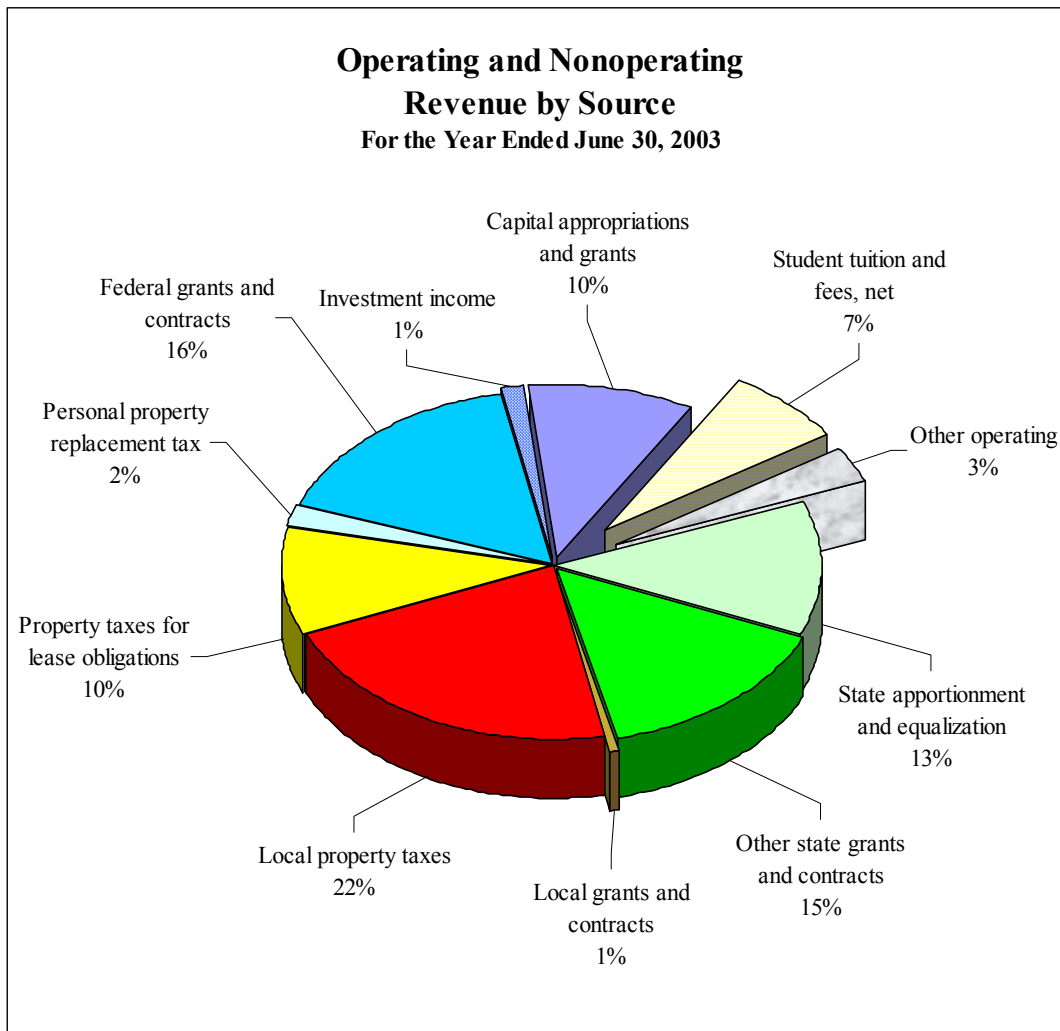
Details of revenues and expenses follow on pages 4 through 7.

Operating and Nonoperating Revenues

For the Years Ended June 30
(In millions)

	2003	2002	Increase (Decrease)	Percent Change
Operating revenues:				
Student tuition and fees	\$ 55.8	\$ 55.0	\$ 0.8	1.5%
Less scholarship allowances	(29.3)	(32.1)	2.8	(8.8)
Other operating	11.4	5.3	6.1	115.1
Total operating revenues	37.9	28.2	9.7	34.4
Nonoperating revenues:				
Local property taxes	78.4	89.0	(10.6)	(11.9)
Property taxes for lease obligations	36.2	35.0	1.2	3.4
State apportionment and equalization	45.8	46.0	(0.2)	(0.4)
Other state grants and contracts	53.9	60.1	(6.2)	(10.3)
Local grants and contracts	2.5	—	2.5	100.0
Federal grants and contracts	58.8	50.6	8.2	16.2
Personal property replacement taxes	7.6	8.2	(0.6)	(7.3)
Investment income	5.1	8.2	(3.1)	(37.8)
Total nonoperating revenues	288.3	297.1	(8.8)	(3.0)
Capital appropriations and grants	36.5	10.3	26.2	254.4
Total revenues	<u>\$362.7</u>	<u>\$335.6</u>	<u>\$27.1</u>	8.1%

Operating revenues increased \$9.7 million, which includes a \$.8 million increase in tuition fees due to enrollment increases and the fall 2002 tuition increase to \$52 from \$50 per credit hour. Other operating revenues are up by \$6.1 million primarily from auxiliary revenue increases. Nonoperating revenues were down \$8.8 million due to increased refunds of property taxes of \$3.7 million and increased reserves for future back taxes of \$6.9 million, decreased investment income and offset with increased grants and contracts of \$4.5 million. The \$1.2 million increase in property taxes for lease obligations represents the increase in annual lease payments. The decrease in state grants and contracts and the increase in federal grants and contracts reflect a reclassification rather than a change in revenue. Personal property tax income reductions reflect the reduced collections at the state level. Investment income continues to decline as rates have dropped to the lowest level in years. The \$26.2 million increase in capital funding reflects the construction work in progress on the Kennedy King new campus and other related projects funded by the City of Chicago General Obligation Bonds (City Colleges of Chicago Capital Improvement Project), Series 1999.

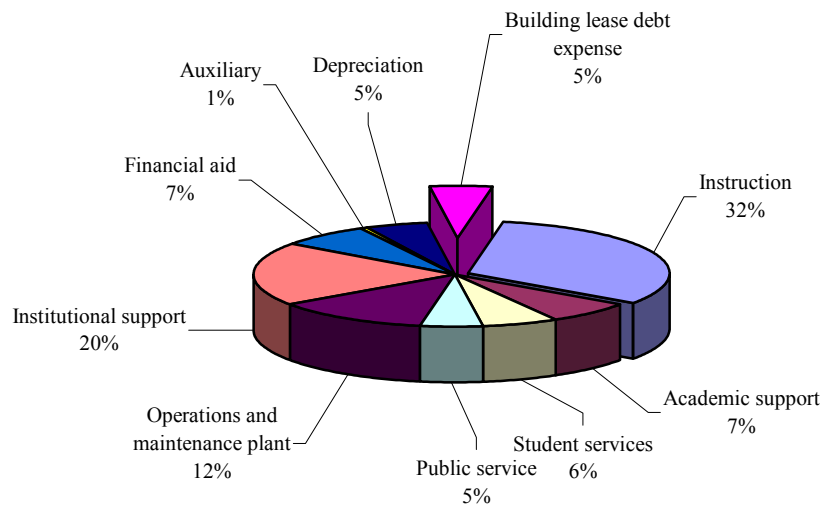


Operating and Nonoperating Expenses

For the Years Ended June 30
(In millions)

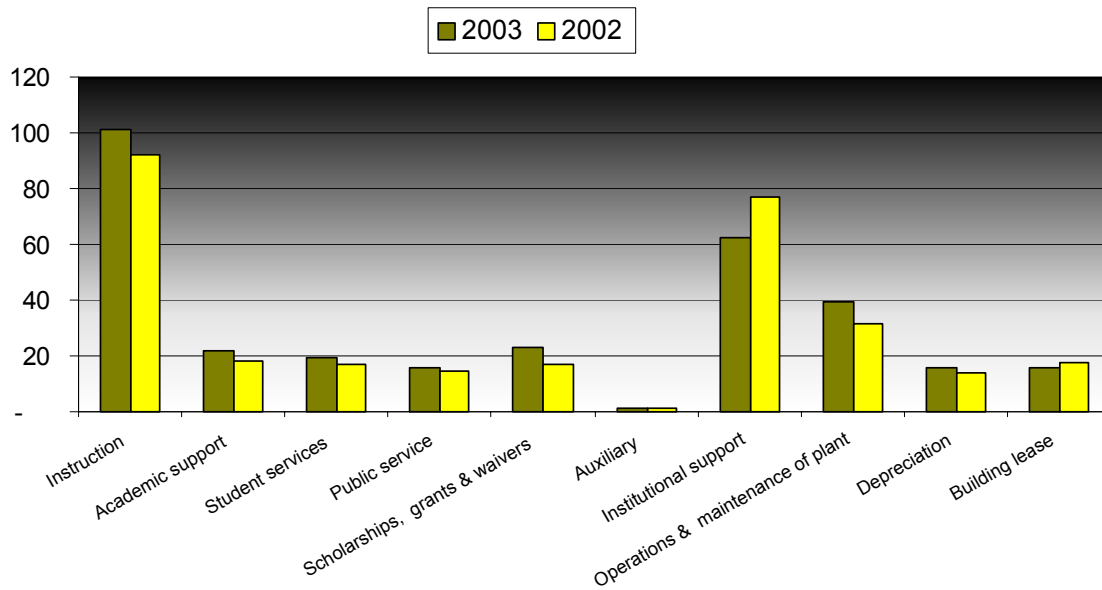
	2003	2002	Increase (Decrease)	Percent Change
Operating expenses:				
Instruction	\$101.1	\$ 92.2	\$ 8.9	9.7%
Academic support	21.8	17.9	3.9	21.8
Student services	19.3	17.2	2.1	12.2
Public service	15.7	14.7	1.0	6.8
Operations and maintenance of plant	39.3	31.3	8.0	25.6
Institutional support	62.6	76.8	(14.2)	(18.5)
Financial aid	23.3	16.8	6.5	38.7
Auxiliary	1.4	1.0	0.4	40.0
Depreciation	15.7	13.7	2.0	14.6
Total operating expenses	300.2	281.6	18.6	6.6
Nonoperating expenses:				
Building lease and debt expense	16.0	17.3	(1.3)	(7.5)
Total expenses	\$316.2	\$298.9	\$ 17.3	5.8%

Operating and Nonoperating Expenses For the Year Ended June 30, 2003



The following is a graphic illustration of operating and nonoperating expenses:

**Comparison of Operating and Nonoperating Expenses
(\$ in Millions)**



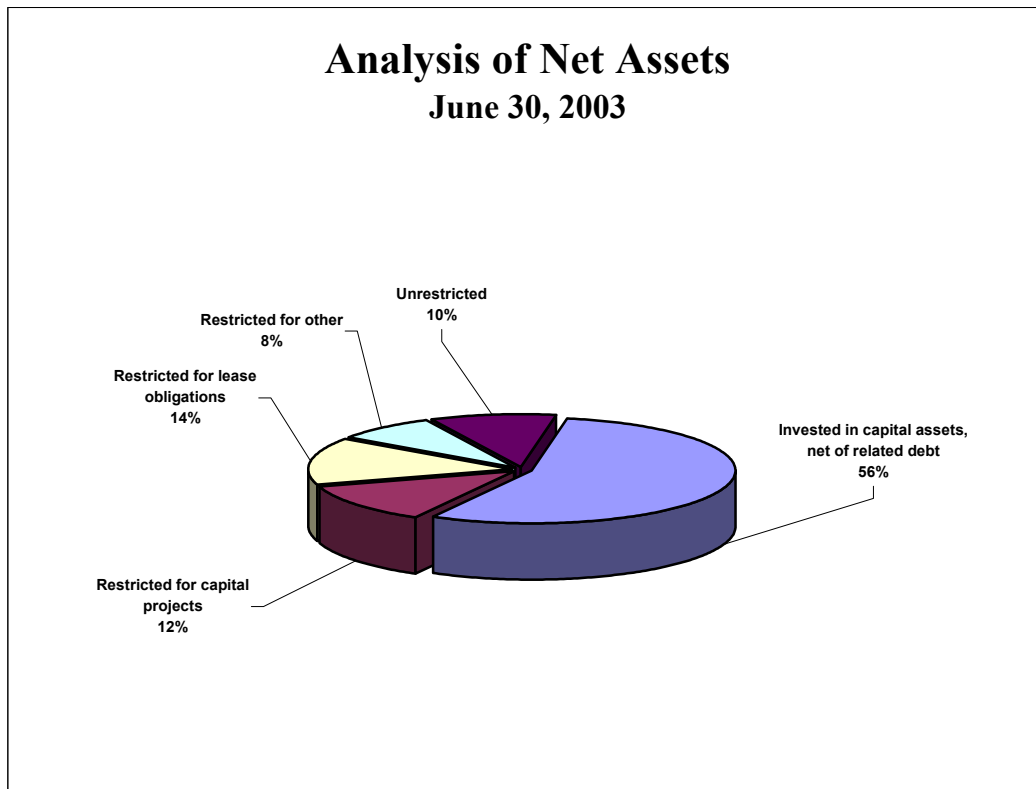
Operating expenses for fiscal year 2003 increased \$18.6 million, or 6.6% over fiscal year 2002. Almost half of the increase can be attributed to fringe benefits, as termination benefits were reevaluated to reflect current interest rates which resulted in a \$6.5 million increase. Other increases were \$6.5 million in contractual services, \$3.2 million in financial aid, and \$2.0 million in depreciation.

Analysis of Net Assets

(In millions)

	June 30		Increase (Decrease)	Percent Change
	2003	2002		
Net assets:				
Invested in capital assets, net of related debt	\$177.3	\$148.9	\$28.4	19.1%
Restricted for expendable:				
Capital projects	39.6	28.6	11.0	38.5
Lease obligation	46.4	50.8	(4.4)	(8.7)
Other	25.5	15.9	9.6	60.4
Net investment in capital assets	32.1	30.2	1.9	6.3
Total net assets	\$320.9	\$274.4	\$46.5	16.9%

The following is a graphic illustration of net assets:



Capital Assets and Debt Administration

Capital Assets

As of June 30, 2003, the College had recorded \$504.0 million invested in capital assets, \$208.1 million in accumulated depreciation and \$295.9 million in net capital assets. This investment in capital assets includes land, buildings and improvements, equipment and software. The total increase in the City Colleges of Chicago's investment in capital assets for the current fiscal year was 3.8 percent. City Colleges has a five-year capital renewal plan of over \$400 million, which will be primarily funded by City of Chicago General Obligation Bonds, Series 1999.

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

- Kennedy-King construction began on new facilities; construction in progress as of the close of the fiscal year had reached \$20.9 million.
- Various building improvements were completed in the district office and campuses at a cost of \$1 million.
- PeopleSoft financial systems implementations and upgrades cost \$3.2 million.

Capital Assets, Net

(In millions)

	June 30		Increase (Decrease)	Percent Change
	2003	2002		
Capital assets				
Land	\$ 17.4	\$ 17.4	\$ -	-%
Buildings and improvements	427.3	426.3	1.0	0.2
Construction in progress	20.9	-	20.9	100.0
Equipment	23.9	20.7	3.2	15.5
Software	14.5	13.2	1.3	9.8
Total	504.0	477.6	26.4	5.5
Less accumulated depreciation	(208.1)	(192.4)	(15.7)	8.2
Net capital assets	\$295.9	\$285.2	\$10.7	3.8%

Additional information on City Colleges' capital assets can be found in Note 4 to the financial statements on pages 26-27.

Long-Term Liabilities

As of June 30, 2003, City Colleges had total long-term liabilities of \$185.4 million. Of this amount, \$1.5 million of compensated absences, \$32.6 million of termination benefit reserves for current and retired employees, and \$32.8 million of revenue bonds. The remainder of City Colleges' debt (\$118.5 million) represents capital lease obligations with the Public Building Commission of Chicago.

Long Term Liabilities

(In millions)

	June 30		Increase (Decrease)	Percent Change
	2003	2002		
Accrued compensated absences	\$ 1.5	\$ 0.8	\$ 0.7	87.5
Termination benefits – Current employees	24.5	18.0	6.5	36.1
Termination benefits – Retired employees	8.1	8.1	–	–
Bonds payable	32.8	33.9	(1.1)	(3.2)
Lease obligations	118.5	136.6	(18.1)	(13.3)
Total	\$185.4	\$197.4	\$(12.0)	(6.1)

Additional information on City Colleges' long-term liabilities can be found in Notes 5-8 to the financial statements on pages 28-32.

Requests for Information

This financial report is designed to provide a general overview of City Colleges' finances for all those with an interest in City Colleges' finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, 226 W. Jackson Boulevard, 11th floor, City Colleges of Chicago, Chicago, IL 60606.

City Colleges of Chicago
Community College District No. 508

Statements of Net Assets

	June 30	
	2003	2002
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,713,034	\$ 8,354,114
Short-term investments	128,616,720	112,971,231
Property tax receivable	64,869,805	67,609,608
Other accounts receivable	30,335,309	24,663,201
Prepaid items and other assets	1,311,108	1,433,842
Total current assets	233,845,976	215,031,996
Noncurrent assets:		
Restricted cash	3,638,956	1,091,839
Funds held by Public Building Commission of Chicago	39,785,198	27,144,399
Long-term investments	39,280,823	27,311,670
Restricted investments	27,262,476	25,924,862
Capital assets	503,961,079	477,567,384
Less: Accumulated depreciation	(208,072,904)	(192,392,658)
Total noncurrent assets	405,855,628	366,647,496
Total assets	639,701,604	581,679,492
Liabilities		
Current liabilities:		
Accounts payable	2,131,223	8,162,595
Accrued payroll	2,052,477	2,928,061
Other accruals	8,256,965	4,817,937
Deferred salaries	2,401,162	2,244,124
Deposits held in custody for others	1,816,276	1,797,659
Deferred tuition and fees revenue	6,370,374	7,814,270
Deferred property tax revenue	61,225,388	62,147,770
Accrued property tax refund	11,279,390	4,481,288
Deferred grant revenue	30,689,599	8,973,102
Other liabilities	7,131,348	6,866,436
Current portion of noncurrent liabilities	25,116,712	23,107,787
Total current liabilities	158,470,914	133,341,029
Noncurrent liabilities:		
Accrued compensated absences	1,542,847	823,800
Termination benefits payable	32,571,367	26,060,569
Bonds payable	32,739,132	33,922,663
Lease obligations	118,545,000	136,245,000
Less: Current portion	(25,116,712)	(23,107,787)
Total noncurrent liabilities	160,281,634	173,944,245
Total liabilities	318,752,548	307,285,274
Net assets:		
Invested in capital assets, net of related debt	177,343,175	148,929,726
Restricted for expendable:		
Capital projects	39,582,014	28,638,527
Lease obligation	46,428,742	50,754,925
Other	25,492,094	15,926,240
Unrestricted	32,103,031	30,144,800
Total net assets	\$320,949,056	\$274,394,218

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

City Colleges of Chicago
Community College District No. 508

Statements of Revenues, Expenses, and Changes in Net Assets

	Year ended June 30	
	2003	2002
Revenues		
Operating revenues:		
Student tuition and fees:		
Resident	\$ 40,171,838	\$ 35,570,518
Nonresident	4,141,778	8,201,796
Other	11,468,706	11,186,354
Less: Scholarship allowances	(29,295,886)	(32,136,021)
Net tuition and fees	26,486,436	22,822,647
Other operating revenues	11,385,809	5,345,493
Total operating revenues	37,872,245	28,168,140
Expenses		
Operating expenses:		
Instructional staff	66,589,968	68,151,899
Noninstructional staff	77,245,757	78,527,624
Fringe benefits	43,406,839	35,021,557
Supplies and services	16,568,659	13,824,452
Equipment not capitalized	833,329	3,496,927
Utilities	9,948,583	8,749,080
Contractual services	45,409,468	38,952,530
Depreciation	15,726,785	13,709,510
Financial aid, net of scholarship allowance	22,395,492	19,219,247
Other expenses	2,087,540	1,981,149
Total operating expenses	300,212,420	281,633,975
Operating loss	(262,340,175)	(253,465,835)
Nonoperating revenues (expenses):		
State apportionment and equalization	45,831,544	45,980,914
Other state grants and contracts	53,927,508	60,063,502
Local grants and contracts	2,470,598	-
Local property taxes	78,370,096	88,989,439
Property taxes for lease obligations	36,169,927	34,982,532
Personal property replacement tax	7,634,382	8,236,280
Federal grants and contracts	58,775,669	50,646,126
Building lease and interest payments on debt	(15,962,262)	(17,306,464)
Investment income	5,136,446	8,255,840
Nonoperating revenues, net	272,353,908	279,848,169
Income before capital contributions	10,013,733	26,382,334
Capital contributions:		
Capital appropriations and grants	36,541,105	10,340,593
Change in net assets	46,554,838	36,722,927
Net assets, beginning of year	274,394,218	237,671,291
Net assets, end of year	\$320,949,056	\$274,394,218

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

City Colleges of Chicago
Community College District No. 508

Statements of Cash Flows

	Year ended June 30	
	2003	2002
Cash flows from operating activities		
Tuition and fees	\$ 22,522,128	\$ 22,658,369
Payments to suppliers	(120,420,549)	(104,298,177)
Payments to employees	(147,279,747)	(146,484,968)
Other	10,639,564	5,075,491
Net cash used by operating activities	<u>(234,538,604)</u>	<u>(223,049,285)</u>
Cash flows from noncapital financing activities		
Local property taxes except for capital lease payments	86,985,619	86,431,924
State appropriations	74,505,557	78,575,377
Personal property replacement tax	7,599,942	8,862,250
Grants and contracts	65,397,429	53,226,234
Principal and interest on debt	(3,565,917)	(3,265,917)
Net cash provided by noncapital financing activities	<u>230,922,630</u>	<u>223,829,868</u>
Cash flows from capital and related financing activities		
Local property taxes for capital lease payments	36,169,927	34,712,406
Capital lease payments	(31,297,673)	(30,877,557)
Capital grants and appropriations	63,823,575	10,340,593
Purchases of capital assets	(25,717,209)	(18,688,760)
Net cash provided (used) by capital and related financing activities	<u>42,978,620</u>	<u>(4,513,318)</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	425,322,712	424,095,903
Purchase of investments	(466,915,767)	(422,061,199)
Interest received on investments	5,136,446	8,255,841
Net cash (used) provided by investing activities	<u>(36,456,609)</u>	<u>10,290,545</u>
Net increase in cash	2,906,037	6,557,810
Cash, beginning of year	9,445,953	2,888,143
Cash, end of the year	<u>\$ 12,351,990</u>	<u>\$ 9,445,953</u>
Cash and cash equivalents	\$ 8,713,034	\$ 8,354,114
Restricted cash	3,638,956	1,091,839
	<u>\$ 12,351,990</u>	<u>\$ 9,445,953</u>

City Colleges of Chicago
Community College District No. 508

Statements of Cash Flows (continued)

	Year ended June 30	
	2003	2002
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	\$(262,340,175)	\$(253,465,835)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	15,726,785	13,709,510
State payment for retirement obligation	11,877,545	10,846,702
Changes in net assets:		
Receivables, net	(2,701,878)	(2,205,656)
Prepaid expenses	140,531	1,435,163
Accounts payable	(6,031,372)	(3,764,809)
Accrued salaries	(875,584)	599,686
Other accruals	3,439,028	6,258,546
Deferred salaries	157,038	(405,131)
Accrued compensated absences	719,047	(462,582)
Termination benefits payable	6,510,798	(1,918,499)
Other liabilities	264,912	4,611,928
Deposit held in custody for others	18,617	(59,684)
Deferred tuition and fees	(1,443,896)	1,771,376
Net cash used by operating activities	\$(234,538,604)	\$(223,049,285)

The state of Illinois provided \$676,486 of in-kind capital assets during the year ended June 30, 2003.

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

City Colleges of Chicago
Community College District No. 508

Notes to Financial Statements

1. Organization and 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 (Board), 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.

Reporting Entity

The accompanying financial statements include all entities for which the Board of Trustees of City Colleges has financial accountability. In defining the financial reporting entity, City Colleges has considered whether there are any potential component units. In May 2002, Government Accounting Standards Board (GASB) issued Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The Statement amends Statement No. 14, *The Financial Reporting Entity*, to provide guidance to determine whether certain organizations for which City Colleges is not financially accountable should be reported as component units based upon the nature and significance of the relationship with City Colleges. Generally, it requires reporting, as component unit, an organization that raises and holds significant economic resources for the direct benefit of a government unit. City Colleges does not have any component units as defined by the above guidance.

Basis of Accounting

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

City Colleges of Chicago
Community College District No. 508

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Nonexchange transactions, in which City Colleges receives value without directly giving equal value in return, includes 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 is 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 public colleges and universities, applicable GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Adoption of Accounting Pronouncements

City Colleges adopted the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*; Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*; and Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, effective July 1, 2001. City Colleges also adopted the provisions of GASB Statement No. 38, *Certain Financial Statement Note Disclosure*, effective July 1, 2001. This Statement modifies, establishes, and rescinds certain financial statement note disclosures. These Statements significantly changed the format and content of City Colleges' financial statements. Specifically, City Colleges is now presented as a single business-type activity as opposed to the previous fund based presentation. The new financial statement presentation includes management's discussion and analysis, a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows.

City Colleges of Chicago
Community College District No. 508

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

As part of the implementation of GASB Statement No. 34 and Statement No. 35 at July 1, 2001, City Colleges adopted a capitalization policy of \$5,000 per item for past and future furniture and equipment, recorded accumulated depreciation to date, and restated a number of grants from prior year's revenue to deferred revenue. The effect was to reduce equipment by \$49,807,382, record accumulated depreciation of \$205,399,901, increase deferred revenue by \$7,197,040, and reduce net assets by \$248,010,243 as of July 1, 2001.

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 acquisition, except for Illinois funds and money market mutual funds, which are treated as investments.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

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 statements of revenues, expenses, and changes in net assets.

Restricted Cash and Investments

Cash and investments that are externally restricted to make lease or debt service payments, or to purchase or construct capital or other noncurrent assets, are classified as noncurrent assets in the statements of net assets.

City Colleges of Chicago
Community College District No. 508

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the institution's capitalization policy includes all items with a unit cost of \$5,000 or more 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 was incurred. Capital assets are depreciated using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings, 4 years for computer equipment, and 8 years for all other equipment.

Deferred Revenues

Deferred revenues include: (1) tax levies passed that are legally restricted for future 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 accounting period; and (3) amounts received from grant and contract sponsors that have not yet been earned.

Noncurrent Liabilities

Noncurrent liabilities include: (1) principal amounts of bonds and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences, termination benefits, and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets. Bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as other assets (deferred charges).

City Colleges of Chicago
Community College District No. 508

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Net Assets

City Colleges' net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt

This represents the institution's 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 institution 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 unrestricted resources when they are needed.

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.

Classification of Revenues

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

Operating Revenue

Operating Revenue includes activities that have the characteristics of exchange transactions, such as: (1) student tuition and fees, and (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances.

City Colleges of Chicago
Community College District No. 508

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Nonoperating Revenue

Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as: (1) local property taxes, (2) state appropriations, (3) most federal, state, and local grants and contracts and federal appropriations, and (4) gifts and contributions.

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 the County Treasurers, who remit 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 2/100 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 Public Building Commission of Chicago (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).

The taxes levied for liability protection and settlement, retirement of bonded indebtedness, and lease payments to the PBCC are based on the estimated requirements for such purposes. The EAV for the December 2001 tax levy was \$41,958,671,666 for Cook County and \$6,946,706 for DuPage County. The EAV for the December 2002 tax levy was \$45,302,653,075 for Cook County and \$6,871,030 for DuPage County.

City Colleges of Chicago
Community College District No. 508

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

In accordance with City Colleges' Board resolution, 50% of property taxes extended for the 2002 tax year and collected in 2003 are recorded as revenue in fiscal year 2003. The remaining revenue related to the 2002 tax year extension has been deferred and will be recorded as revenue in fiscal year 2004. Based upon collection histories, City Colleges record real property taxes at 96.5% of the 2002 extended levy. Accordingly, in fiscal year 2003, City Colleges' reserve for loss and cost has been slightly decreased to \$2,220,610 from \$2,254,063 in fiscal year 2002. Conversely, in fiscal year 2003, the reserve for property tax refunds has been increased to \$11,279,390 from \$4,481,288 in fiscal year 2002.

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.

Tuition and Fees

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

Income Taxes

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

Compensated Absence

City Colleges records a liability for employees' vacation leave earned, but not taken. Employees are allowed to carry over a limited number of vacation days from year to year. At June 30, 2003 and 2002, City Colleges had recorded a liability of \$1,542,847 and \$823,800, respectively. City Colleges considers 25% of these liabilities current and due within one year.

City Colleges of Chicago
Community College District No. 508

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Comparative Data and Reclassifications

Comparative data for the prior years have been presented in order to provide an understanding of the change in financial position and operations of City Colleges. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the classification of the current year.

2. Cash and Investments

Cash, Cash Equivalents, and Restricted Cash

City Colleges is authorized to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, certificates of deposit, and other direct obligations of any bank as defined by the Illinois Banking Act and The Illinois Funds (formerly the Illinois Public Treasures' Investment Pool).

The carrying amount of City Colleges' cash at June 30, 2003, was \$12,334,370, which excludes petty cash of \$17,620. The actual bank statement balance at June 30, 2003, was \$18,449,975. The carrying amount of City Colleges' cash at June 30, 2002, was \$9,426,645, which excludes petty cash of \$19,308. The actual bank statement balance at June 30, 2002, was \$15,904,310. The difference between the reported cash amount and the bank balance primarily represents outstanding checks that have not cleared the bank. Certificates of deposit are stated at cost, which approximates fair value.

City Colleges of Chicago
Community College District No. 508

Notes to Financial Statements (continued)

2. Cash and Investments (continued)

City Colleges' cash deposits are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes deposits that are covered by the Federal Deposit Insurance Corporation. Category 2 includes collateralized deposits with securities held by the pledging institution's trust department or agent in City Colleges' name. Category 3 includes uninsured and unregistered and uncollateralized deposits, including any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in City Colleges' name.

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Balance Per Bank</u>
2003	\$1,995,724	\$16,454,251	\$ –	\$18,449,975
2002	2,167,373	13,736,937	–	15,904,310

Investments

City Colleges is authorized to invest in securities that are guaranteed by the full faith and credit of the United States of America as to the principal and interest, the Illinois Funds (a state of Illinois treasurer's pool), and certain other investments as permitted by State of Illinois Statutes, as amended. The carrying amount of its investments at June 30, 2003, which approximates fair value, is \$195,160,019. The carrying amount of its investments at June 30, 2002, which approximates fair value, is \$166,207,763.

City Colleges' investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by City Colleges or its agent in City Colleges' name. Category 2 includes uninsured and unregistered investment for which the securities are held by the dealer bank's trust department or agent in City Colleges' name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker-dealer or the dealer bank.

City Colleges of Chicago
Community College District No. 508

Notes to Financial Statements (continued)

2. Cash and Investments (continued)

City Colleges' investments consist of the following:

June 30, 2003	Category 1	Category 2	Category 3	Reported Amount
U.S. government securities	<u>\$99,050,956</u>	\$ –	\$ –	\$ 99,050,956
Total categorized investments	<u>\$99,050,956</u>	<u>\$ –</u>	<u>\$ –</u>	<u>99,050,956</u>
Investments not subject to categorization:				
Illinois Funds				66,528,241
Money Market Mutual Funds				<u>29,580,822</u>
Total investments				<u>\$195,160,019</u>

June 30, 2002	Category 1	Category 2	Category 3	Reported Amount
U.S. government securities	\$85,763,447	\$ –	\$ –	\$ 85,763,447
Commercial paper	<u>7,115,893</u>	–	–	7,115,893
Total categorized investments	<u>\$92,879,340</u>	<u>\$ –</u>	<u>\$ –</u>	92,879,340
Investments not subject to categorization:				
Illinois Funds				43,273,401
Money Market Mutual Funds				<u>30,055,022</u>
Total investments				<u>\$166,207,763</u>

The Illinois Funds and Money Market Mutual Funds are not categorized because they do not represent securities in physical or book entry form. All funds deposited in Illinois Funds and Money Market Mutual Funds are classified as investments even though they could be withdrawn within one day. 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.

City Colleges of Chicago
Community College District No. 508

Notes to Financial Statements (continued)

2. Cash and Investments (continued)

	June 30	
	2003	2002
Per statements of net assets:		
Cash and cash equivalents	\$ 8,713,034	\$ 8,354,114
Restricted cash	3,638,956	1,091,839
Total cash	\$ 12,351,990	\$ 9,445,953
Short-term investments	\$128,616,720	\$112,971,231
Long-term investments	39,280,823	27,311,670
Restricted investments	27,262,476	25,924,862
Total investments	\$195,160,019	\$166,207,763
Per footnotes:		
Cash	\$ 12,334,370	\$ 9,426,645
Petty cash	17,620	19,308
Total cash	\$ 12,351,990	\$ 9,445,953
Total investments	\$195,160,019	\$166,207,763

3. Other Accounts Receivable

City Colleges' other accounts receivable consist of the following:

	June 30	
	2003	2002
Student	\$ 9,887,573	\$ 8,138,983
Grants	19,781,220	9,828,250
Capital improvement	2,460,196	9,476,667
Replacement tax	1,255,560	1,221,121
Other	479,949	338,202
Gross receivables	33,864,498	29,003,223
Less: Allowance for uncollectibles	(3,529,189)	(4,340,022)
Net total receivables	\$30,335,309	\$24,663,201

City Colleges of Chicago
Community College District No. 508

Notes to Financial Statements (continued)

4. Capital Assets

Capital asset activity for the years ended June 30, 2003 and 2002, is as follows:

	July 1 2002	Additions	Retirements	June 30 2003
Capital assets not being depreciated:				
Land	\$ 17,388,173	\$ –	\$ –	\$ 17,388,173
Construction work in progress	–	20,923,300	–	20,923,300
Subtotal	17,388,173	20,923,300	–	38,311,473
Capital assets being depreciated:				
Equipment	20,723,346	3,174,932	(46,539)	23,851,739
Software	13,156,165	1,352,444	–	14,508,609
Buildings and improvements	426,299,700	989,558	–	427,289,258
Subtotal	460,179,211	5,516,934	(46,539)	465,649,606
Total capital assets	477,567,384	26,440,234	(46,539)	503,961,079
Accumulated depreciation:				
Equipment	18,929,052	931,568	(46,539)	19,814,081
Software	1,796,757	3,521,949	–	5,318,706
Buildings and improvements	171,666,849	11,273,268	–	182,940,117
Total accumulated depreciation	192,392,658	15,726,785	(46,539)	208,072,904
Capital assets, net	<u>\$285,174,726</u>	<u>\$10,713,449</u>	<u>\$ –</u>	<u>\$295,888,175</u>
Cost of buildings and improvements acquired under capital leases				
	<u>\$374,171,964</u>	<u>\$ 7,270,554</u>	<u>\$ –</u>	<u>\$381,442,518</u>

City Colleges of Chicago
Community College District No. 508

Notes to Financial Statements (continued)

4. Capital Assets (continued)

	July 1 2001	Additions	Retirements	June 30 2002
	<i>(As Restated)</i>			
Capital assets not being depreciated:				
Land	\$ 17,388,173	\$ –	\$ –	\$ 17,388,173
Subtotal	17,388,173	–	–	17,388,173
Capital assets being depreciated:				
Equipment	20,114,104	609,242	–	20,723,346
Software	27,325,696	12,547,222	(26,716,753)	13,156,165
Buildings and improvements	420,767,404	5,532,296	–	426,299,700
Subtotal	468,207,204	18,688,760	(26,716,753)	460,179,211
Total cost	485,595,377	18,688,760	(26,716,753)	477,567,384
Accumulated depreciation:				
Equipment	18,371,210	557,842	–	18,929,052
Software	26,792,871	1,720,639	(26,716,753)	1,796,757
Buildings and improvements	160,235,820	11,431,029	–	171,666,849
Total accumulated depreciation	205,399,901	13,709,510	(26,716,753)	192,392,658
Capital assets, net	<u>\$280,195,476</u>	<u>\$ 4,979,250</u>	<u>\$ –</u>	<u>\$285,174,726</u>
Cost of buildings and improvements acquired under capital leases	<u>\$395,356,421</u>	<u>\$ 5,532,296</u>	<u>\$(26,716,753)</u>	<u>\$374,171,964</u>

On August 8, 2000, the city of Chicago agreed to provide the funds for a capital improvement program, which includes the construction of Kennedy-King Campus and other capital renovations for City Colleges for an amount not to exceed \$328,669,593. In connection therewith, City Colleges agreed to abate a portion of its direct annual tax levy on its debt service for lease obligations for the years 2001 through 2006.

City Colleges of Chicago
Community College District No. 508

Notes to Financial Statements (continued)

5. Leases

Capital Leases

City Colleges has capital lease agreements with the PBCC covering various facilities. For each lease, the amounts necessary to meet the lease payments are accumulated for City Colleges. These amounts include 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 will be transferred to City Colleges.

Obligations under these lease agreements as of June 30, 2003 and 2002, including principal and interest, are as follows:

	Principal	Interest	Other	Total
2004	\$ 19,170,000	\$ 8,411,726	\$ 7,050,000	\$ 34,631,726
2005	20,765,000	6,689,638	7,125,000	34,579,638
2006	22,505,000	4,958,966	7,200,000	34,663,966
2007	24,410,000	2,062,008	7,275,000	33,747,008
2008	31,695,000	1,220,758	2,250,000	35,165,758
June 30, 2003	\$118,545,000	\$23,343,096	\$30,900,000	\$172,788,096
	Principal	Interest	Other	Total
2003	\$ 17,700,000	\$10,001,740	\$ 6,975,000	\$ 34,676,740
2004 – 2008	118,545,000	23,343,096	30,900,000	172,788,096
June 30, 2002	\$136,245,000	\$33,344,836	\$37,875,000	\$207,464,836

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. Such amounts are recognized in the period incurred.

Required annual rentals paid by City Colleges may be in excess of the PBCC's requirements for debt service and other expenses. As provided in the lease agreement, rent surpluses can be used either to reduce the next annual rental payment, or at City Colleges' request, the PBCC may finance future improvements to certain City Colleges facilities.

City Colleges of Chicago
Community College District No. 508

Notes to Financial Statements (continued)

5. Leases (continued)

City Colleges agreed to partially defease the remaining balance of the payments due to PBCC under the lease agreement dated September 15, 1988, and to abate that portion of their tax levy, which would have paid the lease payments for the years 2002 through 2006. Furthermore, as a result of the PBCC advance refunding its 1988 bonds, additional proceeds became available for City Colleges. The amount of the proceeds plus accumulated interest was \$5 million.

Funds held by the PBCC at June 30, 2003, 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 in restricted accounts by the Colleges.

Operating Leases

City Colleges leases equipment and office space under various operating lease agreements that expire at various dates over the next 10 years. Certain of the leases for office space contain renewal provisions. Operating lease expenses were \$586,367 and \$660,346 for the years ended June 30, 2003 and 2002, respectively.

Obligations under noncancelable operating leases with initial or remaining terms in excess of one year as of June 30, 2003, are as follows:

2004	\$ 569,931
2005	504,953
2006	329,890
2007	329,890
2008	329,890
2009 – 2013	1,649,450
	<u>3,714,004</u>

City Colleges of Chicago
Community College District No. 508

Notes to Financial Statements (continued)

6. Bonds Payable

In December 1995, City Colleges issued \$36,245,000 in 20-year revenue bonds at a discount of \$329,388 to retire a prior note payable in the amount of \$33,785,000. The Community College District Number 508 Refunding Revenue Bonds, Series 1995 (Taxable) (the bonds) are special, limited obligations of City Colleges. The bonds are due in annual installments, including interest at 5.9% to 6.9%, beginning May 1, 1996, and ending May 1, 2015. City Colleges has pledged its share of collections of the State of Illinois Personal Property Replacement Tax (the replacement tax) in amounts sufficient to pay the principal and interest on the bonds.

Collections of the replacement tax are deposited by the Illinois Department of Revenue in a separate and segregated escrow account (restricted cash) maintained with Seaway National Bank of Chicago, as trustee, to secure payment of the bonds. City Colleges has also pledged certain tuition and fees, which it receives from students attending classes.

The bonds will mature as follows:

	Principal	Interest	Total
2004	\$ 1,400,000	\$ 2,253,320	\$ 3,653,320
2005	1,700,000	2,163,720	3,863,720
2006	2,200,000	2,054,070	4,254,070
2007	2,370,000	1,909,970	4,279,970
2008	2,500,000	1,753,550	4,253,550
2009 – 2013	15,175,000	5,968,700	21,143,700
2014 – 2015	7,600,000	805,000	8,405,000
	32,945,000	16,908,330	49,853,330
Unamortized discount	(205,868)	–	(205,868)
June 30, 2003	\$32,739,132	\$16,908,330	\$49,647,462

	Principal	Interest	Total
2003	\$ 1,200,000	\$ 2,328,920	\$ 3,528,920
2004 – 2015	32,945,000	16,908,330	49,853,330
	34,145,000	19,237,250	53,382,250
Unamortized discount	(222,337)	–	(222,337)
June 30, 2002	\$33,922,663	\$19,237,250	\$53,159,913

City Colleges of Chicago
Community College District No. 508

Notes to Financial Statements (continued)

6. Bonds Payable (continued)

City Colleges' legal debt margin based on 2.875% of the equalized assessed value of \$45,309,524,105 is \$1,302,648,818. The remaining amount net of bonded indebtedness of \$151,284,132 is \$1,151,364,686.

In July 2003, City Colleges executed a Bond Warrant Agreement pertaining to bonds with aggregate principal of \$27,645,000 maturing on or after 2007. These bonds are subject to redemption prior to maturity in 2006. The Bond Warrant Agreement enabled City Colleges to sell a financial institution an option to purchase refunding bonds issued for the purpose of refunding the outstanding bonds on the call date. This transaction resulted in \$980,000 of net proceeds to City Colleges in fiscal year 2004.

7. Termination Benefits

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 Universities Retirement System of Illinois (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%, (2) future payments discounted by a 7.25% interest factor in 2002 and discounted by a 3% interest factor in 2003 due to the low interest rates available, and (3) estimated rates of retention as adopted from the *Actuary's Pension Handbook* adjusted for mortality in accordance with published mortality tables. City Colleges accrued \$24,500,000 at June 30, 2003, and \$17,989,202 at June 30, 2002, for the estimated present value of these future retiree benefits for current employees. In addition, \$8,071,367 in benefits payable to retired employees was recorded at June 30, 2003, which was the same amount at June 30, 2002.

City Colleges of Chicago
Community College District No. 508

Notes to Financial Statements (continued)

8. Changes in Noncurrent Liabilities

Changes in noncurrent liabilities for the years ended June 30, 2003 and 2002, are summarized in the table below:

	July 1 2002	Liability Incurred	Payment	June 30 2003	Current Portion
Accrued compensated absences	\$ 823,800	\$ 719,047	\$ –	\$ 1,542,847	\$ 385,712
Termination benefit – Current employees	17,989,202	6,510,798	–	24,500,000	1,100,000
Termination benefit – Retired employees	8,071,367	3,660,653	(3,660,653)	8,071,367	3,061,000
Bonds payable	33,922,663	–	(1,183,531)	32,739,132	1,400,000
Lease obligations	136,245,000	–	(17,700,000)	118,545,000	19,170,000
	<u>\$197,052,032</u>	<u>\$10,890,498</u>	<u>\$(22,544,184)</u>	<u>\$185,398,346</u>	<u>\$25,116,712</u>

	July 1 2001	Liability Incurred	Payment	June 30 2002	Current Portion
Accrued compensated absences	\$ 1,286,382	\$ 2,328,367	\$ (2,790,949)	\$ 823,800	\$ 164,780
Termination benefit – Current employees	19,907,700	(1,918,498)	–	17,989,202	891,944
Termination benefit – Retired employees	7,851,282	3,827,259	(3,607,174)	8,071,367	3,151,063
Bonds payable	34,806,200	–	(883,537)	33,922,663	1,200,000
Lease obligations	152,615,000	–	(16,370,000)	136,245,000	17,700,000
	<u>\$216,466,564</u>	<u>\$ 4,237,128</u>	<u>\$(23,651,660)</u>	<u>\$197,052,032</u>	<u>\$23,107,787</u>

9. Employee Retirement Pension Plan

City Colleges contributes to the State Universities Retirement System of Illinois (SURS). SURS is a cost-sharing, multiple-employer pension plan offering defined-benefit and defined-contribution options 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 considered a component unit of the state of Illinois financial reporting entity and is included in the state's financial reports as a pension trust fund. SURS is governed by section 5/15,

City Colleges of Chicago
Community College District No. 508

Notes to Financial Statements (continued)

9. Employee Retirement Pension Plan (continued)

Chapter 40, of the Illinois Compiled Statutes. SURS issues a publicly available 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.

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 current rate is 11.13% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly. The employer contributions to SURS directly appropriated by the state for the years ended June 30, 2003, 2002, and 2001, were \$11,877,545, \$10,846,702, and \$11,770,716, respectively, equal to the required contributions for the year.

City Colleges recognized the amount appropriated by the state as additional state appropriations (nonoperating) revenue and also recognizes corresponding expense as operating fringe benefits. While the majority of the employer contribution is made by the state, employer contributions for some positions that are not state funded are the responsibility of the employer. City Colleges contributed \$260,111, \$320,901, and \$317,405 for the years ended June 30, 2003, 2002, and 2001, respectively.

10. Postretirement Health Care Costs

City Colleges provides access to certain postretirement health care benefits for retired employees that meet eligibility requirements. Eligibility varies by employee group and is based on years of service, age, and, in some cases, being eligible to receive a State University Retirement System pension. Postretirement health care benefits are subsidized by City Colleges for a limited time period, which is generally 10 years after normal retirement or early retirement through age 70. These policies are established and may be amended by Board resolution.

As of June 30, 2003, approximately 1,200 retirees and 435 dependents of retirees were enrolled in the health care program. During the year, City Colleges incurred approximately \$4.5 million of expenditures, net of retiree contributions and ICCB grant funds. Postretirement health care expenses were not separately reported for the year ended June 30, 2002.

City Colleges of Chicago
Community College District No. 508

Notes to Financial Statements (continued)

11. Other Accruals and Liabilities

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

	June 30	
	2003	2002
Other accruals:		
Accrued interest payable	\$3,364,830	\$3,921,642
Accrued for services	3,977,410	249,234
Accrued for goods	914,725	647,061
	\$8,256,965	\$4,817,937
	June 30	
	2003	2002
Other liabilities:		
Claims payable	\$3,810,694	\$5,170,691
Unclaimed property	1,157,205	1,123,131
Other	2,163,449	572,614
	\$7,131,348	\$6,866,436

12. 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. Property damage insurance is provided by PBCC. 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.

13. 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 \$50,000 up to a ceiling of \$1,000,000. City Colleges has supplemental coverage by an independent insurer for claims exceeding \$1,000,000 up to a ceiling of \$10,000,000. Claims based on occurrences prior to June 15, 1977, remain insured under previous insurance policies. The amount of liability of City Colleges is 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 tort liability judgment.

City Colleges of Chicago
Community College District No. 508

Notes to Financial Statements (continued)

13. General Liability – Self-Insurance (continued)

City Colleges recognizes the expenses for general liability claims in the year such settlements become probable. At June 30, 2003 and 2002, City Colleges has a reserve for estimated future claims of \$1,625,694 and \$1,626,705, respectively.

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

14. Worker’s 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 \$250,000 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. At June 30, 2003 and 2002, the College has a reserve for estimated future claims of \$1,195,000 and \$1,492,857, respectively. Management of City Colleges believes that there are no material lawsuits or claims covered by the workers’ compensation self-insurance program, which have not been adequately reserved.

15. 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. At June 30, 2003 and 2002, City Colleges has accrued estimated medical expenses of \$990,000 and \$2,051,129, respectively, that have been incurred, but not claimed.

City Colleges of Chicago
Community College District No. 508

Notes to Financial Statements (continued)

16. Summary of Changes in Self-Insurance Reserves

	July 1 2002	Incurred Claims	Payment on Claims	June 30 2003
General liability	\$1,626,705	\$ 59,001	\$ (60,012)	\$1,625,694
Workers' compensation	1,492,857	292,243	(590,100)	1,195,000
Health insurance	2,051,129	6,192,488	(7,253,617)	990,000
	<u>\$5,170,691</u>	<u>\$6,543,732</u>	<u>\$(7,903,729)</u>	<u>\$3,810,694</u>

	July 1 2001	Incurred Claims	Payment on Claims	June 30 2002
General liability	\$ 997,311	\$ 1,559,012	\$ (929,618)	\$1,626,705
Workers' compensation	865,412	742,372	(114,927)	1,492,857
Health insurance	1,829,787	18,376,481	(18,155,139)	2,051,129
	<u>\$3,692,510</u>	<u>\$20,677,865</u>	<u>\$(19,199,684)</u>	<u>\$5,170,691</u>

17. 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.

City Colleges has a master plan of construction projects to be completed over the next five years in amounts totaling over \$400 million. Funding for these projects will be from the City of Chicago General Obligation Bonds, Series 1999, the State of Illinois through Illinois Community College Board Capital Renewal Grants, the Capital Development Board, and City Colleges' funds designated for capital projects.

City Colleges of Chicago
Community College District No. 508

Notes to Financial Statements (continued)

18. Investments in Collateralized Mortgage Obligations (CMOs)

Through the fall of 1993, a former treasurer of City Colleges invested a significant amount of funds in certain types of CMOs. This employee's actions were not authorized by or accurately reported to the Board. Such investments are not permitted investments under Illinois Statutes or the Board's investment policy. When market prices of these investments declined significantly in February 1994, the employee reported these transactions to the Board. The treasurer was removed from duty and no longer works for City Colleges.

In 1994, City Colleges filed a complaint against the parent company of the broker, which was subsequently amended in the United States District Court for the Northern District of Illinois, against the broker who sold the majority of these securities to City Colleges and other related entities, seeking rescission and damages in excess of \$50,000,000 for sales of nearly \$120,000,000 face value of principal only collateralized mortgage obligations. City Colleges' complaint alleged that the broker violated federal and state securities laws by selling City Colleges' unsuitable and unauthorized investments. The District Court ordered City Colleges to arbitrate its claims against certain parties. The broker subsequently filed Chapter 11 petitions with the United States Bankruptcy Court for the Southern District of Texas. The Bankruptcy Court sustained certain of City Colleges' state securities fraud and common law claims and entered an order allowing its proofs of claims in the amount of \$51,738,868.

On August 28, 1998, the Bankruptcy Court entered an order approving the Plan of Reorganization of the broker's debtors. Under the terms of the Plan, on January 13, 1999, City Colleges was paid \$3,310,410 and up to a total of approximately 10% of its final claim after all appeals. The Bankruptcy Court also ordered the debtor's estates to pay City Colleges the sum of \$500,000 toward legal fees incurred. That sum was also paid January 13, 1999. Pursuant to an agreement, upon conclusion of the litigation, the bankruptcy trustee is required to disburse money held in escrow by the trustee to eligible creditors. In December 2001, City Colleges received \$1,265,268 from the trustee as final payment.

The conclusion of the litigation against the broker in the Southern District of Texas necessitated the entry of a judgment against the parent company of the broker in the Northern District of Illinois.

City Colleges of Chicago
Community College District No. 508

Notes to Financial Statements (continued)

18. Investments in Collateralized Mortgage Obligations (CMOs) (continued)

On June 13, 1995, the Board of Trustees of City Colleges filed a complaint in the Circuit Court of Cook County against two of its previous auditors. The Board complaint alleges claims of breach of contract, negligence, and negligent misrepresentation arising out of the previous auditors' work for City Colleges in connection with their audits for the years 1991 through 1993. The Board's complaint alleges in excess of \$50,000,000 in damages.

On November 1, 2000, the Board and one of the previous auditors entered into a settlement agreement that resolved all claims between them. City Colleges agreed to dismiss all claims with prejudice, with each side bearing its own costs, and the previous auditor agreed to pay City Colleges \$5,000,000, of which \$450,000 was used to pay legal fees. The net amount was reflected in fiscal year 2001.

The claim against the other previous auditor was tried before a jury on December 7, 2000. The jury returned a verdict in favor of City Colleges on its breach of contract claim and awarded damages of \$378,000. The jury also returned a verdict in favor of City Colleges on its professional negligence claim and found that City Colleges' total damages were \$23,000,000, which the jury then reduced by 45% for City Colleges' contributory negligence resulting in a verdict of \$12,650,000.

This auditor filed its notice of appeal on August 1, 2001; City Colleges filed its cross-appeal on August 13, 2001. On July 29, 2002, the Illinois Appellate Court, First District, First Division, affirmed in all respects the judgment entered by the Circuit Court of Cook County in favor of City Colleges.

This auditor filed its petition for Leave to Appeal to the Supreme Court of Illinois on August 30, 2002; City Colleges filed its answer to the Petition for Leave to Appeal on September 13, 2002. As the Supreme Court of Illinois has not yet rendered a judgment, City Colleges has not recorded any receivable related to the award damages pending the outcome of the appeal.

Statistical Section

City Colleges of Chicago
Community College District No. 508

Assessed and Estimated Actual Value of Taxable Property (Unaudited)

Year of Levy	Assessed Valuation	Estimated Actual Value
2002	\$45,309,524,105	\$135,928,572,315
2001	41,965,618,372	125,896,855,116
2000	40,466,440,217	121,399,320,651
1999	35,342,435,328	106,027,305,984
1998	33,931,502,340	101,794,507,020
1997	33,342,629,121	100,027,887,363
1996	30,759,382,280	92,278,146,840
1995	30,374,515,576	91,123,546,728
1994	30,076,594,457	90,229,783,371
1993	28,651,970,365	85,955,911,095

Note: Assessed value is computed by the Cook County Clerk's office equal to one-third estimated actual value.

Source: Cook and DuPage County Clerk's Office.

Table B

City Colleges of Chicago
Community College District No. 508

Property Tax Levies and Collections (Unaudited)

Year of Levy	Total Extended Tax Levy	Current Year Collections	Percent of Levy	Delinquent Taxes Collected <i>(Refunded)</i>	Total Taxes Collected	Percent of Levy
2002	\$126,847,428	\$ 59,801,580	47.14%	\$ —	\$ 59,801,580	47.14%
2001	128,803,666	128,725,402	99.94%	—	128,725,402	99.94%
2000	125,854,226	125,102,599	99.40%	(594,833)	124,507,766	98.93%
1999	122,625,882	120,476,072	98.25%	345,237	120,821,309	98.53%
1998	120,139,800	115,470,420	96.11%	2,463,497	117,933,917	98.16%
1997	118,694,814	114,740,440	96.67%	1,292,261	116,032,701	97.76%
1996	115,966,200	112,274,212	96.82%	(2,757,499)	109,516,713	94.44%
1995	114,194,121	110,321,261	96.61%	(3,475,499)	106,845,762	93.57%
1994	111,871,932	107,978,985	96.52%	(2,971,004)	105,007,981	93.86%
1993	109,139,909	106,276,215	97.38%	(1,226,917)	105,049,298	96.25%

Delinquent tax data is from fiscal years 1999 thru 2003 as that is the only data available.

Source: College tax records.

Source: College records.

Table C

City Colleges of Chicago
Community College District No. 508
Schedule of Assessed Valuations,
Rates, Extensions, and Collections (Unaudited)

Legal Limit	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Property Tax Year										
Assessed valuation (<i>in millions</i>)	\$ 45,309	\$ 41,966	\$ 40,466	\$ 35,342	\$ 33,932	\$ 33,343	\$ 30,759	\$ 30,374	\$ 30,076	\$ 28,652
Tax Rates										
Audit Fund	\$0.005	\$0.0012	\$0.0008	\$0.0009	\$0.0022	\$0.0004	\$0.0022	\$0.0030	\$0.0018	\$0.0010
Tort Liability		0.0133	0.0105	0.0139	0.0098	0.0072	0.0089	0.0061	0.0091	0.0090
Education Fund	0.175	0.1438	0.1562	0.1418	0.1651	0.1586	0.1594	0.1728	0.1733	0.1667
Operation and Maintenance Fund	0.050	0.0260	0.0415	0.0268	0.0472	0.0453	0.0455	0.0494	0.0495	0.0476
Life Safety Fund	0.050	—	—	—	—	—	—	—	—	—
Oper and Main Pub Buildings		0.0278	0.0132	0.0375	0.0186	0.0343	0.0298	0.0267	0.0211	0.0262
Public Building Commission		0.0680	0.0847	0.0902	0.1031	0.1074	0.1093	0.1185	0.1210	0.1209
Total (Rounded by County to 3 decimals)		\$0.2801	\$0.3069	\$0.3111	\$0.3460	\$0.3532	\$0.3551	\$0.3765	\$0.3758	\$0.3714
Tax Extensions (<i>in thousands</i>)										
Audit Fund		\$ 548	\$ 330	\$ 355	\$ 788	\$ 113	\$ 735	\$ 920	\$ 534	\$ 311
Tort Liability		6,042	4,408	5,613	3,481	2,431	2,980	1,877	2,770	2,710
Education Fund		65,147	65,573	57,382	58,350	53,829	53,156	53,155	52,634	50,130
Operation and Maintenance Fund		11,770	17,437	10,836	16,671	15,380	15,187	15,187	15,038	14,322
Life Safety Fund		—	—	—	—	—	—	—	—	—
Oper and Main Pub Buildings		12,584	5,549	15,179	6,589	11,625	9,926	8,225	6,411	7,871
Public Building Commission		30,801	35,507	36,490	36,444	36,450	36,450	36,451	36,746	36,358
Total		\$126,892	\$128,804	\$125,855	\$122,323	\$119,828	\$118,434	\$115,815	\$114,133	\$111,701
		2003	2002	2001	2000	1999	1998	1997	1996	1995
Collections by Fiscal Year										
FY 2002		\$ 59,802								
FY 2001		69,785	\$ 58,940							
FY 2000		(595)	67,419	\$ 57,683						
FY 1999		(543)	889	64,504	\$ 55,973					
FY 1998		(562)	112	2,914	61,570	\$ 53,900				
FY 1997		(619)	(218)	(268)	2,398	60,835				
FY 1996		(1,367)	(791)	(516)	(370)	287				
FY 1995		(838)	(1,551)	(686)	(335)	559				
FY 1994		(713)	(1,016)	(1,367)	(354)	(24)				
FY 1993 and Prior Years		(1,104)	(792)	(1,068)	(1,700)	(186)				
		\$123,246	\$122,992	\$121,196	\$117,182	\$115,371	DNA	DNA	DNA	DNA

Source: Cook county records and college records.

DNA: Data not available.

City Colleges of Chicago
Community College District No. 508

Property Tax Rates – Direct and Overlapping Governments (Unaudited)

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Taxing Bodies										
Chicago										
Public Schools	\$3.562	\$3.744	\$3.714	\$4.104	\$4.172	\$4.084	\$4.327	\$4.251	\$4.167	\$4.323
School Finance Authority	0.177	0.223	0.223	0.255	0.268	0.270	0.291	0.296	0.265	0.150
City	1.591	1.637	1.660	1.860	1.998	2.024	2.182	2.131	2.158	2.228
Park District	0.545	0.567	0.572	0.627	0.653	0.665	0.721	0.730	0.741	0.778
Metropolitan Water Reclamation District	0.371	0.401	0.415	0.419	0.444	0.451	0.492	0.495	0.495	0.471
Cook County	0.690	0.746	0.824	0.854	0.911	0.919	0.989	0.994	0.993	0.971
Cook County Forest Preserve	0.610	0.067	0.069	0.070	0.072	0.074	0.074	0.072	0.073	0.072
Total Overlapping Rate	7.546	7.385	7.477	8.189	8.518	8.487	9.076	8.969	8.892	8.993
City Colleges	0.280	0.307	0.311	0.347	0.354	0.356	0.377	0.376	0.372	0.381
Total Rate	\$7.826	\$7.692	\$7.788	\$8.536	\$8.872	\$8.843	\$9.453	\$9.345	\$9.264	\$9.374

Source: Cook County Clerk's Office – Year is year of extension.

City Colleges of Chicago
Community College District No. 508

Principal Taxpayers (Unaudited)

Taxpayer	2001 – Top Ten Principal Taxpayers (1)	% of Total Equalized Assessed Valuation (2)
	<i>(In Millions)</i>	
Sears Tower	\$ 395.6	0.94%
AON Building	255.7	0.61%
Chicago Merchantile Exchange	234.4	0.56%
Prudential Plaza	208.0	0.50%
Bank One Plaza	207.2	0.49%
AT&T Corporate Center 1	202.1	0.48%
Citicorp Plaza	145.5	0.35%
Northwestern Atrium	140.3	0.33%
Hyatt Regency Hotel	140.0	0.33%
Three First National Plaza	135.5	0.32%
	\$2,064.3	4.91%

(1) Source: Cook County Assessor's Office – 2001 is latest data available.

(2) Source: Cook County Clerk's Office – Year is year of extension.

City Colleges of Chicago
Community College District No. 508

Operating and Nonoperating Revenues by Source (Unaudited)

	<u>2003</u>	<u>2002</u>
Revenues		
Operating revenues:		
Student tuition:		
Resident	\$ 40,171,838	\$ 35,570,518
Nonresident	4,141,778	8,201,796
Other	11,468,706	11,186,354
Less: Scholarship allowances	<u>(29,295,886)</u>	<u>(32,136,021)</u>
Net tuition and fees	26,486,436	22,822,647
Other operating revenues	<u>11,385,809</u>	<u>5,345,493</u>
Total operating revenues	37,872,245	28,168,140
Nonoperating revenues:		
State apportionment and equalization	45,831,544	45,980,914
Other state grants and contracts	53,927,508	60,063,502
Local grants and contracts	2,470,598	—
Local property taxes	78,370,096	88,989,439
Property taxes for lease operations	36,169,927	34,982,532
Personal property replacement taxes	7,634,382	8,236,280
Federal grants and contracts	58,775,669	50,646,126
Investment income	<u>5,136,446</u>	<u>8,255,840</u>
Nonoperating revenues, net	<u>288,316,170</u>	<u>297,154,633</u>
Capital appropriations and grants	<u>36,541,105</u>	<u>10,340,593</u>
Total revenues	<u><u>\$362,729,520</u></u>	<u><u>\$335,663,366</u></u>

Note: Only available data has been presented.

City Colleges of Chicago
Community College District No. 508

Operating and Nonoperating Expenses by Object (Unaudited)

	<u>2003</u>	<u>2002</u>
Operating expenses:		
Instructional staff	\$ 65,589,968	\$ 68,151,899
Noninstructional staff	77,245,757	78,527,624
Fringe benefits	43,406,839	35,021,557
Supplies and services	16,568,659	13,824,452
Equipment not capitalized	833,329	3,496,927
Utilities	9,948,583	8,749,080
Contractual services	45,409,468	38,952,530
Depreciation	15,726,785	13,709,510
Financial aid	22,395,492	19,219,247
Other expenses	2,087,450	1,981,149
Total operating expenses	<u>300,212,420</u>	281,633,975
Nonoperating:		
Building lease and interest payments on debt	<u>15,962,262</u>	17,306,464
Total expenses	<u><u>\$316,174,682</u></u>	<u>\$298,940,439</u>

Note: Only available data has been presented.

City Colleges of Chicago
Community College District No. 508

Current Funds Revenues By Source (Unaudited)
(Dollars in Thousands)

Year	Total	Taxes	Inter- Governmental	Student	Investment Income	Other
				Tuition and Fees		
2003	\$302,646	\$93,650	\$165,988	\$26,486	\$5,136	\$11,386
2002	290,340	97,226	156,690	22,823	8,256	5,345
2001	291,665	94,487	134,520	47,752	2,430	12,476
2000	263,517	90,865	115,091	43,040	4,143	10,378
1999	267,005	92,432	109,106	42,786	4,875	17,806
1998	245,216	87,546	107,456	40,475	933	8,806
1997	232,191	86,415	99,195	38,952	770	6,859
1996	229,216	82,182	100,738	37,945	1,207	7,144
1995	223,862	78,999	100,708	35,564	1,224	7,367
1994	225,551	81,162	97,516	33,241	6,239	7,393

Source: College records.

City Colleges of Chicago
Community College District No. 508

Current Funds Expenditures by Function (Unaudited)
(Dollars in Thousands)

Year	Total	Operation and Scholarships					Public Support	Auxiliary Service	
		Instruction	Academic Support	Student Services	Institutional Support	Maintenance of Plant			
2003	\$280,650	\$101,827	\$24,175	\$19,357	\$63,137	\$31,654	\$23,250	\$15,838	\$1,412
2002	265,954	92,209	17,944	17,184	75,055	31,114	16,795	14,656	997
2001	265,269	97,409	17,872	16,851	60,422	28,496	30,518	13,701	—
2000	265,086	99,939	17,835	17,761	60,441	33,496	29,483	6,131	—
1999	270,379	99,307	16,931	18,874	66,291	32,862	31,193	4,921	—
1998	250,359	105,352	17,367	16,362	48,523	30,291	27,379	5,085	—
1997	242,632	87,618	16,935	16,198	57,832	32,471	25,939	5,639	—
1996	235,154	89,803	19,868	15,665	52,859	28,498	22,325	6,136	—
1995	228,129	104,122	17,046	17,432	32,513	27,191	21,188	8,637	—
1994	223,077	91,212	17,548	13,772	42,271	27,598	22,284	8,392	—

Source: College records.

City Colleges of Chicago
Community College District No. 508

**Ratio of Net General Bonded Debt to Assessed Value and
Net General Bonded Debt Per Capita (Unaudited):**

Year	Net General Bonded Debt (2) (A)	Assessed Value (1) (B)	Estimated Population (3) (D)	Ratio (A/B)	Ratio (A/D)
2003	\$151,284,132	\$45,309,524,105	2,896,016	0.33%	\$52.24
2002	170,167,633	41,965,618,372	2,896,016	0.41%	58.76
2001	187,421,194	40,466,440,217	2,896,016	0.46%	64.72
2000	203,169,724	35,342,435,328	2,802,079	0.57%	72.51
1999	217,628,255	33,931,502,340	2,802,079	0.64%	77.67
1998	230,850,612	33,342,629,121	2,802,079	0.69%	82.39
1997	243,030,612	30,759,382,280	2,783,726	0.71%	87.30
1996	254,390,612	30,374,515,576	2,783,726	0.84%	91.38
1995	263,850,000	30,076,594,457	2,783,726	0.88%	94.78
1994	274,860,000	28,651,970,365	2,783,726	0.96%	98.74

**Ratio of Annual Debt Service for General Bonded
Debt to Current Funds Expenditures (Unaudited):**

Year	Total Current Funds Expenditures (000) (2) (A)	Retirement of Indebtedness Expenditures (2) (B)	Ratio (B/A)
2003	\$280,650	\$38,751,161	13.81%
2002	265,954	38,461,777	14.46%
2001	265,269	38,195,782	14.40%
2000	265,086	38,019,630	14.34%
1999	270,379	37,887,146	14.01%
1998	250,359	36,631,067	14.63%
1997	242,632	37,624,915	15.51%
1996	235,154	37,545,230	15.97%
1995	228,129	37,337,028	16.37%
1994	223,077	35,682,023	16.00%

Computation of Legal Debt Margin (Unaudited):

Equalized assessed value	<u>\$45,309,524,105</u>
Debt limit – 2.875% of assessed value	\$ 1,302,648,818
Bonded indebtedness	<u>151,284,132</u>
Legal debt margin	<u>\$ 1,151,364,686</u>

Source: (1) Cook County Assessors Office – Year is year of extension
(2) College Records
(3) Census

City Colleges of Chicago
Community College District No. 508

Computation of Direct and Overlapping Debt (Unaudited)
(Dollars in Thousands)

	Outstanding Bonds	Applicable to District Percent	Amount
Overlapping agencies			
City of Chicago	\$4,577,243	100.00%	\$ 4,577,243
Chicago Board of Education	3,757,312	100.00%	3,757,312
Chicago School Finance Authority	458,180	100.00%	458,180
Chicago Park District	939,264	100.00%	939,264
Metropolitan Water Reclamation District of Greater Chicago	643,968	45.15%	290,752
Cook County	2,618,405	44.19%	1,157,073
Cook County Forest Preserve District	41,445	44.19%	18,315
Total overlapping debt			<u>11,198,139</u>
Direct debt			
City Colleges of Chicago			<u>151,284</u>
Net direct and overlapping debt			<u><u>\$11,349,423</u></u>

Source: City of Chicago Bond Issue Prospectus.

Does not include any DuPage County debt as DuPage represents only .02% of the College assessed valuation.

Overlapping debt as of March 26, 2003, the latest data available.

City Colleges of Chicago
Community College District No. 508

Revenue Bond Coverage – Working Cash Revenue Bonds (Unaudited)

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			
				Principal	Interest	Total	Coverage
1994	\$264,965,473	\$292,192,852	\$(27,227,379)	\$5,750,000	\$ 685,219	\$6,435,219	(4.23)
1995	279,509,272	220,314,077	59,195,195	–	–	–	N/A
1996	272,378,555	235,821,483	36,557,072	–	1,023,488	1,023,488	35.72
1997	284,413,679	233,011,077	51,402,602	–	2,456,370	2,456,370	20.93
1998	320,429,652	252,541,723	67,887,929	–	2,456,370	2,456,370	27.64
1999	306,567,333	266,974,039	39,593,294	200,000	2,512,046	2,712,046	14.60
2000	338,939,080	307,975,010	30,964,070	400,000	2,444,570	2,844,570	10.89
2001	343,749,067	279,840,268	63,908,799	600,000	2,426,989	3,026,989	21.11
2002	325,322,773	267,924,465	57,398,308	900,000	2,384,270	3,284,270	17.48
2003	326,188,415	284,485,635	41,702,780	1,200,000	2,328,920	3,528,920	11.82

(1) Total revenues including operating and nonoperating revenue.

(2) Total operating expenses exclusive of depreciation.

(3) Includes principal and interest of working cash revenue bonds only. It does not include debt defeasance transactions.

City Colleges of Chicago
Community College District No. 508

Demographic Statistics: Student Enrollment Fiscal Year Enrollment
(Unaudited)
(Dollars in Thousands)

Year	<u>Headcount</u>				<u>Full-Time Equivalent</u>			
	Credit	Adult Ed	Other	Total	Credit	Adult Ed	Other	Total
2003	49,484	58,595	45,754	153,833	21,403	23,558	4,877	49,838
2002	47,240	60,818	49,688	157,746	19,649	24,513	7,449	51,611
2001	46,035	60,800	53,536	160,371	18,551	24,564	7,634	50,749
2000	48,463	59,942	51,794	160,199	19,094	25,138	7,786	52,018
1999	48,684	62,847	54,307	165,838	19,460	28,457	8,421	56,338
1998	47,852	68,865	55,982	172,699	19,200	29,406	6,217	54,823
1997	49,012	83,875	46,001	178,888	19,667	30,435	7,407	57,509
1996	50,114	83,578	44,459	178,151	20,056	29,843	7,075	56,974
1995	49,431	87,280	47,645	184,356	19,856	29,898	8,988	58,742
1994	49,208	94,013	49,314	192,535	20,554	35,085	8,193	63,832

Source: College records.

City Colleges of Chicago
Community College District No. 508

Demographic Statistics: Student Enrollment
Credit Hours By Category (Unaudited)

Year	Total	Baccalaureate	Business	Technical	Health	Remedial Development	Adult Basic Secondary Education
2003	1,266,982	357,083	50,989	71,154	54,785	110,798	621,993
2002	1,233,097	315,891	47,947	80,373	51,833	100,284	636,769
2001	1,206,253	295,807	49,233	76,974	55,751	95,510	632,978
2000	1,223,659	314,540	39,271	78,263	53,414	99,726	638,445
1999	1,322,612	321,403	44,087	79,965	59,433	101,023	716,701
1998	1,355,397	335,691	53,736	74,293	63,182	95,049	733,446
1997	1,372,437	347,990	57,496	76,762	66,926	98,949	724,314
1996	1,376,619	361,215	57,451	66,928	59,292	107,331	724,402
1995	1,431,239	355,331	65,517	79,876	55,696	104,630	770,189
1994	1,572,090	385,258	60,319	79,589	55,284	64,883	926,757

Source: ICCB certified hours.

Source: College records.

City Colleges of Chicago
Community College District No. 508

Property Value, Construction, and Bank Deposits (Unaudited)

Year of Levy	Property	Construction (2)	Bank
	Value (1) <i>(In Millions)</i>	Construction (2) <i>(In Thousands)</i>	Deposits (3)
2002	\$135,929	\$ DNA	\$90,605,911
2001	125,897	2,824,170	84,393,497
2000	121,399	2,128,665	81,158,588
1999	106,027	2,165,805	73,692,139
1998	101,795	2,098,073	72,490,833
1997	100,028	1,180,324	76,227,193
1996	92,278	1,408,672	67,033,030
1995	91,124	1,146,659	62,719,551
1994	90,230	1,323,959	64,911,826
1993	85,956	DNA	DNA

Source: (1) Cook County Clerks Office
(2) LaSalle Bank Survey of Construction
(3) FDIC Summary of Deposits
DNA – Data not available

City Colleges of Chicago
Community College District No. 508

Miscellaneous Statistics (Unaudited)

Founded 1911

Most recent accreditation by North
Central Association of Colleges
and Schools:

	<u>Last</u>	<u>Next</u>
Daley	2000-01	2010-11
Harold Washington	1998-99	2008-09
Kennedy-King	1995-96	2005-06
Malcolm X	1998-99	2008-09
Olive-Harvey	1999-00	2009-10
Truman	1999-00	2009-10
Wright	2001-02	2011-12

Current gross square footage	4,328,604
Size of district	228.5 square miles
Counties served	Cook and DuPage
Population of district	2,896,016
Number of full-time faculty	496
Number of part-time faculty	1,158
Number of administrative staff	105
Number of classified staff	613
Number of professional/technical staff	307
Degrees and certificates awarded (fiscal year 2003)	6,381

Source: College records.

Special Reports Section

Report of Independent Auditors on Other Financial Information

City Colleges of Chicago
Community College District No. 508

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The following other financial information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Ernst + Young LLP

October 24, 2003

City Colleges of Chicago
Community College District No. 508

All Funds Summary
Uniform Financial Statement #1, Fiscal Year 2003

For the year ended June 30, 2003

	Education Fund	Operation and Maintenance Fund	Operations and Maintenance Fund (Restricted)	Auxiliary Enterprise Fund	Restricted Purpose Fund	Working Cash Fund	Investment in Plant Fund	Audit Fund	Liability, Protection, and Settlement Fund	Bond and Interest Fund	Public Building Commission of Chicago Rental Fund	Public Building Commission of Chicago Operations and Maintenance Fund	Total
Fund balance – July 1, 2002	\$ 26,867,414	\$ 3,519,340	\$ –	\$ 238,991	\$ (480,946)	\$16,693,006	\$148,929,726	\$233,562	\$ (1,000,327)	\$25,421,476	\$50,754,925	\$3,217,051	\$274,394,218
Revenues													
Local tax revenue	59,856,844	13,066,235	–	–	–	–	–	371,265	5,075,753	–	28,524,373	7,645,554	114,540,024
All other local revenue	473,505	–	–	–	3,146,587	–	–	–	–	15,778,839	–	–	19,398,931
ICCB grants	45,831,544	–	–	–	6,822,819	–	–	–	–	3,832,036	–	–	56,486,399
All other state revenue	20,833,383	–	676,486	–	\$33,752,752	–	–	–	–	–	–	–	55,262,621
Federal revenue	176,202	–	–	–	57,602,906	–	–	–	–	–	–	–	57,779,108
Student tuition and fees	54,978,484	–	–	803,839	–	–	–	–	–	–	–	–	55,782,323
All other revenue	4,472,539	–	–	7,272,329	1,113,359	1,340,275	44,140,233	–	–	16,862,959	2,279,320	–	77,481,014
Total revenue	186,622,501	13,066,235	676,486	8,076,168	102,438,423	1,340,275	44,140,233	371,265	5,075,753	36,473,834	30,803,693	7,645,554	436,730,420
Expenditures by Program													
Instruction	82,860,993	–	–	60,470	18,905,643	–	–	–	–	–	–	–	101,827,106
Academic support	13,956,337	–	–	50,715	10,168,291	–	–	–	–	–	–	–	24,175,343
Student services	14,672,958	–	–	–	4,684,153	–	–	–	–	–	–	–	19,357,111
Public service/continuing education	2,865,643	–	–	6,144,466	6,827,544	–	–	–	–	–	–	–	15,837,653
Organized research	–	–	–	–	970	–	–	–	–	–	–	–	970
Auxiliary services	810,067	–	–	500,701	99,965	–	–	–	–	–	–	–	1,410,733
Operations and maintenance	7,698,776	14,367,552	676,486	4,538	453,321	–	–	–	–	30,163,295	17,700,000	9,130,109	80,194,077
Institutional support	54,137,866	22,371	–	413,638	6,330,978	–	–	405,300	1,809,318	–	–	17,585	63,137,056
Scholarships, grants, and waivers	1,507,748	–	–	–	51,038,738	–	–	–	–	–	–	–	52,546,486
Depreciation	–	–	–	–	–	–	15,726,785	–	–	–	–	–	15,726,785
Interest on debt	–	–	–	–	–	2,382,386	–	–	–	–	13,579,876	–	15,962,262
Total expenditures	178,510,388	14,389,923	676,486	7,174,528	98,509,603	2,382,386	15,726,785	405,300	1,809,318	30,163,295	31,279,876	9,147,694	390,175,582
Net transfers	5,660,655	–	–	–	4,000,000	(5,660,655)	–	–	–	(7,850,000)	3,850,000	–	–
Net increase (decrease) in 2003 fund balance	2,451,458	(1,323,688)	–	901,640	(71,180)	4,618,544	28,413,448	(34,035)	3,266,435	14,160,539	(4,326,182)	(1,502,140)	46,554,838
Fund balance – June 30, 2003	\$ 29,318,872	\$ 2,195,652	\$ –	\$1,140,631	\$ (552,126)	\$21,311,550	\$177,343,174	\$199,527	\$ 2,266,108	\$39,582,015	\$46,428,742	\$1,714,911	\$320,949,056

City Colleges of Chicago
Community College District No. 508

Summary of Fixed Assets and Debt
Uniform Financial Statement #2

Fiscal year ended June 30, 2003

	Fixed Asset/Debt Account Groups			Fixed Assets/Debt Account Groups
	July 1, 2002	Additions	Deletions	June 30, 2003
Fixed assets				
Land	\$ 17,388,173	\$ -	\$ -	\$ 17,388,173
Construction work in progress	-	20,923,300	-	20,923,300
Buildings and improvements	426,299,700	989,558	-	427,289,258
Equipment	20,723,346	3,174,932	(46,539)	23,851,739
Software	13,156,165	1,352,444	-	14,508,609
Accumulated depreciation	(192,392,658)	(15,726,785)	46,539	(208,072,904)
Net fixed assets	<u>\$285,174,726</u>	<u>\$10,713,449</u>	<u>\$ -</u>	<u>\$295,888,175</u>
Long-term debt				
Bonds payable	\$ 33,922,663	\$ -	\$ (1,183,531)	\$ 32,739,132
Lease obligations	136,245,000	-	(17,700,000)	118,545,000
Total long-term liabilities	<u>\$170,167,663</u>	<u>\$ -</u>	<u>\$(18,883,531)</u>	<u>\$151,284,132</u>

City Colleges of Chicago
Community College District No. 508

Operating Funds Revenues and Expenditures
Uniform Financial Statement #3

Fiscal year ended June 30, 2003

	Education Fund	Operations and Maintenance Fund	Public Building Commission of Chicago Operations and Maintenance Fund	Operating Funds Total
Operating revenues by source				
Local government revenue:				
Local taxes	\$ 59,856,844	\$13,066,235	\$7,645,554	\$ 80,568,633
Chargeback revenue	152,933	-	-	152,933
Other local grants	320,572	-	-	320,572
Total local government	<u>60,330,349</u>	<u>13,066,235</u>	<u>7,645,554</u>	<u>81,042,138</u>
State government:				
ICCB credit hour grants	30,898,708	-	-	30,898,708
ICCB equalization grants	9,932,836	-	-	9,932,836
ICCB – vocational education	1,321,456	-	-	1,321,456
CPPRT	7,634,382	-	-	7,634,382
Other(PPRT) & SURS pension	11,877,545	-	-	11,877,545
Other state grants	5,000,000	-	-	5,000,000
Total state government	<u>66,664,927</u>	<u>-</u>	<u>-</u>	<u>66,664,927</u>
Federal government:				
Department of education	176,202	-	-	176,202
Total federal government	<u>176,202</u>	<u>-</u>	<u>-</u>	<u>176,202</u>
Student tuition and fees:				
Tuition	43,509,778	-	-	43,509,778
Fees	9,637,004	-	-	9,637,004
Other student assessments	1,831,702	-	-	1,831,702
Total student tuition and fees	<u>54,978,484</u>	<u>-</u>	<u>-</u>	<u>54,978,484</u>
Other revenue:				
Sales and services fees	537,079	-	-	537,079
Facilities revenue	1,785,110	-	-	1,785,110
Investment revenue	1,064,587	-	-	1,064,587
Nongovernmental grants	-	-	-	-
Other	1,085,763	-	-	1,085,763
Total other revenue	<u>4,472,539</u>	<u>-</u>	<u>-</u>	<u>4,472,539</u>
Total revenue	<u>186,622,501</u>	<u>13,066,235</u>	<u>7,645,554</u>	<u>207,334,290</u>
Less: Nonoperating items				
Tuition chargeback revenue	(152,933)	-	-	(152,933)
Instructional service contracts	-	-	-	-
Adjusted revenue	<u>\$186,469,568</u>	<u>\$13,066,235</u>	<u>\$7,645,554</u>	<u>\$207,181,357</u>

City Colleges of Chicago
Community College District No. 508

Operating Funds Revenues and Expenditures
Uniform Financial Statement #3 (continued)

Fiscal year ended June 30, 2003

	Education Fund	Operations and Maintenance Fund	Public Building Commission of Chicago Operations and Maintenance Fund	Operating Funds Total
Operating expenditures				
By program:				
Instruction	\$ 82,860,993	\$ —	\$ —	\$ 82,860,993
Academic support	13,956,337	—	—	13,956,337
Student services	14,672,958	—	—	14,672,958
Public service/continuing education	2,865,643	—	—	2,865,643
Auxiliary services	810,067	—	—	810,067
Operations and maintenance	7,698,776	14,367,552	9,147,694	31,214,022
Institutional support	54,137,866	22,371	—	54,160,237
Scholarships, grants, and waivers	1,507,748	—	—	1,507,748
Transfers	5,660,655	—	—	5,660,655
Total operating expenditures by program	184,171,043	14,389,923	9,147,694	207,708,660
Less nonoperating items*				
Tuition chargeback	(327,681)	—	—	(327,681)
Transfers to nonoperating funds	(5,660,655)	—	—	(5,660,655)
Adjusted expenditures	<u>\$178,182,707</u>	<u>\$14,389,923</u>	<u>\$9,147,694</u>	<u>\$201,720,324</u>
By object:				
Salaries	\$104,741,122	\$ 8,033,205	\$ 957,996	\$113,732,323
Employee benefits	39,186,838	803,741	—	39,990,579
Contractual services	16,945,304	4,705,286	767,670	22,418,260
General materials and supplies **	9,918,582	212,666	488,962	10,620,210
Conferences and meetings expenses	1,335,564	551	—	1,336,115
Fixed charges	887,605	9,935	35,796	933,336
Utilities	2,235,962	614,195	6,885,599	9,735,756
Capital outlay	198,881	10,344	11,671	220,896
Other ***	3,060,530	—	—	3,060,530
Transfers	5,660,655	—	—	5,660,655
Total operating expenditures by object	184,171,043	14,389,923	9,147,694	207,708,660
Less nonoperating items*				
Tuition charge back	(327,681)	—	—	(327,681)
Instructional service contracts	—	—	—	—
Transfers to nonoperating funds	(5,660,655)	—	—	(5,660,655)
Adjusted expenditures	<u>\$178,182,707</u>	<u>\$14,389,923</u>	<u>\$9,147,694</u>	<u>\$201,720,324</u>

*Enter as negative

**Includes library materials for \$274,604

***Includes student scholarships, grants and waivers for \$1,533,237

City Colleges of Chicago
Community Colleges District No. 508

Restricted Purpose Fund Revenues and Expenditures
Uniform Financial Statement #4

Fiscal year ended June 30, 2003

Revenue by source

State government:

ICCB-Special Populations Grants	\$ 4,271
ICCB-Workforce Preparation Grant	1,648,900
ICCB-Advanced Technology Grants	1,129,847
ICCB-Retirees Health Insurance Grants	626,600
ICCB-Special Initiatives Grants	206,076
ICCB-Digital TV	2,443,332
ICCB-Deferred Maintenance	453,341
ICCB Operating Grants	1,234,325
SBE-Vocational Education	3,186,869
SBE-Adult Education	9,755,158
DECCA Grant	9,200,190
Illinois Student Assistance Commission	10,031,754
Other	1,058,378
Total state government	<u>40,979,041</u>

Federal Government:

Department of education	<u>57,602,906</u>
Total federal government	<u>57,602,906</u>

Other sources:

Other	<u>3,856,476</u>
Total other sources	<u>3,856,476</u>

Total restricted purpose fund revenues \$102,438,423

Expenditures by program:

Instruction	\$ 18,905,643
Academic support	10,168,291
Student services	4,684,153
Public services	6,827,544
Organized research	970
Auxiliary services	99,965
Operations and maintenance	453,321
Institutional support	6,330,978
Scholarships, grants, and waivers	51,038,738
Total restricted purposes fund expenditures by program	<u><u>\$ 98,509,603</u></u>

Expenditure by object:

Salaries	\$ 26,424,538
Employee benefits	2,990,359
Contractual services	9,699,028
General material and supplies *	4,787,597
Travel & conference/meeting expenses	555,675
Fixed charges	37,856
Utilities	116,254
Capital outlay	3,247,195
Other **	50,651,101
Total restricted purposes fund expenditures by object	<u><u>\$ 98,509,603</u></u>

* Includes Library Materials for \$490

** Includes Scholarships, Grants, and Waivers for \$50,082,283 which includes \$29,295,886 scholarship allowance

City Colleges of Chicago
Community Colleges District No. 508

Current Funds Expenditures by Activity
Uniform Financial Statement #5

Fiscal year ended June 30, 2003

Instruction:	
Instructional programs	\$101,074,581
Other	<u>752,525</u>
Total instructional	101,827,106
Academic support:	
Library center	3,393,985
Instructional materials center	710,104
Educational media services	90,714
Academic computing support	354,749
Other	<u>19,625,791</u>
Total academic support	24,175,343
Student services:	
Admissions and records	5,251,869
Counseling and career guidance	5,450,298
Financial aid administration	2,718,142
Other	<u>5,936,802</u>
Total student services	19,357,111
Public service/continuing education:	
Community education	2,848,891
Customized training (instructional)	5,034,243
Community services	6,458,007
Other	<u>1,496,512</u>
Total public service/continuing education	15,837,653
Organized research	970
Auxiliary services	1,410,733
Operations and maintenance of plant:	
Maintenance	3,169,814
Custodial services	1,506,949
Grounds	2,562
Campus security	7,001,433
Transportation	1,820
Utilities	6,752,892
Administration	29,054
Other	<u>13,189,772</u>
Total operations and maintenance of plant	31,654,296

City Colleges of Chicago
Community Colleges District No. 508

Current Funds Expenditures by Activity
Uniform Financial Statement #5 (continued)

Fiscal year ended June 30, 2003

Institutional support:	
Executive management	\$ 6,385,166
Fiscal operations	5,055,518
Community relations	1,133,756
Administrative support services	41,674,825
Board of Trustees	63,703
General institution	4,256,756
Institutional research	1,597
Administrative data processing	<u>4,565,736</u>
Total institutional support	63,137,056
Scholarships, students grants, and waivers	<u>52,546,486</u>
Total current funds expenditures	<u><u>\$309,946,754</u></u>

Current funds include: the education, operations and maintenance, auxiliary enterprises, restricted purposes, audit, liability, protection and settlement, and Public Building Commission of Chicago operations and maintenance funds

City Colleges of Chicago
Community College District No. 508

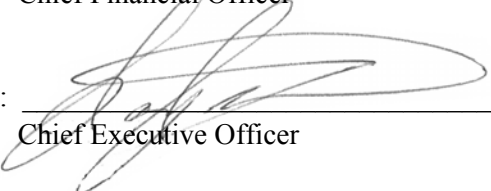
Certification of Chargeback Reimbursement for Fiscal Year 2004

All fiscal year 2003 noncapital operating from the following funds:

Education Fund	\$178,312,496
Operations and Maintenance Fund	14,373,708
Public Building Commission Operation and Maintenance Fund	9,141,596
Bond and Interest Fund	9,126,924
Public Building Commission Rental Fund	31,279,876
Restricted Purpose Fund	95,554,876
Audit Fund	405,300
Liability, Protection and Settlement Fund	1,809,318
Auxiliary Enterprises Fund (subsidy only)	—
Total non-capital expenditures	<u>340,004,093</u>
Plus depreciation for equipment paid	
From nonstate and nonfederal monies	5,557,248
Plus depreciation on buildings and fixed equipment	
Paid from nonstate and nonfederal monies	<u>8,179,057</u>
Equals total qualified expenditures	<u>353,740,398</u>
Less all fiscal year 2003 state and federal operating grants for noncapital expenditures, except ICCB grants	<u>33,254,720</u>
Equals adjusted qualified expenditures	<u><u>\$320,485,678</u></u>
 Total certified semester credit hours	 1,266,982
Adjusted qualified expenditures for Fiscal year 2003	\$320,485,678
Divided by total credit hours for Fiscal year 2003	<u>1,266,982</u>
Equals cost per semester credit hour	<u>\$ 252.95</u>
Cost per semester credit hour	\$ 252.95
Less each district's average grant rate for Fiscal year 2004	33.74
Less each district's student tuition per semester credit hour for Fiscal year 2004	<u>52.00</u>
Equals chargeback reimbursement per semester credit hour	<u><u>\$ 167.21</u></u>

Approved: 
Chief Financial Officer

10-27-03
Date

Approved: 
Chief Executive Officer

10-27-03
Date

See accompanying independent auditor's reports.

Report of Independent Auditors on Schedule of Enrollment Data and Other Bases Upon Which Claims are Filed

City Colleges of Chicago
Community College District No. 508

We have examined the accompanying Schedule of Enrollment Data and Other Bases Upon Which Claims are Filed (the Schedule) of City Colleges of Chicago, Community College District No. 508 (City Colleges) for the year ended June 30, 2003. The Schedule is the responsibility of City Colleges' management. Our responsibility is to express an opinion on the Schedule based upon our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the guidelines contained in the Illinois Community College Board's *Fiscal Management Manual* and, accordingly, included examining on a test basis, evidence supporting enrollment data and other bases upon which claims are filed and performing such procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying schedule referred to above presents fairly, in all material respects, the Enrollment Data and Other Bases Upon Which Claims are Filed of the City Colleges for the year ended June 30, 2003, in conformity with the provisions of the aforementioned guidelines.

This report is intended solely for the information and use of City Colleges' Board of Trustees and management and for filing with the Illinois Community College Board and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

October 24, 2003

City Colleges of Chicago
Community College District No. 508

Schedule of Enrollment Data and
Other Bases Upon Which Claims are Filed


For the year June 30, 2003

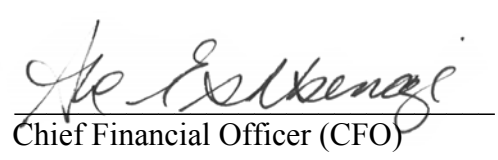
**Total Semester Credit Hours by Term
(In-District and Out-of-District Reimbursable)**

Categories	Summer		Fall		Spring		Total	
	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted
Baccalaureate	38,813	66	157,168	114	160,787	135	356,768	315
Business								
Occupational	5,693	–	20,328	–	24,968	–	50,989	–
Technical								
Occupational	10,917	–	30,118	–	30,041	78	71,076	78
Health								
Occupational	7,112	30	23,210	72	24,151	210	54,473	312
Remedial								
Developmental	8,982	269	53,424	2,424	44,616	1,263	107,022	3,956
Adult Basic /								
Secondary								
Education	78,142	86,569	99,725	126,126	97,320	134,111	275,187	346,806
Total	149,659	86,934	383,973	128,736	381,883	135,797	915,515	351,467

	Attending In-District	Attending Out-of-District on Chargeback or a Cooperative/ Contractual Agreement	Total
Semester credit hours (all terms)	1,225,545	2,918	1,228,463

District prior year equalized assessed evaluation \$45,309,524,105

Signatures: 
Chief Executive Officer (CEO)


Chief Financial Officer (CFO)

City Colleges of Chicago
Community College District No. 508

Schedule of Enrollment Data and
Other Bases Upon Which Claims are Filed (continued)

For the year June 30, 2003

Reconciliation of Total Semester Credit Hours for the Year Ended June 30, 2003

Categories	Total Unrestricted Credit Hours	Total Unrestricted Credit Hours Certified to the ICCB	Difference	Total Restricted Credit Hours	Total Restricted Credit Hours Certified to the ICCB	Difference
Baccalaureate	356,768	356,768	-	315	315	-
Business						
Occupational	50,989	50,989	-	-	-	-
Technical						
Occupational	71,076	71,076	-	78	78	-
Health						
Occupational	54,473	54,473	-	312	312	-
Remedial						
Developmental	107,022	107,022	-	3,956	3,956	-
Adult Basic/ Secondary Education	275,187	275,187	-	346,806	346,806	-
Total	915,515	915,515	-	351,467	351,467	-

**Reconciliation of In-district / Chargeback and Cooperative /
Contractual Agreement Credit Hours**

	Total Attending (Unrestricted and Restricted)	Total Attending As Certified to the ICCB (Unrestricted and Restricted)	Difference
In-district residents	1,225,545	1,225,545	-
Out-of-district on chargeback or contractual agreement	2,918	2,918	-
Total	1,228,463	1,228,463	-

City Colleges of Chicago
Community College District No. 508

Summary of Assessed Valuation
(Most recent three years)

Year of Levy	Assessed Valuation
2002	\$45,309,524,105
2001	41,965,618,372
2000	40,466,440,217

Source: Cook and DuPage County Clerk's Office.

Report of Independent Auditors

City Colleges of Chicago
Community College District No. 508

We have audited the accompanying balance sheets of the Advanced Technology (technology support and staff technical skills enhancement), Deferred Maintenance, Workforce Development, Retirees Health Insurance, State Adult Education and Family Literacy, and TV Digitalization Infrastructure grants of City Colleges of Chicago, Community College District No. 508 (City Colleges) as of June 30, 2003, and the related statements of revenues, expenditures, and changes in fund balances for the year then ended. These financial statements are the responsibility of City Colleges' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the grant policy guidelines of the Illinois Community College Board's (ICCB) *Fiscal Management Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1A, the financial statements referred to above present only the Advanced Technology (technology support and staff technical skills enhancement), Deferred Maintenance, Workforce Development, Retirees Health Insurance, State Adult Education and Family Literacy, and TV Digitalization Infrastructure grants and do not purport to, and do not, present fairly the financial position of City Colleges of Chicago, Community College District No. 508 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1B, City Colleges prepares its grant financial statements on the regulatory basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions – regulatory basis of the Advanced Technology (technology support and staff technical skills enhancement), Deferred Maintenance, Workforce Development, Retirees Health Insurance, State Adult Education and Family Literacy, and TV Digitalization Infrastructure grants of City Colleges of Chicago, Community College District No. 508 as of June 30, 2003, and the respective statements of revenues, expenditures, and changes in fund balances – regulatory basis for the year then ended.

This report is intended solely for the information and use of City Colleges' Board of Trustees and management and for filing with the Illinois Community College Board and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

October 24, 2003

Report on Compliance with the Specific Requirements Applicable to Illinois Community College Board Programs

City Colleges of Chicago
Community College District No. 508

We have audited the financial statements of City Colleges of Chicago, Community College District No. 508 (City Colleges) as of and for the year ended June 30, 2003 and have issued our report thereon dated October 24, 2003. We also have audited City Colleges' compliance with the provisions of laws, contracts, and Illinois Community College Board policy guidelines that are applicable to the Advanced Technology (technology support and staff technical skills enhancement), Deferred Maintenance, Workforce Development, Retirees Health Insurance, State Adult Education and Family Literacy, and TV Digitalization Infrastructure grants for the year ended June 30, 2003. The management of City Colleges is responsible for compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the grant policy guidelines of the Illinois Community College Board's (ICCB) *Fiscal Management Manual*. Those standards and the Manual require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about City Colleges' compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, City Colleges of Chicago, Community College District No. 508 complied, in all material respects, with the requirements described above that are applicable to the Advanced Technology (technology support and staff technical skills enhancement), Deferred Maintenance, Workforce Development, Retirees Health Insurance, State Adult Education and Family Literacy, and TV Digitalization Infrastructure grants for the year ended June 30, 2003.

This report is intended solely for the information and use of City Colleges' Board of Trustees and management and for filing with the Illinois Community College Board and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

October 24, 2003

City Colleges of Chicago
Community College District No. 508

Workforce Development Component Grant Program
*(business/industry, education-to-careers, welfare/low
income support services, and current workforce training)*

Balance Sheet

As of June 30, 2003

Assets

Cash \$17,041

Liabilities and fund balance

Accrued payroll \$14,833

Accrued liabilities 1,586

Deferred revenue 622

Total liabilities 17,041

Fund balance – reserved for encumbrances –

Fund balance – unreserved –

Total fund balance –

Total liabilities and fund balance \$17,041

See accompanying Notes to Financial Statements.

City Colleges of Chicago
Community College District No. 508

Workforce Development Component Grant Program

Combined Statement of Revenues, Expenditures,
and Changes in Fund Balance

For the year ended June 30, 2003

	Actual				Total
	Business & Industry	Education-to Careers	Welfare/ Low Income	Current Workforce Training	
Revenue					
State sources	\$422,405	\$116,132	\$725,478	\$400,333	\$1,664,348
Expenditures					
Current Year's Grant:					
Salaries	\$313,107	\$ 19,572	\$317,577	\$ 24,167	\$ 674,423
Employee benefits	45,572	4,161	10,871	-	60,604
Contractual services	18,902	63,640	11,976	306,217	400,735
Material and supplies	22,558	9,522	25,925	69,949	127,954
Conference and meeting expense	16,861	7,261	7,041	-	31,163
Fixed charges	-	-	-	-	-
Utilities	-	-	-	-	-
Capital outlay	2,742	3,946	996	-	7,684
Other expenditures (specify)	-	-	346,337	-	346,337
Payment of Prior Year's					
Encumbrances (Note 2):					
Contractual services	-	-	2,543	-	2,543
Material and supplies	873	5,912	-	-	6,785
Conference and meeting expense	-	411	311	-	722
Capital outlay	1,490	1,707	1,901	-	5,098
Other expenditures	300	-	-	-	300
Total expenditures	\$422,405	\$116,132	\$725,478	\$400,333	\$1,664,348
Excess of revenue over expenditures					
Fund balance:					
July 1, 2002	\$ -	\$ -	\$ -	\$ -	\$ -
June 30, 2003	-	-	-	-	-
Expenditure test:					
Grant year 2003 original allocation	\$419,742	\$ 95,424	\$734,023	\$400,333	\$1,649,522
Minimum expenditure requirement (at least one half of the original allocation)	\$209,871	\$ 47,712	\$367,012	\$200,167	\$ 824,761

See accompanying Notes to Financial Statements.

City Colleges of Chicago
Community College District No. 508

ICCB Compliance Statement for Workforce Development
(Business/Industry) Grant
Total Expenditures for ICCB Grant Funds Only

For the year ended June 30, 2003

Expenditures	General	Operation of Workforce Devel. Office	Total
1. Personnel (salaries and benefits)	\$ –	\$358,679	\$358,679
2. Contractual services	18,902	–	18,902
3. Instructional materials	–	2,913	2,913
4. Instructional equipment	–	2,742	2,742
5. Promotional materials	2,053	–	2,053
6. Staff development	13,974	–	13,974
7. Conference and meeting	15	–	15
8. Travel	3,901	–	3,901
9. Cost of operating a business assistance center/economic development/workforce development offices:			
a. Office equipment	–	–	–
b. Utilities and telephone	–	–	–
c. Consumable Supplies	–	15,563	15,563
d. Duplicating	1,000	–	1,000
e. Facility rental	–	–	–
10. Totals	\$39,845	\$379,897	\$419,742

City Colleges of Chicago
Community College District No. 508

Advanced Technology Component Grant Program
(technology support and staff technical skills enhancement)

Balance Sheet

As of June 30, 2003

	Technology Support	Staff Tech Skills Enhancement	Total
Assets			
Cash	\$5,872	\$16,400	\$22,272
Liabilities and fund balance			
Accounts payable	\$2,591	\$ 975	\$ 3,566
Accrued expenses	3,281	15,425	18,706
Deferred revenue	-	-	-
Total liabilities	5,872	16,400	22,272
Fund balance – reserved for encumbrances	-	-	-
Fund balance – unreserved	-	-	-
Total Fund balance	-	-	-
Total liabilities and fund balance	\$5,872	\$16,400	\$22,272

See accompanying Notes to Financial Statements.

City Colleges of Chicago
Community College District No. 508

Advanced Technology Component Grant Program
(*technology support and staff technical skills enhancement*)

Combined Statement of Revenues, Expenditures,
and Changes in Fund Balance

Year ended June 30, 2003

	Technology Support	Staff Tech Skills Enhancement	Total
Revenue			
State sources	\$274,484	\$308,412	\$582,896
Expenditures			
Current Year's Grant:			
Salaries (technical staff)	\$ 16,635	\$162,225	\$178,860
Employee benefits (technical staff)	3,537	4,746	8,283
Contractual services	46,075	108,710	154,785
Materials and supplies	8,186	6,421	14,607
Conference and meeting expenses	1,504	26,310	27,814
Utilities	101,817	-	101,817
Capital outlay	64,470	-	64,470
Payment of Prior Year's Encumbrances (<i>Note 2</i>):			
Capital outlay	23,247	-	23,247
Telecommunications line charges	9,013	-	9,013
Total expenditures	\$274,484	\$308,412	\$582,896
Excess revenue over expenditures			
Fund balance, July 1, 2002	\$ -	\$ -	\$ -
Fund balance, June 30, 2003	-	-	-
Expenditure test			
Original allocation	\$217,807	\$317,216	\$535,023
Minimum expenditure requirement (at least one half of the original allocation)	\$108,904	\$158,608	\$267,512

See accompanying Notes to Financial Statements.

City Colleges of Chicago
Community College District No. 508

Deferred Maintenance Grant Program

Balance Sheet

As of June 30, 2003

Assets

Cash	<u><u>\$13,800</u></u>
------	------------------------

Liabilities and fund balance

Accrued liabilities	\$13,780
Deferred revenue	<u>20</u>
Total liabilities	13,800

Fund balance – reserved for encumbrances	–
Fund balance – unreserved	<u>–</u>
Total fund balance	–
Total liabilities and fund balance	<u><u>\$13,800</u></u>

See accompanying Notes to Financial Statements.

City Colleges of Chicago
Community College District No. 508

Deferred Maintenance Grant Program

Statement of Revenues, Expenditures,
and Changes in Fund Balance

For the year ended June 30, 2003

	<u>Actual</u>
Revenue	
State sources	<u>\$453,321</u>
Expenditures	
Capital outlay	<u>\$453,321</u>
Total expenditures	<u>453,321</u>
Excess of revenue over expenditures	—
Fund balance, July 1, 2002	—
Fund balance, June 30, 2003	<u>\$ —</u>

See accompanying Notes to Financial Statements.

City Colleges of Chicago
Community College District No. 508

State Adult Education and Family Literacy Restricted Funds

Combined Balance Sheet

As of June 30, 2003

	State Basic	Public Aid	Performance	Total
Assets				
Cash	\$171,672	\$107,697	\$103,370	\$382,739
Total assets	<u>\$171,672</u>	<u>\$107,697</u>	<u>\$103,370</u>	<u>\$382,739</u>
Liabilities and fund balance				
Accounts payable	\$ 7,415	\$ 1,684	\$ 9,562	\$ 9,099
Accrued expenditures	164,256	106,013	93,808	364,077
Total liabilities	171,671	107,697	103,370	382,739
Fund balance	-	-	-	-
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$171,672</u>	<u>\$107,697</u>	<u>\$103,370</u>	<u>\$382,739</u>

See accompanying Notes to Financial Statements.

City Colleges of Chicago
Community College District No. 508

Illinois Community College Board
State Adult Education and Family Literacy – Restricted Funds
Combined Statement of Revenues, Expenditures, and
Changes in Fund Balance
For the year ended June 30, 2003

	State Basic	Public Aid	Performance	Total
Revenue				
Grant Revenue	\$3,561,930	\$3,046,433	\$3,094,376	\$9,702,739
Expenditures by Program				
Instruction	\$2,174,120	\$1,904,567	\$2,389,855	\$6,468,542
Social Work Services	1,175,652	644,893	475,932	2,296,477
Guidance Services	23,285	306,994	–	330,279
Assistive and Adaptive Equipment	–	–	7,940	7,940
Assessment and Testing	11,919	30,089	12,945	54,953
Student Transportation Services	190	1,800	2,510	4,500
Child Care Services	10,439	–	–	10,439
Subtotal Instructional and Student Services	3,395,605	2,888,343	2,889,182	9,173,130
Improvement of Instructional Services	53,650	43,527	51,489	148,666
General Administration	112,675	85,967	153,705	352,347
Operation and Maintenance of Plant Services	–	765	–	765
Workforce Coordination	–	24,881	–	24,881
Data and Information Services	–	2,950	–	2,950
Subtotal Program Support	166,325	158,090	205,194	529,609
Total Expenditures	\$3,561,930	\$3,046,433	\$3,094,376	\$9,702,739
Excess of Revenue Over Expenditures				
Fund Balance July 1, 2002	\$	–	\$	–
Fund Balance June 30, 2003	–	–	–	–

See accompanying Notes to Financial Statements.

City Colleges of Chicago
Community College District No. 508

TV Digitalization Infrastructure Grant Program
Balance Sheet
As of June 30, 2003

Assets	
Cash	<u><u>\$1,294</u></u>
Liabilities and Fund Balance	
Accrued liabilities	<u>\$1,294</u>
Total liabilities	1,294
Fund balance – reserved	–
Fund balance – unreserved	<u>–</u>
Fund balance	<u>–</u>
Total liabilities and fund balance	<u><u>\$1,294</u></u>

See accompanying Notes to Financial Statements.

City Colleges of Chicago
Community College District No. 508

TV Digitalization Infrastructure Grant Program
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the period October 2, 2001 through September 30, 2003

	Actual
Revenue	
State sources	\$2,443,322
 Expenditures	
Contractual services	\$ 453,550
Materials and supplies	137,120
Capital outlay	1,852,662
Total expenditures	2,443,332
Excess of revenue over expenditures	-
Fund balance July 1, 2002	-
Fund balance April 30, 2003	\$ -

See accompanying Notes to Financial Statements.

City Colleges of Chicago
Community College District No. 508

Retirees Health Insurance Grant
Balance Sheet
As of June 30, 2003

Assets

Cash \$ -

Liabilities and Fund Balance

Accounts payable \$ -

Total liabilities -

Fund balance – reserved for encumbrances -

Fund balance – unreserved -

Total fund balance -

Total liabilities and fund balance \$ -

See accompanying Notes to Financial Statements.

City Colleges of Chicago
Community College District No. 508

Retirees Health Insurance Grant
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2003

	Actual
Revenue	
State sources	\$626,600
 Expenditures	
Current Year's Grant:	
Retiree benefits	\$626,600
Payment of Prior Year's Encumbrances (Note 2):	
Retiree benefits	-
Total expenditures	626,600
Excess of revenue over expenditures	-
Fund balance July 1, 2002	-
Fund balance June 30, 2003	\$ -

See accompanying Notes to Financial Statements.

City Colleges of Chicago
Community College District No. 508

Notes to Financial Statements
For the year ended June 30, 2003

1. Summary of Significant Accounting Policies

a. General

The accompanying statements include those transactions resulting from the ICCB Advanced Technology components (Technology Support and Staff Technical Skills Enhancement), Deferred Maintenance, Workforce Development components (Business/Industry, Education-to-Careers, Welfare/Low Income Support Services, and Current Workforce Training), Retirees Health Insurance, P-16 initiative, TV Digitalization Infrastructure, and Adult Education & Family Literacy grant programs. These transactions have been accounted for in a Restricted Purposes Fund. These statements are not intended to, and do not, present the financial position or changes in financial position of the Colleges in their entirety.

b. Basis of Accounting

The statements have been prepared on a regulatory basis of accounting in accordance with guidelines set forth by the Illinois Community College Board. This is a comprehensive basis of accounting other than generally accepted accounting principles. Expenditures include all accounts payable representing liabilities for goods and services actually received as of June 30, 2003. Funds obligated for goods prior to June 30 for which the goods are received prior to August 31 are recorded as encumbrances. Unexpected funds are reflected as a reduction of fund balance and a liability due to the ICCB by October 15.

c. Fixed Assets

Fixed asset purchases are recorded as capital outlay and not capitalized.

2. Payments on Prior Year's Encumbrances

Payments of prior year's encumbrances for goods received prior to August 31 are reflected as expenditures during the current fiscal year.



Independent Auditors' Report

City Colleges of Chicago
Community College District No. 508

We have audited the accompanying balance sheets of the Advanced Technology (Instructional Equipment and ICCB Online Components), ILCCO Online Course Development, P-16 Initiative grants of City Colleges of Chicago, Community College District No. 508 (City Colleges) as of June 30, 2003, and the related statements of revenues, expenditures, and changes in fund balance for the year then ended. These financial statements are the responsibility of the City Colleges' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the grant policy guidelines of the Illinois Community College Board's (ICCB) *Fiscal Management Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1A, the financial statements referred to above present only the Advanced Technology (Instructional Equipment and ICCB Online Components), ILCCO Online Course Development, P-16 Initiative grants and do not purport to, and do not, present fairly the financial position of City Colleges of Chicago, Community College District No. 508 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1B, City Colleges prepares its grant financial statements on the regulatory basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – regulatory basis of the Advanced Technology (Instructional Equipment and ICCB Online Components), ILCCO Online Course Development, P-16 Initiative grants of City Colleges of Chicago, Community College District No. 508 as of June 30, 2003, and the respective statements of revenues, expenditures, and changes in fund balance – regulatory basis for the year then ended.

This report is intended solely for the information and use of City Colleges' Board of Trustees and management and for filing with the Illinois Community College Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read 'A. Park' or similar, written in a cursive style.

October 21, 2003



Report on Compliance with the Specific Requirements Applicable to Illinois Community
College Board Programs

City Colleges of Chicago
Community College District No. 508

We have audited the grant financial statements of City Colleges of Chicago, Community College District No. 508 (City Colleges) as of and for the year ended June 30, 2003 and have issued our report thereon dated October 21, 2003. We also have audited City Colleges' compliance with the provisions of laws, contracts, and Illinois Community College Board policy guidelines that are applicable to the Advanced Technology (Instructional Equipment and ICCB Online Components), ILCCO Online Course Development, P-16 Initiative grants for the year ended June 30, 2003. The management of City Colleges is responsible for compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the grant policy guidelines of the Illinois Community College Board's (ICCB) *Fiscal Management Manual*. Those standards and the Manual require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about City Colleges' compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, City Colleges of Chicago, Community College District No. 508 complied, in all material respects, with the requirements described above that are applicable to the Advanced Technology (Instructional Equipment and ICCB Online Components), ILCCO Online Course Development, P-16 Initiative grants for the year ended June 30, 2003.

This report is intended solely for the information and use of City Colleges' Board of Trustees and management and for filing with the Illinois Community College Board and is not intended to be and should not be used by anyone other than these specified parties.

October 21, 2003

City Colleges of Chicago
Community College District No. 508

Advanced Technology Component Grant Program
(instructional equipment and Illinois community colleges online)

Balance Sheet
As of June 30, 2003

	Instructional Equipment	IL Comm. Colleges Online	Total
Assets			
Cash	\$31,764	\$1,084	\$32,848
Liabilities and fund balance			
Accounts payable	\$ 1,891	\$ –	\$ 1,891
Accrued expenses	4,584	1,084	5,668
Deferred revenue	25,289	–	25,289
Total liabilities	31,764	1,084	32,848
Fund balance – reserved for encumbrances	–	–	–
Fund balance – unreserved	–	–	–
Total fund balance	–	–	–
Total liabilities and fund balance	\$31,764	\$1,084	\$32,848

See accompanying Notes to Financial Statements.

City Colleges of Chicago
Community College District No. 508

Advanced Technology Component Grant Program
(instructional equipment and Illinois community colleges online)

Combined Statement of Revenues, Expenditures,
and Changes in Fund Balance

Year ended June 30, 2003

	Instructional Equipment	IL Comm. Colleges Online	Total
Revenue			
State sources	\$600,725	\$12,025	\$612,750
Expenditures			
Current Year's Grant (Note 2):			
Salaries (technical staff)	\$ -	\$ 5,525	\$ 5,525
Contractual services	-	2,500	2,500
Materials and supplies	81,203	4,000	85,203
Capital outlay	498,008	-	498,008
Payment of Prior Year's Encumbrances (Note 2):			
Instructional equipment	17,895	-	17,895
Capital outlay	2,394	-	2,394
Telecommunications line charges	1,225	-	1,225
Total expenditures	\$600,725	\$12,025	\$612,750
Excess revenue over expenditures			
Fund balance, July 1, 2002	\$ -	\$ -	\$ -
Fund balance, June 30, 2003	-	-	-
Expenditure test			
Original allocation	\$620,148	\$12,025	\$632,173
Minimum expenditure requirement (at least one half of the original allocation)	\$310,074	\$ 6,013	\$316,087

See accompanying Notes to Financial Statements.

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

**ADVANCED TECHNOLOGY GRANT PROGRAM
INSTRUCTIONAL EQUIPMENT AND ICCB ONLINE COMPONENTS**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

1. Program description

The Illinois Community College Board (ICCB) Advanced Technology Component Grant Program encompasses instructional equipment, technology support, staff technical skills enhancement and ICCB online components. These financial statements cover only the Instructional Equipment and ICCB Online components.

The Advanced Technology Grants – Instructional Equipment Component funds are intended to allow the community colleges to continue to upgrade and purchase new specialized equipment for training programs and to lease or purchase new computer hardware and software for instructional and student use.

The ICCB Online Grant supports student services activities for online students. This component grant was incorporated to this Advanced Technology Grant during the current year.

City Colleges of Chicago is responsible for administering the Advanced Technology Grant Program Instructional Equipment and ICCB Online Components in compliance with “Policy Guidelines for Restricted Grant Expenditures and Reporting” set forth by the ICCB in its Fiscal Management Manual and grant agreement. Program monies are accounted for in City Colleges of Chicago’s current restricted fund.

2. Summary of Significant Accounting Policies

a. Basis of Reporting

These financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. Expenditures are reported when services are rendered, or when goods are received.

Grant revenues are reported in these financial statements when allowable grant expenditures are made. Expenditures are allowable if they comply with the “Policy Guidelines for Restricted Grant Expenditures and Reporting” set forth in the ICCB Fiscal Management Manual.

Grant monies are provided on an annual basis. The grant period coincides with the City Colleges of Chicago and ICCB July 1 – June 30 fiscal years. To be allowable, grant expenditures must be made within the grant period, except that

otherwise eligible expenditures for goods are allowable charges against a grant period if they are obligated at June 30, and they are received and paid for during a two-month lapse period ending August 31.

Grant monies received that are obligated-but-not –expended for goods/services at year-end are reported in these financial statements as a “deferred grant revenue” liability.

Expending grant monies during the lapse period results in the reporting of revenues and expenditures from two different grant periods in the audited financial statements for each fiscal year.

Grant monies unexpended and not obligated at June 30, grant monies obligated-but-not-expended for goods at June 30 that are not received and paid for by August 31, and any grant monies otherwise not administered or expended in compliance with the “Policy Guidelines for Restricted Grant Expenditures and Reporting” must generally be returned to the ICCB. There were no such amounts due to ICCB at June 30, 2003.

These financial statements cover only the Advanced Technology Grant Program Instructional Equipment and ICCB Online Components. They are not intended to, and do not, present the financial position or results of operations of City Colleges of Chicago in its entirety.

b. Fixed Assets

Acquisitions of fixed assets with grant monies are reported as capital outlay expenditures in these financial statements. Fixed assets acquired with grant monies are not reported on grant balance sheets.

c. Cash held by City Colleges of Chicago

To facilitate sound management, substantially all City Colleges of Chicago cash, including all Advanced Technology Grant Program Instructional Equipment and ICCB Online Components cash is pooled.

d. Use of Estimates

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

3. Permissible Transfers

City Colleges of Chicago has the discretion to transfer up to one-half of each of the four (Instructional Equipment, Technology Support, Staff Technical Skills Enhancement and ICCB Online) Advanced Technology Component Grants to the other three. Transfers in excess of one-half are not permitted. Therefore, a minimum of one-half of the original amount allocated by the ICCB to each component grant must be expended for purposes allowable for that grant. During the year ended June 30, 2003 City Colleges of Chicago transferred \$15,648 from the Advanced Technology Grant – Instructional Equipment Component to the Technology Support Component. The one-half minimum expenditure requirement was met.

City Colleges of Chicago
Community College District No. 508

On Line Course Development Grant Program
Balance Sheet
As of June 30, 2003

Assets

Cash \$ -

Liabilities and Fund Balance

Accrued expenses \$ -

Total liabilities -

Fund balance – reserved for encumbrances -

Fund balance – unreserved -

Total fund balance -

Total liabilities and fund balance \$ -

See accompanying Notes to Financial Statements.

City Colleges of Chicago
Community College District No. 508

On Line Course Development Grant Program
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2003

	Actual
Revenue	
State sources <i>(Note 2a)</i>	\$15,000
 Expenditures	
Salaries	\$12,000
Materials and supplies	3,000
Total expenditures	15,000
Excess of revenue over expenditures	-
Fund balance July 1, 2002	-
Fund balance June 30, 2003	\$ -

See accompanying Notes to Financial Statements.

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

ILCCO ONLINE COURSE DEVELOPMENT GRANT

**NOTES TO FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2003**

1. Program description

The Illinois Community College Board (ICCB) ILCCO Online Course Development Grant is for the development of the following on-line courses:

1. Introduction to Hazardous Materials Management;
2. Environmental Health and Safety (OSHA); and
3. Introduction to Environmental Laws and Policies

City Colleges of Chicago is responsible for administering the ILCCO Online Course Development Grant in compliance with "Policy Guidelines for Restricted Grant Expenditures and Reporting" set forth by the ICCB in its Fiscal Management Manual. Program monies are accounted for in City Colleges of Chicago's current restricted fund.

2. Summary of Significant Accounting Policies

a. Basis of Reporting

This financial statement is prepared in conformity with accounting principles generally accepted in the United States of America. Expenditures are reported when services are rendered, or when goods are received.

Grant revenues are reported in this financial statement when allowable grant expenditures are made. Expenditures are allowable if they comply with the "Policy Guidelines for Restricted Grant Expenditures and Reporting" set forth in the ICCB Fiscal Management Manual.

Grant monies are provided on an annual basis. The grant period is from July 1, 2002 to December 31, 2002. Expenditures allowable under this grant must be made within the grant period.

Grant monies unexpended at the end of the grant period must generally be returned to the ICCB. ILCCO Online Course Development Grant monies were fully expended within the grant period.

This financial statement covers only the ILCCO Online Course Development Grant. It is not intended to, and does not, present the results of operations of City Colleges of Chicago in its entirety.

b. Cash held by City Colleges of Chicago

To facilitate sound management, substantially all City Colleges of Chicago cash, including all ILCCO Online Course Development Grant cash is pooled.

c. Use of Estimates

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

City Colleges of Chicago
Community College District No. 508

P-16 Initiative Grant Program
Balance Sheet

As of June 30, 2003

Assets

Cash (*Note 2b*) \$2,175

Liabilities and fund balance

Accrued payroll \$2,175

Total liabilities 2,175

Fund balance – reserved for encumbrances –

Fund balance – unreserved –

Total fund balance –

Total liabilities and fund balance \$2,175

See accompanying Notes to Financial Statements.

City Colleges of Chicago
Community College District No. 508

P-16 Initiative Grant Program
Statement of Revenues, Expenditures,
and Changes in Fund Balance

For the year ended June 30, 2003

	<u>Actual</u>
Revenue	
State sources (<i>Note 2a</i>)	<u>\$101,076</u>
Expenditures	
Tuition and fees	\$ 96,536
Teacher preparation and professional development	<u>4,540</u>
Total expenditures	<u>101,076</u>
Excess of revenue over expenditures	—
Fund balance, July 1, 2002	—
Fund balance, June 30, 2003	<u>\$ —</u>

See accompanying Notes to Financial Statements.

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

P-16 INITIATIVE GRANT

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

1. Program description

P-16 Initiative Grant funding is intended to allow community colleges to address the need to strengthen student preparation within the P-16 education spectrum in two ways:

- expand their service to high school students desiring to take college-level classes prior to receiving their high school diploma to accelerate their college coursework (formerly known as the Accelerated College Enrollment Grant). Funds are to be used primarily to support in-district high school students. In instances where students from outside the college district are being served, a written agreement must be in place between the community college providing the instruction and the student’s home community college; and
- implement and/or expand programs and services that relate to teacher preparation (certification) and professional development (recertification). The intent is to allow colleges to enhance or expand current activities. Funds used for this purpose must supplement, not supplant, funds currently being directed to teacher preparation and/or professional development programs and services for K-12 teachers and for college faculty involved in delivering instruction directly related to teacher preparation or recertification.

City Colleges of Chicago is responsible for administering the P-16 Initiative Grant in compliance with “Policy Guidelines for Restricted Grant Expenditures and Reporting” set forth by the ICCB in its Fiscal Management Manual. Program monies are accounted for in City Colleges of Chicago’s current restricted fund.

2. Summary of Significant Accounting Policies

a. Basis of Reporting

These financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. Expenditures are reported when services are rendered, or when goods are received.

Grant revenues are reported in these financial statements when allowable grant expenditures are made. Expenditures are allowable if they comply with the

“Policy Guidelines for Restricted Grant Expenditures and Reporting” set forth in the ICCB Fiscal Management Manual.

Grant monies are provided on an annual basis. The grant period is from July 1, 2002 to June 30, 2003. The grant funds shall be expended or obligated prior to June 30 each year, the last day of the fiscal year. Grant funds should be accounted for in the same period as in the credit hour claiming process. Unexpended funds totaling \$100 or more shall be returned to the ICCB by October 15 following the end of the fiscal year. Unexpended funds totaling less than \$100 need not be returned to the ICCB provided the funds are spent in the next fiscal year and for the restricted grant purpose.

Grant monies not used in accordance with these criteria regardless of the amount shall be returned to the ICCB by October 15 following the end of the fiscal year.

These financial statements cover only the P-16 Initiative Grant. It is not intended to, and does not, present the financial position or results of operations of City Colleges of Chicago in its entirety.

b. Cash held by City Colleges of Chicago

To facilitate sound management, substantially all City Colleges of Chicago cash, including all P-16 Initiative Grant cash is pooled.

c. Use of Estimates

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

