



City Colleges of Chicago

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

BOARD OF TRUSTEES

COMMUNITY COLLEGE DISTRICT No. 508

COUNTY OF COOK AND STATE OF ILLINOIS

226 WEST JACKSON BOULEVARD, CHICAGO, ILLINOIS 60606

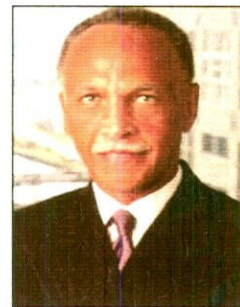




City Colleges of Chicago

226 West Jackson Boulevard
Chicago, Illinois 60606-6998
312/553-2510

Wayne Watson, Ph.D.
Chancellor



March 31, 2006

To the Board of Trustees and Citizens of Community College District 508:

When the City Colleges of Chicago was founded in 1911, it was known as the “People’s College” with the mission to provide access to higher education. Its mission and curriculum are based on a 20th-century model. Our reason for being then and our reason for being now have not changed. We exist to provide quality education, accessible to all. The new world order of globalization demands an educational renaissance in the 21st century. We must recalibrate our academic standards and culture. We must prepare our students to be able to compete not only with other Americans but with students anywhere in the world.

We have a daunting challenge and responsibility ahead of us. As educators, we must be enthusiastic, energetic, imaginative, and fair in managing the details of learning. We must respect diverse talents and ways of learning. We must generate intellectual excitement in the classroom. We must motivate. By doing so, we influence the attitudes, beliefs, and behaviors of our students. We make a difference in the world.

In 2011, the City Colleges of Chicago will celebrate its 100th anniversary. As we approach this milestone, the District has embarked upon a process to develop a new Strategic Plan for 2007-2011. A district-wide Strategic Planning Committee comprised of district and college faculty, staff, students and administrators has been appointed by the Chancellor. The goal is to develop the most comprehensive plan in the City. To do so, we have invited external stakeholders to participate in the process so as to garner varied perspectives on how the City Colleges of Chicago can meet the educational needs of the City.

While the plan for the future is underway, the City Colleges of Chicago continues to take the leadership in providing highest standards of quality program and services- value added educational experience to all our students. One of the City Colleges of Chicago’s mission is workforce development and career education. We provide this training for the citizens of Chicago. Three building trade union apprenticeship programs: electrical, telecommunications and elevator contractor technologies are now housed at the City Colleges of Chicago. We are now part of the solution for many who aspire to work in construction.

We have formed a consortium with Illinois State University, Loyola University of Chicago, Roosevelt University, Northeastern Illinois University, and the University of Illinois at Chicago with the Chicago Public Schools in Project Align to insure that the high school graduates can easily matriculate to the City Colleges of Chicago. This is a curriculum alignment initiative that realigns high school student learning outcomes with college readiness outcomes for the freshman year in college.

In the wake of the devastation of Hurricane Katrina, we are especially proud of the leadership role City Colleges of Chicago took in offering classes to displaced students of Gulf Coast area colleges. We believe we helped these students not to lose sight of their educational goals and “stop out” of college.

Community College District No. 508

Daley College, Kennedy-King College, Malcolm X College, Olive-Harvey College, Truman College, Harold Washington College, Wright College

We take pride in the many accomplishments of our students, faculty and staff. As educators, the faculty and administrators at the City Colleges of Chicago bring forth the highest credentials, possessing exceptional knowledge in their areas of expertise and award-winning skills.

We recognize that our campuses are aging and there is a need for replacement, renewal and expansion of these facilities. This year, the new Kennedy-King College has broken grounds with the hope of opening in Fall 2007, the Harold Washington College has completed its renovation, and Malcolm X College has started its renovation project. But there is much still to be done to ensure that we provide the most conducive place for our students to spend their excellent and lifelong learning experience.

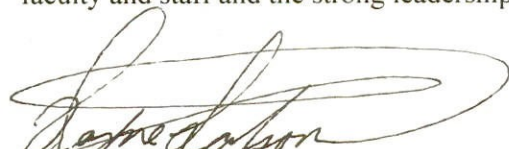
We have assessed the condition of existing capital assets and facilities, evaluated future capital requirements based on the projects and programs submitted by each campus responsible for capital investments, and the appropriate balance of investments between these competing demands for scarce capital resources. We have put together a \$1.1 billion capital plan that will address capital expansion and improvement of existing facilities for a five year period.

This FY2006 to FY2010 Capital Plan recommends spending on capital assets and programs such as replacement and significant maintenance projects for buildings and internal capital assets (e.g., HVAC system), classrooms including technology upgrades, campus infrastructure (e.g., sidewalks and parking lots), and district-wide projects including information technology projects. The Capital Plan also recommends funding sources including bond proceeds, State funds and other existing assets. We will work with our local and state officials and other partners to find creative ways of funding these capital needs.

We are steadfast in our resolve to face the fiscal challenges by being responsible in the use of our resources and by aggressively pursuing other sources of funds. We remain focused on ensuring that the City Colleges of Chicago is receptive to the changing demands of the community it serves with the vision of being the leader in postsecondary education.

We continue to exercise fiscal prudence in the use of available resources to continue our commitment to academic excellence. This is evident in the Comprehensive Annual Financial Report for Fiscal Year 2005 which presents the result of the District financial operations for the year just ended. We strive to maintain a healthy financial condition to ensure superior bond ratings imperative to the success of our capital program campaign. We are committed to protect the tax dollars that the citizens of Chicago provide in support of our mission.

We are grateful to our students; it is our promise to keep them foremost in all that we do. We sincerely appreciate the continued support of the community and our business partners, the dedicated service of the faculty and staff and the strong leadership of the Board in fulfilling our mission.



Wayne D. Watson
Chancellor

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City Colleges of Chicago
Community College District No. 508

Comprehensive Annual Financial Report

Fiscal year ended June 30, 2005

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City Colleges of Chicago
Community College District No. 508

Comprehensive Annual Financial Report

Fiscal year ended June 30, 2005

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March 31, 2006

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

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City Colleges of Chicago, Community College District No. 508 (City Colleges), for the fiscal year ended June 30, 2005. It has been prepared in accordance with Generally Accepted Accounting Principles (GAAP), as set forth by the Governmental Accounting Standards Board (GASB).

The City Colleges also maintains its accounts in accordance with guidelines set forth by the Government Finance Officers Association (GFOA), National Association of College and University Business Officers (NACUBO) and the Illinois Community College Board (ICCB). To more easily account for limitations and restrictions on certain resources, ICCB requires the City Colleges to also report by select categories of funds. The financial records of City Colleges are maintained on the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when incurred. The independent auditors' report of Deloitte and Touche LLP is included in the financial section of this CAFR.

Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of 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.

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 ICCB required reports. The introductory section includes this transmittal letter, a list of City Colleges' principal officials, and an organization chart. The fi-

nancial section includes the independent auditors' report, the management's discussion and analysis, the basic financial statements, the notes to the financial statements, and supplemental financial information. The statistical section includes selected unaudited financial and demographic information presented across multiple years. The special reports section includes the uniform financial statements, the certificate of chargeback reimbursement form, the State grant financial statements, and enrollment schedules required by the ICCB, together with the related independent auditors' reports.

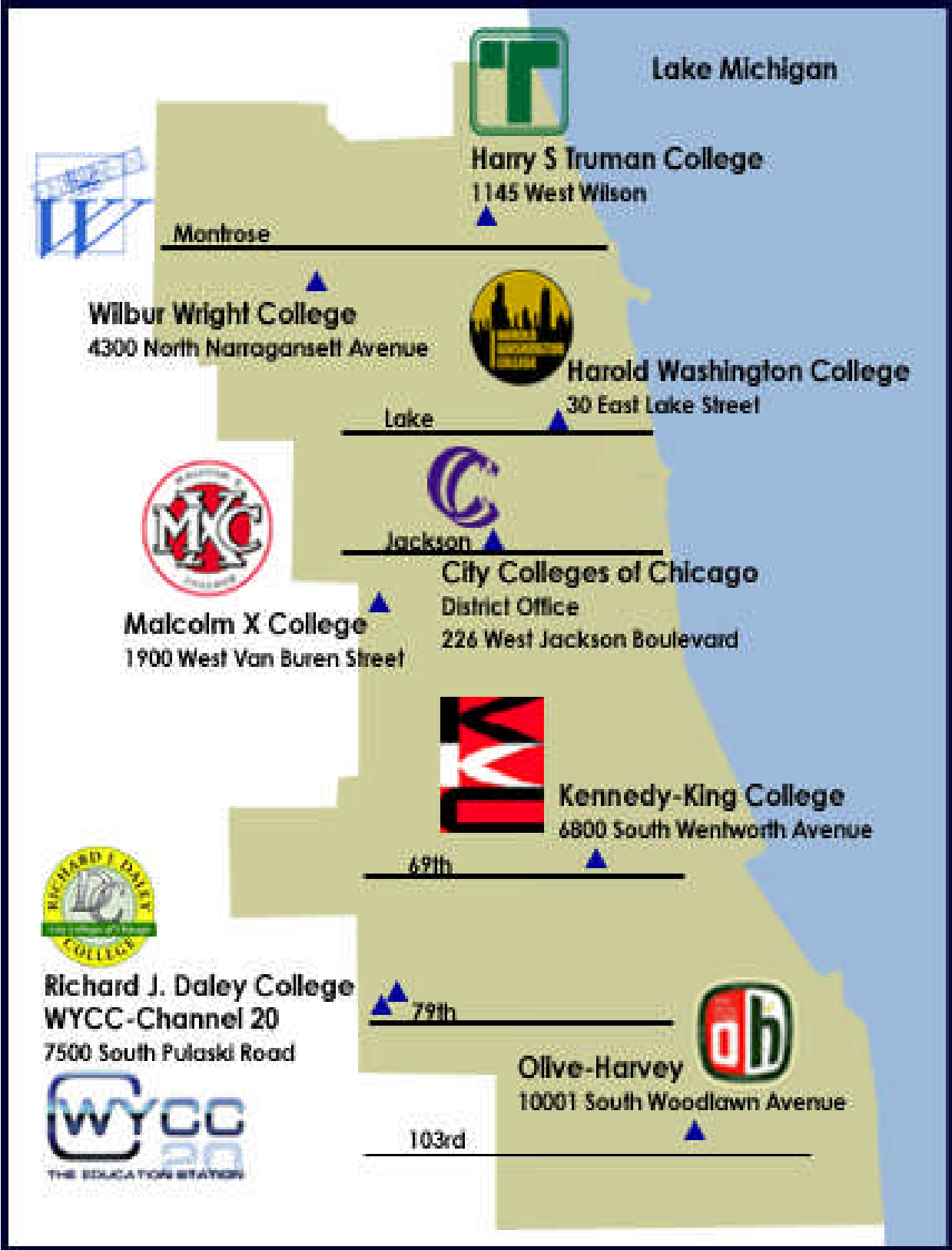
PROFILE OF THE CITY COLLEGES OF CHICAGO

The City Colleges is a body politic and corporate, and a community college district of the State of Illinois having boundaries coterminous with the City of Chicago. The City Colleges is established under and governed by the Illinois Public Community College Act. The City Colleges is not a home rule unit of government and operates seven colleges offering two year associates degrees and adult education programs. The City Colleges has no component units, which are legally separate organizations for which the City Colleges is financially accountable.

The City Colleges is governed by a seven-member Community College District Board that is appointed by the Mayor of the City of Chicago. The Board members elect one member to serve as Chairman of the Board.

The District is coterminous with the City of Chicago, which currently occupies a land area of approximately 288 square miles, and serves a population of approximately 2,896,000.

As a large urban school district, our colleges and students reflect the broad diversity of our city. The City Colleges District office and the seven separately accredited colleges are strategically located throughout the City of Chicago as noted in the following map.



VISION, MISSION, AND GOALS: The City Colleges' current 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.

City Colleges' 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.

City Colleges' Mission Statement: The City Colleges of Chicago, a district of seven separately accredited colleges, provides learning opportunities for Chicago's diverse population to enhance knowledge and skills through quality, comprehensive, and affordable educational programs and services. As a learning-centered district, we are committed to improving student learning in all programs and services through an ongoing assessment process.

City Colleges strives to maximize the proportion of spending on instruction, direct support of instruction, and student services while minimizing the spending on other activities.

The following four strategic goals that were adopted in FY2002 define the framework within the City Colleges' annual operating and capital budgets and are formulated and considered through fiscal year 2007.

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 use resources and maximize revenue opportunities.

ECONOMIC CONDITION AND OUTLOOK

Chicago continues to have one of the strongest regional economies in the country, and is noted for its business diversity and resilience. Fiscal year 2005 proved to be another year of strong economic activity and growth. Chicago is well positioned to benefit from the continued economic recovery in industries such as banking, restaurants, and manufacturing. The City's sales tax collections remain strong and real estate market values are growing.

Despite higher interest rates and energy prices, Crain's *Chicago Business* indicates that Chicago-area companies can expect another year of "economic growth" in 2006. The Chicago Business Activity Index (CBAI) was 0.253 in January, continuing a trend of positive readings since August 2005, led by increases in construction and manufacturing production (REAL). In January 2006, employment in several industries increased: construction by 2.3%, manufacturing production by 0.2% and non-manufacturing by 0.1 percent. It is expected that a total of 74,700 new jobs will be created in the Chicago area this year, primarily in health care and other service sectors. As of 2004, the gross regional product (GRP) of the Chicago metro area totaled \$411 billion, and between 2000 and 2004, GRP grew by 3%, according to World Business Chicago.

Few other major metropolitan centers have the diverse economy, workforce, infrastructure, and distribution channels needed to compete with Chicago. Chicago is headquarters for 30 of the Fortune 500 companies, second only to New York.

The City's heavy tourism and trade show business also helps our economy. The Chicago White Sox winning the World Series in October 2005 for the first time since 1917 brought renewed national attention to Chicago. The championship ticker tape parade celebration alone drew hundreds of thousands of visitors to downtown Chicago.

The grand opening of the Millennium Park in July 2005 also helped to increase the City's hotel occupancy to highest levels since the year 2000. The increase in tourist activity around the park is expected to add millions of dollars to the economy. Millennium Park is also helping to drive condominium sales in downtown as suburban "empty nesters" migrate back into the city.

Chicago's neighborhoods are also thriving as seen in the increase in sales of single-family homes.

The City is also preserving important manufacturing jobs—for example, the Ford Motor Company opened its Chicago Manufacturing Campus adding over 2,000 jobs.

City Colleges continues to face significant challenges while it strives to achieve its Mission:

- Since the terrorist attacks on September 11, 2001, strict immigration regulations have reduced the immigrant population in Chicago, which represents a majority of students in adult education. Declining enrollment results in less credit hour reimbursement from the State.
- The City's general neighborhood improvement and the resulting high housing costs have changed the student demographics at many of our colleges. City Colleges are now faced with intense competition for student recruitment from numerous public and private four-year institutions in Chicago.
- Basic infrastructure and equipment are old and inadequate, requiring high maintenance and repair costs. Due to aging building infrastructure at the City Colleges of Chicago, it is becoming increasingly difficult to attract students. Currently, there is a deferred maintenance backlog of approximately \$100 million. Based on the current level of annual capital funding allocation, the capital renewal backlog is projected to increase to \$280 million by FY 2010.
- State funding for community college infrastructure has been requested in the Governor's FY 2007 budget, has not been approved by the Illinois legislation for the coming fiscal year. The lack of sufficient annual capital funding requires the expenditure of local operating funds, intended for instruction to prevent the failure of critical systems.
- Many students entering the City Colleges system require additional assistance such as remedial math and English courses as well as counseling and tutoring.
- The current contract with Local 1708, which represents clerical and technical personnel, expired on June 30, 2005. City Colleges is currently negotiating labor contracts with the union and the outcome of these negotiations may have an impact on the FY2006 and future budgets.
- Since FY 2001, State funding for community colleges has declined by 4%, while the state funding for City Colleges has decreased by 13%. Proposals to eliminate and /or modify current grant programs were rejected by the State Legislature during the 2005 spring session.

PROSPECTS FOR THE FUTURE

City Colleges has experienced declines in student credit hours and headcount in recent years, as shown in the following table:

STUDENT ENROLLMENT HEADCOUNT & FULL-TIME EQUIVALENT (5 YEAR TREND)

	2005	2004	Fiscal Year		2001
			2003	2002	
Total Headcount	129,572	140,291	153,833	157,746	160,371
Total Full-Time Equivalent	45,043	48,073	49,838	51,611	50,749

For fiscal year 2005, City Colleges has adopted the following initiatives to improve its enrollment outlook:

- Aggressive marketing campaign;
- Annual Programs and Services Analysis (APSA) to measure the efficiency and effectiveness of academic programs and services;
- Hiring of additional full-time faculty;
- Hiring of Associate Dean positions to monitor and evaluate instruction;
- Investing in classroom technology;
- Enhancing student retention by providing expanded tutoring and strengthening faculty teaching skills through improved professional development

Based on current conditions and assuming no changes in City Colleges' underlying financial structure, City Colleges' strategic financial model projects deficits in Fiscal Years 2006 to 2010 ranging from \$8 million to \$50 million. These deficits are driven by the following:

- Projected decline in State grant funding. City Colleges experienced a reduction of \$13 million in State grants used to fund operating costs since fiscal year 2001.
- Backlog of approximately \$100 million in capital replacement projects forcing higher operating expenses and requiring the use of operating funds to cover deferred maintenance costs.
- Rising health benefit costs for active employees and retirees.
- Annual expense of more than \$4 million to fund other post employment retirement benefits.

City Colleges is moving forward with a \$1.1 billion capital improvement plan. The plan calls for building renovations throughout the District, energy efficiency upgrades, implementation of an Enterprise Management System, and construction of the new Kennedy King campus. During fiscal year 2006, approximately \$77 million is budgeted with \$31 million being spent on the Kennedy King new construction and \$22 million on Malcolm X building renovation, respectively.

FINANCIAL INFORMATION

The City Colleges ended fiscal year 2005 in a good financial condition, with revenues higher than expenditures in the Education Fund. This year began with uncertainty over State funding, so the City Colleges budgeted prudently and instituted fiscal controls. The City Colleges is not aware of its underlying rating. At the end of the year, the City Colleges maintained a consistently strong financial position. The City Colleges total net assets of \$473.1 million increased by \$83.1 million over FY 2004.

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

Budgeting Controls: Annual budgets are prepared on a basis consistent with Generally Accepted Accounting Principles. The fiscal year begins on July 1 and ends on June 30 with annual appropriations lapsing at the fiscal year-end. Individual colleges submit budget requests based on the colleges' strategic and tactical plans as reviewed and approved by the Chancellor. Administrative units submit requests for the Chancellor's review. The Budget Office compiles requests and recommendations for submission to the Board of Trustees for appropriation. The appropriated budget is prepared by fund, unit, and account.

The City Colleges' budgetary control objectives are to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Colleges' Board of Trustees. Budgetary control is implemented by individual fund within each college. Board approval is required for all funding transfers. In addition, an amended budget is required for increases in total appropriation.

The Board approved changes in the purchasing rules effective August, 2005. Board approval is required for all purchases of goods and services over \$10,000 from a single vendor during the fiscal year.

City Colleges also maintains an encumbrance accounting system as part of its budgetary control system. Encumbered amounts lapse at the end of each fiscal year (as opposed to being reported as a reservation of fund balance).

The Capital Project Funds are budgeted on a project-by-project basis and represent the entire project budget for projects expected to begin in that fiscal year. Debt Service Funds are established in accordance with requirements of the bondholders.

The City Colleges' financial resources are summarized in the following fund groups and individual funds in accordance with ICCB reporting requirements.

FUND GROUP	INDIVIDUAL FUND
Current Unrestricted	Education Operations and Maintenance Auxiliary / Enterprise
Current Restricted	Restricted Purpose Audit Liability, Protection, and Settlement Public Building Commission of Chicago Rental Public Building Commission of Chicago Operations and Maintenance Working Cash Operations and Maintenance (Restricted)
Plant	Investment in Plant

Estimated assessed value of taxable property for tax year 2004 collectible in fiscal year 2005 is \$55,309,122,652. Estimated assessed value of taxable property for tax year 2003 collectible in fiscal year 2004 was \$53,144,460,703. City Colleges' average collection rate over the past five years, including collection of back taxes, has been approximately 96%, as Cook County extends City Colleges' levies up to 103% depending on the tax cap limitation.

DEBT ADMINISTRATION

City Colleges has two outstanding long-term debt issues. One is a building lease obligation for the construction and maintenance of City Colleges' buildings. As of FY 2005, \$78,610,000 was outstanding and during the fiscal year then ended, \$20,765,000 was retired. As of June 30, 2004, \$99,375,000 was outstanding and during the fiscal year then ended, \$19,170,000 in principal was retired. The second is a 20-year revenue bond. Bond payments are funded by City Colleges' portion of State of Illinois Corporate Personal Property Replacement Tax. As of June 30, 2005, \$30,399,472 was outstanding and during the fiscal year then ended, \$1,700,000 was retired. As of June 30, 2004, \$32,218,928 was outstanding and during the fiscal year then ended, \$1,400,000 was retired.

Cash Management: Cash and investments are controlled by the City Colleges' Treasury Department using modern cash management techniques. Treasury is governed by provisions within the Illinois Public Community College Act (Illinois Compiled Statutes Chapter 110, Act 805) and the Illinois Public Funds Investment Act (Illinois Compiled Statutes Chapter 30, Act 235). Fiduciary responsibility for investments is entrusted to the City Colleges Board of Trustees, which has delegated the function to the Treasurer of City Colleges as permitted by the Illinois Public Community College Act.

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

City Colleges invests funds in various securities listed as permitted investments in the Board-approved Investment Policy. The securities include, but are not limited to, money market funds, U.S. Treasury bonds, bills, notes, certificates of deposit, and the Illinois Funds (two money market funds managed by the Illinois State Treasurer's Office for investors of public funds). Investment income for FY 2005 totaled \$4.9 million, compared to \$2.8 million in FY 2004.

Risk Management: City Colleges' Risk Manager actively assesses and reviews the types of risk and exposures the district may encounter and strives to mitigate the potential impacts on the organization. The risk manager purchases commercial insurance to cover significant property, liability, and workers' compensation losses for amounts in excess of self-insured amounts. The City Colleges is self-insured on the property general liability and workers' compensation for up to \$50,000 and \$300,000 per claim, respectively.

City Colleges maintains a comprehensive self-insurance plan through third-party administrators for some of its employees' health coverage. City Colleges maintains an adequate reserve to cover potential losses.

OTHER INFORMATION

Independent Audit: State statutes require an annual audit by independent certified public accountants. The City Colleges of Chicago Board of Trustees selected the audit firm of Deloitte & Touche LLP as its independent certified public accountants. The independent auditors' report of Deloitte and Touche LLP on the basic financial statements and schedules is included in the financial section of the report.

Acknowledgements: The preparation of the comprehensive annual financial report was made possible by the dedicated service of the entire staff of the Office of Finance. We wish to express our sincere appreciation for the contributions they have made in preparing this report.

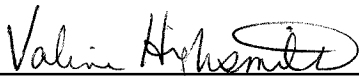
Respectfully submitted,



Kenneth Gotsch
Vice Chancellor Finance



Dolores Javier, CPA
Associate Vice Chancellor Finance/Treasurer



Valerie Highsmith, CPA
Controller

**CITY COLLEGES OF CHICAGO
COMMUNITY COLLEGE DISTRICT NO. 508
PRINCIPAL OFFICIALS
Year Ended June 30, 2005**

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Dolores Javier, Associate Vice Chancellor Finance / Treasurer

ADMINISTRATIVE OFFICERS

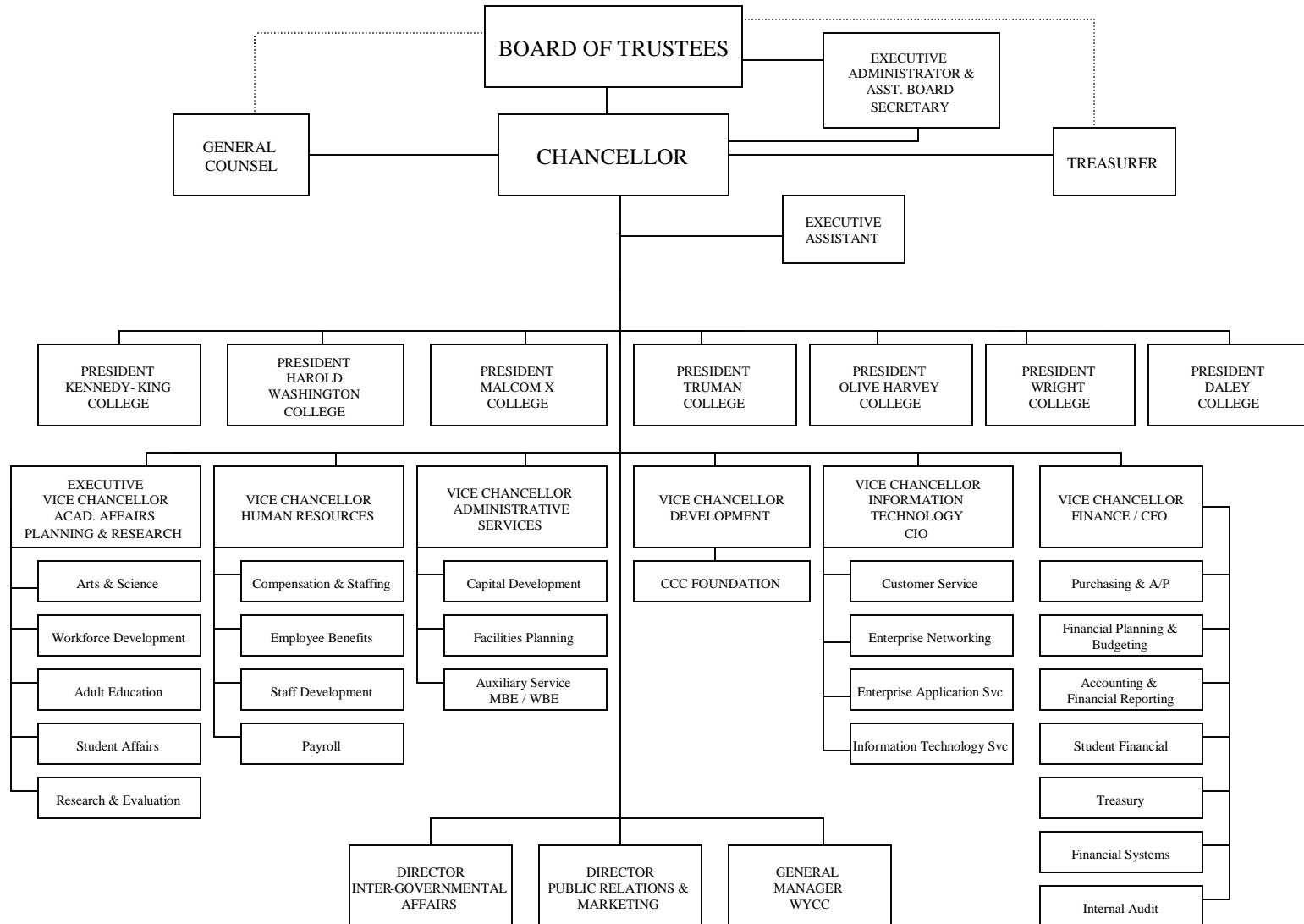
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Clyde El-Amin, President, Kennedy-King College
Zerrie D. Campbell, President, Malcolm X College
Valerie Roberson, Interim-President, Olive-Harvey College
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Valerie Highsmith, Controller

REPORT ISSUED BY

Office of Finance

City Colleges of Chicago Organizational Chart



Financial Section

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of City Colleges of Chicago, Community College District No. 508 ("City Colleges") as of and for the years ended June 30, 2005 and 2004, as listed in the foregoing table of contents. These financial statements are the responsibility of City Colleges' management. Our responsibility is to express an opinion based on our audit.

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

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 as of June 30, 2005 and 2004, and the changes in its financial position and its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated February 28, 2006, on our consideration of City Colleges' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of City Colleges' management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on City Colleges' basic financial statements. The supplementary Uniform Financial Statements on pages 59-63, Certification of Chargeback Reimbursement on page 64, the introductory section and the statistical section as listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of City Colleges' management. The Uniform Financial Statements and the Certification of Chargeback Reimbursement have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

The image shows a handwritten signature in cursive script that reads "Deloitte + Touche LLP". The signature is written in dark ink and is positioned centrally on the page.

February 28, 2006



City Colleges of Chicago
Community College District No. 508

Management's Discussion and Analysis

Fiscal year ended June 30, 2005

This section of the City Colleges of Chicago's (City Colleges) Comprehensive Annual Financial Report presents management's discussion and analysis of the City Colleges' financial activity during the fiscal years ended June 30, 2005 and June 30, 2004. This discussion and analysis focuses on current activities, currently known facts and related changes. It should be read in conjunction with the transmittal letter and the City Colleges' basic financial statements and accompanying notes. Responsibility for the completeness and fairness of the information presented here rests with City Colleges.

Using This Annual Report

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

Financial Highlights:

The following Schedule is prepared from City Colleges' Statement of Net Assets, which is presented on an accrual basis of accounting, whereby assets are capitalized and depreciated.

Total net assets as of June 30, 2005 increased to \$473 million from \$390 million in fiscal year 2005. Fiscal year 2005 current assets have increased \$33.6 million mainly due to an increase of \$33 million in short-term investments. Capital assets increased \$28.1 million due to additional construction in progress on the Kennedy King campus, renovation of Harold Washington and Malcolm X campuses,

renovation of the South Shore Culinary center and continued investment in the PeopleSoft enterprise management system. Total non-current liabilities decreased by \$26.8 million in fiscal year 2005 due to a \$20.7 million principal payment of lease obligations.

Total net assets at June 30, 2004 increased to \$390.0 million from \$320.9 million in fiscal year 2003. Fiscal year 2004 current assets increased \$37.0 million due to receipt of payments such as the settlement of a prior-year law suit in the amount of \$10.3 million, as well as timely receipt of State payments. Capital assets increased \$54.4 million, reflecting additional construction work in progress on the new Kennedy King campus, the Harold Washington building, the PeopleSoft enterprise management system, and Public Building Commission of Chicago (PBCC) projects. Accumulated depreciation increased to reflect the increased capital assets and an additional year of service. Non-current liabilities decreased \$19.5 million with the payment of lease obligations and working cash bonds. Invested in capital assets, net of related debt increased due to additional capital assets and the payment of lease obligations. The \$8.4 million increase in unrestricted net assets is driven by the receipt of litigation settlement funds in the amount of \$10.3 million, which the Board has designated for capital projects.

Key financial highlights for fiscal years 2005, 2004 and 2003 net assets (in millions) are shown in the following table, Financial Analysis of City Colleges.

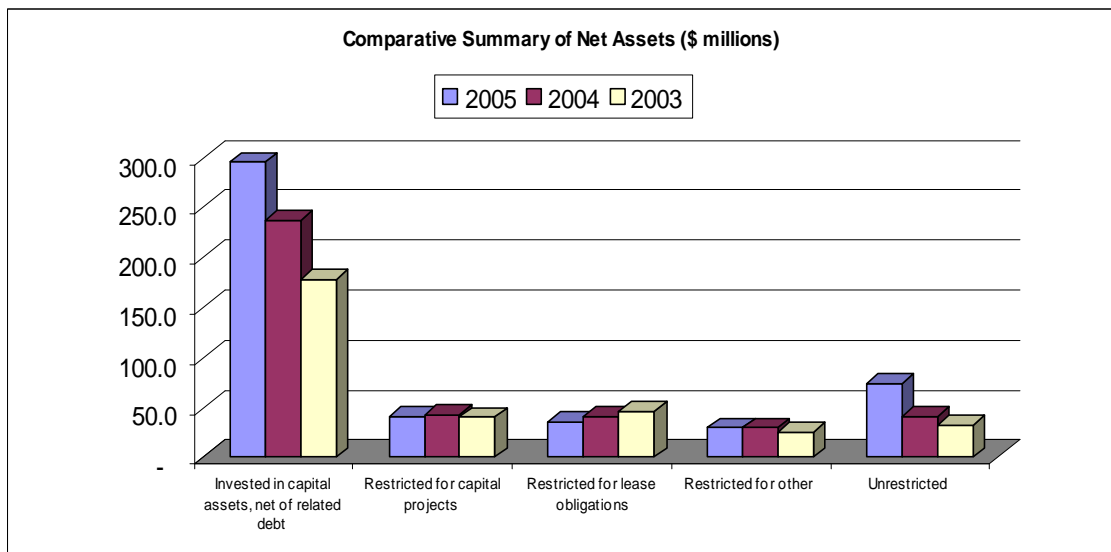
Financial Analysis of City Colleges

Net Assets

June 30

(\$ millions)

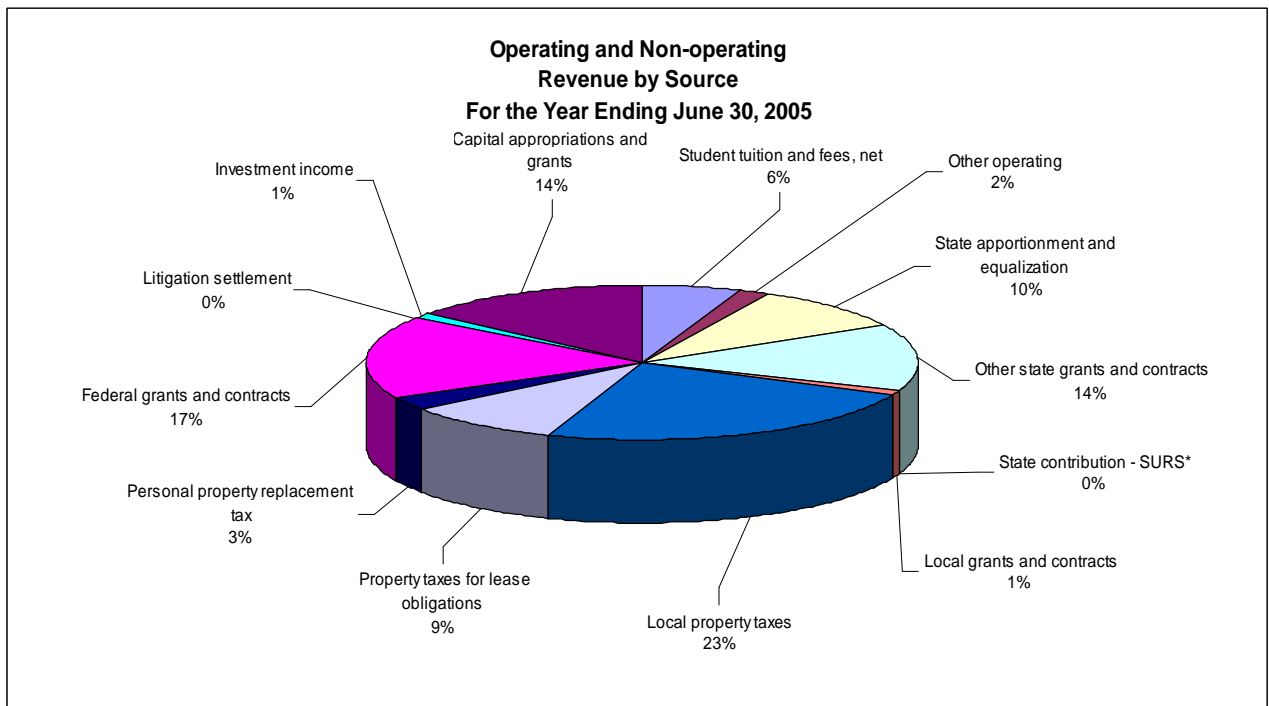
	2005	2004	Increase (Decrease)	2003	Increase (Decrease)
Current assets	\$ 304.5	\$ 270.9	\$ 33.6	\$ 233.9	\$ 37.0
Non-current assets					
Capital assets	586.5	558.4	28.1	504.0	54.4
Less depreciation	(213.2)	(222.7)	9.5	(208.1)	(14.6)
Other assets	<u>78.3</u>	<u>83.5</u>	<u>(5.2)</u>	<u>109.9</u>	<u>(26.4)</u>
Total assets	<u>\$ 756.1</u>	<u>\$ 690.1</u>	<u>\$ 66.0</u>	<u>\$ 639.7</u>	<u>\$ 50.4</u>
Current liabilities	\$ 169.0	\$ 159.4	\$ 9.6	\$ 158.5	\$ 0.9
Non-current liabilities	<u>114.0</u>	<u>140.8</u>	<u>(26.8)</u>	<u>160.3</u>	<u>(19.5)</u>
Total liabilities	<u>\$ 283.0</u>	<u>\$ 300.2</u>	<u>\$ (17.2)</u>	<u>\$ 318.8</u>	<u>\$ (18.6)</u>
Net assets					
Invested in capital assets, net of related debt	\$ 294.7	\$ 236.3	\$ 58.4	\$ 177.3	\$ 59.0
Restricted for expendable:					
Capital projects	40.1	42.9	(2.8)	39.6	3.3
Lease obligation	35.5	41.0	(5.5)	46.4	(5.4)
Other	29.4	29.3	0.1	25.5	3.8
Unrestricted	<u>73.4</u>	<u>40.5</u>	<u>32.9</u>	<u>32.1</u>	<u>8.4</u>
Total net assets	<u>\$ 473.1</u>	<u>\$ 390.0</u>	<u>\$ 83.1</u>	<u>\$ 320.9</u>	<u>\$ 69.1</u>



**Operating and Non-operating Revenues
For the years ended June 30**

(\$ millions)	2005	2004	Increase (Decrease)	2003	Increase (Decrease)
Operating revenues:					
Student tuition and fees	\$ 63.7	\$ 56.2	\$ 7.5	\$ 55.8	\$ 0.4
Less scholarships	(41.8)	(37.6)	(4.2)	(29.3)	(8.3)
Other operating	<u>6.2</u>	<u>5.3</u>	<u>0.9</u>	<u>11.5</u>	<u>(6.2)</u>
Total operating revenues	28.1	23.9	4.2	38.0	(14.1)
Non-operating revenues:					
State apportionment and equalization	36.7	38.7	(2.0)	45.8	(7.1)
Other state grants and contracts	52.5	42.2	10.3	53.8	(11.6)
State contribution - SURS*	-	62.5	(62.5)	-	62.5
Local grants and contracts	4.3	4.1	0.2	2.5	1.6
Local property taxes	90.8	77.5	13.3	78.3	(0.8)
Property taxes for lease obligations	35.2	39.5	(4.3)	36.2	3.3
Personal property replacement tax	10.5	8.7	1.8	7.6	1.1
Federal grants and contracts	65.2	63.1	2.1	58.8	4.3
Litigation settlement	-	10.3	(10.3)	-	10.3
Investment income	<u>4.9</u>	<u>2.8</u>	<u>2.1</u>	<u>5.1</u>	<u>(2.3)</u>
Total non-operating revenues	300.1	349.4	(49.3)	288.1	61.3
Capital appropriations and grants	<u>53.8</u>	<u>58.8</u>	<u>(5.0)</u>	<u>36.6</u>	<u>22.2</u>
Total revenues	\$ 382.0	\$ 432.1	\$ (50.1)	\$ 362.7	\$ 69.4

* Amount represents one-time payment; see Note 13



**Revenues, Expenses and Changes in Net Assets
for the years ended June 30
(\$ millions)**

	2005	2004	Increase (decrease)	2003	Increase (decrease)
Operating					
Revenues	\$ 28.1	\$ 23.9	\$ 4.2	\$ 38.0	\$ (14.1)
Expenses	<u>(286.3)</u>	<u>(349.4)</u>	<u>63.1</u>	<u>(300.3)</u>	<u>(49.1)</u>
Operating loss	(258.2)	(325.5)	67.3	(262.3)	(63.2)
Non-operating					
Revenues	300.0	349.4	\$ (49.4)	288.1	\$ 61.3
Expenses	<u>(12.5)</u>	<u>(14.2)</u>	<u>1.7</u>	<u>(15.9)</u>	<u>1.7</u>
Net non-operating revenue	287.5	335.2	(47.7)	272.2	63.0
Income before capital contributions	29.3	9.7	19.6	9.9	(0.2)
Capital contributions	<u>53.8</u>	<u>58.8</u>	<u>(5.0)</u>	<u>36.6</u>	<u>22.2</u>
Change in net assets	83.1	68.5	14.6	46.5	22.0
Net assets, beginning of year	<u>390.0</u>	<u>321.5</u>	<u>68.5</u>	<u>275.0</u>	<u>46.5</u>
Net assets, end of year	<u>\$ 473.1</u>	<u>\$ 390.0</u>	<u>\$ 83.1</u>	<u>\$ 321.5</u>	<u>\$ 68.5</u>

In fiscal year 2005, due to a tuition increase of \$10.00 per credit hour, operating revenues increased by \$4.2 million due to an increase in tuition and fees of \$7.5 million, offset by an increase in scholarship allowances of \$4.2 million.

Net non-operating revenues decreased by \$49.4 million from fiscal year 2004 largely in part to a one-time payment of \$62.5 million to the State University Retirement System (SURS) by the State (from pension bond proceeds) on behalf of City Colleges and \$10.3 million in a litigation settlement received in fiscal year 2004.

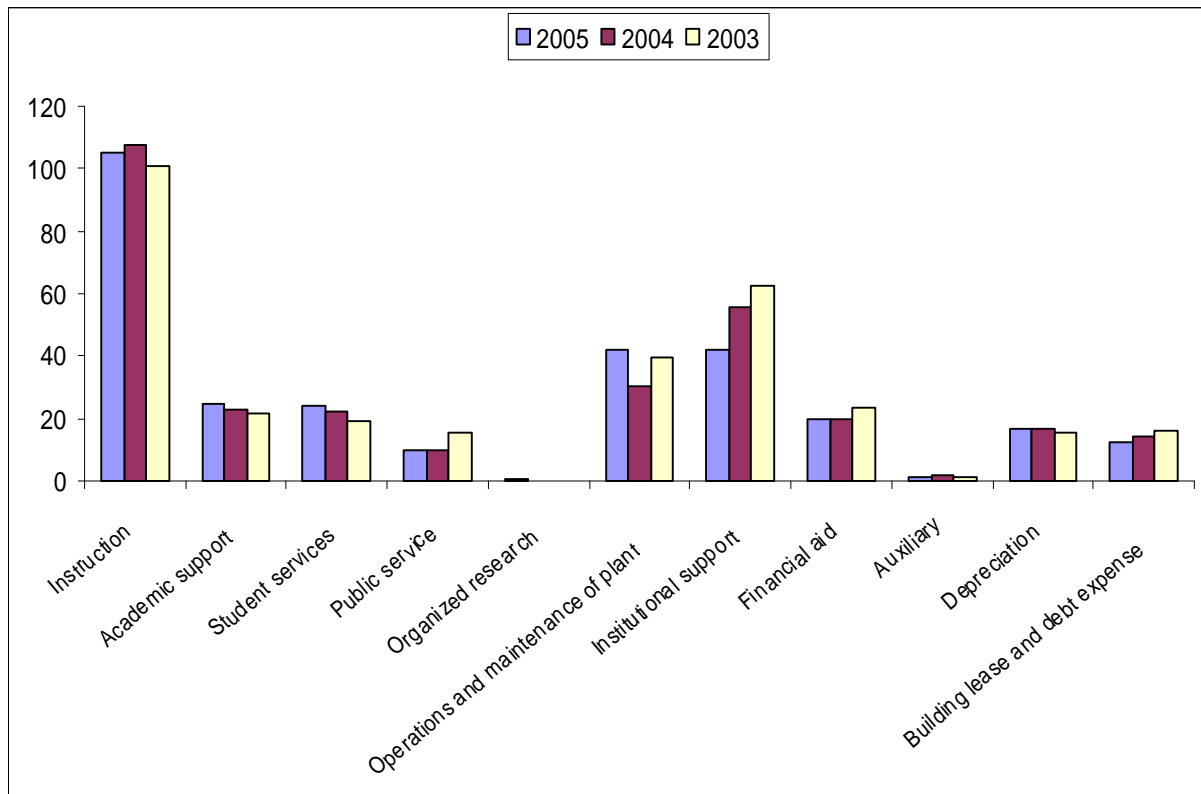
Operating expenses for fiscal year 2005 decreased by \$63.1 million, mainly due to a one-time payment of \$62.5 million made by the state to SURS on behalf of the City Colleges in fiscal year 2004. Adjusting for that, net operating expenses declined \$0.6 million in fiscal year 2005. See table on page 9.

Operating revenues in fiscal year 2004 decreased \$14.1 million, due to decreases in auxiliary revenue and an increase in scholarship allowances. The negligible increase in tuition and fee revenues, from \$55.8 million to \$56.2 million, masks an increase of approximately \$700,000 in resident revenue against a \$300,000 decrease in non-resident revenue. This shift is reflected in increased enrollment without a corresponding increase in revenue because residents pay lower rates than non-residents. Scholarship allowances increased from \$29.3 million to \$37.6 million due in part to the proper classification of Pell grants applied to students' accounts. In fiscal year 2004, net non-operating revenues increased by \$61.3 million due to one-time payments of \$62.5 million to the State University Retirement System (SURS) by the State (from pension bond proceeds) on behalf of City Colleges and \$10.3 million in a litigation settlement, offset by a decline of \$16.1 million in equalization and other state grants between 2003 and 2004. Investment income continued to decline as interest rates have dropped to the lowest level in years. The \$22.2 million increase in capital funding reflected construction work in progress on the new Kennedy-King campus, the Harold Washington renovation, and other related projects funded by the City of Chicago General Obligation Bonds (City Colleges of Chicago Capital Improvement Project), Series 1999.

Operating expenses for fiscal year 2004 increased \$61.3 million, mainly due to a one-time payment of \$62.5 million made by the state to SURS on behalf of the City Colleges. Adjusting for that, net operating expenses declined \$13.3 million in fiscal year 2004. Financial aid grew \$4.3 million, as more students were eligible for financial aid. See table on page 9.

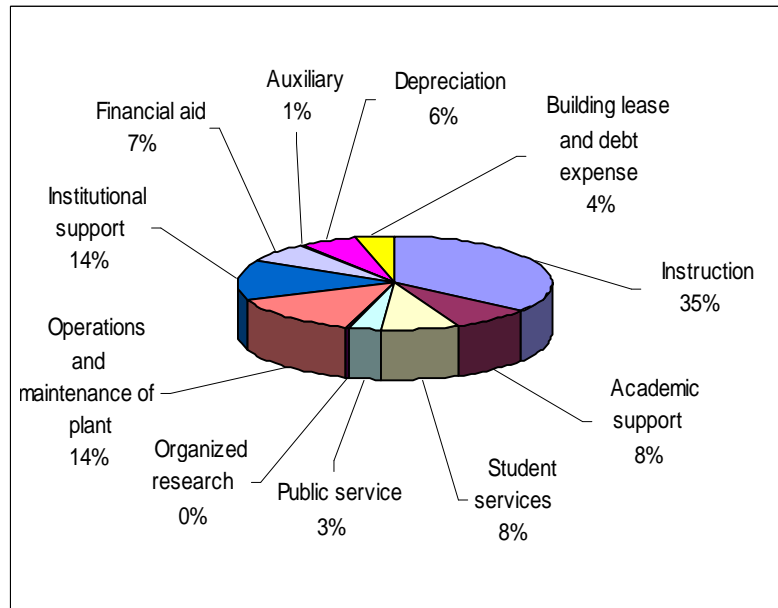
Operating and Non-operating Expenses
For the years ended June 30
(\$ millions)

	2005	2004		Increase (Decrease)	2003	Increase (Decrease)	
	Total	SURS*	Adjusted Balance				
Operating Expense							
Instruction	\$ 105.0	\$ 141.7	\$ 34.0	\$ 107.7	\$ (2.7)	\$ 101.1	\$ 6.6
Academic support	24.6	28.8	5.9	22.9	1.7	21.8	1.1
Student services	24.0	28.8	6.3	22.5	1.5	19.3	3.2
Public service	10.0	12.0	2.3	9.7	0.3	15.7	(6.0)
Organized research	0.5	0.2	-	0.2	0.3	-	0.2
Operations and maintenance of plant	42.2	37.5	7.3	30.2	12.0	39.3	(9.1)
Institutional support	41.9	62.1	6.4	55.7	(13.8)	62.6	(6.9)
Financial aid	19.8	19.8	-	19.8	-	23.3	(3.5)
Auxiliary	1.5	2.1	0.3	1.8	(0.3)	1.4	0.4
Depreciation	16.8	16.4	-	16.4	0.4	15.7	0.7
Total Operating expenses	286.3	349.4	62.5	286.9	(0.6)	300.2	(13.3)
Non-operating expenses							
Building lease and debt expense	12.5	14.2	-	14.2	(1.7)	16.0	(1.8)
Total Expenses	\$ 298.8	\$ 363.6	\$ 62.5	\$ 301.1	\$ (2.3)	\$ 316.2	\$ (15.1)



**Total Expenses (Operating and Non-Operating)
For the year ended June 30,2005
(\$ millions)**

Instruction	\$ 105.0
Academic support	24.6
Student services	24.0
Public service	10.0
Organized research	0.5
Operations and maintenance of plant	42.2
Institutional support	41.9
Financial aid	19.8
Auxiliary	1.5
Depreciation	16.8
Building lease and debt expense	12.5
TOTAL EXPENSES	<u>\$ 298.8</u>



**Capital Assets, Net
as of June 30
(\$ millions)**

	2005	2004	Increase (Decrease)	2003	Increase (Decrease)
Capital Assets					
Land	\$ 17.4	\$ 17.4	\$ -	\$ 17.4	\$ -
Buildings and improvements	439.6	426.7	12.9	427.3	(0.6)
Construction in progress	87.0	72.6	14.4	20.9	51.7
Equipment	13.8	25.6	(11.8)	23.9	1.7
Software	28.7	16.1	12.6	14.5	1.6
Total	586.5	558.4	28.1	504.0	54.4
Less accumulated depreciation	<u>(213.2)</u>	<u>(222.7)</u>	<u>9.5</u>	<u>(208.1)</u>	<u>(14.6)</u>
Net capital assets	<u>\$ 373.3</u>	<u>\$ 335.7</u>	<u>\$ 37.6</u>	<u>\$ 295.9</u>	<u>\$ 39.8</u>

Capital Assets

As of June 30, 2005 City Colleges had \$586.5 million in capital assets, \$213.2 million in accumulated depreciation, and \$373.3 million in net capital assets. This investment in net capital assets includes land, buildings, and improvements; construction in progress; equipment; and software. The total increase in City Colleges' investment in net capital assets for the current fiscal year was \$37.6 million or 11.2%.

Major capital asset events during fiscal year 2005 included the following:

- Continued construction of the new Kennedy-King facilities; construction in progress as of the close of the fiscal year had reached \$40.9 million.
- PeopleSoft student administration and enterprise systems implementations and upgrades expenditures of \$9.3 million.
- Harold Washington campus renovation cost to date of \$27.0 million.
- Malcolm X campus renovation cost to date of \$12.6 million.
- Retirement of fully-depreciated equipment of \$16.8 million.

As of June 30, 2004, City Colleges had \$558.4 million in capital assets, \$222.7 million in accumulated depreciation, and \$335.7 million in net capital assets. This investment in net capital assets includes land, buildings, and improvements; construction in progress; equipment; and software. The total increase in City Colleges' investment in net capital assets for fiscal year 2004 was \$39.8 million or 13.5%. City Colleges has a five-year capital renewal plan of over \$365 million, primarily funded by City of Chicago General Obligation Bonds, Series 1999.

Major capital asset events during fiscal year 2004 included the following:

- Kennedy-King construction of new facilities; construction in progress as of the close of the fiscal year had reached \$34.2 million.
- PeopleSoft student administration and enterprise systems implementations and upgrades expenditures of \$14.4 million.
- Harold Washington campus renovation cost to date of \$8.8 million.
- Campus energy improvement program cost of \$12.8 million.

For additional information, see Note 5 (Capital Assets).

Debt Administration

As of June 30, 2005, City Colleges had total non-current liabilities of \$142.9 million. This amount includes \$2.1 million for compensated absences, \$31.8 million of accumulated sick leave benefit liability for current and retired employees, and \$30.4 million for bonds payable. The remaining debt of \$78.6 million represents capital lease obligations with the PBCC. The reduction in debt of \$22.6 million is due to normal maturities.

As of June 30, 2004, City Colleges had total non-current liabilities of \$168.0 million. This amount includes \$1.7 million for compensated absences, \$34.7 million of accumulated sick leave benefit liability for current and retired employees, and \$32.2 million for bonds payable. The remaining debt of \$99.4 million represents capital lease obligations with the PBCC. The reduction in debt of \$19.7 million is due to normal maturities.

For additional information, see Note 12 (Changes in Non-Current Liabilities).

	Non-current Liabilities as of June 30 (\$ millions)				
	2005	2004	Increase (Decrease)	2003	Increase (Decrease)
Accrued compensated absences	\$ 2.1	\$ 1.7	\$ 0.4	\$ 1.5	\$ 0.2
Sick Leave Benefits	31.8	34.7	(2.9)	32.6	2.1
Bonds payable	30.4	32.2	(1.8)	32.8	(0.6)
Lease obligations	78.6	99.4	(20.8)	118.5	(19.1)
Sub-total	142.9	168.0	(25.1)	185.4	(17.4)
Less current portion	(28.9)	(27.2)	(1.7)	(25.1)	(2.1)
Total non-current liabilities	<u>\$ 114.0</u>	<u>\$ 140.8</u>	<u>\$ (26.8)</u>	<u>\$ 160.3</u>	<u>\$ (19.5)</u>

Reclassifications

Certain amounts presented in the 2004 financial statements have been reclassified in Management's Discussion and Analysis in order to be consistent with the presentation of the 2005 financial statements.

Requests for Information

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

City Colleges of Chicago
Community College District No. 508
Statement of Net Assets
For the fiscal years ended June 30, 2005 and 2004

	2005	2004 (restated)
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,070,506	\$ 15,120,092
Short-term investments	186,111,100	152,899,209
Property tax receivable, net	70,905,811	69,426,376
Personal property replacement tax receivable	1,875,185	1,386,376
Other accounts receivable, net	30,133,520	29,196,897
Prepaid items and other assets	<u>2,437,882</u>	<u>2,901,590</u>
Total current assets	<u>304,534,004</u>	<u>270,930,540</u>
Non-current assets:		
Restricted cash	8,070,301	8,098,194
Funds held by Public Building Commission	22,936,999	13,140,066
Long-term investments	4,976,365	13,954,810
Restricted investments	42,242,813	48,337,404
Capital assets	586,535,322	558,439,604
Less: Accumulated depreciation	<u>(213,237,742)</u>	<u>(222,717,534)</u>
Total non-current assets	<u>451,524,058</u>	<u>419,252,544</u>
Total assets	<u>756,058,062</u>	<u>690,183,084</u>
Liabilities		
Current Liabilities:		
Accounts payable	15,006,368	8,519,450
Accrued payroll	3,869,720	2,410,282
Other accruals	5,091,888	4,514,484
Deferred salaries	2,998,401	2,368,809
Deposits held in custody for others	1,860,355	1,764,506
Deferred tuition and fees revenue	6,322,288	6,443,515
Deferred property tax revenue	64,230,370	63,307,681
Accrued property tax refunds	17,868,342	16,769,256
Deferred grant revenue	15,683,675	19,820,512
Other liabilities	7,102,096	6,241,774
Current portion of noncurrent liabilities	<u>28,903,525</u>	<u>27,220,686</u>
Total current liabilities	<u>168,937,028</u>	<u>159,380,955</u>
Non-current liabilities:		
Accrued compensated absences	2,080,036	1,719,889
Sick leave benefits	31,848,737	34,743,156
Bonds payable	30,399,472	32,218,928
Lease obligations	78,610,000	99,375,000
Less: Current portion	<u>(28,903,525)</u>	<u>(27,220,686)</u>
Total non-current liabilities	<u>114,034,720</u>	<u>140,836,287</u>
Total liabilities	<u>282,971,748</u>	<u>300,217,242</u>
Net assets		
Invested in capital assets, net of related debt	294,687,579	236,347,069
Restricted for expendable:		
Capital projects	40,141,921	42,869,202
Lease obligation	35,519,213	40,948,750
Other	29,343,965	29,270,135
Unrestricted	<u>73,393,636</u>	<u>40,530,686</u>
Total net assets	<u>\$ 473,086,314</u>	<u>\$ 389,965,842</u>

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

City Colleges of Chicago
Community College District No. 508
Statement of Revenues, Expenditures, and Changes in Net Assets
For the fiscal years ended June 30, 2005 and 2004

	2005	2004 (restated)
Revenues		
Operating revenues:		
Student tuition and fees:		
Resident	\$ 48,394,872	\$ 41,369,909
Nonresident	4,241,230	3,832,663
Other	11,097,960	11,041,388
Less: Scholarship allowances	<u>(41,844,361)</u>	<u>(37,577,644)</u>
Net student tuition and fees	21,889,701	18,666,316
Other operating revenues	<u>6,245,354</u>	<u>5,276,250</u>
Total operating revenues	28,135,055	23,942,566
Expenses		
Operating expenses:		
Instructional staff	67,668,483	70,192,004
Noninstructional staff	78,016,324	76,221,015
Fringe benefits*	37,128,733	108,456,188
Supplies	14,984,870	13,482,689
Equipment not capitalized	5,176,669	2,846,325
Utilities	9,291,553	9,269,574
Contractual services	35,254,654	29,040,151
Depreciation	16,800,331	16,378,082
Financial aid, exclusive of scholarship allowance	18,223,502	17,526,863
Other expenses	<u>3,841,210</u>	<u>6,021,302</u>
Total operating expenses	<u>286,386,329</u>	<u>349,434,193</u>
Operating loss	(258,251,274)	(325,491,627)
Nonoperating revenues (expenses):		
State apportionment and equalization	36,692,418	38,700,335
Other state grants and contracts*	52,507,309	104,710,804
Local grants and contracts	4,304,120	4,102,542
Local property taxes	90,808,565	77,538,041
Property taxes for lease obligations	35,165,454	39,537,136
Personal property replacement tax	10,499,413	8,676,779
Federal grants and contracts	65,190,589	63,091,461
Building lease and interest payments on debt	(12,531,839)	(14,226,778)
Litigation settlement	-	10,302,934
Investment income	<u>4,893,017</u>	<u>2,778,234</u>
Nonoperating revenues, net	<u>287,529,046</u>	<u>335,211,488</u>
Income before capital appropriations and grants	<u>29,277,772</u>	<u>9,719,861</u>
Capital appropriations and grants	<u>53,842,700</u>	<u>58,790,925</u>
Change in net assets	<u>83,120,472</u>	<u>68,510,786</u>
Net assets, beginning of year as originally reported	391,857,455	320,949,056
Restatements	(1,891,613)	506,000
Net assets, beginning of year as restated	<u>389,965,842</u>	<u>321,455,056</u>
Net assets, end of year	<u>\$ 473,086,314</u>	<u>\$ 389,965,842</u>

*2004 total includes \$62.5 million one-time payment for SURS

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

**City Colleges of Chicago
Community College District No. 508
Statement of Cash Flows
For the fiscal years ended June 30, 2005 and 2004**

	2005	2004 (restated)
Cash flows from operating activities		
Tuition and fees	\$ 23,395,173	\$ 26,965,269
Payments to suppliers	(86,342,077)	(88,565,660)
Payments to employees	(146,130,049)	(143,317,819)
Payments to students	(18,223,502)	(25,828,395)
Other	6,245,354	7,738,230
Net cash used by operating activities	<u>(221,055,101)</u>	<u>(223,008,375)</u>
Cash flows from noncapital financing activities		
Local property taxes except for capital lease payments	91,139,775	80,553,630
State appropriations	75,499,203	67,363,634
Personal property replacement tax	10,010,604	8,545,962
Grants and contracts	61,816,809	77,632,074
Principal and interest on debt, net	<u>(3,863,720)</u>	<u>(3,653,320)</u>
Net cash provided by noncapital financing activities	234,602,671	230,441,980
Cash flows from capital and related financing activities		
Local property taxes for capital lease payment	<u>35,376,584</u>	<u>39,537,136</u>
Capital lease principal, interest and other	(31,200,724)	(33,252,940)
Capital appropriations and grants	57,516,455	60,304,711
Purchases of capital assets	<u>(64,172,774)</u>	<u>(56,211,977)</u>
Net cash provided by capital and related financing activities	(2,480,459)	10,376,930
Cash flows from investing activities		
Proceeds from sales and maturities of investments	160,044,154	129,213,491
Purchase of investments	(178,183,009)	(153,435,010)
Interest received on investments	4,994,265	2,778,234
Litigation settlement	-	10,302,934
Net cash (used) by investing activities	<u>(13,144,590)</u>	<u>(11,140,351)</u>
Net increase in cash	(2,077,479)	6,670,184
Cash, beginning of year	23,218,286	16,548,102
Cash, end of the year	<u>\$ 21,140,807</u>	<u>\$ 23,218,286</u>
Cash and cash equivalents	\$ 13,070,506	\$ 15,120,092
Restricted cash	8,070,301	8,098,194
	<u>\$ 21,140,807</u>	<u>\$ 23,218,286</u>

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

**City Colleges of Chicago
Community College District No. 508
Statement of Cash Flows
For the fiscal years ended June 30, 2005 and 2004**

	2005	2004 (restated)
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	\$ (258,251,274)	\$ (325,491,627)
Reconciling adjustments		
Depreciation	16,800,331	16,378,082
State payment for retirement obligation	11,004,508	76,049,884
Changes in net assets:		
Receivables, net	1,626,699	3,698,661
Prepaid expenses	310,609	(1,590,478)
Accounts payable	6,486,918	9,377,504
Accrued payroll	1,459,438	357,805
Other accruals	577,404	(3,742,481)
Deferred salaries	629,592	(32,353)
Deposit held in custody for others	95,849	(51,770)
Deferred tuition and fees	(121,227)	579,141
Other liabilities	860,324	(889,574)
Accrued compensated absences	360,147	177,042
Sick leave benefits	(2,894,419)	2,171,789
Net cash used by operating activities	<u>\$ (221,055,101)</u>	<u>\$ (223,008,375)</u>

The State of Illinois provided \$996,698 and \$497,744 of in-kind capital assets during the years ended June 30, 2005 and 2004, respectively.

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

City Colleges of Chicago
Community College District No. 508

Notes to Financial Statements
June 30, 2005

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, 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 the College is not financially accountable should be reported as component units based upon the nature and significance of the relationship with the College. Generally, it requires reporting an organization as a component unit that raises and holds significant economic resources for the direct benefit of a government unit.

The Public Building Commission of Chicago (PBCC) and the City Colleges of Chicago Foundation are organizations affiliated with City Colleges. These entities were reviewed under GASB 39 and determined not to be component units of City Colleges. The resources of PBCC are not received or held entirely or almost entirely for City Colleges, nor can City Colleges access a majority of PBCC’s resources. The City Colleges of Chicago Foundation’s resources are equivalent to less than 0.5% of City Colleges’ net assets and, therefore, deemed not significant.

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies (cont'd)

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.

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

The accounting policies of City Colleges conform to accounting principles generally accepted in the United States of America as applicable to colleges and universities, 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.

Cash and Cash Equivalents

Cash includes petty cash on hand, demand deposits, and short-term investment 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.

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies (cont'd)

Investments

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

Property Taxes

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

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.

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies (cont'd)

Prepaid Items and Other Assets

Prepaid expenses and other assets represent amounts paid as of June 30 whose recognition is postponed to a future period. Prepaid expenses consist primarily of prepayments to vendors for accrued interest. Other assets consist primarily of unamortized bond costs and small amounts of paper supply inventory.

Restricted Cash and Investments

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

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 greater than \$5,000 and an estimated useful life greater than one year. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure and are over \$200,000 are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. 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.

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies (cont'd)

Non-Current Liabilities

Non-current 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, sick leave benefits (payments to retirees for accumulated unused sick days) and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as non-current assets. 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 premiums or discount. Bond issuance costs are reported as other assets (deferred charges).

Compensated Absences

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.

Net Assets

City Colleges' net assets are classified as follows:

Invested In Capital Assets, Net of Related Debt

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

Restricted Net Assets – Expendable

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

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies (cont'd)

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. The Board of Trustees of City Colleges has designated unrestricted net assets to be used for capital projects of \$10.3 million at June 30, 2004. This amount remains unchanged at June 30, 2005.

Classification of Revenues and Expenses

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

Operating Revenue and Expenses

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

Non-Operating Revenue and Expenses

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

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.

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies (cont'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.

Change in Estimate - Depreciation

In fiscal year 2005 City Colleges made a number of minor changes in depreciation practices. For buildings, City Colleges started using half-year's depreciation in the first year of occupation and it changed the useful life of additions to be concurrent with the remaining life of the original building unless the addition extended the useful life of the original building. The effect of these changes was not material.

Restatements

The following table shows the effect of these elements of restatements of certain fiscal year 2004 balances.

A - Change in Accounting Principles - Summer School

In fiscal year 2005 City Colleges implemented the allocation of summer school revenue between fiscal years based upon teaching days in each fiscal year. Fiscal year 2004 has been restated to incorporate this change. This restatement increased fiscal year 2004 tuition revenue by \$487,000, instructional staff expense by \$39,613, and beginning net assets by \$506,000, and reduced deferred revenue by \$993,000.

B - Capital Appropriation

This adjustment reduced other receivables, net assets-capital projects, and capital appropriations and grants by \$2,845,000 for a capital grant receivable recorded in error in fiscal year 2004.

C - Reclassifications

The first transaction was to reclassify \$8,301,532 in tuition waivers from financial aid net of scholarships allowances to scholarship allowances. The second transfer was to transfer \$6,575,393 from financial aid net of scholarship allowance to scholarship allowance for a portion of the Pell grants used to pay student tuition and fees. The last adjustment was to reclassify \$1,740,972 in non-

City Colleges of Chicago
Community College District No. 508

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies (cont'd)

governmental grants from other operation revenue to local grants and contracts.

	6/30/2004 as issued	Summer School	Capital Appropriation	Reclass- ifications	6/30/2004 as restated
<u>Statement of Net Assets</u>					
Other accounts receivable, net	\$ 32,041,897		\$ (2,845,000)		\$ 29,196,897
Prepaid items and other assets	2,941,203	\$ (39,613)			2,901,590
Deferred tuition & fees revenue	(7,436,515)	993,000			(6,443,515)
Net Assets					
Restricted for expendable					
Capital projects	\$ (45,714,202)		\$ 2,845,000		\$ (42,869,202)
Unrestricted	(29,274,365)	\$ (953,387)			(30,227,752)
All other net assets	(316,868,888)				(316,868,888)
	<u>\$ (391,857,455)</u>	<u>\$ (953,387)</u>	<u>\$ 2,845,000</u>	<u>\$ -</u>	<u>\$ (389,965,842)</u>
<u>Statement of Revenues, Expenses and Changes in Net Assets</u>					
Student tuition and fees					
Resident	\$ 40,882,909	\$ 487,000			\$ 41,369,909
less scholarship allowances	(29,276,112)			\$ (8,301,532)	(37,577,644)
Other operating revenues	7,017,222			(1,740,972)	5,276,250
Operating expenses					
Instructional staff	(70,152,391)	(39,613)			(70,192,004)
Financial Aid, net of scholarship allowance	(25,828,395)			8,301,532	(17,526,863)
Nonoperating revenues					
Local grants and contracts	2,361,570			1,740,972	4,102,542
Capital appropriations and grants	61,635,925		\$ (2,845,000)		58,790,925
Net Assets, beginning of the year	(320,949,056)	(506,000)	-	-	(321,455,056)
Net Assets, end of the year	(391,857,455)	(953,387)	2,845,000	-	(389,965,842)

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies (cont'd)

New Accounting Standards

GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, which establishes and modifies requirements related to the supplementary information presented in a statistical section, is effective for financial statements for periods beginning after June 15, 2005.

GASB Statement No. 45, *Accounting and Financial Reporting for Employers for Postemployment Benefits Other Than Pensions*, which establishes standards of accounting and financial reporting for other post-employment benefits and expenses and assets, note disclosures and required supplementary information, is effective for financial statements for periods beginning after December 15, 2005. City Colleges has not yet determined the impact of the adoption of this standard.

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation-an amendment of GASB Statement No. 34*, which states that the legal enforceability of an enabling legislation restriction should be reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if a government has other cause for reconsideration, is effective for financial statements for period beginning after June 15, 2005. City Colleges has not yet determined the impact of the adoption of this standard.

GASB Statement No. 47, *Accounting for Termination Benefits*, which establishes accounting standards for termination benefits, and is effective with the implementation of GASB Statement No. 45 (see above).

2. Deposits and Investments

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

In accordance with City Colleges' investment policy, funds may be invested in the following types of securities within certain limitations: (a) United States

Notes to Financial Statements

2. Deposits and Investments (cont'd)

government securities, (b) securities backed by the full faith and credit of the United States, (c) bank certificates of deposit, (d) commercial paper, (e) money market mutual funds, when they are invested in securities noted in items (a) and (b) above, (f) savings and loan securities, (g) the Illinois Funds (Money Market), and, (h) repurchase agreements. It is the policy of City Colleges to invest its funds in a manner which will provide for the preservation of capital while providing for yields consistent with the market and meeting the daily cash flow demands of City Colleges and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objective of the policy is legality, safety, preservation of capital and protection of investment principal, liquidity and yield.

Deposits with Financial Institutions

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

On June 30, 2005, City Colleges had one uncollateralized deposit for one day of \$3.5 million pending an investment purchase, and two deposits totaling less than \$25,000.

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

Custodial credit risk – relating to investments, is the risk that, in the event of the failure of the counterparty to the investment, City Colleges will not be able to recover the value of its investments that are in possession of an outside

City Colleges of Chicago
Community College District No. 508

Notes to Financial Statements

2. Deposits and Investments (cont'd)

party. To limit its exposure, City Colleges' investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as City Colleges' agent separate from where the investment was purchased. Illinois Funds is not subject to custodial credit risk.

Concentration of credit risk – At June 30, 2005 and 2004 respectively, City Colleges had greater than five percent of its overall portfolio invested in the Illinois Funds. This is in accordance with City Colleges' investment policy, which does not contain any specific guidelines on the diversification of the investment portfolio.

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

Investments are commingled in order to maximize earnings.

The State Treasurer maintains the Illinois Funds Money Market at cost and fair value through daily adjustment in the interest earnings. The State Treasurer also maintains the average duration of the pool at less than 20 days. The fair value of City Colleges' investment in the funds is the same as the value of the pool shares. The Pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. The Pool maintains a Standard and Poor's AAA rating. City Colleges' investments in the Illinois Funds are not required to be categorized because they are not securities. The relationship between City Colleges and the investment agent is direct contractual relationship and the investments are not supported by a transferable instrument that evidences ownership or creditorship. All funds deposited in the Illinois Funds 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.

The carrying amount of its investments at June 30, 2005, which approximates fair value, is \$233,330,278. The amount at June 30, 2004 was \$215,191,423.

City Colleges of Chicago
Community College District No. 508

Notes to Financial Statements

2. Deposits and Investments (cont'd)

City Colleges' investments are shown in the following tables:

Investment Type	June 30, 2005 Fair Value	Investment Maturities (in years)		
		Less Than 1	1 - 2	3
US Treasury Obligations (Bills)	\$ 10,495,170	\$ 10,495,170	\$ -	\$ -
US Treasury Obligations (Notes)	19,026,464	19,026,464	-	-
Federal Agency Securities	54,934,897	38,493,141	16,441,756	-
Illinois Funds (Money Market)	32,163,200	32,163,200	-	-
Illinois Funds (Prime)	91,286,165	91,286,165	-	-
Money Market Mutual Funds	25,424,382	25,424,382	-	-
Total investments	<u>\$ 233,330,278</u>	<u>\$ 216,888,522</u>	<u>\$ 16,441,756</u>	<u>\$ -</u>

Investment Type	June 30, 2004 Fair Value	Investment Maturities (in years)		
		Less Than 1	1 - 2	3
US Treasury Obligations (Bills)	\$ 1,899,206	\$ 1,899,206	\$ -	\$ -
US Treasury Obligations (Notes)	4,634,155	4,634,155	-	-
Federal Agency Securities	85,267,010	71,015,886	3,818,989	10,432,135
Illinois Funds (Money Market)	5,402,610	5,402,610	-	-
Illinois Funds (Prime)	91,519,056	91,519,056	-	-
Money Market Mutual Funds	26,469,386	26,469,386	-	-
Total investments	<u>\$ 215,191,423</u>	<u>\$ 200,940,299</u>	<u>\$ 3,818,989</u>	<u>\$ 10,432,135</u>

	June 30, 2005	June 30, 2004
Per Statement of Net Assets:		
Cash and cash equivalent	\$ 13,070,506	\$ 15,120,092
Restricted cash	8,070,301	8,098,194
Total Cash	<u>\$ 21,140,807</u>	<u>\$ 23,218,286</u>

Investments:		
Short-term investments	\$ 186,111,100	\$ 152,899,209
Long-term investments	4,976,365	13,954,810
Restricted investments	42,242,813	48,337,404
Total Investments	<u>\$ 233,330,278</u>	<u>\$ 215,191,423</u>

Per Notes:		
Cash	\$ 21,128,503	\$ 23,204,974
Petty cash	12,304	13,312
Total Cash	<u>\$ 21,140,807</u>	<u>\$ 23,218,286</u>

Total Investments	<u>\$ 233,330,278</u>	<u>\$ 215,191,423</u>
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City Colleges of Chicago
Community College District No. 508

Notes to Financial Statements

2. Deposits and Investments (cont'd)

3. Other Accounts Receivable

City Colleges' other accounts receivable consist of the following:

	June 30	
	2005	2004
Student	\$ 4,978,314	\$ 6,809,357
Grants	9,833,593	3,596,516
Capital improvement	17,781,669	21,455,424
Other	<u>312,809</u>	<u>427,281</u>
Gross other accounts receivable	32,906,385	32,288,578
Less: Allowance for uncollectibles	<u>(2,772,865)</u>	<u>(3,091,681)</u>
Net other accounts receivable	<u>\$ 30,133,520</u>	<u>\$ 29,196,897</u>

4. Restricted Assets

City Colleges' restricted assets consist of the following:

	June 30	
	2005	2004
(A) Cash	\$ 8,070,301	\$ 8,098,194
(B) Funds held by PBCC	22,936,999	13,140,066
(C) Restricted investments	<u>42,242,813</u>	<u>48,337,404</u>
Total restricted assets	<u>\$ 73,250,113</u>	<u>\$ 69,575,664</u>

Reserved for:

- (A) Financial aid, funds held in trust, and grant funds
- (B) Capital construction
- (C) Capital lease payment

City Colleges of Chicago
Community College District No. 508

Notes to Financial Statements

5. Capital Assets

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. As of June 30, 2005 the City of Chicago had a balance available of \$194,368,064 for City Colleges projects compared to \$245,786,610 as of June 30, 2004. These funds are provided from proceeds of City of Chicago general obligation bonds. In connection therewith, City Colleges agreed to abate a portion of its direct annual tax levy on its debt service for lease obligations for the years 2001 through 2006 in amounts equal to the City of Chicago's debt service requirements for the bonds for those years. City Colleges agreed to provide and restrict funds from its own resources (see Note 4) for payments to be made under its PBCC agreements through 2006.

City Colleges of Chicago
Community College District No. 508

Notes to Financial Statements

Capital asset activity for the years ended June 30, 2005 and 2004 is as follows:

	July 1 2004	Additions	Retirements and Transfers	June 30 2005
Capital assets not being depreciated:				
Land	\$ 17,388,173	\$ -	\$ -	\$ 17,388,173
Construction work in progress	<u>72,653,608</u>	<u>49,346,487</u>	<u>(34,968,969)</u>	<u>87,031,126</u>
Subtotal	90,041,781	49,346,487	(34,968,969)	104,419,299
Capital assets being depreciated:				
Equipment	25,631,007	5,029,354	(16,829,586)	13,830,775
Software	16,081,154	12,558,526	-	28,639,680
Buildings and improvements	<u>426,685,662</u>	<u>22,410,443</u>	<u>(9,450,538)</u>	<u>439,645,567</u>
Subtotal	<u>468,397,823</u>	<u>39,998,323</u>	<u>(26,280,124)</u>	<u>482,116,022</u>
Total capital assets	558,439,604	89,344,810	(61,249,093)	586,535,321
Accumulated depreciation:				
Equipment	20,988,100	1,306,633	(16,829,586)	5,465,147
Software	9,078,428	4,273,031	-	13,351,459
Buildings and improvements	<u>192,651,006</u>	<u>11,220,667</u>	<u>(9,450,538)</u>	<u>194,421,135</u>
Total accumulated depreciation	<u>222,717,534</u>	<u>16,800,331</u>	<u>(26,280,124)</u>	<u>213,237,741</u>
Capital assets, net	<u>\$ 335,722,070</u>	<u>\$ 72,544,479</u>	<u>\$ (34,968,969)</u>	<u>\$ 373,297,580</u>
Cost of buildings and improvements acquired under capital leases (included in total capital assets above)	<u>\$ 391,825,192</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 391,825,192</u>
	July 1 2003	Additions	Retirements and Transfers	June 30 2004
Capital assets not being depreciated:				
Land	\$ 17,388,173	\$ -	\$ -	\$ 17,388,173
Construction work in progress	<u>20,923,300</u>	<u>52,831,488</u>	<u>(1,101,180)</u>	<u>72,653,608</u>
Subtotal	38,311,473	52,831,488	(1,101,180)	90,041,781
Capital assets being depreciated:				
Equipment	23,851,739	1,807,944	(28,676)	25,631,007
Software	14,508,609	1,572,545	-	16,081,154
Buildings and improvements	<u>427,289,258</u>	<u>1,101,180</u>	<u>(1,704,776)</u>	<u>426,685,662</u>
Subtotal	<u>465,649,606</u>	<u>4,481,669</u>	<u>(1,733,452)</u>	<u>468,397,823</u>
Total capital assets	503,961,079	57,313,157	(2,834,632)	558,439,604
Accumulated depreciation:				
Equipment	19,814,081	1,202,695	(28,676)	20,988,100
Software	5,318,706	3,759,722	-	9,078,428
Buildings and improvements	<u>182,940,117</u>	<u>11,415,665</u>	<u>(1,704,776)</u>	<u>192,651,006</u>
Total accumulated depreciation	<u>208,072,904</u>	<u>16,378,082</u>	<u>(1,733,452)</u>	<u>222,717,534</u>
Capital assets, net	<u>\$ 295,888,175</u>	<u>\$ 40,935,075</u>	<u>\$ (1,101,180)</u>	<u>\$ 335,722,070</u>
Cost of buildings and improvements acquired under capital leases (included in total capital assets above)	<u>\$ 381,442,518</u>	<u>\$ 10,382,674</u>	<u>\$ -</u>	<u>\$ 391,825,192</u>

City Colleges of Chicago
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Notes to Financial Statements

6. 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 the 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, 2005 and June 30, 2004 including principal and interest are as follows:

	Principal	Interest	Other	Total
2006	\$ 22,505,000	\$ 5,464,856	\$ 7,200,000	\$ 35,169,856
2007	24,410,000	3,481,310	7,275,000	35,166,310
2008	<u>31,695,000</u>	<u>1,220,258</u>	<u>2,250,000</u>	<u>35,165,258</u>
June 30, 2005	<u>\$ 78,610,000</u>	<u>\$ 10,166,424</u>	<u>\$ 16,725,000</u>	<u>\$ 105,501,424</u>

	Principal	Interest	Other	Total
2005	\$ 20,765,000	\$ 7,277,726	\$ 7,125,000	\$ 35,167,726
2006	22,505,000	5,464,856	7,200,000	35,169,856
2007	24,410,000	3,481,310	7,275,000	35,166,310
2008	<u>31,695,000</u>	<u>1,220,258</u>	<u>2,250,000</u>	<u>35,165,258</u>
June 30, 2004	<u>\$ 99,375,000</u>	<u>\$ 17,444,150</u>	<u>\$ 23,850,000</u>	<u>\$ 140,669,150</u>

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

Required annual rentals paid by City Colleges may be in excess of the PBCC's requirements for debt service and other expenditures. 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.

The annual payments made under the agreements are financed from a specific property tax levy and from the other restricted funds described in Note 4. Amounts collected from this annual property tax levy that have not yet been paid under the agreements are reflected as restricted assets (see Note 4).

Funds held by the PBCC at June 30, 2005 and 2004 primarily represent unused construction proceeds from lease transactions, amounts for renewal and replacement of current leased facilities, amounts held for financed construction, and other estimated administrative expenses. These funds are recorded as restricted accounts by City Colleges.

Operating Leases

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

Operating lease expenses was \$681,675 for the year ended June 30, 2005. Operating lease expenses was \$650,501 for the year ended June 30, 2004.

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

June 30, 2005	
2006	\$ 536,284
2007	541,558
2008	554,770
2009	556,487
2010	570,197
2011 - 2015	<u>2,619,034</u>
June 30, 2005	<u>\$ 5,378,330</u>

June 30, 2004	
2005	\$ 655,977
2006	495,106
2007	509,723
2008	524,781
2009	540,289
2010 – 2013	<u>2,336,862</u>
June 30, 2004	<u>\$ 5,062,738</u>

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Notes to Financial Statements

7. Other Accruals and Other Liabilities

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

	2005	2004
Other accruals		
Accrued interest payable	\$ 2,107,693	\$ 2,761,716
Accrued for services	575,465	1,355,712
Accrued for goods	<u>2,408,730</u>	<u>397,056</u>
Total other accruals	<u>\$ 5,091,888</u>	<u>\$ 4,514,484</u>
 Other liabilities		
Self insurance	\$ 3,683,508	\$ 3,503,115
Unclaimed property	1,888,987	1,773,905
Other	<u>1,529,601</u>	<u>964,754</u>
Total other liabilities	<u>\$ 7,102,096</u>	<u>\$ 6,241,774</u>

8. Accrued Property Taxes

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 2002 tax levy was \$45,302,653,075 for Cook County and \$6,871,030 for DuPage County. The EAV for the December 2003 tax levy was \$53,137,668,356 for Cook County and \$6,792,347 for DuPage County. The EAV for the December 2004 tax levy was \$55,302,579,309 for Cook County and \$6,543,343 for DuPage County.

In accordance with City Colleges' Board resolution, 50% of property taxes extended for the 2003 tax year and collected in 2004 are recorded as revenue in fiscal year 2004. The remaining revenue related to the 2003 tax year extension was deferred and recorded as revenue in fiscal year 2005. Based upon collection histories, City Colleges recorded real property taxes at 96.5% of the 2003 extended levy. Accordingly, in fiscal year 2004 City Colleges' reserve for loss and cost has been increased to \$2,624,055. Accrued property tax refunds in 2004 increased to \$16,769,256.

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Notes to Financial Statements

8. Accrued Property Taxes (cont'd)

In accordance with City Colleges' Board resolution, 50% of property taxes extended for the 2004 tax year and collected in 2005 are recorded as revenue in fiscal year 2005. The remaining revenue related to the 2004 tax year extension was deferred and will be recorded as revenue in fiscal year 2006. Based upon collection histories, City Colleges records real property taxes at 96% of the 2004 extended levy. Accordingly, in fiscal year 2005 City Colleges' reserve for loss and cost has been increased to \$2,692,445. Accrued property tax refunds in 2005 increased to \$17,868,342.

9. Accrued Compensated Absences

At June 30, 2005, City Colleges had recorded a liability of \$2,080,036. At June 30, 2004, the liability was \$1,719,889. City Colleges considers 25% of these liabilities current and due within one year.

10. Sick Leave Benefits

Unused Sick Pay

Upon the retirement, permanent disability, or death of a full-time eligible employee, it is the policy of City Colleges to pay over a 3- to 5-year period an amount equal to a percentage of the individual's accumulated unused sick days in the form of a termination benefit. Eligible employees include administrative employees and certain union represented employees who have served continuously for 10 years or more and are eligible for an annuity under the State University Retirement System (SURS), generally at age 55. City Colleges has recorded a liability for the estimated present value of such benefits earned to date based upon an actuarial study. The method of calculating the estimated present value of an eligible employee's termination benefit liability uses the following assumptions: (1) estimated average annual salary increments of 4%, (2) future payments discounted by a 3.5% interest factor in 2005 and 2004 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.

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Notes to Financial Statements

10. Sick Leave Benefits (cont'd)

City Colleges accrued \$24,557,307 at June 30, 2005 for the estimated present value of these future retiree benefits for current employees. In addition, \$7,291,430 in benefits payable to retired employees was recorded at June 30, 2005.

City Colleges accrued \$24,880,427 at June 30, 2004 for the estimated present value of these future retiree benefits for current employees. In addition, \$9,862,729 in benefits payable to retired employees was recorded at June 30, 2004.

11. 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 of \$33,785,000. The Community College District Number 508 Refunding Revenue Bonds, Series 1995 (Taxable) are special, limited obligations of the 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 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 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, should the replacement tax collected be insufficient to cover the debt when due. The bonds will mature as shown on the next table:

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Notes to Financial Statements

11. Bonds Payable (cont'd)	Principal	Interest	Total
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	2,675,000	1,586,050	4,261,050
2010	2,850,000	1,404,150	4,254,150
2011-2015	17,250,000	3,783,500	21,033,500
	<u>\$ 29,845,000</u>	<u>\$ 12,491,290</u>	<u>\$ 42,336,290</u>
Unamortized premium (net)	554,472	-	554,472
June 30, 2005	<u>\$ 30,399,472</u>	<u>\$ 12,491,290</u>	<u>\$ 42,890,762</u>
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	2,675,000	1,586,050	4,261,050
2010-2014	16,200,000	4,914,650	21,114,650
2015	3,900,000	273,000	4,173,000
	<u>\$ 31,545,000</u>	<u>\$ 14,655,010</u>	<u>\$ 46,200,010</u>
Unamortized premium (net)	673,928	-	673,928
June 30, 2004	<u>\$ 32,218,928</u>	<u>\$ 14,655,010</u>	<u>\$ 46,873,938</u>

City Colleges' legal debt margin based on 2.875% of the equalized assessed value is as follows:

	2005	2004
Assessed Valuation	\$ 55,309,122,652	\$ 53,144,460,703
Debt Margin Ratio	<u>0.02875</u>	<u>0.02875</u>
Maximum Debt	\$ 1,590,137,276	\$ 1,527,903,245
Debt balance as of June 30	<u>108,455,000</u>	<u>130,920,000</u>
Remaining Debt Capacity	<u>\$ 1,481,682,276</u>	<u>\$ 1,396,983,245</u>

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Notes to Financial Statements

11. Bonds Payable (cont'd)

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 to 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 net proceeds to City Colleges in fiscal year 2004, which changes the unamortized discount to unamortized bond premium. As of June 30, 2005, the option had not been exercised by the financial institution.

12. Changes in Non-Current Liabilities

Changes in non-current liabilities for the years ended June 30, 2005 and 2004 are summarized in the table below:

	July 1, 2004	Incurred	Paid	June 30, 2005	Current Portion
Accrued compensated absences	\$ 1,719,889	\$ 2,547,066	\$ (2,186,919)	\$ 2,080,036	\$ 520,008
Sick leave benefits	34,743,156	887,892	(3,782,311)	31,848,737	3,678,517
Bonds payable	32,218,928	(119,456)	(1,700,000)	30,399,472	2,200,000
Lease obligations	99,375,000	-	(20,765,000)	78,610,000	22,505,000
	<u>\$ 168,056,973</u>	<u>\$ 3,315,502</u>	<u>\$ (28,434,230)</u>	<u>\$ 142,938,245</u>	<u>\$ 28,903,525</u>

	July 1, 2003	Incurred	Paid	June 30, 2004	Current Portion
Accrued compensated absences	\$ 1,542,847	\$ 2,276,484	\$ (2,099,442)	\$ 1,719,889	\$ 429,972
Sick leave benefits	3,571,367	5,571,858	(3,400,069)	34,743,156	4,325,714
Bonds payable	32,739,132	1,016,470	(1,536,674)	32,218,928	1,700,000
Lease obligations	118,545,000	-	(19,170,000)	99,375,000	20,765,000
	<u>\$ 156,398,346</u>	<u>\$ 8,864,812</u>	<u>\$ (26,206,185)</u>	<u>\$ 168,056,973</u>	<u>\$ 27,220,686</u>

Notes to Financial Statements

13. Employee Retirement Pension Plan

City Colleges contributes to the State Universities Retirement System of Illinois (SURS) defined benefit and defined contribution plans. SURS is a cost-sharing, multiple-employer defined pension plan with a special funding situation, whereby the State of Illinois makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941, to provide retirement annuities and other benefits for staff members and employees of the state universities, certain affiliated organizations, certain other state educational and scientific agencies, and for survivors, dependents, and other beneficiaries of such employees. SURS is included in the State's financial reports as a pension trust fund. SURS is governed by section 5/15, Chapter 40, of the Illinois Compiled Statutes. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SURS, 1901 Fox Drive, Champaign, IL 61820 or by calling 1-800-275-7877.

Plan members are required to contribute 8.0% of their annual covered salary, and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The rate is 11.12%, 11.13% and 10.17% of annual covered payroll for fiscal year 2005, 2004, and 2003 respectively. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

On July 2, 2003, the State Universities Retirement System received a proportionate share of the proceeds from House Bill 3759 (PA93-002), allocating an additional \$1.432 billion to be applied against the unfunded liability. This payment was in addition to the regular state appropriation received each year. Because of this additional payment the amount of on-behalf payments received for each employer is substantially larger than in past years. City Colleges' share of this one-time payment amounted to \$62,453,896 for fiscal year 2004 and is included in the table below. Employer contributions to SURS directly appropriated by the state for the years ended June 30 are as follows:

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Notes to Financial Statements

Year	Amount
2005	\$11,004,508
2004	76,049,885
2003	11,877,545
2002	10,846,702

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

Year	Amount
2005	\$866,310
2004	508,757
2003	260,111
2002	320,901

14. Risk Management

City Colleges is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. City Colleges self-insures some of the risk and purchases commercial insurance for others. City Colleges purchased property insurance for leases exceeding \$50,000. There have been no significant reductions in insurance coverage from the prior year and claims have not exceeded coverage in any of the past three fiscal years.

A - General Liability – Self-Insurance

City Colleges self-insures for a portion of general liability exposure and has coverage by an independent insurer for claims exceeding \$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 “Local Government and Gov-

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Notes to Financial Statements

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

City Colleges follows the practice of recognizing the expenses for general liability claims in the year such settlements become probable and estimable. At June 30, 2005, City Colleges has accrued for estimated future claims of \$805,300, compared to \$1,187,417 at June 30, 2004.

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

B - Workers’ Compensation – Self-Insurance

City Colleges self-insures for a portion of workers’ compensation claims and has coverage by an independent insurer for individual claims exceeding \$300,000 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, 2005, City Colleges has accrued for estimated future claims of \$1,650,000, compared to \$959,215 at June 30, 2004. This amount is reported with “Other liabilities – Self-Insurance reserves” (see Note 7). Management of City Colleges believes that there are no material lawsuits or claims covered by the workers’ compensation self-insurance program that have not been adequately accrued.

C - Health Insurance – Self-Insurance

City Colleges self-insures for a portion of its health costs for eligible employees. Future claims are estimated based on historical charges and lag periods. At June 30, 2005, the City Colleges has accrued estimated medical expenses of \$1,228,208 that have been incurred, but not claimed, compared to \$1,356,483 at June 30, 2004.

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Notes to Financial Statements

Summary of Changes in Self-Insurance

	June 30, 2004	Incurred Claims	Payment on Claims	June 30, 2005
General liability	\$ 1,187,417	\$ (516,999)	\$ 134,882	\$ 805,300
Workers' compensation	959,215	1,044,454	(353,669)	1,650,000
Health insurance	<u>1,356,483</u>	<u>20,957,038</u>	<u>(21,085,313)</u>	<u>1,228,208</u>
	<u>\$ 3,503,115</u>	<u>\$ 21,484,493</u>	<u>\$ (21,304,100)</u>	<u>\$ 3,683,508</u>
	June 30, 2003	Incurred Claims	Payment on Claims	June 30, 2004
General liability	\$ 1,625,694	\$ 879,928	\$ (1,318,205)	\$ 1,187,417
Workers' compensation	1,195,000	355,291	(591,076)	959,215
Health insurance	<u>990,000</u>	<u>14,947,707</u>	<u>(14,581,224)</u>	<u>1,356,483</u>
	<u>\$ 3,810,694</u>	<u>\$ 16,182,926</u>	<u>\$ (16,490,505)</u>	<u>\$ 3,503,115</u>

Note: These amounts are recorded in "Other Liabilities" on the Statement of Net Assets.

15. 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 \$365 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.

Notes to Financial Statements

16. Investments in Collateralized Mortgage Obligations (CMO)

During the fall of 1993 and previous years, a former treasurer of City Colleges invested a significant amount of funds in certain types of CMOs. His 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, he reported these transactions to the Board. The treasurer was removed from his duties and no longer works for City Colleges.

In June 1995, the Board of Trustees of City Colleges filed a complaint against two of its previous auditors alleging breach of contract, negligence, and negligent misrepresentation arising out of the previous auditors' work for City Colleges. In November 2000, the Board and one of the previous auditors entered into a settlement agreement that resolved all claims between them. City Colleges recorded a net amount of \$4,550,000 in fiscal year 2001. The remaining previous auditor and the City Colleges settled for \$10.3 million in January 2004. City Colleges recorded this settlement in fiscal year 2004.

Statistical Section

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

Table A

**Assessed and Estimated Actual Value of Taxable Property (Unaudited)
Ten years ended June 30**

Year of Levy	Assessed Valuation	Estimated Actual Value
2004	\$ 55,309,122,652	\$ 165,927,367,956
2003	53,144,460,703	159,433,382,109
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

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

Sources: Cook and DuPage County Clerks' Offices

**City Colleges of Chicago
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Table B

**Property Tax Levies and Collections (Unaudited)
Ten years ended June 30**

Year of Levy	Total Extended Tax Levy	Current Year Collections	Percent of Levy	Delinquent Taxes Collected (refunded)	Total Taxes Collected	Percent of Levy
2004	\$ 133,832,242	\$ 60,247,374	45.02%	\$ -	\$ 60,247,374	45.02%
2003	130,637,356	128,766,523	98.57%	(1,596,730)	127,169,793	97.35%
2002	126,843,090	126,943,604	100.08%	(2,070,580)	124,873,024	98.45%
2001	128,811,006	129,996,521	100.92%	(2,392,607)	127,603,914	99.06%
2000	125,890,543	126,749,180	100.68%	(2,868,300)	123,880,880	98.40%
1999	122,612,901	125,082,927	102.01%	(2,999,468)	122,083,459	99.57%
1998	120,092,033	120,896,470	100.67%	(4,086,661)	116,809,809	97.27%
1997	118,671,367	115,314,638	97.17%	(3,954,832)	111,359,806	93.84%
1996	115,931,712	115,642,727	99.75%	(4,439,500)	111,203,227	95.92%
1995	114,182,788	113,894,798	99.75%	(4,916,863)	108,977,935	95.44%

Source: College and Cook County Treasurer's Tax Records

**City Colleges of Chicago
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Table C

**Schedule of Assessed Valuations, Rates, Extensions, and Collections (Unaudited)
Ten years ended June 30**

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Assessed valuation (\$ millions)	\$ 55,309	\$ 53,144	\$ 45,309	\$ 41,966	\$ 40,466	\$ 35,342	\$ 33,932	\$ 33,343	\$ 30,759	\$ 30,374
Tax Rates										
Legal Limit										
Audit Fund	\$ 0.005	\$ 0.001	\$ 0.001	\$ 0.001	\$ 0.001	\$ 0.002	\$ -	\$ 0.002	\$ 0.003	\$ 0.002
Tort Liability	N/A	0.009	0.009	0.013	0.011	0.014	0.010	0.007	0.009	0.006
Education Fund	0.175	0.136	0.130	0.144	0.156	0.142	0.165	0.159	0.173	0.173
Operations and Maintenance Fund	0.050	0.041	0.023	0.026	0.042	0.027	0.047	0.045	0.046	0.050
Life Safety Fund	0.050	-	-	-	-	-	-	-	-	-
PBCC Operations & Maintenance	N/A	-	0.025	0.028	0.013	0.038	0.019	0.034	0.030	0.027
PBCC Rental	N/A	0.056	0.058	0.068	0.085	0.090	0.103	0.107	0.109	0.121
Total (Rounded by County to 3 decimals)	\$ 0.243	\$ 0.246	\$ 0.280	\$ 0.308	\$ 0.312	\$ 0.346	\$ 0.352	\$ 0.355	\$ 0.377	\$ 0.376
Tax Extensions (\$ thousands)										
Audit Fund	\$ 396	\$ 384	\$ 548	\$ 330	\$ 355	\$ 788	\$ 113	\$ 735	\$ 920	\$ 534
Tort Liability	4,753	4,973	6,042	4,408	5,613	3,481	2,431	2,980	1,877	2,770
Education Fund	75,386	69,169	65,098	65,580	57,418	58,640	54,093	53,393	53,272	52,684
Operations and Maintenance Fund	22,427	12,233	11,770	17,437	10,836	16,671	15,380	15,187	15,187	15,038
Life Safety Fund	-	-	-	-	-	-	-	-	-	-
PBCC Operations & Maintenance	8,227	13,078	12,584	5,549	15,179	6,589	11,625	9,926	8,225	6,411
PBCC Rental	22,643	30,800	30,801	35,507	36,490	36,444	36,450	36,450	36,451	36,746
Total	\$ 133,832	\$ 130,637	\$ 126,843	\$ 128,811	\$ 125,891	\$ 122,613	\$ 120,092	\$ 118,671	\$ 115,932	\$ 114,183
Fiscal year levied										
Fiscal year collected	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
FY 2004	\$ 60,247									
FY 2003	69,314	\$ 59,453								
FY 2002	591	64,334	\$ 59,802							
FY 2001	(529)	(458)	69,785	58,940						
FY 2000	(549)	(313)	(595)	67,419	57,683					
FY 1999	(242)	232	(543)	889	64,504	55,973				
FY 1998	(830)	(366)	(562)	112	2,914	61,570	53,900			
FY 1997	(315)	(1,045)	(619)	(218)	(268)	2,398	60,835			
FY 1996	(223)	(357)	(1,367)	(791)	(516)	(370)	287			
FY 1995	(275)	(369)	(838)	(1,551)	(686)	(335)	559			
FY 1994	(207)	(432)	(713)	(1,016)	(1,367)	(354)	(24)			
FY 1993 & Prior Years	(377)	(528)	(1,104)	(792)	(1,068)	(1,700)	(186)			
	\$ 126,605	\$ 120,151	\$ 123,246	\$ 122,992	\$ 121,196	\$ 117,182	\$ 115,371			

Sources: Cook and DuPage County Clerks' Offices

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

Table D

**Property Tax Rates - Direct and Overlapping Governments (Unaudited)
Ten years ended June 30**

Taxing Bodies	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
<i>(per \$100 of assessed valuation)</i>										
Chicago Public Schools	\$ 3.104	\$ 3.142	\$ 3.562	\$ 3.744	\$ 3.714	\$ 4.104	\$ 4.172	\$ 4.084	\$ 4.327	\$ 4.251
School Finance Authority	0.177	0.151	0.177	0.223	0.223	0.255	0.268	0.270	0.291	0.296
City of Chicago	1.302	1.380	1.591	1.637	1.660	1.860	1.998	2.024	2.182	2.131
Park District	0.455	0.464	0.545	0.567	0.572	0.627	0.653	0.665	0.721	0.730
Metropolitan Water Reclamation District	0.347	0.361	0.371	0.401	0.415	0.419	0.444	0.451	0.492	0.495
Cook County	0.593	0.630	0.690	0.746	0.824	0.854	0.911	0.919	0.989	0.994
Cook County Forest Preserve	0.060	0.059	0.061	0.067	0.069	0.070	0.072	0.074	0.074	0.072
Total Overlapping Rate	\$ 6.038	\$ 6.187	\$ 6.997	\$ 7.385	\$ 7.477	\$ 8.189	\$ 8.518	\$ 8.487	\$ 9.076	\$ 8.969
City Colleges of Chicago	0.243	0.246	0.280	0.308	0.312	0.346	0.352	0.355	0.377	0.376
Total Rate	<u>\$ 6.281</u>	<u>\$ 6.433</u>	<u>\$ 7.277</u>	<u>\$ 7.693</u>	<u>\$ 7.789</u>	<u>\$ 8.535</u>	<u>\$ 8.870</u>	<u>\$ 8.842</u>	<u>\$ 9.453</u>	<u>\$ 9.345</u>

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

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

Table E

Principal Taxpayers (Unaudited)

	2004 Top Ten Principal Taxpayers (1)	% of Total Equalized Assessed Valuation (2)
Taxpayer	In Thousands of Dollars	
Sears Tower	\$ 489,383	0.89%
AON Building	322,214	0.58%
Prudential Plaza	279,002	0.50%
AT&T Corporate Center 1	253,156	0.46%
Chase Tower	244,202	0.44%
Northwestern Atrium	193,957	0.35%
Three First National Plaza	179,451	0.32%
Leo Burnett Building	177,450	0.32%
Water Tower Place	172,706	0.31%
Equity Office Properties	168,886	0.31%
	<u>\$ 2,480,407</u>	<u>4.48%</u>

(1) Source: Cook County Assessor's Office – 2004 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**

Table F

Operating and Non-operating Revenues by Source (Unaudited)

Revenues	2005	2004 (A)	2003	2002
Operating revenues				
Student tuition and fees:				
Resident	\$ 48,394,872	\$ 41,369,909	\$ 40,171,838	\$ 35,570,518
Nonresident	4,241,230	3,832,663	4,141,778	8,201,796
Other	11,097,960	11,041,388	11,468,706	11,186,354
Less: Scholarship allowances	<u>(41,844,361)</u>	<u>(37,577,644)</u>	<u>(29,295,886)</u>	<u>(32,136,021)</u>
Net student tuition and fees	21,889,701	18,666,316	26,486,436	22,822,647
Other operating revenues	<u>6,245,354</u>	<u>5,276,250</u>	<u>11,510,307</u>	<u>5,345,493</u>
Total operating revenues	\$ 28,135,055	\$ 23,942,566	\$ 37,996,743	\$ 28,168,140
Nonoperating revenues				
State apportionment and equalization	\$ 36,692,418	\$ 38,700,335	\$ 45,831,544	\$ 45,980,914
Other state grants and contracts	52,507,309	104,710,804	53,774,572	60,063,502
Local grants and contracts	4,304,120	4,102,542	2,470,598	-
Local property taxes	90,808,565	77,538,041	78,370,096	88,989,439
Property taxes for lease operations	35,165,454	39,537,136	36,169,927	34,982,532
Personal property replacement tax	10,499,413	8,676,779	7,634,382	8,236,280
Federal grants and contracts	65,190,589	63,091,461	58,775,669	50,646,126
Litigation settlement	-	10,302,934	-	-
Investment income	<u>4,893,017</u>	<u>2,778,234</u>	<u>5,136,446</u>	<u>8,255,840</u>
Nonoperating revenues, net	\$ 300,060,885	\$ 349,438,266	\$ 288,163,234	\$ 297,154,633
Capital appropriations and grants	<u>53,842,700</u>	<u>58,790,925</u>	<u>36,615,542</u>	<u>10,340,593</u>
Total revenues	<u>\$382,038,640</u>	<u>\$432,171,757</u>	<u>\$362,775,519</u>	<u>\$335,663,366</u>

Note - For comparability purposes, only the fiscal years that have been reported by GASB 34/35 criteria are displayed. Additional information will be presented as it becomes available.

(A) - On July 2, 2003, The State Universities Retirement System received a proportionate share of the proceeds from House Bill 3759 (PA93-002), allocating an additional \$1.432 billion to be applied against the unfunded liability. This payment was in addition to the regular state appropriation received each year. Because of this additional payment the amount of on-behalf payments received for each employer is substantially larger than in past years. City Colleges' share of this one-time payment amounted to \$62,453,896 for fiscal year 2004.

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

Table G

Operating and Non-operating Expenses by Object (Unaudited)

	2005	2004	2003	2002
Operating expenses				
Instructional staff	\$ 67,668,483	\$ 70,192,004	\$ 66,380,975	\$ 68,151,899
Non-instructional staff	78,016,324	76,221,015	77,440,914	78,527,624
Fringe benefits	37,128,733	108,456,188	43,420,676	35,021,557
Supplies and services	14,984,870	13,482,689	16,492,688	13,824,452
Equipment not capitalized	5,176,669	2,846,325	833,329	3,496,927
Utilities	9,291,553	9,269,574	9,948,583	8,749,080
Contractual services	35,254,654	29,040,151	45,535,076	38,952,530
Depreciation	16,800,331	16,378,082	15,726,785	13,709,510
Financial aid	18,223,502	17,526,863	22,395,492	19,219,247
Other expenses	<u>3,841,210</u>	<u>6,021,302</u>	<u>2,133,498</u>	<u>1,981,149</u>
Total operating expenses	\$286,386,329	\$349,434,193	\$300,308,016	\$281,633,975
Nonoperating expenses				
Building lease and interest payments on debt	<u>12,531,839</u>	<u>14,226,778</u>	<u>15,912,665</u>	<u>17,306,464</u>
Total expenses	<u>\$298,918,168</u>	<u>\$363,660,971</u>	<u>\$316,220,681</u>	<u>\$298,940,439</u>

Note - For comparability purposes, only the fiscal years that have been reported by GASB 34/35 criteria are displayed. Additional information will be presented as it becomes available.

(A) - On July 2, 2003, The State Universities Retirement System received a proportionate share of the proceeds from House Bill 3759 (PA93-002), allocating an additional \$1.432 billion to be applied against the unfunded liability. This payment was in addition to the regular state appropriation received each year. Because of this additional payment the amount of on-behalf payments received for each employer is substantially larger than in past years. City Colleges' share of this one-time payment amounted to \$62,453,896 for fiscal year 2004.

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

Table H

**Ratio of Net General Bonded Debt to Assessed Value
and Net General Bonded Debt Per Capita (Unaudited)
Ten years ended June 30**

Year	Net General Bonded Debt (A)	Assessed Value (B)	Estimated Population (D)	Ratio (A/B)	Ratio (A/D)
2005	\$ 108,455,000	\$ 55,309,122,652	2,896,016	0.20%	37.45
2004	130,920,000	53,144,460,703	2,896,016	0.25%	\$ 45.21
2003	151,490,000	45,309,524,105	2,896,016	0.33%	52.31
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	0.79%	87.30
1996	254,390,612	30,374,515,576	2,783,726	0.84%	91.38

**Ratio of Annual Debt Service for General Bonded
Debt to Current Funds Expenditures (Unaudited):
Ten years ended June 30**

Year	Total Current Funds Expenditures (A)	Retirement of Indebtedness Expenditures (B)	Ratio (B/A)
2005	\$ 304,158,000	\$ 35,167,726	11.56%
2004	340,020,000	38,285,048	11.26%
2003	281,327,000	38,751,161	13.77%
2002	265,954,000	38,461,777	14.46%
2001	265,269,000	38,195,782	14.40%
2000	265,086,000	38,019,630	14.34%
1999	270,379,000	37,887,146	14.01%
1998	250,359,000	36,631,067	14.63%
1997	242,632,000	37,624,915	15.51%
1996	235,154,000	37,545,230	15.97%

Computation of Legal Debt Margin (Unaudited)

	2005	2004
Equalized assessed value	\$ 55,309,122,652	\$ 53,144,460,703
Debt limit 2.875% of assessed value	1,590,137,276	1,527,903,245
Bonded indebtedness	108,455,000	130,920,000
Legal debt margin	<u>\$ 1,481,682,276</u>	<u>\$ 1,396,983,245</u>

Sources: (1) Cook County Assessor's Office - year is year of extension
(2) College records
(3) Census

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

Table I

Computation of Direct and Overlapping Debt (Unaudited)

(\$ thousands)

	As of June 30, 2004		
	Outstanding Bonds	% Applicable to District	Amount Applicable to District
Overlapping Debt ⁽¹⁾			
City of Chicago	\$ 4,999,507	100.00%	\$ 4,954,432
Chicago Board of Education ⁽²⁾	3,987,012	100.00%	3,882,287
Chicago School Finance Authority	268,075	100.00%	391,410
Chicago Park District ⁽³⁾	534,140	100.00%	948,155
Metropolitan Water Reclamation District of Greater Chicago	1,298,652	46.44%	607,055
Cook County	3,093,165	45.47%	1,127,900
Cook County Forest Preserve District	135,155	45.47%	<u>16,633</u>
Subtotal			\$ 11,927,872
Direct Debt (as of June 30, 2005)			
City Colleges of Chicago			<u>108,455</u>
Net Direct and Overlapping Debt			<u>\$ 12,036,327</u>

(1) Excludes outstanding tax anticipation notes and warrants

(2) Net of \$58,505,000 Series 1996, \$317,020,000 Series 1997 and \$90,435,000 Series 2000A Refunded Bonds.

(3) Includes principal amount of \$26,250,000 of PBC bonds secured by leases; includes \$379,405,000 of outstanding general obligation bonds issued as "alternate bonds" under the Debt Reform Act for which the alternate revenue source is personal property replacement tax revenues and parking revenues.

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

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

Table J

**Revenue Bond Coverage - Working Cash Revenue Bonds (Unaudited)
Ten years ended June 30**

Fiscal Year	Gross Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements ⁽³⁾			Coverage
				Principal	Interest	Total	
2005	\$ 328,195,940	\$ 269,585,998	58,609,942	\$ 1,700,000	\$ 2,163,720	3,863,720	15.17
2004	379,956,225	339,631,504	40,324,721	1,400,000	2,253,320	3,653,320	11.04
2003	326,188,415	284,581,231	41,607,184	1,200,000	2,328,920	3,528,920	11.79
2002	325,322,773	267,924,465	57,398,308	900,000	2,384,270	3,284,270	17.48
2001	343,749,067	279,840,268	63,908,799	600,000	2,426,989	3,026,989	21.11
2000	338,939,080	307,975,010	30,964,070	400,000	2,444,570	2,844,570	10.89
1999	306,567,333	266,974,039	39,593,294	200,000	2,512,046	2,712,046	14.60
1998	320,429,652	252,541,723	67,887,929	-	2,456,370	2,456,370	27.64
1997	284,413,679	233,011,077	51,402,602	-	2,456,370	2,456,370	20.93
1996	272,378,555	235,821,483	36,557,072	-	1,023,488	1,023,488	35.72

(1) Total revenues including operating and non-operating 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**

Table K

**Demographic Statistics: Student Enrollment by Fiscal Year (Unaudited)
Ten years ended June 30**

Year	Credit	Headcount		Total
		Adult Ed	Other	
2005	50,217	50,390	28,965	129,572
2004	49,908	54,708	35,675	140,291
2003	49,484	58,595	45,754	153,833
2002	47,240	60,818	49,688	157,746
2001	46,035	60,800	53,536	160,371
2000	48,463	59,942	51,794	160,199
1999	48,684	62,847	54,307	165,838
1998	47,852	68,865	55,982	172,699
1997	49,012	83,875	46,001	178,888
1996	50,114	83,578	44,459	178,151

Year	Credit	Full-time Equivalent		Total
		Adult Ed	Other	
2005	22,135	19,857	3,051	45,043
2004	22,007	22,258	3,808	48,073
2003	21,403	23,558	4,877	49,838
2002	19,649	24,513	7,449	51,611
2001	18,551	24,564	7,634	50,749
2000	19,094	25,138	7,786	52,018
1999	19,460	28,457	8,421	56,338
1998	19,200	29,406	6,217	54,823
1997	19,667	30,435	7,407	57,509
1996	20,056	29,843	7,075	56,974

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

Table L

**Demographic Statistics: Student Enrollment Credit Hours by Category (Unaudited)
Ten years ended June 30**

Year	Total	Baccalaureate	Occupational			Remedial Development	Adult Basic Secondary Education
			Business	Technical	Health		
2005	1,164,887	380,301	46,941	60,499	49,154	113,057	514,935
2004	1,070,621	379,815	46,876	68,684	56,028	114,422	404,796
2003	1,266,802	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

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

Table M

**Property Value, Construction, and Bank Deposits (Unaudited)
Ten years ended June 30**

Year of Levy	Property Value⁽¹⁾	Construction⁽²⁾	Bank Deposits⁽³⁾
	<i>(\$ millions)</i>	<i>(\$ thousands)</i>	
2004	\$ 165,851	\$ 4,200,000	\$ 90,050,124
2003	159,433	3,027,185	97,383,359
2002	135,929	1,925,440	90,605,911
2001	125,897	1,826,076	84,393,497
2000	121,399	1,663,062	81,158,588
1999	106,027	1,483,672	73,692,139
1998	101,795	1,378,364	72,490,833
1997	100,028	749,268	76,227,193
1996	92,278	880,854	67,033,030
1995	91,124	624,926	62,719,551

Source:

- (1) Cook County Clerk's Office
- (2) City of Chicago 2004 CAFR
- (3) FDIC Summary of Deposits

**City Colleges of Chicago
Community College District No. 508
Revenues and Expenditures by College (Unaudited)
For the fiscal year ended 6/30/2005**

	<u>Daley</u>	<u>Harold Washington</u>	<u>Kennedy King</u>	<u>Malcolm X</u>	<u>Olive Harvey</u>	<u>Truman</u>	<u>Wright</u>	<u>District</u>	<u>Total</u>
Revenues:									
Local Tax Revenue	\$ 5,535,047	\$ 6,491,448	\$ 12,728,163	\$ 7,772,614	\$ 8,469,768	\$ 7,777,065	\$ 8,709,112	\$ 68,508,078	\$ 125,991,295
All Other Local Revenue	81,521	135,393	119,979	74,270	1,084,211	916,455	25,435	53,768,584	56,205,848
ICCB Grants	1,966,513	1,461,085	1,257,434	1,939,284	945,181	2,808,804	2,122,812	4,348,932	16,850,045
All Other State Revenue	10,270,242	7,399,366	6,671,174	9,389,390	5,510,298	12,146,232	7,676,755	23,785,638	82,849,095
Federal Revenue	8,294,996	11,172,678	11,078,295	10,732,575	7,448,637	7,846,803	6,085,289	2,531,316	65,190,589
Student Tuition and Fees	7,994,878	14,018,072	8,754,845	6,968,648	5,570,789	8,858,189	11,568,641	-	63,734,062
All Other Revenue	738,140	909,823	479,864	1,285,006	316,306	612,932	777,705	7,942,291	13,062,067
Total Revenue	\$ 34,881,337	\$ 41,587,865	\$ 41,089,754	\$ 38,161,787	\$ 29,345,190	\$ 40,966,480	\$ 36,965,749	\$ 160,884,839	\$ 423,883,001
Expenditures by program									
Instruction	\$ 13,684,803	\$ 15,223,209	\$ 15,197,655	\$ 12,461,032	\$ 10,327,204	\$ 17,126,172	\$ 16,241,257	\$ 4,755,445	\$ 105,016,777
Academic Support	2,385,729	1,728,279	3,200,270	2,906,444	1,698,590	2,111,049	3,350,968	7,262,215	24,643,544
Student Services	3,119,117	3,407,439	2,112,721	2,500,713	3,404,591	5,013,626	2,736,425	1,752,528	24,047,160
Public Service/Continuing Education	411,633	2,317,460	1,903,445	1,032,272	660,203	1,441,457	472,386	1,783,286	10,022,142
Organized Research	-	212,297	-	-	-	1,638	-	328,858	542,793
Auxiliary Services	167,517	5,177	353,383	106,871	111,559	36,256	517,619	237,172	1,535,554
Operations and Maintenance	4,603,582	2,662,210	5,412,864	17,627,641	3,404,677	3,964,705	4,345,267	183,439	42,204,385
Institutional Support	7,399,494	5,587,688	7,434,145	5,979,549	5,991,019	7,158,458	9,785,179	21,924,749	71,260,281
Scholarships, Grants, Waivers	7,881,486	12,581,139	10,517,047	9,944,745	7,718,299	6,158,821	6,583,737	104,619	61,489,893
Total Expenditures	\$ 39,653,361	\$ 43,724,898	\$ 46,131,530	\$ 52,559,267	\$ 33,316,142	\$ 43,012,182	\$ 44,032,838	\$ 38,332,311	\$ 340,762,529
Expenditures by object									
Salaries	\$ 18,456,461	\$ 19,651,515	\$ 20,101,253	\$ 17,774,379	\$ 14,844,366	\$ 22,855,253	\$ 20,740,276	\$ 11,261,303	\$ 145,684,806
Employee Benefits	3,778,406	4,737,641	4,355,263	3,730,444	3,285,731	4,967,872	4,744,666	7,528,710	37,128,733
Contractual Services	1,565,161	1,933,927	3,616,964	2,197,939	1,615,338	2,008,416	1,666,601	9,962,841	24,567,187
General Materials and Supplies	1,808,179	2,186,050	1,640,654	1,757,496	1,763,409	2,413,321	2,490,466	4,607,022	18,666,597
Travel and Conference/Meeting Expense	165,079	190,819	230,743	204,129	158,165	115,092	137,167	352,193	1,553,387
Fixed Charges	4,281,445	1,502,447	3,746,620	2,424,009	2,828,387	3,140,567	6,580,243	6,055,824	30,559,542
Utilities	979,392	488,400	1,407,259	1,332,507	697,250	1,103,398	956,487	2,326,859	9,291,552
Capital Outlay	422,911	27,500	240,457	13,010,672	177,785	197,093	95,860	(5,123,782)	9,048,496
Other Expenditure	8,196,327	13,006,599	10,792,317	10,127,692	7,945,711	6,211,170	6,621,072	1,361,341	64,262,229
Total Expenditures	\$ 39,653,361	\$ 43,724,898	\$ 46,131,530	\$ 52,559,267	\$ 33,316,142	\$ 43,012,182	\$ 44,032,838	\$ 38,332,311	\$ 340,762,529

Statement of Purpose: The City Colleges of Chicago Revenues and Expenditures by College for the year ended June 30, 2005, is required by the terms of a Memorandum of Understanding (MOU) between City Colleges and the North Central Association of Colleges and Schools Commission on Institutions of Higher Education (NCA). The MOU outlines an appropriate pattern of evidence to be made available by City Colleges for purposes of meeting certain NCA Criteria for Accreditation related to financial resources/uses and other assurances. This schedule presents revenues and expenditures for each college and the district office.

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

Table O

Miscellaneous Statistics (Unaudited)

Founded

1911

Accreditation by North Central Association of Colleges and Schools

	Most Recent Accreditation	Next Review
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	4,560,509
Size of district	228.5 square miles
Counties served	Cook and DuPage
Population of district	2,896,016
Number of full-time faculty	552
Number of part-time faculty	831
Number of administrative staff	216
Number of classified staff	568
Number of professional / technical staff	1,033
Degrees and certificates awarded (fiscal year 2005)	7,881

Special Reports Section

State Required Report Section

**City Colleges of Chicago
Community College District No. 508
All Funds Summary
Uniform Financial Statement #1**

Fiscal year ended June 30, 2005

	Education Fund current	Operations and Maintenance Fund current	Operations and Maintenance Fund (Restricted)	Auxiliary Enterprises Fund current	Restricted Purposes Fund ** current	Working Cash Fund	Investment in Plant Fund	Audit Fund current	Liability, Protection Settlement Fund current	PBC * Rental Fund	PBC * Operations and Maintenance Fund current	Total
Fund Balance July 1, 2004	\$ 25,300,299	\$ 1,830,294	\$ 53,172,136	\$ 3,097,159	\$ 4,556	\$ 19,905,003	\$ 236,347,069	\$ 309,831	\$ 5,324,879	\$ 40,948,750	\$ 3,725,866	\$ 389,965,842
Revenues:												
Local Tax Revenue	69,211,833	16,569,380						371,377	4,673,291	29,085,240	6,080,214	125,991,335
All Other Local Revenue			53,642,700		2,563,147							56,205,847
ICCB Grants	51,692,418				13,057,082							64,749,500
All Other State Revenue	11,231,737	136,069	54,000		12,523,325							23,945,131
Federal Revenue	202,752				64,987,837							65,190,589
Student Tuition and Fees	63,696,147			37,916								63,734,063
All Other Revenue	1,554,629	992,988	1,540,187	5,475,689	1,558,984	1,371,199				606,074		13,099,750
Total Revenue	197,589,516	17,698,437	55,236,887	5,513,605	94,690,375	1,371,199	-	371,377	4,673,291	29,691,314	6,080,214	412,916,215
Expenses												
Instruction	91,049,493			95,703	9,610,116		(839,550)					99,915,762
Academic Support	14,091,991			36,762	9,265,055		(6,347)					23,387,461
Student Services	15,887,416				6,914,927							22,802,343
Public Service/Continuing Education	650,497			3,111,226	5,822,883		(33,662)					9,550,944
Organized Research	1,638				520,585							522,223
Auxiliary Services	904,955			529,523	46,988							1,481,466
Operations and Maintenance	7,080,456	14,743,369	20,478,887	21,432	192,256		(10,250,973)		333		8,397,380	40,663,140
Institutional Support	33,482,796	16,374	41,335,281	328,726	2,619,734	1,897,920	(47,209,978)	734,687	5,503,258	31,270,851	2,860	69,982,509
Scholarships, Grants, Waivers	2,177,390			45,141	59,267,364							61,489,895
Total Expenses	165,326,632	14,759,743	61,814,168	4,168,513	94,259,908	1,897,920	(58,340,510)	734,687	5,503,591	31,270,851	8,400,240	329,795,743
Net Transfers	(3,683,720)	-	3,850,000	-	-	3,683,720	-	-	-	(3,850,000)	-	-
Fund Balance June 30, 2005	<u>\$ 53,879,463</u>	<u>\$ 4,768,988</u>	<u>\$ 50,444,855</u>	<u>\$ 4,442,251</u>	<u>\$ 435,023</u>	<u>\$ 23,062,002</u>	<u>\$ 294,687,579</u>	<u>\$ (53,479)</u>	<u>\$ 4,494,579</u>	<u>\$ 35,519,213</u>	<u>\$ 1,405,840</u>	<u>\$ 473,086,314</u>

* Public Building Commission
** excludes SURS contribution \$ 11,004,508

**City Colleges of Chicago
Community College District No. 508
Summary Of Fixed Assets And Debt
Uniform Financial Statement #2**

Fiscal year ended June 30, 2005

	Fixed Asset/Debt Account Groups July 1, 2004	Additions	Deletions and Transfers	Fixed Asset/Debt Account Groups June 30, 2005
Fixed Assets				
Land	\$ 17,388,173			\$ 17,388,173
Construction work in progress	72,653,608	\$ 49,346,487	\$ 34,968,969	87,031,126
Buildings and Improvements	426,685,662	22,410,443	9,450,538	439,645,567
Equipment	25,631,007	5,029,354	16,829,586	13,830,775
Software	16,081,154	12,558,526		28,639,680
Accumulated Depreciation	(222,717,534)	(16,800,331)	(26,280,124)	(213,237,741)
Net Fixed Assets	<u>\$ 335,722,070</u>	<u>\$ 72,544,479</u>	<u>\$ 34,968,969</u>	<u>\$ 373,297,580</u>
Long-term Debt				
Bonds Payable	\$ 32,218,928		\$ 1,819,456	\$ 30,399,472
Leases obligation	99,375,000		20,765,000	78,610,000
Total Fixed Liabilities	<u>\$ 131,593,928</u>	<u>-</u>	<u>\$ 22,584,456</u>	<u>\$ 109,009,472</u>

City Colleges of Chicago
Community College District No. 508
Operating** Funds Revenues And Expenditures
Uniform Financial Statement #3

Fiscal year ended June 30, 2005

	Education Fund	Operations and Maintenance Fund	PBC Operations and Maintenance Fund	Total Operating Funds
OPERATING REVENUES BY SOURCE				
Local Government Revenue:				
Local Taxes	\$ 69,194,557	\$ 16,569,380	\$ 6,080,214	\$ 91,844,151
Chargeback Revenue	17,276	-	-	17,276
Other	-	-	-	-
TOTAL LOCAL GOVERNMENT	69,211,833	16,569,380	6,080,214	91,861,427
State Government:				
ICCB Base Operating Grant	36,642,418	-	-	36,642,418
ICCB Equalization Grant	50,000	-	-	50,000
CPPRT	10,363,343	136,069	-	10,499,412
Other (Include other ICCB grants not listed above)	15,868,394	-	-	15,868,394
TOTAL STATE GOVERNMENT	62,924,155	136,069	-	63,060,224
Federal Government:				
Dept. of Education	202,752	-	-	202,752
TOTAL FEDERAL GOVERNMENT	202,752	-	-	202,752
Student Tuition and Fees				
Tuition	52,598,187	-	-	52,598,187
Fees	11,097,960	-	-	11,097,960
TOTAL TUITION AND FEES	63,696,147	-	-	63,696,147
Other Sources				
Sales and Service Fees	-	-	-	-
Facilities Revenue	-	992,988	-	992,988
Investment Revenue	1,874,090	-	-	1,874,090
Other	(319,461)	-	-	(319,461)
TOTAL OTHER REVENUE	1,554,629	992,988	-	2,547,617
TOTAL REVENUE	197,589,516	17,698,437	6,080,214	221,368,167
Less: Non-Operating Items *				
Tuition Chargeback Revenue	(17,276)	-	-	(17,276)
ADJUSTED REVENUE	\$ 197,572,240	\$ 17,698,437	\$ 6,080,214	\$ 221,350,891
OPERATING EXPENDITURES				
BY PROGRAM				
Instruction	\$ 91,049,493			\$ 91,049,493
Academic Support	14,091,991			14,091,991
Student Services	15,887,416			15,887,416
Public Service/Continuing Education	650,497			650,497
Organized Research	1,638			1,638
Auxiliary Services	904,955			904,955
Operations and Maintenance	7,080,456	\$ 14,743,369	\$ 8,397,380	30,221,205
Institutional Support	33,482,796	16,374	2,860	33,502,030
Scholarships, Grants, Waivers	2,177,390			2,177,390
TOTAL EXPENDITURES	165,326,632	14,759,743	8,400,240	188,486,615
Less Non-Operating Items*				
Tuition Chargeback	-	-	-	-
ADJUSTED EXPENDITURES	\$ 165,326,632	\$ 14,759,743	\$ 8,400,240	\$ 188,486,615
BY OBJECT				
Salaries	\$ 109,169,899	\$ 11,277,518	\$ 878,250	\$ 121,325,667
Employee Benefits	15,674,292	1,365,340	85,989	17,125,621
Contractual Services	18,404,166	921,953	504,247	19,830,366
General Materials and Supplies	11,873,914	643,617	408,276	12,925,807
Conference and Meeting Expenses	772,112	1,080	362	773,554
Fixed Charges	168,564		4,956	173,520
Utilities	2,119,682	550,235	6,510,960	9,180,877
Capital Outlay	1,151,016		7,200	1,158,216
Other	5,992,987			5,992,987
TOTAL EXPENDITURES	165,326,632	14,759,743	8,400,240	188,486,615
Less Non-Operating Items*				
Tuition Chargeback	-	-	-	-
ADJUSTED EXPENDITURES	\$ 165,326,632	\$ 14,759,743	\$ 8,400,240	\$ 188,486,615

* Enter as negative.

** Operating Funds include the Education; Operations and Maintenance; and the Public Building Commission (PBC) funds

**City Colleges of Chicago
Community College District No. 508
Restricted Purposes Fund Revenues And Expenditures
Uniform Financial Statement #4**

Fiscal year ended June 30, 2005

REVENUE BY SOURCE:

TOTAL LOCAL GOVERNMENT	\$	2,563,147
State Government *		
ICCB - Adult Education	10,067,924	
ICCB - Deferred maintenance grants	-	
ICCB - Educational Technology Grants	-	
ICCB - P-16 Initiative Grants	102,648	
ICCB - Retirees Health Insurance Grant	626,600	
ICCB - Special Initiatives Grants	1,850,045	
ICCB - Vocational Education	142,888	
ICCB - Workforce Development Grants	266,977	
Illinois Student Assistance Commission	10,803,195	
IDHS grants	518,294	
DCCA grants	43,785	
Other	1,158,051	
TOTAL STATE GOVERNMENT		<u>25,580,407</u>
Federal Government		
Dept. of Education	47,961,099	
Other	17,026,738	
TOTAL FEDERAL GOVERNMENT		<u>64,987,837</u>
Other Sources		
Other	1,558,984	
TOTAL OTHER SOURCES		<u>1,558,984</u>
TOTAL RESTRICTED PURPOSES FUND REVENUES	<u>\$</u>	<u>94,690,375</u>

EXPENDITURES BY PROGRAM *

Instruction	\$	9,610,116
Academic Support	9,265,055	
Student Services	6,914,927	
Public Service/Continuing Education	5,822,883	
Organized Research	520,585	
Auxiliary Services	46,988	
Operations and Maintenance	192,256	
Institutional Support	2,619,734	
Scholarships, Grants and Waivers	59,267,364	
TOTAL RESTRICTED PURPOSES FUND EXPENDITURES	<u>\$</u>	<u>94,259,908</u>

EXPENDITURES BY OBJECT *

Salaries	\$	23,157,965
Employee Benefits	3,741,753	
Contractual Services	3,540,661	
Student Financial Aid	57,711,651	
General Materials and Supplies	4,328,752	
Travel & Conference/Meeting Expenses	684,859	
Fixed Charges	520,756	
Utilities	75,211	
Capital Outlay	211,843	
Other	286,457	
TOTAL RESTRICTED PURPOSES FUND EXPENDITURES	<u>\$</u>	<u>94,259,908</u>

* Excludes SURS contribution of \$11,004,508.

Schedule 5

City Colleges of Chicago
Community College District No. 508
Current Funds * Expenditures** by Activity
Uniform Financial Statement #5

Fiscal year ended June 30, 2005

INSTRUCTION

Instructional Programs	\$ 100,755,312
Other	-
Total Instruction	<u>100,755,312</u>

ACADEMIC SUPPORT

Library Center	4,212,700
Instructional Materials Center	726,060
Educational Media Services	32,430
Academic Computing Support	527,247
Academic Administration and Planning	14,049,559
Other	3,845,812
Total Academic Support	<u>23,393,808</u>

STUDENT SERVICES SUPPORT

Admissions and Records	5,955,743
Counseling and Career Services	5,487,515
Financial Aid Administration	3,307,893
Other	8,051,192
Total Student Services Support	<u>22,802,343</u>

PUBLIC SERVICE/CONTINUING EDUCATION

Community Education	303,553
Customized Training (Instructional)	1,105,784
Community Services	6,452,968
Other	1,722,301
Total Public Service/Continuing Education	<u>9,584,606</u>

ORGANIZED RESEARCH 522,223

AUXILIARY SERVICES 1,481,466

OPERATIONS AND MAINTENANCE OF PLANT

Maintenance	14,675,732
Custodial Services	349,593
Grounds	4,984
Campus Security	7,042,035
Transportation	3,162
Utilities	6,917,455
Administration	127,090
Other	1,315,175
Total Operations and Maintenance of Plant	<u>30,435,226</u>

INSTITUTIONAL SUPPORT

Executive Management	5,581,959
Fiscal Operations	5,717,012
Community Relations	917,540
Administrative Support Services	40,390,740
Board of Trustees	50,450
General Institutional	7,296,712
Institutional Research	39,271
Administrative Data Processing	5,719,828
Other	(23,025,077)
Total Institutional Support	<u>42,688,435</u>

SCHOLARSHIPS, STUDENTS GRANTS, & WAIVERS 61,489,895

TOTAL CURRENT FUNDS EXPENDITURES \$ 293,153,314

* Current Funds include the Education; Operations and Maintenance; Auxiliary Enterprises; Restricted Purposes; Audit; Liability, Protection, and Settlement; and PBC Operations and Maintenance funds.

** Excludes SURS Contribution of \$11,004,508.

City Colleges of Chicago
Community College District No. 508

Certification of Chargeback Reimbursement for Fiscal Year 2006

All fiscal year 2005 non-capital operating expenses from the following funds:

Education Fund	\$ 167,859,336
Operations and Maintenance Fund	14,759,743
Public Building Commission Operations and Maintenance Fund	8,393,040
Public Building Commission Rental Fund	31,270,851
Bond and Interest Fund	-
Restricted Purposes Fund	94,048,065
Audit Fund	734,687
Liability, Protection and Settlement Fund	5,503,591
Auxiliary Enterprises Fund (subsidy only)	-
TOTAL NON-CAPITAL EXPENDITURES	322,569,313
 PLUS DEPRECIATION FOR EQUIPMENT PAID FROM NONSTATE AND NONFEDERAL MONIES	 5,480,773
 PLUS DEPRECIATION ON BUILDINGS AND FIXED EQUIPMENT PAID FROM NONSTATE AND NONFEDERAL MONIES	 8,407,951
EQUALS TOTAL QUALIFIED EXPENDITURES	336,458,037
 LESS ALL FISCAL YEAR 2004 STATE AND FEDERAL OPERATING GRANTS FOR NON-CAPITAL EXPENDITURES, EXCEPT ICCB GRANTS	 89,081,710
EQUALS ADJUSTED QUALIFIED EXPENDITURES	247,376,327
 DIVIDED BY TOTAL CREDIT HOURS FOR FISCAL YEAR 2005	 1,126,411
EQUALS COST PER SEMESTER CREDIT HOUR	\$ 219.61
 LESS DISTRICT'S AVERAGE GRANT RATE FOR FISCAL YEAR 2006	 \$ 43.78
 LESS STUDENT TUITION PER SEMESTER CREDIT HOUR FOR FISCAL YEAR 2006	 67.00
EQUALS CHARGEBACK REIMBURSEMENT RATE PER SEMESTER CREDIT HOUR	\$ 108.83

Approved: 

 Chief Financial Officer

Approved: 

 Chief Executive Officer

INDEPENDENT ACCOUNTANTS' REPORT ON SCHEDULE OF ENROLLMENT DATA AND OTHER BASES ON WHICH CLAIMS ARE FILED

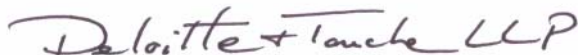
Board of Trustees
City Colleges of Chicago
Community College District No. 508:

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, 2005. The Schedule is the responsibility of City Colleges' management. Our responsibility is to express an opinion on the Schedule based on our examination.

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

In our opinion, the Schedule referred to above presents, in all material respects, the enrollment data and other bases upon which claims are filed 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 the Illinois Community College Board, and is not intended to be and should not be used by anyone other than those specified parties.



February 28, 2006

City Colleges of Chicago
Community College District No. 508

Comprehensive Annual Financial Report

Fiscal year ended June 30, 2005

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**Schedule of Enrollment Data and
Other Bases On Which Claims are Filed**

For the year ended June 30, 2005

**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 Transfer	40,371	-	171,083	-	168,847	-	380,301	-
Business Occupational	4,192	-	18,813	-	23,937	-	46,941	-
Technical Occupational	8,412	-	25,785	-	26,302	-	60,499	-
Health Occupational	6,238	-	22,162	-	20,746	-	49,145	-
Remedial/Developmental	8,740	-	57,678	-	46,639	-	113,057	-
Adult Basic/Secondary Education	105,333	21,746	150,822	44,318	150,255	42,461	406,410	108,525
Total	173,286	21,746	446,342	44,318	436,726	42,461	1,056,353	108,525

Reconciliation of Total Semester Credit Hours for the Year Ended June 30, 2005

Categories	Unrestricted			Restricted		
	Total Credit Hours	Hours Certified by ICCB	Difference	Total Credit Hours	Hours Certified by ICCB	Difference
Baccalaureate Transfer	380,301	380,301	-	-	-	-
Business Occupational	46,941	46,941	-	-	-	-
Technical Occupational	60,499	60,499	-	-	-	-
Health Occupational	49,145	49,145	-	-	-	-
Remedial/Developmental	113,057	113,057	-	-	-	-
Adult Basic/Secondary Education	406,410	406,410	-	108,525	108,525	-
Total	1,056,353	1,056,353	-	108,525	108,525	-

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

Schedule 8

For the year ended June 30, 2005

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

	Attending In-District	Attending Out-of-District on Chargeback or Cooperative/ Contractual Agreement	Total
Semester credit hours (all terms)	1,126,411	3,383	1,129,793
District prior year equalized assessed evaluation		\$55,283,639,457	
		Total Credit Hours	Total Credit Hours Certified by ICCB
In-district residents		1,126,411	1,164,878
Out-of-district (chargeback/contractual agreement)		3,383	3,383
Total		<u>1,129,793</u>	<u>1,168,260</u>
			Difference
			(38,467)
			-
			<u>(38,467)</u>

Schedule 9

Student Residency Verification Process

Because all the District’s campuses are publicly supported and chartered within the Community College District No. 508 (the City of Chicago), residents of Chicago-“in-district” students pay a lower tuition rate for college credit courses. Those eligible for the resident status tuition rate, as of the date of arrival in Chicago, are:

- Minors whose parents or legal guardians live in Chicago
- Adults or emancipated minors who live in Chicago (and have not moved to the city for the sole purpose of attending a post-secondary educational institution)

Any student at any time may be required to submit proof of Chicago residency through a voter registration card, driver’s license, state identification card, utility bills, or other appropriate documentation. The District may require an affidavit from the parent or guardian of the minor student, or from adult or emancipated minor students themselves.

Non-resident tuition and fees will be charged to:

- Student residing outside Chicago or occupying a Chicago dwelling for purposes of attending a post-secondary educational institution
- All international students holding student I-20 visas

District Prior Year Equalized Assed Valuation

\$55,309,122,652

Signatures

Chief Executive Officer (CEO)

Chief Financial Officer (CFO)

Date

3/28/06

3/28/06

City Colleges of Chicago
Community College District No. 508

Schedule 10

Summary of Assessed Valuation (Unaudited)

Years of Levy	Assessed Valuation
2004	\$ 55,309,122,652
2003	53,144,460,703
2002	45,309,524,105

State Grant Compliance Section

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of the Workforce Development Component Grant, Retirees Health Insurance Grant, P-16 Initiative Grant, State Adult Education and Family Literacy Grant, Early School Leavers Grant, and Career and Technical Education-Program Improvement Grant ("Grant Programs") of City Colleges of Chicago, Community College District No. 508 ("City Colleges") as of June 30, 2005, and the related statements of revenues, expenditures and changes in fund balances for the year then ended as listed in the foregoing table of contents. These financial statements are the responsibility of City Colleges' management. Our responsibility is to express an opinion on the respective financial statements based on our audit.

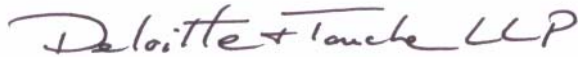
We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the grant policy guidelines of the Illinois Community College Board's *Fiscal Management Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City Colleges' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, 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 2, the financial statements referred to above present only the Workforce Development Component Grant, Retirees Health Insurance Grant, P-16 Initiative Grant, State Adult Education and Family Literacy Grant, Early School Leavers Grant, and Career and Technical Education-Program Improvement Grant 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 of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Workforce Development Component Grant, Retirees Health Insurance Grant, P-16 Initiative Grant, State Adult Education and Family Literacy Grant, Early School Leavers Grant, and Career and Technical Education-Program Improvement Grant of City Colleges of Chicago, Community College District No. 508, as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements referred to above taken as a whole. The supplemental information included on pages 76 and 80 is presented for the purpose of additional analysis and is not a required part of the financial statements of the Workforce Development Component Grant and State Adult Education and Family Literacy Grant. The supplemental information is the responsibility of City Colleges' management. Such supplemental information has been subjected to the auditing procedures applied in our audit of the financial statements referred to above and, in our opinion, such supplemental information is fairly stated, in all material respects, when considered in relation to the financial statements of the Workforce Development Component Grant and the State Adult Education and Family Literacy Grant taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report, dated February 28, 2006, on our consideration of City Colleges' internal control over financial reporting of the Grant Programs and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in cursive script that reads "Deloitte + Touche LLP".

February 28, 2006

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF GRANT PROGRAM FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the Workforce Development Component Grant, Retirees Health Insurance Grant, P-16 Initiative Grant, State Adult Education and Family Literacy Grant, Early School Leavers Grant, and Career and Technical Education-Program Improvement Grant ("Grant Programs") of City Colleges of Chicago, Community College District No. 508 ("City Colleges") as of June 30, 2005, and have issued our report thereon dated February 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the grant policy guidelines of the Illinois Community College Board's *Fiscal Management Manual*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered City Colleges' internal control over financial reporting of the Grant Programs in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation for Grant Programs that we consider to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

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

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

Deloitte + Touche LLP

February 28, 2006

**City Colleges of Chicago
Community College District No. 508
Workforce Development Component Grant Program
(business/industry services)**

**BALANCE SHEET
AS OF JUNE 30, 2005**

Assets	
Cash	<u>\$ 3,658</u>
 Liabilities and fund balance	
Accounts Payable	\$ 801
Accrued Payroll	<u>2,857</u>
TOTAL LIABILITIES	3,658
 TOTAL FUND BALANCE	
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ -</u> <u>\$ 3,658</u>

**Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 2005**

	Business & Industry
Revenue	
State sources	<u>\$ 266,977</u>
 Expenditures	
Salaries	\$ 194,427
Employee benefits	48,420
Contractual services	1,488
Materials & supplies	14,534
Conference and meeting expense	5,654
Other expenditures:	
Printing and duplicating	\$ 1,500
Postage and delivery	500
Institutional dues and memberships	<u>454</u>
Total other expenditures	\$ 2,454
Total expenditures	<u>\$ 266,977</u>
 Excess of revenue over expenditures	
Fund balance July 1, 2004	\$ -
Fund balance June 30, 2005	<u>\$ -</u>

See accompanying notes to Grants Financial Statements

**City Colleges of Chicago
Community College District No. 508
Workforce Development Component Grant Program
(business/industry services)**

**ICCB Compliance Statement For Workforce
Development - Business / Industry Grant**

**Total Expenditures for ICCB Grant Funds Only
For the year ended June 30, 2005**

EXPENDITURES	GENERAL	OPERATION OF WORKFORCE DEVEL. OFFICE	TOTAL
Personnel (Salaries & Benefits)	\$ -	\$ 242,847	\$ 242,847
Contractual Service	-	1,488	1,488
Instructional Materials	-	147	147
Staff Development	34	420	454
Conference and Meeting Expenses	1,624	4,030	5,654
Cost of Operating a Business Assistance Center/Economic Development/Workforce Development Offices			
a. Office Equipment	-	7,148	7,148
b. Consumable Supplies	762	6,977	7,739
c. Duplicating		1,500	1,500
TOTALS	\$ 2,420	\$ 264,557	\$ 266,977

See accompanying notes to Grants Financial Statements

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

RETIREES HEALTH INSURANCE GRANT PROGRAM

**BALANCE SHEET
AS OF JUNE 30, 2005**

ASSETS \$ -

LIABILITIES AND FUND BALANCE \$ -

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

RETIREES HEALTH INSURANCE GRANT PROGRAM

**STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005**

REVENUE
State Sources \$ 626,600

EXPENDITURES

Retiree Benefits 626,600

TOTAL EXPENDITURES \$ 626,600

EXCESS OF REVENUE OVER EXPENDITURES \$ -

Fund Balance July 1, 2004 -

Fund Balance June 30, 2005 \$ -

See accompanying notes to Grants Financial Statements

COMMUNITY COLLEGE DISTRICT NO. 508

P-16 INITIATIVE GRANT PROGRAM

**BALANCE SHEET
AS OF JUNE 30, 2005**

ASSETS	
Cash	<u>\$ 3,957</u>
LIABILITIES AND FUND BALANCE	
Accounts Payable	<u>\$ 3,957</u>
TOTAL LIABILITIES	<u>3,957</u>
TOTAL FUND BALANCE	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,957</u>

**STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005**

REVENUE	
State Sources	<u>\$ 98,691</u>
EXPENDITURES	
Tuition and fees	<u>98,691</u>
TOTAL EXPENDITURES	<u>\$ 98,691</u>
EXCESS OF REVENUE OVER EXPENDITURES	\$ -
Fund Balance July 1, 2004	-
Fund Balance June 30, 2005	<u>\$ -</u>

See accompanying notes to Grants Financial Statements

CITY COLLEGES OF CHICAGO
COMMUNITY COLLEGE DISTRICT NO. 508

STATE ADULT EDUCATION AND FAMILY LITERACY GRANT PROGRAMS

BALANCE SHEET
AS OF JUNE 30, 2005

ASSETS	STATE BASIC	PUBLIC AID	PERFORMANCE	TOTAL (MEMORANDUM ONLY)
Accounts Receivable	\$ 1,747,252	\$ 1,690,406	\$ 1,410,932	\$ 4,848,589
Due to City Colleges of Chicago	(1,713,202)	(1,609,605)	(1,279,164)	(4,601,970)
Deferred Expenditures	-	2,314	-	2,314
TOTAL ASSETS	\$ 34,050	\$ 83,115	\$ 131,768	\$ 248,933
LIABILITIES AND FUND BALANCE				
Accounts Payable	\$ 3,869	\$ 33,981	\$ 98,281	\$ 136,132
Accrued Expenditures	30,181	49,134	33,487	112,802
TOTAL LIABILITIES	34,050	83,115	131,768	248,933
FUND BALANCE	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 34,050	\$ 83,115	\$ 131,768	\$ 248,933

CITY COLLEGES OF CHICAGO
COMMUNITY COLLEGE DISTRICT NO. 508

COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2005

	STATE BASIC	PUBLIC AID	PERFORMANCE	TOTAL (MEMORANDUM ONLY)
REVENUE				
State Sources	\$ 3,494,503	\$ 3,380,811	\$ 2,821,863	\$ 9,697,177
EXPENDITURES BY PROGRAM				
Instruction	\$ 2,313,987	\$ 1,718,977	\$ 875,146	\$ 4,908,110
Social Work Services	527,338	675,207	886,997	2,089,541
Guidance Services	-	64,502	43,273	107,775
Assessment and Testing	36,998	84,723	375,852	497,573
Student Transportation Services	525	-	26,500	27,025
Literacy Services	-	-	150,845	150,845
SUBTOTAL INSTRUCTIONAL AND STUDENT SERVICES	2,878,848	2,543,408	2,358,612	7,780,868
PROGRAM SUPPORT				
Improvement of Instructional Services	27,651	146,094	129,729	303,475
General Administration	220,164	128,908	121,889	470,960
Operation & Maintenance of Plant Services	11,052	139,691	41,512	192,256
Workforce Coordination	-	20,424	-	20,424
Data and Information Services	356,787	402,286	170,120	929,193
SUBTOTAL PROGRAM SUPPORT	615,655	837,403	463,251	1,916,309
TOTAL COSTS	\$ 3,494,503	\$ 3,380,811	\$ 2,821,863	\$ 9,697,177
EXCESS OF REVENUE OVER EXPENDITURES				
Fund Balance July 1, 2004	-	-	-	-
Fund Balance June 30, 2005	-	-	-	-

See accompanying notes to Grants Financial Statements

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

**ICCB COMPLIANCE STATEMENT FOR THE
ADULT EDUCATION AND FAMILY LITERACY GRANT PROGRAMS**

**EXPENDITURE AMOUNTS AND PERCENTAGES FOR ICCB GRANT FUNDS ONLY
FOR THE YEAR ENDED JUNE 30, 2005**

	Expenditure Amount	Allowed Expenditure Percentage	Actual Expenditure Percentage
State Basic			
Instruction	\$ 2,313,987	Minimum 45%	66.2%
General Administration	\$ 220,164	Maximum 9%	6.3%
State Public Assistance			
Instruction	\$ 1,718,977	Minimum 45%	50.8%
General Administration	\$ 128,908	Maximum 9%	3.8%
State Performance			
General Administration	\$ 121,889	Maximum 9%	4.3%

See accompanying notes to Grants Financial Statements

**CITY COLLEGE OF CHICAGO
COMMUNITY COLLEGE DISTRICT #508**

EARLY SCHOOL LEAVERS GRANT PROGRAM

**BALANCE SHEET
AS OF JUNE 30, 2005**

Assets	
Cash	<u>\$ 2,380</u>
 Liabilities and Fund Balance	
Accounts Payable	\$ 281
Accrued Payroll	2,099
Total liabilities	<u>2,380</u>
 Total Fund Balance	 <u>-</u>
Total Liabilities and Fund Balance	<u>\$ 2,380</u>

**STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005**

REVENUE	
State Sources	<u>\$ 228,740</u>
 EXPENDITURES	
Salaries	\$ 170,828
Benefits	47,187
Conferences and meetings	4,314
General Material	5,571
Contractual Services	840
TOTAL EXPENDITURES	<u>\$ 228,740</u>
 EXCESS OF REVENUE OVER EXPENDITURES	 \$ -
Fund Balance July 1, 2004	<u>-</u>
 Fund Balance June 30, 2005	 <u>\$ -</u>

See accompanying notes to Grants Financial Statements

**CITY COLLEGES OF CHICAGO
COMMUNITY COLLEGE DISTRICT No. 508
CAREER AND TECHNICAL EDUCATION-PROGRAM IMPROVEMENT
BALANCE SHEET
AS OF JUNE 30, 2005**

ASSETS	
Cash	<u>\$ 6,589</u>
 LIABILITIES AND FUND BALANCE	
Accounts Payable	6,164
Accrued Liabilities	<u>425</u>
TOTAL LIABILITIES	<u>6,589</u>
 TOTAL FUND BALANCE	 <u>-</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 6,589</u></u>

**CITY COLLEGE OF CHICAGO
COMMUNITY COLLEGE DISTRICT #508
CAREER AND TECHNICAL EDUCATION-PROGRAM IMPROVEMENT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDING JUNE 30, 2005**

	<u>Actual</u>
 <u>REVENUE</u>	
State Sources	<u><u>\$133,005</u></u>
 <u>EXPENDITURES</u>	
Salaries	5,900
Contractual Services	19,237
Material & Supplies	103,401
Conference and Meeting Expenses	4,467
TOTAL EXPENDITURES	<u><u>\$ 133,005</u></u>
 <u>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</u>	 <u>-</u>
 Fund Balance July 1, 2004	 <u>\$ -</u>
 Fund Balance June 30, 2005	 <u><u>\$ -</u></u>

See accompanying notes to Grants Financial Statements

Notes to Grant Financial Statements

1. Program Descriptions

City Colleges of Chicago is responsible for administering the following programs in accordance 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 the City Colleges’ current restricted fund.

Workforce Development Grant - *Business and Industry Services*

The program recognizes the importance of the community college system in assisting local businesses, associations, labor, government, and others to develop and enhance a qualified, well trained labor force. The grant funds are dedicated to the operation of a business assistance center and/or involvement with state and local economic development efforts.

Retirees Health Insurance Grant

The program is intended to provide health insurance for the district’s annuitants. Eligible districts shall be defined as those community college districts not eligible for participation in the retirees health insurance plan administered through the department of Central Management Services.

P-16 Initiative Grant

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:

- i. 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
- ii. 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

Notes to Grant Financial Statements

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.

Adult Education and Family Literacy Grants

The ICCB awards funding to eligible applicants to develop, implement, and improve adult education and literacy activities. The provider must use the grant to establish or operate programs that provide services or instruction in one or more of the following categories:

- Adult education and literacy services (including workplace)
- Family literacy services
- English literacy programs

The ICCB provides funding for Adult Education and Family Literacy from State and Federal sources. State funds include three categories: (1) State Basic, (2) State Public Assistance, and (3) State Performance. Federal funds include two categories: (1) Federal Basic and (2) Federal EL/Civics. Funding is allocated through a competitive process. The funding source determines the applicable statutory regulations, policies, and guidelines, including allowable costs.

Early School Leavers Grant

The Early School Leavers Grant is to provide opportunities for youth 16 – 21 years to re-engage in the completion of their secondary education and receipt of either the GED credential or a high school diploma, while receiving intensive career services.

Career and Technical Education – Program Improvement Grant

Grant funding recognizes that keeping career and technical education programs current and reflective of the highest quality practices in the workplace is necessary to prepare students to be successful in their chosen careers and to provide employers with the trained workforce they require. The grant funds are dedicated to enhancing instruction and academic support activities to strengthen and improve career and technical programs and services.

2. Summary of Significant Accounting Policies

a. Basis of Reporting

These financial statements are prepared on the modified accrual basis and in conformity with accounting principles generally accepted in the United States of America. Expenditures include all accounts payable representing liabilities for goods and services actually received as of June 30, 2005. Funds obligated for goods prior to June 30 for which the goods are received prior to August 31 are recorded as encumbrances. Unexpended funds are reflected as a reduction to fund balance and a liability due to ICCB by October 15.

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

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. The Workforce Development Component, Retirees Health Insurance, the P-16 Initiative and the State Adult Education and Family Literacy programs were fully expended within the grant period.

These financial statements cover only the Workforce Development, Retirees Health Insurance, P-16 Initiative, State Adult Education and Family Literacy, Early School Leavers, and Education Technology grants. They are not intended to, and do not, present the financial position or results of operations of City Colleges in its entirety.

Notes to Grant Financial Statements

2. Summary of Significant Accounting Policies (cont'd)

b. Cash held by City Colleges

To facilitate sound management, substantially all City Colleges cash for the Workforce Development Component, Retirees Health Insurance, the P-16 Initiative, the State Adult Education and Family Literacy, The Early School Leavers, and the Career and Technical Education-Program Improvement grant programs cash is pooled.

c. Capital outlay

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.

d. Uses of Estimates

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