



# **City Colleges of Chicago**

## **Comprehensive Annual Financial Report**

*Fiscal Year Ended June 30, 2007*

Daley College

Harold Washington College

Kennedy-King College

Malcolm X College

Olive-Harvey College

Truman College

Wright College



Board of Trustees of Community Colleges

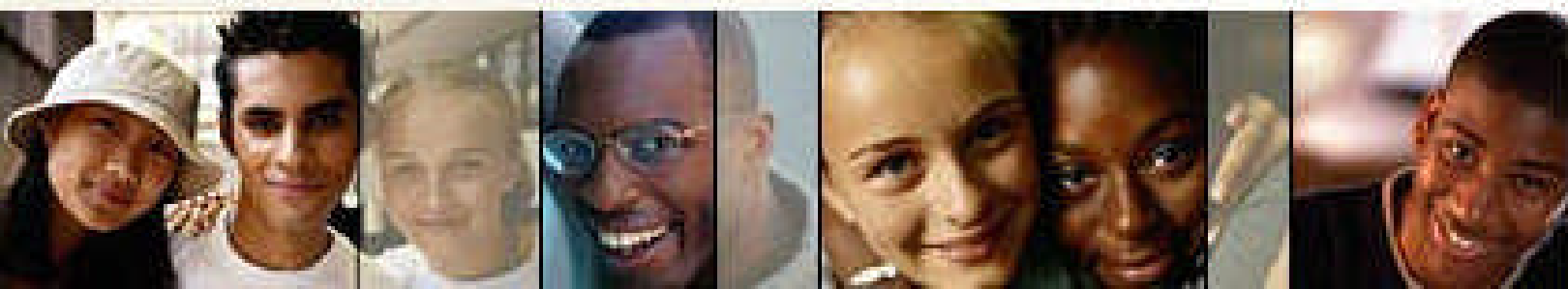
District No. 508

County of Cook and State of Illinois

226 W. Jackson Boulevard

Chicago, IL 60606

*www.ccc.edu*



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**COMMUNITY COLLEGE DISTRICT NO. 508**

Chicago, Illinois

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**COMPREHENSIVE  
ANNUAL FINANCIAL  
REPORT**

For the fiscal year ended June 30, 2007

*Prepared by:  
Office of Finance*

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James C. Tyree, Board Chairman  
Wayne D. Watson, Chancellor

January 9, 2008



"The City Colleges of Chicago has always represented hope and opportunity for the citizens of Chicago. We are the "People's College" with the mission to provide quality education, accessible to all. "

- *Wayne D. Watson, Ph.D. Chancellor*

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

I am pleased to submit to you the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended, June 30, 2007. This document present the results of the District's financial operation and its financial condition for the year just ended.

As in the past two years, I am proud to report that the District received the Government Financial Officers Association (GFOA) Certificate of Excellence Award in Financial Reporting for our Fiscal Year 2006 CAFR. We have also received the GFOA Distinguished Budget Preparation Award for Fiscal Year 2007.

We strive for fiscally responsible planning for our immediate and future needs. As the financial operations shows in the recent CAFR, we continue to exercise fiscal prudence, to maintain a healthy financial condition and to protect the tax dollars in the use of available resources to continue our commitment to academic excellence.

In Fiscal Year 2007, the district has continually demonstrated its wise use of the available resources in serving its constituents in the delivery of its academic mission which include Baccalaureate Transfers – 36,212 students; Workforce Development – 27,387 students; Adult Education – 38,869 students; Continuing Education – 7,785 students. We generated approximately 1,065,000 credit hours. We have partnered with business and industries in providing contract training to more than 17,000 employees and 91 companies.

The seven colleges and the district office have collaborated in moving Vision 2011 forward. Spring 2007 has marked the beginning of the implementation of Vision 2011 Strategic Plan. Its focus is assessing all aspects of the curriculum and recalibrating as necessary in order to ensure that our academic programs and corporate partnerships provide mobility for people of color, women and all people in the lower socio-economic status.

The comprehensive strategic plan include continued efforts to recalibrate the curriculum; to continue the master teacher training program; to provide funds to develop new programs, such as, apprenticeship for construction trades; to enable our students, faculty and staff to experience immersion in foreign language and culture through the International Study Program; to improve our marketing capability; to keep up with our technology needs; and to train our workforce in service excellence which is important to the success of our students, student retention, operational efficiency and to the achievement of our goals.

The new Kennedy-King College held its dedication ceremony in August 2007. The new campus also houses the state-of-the art WYCC-TV 20 and WKKC radio studios, and a new restaurant for the culinary programs.

The District has a capital plan which is dynamic and is updated on a regular basis to reflect the most recent assessment of all projects required that will address the evolving academic programs and services needed. The parking and the student service center structure for Truman College is underway with expected completion in fiscal year 2008.

We will remain steadfast in carrying out our mission - to provide quality education, accessible to all. The City Colleges of Chicago has always represented hope and opportunity to people in Chicago's working class and immigrant communities. When its doors opened in 1911, the first City College was clearly a "people's college" -- a name that has defined its mission and operations throughout its near-96 years of history. Thus, we still remain as the open-door institution that serve the large number of ethnic minorities, working adults, single parents and individuals from low income backgrounds.

I am inspired by the successes of our students and thankful for their continued trust. I am proud of our achievements as educators and especially grateful for the joint effort of the faculty and staff in implementing the Vision 2011 strategic plan. I am encouraged by the continued show of commitment and dedication by the faculty, administrators and the Board to make the City Colleges of Chicago the excellent place of higher education for people to come to learn, to turn hopes and dreams into reality and the institution that provides the pathway to overcome causal factors underlying many of the social and economic disparities.

A handwritten signature in black ink, appearing to read "Wayne D. Watson". The signature is stylized with a large, sweeping flourish that extends to the right and loops back under the name.

Wayne D. Watson  
Chancellor

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# **Introductory Section**

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**City Colleges of Chicago  
Community College District No. 508  
Comprehensive Annual Financial Report  
Fiscal year ended June 30, 2007**

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## Transmittal Letter

January 9, 2008

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, 2007. 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 & 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* (MD&A), which focuses on current activities, accounting changes, and currently known facts.

## **PROFILE OF THE CITY COLLEGES OF CHICAGO**

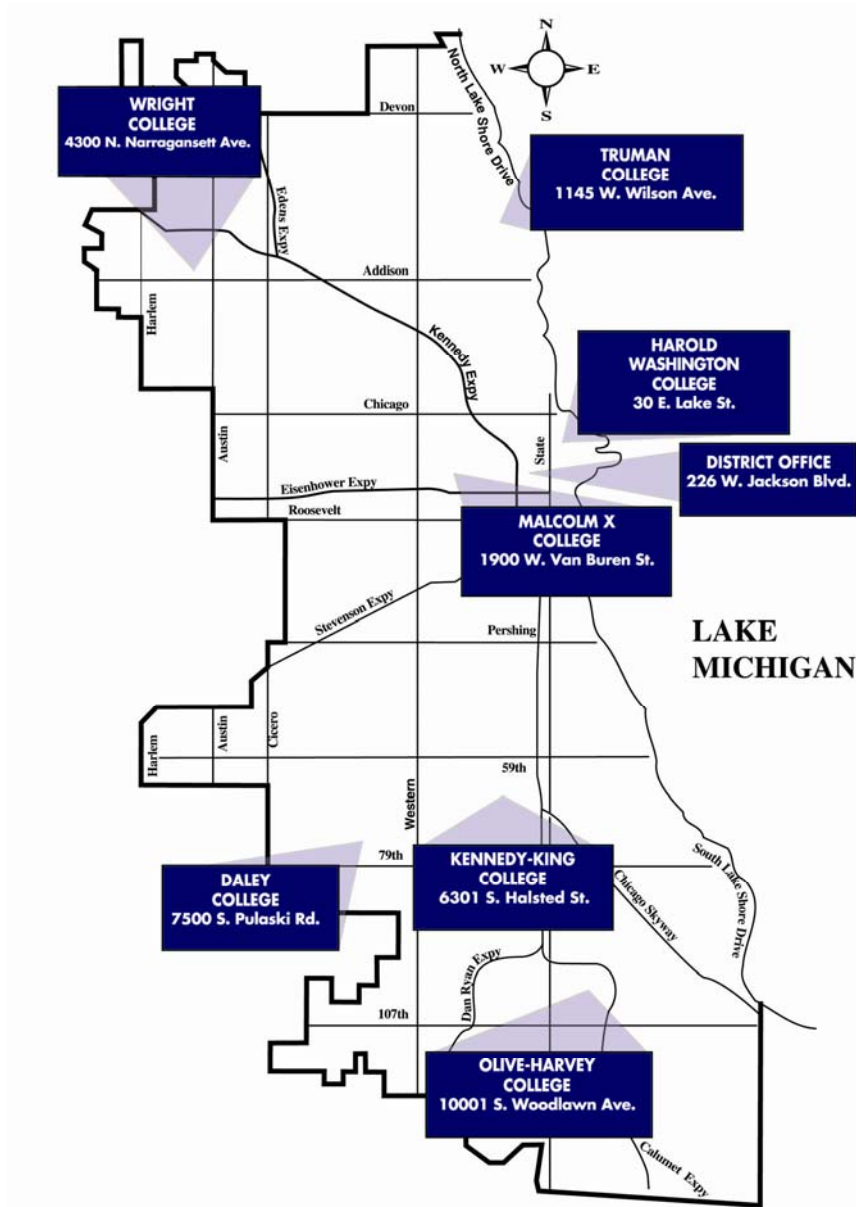
The City Colleges is a body politic and corporate, and a community college district of the State of Illinois having boundaries coterminous with the City of Chicago. The City Colleges is established under and governed by the Illinois Public Community College Act. The City Colleges is not a home rule unit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

Of the Board's eight members, the seven who vote are appointed by the City of Chicago with the approval of the City Council of Chicago. One non-voting student member, selected in accordance with the State Act, comes from one of the colleges.

The District is coterminous with the City of Chicago, which currently occupies a land area of approximately 228.5 square miles, and serves a population of approximately 2,833,000.

As a large urban school district, our colleges and students reflect the broad diversity of our city. Our constituents are comprised of a large number of ethnic minorities, working adults, single parents and individuals from low-income backgrounds. 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.

## City Colleges of Chicago



<b>City Colleges of Chicago*</b> 226 W Jackson Boulevard (773) COLLEGE (265-5343), or (312) 553-2500 <a href="http://www.ccc.edu">www.ccc.edu</a>	<b>Richard J. Daley College</b> 7500 S Pulaski Road (773) 838-7600 <a href="http://daley.ccc.edu/">http://daley.ccc.edu/</a>	<b>Harold Washington College</b> 30 E Lake Street (312) 553-6010 <a href="http://hashington.ccc.edu/">http://hashington.ccc.edu/</a>	<b>Kennedy-King College</b> 6301 S Halsted Street (773) 602-5111 <a href="http://kennedyking.ccc.edu/">http://kennedyking.ccc.edu/</a>
<b>Malcolm X College</b> 1900 W Van Buren Avenue (312) 850-7055 <a href="http://malcolmx.ccc.edu/">http://malcolmx.ccc.edu/</a>	<b>Olive-Harvey College</b> 10001 S Woodlawn Avenue (773) 291-6349 <a href="http://oliveharvey.ccc.edu/">http://oliveharvey.ccc.edu/</a>	<b>Harry S Truman College</b> 1145 W Wilson Avenue (773) 907-4000 <a href="http://www.trumancollege.edu">www.trumancollege.edu</a>	<b>Wilbur Wright College</b> 4300 N Narragansett Avenue (773) 481-8233 <a href="http://wright.ccc.edu/">http://wright.ccc.edu/</a>

\*District Office

## **VISION, MISSION, AND GOALS**

The City Colleges' current strategic plan, strategic goals, and tactical plans were developed by a team from the campuses and district office, and are reviewed and updated annually. City Colleges' strategic planning initiative, Vision 2011, calls for assessment of all aspects of CCC curricula and our delivery systems to ensure that our students are not only able to compete but to thrive in the global marketplace.

***City Colleges' Vision Statement:*** We aspire to be a premier, first choice educational destination highly accessible to diverse student populations in Chicago and around the world and widely recognized for excellence in leadership. Through the power of education, we inspire and transform the lives of our students and those connected to them, enhance the communities we serve, and catalyze positive socio-economic change.

***City Colleges' Mission Statement:*** Through our seven colleges, we deliver exceptional learning opportunities and educational services for diverse student populations in Chicago. We enhance knowledge, understanding, skills, collaboration, community services and life-long learning by providing a broad range of quality, affordable courses, programs, and services to prepare students for success in a technologically advanced and increasingly interdependent global society. We work proactively to eliminate barriers to employment and to address and overcome causal factors underlying socio-economic disparities and inequities of access and graduation in higher education.

City Colleges' goals and strategies are integrated and interdependent and are designed to enable the accomplishment of our mission and statement of strategic direction while upholding our values.

Goal 1: Solidify commitment to student learning/effective teaching

Goal 2: Generate awareness and access

Goal 3: Strengthen relationships with external constituents

Goal 4: Develop and retain the highest quality CCC workforce

Goal 5: Enhance student support services

Goal 6: Declare commitment to the key markets CCC serves

Goal 7: Achieve enterprise operational excellence – recognize that the accomplishment of our mission, goals and strategies depends upon a very well run enterprise.

## **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 2007 has proven to be a year of mixed economic activity. The city's sales tax collections remain strong; however, real estate market values are growing at a slower rate than in the past.

The Chicago Business Activity Index (CBAI) at -0.032 in July 2007 has been negative in ten consecutive readings since October 2006. In July, manufacturing production increased by 0.28%. However, construction and retail sales decreased 0.17 percent and 1.01 percent, respectively. As of 2006, the gross regional product (GRP) of the Chicago metro area totaled \$453 billion, and between 2000 and 2006, GRP grew by 8%, according to World Business Chicago.

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

According to several positive economic indicators Chicago remains a thriving center of tourism and conventions. The city hosts various festivals which attract millions of visitors – Taste of Chicago, Chicago Blues Festival, Air and Water Show, etc. The city has been and continues to be the choice for major conventions by hundreds of companies. In addition, it is home to some of the world's best museums, renowned architecture, vibrant theatre district, restaurants and shopping destinations which contribute to the growing local economy.

Although analysts expect a net decrease in home sales and construction for Chicago, they believe that the service industries such as hotels and accounting services will offset the decrease.

While the unemployment rate remains flat in Chicago, enrollment is expected to increase for the City Colleges of Chicago due to the current economic conditions.



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.
- Many students entering the City Colleges system require additional assistance such as remedial math and English courses as well as counseling and tutoring.
- State funding for community colleges is still expected to be below fiscal year 2003 as outlined in the table below.

#### **Community College State Funding**

<b><u>Fiscal Year</u></b>	<b><u>Amount</u></b>
2003	\$317,383,800
2004	287,637,300
2005	297,198,200
2006	298,268,200
2007	303,747,800
2008	297,698,000

- 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. A five year, \$1.2 billion capital improvement plan was approved by the Board of Trustees. However, only \$169 million in funding is currently available.
- State funding for community college infrastructure has been requested in the Governor's FY 2008 budget but has not been approved by the Illinois legislature for the coming fiscal year. The lack of sufficient annual capital funding requires the expenditure of local operating funds intended for instruction to be utilized to prevent the failure of critical systems.

## 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)

<u>Fiscal Year</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Total Headcount</b>	110,706	115,460	129,572	140,291	153,833
<b>Total Full-Time Equivalent</b>	39,988	41,550	45,043	48,073	49,838

Source: Fiscal Year 2007 Statistical Digest

Overall enrollment across all mission pillars declined while Baccalaureate/Transfer increased over the five year period. This change is the result of multiple factors including the loss of facilities, program restructuring/right sizing, demographic changes in the Chicago neighborhoods, closures of adult education off-campus sites, changes in immigration policies and patterns, discontinuation of the military program and elimination of administrative positions overseeing some course offerings due to budgetary constraints.

For fiscal year 2007, City Colleges has continued the following initiatives to improve its enrollment outlook:

- Expand marketing initiatives;
- Strengthen retention efforts;
- Continue the Annual Programs and Services Analysis (APSA) to measure the efficiency and effectiveness of academic programs and services;
- Increase student success support services;
- Enhance and strengthen the skills of the faculty and staff.

Preliminary enrollment data for fiscal year 2008 indicate a positive increase for the current academic year.

## FINANCIAL INFORMATION

In fiscal year 2007, City Colleges ended in a good financial condition, with revenues before capital additions higher than expenditures. This year began with uncertainty over State funding, so the City Colleges budgeted prudently and controlled costs. At the end of the year, the City Colleges maintained a consistently strong financial position. The City Colleges total net assets of \$715.2 million increased by \$159.4 million over FY 2006.

**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, department, 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.

<b><u>FUND GROUP</u></b>	<b><u>INDIVIDUAL FUND</u></b>
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 2006 collectible in fiscal year 2007 is \$69,479,300,657. Estimated assessed value of taxable property for tax year 2005 collectible in fiscal year 2006 was \$59,274,592,340. City Colleges' average collection rate over the past five years has been approximately 96%.

## **DEBT ADMINISTRATION**

City Colleges had two outstanding long-term debt issues. One is a building lease obligation for the construction and maintenance of City Colleges' buildings. As of June 30, 2007, \$31,695,000 was outstanding and during the fiscal year then ended, \$22,505,000 was retired. As of June 30, 2006, \$56,105,000 was outstanding and during the fiscal year then ended \$24,410,000 in principal was retired. The second is a 20-year revenue bond. Bond payments were funded by City Colleges' portion of State of Illinois Corporate Personal Property Replacement Tax. In fiscal year 2006, these bonds were retired at a premium of \$1,227,900. This has saved the District about \$2 million per year in interest payments.

**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 2007 totaled \$13.3 million, compared to \$8.3 million in FY 2006.

**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 \$10,000, \$250,000 and \$400,000 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 & Touche LLP on the basic financial statements and schedules is included in the financial section of the report.

**Awards:** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a **Certificate of Achievement for Excellence in Financial Reporting** to City Colleges of Chicago for its comprehensive annual financial report for the fiscal year ended June 30, 2006. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR) whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that the current report continues to conform to the GFOA Certificate of Excellence program requirements, and we are submitting it to GFOA again this year.

City Colleges of Chicago has also earned GFOA's **Award for Distinguished Budget Presentation** for its annual budget for the year ended June 30, 2007. In order to receive this award, a government unit must publish a budget document that meets program criteria as a policy document, an operations guide, a financial plan, and a communications device.

**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, 2007**

**BOARD OF TRUSTEES**

James C. Tyree, Chairman  
James A. Dyson, Vice Chairman  
Terry E. Newman, Secretary  
Nancy J. Clawson, Trustee  
Gloria Castillo, Trustee  
Ralph G. Moore, Trustee  
Rev. Albert D. Tyson III, Trustee  
Sophia Priddy, Student Member  
Regina Hawkins, Assistant Secretary  
Dolores Javier, Associate Vice Chancellor Finance / Treasurer

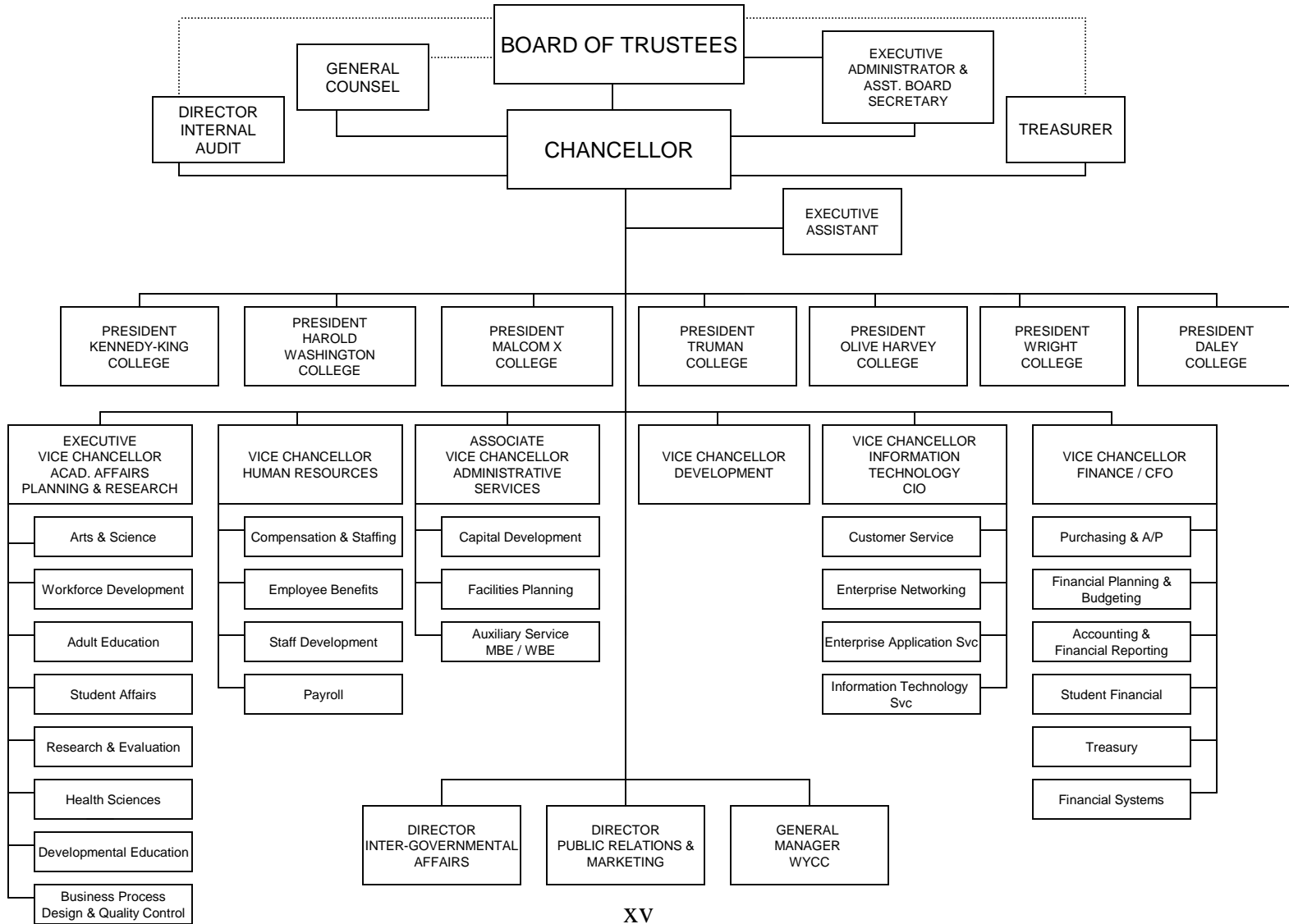
**ADMINISTRATIVE OFFICERS**

Wayne D. Watson, Chancellor  
Deidra Lewis, Executive Vice Chancellor  
Sylvia R. Ramos, President, Richard J. Daley College  
Clyde El-Amin, President, Kennedy-King College  
Zerrie D. Campbell, President, Malcolm X College  
Valerie Roberson, President, Olive-Harvey College  
Lynn Walker, President, Harry S. Truman College  
John Wozniak, President, Harold Washington College  
Charles Guengerich, President, Wilbur Wright College  
Juliette Ferguson, Interim General Counsel  
Xiomara Cortes-Metcalf, Vice Chancellor Human Resources  
Kenneth C. Gotsch, Vice Chancellor Finance / CFO  
John Dozier, Vice Chancellor Information Technology / CIO  
Michael Mutz, Vice Chancellor Development  
Valerie Highsmith, Controller

**REPORT ISSUED BY**

Office of Finance

# City Colleges of Chicago Organizational Chart



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City Colleges of Chicago  
Illinois

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Charles S. Cox*

President

*Jeffrey R. Emer*

Executive Director



# **Financial Section**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of City Colleges of Chicago, Community College District No. 508 ("City Colleges") as of and for the years ended June 30, 2007 and 2006, 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 these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of City Colleges of Chicago, Community College District No. 508 as of June 30, 2007 and 2006, 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.

The Management's Discussion and Analysis on pages 5-14 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of City Colleges' management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 71-75, Certification of Chargeback Reimbursement on page 76, 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.

*Deloitte & Touche LLP*

January 9, 2008

# **Management Discussion and Analysis (MD&A)**



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

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The discussion and analysis of City Colleges of Chicago (City Colleges) financial performance provides an overall review of City Colleges' financial activities for the year ended June 30, 2007 and 2006. This discussion and analysis focuses on current activities, currently known facts and related changes. The management of City Colleges encourages readers to consider the information being presented herein in conjunction with the transmittal letter, which precedes this section, the basic financial statements and accompanying notes, which immediately follow this section, to enhance their understanding of City Colleges' financial performance. All amounts, unless otherwise indicated, are expressed in millions of dollars. Certain comparative information between the current and prior year is required to be presented in the Management Discussion and Analysis (the "MD&A"). Responsibility for the completeness and fairness of the information presented here rests with City Colleges.

### **Using This Annual Report**

The financial statements focus on City Colleges as a whole. The accompanying financial statements are designed to emulate the presentation model of private sector business-type activities, whereby all City Colleges' activities are consolidated into one total. The Statement of Net Assets combines and consolidates current financial resources (short-term expendable resources) with long-term capital assets. The Statement of Revenues, Expenses, and Changes in Net Assets 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 analysis is prepared from City Colleges' Condensed Statement of Net Assets which is presented on page 7.

**Fiscal year 2007** - Total net assets as of June 30, 2007 increased by \$159.4 to \$715.2 million.

Current assets increased by \$84.2 million due in part to a \$115.2 million increase in short-term investments offset by a \$31.9 million decrease in account receivable. The \$115.2 million increase in short-term investments was due to \$46.6 million in transfers from long-term to short-term investments, \$34.1 million from income before capital appropriations, and the payment of the accounts receivable of \$31.9 million noted above.

The investment in capital assets increased by \$139.4 million, which was primarily due to the continued construction of the new Kennedy-King campus. In fiscal year 2007, \$9.2 million in buildings, building improvements and equipment were retired, with a corresponding decrease in accumulated depreciation, in order to recognize the removal of parts of buildings that were remodeled.



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

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The other non-current assets decreased by \$73.5 million, primarily due to a \$17.1 million decrease in the Funds held by PBCC for funds used for the continuing construction of the new Kennedy-King campus as well as the transfer of \$46.6 million in investments from long-term to short-term.

Total current liabilities decreased by \$1.4 million primarily due to a \$14.1 million decrease in deferred grant revenue offset by a \$12.7 million increase in remaining current liabilities. Total non-current liabilities decreased by \$32.3 million due to a \$24.4 million principal payment of lease obligations, a \$7.1 million decrease in sick leave benefits, and a \$.8 million decrease in other liabilities.

**Fiscal year 2006** - Total net assets as of June 30, 2006 increased to \$555 million from \$473 million in fiscal year 2005.

Current assets decreased by \$57.4 million due a reduction in cash of \$7.3 million and a reduction in short term investment of \$69 million, offset by an increase in remaining receivables of \$18.9 million, primarily from City of Chicago for construction reimbursement costs. These dollars were used to early retire outstanding bonds of \$30.4 million and increase long-term unrestricted and restricted investments (other assets) by \$40 million. Additionally, other assets increases were \$19 million in funds held by the Public Building Commission of Chicago (PBCC).

The investment in capital assets increased by \$57.9 million due to additional construction in progress on the Kennedy King campus, and renovation of Harold Washington and Malcolm X campuses. In fiscal year 2006, \$40.4 million in buildings, building improvements and equipment were retired, with a corresponding decrease in accumulated depreciation, in order to recognize the removal of parts of buildings that were remodeled. Also, the college increased its threshold for capitalization of equipment from \$5,000 per item to \$25,000 per item.

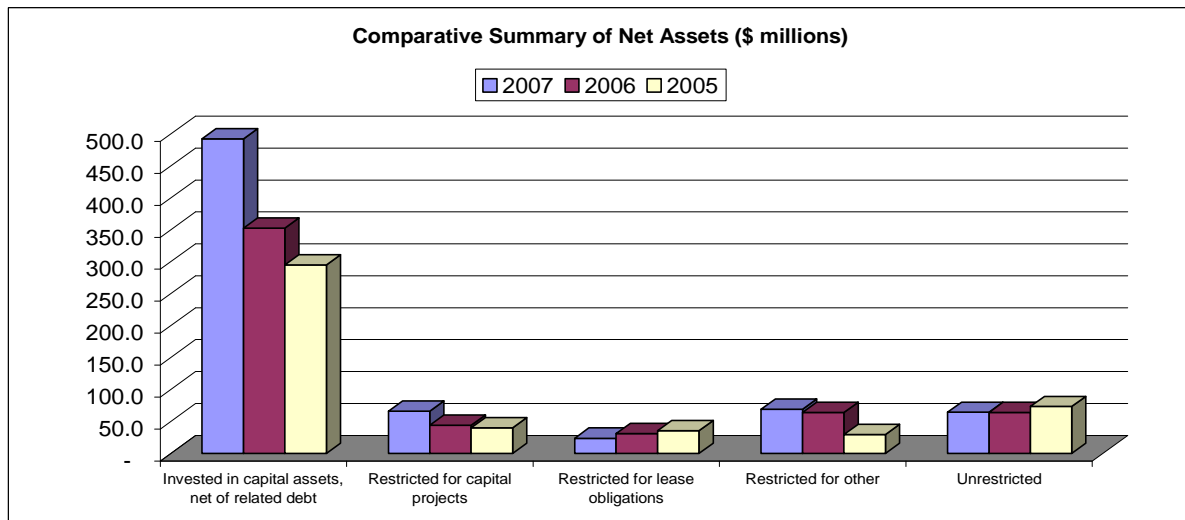
Total current liabilities increased by \$3 million due to an increase in deferred grant revenue of \$11.2 million and a decrease of \$8.2 million in remaining current liabilities. Total non-current liabilities decreased by \$52 million in fiscal year 2006 due to a \$22.5 million principal payment of lease obligations and the extinguishment of \$30.4 million in bonds. During fiscal year 2006, the board authorized the transfer of \$35 million in unrestricted net assets to working cash restricted expendable - other and designated \$32 million of unrestricted net assets for future construction.



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

**Table1  
Condensed Statement of Net Assets  
(in millions of dollars)**

	<u>2007</u>	<u>2006</u>	<u>Increase (Decrease)</u>	<u>2005</u>	<u>Increase (Decrease)</u>
Current assets	\$ 331.4	\$ 247.2	\$ 84.2	\$ 304.6	\$ (57.4)
Non-current assets					
Capital assets	729.8	603.3	126.5	586.5	16.8
Less accumulated depreciation	(206.1)	(194.6)	(11.5)	(213.2)	18.6
Other assets	60.4	133.9	(73.5)	78.2	55.7
<b>Total assets</b>	<b>\$ 915.5</b>	<b>\$ 789.8</b>	<b>\$ 125.7</b>	<b>\$ 756.1</b>	<b>\$ 33.7</b>
Current liabilities	\$ 170.6	\$ 172.0	\$ (1.4)	\$ 169.0	\$ 3.0
Non-current liabilities	29.7	62.0	(32.3)	114.0	(52.0)
<b>Total liabilities</b>	<b>\$ 200.3</b>	<b>\$ 234.0</b>	<b>\$ (33.7)</b>	<b>\$ 283.0</b>	<b>\$ (49.0)</b>
<b>Net assets</b>					
Invested in capital assets, net of related debt	\$ 492.0	\$ 352.6	\$ 139.4	\$ 294.7	\$ 57.9
Restricted for expendable:					
Capital projects	66.0	44.1	21.9	40.1	4.0
Lease obligation	23.8	31.1	(7.3)	35.5	(4.4)
Other	69.0	64.1	4.9	29.4	34.7
Unrestricted	64.4	63.9	0.5	73.4	(9.5)
<b>Total net assets</b>	<b>\$ 715.2</b>	<b>\$ 555.8</b>	<b>\$ 159.4</b>	<b>\$ 473.1</b>	<b>\$ 82.7</b>







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

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

<b>Operating</b>	<u>2007</u>	<u>2006</u>	<u>Increase (Decrease)</u>	<u>2005</u>	<u>Increase (Decrease)</u>
Revenues	\$ 42.5	\$ 48.2	\$ (5.7)	\$ 44.1	\$ 4.1
Expenses	<u>(325.5)</u>	<u>(316.3)</u>	<u>9.2</u>	<u>(302.3)</u>	<u>14.0</u>
Operating loss	(283.0)	(268.1)	14.9	(258.2)	9.9
<b>Non-operating</b>					
Revenues	323.9	305.9	18.0	300.0	5.9
Expenses	<u>(6.9)</u>	<u>(12.7)</u>	<u>(5.8)</u>	<u>(12.5)</u>	<u>0.2</u>
Net non-operating revenue	317.0	293.2	23.8	287.5	5.7
Income before capital contributions	34.0	25.1	8.9	29.3	(4.2)
Capital contributions	<u>125.4</u>	<u>57.6</u>	<u>67.8</u>	<u>53.8</u>	<u>3.8</u>
Change in net assets	159.4	82.7	76.7	83.1	(0.4)
Net assets, beginning of year	<u>555.8</u>	<u>473.1</u>	<u>82.7</u>	<u>390.0</u>	<u>83.1</u>
Net assets, end of year	<u>\$ 715.2</u>	<u>\$ 555.8</u>	<u>\$ 159.4</u>	<u>\$ 473.1</u>	<u>\$ 82.7</u>

**Fiscal year 2007** - In fiscal year 2007, income before capital contributions increased by \$8.9 million for the year.

Operating revenues decreased by \$5.7 million due to a \$4.6 decrease in net tuition and fees and a \$1.1 million decrease in other operating revenues. Operating expenses increased by \$9.2 million due to an \$8.7 million increase in staffing costs, a \$3.1 million increase in fringe benefits, and a \$4.3 million increase in supplies, offset by a \$5.4 million decrease in financial aid, and a \$1.6 million decrease in other operating expenses. This caused an increase in the operating loss of \$14.9 million.

Net non-operating revenues increased by \$23.8 million due to a \$5.8 million increase in property taxes, a \$10.9 million increase in state and local grants, a \$4.9 million decrease in federal grants, a \$5.0 million increase in investment income, a \$1.2 million increase in other non-operating revenues, offset by a \$5.8 million decrease in lease and interest payments.

**Fiscal year 2006** - In fiscal year 2006, income before capital contributions decreased \$4.2 million for the year. Operating revenues increased by \$4.1 million due to a \$2.1 million increase in tuition and fees and a \$2 million increase in other revenues. These were offset by operating expenses for the fiscal year increasing by \$14 million due to a \$10.7 million increase in staffing costs, a \$5 million increase in depreciation and a \$1.7 million decrease in scholarship allowances. This caused an increase in the operating loss of \$9.9 million.



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

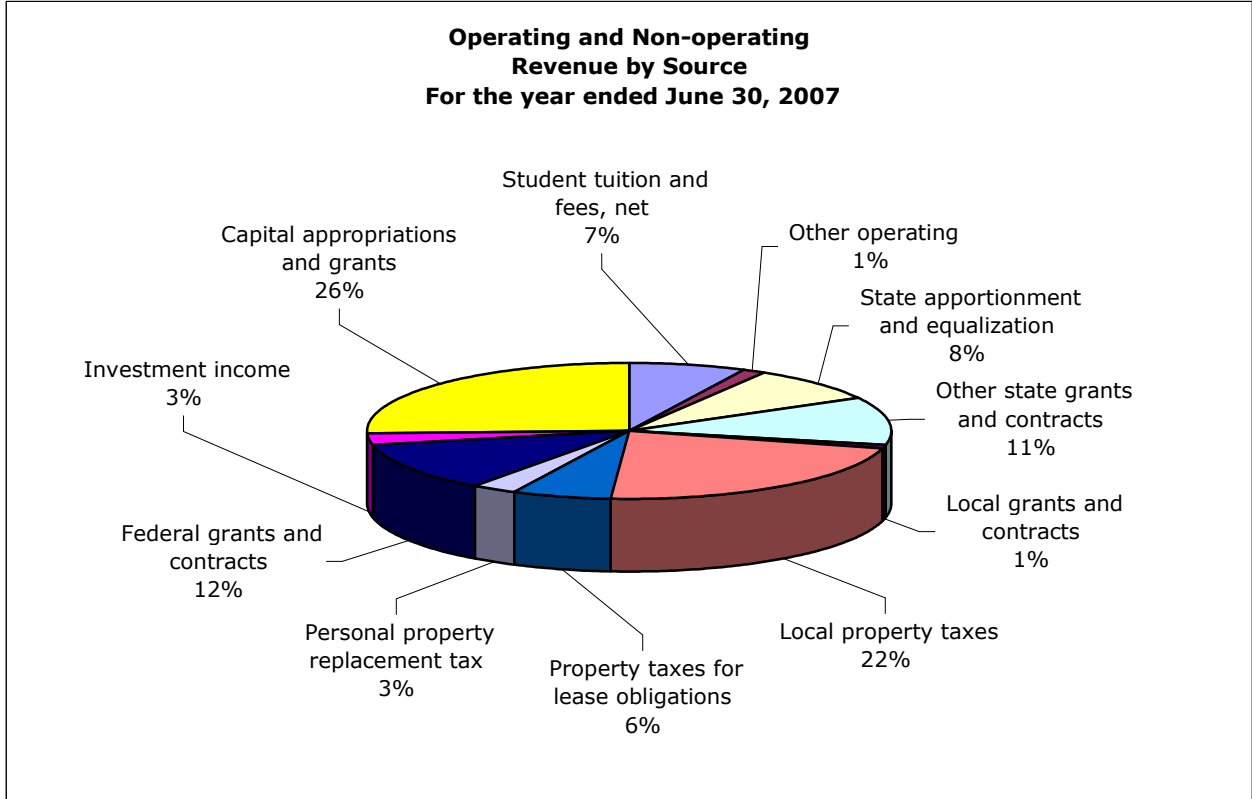
Also in fiscal year 2006, non-operating revenues increased by \$5.9 million due to a \$5.4 million increase in property taxes, \$2.8 million increase in personal property replacement taxes, \$3.4 million increase in investment income offset by a \$5.8 million decrease in other local, state and federal grants.

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

	<u>2007</u>	<u>2006</u>	<u>Increase (Decrease)</u>	<u>2005</u>	<u>Increase (Decrease)</u>
<b>Operating revenues:</b>					
Student tuition and fees	\$ 69.5	\$ 67.6	\$ 1.9	\$ 63.7	\$ 3.9
Less scholarships	(34.1)	(27.6)	(6.5)	(25.9)	(1.7)
Other operating	<u>7.1</u>	<u>8.2</u>	<u>(1.1)</u>	<u>6.3</u>	<u>1.9</u>
Total operating revenues	42.5	48.2	(5.7)	44.1	4.1
<b>Non-operating revenues:</b>					
State apportionment and equalization	41.5	38.6	2.9	36.7	1.9
Other state grants and contracts	54.9	48.2	6.7	52.5	(4.3)
Local grants and contracts	4.9	3.6	1.3	4.3	(0.7)
Local property taxes	107.1	101.8	5.3	90.8	11.0
Property taxes for lease obligations	30.1	29.6	0.5	35.2	(5.6)
Personal property replacement tax	14.5	13.3	1.2	10.5	2.8
Federal grants and contracts	57.6	62.5	(4.9)	65.2	(2.7)
Investment income	<u>13.3</u>	<u>8.3</u>	<u>5.0</u>	<u>4.8</u>	<u>3.5</u>
Total non-operating revenues	323.9	305.9	18.0	300.0	5.9
Capital appropriations and grants	<u>125.4</u>	<u>57.6</u>	<u>67.8</u>	<u>53.8</u>	<u>3.8</u>
Total revenues	<u>\$ 491.8</u>	<u>\$ 411.7</u>	<u>\$ 80.1</u>	<u>\$ 397.9</u>	<u>\$ 13.8</u>

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

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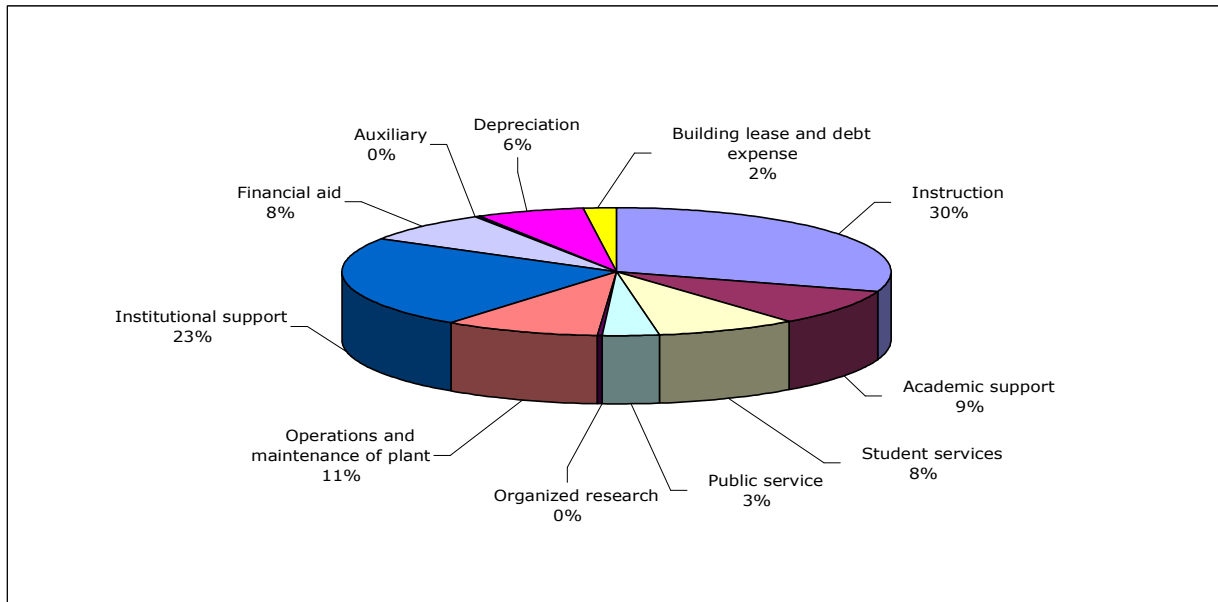




**Community College District No. 508  
Management's Discussion and Analysis**

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

	<u>2007</u>	<u>2006</u>	<u>Increase (Decrease)</u>	<u>2005</u>	<u>Increase (Decrease)</u>
Operating Expense					
Instruction	\$ 99.7	\$ 97.1	\$ 2.6	\$ 100.9	\$ (3.8)
Academic support	30.3	27.9	2.4	24.0	3.9
Student services	28.0	25.4	2.6	23.3	2.1
Public service	10.9	9.4	1.5	9.9	(0.5)
Organized research	0.6	0.2	0.4	0.5	(0.3)
Operations and maintenance of plant	31.1	35.2	(4.1)	29.4	5.8
Institutional support	76.9	66.7	10.2	61.9	4.8
Financial aid	26.0	31.4	(5.4)	34.1	(2.7)
Auxiliary	1.3	1.2	0.1	1.5	(0.3)
Depreciation	<u>20.7</u>	<u>21.8</u>	<u>(1.1)</u>	<u>16.8</u>	<u>5.0</u>
Total Operating Expenses	325.5	316.3	9.2	302.3	14.0
Non-operating expenses					
Building lease and debt expense	<u>6.9</u>	<u>12.7</u>	<u>(5.8)</u>	<u>12.5</u>	<u>0.2</u>
Total Expenses	<u>\$ 332.4</u>	<u>\$ 329.0</u>	<u>\$ 3.4</u>	<u>\$ 314.8</u>	<u>\$ 14.2</u>





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

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

	<u>2007</u>	<u>2006</u>	<u>Increase (Decrease)</u>	<u>2005</u>	<u>Increase (Decrease)</u>
Capital Assets					
Land	\$ 19.6	\$ 17.4	\$ 2.2	\$ 17.4	\$ -
Buildings and improvements	488.9	478.4	10.5	439.6	38.8
Construction in progress	182.7	70.2	112.5	87.0	(16.8)
Equipment	9.9	8.7	1.2	13.8	(5.1)
Software	28.7	28.6	0.1	28.7	(0.1)
Total	729.8	603.3	126.5	586.5	16.8
Less accumulated depreciation	<u>(206.1)</u>	<u>(194.6)</u>	<u>(11.5)</u>	<u>(213.2)</u>	<u>18.6</u>
Net capital assets	<u>\$ 523.7</u>	<u>\$ 408.7</u>	<u>\$ 115.0</u>	<u>\$ 373.3</u>	<u>\$ 35.4</u>

**Capital Assets**

**Fiscal year 2007** - As of June 30, 2007, City Colleges had \$729.8 million in capital assets, \$206.1 million in accumulated depreciation, and \$523.7 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' net capital assets for the current fiscal year was \$115 million, or 28.1%.

Major capital asset events during fiscal year 2007 included the following:

- Continued construction of the new Kennedy-King facilities. Capital construction in progress as of the close of the fiscal year had reached \$112.5 million.
- A net increase of \$10.5 million in buildings and improvements was due to a \$19.7 million increase for building renovations, offset by a retirement of \$9.2 million in fully-depreciated building infrastructure.
- Purchased a former LaSalle Bank site near Daley College for \$2.2 million.



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

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### Capital Assets (Continued)

**Fiscal year 2006** - As of June 30, 2006, City Colleges had \$603.3 million in capital assets, \$194.6 million in accumulated depreciation, and \$408.7 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' net capital assets for the current fiscal year was \$35.4 million or 9.5%. City Colleges has a five-year capital renewal plan of \$1.2 billion of which only \$210 million is funded from local sources, and \$150 million of that amount is from the City of Chicago General Obligation Bonds, Series 1999. Additional State funding of \$78 million is subject to appropriation by the State.

Major capital asset events during fiscal year 2006 included the following:

- Continued construction of the new Kennedy-King facilities; construction in progress as of the close of the fiscal year had reached \$57.9 million.
- Completion of Harold Washington campus renovation cost to date of \$38.2 million.
- Completion of Malcolm X campus renovation cost to date of \$34.3 million.
- Retirement of fully-depreciated assets of \$34.6 million as part of above campus renovations of \$72.5 million.
- Retirement of fully-depreciated equipment of \$5.7 million.

### Non-current Liabilities

**Fiscal year 2007** - As of June 30, 2007, City Colleges had total non-current liabilities of \$64.2 million before reduction of current maturities. This amount includes \$2.6 million for compensated absences, \$20.2 million of accumulated sick leave benefit liability for current employees and \$9.7 million of other post employment benefits for retired employees. The remaining debt of \$31.7 million represents capital lease obligations with the PBCC. The reduction of this debt is due to lease payments totaling \$24.4 million.

**Fiscal year 2006** - As of June 30, 2006, City Colleges had total non-current liabilities of \$90.3 million before reduction of current maturities. This amount includes \$2.5 million for compensated absences, \$27.3 million of accumulated sick leave benefit liability for current employees and \$4.4 million of other post employment benefits for retired employees. The remaining debt of \$56.1 million represents capital lease obligations with the PBCC. The reduction in debt of \$52.6 million is due primarily to an early retirement of existing bonds of \$30.4 million, and lease payments totaling \$22.5 million.



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

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

	<u>2007</u>	<u>2006</u>	<u>Increase (Decrease)</u>	<u>2005</u>	<u>Increase (Decrease)</u>
Accrued compensated absences	\$ 2.6	\$ 2.5	\$ 0.1	\$ 2.1	\$ 0.4
Sick leave benefits	20.2	27.3	(7.1)	31.8	(4.5)
Other post retirement benefits	9.7	4.4	5.3	-	4.4
Bonds payable	-	-	-	30.4	(30.4)
Lease obligations	<u>31.7</u>	<u>56.1</u>	<u>(24.4)</u>	<u>78.6</u>	<u>(22.5)</u>
Sub-total	64.2	90.3	(26.1)	142.9	(52.6)
Less current portion	<u>(34.5)</u>	<u>(28.3)</u>	<u>(6.2)</u>	<u>(28.9)</u>	<u>0.6</u>
Total non-current liabilities	<u>\$ 29.7</u>	<u>\$ 62.0</u>	<u>\$ (32.3)</u>	<u>\$ 114.0</u>	<u>\$ (52.0)</u>

**Requests for Information**

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

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# College-Wide Financial Statements

**City Colleges of Chicago  
Community College District No. 508  
Statement of Net Assets  
June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,224,188	\$ 5,803,740
Short-term investments	232,318,400	117,124,888
Property tax receivable, net	75,072,969	72,132,337
Personal property replacement tax receivable	2,563,249	2,330,134
Other accounts receivable, net	17,100,741	49,001,969
Prepaid items and other assets	<u>104,292</u>	<u>794,263</u>
Total current assets	331,383,839	247,187,331
Non-current assets:		
Restricted cash	5,948,146	4,789,133
Funds held by Public Building Commission	24,893,296	41,954,126
Long-term investments	4,381,941	51,008,792
Restricted investments	25,190,240	36,172,611
Capital assets	729,777,010	603,336,250
Less: Accumulated depreciation	<u>(206,074,196)</u>	<u>(194,626,987)</u>
Total non-current assets	<u>584,116,437</u>	<u>542,633,925</u>
Total assets	<u>915,500,276</u>	<u>789,821,256</u>
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable	10,291,903	7,471,790
Accrued payroll	5,572,138	4,961,742
Other accruals	2,838,206	2,333,822
Deferred salaries	2,712,214	2,332,048
Deposits held in custody for others	2,126,815	2,165,567
Deferred tuition and fees revenue	4,788,373	4,580,151
Deferred property tax revenue	68,397,262	66,489,843
Accrued property tax refunds	18,498,179	18,994,259
Deferred grant revenue	12,832,655	26,926,031
Other liabilities	8,093,975	7,454,213
Current portion of non-current liabilities	<u>34,490,360</u>	<u>28,329,480</u>
Total current liabilities	170,642,080	172,038,946
Non-current liabilities:		
Accrued compensated absences	2,567,291	2,503,498
Sick leave benefits	20,194,545	27,320,200
Other post employment benefits	9,659,093	4,429,624
Lease obligations	31,695,000	56,105,000
Less current portion of non-current liabilities	<u>(34,490,360)</u>	<u>(28,329,480)</u>
Total non-current liabilities	<u>29,625,569</u>	<u>62,028,842</u>
Total liabilities	200,267,649	234,067,788
<b>Net assets</b>		
Invested in capital assets, net of related debt	492,006,098	352,604,264
Restricted for expendable:		
Capital projects	66,015,755	44,140,970
Lease obligations	23,795,853	31,071,292
Other	69,032,703	64,113,553
Unrestricted	<u>64,382,218</u>	<u>63,823,389</u>
Total net assets	<u>\$ 715,232,627</u>	<u>\$ 555,753,468</u>

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

**City Colleges of Chicago**  
**Community College District No. 508**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the fiscal years ended June 30, 2007 and 2006**

<b>Revenues</b>	<u>2007</u>	<u>2006</u>
Operating revenues:		
Student tuition and fees:		
Resident tuition	\$ 51,441,016	\$ 52,461,309
Nonresident tuition	5,608,592	3,789,915
Fees	12,463,794	11,327,106
Less: Scholarship allowances	<u>(34,160,855)</u>	<u>(27,658,747)</u>
Net student tuition and fees	35,352,547	39,919,583
Other operating revenues	<u>7,130,296</u>	<u>8,277,517</u>
Total operating revenues	42,482,843	48,197,100
<b>Expenses</b>		
Operating expenses:		
Instructional salaries	79,978,494	77,081,414
Non - instructional salaries	85,211,555	79,361,358
Fringe benefits	38,573,600	35,479,612
Supplies	18,458,080	14,115,136
Professional development	2,285,888	2,018,035
Equipment not capitalized	2,775,642	2,291,005
Utilities	10,558,453	10,373,592
Contractual services	36,639,498	37,894,971
Depreciation	20,667,118	21,810,983
Financial aid, exclusive of scholarship allowances	26,031,017	31,470,269
Other expenses	<u>4,255,320</u>	<u>4,377,241</u>
Total operating expenses	<u>325,434,665</u>	<u>316,273,616</u>
Operating loss	(282,951,822)	(268,076,516)
Nonoperating revenues (expenses):		
State apportionment and equalization	41,498,443	38,580,616
Other state grants and contracts	54,901,471	48,190,000
Local grants and contracts	4,900,467	3,616,535
Local property taxes	107,099,097	101,823,185
Property taxes for lease obligations	30,099,651	29,592,741
Personal property replacement tax	14,518,747	13,307,576
Federal grants and contracts	57,549,889	62,483,048
Investment income	13,311,136	8,264,368
Building lease and interest payments on debt	<u>(6,873,136)</u>	<u>(12,687,374)</u>
Nonoperating revenues, net	<u>317,005,765</u>	<u>293,170,695</u>
Income before capital appropriations and grants	<u>34,053,943</u>	<u>25,094,179</u>
Capital appropriations and grants	<u>125,425,216</u>	<u>57,572,975</u>
Change in net assets	159,479,159	82,667,154
Net assets, beginning of year	<u>555,753,468</u>	<u>473,086,314</u>
<b>Net assets, end of year</b>	<u><u>\$ 715,232,627</u></u>	<u><u>\$ 555,753,468</u></u>

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

**City Colleges of Chicago**  
**Community College District No. 508**  
**Statement of Cash Flows**  
**For the fiscal years ended June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>Cash flows from operating activities</b>		
Tuition and fees	\$ 36,832,165	\$ 35,438,560
Payments to suppliers	(87,797,749)	(108,605,728)
Payments to employees	(175,507,661)	(155,692,554)
Payments to students	(26,031,017)	(31,470,269)
Other	7,130,296	8,277,517
Net cash (used) by operating activities	<u>(245,373,966)</u>	<u>(252,052,474)</u>
<b>Cash flows from noncapital financing activities</b>		
Local property taxes except for capital lease payments	101,644,239	104,510,656
State appropriations	85,666,887	79,618,428
Personal property replacement tax	14,285,632	12,852,627
Grants and contracts	64,629,609	71,927,065
Principal and interest on debt, net	-	(3,094,309)
Net cash provided by noncapital financing activities	<u>266,226,367</u>	<u>265,814,467</u>
<b>Cash flows from capital and related financing activities</b>		
Local property taxes for capital lease payments	34,025,216	29,064,134
Capital lease principal, interest and other	(32,158,060)	(31,005,514)
Bonds payable	-	(30,973,517)
Capital appropriations and grants	155,900,871	20,773,986
Purchases of capital assets	(134,718,291)	(49,866,218)
Net cash provided (used) by capital and related financing activities	<u>23,049,736</u>	<u>(62,007,129)</u>
<b>Cash flows from investing activities</b>		
Proceeds from sales and maturities of investments	30,584,515	161,529,927
Purchases of investments	(88,168,805)	(132,505,940)
Interest received on investments	13,261,614	8,673,215
Net cash (used) provided by investing activities	<u>(44,322,676)</u>	<u>37,697,202</u>
Net (decrease) in cash	(420,539)	(10,547,934)
Cash at beginning of year	10,592,873	21,140,807
Cash at end of year	<u>\$ 10,172,334</u>	<u>\$ 10,592,873</u>
Cash and cash equivalents	\$ 4,224,188	\$ 5,803,740
Restricted cash	5,948,146	4,789,133
	<u>\$ 10,172,334</u>	<u>\$ 10,592,873</u>

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

**City Colleges of Chicago**  
**Community College District No. 508**  
**Statement of Cash Flows (Continued)**  
**For the fiscal years ended June 30, 2007 and 2006**

	<b>2007</b>	<b>2006</b>
<b>Reconciliation of operating loss to net cash used by operating activities</b>		
Operating loss	\$ (282,951,822)	\$ (268,076,516)
Reconciling adjustments		
Depreciation	20,667,118	21,810,983
State payment for retirement obligation	10,733,027	7,152,188
Changes in net assets:		
Receivables, net	1,271,396	(2,738,886)
Prepaid expenses	739,493	426,991
Accounts payable	2,820,113	(7,534,578)
Accrued payroll	610,396	1,092,022
Other accruals	1,379,308	(2,758,066)
Deferred salaries	380,166	(666,353)
Deposits held in custody for others	(38,752)	305,212
Deferred tuition and fees	208,222	(1,742,137)
Other liabilities	639,762	352,117
Accrued compensated absences	63,793	423,462
Sick leave benefits	(7,125,655)	(4,528,537)
Other post employment benefits	5,229,469	4,429,624
Net cash (used) by operating activities	\$ (245,373,966)	\$ (252,052,474)

The State of Illinois provided \$942,378 and \$7,356,449 of in-kind capital assets during the years ended June 30, 2007 and 2006, respectively.

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

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# Notes to Basic Financial Statements

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

**Notes to Basic Financial Statements  
June 30, 2007**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

The Public Building Commission of Chicago (PBCC) and the City Colleges of Chicago Foundation are organizations affiliated with City Colleges. These entities are not reflected in these financial statements as component units of City Colleges. The resources of PBCC are not received or held entirely or almost entirely for City Colleges, nor can City Colleges access a majority of PBCC's resources. The City Colleges of Chicago Foundation's resources are equivalent to less than 0.62% of City Colleges' net assets and, therefore, deemed not significant.

**B. Basis of Accounting**

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



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

**Notes to Basic Financial Statements**  
**June 30, 2007**

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

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

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

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

**C. Cash and Cash Equivalents**

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

**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.

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

**Notes to Basic Financial Statements  
June 30, 2007**

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

**E. Receivables**

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

**F. Allowance for Uncollectibles**

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

**G. Property Taxes**

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

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

**H. Personal Property Replacement Tax Revenue**

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

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

**Notes to Basic Financial Statements  
June 30, 2007**

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

**I. Prepaid Items and Other Assets**

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

**J. Restricted Cash and Investments**

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

**K. Capital Assets**

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

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

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

In fiscal year 2006, City Colleges changed its capitalization policy for movable property to include only items with a unit cost greater than \$25,000 and an estimated useful life greater than one year. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure and are over \$200,000 are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

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

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

**Notes to Basic Financial Statements  
June 30, 2007**

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Computer Equipment	4
Other equipment	5 - 8

**L. Deferred Revenues**

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

**M. Non-Current Liabilities**

Non-current liabilities include: (1) principal amounts of 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), other post-employment benefits and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as non-current assets. 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).

**N. Compensated Absences**

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

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

**Notes to Basic Financial Statements**  
**June 30, 2007**

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

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

*Restricted Net Assets – Expendable*

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

*Unrestricted Net Assets*

Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of City Colleges and may be used at the discretion of the governing board to meet current expenses for any purpose.

**P. Classification of Revenues and Expenses**

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

*Operating Revenue and Expenses*

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

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

**Notes to Basic Financial Statements  
June 30, 2007**

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

**Q. Tuition and Fees**

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

**R. Income Taxes**

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

**S. Use of Estimates**

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

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

**Notes to Basic Financial Statements**  
**June 30, 2007**

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

**T. New Accounting Standards**

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* is effective for financial statements for periods beginning after December 14, 2004. In fiscal year 2006, City Colleges implemented this standard with no financial impact.

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. In fiscal year 2006, City Colleges implemented this standard.

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, 2006. In fiscal year 2006, City Colleges implemented this standard. (See Note 15)

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. In fiscal year 2006, City Colleges implemented this standard with no financial impact.

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. In fiscal year 2006, City Colleges implemented this standard with no financial impact.

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

**Notes to Basic Financial Statements  
June 30, 2007**

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**2. DEPOSITS AND INVESTMENTS**

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

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

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

**Deposits**

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

**Investments**

In accordance with its investment policy, City Colleges limits its exposure to **interest rate risk** by maintaining substantial balances in money market funds and limiting maturities to not more than two years at the time of purchase, 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, as noted above.



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

**Notes to Basic Financial Statements  
June 30, 2007**

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

**Investments** *(Continued)*

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

***Concentration of credit risk*** – At June 30, 2007 and 2006 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 investment in derivatives.

Investments are commingled in order to maximize earnings

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

The carrying amount of its investments at June 30, 2007, which approximates fair value, is \$261,890,581. The amount at June 30, 2006 was \$204,306,291.

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

**Notes to Basic Financial Statements  
June 30, 2007**

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

**Investments** (Continued)

City Colleges' investments are shown in the following tables:

Investment Type	S&P Rating	June 30, 2007	Investment Maturities (in years)	
		Fair Value	Less Than 1	1 - 2
US Treasury Obligations	AAA	\$ 30,145,298	\$ 30,145,298	\$ -
Federal Agency Securities	AAA	11,184,437	10,535,262	649,175
Federal National Mortgage Assoc.	AAA	13,207,622	9,474,855	3,732,767
Illinois Funds (Money Market)	AAAm	16,514,442	16,514,442	-
Illinois Funds (Prime)	AAAm	165,648,542	165,648,542	-
Money Market Mutual Funds	n/a	25,190,240	25,190,240	-
Total investments		<u>\$ 261,890,581</u>	<u>\$ 257,508,639</u>	<u>\$ 4,381,942</u>

Investment Type	S&P Rating	June 30, 2006	Investment Maturities (in years)	
		Fair Value	Less Than 1	1 - 2
US Treasury Obligations	AAA	\$ 29,794,798	\$ -	\$ 29,794,798
Federal Agency Securities	AAA	10,387,150	-	10,387,150
Federal National Mortgage Assoc.	AAA	17,520,066	4,995,300	12,524,766
Tennessee Valley Authority	AAA	8,638,281	-	8,638,281
Illinois Funds (Money Market)	AAAm	21,342,281	21,342,281	-
Illinois Funds (Prime)	AAAm	89,791,107	89,791,107	-
Money Market Mutual Funds	n/a	25,836,408	25,836,408	-
Commercial Paper	P-1/A-1+	996,200	996,200	-
Total investments		<u>\$ 204,306,291</u>	<u>\$ 142,961,296</u>	<u>\$ 61,344,995</u>

n/a - not available

Per Statement of Net Assets:

	June 30, 2007	June 30, 2006
Investments:		
Short-term investments	\$ 232,318,400	\$ 117,124,888
Long-term investments	4,381,941	51,008,792
Restricted investments	25,190,240	36,172,611
Total Investments	<u>\$ 261,890,581</u>	<u>\$ 204,306,291</u>

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

**Notes to Basic Financial Statements  
June 30, 2007**

**3. OTHER ACCOUNTS RECEIVABLE**

City Colleges' other accounts receivable consist of the following:

	<b>June 30</b>	
	<b>2007</b>	<b>2006</b>
Student	\$ 9,367,314	\$ 9,200,863
Grants	5,880,134	8,070,018
Capital improvement	6,938,384	35,378,332
Other	1,345,241	1,667,872
Gross other accounts receivable	23,531,073	54,317,085
Less: Allowance for uncollectibles	(6,430,332)	(5,315,116)
Net other accounts receivable	\$ 17,100,741	\$ 49,001,969

**4. RESTRICTED ASSETS**

City Colleges' restricted assets consist of the following:

	<b>June 30</b>	
	<b>2007</b>	<b>2006</b>
(A) Cash	\$ 5,948,146	\$ 4,789,133
(B) Funds held by PBCC	24,893,296	41,954,126
(C) Restricted investments	25,190,240	36,172,611
Total restricted assets	\$ 56,031,682	\$ 82,915,870

Restricted for:

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

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

**Notes to Basic Financial Statements  
June 30, 2007**

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**5. CAPITAL ASSETS**

On August 8, 2000, the City of Chicago agreed to provide the funds for a capital improvement program, which included the construction of Kennedy-King Campus and other capital renovations. The City of Chicago had a balance available of \$15,950,093 and \$142,072,722 for City Colleges' projects as of June 30, 2007 and 2006, respectively. 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 for payments to be made under its PBCC agreements through 2006. (See Note 4)

In fiscal year 2006, City Colleges adopted a new capitalization policy for all equipment which has a cost or net book value of \$25,000 or more with an estimated useful life greater than one year. The new policy required such amounts to be capitalized. Due to the new policy, all equipment under this threshold was retired in fiscal year 2006, which amounted to \$5,796,952 which increased depreciation for the year by \$2,086,480.

In fiscal year 2007, renovations were completed which had a life to date cost of \$19,765,679. In accordance with the policy explained in Note 1.K, retirements in the amount of \$9,219,909 were recorded.

In fiscal year 2006, renovations were completed which had a life to date cost of \$73,329,758. In accordance with the policy explained in Note 1.K, retirements in the amount of \$34,624,787 were recorded.

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

**Notes to Basic Financial Statements  
June 30, 2007**

**5. CAPITAL ASSETS** *(Continued)*

Capital asset activity for the years ended June 30, 2007 and 2006 is as follows:

	<b>July 1, 2006</b>	<b>Additions</b>	<b>Retirements and Transfers</b>	<b>June 30, 2007</b>
Capital assets not being depreciated:				
Land	\$ 17,388,173	\$ 2,185,867	\$ -	\$ 19,574,040
Construction work in progress	70,201,658	134,452,565	(21,951,544)	182,702,679
Subtotal	<u>87,589,831</u>	<u>136,638,432</u>	<u>(21,951,544)</u>	<u>202,276,719</u>
Capital assets being depreciated:				
Equipment	8,756,202	1,153,502	-	9,909,704
Software	28,639,679	54,600	-	28,694,279
Buildings and improvements	478,350,538	19,765,679	(9,219,909)	488,896,308
Subtotal	<u>515,746,419</u>	<u>20,973,781</u>	<u>(9,219,909)</u>	<u>527,500,291</u>
Total capital assets	<u>603,336,250</u>	<u>157,612,213</u>	<u>(31,171,453)</u>	<u>729,777,010</u>
Accumulated depreciation:				
Equipment	3,375,246	1,797,835	-	5,173,081
Software	18,722,091	3,657,210	-	22,379,301
Buildings and improvements	172,529,650	15,212,073	(9,219,909)	178,521,814
Total accumulated depreciation	<u>194,626,987</u>	<u>20,667,118</u>	<u>(9,219,909)</u>	<u>206,074,196</u>
Capital assets, net	<u>\$ 408,709,263</u>	<u>\$ 136,945,095</u>	<u>\$ (21,951,544)</u>	<u>\$ 523,702,814</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>
	<b>July 1, 2005</b>	<b>Additions</b>	<b>Retirements and Transfers</b>	<b>June 30, 2006</b>
Capital assets not being depreciated:				
Land	\$ 17,388,173	\$ -	\$ -	\$ 17,388,173
Construction work in progress	87,031,126	57,070,372	(73,899,840)	70,201,658
Subtotal	<u>104,419,299</u>	<u>57,070,372</u>	<u>(73,899,840)</u>	<u>87,589,831</u>
Capital assets being depreciated:				
Equipment	13,830,775	722,379	(5,796,952)	8,756,202
Software	28,639,679	-	-	28,639,679
Buildings and improvements	439,645,567	73,329,758	(34,624,787)	478,350,538
Subtotal	<u>482,116,021</u>	<u>74,052,137</u>	<u>(40,421,739)</u>	<u>515,746,419</u>
Total capital assets	<u>586,535,320</u>	<u>131,122,509</u>	<u>(114,321,579)</u>	<u>603,336,250</u>
Accumulated depreciation:				
Equipment	5,465,147	3,707,051	(5,796,952)	3,375,246
Software	13,351,459	5,370,632	-	18,722,091
Buildings and improvements	194,421,135	12,733,302	(34,624,787)	172,529,650
Total accumulated depreciation	<u>213,237,741</u>	<u>21,810,985</u>	<u>(40,421,739)</u>	<u>194,626,987</u>
Capital assets, net	<u>\$ 373,297,579</u>	<u>\$ 109,311,524</u>	<u>\$ (73,899,840)</u>	<u>\$ 408,709,263</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>

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**6. NET ASSETS**

The Board of Trustees of City Colleges has designated certain unrestricted net assets for capital projects. In fiscal year 2007, \$27 million was available from Board-designated current and past personal property tax balances from a bond fund that was paid off during the year. In fiscal year 2006, the Board designated \$32 million for future construction from accumulated personal property tax revenue for a total of \$36.8 million designated as of June 30, 2006.

**7. LEASES**

**A. 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.

Total costs of buildings and improvements acquired under capital leases amounted to \$391,825,192 in fiscal year 2007 and 2006. (See Note 5)

Obligations under these lease agreements as of June 30, 2007 and June 30, 2006 including principal and interest are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Other</b>	<b>Total</b>
2008	<u>\$ 31,695,000</u>	<u>\$ 1,220,258</u>	<u>\$ 2,250,000</u>	<u>\$ 35,165,258</u>
June 30, 2007	<u>\$ 31,695,000</u>	<u>\$ 1,220,258</u>	<u>\$ 2,250,000</u>	<u>\$ 35,165,258</u>
	<b>Principal</b>	<b>Interest</b>	<b>Other</b>	<b>Total</b>
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, 2006	<u>\$ 56,105,000</u>	<u>\$ 4,701,568</u>	<u>\$ 9,525,000</u>	<u>\$ 70,331,568</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.

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

**A. Capital Leases** *(Continued)*

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, 2007 and 2006 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.

**B. Operating Leases**

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

Operating lease expense was \$1,497,185 for the year ended June 30, 2007 compared to \$1,132,030 for the year ended June 30, 2006.

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

**B. Operating Leases** *(Continued)*

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

	<u>June 30, 2007</u>	
2008	\$	554,770
2009		556,487
2010		570,197
2011		587,303
2012		604,922
2013 - 2015		1,426,809
June 30, 2007	\$	<u>4,300,488</u>

	<u>June 30, 2006</u>	
2007	\$	538,612
2008		554,770
2009		556,487
2010		570,197
2011		587,303
2012 - 2015		2,031,731
June 30, 2006	\$	<u>4,839,100</u>

**8. OTHER ACCRUALS AND OTHER LIABILITIES**

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

	<u>2007</u>	<u>2006</u>
<b>Other accruals</b>		
Accrued interest payable	\$ 203,376	\$ 1,078,300
Accrued for services	2,588,692	902,110
Accrued for goods	8,157	353,412
Property taxes	37,981	-
Total other accruals	<u>\$ 2,838,206</u>	<u>\$ 2,333,822</u>
<b>Other liabilities</b>		
Self insurance	\$ 3,961,775	\$ 2,716,632
Unclaimed property	2,858,282	2,161,274
Other	1,273,918	2,576,307
Total other liabilities	<u>\$ 8,093,975</u>	<u>\$ 7,454,213</u>



**City Colleges of Chicago  
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**Notes to Basic Financial Statements  
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**9. ACCRUED PROPERTY TAXES**

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

<b>December</b>	<b>Cook County</b>	<b>DuPage County</b>
2006	\$69,473,229,020	\$6,071,637
2005	59,268,296,045	6,296,295
2004	55,302,579,309	6,543,343
2003	53,137,668,356	6,792,347
2002	45,302,653,075	6,871,030

In accordance with City Colleges' Board resolution, 50% of property taxes extended for the 2006 tax year and collected in 2007 are recorded as revenue in fiscal year 2007. The remaining revenue related to the 2006 tax year extension was deferred and will be recorded as revenue in fiscal year 2008. Based upon collection histories, City Colleges recorded real property taxes at 96% of the 2006 extended levy. Accordingly, in fiscal year 2007 City Colleges' reserve for loss and cost has been decreased to \$2,804,214. Accrued property tax refunds in 2007 decreased to \$18,498,179.

In accordance with City Colleges' Board resolution, 50% of property taxes extended for the 2005 tax year and collected in 2006 are recorded as revenue in fiscal year 2006. The remaining revenue related to the 2005 tax year extension was deferred and was recorded as revenue in fiscal year 2007. Based upon collection histories, City Colleges records real property taxes at 96% of the 2005 extended levy. Accordingly, in fiscal year 2006 City Colleges' reserve for loss and cost has been increased to \$2,860,973. Accrued property tax refunds in 2006 increased to \$18,994,259.

**10. ACCRUED COMPENSATED ABSENCES**

At June 30, 2007, City Colleges had recorded a liability of \$2,567,291 for compensated absences, and estimated that \$140,174 of these liabilities are current and due within one year. At June 30, 2006, the liability was \$2,503,498 for which City Colleges estimated that \$625,875 of these liabilities were current and due within one year. (See Note 13)

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**11. SICK LEAVE BENEFITS**

**Unused Sick Pay**

Upon the retirement, permanent disability, or death of a full-time eligible employee, it is the policy of City Colleges to pay over a 3 to 5 year period an amount equal to a percentage of the individual's accumulated unused sick days in the form of a termination benefit. Eligible employees include administrative employees and certain union-represented employees who have served continuously for 10 years or more and are eligible for an annuity under the State University Retirement System (SURS), generally at age 55. City Colleges has recorded a liability for the estimated present value of such benefits earned to date based upon an actuarial study. The method of calculating the estimated present value of an eligible employee's termination benefit liability uses the following assumptions: (1) estimated average annual salary increments of 5.5%, (2) future payments discounted by an 5.0% interest factor in 2007, and (3) estimated rates of retention as adopted from the *Actuary's Pension Handbook* adjusted for mortality in accordance with published mortality tables.

At June 30, 2007, City Colleges accrued \$16,598,357 for the estimated present value of these future retiree benefits for current employees and \$3,596,188 in benefits payable to retired employees for a total of \$20,194,545.

At June 30, 2006, City Colleges accrued \$22,191,441 for the estimated present value of these future retiree benefits for current employees and \$5,128,759 in benefits payable to retired employees for a total of \$27,320,200. (See Note 13)

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**12. 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. These bonds were retired from investments in the working cash restricted expendable – other fund in fiscal year 2006 at a premium of \$1,227,990. As of June 30, 2007, there were no bonds outstanding.

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

	<u>2007</u>	<u>2006</u>
Assessed Valuation	\$ 69,479,300,657	\$ 59,274,592,340
Debt Margin Ratio	<u>0.02875</u>	<u>0.02875</u>
Maximum Debt	1,997,529,894	1,704,144,530
Debt balance as of June 30	<u>31,695,000</u>	<u>56,105,000</u>
Remaining Debt Capacity	<u>\$ 1,965,834,894</u>	<u>\$ 1,648,039,530</u>

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

Changes in non-current liabilities for the years ended June 30, 2007 and 2006 are summarized in the table below:

	<u>July 1, 2006</u>	<u>Additions</u>	<u>Reductions/ Adjustments</u>	<u>June 30, 2007</u>	<u>Amounts due within one year</u>
Accrued compensated absences	\$ 2,503,498	\$ 3,578,782	\$ (3,514,989)	\$ 2,567,291	\$ 140,174
Sick leave benefits	27,320,200	-	(7,125,655)	20,194,545	2,655,186
Other post retirement benefits	4,429,624	12,792,179	(7,562,710)	9,659,093	-
Lease obligations	56,105,000	-	(24,410,000)	31,695,000	31,695,000
	<u>\$ 90,358,322</u>	<u>\$ 16,370,961</u>	<u>\$ (42,613,354)</u>	<u>\$ 64,115,929</u>	<u>\$ 34,490,360</u>

	<u>July 1, 2005</u>	<u>Additions</u>	<u>Reductions/ Adjustments</u>	<u>June 30, 2006</u>	<u>Amounts due within one year</u>
Accrued compensated absences	\$ 2,080,036	\$ 2,985,424	\$ (2,561,962)	\$ 2,503,498	\$ 625,875
Sick leave benefits	31,848,737	-	(4,528,537)	27,320,200	3,293,605
Other post retirement benefits	-	12,851,308	(8,421,684)	4,429,624	-
Bonds payable	30,399,472	-	(30,399,472)	-	-
Lease obligations	78,610,000	-	(22,505,000)	56,105,000	24,410,000
	<u>\$ 142,938,245</u>	<u>\$ 15,836,732</u>	<u>\$ (68,416,655)</u>	<u>\$ 90,358,322</u>	<u>\$ 28,329,480</u>

**14. EMPLOYEE RETIREMENT PENSION PLAN**

**Plan Description:** 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.

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**14. EMPLOYEE RETIREMENT PENSION PLAN** *(Continued)*

**Funding Policy:** Plan members are required to contribute 8.0% of their annual covered salary, and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The rate is 10.61%, 10.18%, and 11.12% of annual covered payroll for fiscal year 2007, 2006, and 2005, 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:

<b>Fiscal Year</b>	<b>Amount</b>
2007	\$ 10,733,027
2006	7,152,188
2005	11,004,508
2004	76,049,885

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

<b>Fiscal Year</b>	<b>Amount</b>
2007	\$ 918,262
2006	1,028,782
2005	790,100
2004	508,757

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**15. OTHER POST-EMPLOYMENT BENEFITS**

**Plan Description:** In addition to providing the pension benefits described in Note 14, City Colleges provides post-employment health care benefits (OPEB) and life insurance to retirees and their spouses. The benefits, benefit levels, employee contributions and employer contributions are governed by City Colleges and can be amended by City Colleges through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The activity of the plan is reported in City Colleges' Education sub-fund.

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

	<u>2007</u>	<u>2006</u>
<b>Membership:</b> As of June 30, 2007 and 2006, membership consisted of:		
Retirees and beneficiaries currently receiving benefits	673	658
Active employees – vested	<u>1,637</u>	<u>1,569</u>
<b>TOTAL</b>	<u>2,310</u>	<u>2,227</u>
 Participating Employers	 <u>1</u>	 <u>1</u>

**Funding Policy:** The contribution percentages are negotiated between City Colleges and the retirees. Currently, City Colleges contributes approximately 90% of the premium. For the fiscal year ended June 30, 2007, City Colleges contributed \$7,562,710.

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

*Annual OPEB Costs and Net OPEB Obligation*

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Employer Contributions</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Increase in Net OPEB Obligation</b>
June 30, 2007	\$12,792,179	\$7,562,710	59.1%	\$5,229,409
June 30, 2006	\$12,851,308	\$8,421,684	65.5%	<u>\$4,429,624</u>
<b>Total Net OPEB Obligation</b>				<u><b>\$9,659,093</b></u>

Annual OPEB Costs and Net OPEB Obligation – City Colleges’ annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2007 and 2006 were as follows:

	<u><b>2007</b></u>	<u><b>2006</b></u>
Annual Required Contribution	\$ 12,851,308	\$ 12,851,308
Interest on Net OPEB Obligation	221,481	-
Adjustment to Annual Required Contribution	<u>(280,610)</u>	<u>-</u>
Annual OPEB Cost	12,792,179	12,851,308
Contributions Made	<u>(7,562,710)</u>	<u>(8,421,684)</u>
Increase in Net OPEB Obligation	5,229,469	4,429,624
Net OPEB Obligation Beginning of Year	<u>4,429,624</u>	<u>-</u>
<b>Net OPEB Obligation End of Year</b>	<u><b>\$ 9,659,093</b></u>	<u><b>\$ 4,429,624</b></u>

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

The funded status of the plan as of June 30, 2007 and 2006 was as follows:

	<u>2007</u>	<u>2006</u>
Actuarial Value of Assets	\$ -	\$ -
Actuarial Accrued Liability (AAL)	<u>108,953,481</u>	<u>114,673,652</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$108,953,481</u>	<u>\$114,673,652</u>
Funded Ratio (actuarial value of assets/AAL)	-%	-%
Covered Payroll (active plan members)	\$92,958,918	\$87,441,937
UAAL as a Percentage of Covered Payroll (AAL less Actuarial Value of Assets / UAAL)	117.2%	131%

For the fiscal year ending June 30, 2007, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 5.00% discount rate, and an annual healthcare cost trend rate of 10.00% which gradually declines to a 5.0% by the year 2013. The actuarial value of assets was not determined as City Colleges has not advance-funded its obligation.

**16. 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



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**16. RISK MANAGEMENT** *(Continued)*

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

City Colleges follows the practice of recognizing the expenses for general liability claims in the year such settlements become probable and estimable. City Colleges has accrued for estimated future claims of \$350,300 and \$184,300 as of June 30, 2007 and 2006, respectively.

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

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

City Colleges self-insures for a portion of workers’ compensation claims and has coverage by an independent insurer for individual claims exceeding \$400,000 up to the statutory limit. The amount of liability of City Colleges is further limited by the “Local Government and Governmental Employees Tort Immunity Act.” This Act gives City Colleges the authority to levy a special judgment tax or to issue bonds to pay any workers’ compensation awards.

City Colleges estimates future claims based on a loss development factor and a specific claim reserve. City Colleges has accrued for estimated future claims of \$2,262,833 and \$1,266,000 as of June 30, 2007 and 2006, respectively. This amount is reported with “Other liabilities – Self-Insurance reserves”. Management of City Colleges believes that there are no material lawsuits or claims covered by the workers’ compensation self-insurance program that have not been adequately covered.

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**16. RISK MANAGEMENT** *(Continued)*

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

City Colleges self-insures for a portion of its health costs for eligible employees. Future claims are estimated based on historical charges and lag periods. City Colleges has accrued estimated medical expenses of \$1,348,642 and \$1,266,332 as of June 30, 2007 and 2006, respectively that have been incurred, but not claimed.

**Summary of Changes in Self-Insurance**

	<u>June 30, 2006</u>	<u>Incurred Claims</u>	<u>Payment on Claims</u>	<u>June 30, 2007</u>	<u>Amounts due within one year</u>
General liability	\$ 184,300	\$ 211,419	\$ (45,419)	\$ 350,300	\$ 350,300
Workers' compensation	1,266,000	1,813,220	(816,387)	2,262,833	2,262,833
Health insurance	<u>1,266,332</u>	<u>21,092,463</u>	<u>(21,010,153)</u>	<u>1,348,642</u>	<u>1,348,642</u>
	<u>\$ 2,716,632</u>	<u>\$ 23,117,102</u>	<u>\$ (21,871,959)</u>	<u>\$ 3,961,775</u>	<u>\$ 3,961,775</u>

	<u>June 30, 2005</u>	<u>Incurred Claims</u>	<u>Payment on Claims</u>	<u>June 30, 2006</u>	<u>Amounts due within one year</u>
General liability	\$ 805,300	\$ 270,441	\$ (891,441)	\$ 184,300	\$ 184,300
Workers' compensation	1,650,000	(52,200)	(331,800)	1,266,000	1,266,000
Health insurance	<u>1,228,208</u>	<u>22,843,516</u>	<u>(22,805,392)</u>	<u>1,266,332</u>	<u>1,266,332</u>
	<u>\$ 3,683,508</u>	<u>\$ 23,061,757</u>	<u>\$ (24,028,633)</u>	<u>\$ 2,716,632</u>	<u>\$ 2,716,632</u>

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

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

**Notes to Basic Financial Statements  
June 30, 2007**

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**17. COMMITMENTS AND CONTINGENCIES**

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

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# Statistical Section

*This part of City Colleges of Chicago's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and notes disclosures says about the college's overall financial health.*

## **Financial Trends**

These schedules contain trend information to help the reader understand how the college's financial performance and well-being have changed over time.

## **Revenue Capacity**

These schedules contain information to help the reader assess the college's most significant local revenue source, the property tax and tuition and fees revenue.

## **Debt Capacity**

These schedules present information to help the reader assess the affordability of the college's current levels of outstanding debt and the college's ability to issue additional debt in the future.

## **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within the college's financial activities take place.

## **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the college's financial report relates to the services the college provides and the activities it performs.

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The college implemented GASB Statement No. 34 and 35 in 2002; schedules presenting college - wide information include information beginning in that year.

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

**Table A**

**Financial Trends  
Net Assets by Component (Unaudited)  
Last Six Fiscal Years**

	<b>Fiscal Year Ended June 30</b>					
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Net Assets:</b>						
Invested in Capital Assets:						
Net of Related Debt	\$ 148,929,726	\$ 177,343,175	\$ 236,347,069	\$ 294,687,579	\$ 352,604,264	\$ 492,006,098
Restricted for expendable:						
Capital Projects	28,638,527	39,582,014	42,869,202	40,141,921	44,140,970	66,015,755
Lease Obligations	50,754,925	46,428,742	40,948,750	35,519,213	31,071,292	23,795,853
Other	15,926,240	25,492,094	29,270,135	29,343,965	64,113,553	69,032,703
Unrestricted:	<u>30,144,800</u>	<u>32,103,031</u>	<u>40,530,686</u>	<u>73,393,636</u>	<u>63,823,389</u>	<u>64,382,218</u>
<b>Total Net Assets</b>	<u>\$ 274,394,218</u>	<u>\$ 320,949,056</u>	<u>\$ 389,965,842</u>	<u>\$ 473,086,314</u>	<u>\$ 555,753,468</u>	<u>\$ 715,232,627</u>

**Source:** City Colleges of Chicago Comprehensive Annual Financial Reports

**Note:** The College implemented GASB Statements No. 34 and 35 for the year ended June 30, 2002

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

**Table B**

**Financial Trends  
Changes in Net Assets (Unaudited)  
Last Six Fiscal Years**

	Fiscal Year Ended June 30					
	2002	2003	2004	2005	2006	2007
<b>Operating Revenues:</b>						
Student tuition and fees (net of scholarship allowances)	\$ 22,822,647	\$ 26,486,436	\$ 35,409,540	\$ 37,807,639	\$ 39,919,583	\$ 35,352,547
Other operating revenues	5,345,493	11,385,809	5,276,250	6,245,354	8,277,517	7,130,296
Total operating revenues	<u>28,168,140</u>	<u>37,872,245</u>	<u>40,685,790</u>	<u>44,052,993</u>	<u>48,197,100</u>	<u>42,482,843</u>
<b>Operating Expenses:</b>						
Instructional staff	68,151,899	66,589,968	70,192,004	74,456,743	77,081,414	79,978,494
Noninstructional staff	78,527,624	77,245,757	76,221,015	71,228,064	79,361,358	85,211,555
Fringe benefits*	35,021,557	43,406,839	108,456,188	37,128,733	35,479,612	38,573,600
Supplies	12,579,821	14,499,572	10,733,666	13,422,448	14,115,136	18,458,080
Professional development	1,244,631	2,069,087	2,749,023	1,562,422	2,018,035	2,285,888
Equipment not capitalized	3,496,927	833,329	2,846,325	5,176,669	2,291,005	2,775,642
Utilities	8,749,080	9,948,583	9,269,574	9,291,553	10,373,592	10,558,453
Contractual services	38,952,530	45,409,468	29,040,151	35,254,654	37,894,971	36,639,498
Depreciation	13,709,510	15,726,785	16,378,082	16,800,331	21,810,983	20,667,118
Financial aid (net of scholarship allowances)	19,219,247	22,395,492	34,270,087	34,141,440	31,470,269	26,031,017
Other expenses	1,981,149	2,087,540	6,021,302	3,841,210	4,377,241	4,255,320
Total operating expenses	<u>281,633,975</u>	<u>300,212,420</u>	<u>366,177,417</u>	<u>302,304,267</u>	<u>316,273,616</u>	<u>325,434,665</u>
Operating loss	<u>(253,465,835)</u>	<u>(262,340,175)</u>	<u>(325,491,627)</u>	<u>(258,251,274)</u>	<u>(268,076,516)</u>	<u>(282,951,822)</u>
<b>Nonoperating revenues (expenses):</b>						
State apportionment and equalization	45,980,914	45,831,544	38,700,335	36,692,418	38,580,616	41,498,443
Other state grants and contracts*	47,952,249	53,927,508	104,710,804	52,507,309	48,190,000	54,901,471
Local grants and contracts	12,111,253	2,470,598	4,102,542	4,304,120	3,616,535	4,900,467
Local property taxes	88,989,439	78,370,096	77,538,041	90,808,565	101,823,185	107,099,097
Property taxes for lease obligations	34,982,532	36,169,927	39,537,136	35,165,454	29,592,741	30,099,651
Personal property replacement tax	8,236,280	7,634,382	8,676,779	10,499,413	13,307,576	14,518,747
Federal grants and contracts	50,646,126	58,775,669	63,091,461	65,190,589	62,483,048	57,549,889
Litigation settlement	-	-	10,302,934	-	-	-
Investment income	8,255,840	5,136,446	2,778,234	4,893,017	8,264,368	13,311,136
Building lease and interest payments on debt	<u>(17,306,464)</u>	<u>(15,962,262)</u>	<u>(14,226,778)</u>	<u>(12,531,839)</u>	<u>(12,687,374)</u>	<u>(6,873,136)</u>
Nonoperating revenues, net	<u>279,848,169</u>	<u>272,353,908</u>	<u>335,211,488</u>	<u>287,529,046</u>	<u>293,170,695</u>	<u>317,005,765</u>
Income before capital appropriations and grants	26,382,334	10,013,733	9,719,861	29,277,772	25,094,179	34,053,943
Capital appropriations and grants	10,340,593	36,541,105	58,790,925	53,842,700	57,572,975	125,425,216
Change in net assets	<u>\$ 36,722,927</u>	<u>\$ 46,554,838</u>	<u>\$ 68,510,786</u>	<u>\$ 83,120,472</u>	<u>\$ 82,667,154</u>	<u>\$ 159,479,159</u>

**Source:** City Colleges of Chicago Comprehensive Annual Financial Reports

**Note:** The College implemented GASB Statements No. 34 and 35 for the year ended June 30, 2002

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

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

**Table C**

**Revenue Capacity  
Assessed and Estimated Actual Value of Taxable Property (Unaudited)**

<b>Year of Levy</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Farm Property</b>	<b>Railroad Property</b>	<b>DuPage County Unallocated</b>	<b>Assessed Valuation</b>	<b>Total Direct Rate</b>	<b>Estimated Actual Value</b>
2006	-----Not Available-----						\$69,479,300,657	0.205	\$ 208,437,901,971
2005	-----Not Available-----						59,274,592,340	0.234	177,823,777,020
2004	28,155,943,958	20,900,364,460	6,125,933,343	-	63,041,595	63,839,296	55,309,122,652	0.243	165,927,367,956
2003	26,150,073,225	20,928,519,965	5,997,262,932	-	61,877,234	6,727,347	53,144,460,703	0.246	159,433,382,109
2002	20,880,556,309	18,485,102,889	5,581,902,610	-	355,091,267	6,871,030	45,309,524,105	0.280	135,928,572,315
2001	18,697,129,966	17,647,815,572	5,279,901,861	-	333,824,267	6,946,706	41,965,618,372	0.308	125,896,855,116
2000	17,587,437,246	17,474,872,995	5,097,166,824	-	300,016,446	6,946,706	40,466,440,217	0.312	121,399,320,651
1999	13,508,478,796	16,665,333,608	4,892,107,543	-	269,353,759	7,161,622	35,342,435,328	0.346	106,027,305,984
1998	12,694,815,239	16,231,862,960	4,742,894,261	-	254,711,907	7,217,973	33,931,502,340	0.352	101,794,507,020
1997	12,271,769,846	16,009,616,310	4,795,492,999	-	257,707,487	8,042,479	33,342,629,121	0.355	100,027,887,363

**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  
Community College District No. 508**

**Table D**

**Revenue Capacity  
Property Tax Rates - Direct and Overlapping Governments (Unaudited)**

		Ten years for tax levy year									
<b>Taxing Bodies</b> <i>(per \$100 of assessed valuation)</i>	Legal Limit	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
<b>City Colleges of Chicago</b>											
Audit Fund	\$ 0.005	\$ 0.002	\$ 0.001	\$ 0.001	\$ 0.001	\$ 0.001	\$ 0.001	\$ 0.001	\$ 0.002	\$ -	\$ 0.002
Tort Liability	N/A	0.005	0.005	0.009	0.009	0.013	0.011	0.014	0.010	0.007	0.009
Education Fund	0.175	0.116	0.133	0.136	0.130	0.144	0.156	0.142	0.165	0.159	0.159
Operations and Maintenance Fund	0.050	0.039	0.043	0.041	0.023	0.026	0.042	0.027	0.047	0.045	0.046
PBCC Operations & Maintenance	N/A	-	-	-	0.025	0.028	0.013	0.038	0.019	0.034	0.030
PBCC Rental	N/A	0.043	0.052	0.056	0.058	0.068	0.085	0.090	0.103	0.107	0.109
Total City Colleges of Chicago Rate		<u>\$ 0.205</u>	<u>\$ 0.234</u>	<u>\$ 0.243</u>	<u>\$ 0.246</u>	<u>\$ 0.280</u>	<u>\$ 0.308</u>	<u>\$ 0.312</u>	<u>\$ 0.346</u>	<u>\$ 0.352</u>	<u>\$ 0.355</u>
<b>Overlapping Rates</b>											
Chicago Board of Education		\$ 2.697	\$ 3.026	\$ 3.104	\$ 3.142	\$ 3.562	\$ 3.744	\$ 3.714	\$ 4.104	\$ 4.172	\$ 4.084
School Finance Authority		0.118	0.127	0.177	0.151	0.177	0.223	0.223	0.255	0.268	0.270
City of Chicago		1.062	1.243	1.302	1.380	1.591	1.637	1.660	1.860	1.998	2.024
Chicago Park District		0.379	0.443	0.455	0.464	0.545	0.567	0.572	0.627	0.653	0.665
Metropolitan Water Reclamation District		0.284	0.315	0.347	0.361	0.371	0.401	0.415	0.419	0.444	0.451
Cook County		0.500	0.533	0.593	0.630	0.690	0.746	0.824	0.854	0.911	0.919
Cook County Forest Preserve		0.057	0.060	0.060	0.059	0.061	0.067	0.069	0.070	0.072	0.074
South Cook County Mosquito Abatement		0.007	0.010	-----Not Available-----							
Total Overlapping Rate		<u>\$ 5.104</u>	<u>\$ 5.757</u>	<u>\$ 6.038</u>	<u>\$ 6.187</u>	<u>\$ 6.997</u>	<u>\$ 7.385</u>	<u>\$ 7.477</u>	<u>\$ 8.189</u>	<u>\$ 8.518</u>	<u>\$ 8.487</u>
Total Rate		<u>\$ 5.309</u>	<u>\$ 5.991</u>	<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>
<b>Tax Extensions (\$ thousands)</b>											
Audit Fund		\$ 1,567	\$ 600	\$ 396	\$ 384	\$ 548	\$ 330	\$ 355	\$ 788	\$ 113	\$ 735
Tort Liability		3,092	3,000	4,753	4,973	6,042	4,408	5,613	3,481	2,431	2,980
Education Fund		80,865	79,131	75,386	69,169	65,098	65,580	57,418	58,640	54,093	53,393
Operations and Maintenance Fund		26,799	25,160	22,427	12,233	11,770	17,437	10,836	16,671	15,380	15,187
PBCC Operations & Maintenance		-	-	8,227	13,078	12,584	5,549	15,179	6,589	11,625	9,926
PBCC Rental		29,496	30,796	22,643	30,800	30,801	35,507	36,490	36,444	36,450	36,450
		<u>\$ 141,819</u>	<u>\$ 138,687</u>	<u>\$ 133,832</u>	<u>\$ 130,637</u>	<u>\$ 126,843</u>	<u>\$ 128,811</u>	<u>\$ 125,891</u>	<u>\$ 122,613</u>	<u>\$ 120,092</u>	<u>\$ 118,671</u>

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

**Table E**

**Revenue Capacity  
Principal Property Taxpayers (Unaudited)  
Current Year and Nine Years Ago**

Taxpayer	2006			1998		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation
Sears Tower	\$ 493,803	1	0.71%	\$ 301,947	1	0.89%
AON Center	356,510	2	0.51%	-----Not Available-----		
AT&T Corporate Center 1	283,387	3	0.41%	159,556	5	0.47%
Prudential Plaza	279,532	4	0.40%	164,168	4	0.48%
Chase Tower	238,266	5	0.34%	-----Not Available-----		
Water Tower Place	219,995	6	0.32%	-----Not Available-----		
Northwestern Atrium	205,854	7	0.30%	-----Not Available-----		
Leo Burnett Building	201,662	8	0.29%	108,058	9	0.32%
Three First National Plaza	196,044	9	0.28%	116,616	8	0.34%
One North Wacker	189,061	10	0.27%	-----Not Available-----		
Bank One Plaza	-----Not Available-----			185,930	3	0.55%
Hyatt Regency Hotel	-----Not Available-----			219,910	2	0.65%
Amoco Building	-----Not Available-----			130,962	6	0.39%
Citicorp Plaza	-----Not Available-----			130,726	7	0.39%
Chicago Mercantile Exchange	-----Not Available-----			106,235	10	0.31%
	<u>\$ 2,664,114</u>		<u>3.83%</u>	<u>\$ 1,624,108</u>		<u>4.79%</u>

**Source:** Cook County Assessor's Office – 2006 is latest data available.

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

Taxable assessed value in thousands of dollars

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

**Table F**

**Revenue Capacity  
Property Tax Levies and Collections (Unaudited)  
Last Ten Levy Years**

Levy Year	Tax Levied	Collections/(Refunds) within the fiscal year ended June 30,										Total Collections to Date	
		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Amount	Percentage of Levy
1996	\$ 115,931,712	\$ 62,945,051	\$ 287,340	\$ (369,966)	\$ (516,680)	\$ (791,165)	\$ (1,367,028)	\$ (356,835)	\$ (222,630)	\$ (64,888)	\$ (95,479)	\$ 110,948,217	95.70%
1997	118,671,367	53,904,577	60,835,863	2,397,976	(268,066)	(218,209)	(619,440)	(1,044,531)	(315,377)	(211,755)	(150,946)	114,310,092	96.32%
1998	120,092,033	-	53,900,323	61,570,097	2,913,735	112,070	(562,307)	(365,785)	(830,021)	(235,403)	(92,854)	116,409,855	96.93%
1999	122,612,901	-	-	55,972,551	64,503,521	888,651	(543,414)	231,974	(242,276)	(951,799)	(82,768)	119,776,440	97.69%
2000	125,890,543	-	-	-	57,683,497	67,419,102	(594,823)	(313,171)	(549,396)	(252,131)	(304,426)	123,088,652	97.77%
2001	128,811,006	-	-	-	-	58,939,995	69,785,407	(458,092)	(528,865)	(262,454)	(245,214)	127,230,777	98.77%
2002	126,843,090	-	-	-	-	-	59,801,580	64,333,957	590,991	(73,577)	(251,166)	124,401,785	98.08%
2003	130,637,356	-	-	-	-	-	-	59,482,691	69,313,832	604,954	(987,368)	128,414,109	98.30%
2004	133,832,242	-	-	-	-	-	-	-	60,247,374	71,345,425	868,392	132,461,191	98.98%
2005	138,687,813	-	-	-	-	-	-	-	-	63,708,323	72,945,995	136,654,318	98.53%
2006	142,420,119	-	-	-	-	-	-	-	-	-	64,542,937	64,542,937	45.32%

Source: College and Cook County Treasurer's Tax Records

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

**Table G**

**Revenue Capacity  
Enrollment, Tuition and Fee Rates, Credit Hours, Tuition and Fee Revenues Generated (Unaudited)  
Last Ten Fiscal Years**

Fiscal Year	Fall Term 8th Day Enrollment			In District Tuition & Fees per Semester Hr	Out of District Tuition & Fees per Semester Hr	Out of State Tuition & Fees per Semester Hr	Total Semester Credit Hrs Generated	Tuition & Fees Revenue	Less: Scholarships and Allowances (1)	Tuition & Fees Revenue (Net)
	FTE Credit Courses	Headcount Credit Courses	Headcount Noncredit Courses							
1998	19,200	47,852	124,847	45.00	142.98	201.84	1,355,397	40,474,890	-	40,474,890
1999	19,460	48,684	117,154	47.50	135.39	197.62	1,322,612	42,786,092	-	42,786,092
2000	19,094	48,463	111,736	47.50	140.36	210.45	1,223,659	43,039,430	-	43,039,430
2001	18,551	46,035	114,336	47.50	153.61	224.73	1,206,253	47,752,546	-	47,752,546
2002	19,649	47,240	110,506	50.00	166.24	243.06	1,233,097	54,958,668	(32,136,031)	22,822,637
2003	21,403	49,484	104,349	52.00	174.50	254.29	1,266,802	55,782,322	(29,295,886)	26,486,436
2004	22,007	49,908	90,383	52.00	174.50	254.29	1,070,621	56,243,960	(20,834,420)	35,409,540
2005	22,135	50,217	79,355	62.00	229.21	314.95	1,164,887	63,734,062	(25,926,423)	37,807,639
2006	20,950	47,181	68,279	67.00	162.65	266.20	1,085,936	67,578,330	(27,658,747)	39,919,583
2007	20,647	47,031	63,675	72.00	180.83	291.61	1,064,630	69,513,402	(34,160,855)	35,352,547

**Source:** City Colleges of Chicago Comprehensive Annual Financial Reports

**(1)** Prior to GASB 34 and 35, which City Colleges of Chicago implemented for the fiscal year ended June 30, 2002,

Tuition and Fees revenues were reported net of scholarship and allowances.

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

**Table H**

**Debt Capacity  
Ratios of Net General Bonded Debt Outstanding (Unaudited)  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Capital Leases</b>	<b>Total Outstanding Debt</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Per Capita</b>
1998	35,915,612	194,935,000	230,850,612	0.23%	82.39
1999	35,773,255	181,855,000	217,628,255	0.21%	77.67
2000	35,389,724	167,780,000	203,169,724	0.19%	72.51
2001	34,806,200	152,615,000	187,421,200	0.15%	64.72
2002	33,922,663	136,661,521	170,584,184	0.14%	58.90
2003	32,739,132	118,545,000	151,284,132	0.11%	52.24
2004	32,218,928	99,375,000	131,593,928	0.08%	45.44
2005	30,399,472	78,610,000	109,009,472	0.07%	37.64
2006	-	56,105,000	56,105,000	0.03%	19.37
2007	-	31,695,000	31,695,000	0.02%	11.19

**Note:** Details of the City Colleges' outstanding bonded debt can be found in the notes to the financial statements.

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

**Table I**

**Debt Capacity  
Computation of Direct and Overlapping Debt (Unaudited)**

(Thousands \$)	As of June 30, 2007		Amount Applicable to District
	Outstanding Bonds	% Applicable to District	
Overlapping Debt <sup>(1)</sup>			
City of Chicago	\$ 6,976,689	100.00%	\$ 6,976,689
Chicago Board of Education <sup>(2)</sup>	4,527,391	100.00%	4,527,391
Chicago School Finance Authority	127,795	100.00%	127,795
Chicago Park District <sup>(3)</sup>	861,865	100.00%	861,865
Metropolitan Water Reclamation District of Greater Chicago	1,521,282	49.14%	747,558
Cook County	3,022,505	48.16%	1,455,638
Cook County Forest Preserve District	<u>127,185</u>	48.16%	<u>61,252</u>
Subtotal	\$ 17,164,712		\$ 14,758,188
<b>Direct Debt</b>			
City Colleges of Chicago			<u>31,695</u>
Net Direct and Overlapping Debt			<u>\$ 14,789,883</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**

**Debt Capacity  
Legal Debt Margin Information (Unaudited)  
Last Ten Fiscal Years**

<b>Fiscal year ended June 30,</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Legal debt limit	\$ 958,600,587	\$ 975,530,692	\$ 1,016,095,016	\$ 1,163,410,156	\$ 1,206,511,528	\$ 1,302,648,818	\$ 1,527,903,245	\$ 1,590,137,276	\$ 1,704,144,530	\$ 1,997,529,894
Total net debt applicable to limit	(35,915,612)	(35,773,255)	(35,389,724)	(34,806,200)	(33,922,663)	(32,739,132)	(32,218,928)	(30,399,472)	-	-
Legal debt margin	<u>\$ 922,684,975</u>	<u>\$ 939,757,437</u>	<u>\$ 980,705,292</u>	<u>\$ 1,128,603,956</u>	<u>\$ 1,172,588,865</u>	<u>\$ 1,269,909,686</u>	<u>\$ 1,495,684,317</u>	<u>\$ 1,559,737,804</u>	<u>\$ 1,704,144,530</u>	<u>\$ 1,997,529,894</u>
Total net debt applicable to the limit as a percentage of debt limit	4%	4%	3%	3%	3%	3%	2%	2%	0%	0%

**Legal Debt Margin Calculation for Fiscal 2007**

Assessed Value	\$ 69,479,300,657
Legal debt margin	<u>2.875%</u>
Debt limit	\$ 1,997,529,894
Debt applicable to limit General obligation bonds	<u>-</u>
Legal debt margin	<u>\$ 1,997,529,894</u>

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

**Table K**

**Demographic and Economic Information  
Demographic and Economic Statistics (Unaudited)  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>(A) Population</b>	<b>Personal Income (in thousands)</b>	<b>Per Capita Personal Income (B) (in thousands)</b>	<b>Unemployment Rate (C)</b>
2007	2,833,321	-----Not Available-----		
2006	2,842,753	-----Not Available-----		5.20%
2005	2,860,646	-----Not Available-----		7.00%
2004	2,875,842	-Not Available-	37,030	7.50%
2003	2,889,446	102,298,869	35,324	8.10%
2002	2,898,075	102,009,268	35,224	8.30%
2001	2,896,375	100,735,021	34,784	6.80%
2000	2,896,021	98,232,863	33,920	5.50%
1999	2,783,726	88,166,170	31,672	5.90%
1998	2,783,726	85,961,459	30,880	5.90%

**Sources:** (A) US Census Bureau. The census is conducted decennially at the start of each decade.

(B) Bureau of Economic Analysis. These rates are for Cook County.

(C) Illinois Workforce Info Center Website, prior information has been updated to reflect the most current data available.



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

**Table L**

**Demographic and Economic Information  
Non-Government Principal Employers (Unaudited)  
Last One Year**

<b>Employer</b>	<b>Rank</b>	<b>City of Chicago Number of Employees</b>	<b>% of City of Chicago Area Employment</b>
J.P. Morgan Chase and Co.	1	8,979	0.82%
United Airlines	2	5,944	0.55%
Jewel Food Stores	3	5,453	0.50%
Northern Trust	4	4,610	0.42%
Accenture, LLP	5	4,470	0.41%
SBC / AT&T	6	3,834	0.35%
American Airlines	7	3,750	0.34%
Ford Motor Company	8	3,480	0.32%
Bonded Maintenance Company	9	3,298	0.30%
Bank of America	10	3,108	0.29%
		<u>46,926</u>	<u>4.30%</u>

**Source:** City of Chicago, Department of Revenue, Employers Expense Tax Return

**Note:** Beginning with the current year, City Colleges of Chicago will begin to accumulate data to arrive at data for the current year and the nine years prior.

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

**Table M**  
**Demographic and Economic Information**  
**Employee Data (Unaudited)**  
**Last Five Fiscal Years**

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	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Teaching faculty	1,189	1,845	1,832	1,758	1,743
Administrative taff	233	113	115	112	111
Professional staff	1,047	522	613	779	883
Civil service	401	1,424	1,459	1,345	1,324

**Data Source:** College records

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

**Table N**

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

<u>Fiscal Year</u>	<u>Total</u>	<u>Baccalaureate</u>	<u>Business</u>	<u>Occupational Technical</u>	<u>Health</u>	<u>Remedial Development</u>	<u>Adult Basic Secondary Education</u>
2007	1,064,630	364,616	42,264	68,539	49,603	107,499	432,110
2006	1,085,936	364,953	46,687	63,597	50,544	105,785	454,370
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

**Data Source:** College records

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

**Table O**

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

<b>Headcount</b>				
<b>Fiscal Year</b>	<b>Credit</b>	<b>Adult Ed</b>	<b>Other</b>	<b>Total</b>
2007	47,031	39,643	24,032	110,706
2006	47,181	43,308	24,971	115,460
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

<b>Full-time Equivalent</b>				
<b>Fiscal Year</b>	<b>Credit</b>	<b>Adult Ed</b>	<b>Other</b>	<b>Total</b>
2007	20,647	15,659	3,682	39,988
2006	20,950	17,286	3,314	41,550
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	5,274	49,436
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

**Data Source:** College records

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

**Table P**

**Operating Information  
Capital Assets Statistics (Unaudited)  
Last Six Fiscal Years**

<b>Capital Asset Type</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Land	\$ 17,388,173	\$ 17,388,173	\$ 17,388,173	\$ 17,388,173	\$ 17,388,173	\$ 19,574,040
Construction in process	-	20,923,300	72,653,608	87,031,126	70,201,658	182,702,679
Equipment	20,723,346	23,851,739	25,631,007	13,830,775	8,756,202	9,909,704
Buildings and improvements	426,299,700	427,289,258	426,685,662	439,645,567	478,350,538	488,896,308
Software	13,156,165	14,508,609	16,081,154	28,639,679	28,639,679	28,694,279
Total Capital Assets	<u>477,567,384</u>	<u>503,961,079</u>	<u>558,439,604</u>	<u>586,535,320</u>	<u>603,336,250</u>	<u>729,777,010</u>
Less: Accumulated Depreciation	<u>(192,392,658)</u>	<u>(208,072,904)</u>	<u>(222,717,534)</u>	<u>(213,237,741)</u>	<u>(194,626,987)</u>	<u>(206,074,196)</u>
Net Capital Assets	<u>\$ 285,174,726</u>	<u>\$295,888,175</u>	<u>\$ 335,722,070</u>	<u>\$373,297,579</u>	<u>\$408,709,263</u>	<u>\$523,702,814</u>
Capital Lease Obligations	<u>\$ 136,661,521</u>	<u>\$118,545,000</u>	<u>\$ 99,375,000</u>	<u>\$ 78,610,000</u>	<u>\$ 56,105,000</u>	<u>\$ 31,695,000</u>

Data Source: Summary of Capital Assets Schedule, See Note 5

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

**Table Q**

**Operating Information (Unaudited)  
Miscellaneous Statistics**

<b><i>Founded</i></b>	<b>1911</b>	
Accreditation by North Central Association of Colleges and Schools		
	<b>Most Recent Accreditation</b>	<b>Next Review</b>
Daley	2000-01	2010-11
Harold Washington	1998-99	2008-09
Kennedy-King	2005-06	2015-16
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		4,576,531
Size of district		228.5 square miles
Counties served		Cook and DuPage
Population of district		2,833,321
Number of full-time faculty		569
Number of part-time faculty		1174
Number of administrative staff		111
Number of classified staff		1324
Number of professional / technical staff		883
Degrees and certificates awarded (Fiscal year 2007)		8,270

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

**Table R**

**Operating Information  
Revenues and Expenditures by College (Unaudited)  
For the fiscal year ended 6/30/2007**

	<b>Daley</b>	<b>Harold Washington</b>	<b>Kennedy King</b>	<b>Malcolm X</b>	<b>Olive Harvey</b>	<b>Truman</b>	<b>Wright</b>	<b>District</b>	<b>Total</b>
<b>Revenues:</b>									
Local Tax Revenue	\$ 10,216,024	\$ 13,408,892	\$ 14,482,339	\$ 11,617,317	\$ 12,902,062	\$ 10,753,243	\$ 14,956,138	\$ 48,862,733	\$ 137,198,748
All Other Local Revenue	92,454	116,066	112,538	60,161	1,286,497	960,427	3,956	1,085,315	3,717,414
ICCB Grants	11,371,325	5,948,073	6,900,399	10,663,375	5,309,005	15,391,731	9,333,536	1,371,817	66,289,261
All Other State Revenue	2,351,599	4,053,244	2,353,630	2,260,140	2,119,666	2,377,153	2,073,838	16,307,103	33,896,373
Federal Revenue	7,365,831	10,547,511	9,287,224	8,983,438	6,167,736	7,829,532	8,366,896	1,001,721	57,549,889
Student Tuition and Fees	9,036,306	15,657,894	10,121,731	6,804,444	5,820,751	9,912,740	12,159,535	-	69,513,401
All Other Revenue	535,185	895,572	1,762,948	656,268	333,175	1,229,315	1,467,897	14,999,391	21,879,751
Total Revenue before Capital Appropriations	40,968,724	50,627,252	45,020,809	41,045,143	33,938,892	48,454,141	46,361,796	83,628,080	390,044,836
Capital Appropriations	-	-	-	-	-	-	-	125,425,216	125,425,216
Total Revenue	\$ 40,968,724	\$ 50,627,252	\$ 45,020,809	\$ 41,045,143	\$ 33,938,892	\$ 48,454,141	\$ 46,361,796	\$ 209,053,296	\$ 515,470,052
<b>Expenditures by program</b>									
Instruction	\$ 12,742,222	\$ 16,389,043	\$ 15,448,207	\$ 11,183,429	\$ 9,857,160	\$ 17,398,698	\$ 16,189,786	\$ 459,048	\$ 99,667,593
Academic Support	3,119,590	3,176,187	3,592,631	3,658,016	1,944,480	3,067,332	3,876,696	7,912,465	30,347,397
Student Services	3,167,994	4,085,575	2,920,756	2,756,313	4,784,806	6,147,092	3,830,080	333,331	28,025,947
Public Service/Continuing Education	469,815	1,853,000	1,792,040	800,822	739,478	2,490,466	1,200,467	1,553,492	10,899,580
Organized Research	-	370,127	-	-	-	11,238	-	186,910	568,275
Auxiliary Services	479,061	7,364	-	846	238,291	40,145	557,270	-	1,322,977
Operations and Maintenance	12,373,002	6,863,310	9,617,177	9,110,620	5,141,877	8,922,825	9,121,517	(2,414,432)	58,735,896
Institutional Support	4,153,140	4,569,913	4,017,948	4,196,111	3,387,877	4,652,302	4,993,230	34,668,673	64,639,194
Scholarships, Grants, Waivers	8,517,056	13,284,590	10,230,643	8,334,085	6,747,194	6,423,514	7,401,564	845,392	61,784,038
Total Expenditures	\$ 45,021,880	\$ 50,599,109	\$ 47,619,402	\$ 40,040,242	\$ 32,841,163	\$ 49,153,612	\$ 47,170,610	\$ 43,544,879	\$ 355,990,897

Excludes SURS contribution of \$10,733,027

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

**Table S**

**Statement of Revenues, Expenses and Changes in Net Assets by Campus (Unaudited)  
For the fiscal year ended June 30, 2007**

<b>Revenues</b>	<b>Daley</b>	<b>Harold Washington</b>	<b>Kennedy King</b>	<b>Malcolm X</b>	<b>Olive Harvey</b>	<b>Truman</b>	<b>Wright</b>	<b>District</b>	<b>Total</b>
<b>Operating revenues:</b>									
Student tuition and fees:									
Resident	\$ 6,571,764	\$ 11,111,004	\$ 6,074,726	\$ 5,409,300	\$ 4,759,763	\$ 7,626,845	\$ 9,887,614	\$ -	\$ 51,441,016
Nonresident	1,175,840	1,944,431	597,089	421,579	126,153	838,437	505,063	-	5,608,592
Other	1,288,702	2,602,460	3,449,917	973,565	934,834	1,447,458	1,766,858	-	12,463,794
Less: Scholarship allowances	<u>(4,792,654)</u>	<u>(7,547,564)</u>	<u>(5,561,736)</u>	<u>(4,688,253)</u>	<u>(3,789,493)</u>	<u>(3,594,027)</u>	<u>(4,187,128)</u>	-	<u>(34,160,855)</u>
Net student tuition and fees	4,243,652	8,110,331	4,559,996	2,116,191	2,031,257	6,318,713	7,972,407	-	35,352,547
Other operating revenues	<u>494,925</u>	<u>864,938</u>	<u>1,736,978</u>	<u>(260,699)</u>	<u>321,488</u>	<u>1,065,340</u>	<u>1,406,622</u>	<u>1,500,704</u>	<u>7,130,296</u>
Total operating revenues	4,738,577	8,975,269	6,296,974	1,855,492	2,352,745	7,384,053	9,379,029	1,500,704	42,482,843
<b>Expenses</b>									
Operating expenses:									
Instructional salaries	10,691,556	13,509,700	10,844,094	9,155,276	7,914,535	14,038,570	13,824,763	-	79,978,494
Non - instructional salaries	8,878,298	10,118,379	11,618,086	8,971,734	8,835,258	11,869,706	9,958,527	14,961,567	85,211,555
Fringe benefits	4,290,216	5,573,158	4,945,750	4,142,858	4,029,791	5,833,630	5,462,411	4,295,786	38,573,600
Supplies	1,543,283	1,922,889	1,445,938	1,512,250	1,250,915	2,170,366	2,327,979	6,284,460	18,458,080
Professional Development	256,138	206,039	239,167	233,346	316,534	231,252	178,219	625,193	2,285,888
Equipment not capitalized	268,458	97,133	157,117	961,675	249,484	523,686	255,426	262,663	2,775,642
Utilities	967,403	660,468	2,149,677	1,321,195	880,418	1,068,954	1,062,773	2,447,565	10,558,453
Contractual services	6,803,662	2,577,080	7,300,079	3,153,067	1,567,866	6,743,943	2,284,074	6,209,727	36,639,498
Depreciation	2,796,549	3,320,905	958,370	3,015,169	1,196,099	1,510,927	4,316,996	3,552,103	20,667,118
Financial aid, exclusive of scholarship allowances	3,457,401	5,747,256	4,392,802	4,100,521	3,017,913	2,808,947	2,506,177	-	26,031,017
Other expenses	<u>845,897</u>	<u>842,857</u>	<u>-</u>	<u>382,174</u>	<u>912,409</u>	<u>475,229</u>	<u>568,908</u>	<u>227,846</u>	<u>4,255,320</u>
Total operating expenses	<u>40,798,861</u>	<u>44,575,864</u>	<u>44,051,080</u>	<u>36,949,265</u>	<u>30,171,222</u>	<u>47,275,210</u>	<u>42,746,253</u>	<u>38,866,910</u>	<u>325,434,665</u>
Operating loss	(36,060,284)	(35,600,595)	(37,754,106)	(35,093,773)	(27,818,477)	(39,891,157)	(33,367,224)	(37,366,206)	(282,951,822)
Nonoperating revenues (expenses):									
State apportionment and equalization	7,627,027	3,754,113	4,362,291	6,638,102	3,174,103	10,029,877	5,912,930	-	41,498,443
Other state grants and contracts	7,357,215	7,776,897	6,358,450	7,453,847	5,338,377	9,417,705	7,038,591	4,160,389	54,901,471
Local grants and contracts	108,205	116,066	116,414	60,161	1,286,497	1,067,126	35,009	2,110,989	4,900,467
Local property taxes	10,216,024	13,408,892	14,482,339	11,617,317	12,902,062	10,753,243	14,956,138	18,763,082	107,099,097
Property taxes for lease obligations	-	-	-	-	-	-	-	30,099,651	30,099,651
Personal property replacement tax	-	-	-	-	-	-	-	14,518,747	14,518,747
Federal grants and contracts	7,365,831	10,547,511	9,287,224	8,983,438	6,167,736	7,829,532	6,366,896	1,001,721	57,549,889
Litigation settlement	-	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	13,311,136	13,311,136
Building lease and interest payments on debt	<u>(655,483)</u>	<u>(277,852)</u>	<u>(303,795)</u>	<u>(214,866)</u>	<u>(235,881)</u>	<u>(138,978)</u>	<u>(1,256,221)</u>	<u>(3,790,060)</u>	<u>(6,873,136)</u>
Nonoperating revenues, net	<u>32,018,819</u>	<u>35,325,627</u>	<u>34,302,923</u>	<u>34,537,999</u>	<u>28,632,894</u>	<u>38,958,505</u>	<u>33,053,343</u>	<u>80,175,655</u>	<u>317,005,765</u>
Income before capital appropriations and grants	<u>(4,041,465)</u>	<u>(274,968)</u>	<u>(3,451,183)</u>	<u>(555,774)</u>	<u>814,417</u>	<u>(932,652)</u>	<u>(313,881)</u>	<u>42,809,449</u>	<u>34,053,943</u>
Capital appropriations and grants	-	-	-	-	-	-	-	125,425,216	125,425,216
Change in net assets	<u>\$ (4,041,465)</u>	<u>\$ (274,968)</u>	<u>\$ (3,451,183)</u>	<u>\$ (555,774)</u>	<u>\$ 814,417</u>	<u>\$ (932,652)</u>	<u>\$ (313,881)</u>	<u>\$ 168,234,665</u>	<u>\$ 159,479,159</u>



# **Special Reports Section**

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# 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, 2007

	Education Fund	Operations and Maintenance Fund	Operations and Maintenance Fund (Restricted)	Bond and Interest Fund	Auxiliary Enterprises Fund	Restricted Purposes Fund **	Working Cash Fund	Investment in Plant Fund	Trust & Agency Fund	Audit Fund	Liability, Protection Settlement Fund	Building Bonds Proceeds Fund	PBC * Rental Fund	PBC * Operations and Maintenance Fund	Total
Fund Balance: July 1, 2006	#####	\$ 1,684,585	\$ 81,005,015	\$ -	\$ 5,393,204	\$ -	\$ 60,862,899	\$ 352,604,264	\$ -	\$(266,757)	\$ 2,910,424	\$ -	\$ 31,071,292	\$ 606,987	#####
<b>Revenues:</b>															
Local Tax Revenue	77,516,007	25,466,467	-	-	-	-	-	-	-	1,055,627	3,060,996	-	30,099,651	-	137,198,748
All Other Local Revenue	34,764	-	124,482,837	-	-	3,682,650	-	-	-	-	-	-	-	-	128,200,251
ICCB Grants	57,429,467	-	-	-	-	8,859,794	-	-	-	-	-	-	-	-	66,289,261
All Other State Revenue	8,301,194	-	6,218,747	-	-	19,376,432	-	942,378	-	-	-	-	-	-	34,838,751
Federal Revenue	104,900	-	-	-	-	57,444,989	-	-	-	-	-	-	-	-	57,549,889
Student Tuition and Fees	69,513,401	-	-	-	-	-	-	-	-	-	-	-	-	-	69,513,401
All Other Revenue	6,347,626	147,472	4,243,960	-	6,070,500	1,015,682	2,870,316	-	-	-	-	-	1,184,195	-	21,879,751
<b>Total Revenues</b>	#####	25,613,939	134,945,544	-	6,070,500	90,379,547	2,870,316	942,378	-	1,055,627	3,060,996	-	31,283,846	-	515,470,052
<b>Expenses</b>															
Instruction	93,457,073	981	31,000	-	62,402	6,904,541	-	(788,404)	-	-	-	-	-	-	99,667,593
Academic Support	19,374,363	-	-	-	608,267	10,431,399	-	(66,632)	-	-	-	-	-	-	30,347,397
Student Services	19,153,051	-	-	-	142,125	8,730,771	-	-	-	-	-	-	-	-	28,025,947
Public Service/Continuing Education	1,258,065	-	-	-	4,320,502	5,320,588	-	-	425	-	-	-	-	-	10,899,580
Organized Research	-	-	-	-	-	656,675	-	(88,400)	-	-	-	-	-	-	568,275
Auxiliary Services	934,409	-	-	-	388,568	-	-	-	-	-	-	-	-	-	1,322,977
Operations and Maintenance	6,820,271	27,104,077	136,724,891	-	(4,538)	190,008	-	(112,143,150)	-	-	44,337	-	-	-	58,735,896
Institutional Support	54,054,459	-	1,091,019	-	(39,094)	1,386,059	-	(25,372,870)	1,000	687,900	1,547,585	-	31,283,136	-	64,639,194
Scholarships, Grants, Waivers	4,883,806	-	-	-	354,183	56,546,049	-	-	-	-	-	-	-	-	61,784,038
<b>Total Expenses</b>	#####	27,105,058	137,846,910	-	5,832,415	90,166,090	-	(138,459,456)	1,425	687,900	1,591,922	-	31,283,136	-	355,990,897
Net Transfers	(14,000,000)	-	24,776,150	-	(3,500,000)	-	-	-	-	-	-	-	(7,276,150)	-	-
Fund Balance: June 30, 2007	#####	\$ 193,466	\$ 102,879,799	\$ -	\$ 2,131,289	\$ 213,457	\$ 63,733,215	\$ 492,006,098	\$ (1,425)	\$ 100,970	\$ 4,379,498	\$ -	\$ 23,795,852	\$ 606,987	#####

\* Public Building Commission  
\*\* excludes SURS contribution \$ 10,733,027

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

**Fiscal year ended June 30, 2007**

	<b>Fixed Asset/Debt Account Groups July 1, 2006</b>	<b>Additions</b>	<b>Deletions and Transfers</b>	<b>Fixed Asset/Debt Account Groups June 30, 2007</b>
<b>Fixed Assets</b>				
Land	\$ 17,388,173	\$ 2,185,867	\$ -	\$ 19,574,040
Construction work in progress	70,201,658	134,452,565	21,951,544	182,702,679
Buildings and Improvements	478,350,538	19,765,679	9,219,909	488,896,308
Equipment	8,756,202	1,153,502	-	9,909,704
Software	28,639,679	54,600	-	28,694,279
Accumulated Depreciation	(194,626,987)	(20,667,118)	(9,219,909)	(206,074,196)
<b>Net Fixed Assets</b>	<u>\$ 408,709,263</u>	<u>\$ 136,945,095</u>	<u>\$ 21,951,544</u>	<u>\$ 523,702,814</u>
<b>Long-term Debt</b>				
Lease obligations	\$ 56,105,000	\$ -	\$ 24,410,000	\$ 31,695,000
<b>Total Fixed Liabilities</b>	<u>\$ 56,105,000</u>	<u>\$ -</u>	<u>\$ 24,410,000</u>	<u>\$ 31,695,000</u>

**City Colleges of Chicago**  
**Community College District No. 508**  
**Operating\*\* Funds Revenues And Expenditures**  
**Uniform Financial Statement #3**  
**Fiscal year ended June 30, 2007**

<b>OPERATING REVENUES BY SOURCE</b>	<b>Education Fund</b>	<b>Operations and Maintenance Fund</b>	<b>Total Operating Funds</b>
Local Government Revenue:			
Local Taxes	\$ 77,516,007	\$ 25,466,467	\$ 102,982,474
Chargeback Revenue			-
Other	34,764	-	34,764
<b>TOTAL LOCAL GOVERNMENT</b>	<b>77,550,771</b>	<b>25,466,467</b>	<b>103,017,238</b>
State Government:			
ICCB Base Operating Grant	41,498,443		41,498,443
ICCB Equalization Grant	-		-
CPPRT	8,300,000	-	8,300,000
Other (Include other ICCB grants not listed above)	15,932,218		15,932,218
<b>TOTAL STATE GOVERNMENT</b>	<b>65,730,661</b>	<b>-</b>	<b>65,730,661</b>
Federal Government:			
Dept. of Education	104,900	-	104,900
<b>TOTAL FEDERAL GOVERNMENT</b>	<b>104,900</b>	<b>-</b>	<b>104,900</b>
Student Tuition and Fees			
Tuition	57,049,607	-	57,049,607
Fees	12,463,794	-	12,463,794
<b>TOTAL TUITION AND FEES</b>	<b>69,513,401</b>	<b>-</b>	<b>69,513,401</b>
Other Sources			
Sales and Service Fees	179,670	-	179,670
Facilities Revenue	634,948	147,472	782,420
Investment Revenue	5,176,323		5,176,323
Other	356,685		356,685
<b>TOTAL OTHER REVENUE</b>	<b>6,347,626</b>	<b>147,472</b>	<b>6,495,098</b>
<b>TOTAL REVENUE</b>	<b>219,247,359</b>	<b>25,613,939</b>	<b>244,861,298</b>
Less: Non-Operating Items *			
Tuition Chargeback Revenue	-	-	-
<b>ADJUSTED REVENUE</b>	<b>\$ 219,247,359</b>	<b>\$ 25,613,939</b>	<b>\$ 244,861,298</b>
<b>OPERATING EXPENDITURES</b>			
<b>BY PROGRAM</b>			
Instruction	\$ 93,457,073	\$ 981	\$ 93,458,054
Academic Support	19,374,363	-	19,374,363
Student Services	19,153,051	-	19,153,051
Public Service/Continuing Education	1,258,065	-	1,258,065
Organized Research	-	-	-
Auxiliary Services	934,409	-	934,409
Operations and Maintenance	6,820,271	27,104,077	33,924,348
Institutional Support	54,054,459	-	54,054,459
Scholarships, Grants, Waivers	4,883,806	-	4,883,806
<b>TOTAL EXPENDITURES</b>	<b>199,935,497</b>	<b>27,105,058</b>	<b>227,040,555</b>
Less Non-Operating Items*			
Tuition Chargeback	-	-	-
<b>ADJUSTED EXPENDITURES</b>	<b>\$ 199,935,497</b>	<b>\$ 27,105,058</b>	<b>\$ 227,040,555</b>
<b>BY OBJECT</b>			
Salaries	\$ 128,430,916	\$ 12,915,447	\$ 141,346,363
Employee Benefits	21,900,714	1,542,167	23,442,881
Contractual Services	20,728,822	1,556,452	22,285,274
General Materials and Supplies	14,762,453	1,409,053	16,171,506
Professional Development	1,505,163	12,556	1,517,719
Fixed Charges	930,668	204,993	1,135,661
Utilities	2,280,273	8,244,674	10,524,947
Capital Outlay	788,125	1,219,716	2,007,841
Other	8,608,363	-	8,608,363
<b>TOTAL EXPENDITURES</b>	<b>199,935,497</b>	<b>27,105,058</b>	<b>227,040,555</b>
Less Non-Operating Items*			
Tuition Chargeback	-	-	-
<b>ADJUSTED EXPENDITURES</b>	<b>\$ 199,935,497</b>	<b>\$ 27,105,058</b>	<b>\$ 227,040,555</b>

\* Enter as negative.

\*\* Operating Funds include the Education and the Operations and Maintenance 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, 2007**

**REVENUE BY SOURCE:**

TOTAL LOCAL GOVERNMENT	\$ 3,682,650
State Government *	
ICCB - Adult Education	7,832,494
ICCB - Retirees Health Insurance Grant	626,600
ICCB - Special Initiatives Grants	152,974
ICCB - Workforce Development Grants	247,726
State Mandatory Award Program	11,843,542
IDHS grants	533,843
DCCA grants	87,221
Other	<u>6,911,826</u>
TOTAL STATE GOVERNMENT	28,236,226
Federal Government	
Dept. of Education	41,665,423
Dept. of Labor	-
Dept. of Health & Human Services	-
Other	<u>15,779,566</u>
TOTAL FEDERAL GOVERNMENT	57,444,989
Other Sources	
Tuition and Fees	-
Other	<u>1,015,682</u>
TOTAL OTHER SOURCES	1,015,682
TOTAL RESTRICTED PURPOSES FUND REVENUES	<u><u>\$ 90,379,547</u></u>
EXPENDITURES BY PROGRAM *	
Instruction	\$ 6,904,541
Academic Support	10,431,399
Student Services	8,730,771
Public Service/Continuing Education	5,320,588
Organized Research	656,675
Auxiliary Services	-
Operations and Maintenance	190,008
Institutional Support	1,386,059
Scholarships, Grants and Waivers	56,546,049
TOTAL RESTRICTED PURPOSES FUND EXPENDITURES	<u><u>\$ 90,166,090</u></u>
EXPENDITURES BY OBJECT *	
Salaries	\$ 21,285,860
Employee Benefits	4,325,873
Contractual Services	3,734,834
Student Financial Aid	55,019,473
General Materials and Supplies	4,341,943
Library Materials*	
Professional Development	662,087
Fixed Charges	253,089
Utilities	9,694
Capital Outlay	278,018
Other	255,219
Scholarships, Grants, Waivers*	-
TOTAL RESTRICTED PURPOSES FUND EXPENDITURES	<u><u>\$ 90,166,090</u></u>

\* Excludes SURS contribution of \$10,733,027

**City Colleges of Chicago**  
**Community College District No. 508**  
**Current Funds \* Expenditures\*\* by Activity**  
**Uniform Financial Statement #5**  
**Fiscal year ended June 30, 2007**

INSTRUCTION	
Instructional Programs	\$ 100,424,997
Other	-
Total Instruction	<u>100,424,997</u>
ACADEMIC SUPPORT	
Library Center	3,628,089
Instructional Materials Center	512,389
Educational Media Services	98,148
Academic Computing Support	622,333
Academic Administration and Planning	16,418,874
Other	9,134,196
Total Academic Support	<u>30,414,029</u>
STUDENT SERVICES SUPPORT	
Admissions and Records	4,971,602
Counseling and Career Services	6,018,359
Financial Aid Administration	3,438,562
Other	13,597,424
Total Student Services Support	<u>28,025,947</u>
PUBLIC SERVICE/CONTINUING EDUCATION	
Community Education	284,566
Customized Training (Instructional)	1,350,491
Community Services	5,037,393
Other	4,226,705
Total Public Service/Continuing Education	<u>10,899,155</u>
ORGANIZED RESEARCH	656,675
AUXILIARY SERVICES	1,322,977
OPERATIONS AND MAINTENANCE OF PLANT	
Maintenance	14,935,969
Custodial Services	649,134
Grounds	21,204
Campus Security	7,691,354
Transportation	6,811
Utilities	7,576,304
Administration	59,481
Other	3,213,898
Total Operations and Maintenance of Plant	<u>34,154,155</u>
INSTITUTIONAL SUPPORT	
Executive Management	5,699,931
Fiscal Operations	1,637,025
Community Relations	1,922,441
Administrative Support Services	27,094,693
Board of Trustees	122,179
General Institutional	2,486,266
Institutional Research	95,200
Administrative Data Processing	4,157,638
Other	14,421,536
Total Institutional Support	<u>57,636,909</u>
SCHOLARSHIPS, STUDENTS GRANTS, & WAIVERS	<u>61,784,038</u>
TOTAL CURRENT FUNDS EXPENDITURES	<u>\$ 325,318,882</u>

\* 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 \$10,733,027.



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

**Certification of Chargeback Reimbursement for Fiscal Year 2008**

All fiscal year 2007 non-capital operating expenses from the following funds:

Education Fund	\$ 198,781,995
Operations and Maintenance Fund	27,105,058
Public Building Commission Operations and Maintenance Fund	-
Public Building Commission Rental Fund	31,283,136
Bond and Interest Fund	-
Restricted Purposes Fund	90,166,090
Audit Fund	687,900
Liability, Protection and Settlement Fund	1,591,922
Auxiliary Enterprises Fund (subsidy only)	-
TOTAL NON-CAPITAL EXPENDITURES	<u>349,616,101</u>
PLUS DEPRECIATION FOR EQUIPMENT PAID FROM NONSTATE AND NONFEDERAL MONIES	4,351,963
PLUS DEPRECIATION ON BUILDINGS AND FIXED EQUIPMENT PAID FROM NONSTATE AND NONFEDERAL MONIES	<u>9,208,756</u>
EQUALS TOTAL QUALIFIED EXPENDITURES	363,176,820
LESS ALL FISCAL YEAR 2007 STATE AND FEDERAL OPERATING GRANTS FOR NON-CAPITAL EXPENDITURES, EXCEPT ICCB GRANTS	<u>36,451,359</u>
EQUALS ADJUSTED QUALIFIED EXPENDITURES	326,725,461
DIVIDED BY TOTAL CREDIT HOURS FOR FISCAL YEAR 2007	<u>1,064,630</u>
EQUALS COST PER SEMESTER CREDIT HOUR	<u>\$ 306.89</u>
LESS DISTRICT'S AVERAGE GRANT RATE FOR FISCAL YEAR 2008	\$ 47.90
LESS STUDENT TUITION PER SEMESTER CREDIT HOUR FOR FISCAL YEAR 2008	<u>72.00</u>
EQUALS CHARGEBACK REIMBURSEMENT RATE PER SEMESTER CREDIT HOUR	<u>\$ 186.99</u>

Approved: \_\_\_\_\_  
Kenneth C. Gotsch, Chief Financial Officer

Approved: \_\_\_\_\_  
Wayne D. Watson, Chief Executive Officer

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

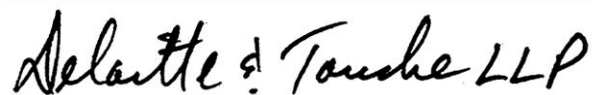
Board of Trustees  
City Colleges of Chicago  
Community College District No. 508:

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, 2007. 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.



January 9, 2008

**Schedule of Enrollment Data and  
Other Bases On Which Claims are Filed  
For the year ended June 30, 2007**

**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	39,408.0	-	163,087.0	-	162,121.0	-	364,616.0	-
Business Occupational	2,920.5	-	20,085.5	-	19,257.5	-	42,263.5	-
Technical Occupational	7,558.0	-	29,684.0	-	31,297.0	-	68,539.0	-
Health Occupational	8,645.5	-	20,590.5	-	20,366.5	-	49,602.5	-
Remedial/Developmental	7,406.0	-	56,539.0	-	43,554.0	-	107,499.0	-
Adult Basic/Secondary Education	<u>85,050.0</u>	<u>24,835.0</u>	<u>114,596.0</u>	<u>45,864.0</u>	<u>149,786.0</u>	<u>11,979.0</u>	<u>349,432.0</u>	<u>82,678.0</u>
Total	<u>150,988.0</u>	<u>24,835.0</u>	<u>404,582.0</u>	<u>45,864.0</u>	<u>426,382.0</u>	<u>11,979.0</u>	<u>981,952.0</u>	<u>82,678.0</u>

**Reconciliation of Total Semester Credit Hours for the Year Ended June 30, 2007**

Categories	Unrestricted			Restricted		
	Total Credit Hours	Total Credit Hours Certified by ICCB	Difference	Total Credit Hours	Total Credit Hours Certified by ICCB	Difference
Baccalaureate Transfer	364,616.0	364,616.0	-	-	-	-
Business Occupational	42,263.5	42,263.5	-	-	-	-
Technical Occupational	68,539.0	68,539.0	-	-	-	-
Health Occupational	49,602.5	49,602.5	-	-	-	-
Remedial/Developmental	107,499.0	107,499.0	-	-	-	-
Adult Basic/Secondary Education	<u>349,432.0</u>	<u>349,432.0</u>	-	<u>82,678.0</u>	<u>82,678.0</u>	-
Total	<u>981,952.0</u>	<u>981,952.0</u>	-	<u>82,678.0</u>	<u>82,678.0</u>	-

**Summary of Certified Dual Credit and Dual Enrollment Hours**

	<u>Dual Credit</u>	<u>Dual Enrollment</u>
Reimbursable Semester Credit Hours (All Terms)	1,580.0	20.0

**Schedule of Enrollment Data and  
Other Bases On Which Claims are Filed (Continued)  
For the year ended June 30, 2007**

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

	<u>Attending In-District</u>	<u>Attending Out-of-District on Chargeback or Cooperative/ Contractual Agreement</u>	<u>Total</u>
Semester credit hours (all terms)	1,031,565	2,530	1,034,095
District prior year equalized assessed evaluation		\$69,479,300,657	
		<b>Total Credit Hours</b>	<b>Total Credit Hours Certified by ICCB</b>
In-district residents		950,867	950,867
Out-of-district (chargeback/contractual agreement)		<u>2,530</u>	<u>2,530</u>
Total		<u>953,397</u>	<u>953,397</u>
			<b>Difference</b>
			-
			-
			-

**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

**Summary of Assessed Valuations**

<u>Tax Levy Year</u>	<u>Equalized Assessed Valuation</u>
2006	\$69,479,300,657
2005	59,274,592,340
2004	55,309,122,652
2003	<u>53,144,460,703</u>
Total	<u>\$237,207,476,352</u>

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# State Grant Compliance Section

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## 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, Career and Technical Education-Program Improvement Grant and Student Success Grant ("Grant Programs") of City Colleges of Chicago, Community College District No. 508 ("City Colleges") as of June 30, 2007, 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 audits.

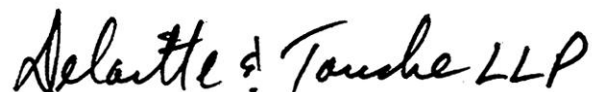
We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the grant policy guidelines of the Illinois 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 audits provide 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, Career and Technical Education-Program Improvement Grant and Student Success 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, Career and Technical Education-Program Improvement Grant and Student Success Grant of City Colleges of Chicago, Community College District No. 508, as of June 30, 2007, 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 audits were conducted for the purpose of forming an opinion on the financial statements referred to above taken as a whole. The supplementary information included on pages 88 and 92 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. This supplementary information is the responsibility of City Colleges' management. The supplementary information has been subjected to the auditing procedures applied in our audits of the financial statements referred to above and, in our opinion, 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 January 9, 2008, 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 audits.

The image shows a handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

January 9, 2008

**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, Career and Technical Education-Program Improvement Grant and Student Success Grant, ("Grant Programs") of City Colleges of Chicago, Community College District No. 508 ("City Colleges") as of and for the year ended June 30, 2007, and have issued our report thereon dated January 9, 2008. We conducted our audits 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 audits, we considered City Colleges' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Grant Programs financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City Colleges' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether 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 audits, 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.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

January 9, 2008

# Grant Financial Statements

**City Colleges of Chicago**  
**Community College District No. 508**  
**Workforce Development Component Grant Program** *(Business/Industry Services)*  
**Balance Sheet**  
**As of June 30, 2007**

<b>Assets</b>	
Cash	<u>\$ 9,000</u>
<b>Liabilities and Fund balance</b>	
Accounts payable	\$ 9,000
Accrued payroll	-
Total Liabilities	<u>9,000</u>
Total Fund Balance	-
Total Liabilities and Fund Balance	<u>\$ 9,000</u>

**Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
For the year ended June 30, 2007**

<b>Revenue</b>	
State sources	<u>\$ 247,727</u>
<b>Expenditures</b>	
Salaries	\$ 155,399
Employee benefits	45,893
Contractual services	10,838
Materials and supplies	22,262
Conference and meeting expenses	10,518
Other expenditures:	
Printing and duplicating	800
Postage and delivery	400
Institutional dues and memberships	<u>1,617</u>
Total other expenditures	<u>2,817</u>
Total expenditures	<u>\$ 247,727</u>
<b>Excess of Revenue over Expenditures</b>	\$ -
Fund balance - July 1, 2006	-
Fund balance - June 30, 2007	<u>\$ -</u>

See accompanying notes to grant 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, 2007**

<u>Expenditures</u>	<u>General</u>	<u>Operation of Workforce Development Office</u>	<u>Total</u>
Personnel (Salaries & Benefits)	\$ -	\$ 201,292	\$ 201,292
Contractual Services	-	10,838	10,838
Instructional Materials	-	239	239
Staff Development	95	1,522	1,617
Conference and Meeting Expenses	380	9,095	9,475
Travel	-	1,043	1,043
Cost of Operating a Business Assistance			
Center/Economic Development/Workforce			
Development Offices			
a. Office Equipment	-	13,160	13,160
b. Consumable Supplies	560	8,703	9,263
c. Duplicating	-	800	800
Totals	<u>\$ 1,035</u>	<u>\$ 246,692</u>	<u>\$ 247,727</u>

See accompanying notes to grant financial statements.

**City Colleges of Chicago**  
**Community College District No. 508**  
**Retirees Health Insurance Grant Program**  
**Balance Sheet**  
**As of June 30, 2007**

<b>Assets</b>	\$ <u>          -</u>
<b>Liabilities and Fund balance</b>	\$ <u>          -</u>

**Statement of Revenues, Expenditures,**  
**and Changes in Fund Balance**  
**For the year ended June 30, 2007**

<b>Revenue</b>	
State sources	\$ <u>626,600</u>
<b>Expenditures</b>	
Retiree benefits	<u>626,600</u>
Total Expenditures	\$ <u>626,600</u>
<b>Excess of Revenues over Expenditures</b>	\$ -
Fund Balance - July 1, 2006	<u>-</u>
Fund Balance - June 30, 2007	\$ <u>          -</u>

See accompanying notes to grant financial statements.



**City Colleges of Chicago  
Community College District No. 508  
P-16 Initiative Grant Program  
Balance Sheet  
As of June 30, 2007**

<b>Assets</b>	
Cash	<u>\$ 60,197</u>
<b>Liabilities and Fund balance</b>	
Due to grantor agency	<u>\$ 60,197</u>
Total Liabilities	60,197
Total Fund balance	<u>-</u>
Total Liabilities and Fund balance	<u>\$ 60,197</u>

**Statement of Revenues, Expenditures,  
and Changes in Fund Balance  
For the year ended June 30, 2007**

<b>Revenue</b>	
State sources	<u>\$ 152,974</u>
<b>Expenditures</b>	
Salaries	-
Employee benefits	-
Contractual services	-
Materials and supplies	-
Tuition and fees	<u>152,974</u>
Total Expenditures	<u>\$ 152,974</u>
<b>Excess of Revenue over Expenditures</b>	
	\$ -
Fund Balance - July 1, 2006	<u>-</u>
Fund Balance - June 30, 2007	<u>\$ -</u>

See accompanying notes to grant financial statements.

**City Colleges of Chicago  
Community College District No. 508  
State Adult Education and Family Literacy Grant Programs  
Combined Balance Sheet  
As of June 30, 2007**

	<u>State Basic</u>	<u>Public Aid</u>	<u>Performance</u>	<u>Total</u>
<b>Assets</b>				
Cash	\$ 9,343	\$ 14,152	\$ 54,074	\$ 77,569
Total Assets	<u>\$ 9,343</u>	<u>\$ 14,152</u>	<u>\$ 54,074</u>	<u>\$ 77,569</u>
<b>Liabilities and Fund balance</b>				
Accounts payable	\$ 9,343	\$ 14,152	\$ 54,074	\$ 77,569
Accrued expenditures	-	-	-	-
Total Liabilities	<u>9,343</u>	<u>14,152</u>	<u>54,074</u>	<u>77,569</u>
<b>Fund balance</b>	-	-	-	-
Total Liabilities and Fund Balance	<u>\$ 9,343</u>	<u>\$ 14,152</u>	<u>\$ 54,074</u>	<u>\$ 77,569</u>

**Combined Statement of Revenues, Expenditures  
and Changes in Fund Balance  
For the year ended June 30, 2007**

	<u>State Basic</u>	<u>Public Aid</u>	<u>Performance</u>	<u>Total</u>
<b>Revenue</b>				
State sources	<u>\$ 2,912,640</u>	<u>\$ 3,579,964</u>	<u>\$ 1,339,890</u>	<u>\$ 7,832,494</u>
<b>Expenditures by program</b>				
Instruction	\$ 1,969,218	\$ 1,620,069	\$ 183,812	\$ 3,773,099
Social Work Services	561,990	902,680	314,242	1,778,912
Guidance Services	-	144,411	56,599	201,010
Assisstive and Adaptive Equipment	-	-	328	328
Assessment and Testing	99,950	341,665	39,635	481,250
Student Transportation Services	-	750	47,295	48,045
Literacy Services	<u>66,050</u>	<u>-</u>	<u>66,051</u>	<u>132,101</u>
Subtotal Instructional and Student Services	2,697,208	3,009,575	707,962	6,414,745
<b>PROGRAM SUPPORT</b>				
Improvement of Instructional Services	-	44,014	419,861	463,875
General Administration	135,239	312,642	66,634	514,515
Operation & Maintenance of Plant Services	32,767	108,509	48,733	190,009
Workforce Coordination	9,458	24,799	8,692	42,949
Data and Information Services	<u>37,968</u>	<u>80,425</u>	<u>88,008</u>	<u>206,401</u>
Subtotal Program Support	215,432	570,389	631,928	1,417,749
Total Costs	<u>\$ 2,912,640</u>	<u>\$ 3,579,964</u>	<u>\$ 1,339,890</u>	<u>\$ 7,832,494</u>
<b>Excess of Revenue over Expenditures</b>	\$ -	\$ -	\$ -	\$ -
Fund Balance - July 1, 2006	-	-	-	-
Fund Balance - June 30, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to grant 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, 2007**

	<u>Expenditure Amount</u>	<u>Allowed Expenditure Percentage</u>	<u>Actual Expenditure Percentage</u>
<b>State Basic</b>			
Instruction	\$ 1,969,218	Minimum 45%	67.6%
General Administration	\$ 135,239	Maximum 9%	4.6%
<b>State Public Assistance</b>			
Instruction	\$ 1,620,069	Minimum 45%	45.3%
General Administration	\$ 312,642	Maximum 9%	8.7%
<b>State Performance</b>			
General Administration	\$ 66,634	Maximum 9%	5.0%

See accompanying notes to grant financial statements.

**City Colleges of Chicago  
Community College District No. 508  
Early School Leavers Grant Program  
Balance Sheet  
As of June 30, 2007**

<b>Assets</b>	
Cash	<u>\$ 37,170</u>
 <b>Liabilities and fund balance</b>	
Due to grantor agency	\$ 26,826
Accrued payroll	<u>10,344</u>
Total liabilities	37,170
 Total fund balance	 <u>-</u>
Total liabilities and fund balance	<u>\$ 37,170</u>

**Statement of Revenues, Expenditures,  
and Changes in Fund Balance  
For the year ended June 30, 2007**

<b>Revenue</b>	
State sources	<u>\$ 180,867</u>
 <b>Expenditures</b>	
Salaries	\$ 106,772
Benefits	38,286
Conference and meeting expenses	2,843
General materials	<u>32,966</u>
TOTAL EXPENDITURES	<u>\$ 180,867</u>
 <b>Excess of Revenue over Expenditures</b>	 \$ -
Fund balance - July 1, 2006	-
Fund balance - June 30, 2007	<u>\$ -</u>

See accompanying notes to grant financial statements.

**City Colleges of Chicago  
Community College District No. 508  
Career and Technical Education - Program Improvement  
Balance Sheet  
As of June 30, 2007**

<b>Assets</b>	
Cash	<u>\$ 8,282</u>
<b>Liabilities and Fund Balance</b>	
Accounts payable	<u>\$ 8,282</u>
Total Liabilities	8,282
Total Fund Balance	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 8,282</u>

**Statement of Revenues, Expenditures  
and Changes in Fund Balance  
For the year ended June 30, 2007**

<b>Revenue</b>	
State sources	<u>\$124,453</u>
<b>Expenditures</b>	
Salaries	1,508
Contractual services	23,708
Materials and supplies	94,874
Conference and meeting expenses	<u>4,363</u>
Total Expenditures	<u>\$124,453</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	-
Fund Balance - July 1, 2006	<u>-</u>
Fund Balance - June 30, 2007	<u>\$ -</u>

See accompanying notes to grant financial statements.

**City Colleges of Chicago  
Community College District No. 508  
Student Success Grant Program  
Balance Sheet  
As of June 30, 2007**

<b>Assets</b>	
Cash	<u>\$ 60,930</u>
<b>Liabilities and Fund Balance</b>	
Accounts payable	<u>\$ 60,930</u>
Total Liabilities	60,930
Total Fund Balance	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 60,930</u>

**Statement of Revenues, Expenditures  
and Changes in Fund Balance  
For the year ended June 30, 2007**

<b>Revenue</b>	
State sources	<u>\$710,121</u>
<b>Expenditures</b>	
Salaries	\$ 351,305
Benefits	26,879
Contractual services	59,134
Conference and meeting expenses	20,128
Materials and supplies	<u>252,675</u>
Total Expenditures	<u>\$ 710,121</u>
<b>Excess of Revenue Over Expenditures</b>	-
Fund Balance - July 1, 2006	<u>-</u>
Fund Balance - June 30, 2007	<u>\$ -</u>

See accompanying notes to grant financial statements.

# Notes to Grant Financial Statements

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

**Notes to Grant Financial Statements  
June 30, 2007**

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**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 of Chicago’s current restricted fund.

**A. Workforce Development** (*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.

**B. 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.

**C. 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.
- 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 supplant, funds currently being directed to teacher preparation and/or professional development programs and services for K-12 teachers and for college faculty involved in delivering instruction directly related to teacher preparation or recertification.



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

**Notes to Grant Financial Statements  
June 30, 2007**

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**1. PROGRAM DESCRIPTIONS** *(Continued)*

**D. 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.

**E. 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.

**F. 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.

**G. Student Success Grant**

The Early School Leavers Grant is intended to provide needed supplemental services to assist students in developing the academic skills necessary to remedy or correct educational deficiencies to allow the attainment of college educational goals.

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

**Notes to Grant Financial Statements  
June 30, 2007**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Reporting**

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

Grant revenues are reported in these financial statements when allowable grant expenditures are made. Expenditures are allowable if they comply with "Policy Guidelines for Restricted Grant Expenditures and Reporting set for 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 ICCB by October 15 following the end of the fiscal year. Unexpended funds totaling less than \$100 need not be returned to 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 ICCB by October 15 following the end of the fiscal year. The Workforce Development Component, Retirees Health Insurance, the Career and Technical Education program, and the State Adult Education and Family Literacy programs were fully expended within the grant period.

These financial statements cover only the Workforce Development Component, Retirees Health Insurance, the P-16 Initiative, Early School Leavers, Career and Technical Education, the State Adult Education and Family Literacy and the Student Success programs. It is not intended to, and does not; present the financial position or results of operations of City Colleges of Chicago in its entirety.

**B. Cash held by City Colleges of Chicago**

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

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

**Notes to Grant Financial Statements  
June 30, 2007**

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

**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.



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Please contact us if you would like additional copies of our this report.

Comprehensive Annual Financial Report for the year ended June 30, 2007:  
[http://ccc.edu/da/files/CCC\\_2007\\_CAFR.pdf](http://ccc.edu/da/files/CCC_2007_CAFR.pdf)

For further information or to learn about our educational, operational and employment opportunities, please visit the CCC website at <http://ccc.edu>.