FINANCIAL
SECTION
FINANCIAL INFORMATION

Organization

The College has a fully integrated financial structure with a Vice President for Administrative Affairs, who also, at the discretion of the Board, serves as the Treasurer of the Board of Trustees. The Treasurer is the custodian, who receives and disburses all College funds. By College policy, the Treasurer also has the authority to invest funds belonging to the College. The Treasurer makes monthly reports of the financial activities and investments of the College to the Board of Trustees. A summary of financial activities is produced monthly and distributed to appropriate offices throughout the College.

Long-Term Financial Policies

The following is a listing and a brief description of the major Financial Board Policies that have been approved by the Board of Trustees and reviewed on an annual basis that enhances the preparation of the budget.

a) Auxiliary Fund Professional Service Contracts
   The Board will annually approve the Arts Center, Business Solution, and Conference and Events budgets. Within the limitations of those budgets, the administration is authorized to contract for speakers, products, training, equipment rental, and other professional service contracts.

b) Budget Transfers
   The Board of Trustees recognizes that subsequent to the adoption of the annual budget it may be necessary to permit transfers of budget amounts between object and functional designations within a fund. All budget transfers must be fully documented as to need and adhere to established approval levels.

c) Financial Disclosure to Avoid Conflict of Interest in Federally Funded Programs
   In accordance with federal regulations to avoid conflicts of interest, the College of DuPage requires key personnel involved in federally funded programs to complete a Report Form for Financial Disclosure.

d) Investment of College Funds
   College of DuPage invests public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the organization and conforming to all state and local statutes governing the investment of public funds.
e) Operations and Maintenance Fund (Restricted)
Expenditures for Operations and Maintenance Fund (Restricted) may be used for:
- Issuance of bonds and related expenses such as legal fees, consultants, printing costs, etc.
- Site acquisition, site improvements such as landscaping, drainage, parking lots, walkways and other related costs.
- Building, initial construction or remodeling, including fixtures and equipment.
- Original equipping of offices (furniture and equipment).

f) Travel Approval/Other Reimbursable Expenses
Travel expenses will be reimbursed within limitations of the budget, Board policies, and existing travel procedures.

g) Tuition and Fees Schedule
The Board of Trustees will establish a schedule of tuition and fees administrated in accordance with the provisions of the Illinois Community College Act, the guidelines established by the Illinois Community College Board, and the current policies and practices of the institution.

h) Tuition Refund
The College will publish procedures for refunding tuition and fees. Refunds are given for cancelled classes, medical withdrawals, College errors and student withdrawals according to the stated procedure. A student must withdraw from classes through Registration to receive a refund.

**Balanced Budget**

Budget decisions shall be made in accordance with the College’s Financial Plan and shall conform to the requirements as set forth in the Illinois Community College Board (ICCB) Fiscal Management Manual. The definition of a balanced budget includes the following:

- Annual operating expenditures not to exceed projected operating revenues (Expenditures shall be budgeted according to the College’s strategic priorities.)
- Debt service, both current (due in less than 12 months) and long term
- Adequate reserves for maintenance and repairs to its existing facilities
- Adequate reserves for acquisition, maintenance and replacement of capital equipment
- Adequate reserves for strategic capital projects
- Adequate funding levels to fulfill future terms and conditions of employment, including early retirement benefits
• Adequate allocations for special projects related to the strategic direction of the College
• Appropriate allocations for contingencies (unforeseen events requiring expenditures of current resources)
• Ending Fund Balances (according to policies set specifically for that purpose)

College of DuPage has a further responsibility to:

• Permanently stabilize its finances (operating budget, reserves, contingencies and ending fund balances) when it perceives a long-term change (increase or decrease) to its available future recurring resources.

• Budget for contingencies. Contingency funds are those expenditures budgeted but not assigned to any direct expenditure category to be used for emergencies or unforeseen expense requirements. A typical reason for accessing these monies might be to cover the cost of additional faculty salaries or laboratory supplies for an instructional discipline in which the enrollment has increased dramatically. Contingency funds may not be expensed directly; they are used only by budget transfer to other expenditure categories. This insures that all expenditures are recorded directly in the programs to which they belong. Because budget transfers change the original budgeted amount, budget-to-budget comparisons of contingency funds have no meaning once any budget transfers have been applied. For FY2011 the College has budgeted $3,500,000 in contingency for Operating Funds.

Basis of Budgeting and Accounting

To ensure consistency in financial reporting and economy of effort in financial operations and analysis, the College budgets and accounts for its financial operations on the same basis. The College maintains its accounts and prepares its financial statements in accordance with generally accepted accounting principles (GAAP) applicable to governmental units and Illinois community Colleges. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing accounting and financial reporting principles. These authoritative pronouncements are consistent with the accounting practices prescribed or permitted by the Illinois Community College Board (ICCB), as set forth in the ICCB Fiscal Management Manual. These bodies require accounting by funds so that limitations and restrictions on resources can be easily accounted for.

The College uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain College functions or activities.
A fund is a separate accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures or expenses, as appropriate. College resources allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Funds are classified into three types: governmental, proprietary, and fiduciary. Each fund type, in turn, is divided into separate categories.

The beginning fund balance of each fund is the balance of the fund after all liabilities have been deducted from the assets of the fund. The ending fund balance for budget discussion purposes is the beginning fund balance, plus the net increase (decrease) in budgeted revenues and expenditures for the year.

**GOVERNMENTAL FUND TYPES**

**General Fund**

The General Fund, which consists of Education Purposes (Undesignated and Designated) and Operations and Maintenance Purposes, is the general operating fund of the College. These are used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds**

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Special Revenue Funds include the Audit Fund, the Auxiliary Enterprises Fund, Bond and Interest Fund and the Liability, Protection and Settlement Fund.

**Capital Projects Fund**

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds). The Capital Projects Fund of the College is the Operations and Maintenance (Restricted) Fund.

**FIDUCIARY FUND TYPES**

**Trust Funds**

Trust Funds are used to account for assets held by the College in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.
These include expendable trust funds and nonexpendable trust funds. The Expendable Trust Fund of the College is the Restricted Purposes Fund. The Nonexpendable Trust Fund of the College is the Working Cash Fund.

The Expendable Trust Fund, or Restricted Purposes Fund, is used primarily to account for assets held by the College in a trustee capacity. Resources obtained are derived principally from Federal and State grants for projects or student aid, gifts and bequests for specific purposes and scholarship, loan and endowment funds. Each resource obtained and restricted as to use is accounted for individually within this fund.

The Nonexpendable Trust Fund, or Working Cash Fund, is used to account for financial resources held by the College to be used for temporary transfer to the operating funds. Bonds may be issued by resolution of the Board of Trustees to establish or increase the fund.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds and expendable trust funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed taxes are considered “measurable” when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain. The corporate personal property replacement tax is a taxpayer assessed tax as it is an income tax that replaced the personal property tax.

Expenditures are recorded on the accrual basis except for:

- Inventory items, such as materials and supplies, are accounted for using the purchases method, that is, they are considered expenditures in the period purchased. However, any significant amounts of inventory are reported on the balance sheet.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.
Nonexpendable Trust Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

**Internal Control**

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

Each year, including the fiscal year ended June 30, 2009, the College receives a letter from an independent certified public accountant that there were no instances of material weakness in the internal control structure or violation of applicable laws or regulations noted during the audit. In addition, recommendations for improvement of internal control are suggested. The College has never received an opinion from the auditors which contains significant deficiencies in accounting or procedures. The 2010 external audit is underway and the College expects to have the audit completed the management letter received by October 15, 2010.

**Prospects For The Future**

Given the present uncertain economic environment and unresolved initiatives in government, the College’s financial outlook remains challenging. Revenues in All Funds show a increase for the current year but there is no certainty that they will increase significantly in any of the following years. The best estimate is that revenues will remain relatively flat for FY2011 and beyond. The property tax extension limitation required by Public Act 89-1 places a limit on tax revenue increases to the lesser of the Consume Price Index, or 5% whichever is less.

The state contribution to community college education position still remains unclear as well, given that current credit hour grant rate funding levels may not be sustained in the coming years. The state’s deficits and precarious financial outlook are sufficient cause for pessimism which is reflected in our assumption that the College will receive only one quarterly payment in our base operating grant in FY2011. The best one might hope for is that funding levels increase once the November 2010 elections are complete and the state legislature addressed the state’s budget deficit in a serious manner.

Only increases in student tuition and fees and a sizable increase in private funding would remain as viable sources of revenue to pick up the slack, clearly a singularly difficult position for both the College and the students. Students, in the past, have generally been
supportive of the College’s modest increases in tuition and fees and will likely continue to support reasonable increases as the College still remains as a lower cost alternative compared to public and private universities in the state.

Private funding in the form of grants and cooperative agreements can be a viable source of revenue generation, particularly if there is some success in nurturing education-business partnerships, but these sources can be difficult to initiate, cultivate, and maintain. There are opportunities in the continuing education market, especially health care and other occupations wherein updated training is required for the individual to retain certification in the field.

Controlling and/or reducing expenditures may be the only avenue left to the College if the revenue stream languishes sufficiently. Personnel costs, which constitute over 74% percent of the FY 2011 operating budget, may need to be carefully examined for potential salary and benefit savings, a task made more difficult by the existing contractual obligations to employees. It is unreasonable to expect the remaining 26% non-personnel expenditures to pick up all of the savings which might be required.

The prudent course of action, therefore, dictates that every effort be made to control all of the expenditures while still maintaining the quality of education, technological foresight, and responsiveness to community educational needs which has so far in the life of the College characterized the educational programs and service to the community. Only continued responsible fiscal planning and control at all levels, a serious commitment to developing an improved enrollment position, and a strong effort to develop and maintain alternative funding sources will allow the College to maintain its healthy financial posture.

The College will continue to identify potential cost savings opportunities, as well as identify additional sources of revenue. Review of budget management, contracts, grants, use of human resources and sub-contractors, computer-based systems, financial systems, indirect costs, and any possible revenue enhancements will continue to be explored.

Operational reviews look at the College as a whole and makes a cost/benefit analysis of a program or function and assesses whether there can be an enhancement, consolidation or elimination of programs or functions. The review then includes assessing the economy and efficiency of programs and functions. The economy and efficiency component assesses whether a program or function is managed with regard for economy and efficiency, in compliance with Board policies, applicable laws, regulations, and directives. Program operational performance reviews measure the cost of achieving desired results or benefits and look for ways these can be realized in a more cost effective way.
Capital Expenditures

Each of the funds maintains a capital outlay budget for items such as office, instructional or service equipment. The expenditures in this category cost more than $1,000. Furniture, computers and laboratory equipment would be typical examples.

The planned major capital expenditures related to facilities are included for the next several years in the Operations and Maintenance (Restricted) Fund. (See pages 130-133 for listing of all major capital projects for FY2009). Projects which are identified as being funded are tracked, as well as those projects that have been identified, but which are currently not funded due to limited resources. These projects are handled through the Facilities Plan, one of the five Supporting Institutional Strategic Plans. Some of the major FY2009 and FY2010 Facilities Master Plan construction projects milestones by project number are as follows:

**FY 2010 MILESTONE**

727  BIC/SRC Construction documents were completed and bid. Construction continued in FY 2010.
728  Technical Education Center construction was completed and fully occupied in FY2010.
741  McAninch Arts Center (MAC) project construction was completed and occupied in FY2010.
745  Soccer Fields project construction was completed in FY2010.
757  Athletic Fields Phase 3 construction was completed in FY2010.
758  Way Finding/Campus Signage design and bid package were completed. Interior signage construction was completed and exterior signage construction continues in FY2010.
760  Culinary & Hospitality Center (CHC) was designed, bid and construction started in FY2010.
761  Homeland Security Education Center (HEC) was designed, bid and construction started in FY2010.
765  HSC Landscape Improvements were completed in FY2010.
766  TEC Landscape Improvements were completed in FY2010.
767  SRC Exterior Wall Rehabilitation schematic design phase was completed in FY2010.
770  Improve Campus Landscaping phase one projects were designed, bid and construction started in FY 2010.

**FY 2011 MILESTONE**

727  BIC/SRC Construction continued in FY 2011.
760  Culinary & Hospitality Center (CHC) construction continued in FY2011.
761  Homeland Security Education Center (HEC) construction continued in FY2011.
SRC Exterior Wall Rehabilitation design is completed, bid and construction started in FY2011.

Improve Campus Landscaping phase one project construction was completed. Phase two projects were designed, bid and construction was completed in FY 2011.

**Debt Administration**

<table>
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<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Equalized Assessed Valuation of Taxable Property (2009)</td>
<td>$49,311,817,128</td>
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<tr>
<td>College of DuPage General Obligation Bonded Debt (at 6/30/09)</td>
<td>$239,720,000</td>
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Debt/EAIV .486%

The legal debt limit is 2.875% of the District’s assessed valuation. The debt limitation would therefore be $1,417,714,742. The College’s bonded debt of $239,720,000 is well below the legal limit.

The College’s informal debt policy is to stay well below the legal limit of 2.875%. Currently the percentage is approximately one half of 1%.

Any possible needs for future debt will be studied upon the review of the Facilities Master Plan and the possible methods of financing any long-term projects.

The Bond and Interest Fund principal and interest payments are presented in the Bond and Interest Fund section of the budget.

**Cash Management**

For the purpose of overall investment of excess funds, the College is governed by the Illinois Public Community College Act and the Illinois statutes governing investment of public funds. The fiduciary responsibility for said investments is entrusted to the College Board of Trustees who have delegated that function to the Treasurer of the College.

In keeping with existing Board Policy, all investments of excess funds are made in a prudent, conservative and secure manner and in accordance with the guidelines detailed in the College Investment Policy Number 10-55. Depositories of College funds are approved by the Board of Trustees.

**Financial Reporting**

State statutes require an annual audit of the College’s financial operations by independent certified public accountants. The accounting firm of Crowe Horwath LLP has been selected for this purpose by the College’s Board of Trustees. The auditors’ report on the most recent financial statements and schedules is unqualified and is included in the financial section of the Comprehensive Annual Financial Report for the year ending June 30, 2009.

Additionally, the College of DuPage is required to publish a financial statement, in a form prescribed by the Illinois Community College Board, in a newspaper of general
circulation in the District prior to November 15 of each year. This statement contains pertinent financial data, including tax rates and extensions, estimated assessed valuation, bonded debt, and summaries of revenues and expenditures supported by tax funds.

The ICCB also requires from all colleges electronic submission of financial data at the end of the fall semester, at the first close of the fiscal year, and when final audited financial data are available. This information, a response to statutory requirement, provides on-line comparative data to the colleges and assists the ICCB in budget development and in responding to legislative inquiries.

**Risk Management**

The College participates in the Illinois Community College Risk Management Consortium (the "Consortium"). The Consortium is a public entity risk pool operating as a common risk management and insurance program for twelve community Colleges.

The College of DuPage is a charter member of this Consortium which was established in 1981. Each College pays an annual premium to the Consortium as its pro rata share for property and casualty insurance coverage.

The College has a standing Insurance Study Advisory Committee to consider and recommend alterations in health insurance. The committee is composed of employees representing the various constituency groups. The goal of the committee is to achieve high quality health insurance coverage while exploring methods of sharing participation in, and controlling, the cost increases for the employee and the College. The work of the committee has resulted in additional premium assumption by employees, increases in employee deductibles, implementation of a preferred provider organization, and utilization review program. Benefits were added for periodic physical exams. The College's self-insurance plan is supplemented by available choices from committee selected HMO programs.

**Award**

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the College of DuPage, Illinois, for its annual budget for the fiscal year beginning July 1, 2009. This is the twelfth consecutive year in which the College has received this prestigious award. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.
GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

College of DuPage

Illinois

For the Fiscal Year Beginning

July 1, 2009

[Signatures]

President

Executive Director
Board of Trustees

<table>
<thead>
<tr>
<th>Trustee Name</th>
<th>Position</th>
<th>Term Expiration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kathy A. Wessel</td>
<td>Trustee</td>
<td>2011</td>
</tr>
<tr>
<td>David Carlin</td>
<td>Trustee</td>
<td>2013</td>
</tr>
<tr>
<td>Sandy Kim</td>
<td>Trustee</td>
<td>2011</td>
</tr>
<tr>
<td>Allison O'Donnell</td>
<td>Trustee</td>
<td>2015</td>
</tr>
<tr>
<td>Kim Savage</td>
<td>Trustee</td>
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<tr>
<td>Nancy Svoboda</td>
<td>Trustee</td>
<td>2015</td>
</tr>
<tr>
<td>Joseph C. Wozniak</td>
<td>Trustee</td>
<td>2013</td>
</tr>
<tr>
<td>Kristin Lodygowski</td>
<td>Student Trustee</td>
<td>April 2011</td>
</tr>
</tbody>
</table>

Appointments

Kathy A. Wessel                         Board Chairman to May 2010
David Carlin                              Board Vice Chairman to May 2010
Nancy Svoboda                                   Board Secretary to May 2010
Thomas J. Glaser                               Treasurer to May 2010

President’s Cabinet

Dr. Robert L. Breuder                  President
James Bente                             Vice President, Planning & Institutional Effectiveness
Joseph Collins                        Vice President, Academic Affairs & Student Affairs
Charles Currier                        Vice President, Information Technology
Thomas J. Glaser                      Vice President, Administrative Affairs and Treasurer
Linda Sands-Vankerk                  Vice President, Human Resources
Mary Ann Millush                      Director, Legislative Relations & Special Assistant to the President
Sharon K. Mellor                      Associate Vice President, Development & Executive Director COD Foundation
Joseph Moore                           Associate Vice President, External Relations
Michelle M. Searer                    Associate Vice President, Marketing & Enrollment Management
COLLEGE OF DuPAGE
COMMUNITY COLLEGE DISTRICT NUMBER 502

FUND DESCRIPTIONS

OPERATING FUNDS

The Education Fund and the Operations and Maintenance Fund together comprise most of
the instruction and instructional support activities. When grouped together these funds are
referred to as the “operating funds.” This is not an additional budget but merely a
convenient way of looking at the budget. This allows comparison to other educational
institutions. The concept is also used by the Illinois Community College Board for financial
reporting purposes.

EDUCATION FUND

The Education Fund is established by Section 3-1 of the Illinois Public Community College
Act. The Education Fund is used to account for the revenues and expenditures of the
academic and service programs of the college.

OPERATIONS AND MAINTENANCE FUND

The Operations and Maintenance Fund is established by Section 3-1 and Section 3-20.3 of
the Illinois Public Community College Act. This fund is used to account for expenditures
for the improvement, maintenance, repair, or benefit of buildings and property.

AUDIT FUND

The Audit Fund is established by Chapter 50, Act 310, Section 9 of the Illinois Compiled
Statutes for recording the payment of auditing expenditures.

AUXILIARY ENTERPRISES FUND

The Auxiliary Enterprises Fund is established by Section 3-31.1 of the Illinois Public
Community College Act. This section provides statutory authority for the Auxiliary
Enterprises Fund and exists to furnish a service to students and staff for which a fee is
charged that is directly related to, although not necessarily equal to, the cost of the service.
Only funds over which the institution has complete control and freedom of use are included
in this fund. The general public may incidentally be served.
BOND AND INTEREST FUND

The Bond and Interest Fund is established by Section 3A-1 of the Public Community College Act. This fund is used to account for payment of principal, interest, and related charges on any outstanding bonds.

LIABILITY, PROTECTION AND SETTLEMENT FUND

The Liability, Protection and Settlement Fund is established by 745 ILCS 10/9-107 and 40 ILCS 5/21-110.1 Illinois Compiled Statutes. The tort liability, unemployment insurance, and worker’s compensation levies should be recorded in this fund. The monies in this fund, including interest earned on the assets of this fund, should be used only for the purposes authorized under 745 ILCS 10/9-107, i.e., the payment of tort liability, unemployment, or worker’s compensation insurance or claims, or 40 ILCS 5/21-110.1, i.e., the cost of participation in the federal medicare program for those employees hired on or after March 1, 1986. The Social Security/Medicare subfund can be used to record Social Security and Medicare payments as mandated by the Federal Government.

OPERATIONS AND MAINTENANCE (RESTRICTED) FUND

The Operations and Maintenance (Restricted) Fund is established by Section 3-14 of the Illinois Public Community College Act. The local Board of Trustees may establish this fund by permitting an accumulation of funds for building purposes and site acquisition not to exceed an amount equal to five percent of the District's equalized assessed valuation.

RESTRICTED PURPOSES FUND

The Restricted Purposes Fund is for the purpose of accounting for monies that have restrictions regarding their use. Each specific project should be accounted for separately using a complete group of self-balancing accounts within the Restricted Purposes Fund.

WORKING CASH FUND

The Working Cash Fund is established by Chapter 110, Act 805, Section 3-33.1 of the Illinois Compiled Statutes. This fund is first established without voter approval by resolution of the local Board of Trustees for the purpose of enabling the district to have on hand at all times sufficient cash to meet the demands for ordinary and necessary expenditures. Additional bonds may not be issued without voter approval.