

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2013



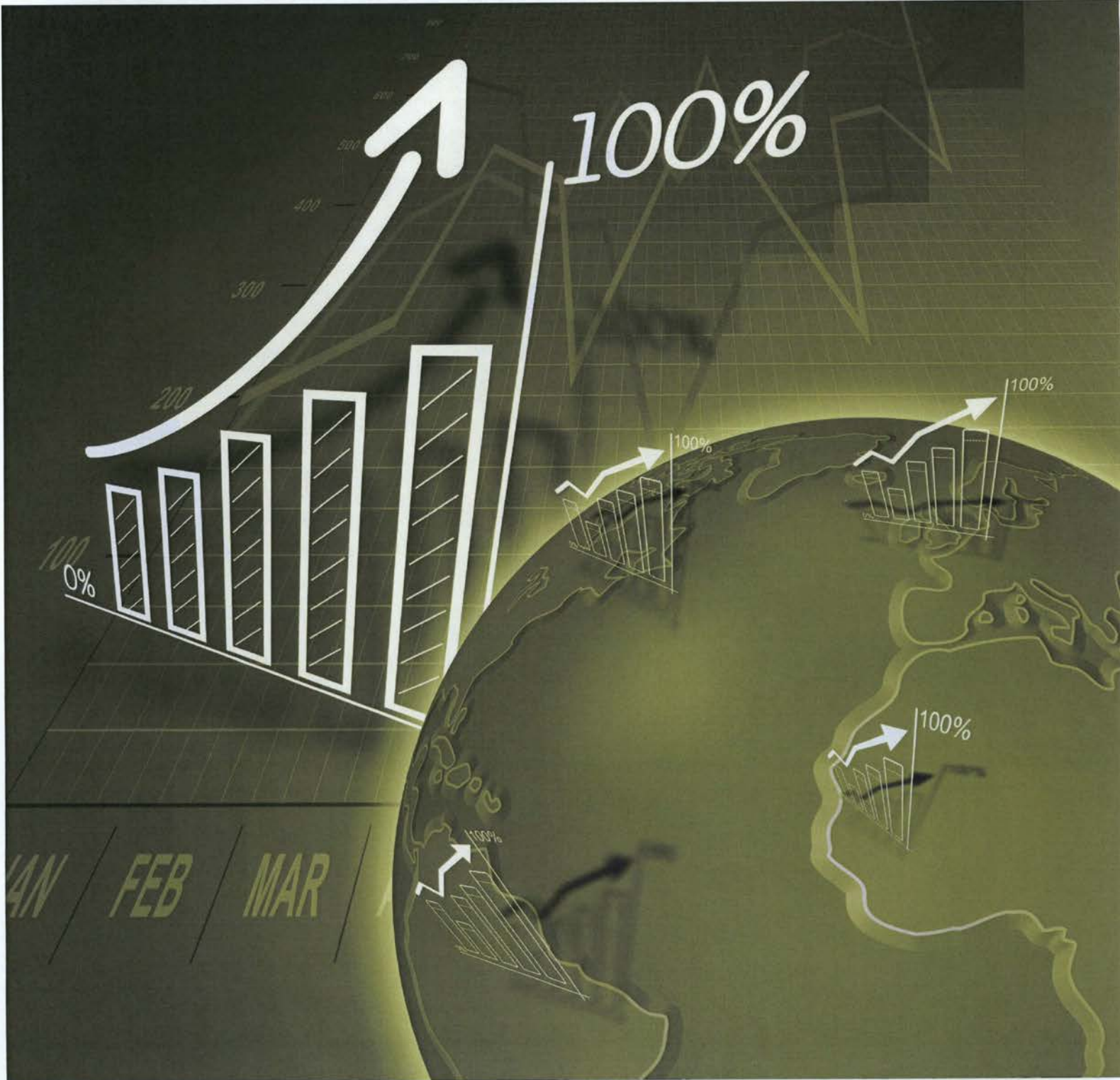
MORTON COLLEGE

DISTRICT 527
CICERO, ILLINOIS

**MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2013 and 2012**

Prepared by:
Business Office

INTRODUCTORY SECTION



MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527

COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2013 and 2012

TABLE OF CONTENTS

INTRODUCTORY SECTION (UNAUDITED)

Table of Contents	i-iii
Transmittal Letter	iv-viii
Principal Officials	ix
Organizational Chart.....	x
Certificate of Excellence in Financial Reporting	xi

FINANCIAL SECTION

Independent Auditor's Report.....	1-3
Management's Discussion and Analysis (Required Supplementary Information) (Unaudited)	4-9
Basic Financial Statements	
Statements of Net Position.....	10
Statements of Revenues, Expenses and Changes in Net Position	11
Statements of Cash Flows	12-13
Notes to Financial Statements	14-29

STATISTICAL SECTION (UNAUDITED)

Table of Contents	30
Net Position By Component – Last Ten Fiscal Years	31
Changes in Net Position – Last Ten Fiscal Years	32
Operating Expenses by Function – Last Ten Fiscal Years	33
Assessed Value and Actual Value of Taxable Property – Last Ten Levy Years	34
Property Tax Rates – Direct and Overlapping Governments – Last Ten Levy Years	35
Principal Property Tax Payers – 2012 Levy Year and Ten Years Ago	36
Property Tax Levies and Collections – Last Ten Years	37
Assessed Valuations and Taxes Extended – Governmental Fund Types – Last Five Levy Years.....	38
Ratios of Net General Bonded Debt Outstanding – Last Ten Fiscal Years	39
Direct and Overlapping General Obligation Bonded Debt – June 30, 2013	40
Legal Debt Margin Information – Last Ten Fiscal Years	41
Personal Income Per Capita – Last Ten Fiscal Years	42
Principal Employers – Current Year and Nine Years Ago.....	43
Full-Time Equivalent Employees – Last Ten Fiscal Years.....	44
Capital Asset Statistics – Last Ten Fiscal Years.....	45
Residence Policy	46

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2013 and 2012

TABLE OF CONTENTS

SPECIAL REPORTS SECTION

State Required Report Section

Uniform Financial Statements:

Schedule 1 - All Funds Summary.....	47
Schedule 2 - Summary of Capital Assets and Debt.....	48
Schedule 3 - Operating Funds Revenues and Expenditures.....	49-50
Schedule 4 - Restricted Purposes Fund Revenues and Expenditures.....	51
Schedule 5 - Current Funds - Expenditures by Activity	52
Schedule 6 - Certification of Chargeback Reimbursement.....	53

State Grant Compliance Section

Independent Auditor's Report.....	54-55
Independent Auditor's 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 <i>Governmental Auditing Standards</i>	56-57
Career and Technical Education - Program Improvement Grant: Balance Sheet	58
Statement of Revenues, Expenditures and Changes in Program Balance	59
State Adult Education and Family Literacy Grant Program: Balance Sheets	60
Statements of Revenues, Expenditures and Changes in Program Balance	61
ICCB Compliance Statement for the Adult Education and Family Literacy Grant Program: Expenditure Amounts and Percentages for ICCB Grants Funds Only.....	62
Notes to Financial Statements	63
Enrollment Data: Independent Accountant's Report on Schedule of Enrollment Data and Other Bases upon Which Claims are Filed	64-65

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2013 and 2012
TABLE OF CONTENTS

SPECIAL REPORTS SECTION (Continued)

Enrollment Data (Continued):

Schedule of Enrollment Data and Other Basis upon which Claims were

Filed with Illinois Community College Board..... 66-68

October 28, 2013

To Members of the Board of Trustees of Morton College,
Community College District No. 527:

The Comprehensive Annual Financial Report ("CAFR") of Morton College, ("the College"), Community College District No. 527, County of Cook, State of Illinois, for the fiscal year ended June 30, 2013, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rest with management of the College. 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 the College. All disclosures necessary to enable the reader to gain an understanding of the College's financial activities in relation to its mission have been included.

FINANCIAL STATEMENTS

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

VISION, MISSION AND GOALS

The District's Vision Statement:

Our Vision is to be the leader among educational institutions in the delivery of quality academic and workforce development programs that enhance the quality of life for the towns of Berwyn, Cicero, Forest View, Lyons, McCook, and Stickney.

The District's Mission Statement:

As a comprehensive Community College, recognized by the Illinois Community College Board ("ICCB"), the mission of Morton College is to enhance the quality of life of our diverse community through exemplary teaching and learning opportunities, community service, and life-long learning.

Consistent with our mission, Morton College's educational philosophy conforms to requirements set forth in state law and stresses the importance of helping individuals live and work as better informed citizens in a dynamic society. This philosophy is reflected in the College's programs that model core values of truth, compassion, fairness, responsibility and respect.

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

1. Make student success the core work of Morton College.
2. Develop new programs and strengthen existing programs to respond to projected economic trends.
3. Promote the health and economic vitality of the community through dynamic partnerships, coalitions and collaboration.
4. Build on relationships with school districts to create a seamless education experience in Morton College's service area.

5. Expand program delivery options, including the use of instructional technology in student learning.
6. Foster an entrepreneurial environment to create new revenue sources and operational efficiencies.
7. Make better use of existing data and information and create new actionable information to support College operations and strategic planning.
8. Expand professional growth opportunities for faculty and staff to cultivate an environment of continuous quality improvement.

DIVERSITY STATEMENT

Diversity at Morton College is more than just a variety of people with different backgrounds. It is the core of who we are as an educational culture and it supports our goals as an organization. Consistent with its mission of social responsibility and community development, Morton College continually works "to enhance the quality of life of our diverse community."

GENERAL

The College prepares its financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") as set forth by the Governmental Accounting Standards Board ("GASB"). The College maintains its accounts in accordance with guidelines set forth by the National Association of College and University Business Officers ("NACUBO") and the ICCB. The ICCB requires accounting by funds in order that limitations and restrictions on resources can be easily accounted for. The financial records of the College are maintained on the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when incurred.

ECONOMIC CONDITION AND OUTLOOK

The following table illustrates enrollments over the last five years:

PROGRAM TYPE	Student Enrollment Headcount				
	Fiscal Year				
	2013	2012	2011	2010	2009
Transfer Program	2,052	1,927	1,829	1,673	1,417
Career Programs	1,674	1,765	1,468	1,430	1,328
Liberal Studies	467	372	208	182	161
Course Enrollees	1,976	2,070	2,348	2,634	2,034
Adult Education/ESL	1,814	2,264	2,483	2,253	2,415
Total	<u>7,983</u>	<u>8,398</u>	<u>8,336</u>	<u>8,172</u>	<u>7,355</u>
Total FTE	<u>3,229</u>	<u>3,356</u>	<u>3,177</u>	<u>2,982</u>	<u>2,627</u>

FINANCIAL INFORMATION

Internal Controls. Management of the College is responsible for establishing and maintaining internal controls designed to protect the assets of the College, prevent loss from theft or misuse and to provide adequate accounting data to allow for the preparation of financial statements 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: (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.

Budgetary Controls. The objective of the College budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the College's Board of Trustees. Activities of the following fund groups and individual funds are included in the annual budget. These funds are required for ICCB reporting purpose only.

FUND GROUP	FUND
Current Unrestricted	Education Operating and Maintenance Auxiliary / Enterprise
Current Restricted	Restricted Purpose Working Cash Liability, Protection, and Settlement Audit
Plant and Other	Bond and Interest Investment in Plant Operating and Maintenance (Restricted)

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

As demonstrated by the statements included in financial section of this report, the College meets its responsibility for sound financial management.

Property Taxes. The following table illustrates the College's final property tax levy rates over the last five years:

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

Property Tax Year		<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Assessed valuation (in millions)		\$ 1,641	\$ 1,784	\$ 2,305	\$ 2,268	\$ 2,279
	Legal Limit					
Tax Rates						
Education Fund	0.7500	0.3866	0.3396	0.2552	0.2652	0.2624
Operation and Maintenance Fund	0.1000	0.1000	0.1000	0.0887	0.0892	0.0883
Operation and Maintenance Fund (restricted)	0.0500	-	-	-	-	-
Bond and interest	0.0356	0.0273	0.0251	0.0196	0.0256	0.0254
Life Safety Fund	0.0500	-	-	-	-	-
Liability Insurance Fund	-	0.0263	0.0248	0.0173	0.0011	0.0011
Social Security Fund	-	0.0105	0.0093	0.0069	0.0072	0.0071
Audit Fund	<u>0.0050</u>	<u>0.0050</u>	<u>0.0050</u>	<u>0.0036</u>	<u>0.0038</u>	<u>0.0038</u>
Total		<u>0.9906</u>	<u>0.5557</u>	<u>0.5038</u>	<u>0.3921</u>	<u>0.3881</u>

The assessed value of taxable property for 2012, for taxes collectible in 2013, is \$1,640,896,561. The College's average collection rate over the past five years, including collection of back taxes, has been approximately 98.0%, as Cook County extends the College's levies up to 103.0% depending on the tax cap limitation.

PROSPECTS FOR THE FUTURE

The College's financial outlook for the future continues to be stable. As illustrated in an earlier table, the College's enrollments have continued to grow over the past five years.

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

In fiscal year 2011, the College started implementation of a new Enterprise Resource Planning (ERP) system. This software has started to enable the College to centrally aggregate data, both academic and financial, in a secure repository. The system has improved the effectiveness and efficiency of information management, which is critical to the success of the College. The project is estimated to cost \$4.8 million dollars. The College has issued Alternate Revenue Bonds in the Amount of \$5.1 million dollars to finance this project. The new ERP system will be implemented in stages over 30 months and is expected to be completed by June 30, 2014.

DEBT ADMINISTRATION

The College has two General Obligation Bond series outstanding for projects. As of June 30, 2013, \$5,580,000 was outstanding and during fiscal year ended June 30, 2013, \$815,000 in principal was retired. See note 4.

OTHER INFORMATION

Awards. The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the College for its comprehensive annual financial report for the fiscal year ended June 30, 2012. 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 CAFR whose contents conform to program standards. Such CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

Independent Audit. State statutes require an annual audit by independent certified public auditors. The Morton College's Board of Trustees selected Crowe Horwath LLP as the College's auditors. The auditors' report on the financial statements and schedules is included in the financial section of the report.

Acknowledgements. The preparation of the CAFR was made possible by the dedicated service of the entire staff of the finance department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

Respectfully submitted,

ISI Mireya Perez

Mireya Perez
Chief Financial Officer

ISI Dr. Dana A. Grove

Dr. Dana A. Grove
President

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527

PRINCIPAL OFFICIALS
June 30, 2013

BOARD OF TRUSTEES

Anthony Martinucci ,Chair
Melissa Cundari, Vice Chair
Susan L. Banks, Secretary
Frank J. Aguilar, Trustee
Joseph J. Belcaster, Trustee
Jose A. Collazo, Trustee
Frances F. Reitz, Trustee
Sandra Ortiz, Student Member

ADMINISTRATION

Dr. Dana A. Grove – President

Muhammad Siddiqi – Vice President of Academic & Student Development

Derek Shouba – Dean of Arts and Sciences

Keith McLaughlin – Vice President of Institutional Advancement

James Young - Dean of Adult Education, Community Programming and Outreach

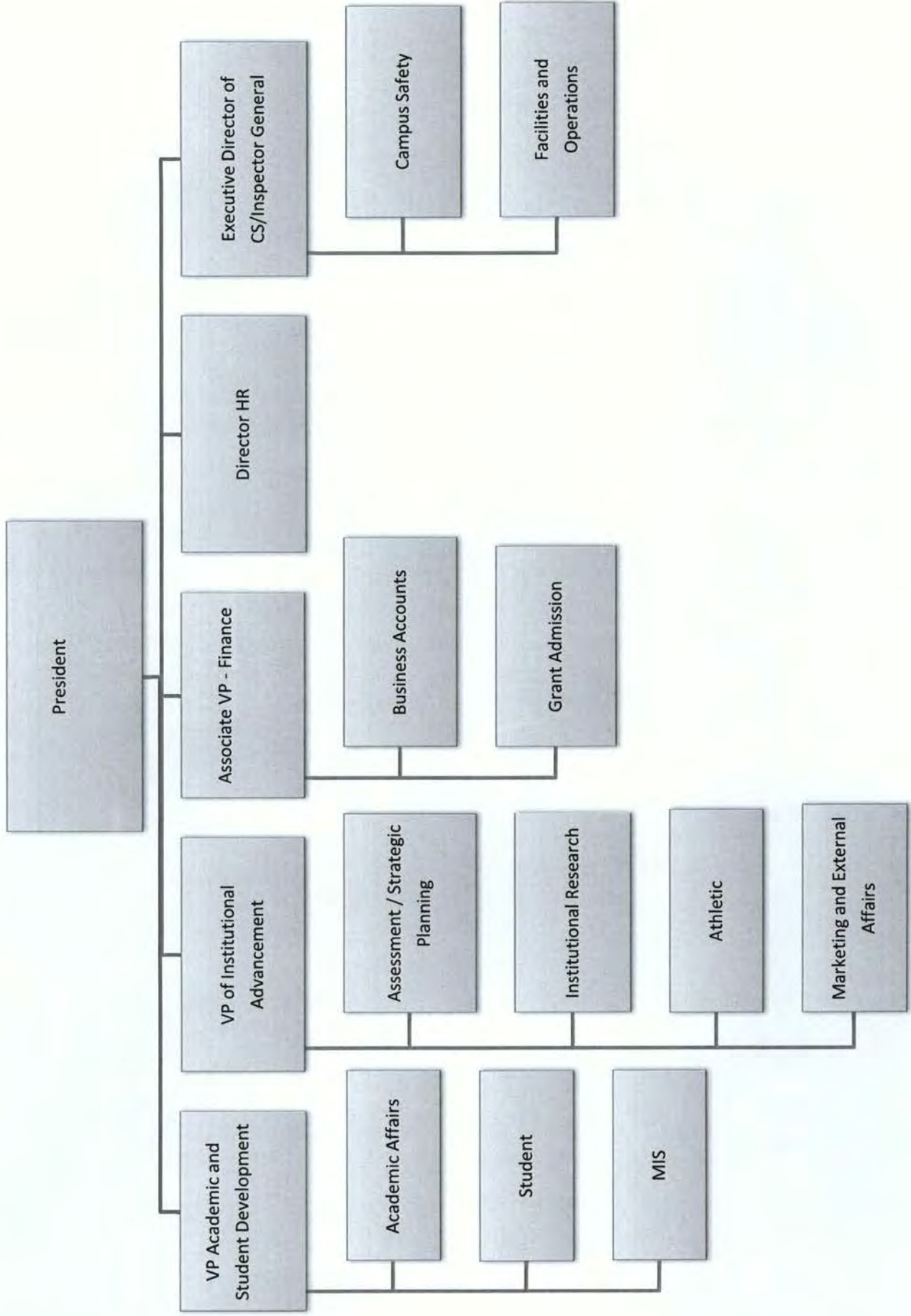
David A. Gonzalez, Associate Vice-President of Finance

Mireya Perez, Chief Financial Officer

DEPARTMENT ISSUING REPORT

Business Office

Organizational Chart





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

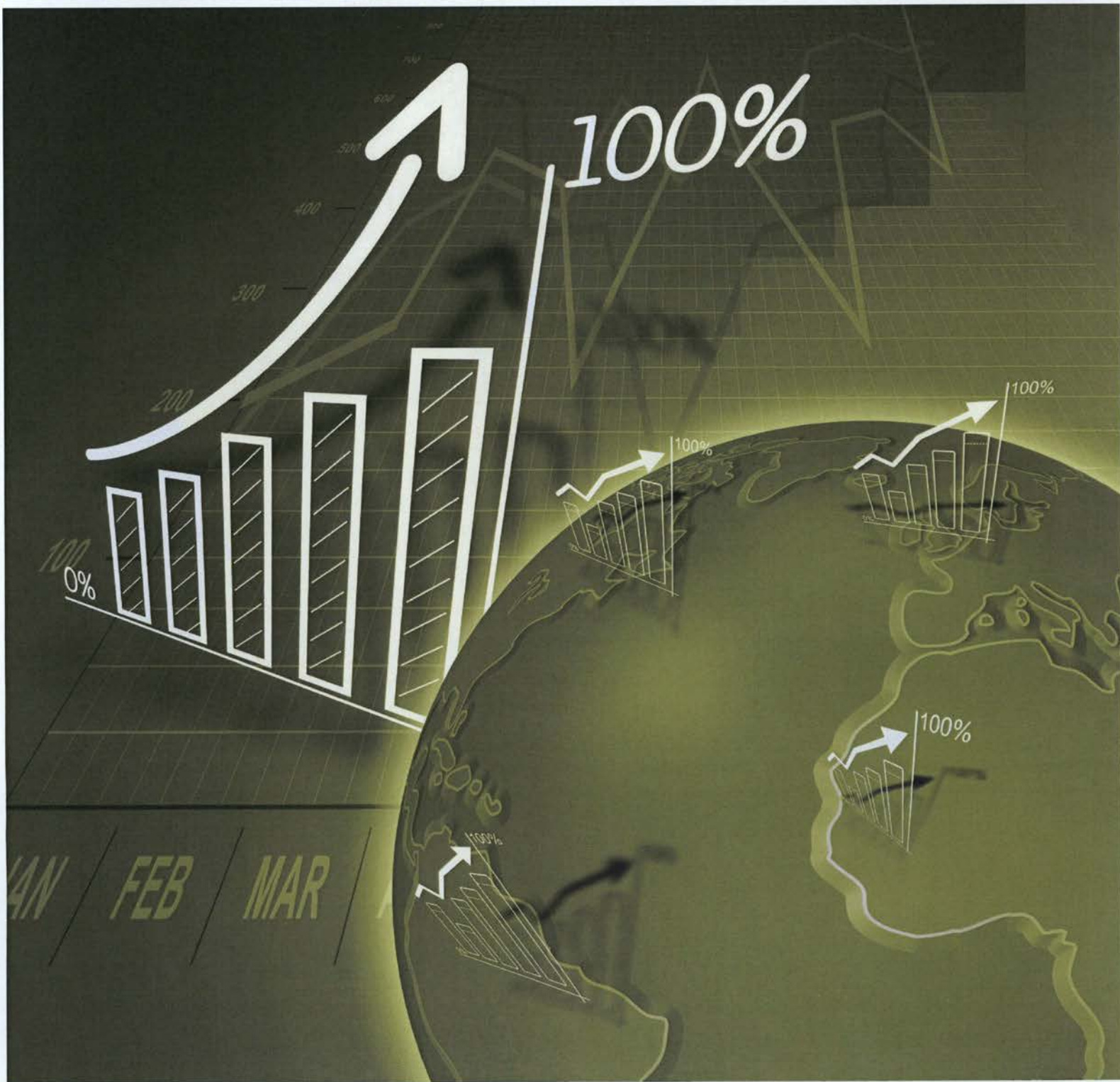
**Morton College - Illinois
Community College District 527**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Morton College
Community College District No. 527
Cicero, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Morton College – Community College District No. 527, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the College, as of June 30, 2013 and 2012, and the

changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10 to the financial statements, in June 2011, the Government Accounting Standards Board (GASB) issued GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". Statement 63 is effective for the College's fiscal year ended June 30, 2013. The College has implemented this statement retroactively for their fiscal year ended June 30, 2012. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). This Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of GASB Statement No. 34, "Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments," and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets. Our opinion is not modified with respect to this matter.

As discussed in Note 10 to the financial statements, in March 2012, the GASB issued GASB Statement 65, "Items Previously Reported as Assets and Liabilities." The provisions of this Statement are effective for the College's fiscal year ending June 30, 2014, with earlier application being encouraged. The College has implemented this statement retroactively for their fiscal year ended June 30, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on page 4 – 9 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's financial statements. The introductory section, statistical section, and special reports information included on pages 47 – 53 are presented for purposes of additional analysis and are not a required part of the financial statements. The special reports section information included on pages 47 – 53 is required by the Illinois Community College Board and is presented on the modified accrual basis of accounting.

The special reports information included on pages 47 – 53 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the special reports information included on pages 47 – 53 are fairly stated, in all material respects, in relation to the financial statements as a whole.

The introductory section and statistical section in the table of contents have not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2013 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Oak Brook, Illinois
October 28, 2013

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013 and 2012
(UNAUDITED)

This section of Morton College's Financial Report presents management's discussion and analysis of the College's financial activity during the fiscal years ended June 30, 2013, and June 30, 2012. Since this Management's Discussion and Analysis (MD&A) is designed to focus on current year's activities, resulting changes and currently known facts, it should be read in conjunction with the transmittal letter (pages iv-viii), the College's basic financial statements (pages 10-13) and the footnotes (pages 14-29). Responsibility for the completeness and fairness of this information rests with the College.

Using This Annual Report

The financial statements prepared under Governmental Accounting Standards Board (GASB) Statement No. 34 focus on the College as a whole. The College's basic financial statements (see pages 10-13) are designed to emulate corporate presentation models whereby all College activities are consolidated into one total column. The Statements of Net Position presents information on all the College's assets and liabilities, with the difference between the two reported as net position. These statements combine and consolidate current and long-term financial resources and capital assets. The Statements of Revenues, Expenses, and Changes in Net Position focus on both the gross costs and the net costs of College activities, which are supported mainly by property taxes, state, and other revenues. This approach is intended to summarize and simplify the user's analysis of costs of various College services to students and the public.

Financial Highlights
Financial Analysis of the College as a Whole
Net Position
As of June 30, (In millions)

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>	<u>2011</u>	<u>Increase (Decrease)</u>
Current assets	\$ 29.7	\$ 29.6	\$ 0.1	\$ 29.5	\$ 0.1
Non-current assets:					
Restricted cash & long term investments	1.3	0.7	0.6	1.2	(0.5)
Capital assets, net of depreciation	22.0	22.0	-	22.1	(0.1)
Total assets	<u>53.0</u>	<u>52.3</u>	<u>0.7</u>	<u>52.8</u>	<u>(0.5)</u>
Current liabilities	4.9	5.6	(0.7)	4.9	0.7
Non-current liabilities	4.8	5.6	(0.8)	6.7	(1.1)
Total liabilities	<u>9.7</u>	<u>11.2</u>	<u>(1.5)</u>	<u>11.6</u>	<u>(0.4)</u>
Deferred inflows of resources - unearned property taxes	<u>4.8</u>	<u>4.6</u>	<u>0.2</u>	<u>4.8</u>	<u>(0.2)</u>
Net assets:					
Investment in capital assets	16.8	15.9	0.9	15.8	0.1
Restricted	11.6	11.0	0.6	11.4	(0.4)
Unrestricted	9.9	9.5	0.4	9.2	0.3
Total net assets	<u>\$ 38.3</u>	<u>\$ 36.4</u>	<u>\$ 1.9</u>	<u>\$ 36.4</u>	<u>\$ -</u>

This schedule was prepared from the College's statements of net position (page 10), which is presented on an accrual basis of accounting.

2013

Total net position, at June 30, 2013 increased by \$1.9 million compared to fiscal year 2012 bringing it to \$38.3 million. The following are key changes by fund: an increase of \$.8 million in the Education Fund, a decrease of \$.3 million in the Operations and Maintenance fund, an increase of \$.4 million in the Operations and Maintenance Fund (Restricted), an increase of \$.1 million in the Liability, Protection, and Settlement Funds and an increase of \$.9 million in the Investment in Plant.

2012

Total net position, at June 30, 2012, remained the same as fiscal year 2011 at \$36.4 million. The following are key changes by fund: an increase of \$.2 million in the Education Fund, a decrease of \$.3 million in the Operations and Maintenance fund, a decrease of \$.8 million in the Operations and Maintenance Fund (Restricted), and an increase of \$.4 million in the Liability, Protection, and Settlement Funds.

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013 and 2012
(UNAUDITED)

The change in Net Position is explained on page 8 after the Analysis of Net Position schedule.

Operating Results					
For the Years Ended June 30, (In millions)					
	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>	<u>2011</u>	<u>Increase (Decrease)</u>
Operating revenues					
Tuition and fees	\$ 10.2	\$ 9.6	\$ 0.6	\$ 8.9	\$ 0.7
Scholarship allowance	(6.1)	(6.3)	0.2	(6.0)	(0.3)
Auxiliary and other	<u>2.2</u>	<u>2.4</u>	<u>(0.2)</u>	<u>2.6</u>	<u>(0.2)</u>
Total	<u>6.3</u>	<u>5.7</u>	<u>0.6</u>	<u>5.5</u>	<u>0.2</u>
Less operating expenses	<u>36.2</u>	<u>33.0</u>	<u>3.2</u>	<u>30.5</u>	<u>2.5</u>
Net operating loss	<u>(29.9)</u>	<u>(27.3)</u>	<u>(2.6)</u>	<u>(25.0)</u>	<u>(2.3)</u>
Non-operating revenues & expenses					
Property taxes	8.2	7.7	0.5	8.9	(1.2)
State grants and contracts	12.8	9.4	3.4	8.5	0.9
Federal grants and contracts	10.9	10.2	0.7	9.4	0.8
Interest expense	(0.4)	(0.3)	(0.1)	(0.3)	-
Local grants and contracts	0.2	0.3	(0.1)	0.3	-
Investment income	-	-	-	-	-
Total	<u>31.7</u>	<u>27.3</u>	<u>4.4</u>	<u>26.8</u>	<u>0.5</u>
Increase in net assets	1.9	-	-	1.8	(1.8)
Net assets, beginning of year	<u>36.4</u>	<u>36.4</u>	<u>-</u>	<u>34.6</u>	<u>1.8</u>
Net assets, end of year	<u>\$ 38.3</u>	<u>\$ 36.4</u>	<u>\$ -</u>	<u>\$ 36.4</u>	<u>\$ -</u>
Total revenues	<u>\$ 38.4</u>	<u>\$ 33.3</u>	<u>\$ 5.1</u>	<u>\$ 32.6</u>	<u>\$ 0.7</u>
Total expenses	<u>\$ 36.6</u>	<u>\$ 33.3</u>	<u>\$ 3.3</u>	<u>\$ 30.8</u>	<u>\$ 2.5</u>

2013

Net operating loss, for the twelve months ended June 30, 2013, increased to \$29.9 million from \$27.3 million in 2012 mainly due to changes in expenses which include: an increase in Academic Support for \$0.5 million, an increase in Institutional Support for \$0.4 million, an increase in Student Services for \$0.3 million, and an increase in Scholarships and Fellowships expenses of \$1.6 million.

Operating revenues increased by \$0.2 million due to an increase in tuition and enrollment.

The increase in non-operating revenues and expenses of \$4.4 million is mainly attributed to the following: \$0.8 million increase in federal funding, \$3.4 million increase in state grants and contracts, and \$0.6 million increase in local property taxes.

2012

Net operating loss, for the twelve months ended June 30, 2012, increased to \$27.3 million from \$25.0 million in 2011 mainly due to changes in expenses which include: an increase in Institutional Support for \$1.4 million, an increase in

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013 and 2012
(UNAUDITED)

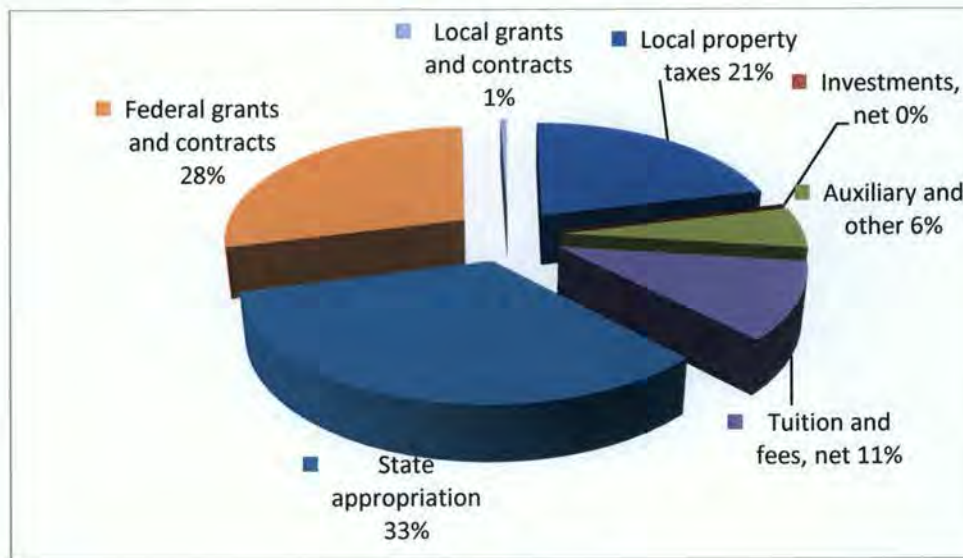
Operations and Maintenance of Plant expenses for \$1.1 million, and an increase in Scholarships and Fellowships expenses of \$.6 million.

Operating revenues increased by \$.2 million due to an increase in tuition and enrollment.

The increase in non-operating revenues and increase of expenses \$.5 million increase is mainly attributed to the following: \$.8 million increase in federal funding, \$.9 million increase in state grants and contracts, and \$1.2 million decrease in local property taxes.

The following is a graphic illustration of revenues by source.

Revenues by Source (2013):



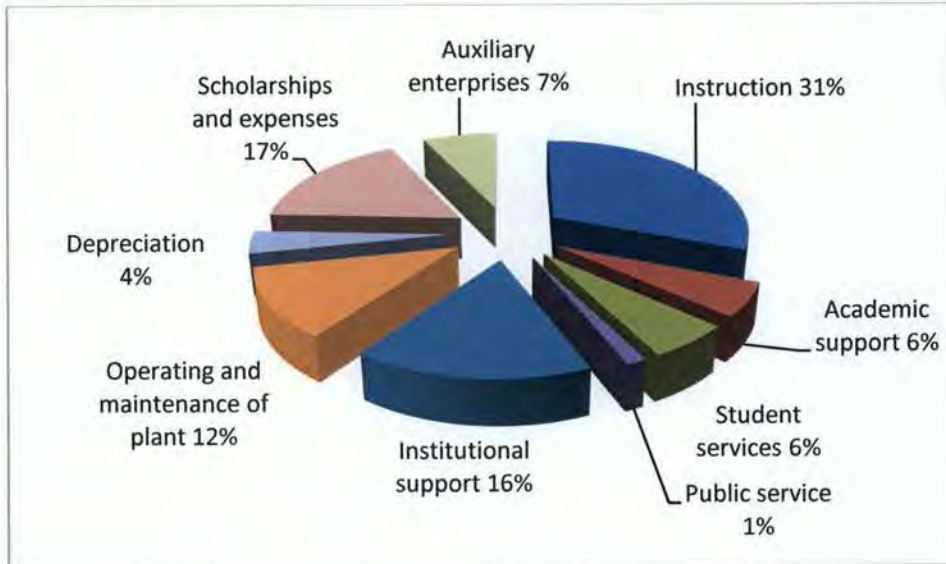
**Operating Expenses
For the Years Ended June 30,
(In millions)**

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>	<u>2011</u>	<u>Increase (Decrease)</u>
Instruction	\$ 11.2	\$ 10.6	\$ 0.6	\$ 10.9	\$ (0.3)
Academic support	2.1	1.6	0.5	1.6	-
Student services	2.1	1.7	0.4	2.0	(0.3)
Public service	0.5	0.5	-	0.5	-
Institutional support	5.9	5.5	0.4	4.1	1.4
Operating and maintenance of plant	4.3	4.4	(0.1)	3.3	1.1
Depreciation	1.4	1.4	-	1.5	(0.1)
Scholarships and fellowships	6.2	4.7	1.5	4.1	0.6
Auxiliary enterprises	2.6	2.6	-	2.5	0.1
Total	<u>\$ 36.3</u>	<u>\$ 33.0</u>	<u>\$ 3.3</u>	<u>\$ 30.5</u>	<u>\$ 2.5</u>

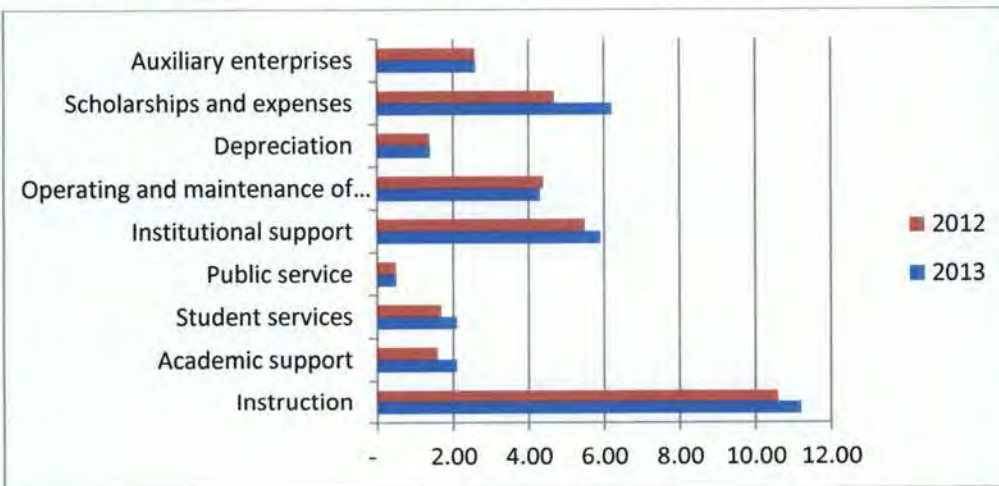
The following is a graphic illustration of operating expenses:

MORTON COLLEGE
 COMMUNITY COLLEGE DISTRICT NO. 527
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2013 and 2012
 (UNAUDITED)

Operating Expenses by Function (2013):



Comparison of Operating Expenses Fiscal Years 2013 and 2012 (in millions):



2013

Total operating expenses increased to \$36.3 million from \$33 million mainly due to the following: an increase in Academic Support for \$.5 million, an increase in Institutional Support for \$.4 million, an increase in Student Services for \$.3 million, and an increase in Scholarships and Fellowships expenses of \$1.6 million.

2012

Total operating expenses increased to \$33.0 million from \$30.5 million mainly due to the following: an increase in Institutional Support of \$1.4 million, an increase in Operations and Maintenance of Plant of \$1.1 million, and an increase of Scholarships and fellowships of \$.6 million.

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013 and 2012
(UNAUDITED)

Analysis of Net Position
June 30,
(In millions)

	<u>2013</u>	<u>2012</u>	<u>Increase</u> <u>(decrease)</u>	<u>2011</u>	<u>Increase</u> <u>(decrease)</u>
Net position:					
Net investment in capital assets	\$ 16.8	\$ 15.9	\$ 0.9	\$ 15.8	\$ 0.1
Restricted expendable	11.6	11.0	0.6	11.4	\$ (0.4)
Unrestricted	9.9	9.5	0.4	9.2	\$ 0.3
Total	<u>\$ 38.3</u>	<u>\$ 36.4</u>	<u>\$ 1.9</u>	<u>\$ 36.4</u>	<u>\$ -</u>

2013

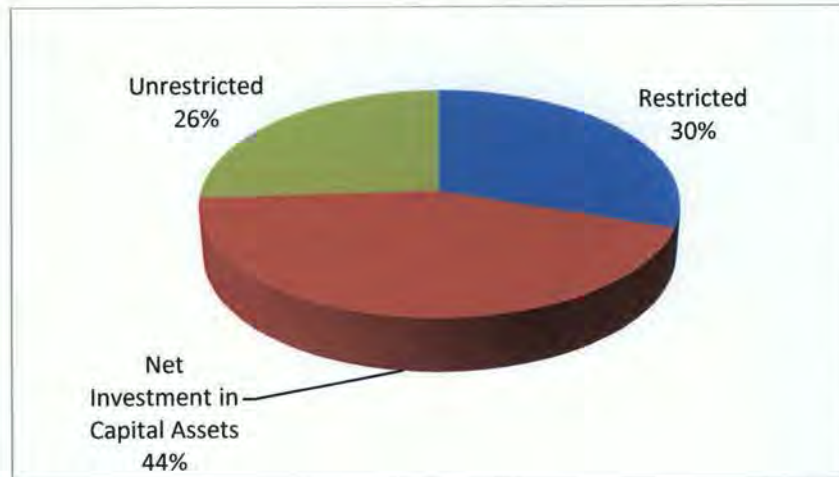
Total net position, at June 30, 2013, increased from fiscal year 2012 by \$1.9 million. The following are key changes by fund: an increase of \$.2 million in the Education Fund, a decrease of \$.3 million in the Operations and Maintenance fund, a decrease of \$.8 in the Operations and Maintenance Fund (Restricted), an increase of \$.1 million in the Liability, Protection, and Settlement Funds and an increase of \$.9 million in the Investment in Plant.

2012

Total net position, at June 30, 2012, did not change from fiscal year 2011 and remained at \$36.4 million. The following are key changes by fund: an increase of \$.2 million in the Education Fund, a decrease of \$.3 million in the Operations and Maintenance fund, a decrease of \$.8 in the Operations and Maintenance Fund (Restricted), and an increase of \$.4 million in the Liability, Protection, and Settlement Funds.

The following is a graphic illustration of net position.

Net Position
June 30, 2013



MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013 and 2012
(UNAUDITED)

Analysis of Capital Assets
June 30, (In millions)

Capital assets:					
Land improvements	\$ 2.6	\$ 2.6	\$ -	\$ 2.6	\$ -
Construction in progress	1.5	0.9	0.6	0.8	-
Building	24.0	23.7	0.3	23.4	0.3
Equipment	<u>6.6</u>	<u>6.1</u>	<u>0.5</u>	<u>5.2</u>	<u>0.9</u>
Total	34.7	33.3	1.4	32.0	1.3
Less: accumulated depreciation	<u>(12.8)</u>	<u>(11.3)</u>	<u>(1.5)</u>	<u>(9.9)</u>	<u>(1.4)</u>
Net capital assets	<u>\$ 21.9</u>	<u>\$ 22.0</u>	<u>\$ (0.1)</u>	<u>\$ 22.1</u>	<u>\$ (0.1)</u>

2013

Net capital asset decrease of \$.1 million mainly relates to \$1.3 million increase in equipment, offset by \$1.4 million net increase in accumulated depreciation. For more detail information on capital asset activity please see Note 3.

2012

Net capital asset decrease of \$.1 million mainly relates to \$.8 million increase in equipment for new ERP system, offset by \$1.4 million net increase in accumulated depreciation. For more detail information on capital asset activity please see Note 3.

Long Term Debt
June 30,
(In millions)

	<u>2013</u>	<u>2012</u>	<u>Increase (decrease)</u>	<u>2011</u>	<u>Increase (decrease)</u>
Long-term debt:					
General obligations	\$ 5.6	\$ 6.4	\$ (0.8)	\$ 7.2	\$ (0.8)
Capital lease payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 5.6</u>	<u>\$ 6.4</u>	<u>\$ (0.8)</u>	<u>\$ 7.2</u>	<u>\$ (0.8)</u>

2013

The \$.8 million decrease in long-term debt is due to the annual debt payment on Series 2006 for \$.3 and the annual debt payment on Series 2009 for \$.5. For more detail information on long-term debt activity please see Note 4.

2012

The \$.8 million decrease in long-term debt is due to the annual debt payment on Series 2006 for \$.3 and the annual debt payment on Series 2009 for \$.5. For more detail information on long-term debt activity please see Note 4.

Other Factors

There are currently no other known facts, decisions or conditions that will have a significant effect on the financial position (net position) or results of operation (revenues, expenses and changes in net position) of the College.

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
STATEMENTS OF NET POSITION
JUNE 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 20,377,592	\$ 19,966,378
Receivables, net:		
Property taxes and corporate personal property		
replacement taxes, net of allowance 2013 \$1,408,000; 2012 \$769,000	3,870,835	3,979,007
Government claims	1,562,358	1,606,744
Tuition and fees, net of allowance for doubtful accounts		
2013 \$1,974,000; 2012 \$2,135,000	2,977,110	3,148,120
Other	25,820	38,192
Inventories	706,472	692,451
Prepaid expenses	159,554	201,925
Total current assets	<u>29,679,741</u>	<u>29,632,817</u>
Noncurrent assets		
Restricted cash and cash equivalents	1,149,200	511,865
Investments	119,769	192,576
Capital assets not being depreciated	3,890,553	3,469,647
Capital assets being depreciated, net	18,085,377	18,503,018
Total noncurrent assets	<u>23,244,899</u>	<u>22,677,106</u>
Total assets	<u>52,924,640</u>	<u>52,309,923</u>
Liabilities		
Current liabilities		
Accounts payable	486,583	800,123
Other accruals	27,115	32,963
Accrued salaries and vacation	562,534	500,351
Unearned revenues:		
Tuition and fees	1,997,699	2,505,770
Grants	80,580	154,585
Current portion of capital lease payable	6,004	22,862
Current portion of general obligation bonds	835,000	815,000
Amounts held in custody for others	475,495	439,031
Other current liabilities	493,848	344,609
Total current liabilities	<u>4,964,858</u>	<u>5,615,294</u>
Noncurrent liabilities		
Capital lease payable, non-current portion	17,992	10,915
General obligation bonds, less current portion	4,781,185	5,623,268
Total noncurrent liabilities	<u>4,799,177</u>	<u>5,634,183</u>
Total liabilities	<u>9,764,035</u>	<u>11,249,477</u>
Deferred inflows of resources - unearned property taxes	<u>4,802,438</u>	<u>4,649,315</u>
Net position		
Net investment in capital assets	16,826,457	15,907,741
Restricted for:		
Capital projects	1,149,200	511,865
Working cash	9,384,615	9,382,285
Debt Service	1,108,691	1,121,588
Unrestricted	9,889,204	9,487,652
Total net position	<u>\$ 38,358,167</u>	<u>\$ 36,411,131</u>

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Student tuition and fees	\$ 10,221,865	\$ 9,612,307
Less scholarship allowance	(6,095,929)	(6,275,940)
Auxiliary and other	<u>2,238,138</u>	<u>2,408,893</u>
Total operating revenues	<u>6,364,074</u>	<u>5,745,260</u>
Operating expenses:		
Instruction	11,178,977	10,560,776
Academic support	2,146,750	1,640,870
Student services	2,064,685	1,724,416
Public service	486,255	528,209
Institutional support	5,878,454	5,487,908
Operations and maintenance of plant	4,265,754	4,363,130
Depreciation	1,445,016	1,437,228
Scholarships and fellowships	6,203,707	4,682,950
Auxiliary enterprises	<u>2,567,778</u>	<u>2,603,138</u>
Total operating expenses	<u>36,237,376</u>	<u>33,028,625</u>
Operating (loss)	<u>(29,873,302)</u>	<u>(27,283,365)</u>
Nonoperating revenues (expenses):		
Local property taxes	8,215,441	7,667,168
State appropriations	12,816,492	9,411,230
Federal grants and contracts	10,911,286	10,159,841
Local grants and contracts	220,428	294,408
Investment income	12,691	19,317
Interest payments on debt	<u>(356,000)</u>	<u>(280,849)</u>
Total nonoperating revenues (expenses), net	<u>31,820,338</u>	<u>27,271,115</u>
Increase/(decrease) in net position	<u>1,947,036</u>	<u>(12,250)</u>
Net position at the beginning of the year	<u>36,411,131</u>	<u>36,423,381</u>
Net position at the end of the year	<u>\$ 38,358,167</u>	<u>\$ 36,411,131</u>

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Tuition and fees	\$ 3,801,247	\$ 3,062,682
Payments to suppliers	(14,844,821)	(11,556,294)
Payments to employees	(15,055,919)	(16,649,718)
Auxiliary enterprise charges	2,238,138	2,408,893
Net cash (used in) operating activities	<u>(23,861,355)</u>	<u>(22,734,437)</u>
 Cash flows from noncapital financing activities:		
Local property taxes	8,476,736	8,782,305
State appropriations	12,816,492	9,411,230
Grants and contracts	6,547,697	7,114,665
Net cash provided by noncapital financing activities	<u>27,840,925</u>	<u>25,308,200</u>
 Cash flows from capital financing activities:		
Capital lease principal payment	(21,413)	(19,879)
Principal payment on general obligations bonds	(815,000)	(805,000)
Interest paid	(356,000)	(280,849)
Purchases of capital assets	(1,824,106)	(924,764)
Net cash provided by (used in) capital financing activities	<u>(3,016,519)</u>	<u>(2,030,492)</u>
 Cash flows from investing activities:		
Proceeds from sales and maturities of investments	72,807	74,253
Interest received on investments	12,691	19,317
Net cash provided by investing activities	<u>85,498</u>	<u>93,570</u>
 Net increase in cash and cash equivalents	1,048,549	636,841
 Cash and cash equivalents, beginning of year	<u>20,478,243</u>	<u>19,841,402</u>
 Cash and cash equivalents, end of year	<u>\$ 21,526,792</u>	<u>\$ 20,478,243</u>

(Continued)

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Reconciliation of operating (loss)		
to net cash used in operating activities:		
Operating loss	\$ (29,873,302)	\$ (27,283,365)
Adjustments to reconcile operating loss to net cash used		
in operating activities:		
Depreciation	1,445,016	1,437,228
Amortization - bond premium	(7,083)	(6,792)
State payment in kind for retirement	4,554,398	3,253,882
Changes in net assets:		
(Increase)/decrease receivables (net)	183,382	(501,375)
(Increase) inventories	(14,021)	(41,212)
Decrease prepaid expenses	42,371	165,952
Increase accounts payable	73,917	156,262
(Decrease) other accruals	(5,848)	(69,379)
Increase/(decrease) accrued salaries and vacation	62,183	(25,180)
Increase/(decrease) unearned tuition and fees	(508,071)	227,690
Increase amounts held in custody for others	36,464	49,555
Increase other current liabilities	149,239	108,217
Net cash used in operating activities	<u>\$ (23,861,355)</u>	<u>\$ (22,734,437)</u>
 Non-cash transactions		
Capital lease acquisition	\$ 11,632	\$ 13,540

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Morton College, "the College", Community College District No. 527 is a separate taxing body created under the Illinois Public Community College Act of 1965, serving the towns of Berwyn, Cicero, Forest View, Lyons, McCook and Stickney. Established in 1924, it is the second oldest two-year college in Illinois providing baccalaureate-oriented, career-oriented, and continuing education courses. The Board of Trustees, which is elected by residents of the District, is the College's governing body that establishes the policies and procedures by which the College is governed.

Reporting Entity: The accompanying financial statements include all entities for which the Board of Trustees of the College has financial accountability. In defining the financial reporting entity, the College has considered whether there are any potential component units. The decision whether to include a potential component unit in the reporting entity was made by applying the criteria set forth in Government Accounting Standards Board (GASB) Statement No. 39, "Determining Whether Certain Organizations are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus." These statements amend Statement No.14, "The Financial Reporting Entity," to provide guidance to determine whether certain organizations for which the College is not financially accountable should be reported as a component unit based upon the nature and significance of the relationship with the College. Generally, it requires reporting as a component an organization that raises and holds significant economic resources for the direct benefit of a government unit. The College does not have any component units as defined by the above guidance.

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

Non-exchange transactions, in which the College receives value without directly giving equal value in return, includes property taxes; federal, State and local grants; State appropriations, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance. Revenue from grants, State appropriations, and other contributions 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 the College must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the College on a reimbursement basis.

For the year ended June 30, 2012, a portion of the College's share of the base operating grant was received past 60 days of year end due to the current fiscal issues facing the State of Illinois. As such, the College elected to recognize the portion received after 60 days as revenue, or \$491,034, in order to properly present 12 months of revenue in the financial statements. This was not repeated for 2013.

The College has implemented the provisions of GASB Statement 62, entitled "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" to apply all applicable FASB pronouncements.

Cash and Cash Equivalents: Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

(Continued)

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments: Investments are reported at fair value, based upon quoted market prices. Changes in the carrying value of investments, resulting in unrealized gains or losses, are reported as a component of investment income in the statement of revenues, expenses, and changes in net position. The Illinois Funds is an external investment pool administered by the Illinois State Treasurer. The fair value of the College's investment in the fund is the same as the value of the pool shares.

Inventories: Inventories are reported at the lower of cost or market principally determined by the retail inventory method. Inventories primarily represent items held for resale by the College's bookstore.

Restricted Cash and Cash Equivalents: Cash that is externally restricted to purchase or construct capital assets is classified as a restricted asset in the statement of net position.

Capital Assets: Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the College's capitalization policy includes all items with a unit cost of \$2,500 or more and an estimated useful life that is greater than two years. Renovations to buildings and land improvements that exceed \$50,000 and significantly increase the value or extend the useful life of the structure are capitalized.

Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings and 5 years for equipment.

Noncurrent Liabilities: Noncurrent liabilities include principal amounts of general obligation bonds and capital leases with contractual maturities greater than one year and future payments of other post-employment benefits due in greater than one year.

Bond Premium: Bond premiums are capitalized and amortized over the term of the bonds using the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable.

Net Position: The College's net position is classified as follows:

Net investment in Capital Assets: This represents the College's total investment in capital assets, net of accumulated depreciation and reduced by outstanding debt obligations related to acquisition, construction, or improvement of those capital assets.

Restricted Net Position: Restricted expendable net position include resources that the College 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 the College's policy to use restricted resources first, then unrestricted resources when they are needed. The Working Cash restriction represents the principal balance of the Working Cash subfund, which pursuant to College Board of Trustees resolution and Illinois law, is held in perpetuity.

(Continued)

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unrestricted Net Position: Unrestricted net position represents 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 the College and may be used at the discretion of the governing board to meet current expenses for any purpose.

Classification of Revenues and Expenses: The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating Revenues and Expenses: Operating revenues include activities that have the characteristics of exchange transactions, such as student tuition and fees, and sales and services of auxiliary enterprises, net of scholarship discounts and allowances, salaries and benefits and materials and supplies.

Non-operating Revenues and Expenses: Non-operating revenues include 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, and (4) gifts and contributions, interest on debt.

Property Taxes: The College's property taxes are levied each calendar year on all taxable real property located in the College's district. Property taxes are collected by the County Collector and are submitted to the County Treasurer, who remits to the units their respective shares of the collections. Taxes levied in 2012 become due and payable in two installments (March 1, 2013, and October 1, 2013). 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. The levy becomes an enforceable lien against the property as of January 1 immediately following the levy year.

In accordance with the College Board resolution, 50% of property taxes extended for the 2012 tax year and collected in 2013 are recorded as revenue in the year ended June 30, 2013. The remaining revenue related to the 2012 tax year extension has been deferred and will be recorded as revenue in the subsequent fiscal year. However, for Bond and Interest Fund, the levy is intended to pay for the principal and interest payments due during 2013. The deferred revenue is related to bond and interest payments. Based upon collection histories, the College records real property taxes at approximately 50% of the 2012 extended levy. A reserve of approximately \$1,408,000 has been set up for the estimated amount of unpaid credits relating to prior years' taxes.

The statutory maximum tax rates and the respective rates for the 2011 and 2010 tax levies, per \$100 of assessed valuation, are as follows:

(Continued)

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	Statutory Maximum Rate	Tax Levy Year	
		2012	2011
Current:			
Education Fund	0.7500	0.3866	0.3396
Operation and Maintenance Fund	0.1000	0.1000	0.1000
Operation and Maintenance Fund (restricted)	0.0500	-	-
Bond and interest	0.0356	0.0273	0.0251
Life Safety Fund	0.0500	-	-
Liability, Protection, and Settlement Fund	-	0.0263	0.0248
Social Security Fund	-	0.0105	0.0093
Audit Fund	0.0050	0.0050	0.0050
Total	0.9906	0.5557	0.5038

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

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

Income Taxes: The College as a governmental body is not subject to state or federal income taxes.

Use of Estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Unearned Tuition and Fee Revenue: Tuition and fee revenues collected during the fiscal year, which relate to the period after June 30, 2013, have been recognized as unearned revenues. Unearned revenues arise when resources are received by the College before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the College has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet or statement of net position and revenue is recognized.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The College has only one type of item which arises only under the accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unearned property taxes*, is reported in the statement of net position. These amounts are deferred and organized as an inflow of resources in the period that the amounts become available.

(Continued)

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 2 - CASH AND INVESTMENTS

State statutes authorize the College to make deposits in commercial banks and savings and loan institutions, and to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of states and their political subdivisions, savings accounts, credit union shares, repurchase agreements (under certain statutory restrictions), commercial paper rated within the three highest classifications by at least two standard rating services, the Illinois Funds, and the Illinois School District Liquid Asset Fund Plus.

Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at Illinois Fund's share price, which is the price at which the investment could be sold.

Deposits: As of June 30, 2013, the carrying amount of the College's deposits was \$2,805,436 with bank balances of \$3,296,126. Petty cash totaled \$518 at June 30, 2013. It is the College's policy that 105% of the bank balances be collateralized by securities held in the pledging bank's trust department or by its agent in the College's name when not federally insured. At June 30, 2013, all of the Colleges deposits were collateralized. The Illinois Funds are not subject to categorization.

As of June 30, 2012, the carrying amount of the College's deposits was \$1,987,350 with bank balances of \$2,321,053. Petty cash totaled \$519 at June 30, 2012. It is the College's policy that 105% of the bank balances be collateralized by securities held in the pledging bank's trust department or by its agent in the College's name when not federally insured. At June 30, 2012, College had no interest bearing deposit accounts so all deposits are federally insured through the Dodd-Frank Act. The Illinois Funds are not subject to categorization.

Investments: The investments which the College may purchase are limited by Illinois law to the following (1) securities which are fully guaranteed by the U.S. government as to principal and interest; (2) certain U.S. Government Agency securities; (3) certificates of deposit or time deposits of banks and savings and loan associations which are insured by a Federal corporation; (4) short-term discount obligations of the Federal National Mortgage Association; (5) certain short-term obligations of corporations (commercial paper) rated in the highest classifications by at least two of the major rating services; (6) fully collateralized repurchase agreements; (7) the State Treasurer's Illinois and Prime Funds and (8) money market mutual funds and certain other instruments.

The following schedules report the fair values and maturities (using the segmented time distribution method) for the College's investments as of June 30:

(Continued)

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 2 - CASH AND INVESTMENTS (Continued)

2013

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
		<u>Less than One Year</u>	<u>One to Five Years</u>	<u>Six to Ten years</u>	<u>Greater than Ten Years</u>
GNMAs (Government Guaranteed)	\$ 119,769	\$ -	\$ 49,731	\$ 70,038	\$ -
State Treasurer Illinois Funds	<u>18,720,838</u>	<u>18,720,838</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 18,840,607</u>	<u>\$ 18,720,838</u>	<u>\$ 49,731</u>	<u>\$ 70,038</u>	<u>\$ -</u>

Petty cash of \$518, deposits of \$2,805,436 and cash equivalents and investments of \$18,840,607, totaling \$21,646,561 are reported in the financial statements as:

Current assets - cash and cash equivalents	\$ 20,377,592
Noncurrent assets - restricted cash and cash equivalents	1,149,200
Investments	<u>119,769</u>
Total	<u>\$ 21,646,561</u>

2012

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
		<u>Less than One Year</u>	<u>One to Five Years</u>	<u>Six to Ten years</u>	<u>Greater than Ten Years</u>
GNMAs (Government Guaranteed)	\$ 192,576	\$ -	\$ 80,761	\$ 111,815	\$ -
State Treasurer Illinois Funds	<u>18,490,374</u>	<u>18,490,374</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 18,682,950</u>	<u>\$ 18,490,374</u>	<u>\$ 80,761</u>	<u>\$ 111,815</u>	<u>\$ -</u>

Petty cash of \$519, deposits of \$1,987,350 and cash equivalents and investments of \$18,682,950, totaling \$20,670,819 are reported in the financial statements as:

Current assets - cash and cash equivalents	\$ 19,966,378
Noncurrent assets - restricted cash and cash equivalents	511,865
Investments	<u>192,576</u>
Total	<u>\$ 20,670,819</u>

Interest Rate Risk: In accordance with its investment policy, the College limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed within a two year period. The investment policy does not strictly limit the maximum maturity lengths of investments but limits long-term investment to 33.3%.

(Continued)

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 2 - CASH AND INVESTMENTS (Continued)

Credit Risk: The College limits its exposure to 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, the College's investment policy does not specifically limit the College to these types of investments.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the College will not be able to recover the value of its investments that are in the possession of an outside party. To limit its exposure, the College's investment policy requires all security transactions that are exposed to custodial credit risk to be collateralized by all investment with a third party holding the collateralization.

State Treasurer Illinois Funds are reported as Cash and Cash Equivalents on the Statement of Net Position. The credit rating was AAA as described by the Standard & Poor's and Moody's at June 30, 2013 and 2012. The Government National Mortgage Association Pools (GNMAs) are explicitly guaranteed by the United States Government and are not considered to have credit risk. No disclosure of credit rating is necessary for these investments. The GNMA's make up 100% of the fiscal year 2013 and 2012 investment balance.

Concentration of Credit Risk: At June 30, 2013 and 2012, the College had greater than five percent of its overall portfolio investment in State Treasurer Illinois Funds. This is in accordance with the College's investment policy, which does not contain any specific guidelines on the diversification of the investment portfolio.

The State Treasurer maintains the Illinois Funds Money Market at cost and fair value through daily adjustment in interest earnings. The State Treasurer also maintains the average duration of the pool at less than 25 days. The fair value of the College's investment in the funds is the same as the value of the pool shares. The Pool is audited annually by independent auditors and copies of the auditors' report are distributed to participants. The Pool maintains a Standard and Poor's AAA rating. The College's investments in the Illinois funds are not required to be categorized because these are not securities. The relationship between the College and the investment agent is a direct contractual relationship and the investments are not supported by a transferable instrument that evidence ownership or creditorship.

(Continued)

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 3 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30:

	Balance at June 30, 2012	Additions	Retirements	Transfers	Balance at June 30, 2013
Capital assets not being depreciated					
Land and improvements	\$ 2,600,248	\$ -	\$ -	\$ -	\$ 2,600,248
Construction in progress	869,399	1,325,176	-	(904,270)	1,290,305
Total	<u>3,469,647</u>	<u>1,325,176</u>	<u>-</u>	<u>(904,270)</u>	<u>3,890,553</u>
Capital assets being depreciated					
Buildings and improvements	23,718,767	-	-	519,129	24,237,896
Movable equipment	6,126,427	123,105	-	385,141	6,634,673
Total	<u>29,845,194</u>	<u>123,105</u>	<u>-</u>	<u>904,270</u>	<u>30,872,569</u>
Less accumulated depreciation					
Buildings and Improvements	8,920,731	924,653	-	282,374	10,127,758
Movable equipment	2,421,445	520,363	-	(282,374)	2,659,434
Total	<u>11,342,176</u>	<u>1,445,016</u>	<u>-</u>	<u>-</u>	<u>12,787,192</u>
Net capital assets being depreciated	<u>18,503,018</u>	<u>(1,321,911)</u>	<u>-</u>	<u>904,270</u>	<u>18,085,377</u>
Net capital assets	<u>\$ 21,972,665</u>	<u>\$ 3,265</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,975,930</u>

2012

	Balance at July 1, 2011	Additions	Retirements	Transfers	Balance at June 30, 2012
Capital assets not being depreciated					
Land and improvements	\$ 2,600,248	\$ -	\$ -	\$ -	\$ 2,600,248
Construction in progress	765,534	869,399	-	(765,534)	869,399
Total	<u>3,365,782</u>	<u>869,399</u>	<u>-</u>	<u>(765,534)</u>	<u>3,469,647</u>
Capital assets being depreciated					
Buildings and improvements	23,380,951	337,816	-	-	23,718,767
Movable equipment	5,242,349	118,544	-	765,534	6,126,427
Total	<u>28,623,300</u>	<u>456,360</u>	<u>-</u>	<u>765,534</u>	<u>29,845,194</u>
Less accumulated depreciation					
Buildings and Improvements	8,005,858	914,873	-	-	8,920,731
Movable equipment	1,899,090	522,355	-	-	2,421,445
Total	<u>9,904,948</u>	<u>1,437,228</u>	<u>-</u>	<u>-</u>	<u>11,342,176</u>
Net capital assets being depreciated	<u>18,718,352</u>	<u>(980,868)</u>	<u>-</u>	<u>765,534</u>	<u>18,503,018</u>
Net capital assets	<u>\$ 22,084,134</u>	<u>\$ (111,469)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,972,665</u>

(Continued)

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 4 - LONG- AND SHORT-TERM LIABILITIES

On July 13, 2006, Morton College issued \$3,375,000 of General Obligation Limited tax Bonds, Series 2006. The bonds will mature on December 1, for the years and in the amounts shown below. The Bonds bear interest at a rate of 3.93% to 4.25% and are payable on December 1 and June 1 in each year. The Bonds mature December 1, 2017.

On September 23, 2009, the College issued \$5,105,000 in Taxable General Obligation College Building Bonds, Series 2009 (Alternate Revenue Source, Build America Bonds), with interest rates ranging from 1.35% to 4.75%. These bonds have annual maturities of \$450,000 to \$575,000 starting in 2011 and ending in 2019. The bonds will mature on December, 1 for the years and in the amounts shown below. The bonds were issued to fund the purchase of a new computer system to provide support to administration, academic affairs, management, and student services.

The College entered into 4 new capital lease agreements for equipment in fiscal year 2012. Aggregate monthly payments of approximately \$300 and are due through May 2017. These agreements have approximate interest rates between 12 and 20%. The copier/printer was recorded at a cost of \$13,540 and accumulated depreciation as of June 30, 2013 and 2012 was \$2,628 and \$623, respectively.

The College entered into 2 new capital lease agreements for equipment in fiscal year 2013. Aggregate monthly payments of approximately \$242 and are due through April 2018. These agreements have approximate interest rates of 9%. The copier/printers were recorded at a cost of \$11,682 and accumulated depreciation as of June 30, 2013 and 2012 was \$606 and \$0, respectively.

A summary of long-term liability activity for the year ended June 30:

2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Amounts due within one year
General obligations:					
Series 2006	\$ 2,225,000	\$ -	\$ 330,000	\$ 1,895,000	\$ 345,000
Series 2009	4,170,000	-	485,000	3,685,000	490,000
Total general obligations	6,395,000	-	815,000	5,580,000	835,000
Unamortized premiums	43,268	-	7,083	36,185	-
Capital lease	33,777	11,632	21,413	23,996	6,004
Total long-term liabilities	<u>\$ 6,472,045</u>	<u>\$ 11,632</u>	<u>\$ 843,496</u>	<u>\$ 5,640,181</u>	<u>\$ 841,004</u>

(Continued)

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 4 - LONG- AND SHORT-TERM LIABILITIES (Continued)

2012

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Amounts due within one year
General obligations:					
Series 2006	\$ 2,545,000	\$ -	\$ 320,000	\$ 2,225,000	\$ 330,000
Series 2009	4,655,000	-	485,000	4,170,000	485,000
Total general obligations	7,200,000	-	805,000	6,395,000	815,000
Unamortized premiums	50,060	-	6,792	43,268	-
Capital lease	40,116	13,540	19,879	33,777	22,862
Other post employment benefits	205,920	-	205,920	-	-
Total long-term liabilities	<u>\$ 7,496,096</u>	<u>\$ 13,540</u>	<u>\$ 1,037,591</u>	<u>\$ 6,472,045</u>	<u>\$ 837,862</u>

The general obligation bonds and the capital lease are due as follows:

2013

Fiscal year ending June 30:	Principal	Interest	Total
2014	\$ 841,004	\$ 233,919	\$ 1,074,923
2015	864,944	186,914	1,051,858
2016	895,633	142,074	1,037,707
2017	925,163	104,042	1,029,205
2018	947,252	135,239	1,082,491
2019-2020	1,130,000	53,456	1,183,456
Total	<u>\$ 5,603,996</u>	<u>\$ 855,644</u>	<u>\$ 6,459,640</u>

2012

Fiscal year ending June 30:	Principal	Interest	Total
2013	\$ 837,862	\$ 246,031	\$ 1,083,893
2014	837,352	233,003	1,070,355
2015	862,762	186,186	1,048,948
2016	893,247	141,550	1,034,797
2017	922,554	103,742	1,026,296
2018-2020	2,075,000	126,344	2,201,344
Total	<u>\$ 6,428,777</u>	<u>\$ 1,036,856</u>	<u>\$ 7,465,633</u>

(Continued)

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 4 - LONG- AND SHORT-TERM LIABILITIES (Continued)

A computation of the legal debt margin of the College as of June 30, 2013, is as follows:

Assessed valuation - 2012	<u>\$ 1,640,896,561</u>
Legal debt limit - 2.875% of assessed valuation	\$ 47,175,776
Debt applicable to debt limit	<u>5,580,000</u>
Legal debt margin	<u>\$ 41,595,776</u>

A computation of the legal debt margin of the College as of June 30, 2012, is as follows:

Assessed valuation - 2011	<u>\$ 1,783,704,124</u>
Legal debt limit - 2.875% of assessed valuation	\$ 51,281,494
Debt applicable to debt limit	<u>6,395,000</u>
Legal debt margin	<u>\$ 44,886,494</u>

NOTE 5 - COMPENSATED ABSENCES

Sick leave for classified staff members is continuously accumulated at the rate of one day per month; administrative personnel accumulate sick leave at the rate of 20 days per year. Accumulated sick leave is not subject to a maximum number of days and can be taken in the event of illness or doctor's appointments. Upon employee termination, the College has no commitment for accumulated sick leave, and therefore, no liability is recorded. Employees who retire are given credit for unused sick leave toward years of service in the State Universities Retirement System.

Vacation leave is accrued at a minimum rate of 5/6 day per month up to a maximum of 21 days. All vacation leave must be used by the end of the benefit year, except if written approval is obtained. All unused vacation leave is computed at the daily rate of compensation and is paid to the employee or beneficiary in the event of termination, retirement, or death. Accumulated vacation leave is recorded as expenditure and as a liability.

(Continued)

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 5 - COMPENSATED ABSENCES (Continued)

2013

<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Amount due</u> <u>within one year</u>
\$ 53,415	\$ 72,870	\$ 53,415	\$ 72,870	\$ 72,870

2012

<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Amount due</u> <u>within one year</u>
\$ 42,089	\$ 53,415	\$ 42,089	\$ 53,415	\$ 53,415

NOTE 6 - RETIREMENT PLAN

The College is a participating member of the State Universities Retirement System of Illinois (SURS), a cost-sharing multi-employer defined benefit 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 and certain other state educational and scientific agencies and for survivors, dependents and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the state's financial reports as a pension trust fund. SURS is governed by Section 5/15, 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 SURS, 1901 Fox Drive, Champaign, IL 61820 or by calling 1-800-275-7877.

Plan members are required to contribute 8.0% of their annual covered salary. Substantially all of employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The current rate is 34.5% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly. The employer contributions to SURS for the years ending June 30, 2013, 2012 and 2011, are \$4,554,398 and \$3,253,882, and \$2,515,008, respectively, equal to the required contributions for each year.

NOTE 7 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The College participates in the Illinois Community College Risk Management Consortium, which was established in 1981 by several Chicago area community colleges as a means of reducing the cost of general liability insurance. The Consortium is a public entity risk pool currently operating as a common risk management and insurance program for the member colleges. The main purpose of the Consortium is to jointly self-insure certain risks up to an agreed upon retention limit and to obtain excess catastrophic coverage and aggregate stop-loss reinsurance over the selected retention limit.

(Continued)

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 7 - RISK MANAGEMENT (Continued)

As of June 30, 2013, the loss limits for the consortium were \$250,000 for property, \$250,000 for liability and \$400,000 for workers compensation for each occurrence. The members of the Consortium pool risks and may share in the cost of losses and surpluses. The consortium purchased excess insurance for \$300 million on the property and \$28.5 million on liability. The interest percentage calculated for each of the community colleges varies each year and is different for each type of coverage. One representative from each member serves on the Board of the Consortium, and each board member has one vote on the board. None of the members of the Consortium have any direct interest in the Consortium. The College, along with other members, has a contractual obligation to fund any deficit attributable to a membership year during which it was a member. Supplemental contributions may be required to fund these deficits, but none have been required in any of the past three fiscal years.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Environmental Remediation: During the fiscal year 1995, the College purchased 12.58 acres of land, which is contiguous to the College's current campus, from the Town of Cicero for \$600,000 for use as a multipurpose athletic field. An additional \$150,000 was paid for the demolition and cleanup of the land. Prior to completing the purchase of the land, the College engaged a consultant to perform an environmental study to determine what contaminants, if any, existed on the site and what would be needed to remediate the condition. Based primarily on this environmental study, the College accrued \$277,200 for estimated environmental cleanup costs at the site during fiscal year 1995.

Prior to the closing date on the purchase of the land, soil was dumped on the property by an unknown party. Subsequent environmental testing revealed the presence of additional soil contaminants, the source of which management believes to be, in part, the fill dumped on the property prior to closing.

During 1996, the College obtained an additional environmental study related to cleanup of the site, including removal of the added fill and remediation of the surrounding soil, which estimated the cleanup costs to be as high as \$2,042,000.

In October 1997, the Board of Trustees voted to initiate a lawsuit against the Town of Cicero for environmental contamination of this property. The College is continuing to work with environmental consultants to determine the extent of environmental and pollution related problems. In response to the College's suit, the Town of Cicero filed countersuits against the College contending that the property presents a public nuisance and alleging that the College had violated the Illinois Freedom of Information Act by failing to disclose documents relating to the property. These countersuits have been dismissed.

The College and the Town of Cicero had pursued settling the outstanding litigation and cooperating in the cleanup of the property. Another study of the property has been conducted by the College's environmental engineers, who have determined that there may be cleanup costs in the amount of \$2,000,000. This property has been enrolled in the site remediation program of the Illinois Environmental Protection Agency.

During the fiscal year ended June 30, 2003, the College and the Town of Cicero entered into a settlement agreement that requires the Town to remit up to \$1 million to the College to be used for costs associated with the cleanup. The \$1 million has been collected in fiscal year 2005. The funds were used toward clean-up costs in fiscal year 2005 totaling approximately \$1.6 million.

(Continued)

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 8 - COMMITMENTS AND CONTINGENCIES (Continued)

The College has been advised to perform additional testing to determine the current status of the property. In addition, the final phase of the remediation process will be dependent on the use of the property. Accordingly, management is unable to reasonably estimate the final remediation costs for financial reporting purposes.

Lease Commitment: The College entered into a 60-month non-cancelable copier lease equipment agreement effective August 12, 2009. The lease requires a monthly payment of \$659 through July of 2014. The imputed interest rate for the lease agreements is approximately 8.0%.

Obligations under this non-cancelable operating lease \$659 due in fiscal year 2014.

Other Commitments: The College has commitments for the implementation of a new Enterprise Resource Planning (ERP) System totaling approximately \$407,000.

The United States Department of Education is conducting an inquiry into federal student aid funds disbursed at Morton College to certain students. The amount of funds that may have been improperly disbursed cannot be determined at this time and management is presently unable to determine the probable outcome of the inquiry.

Management is not aware of any claims or lawsuits against the College that are not covered by insurance or whose settlement would materially affect the financial statements at June 30, 2013.

NOTE 9 - NEW ACCOUNTING PRONOUNCEMENTS

In March 2012, the GASB issued No. Statement 66, "Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62." The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," and No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This Statement amends Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, Colleges should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement No. 54 and Statement No. 34, "Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments." This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straightline basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, "Accounting for Operating Leases with Scheduled Rent Increases," and result in guidance that is consistent with the requirements in Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues," respectively. The provisions of this Statement are effective for the College's fiscal year ended June 30, 2014, with earlier application being encouraged. Management has not determined what impact, if any, this Statement may have on its financial statements.

(Continued)

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 9 - NEW ACCOUNTING PRONOUNCEMENTS (Continued)

In June 2012, the GASB issued Statement No. 67, "Financial Reporting for Pension Plans." This Statement replaces the requirements of Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and Statement No. 50, "Pension Disclosures," as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement No. 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The provisions of this Statement are effective for the College's fiscal year ending June 30, 2014. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

In June 2012, the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions." This Statement replaces the requirements of Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" and Statement No. 50, "Pension Disclosures," as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). The provisions of this Statement are effective for the College's financial year ending June 30, 2015. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

In January 2013, the GASB issued Statement 69, "Government Combinations and Disposals of Government Operations." This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. This Statement also requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement defines the term operations for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations. This Statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The provisions of this Statement are effective for the College's fiscal year ended June 30, 2015, with earlier application being encouraged. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

In April 2013, the GASB issued Statement 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees." The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This liability should be reported until legally released as an obligor. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation

(Continued)

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

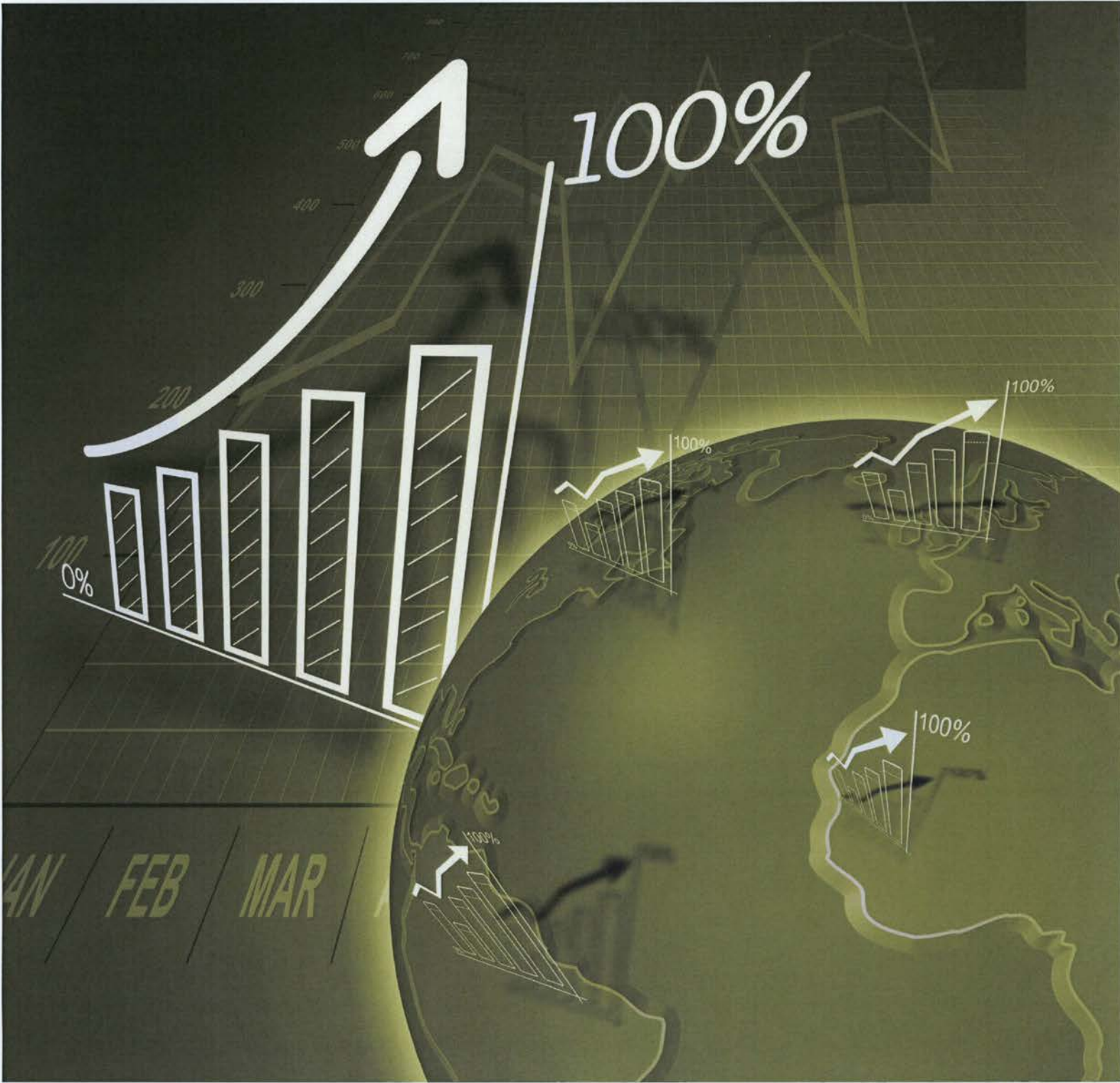
NOTE 9 - NEW ACCOUNTING PRONOUNCEMENTS (Continued)

to continue to recognize a liability until legally released as an obligor. When released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units by specifying the information required to be disclosed by governments that extend nonexchange financial guarantee as well as new information to be disclosed by governments that receive nonexchange financial guarantees. The provisions of this Statement are effective for the College's fiscal year ended June 30, 2015, with earlier application being encouraged. Management has not determined what impact, if any, this GASB statement might have on its financial statements

NOTE 10 - CHANGE IN ACCOUNTING PRINCIPLE

During the fiscal year ended June 30, 2013, the College implemented the requirements of GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and GASB Statement 65, "Items Previously Reported as Assets and Liabilities." Statement 63 is effective for the College's fiscal year ended June 30, 2013 and provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). This Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of GASB Statement No. 34, Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net position. As such, the College modified its government-wide financial statement presentation to incorporate these requirements. Statement 65 is effective for the College's fiscal year ended June 30, 2014, with earlier application being encouraged. The College has implemented this statement retroactively as of their fiscal year ended June 30, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

STATISTICAL SECTION



MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
STATISTICAL SECTION (UNAUDITED)
TABLE OF CONTENTS
June 30, 2013

The statistical section of the College's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the College's overall financial health.

Financial Trends 31-33

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 34-38

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

Debt Capacity 39-41

These schedules contain information about College's ability to meet its current levels of outstanding debt, and, the College's ability to issue additional debt in the future.

Demographic and Economic Information 42-43

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

Operating Information 44-45

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, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, in 2003; schedules presenting government-wide information include information beginning that year.

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527

FINANCIAL TRENDS (UNAUDITED)

NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Net Position:										
Net Investment in Capital Assets	\$ 16,826,457	\$ 15,907,741	\$ 15,844,272	\$ 16,397,137	\$ 16,847,808	\$ 16,993,089	\$ 17,572,715	\$ 15,331,282	\$ 17,165,360	\$ 11,923,457
Restricted										
Capital Projects	1,149,200	511,865	736,089	1,734,387	82,755	1,025,341	(100,163)	1,704,741	(955,953)	756,547
Working cash	9,384,615	9,382,285	9,382,285	9,382,285	9,362,109	8,838,001	8,135,494	7,388,074	6,691,636	6,124,391
Other purposes	1,108,691	1,121,588	1,218,466	1,196,142	1,527,297	1,586,742	1,309,877	1,572,479	2,139,500	2,566,697
Unrestricted	9,889,204	9,487,652	9,242,269	5,940,693	6,017,875	4,215,635	4,748,482	4,048,430	4,505,468	7,872,460
Total Net Position	\$ 38,358,167	\$ 36,411,131	\$ 36,423,381	\$ 34,650,644	\$ 33,837,844	\$ 32,658,808	\$ 31,666,405	\$ 30,045,006	\$ 29,546,011	\$ 29,243,552

Sources: College records.

See accompanying independent auditors' report.

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527

FINANCIAL TRENDS (UNAUDITED)

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
OPERATING REVENUES										
Student tuition and fees, net	\$ 4,125,936	\$ 3,336,367	\$ 2,965,107	\$ 1,978,334	\$ 2,463,462	\$ 2,492,440	\$ 2,792,459	\$ 2,924,583	\$ 2,587,386	\$ 2,302,014
Other	2,238,138	2,408,893	2,587,828	2,383,068	2,016,032	1,939,714	1,981,494	1,791,421	1,603,622	1,607,462
Total operating revenues	<u>6,364,074</u>	<u>5,745,260</u>	<u>5,552,935</u>	<u>4,361,402</u>	<u>4,479,494</u>	<u>4,432,154</u>	<u>4,773,953</u>	<u>4,716,004</u>	<u>4,191,008</u>	<u>3,909,476</u>
OPERATING EXPENSES										
Instruction	11,178,977	10,560,776	10,891,769	10,207,879	8,820,978	8,133,825	7,926,897	8,488,070	7,667,233	6,908,846
Academic support	2,146,750	1,640,870	1,657,044	728,771	1,261,197	1,557,271	1,741,351	876,369	684,759	656,404
Student services	2,064,685	1,724,416	1,963,425	2,457,240	2,644,019	2,605,073	2,854,617	2,554,699	1,418,827	1,141,679
Public services	486,265	528,209	499,903	964,727	517,128	433,838	356,984	462,112	143,629	123,469
Institutional support	5,878,454	5,487,908	4,068,162	4,267,797	3,496,613	3,799,780	3,104,004	3,247,578	5,803,942	9,705,831
Operation and maintenance of plant	4,265,754	4,363,130	3,317,143	2,915,452	2,621,437	3,007,529	2,840,300	2,848,215	3,579,084	2,176,446
Depreciation expense	1,445,016	1,437,228	1,450,714	1,195,651	1,145,936	1,135,715	1,010,134	1,095,583	689,086	569,146
Scholarship expense	6,203,707	4,682,950	4,160,475	2,748,859	1,935,715	2,511,346	2,548,719	2,304,768	2,176,422	2,191,878
Auxiliary enterprises	2,567,778	2,603,138	2,539,302	2,481,197	2,101,710	2,128,633	1,949,951	2,024,270	1,744,898	1,714,452
Total operating expenses	<u>36,237,376</u>	<u>33,028,625</u>	<u>30,547,937</u>	<u>27,967,573</u>	<u>24,544,733</u>	<u>25,313,010</u>	<u>24,332,957</u>	<u>23,901,664</u>	<u>23,907,880</u>	<u>25,188,151</u>
Operating (loss)	<u>(29,873,302)</u>	<u>(27,283,365)</u>	<u>(24,985,002)</u>	<u>(23,606,171)</u>	<u>(20,065,239)</u>	<u>(20,880,856)</u>	<u>(19,559,004)</u>	<u>(19,185,660)</u>	<u>(19,716,872)</u>	<u>(21,278,675)</u>
NON-OPERATING REVENUES (EXPENSES)										
Local property taxes	8,215,441	7,667,168	8,945,308	8,652,341	8,366,317	8,411,056	7,994,722	7,332,526	7,256,725	7,222,561
State appropriations	12,816,482	9,411,230	8,471,061	8,362,672	7,780,647	8,019,653	7,991,383	7,754,086	7,607,079	11,740,461
Federal grants and contracts	10,911,286	10,159,841	9,379,397	7,308,800	4,915,014	4,707,745	4,406,367	4,019,556	3,308,857	3,106,951
Local grants and contracts	220,428	294,408	254,565	209,467	158,014	335,366	187,653	93,491	62,469	1,814
Investment income	12,691	19,317	12,394	41,859	189,444	588,697	824,774	572,534	311,073	305,653
Interest expense on debt	(356,000)	(280,849)	(304,986)	(156,168)	(165,161)	(189,258)	(224,496)	(87,538)	(110,472)	(132,253)
Net non-operating revenues (expenses)	<u>31,820,338</u>	<u>27,271,115</u>	<u>26,757,739</u>	<u>24,418,971</u>	<u>21,244,275</u>	<u>21,873,259</u>	<u>21,180,403</u>	<u>19,684,655</u>	<u>18,435,731</u>	<u>22,245,187</u>
Change in net position before capital contributions	<u>1,947,036</u>	<u>(12,250)</u>	<u>1,772,737</u>	<u>812,800</u>	<u>1,179,036</u>	<u>992,403</u>	<u>1,621,399</u>	<u>498,995</u>	<u>(1,281,141)</u>	<u>966,512</u>
CAPITAL CONTRIBUTIONS										
Capital gifts and grants	-	-	-	-	-	-	-	-	1,583,600	1,370,241
Total capital contributions	-	-	-	-	-	-	-	-	1,583,600	1,370,241
CHANGE IN NET POSITION	<u>\$ 1,947,036</u>	<u>\$ (12,250)</u>	<u>\$ 1,772,737</u>	<u>\$ 812,800</u>	<u>\$ 1,179,036</u>	<u>\$ 992,403</u>	<u>\$ 1,621,399</u>	<u>\$ 498,995</u>	<u>\$ 302,459</u>	<u>\$ 2,336,753</u>

Sources: Morton College Comprehensive Annual Financial Reports and general ledger reports

See accompanying independent auditors' report.

**MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527**

FINANCIAL TRENDS (UNAUDITED)

**OPERATING EXPENSES BY FUNCTION (DOLLARS IN THOUSANDS)
LAST TEN FISCAL YEARS**

Year of Levy	Total	Instruction	Academic Support	Student Services	Institutional Support	Operation and Maintenance of Plant	Scholarships and Fellowships	Public Service	Auxiliary Service
2013	\$ 34,794	\$ 11,179	\$ 2,147	\$ 2,065	\$ 5,879	\$ 4,266	\$ 6,204	\$ 486	\$ 2,568
2012	31,591	10,561	1,641	1,724	5,488	4,363	4,683	528	2,603
2011	29,096	10,892	1,657	1,963	4,068	3,317	4,160	500	2,539
2010	26,772	10,208	729	2,457	4,268	2,915	2,749	965	2,481
2009	23,399	8,821	1,261	2,644	3,497	2,621	1,936	517	2,102
2008	24,177	8,134	1,557	2,605	3,800	3,008	2,511	434	2,129
2007	23,323	7,927	1,741	2,855	3,104	2,840	2,549	357	1,950
2006	22,806	8,488	876	2,555	3,248	2,848	2,305	462	2,024
2005	23,219	7,667	685	1,419	5,804	3,579	2,176	144	1,745
2004	24,618	6,909	656	1,142	9,706	2,176	2,192	123	1,714

Source: College Records

*Does not include depreciation

See accompanying independent auditors' report.

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527

REVENUE CAPACITY (UNAUDITED)

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN LEVY YEARS

Levy Year	Residential Property	Commercial Property	Industrial Property	Farm Property	Railroad Property	Other Assessed Value	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Estimated Actual Taxable Value
2012	DNA	DNA	DNA	DNA	\$ 24,603,475	DNA	\$ 1,640,896,561	55.60%	\$ 4,922,689,683	33.333%
2011	\$ 1,247,810,160	\$ 314,294,693	\$ 200,305,710	\$ -	21,293,561	\$ -	1,783,704,124	50.40%	5,351,112,372	33.333%
2010	1,732,327,412	335,543,279	217,994,164	-	19,534,030	-	2,305,398,885	39.30%	6,916,196,655	33.333%
2009	1,671,095,959	370,937,285	209,171,874	-	16,757,916	-	2,267,964,034	39.30%	6,803,889,102	33.333%
2008	1,635,692,667	407,701,368	220,468,300	-	15,207,631	-	2,279,069,966	38.90%	6,837,209,898	33.333%
2007	1,478,340,370	345,655,890	224,375,057	-	14,744,453	-	2,063,115,770	41.10%	6,189,347,310	33.333%
2006	1,395,631,515	346,564,900	219,035,813	-	14,359,331	-	1,975,591,559	41.70%	5,926,774,677	33.333%
2005	1,392,616,353	361,196,216	229,622,327	-	13,900,647	-	1,997,335,543	39.70%	5,992,006,629	33.333%
2004	1,093,285,023	307,993,915	213,073,328	-	14,018,988	-	1,628,371,254	47.10%	4,885,113,762	33.333%
2003	1,054,585,258	306,961,115	221,411,675	-	14,299,359	-	1,597,257,407	47.10%	4,791,772,221	33.333%

Data Sources:

Offices of the County Clerk of Cook county

DNA = Data Not Available

Notes:

- (1) Property in the College's district is reassessed every three years
- Cook County is in a triennial reassessment cycle.
- (2) Property is assessed at 33% of actual value.

See accompanying independent auditors' report.

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527

REVENUE CAPACITY (UNAUDITED)

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN LEVY YEARS

Taxing Bodies:	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Cook County	0.531	0.462	0.423	0.394	0.415	0.446	0.500	0.533	0.593	0.630
Cook County Forest Preserve	0.063	0.058	0.051	0.049	0.051	0.053	0.057	0.060	0.060	0.059
Metropolitan Water Reclamation	0.370	0.320	0.274	0.261	0.252	0.263	0.284	0.315	0.347	0.361
Consolidated Elections	0.000	0.025	0.000	0.021	0.000	0.012	0.000	0.014	0.000	0.029
Town of Cicero	4.522	4.566	3.388	3.344	3.243	3.613	3.754	3.610	4.366	4.294
Town of Cicero Library Fund	0.289	0.231	0.166	0.161	0.156	0.168	0.174	0.171	0.200	0.192
General Assistance	0.068	0.051	0.037	0.036	0.030	0.023	0.024	0.024	0.027	0.026
Suburban T.B. Sanitarium	0.000	0.000	0.000	0.000	0.000	0.000	0.005	0.005	0.001	0.004
Clyde Park District	0.505	0.458	0.333	0.308	0.289	0.363	0.368	0.349	0.417	0.392
Elementary School District 99	4.302	3.874	2.799	2.786	2.704	2.893	2.655	2.760	3.371	3.354
High School District 201	2.732	2.454	1.858	1.848	1.835	1.960	2.001	1.925	2.299	2.306
Town of Cicero Mental Health	<u>0.100</u>	<u>0.077</u>	<u>0.063</u>	<u>0.062</u>	<u>0.060</u>	<u>0.065</u>	<u>0.068</u>	<u>0.067</u>	<u>0.078</u>	<u>0.075</u>
Total Overlapping Rate	13.482	12.576	9.392	9.270	9.035	9.859	9.890	9.833	11.759	11.722
Morton College	<u>0.556</u>	<u>0.504</u>	<u>0.391</u>	<u>0.392</u>	<u>0.388</u>	<u>0.410</u>	<u>0.416</u>	<u>0.396</u>	<u>0.471</u>	<u>0.471</u>
Total Rate	<u>14.038</u>	<u>13.080</u>	<u>9.783</u>	<u>9.662</u>	<u>9.423</u>	<u>10.269</u>	<u>10.306</u>	<u>10.229</u>	<u>12.230</u>	<u>12.193</u>

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

DNA – Data not available

See accompanying independent auditors' report.

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
REVENUE CAPACITY (UNAUDITED)
PRINCIPAL PROPERTY TAX PAYERS
2012 LEVY YEAR AND TEN YEARS AGO

Taxpayer	Type of Business	2012			2003		
		Assessed Value (Millions)*	Rank	Percentage of Total District 527 Assessed Valuation	Assessed Value (Millions)**	Rank	Percentage of Total District 527 Assessed Valuation
Mac Neal Hospital Finance (formerly MacNeal Hospital & Health Service)	General hospital and commercial properties	\$ 17.56	1	1.07%	\$ 25.40	1	1.59%
Hawthorne Works Ste 316	Shopping Center	13.48	2	0.82%	13.85	3	0.87%
Cicero Market Place and DDC of Cicero	Supermarket, one-story stores and bank building	9.17	3	0.56%	14.26	2	0.89%
Heartland Bank	Nine-story building with special commercial improvements	8.22	4	0.50%			
DiMucci Co. Development	Shopping center including one-story stores and supermarket	8.07	5	0.49%			
Thomas Carey Heirs	Commercial property	8.03	6	0.49%	12.69	4	0.79%
Target Corporation 732	Discount department store	5.93	7	0.36%	7.37	8	0.46%
KTR Capital PTR Tax Dept	Industrial property	5.70	8	0.35%			
ONC Cicero LLC	Industrial property	5.56	9	0.34%			
VHS of Illinois	Commercial buildings over three stories and one-story stores	4.43	10	0.27%	8.18	7	0.51%
Cambridge Realty CAP LTD	Nine story building with special improvements				12.00	5	0.75%
Cermak Plaza Association	Shopping center				10.06	6	0.63%
United States Cold Storage	Industrial Property				6.72	9	0.42%
Commonwealth Edison	Electric Utility				6.68	10	0.42%
		\$ 86.15		5.25%	\$ 117.21		5.74%

* Includes only those parcels with 2012 equalized assessed valuations of \$176,000 and over as recorded in the Cook County Assessor's Office
 ** Includes parcels with 2003 equalized assessed valuation of approximately \$200,000 and over as recorded in the Cook County Assessor's Office
 Sources: Cook County Clerk and Assessor's Office

See accompanying independent auditors' report.

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527

REVENUE CAPACITY (UNAUDITED)

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN LEVY YEARS

Year of Levy	Total Extended Tax Levy	Current Year Collections	Percent of Levy	Delinquent Taxes Collected (refunded)	Total Taxes Collected	Percent of Levy
2012	\$ 9,117,628	\$ 4,449,876	48.81%	\$ -	4,449,876	48.81%
2011	8,989,869	8,772,283	97.58%	-	8,772,283	97.58%
2010	9,037,164	8,906,373	98.55%	(69,514)	8,836,859	97.78%
2009	8,893,081	8,630,887	97.05%	(216,582)	8,414,305	94.62%
2008	8,845,166	8,581,539	97.02%	(271,208)	8,310,331	93.95%
2007	8,465,660	8,525,645	100.71%	(268,281)	8,257,364	97.54%
2006	8,139,625	7,994,146	98.21%	(394,393)	7,599,753	93.37%
2005	7,905,750	7,774,140	98.34%	(471,373)	7,302,767	92.37%
2004	7,659,325	7,695,714	100.48%	(242,592)	7,453,122	97.31%
2003	7,517,367	7,551,752	100.46%	(235,713)	7,316,039	97.32%

The 2006 delinquent tax data is the latest data available.

Source: County tax records.

See accompanying independent auditors' report.

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527

REVENUE CAPACITY (UNAUDITED)

ASSESSED VALUATIONS AND TAXES EXTENDED
GOVERNMENTAL FUND TYPES
LAST FIVE LEVY YEARS

	2012 Levy	2011 Levy	2010 Levy	2009 Levy	2008 Levy	2007 Levy
Assessed Valuation	\$ 1,640,896,561	\$ 1,783,704,124	\$ 2,305,398,885	\$ 2,282,836,100	\$ 2,279,023,709	\$ 2,063,115,770
Tax Rates (Per \$100 of Assessed Valuation)						
Education Fund	0.3866	0.3396	0.2552	0.2652	0.2624	0.2584
Operations and Maintenance Fund	0.1000	0.1000	0.0887	0.0892	0.0883	0.0885
Bond and Interest Fund	0.0273	0.0251	0.0196	0.0256	0.0254	0.0280
Life Safety Fund	-	-	-	-	-	-
Liability, Protection, and Settlement Fund	0.0263	0.0248	0.0173	0.0011	0.0011	0.0244
Social Security Fund	0.0105	0.0093	0.0069	0.0072	0.0071	0.0078
Audit Fund	0.0050	0.0050	0.0036	0.0038	0.0038	0.0032
Total Tax Rates	0.5557	0.5038	0.3913	0.3921	0.3881	0.4103
Taxes Extended	\$ 6,344,000	\$ 6,058,000	\$ 5,883,377	\$ 6,014,640	\$ 5,980,158	\$ 5,331,091
Education Fund	1,640,897	1,783,704	2,044,888	2,023,023	2,012,377	1,825,857
Operations and Maintenance Fund	447,486	451,365	467,999	580,996	579,150	578,370
Bond and Interest Fund	82,045	88,400	82,994	86,182	86,602	66,019
Audit Fund	603,200	608,400	557,906	188,240	186,879	664,323
Liability, Protection, and Settlement Fund						
Total Taxes Extended	\$ 9,117,628	\$ 8,989,869	\$ 9,037,164	\$ 8,893,081	\$ 8,845,166	\$ 8,465,660

Sources: County tax records

See accompanying independent auditors' report.

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NUMBER 527

DEBT CAPACITY (UNAUDITED)
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonds	Notes Payable	Capital Leases	Total Outstanding Debt	District 527 Actual Taxable Property Value ⁽¹⁾	Percentage of Net General Bonded Debt to Actual Taxable Property Value	Population *	Net General Bonded Debt Per Capita	Percentage of Personal Income
2013	\$ 5,580,000	\$ -	23,996	5,603,996	1,640,896,561	0.34%	157,067	35.68	NA
2012	6,395,000	-	33,777	6,428,777	1,783,704,124	0.36%	157,067	40.93	NA
2011	7,200,000	-	40,116	7,240,116	2,305,398,885	0.31%	157,067	46.10	NA
2010	8,075,000	-	57,899	8,132,899	2,282,836,100	0.36%	157,067	51.78	NA
2009	3,375,000	-	74,319	3,449,319	2,279,023,709	0.15%	157,067	21.96	NA
2008	3,760,000	-	-	3,760,000	2,063,115,770	0.18%	157,067	23.94	NA
2007	4,130,000	-	-	4,130,000	1,975,591,559	0.21%	157,067	26.29	1.73%
2006	1,515,000	3,000,000	-	4,515,000	1,997,335,543	0.23%	157,067	28.75	2.04%
2005	1,975,000	-	-	1,975,000	1,628,371,254	0.12%	157,067	12.57	0.94%
2004	2,410,000	-	-	2,410,000	1,597,257,407	0.15%	157,067	15.34	1.20%

* estimated figures used for 2004 through 2013

Sources: College records and Bureau of Economic Analysis
NA - Personal Income not available for 2008 through 2013

See accompanying independent auditors' report.

**MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527**

DEBT CAPACITY (UNAUDITED)

**DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT*
JUNE 30, 2013**

	Outstanding Bonds	Applicable to District	
		Percentage	Amount
Direct Debt:			
Morton Community College #527	\$ 1,895,000 (3)	100.00%	\$ 1,895,000
Overlapping Debt:			
Cook County	3,706,435,000	1.19%	44,106,577
Cook County Forest Preserve	131,500,000 (3)	1.19%	1,564,850
Metropolitan Water Reclamation District	2,492,761,543 (1)	1.21%	30,262,125
Municipalities:			
City of Berwyn	101,808,659 (2)	100.00%	101,808,659
Town of Cicero	44,325,000 (4)	100.00%	44,325,000
Village of Forest View	1,940,000	44.41%	861,632
Village of Lyons	6,145,000 (3)(5)	95.52%	5,869,765
Village of McCook	24,275,000	28.42%	6,899,683
Village of Stickney	11,260,000	100.00%	11,260,000
Park Districts:			
Berwyn Park District	1,970,000	100.00%	1,970,000
Central Stickney Park District	582,000	1.65%	9,574
Clyde Park District	2,360,000 (3)	100.00%	2,360,000
Hawthorne Park District	161,910 (3)	100.00%	161,910
McCook Park District	555,000	28.56%	158,525
North Berwyn Park District	844,050	100.00%	844,050
Library District:			
McCook Public Library District	- (3)	28.56%	-
Stickney-Forest View Library District	225,000	54.40%	122,396
School Districts:			
#99	51,590,000	100.00%	51,590,000
#100	35,210,000	100.00%	35,210,000
#103	9,075,906 (2)	71.86%	6,521,946
#104	30,980,000	2.98%	922,275
High School District:			
#201	42,013,178 (2)	100.00%	42,013,178
Total Overlapping Debt	<u>6,696,017,246</u>		<u>388,842,145</u>
Total Direct and Overlapping General Obligation Bonded Debt	<u>\$ 6,697,912,246</u>		<u>\$ 390,737,145</u>

*2012 Equalized Assessed Values (latest available) were used for this statement.
Outstanding bonds were as of June 30, 2013.

- (1) Includes IEPA Revolving Loan Fund Bonds
- (2) Includes original principal amounts of outstanding General Obligation Capital Appreciation Bonds.
- (3) Excludes principal amounts of outstanding General Obligation Alternate Revenue Source Bonds which are expected to be paid from sources other than general taxation.
- (4) Excludes self-supporting debt
- (5) Excludes debt certificates

Sources: Offices of the Cook County Clerk, Cook County Comptroller, and the Treasurer of the Metropolitan Water Reclamation District of Greater Chicago

See accompanying independent auditors' report.

**MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527**

DEBT CAPACITY (UNAUDITED)

**LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

Fiscal Year	Assessed Value ⁽¹⁾	Debt Limit Rate	Debt Limit (Assessed Value Debt Limit Rate)	Net Debt Applicable to Debt Limit	Legal Debt Margin	Net Debt Applicable to Debt Limit as a Percentage of Debt Limit
2013	\$ 1,640,896,561	2.875%	\$ 47,175,776	\$ 5,580,000	\$ 41,595,776	11.83%
2012	1,783,704,124	2.875%	51,281,494	6,395,000	44,886,494	12.47%
2011	2,305,398,885	2.875%	66,280,218	7,200,000	59,080,218	10.86%
2010	2,282,836,100	2.875%	65,521,932	8,075,000	57,446,932	12.32%
2009	2,279,023,709	2.875%	59,314,578	3,375,000	55,939,578	5.69%
2008	2,063,115,770	2.875%	56,798,257	3,760,000	53,038,257	6.62%
2007	1,975,591,559	2.875%	57,423,397	4,130,000	53,293,397	7.19%
2006	1,997,335,543	2.875%	46,815,674	4,515,000	42,300,674	9.64%
2005	1,628,371,254	2.875%	45,921,150	1,975,000	43,946,150	4.30%
2004	1,597,257,407	2.875%	46,838,367	2,410,000	44,428,367	5.15%

Source: County tax records: college records

See accompanying independent auditors' report.

**MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527**

DEMOGRAPHIC AND ECONOMIC INFORMATION (UNAUDITED)

**PERSONAL INCOME PER CAPITA
LAST TEN FISCAL YEARS**

Fiscal Year	Population Employed (2)	Personal Income (2)	Per Capita Personal Income	Unemployment Rate (1)
2012	NA	NA	NA	NA
2011	NA	NA	NA	NA
2010	NA	NA	NA	NA
2009	NA	NA	NA	NA
2008	NA	NA	NA	NA
2007	NA	NA	NA	6.50%
2006	5,271,405	\$ 238,426,065	\$ 45,230	5.10%
2005	5,280,306	221,735,670	41,993	4.70%
2004	5,299,071	210,803,725	39,781	6.40%
2003	5,325,461	200,812,092	37,708	6.70%

* All income estimates with the exception of PCPI are in thousands of dollars.

Data Source

- 1) Illinois Department of Employment Security, Illinois Labor Market Information for the County of Cook
- 2) Bureau of Economic Analysis Bearfacts Regional Economic Accounts for the County of Cook

NA - Data Not Available

See accompanying independent auditors' report.

**MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527**

DEMOGRAPHIC AND ECONOMIC INFORMATION (UNAUDITED)

**PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	City	Number of Jobs	Rank	Population	Percent of Total District 527 Population	
2013						
MacNeal Memorial Hospital	Berwyn	(2)	2,200	1	158,720	1.3861%
USF Holland, Inc.	McCook	(2)	500	2	158,720	0.3150%
Morton College	Cicero		409	3	158,720	0.2577%
Terrace Paper Co.	Cicero	(1)	400	4	158,720	0.2520%
Meade Electric Co., Inc.	McCook	(2)	400	5	158,720	0.2520%
A & R Janitorial Service	Cicero	(2)	350	6	158,720	0.2205%
Champaigna-Turano Bakery	Berwyn	(1)	300	7	158,720	0.1890%
Capital Wholesale Meats Inc./Fotanini Italian Meat and Sausages	McCook	(1)	270	8	158,720	0.1701%
Brad Foote Gear Works, Inc.	Cicero	(1)	250	9	158,720	0.1575%
Groot Industries	McCook	(2)	250	10	158,720	0.1575%
2004						
MacNeal Memorial Hospital	Berwyn	(4)	1,800	1	129,346	1.3916%
A & R Janitorial Service	Cicero	(4)	1,800	2	129,346	1.3916%
Cicero School District 99	Cicero	(4)	1,700	3	129,346	1.3143%
Morton Township High School 201	Cicero	(4)	971	4	129,346	0.7507%
McCook Metal, LLC	McCook	(4)	637	5	129,346	0.4925%
Town of Cicero	Cicero	(4)	500	6	129,346	0.3866%
USF Holland, Inc.	McCook	(4)	500	7	129,346	0.3866%
Berwyn School District 100 - South School	Berwyn	(4)	418	8	129,346	0.3232%
Meade Electric Co., Inc.	McCook	(4)	400	9	129,346	0.3092%
Morton Community College 527	Cicero		239	10	129,346	0.1848%

Data Sources: (1) 2013 Illinois Manufacturers Directory

(2) 2013 Illinois Services Directory

(3) 2013 Harris Illinois Industrial Directory

(4) The 2004 principal employer information was obtained from various school district and municipality's

2004 Official Sstatements which listed the sources as follows: 2004 Illinois Manufacturers Directory, 2004 Illinois Services Directory

See accompanying independent auditors' report.

MORTON COLLEGE
COMMUNITY SCHOOL DISTRICT NUMBER 527

OPERATING INFORMATION (UNAUDITED)

FULL-TIME EQUIVALENT EMPLOYEES
LAST TEN FISCAL YEARS

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
FACULTY										
Full Time	51	51	52	53	52	51	54	52	52	55
Full Time Overload	-	-	-	-	-	-	-	-	-	-
Full Time Summer	-	-	-	-	-	-	-	-	-	-
Subtotal	<u>51</u>	<u>51</u>	<u>52</u>	<u>53</u>	<u>52</u>	<u>51</u>	<u>54</u>	<u>52</u>	<u>52</u>	<u>55</u>
Part Time	192	190	166	159	154	150	174	176	200	163
Total Faculty FTE	<u>243</u>	<u>241</u>	<u>218</u>	<u>212</u>	<u>206</u>	<u>201</u>	<u>228</u>	<u>228</u>	<u>252</u>	<u>218</u>
Teaching	243	241	218	212	206	201	228	228	252	222
Non-Teaching	-	-	-	-	-	-	-	-	-	-
Total Faculty FTE	<u>243</u>	<u>241</u>	<u>218</u>	<u>212</u>	<u>206</u>	<u>201</u>	<u>228</u>	<u>228</u>	<u>252</u>	<u>222</u>
LIBRARY, COUNSELORS, & OTHER										
Full Time	3	3	3	4	4	3	3	3	-	-
Summer	-	-	-	-	-	-	-	-	-	-
Part Time	4	4	4	7	5	4	4	4	-	-
Total Library, Counselors, & Other FTE	<u>7</u>	<u>7</u>	<u>7</u>	<u>11</u>	<u>9</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>-</u>	<u>-</u>
ADMINISTRATORS	29	24	15	15	14	15	15	17	21	17
CLASSIFIED EMPLOYEES	112	108	106	105	108	105	155	116	-	-
TOTAL FTE EMPLOYEES (before student employee FTE)	<u>391</u>	<u>380</u>	<u>346</u>	<u>343</u>	<u>337</u>	<u>328</u>	<u>405</u>	<u>368</u>	<u>273</u>	<u>239</u>
STUDENT EMPLOYEE (1)	18	19	19	5	4	3	3	3	-	-
TOTAL FTE EMPLOYEES (including student employee FTE)	<u>409</u>	<u>399</u>	<u>365</u>	<u>348</u>	<u>341</u>	<u>331</u>	<u>408</u>	<u>371</u>	<u>273</u>	<u>239</u>

Data Source: College records

Notes

(1) Student FTE are based upon 20 hours per week

See accompanying independent auditors' report.

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527

OPERATING INFORMATION (UNAUDITED)

CAPITAL ASSET STATISTICS
LAST TEN FISCAL YEARS

Capital Asset Type:	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Land & Land Improvements	\$ 2,600,248	\$ 2,600,248	\$ 2,600,248	\$ 2,600,248	\$ 2,600,248	\$ 2,600,248	\$ 2,600,248	\$ 2,600,248	\$ 2,600,248	\$ 2,600,248
Building & Building Improvements	24,237,896	23,718,767	23,380,951	23,293,440	23,103,524	22,263,455	22,051,225	17,445,532	16,459,689	11,963,428
Construction in progress	1,290,305	869,399	765,534	3,393,564	16,376	9,900	-	1,656,496	1,112,542	3,411,933
Movable Equipment	6,634,673	6,126,427	5,242,349	1,932,742	1,980,273	2,052,200	2,218,759	2,027,737	2,335,387	2,466,590
Total Capital Assets	34,763,122	33,314,841	31,989,082	31,119,994	27,700,421	26,925,803	26,870,232	23,730,013	22,507,866	20,444,199
Less Accumulated Depreciation										
Building & Building Improvements	(10,127,758)	(8,920,731)	(8,005,858)	(7,107,072)	(6,213,233)	(5,328,129)	(4,482,557)	(3,747,763)	(3,579,536)	(6,699,521)
Equipment	(2,659,434)	(2,421,445)	(1,899,090)	(1,347,162)	(1,397,780)	(1,437,305)	(1,647,680)	(1,650,968)	(1,762,970)	(1,821,221)
Total Accumulated Depreciation	(12,787,192)	(11,342,176)	(9,904,948)	(8,454,234)	(7,611,013)	(6,765,434)	(6,130,237)	(5,398,731)	(5,342,506)	(8,520,742)
Total Net Capital Assets	\$ 21,975,930	\$ 21,972,665	\$ 22,084,134	\$ 22,665,760	\$ 20,089,408	\$ 20,160,369	\$ 20,739,995	\$ 18,331,282	\$ 17,165,360	\$ 11,923,457
Other Information:										
Capital additions	\$ 1,448,281	\$ 1,325,759	\$ 869,088	\$ 3,772,003	\$ 1,074,975	\$ 556,089	\$ 3,418,847	\$ 2,261,505	\$ 6,027,775	\$ 3,324,833
Depreciation expense	\$ 1,445,016	\$ 1,437,228	\$ 1,450,714	\$ 1,195,651	\$ 1,145,936	\$ 1,135,715	\$ 1,010,134	\$ 1,095,583	\$ 689,086	\$ 569,146

Data Source: College records

Notes:

(1) The College implemented GASB Statement No. 34 for the year ended June 30, 2003. In prior fiscal years, the College did not calculate or report depreciation, did not track the value of library materials, and used a more summarized presentation for buildings and building improvements, and for land and land improvements.

See accompanying independent auditors' report.

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
OPERATING INFORMATION (UNAUDITED)

RESIDENCE POLICY
Year Ended June 30, 2013

The tuition rate is determined by the student's residence. Residence is defined as the place where a student lives and which a student intends to be his true permanent home. A student who temporarily moves into the district for the purpose of attending the College at a reduced tuition rate will not be considered as having established a true residence within the district.

The student must meet the following criteria to be considered a resident of the district: One must have occupied and/or owned a dwelling in the district for 30 days immediately prior to the start of classes and must demonstrate proof of district residency by providing at least two of the following acceptable proof of residency documents: Illinois driver's license, state I.D., automobile registration, property tax statement, voter registration card, lease or purchase agreement, matricula, utility or telephone bill. Acceptable proof of identification documents include Illinois driver's license, state I.D., matricula and passports.

A change from out-of-district to in-district status during a semester becomes effective no earlier than the following semester. Students who move in or out of the district during a semester are required to report their new residence to the Office of Admissions and Records.

Documentation Verifying District or State Residency

DISTRICT RESIDENCY VERIFICATION

1. High school transcripts are on-file for all degree-seeking in-district and in-state high school graduates.
2. Two forms of identification as listed above must be provided for any student who has mail returned, or who has been reported to reside outside of the district. A student's record will be restricted until this is verified. A photocopy of this documentation will be placed in the student file.

CONTRACT TRAINING

1. In-district companies many provide contract training for their employees at an in-district rate. Contract training is defined as specific coursework or enrollment in a specific degree/certificate program which is job-related as approved by the sponsoring in-district company. It infers the company will derive direct benefits as a result of the employee's training. The procedures are:
 - a. An authorized company representative must sign a contract training agreement form with Morton College for each employee to be trained verifying the courses approved as being related to their job.
 - b. The company is directly billed for the courses at in-district tuition rates.

SPECIAL REPORTS SECTION



MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
ALL FUNDS SUMMARY - UNIFORM FINANCIAL STATEMENT NUMBER 1
YEAR ENDED JUNE 30, 2013

	Education Fund	Operation and Maintenance Fund	Operations and Maintenance Fund (Restricted)	Auxiliary Enterprises Fund	Restricted Purposes Fund	Bond Retirement Fund	Working Cash Fund	Audit Fund	Liability, Protection and Settlement Funds	Investment in Plant	Total
Account Balance at July 1, 2012	\$ 7,010,864	\$ 1,373,912	\$ (72,156)	\$ 1,652,819	\$ 21,411	\$ 1,121,588	\$ 9,382,285	\$ (49,574)	\$ 652,282	\$ 15,317,700	\$ 36,411,131
Revenues:											
Local tax revenue	5,485,289	1,605,233	-	-	-	507,336	-	86,950	530,633	-	8,215,441
All other local revenue	5,783	-	-	-	214,645	-	-	-	-	-	220,428
ICCB grants	3,322,673	-	-	-	650,710	-	-	-	-	-	3,973,383
All other state revenue	615,906	615,906	2,000,000	-	5,611,297	-	-	-	-	-	8,843,109
Federal revenue	-	-	-	-	10,860,531	50,755	-	-	-	-	10,911,286
Student tuition and fees	9,716,004	505,861	-	-	-	-	-	-	-	-	10,221,865
All other revenue	130,266	5,474	-	2,119,423	-	12	7,330	2	4	(11,682)	2,250,829
Total revenues	19,275,921	2,732,474	2,000,000	2,119,423	17,337,183	558,103	7,330	86,952	530,637	(11,682)	44,636,341
Expenditures:											
Instruction	8,171,567	-	-	-	3,856,130	-	-	-	130,559	(979,279)	11,178,977
Academic support	1,767,141	-	-	-	364,352	-	-	-	15,257	-	2,146,750
Student services	1,637,908	-	-	-	409,896	-	-	-	16,881	-	2,064,685
Public service/continuing education	218,463	-	-	-	263,424	-	-	-	4,368	-	486,255
Auxiliary services	553,589	-	-	1,873,567	136,632	-	-	-	3,980	-	2,567,778
Operation and maintenance of plant	-	3,001,095	1,306,224	-	455,440	-	-	-	22,124	(519,129)	4,265,754
Institutional support	4,268,748	-	266,853	-	546,528	-	-	91,000	705,225	-	5,878,454
Scholarships, student grants and waivers	1,007,950	-	-	-	11,291,686	-	-	-	-	(815,000)	12,299,636
Debt Service	-	-	-	-	-	1,171,000	-	-	-	1,445,016	356,000
Depreciation	-	-	-	-	-	-	-	-	-	-	1,445,016
Total expenditures	17,625,376	3,001,095	1,573,177	1,873,567	17,324,088	1,171,000	-	91,000	898,394	(868,392)	42,689,305
Operation transfers in	205,000	13,095	-	-	-	600,000	-	-	500,000	-	1,318,095
Operation transfers out	1,100,000	-	-	200,000	13,095	-	5,000	-	-	-	1,318,095
Account balance at June 30, 2013	\$ 7,766,409	\$ 1,118,386	\$ 354,667	\$ 1,698,675	\$ 21,411	\$ 1,108,691	\$ 9,384,615	\$ (53,622)	\$ 784,525	\$ 16,174,410	\$ 38,358,167

* Revenues and expenditures in the Restricted Purposes Fund include State on-behalf contributions to SURS of \$4,554,398

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
SUMMARY OF CAPITAL ASSETS AND DEBT -
UNIFORM FINANCIAL STATEMENT NUMBER 2
Year Ended June 30, 2013

Schedule 2

	Capital Asset/Debt July 1, 2012	Additions	Deletions	Transfers	Capital Asset/Debt June 30, 2013
Capital assets:					
Land and improvements	\$ 2,600,248	\$ -	\$ -	\$ -	\$ 2,600,248
Buildings and improvements	23,718,767	-	-	519,129	24,237,896
Movable equipment	6,126,427	123,105	-	385,141	6,634,673
Other capital assets (construction in progress)	<u>869,399</u>	<u>1,325,176</u>	<u>-</u>	<u>(904,270)</u>	<u>1,290,305</u>
Total capital assets	33,314,841	1,448,281	-	-	34,763,122
Less: accumulated depreciation	<u>11,342,176</u>	<u>1,445,016</u>	<u>-</u>	<u>-</u>	<u>12,787,192</u>
Net capital assets	<u>\$ 21,972,665</u>	<u>\$ 3,265</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,975,930</u>
Debt					
Total debt	<u>\$ 6,472,045</u>	<u>\$ 11,632</u>	<u>\$ (843,496)</u>	<u>\$ -</u>	<u>\$ 5,640,181</u>

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
OPERATING FUNDS REVENUES AND EXPENDITURES -
UNIFORM FINANCIAL STATEMENT NUMBER 3
Year Ended June 30, 2013

Schedule 3

	<u>Education Fund</u>	<u>Operations and Maintenance Fund</u>	<u>Total Operating Funds</u>
Operating revenues by source:			
Local government:			
Taxes	\$ 5,485,289	\$ 1,605,233	\$ 7,090,522
Chargeback revenue, other community colleges	<u>138</u>	<u>-</u>	<u>138</u>
Total local government	<u>5,485,427</u>	<u>1,605,233</u>	<u>7,090,660</u>
State government:			
ICCB credit hour grants	1,500,021	-	1,500,021
ICCB equalization grants	1,701,450	-	1,701,450
ICCB vocational education	121,202	-	121,202
Corporate personal property replacement taxes	<u>615,906</u>	<u>615,906</u>	<u>1,231,812</u>
Total State government	<u>3,938,579</u>	<u>615,906</u>	<u>4,554,485</u>
Student tuition and fees:			
Tuition	8,098,491	-	8,098,491
Fees	<u>1,617,513</u>	<u>505,861</u>	<u>2,123,374</u>
Total student tuition and fees	<u>9,716,004</u>	<u>505,861</u>	<u>10,221,865</u>
Other sources:			
Sales and service fees	109,310	-	109,310
Facilities rental	-	840	840
Investment revenue	5,456	(113)	5,343
Other	<u>21,145</u>	<u>4,747</u>	<u>25,892</u>
Total other sources	<u>135,911</u>	<u>5,474</u>	<u>141,385</u>
Total revenue	19,275,921	2,732,474	22,008,395
Less - nonoperating items*			
Tuition chargeback revenue	<u>138</u>	<u>-</u>	<u>138</u>
Adjusted revenue	<u>\$ 19,275,783</u>	<u>\$ 2,732,474</u>	<u>\$ 22,008,257</u>

* Intercollegiate revenues that do not generate related local college credit hours are subtracted to allow for statewide comparisons.

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
OPERATING FUNDS REVENUES AND EXPENDITURES -
UNIFORM FINANCIAL STATEMENT NUMBER 3
Year Ended June 30, 2013

Schedule 3

	<u>Education Fund</u>	<u>Operations and Maintenance Fund</u>	<u>Total Operating Funds</u>
Operating expenditures:			
By program:			
Instruction	\$ 8,171,567	\$ -	\$ 8,171,567
Academic support	1,767,141	-	1,767,141
Student services	1,637,908	-	1,637,908
Public service/continuing education	218,463	-	218,463
Auxiliary services	553,599	-	553,599
Operation and maintenance of plant	-	3,001,095	3,001,095
Institutional support	4,268,748	-	4,268,748
Scholarships, student grants and waivers	<u>1,007,950</u>	-	<u>1,007,950</u>
Total operating expenditures, by program	17,625,376	3,001,095	20,626,471
Less - nonoperating items*			
Tuition chargeback revenue	<u>51,120</u>	-	<u>51,120</u>
Adjusted expenditures	<u>\$ 17,574,256</u>	<u>\$ 3,001,095</u>	<u>\$ 20,575,351</u>
By Object:			
Salaries	\$ 11,833,623	\$ 1,461,415	\$ 13,295,038
Employee benefits	1,214,752	191,748	1,406,500
Contractual services	2,040,532	419,040	2,459,572
General materials and supplies	1,084,164	129,615	1,213,779
Conference and meeting expenses	246,981	1,063	248,044
Fixed charges	38,571	-	38,571
Utilities	-	764,000	764,000
Capital outlay	76,904	34,214	111,118
Student grants and scholarships	937,117	-	937,117
Other	<u>152,732</u>	-	<u>152,732</u>
Total operating expenditures, by object	<u>17,625,376</u>	<u>3,001,095</u>	<u>20,626,471</u>
Less - nonoperating items*			
Tuition chargeback revenue	<u>51,120</u>	-	<u>51,120</u>
Adjusted expenditures	<u>\$ 17,574,256</u>	<u>\$ 3,001,095</u>	<u>\$ 20,575,351</u>

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
RESTRICTED PURPOSED FUND REVENUES AND EXPENDITURES -
UNIFORM FINANCIAL STATEMENT NUMBER 4
Year Ended June 30, 2013

Schedule 4

Restricted Purposes Fund revenues, by source:

Local tax revenue	
Other	\$ 214,645
Total local tax revenue	214,645

State government:

ICCB workforce development grants	-
ICCB vocational education	17,661
ICCB adult education	633,049
Illinois Student Assistance Commission	861,371
Other state revenue	4,749,926
Total state government	6,262,007

Federal government:

Department of Education	10,853,718
Department of Agriculture	6,813
Department of Justice	-
Total federal government	10,860,531

Other sources:

Tuition and fees	-
Total other sources	-

Total Restricted Purposes Fund revenues, by source \$ 17,337,183

Restricted Purposes Fund expenditures, by program:

Instruction	\$ 3,856,130
Academic support	364,352
Student services	409,896
Public service/continuing education	263,424
Auxiliary services	136,632
Operation and maintenance of plant	455,440
Institutional support	546,528
Scholarships, student grants and waivers	11,291,686
Total restricted purposes fund expenditures, by program	\$ 17,324,088

Restricted Purposes Fund expenditures, by object:

Salaries	1,035,263
Employee benefits	4,606,088
Contractual services	39,214
General materials and supplies	302,902
Conferences and meetings	32,329
Fixed charges	-
Capital outlay	16,606
Scholarships, student grants and waivers	11,291,686
Total Restricted Purposes Fund expenditures, by object	\$ 17,324,088

* Revenues and expenditures in the Restricted Purposes Fund include State on-behalf contributions to SURS of \$4,554,398.

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
CURRENT FUNDS - EXPENDITURES BY ACTIVITY -
UNIFORM FINANCIAL STATEMENT NUMBER 5
Year Ended June 30, 2013

Schedule 5

Instruction:	
Instructional programs	\$ 9,477,235
Other	<u>2,681,021</u>
Total Instruction	<u>12,158,256</u>
Academic Support:	
Library Center	547,601
Instructional Materials Center	103,068
Other	<u>1,496,081</u>
Total academic support	<u>2,146,750</u>
Student services support:	
Admissions and records	399,445
Counseling and career services	794,073
Financial aid administration	235,310
Other student services support	<u>635,857</u>
Total student services support	<u>2,064,685</u>
Public service/continuing education:	
Community education	214,187
Community services	4,276
Other	<u>267,792</u>
Total public service/continuing education	<u>486,255</u>
Auxiliary services	<u>2,567,778</u>
Operation and maintenance:	
Maintenance	504,402
Custodial services	498,785
Grounds	214,197
Campus security	825,741
Plant utilities	764,000
Administration	<u>671,534</u>
Total operation and maintenance of plant	<u>3,478,659</u>
Institutional support:	
Executive management	918,339
Fiscal operations	642,933
Community relations	235,479
Administrative support services	318,666
Board of Trustees	91,780
General institutional	1,149,565
Administrative data processing	1,685,909
Other	<u>568,830</u>
Total institutional support	<u>5,611,501</u>
Scholarships, student grants and waivers	<u>12,299,636</u>
Total current funds expenditures	<u>\$ 40,813,520</u>

* Current funds included Education; Operations and Maintenance; Auxiliary Enterprises; Restricted Purposes; Audit; and Liability, Protection and Settlement funds

** Revenues and expenditures in the Restricted Purposes Fund include State on-behalf contributions to SURS of \$4,554,398.

MORTON COLLEGE
 COMMUNITY COLLEGE DISTRICT NO. 527
 CERTIFICATION OF CHARGEBACK REIMBURSEMENT
 ALL NONCAPITAL AUDITED OPERATING EXPENSES
 Year Ended June 30, 2013

Schedule 6

Education Fund	\$ 17,548,472
Operations and Maintenance Fund	2,966,881
Operations and Maintenance Fund (Restricted)	252,620
Bond Retirement Fund	356,000
Restricted Purposes Fund	12,753,084
Audit Fund	91,000
Liability, Protection and Settlement Fund	<u>898,394</u>
Total noncapital audited expenses	34,866,451
Depreciation on capital outlay expenses paid from sources other than State and Federal funds	<u>1,407,103</u>
Total costs included	<u>\$ 33,459,348</u>
Total certified semester credit hour	<u>93,591</u>
Per capita cost per semester credit hour	<u>\$ 357.51</u>
All Fiscal year 2013 state and Federal operation grants for noncapital expenses, except ICCB grants	<u>\$ 15,199,997</u>
Fiscal year 2013 state and Federal grants per semester credit hour	\$ (162.41)
Districts average ICCB grant rate for fiscal year 2014	(15.47)
District's student tuition and fees per semester credit hour for fiscal year 2014	<u>(99.00)</u>
Chargeback reimbursement per semester credit hour	<u>\$ 80.63</u>

Approved: Miranda Pugh 10/28/13
 Chief Financial Officer Date

Approved: David Grane 10/28/13
 President Date

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Morton College
Community College District No. 527
Cicero, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the Morton College – Community College District No. 527 (the College) Career and Technical Education – Program Improvement and State Adult Education and Family Literacy Grant Program (State Basic, Public Assistance, and Performance) (Grant Programs), and the related notes to the financial statements, as of June 30, 2013 and for the year then ended, which collectively comprise the Grant Programs' basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the guidelines of the Illinois Community College Board *Fiscal Management Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College's Grant Programs as of June 30, 2013, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1, the financial statements present only the Grant Programs, and do not purport to, and do not, present fairly the financial position of the College as June 30, 2013, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary information

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Grant Programs' financial statements. The supplementary information on page 62 is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information on page 62 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information on page 62 is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report of Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued a report dated October 28, 2013, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Grant Programs' internal control over financial reporting and compliance.



Crowe Horwath LLP

Oak Brook, Illinois
October 28, 2013

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

To the Board of Trustees
Morton College
Community College District No. 527
Cicero, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the guidelines of the Illinois Community College Board *Fiscal Management Manual*, the financial statements of the Morton College - Community College District No. 527, (The College) State Adult Education and Family Literacy Grant (State Basic, Public Assistance, and Performance) and Career and Technical Education – Program Improvement (Grant Programs) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Grant Programs' basic financial statements, and have issued our report thereon dated October 28, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) of the Grant Programs to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Grant Programs' financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph in this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

This purpose of this report is solely 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 effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Crowe Horwath LLP

Oak Brook, Illinois
October 28, 2013

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
CAREER AND TECHNICAL EDUCATION PROGRAM IMPROVEMENT GRANT
BALANCE SHEET
June 30, 2013

Assets	
Prepaid items	\$ 2,600
Total assets	<u>\$ 2,600</u>
Liabilities and Program Balance:	
Liabilities	
Due to other funds	\$ 2,600
Total liabilities	<u>2,600</u>
Program balance	<u>-</u>
Total liabilities and program balance	<u>\$ 2,600</u>

See notes to financial statements

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
CAREER AND TECHNICAL EDUCATION PROGRAM IMPROVEMENT GRANT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN PROGRAM BALANCE
Year Ended June 30, 2013

Revenues:	
Illinois Community College Board Grant	\$ 9,841
Total revenues	9,841
Expenditures	
Current year's grant:	
Materials and supplies	9,841
Conferences and meetings	-
Total current year's grant	9,841
Total prior year encumbrances:	-
Total expenditure	9,841
Excess revenues over expenditures	-
Program balance:	
Beginning balance - July 1, 2012	-
Ending balance - June 30, 2013	\$ -

See notes to financial statements

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
STATE ADULT EDUCATION AND FAMILY LITERACY GRANT PROGRAM
(STATE BASIC, PUBLIC ASSISTANCE, PERFORMANCE)
BALANCE SHEETS
June 30, 2013

	<u>State Basic</u>	<u>Public Assistance</u>	<u>Performance</u>	<u>Total (Memorandum Only)</u>
Assets				
Receivable	\$ 27,570	\$ 3,797	\$ 21,387	\$ 52,754
Prepaid items	<u>-</u>	<u>-</u>	<u>1,875</u>	<u>1,875</u>
Total assets	<u>\$ 27,570</u>	<u>\$ 3,797</u>	<u>\$ 23,262</u>	<u>\$ 54,629</u>
Liabilities and program balance				
Liabilities				
Accrued salaries	\$ 17,988	\$ -	\$ 3,722	\$ 21,710
Accrued expenses	1,196	-	-	1,196
Due to other funds	<u>8,386</u>	<u>3,797</u>	<u>19,540</u>	<u>31,723</u>
Total liabilities	<u>27,570</u>	<u>3,797</u>	<u>23,262</u>	<u>54,629</u>
Program balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and program balance	<u>\$ 27,570</u>	<u>\$ 3,797</u>	<u>\$ 23,262</u>	<u>\$ 54,629</u>

See notes to financial statements

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
STATE ADULT EDUCATION AND FAMILY LITERACY GRANT PROGRAM
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN PROGRAM BALANCE
Year Ended June 30, 2013

	<u>State Basic</u>	<u>Public Assistance</u>	<u>Performance</u>	<u>Total (Memorandum Only)</u>
Revenue:				
Illinois Community College Board Grant	\$ 330,839	\$ 45,563	\$ 256,647	\$ 633,049
Expenditures:				
Instructional and student services:				
Instruction	330,839	22,704	23,690	377,233
Social work services	-	8,358	4,554	12,912
Guidance services	-	8,257	21,528	29,785
Assessment & testing	-	-	58,856	58,856
Student transportation services	-	-	-	-
Literacy services	-	-	1,602	1,602
Child care services	-	2,027	-	2,027
Total instructional and student services	<u>330,839</u>	<u>41,346</u>	<u>110,230</u>	<u>482,415</u>
Program support:				
Improvement of instructional services	-	-	23,176	23,176
General administration	-	88	30,839	30,927
Data and informational service	-	4,129	92,402	96,531
Total program support	<u>-</u>	<u>4,217</u>	<u>146,417</u>	<u>150,634</u>
Total expenditures	330,839	45,563	256,647	633,049
Excess revenues over expenditures	-	-	-	-
Program balance:				
Beginning balance - July 1, 2012	-	-	-	-
Ending balance - June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
ICCB COMPLIANCE STATEMENT FOR THE ADULT EDUCATION AND FAMILY
LITERACY GRANT PROGRAM
EXPENDITURE AMOUNTS AND PERCENTAGES FOR ICCB GRANT FUNDS ONLY
Year Ended June 30, 2013

State Basic	Audited Expenditure Amount	Actual Expenditure Percentage
Instruction (45% minimum required)	\$ 330,839	100%
General Admistration (15% maximum allowed)	-	0%
State Public Assistance	Audited Expenditure Amount	Actual Expenditure Percentage
Instruction (45% minimum required)	\$ 22,704	50%
General Admistration (15% maximum allowed)	88	0%

MORTON COLLEGE COMMUNITY
COLLEGE DISTRICT NO. 527
GRANT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2013

NOTE 1 - DESCRIPTION OF PROGRAMS

The following grants received from the Illinois Community College Board (ICCB) are administered by Morton College – Community College District No. 527 (the College). The accompanying statements include only those transactions resulting from the ICCB Career and Technical Education - Program Improvement Grant and State Adult Education and Family Literacy Grant. These transactions have been accounted for in the College's Restricted Purposes Fund.

Career and Technical Education - Program Improvement Grant: This grant is intended to enhance instruction and academic support activities to strengthen and improve career and technical programs and services.

State Adult Education and Family Literacy Grant: This grant is intended to assist adults to become literate, obtain the knowledge and skills necessary for employment and self-sufficiency, become full partners in the educational development of their children and completion of secondary school education.

NOTE 2 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

ICCB Grant Programs: The financial statements of the ICCB grant programs have been prepared on the modified accrual basis of accounting. Expenditures included all accounts payable representing liabilities for goods and services actually received as of June 30, 2013. Amounts received from ICCB are recognized as revenues when the corresponding expenditures are incurred.

Funds obligated for goods and services by June 30, 2013, and paid for by August 31, 2013, are recorded as deferred revenue. Payments of prior year's encumbrances for goods received prior to August 31, 2012, are reflected as expenditures during the current fiscal year.

Cash: Cash is composed of cash on hand and cash in the College's bank account.

Non-Cash and Federal Insurance: The College did not receive non-cash assistance or have Federal insurance in effect during the fiscal year.

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

To the Board of Trustees
Morton College
Community College District No. 527
Cicero, Illinois

We have examined the accompanying Schedule of Enrollment Data and Other Bases Upon Which Claims Were Filed (Schedule), of Morton College – Community College District No. 527 for the year ended June 30, 2013. The Schedule is the responsibility of the College's management. Our responsibility is to express an opinion on the Schedule based upon our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, in accordance with the guidelines of the Illinois Community College Board's *Fiscal Management Manual* and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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 accompanying Schedule of Enrollment Data and Other Bases Upon Which Claims Were Filed, in all material respects, is fairly presented in accordance with the provisions of the aforementioned guidelines.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 28, 2013, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our examination.

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

Crowe Horwath LLP

Crowe Horwath LLP

Oak Brook, Illinois
October 28, 2013

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
SCHEDULE OF ENROLLMENT DATA AND OTHER BASIS UPON WHICH
CLAIMS WERE FILED WITH THE ILLINOIS COMMUNITY COLLEGE BOARD
Year Ended June 30, 2013

	Total Certified Restricted Credit Hours by Term			
	Summer	Fall	Spring	Total
Baccalaureate	-	-	-	-
Business occupational	-	-	-	-
Technical occupational	-	-	-	-
Health occupational	-	-	-	-
Remedial development	-	-	-	-
Adult basic education/adult secondary education	1,492	5,699	6,056	13,247
Total credit hours certified	1,492	5,699	6,056	13,247

	Summer	Fall	Spring	Total
Reimbursable In-District residents	1,320	4,960	5,400	11,679

	Total Restricted Certified Correctional Semester Credit Hours by Term			
	Summer	Fall	Spring	Total
Baccalaureate	-	-	-	-
Business occupational	-	-	-	-
Technical occupational	-	-	-	-
Health occupational	-	-	-	-
Remedial development	-	-	-	-
Adult basic education/adult secondary education	-	-	-	-
Total credit hours certified	-	-	-	-

	Total Restricted Certified Correctional Semester Credit Hours by Term			
	Summer	Fall	Spring	Total
Adult basic education/adult secondary education	-	-	-	-
Total credit hours certified	-	-	-	-

Approved: Marilyn Pius 10/28/13
Chief Financial Officer Date

Approved: Dave Crane 10/28/13
President Date

(Continued)

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
SCHEDULE OF ENROLLMENT DATA AND OTHER BASES UPON WHICH
CLAIMS WERE FILED WITH THE ILLINOIS COMMUNITY COLLEGE BOARD
Year Ended June 30, 2013

	Total Certified Unrestricted Credit Hours by Term			
	Summer	Fall	Spring	Total
Baccalaureate	5,124	25,410	25,407	55,941
Business occupational	261	2,688	2,646	5,595
Technical occupational	280	1,749	1,558	3,587
Health occupational	340	2,602	2,564	5,505
Remedial development	1,036	4,795	3,885	9,716
Adult basic education/adult secondary education	-	-	-	-
Total credit hours certified	<u>7,041</u>	<u>37,244</u>	<u>36,060</u>	<u>80,344</u>
	Summer	Fall	Spring	Total
Reimbursable In-District residents	6,238	32,767	31,719	70,723
Reimbursable out-of-district on chargeback or contractual agreement	39	152	164	355
Total	<u>6,277</u>	<u>32,919</u>	<u>31,883</u>	<u>71,078</u>

	Total Unrestricted Certified Correctional Semester Credit Hours by Term			
	Summer	Fall	Spring	Total
Baccalaureate	-	-	-	-
Business occupational	-	-	-	-
Technical occupational	-	-	-	-
Health occupational	-	-	-	-
Remedial development	-	-	-	-
Adult basic education/adult secondary education	-	-	-	-
Total credit hours certified	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	Summary of Certified Dual Credit and Dual Enrollment Hours			
	Summer	Fall	Spring	Total
Adult basic education/adult secondary education	-	-	-	-
Total credit hours certified	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Approved: Mirya Pines 10/28/13
Chief Financial Officer Date

Approved: Dave Stone 10/28/13
President Date

MORTON COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 527
SCHEDULE OF ENROLLMENT DATA AND OTHER BASES UPON WHICH
CLAIMS WERE FILED WITH THE ILLINOIS COMMUNITY COLLEGE BOARD
Year Ended June 30, 2013

	Total Reimbursable Credit Hours	Total Reimbursable Credit Hours Certified to the ICCB	Difference
Baccalaureate	55,941	55,941	-
Business occupational	5,595	5,595	-
Technical occupational	3,587	3,587	-
Health occupational	5,505	5,505	-
Remedial developmental	9,716	9,716	-
Adult basic education/adult secondary education	13,247	13,247	-
Total	<u>93,591</u>	<u>93,591</u>	<u>-</u>
	Total Attending	Total Attending as Certified to the ICCB	Difference
Reimbursable in-district residents	82,402	82,402	-
Reimbursable out-of-district on chargeback or contractual agreement	355	355	-
Total	<u>82,757</u>	<u>82,757</u>	<u>-</u>
	Certified Correctional Credit Hours		
	Total Reimbursable Credit Hours	Total Reimbursable Credit Hours Certified to the ICCB	Difference
Baccalaureate	-	-	-
Business occupational	-	-	-
Technical occupational	-	-	-
Health occupational	-	-	-
Remedial developmental	-	-	-
Adult basic education/adult secondary education	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>
	Total Reimbursable Credit Hours	Total Reimbursable Credit Hours Certified to the ICCB	Difference
Dual Credit	-	-	-
Dual Enrollment	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>