



CITY COLLEGES OF CHICAGO

Fiscal Year Ended June 30, 2019

Comprehensive Annual Financial Report

Lori E. Lightfoot
Mayor, City of Chicago

Juan Salgado
Chancellor

Walter E. Massey, Ph.D.
Chair, Board of Trustees of Community
College District No. 508



Richard J. Daley

Harold Washington

Kennedy-King

Malcolm X

Olive-Harvey

Harry S Truman

Wilbur Wright



CITY COLLEGES[®]
of CHICAGO

COMMUNITY COLLEGE DISTRICT NO. 508

Chicago, Illinois

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2019

***Prepared by:
Office of Finance***

Walter E. Massey, Ph.D., Chair
Juan Salgado, Chancellor

Board of Trustees of Community College District No. 508

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City of Chicago, Illinois

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Executive Vice Chancellor, Institutional
Advancement and Chief of Staff

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Provost & Chief Academic Officer

Dr. Stacia Edwards,
Deputy Provost

Maribel Rodriguez,
Chief Financial Officer

Karla Mitchell Gowen,
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President, Richard J. Daley College

Dr. Peggy Korellis,
Interim President, Harold Washington College

Dr. Gregory Thomas,
President, Kennedy-King College

David A. Sanders,
President, Malcolm X College

Kimberly Hollingsworth,
President, Olive-Harvey College

Dr. Shawn L. Jackson,
President, Harry S. Truman College

Dr. David Potash,
President, Wilbur Wright College

October 17, 2019

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

The following document reflects the Comprehensive Annual Financial Report (CAFR) of the City Colleges of Chicago for the fiscal year ending June 30, 2019.

As reflected in this report, in FY2019, City Colleges allocated its resources to provide a quality, affordable post-secondary education for more than 77,000 students, and served as a transformational environment for Chicagoans seeking to advance their education and career.

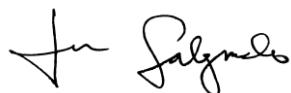
City Colleges ended FY 2019 with \$540.2M in assets, 6.4% less than the prior year, driven largely by an adjusted decrease in grants from the State of Illinois as well as a reduction in tuition revenue. City Colleges continues to recover from a debilitating state budget impasse and historic enrollment declines. In spite of these challenges, sound financial management has allowed City Colleges to focus on key priorities, including:

- Leveraging our comprehensive community colleges as centers of excellence that provide students top notch academic instruction, access to state-of-the-art facilities like Olive-Harvey College's Transportation, Distribution and Logistics Center and Daley College's Manufacturing Technology and Engineering Center, and hands-on training that allow students compete for and secure jobs in fast-growing fields
- Building on an already strong relationship with Chicago Public Schools to reinforce our status as the national leader in community college – K-12 partnerships
- Ensuring students from across the city's diverse neighborhoods are on the road to further education, including innovative transfer agreements with the University of Illinois system, DePaul University, Illinois Tech, Southern Illinois University Carbondale, and dozens more.
- Offering students the supports to ensure they are successful, including new food pantries, a housing coordinator, an emergency fund, and the Star Scholarship for qualified CPS high school and Big Shoulders Fund partner school students
- Providing relevant programs and in-demand work-based learning opportunities informed by employer partners
- Turning around years of enrollment declines and rising bad debt, and
- Creating mutually beneficial partnerships across the city that build our students' and our communities' assets

With a continued emphasis on financial planning and a commitment to ensuring all of our students are prepared to succeed, City Colleges will help to create a more inclusive Chicago economy.

I welcome your feedback as we help students from across the city realize their dreams of higher education and embark upon a path to upward mobility.

Sincerely,



Juan Salgado
Chancellor, City Colleges of Chicago

**City Colleges of Chicago
Community College District No. 508
Comprehensive Annual Financial Report
Fiscal year ended June 30, 2019**

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Introductory Section



Transmittal Letter

October 17, 2019

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

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of City Colleges of Chicago, Community College District No. 508 (City Colleges or the District), for the fiscal year ended June 30, 2019. It has been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as set forth by the Governmental Accounting Standards Board (GASB).

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

Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of City Colleges. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and changes in financial position of City Colleges. All disclosures necessary to enable the reader to gain an understanding of City Colleges' financial activities in relation to its mission have been included.

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

PROFILE OF CITY COLLEGES OF CHICAGO

City Colleges is a non-home rule community college district of the State of Illinois, having boundaries coterminous with the City of Chicago. City Colleges is established under and governed by the Illinois Public Community College Act and operates seven colleges offering two-year Associates' degrees, occupational certificates, continuing education, customized business-specific training and adult education programs. In accordance with standards established by GASB, City Colleges has included City Colleges of Chicago Foundation as a discretely presented component unit.

Of the Board's eight members, the seven who vote are appointed by the Mayor of the City of Chicago with the approval of the City Council of Chicago. One non-voting student member, selected in accordance with the Illinois Public Community College Act, is elected from one of the colleges.

The District currently occupies a land area of approximately 228.5 square miles, and serves an estimated population of 2,705,994.

As a large urban school district, our colleges, students and administrators reflect the broad diversity of our city. Our constituents are comprised of a large number of ethnic minorities, working adults, single parents and individuals from low-income backgrounds. City Colleges' District Office and the seven separately accredited colleges are strategically located throughout the City of Chicago.

The number of degrees and certificates awarded in fiscal year 2019 totaled 7,658. The number of degrees awarded was 4,151 and the number of certificates was 3,507. The vision for City Colleges is to transform the District into a world-class institution that not only prepares students to move into higher education, but also ensures that they have the skills necessary for employment. All of this will need to be accomplished while enhancing and maintaining efficient and effective operations that are not only customer focused but also fiscally responsible.

The graduation rate has steadily risen over the past seven years, growing from 11 percentage points in 2011 to 22.9 percentage points to date in 2018. Year over year growth increased by 28 percent over last year's 18 percent graduation rate. Students in the Star Scholarship program are helping to drive this year's growth, with a 47 percentage point graduation rate.

STRATEGIC GOALS AND STRATEGIES

OUR STRATEGIC GOALS

We are committed to connecting our communities to economic opportunities and upward mobility – no matter where our students start in life, no matter the life circumstances they contend with.

Our commitment to equity is such that we believe all of our students deserve to achieve their goals, and we are dedicated to helping them get there.

To ensure we realize these values, over the coming year, City Colleges is developing a new strategic framework for the District that outlines City Colleges' mission, vision, and priorities. The framework will provide the colleges with guidance for the creation of college-specific strategic plans.

This strategic framework will be accompanied by targeted plans associated with key priorities, including a road map for our relationship with the Chicago Public Schools, a capital plan, and a strategic enrollment plan.

The strategic enrollment plan will encompass the full complement of enrollment-related activities, from marketing, recruitment, and community outreach to retention and student financial health, and will be critical in our efforts to realize positive enrollment growth at all of our colleges in spite of challenging statewide enrollment trends.

FINANCIAL CHALLENGES

City Colleges faces significant financial pressures arising largely from macro-economic, operational and external policy factors, specifically:

Health Care: Employee healthcare plans are reviewed and modified annually to ensure employees have appropriate coverage available to address their family needs at an affordable cost. Employee and retiree contributions toward their healthcare cost have increased slightly to offset a portion of the increase in total cost.

Collective Bargaining Agreements: In fiscal year 2019, City Colleges of Chicago reached agreements on several contracts, which will allow for predictable wage increases.

ECONOMIC CONDITION AND OUTLOOK

In 2018, the **Federal Reserve Bank of Chicago** was tasked by Congress with the goals of maximum employment and stable prices. Their annual report shows good progress towards those dual mandated objectives. Growth was strong, the unemployment rate declined further, and inflation picked up and was near their two percent objective. (Federal Reserve Bank of Chicago, 2019). The Chicago Fed Survey of Business Conditions (CFSBC) Activity Index increased to -22 from -30 , suggesting that growth in economic activity remained at a modest pace in July and early August. The CFSBC Manufacturing Activity Index moved down to -39 from -34 , while the CFSBC Nonmanufacturing Activity Index moved up to -13 from -26 .

The **Illinois Department of Employment Security (IDES)** September 26, 2019 news release reports CHICAGO unemployment rate decreased in all fourteen Illinois metropolitan areas compared to last August, according to preliminary data released by the U.S. Bureau of Labor Statistics (BLS) as well as IDES. Chicago City unemployment rate decreased from 4.4% in August 2018 to 4.1% in August 2019. This represent a -3% change year-over-year (YOY).

Chicago Fed National Activity Index (CFNAI) led by declines in production-related indicators, fell to -0.36 in July from $+0.03$ in June. All four broad categories of indicators that make up the index decreased from June, and all four categories made negative contributions to the index in July. The index's three-month moving average, CFNAI-MA3, moved up to -0.14 in July from -0.30 in June. The CFNAI Diffusion Index, which is also a three-month moving average, edged down to -0.19 in July from -0.15 in June. Twenty-six of the 85 individual indicators made positive contributions to the CFNAI in July, while 59 made negative contributions. Thirty indicators improved from June to July, while 54 indicators deteriorated and one was unchanged. Of the indicators that improved, 14 made negative contributions. Production-related indicators contributed -0.25 to the CFNAI in July, down from $+0.09$ in June. Total industrial production decreased 0.2 percent in July after increasing 0.2 percent in June, and manufacturing production decreased 0.4 percent in July after rising 0.6 percent in the previous month. Employment-related indicators contributed -0.01 to the CFNAI in July, down slightly from a neutral value in June. The contribution of the personal consumption and housing category to the CFNAI ticked down to -0.06 in July from -0.05 in June.

The CFNAI was constructed using data available as of August 22, 2019.

The proposed fiscal year 2020 budget is balanced. The Unrestricted and Enterprise operating budget of \$315.9 million represents an increase of 3.0% from the prior fiscal year, allowing us to make the investments necessary for our colleges to thrive today and into the future including:

- Support for education quality, completion, and retention efforts that continue to yield strong student outcomes, including a record high graduation rate.
- Student academic and related supports. With 64% of City Colleges' students who responded to the Real College survey reporting housing or food insecurity, City Colleges continues to expand its supports and partnerships to address our students' needs. In addition to our comprehensive set of student supports from career and transfer centers to wellness centers and advisors, this budget includes the continued expansion of discount transit cards for qualifying part-time students (in addition to full-time students), permanent food pantries at all colleges, a new grant-funded emergency fund for students in crisis and a new grant-funded housing coordinator to assist students who are housing insecure or homeless.
- Scholarships, including the Star Scholarship, and early college dual enrollment and dual credit programs, recognizing the importance of introducing students to college early and eliminating every barrier to our students' success.
- Programming to complement the new Richard J. Daley College Manufacturing Technology and Engineering Center and Olive-Harvey College Transportation, Logistics and Distribution Evolution Center, which prepare students for careers in fast-growing fields.

The investments are a sign of the imperative to continue to grow, at the same time City Colleges works to recover from several years of state disinvestment and significant declining enrollment trends. To balance the fiscal year 2020 budget and provide more time to implement a long-term recovery strategy, City Colleges relies on the following approaches: using a portion of the sale of its downtown headquarters building, increasing its tax levy by 1.9 percent, budgeting for Tax Increment Financing surplus proceeds from the City of Chicago, identifying cost efficiencies, and closing vacant positions. A long-term recovery strategy entails efforts underway to boost enrollment and retention, aggressively manage bad student debt, actively manage staff hiring and turnover, and grow an institutional advancement infrastructure.

Community College State Funding

<u>Fiscal Year</u>	<u>State Funding to All State Community Colleges</u>
2010	\$ 308,471,029
2011	295,401,900
2012	295,521,900
2013	282,421,700
2014	284,916,500
2015	278,773,899
2016	74,142,300
2017	114,525,000
2018	409,595,700 *
2019	257,111,600

Source: Illinois Community College Board

**Amounts include the appropriations from*

Illinois Senate Bill 6 passed on July 6, 2017.

ACHIEVEMENTS

- Predictable labor costs through agreements with 98% of bargained for staff and faculty, including bringing all staff to the rising minimum wage levels or greater.
- Support for education quality, completion, and retention efforts that continue to yield strong student outcomes, including a record high graduation rate.
- The planned sale of 226 West Jackson allows City Colleges to reduce costs of a fixed asset, build sustainability, and reinvest in communities. All City Colleges staff have been located on a campus in the city's neighborhoods or immediately adjacent to one, contributing to the vitality of campuses and neighborhoods.
- For the second year in a row, we are fortunate to begin a new fiscal year with a state budget, one that affords Illinois community colleges an increase over the prior year.

CAPITAL IMPROVEMENT PLAN

On July 1, 2018, (fiscal year 2019), City Colleges entered a new five-year, \$236.9 million capital plan consisting of key new facility additions, strategic programmatic improvements, and necessary deferred maintenance. For fiscal year 2020, City Colleges budgeted capital investments of up to \$42.6 million that include a capital commitment of \$7.5 million in technology & technological infrastructure, and \$9.6 million in academic enhancements, and all remaining categories of capital improvements to existing infrastructure. The projects in the fiscal year 2020 capital plan are prioritized into two tiers. Tier 1 projects are essential to support life safety and continued operations. Tier 2 are of secondary importance and subject to final ICCB allocations and the Chancellor's review.

FINANCIAL INFORMATION

Internal Control: City Colleges' management is responsible for establishing and maintaining an internal control structure designed to protect its assets, to prevent loss from theft or misuse of assets, and to allow for the preparation of financial information in conformity with U.S. GAAP under GASB. Although no internal control can guarantee complete assurance that these objectives are met, strong controls provide reasonable assurance of this. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

Budgeting Controls: The fiscal year begins on July 1 and ends on June 30 with annual appropriations lapsing at the end of the fiscal year. Individual colleges submit budget requests based on the colleges' strategic and tactical plans as reviewed and approved by the Chancellor. Administrative units submit requests for the Chancellor's review. The Budget Office compiles requests and recommendations for submission to the Board of Trustees for appropriation. The appropriated budget is prepared by fund, department, account (object of expense), and program (function).

City Colleges' budgetary control objectives are to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Colleges' Board of Trustees. Budgetary control is implemented by individual fund within each college. Board approval is required for all transfers between funds, accounts, or programs. In addition, an amended budget is required for increases in total appropriation in accordance with the Illinois Public Community College Act.

Board approval is required for all purchases or exchanges of goods and services over \$25,000 from a single vendor during the fiscal year. In addition, proper segregation of duties exists both operationally and technologically to ensure that purchase orders are properly authorized with appropriate checks and balances.

City Colleges maintains an encumbrance accounting system as part of its budgetary control. Encumbered amounts lapse at the end of each fiscal year.

Capital project funds are budgeted on a project-by-project basis and represent the entire project budget for projects expected to begin in that fiscal year.

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

GASB Net Position Category

Unrestricted

Restricted for Specific Purpose

Net Investment in Capital Assets

ICCB FUND

Education

Auxiliary / Enterprise

Operations and Maintenance

Operations and Maintenance – Restricted (Board
Designated Capital Projects)

Working Cash

Audit Fund

Liability, Protection and Settlement

Restricted Purposes (Grants)

Bond and Interest

Building Bond Proceeds

Long-Term Debt

Property Tax: Estimated assessed value of taxable property for tax year 2018 collectible in fiscal year 2019 was \$86,286,411,094. Estimated assessed value of taxable property for tax year 2017 collectible in fiscal year 2018 was \$76,722,182,440. City Colleges’ average collection rate over the past five years has been over 97%.

Debt Administration: Long-term and current debt at June 30, 2019 totaled \$311,010,000 due to City Colleges’ issuance of bonds Series 2013 in October 2013 and Series 2017 in December 2017.

Cash Management: Cash and investments are controlled by City Colleges’ Treasurer or Vice Chancellor of Finance and Business Enterprises / Chief Financial Officer. Treasury is governed by provisions within the Illinois Public Community College Act (Illinois Compiled Statutes Chapter 110, Act 805) and the Illinois Public Funds Investment Act (Illinois Compiled Statutes Chapter 30, Act 235). Fiduciary responsibility for investments is entrusted to City Colleges’ Board of Trustees, which has delegated the function to the Treasurer of City Colleges as permitted by the Illinois Public Community College Act.

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

City Colleges invests funds in various securities listed as permitted investments in the Board-approved Investment Policy. This policy is reviewed on an annual basis and any modifications require Board approval. The securities include, but are not limited to, money market funds, U.S. Treasury bonds, bills, notes and certificates of deposit. Investment income for fiscal year 2019 totaled \$3.9 million.

Risk Management: The Office of Risk Management (ORM) continuously and actively assesses and reviews potential risk and exposures the District may encounter and strives to mitigate the potential impact on the institution. ORM procures commercial insurance to address significant property and non-property losses for amounts in excess of self-insured retentions. The comprehensive Commercial Insurance Portfolio is reviewed annually to determine policy limits and retention (deductible) levels for property assets, general liability exposures, workers' compensation injuries and educator's legal liability matters. The current deductibles equal \$25,000, \$250,000, \$600,000 and \$250,000 per claim, respectively.

City Colleges engages a third-party administrator to adjudicate and administer claims for general liability, workers' compensation, student athlete injury and student accident health claims.

OTHER INFORMATION

Independent Audit: State statutes require an annual audit by independent certified public accountants. The City Colleges of Chicago Board of Trustees selected the audit firm of RSM US LLP as its independent certified public accountants for fiscal year 2019. The independent auditor's report of RSM US LLP on the basic financial statements and supplementary schedules is included in the financial section of this report.

Awards: The Government Finance Officers Association (GFOA) awarded a **Certificate of Achievement for Excellence in Financial Reporting** to City Colleges for its comprehensive annual financial report for the fiscal year ended June 30, 2018. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

Acknowledgements: The preparation of the CAFR was made possible by the dedicated service of the senior leadership team and staff of City Colleges. We wish to express our sincere appreciation for the contributions they have made in preparing this report.

Respectfully submitted,

Maribel Rodriguez
Chief Financial Officer

Daryl J. Okrzesik
Associate Vice Chancellor, Treasurer

**CITY COLLEGES OF CHICAGO
COMMUNITY COLLEGE DISTRICT NO. 508
PRINCIPAL OFFICIALS
Year Ended June 30, 2019**

BOARD OF TRUSTEES

Walter E. Massey Ph.D., Chair
Elizabeth Swanson, Vice Chair
Clarisol Duque, Secretary
Peggy A. Davis, Trustee
Karen Kent, Trustee
Darrell A. Williams, Trustee
Deborah H. Telman, Trustee
Armani Alexander, Student Trustee
Tracey B. Fleming, Chief Advisor to the Board of Trustees
Ashley Kang, Assistant Board Secretary
John Gasiorowski, Inspector General
Gina Gentile, Director, Internal Auditing

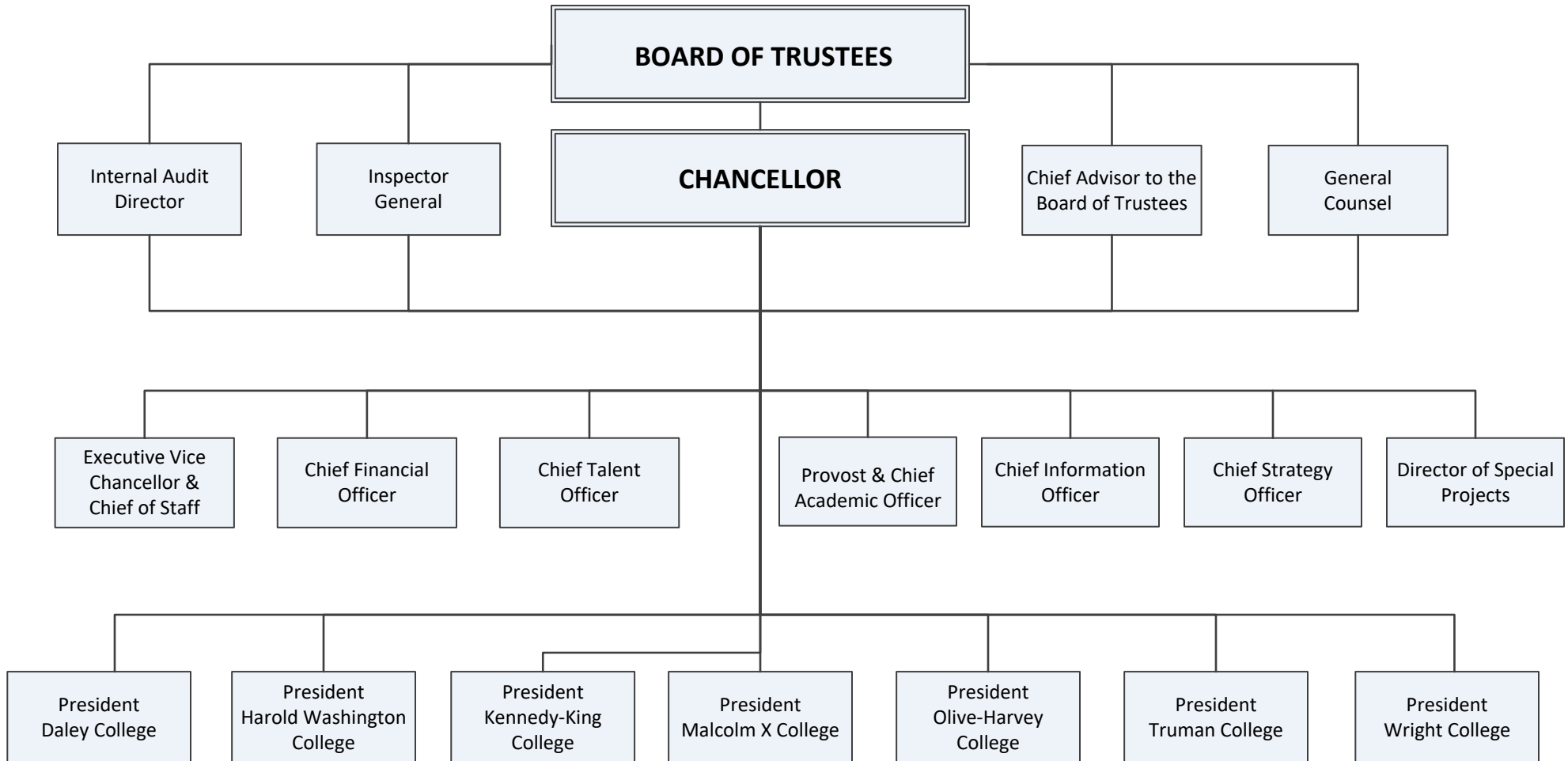
ADMINISTRATIVE OFFICERS

Juan Salgado, Chancellor
Eric B. Lugo, Executive Vice Chancellor, Institutional Advancement and Chief of Staff
Dr. Mark Potter, Provost & Chief Academic Officer
Dr. Stacia Edwards, Deputy Provost
Maribel Rodriguez, Chief Financial Officer
Karla Mitchell Gowen, General Counsel
Jennifer Mason, Vice Chancellor, Legislative and Community Affairs
Carmen V. Lidz, Chief Information Officer
Rhonda K. Brown, Vice Chancellor, Institutional Advancement
Dr. Stacia Thompson, Vice Chancellor, Economic & Workforce Innovation
Dr. Janine Jonosky, President, Richard J. Daley College
Dr. Peggy Korellis, Interim President, Harold Washington College
Dr. Gregory Thomas, President, Kennedy-King College
David A. Sanders, President, Malcolm X College
Kimberly Hollingsworth, President, Olive-Harvey College
Dr. Shawn L. Jackson, President, Harry S. Truman College
Dr. David Potash, President, Wilbur Wright College

REPORT ISSUED BY

Office of Finance

Executive Staff Organizational Chart





Government Finance Officers Association

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

Presented to

**City Colleges of Chicago
Illinois**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

Financial Section



RSM US LLP

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of City Colleges of Chicago, Community College District No. 508 (City Colleges) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City Colleges' 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 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the discretely presented component unit, of City Colleges of Chicago, Community College District No. 508, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information, such as Management's Discussion and Analysis, Schedule of Changes in Net OPEB Liability and Related Ratios, and the Schedule of Proportionate Share of Net Pension Liability be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City Colleges' basic financial statements. The Uniform Financial Statements, as required by the Illinois Community College Board, the Schedule of Expenditures of Federal Awards are required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Uniform Financial Statements, except for the Certification of Chargeback Reimbursement for Fiscal Year 2019, which are unaudited, and the Schedule of Expenditures of Federal Awards are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Uniform Financial Statements, except for the Certification of Chargeback Reimbursement for Fiscal Year 2019, and the Schedule of Expenditures of Federal Awards, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections and the Certification of Chargeback Reimbursement for Fiscal Year 2019 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October, 17 2019, on our consideration of City Colleges' 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 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 City Colleges' 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 City Colleges' internal control over financial reporting and compliance.

RSM US LLP

Chicago, Illinois
October 17, 2019

**Management's
Discussion and Analysis
(MD&A)**

The discussion and analysis of City Colleges of Chicago financial performance provides an overall review of City Colleges' financial activities for the fiscal year ended June 30, 2019. This discussion and analysis focuses on current activities, currently known facts and related changes. The management of City Colleges encourages readers to consider the information being presented herein in conjunction with the transmittal letter that precedes this section and the basic financial statements and accompanying notes (which immediately follow this section) to enhance their understanding of City Colleges' financial performance. All amounts, unless otherwise indicated, are expressed in millions of dollars. Certain comparative information between the current and prior year is required to be presented in the Management's Discussion and Analysis (the "MD&A"). Responsibility for the completeness and fairness of the information presented here rests with City Colleges.

Using This Annual Report

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

Financial Highlights

Statement of Net Position

The total net position as of June 30, 2019 decreased by \$37.1 million to \$540.2 million which was largely due to a decrease in enrollment and tuition revenue and an increase in scholarships and waivers. In addition, funding from the State of Illinois for fiscal year 2019 reverted to the expected amount of \$47.6 million. Because of the late approval of supplemental funding for fiscal year 2017, City Colleges recognized \$31.4 in revenue appropriated to City Colleges for fiscal year 2017 in fiscal year 2018.

Overview of Financial Statements

Total current assets decreased by \$33 million as compared to the prior year, mainly due to the decrease in short term investments and accounts receivable. While capital assets less accumulated depreciation increased only slightly by \$3.4 million, other non-current assets decreased by \$42.1 million as restricted cash was used to acquire capital assets and pay down the principal and interest on outstanding bonds.

Total current liabilities decreased by \$20.2 million as City Colleges paid down its accounts payable and accrued liability balances as well as recognizing \$4.2 million in previously unearned grant revenue.

Total non-current liabilities decreased by \$15.3 million. This was mainly due to a \$9.4 million decrease in other post-employment benefits and a decrease of \$5.5 million in bonds payable. The deferred inflows of resources are the deferred property tax revenue and other post-employment benefits that have been presented separately in the financial statements to conform to GASB Statements 65 and 75, respectively.

Table 1
Condensed Statements of Net Position
(in millions of dollars)

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Current assets	\$ 179.8	\$ 212.8	\$ (33.0)
Non-current assets			
Capital assets	1,356.7	1,337.6	19.1
Less accumulated depreciation	(435.4)	(419.7)	(15.7)
Other assets	<u>39.5</u>	<u>81.6</u>	<u>(42.1)</u>
Total assets	<u>1,140.6</u>	<u>1,212.3</u>	<u>(71.7)</u>
Deferred outflows of resources	<u>4.2</u>	<u>0.7</u>	<u>3.5</u>
Current liabilities	68.9	89.1	(20.2)
Non-current liabilities	<u>445.1</u>	<u>460.4</u>	<u>(15.3)</u>
Total liabilities	<u>514.0</u>	<u>549.5</u>	<u>(35.5)</u>
Deferred inflows of resources	<u>90.5</u>	<u>86.2</u>	<u>4.3</u>
Net position			
Net investment in capital assets	622.4	653.9	(31.5)
Restricted for specific purposes	0.4	2.0	(1.6)
Unrestricted	<u>(82.6)</u>	<u>(78.6)</u>	<u>(4.0)</u>
Total net position	<u>\$ 540.2</u>	<u>\$ 577.3</u>	<u>\$ (37.1)</u>

Table 2
Condensed Statements of Revenues, Expenses and Changes in Net Position
(in millions of dollars)

Operating	<u>2019</u>	<u>2018</u>	<u>Change</u>
Revenues	\$ 41.3	\$ 49.7	\$ (8.4)
Expenses	<u>(484.9)</u>	<u>(504.8)</u>	<u>19.9</u>
Operating loss	(443.6)	(455.1)	11.5
Non-operating			
Revenues	407.4	450.2	(42.8)
Expenses	<u>(12.6)</u>	<u>(12.1)</u>	<u>(0.5)</u>
Net non-operating revenues	394.8	438.1	(43.3)
Income (loss) before capital contributions	(48.8)	(17.0)	(31.8)
Capital contributions	<u>11.7</u>	<u>1.9</u>	<u>9.8</u>
Change in net position	(37.1)	(15.1)	(22.0)
Net position, beginning of year	<u>577.3</u>	<u>592.4</u> *	<u>(15.1)</u>
Net position, end of year	<u><u>\$ 540.2</u></u>	<u><u>\$ 577.3</u></u>	<u><u>\$ (37.1)</u></u>

* Net position has been restated as of July 1, 2018 due to the implementation of GASB 75.

Changes in Net Position
Years Ended June 30,
(in millions of dollars)

	<u>2019</u>	<u>2018</u>
Total revenue	\$ 447.8	\$ 489.7
Total expenses	<u>(484.9)</u>	<u>(504.8)</u>
Decrease in net position	<u><u>\$ (37.1)</u></u>	<u><u>\$ (15.1)</u></u>

Statement of Revenues, Expenses and Changes in Net Position

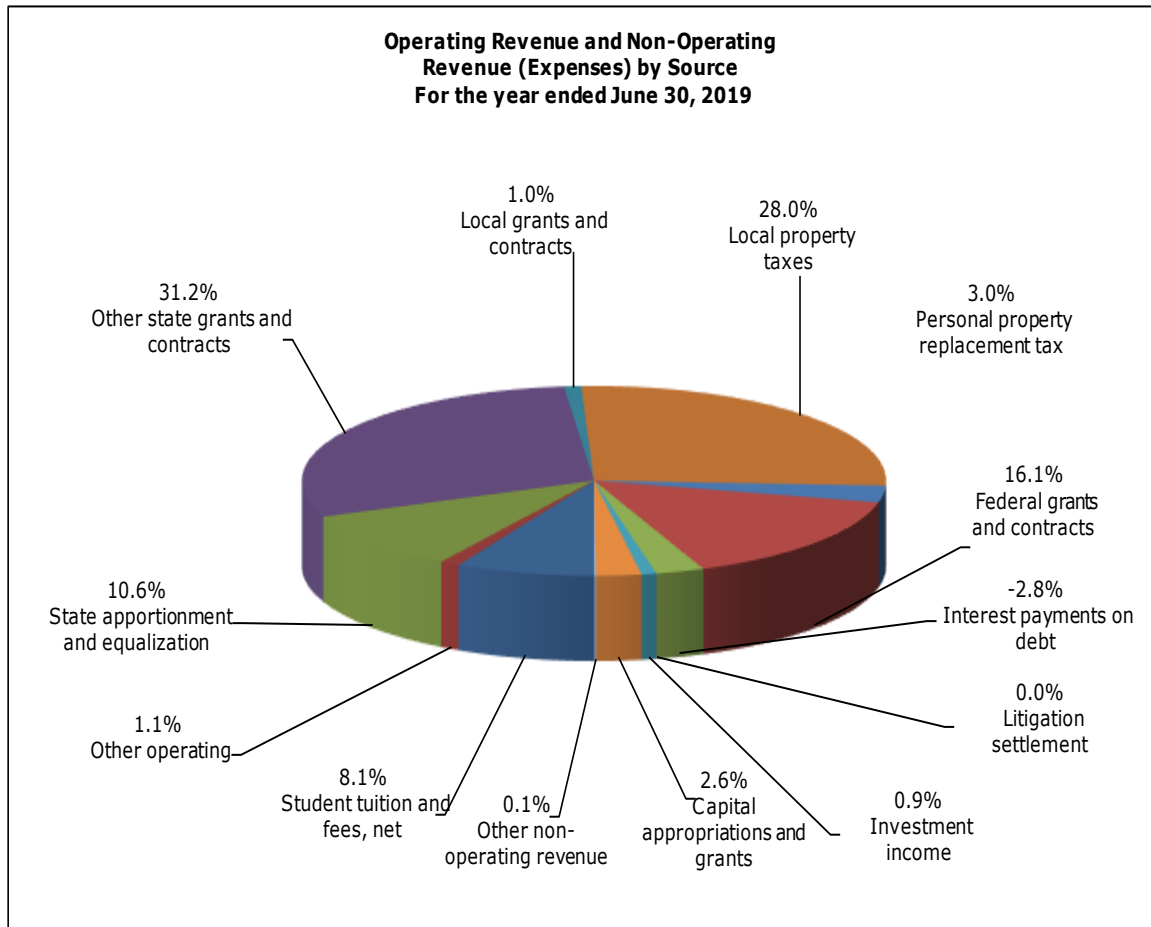
Operating revenues decreased by \$8.4 million from the previous year because of decreases in enrollment and the subsequent net student tuition and fees, scholarships, and other operating revenues.

Net non-operating revenues and expenses decreased by \$43.3 million in fiscal year 2019. While City Colleges received \$6.9 million less in other state grants and contracts and realized a \$7.8 million reduction in gains on the disposal of assets, the majority of the decrease was caused by the late approval of supplemental state funding for fiscal year 2017, where City Colleges recognized \$31.4 in revenue appropriated for fiscal year 2017 in fiscal year 2018. Funding from the State of Illinois for fiscal year 2019 reverted to the expected amount of \$47.6 million.

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

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Operating revenues			
Student tuition and fees	\$ 92.5	\$ 94.8	\$ (2.3)
Less scholarships	(56.3)	(51.3)	(5.0)
Other operating	<u>5.1</u>	<u>6.2</u>	<u>(1.1)</u>
Total operating revenues	<u>41.3</u>	<u>49.7</u>	<u>(8.4)</u>
Non-operating revenues (expenses)			
State apportionment and equalization	47.6	77.6	(30.0)
Other state grants and contracts	139.8	146.7	(6.9)
Local grants and contracts	4.5	3.1	1.4
Local property taxes	125.5	125.4	0.1
Personal property replacement tax	13.5	12.1	1.4
Federal grants and contracts	72.0	74.0	(2.0)
Interest payments on debt	(12.6)	(12.1)	(0.5)
Litigation settlement	-	0.7	(0.7)
Investment income	3.9	2.2	1.7
Other non-operating revenues	<u>0.6</u>	<u>8.4</u>	<u>(7.8)</u>
Total non-operating revenues (expenses)	<u>394.8</u>	<u>438.1</u>	<u>(43.3)</u>
Capital appropriations and grants	<u>11.7</u>	<u>1.9</u>	<u>9.8</u>
Total	<u>\$ 447.8</u>	<u>\$ 489.7</u>	<u>\$ (41.9)</u>

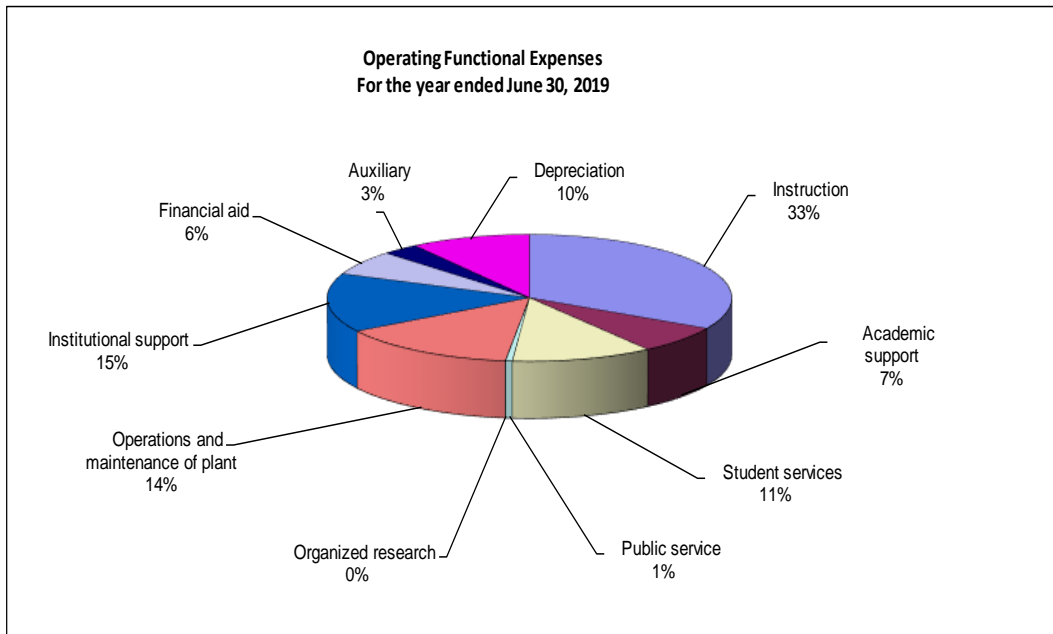
Table 3
Operating Revenues and Non-Operating Revenues (Expenses)
(in millions of dollars)



Total operating expenses decreased by \$19.9 million in fiscal year 2019. This was mainly due to an \$18.1 million decrease in depreciation expense, a \$4.6 reduction in student-related bad debt expense, a \$1.6 million decrease in general liability expense, and a \$5.7 million reduction in pension expense for in-kind payments.

Table 4
Operating Functional Expenses
(in millions of dollars)

Operating expenses	2019	2018	Change
Instruction	\$ 160.2	\$ 160.7	\$ (0.5)
Academic support	34.2	33.2	1.0
Student services	54.6	51.8	2.8
Public service	2.6	2.7	(0.1)
Organized research	0.1	0.1	-
Operations and maintenance of plant	69.2	67.4	1.8
Institutional support	72.7	77.3	(4.6)
Financial aid	30.4	31.4	(1.0)
Auxiliary	14.3	15.5	(1.2)
Depreciation	46.6	64.7	(18.1)
Total operating expenses	\$ 484.9	\$ 504.8	\$ (19.9)



Net Capital Assets and Non-Current Liabilities

As of June 30, 2019, City Colleges had \$1,356.7 million in capital assets and \$435.4 million in accumulated depreciation, resulting in \$921.3 million in net capital assets. Some construction in progress projects were completed and put into service, while obsolete software was written off. This investment in net capital assets includes land, buildings and improvements, construction in progress, equipment, vehicles and software. The total decrease in City Colleges' net capital assets for the current fiscal year is \$3.3 million. (See Note 4)

Table 5
Capital Assets (Net of Accumulated Depreciation)
(in millions of dollars)

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Capital assets			
Land	\$ 51.4	\$ 51.4	\$ -
Buildings and improvements	1,192.6	1,091.3	101.3
Construction in progress	5.9	58.3	(52.4)
Equipment	64.2	64.0	0.2
Software	<u>42.6</u>	<u>72.6</u>	<u>(30.0)</u>
Total	1,356.7	1,337.6	19.1
Less accumulated depreciation	<u>(435.4)</u>	<u>(419.6)</u>	<u>(15.8)</u>
Net capital assets	<u>\$ 921.3</u>	<u>\$ 918.0</u>	<u>\$ 3.3</u>

Total non-current liabilities decreased by \$15.3 million to \$445.1 million. This was mainly due to a \$9.4 million decrease in the expense and reserve for other post-employment benefits and a \$5.6 million decrease in bonds payable as both series of outstanding bonds were paid down. See Note 12 for more detailed information regarding long-term debt activity.

Table 6
Non-Current Liabilities
(in millions of dollars)

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Accrued compensated absences	\$ 2.7	\$ 2.5	0.2
Accrued property tax refunds	18.5	18.9	(0.4)
Sick leave benefits	3.5	3.9	(0.4)
Other post-employment benefits	98.3	107.7	(9.4)
Bonds payable, net of premiums & discounts	320.4	326.0	(5.6)
Lease obligations	<u>8.5</u>	<u>9.2</u>	<u>(0.7)</u>
Sub-total	451.9	468.2	(16.3)
Less current portion	<u>(6.8)</u>	<u>(7.8)</u>	<u>1.0</u>
Total non-current liabilities	<u>\$ 445.1</u>	<u>\$ 460.4</u>	<u>(15.3)</u>

Requests for Information

This financial report is designed to provide a general overview of City Colleges' finances. Questions concerning the report or requests for additional information should be addressed to the Chief Financial Officer, City Colleges of Chicago, 180 N. Wabash, Suite 200, Chicago, IL 60601.

Basic Financial Statements

**City Colleges of Chicago
Community College District No. 508
Statement of Net Position
June 30, 2019**

Assets

Current assets:

Cash and cash equivalents	\$ 16,390,584
Short-term investments	84,580,128
Property tax receivable, net	57,996,391
Personal property replacement tax receivable	2,158,338
Other accounts receivable, net	<u>18,644,765</u>

Total current assets 179,770,206

Non-current assets:

Restricted cash	35,707,459
Funds held by others - restricted	232,055
Other accounts receivable	3,508,260
Capital assets not being depreciated	57,283,027
Capital assets being depreciated, net	<u>864,052,298</u>

Total non-current assets 960,783,099

Total assets 1,140,553,305

Deferred outflows of resources

Deferred other post employment benefits	3,627,160
Deferred grant-related pension contributions	<u>616,634</u>

Total deferred outflows of resources 4,243,794

Liabilities

Current liabilities:

Accounts payable	12,562,006
Accrued payroll	20,752,449
Other accruals	2,982,143
Deposits held in custody for others	1,387,878
Unearned tuition and fees revenue	5,890,028
Unearned grant revenue	641,588
Other liabilities	17,908,043
Current portion of non-current liabilities	<u>6,818,642</u>

Total current liabilities 68,942,777

Non-current liabilities:

Accrued compensated absences	2,662,644
Accrued property tax refunds	18,512,069
Sick leave benefits	3,488,021
Other post-employment benefits	98,287,002
Bonds payable, net of premiums and discounts	320,445,797
Lease obligations	8,516,221
Less current portion of non-current liabilities	<u>(6,818,642)</u>

Total non-current liabilities 445,093,112

Total liabilities 514,035,889

Deferred inflows of resources

Deferred other post employment benefits	29,442,112
Deferred property tax revenue	<u>61,090,733</u>

Total deferred inflows of resources 90,532,845

Net position

Net investment in capital assets 622,386,371

Restricted for specific purposes:

Audit	238,546
Liability, protection, and settlement	194,117

Unrestricted (82,590,665)

Total net position \$ 540,228,369

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

City Colleges of Chicago
Community College District No. 508
Statement of Revenues, Expenses and Changes in Net Position
Fiscal Year Ended June 30, 2019

Revenues

Operating revenues:	
Student tuition and fees:	
Resident tuition	\$ 85,798,034
Nonresident tuition	5,611,992
Fees	1,064,440
Less: Scholarship allowances	<u>(56,328,989)</u>
Net student tuition and fees	36,145,477
Other operating revenues	<u>5,143,109</u>
Total operating revenues	<u>41,288,586</u>

Expenses

Operating expenses:	
Instructional salaries	88,524,100
Non-instructional salaries	109,912,039
Fringe benefits	155,017,642
Supplies	16,590,301
Professional development	1,080,524
Utilities	8,140,159
Contractual services	22,418,335
Depreciation	46,570,373
Financial aid, exclusive of scholarship allowances	30,392,713
Other expenses	<u>6,245,996</u>
Total operating expenses	<u>484,892,182</u>
Operating loss	<u>(443,603,596)</u>

Non-operating revenues (expenses):

State apportionment and equalization	47,565,890
Other state grants and contracts	139,865,030
Local grants and contracts	4,461,449
Local property taxes	125,547,962
Personal property replacement tax	13,490,094
Federal grants and contracts	72,002,237
Investment income	3,941,896
Interest payments on debt	(12,632,012)
Other non-operating revenue	<u>586,271</u>
Total non-operating revenues (expenses)	<u>394,828,817</u>
Loss before capital appropriations and grants	(48,774,779)
Capital appropriations and grants	<u>11,711,485</u>
Change in net position	(37,063,294)
Net position, beginning of year	<u>577,291,663</u>
Net position, end of year	<u>\$ 540,228,369</u>

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

**City Colleges of Chicago
Community College District No. 508
Statement of Cash Flows
Fiscal Year Ended June 30, 2019**

Cash flows from operating activities	
Tuition and fees	\$ 44,418,995
Payments to suppliers	(110,836,218)
Payments to employees	(200,405,075)
Payments to students	(30,392,713)
Other operating receipts	5,143,109
Net cash used in operating activities	<u>(292,071,902)</u>
 Cash flows from noncapital financing activities	
Local property taxes	128,957,148
State apportionment, grants and contracts	59,128,886
Personal property replacement tax	13,397,292
Grants and contracts	74,473,746
Net cash provided by noncapital financing activities	<u>275,957,072</u>
 Cash flows from capital and related financing activities	
Purchases of capital assets	(32,563,991)
Payment received on note receivable	541,998
Interest paid on debt	(20,723,887)
Net cash used in capital and related financing activities	<u>(52,745,880)</u>
 Cash flows from investing activities	
Proceeds from sales and maturities of investments	148,468,535
Purchases of investments	(122,178,749)
Interest received on investments	3,767,298
Net cash provided by investing activities	<u>30,057,084</u>
Net decrease in cash and cash equivalents	(38,803,626)
Cash and cash equivalents at beginning of year	90,901,669
Cash and cash equivalents at end of year	<u>\$ 52,098,043</u>
Cash and cash equivalents	\$ 16,390,584
Restricted cash	35,707,459
	<u>\$ 52,098,043</u>

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

City Colleges of Chicago
Community College District No. 508
Statement of Cash Flows (Continued)
Fiscal Year Ended June 30, 2019

**Reconciliation of operating loss to net cash
used in operating activities**

Operating loss	\$ (443,603,596)
Reconciling adjustments:	
Depreciation	46,570,373
State payment for retirement obligation	128,302,034
Decrease in allowance for uncollectible receivables	(461,698)
Changes in assets and liabilities:	
Receivables	6,109,777
Prepaid items and other assets	(617,631)
Accounts payable	(11,492,548)
Accrued payroll	(883,244)
Other accruals	(10,368,981)
Deposits held in custody for others	431,563
Unearned tuition and fees revenue	260,218
Other liabilities	4,077,698
Accrued compensated absences	132,388
Sick leave benefits	(395,717)
Other post-employment benefits	(9,431,926)
Lease obligations	(700,612)
Net cash used in operating activities	<u>\$ (292,071,902)</u>

Non-cash transactions

Decrease in fair value of investments	\$ (123,387)
State of Illinois contributed capital assets	11,711,485
Capital assets in accounts payable	1,615,440
Amortization of premiums and discounts on bonds payable	991,366

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

Component Unit - City Colleges of Chicago Foundation
Statement of Financial Position
As of June 30, 2019

Assets

Cash and cash equivalents	\$ 2,063,807
Investments	9,485,458
Contributions receivable	70,491
Prepaid expenses	<u>24,535</u>
Total assets	<u><u>\$ 11,644,291</u></u>

Liabilities and Net Assets

Liabilities: Accounts payable	<u>\$ 781,477</u>
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Net Assets

Without donor restrictions	1,472,500
With donor restrictions	<u>9,390,314</u>
Total net assets	<u>10,862,814</u>
Total liabilities and net assets	<u><u>\$ 11,644,291</u></u>

See notes to financial statements

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

Component Unit - City Colleges of Chicago Foundation
Statement of Activities
For the year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Contributions	\$ 436,401	\$ 3,550,886	\$ 3,987,287
Contributed services	323,002	-	323,002
Net assets released from restriction	3,804,244	(3,804,244)	-
Total revenues and other support	<u>4,563,647</u>	<u>(253,358)</u>	<u>4,310,289</u>
Expenses			
Program services	2,975,011	-	2,975,011
Scholarships awarded	973,719	-	973,719
Management and general	268,357	-	268,357
Fundraising	226,899	-	226,899
Total expenses	<u>\$ 4,443,986</u>	<u>\$ -</u>	<u>\$ 4,443,986</u>
Increase (decrease) in net assets	<u>119,661</u>	<u>(253,358)</u>	<u>(133,697)</u>
Other changes			
Investment return, net	<u>237,167</u>	<u>421,919</u>	<u>659,086</u>
Change in net assets	<u>356,828</u>	<u>168,561</u>	<u>525,389</u>
Net assets — Beginning of year	<u>1,115,672</u>	<u>9,221,753</u>	<u>10,337,425</u>
Net assets — End of year	<u>\$ 1,472,500</u>	<u>\$ 9,390,314</u>	<u>\$10,862,814</u>

See notes to financial statements

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

Component Unit - City Colleges of Chicago Foundation
Statement of Cash Flows
For the year ended June 30, 2019

	2019
Change in net assets	\$ 525,389
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Realized gain on sales of investments	(654,263)
Unrealized gain on investments	190,310
Change in contributions receivable	30,647
Change in prepaid expenses	(24,535)
Change in accounts payable	<u>(4,020)</u>
Net cash provided by operating activities	<u>63,528</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of investments	(17,284,269)
Sales of investments	<u>17,117,657</u>
Net cash used in investing activities	<u>(166,612)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(103,084)
CASH AND CASH EQUIVALENTS — Beginning of year	<u>2,166,891</u>
CASH AND CASH EQUIVALENTS — End of year	<u><u>\$ 2,063,807</u></u>

See notes to financial statements.

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

Notes to Basic Financial Statements

City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The accompanying financial statements include City Colleges of Chicago and its discretely present component unit, City Colleges of Chicago Foundation (Foundation).

City Colleges follows the standards established in GASB Statement No. 14, *The Financial Reporting Entity*, GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity*. According to GASB Statement No. 14, City Colleges is a primary government since it is fiscally independent, whereas the Foundation meets the requirements of GASB Statement No. 39 and GASB Statement No. 61 and is being reported as a discretely presented component unit of City Colleges.

The Foundation is a legally separate not-for-profit, tax-exempt corporation, established under Internal Revenue Code Section 501(c) 3. The Foundation reports its financial results under Financial Accounting Standards Board (FASB) Accounting Standards Codification, which is the source of authoritative generally accepted accounting principles (GAAP) recognized by the FASB. Financial statements for the Foundation are available at City Colleges of Chicago's website, <http://www.ccc.edu/departments/Pages/Annual-Finance-and-Budget-Reports-.aspx>.

B. Basis of Accounting

For financial reporting purposes, City Colleges is considered a special-purpose government engaged only in business-type activities. Accordingly, City Colleges' basic 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 incurred. All significant intra-agency transactions have been eliminated.

City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2019

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

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

The accounting policies of City Colleges conform to accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to colleges and universities, as well as those prescribed by the Illinois Community College Board (ICCB). City Colleges' reports are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements.

C. Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and short-term investments with original maturities of three months or less from the date of purchase, except for Illinois funds, Illinois Institutional Investor Trust and money market mutual funds, which are treated as investments.

D. Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in the carrying value of investments, resulting in realized and unrealized gains or losses, are reported as a component of investment income in the statement of revenues, expenses and changes in net position.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term that could materially affect the amounts reported in the statement of net position and in the statement of revenues, expenses and changes in net position.

City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2019

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

E. Receivables

Accounts receivable consist of property taxes, personal property replacement taxes, and tuition and fee charges to students and facilities rentals provided to third parties. Accounts receivable also include amounts due from the federal government, as well as state and local governments, in connection with reimbursement of allowable expenditures made pursuant to City Colleges' grants and contract agreements. Receivables are recorded net of estimated uncollectible amounts. During fiscal year 2019, \$8.1 million of student receivables were written off.

F. Allowance for Uncollectible Receivables

City Colleges provides allowances for uncollectible student accounts for any outstanding receivable balances less than 365 days. Balances in excess of 365 days past due are written off.

G. Property Taxes

City Colleges' property taxes are levied each calendar year on all taxable real property located in City Colleges' district. Property taxes are collected by the Cook and DuPage County Collectors and are submitted to each county's respective treasurer, who remits to the units their respective shares of the collections. Cook County taxes levied in one year become generally due and payable in two installments on March 1 and typically September 1 of the following year. The first installment is an estimated bill and is 55% of the prior year's tax bill. The second installment is based on the current levy, assessment, and equalization. Any changes from the prior year will be reflected in the second installment bill. Taxes must be levied by the last Tuesday in December for the following levy year. DuPage County, which represents 1/100 of one percent of the total levy, follows a similar practice as Cook County. The levy becomes an enforceable lien against the property as of January 1 of the levy year.

Taxes are levied on all taxable real property located in the district for educational purposes, operations and maintenance purposes, financial auditing purposes and liability protection and settlement. The tax levies for City Colleges for the educational, operations and maintenance, and financial auditing purposes are limited by Illinois statute to 0.175%, 0.05%, and 0.005%, respectively, of the equalized assessed valuation (EAV).

In accordance with City Colleges' Board resolution, 50% of property taxes extended for the 2018 tax year and collected in 2019 are recorded as revenue in fiscal year 2019. The remaining revenue related to the 2018 tax year extension is deferred and will be recorded as revenue in fiscal year 2020. Based upon collection histories, City Colleges recorded property taxes at 96.5% of the 2018 extended levy.

City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2019

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

H. Personal Property Replacement Tax Revenue

Personal property replacement taxes are recognized as revenue when these amounts are collected by the State of Illinois for distribution.

I. Prepaid Items and Other Assets

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

J. Restricted Cash

Cash held in trust for the purchase or construction of capital or other non-current assets are classified as non-current assets in the statement of net position.

K. Capital Assets

Capital assets of City Colleges consist of land, building, improvements, computer equipment, software and other equipment. Capital assets are reported at cost at the date of acquisition or their estimated acquisition value at the date of donation. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value.

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

City Colleges considers a capital asset impaired when its service utility has declined significantly and the events or changes in the circumstances are unexpected or outside the normal life cycle.

City Colleges' capitalization policy for movable property includes only items with a unit cost equal to or greater than \$25,000 and an estimated useful life greater than one year. Beginning in fiscal year 2015, City Colleges also capitalizes moveable property less than \$25,000 with an estimated useful life greater than one year if the property is for major new construction or district-wide initiatives over \$200,000. The College capitalizes interest related to construction in progress on self-constructed capital assets.

City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2019

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

K. Capital Assets *(continued)*

Renovation to buildings and land improvements that 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 is incurred.

Renovations that increase the value of the structure are depreciated according to its estimated useful life. When renovations are capitalized, a portion of the original asset renovated is retired from capital assets and accumulated depreciation using a deflated replacement cost methodology. In addition, City Colleges re-evaluates an asset's useful life when there is a change in circumstances.

Capital assets are depreciated beginning the first day of the following month after they were put in service using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 - 40
Computer equipment	4 - 5
Software	3 - 10
Other equipment	3 - 10

L. Deferred Outflows of Resources

Deferred outflows are defined under GASB Statement No. 63 as a consumption of net assets by City Colleges that is applicable to future reporting periods, and should be reported as having a similar impact on net position as assets. For City Colleges, pension payments related to federal grants and made subsequent to the pension liability measurement date are considered to be deferred outflows in accordance with GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date – An Amendment of GASB Statement No. 68*. Deferred outflows related to OPEB are differences between expected and actual experience and changes in assumptions, in accordance GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. **(See Note 7 and Note 11 for further discussion of City Colleges deferred outflows of resources.)**

M. Pensions and Other Postemployment Benefits

The net pension liability, deferred outflows and inflows of resources related to pensions, contributions, and pension expense have been determined on the same basis as they are determined and reported by State Universities Retirement System (SURS) of Illinois. **(See Note 7)**

City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2019

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

M. Pensions and Other Postemployment Benefits *(continued)*

The net position of the City College's other postemployment benefits have been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflow of resources related to other postemployment benefits and OPEB expense. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is pay-as-you-go plan and all cash is held in a cash account. **(See Note 11)**

N. Other Liabilities

Other liabilities include amounts due at year-end for health care, dental, vision and workers' compensation claims, unclaimed property and other third-party vendors.

O. Non-Current Liabilities

Non-current liabilities include estimated amounts for accrued compensated absences, sick leave benefits (payments to retirees for accumulated unused sick days), other post-employment benefits, bonds payable and other liabilities net of the current portion representing the amount to be paid within the next fiscal year.

P. Premiums, Discounts, and Issuance Costs

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Long-term obligations (general obligation bonds) are reported net of the applicable bond premium and discount. Bond issuance costs are expensed at the time the debt is issued.

Q. Accrued Property Tax Refunds

Accrued property tax refunds are included in non-current liabilities. These are estimates of property taxes that may be refunded to taxpayers in the future.

R. Unearned Revenue and Deferred Inflows of Resources

Deferred inflows of resources are defined under GASB Statement No. 63 as acquisitions of net assets that are applicable to a future reporting period, and should be reported as having a similar impact on net position as liabilities. Deferred inflows include property tax revenues restricted for the subsequent fiscal year.

City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2019

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

R. Unearned Revenue and Deferred Inflows of Resources *(continued)*

Amounts received for tuition and fees, certain auxiliary activities and grant and contract sponsors that have not yet been earned are classified as unearned revenue within current liabilities.

Deferred inflows related to OPEB represent differences between expected and actual experience and changes in assumptions, in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. (See Note 11)

S. Net Position

City Colleges' net position is classified as follows:

Net Investment in Capital Assets - Net investment in capital assets represents City Colleges' total investment in capital assets, net of accumulated depreciation and reduced by outstanding debt obligations related to acquisition, construction, or improvement of those capital assets plus unspent bond proceeds.

Restricted for Specific Purposes - Restricted net position includes assets that City Colleges is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties or through enabling legislation. At June 30, 2019, City Colleges had a portion of its net position restricted for audit and tort liability.

Unrestricted - 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 City Colleges and may be used at the discretion of the governing board to meet current expenses for any purpose.

When both restricted and unrestricted resources are available for use, it is City Colleges' policy to use restricted resources first and then use unrestricted resources when they are needed.

T. Classification of Revenues and Expenses

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

City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2019

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

T. Classification of Revenues and Expenses *(continued)*

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

Non-Operating Revenue and Expenses - Non-operating revenue and expenses includes activities that have the characteristics of non-exchange transactions, such as: (1) local property taxes, (2) state appropriations, (3) most federal, state, and local grants and contracts and federal appropriations, (4) gifts and contributions, (5) income from investments, and (6) interest on debt.

U. Tuition and Fees

Tuition and fees include all such items charged to students for educational and service purposes. Tuition-related waivers, scholarships, and other financial aid (excluding direct loans) are reported as contra revenue to tuition revenue. Scholarships that are paid to students are recorded as financial aid expense under operating expenses. Tuition and fees revenue is recognized when the educational services are performed.

V. Use of Estimates

The preparation of the basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates and assumptions.

W. Pending Accounting Standards

GASB Statement No. 84, *Fiduciary Activities*, will be effective for City Colleges beginning with its year ending June 30, 2020. This Statement establishes criteria for identifying fiduciary activities of all state and local governments.

GASB Statement No. 87, *Leases*, will be effective for City Colleges beginning with its year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2019

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

W. Pending Accounting Standards *(continued)*

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before The End of a Construction Period*, will be effective for City Colleges beginning with its year ending June 30, 2021. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

GASB Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, will be effective for City Colleges beginning with its year ending June 30, 2020. This Statement is intended to improve the consistency and comparability of reporting government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

GASB Statement No. 91, *Conduit Debt Obligations*, will be effective for City Colleges beginning with its year ending June 30, 2022. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

Management has not yet completed its evaluation of the impact of the provisions of the standards on its financial statements; however, GASB Statement No. 84, GASB Statement No. 87 and GASB Statement No. 89 will likely have significant impact to City Colleges.

2. DEPOSITS AND INVESTMENTS

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

City Colleges of Chicago
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Notes to Basic Financial Statements
June 30, 2019

2. DEPOSITS AND INVESTMENTS *(Continued)*

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

Prohibitions – City Colleges' investment policy specifically prohibits the use of or investment in reverse repurchase agreements, inverse floaters, and derivative products such as collateralized mortgage obligations (CMOs), interest-only securities (IOs), principal-only securities (POs) and other securities that could impart leverage to the portfolio or have highly unpredictable cash flows.

The primary objective of the policy is protection of investment principal, liquidity and yield within statutory constraints. This policy applies to all restricted and unrestricted funds, including operating funds, special funds, interest and sinking funds and other funds belonging to or in the custody of the Board.

Deposits

Custodial credit risk – with regards to deposits with financial institutions, custodial credit risk is the risk that in the event of bank failure, City Colleges' deposits may not be returned. City Colleges' investment policy requires that investments made in excess of any applicable deposit insurance be secured by a corporate surety bond written by a surety company authorized to do business in the State of Illinois that is rated at least AA by Standard and Poor's or Aa3 by Moody's, or by an undertaking from the depository supported by a pledge of securities having a market value that is at all times equal to or greater than the uninsured amount on deposit. At June 30, 2019, City Colleges had deposits of over \$16.4 million and was not exposed to custodial credit risk on these deposits.

City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2019

2. DEPOSITS AND INVESTMENTS (Continued)

Investments

In accordance with its investment policy, City Colleges limits its risk tolerance based on the investment's objective. Volatility of principal is not permitted or limited in order to obtain additional income or to manage the funds available for projects. Volatility of principal is defined as "selling an individual security that would cause a realization of an accounting loss on the security". City Colleges limits its risk tolerance by primarily investing in obligations guaranteed by the United States government or securities issued by agencies of the United States government that are implicitly guaranteed by the United States government. However, City Colleges' investment policy does not specifically limit City Colleges to these types of investments, as noted above.

Custodial credit risk – as it relates to investments, custodial credit risk is the risk that in the event of the failure of the counterparty to the investment, City Colleges will not be able to recover the value of its investments held by an outside party. All City Colleges' investment counterparties are limited to banks or trust companies authorized to do business in the State of Illinois that are member banks of the Federal Reserve System, and only to registered primary reporting dealers who are registered as broker-dealers with the Securities and Exchange Commission as required by City Colleges' investment policy. The District's investments in U.S. Treasury bonds and notes in the amount of \$33,998,188 were exposed to custodial credit risk as of June 30, 2019.

Concentration of credit risk – Investments issued or explicitly guaranteed by the United States government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

City Colleges' investment policy requires the investment portfolio to be diversified to avoid incurring undue concentration in securities of one type or securities of one financial institution or maturities.

Interest Rate Risk – Interest rate risk is the risk that the fair value of investments will decrease as a result of an increase in interest rates. City Colleges' investment policy does not limit the maturities of investments as a means of managing its exposure to fair value losses arising from increasing interest rates.

City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2019

2. DEPOSITS AND INVESTMENTS (Continued)

Credit Risk – Credit risk is the risk that City Colleges will not recover its investments due to the ability of the counterparty to fulfill its obligation. Illinois statutes authorize City College to invest in obligations of the U.S. Treasury and U.S. Agencies, interest-bearing savings accounts, interest-bearing time deposits, money market mutual funds registered under the Investment Company Act of 1940 (limited to U.S. Government obligations), shares issued by savings and loan associations (provided the investments are insured by the Federal Savings and Loan Insurance Corporation (FSLIC), short-term discount obligations issued by the Federal National Mortgage Association, share accounts of certain credit unions, investments in the Illinois School District Liquid Asset Fund, and certain repurchase agreements.

The State Treasurer maintains the Illinois Funds at net asset value based on amortized cost, which approximates fair value, (2a7 like pool) through daily adjustment in the interest earnings. The State Treasurer also maintains the average duration of the pool at less than 25 days. The value of City Colleges' investment in the funds is the same as the value of the pool shares. The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. All funds deposited in the pool are classified as investments even though some could be withdrawn on a day's notice. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provision of the Illinois Public Investment Act, 30 ILCS 235. The Illinois Funds are rated AAAM by Standard and Poor's.

The Illinois Trust measures the Illinois Portfolio, IIIT Class at net asset value based on amortized cost, which approximates fair value. The Illinois Trust also maintains a weighted average maturity of 60 days or less. The value of City Colleges' investments in the funds is the same as the value of the pool shares. The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. All funds deposited in the pool are classified as investments even though some could be withdrawn on a day's notice. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provision of the Illinois Public Investment Act, 30 ILCS 235. The Illinois Portfolio, IIIT class is rated AAAM by Standard & Poor's.

City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2019

2. DEPOSITS AND INVESTMENTS *(Continued)*

The carrying amount of investments at June 30, 2019 is shown below:

<u>Investment Type</u>	<u>June 30, 2019 Carrying Value</u>	<u>Investment Maturities (in years)</u>	
		<u>Less Than 1</u>	<u>1 - 5</u>
U.S. Treasury Bond / Note	\$ 31,848,369	\$ 31,848,369	\$ -
Federal Agency Bond / Note	2,149,819	2,149,819	-
Commercial Paper	19,562,556	19,562,556	-
Illinois Portfolio, IIIT Class	27,676,927	27,676,927	-
Illinois Funds LGIP/5000	3,342,457	3,342,457	-
Total investments	<u>\$ 84,580,128</u>	<u>\$ 84,580,128</u>	<u>\$ -</u>

GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

City Colleges categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation input used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets
- Level 2 inputs are significant other observable inputs which include quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets that are not active; or using other inputs such as interest rates and yield curves at commonly quoted intervals, implied volatilities and credit spreads or market-corroborated inputs
- Level 3 inputs are significant unobservable inputs

City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2019

2. DEPOSITS AND INVESTMENTS (Continued)

The carrying amount of investments and fair value hierarchy at June 30, 2019 is as follows:

Investments Measured at Fair Value	June 30, 2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
U.S. Treasury Bond/Note	\$ 31,848,369	\$ 31,848,369	\$ -	\$ -
Federal Agency Bond / Note	2,149,819	-	2,149,819	-
Commercial Paper	19,562,556	-	19,562,556	-
Total investments at fair value	<u>\$ 53,560,744</u>	<u>\$ 31,848,369</u>	<u>\$ 21,712,375</u>	<u>\$ -</u>
Investments Measured at Net Asset Value (based on amortized cost)				
Illinois Portfolio, IIIT Class	27,676,927			
Illinois Funds LGIP/5000	3,342,457			
Total investments at Net Asset Value	<u>31,019,384</u>			
Total investments	<u>\$ 84,580,128</u>			

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. City Colleges of Chicago does not have Level 3 investments.

City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2019

3. OTHER ACCOUNTS RECEIVABLE

City Colleges' other accounts receivable consist of the following:

	2019
Student	\$ 14,492,329
Grants	5,058,770
State of Illinois	1,618,393
City of Chicago - TIF	4,417,892
Other	5,286,312
Gross other accounts receivable	30,873,696
Less: Allowance for uncollectibles	(8,720,671)
Other accounts receivable, net	22,153,025
Less: Non-current portion of City of Chicago - TIF	(3,508,260)
Current portion of other receivable, net	\$ 18,644,765

4. CAPITAL ASSETS

	July 1, 2018	Additions and Transfers In	Retirements and Transfers Out	June 30, 2019
Capital assets not being depreciated:				
Land	\$ 51,376,464	\$ -	\$ -	\$ 51,376,464
Construction in progress	58,259,377	50,111,092	(102,463,906)	5,906,563
Subtotal	109,635,841	50,111,092	(102,463,906)	57,283,027
Capital assets being depreciated:				
Equipment	64,058,673	242,658	-	64,301,331
Software	72,588,654	-	(30,035,011)	42,553,643
Buildings and improvements	1,091,365,536	102,293,248	(1,092,953)	1,192,565,831
Subtotal	1,228,012,863	102,535,906	(31,127,964)	1,299,420,805
Total capital assets	1,337,648,704	152,646,998	(133,591,870)	1,356,703,832
Accumulated depreciation:				
Equipment	37,632,705	8,405,521	-	46,038,226
Software	49,189,034	10,451,119	(30,035,011)	29,605,142
Buildings and improvements	332,850,648	27,713,733	(839,242)	359,725,139
Total accumulated depreciation	419,672,387	46,570,373	(30,874,253)	435,368,507
Capital assets, net	\$ 917,976,317	\$ 106,076,625	\$ (102,717,617)	\$ 921,335,325

**City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2019**

5. NET POSITION

City Colleges' net position includes restricted and unrestricted resources (including \$67 million of working cash fund). Unrestricted resources may be used at the discretion of the governing board to meet current expenses for any purpose. This qualifies as a stabilization arrangement, which is a formal arrangement set aside by the District to maintain amounts for budget stabilization or working capital needs. These funds may be spent through a transfer, an abolishment, or an abatement of amounts needed by the District. Amounts can be added to the working cash balance through replenishment, the issuance of bonds, or the levy of property taxes.

6. OTHER ACCRUALS AND OTHER LIABILITIES

City Colleges' other accruals and other liabilities consist of the following as of June 30, 2019:

	2019
Other accruals	
Accrued for services	\$ 1,407,726
Accrued interest	1,338,345
Other accruals	236,072
Total other accruals	\$ 2,982,143
 Other liabilities	
Self insurance	\$ 4,777,781
Unclaimed property	2,381,136
ICCB	9,377,681
City of Chicago	1,047,172
Other	324,273
Total other liabilities	\$ 17,908,043

City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2019

7. EMPLOYEE RETIREMENT PENSION PLAN

Plan Description – City Colleges contributes to the State Universities Retirement System (SURS) of Illinois, a cost-sharing multiple-employer defined benefit plan with a special funding situation whereby the State of Illinois (the State) 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 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 Chapter 40, Act 5, Article 15 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 accessing the website at www.SURS.org.

Benefits Provided - A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who began participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed 6 months after their date of hire to make an irrevocable election. A summary of the benefit provisions as of June 30, 2018 can be found in the SURS comprehensive annual financial report (CAFR) notes to the financial statements.

Contributions - The State of Illinois is primarily responsible for funding SURS on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a Statutory Funding Plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members of the System to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from “trust, federal, and other funds” are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for fiscal year 2018 and 2019, respectively, was 12.46% and 12.29% of employee payroll. The normal cost is equal to the value of the current year’s pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary except for police officers and fire fighters who contribute 9.5% of their earnings. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

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7. EMPLOYEE RETIREMENT PENSION PLAN *(Continued)*

Participating employers make contributions toward separately financed specific liabilities under Section 15.139.5(e) of the Illinois Pension Code (relating to contributions payable due to the employment of “affected annuitants” or specific return to work annuitants) and Section 15.155(g) (relating to contributions payable due to earning increases exceeding 6% during the final rate of earnings period), and Section 15.155(j-5) (relating to contributions payable due to earnings exceeding the salary set for the Governor).

For the purposes of financial reporting, the State of Illinois and participating employers are considered to be under a special funding situation. A special funding situation is defined as a circumstance in which a non-employer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either (1) the amount of the contributions for which the non-employer entity is legally responsible is not dependent upon one or more events unrelated to pensions or (2) the non-employer is the only entity with a legal obligation to make contributions directly to a pension plan. The State of Illinois is considered a non-employer contributing entity. Participating employers are considered employer contributing entities.

Pension Liabilities, Expense, and Deferred Outflows of Resources Related to Pensions

Employer Proportionate Share of Net Pension Liability – The amount of the proportionate share of the net pension liability to be recognized for City Colleges of Chicago is \$0. The proportionate share of the State’s net pension liability associated with the City Colleges of Chicago is \$1,313,662,424 or 4.7779%. This amount should not be recognized in the financial statement. The net pension liability and total pension liability as of June 30, 2018 was determined based on the June 30, 2017 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS during fiscal year 2018.

Employer Proportionate Share of Pension Expense - The employer proportionate share of collective pension expense is recognized as non-operating revenue with matching operating expense (compensation and benefits) in the financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported pensionable contributions made to SURS during fiscal year 2018. As a result, City Colleges of Chicago recognized revenue and pension expense of \$128,302,034 from this special funding situation during the year ended June 30, 2019.

City Colleges of Chicago
Community College District No. 508
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7. EMPLOYEE RETIREMENT PENSION PLAN *(Continued)*

Deferral of Fiscal Year 2018 Pension Expense - Deferred outflows of resources are the consumption of net position by the system that is applicable to future reporting periods. City Colleges paid \$681,719 in federal, trust or grant contributions for the fiscal year ended June 30, 2019. These contributions were made subsequent to the pension liability measurement date of June 30, 2018, and are recognized as deferred outflows of resources as of June 30, 2019.

Assumptions and Other Inputs

Actuarial Assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period June 30, 2014 – 2017. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	3.25 to 12.25 percent, including inflation
Investment rate of return	6.75 percent beginning with the actuarial valuation as of June 30, 2018

Mortality rates were based on the RP-2014 Combined Mortality Table, projected generational mortality and a separate mortality assumption for disabled participants.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary(s).

For each major asset class that is included in the pension plans target asset allocation as of June 30, 2018, these best estimates are summarized in the following table:

City Colleges of Chicago
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7. EMPLOYEE RETIREMENT PENSION PLAN *(Continued)*

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
U.S. Equity	23%	5.00%
Private Equity	6%	8.50%
Non-U.S. Equity	19%	6.45%
Global Equity	8%	6.00%
Fixed Income	19%	1.50%
Treasury-Inflation Protected Securities	4%	0.75%
Emerging Market Debt	3%	3.65%
Real Estate Investment Trust (REITS)	4%	5.45%
Direct Real Estate	6%	4.75%
Commodities	2%	2.00%
Hedged Strategies	5%	2.85%
Opportunity Fund	<u>1%</u>	<u>7.00%</u>
Total	100%	4.55%
Inflation		<u>2.75%</u>
Expected Arithmetic Return		7.30%

Discount Rate - A single discount rate of 6.65% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 6.75% and a municipal bond rate of 3.62% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under the System's funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2075. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2075, and the municipal bond rate was applied to all benefit payments after that date.

Additional information regarding the SURS basic financial statements including the Plan Net Position can be found in the SURS comprehensive annual financial report by accessing the website at www.SURS.org.

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8. CHANGES IN NON-CURRENT LIABILITIES

Changes in non-current liabilities for the year ended June 30, 2019 are as follows:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Reductions/ Adjustments</u>	<u>June 30, 2019</u>	<u>Amounts due within one year</u>
Accrued compensated absences	\$ 2,530,256	\$ 4,965,901	\$ (4,833,513)	\$ 2,662,644	\$ 976,480
Accrued property tax refund	18,897,810	3,364,623	(3,750,364)	18,512,069	-
Sick leave benefits	3,883,738	-	(395,717)	3,488,021	345,533
Other post-retirement benefits	107,718,928	4,379,177	(13,811,103)	98,287,002	-
Bonds payable	315,560,000	-	(4,550,000)	311,010,000	4,775,000
Bonds premiums and discounts	10,427,163	-	(991,366)	9,435,797	-
Lease obligations	9,216,833	919,923	(1,620,535)	8,516,221	721,629
	<u>\$ 468,234,728</u>	<u>\$ 13,629,624</u>	<u>\$ (29,952,598)</u>	<u>\$ 451,911,754</u>	<u>\$ 6,818,642</u>

9. ACCRUED COMPENSATED ABSENCES

Administrators and full time, non-bargained for employees accrue and accumulate paid vacation days based upon their years of service and cannot accrue in excess of the maximum number of vacation days as set forth in the Board policy and procedures, Article IV. Bargained for employees receive paid leave days in accordance with their applicable collective bargaining agreements. Accumulated unused vacation leave banks will be paid out upon termination of employment.

At June 30, 2019, City Colleges recorded a liability of \$2,662,644 for compensated absences, and estimated that \$976,480 of these liabilities is current and due within one year.

(See Note 8)

City Colleges of Chicago
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10. SICK LEAVE BENEFITS

Upon the retirement, permanent disability, or death of a full-time eligible employee, it is the policy of City Colleges to pay over a three to five year period an amount equal to a percentage of the individual's accumulated unused sick days in the form of a termination benefit. Eligible employees include administrative and non-bargained-for employees, if hired prior to January 1, 2012 and certain union-represented employees pursuant to their respective collective bargaining agreements, who have served continuously for 10 years or more and are eligible for an annuity under the State Universities Retirement System (SURS), generally at age 55. The method of calculating the estimated present value of an eligible employee's termination benefit liability uses the following assumptions: (1) estimated average annual salary increments of 2.5%, for fiscal year 2019 and 2.5% thereafter, (2) future payments discounted by a 3.49% interest factor in 2019 and (3) estimated rates of retention as adopted from the *Actuary's Pension Handbook* adjusted for mortality in accordance with published mortality tables.

At June 30, 2019, City Colleges accrued \$2,843,357 for the estimated present value of these future retiree benefits for current employees and \$644,664 in benefits payable to retired employees for a total of \$3,488,021. (See Note 8)

11. OTHER POST-EMPLOYMENT BENEFITS

Plan Description: In addition to providing the pension benefits described in Note 8, City Colleges provides other post-employment health care benefits (OPEB) and life insurance to retirees and their spouses. The benefits, benefit levels, employee contributions and employer contributions are governed by City Colleges and can be amended by City Colleges through its personnel manual and union contracts. The plan is a single-employer defined benefit plan. An irrevocable trust has not been established to account for the plan, so the plan is not accounted for as a trust fund and does not issue a separate report.

Benefits Provided: City Colleges pays approximately 85% of the medical and life insurance premiums for most retirees and spouses. For other retirees, City Colleges pays a portion of the medical premium. To be eligible for benefits, an employee must qualify for retirement under SURS. It is expected that all full-time active employees who retire directly from City Colleges and meet the eligibility criteria will participate. Effective October 5, 2017, City Colleges eliminated the other post-employment benefits for new administrators and non-bargained for employees not covered by a collective bargaining agreement.

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11. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Membership: As of June 30, 2019, 2018 and 2017, membership consisted of:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Retirees currently receiving benefits	456	468	917
Active employees	<u>1,500</u>	<u>1,678</u>	<u>1,834</u>
TOTAL	<u><u>1,956</u></u>	<u><u>2,146</u></u>	<u><u>2,751</u></u>
 Participating Employers	 <u>1</u>	 <u>1</u>	 <u>1</u>

Funding Policy: Currently, City Colleges provides subsidized coverage for the medical, dental and vision insurance for a period of 10 years from the employee’s retirement date. Retired employees are covered for life insurance for a period of six to ten years, with City Colleges paying the cost of the coverage. During the ten-year subsidy period, City Colleges pays approximately 85% of the cost of the premiums and retirees pay approximately 15% of the cost of the medical, dental and vision coverage. City Colleges’ contribution is estimated and is based on premiums, retiree contributions and retirees participating in the plan in 2019. The actuarial valuation is used to determine the total actuarial accrued liability and the annual OPEB expense for the post-retirement medical and life insurance benefits provided for purposes of GASB Statement No. 75. For the fiscal year ended June 30, 2019, City Colleges contributed \$5,436,298.

Annual OPEB costs and the net OPEB obligation are based on the calculations and parameters prescribed in GASB Statement No. 75. A valuation date of June 30, 2019 and the Entry Age Normal actuarial cost method were used. The Actuarially Determined Contribution (ADC) expense includes interest charge on the Unfunded Actuarial Liability and the gains and losses are amortized over the “Average Service to Retirement” of 4.05 years. The amortization of gains, losses, and actuarial assumption changes are referred to as “deferred inflows and outflows”. The assumptions also include data regarding demographic and mortality rates, an inflation rate of 2% per year, salary rate increase of 2.5%, an interest rate assumption of 3.49% per year, and a health care cost trend rate assumption that starts at 7.5% in 2014-2015 and gradually declines to 4.0% by the year 2022 and thereafter. This valuation also considers projections and estimates of future retiree health care benefits based on actuarial standards issued by the Actuarial Standards Board. In performing the actuarial valuation of the OPEB programs, the actuarial assumptions for fiscal year 2019 included premium rates, payroll data, variation of health care costs, census data regarding participants and age factors in each plan.

Mortality rates were based on the PUB-20 Headcount-weighted for Teachers, projected fully generationally with MP-2018.

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

Actuarial calculations of City Colleges' OPEB plan reflect a long-term perspective. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members. Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future.

The actuarial value of assets was not determined as City Colleges has not fully advanced-funded its obligation. Based upon the above valuations, City Colleges' annual OPEB costs and net OPEB obligation shown in the tables on the following page disclose the actuarial calculations of the OPEB plan and its actuarial accrued funded status for fiscal years 2019.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance as of June 30, 2018	\$ 107,718,928
Changes for the Year:	
Service Cost	2,815,597
Interest	4,310,846
Change in Benefit Terms	-
Difference between Expected and Actual Experience	(15,938,464)
Change of Assumptions	4,816,393
Benefit Payments	(5,436,298)
Net Changes:	(9,431,926)
Balance as of June 30, 2019	\$ 98,287,002

Changes in the actuarial assumptions reflect the changes in the discount rate, mortality scale, retirement rate and turnover rate to comply with the GASB Statement No. 75.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2019, City Colleges recognized OPEB expense of (\$3,807,103). At June 30, 2019 City Colleges reported deferred outflows and inflows of resources related to OPEB from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (18,705,271)
Changes of Assumptions	3,627,160	(10,736,841)
Total	\$ 3,627,160	\$ (29,442,112)

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

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to OPEB will be amortized over the average remaining service lives of the active and inactive members and will be recognized in OPEB expense as follows:

Year ended June 30	
2020	\$ (10,933,546)
2021	(10,933,546)
2022	(3,810,544)
2023	(137,311)
Thereafter	0

Sensitivity of the Net OPEB liability to changes in the discount rate.

The following chart presents the net OPEB liability of the plan as of June 30, 2019, calculated using the discount rate of 3.49% for a 20 year General Obligation bond, as well as what the net OPEB liability would have been if calculated using a discount rate that is 1 percentage point lower (2.90%) or 1 percentage point higher (4.90%) than the current discount rate.

	1% Decrease (2.49%)	Discount rate (3.49%)	1% Increase (4.49%)
Net OPEB liability	\$ 106,644,437	\$ 98,287,002	\$ 90,950,548

Sensitivity of the net OPEB liability to changes in the health care trend rate.

The following chart presents the net OPEB liability of the plan as of June 30, 2019, calculated using the health care cost trend rate of 5.00%, as well as what the net OPEB liability would have been if calculated using a health care cost trend rate that is 1 percentage point lower (4.00%) or 1 percentage point higher (6.00%) than the current health care cost trend rate.

	1% Decrease (4.00%)	Health care cost trend rate (5.00%)	1% Increase (6.00%)
Net OPEB liability	\$ 90,471,280	\$ 98,287,002	\$ 107,175,864

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12. LONG-TERM DEBT

General Obligation Bonds – Series 2013: On October 8, 2013, City Colleges issued \$250,000,000 in Unlimited Tax General Obligation Bonds (Series 2013) at a net premium of \$8,233,226. The bonds were issued with interest rates ranging from 4.00% to 5.50% with payment dates of June 1 and December 1 of each year. The proceeds derived from the issuance of the bonds were used to (i) construct, acquire and equip City Colleges’ campus and administrative buildings and make site improvements and other capital expenditures related to the initial five-year \$555 million capital improvement plan and (ii) pay the cost of issuance of the bonds including the underwriters’ discount. The bonds are secured by the pledged revenues of tuition and fees, and state grants. Furthermore, City Colleges has levied the pledged property taxes to satisfy the debt service on the bonds if the pledged revenues are insufficient; however, based on projected receipts of pledged revenues, City Colleges anticipates that all pledged taxes will be abated on a year-by-year basis prior to such pledged taxes being extended.

Following is the future debt service requirements for the Bonds:

<u>Fiscal Year</u>	<u>Principal Payment</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 4,775,000	\$ 12,047,063	\$ 16,822,063
2021	5,015,000	11,802,313	16,817,313
2022	5,265,000	11,545,313	16,810,313
2023	5,530,000	11,275,438	16,805,438
2024	5,805,000	10,992,063	16,797,063
2025- 2029	33,785,000	50,049,052	83,834,052
2030 - 2034	43,625,000	39,962,732	83,587,732
2035- 2039	56,290,000	26,928,925	83,218,925
2040 - 2044	72,855,000	9,953,082	82,808,082
Total	<u>\$ 232,945,000</u>	<u>\$ 184,555,981</u>	<u>\$ 417,500,981</u>

General Obligation Bonds – Series 2017: On December 11, 2017, City Colleges issued \$78,065,000 in Unlimited Tax General Obligation Bonds (Series 2017) at a net premium of \$7,330,176. The bonds were issued with interest rates ranging from 4% to 5% with payment dates of June 1 and December 1 of each year. The proceeds derived from the issuance of the bonds were to pay for (i) all or a portion of the costs of the Capital Plan, (ii) any capitalized interest on the Bonds, (iii) costs of issuance of the Bonds including bond insurance. The Bonds are secured by the pledged revenues of tuition and fees, and state grants. Furthermore, City Colleges has levied the pledged property taxes to satisfy the debt service on the bonds if the pledged revenues are insufficient; however, based on projected receipts of pledged revenues, City Colleges anticipates that all pledged taxes will be abated on a year-by-year basis prior to such pledged taxes being extended.

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Notes to Basic Financial Statements
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12. LONG-TERM DEBT *(Continued)*

Following is the future debt service requirements for the Bonds:

<u>Fiscal Year</u>	<u>Principal Payment</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 3,893,700	\$ 3,893,700
2021	-	3,893,700	3,893,700
2022	-	3,893,700	3,893,700
2023	-	3,893,700	3,893,700
2024	110,000	3,890,950	4,000,950
2025- 2029	635,000	19,364,375	19,999,375
2030 - 2034	805,000	19,186,500	19,991,500
2035 - 2039	995,000	18,992,375	19,987,375
2040 - 2044	1,245,000	18,730,625	19,975,625
2045 - 2048	74,275,000	7,654,125	81,929,125
Total	<u>\$ 78,065,000</u>	<u>\$ 103,393,750</u>	<u>\$ 181,458,750</u>

City Colleges has pledged revenues to repay its bond issue. The pledges will remain until the bonds are retired. The amount of pledges remaining as of June 30, 2019 is as follows:

<u>Debt Issue</u>	<u>Pledged Revenue Source</u>	<u>Pledge Remaining</u>	<u>Commitment End Date</u>
Series 2013	Tuition, fees, and state grants	\$ 417,500,981	2044
Series 2017	Tuition, fees, and state grants	181,458,750	2048
Total		<u>\$ 598,959,731</u>	

<u>Debt Issue</u>	<u>Pledged Revenue Source</u>	<u>Pledge Revenue</u>	<u>Principal and Interest Retired</u>	<u>Percentage of Revenue Pledged</u>
Series 2013	Tuition, fees, and state grants	\$ 151,638,973	\$ 16,830,188	11.10%
Series 2017	Tuition, fees, and state grants	151,638,973	3,893,700	2.57%

Investors who purchase municipal bonds use debt ratings as an indicator of financial stability of an organization and consequently the safety and security of the debt sold by that organization. In general, higher credit ratings often result in lower borrowing costs via reduced interest rates paid on municipal bonds. A strong rating also promotes a wider market and more buyers of City Colleges' municipal bonds. There are several rating agencies that assign ratings to municipal debt, including debt issued by City Colleges. As of September 6, 2019, City Colleges' current ratings are A+ and BBB by Fitch Ratings and S&P Global Ratings, respectively.

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13. RISK MANAGEMENT

City Colleges is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These matters are managed by the Office of Risk Management in concert with the Office of the General Counsel and the District's insurance broker, insurance carriers and third party claims administrator.

A. General Liability - Property Policy and Educators Legal Liability Policy

General Liability includes claims of property and non-property matters. This exposure is insured under a buffer policy and an excess policy. The underlying retention is \$250,000. Property insurance is designed to provide coverage for the District's real estate assets, boilers, machinery, and contents as well as its vehicles. City Colleges maintains a commercial property policy with limits equal to \$500,000,000 with various sub-limits dependent upon the nature of the loss. The retention stands at \$25,000.

The amount of liability of City Colleges is further limited by the Local Government and Governmental Employees Tort Immunity Act. This Act gives City Colleges the authority to levy a special judgment tax or to issue bonds to pay qualifying tort related expenses.

The District procures an Educators Legal Liability Policy (ELL) to cover a broad range of non-bodily injury or non-property damage liability claims made against the District, administrators, employees and staff and includes a sublimit providing Directors & Officers Liability in the Policy amount of \$10,000,000 to address the actions of the Board of Trustees. Claims associated with ELL matters are managed by the Office of the General Counsel with cooperation of the Office of Risk Management. Policy limits of \$5,000,000 in the aggregate and \$5,000,000 per occurrence apply, with retention of \$250,000.

City Colleges follows the practice of recognizing the expenses for general liability claims in the year such settlements become probable and estimable. City Colleges has accrued funds for estimated future claims of \$1,953,075 as of June 30, 2019.

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

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13. RISK MANAGEMENT *(Continued)*

B. Workers' Compensation

City Colleges retains a portion of workers' compensation risk and maintains an excess commercial policy for individual claims exceeding \$600,000 up to the statutory limit. City Colleges estimates future claims based on a loss development factor and a specific claim reserve. City Colleges has accrued for estimated future claims of \$1,558,106 as of June 30, 2019. City Colleges' management believes that there are no material lawsuits or claims covered by the workers' compensation self-insurance program that have not been adequately covered.

C. Health Insurance

City Colleges self-insures for a portion of its health costs for eligible employees. Future claims are estimated based on historical charges and lag periods. City Colleges has accrued estimated medical expenses of \$1,266,600 as of June 30, 2019 that have been incurred, but not claimed.

The following table shows the activity within the District's self-insurance liability which is reported within other current liabilities on the statement of net position. **(See Note 6)**

Summary of Changes in Self-Insurance

	<u>June 30, 2018</u>	<u>Incurred Claims</u>	<u>Payment on Claims</u>	<u>June 30, 2019</u>
General liability	\$ 2,196,275	\$ 212,800	\$ (456,000)	\$ 1,953,075
Workers' compensation	2,072,671	130,921	(645,486)	1,558,106
Health insurance	1,780,990	31,859,512	(32,373,902)	1,266,600
	<u>\$ 6,049,936</u>	<u>\$ 32,203,233</u>	<u>\$ (33,475,388)</u>	<u>\$ 4,777,781</u>
	<u>June 30, 2017</u>	<u>Incurred Claims</u>	<u>Payment on Claims</u>	<u>June 30, 2018</u>
General liability	\$ 1,010,500	\$ 1,773,201	\$ (587,426)	\$ 2,196,275
Workers' compensation	2,238,334	709,252	(874,915)	2,072,671
Health insurance	1,376,421	32,379,420	(31,974,851)	1,780,990
	<u>\$ 4,625,255</u>	<u>\$ 34,861,873</u>	<u>\$ (33,437,192)</u>	<u>\$ 6,049,936</u>

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14. TAX ABATEMENT

GASB Statement No. 77, *Tax Abatement Disclosures*, requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduced the reporting government's tax revenues. It requires the government to disclose: (1) Brief descriptive information about the agreement; (2) The gross dollar amount of taxes abated during the period; and (3) Commitments made by government, other than to abate taxes, that are part of the tax abatement agreement.

Tax Abatement Agreement Entered into Directly by City Colleges –The Boeing Company

City Colleges entered into a Tax Reimbursement Payment Agreement with The Boeing Company ("Boeing") on November 1, 2001. Under the provisions of Section 18 of the Property Tax Code and the Corporate Headquarters Relocation Act, City Colleges is allowed to make annual payments to Boeing in an amount not to exceed the property taxes paid directly or indirectly by Boeing for premises occupied pursuant to a written lease. The annual payment may not exceed 20 years. The relocation of Boeing will provide no less than 500 full time jobs and create a substantial public benefit and foster economic growth and development in the city of Chicago.

The agreement requires Boeing to submit the "Annual Boeing Summary Compliance Report" and "Annual Reimbursement Form" to City Colleges for reimbursement. In order for the reimbursement, Boeing must have at least \$25 billion in annual world-wide revenues, satisfy the MBE/WBE requirements, comply with the resident hiring and prevailing wage requirements, employ a minimum of 500 full time employees in Chicago, and lease and occupy not less than 125,000 rentable square feet in Chicago, among other requirements.

For fiscal year 2019, City Colleges reimbursed \$55,057 to Boeing for the General Real Estate Taxes paid by Boeing in accordance with the agreement. City Colleges is entitled to terminate the agreement or recover certain payments if Boeing defaults on their commitments.

Tax Abatement Agreements Entered Into By Other Government – Cook County

Cook County provides tax reductions under numerous programs with different taxpayers. The purpose of these agreements is to encourage the development and rehabilitation of new and existing industrial and commercial property, reutilization of abandoned property, and increase multi-family residential affordable rental housing throughout Cook County by offering a real estate tax incentive. An eligibility application must be filed prior to commencement of a project and include a resolution from the municipality where the real estate is located. Once the project has been completed, the applicant must file an Incentive Appeal Form with the County Assessor's Office. Upon approval by the County Assessor's Office and based on the property classification, the applicant is eligible to receive one of the following tax incentives:

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14. TAX ABATEMENT *(continued)*

- Property will be assessed at 10% of market value for the first 10 years. 15% in the 11th year and 20% in the 12th year.
- Property will be assessed at 10% of market value for the first 3 years, 15% in the 4th year and 20% in the 5th year.
- Property will be assessed at 10% of the market value to 10 years from the date of completion of major rehabilitation.

Without the incentive, the property tax would be assessed at 25% of its market value. This incentive constitutes a substantial reduction in the level of assessment and results in significant tax savings for eligible applicants. For fiscal year 2019, City Colleges estimated its portion of annual abatement of property taxes to various taxpayers under the development incentive programs approximates \$3.8 million.

15. DISCRETELY PRESENTED COMPONENT UNIT

A. Operations

City Colleges of Chicago Foundation (the “Foundation”) is an Illinois not-for-profit, Tax-exempt Corporation established to pursue financial support from the private sector and to promote the programs of the City Colleges of Chicago, Community College District No. 508 (“City Colleges”). The Foundation receives, administers, and distributes funds to City Colleges for various grants, scholarships, and programs. Substantially all of the Foundation’s revenues and support are for the benefit of City Colleges. The Foundation is supported primarily through donor contributions and grants. The Foundation is considered a component unit of City Colleges and is discretely presented in City Colleges’ financial statements.

B. Significant Accounting Policies

Management Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

City Colleges of Chicago
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15. DISCRETELY PRESENTED COMPONENT UNIT *(Continued)*

B. Significant Accounting Policies *(continued)*

Cash and Cash Equivalents – As of June 30, 2019, cash and cash equivalents include highly liquid investments with maturities of three months or less at the date of purchase, and are stated at cost, which approximates fair value. The Foundation maintains its cash in commercial bank deposit accounts, which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments - The Foundation's investment policy permits the Foundation's board of directors to oversee the investment of Foundation assets through the use of an internally appointed investment committee and external investment managers and custodians. The policy reflects the objectives and constraints associated with investing the Foundation's assets. Investments are measured at fair value in the statement of financial position. Net investment return (including realized and unrealized gains and losses on investments, interest, and dividends) is reported as an increase or decrease in net assets without donor restrictions, unless such income or loss is restricted by explicit donor stipulations or by law.

Contributions - Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributed Services - The Foundation receives contributed services consisting of donated accounting services and other operating support from City Colleges. These amounts are included as contributed services revenue in the statement of activities.

Functional Allocation of Expenses – Expenses are recognized in the period they are incurred. When an expense is identified with a specific program, fundraising, or general and management function, it will be charged directly to that category. In some circumstances, an expense will be allocated between the program services, fundraising, or general and management categories based on the specific transaction. The accounting services received consist of salaries and fringe benefits paid to City Colleges employees who estimate their percentage of time spent on Foundation duties. The other operating support includes occupancy (lease and utilities) cost which is allocated based on square footage, as well as the audit fee. These expenses are charged to the proper functional category and are presented on the statement of functional expenses.

City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
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15. DISCRETELY PRESENTED COMPONENT UNIT *(Continued)*

B. Significant Accounting Policies *(continued)*

Basis of presentation –The financial statements of City Colleges of Chicago Foundation have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require City Colleges of Chicago Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of City Colleges of Chicago Foundation's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of City Colleges of Chicago Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Tax Status - The Foundation is exempt from federal income tax under Internal Revenue Code Section 501(c) (3). Accordingly, no provision for such taxes has been recognized in these financial statements.

The accounting standard on *Accounting for Uncertainty in Income Taxes* addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Foundation and the various positions related to the potential sources of unrelated business income tax. There were no unrecognized tax benefits identified or recorded as liabilities during the year ended June 30, 2019.

The Foundation files Forms 990 in the U.S. federal jurisdiction and the State of Illinois.

City Colleges of Chicago
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Notes to Basic Financial Statements
June 30, 2019

15. DISCRETELY PRESENTED COMPONENT UNIT *(Continued)*

B. Significant Accounting Policies *(continued)*

Accounting Pronouncement Adopted – The Foundation adopted the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update includes a reduction in the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation (including a statement of functional expenses) and disclosure (including investment expenses), and new required disclosures communicating information useful for assessing liquidity. The Foundation adopted the standard in fiscal year 2019.

Net assets without donor restrictions at July 1, 2018 of \$1,115,672 was previously reported as unrestricted net assets. Net assets with donor restrictions at July 1, 2018 of \$9,221,753 represents the sum of \$7,261,371 and \$1,960,382 previously reported as temporarily restricted and permanently restricted net assets.

Recent Accounting Pronouncements - In May 2014, The FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to its customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-04, which defers the effective date of ASU 2014-09 one year making it effective for the year ending June 30, 2020 for the Foundation. The Foundation has not yet selected a transition method and is currently evaluating the effect that the standard will have on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the Foundation for the year ending June 30, 2021.

City Colleges of Chicago
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Notes to Basic Financial Statements
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15. DISCRETELY PRESENTED COMPONENT UNIT *(Continued)*

B. Significant Accounting Policies *(continued)*

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The updated standard will be effective for the Foundation in the fiscal year ending June 30, 2020. Early adoption is permitted. The Foundation is currently evaluating the impact of the adoption of this guidance on its financial statements. The adoption of ASU 2018-08 is not expected to have a material impact on the Foundation's financial statements.

Subsequent Events — The Foundation has evaluated all subsequent events through October 17, 2019, which is the date the financial statements were available to be issued.

C. Investments

The components of net investment return for the year ended June 30, 2019 are as follows:

	<u>2019</u>
Interest and dividends	\$ 195,133
Net realized gains	654,263
Net unrealized gains	<u>(190,310)</u>
Total	<u>\$ 659,086</u>

D. Fair Value of Investments

The Fair Value Measurements and Disclosures Topic of the Accounting Standards Codification defines fair value as the price that would be received for an asset or paid to transfer a liability in an orderly transaction among market participants on the measurement date. The accounting guidance establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels:

Level 1 - Quoted prices for identical instruments in active markets.

Level 2 - Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs are observable in active markets.

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Notes to Basic Financial Statements
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15. DISCRETELY PRESENTED COMPONENT UNIT *(Continued)*

D. Fair Value of Investments *(continued)*

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs are not observable.

The Foundation attempts to establish fair value as an exit price in an orderly transaction consistent with normal settlement market conventions. The Foundation is responsible for the valuation process and seeks to obtain quoted market prices for all securities.

For the year ended June 30, 2019, the application of valuation techniques applied to similar assets and liabilities has been consistent. The Foundation's investments are the only assets or liabilities that are measured at fair value on a recurring basis.

The Foundation assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer. For the year ended June 30, 2019, there were no such transfers.

The Foundation invests in money market funds that are valued with a daily net asset value at amortized cost.

The Foundation also invests in domestic and fixed income mutual funds, which are open-ended Securities and Exchange Commission registered investment funds with a daily net asset value ("NAV"). These mutual funds are designed to be liquid and allow investors to sell their interests daily to the fund at the published NAV, with no restrictions on redemptions, no unfunded commitments, and are categorized in Level 1 of the fair value hierarchy.

Assets measured at fair value on a recurring basis as of June 30, 2019 are as follows:

Mutual Funds:	2019
Fixed income funds	<u>\$ 2,820,162</u>
Equity funds	<u>6,665,296</u>
Total	<u><u>\$ 9,485,458</u></u>

**City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2019**

15. DISCRETELY PRESENTED COMPONENT UNIT *(Continued)*

E. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2019 are restricted to the following purposes:

	<u>2019</u>
Scholarships	\$ 6,605,125
Goldman Sachs 10,000 Small Businesses Initiative	295,084
Project Grants	438,594
Miscellaneous	<u>91,129</u>
Total temporarily restricted net assets	<u>\$ 7,429,932</u>
Endowment (corpus):	<u>2019</u>
Scholarships	\$ 1,959,977
Miscellaneous	<u>405</u>
Total permanently restricted net assets	<u>\$ 1,960,382</u>

The above amounts of \$7,429,932 and \$1,960,382, totaling \$9,390,314, are reflected as with donor restrictions on the Statement of Activities.

Net assets released from donor restrictions are as follows for the year ended June 30, 2019:

	<u>2019</u>
Scholarships	\$ 973,719
Instructional services and supplies	1,144,304
Goldman Sachs 10,000 Small Businesses Initiative	1,040,663
Project Grants	216,558
Miscellaneous	<u>429,000</u>
Total temporarily restricted net assets	<u>\$ 3,804,244</u>

F. Endowment Net Assets

The Foundation has donor-restricted endowment net assets that consist of 15 individual funds established for a variety of donor-restricted purposes. Net assets associated with permanently restricted funds are classified and reported based on the existence of donor-imposed restrictions.

City Colleges of Chicago
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Notes to Basic Financial Statements
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15. DISCRETELY PRESENTED COMPONENT UNIT *(Continued)*

F. Endowment Net Assets *(continued)*

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date of the donation, as permanently restricted funds in the absence of explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gifts, (b) the original value of subsequent gifts, and (c) accumulations made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor permanently restricted funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2019.

**City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2019**

15. DISCRETELY PRESENTED COMPONENT UNIT *(Continued)*

F. Endowment Net Assets *(continued)*

Changes in endowment net assets for the year ended June 30, 2019, are as follows:

	With Donor Restriction
Endowment net assets - beginning of year	\$ 3,847,509
Investment return:	
Investment income	127,385
Net gain (realized and unrealized)	294,534
Total investment return	421,919
Contributions	1,682
Appropriation of endowment assets for expenditures	(31,862)
Endowment net assets - end of year	\$ 4,239,248

G. Related Party Transactions

The Foundation receives donated accounting services and other operating support from City Colleges. The Foundation estimates the fair value of these services to be \$323,002. These amounts have been included as contributed services and related expenses in the statement of activities.

H. Functional Expenses

The Foundation expenses by function are as follows:

	Program Services	Scholarships Awarded	Management and General	Fundraising	Total
Professional services	\$ 2,324,393	\$ -	\$ 1,414	\$ -	\$ 2,325,807
Supplies	553,829	-	890	215,413	770,132
Travel	28,638	-	-	-	28,638
Insurance	-	-	4,077	-	4,077
Scholarships	-	973,719	-	-	973,719
Bank fees	-	-	18,611	-	18,611
Contributed Services	68,151	-	243,365	11,486	323,002
	\$ 2,975,011	\$ 973,719	\$ 268,357	\$ 226,899	\$ 4,443,986

City Colleges of Chicago
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Notes to Basic Financial Statements
June 30, 2019

15. DISCRETELY PRESENTED COMPONENT UNIT *(Continued)*

I. Availability and Liquidity

Financial assets available for general expenditure, that is, without donor or board restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2019
Cash	\$ 2,063,807
Investments	1,343,223
	<u>\$ 3,407,030</u>

Certain investments of the Foundation consist of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specific periods. Income from donor-restricted funds is restricted for scholarship and educational purposes. The Board approves the use of funds without donor restrictions for operating expenses.

As part of its liquidity management plan, the Foundation invests excess cash in short-term investments, including money market funds and short-term investments.

16. COMMITMENTS AND CONTINGENCIES

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

As of June 30, 2019, City Colleges had \$18 million in commitments for its capital plan, all of which are being funded by City Colleges.

17. SUBSEQUENT EVENTS

On October 4, 2018, the Board of Trustees of City Colleges of Chicago authorized the sale of underutilized property at 226 West Jackson Boulevard (former district office building) and the building was sold on September 30, 2019. City Colleges has adjusted the book value of the building to the fair market value at the end of fiscal year 2019.

Required Supplementary Information

**City Colleges of Chicago
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Required Supplementary Information
June 30, 2019**

Other Post -Employment Benefit Plan

Schedule of Changes in Net OPEB Liability and Related Ratios

	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Total OPEB Liability		
Service Cost	\$ 5,227,410	\$ 2,815,597
Interest	5,458,342	4,310,846
Difference between Expected and Actual Experience	(12,995,395)	(15,938,464)
Change of Assumptions	(20,818,383)	4,816,393
Benefit Payments	<u>(4,968,061)</u>	<u>(5,436,298)</u>
Net Change in Total OPEB Liability	\$ (28,096,087)	\$ (9,431,926)
Total OPEB Liability - Beginning	<u>\$ 135,815,015</u>	<u>\$ 107,718,928</u>
Total OPEB Liability - Ending	<u><u>\$ 107,718,928</u></u>	<u><u>\$ 98,287,002</u></u>
Covered - Employee Payroll	\$ 115,957,481	\$ 110,108,221
Net OPEB Liability as a Percentage of Covered - Employee Payroll	92.90%	89.26%
Actuarially Determined Contribution	\$ 2,498,396	\$ (3,115,473)
Contributions in Relation to the Actuarially Determined Contribution	\$ 4,968,061	\$ 5,436,298
Contributions as a Percentage of Covered Employee Payroll	4.28%	4.94%

Note to Required Supplementary Information

Change of Assumptions. Changes of assumptions and other inputs reflect that the discount rate was changed to 3.49% from 3.90% to comply with GASB Statement No. 75. Changes in assumptions also reflect the changes in mortality rate, turnover rate and retirement rate.

The information above is presented for as many years as available and is intended to show information for 10 years.

**City Colleges of Chicago
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Required Supplementary Information
June 30, 2019**

Employer Retirement Pension Plan

Schedule of Proportionate Share of Net Pension Liability:	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	
(a) Proportion Percentage of the Collective Net Pension Liability	0%	0%	0%	0%	0%	
(b) Proportion Amount of the Collective Net Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ -	
(c) Portion of Nonemployer Contributing Entities' Total Proportion of Collective Net Pension Liability associated with Employer	\$1,087,536,479	\$1,218,726,483	\$1,355,491,236	\$1,308,352,868	\$1,313,662,424	
Total (b) + (c)	\$1,087,536,479	\$1,218,726,483	\$1,355,491,236	\$1,308,352,868	\$1,313,662,424	
Employer Covered Payroll	\$ 181,750,151	\$ 187,348,463	\$ 189,147,615	\$ 181,881,925	\$ 171,283,952	
Proportion of Collective Net Pension Liability associated with Employer as a Percentage of Covered Payroll	598.37%	650.51%	716.63%	719.34%	766.95%	
SURS Plan Net Position as a Percentage of Total Pension Liability	44.39%	42.37%	39.57%	42.04%	41.27%	
Schedule of Contribution:	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Federal, Trust, Grant and Other contribution	\$ 689,776	\$ 787,225	\$ 812,143	\$ 1,100,852	\$ 920,479	\$ 681,719
Contribution in Relation to Required Contribution	689,776	787,225	812,143	1,100,852	920,479	681,719
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer Covered Payroll	\$ 209,114,348	\$ 210,959,550	\$ 212,512,956	\$ 204,273,077	\$ 191,786,539	\$ 196,471,620
Contributions as a Percentage of Covered Payroll	0.33%	0.37%	0.38%	0.54%	0.48%	0.35%

*City Colleges implemented GASB Statement No. 68 in fiscal year 2015. The information above is presented for as many years as available. The schedule is intended to show information for 10 years.

Notes to Required Supplementary Information

Changes of benefit term: There were no benefit changes recognized in the total pension liability as of June 30, 2018.

Changes of assumption: In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every three years to determine the reasonableness of actuarial assumptions regarding the retirement, disability, mortality, turnover, interest and salary of the members and benefit recipients of SURS. An experience review for the years June 30, 2014 to June 30, 2017 was performed in February 2018, resulting in the adoption of new assumptions as of June 30, 2018.

City Colleges of Chicago
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Required Supplementary Information
June 30, 2019

Notes to Required Supplementary Information (Continued)

- Salary increase. Decrease in the overall assumed salary increase rates, ranging from 3.25 percent to 12.25 percent based on years of service, with underlying wage inflation of 2.25 percent.
- Investment return. Decrease the investment return assumption to 6.75 percent. This reflects maintaining an assumed real rate of return of 4.50 percent and decreasing the underlying assumed price inflation to 2.25 percent.
- Effective rate interest. Decrease the long-term assumption for ERI for crediting the money purchase accounts to 6.75 percent (effective July 2, 2019).
- Normal retirement rates. A slight increase in the retirement rate of age 50. No change to the rates for ages 60-61, 67-74 and 80+, but a slight decrease in rates at all other ages. A rate of 50 percent if the member has 40 or more years of service and is younger than age 80.
- Early retirement rates. Decrease in rates for all Tier 1 early retirement eligibility ages (55-59).
- Turnover rates. Change rates to produce lower expected turnover for members with less than 10 years of service and higher turnover for members with more than 10 year of service.
- Mortality rates. Maintain the RP-2014 mortality tables with projected generational mortality improvement. Update the projection scale from the MP-2014 to MP-2017 scale.
- Disability rates. Decrease current rates to reflect that certain members who receive disability benefits do not receive the benefits on a long-term basis.

Covered payroll. All elements included in compensation paid to active employees on which contributions to a pension plan are based.

Special Funding Situation. For the purposes of financial reporting, the State of Illinois and participating employers are considered to be under a special funding situation. A special funding situation is defined as a circumstance in which a non-employer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either (1) the amount of the contributions for which the non-employer entity is legally responsible is not dependent upon one or more events unrelated to pensions or (2) the non-employer is the only entity with a legal obligation to make contributions directly to a pension plan. The State of Illinois is considered a non-employer contributing entity. Participating employers are considered employer contributing entities. The State is responsible for the collective net pension liability of the plan with the exception of federal, trust or grant contributions made by City Colleges that are recognized as deferred outflows of resources.

Statistical Section

This section of City Colleges' Comprehensive Annual Financial Report includes detailed information as a context for understanding the financial statements and note disclosures related to the college's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how City Colleges' financial performance has changed over time.

Revenue Capacity

These schedules contain information to help the reader assess City Colleges' significant local revenue sources, property taxes and tuition and fees revenue.

Debt Capacity

These schedules present information to help the reader assess City Colleges' current levels of outstanding debt and City College' ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which City Colleges operates.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in City Colleges' financial reports 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.

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

Table A

**Financial Trends
Components of Net Position (Unaudited)
Last Ten Fiscal Years
Fiscal Years Ended June 30**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Net Position:										
Net investment in capital assets	\$ 593,174,965	\$ 593,020,416	\$ 600,335,077	\$ 621,139,731	\$ 658,505,276	\$ 717,255,258	\$ 719,559,997	\$ 704,854,741	\$ 653,939,196	\$ 622,386,371
Restricted for specific purposes										
Capital Projects	44,507,719	92,978,002	97,683,367	-	-	-	-	-	-	-
Audit	-	-	-	64,118	194,892	165,898	36,209	29,488	156,235	238,546
Liability, protection, and settlement	-	-	-	6,007,472	7,187,039	6,580,766	2,632,672	705,482	-	194,117
PBC operations and maintenance	-	-	-	607,045	607,045	-	-	-	-	-
Bonds and interest	-	-	-	-	-	-	-	-	1,851,574	-
Other	69,361,867	71,830,566	70,154,208	-	-	-	-	-	-	-
Unrestricted	86,874,142	66,367,440	92,820,212	254,548,655	221,854,399	135,002,378	24,896,253	(37,672,764)	(78,655,342)	(82,590,665)
Total Net Position	<u>\$ 793,918,693</u>	<u>\$ 824,196,424</u>	<u>\$ 860,992,864</u>	<u>\$ 882,367,021</u>	<u>\$ 888,348,651</u>	<u>\$ 859,004,300</u>	<u>\$ 747,125,131</u>	<u>\$ 667,916,947</u>	<u>\$ 577,291,663</u>	<u>\$ 540,228,369</u>

Source: City Colleges of Chicago Comprehensive Annual Financial Reports

Note: Beginning in fiscal year 2013, the District reclassified its formerly restricted net position relating to capital projects and other to unrestricted net position.

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

Table B

**Financial Trends
Changes in Net Position (Unaudited)
Last Ten Fiscal Years**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Operating revenues:										
Student tuition and fees (net of scholarship allowances)	\$ 48,044,246	\$ 46,100,054	\$ 44,216,800	\$ 45,524,856	\$ 43,551,469	\$ 41,738,106	\$ 55,841,074	\$ 52,507,277	\$ 43,510,241	\$ 36,145,477
Other operating revenues	7,442,333	8,370,707	7,530,445	10,407,332	9,806,723	7,240,451	7,680,657	6,702,496	6,177,539	5,143,109
Total operating revenues	<u>55,486,579</u>	<u>54,470,761</u>	<u>51,747,245</u>	<u>55,932,188</u>	<u>53,358,192</u>	<u>48,978,557</u>	<u>63,521,731</u>	<u>59,209,773</u>	<u>49,687,780</u>	<u>41,288,586</u>
Operating expenses:										
Instructional staff	90,477,097	88,565,180	88,192,744	97,927,822	100,033,039	95,951,938	90,918,944	83,858,803	89,214,382	88,524,100
Non-instructional staff	95,556,737	93,023,672	101,665,123	103,702,031	110,941,259	118,063,554	123,980,168	123,024,189	104,875,488	109,912,039
Fringe benefits	64,479,515	67,970,166	78,556,221	116,384,988	101,050,332	115,749,425	150,741,188	176,176,135	159,033,078	155,017,642
Supplies	14,646,462	13,885,552	15,409,438	22,703,765	20,216,270	22,552,882	20,032,747	14,732,670	12,561,866	16,590,301
Professional development	1,826,668	1,325,058	1,484,245	1,272,691	1,487,147	1,244,344	1,304,104	742,743	933,234	1,080,524
Equipment not capitalized	4,838,391	5,765,922	7,169,078	-	-	-	-	-	-	-
Utilities	10,299,268	9,834,789	9,833,894	9,041,755	8,422,751	8,503,632	7,889,555	8,090,810	7,994,976	8,140,159
Contractual services	42,380,663	46,303,596	37,456,245	39,843,034	39,678,006	37,471,238	29,714,332	26,683,165	21,276,138	22,418,335
Depreciation	18,367,180	22,245,912	19,844,225	19,605,043	20,603,084	40,362,884	49,604,285	42,741,190	64,736,965	46,570,373
Financial aid (net of scholarship allowances)	57,192,354	73,006,767	88,128,031	62,302,469	54,757,208	54,781,226	32,657,219	33,531,205	31,441,226	30,392,713
Other expenses	4,301,200	13,379,760	1,873,076	4,572,743	3,208,895	9,048,160	15,151,528	10,045,675	12,689,108	6,245,996
Total operating expenses	<u>404,365,535</u>	<u>435,306,374</u>	<u>449,612,320</u>	<u>477,356,341</u>	<u>460,397,991</u>	<u>503,729,283</u>	<u>521,994,070</u>	<u>519,626,585</u>	<u>504,756,461</u>	<u>484,892,182</u>
Operating loss	<u>(348,878,956)</u>	<u>(380,835,613)</u>	<u>(397,865,075)</u>	<u>(421,424,153)</u>	<u>(407,039,799)</u>	<u>(454,750,726)</u>	<u>(458,472,339)</u>	<u>(460,416,812)</u>	<u>(455,068,681)</u>	<u>(443,603,596)</u>
Non-operating revenues (expenses):										
State apportionment and equalization	38,637,438	48,683,543	48,683,543	44,243,857	44,091,624	40,944,584	10,653,563	16,737,354	77,554,415	47,565,890
Other state grants and contracts	72,578,870	75,378,306	87,343,845	101,432,160	103,024,737	113,886,048	113,032,192	144,823,351	146,689,797	139,865,030
Local grants and contracts	5,646,914	5,273,784	5,241,086	5,573,604	5,042,722	5,073,046	2,263,905	4,186,138	3,088,038	4,461,449
Local property taxes	127,316,069	123,516,103	121,811,625	120,202,490	118,738,148	119,389,151	125,659,171	123,263,682	125,366,633	125,547,962
Personal property replacement tax	11,416,700	13,924,035	12,319,744	14,076,439	13,548,322	14,564,695	11,637,706	16,422,533	12,122,670	13,490,094
Federal grants and contracts	110,203,448	140,186,492	156,278,485	131,057,829	121,249,812	109,992,620	84,341,753	80,082,538	74,028,272	72,002,237
Litigation settlement	656,745	-	-	-	-	-	-	-	730,338	-
Investment income	2,028,369	1,589,648	1,557,008	579,765	1,633,125	1,229,614	1,461,132	503,916	2,170,929	3,941,896
Building lease and interest payments on debt	-	-	-	-	-	-	(4,961,335)	(11,688,580)	(12,117,213)	(12,632,012)
Other non-operating revenue	-	-	-	-	573,157	2,175,119	1,846,475	6,075,845	8,438,747	586,271
Non-operating revenues, net	<u>368,484,553</u>	<u>408,551,911</u>	<u>433,235,336</u>	<u>417,166,144</u>	<u>407,901,647</u>	<u>407,254,877</u>	<u>345,934,562</u>	<u>380,406,777</u>	<u>438,072,626</u>	<u>394,828,817</u>
Income (loss) before capital appropriations and grants	19,605,597	27,716,298	35,370,261	(4,258,009)	861,848	(47,495,849)	(112,537,777)	(80,010,035)	(16,996,055)	(48,774,779)
Capital appropriations and grants	7,335,701	2,561,433	1,426,179	25,632,166	5,119,782	17,326,560	658,608	801,851	1,918,132	11,711,485
Change in net position	<u>\$ 26,941,298</u>	<u>\$ 30,277,731</u>	<u>\$ 36,796,440</u>	<u>\$ 21,374,157</u>	<u>\$ 5,981,630</u>	<u>\$ (30,169,289)</u>	<u>\$ (111,879,169)</u>	<u>\$ (79,208,184)</u>	<u>\$ (15,077,923)</u>	<u>\$ (37,063,294)</u>

Source: City Colleges of Chicago Comprehensive Annual Financial Reports

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

Table C
Revenue Capacity
Assessed and Estimated Value of Taxable Property (Unaudited)
Last Ten Fiscal Years

Tax Year Levy	Class 2 Residential Property	Class 5 Commercial Property	Class 5 Industrial Property	Other Railroad Property	Total Equalized Assessed Valuation (1)	Total Equalized Assessed Valuation (2)	Total Direct Tax Rate	Total Estimated Fair Value (3)	Assessed Value as a Percentage of Estimated Fair Value
2009	\$ 52,169,503,706	\$ 24,491,319,005	\$ 7,785,890,009	\$ 98,313,889	\$ 84,545,026,609	\$ 84,550,505,262	0.150	\$ 253,651,515,786	33.33%
2010	51,831,630,468	22,565,050,951	7,530,442,082	119,792,938	82,046,916,439	82,052,222,695	0.151	246,156,668,085	33.33%
2011	47,818,408,543	19,929,694,759	7,209,360,847	125,341,819	75,082,805,968	75,087,804,739	0.165	225,263,414,217	33.33%
2012	39,247,090,939	19,340,669,493	6,496,120,614	130,470,559	65,214,351,605	65,221,057,665	0.189	195,663,172,995	33.33%
2013	37,165,845,442	18,664,711,059	6,359,267,977	140,913,053	62,330,737,531	62,337,066,955	0.199	187,011,200,865	33.33%
2014	39,639,728,826	23,151,162,620	1,946,233,867	137,040,420	64,874,165,733	64,879,908,794	0.193	194,639,726,382	33.33%
2015	43,871,767,527	24,955,908,048	1,943,080,901	148,390,582	70,919,147,058	70,924,421,349	0.177	212,773,264,047	33.33%
2016	45,774,355,574	26,093,545,448	1,964,171,087	148,006,500	73,980,078,609	73,984,605,433	0.169	221,953,816,299	33.33%
2017	47,154,589,038	27,405,102,153	2,002,796,882	156,007,870	76,718,495,943	76,722,182,440	0.164	230,166,547,320	33.33%
2018	53,179,494,934	30,824,287,901	2,091,437,327	181,450,474	86,276,670,636	86,286,411,094	0.147	258,859,233,282	33.33%

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

Sources: Cook County Clerks' Offices

- (1) Source: Cook County Clerks Office. Includes Cook County Valuation only
- (2) Source: Cook County Clerks Office. Includes Cook & DuPage County Valuation
- (3) Tax rates are per \$100 of assessed value.
- (4) Source: Cook County Clerks Office. Total equalized assessed valuation is computed at one-third the estimated actual fair value.

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

Table D

**Revenue Capacity
Property Tax Rates - Direct and Overlapping Governments (Unaudited)
Last Ten Levy Years**

Taxing Bodies <i>(per \$100 of assessed valuation)</i>	Legal Limit	Tax Levy Year								
		2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>City Colleges of Chicago</u>										
Audit Fund	\$ 0.005	\$ 0.001	\$ 0.001	\$ 0.001	\$ 0.001	\$ 0.001	\$ 0.001	\$ 0.001	\$ 0.001	\$ 0.001
Tort Liability	N/A	0.007	0.010	0.008	0.009	0.005	0.001	0.009	0.009	0.005
Education Fund	0.175	0.100	0.109	0.130	0.149	0.149	0.126	0.124	0.120	0.109
Operations and Maintenance Fund	0.050	0.043	0.045	0.050	0.040	0.038	0.049	0.035	0.034	0.032
Total City Colleges of Chicago Rate		<u>\$ 0.151</u>	<u>\$ 0.165</u>	<u>\$ 0.189</u>	<u>\$ 0.199</u>	<u>\$ 0.193</u>	<u>\$ 0.177</u>	<u>\$ 0.169</u>	<u>\$ 0.164</u>	<u>\$ 0.147</u>
<u>Overlapping Rates</u>										
Chicago Board of Education		2.581	2.875	3.422	3.671	3.660	3.455	3.726	3.890	3.552
City of Chicago		1.132	1.229	1.425	1.496	1.473	1.806	1.880	1.894	1.812
Chicago Park District		0.319	0.346	0.395	0.420	0.415	0.382	0.368	0.358	0.330
Metropolitan Water Reclamation District		0.274	0.320	0.370	0.417	0.430	0.426	0.406	0.402	0.396
Cook County		0.423	0.462	0.531	0.560	0.568	0.552	0.533	0.496	0.489
Cook County Forest Preserve		0.051	0.058	0.063	0.069	0.069	0.069	0.063	0.062	0.060
South Cook County Mosquito Abatement		0.010	0.012	0.014	0.016	0.017	0.017	0.017	0.016	0.017
Total Overlapping Rate		<u>\$ 4.790</u>	<u>\$ 5.302</u>	<u>\$ 6.220</u>	<u>\$ 6.649</u>	<u>\$ 6.632</u>	<u>\$ 6.707</u>	<u>\$ 6.993</u>	<u>\$ 7.118</u>	<u>\$ 6.656</u>
Total Rate		<u>\$ 4.941</u>	<u>\$ 5.467</u>	<u>\$ 6.409</u>	<u>\$ 6.848</u>	<u>\$ 6.825</u>	<u>\$ 6.884</u>	<u>\$ 7.162</u>	<u>\$ 7.282</u>	<u>\$ 6.803</u>
<u>Tax Extensions (\$ thousands)</u>										
Audit Fund		\$ 650	\$ 650	\$ 650	\$ 584	\$ 384	\$ 384	\$ 684	\$ 684	\$ 558
Tort Liability		5,736	7,736	4,361	5,584	2,985	985	6,984	6,984	4,543
Education Fund		81,669	81,669	85,144	92,760	96,559	88,610	91,677	92,338	93,644
Operations and Maintenance Fund		35,186	33,186	33,186	24,913	24,912	34,911	25,612	25,613	27,934
		<u>\$ 123,241</u>	<u>\$ 123,241</u>	<u>\$ 123,341</u>	<u>\$ 123,841</u>	<u>\$ 124,840</u>	<u>\$ 124,890</u>	<u>\$ 124,957</u>	<u>\$ 125,619</u>	<u>\$ 126,679</u>

Source: Cook County Clerk's Office

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

Table E

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

<u>Taxpayer</u>	<u>2018</u>			<u>2009</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Assessed Valuation</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Assessed Valuation</u>
Willis Tower	\$ 507,224	1	0.59%	\$ 505,515	1	0.60%
One Prudential Plaza	285,268	2	0.33%	318,635	3	0.38%
HSBC Blue Cross A pini	283,972	3	0.33%	-	-	-
CBRE Suite 2530	278,891	4	0.32%	-	-	0.00%
Aon Building	255,795	5	0.30%	375,441	2	0.44%
Water Tower Place	251,219	6	0.29%	235,907	5	0.28%
Merchandise Mart Owner	235,899	7	0.27%	-	-	-
300 LaSalle LLC	234,420	8	0.27%	-	-	-
Merchandise Mart Owner	234,387	9	0.27%	-	-	-
AT&T Corporate Center 1 (Franklin Ctr.)	218,162	10	0.25%	256,590	4	0.30%
Three First National Plaza	-		-	231,028	7	0.27%
One North Wacker	-		-	211,526	9	0.25%
131 S. Dearborn	-		-	212,725	8	0.25%
Chase Tower	-		-	231,694	6	0.27%
Leo Burnett Building	-		-	208,973	10	0.25%
	<u>\$ 2,785,238</u>		<u>3.23%</u>	<u>\$ 2,788,034</u>		<u>3.30%</u>

Source: Cook County Assessor's Office – 2018 is latest data available.

Cook County Clerk's Office

Taxable assessed value in thousands of dollars

Note:

Every effort has been made to seek out and report the largest taxpayers; however, many of the taxpayers contain multiple parcels, and it is possible that some parcels and their valuations have been overlooked.

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

Table F

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

Levy Year	Fiscal Year of Extension	Tax Levied	Collected within the Fiscal Year of Extension (A)		Collections in Subsequent Years	Total Collections to Date (B)	
			Amount	Percentage of Tax Levy		Amount	Percentage of Levy
2009	2010	\$ 126,253,382	\$ 64,591,707	51.16%	\$ 56,841,268	\$ 121,432,975	96.18%
2010	2011	123,253,382	64,730,979	52.52%	54,688,960	119,419,939	96.89%
2011	2012	123,253,382	63,562,811	51.57%	55,740,941	119,303,752	96.80%
2012	2013	123,353,382	62,712,317	50.84%	57,673,319	120,385,636	97.59%
2013	2014	123,853,382	63,503,739	51.27%	57,180,257	120,683,996	97.44%
2014	2015	124,853,382	63,827,769	51.12%	58,281,344	122,109,113	97.80%
2015	2016	124,903,382	64,993,572	52.04%	58,098,648	123,092,220	98.55%
2016	2017	124,970,382	64,816,536	51.87%	58,672,367	123,488,903	98.81%
2017	2018	125,631,380	65,921,912	52.47%	58,582,740	124,504,652	99.10%
2018	2019	126,691,690	66,440,187	52.44%	-	66,440,187	52.44%

Notes: (A) The amount does not represent a full year's tax collection.

(B) The total amount collected to date is net of refunds.

Source: College and Cook County Treasurer's Tax Records, Office of the County Clerk

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

Table G

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

Fiscal Year	FTE Credit Courses	Headcount Credit Courses	Headcount Noncredit Courses	In-District Tuition & Fees per Semester Hr	Out-of-District Tuition & Fees per Semester Hr	Out of State Tuition & Fees per Semester Hr	VI - F-1 Visa Students Fees per Semester Hr	Total Semester Credit Hrs Generated	Tuition & Fees Revenue	Less: Scholarships and Allowances	Tuition & Fees Revenue (Net)
2010	27,347	57,423	70,094	\$ 79.00	\$ 259.15	\$ 301.55	\$ -	1,260,579	\$ 104,761,982	\$ (56,717,736)	\$ 48,044,246
2011	29,194	60,514	58,935	87.00	171.56	228.35	-	1,207,136	114,587,331	(68,487,277)	46,100,054
2012	29,602	61,756	55,009	89.00	173.56	230.35	-	1,190,902	115,477,680	(71,260,880)	44,216,800
2013	31,044	62,391	51,864	89.00	185.38	236.59	-	1,209,973	111,907,384	(66,382,528)	45,524,856
2014	30,692	62,100	47,258	89.00	202.01	249.71	-	1,184,165	110,456,613	(66,905,144)	43,551,469
2015	28,917	60,250	40,050	89.00	200.17	246.42	-	1,098,558	99,573,913	(57,835,807)	41,738,106
2016	26,410	57,372	39,017	133.36	353.16	359.73	624.68	983,907	105,005,157	(49,164,083)	55,841,074
2017	24,200	51,772	34,559	133.36	353.16	359.73	624.68	904,038	99,177,882	(46,670,605)	52,507,277
2018	23,825	50,436	32,958	133.36	353.16	359.73	624.68	821,349	94,772,150	(51,261,909)	43,510,241
2019	23,147	50,558	28,927	146.00	384.00	481.00	481.00	791,762	92,474,466	(56,328,989)	36,145,477

Source: City Colleges of Chicago Comprehensive Annual Financial Reports

In fiscal year 2016, City Colleges adopted a new flat-price structure designed to make City Colleges' prices more transparent by eliminating fees, and to encourage full time status and timelier completion for students.

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

**Table H
Debt Capacity
Ratios of General Debt Outstanding (Unaudited)
Last Ten Fiscal Years**

Fiscal Year	General Obligation Bonds	Capital Leases	Total Outstanding Debt	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2010	\$ -	\$ -	\$ -	\$ -	\$ -
2011	-	-	-	-	-
2012	-	-	-	-	-
2013	-	-	-	-	-
2014	257,406,782	-	257,406,782	0.14%	94.40
2015	256,211,924	-	256,211,924	0.13%	93.90
2016	251,089,656	-	251,089,656	0.12%	92.10
2017	245,933,132	-	245,933,132	0.11%	90.45
2018	325,987,163	-	325,987,163	0.14%	120.15
2019	320,445,797	-	320,445,797	0.12%	118.42

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

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

Table I

**Debt Capacity
Direct and Overlapping Long-Term Debt (Unaudited)
(\$000s)**

	As of December 31, 2018		
	Net Direct Long-Term Debt (1)	Estimated Percentage Applicable (2)	Estimated Share of Overlapping Debt
Direct Debt			
City Colleges of Chicago (as of June 30, 2019)	\$ 320,446	100.00%	\$ 320,446
Estimated General Obligation Overlapping Debt			
City of Chicago General Obligation Bonds	\$ 8,135,257 *	100.00%	\$ 8,135,257
Chicago Board of Education	8,409,348	100.00%	8,409,348
Chicago Park District	827,500	100.00%	827,500
Metropolitan Water Reclamation District of Greater Chicago	2,810,177	51.89%	1,458,201
Cook County	2,950,122	49.38%	1,456,770
Cook County Forest Preserve District	150,960	50.90%	76,839
Total Estimated Overlapping Long-Term Debt			<u>20,363,915</u>
Direct and Estimated Overlapping Long-Term Debt			<u>\$ 20,684,361</u>

(1) *Source:* City of Chicago CAFR; Amount of Net Direct Debt was obtained from each respective taxing bodies.

(2) Assessed value data used to estimate applicable percentage is provided by the Office of the Cook County Clerk. Percentages are calculated by dividing each taxing district's 2018 City of Chicago tax extension, within the City of Chicago, by the total Cook County extension for the district.

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

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

Fiscal Year	(A) Population	Personal Income (in thousands)	(B) Per Capita Personal Income	(C) Unemployment Rate
2010	2,695,598 ^	118,997,174 *	44,145	11.20%
2011	2,708,209 *	124,236,380 *	45,874	10.80%
2012	2,719,735 *	131,926,186 *	48,507	10.00%
2013	2,726,771 *	136,003,157 *	49,877	10.00%
2014	2,728,524 *	146,546,296 *	53,709	7.80%
2015	2,726,215 *	153,949,361 *	56,470	6.60%
2016	2,718,946 *	155,754,822 *	57,285	6.40%
2017	2,713,067 *	160,716,663 *	59,238	5.30%
2018	2,705,994	-----Data Not Available -----		4.20%
2019		-----Data Not Available -----		

Sources: (A) US Census Bureau (USCB). The census is conducted decennially at the start of each decade. *Estimated. ^Official Census Count
 (B) 2010 - 2017 Data from the Bureau of Economic Analysis (BEA). These rates are for Cook County. 2018 and 2019 data is not available.
 (C) Illinois Workforce Info Center Website

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

**Table K
Demographic and Economic Information
Principal Employers (Unaudited)
Last Ten Fiscal Years**

Employer	Fiscal Year 2019			Fiscal Year 2018			Fiscal Year 2017			Fiscal Year 2016			Fiscal Year 2015		
	Rank	City of Chicago Number of Employees	% of City of Chicago Area Employment	Rank	City of Chicago Number of Employees	% of City of Chicago Area Employment	Rank	City of Chicago Number of Employees	% of City of Chicago Area Employment	Rank	City of Chicago Number of Employees	% of City of Chicago Area Employment	Rank	City of Chicago Number of Employees	% of City of Chicago Area Employment
U.S. Government	1	41,500	1.53%	1	41,500	1.53%	1	42,663	1.58%	1	42,887	1.58%	1	45,673	1.68%
Chicago Public Schools	2	36,415	1.35%	2	35,447	1.30%	2	35,862	1.33%	2	37,406	1.37%	2	38,933	1.43%
City of Chicago	3	31,854	1.18%	3	31,161	1.15%	3	30,754	1.14%	3	30,276	1.11%	3	30,345	1.11%
Cook County	4	22,438	0.83%	4	21,316	0.78%	4	20,716	0.77%	4	21,795	0.80%	4	21,622	0.79%
Northwestern Memorial Hospital	5	19,886	0.73%	6	16,667	0.61%	7	15,747	0.58%	7	15,317	0.56%	9	14,550	0.53%
Advocate Health Care	6	19,513	0.72%	5	19,049	0.70%	5	18,930	0.70%	5	18,308	0.67%	5	18,556	0.68%
University of Chicago	7	17,345	0.64%	7	16,583	0.61%	6	16,374	0.61%	6	16,197	0.60%	6	16,025	0.59%
Amita Health	8	16,231	0.60%	-	-	0.00%	9	15,157	0.56%	10	14,000	0.51%	10	14,000	0.51%
United Continental Holdings Inc	9	14,582	0.54%	10	13,240	0.49%	-	-	-	-	-	-	-	-	-
Amazon.Com Inc.	10	14,018	0.52%	8	15,701	0.58%	8	15,229	0.56%	9	14,158	0.52%	7	15,015	0.55%
JP Morgan Chase	-	-	-	9	14,690	0.54%	10	13,524	0.50%	8	15,136	0.56%	8	14,925	0.55%
State of Illinois	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
AT&T Inc.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		<u>233,782</u>	<u>8.64%</u>		<u>225,354</u>	<u>8.30%</u>		<u>233,516</u>	<u>8.58%</u>		<u>225,480</u>	<u>8.28%</u>		<u>229,644</u>	<u>8.43%</u>
Employer	Fiscal Year 2014			Fiscal Year 2013			Fiscal Year 2012			Fiscal Year 2011			Fiscal Year 2010		
	Rank	City of Chicago Number of Employees	% of City of Chicago Area Employment	Rank	City of Chicago Number of Employees	% of City of Chicago Area Employment	Rank	City of Chicago Number of Employees	% of City of Chicago Area Employment	Rank	City of Chicago Number of Employees	% of City of Chicago Area Employment	Rank	City of Chicago Number of Employees	% of City of Chicago Area Employment
U.S. Government	1	49,860	1.83%	1	52,144	1.92%	1	55,183	2.04%	1	49,573	1.83%	1	77,000	2.86%
Chicago Public Schools	2	39,094	1.44%	2	40,145	1.48%	2	39,667	1.47%	2	40,883	1.51%	2	43,740	1.62%
City of Chicago	3	30,340	1.12%	3	30,197	1.11%	3	31,307	1.16%	3	35,237	1.30%	3	36,242	1.34%
Cook County	4	21,482	0.79%	4	21,057	0.77%	4	21,785	0.80%	5	23,083	0.85%	5	23,416	0.87%
Advocate Health Care	5	18,512	0.68%	5	16,710	0.61%	5	18,485	0.68%	7	14,873	0.55%	7	14,784	0.55%
JP Morgan Chase	6	16,045	0.59%	7	15,103	0.56%	-	-	-	8	13,639	0.50%	9	13,142	0.49%
University of Chicago	7	15,452	0.57%	8	15,029	0.55%	10	14,584	0.54%	-	-	-	-	-	-
State of Illinois	8	14,731	0.54%	6	15,400	0.57%	6	15,800	0.58%	4	25,700	0.95%	4	26,000	0.96%
United Continental Holdings Inc	9	14,000	0.51%	-	-	-	-	-	-	-	-	-	-	-	-
AT&T Inc.	10	14,000	0.51%	10	14,000	0.51%	7	15,000	0.55%	-	-	-	10	13,000	0.48%
Walgreen Co.	-	-	-	9	14,528	0.53%	9	14,688	0.54%	9	13,122	0.48%	8	13,281	0.49%
Provena Health/Resurrection Health	-	-	-	-	-	-	8	14,806	0.55%	-	-	-	-	-	-
Walmart Stores, Inc.	-	-	-	-	-	-	-	-	-	6	21,329	0.79%	6	19,990	0.74%
Abbott Laboratories	-	-	-	-	-	-	-	-	-	10	13,000	0.48%	-	-	-
		<u>233,516</u>	<u>8.58%</u>		<u>234,313</u>	<u>8.61%</u>		<u>241,305</u>	<u>8.91%</u>		<u>250,439</u>	<u>9.24%</u>		<u>280,595</u>	<u>10.40%</u>

Source: Crain's Chicago's Business, Largest Employers, published January 15, 2018.

Note: Beginning with the fiscal year 2010, City Colleges of Chicago will accumulate data to arrive at data for the current year and the nine years prior.

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

Table L

**Demographic and Economic Information
Employee Data (Unaudited)
Last Three Fiscal Years**

Functional Job Type	Full-time FTE			Part-time FTE			Total FTE		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
Faculty	619	575	573	859	643	693	1,478	1,218	1,266
Professional/Technical Staff	558	394	386	66	46	41	624	440	427
Administrators	415	310	325	1	-	1	416	310	326
Clerical	316	213	207	19	11	17	335	224	224
Front-Line Direct Support (Custodial/Maintenance/Security)	264	241	252	291	179	178	555	420	430
Academic Support/Direct Student-Facing Personnel	168	308	319	341	358	449	509	666	768
Student Workers	-	-	-	27	16	24	27	16	24
Totals	2,340	2,041	2,062	1,604	1,253	1,403	3,944	3,294	3,465

Data Source: City Colleges of Chicago Fiscal 2019 Budget book - Full-Time Equivalent by Position (FTE)

Note: A review of all position titles, job families, groups and functionality was performed in fiscal year 2017.

Data has been realigned from previous years to reflect the resulting changes.

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

Table M

**Demographic and Economic Information
Student Enrollment Demographic Statistics
Student Enrollment Credit Hours by Category (Unaudited)
Last Ten Fiscal Years**

Fiscal Year	Total	Baccalaureate	Occupational			Remedial Development	Adult Basic Secondary Education
			Business	Technical	Health		
2019	791,761.5	427,442.0	34,142.0	37,525.5	28,703.0	51,409.0	212,540.0
2018	821,349.0	447,130.0	33,480.0	38,827.5	28,755.0	51,423.0	221,733.5
2017	904,038.0	455,404.0	33,621.0	56,363.5	25,955.0	59,925.0	272,769.5
2016	983,907.0	489,438.0	36,204.0	59,245.5	32,958.5	72,423.0	293,638.0
2015	1,098,557.5	536,289.0	44,735.0	68,863.0	36,548.5	107,093.0	305,029.0
2014	1,184,165.0	536,233.0	51,231.0	79,220.0	45,666.0	123,339.0	348,476.0
2013	1,209,972.5	532,810.0	53,069.0	71,636.5	47,413.0	132,728.0	372,316.0
2012	1,190,901.5	518,328.0	55,799.0	69,998.0	51,460.0	139,422.0	355,894.5
2011	1,207,136.0	505,897.0	54,590.0	72,682.0	51,648.0	136,247.0	386,072.0
2010	1,260,579.0	476,794.0	47,756.0	82,551.0	54,920.0	144,347.0	454,211.0

Data Source: College records

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

Table N

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

Capital Asset Type	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Land	\$ 49,094,047	\$ 49,959,334	\$ 49,959,334	\$ 50,588,046	\$ 53,616,391	\$ 55,421,960	\$ 51,376,464	\$ 51,376,464	\$ 51,376,464	\$ 51,376,464
Construction in progress	43,035,306	51,832,430	58,677,994	80,178,270	103,111,151	269,626,926	88,290,037	41,526,514	58,259,377	5,906,563
Equipment	16,548,010	15,901,476	16,930,530	17,064,376	17,525,902	20,378,093	52,985,078	63,800,500	64,058,673	64,301,331
Buildings and improvements	680,481,594	692,728,579	711,320,407	725,256,411	786,947,003	824,248,668	1,097,180,326	1,083,419,269	1,091,365,536	1,192,565,831
Software	29,342,571	29,342,571	30,035,011	30,035,011	30,035,011	30,852,286	62,395,481	69,966,816	72,588,654	42,553,643
Total Capital Assets	818,501,528	839,764,390	866,923,276	903,122,114	991,235,458	1,200,527,933	1,352,227,386	1,310,089,563	1,337,648,704	1,356,703,832
Less: Accumulated Depreciation	(225,326,563)	(246,743,974)	(266,588,199)	(281,982,383)	(299,962,533)	(336,310,200)	(380,512,960)	(358,250,800)	(419,672,387)	(435,368,507)
Net Capital Assets	<u>\$ 593,174,965</u>	<u>\$ 593,020,416</u>	<u>\$ 600,335,077</u>	<u>\$ 621,139,731</u>	<u>\$ 691,272,925</u>	<u>\$ 864,217,733</u>	<u>\$ 971,714,426</u>	<u>\$ 951,838,763</u>	<u>\$ 917,976,317</u>	<u>\$ 921,335,325</u>
Bond Obligations	\$ -	\$ -	\$ -	\$ -	\$ 250,000,000	\$ 250,000,000	\$ 245,995,000	\$ 241,830,000	\$ 315,560,000	\$ 311,010,000

Data Sources: Summary of Capital Assets Schedule, (See Note 4)
and prior-year comprehensive annual financial reports

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

Table O

**Operating Information
Miscellaneous Statistics (Unaudited)**

<i>Founded</i>	<i>1911</i>	
Accreditation by North Central Association of Colleges and Schools	<u>Most Recent Accreditation</u>	<u>Next Review</u>
Daley	2011-12	2021-22
Harold Washington	2018-19	2028-29
Kennedy-King	2015-16	2025-26
Malcolm X	2017-18	2027-28
Olive-Harvey	2010-11	2020-21
Truman	2009-10	2019-20
Wright	2012-13	2019-20
Current gross square footage		4,162,416
Size of district		228.5 square miles
Counties served		Cook and DuPage
Population of district		2,705,994
Number of faculty		1,266
Number of professional / technical staff		427
Number of administrators		326
Number of clerical staff		224
Number of custodial / maintenance staff		430
Number of academic support staff		768
Number of student/workstudy staff		24
Degrees and certificates awarded (fiscal year 2019)		7,658

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

**Table P
Community College State Funding
Last Ten Fiscal Years**

Fiscal Year	State Funding to All State Community Colleges	ICCB Funding to the District
2010	\$ 308,471,029	\$ 57,321,939
2011	295,401,900	64,548,437
2012	295,521,900	64,549,023
2013	282,421,700	58,314,908
2014	284,916,500	58,700,515
2015	278,773,899	55,231,784
2016	74,142,300	14,370,863
2017	114,525,000	22,463,354
2018	409,595,700 *	80,276,413 *
2019	257,111,600	47,594,594

Source: Illinois Community College Board

**Amounts include the appropriations from Illinois
Senate Bill 6 passed on July 6, 2017.*

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

Table Q

**Operating Information
Revenues and Expenditures by Campus (Unaudited)
Fiscal Year Ended June 30, 2019**

	<u>Daley</u>	<u>Harold Washington</u>	<u>Kennedy-King</u>	<u>Malcolm X</u>	<u>Olive-Harvey</u>	<u>Truman</u>	<u>Wright</u>	<u>District Office</u>	<u>Total</u>
Revenues:									
Local Tax Revenue	\$ 5,439,257	\$ 4,836,265	\$ 30,652,117	\$ 31,783,753	\$ 20,635,386	\$ 2,256,301	\$ 657,580	\$ 42,777,397	\$ 139,038,056
All Other Local Revenue	86,018	118,640	33,518	69,348	39,918	233,051	104,441	-	684,934
ICCB Grants	6,229,902	10,828,064	3,059,159	6,329,296	2,274,182	7,513,980	9,399,578	-	45,634,161
All Other State Revenue	19,357,864	33,645,505	9,505,573	19,666,705	7,066,453	23,347,816	29,206,843	-	141,796,759
Federal Revenue	6,383,547	16,564,864	8,129,169	14,805,517	5,151,206	8,665,627	12,302,307	-	72,002,237
Student Tuition and Fees	12,686,956	21,770,172	6,251,376	12,776,066	4,585,926	15,190,136	19,213,835	-	92,474,467
All Other Revenue	265,464	1,426,478	1,924,475	1,392,252	966,345	1,960,846	1,016,058	4,833,459	13,785,377
Total Revenue before Capital Appropriations	50,449,008	89,189,988	59,555,387	86,822,937	40,719,416	59,167,757	71,900,642	47,610,856	505,415,991
Capital Appropriations	-	-	15,300	-	11,696,185	-	-	-	11,711,485
Total Revenue	<u>\$ 50,449,008</u>	<u>\$ 89,189,988</u>	<u>\$ 59,570,687</u>	<u>\$ 86,822,937</u>	<u>\$ 52,415,601</u>	<u>\$ 59,167,757</u>	<u>\$ 71,900,642</u>	<u>\$ 47,610,856</u>	<u>\$ 517,127,476</u>
Expenditures by program									
Instruction	\$ 17,431,845	\$ 30,007,370	\$ 17,656,830	\$ 28,287,740	\$ 14,123,003	\$ 23,218,549	\$ 26,962,651	\$ 2,494,466	\$ 160,182,454
Academic Support	2,763,943	4,354,431	4,891,822	6,843,449	2,659,601	4,372,311	4,796,877	3,544,028	34,226,462
Student Services	6,353,236	9,104,794	5,213,024	8,148,817	4,916,539	9,430,302	9,315,747	2,121,224	54,603,683
Public Service/Continuing Education	400,390	609	760,295	387,509	1,411	460,622	507,527	53,548	2,571,911
Organized Research	-	-	-	-	-	-	5,866	-	5,866
Auxiliary Services	1,144,466	1,152,749	3,064,155	1,609,561	1,022,219	1,323,336	437,725	4,500,298	14,254,509
Operations and Maintenance	11,806,053	6,724,337	16,369,236	20,929,939	8,471,236	9,329,858	10,896,287	31,323,056	115,850,002
Institutional Support	3,803,986	18,652,204	3,852,280	4,812,430	3,874,699	3,166,777	5,113,318	40,916,303	84,191,997
Scholarships, Grants, Waivers	6,745,089	19,193,494	7,747,745	15,803,492	5,650,708	7,866,002	13,864,644	11,432,712	88,303,886
Total Expenditures	<u>\$ 50,449,008</u>	<u>\$ 89,189,988</u>	<u>\$ 59,555,387</u>	<u>\$ 86,822,937</u>	<u>\$ 40,719,416</u>	<u>\$ 59,167,757</u>	<u>\$ 71,900,642</u>	<u>\$ 96,385,635</u>	<u>\$ 554,190,770</u>

Statement of Purpose: The City Colleges of Chicago Revenues and Expenditures by College for the year ended June 30, 2019, is required by the terms of a Memorandum of Understanding (MOU) between City Colleges and the North Central Association of Colleges and Schools Commission on Institutions of Higher Education (NCA). The MOU outlines an appropriate pattern of evidence to be made available by City Colleges for purposes of meeting certain NCA Criteria for Accreditation related to financial resources/uses and other assurances. This schedule presents revenues and expenditures for each college and the district office.

SPECIAL REPORTS SECTION

State Required Reports Section

City Colleges of Chicago
Community College District No. 508
All Funds Summary
Uniform Financial Statement #1
Fiscal Year Ended June 30, 2019

	Education Fund	Operations and Maintenance Fund	Operations and Maintenance Fund (Restricted)	Bond and Interest Fund	Auxiliary Enterprises Fund	Restricted Purposes Fund *	Working Cash Fund	Audit Fund	Liability, Protection Settlement Fund	Building Bonds Proceeds Fund	GASB 34/35 Adjustment **	Total
Fund Balance: June 30, 2018*	\$ 12,799,751	\$ (888,080)	\$ (16,530,149)	\$ 1,851,574	\$ (8,305,803)	\$ 1,905,525	\$ 67,013,532	\$ 156,235	\$ -	\$ 57,724,815	\$ 461,564,263	\$ 577,291,663
Revenues:												
Local Tax Revenue	88,461,459	25,831,792	-	18,551,706	-	-	-	597,128	5,595,971	-	-	139,038,056
All Other Local Revenue	-	-	11,711,485	-	650,000	34,934	-	-	-	-	-	12,396,419
ICCB Grants	42,470,101	-	-	-	-	3,164,060	-	-	-	-	-	45,634,161
All Other State Revenue	27,028	-	-	-	-	141,769,731	-	-	-	-	-	141,796,759
Federal Revenue	226,647	-	-	-	-	71,775,590	-	-	-	-	-	72,002,237
Student Tuition and Fees	91,725,295	-	-	-	748,422	750	-	-	-	-	-	92,474,467
All Other Revenue	5,249,509	1,191,724	361,967	301,849	4,344,183	1,334,619	-	-	-	1,001,526	-	13,785,377
Total Revenues	228,160,039	27,023,516	12,073,452	18,853,555	5,742,605	218,079,684	-	597,128	5,595,971	1,001,526	-	517,127,476
Expenses												
Instruction	95,367,343	-	-	-	1,125,096	63,690,015	-	-	-	-	-	160,182,454
Academic Support	17,916,053	-	-	-	-	16,382,409	-	-	-	-	(72,000)	34,226,462
Student Services	34,109,654	4,954	-	-	101,833	20,387,242	-	-	-	-	-	54,603,683
Public Service/Continuing Education	17,964	-	-	-	1,043,442	1,510,505	-	-	-	-	-	2,571,911
Organized Research	-	-	-	-	-	5,866	-	-	-	-	-	5,866
Auxiliary Services	5,207,557	-	-	-	4,070,254	4,976,698	-	-	-	-	-	14,254,509
Operations and Maintenance	10,660,019	26,588,584	8,578,180	20,704,929	-	15,155,920	-	-	71,834	39,760,587	(5,670,051)	115,850,002
Institutional Support	63,286,022	15,819	2,197,683	200	499,798	21,643,261	-	514,817	5,330,020	3,018,096	(12,313,719)	84,191,997
Scholarships, Grants, Waivers	11,957,412	12,162	-	-	500,000	75,834,312	-	-	-	-	-	88,303,886
Total Expenses	238,522,024	26,621,519	10,775,863	20,705,129	7,340,423	219,586,228	-	514,817	5,401,854	42,778,683	(18,055,770)	554,190,770
Net Transfers	-	-	-	-	-	-	-	-	-	-	-	-
Fund Balance: June 30, 2019	\$ 2,437,766	\$ (486,083)	\$ (15,232,560)	\$ -	\$ (9,903,621)	\$ 398,981	\$ 67,013,532	\$ 238,546	\$ 194,117	\$ 15,947,658	\$ 479,620,033	\$ 540,228,369

* In order to comply with the ICCB requirement and for this statement purpose only, the beginning balance of the Education Fund and the Long Term Debt Fund have been restated due to the reclassification of OPEB expense from the Education Fund to the Long Term Debt Fund.

** The Investment in Plant Fund and the Long Term Debt Fund Summaries were consolidated into the GASB 34/35 Adjustment Fund Summary.

**City Colleges of Chicago
Community College District No. 508
Summary of Fixed Assets and Debt
Uniform Financial Statement #2
Fiscal Year Ended June 30, 2019**

Fixed Assets	Capital Assets July 1, 2018	Additions	Deletions and Transfers	Capital Assets June 30, 2019
Land	\$ 51,376,464	\$ -	\$ -	\$ 51,376,464
Construction in progress	58,259,377	50,111,092	(102,463,906)	5,906,563
Buildings and improvements	1,091,365,536	102,293,248	(1,092,953)	1,192,565,831
Equipment	64,058,673	242,658	-	64,301,331
Software	72,588,654	-	(30,035,011)	42,553,643
Accumulated depreciation	(419,672,387)	(46,570,373)	30,874,253	(435,368,507)
Net Fixed Assets	\$ 917,976,317	\$ 106,076,625	\$ (102,717,617)	\$ 921,335,325

Fixed Debt	Long-Term Debt July 1, 2018	Additions	Deletions and Transfers	Long-Term Debt June 30, 2019
Bonds payable	\$ 315,560,000	\$ -	\$ (4,550,000)	\$ 311,010,000
Total Fixed Debt	\$ 315,560,000	\$ -	\$ (4,550,000)	\$ 311,010,000

City Colleges of Chicago
Community College District No. 508
Operating Funds Revenues and Expenditures**
Uniform Financial Statement #3
Fiscal Year Ended June 30, 2019

OPERATING REVENUES BY SOURCE	Education Fund	Operations and Maintenance Fund	Total Operating Funds
Local Government Revenue:			
Local Taxes	\$ 88,252,702	\$ 25,831,792	\$ 114,084,494
Personal Property Replacement Tax	208,757	-	208,757
TOTAL LOCAL GOVERNMENT	88,461,459	25,831,792	114,293,251
State Government:			
ICCB Base Operating Grant	34,932,194	-	34,932,194
ICCB Equalization Grants	12,633,696	-	12,633,696
ICCB Career and Technical Education	1,552,000	-	1,552,000
ICCB - Special Appropriation	(6,647,789)	-	(6,647,789)
ICCB - Adult Education	-	-	-
Other (Include other ICCB grants not listed above)	27,028	-	27,028
TOTAL STATE GOVERNMENT	42,497,129	-	42,497,129
Federal Government:			
Dept. of Education	226,647	-	226,647
TOTAL FEDERAL GOVERNMENT	226,647	-	226,647
Student Tuition and Fees			
Tuition	91,725,295	-	91,725,295
TOTAL TUITION AND FEES	91,725,295	-	91,725,295
Other Sources			
Sales and Service Fees	241,920	-	241,920
Facilities Revenue	100	1,356,485	1,356,585
Investment Revenue	2,546,096	355	2,546,451
Other	2,461,393	(165,116)	2,296,277
TOTAL OTHER REVENUE	5,249,509	1,191,724	6,441,233
TOTAL REVENUE	\$ 228,160,039	\$ 27,023,516	\$ 255,183,555
OPERATING EXPENDITURES BY PROGRAM			
Instruction	\$ 95,367,343	\$ -	\$ 95,367,343
Academic Support	17,916,053	-	17,916,053
Student Services	34,109,654	4,954	34,114,608
Public Service/Continuing Education	17,964	-	17,964
Auxiliary Services	5,207,557	-	5,207,557
Operations and Maintenance	10,660,019	26,588,584	37,248,603
Institutional Support	63,286,022	15,819	63,301,841
Scholarships, Grants, Waivers	11,957,412	12,162	11,969,574
TOTAL EXPENDITURES	\$ 238,522,024	\$ 26,621,519	\$ 265,143,543
OPERATING EXPENDITURES BY OBJECT			
Salaries	\$ 168,246,963	\$ 14,243,479	\$ 182,490,442
Employee Benefits	27,123,339	2,529,772	29,653,111
Contractual Services	11,842,382	1,780,048	13,622,430
General Materials and Supplies	10,757,830	705,895	11,463,725
Professional Development	723,708	-	723,708
Fixed Charges	558,311	280,376	838,687
Utilities	1,074,029	7,066,130	8,140,159
Other	6,238,050	15,819	6,253,869
Student Grants & Scholarships**	11,957,412	-	11,957,412
TOTAL EXPENDITURES	\$ 238,522,024	\$ 26,621,519	\$ 265,143,543

** Operating Funds include the Education and the Operations and Maintenance funds.

Schedule 4

**City Colleges of Chicago
Community College District No. 508
Restricted Purposes Fund Revenues and Expenditures*
Uniform Financial Statement #4
Fiscal Year Ended June 30, 2019**

REVENUE BY SOURCE:

TOTAL LOCAL GOVERNMENT	\$ 34,934
State Government	
ICCB - Adult Education	3,164,060
SURS - On Behalf	128,302,034
Other	13,467,697
TOTAL STATE GOVERNMENT	<u>144,933,791</u>
Federal Government	
Dept. of Education	63,719,504
Other	8,056,086
TOTAL FEDERAL GOVERNMENT	<u>71,775,590</u>
Other Sources	
Other	1,335,369
TOTAL OTHER SOURCES	<u>1,335,369</u>
TOTAL RESTRICTED PURPOSES FUND REVENUES	<u><u>\$ 218,079,684</u></u>
EXPENDITURES BY PROGRAM	
Instruction	\$ 63,690,015
Academic Support	16,382,409
Student Services	20,387,242
Public Service/Continuing Education	1,510,505
Organized Research	5,866
Auxiliary Services	4,976,698
Operations and Maintenance	15,155,920
Institutional Support	21,643,261
Scholarships, Grants and Waivers	75,834,312
TOTAL RESTRICTED PURPOSES FUND EXPENDITURES	<u><u>\$ 219,586,228</u></u>
EXPENDITURES BY OBJECT	
Salaries	11,777,253
Employee Benefits	130,222,820
Contractual Services	762,514
General Materials and Supplies	1,641,480
Professional Development	321,420
Fixed Charges	2,466
Capital Outlay	11,938
Other	83,946
Scholarships, Grants, Waivers	74,762,391
TOTAL RESTRICTED PURPOSES FUND EXPENDITURES	<u><u>\$ 219,586,228</u></u>

**City Colleges of Chicago
Community College District No. 508
Current Funds * Expenditures by Activity
Uniform Financial Statement #5
Fiscal Year Ended June 30, 2019**

INSTRUCTION	
Instructional Programs	\$ 160,182,454
Total Instruction	<u>160,182,454</u>
ACADEMIC SUPPORT	
Library Center	4,541,525
Instructional Materials Center	305,042
Educational Media Services	176,509
Academic Computing Support	2,109,978
Academic Administration and Planning	15,874,546
Other	<u>11,290,862</u>
Total Academic Support	<u>34,298,462</u>
STUDENT SERVICES SUPPORT	
Admissions and Records	10,035,215
Counseling and Career Services	17,890,912
Financial Aid Administration	5,410,496
Other	<u>21,267,060</u>
Total Student Services Support	<u>54,603,683</u>
PUBLIC SERVICE/CONTINUING EDUCATION	
Community Education	492,890
Customized Training (Instructional)	230,246
Community Services	379,874
Other	<u>1,468,901</u>
Total Public Service/Continuing Education	<u>2,571,911</u>
ORGANIZED RESEARCH	
	<u>5,866</u>
AUXILIARY SERVICES	
	<u>14,254,509</u>
OPERATIONS AND MAINTENANCE OF PLANT	
Maintenance	14,703,847
Custodial Services	11,088,141
Grounds	77,994
Campus Security	14,516,484
Utilities	6,943,947
Administration	3,876,967
Other	<u>1,268,977</u>
Total Operations and Maintenance of Plant	<u>52,476,357</u>
INSTITUTIONAL SUPPORT	
Executive Management	11,638,716
Fiscal Operations	19,368,404
Community Relations	4,347,634
Administrative Support Services	40,750,365
Board of Trustees	360,657
General Institutional	6,962,560
Institutional Research	1,236,142
Administrative Data Processing	12,289,883
Other	<u>(5,664,624)</u>
Total Institutional Support	<u>91,289,737</u>
SCHOLARSHIPS, STUDENTS GRANTS, & WAIVERS	
	<u>88,303,886</u>
TOTAL CURRENT FUNDS EXPENDITURES	
	<u>\$ 497,986,865</u>


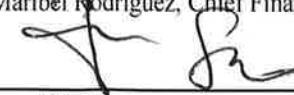
* Current Funds include the Education; Operations and Maintenance; Auxiliary Enterprises; Restricted Purposes; Audit; Liability, Protection, and Settlement;

City Colleges of Chicago
ILLINOIS COMMUNITY COLLEGE DISTRICT NO. 508

CERTIFICATE OF CHARGEBACK REIMBURSEMENT FOR FISCAL YEAR 2020

All fiscal year 2019 non-capital audited operating expenditures for the past year from the following funds:

Education Fund	\$ 238,522,024
Operations and Maintenance Fund	26,621,519
Bond and Interest Fund	20,705,129
Restricted Purposes Fund	91,284,195
Audit Fund	514,817
Liability, Protection and Settlement Fund	<u>5,401,854</u>
Total noncapital expenditures	\$ 383,049,538
Depreciation on capital outlay expenditures (equipment, buildings, and fixed equipment paid) from sources other than state and federal funds	<u>\$ 27,375,856</u>
 Total costs included	 <u>\$ 410,425,394</u>
 Total certified semester credit hours for FY 2019	 791,761.5
 Per capita cost	 \$ 518.37
 All FY 2019 state and federal operating grants for noncapital expenditures, except ICCB grants	 \$ 85,496,963
 FY 2019 state and federal grants per semester credit hour	 \$ 107.98
 District's average ICCB grant rate (excluding equalization grants) for FY 2020	 \$ 52.16
 District's student tuition and fee rate per semester credit hour for FY 2019	 <u>\$ 111.41</u>
 Chargeback reimbursement per semester credit hour	 <u>\$ 246.82</u>

Approved: 	<u>10/17/2019</u>
Maribel Rodriguez, Chief Financial Officer	Date
Approved: 	<u>10/17/2019</u>
Juan Salgado, Chancellor	Date



RSM US LLP

**Independent Accountant's Report on the Schedule of Enrollment
Data and Other Bases Upon Which Claims Are Filed**

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

We have examined the accompanying Schedule of Enrollment Data and Other Bases Upon Which Claims Are Filed (the Schedule) of City Colleges of Chicago, Community District No. 508 (City Colleges) for the year ended June 30, 2019. City Colleges' management is responsible for preparing the Schedule in accordance with the guidelines of the Illinois Community College Board's *Fiscal Management Manual*. Our responsibility is to express an opinion the Schedule based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Schedule referred to above is in accordance with the guidelines of the Illinois Community College Board's *Fiscal Management Manual*, in all material respects. An examination involves performing procedures to obtain evidence about whether or not the Schedule is presented in accordance with the provisions of the Illinois Community College Board's *Fiscal Management Manual*. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the accompanying Schedule of Enrollment Data and Other Bases Upon Which Claims Are Filed is presented in accordance with the provisions of the Illinois Community College Board's *Fiscal Management Manual* in all material respects.

The supplementary information on page 89 discusses City Colleges' residency policy and provides a summary of assessed valuations and is the responsibility of City Colleges' management. This information has not been subjected to the examination procedures applied in the examination of the Schedule and, accordingly, we do not express an opinion or provide any assurance on it.

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

RSM US LLP

Chicago, Illinois
October 17, 2019

**City Colleges of Chicago
Schedule of Enrollment Data and
Other Bases On Which Claims are Filed
Year ended June 30, 2019**

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

Categories	Summer		Fall		Spring		Total	
	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted
Baccalaureate Transfer	48,988.0	-	196,024.0	-	182,430.0	-	427,442.0	-
Business Occupational	3,066.0	-	16,400.0	-	14,676.0	-	34,142.0	-
Technical Occupational	3,958.0	-	17,969.5	24.0	15,550.0	24.0	37,477.5	48.0
Health Occupational	3,556.0	-	12,736.0	-	12,411.0	-	28,703.0	-
Remedial/Developmental	2,064.0	-	30,861.0	-	18,484.0	-	51,409.0	-
Adult Basic/Secondary Education	<u>48,702.0</u>	<u>4,637.0</u>	<u>66,424.0</u>	<u>10,308.0</u>	<u>68,453.5</u>	<u>14,015.5</u>	<u>183,579.5</u>	<u>28,960.5</u>
Total	<u>110,334.0</u>	<u>4,637.0</u>	<u>340,414.5</u>	<u>10,332.0</u>	<u>312,004.5</u>	<u>14,039.5</u>	<u>762,753.0</u>	<u>29,008.5</u>

Reconciliation of Total Semester Credit Hours for the Year Ended June 30, 2019

Categories	Unrestricted			Restricted		
	Total Credit Hours	Total Credit Hours Certified by ICCB	Difference	Total Credit Hours	Total Credit Hours Certified by ICCB	Difference
Baccalaureate Transfer	427,442.0	427,442.0	-	-	-	-
Business Occupational	34,142.0	34,142.0	-	-	-	-
Technical Occupational	37,477.5	37,477.5	-	48.0	48.0	-
Health Occupational	28,703.0	28,703.0	-	-	-	-
Remedial/Developmental	51,409.0	51,409.0	-	-	-	-
Adult Basic/Secondary Education	<u>183,579.5</u>	<u>183,579.5</u>	-	<u>28,960.5</u>	<u>28,960.5</u>	-
Total	<u>762,753.0</u>	<u>762,753.0</u>	-	<u>29,008.5</u>	<u>29,008.5</u>	-

Summary of Certified Dual Credit and Dual Enrollment Hours

	<u>Dual Credit</u>	<u>Dual Enrollment</u>
Reimbursable Semester Credit Hours (All Terms)	22,284.0	8,653.0

City Colleges of Chicago
Schedule of Enrollment Data and
Other Bases On Which Claims are Filed (Continued)
Year ended June 30, 2019

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

	<u>Attending In-District</u>	<u>Attending Out-of-District on Chargeback or Cooperative/ Contractual Agreement</u>	<u>Total</u>
Unrestricted in-district resident hours	742,583.5		
Restricted in-district resident hours	<u>27,494.5</u>		
Semester credit hours (all terms)	770,078.0	2,422.0	772,500.0

District prior-year equalized assessed evaluation \$ 86,286,411,094

	<u>Total Credit Hours</u>	<u>Total Credit Hours Certified by ICCB</u>	<u>Difference</u>
In-district resident	770,078.0	770,078.0	-
Out-of-district (chargeback/contractual agreement)	<u>2,422.0</u>	<u>2,422.0</u>	-
Total	<u><u>772,500.0</u></u>	<u><u>772,500.0</u></u>	<u><u>-</u></u>

Schedule 9

Student Residency Verification Process

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

- Minors whose parents or legal guardians live in Chicago
- Adults or emancipated minors who live in Chicago (and have not moved to the city for the sole purpose of attending a post-secondary educational institution)
- Students who live out of district may qualify for in-district tuition if they work more than 35 hours per week in the City of Chicago. Proof of full-time employment must be shown at registration.

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

Non-resident tuition and fees will be charged to:

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

Summary of Assessed Valuations

<u>Tax Levy Year</u>	<u>Equalized Assessed Valuation</u>
2018	\$86,286,411,094
2017	76,722,182,440
2016	73,984,605,433
2015	70,924,421,349
2014	64,879,908,794
2013	62,337,066,955
2012	65,221,057,665
2011	75,087,804,739
2010	82,052,222,695
2009	84,550,505,262

State Grant Compliance Section

**Independent Auditor's Report on Audits of
The Grant Programs Financial Statements**

RSM US LLP

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Early School Leavers Grant Program, the Innovative Bridge and Transition Grant Program, and the State Adult Education and Family Literacy Grant Program (the Grant Programs) of City Colleges of Chicago, Community College District No. 508 (City Colleges) as of and for the year ended June 30, 2019, and the related notes to the financial statements – grant programs, which collectively comprise City Colleges' grant programs 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 grant programs 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. 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Early School Leavers Grant Program, the Innovative Bridge and Transition Grant Program and the State Adult Education, and Family Literacy Grant Program as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The grant programs financial statements present only the Grant Programs referred to above and do not purport to, and do not, present the financial position of City Colleges as of June 30, 2019, or the changes in 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2019, on our consideration of City Colleges' 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 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 City Colleges' 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 City Colleges' internal control over financial reporting and compliance.

RSM US LLP

Chicago, Illinois
October 17, 2019

Independent Auditor's Report On Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Grant Programs Financial Statements Performed In Accordance With *Government Auditing Standards*

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

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, the financial statements of the Early School Leavers Grant Program, the Innovative Bridge and Transition Grant Program, and the State Adult Education and Family Literacy Grant Program (the Grant Programs) of City Colleges of Chicago, Community College District No. 508 (City Colleges) as of and for the year ended June 30, 2019, and the related notes to the financial statements – grant programs, and have issued our report thereon dated October 17, 2019. The grant programs financial statements present only the Grant Programs referred to above and do not purport to, and do not, present the financial position of City Colleges as of June 30, 2019, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the grant programs financial statements, we considered City Colleges' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the grant programs financial statements, but not for the purpose of expressing an opinion on the effectiveness of City Colleges' internal control. Accordingly, we do not express an opinion on the effectiveness City Colleges' 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 entity's 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 was for the limited purpose described in the first paragraph of 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 City Colleges' grant programs financial statements are free from 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

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Chicago, Illinois
October 17, 2019

Grant Program Financial Statements

**City Colleges of Chicago
Community College District No. 508
State Adult Education and Family Literacy Grant Program
Combined Balance Sheet
June 30, 2019**

	<u>State Basic</u>	<u>State Performance</u>	<u>Total</u>
Assets			
Accounts Receivable	\$ 199,198	\$ 117,209	\$ 316,407
Total assets	<u>199,198</u>	<u>117,209</u>	<u>316,407</u>
Liabilities and Fund Balance			
Accounts payable	18,444	2,118	20,562
Accrued payroll	16,677	26,434	43,111
Due to City Colleges of Chicago	<u>164,077</u>	<u>88,657</u>	<u>252,734</u>
Total Liabilities	<u>199,198</u>	<u>117,209</u>	<u>316,407</u>
Fund balance	-	-	-
Total Liabilities and Fund Balance	<u>\$ 199,198</u>	<u>\$ 117,209</u>	<u>\$ 316,407</u>

**Combined Statement of Revenues, Expenditures
and Changes in Fund Balance
Year ended June 30, 2019**

	<u>State Basic</u>	<u>State Performance</u>	<u>Total</u>
Revenue			
State Sources	\$ 1,991,975	\$ 1,172,085	\$ 3,164,060
Expenditures By Program			
Instruction	1,450,423	383,794	1,834,217
Social Work Services	52,019	83,335	135,354
Guidance Services	252,530	103,006	355,536
Assessment and Testing	136,303	160,080	296,383
Student Transportation Services	<u>-</u>	<u>14,520</u>	<u>14,520</u>
Subtotal Instructional and Student Services	1,891,275	744,735	2,636,010
Program Support			
Improvement of Instructional Services	-	82,030	82,030
General Administration	78,612	170,096	248,708
Data and Information Services	<u>22,088</u>	<u>175,224</u>	<u>197,312</u>
Subtotal Program Support	<u>100,700</u>	<u>427,350</u>	<u>528,050</u>
Total Expenditures	<u>1,991,975</u>	<u>1,172,085</u>	<u>3,164,060</u>
Excess of Revenue Over Expenditures	-	-	-
Fund Balance - July 1, 2018	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to grant program financial statements.

City Colleges of Chicago
Community College District No. 508
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, 2019

	<u>Expenditure Amount</u>	<u>Allowed Expenditure Percentage</u>	<u>Actual Expenditure Percentage</u>
State Basic			
Instruction	\$ 1,450,423	Minimum 45%	73%
General Administration	\$ 78,612	Maximum 9%	4%

See accompanying notes to grant program financial statements.

**City Colleges of Chicago
Community College District No. 508
Early School Leavers Grant Program
Balance Sheet
June 30, 2019**

Assets	
Cash	\$ -
Total Assets	<u>\$ -</u>
 Liabilities and Fund Balance	
Deferred revenue	\$ -
Total liabilities	<u>\$ -</u>
 Total Fund Balance	 -
Total Liabilities and Fund Balance	<u>\$ -</u>

**Statement of Revenues, Expenditures
and Changes in Fund Balance
Year ended June 30, 2019**

Revenue	
State sources	<u>\$ 40,000</u>
 Expenditures	
Salaries	\$ 29,097
Employee benefits	5,554
Materials and supplies	973
Travel and professional development	1,735
Purchased services	2,641
Total expenditures	<u>\$ 40,000</u>
 Excess of Revenue Over Expenditures	
Fund Balance - July 1, 2018	\$ -
Fund Balance - June 30, 2019	<u>\$ -</u>

See accompanying notes to grant program financial statements.

**City Colleges of Chicago
Community College District No. 508
Innovative Bridge and Transition Program
Balance Sheet
As of June 30, 2019**

Assets	
Cash	-
Total Assets	<u>\$ -</u>
 Liabilities and Fund Balance	
Deferred revenue	-
Total liabilities	<u>\$ -</u>
 Total Fund Balance	 -
Total Liabilities and Fund Balance	<u>\$ -</u>

**Statement of Revenues, Expenditures
and Changes in Fund Balance
Year ended June 30, 2019**

Revenue	
State sources	<u>\$ 419,192</u>
 Expenditures	
Salaries	\$ 299,327
Employee benefits	22,708
Equipment	15,810
Purchased services	55,739
Materials and supplies	<u>25,608</u>
Total Expenditures	<u>\$ 419,192</u>
 Excess of Revenue Over Expenditures	
Fund Balance - July 1, 2018	<u>\$ -</u>
Fund Balance - June 30, 2019	<u>\$ -</u>

See accompanying notes to grant program financial statements.

Notes to Grant Program Financial Statements

City Colleges of Chicago
Community College District No. 508
Notes to Grant Program Financial Statements
June 30, 2019

1. PROGRAM DESCRIPTIONS

City Colleges of Chicago is responsible for administering the following programs in accordance with “Policy Guidelines for Restricted Grant Expenditures and Reporting” set forth by ICCB in its Fiscal Management Manual. Program funds are accounted for in the City Colleges of Chicago’s current restricted fund.

A. Adult Education and Family Literacy Grants

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

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

The ICCB provides funding for Adult Education and Family Literacy from State and Federal sources in fiscal year 2019. State funds include two categories: (1) State Basic and (2) State Performance. Federal funds also include two categories in fiscal year 2019, (1) Federal Basic and (2) Federal El Civics. Funding is allocated through a competitive process. The funding source determines the applicable statutory regulations, policies, and guidelines including allowable costs.

B. Early School Leavers Grant

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

C. Innovative Bridge and Transition Program Grant

The City Colleges of Chicago’s Career Bridge programs are offered in six different career sectors across six campuses. The program is designed as an Integrated Education and Training (IET) program, which means that students will receive contextualized instruction in a career area and will be co-enrolled in Adult Education along with credit classes for industry credentials. The goals of Career Bridges are: obtainment of an industry credential allowing entry into the workforce; to improve reading, writing, math and/or English language skills, and preparation for the high school equivalency, if needed.

City Colleges of Chicago
Community College District No. 508
Notes to Grant Program Financial Statements
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Reporting

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

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

The grant funds shall be expended or obligated prior to June 30 each year, the last day of the fiscal year. Grant funds should be accounted for in the same period as in the credit hour claiming process. Unexpended funds shall be returned to ICCB by October 15 following the end of the fiscal year. The State Adult Education and Family Literacy programs, the Early School Leavers program, and the Innovative Bridge and Transition program were fully expended within the grant period.

These grant program financial statements cover only the State Adult Education and Family Literacy, the Early School Leavers and the Innovative Bridge and Transition program. It is not intended to, and does not, present the financial position or results of operations of City Colleges of Chicago in its entirety.

B. Cash held by City Colleges of Chicago

To facilitate sound management, substantially all grant program cash for the State Adult Education and Family Literacy, the Early School Leavers program and the Innovative Bridge and Transition program are pooled with City Colleges.

C. Accounts Receivable

A receivable is recorded for the funds to be received from the ICCB at June 30, 2019 for reimbursement of the allowable expenditures incurred during the fiscal year.

D. Due to City Colleges of Chicago

Due to City Colleges of Chicago represents the amount to be reimbursed to City Colleges for the use of resources to pay for the expenses incurred.

City Colleges of Chicago
Community College District No. 508
Notes to Grant Program Financial Statements
June 30, 2019

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

E. Uses of Estimates

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

**Single Audit Act Supplementary
Financial and Compliance
Report Section**

**Report On Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With *Government Auditing Standards***

Independent Auditor's Report

To the Board of Trustees
City Colleges of Chicago
Community Colleges District No. 508

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, the financial statements of City Colleges of Chicago, Community College District No. 508 (City Colleges), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City Colleges' basic financial statements, and have issued our report thereon dated October 17, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City Colleges' internal control over financial reporting (internal control) 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 City Colleges' internal control. Accordingly, we do not express an opinion on the effectiveness of City Colleges' 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 entity's 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 was for the limited purpose described in the first paragraph of 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 City Colleges' financial statements are free from 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

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Chicago, Illinois
October 17, 2019

Report On Compliance For The Major Federal Program; Report On Internal Control Over Compliance; And Report On Schedule Of Expenditures Of Federal Awards Required By The Uniform Guidance

Independent Auditor's Report

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

Report on Compliance for the Major Federal Program

We have audited City Colleges of Chicago, Community College District No. 508's (City Colleges) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on City Colleges' major federal program for the year ended June 30, 2019. City Colleges' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for City Colleges' major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City Colleges' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance on the major federal program. However, our audit does not provide a legal determination of City Colleges' compliance.

Opinion on the Major Federal Program

In our opinion, City Colleges complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002, 2019-003, 2019-004, 2019-005, 2019-006 and 2019-007. Our opinion on the major federal program is not modified with respect to these matters.

City Colleges' responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City Colleges' responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of City Colleges is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City Colleges' internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City Colleges' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a significant deficiency. In addition, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned cost as item 2019-003.

City Colleges' responses to internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City Colleges' responses were not subjected to the auditing procedures applied in the audit and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of City Colleges as of and for the year ended June 30, 2019, and have issued our report thereon dated October 17, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information 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. The 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Chicago, Illinois
October 17, 2019

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Federal Project Grantor's Number	Total Expenditures	Pass - Through To Subrecipients
U.S. Department of Education -					
Student Financial Assistance Cluster:					
Federal Pell Grant Program	84.063			\$ 60,649,110	-
Total Federal Pell Grant				<u>60,649,110</u>	<u>-</u>
Federal Work-Study Program	84.033			\$ 1,189,765	-
Total Federal Work-Study Program				<u>1,189,765</u>	<u>-</u>
Federal Supplemental Educational Opportunity Grants Program	84.007			\$ 1,809,114	-
Total Federal Supplemental Educational Opportunity Grants				<u>1,809,114</u>	<u>-</u>
Federal Direct Student Loans	84.268			\$ 5,946,181	-
Total Federal Direct Student Loans				<u>5,946,181</u>	<u>-</u>
Total Student Financial Assistance Cluster:				<u>69,594,170</u>	<u>-</u>
TRIO Cluster:					
TRIO- Student Support Services					
Student Support Services Program	84.042A		P042A151046-17	28,100	-
Student Support Services Program	84.042A		P042A151046-18	202,873	-
Student Support Services Program	84.042A		P042A150138-17	25,578	-
Student Support Services Program	<u>84.042A</u>		P042A150138-18	171,983	-
Subtotal	84.042A			<u>428,534</u>	<u>-</u>
TRIO - Talent Search Program:					
Talent Search Grant	84.044A		PO44A160557-17	46,491	-
Talent Search Grant	<u>84.044A</u>		PO44A160557-18	300,983	-
Subtotal	84.044A			<u>347,474</u>	<u>-</u>
TRIO - Educational Opportunity Centers					
Educational Opportunity Centers Program	84.066A		PO66A160284-17	24,677	-
Educational Opportunity Centers Program	<u>84.066A</u>		PO66A160284-18	219,829	-
Subtotal	84.066A			<u>244,506</u>	<u>-</u>
Total TRIO Cluster				<u>1,020,514</u>	<u>-</u>

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Federal Project Grantor's Number	Total Expenditures	Pass - Through To Subrecipients
Adult Education - Basic Grants to States					
Passed through the Illinois Community College Board					
Adult Education Grant - Basic	84.002A	F5080019	F5080118	1,403,295	-
Adult Education Grant - Civic	<u>84.002A</u>	F5080019	F5080118	225,000	-
Total 84.002A				<u>1,628,295</u>	<u>-</u>
Higher Education Institutional Aid					
Wright Start: Increasing Hispanic Student Success in the First Year of College					
	<u>84.031S</u>		P031S120098-16	19,820	-
Subtotal 84.031S				<u>19,820</u>	<u>-</u>
Higher Education Institutional Aid					
Truman College Critical Reading and Science Centers					
	84.031S		P031S150026-17	84,211	-
Truman College Critical Reading and Science Centers					
	<u>84.031S</u>		P031S150026-18	431,836	-
Subtotal 84.031S				<u>516,047</u>	<u>-</u>
Total 84.031S				<u>535,867</u>	<u>-</u>
Career and Technical Education - Basic Grants to States					
Passed through the Illinois Community College Board					
Perkins III Grant	84.048	CTE50818		1,336	-
Perkins III Grant	84.048	CTE50819		2,318,559	-
Subtotal 84.048				<u>2,319,895</u>	<u>-</u>
Career and Technical Education					
Passed through the Illinois Community College Board					
Perkins Leadership Improvement Grant	84.048	CTE-IG-50818		24,231	-
Perkins Leadership Grant	<u>84.048</u>	LEAD50819		8,076	-
Subtotal 84.048				<u>32,307</u>	<u>-</u>
Career and Technical Education					
Implementation Communities					
Pathway to Results Year 2	<u>84.048</u>		PTR2-50819	13,707	-
Total 84.048				<u>2,365,909</u>	<u>-</u>
Strengthening Minority-Serving Institutions					
Olive Harvey College	84.382A		P382A150033-17	63,862	-
Olive Harvey College	<u>84.382A</u>		P382A150033-18	298,714	-
Subtotal 84.382A				<u>362,576</u>	<u>-</u>
Strengthening Minority-Serving Institutions					
Pipeline to Careers in Healthcare					
	84.382A		P382A150024-17	104,446	-
Pipeline to Careers in Healthcare	<u>84.382A</u>		P382A150024-18	316,571	-
Subtotal 84.382A				<u>421,017</u>	<u>-</u>
Total 84.382A				<u>783,593</u>	<u>-</u>
Total Expenditures - U.S. Department of Education				<u>75,928,348</u>	<u>-</u>

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Federal Project Grantor's Number	Total Expenditures	Pass - Through To Subrecipients
U.S. Department of Health and Human Services -					
Head Start					
Passed through the City of Chicago Department of Family and Support Services:					
Head Start Program	93.600	33362-3		229,241	-
Head Start Program	93.600	33362-4		338,725	-
Head Start Support Services Program	93.600	33576-3		105,096	-
Head Start Support Services Program	93.600	33576-4		122,229	-
Early Head Start Support Services - Child Care Partnership	93.600	37613-3		584	-
Early Head Start Support Services - Child Care Partnership	93.600	37613-4		94,718	-
Early Head Start Support Services	93.600	52755-2		7,009	-
Early Head Start Support Services	93.600	52755-3		12,620	-
Subtotal	93.600			<u>910,222</u>	<u>-</u>
Child Care					
Passed through the City of Chicago Department of Family and Support Services:					
Child Care Services Program	93.596	81654		4,519	-
Total	93.596			<u>4,519</u>	<u>-</u>
Oral Health					
Passed through Illinois Department of Public Health:					
Oral Health Workforce Grant	93.236	83489101F		11,045	-
Total	93.236			<u>11,045</u>	<u>-</u>
Total Expenditures - U.S. Department of Health and Human Services				<u>925,786</u>	<u>-</u>
U.S. Department of Agriculture -					
Passed through the Illinois State Board of Education					
Child and Adult Care Food Program	10.558	15016508051		29,456	-
Child and Adult Care Food Program	<u>10.558</u>	15016508051		141,352	-
Subtotal	10.558			<u>170,808</u>	<u>-</u>
Total Expenditures - U.S. Department of Agriculture				<u>170,808</u>	<u>-</u>
U.S. Department of Labor -					
Apprenticeship Expansion Grant					
Passed through Illinois Department of Commerce and					
Economic Opportunity	17.285	17-112086		18,845	-
Total Expenditures - U.S. Department of Labor				<u>18,845</u>	<u>-</u>

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Federal Project Grantor's Number	Total Expenditures	Pass - Through To Subrecipients
National Science Foundation -					
Research and Development Cluster					
Education and Human Resources					
Intergovernmental Personnel Act (IGPA)	47.076		DUE-1224488	175,688	-
Education and Human Resources					
Exploring the Impact of Cultural Wealth and Scholarships S-STEM Scholars Program	17.527		DUE-1833435	13,365	-
Education and Human Resources					
Building Capacity: Building Bridges into Engineering and Computer Science	18.524		DUE-1832553	69,484	-
Total Expenditures - National Science Foundation				258,537	-
U.S. Department of Transportation					
Federal Highway Administration					
Highway Planning and Construction					
Passed through the Illinois Department of Transportation Highway Construction Careers Training Program	20.205		S-HCCTP-509	317,934	-
Federal Highway Administration					
Dwight D. Eisenhower Transportation Fellowship Program	20.215		693JJ31945178	15,000	-
Total Expenditures - U.S. Department of Transportation				332,934	-
Other Federal Agencies					
National Endowment for the Humanities					
NEH Humanities Grant	45.162		AC-258931-18	35,961	-
Total Expenditures - Other Federal Agencies				35,961	-
Total All Programs				\$ 77,671,219	\$ -

See Notes to the Schedule of Expenditures of Federal Awards.

City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2019

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Scope of Entity

City Colleges of Chicago, Community College District No. 508 (City Colleges) is a separate taxing body created under the Illinois Public Community College Act of 1965, with boundaries coterminous with the City of Chicago. City Colleges delivers educational and student services through seven colleges, each of which is separately accredited by the North Central Association. The seven colleges are Richard J. Daley College, Harold Washington College, Kennedy-King College, Malcolm X College, Olive-Harvey College, Harry S. Truman College, and Wilbur Wright College. The Board of Trustees, appointed by the Mayor of the City of Chicago and ratified by the City Council of Chicago, is responsible for establishing the policies and procedures by which City Colleges is governed. The U.S. Department of Education has been designated as the City Colleges' cognizant agency for the audit performed in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Fiscal period audited: Single Audit testing procedures were performed for program transactions that occurred during the fiscal year ended June 30, 2019.

Note 2. Summary of Significant Accounting Policies

Basis of accounting: The accompanying schedule of expenditures of federal awards includes the federal grant activity of City Colleges and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. The amounts presented in this schedule have been reconciled to the City Colleges' basic financial statements.

Cost allocation: City Colleges has a plan for allocation of common and indirect costs related to grant programs in accordance with the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The indirect cost rate used to allocate amounts to grant programs during the fiscal year ended June 30, 2019, is primarily based on a federally negotiated higher education rate agreement of 50.5%. Because City Colleges negotiated an indirect cost rate it cannot elect to use the 10% de minimus rate.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2019**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS *(Continued)*

Note 3. Student Loan Programs

Loans made under the Federal Direct Student Loan program issued to eligible students of City Colleges during the fiscal year ended June 30, 2019, are summarized as follows:

Guaranteed Loan Programs:	
Subsidized	\$ 2,986,248
Unsubsidized	2,919,410
Parent Plus	<u>40,523</u>
Total Federal Student Loan Programs	<u>\$ 5,946,181</u>

The loan programs include subsidized and unsubsidized Stafford Loans and Parent PLUS Loans. The value of loans issued for the Federal Student Loan Program is based on disbursement amounts. The loan amounts issued during the year are disclosed on the schedule. City Colleges is responsible only for the performance of certain administrative duties with respect to the federally guaranteed student loan programs and, accordingly, balances and transactions relating to these loan programs are not included in City Colleges' basic financial statements. Therefore, it is not practicable to determine the balance of loans outstanding to students and former students of City Colleges at June 30, 2019.

Note 4. Other Noncash Assistance

City Colleges did not receive federal noncash assistance during the fiscal year ended June 30, 2019.

Note 5. Amount of Federal Insurance in Effect During the Year

No federal insurance was received by City Colleges during the year ended June 30, 2019.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2019**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Section II. FINANCIAL STATEMENT FINDINGS

There were no financial statement findings required to be reported in accordance with *Government Auditing Standards*.

Section III. FEDERAL AWARD FINDINGS

Finding 2019-001 – Short Term Programs at Postsecondary Vocational Institutions (Internal Control Significant Deficiency and Compliance Finding)

Repeat Finding: No

Federal Program Title – U.S. Department of Education
Federal Direct Student Loans: 84.268
Federal Award Year 2018-2019

Condition

City Colleges did not track placement information and document its calculation for placement rates for each student enrolled in a short-term program at a post-secondary vocational institution.

Criteria

For the Direct Loan Program, short-term eligible programs at a postsecondary vocational institution must be between 300 - 599 clock hours. They must have been provided for at least one year and must have a substantiated completion and placement rate of at least 70 percent for the most recently completed award year. 34 CFR Section 668.8(f) and (g) requires City Colleges to have documentation supporting its placement rates for each student showing that the student obtained gainful employment in the recognized occupation for which he or she was trained or in a related comparable recognized occupation.

Questioned Costs

There were no questioned costs with respect to this finding.

Cause

The financial aid office does not have an effective system in place to ensure all campuses are tracking completion and placement rates.

Effect

Noncompliance with federal regulations could result in program ineligibility and the loss of future federal financial aid.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2019**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Section III. FEDERAL AWARD FINDINGS (CONTINUED)

Recommendation

We recommend City Colleges refine their policies and procedures to ensure that completion and placement rates are being tracked and placement rates are calculated for each award year.

Views of responsible officials

We agree with this finding. See corrective action plan.

Finding 2019-002 – Return of Title IV Funds – Post-withdrawal Disbursements (Compliance Finding)

Repeat Finding: No

Federal Program Title – U.S. Department of Education
Federal Pell Grant Program: 84.063
Federal Award Year 2018-2019

Condition

For three out of sixty students tested, City Colleges did not complete a post-withdrawal disbursement to the student within 45 days from the student’s withdrawal date of determination.

Criteria

34 CFR Section 668.22 requires City Colleges to disburse any post-withdrawal grants funds which were not credited to the student’s account any later than 45 days after City Colleges determines the student withdrew.

Questioned Costs

There were no questioned costs with respect to this finding. Refunds were paid to the three students in question.

Cause

This was due to an oversight at the campus level. The Return to Title IV (R2T4) is sent out on a weekly occurrence from the district office to the campus to complete. A number of variables may have caused the oversight, most notably staffing changes at the campus level played a role in the responsible party leaving City Colleges and new employees being trained to complete the function.

Prevalence

Infrequent. Three out of sixty students selected for testing.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2019**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Section III. FEDERAL AWARD FINDINGS (CONTINUED)

Effect

Noncompliance with federal regulations could result in the loss of future federal financial aid funding.

Recommendation

To ensure all post-withdrawal disbursements are in compliance with the 45 day requirement, we recommend City Colleges refine their policies and procedures to track post-withdrawal disbursements.

Views of responsible officials

We agree with this finding. See corrective action plan.

Finding 2019-003 – Return of Title IV Funds – Enrollment Reporting (Compliance Finding and Control Finding Deficiency)

Repeat Finding: Yes

Federal Program Title – U.S. Department of Education
Federal Pell Grant Program: 84.063
Federal Award Year 2018-2019

Condition

Four out of sixty students selected for testing withdrew from City Colleges for which status changes were not reported to the National Student Loan Data System (NSLDS)

Criteria

CFR section 685.309 and 690.83(b)(2) requires City Colleges to notify the NSLDS within 30 days of a change in student status or include the change in status in a response to an enrollment reporting roster within 60 days of the student's date of determination of withdrawal.

Questioned Costs

There were no questioned costs related to testing of enrollment reporting.

Cause

This was due to an oversight at the campus level. Students who withdraw before the transcript date (last day for a qualified refund) do not appear on the enrollment file, which requires the student financial aid personnel to manually review and upload students to the National Clearing House.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2019**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Section III. FEDERAL AWARD FINDINGS (CONTINUED)

Prevalence

Infrequent. Four out of sixty students selected for testing.

Effect

Noncompliance with federal regulations could result in the loss of future federal financial aid funding.

Recommendation

We recommend City Colleges modify its information technology systems so that it will promptly notify the financial aid office of any student status changes. An automated system of monitoring procedures will ensure City Colleges is reporting any status changes to the lender in a timely manner.

Views of responsible officials

We agree with this finding. See corrective action plan.

**Finding 2019-004 – Return of Title IV Funds – Reporting Disbursements to COD
(Compliance Finding)**

Repeat Finding: No

Federal Program Title – U.S. Department of Education
Federal Pell Grant Program: 84.063
Federal Award Year 2018-2019

Condition

For two out of sixty students tested, City Colleges reported the student's post-withdrawal disbursement to the Common Origination and Disbursement (COD) system in excess of the 15 day requirement as described below.

Criteria

CFR section 688.164(a) requires City Colleges to submit Title IV Funds disbursement records to the Common Origination Database (COD) system, no later than 15 days after making the disbursement or becoming aware of the need to adjust a previously reported disbursement.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2019**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Section III. FEDERAL AWARD FINDINGS (CONTINUED)

Questioned Costs

There were no questioned costs with respect to this finding.

Cause

This was due to an oversight at the campus level. The Return to Title IV (R2T4) is sent out on a weekly occurrence from the district office to the campus to complete. A number of variables may have caused the oversight, most notably staffing changes at the campus level played a role in the responsible party leaving City Colleges and new employees being trained to complete the function.

Prevalence

Infrequent. Two out of sixty students selected for testing.

Effect

Noncompliance with federal regulations could result in the loss of future federal financial aid funding.

Recommendation

We recommend City Colleges refine their policies and procedures so City Colleges is able to ensure all post withdrawals are being tracked and reported to COD within required timeframes.

Views of responsible officials

We agree with this finding. See corrective action plan.

Finding 2019-005 – Return of Title IV Funds – Return of Funds (Compliance Finding)

Repeat Finding: No

Federal Program Title – U.S. Department of Education

Federal Pell Grant Program: 84.063

Federal Award Year: 2018 – 2019

Condition

For one out of sixty students tested, City Colleges did not return federal funds to the Department of Education within 45 days from the student's withdrawal date of determination.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2019**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Section III. FEDERAL AWARD FINDINGS (CONTINUED)

Criteria

34 CFR Section 668.22(j)(1) requires City Colleges to return the amount of Title IV funds for which City Colleges is responsible as soon as possible but no later than 45 days after the date City Colleges determined the student withdrew.

Questioned Costs

There were no questioned costs with respect to this finding. The funds were returned to the Department of Education.

Cause

This was due to an oversight at the campus level. Each week, the Return to Title IV (R2T4) is sent out by the district office for each campus to complete. A number of variables may have caused the oversight, most notably staffing changes at the campus level played a role in the responsible party leaving City Colleges and new employees being trained to complete the function.

Prevalence

Infrequent. One out of sixty students testing selections.

Effect

Noncompliance with federal regulations could result in the loss of future federal financial aid funding.

Recommendation

We recommend City Colleges refine their policies and procedures to ensure Title IV funds are being returned to the Department of Education within the 45 day timeframe.

Views of responsible officials

We agree with this finding. See corrective action plan.

Finding 2019-006 – Direct Loan Quality Assurance System (Compliance Finding)

Repeat Finding: No

Federal Program Title – U.S. Department of Education
Federal Direct Student Loans: 84.268
Federal Award Year 2018-2019

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2019**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Section III. FEDERAL AWARD FINDINGS (CONTINUED)

Condition

In 2019, federal guidelines required that City Colleges implement a quality assurance system over its Direct Loan program. City Colleges operates in a decentralized manner and has numerous process and control memos in place documenting controls and procedures over their direct loan quality assurance system. However, these process and control memos may vary by campus. City Colleges does not have a single, comprehensive document that comprises the direct loan quality assurance system therefore City Colleges is not fully in compliance with this requirement.

Criteria

34 CFR Section 685.300(b) (9) require schools to implement and document a quality assurance process to ensure that City Colleges is complying with program requirements and meeting program objectives.

Questioned Costs

There were no questioned costs with respect to this finding.

Cause

City Colleges operates in a decentralized manner and has numerous process and control memos in place over their direct loan quality assurance system. However, the memos may vary by campus.

Effect

Noncompliance with federal regulations could result in the loss of future federal financial aid funding.

Recommendation

We recommend City Colleges refine their policies and procedures to ensure that a centralized Direct Loan Quality Assurance System is in place and properly documented.

Views of responsible officials

We agree with this finding. See corrective action plan.

Finding 2019-007 – Exit Counseling (Compliance Finding)

Repeat Finding: No

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2019**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Section III. FEDERAL AWARD FINDINGS (CONTINUED)

Federal Program Title – U.S. Department of Education
Federal Direct Student Loans: 84.268
Federal Award Year 2018-2019

Condition

For four out of twenty students tested, exit counseling or mailing of exit counseling materials did not occur within the 30 day timeframe. Two of the students did not receive exit counseling or mailing of exit counseling materials in a timely manner.

Criteria

34 CFR Section 682.604(g) requires that if a student Stafford loan borrower graduates or withdraws without notifying the school, the school must confirm that the student has completed the online exit counseling or mail exit counseling material to the borrower at his or her last known address. The material must be mailed within 30 days of the school learning that the borrower has withdrawn or failed to participate in an exit counseling session.

Questioned Costs

There were no questioned costs with respect to this finding.

Cause

The students who were not notified of exit counseling was due to oversight by employees who are to monitor City Colleges' automated system. All students who are expected to graduate will be updated within the information system at the start of their last anticipated semester. The expected graduation date triggers the letter to be automatically generated and sent out to the students. If a student changes their program, the graduation date may be delayed or advanced. For these students to receive an exit counseling notification, a manual entry into the system is required. Additionally, students who withdraw from all of their classes are not normally sent exit counseling as they may re-enroll during the mini sessions, which consist of 12-week and 8-week courses within the same semester. This again requires a manual report to be generated of students who withdrew from all of their classes and did not re-enroll in subsequent term.

Prevalence

Four out of twenty students who were selected for testing.

Effect

Students may not have received proper loan counseling which may lead to a higher default rate and loss of future federal financial aid funding.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2019**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Section III. FEDERAL AWARD FINDINGS (CONTINUED)

Recommendation

We recommend City Colleges refine their policies and procedures to ensure that exit counseling materials are sent to students within the required timeframe for graduating students. Additionally, the check for completion of exit counseling should be performed, or materials sent each time a withdrawal calculation is completed or when City Colleges becomes aware of a student withdrawal.

Views of responsible officials

We agree with this finding. See corrective action plan.

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019**

Identifying Number: 2018-001 Eligibility

Audit Finding: The College was unable to provide verification documents for one student whose Institutional Student Information Record (ISIR) was selected for verification testing. 34 CFR Section 668.57 states that if an applicant is selected to verify any of the specified criteria, the College must obtain specified documentation based on the verification flag type on the Institutional Student Information Record (ISIR).

Status: Corrected. In the previous fiscal year, City Colleges returned the funds for the student in which verification documents could not be provided. To assist with the verification compliance requirements in future years, City Colleges of Chicago implemented third party verification vendor ProEducation Solutions in Spring 2019 to handle all federal verifications. Students complete their verification process online and upload all required documents to ensure digital file collection. Student Finance and Institutional Effectiveness is conducting a quantitative and qualitative analysis to ensure that ProEducation Solutions is meeting the needs of all stakeholders. In fiscal year 2019, no findings related to verification we identified.

Corrective Action Taken: City Colleges of Chicago has completed an RFP process to identify a vendor with a product/service that will allow students to complete CCC financial aid forms electronically and to scan and attach required documentation to an electronic form. We are in the process of implementing the contract and are on target to have all 2019-2020 financial aid documents stored electronically on the vendor's secure server. Financial aid staff will have 24-7 access to our stored documents and will be able to print copies on demand when needed.

Identifying Number: 2018-002 Use of Federal Work Study Funds

Audit Finding: During review of the Federal Work Study (FWS) program, we noted that at one of the seven campuses, the College did not employ a student in a reading tutor or family literacy project. 34 CFR section 675.18 states that City Colleges must use at least seven percent of the sum of its initial and supplemental FWS allocations for an award year to compensate students employed in community service activities. In meeting this requirement, the College must include at least one of the following:

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019 *(continued)*

- a.) The reading tutoring project employs one or more FWS students as reading tutors for children who are preschool age or who are in elementary school; or,
- b.) The family literacy project employs one or more FWS students in family literacy activities.

Status: Corrected

The Financial Aid Director at Olive-Harvey College has hired a reading tutor within the Child Care Center at Olive-Harvey College in the Spring 2019 as well as Fall 2019. An additional community based organization named Kufi Club of Chicago has been approved for the 2019-2020 Award Year in which reading and math tutors can work. A FWS community based organization named Assembly of Faith Outreach Center has completed the Federal Work Study Off-Campus Agreement along with supporting documentation that is currently with the legal team for review.

Corrective Action Taken: The Financial Aid Director at Olive-Harvey College has worked with the Child Care Center at their campus to place a FWS student as a reading tutor there. Additionally, the Director has scheduled meeting with two community based organizations to discuss the possibility of placing additional reading and math tutors. Meetings are currently scheduled with Phalanx Family and Chicago Youth Center.

Identifying Number: 2018-003 Enrollment Reporting

Audit Finding: Three students out of forty tested withdrew from City Colleges for which status changes were not properly reported to the National Student Loan Data System (NSLDS). CFR section 685.309(b)(2) requires City Colleges to notify the lender within 30 days if City Colleges discovers that a student who received a loan either did not enroll or was not enrolled on at least a half-time basis. For official student status changes, City Colleges has 60 days to notify the lender if the next scheduled roster date is within 60 days of the date of determination.

Status: The Office of Student Financials is reviewing centralization of the enrollment function under Student Financials district office for closer oversight. A separate report will be ran at the time the National Student Clearinghouse (NSC) files are sent to identify students who withdrew between the beginning of a term and the transcript date of that term. Those students will continue to be manually updated in real time through NSC to reflect the correct enrollment status and effective date.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019 *(continued)*

Corrective Action Taken: Uncorrected, Repeat in fiscal year 2019. See finding 2019-002.

Timing issues are the primary cause of not fully meeting enrollment reporting requirements. A student may enroll in a class, attend one day, and then drop the class prior to the date that an enrollment reporting file is created. Students who drop classes prior to our transcript date do not appear to have attended at all and the student is omitted from the enrollment file.

We acknowledge the need to verify requirements to report enrollment and the processes to enable CCC to do so. Our information technology staff are reviewing specific requirements and how National Student Clearinghouse utilizes data to determine the best course of action to bring CCC into full compliance. While conducting analysis, a separate report will be run at the time NSC files are sent to identify students who withdrew between the beginning of a term and the transcript date of that term. Those will be manually updated in NSC to reflect the current enrollment status and effective date.

Identifying Number: 2018-004 Reporting

Audit Finding: City Colleges did not submit quarterly performance reports to the Illinois Community College Board (ICCB) in a timely manner for the Perkins Leadership Grant. This grant requires quarterly performance submissions to the Illinois Community College Board (ICCB).

Status: Corrected

Corrective Action Taken: The Apprenticeship and Workforce Solutions team at Harold Washington College has developed a revised system for submission of the quarterly financial and performance reports to the Illinois Community College Board (ICCB). The Coordinator-Grant Program will provide the Executive Director with a draft of both the quarterly financial and performance reports three weeks in advance of the required submission date. The Executive Director will review the reports no less than one week prior to the required submission date. Updates and revisions will be made by the Coordinator-Grant Program and resubmitted to the Executive Director for final review and sign off no later than three business days before submission. Using this revised system, the quarterly financial and performance submissions will be made timely to ICCB and Career and Technical Education Grants.

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CORRECTIVE ACTION PLANS

Finding 2019-001 – Short Term Programs at Postsecondary Vocational

The College did not track placement information and document its calculation for placement rates for each student enrolled in a short-term program at a post-secondary vocational institution. For the Direct Loan Program, short-term eligible programs at a postsecondary vocational institution must be between 300 - 599 clock hours. They must have been provided for at least one year and must have a substantiated completion and placement rate of at least 70 percent for the most recently completed award year. 34 CFR Section 668.8(f) and (g) requires the College to have documentation supporting its placement rates for each student showing that the student obtained gainful employment in the recognized occupation for which he or she was trained or in a related comparable recognized occupation.

Corrective Action Taken or Planned

Historically, a survey went out to student completers to retrieve gainful employment data from district office. The survey and its articulation of the data stalled due to restructuring of departments and staff at the district office. CCC will re-implement the gainful employment survey to students who have completed short-term programs over the past year.

For fiscal year 2020, CCC will early implement the rescission of the Gainful Employment (GE) Rule. Institutions that early implement the rescission of the GE rule will not be required to report GE data for the 2018-2019 award year to NSLDS, which will be due October 1, 2019. Additionally, those institutions that early implement will not be required to comply with the current requirements in 34 CFR 668.412 (d) and (e) that require institutions to include the disclosure template, or a link thereto, in their GE program promotional materials and directly distribute the disclosure template to prospective students, which will be required starting on July 1, 2020. Institutions that early implement will no longer be required to post the GE Disclosure Template and may remove the template and any other GE disclosures that are required under 34 CFR 668.412 from their web pages. Finally, an institution that early implements will not be required to comply with the certification requirements for GE programs under 34 CFR 668.414. <https://ifap.ed.gov/eannouncements/062819GEAnnounce122EarlyImplofRescissionGERule.html>

Contact person: Melvin Allen – Associate Vice Chancellor of Enrollment Management
Anticipated completion date: 06/30/2020.

CORRECTIVE ACTION PLANS *(Continued)*

Finding 2019-002 – Return of Title IV Funds – Post-withdrawal Disbursements – For three out of sixty students tested, the College did not complete a post-withdrawal disbursement to the student within 45 days from the student’s withdrawal date of determination. 34 CFR Section 668.22 requires the College to disburse any post-withdrawal grants funds which were not credited to the student’s account no later than 45 days after the College determines the student withdrew.

Corrective Action Taken or Planned

The Office of Student Financials will provide college wide procedural update to be outlined in fiscal year 2020 Financial Aid Manual. The office will provide a best practice training from the National Association of Student Financial Aid Administrators (NASFAA) Return to Title IV (R2T4) training course at the all district financial aid meeting. Additionally, the office of Student Financial Aid will collaborate with Information Technology and the Office of Institutional Effectiveness to create an automated notification process and alert system for campus operations to ensure timely processing.

Contact person: Melvin Allen – Associate Vice Chancellor of Enrollment Management
Anticipated completion date: 03/01/2020.

Finding 2019-003 – Return of Title IV Funds – Enrollment Reporting - Four out of sixty students tested withdrew from City Colleges for which status changes were not properly reported to the National Student Loan Data System (NSLDS). CFR section 685.309 and 690.83(b)(2) requires City Colleges to notify the NSLDS within 30 days of a change in student status or include the change in status in a response to an enrollment reporting roster within 60 days of the student’s date of determination of withdrawal.

Corrective Action Taken or Planned

Timing issues are the primary cause of not fully meeting the department enrollment requirements. The enrollment reporting functions are housed in the college’s registrar office and separate from financial aid. An enrollment file is generated at the district level and uploaded. However, students who withdraw before the transcript (last date of qualified refund) do not appear on the enrollment file and a manual process takes place to upload students to the National Student Clearinghouse.

CORRECTIVE ACTION PLANS *(Continued)*

Our information technology staff are still reviewing specific requirements and how National Student Clearinghouse utilizes data to determine the best course of action to bring CCC into full compliance. The Office of Student Financials is reviewing centralization of the enrollment function under financial aid district office team for closer oversight. A separate report will be run at the time NSC files are sent to identify students who withdrew between the beginning of a term and the transcript date of that term. Those students will continue to be manually updated in real time through NSC to reflect the correct enrollment status and effective date.

Contact person: Melvin Allen – Associate Vice Chancellor of Enrollment Management
Anticipated completion date: 07/01/2020 (Interim process is currently in place).

Finding 2019-004 – Return of Title IV Funds – Reporting Disbursements to COD - For two out of sixty students tested, the College did not report the student’s post-withdrawal disbursement to the Common Origination and Disbursement (COD) system within 15 days after making the disbursement to the student. CFR section 688.164(a) requires the College to submit Title IV Funds disbursement records to the Common Origination Database (COD) system, no later than 15 days after making the disbursement or becoming aware of the need to adjust a previously reported disbursement.

Corrective Action Taken or Planned

The Office of Student Financials will provide college wide procedural update to be outlined in the fiscal year 2020 Financial Aid Manual. The office will provide a best practice training from the National Association of Student Financial Aid Administrators (NASFAA) Return to Title IV (R2T4) training course at the district financial aid meeting. Additionally, the office of Student Financial Aid will collaborate with Information Technology and the Office of Institutional Effectiveness to create an automated notification process and alert system for campus operations to ensure timely processing.

Contact person: Melvin Allen – Associate Vice Chancellor of Enrollment Management
Anticipated completion date: 03/01/2020.

Finding 2019-005 – Return of Title IV Funds – Return of Funds - For one out of sixty students tested, the College did not return federal funds to the Department of Education within 45 days from the student’s withdrawal date of determination. 34 CFR Section 668.22(j)(1) requires the College to return the amount of Title IV funds for which the College is responsible as soon as possible but no later than 45 days after the date the College determined the student withdrew.

CORRECTIVE ACTION PLANS *(Continued)*

Corrective Action Taken or Planned

The Office of Student Financials will provide college wide procedural update to be outlined in fiscal year 2020 Financial Aid Manual. The office will provide a best practice training from the National Association of Student Financial Aid Administrators (NASFAA) Return to Title IV (R2T4) training course at the district financial aid meeting. Additionally, student financials will collaborate with Information Technology and the Office of Institutional Effectiveness to create an automated notification process and alert system for campus operations to ensure timely processing.

Contact person: Melvin Allen – Associate Vice Chancellor of Enrollment Management
Anticipated completion date: 03/01/2020.

Finding 2019-006 – Direct Loan Quality Assurance System – In 2019, federal guidelines required that City Colleges implement a quality assurance system over its Direct Loan program. City Colleges operates in a decentralized manner and has numerous process and control memos in place documenting controls and procedures over their direct loan quality assurance system. However, these process and control memos may vary by campus. City Colleges does not have a single, comprehensive document that comprises the direct loan quality assurance system therefore City Colleges is not fully in compliance with this requirement.

34 CFR Section 685.300(b) (9) require schools to implement and document a quality assurance process to ensure that City Colleges is complying with program requirements and meeting program objectives.

Corrective Action Taken or Planned

The Office of Student Financials currently executes the functions of the Direct Loan Quality Assurance by:

- Reporting loan records, disbursements, and adjustments to disbursements correctly to the Common Origination and Disbursement (COD) System,
- Disbursing and returning loan funds in accordance with regulatory requirements,
- Disbursing the correct loan amount to the correct student,
- Completing monthly reconciliation and Program Year Closeout.

CORRECTIVE ACTION PLANS *(Continued)*

While all functions were executed, a documented process was not in place because there is no updated financial aid manual for the colleges. The last active manual was for the 2015-2016 school year. The Office of Student Financial Aid is in process of creating a revised financial aid manual for fiscal year 2020. The new manual will document the Direct Loan Quality Assurance process. In addition, the financial aid manual will be reviewed on a semi-annual basis to ensure appropriate changes and updates are included annually.

Contact person: Melvin Allen – Associate Vice Chancellor of Enrollment Management
Anticipated completion date: 06/30/2020.

Finding 2019-007 – Exit Counseling - For four out of twenty students tested, exit counseling or mailing of exit counseling materials did not occur within the 30 day timeframe. 34 CFR Section 682.604(g) requires that if a student Stafford loan borrower graduates or withdraws without notifying the school, the school must confirm that the student has completed the online exit counseling or mail exit counseling material to the borrower at his or her last known address. The material must be mailed within 30 days of the school learning that the borrower has withdrawn or failed to participate in an exit counseling session.

Corrective Action Taken or Planned

The students who were not notified of exit counseling was due to an oversight within the automated system. All records of those students expected to graduate will update within the system at the start of their last anticipated semester. The expected graduation date triggers the letter to be auto generated and sent out to students. If a student changes their program, the graduation date may be delayed or advanced. This will require a manual entry into the system to trigger the exit counseling notification. Additionally, students who withdraw from all of their classes who are not normally sent to exit counseling may re-enroll during the mini sessions, which are 12-week and 8-week courses within the same semester. This again requires a manual report to be generated of students who withdrew from all of their classes and did not re-enroll in subsequent terms.

The Office of Student Financials will generate real time report of all students who withdraw from all classes weekly. Those students will be added to an automated report of anticipated graduates to receive exit-counseling notifications. Student Financials will work with Information Technology and Institutional Effectiveness to add non-graduates who withdraw from all classes to the automated process. Student Financials will utilize the PeopleSoft communication module to ensure timely notifications.

Contact person: Melvin Allen – Associate Vice Chancellor of Enrollment Management
Anticipated completion date: 06/30/2020.

Please contact us if you would like additional copies of the Comprehensive Annual Financial Report for the year ended June 30, 2019: <http://www.ccc.edu/departments/Pages/Annual-Finance-and-Budget-Reports/CAFR>.

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

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