

CITY COLLEGES OF CHICAGO

Fiscal Year Ended June 30, 2017

Comprehensive Annual Financial Report

Rahm Emanuel
Mayor, City of Chicago

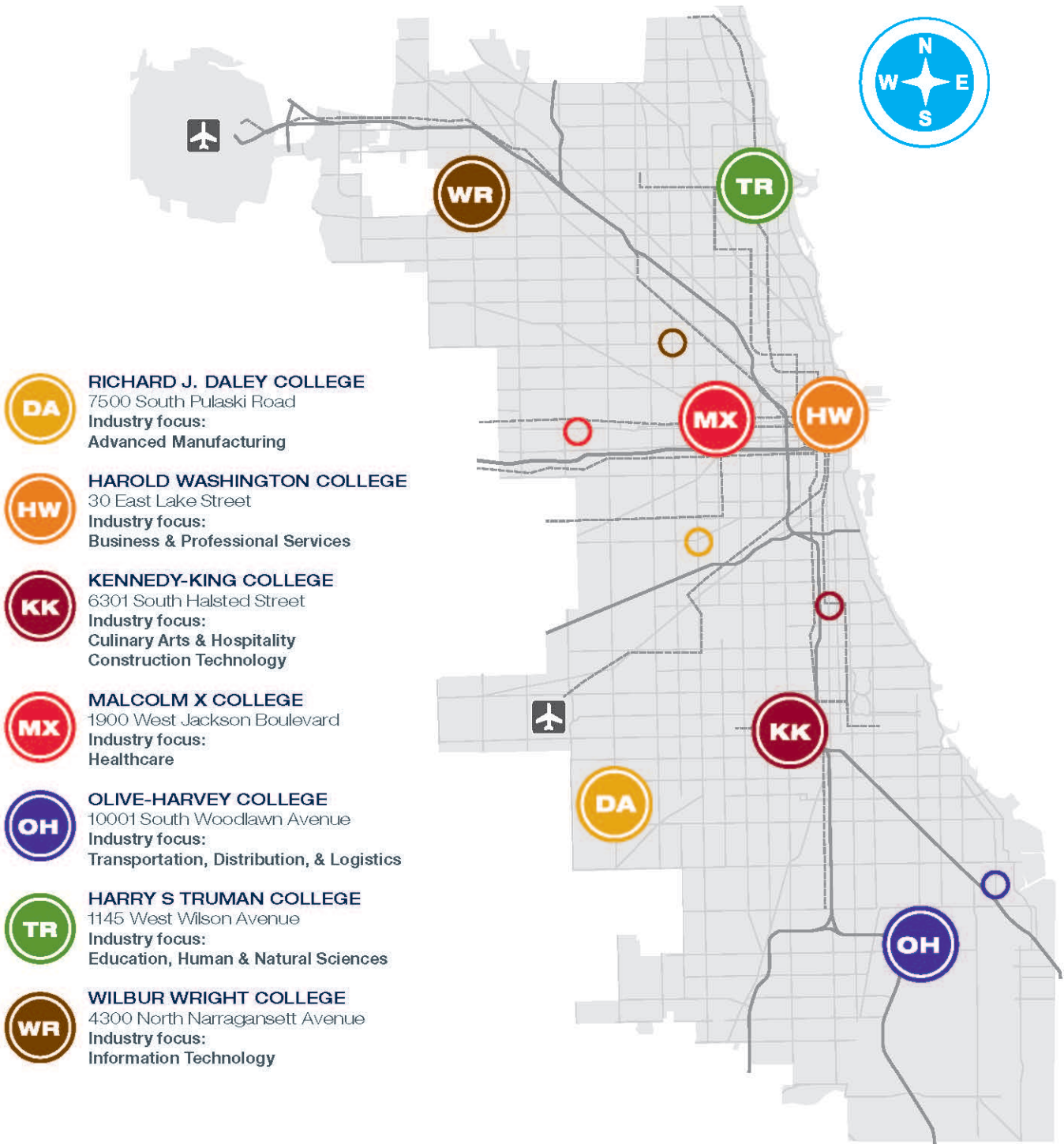
Juan Salgado
Chancellor

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



Satellite Locations

Humboldt Park Vocational Education Center
1645 North California Avenue

Arturo Velasquez Institute
2800 South Western Avenue

South Chicago Learning Center
3055 East 92 Street

West Side Learning Center
4624 West Madison Street

Dawson Technical Institute
3901 South State Street



COMMUNITY COLLEGE DISTRICT NO. 508

Chicago, Illinois

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2017

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

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

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Executive Vice Chancellor for Institutional
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Provost & Chief Academic Officer

Joyce Carson,
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Dr. Shawn L. Jackson,
Interim President, Truman College

Dr. David Potash,
President, Wright College

September 30, 2017

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, 2017. As reflected in this report, in FY2017, City Colleges continued its commitment to providing quality, affordable education while contending with a challenging state funding situation.

City Colleges ended FY2017 with \$667.9M in assets, 10.6% less than the prior year, driven largely by a reduction in federal grants, a lack of sufficient state funding, and a decrease in tuition revenue due to a decline in enrollment.

The decrease was offset by a gain from the \$15.9 million sale of WYCC-TV's spectrum. The timing of state supplemental funding to community colleges for FY2017 did not allow City Colleges to recognize \$31.4 million in state revenue in FY2017; however, the entire amount will be recognized in FY2018.

We are fortunate to have a state budget for FY2018 that allows us to focus on our key priorities:

- Ensuring all students receive a quality, affordable education and an exceptional experience at City Colleges;
- Turning around the past few years' enrollment declines;
- Equipping students with the skills to seize jobs in fast-growing fields through our College to Careers initiative and related capital investments, including the Daley College Engineering and Advanced Manufacturing Center upon which we recently broke ground, and the Olive-Harvey College Transportation, Distribution and Logistics (TDL) Center, on which we are eager to work with the state to resume construction;
- Growth of the successful Star Scholarship program for qualified Chicago public school graduates; and
- Setting City Colleges on a strong financial course for the long term.

Dedicated faculty, staff and students are working diligently to achieve these goals, and I am confident that with this teamwork City Colleges will realize its potential as a community college system that puts Chicagoans on the path to the middle class and beyond.

I welcome your review of this document and your partnership as City Colleges plays a critical role in ensuring inclusive economic growth across Chicago.

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, 2017**

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Community College District No. 508
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Introductory Section



Transmittal Letter

September 29, 2017

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, 2017. 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 THE 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 2,704,958.

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 College's 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 2017 totaled 8,071. The number of degrees awarded was 4,456 and the number of certificates was 3,615. 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.

STRATEGIC GOALS AND STRATEGIES

OUR STRATEGIC GOALS

Goal 1: Increase the number of students earning college credentials of economic value.

Goal 2: Increase the rate of transfer to baccalaureate degree programs following City Colleges' graduation.

Goal 3: Drastically improve outcomes for students requiring remediation.

Goal 4: Increase the number and share of ABE/GED/ESL students who advance to and succeed in college-level courses.

FINANCIAL CHALLENGES

This year will be the first since fiscal year 2015 that we have seen passage of full-year state funding, and we commend the Illinois legislature for recognizing the urgency of supporting public higher education statewide.

The passage of the state budget is expected to yield funding for fiscal year 2018 at roughly 90 percent of our fiscal year 2015 level in addition to providing capital improvement funds and student MAP grant funding.

While this funding comes at a critical time, we must use our resources efficiently in order to rebuild our reserves, to account for a forthcoming shift in pension contribution responsibilities from the state to City Colleges, and to put City Colleges on stable financial footing for the long-term.

City Colleges' fiscal year 2018 budget of \$443 million reflects an overall decrease of 16% from the prior fiscal year. The overall fiscal year 2018 unrestricted operating budget of \$277 million is down by 4% from fiscal year 2017.

The fiscal year 2018 budget includes:

- Support for education quality, completion, and retention efforts that have helped to more than double the number of degrees earned annually since the launch of Reinvention.
- Support for scholarships and early college dual enrollment and dual credit programs, recognizing the importance of eliminating every barrier to our students' success.
- Continued investments in student support from career and transfer centers to wellness centers to advisors and athletics.
- Capital investments that help to equip students with the skills to seize jobs in fast-growing fields, including the Olive-Harvey College Transportation, Distribution and Logistics (TDL) Center and the Daley College Engineering and Advanced Manufacturing Center.
- A commitment to rebuild City Colleges' reserves following two years of state underfunding to ensure the institution's long-term financial health.
- A call for redoubling of efforts to boost enrollment, which was impacted by the uncertainty of state funding, including the lack of MAP grants in prior years.

The budget also recognizes that we must operate on a leaner administrative footprint and strategically focuses funds on our students and colleges by incorporating the following efficiencies:

- The sale of City Colleges' underutilized downtown headquarters, and the move of a significant portion of central office administration to colleges to be closer to the students, faculty and staff we serve.
- A 10% reduction in senior leadership compensation, including the elimination of 100% pension contributions and medical reimbursements for Officers of the District.
- A 2.5% reduction of the CCC administrative workforce, or roughly 120 employees, largely based at City Colleges' central office.
- Reductions in travel expenses.
- Reductions in contracts, materials and supplies, and,
- More efficiently scheduling classes to better meet demand.

Supplemental Fiscal Year 2017 Funding For Community Colleges

On July 6, 2017, the State of Illinois approved supplemental funding to community colleges for fiscal year 2017. City Colleges of Chicago's allocation is \$31,385,973. In accordance with Governmental Accounting Standards Board rules, this appropriation cannot be recognized as revenue in fiscal year 2017 since the appropriation was not approved by June 30, 2017. The entire \$31.4 million will be recognized as revenue in fiscal year 2018.

ECONOMIC CONDITION AND OUTLOOK

The **Federal Reserve Bank of Chicago** reports after a sluggish first half in 2016, economic activity strengthened in the second half of the year, and real gross domestic product (GDP) ended up increasing 1.9 percent from the fourth quarter of 2015 to the fourth quarter of 2016. The achievement of the Fed's full employment goal looks to be on course, with the unemployment rate just below the median long-run projection of 4.8 percent made by the Federal Open Market Committee (FOMC) in December. Inflation, at 1.4 percent from the fourth quarter of 2015 to the fourth quarter of 2016, increased in 2016, but continues to run below our 2 percent target. With the effects of past declines in energy, import prices dissipating, and the anticipation of some further tightening in the labor market, the FOMC expects that inflation will stabilize around its target over the medium term. With the economy improving and inflation moving back toward target, the FOMC made modest increases in the federal funds rate in December and March. (Federal Reserve Bank of Chicago, 2017). The Chicago Fed Survey of Business Conditions (CFSBC) Activity Index increased to +1 from -8, suggesting that growth in economic activity picked up to a moderate pace in late May and June. The CFSBC Manufacturing Activity Index declined to +3 from +20, while the CFSBC Nonmanufacturing Activity Index rose to a neutral value from -24. (Federal Reserve Bank of Chicago, 2017)

World Business Chicago reports Chicago (city) economy has expanded by an estimated 17,715 jobs year-over-year since May 2016. This growth is driven by absolute gains in Financial Activities (+5,789 jobs), Education and Health Services (+3,816), and Professional and Business Services (+2,454). The Chicago (city) unemployment rate decreased by 1.4 points YOY to 4.6% in May 2017. Unemployment insurance claims in Cook County decreased by -2.4%, from 18,016 in June 2016 to 17,586 in June 2017. The Chicago Business Barometer (Purchasing Managers Index) increased by 15.7% from 56.8 in June 2016 to 65.7 in June 2017. In December, an estimated 256,144 people in the 14-county Chicago metropolitan statistical area (MSA) were unemployed out of a labor force of approximately 4.897 million, resulting in a preliminary unemployment rate of 5.4% (not seasonally adjusted). Between December 2015 and December 2016, the Chicago MSA gained an estimated 15,050 employed residents, increasing total regional employment to approximately 4.632 million (not seasonally adjusted). The Chicago MSA's preliminary unemployment rate of 5.4% is a decrease from the December 2015 unemployment rate of 5.7%. Unemployment rates were lower in December than a year earlier in 236 of 387 U.S. metros, 111 metros saw a year-over-year increase, and 40 experienced no change. (World Business Chicago, 2017)

Chicago Fed National Activity Index (CFNAI) moved down to -0.01 in July from +0.16 in June. Three of the four broad categories of indicators that make up the index decreased from June, and three of the four categories made negative contributions to the index in July. The index's three-month moving average, CFNAI-MA3, moved down to -0.05 in July from +0.09 in June. The CFNAI Diffusion Index, which is also a three-month moving average, decreased to -0.06 in July from +0.01 in June. Forty-two of the 85 individual indicators made positive contributions to the CFNAI in July, while 43 made negative contributions. Forty indicators improved from June to July, while 45 indicators deteriorated. Of the indicators that improved, 14 made negative contributions. The contribution from production-related indicators to the CFNAI decreased to -0.02 in July from +0.03 in June. Manufacturing industrial production decreased 0.1 percent in July after increasing 0.2 percent in June; however, total industrial production increased 0.2 percent in July after moving up 0.4 percent in June. Employment-related indicators contributed +0.09 to the CFNAI in July, down from +0.13 in June. The contribution of the personal consumption and housing category to the CFNAI edged up to -0.06 in July from -0.07 in June. Consumption indicators improved, on balance, pushing up the category's overall contribution. However, housing starts decreased to 1,155,000 annualized units in July from 1,213,000 in June, and housing permits decreased to 1,223,000 annualized units in July from 1,275,000 in the previous month. (Federal Reserve Bank of Chicago, 2017)

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

- **State of Illinois:** The structural imbalance of the State’s budget remains one of the most difficult challenges facing City Colleges. The continuing uncertainty of the level of state funding and the timing of actual cash payments from the state have serious negative consequences for CCC’s sound, long-term financial planning.
- **Health Care:** Annual health care costs are projected to increase by 7%. 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:** City Colleges of Chicago has several pending contract negotiations, the outcome of which could place additional strain on resources. These challenges continue to drive us to leverage funds more strategically and find efficiencies to fund our ongoing reinvestments in student services, academic enhancements and capital improvements.

Community College State Funding

Fiscal Year	State Funding to All State Community Colleges
2008	\$297,698,600
2009	\$287,664,558
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*

Source: Illinois Community College Board

**Amounts do not include the appropriations from
Illinois Senate Bill 6 passed on July 6, 2017.*

ACHIEVEMENTS

An efficient use of resources and strategic investments have allowed us to make progress against the four academic goals of Reinvention:

- The number of degrees and certificates awarded in fiscal year 2016 was 10,648. The number of degrees awarded was 5,010, which is 125% higher than when Reinvention began in 2010.
- The federal IPEDS graduation rate has more than doubled from 7% to 17% since the launch of Reinvention. The IPEDS graduation rate is calculated using a formula set by the federal government that covers only first-time, full-time students who complete a degree or certificate program within 150% of the program's length (i.e. 3 years for a 2-year Associate's Degree and 9 months for a six-month certificate).
- Adult education transitions to credit are up 250% since the launch of Reinvention.
- The College to Careers initiative, which began in 2013, has helped more than 4,000 students find a job or a paid internship. More than 200 corporate and four-year college partners are working with us to redesign curricula, facilities, and to offer our students access to real world learning opportunities, jobs and internships. New partnerships include IT internships at Accenture as well as insurance and financial services apprenticeships with Aon.
- Since the beginning of the Star Scholars program in 2015, 3,909 Star students have enrolled at CCC.
 - Of the 890 students in the inaugural fall 2015 cohort, 23% have earned an associate's degree.
 - For Star students enrolled in fiscal year 2017, fall 2016 to spring 2017 retention was 91%; fall 2016 to fall 2017 retention is currently at 74%.
 - The Chicago Star Partnership, a group of four-year colleges and universities who have committed to providing scholarships to Chicago Star Scholars pursuing four-year degrees following their graduation from CCC, was launched and has grown from 12 to 17 Chicago-area partner colleges and universities, with another three anticipated in Spring 2018.
 - To date, Chicago Star Scholars have received more than \$1 million in scholarship offers from four-year colleges and universities.

CAPITAL IMPROVEMENT PLAN

On July 1, 2013, fiscal year 2014 commenced and City Colleges entered into the five-year, \$555.0 million capital planning process. During fiscal year 2017, City Colleges budgeted capital investments of \$35.2 million with an additional capital commitment of \$7.0 million for the planning and preconstruction efforts for the new Engineering and Advanced Manufacturing Center at Richard J. Daley College, \$20 million in new facilities construction and \$16.8 million in academic enhancements and improvements to existing infrastructure and information technology. Additionally, as a result of updating the capital planning process for the fiscal year 2018 capital budget, the total five year capital investment has been reduced to \$523.3 million due primarily to savings achieved due to efficiencies gained through the College to Careers program structures in the execution of our capital plans and fiscal pressures from the continued uncertainty of State of Illinois funding.

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 exist 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.

<u>GASB Net Position Category</u>	<u>ICCB FUND</u>
Unrestricted	Education Auxiliary / Enterprise Operations and Maintenance Operations and Maintenance – Restricted (Board Designated Capital Projects) Working Cash
Restricted for Specific Purpose	Audit Fund Liability, Protection and Settlement PBC Operations and Maintenance Restricted Purposes (Grants) Bond and Interest
Net Investment in Capital Assets	Building Bond Proceeds Long-Term Debt

Property Tax: Estimated assessed value of taxable property for tax year 2016 collectible in fiscal year 2017 was \$73,984,605,433. Estimated assessed value of taxable property for tax year 2015 collectible in fiscal year 2016 was \$70,924,421,349. City Colleges' average collection rate over the past five years has been over 97%.

Debt Administration: Long-term and current debt at June 30, 2017 totaled \$241,830,000 due to City Colleges' issuance of bonds in October 2013.

Cash Management: Cash and investments are controlled by the 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 the City Colleges' Board of Trustees, which has delegated the function to the Treasurer of City Colleges as permitted by the Illinois Public Community College Act.

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

City Colleges invests funds in various securities listed as permitted investments in the Board-approved Investment Policy. 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 2017 totaled \$0.5 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 Program 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 \$200,000 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 2016. 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, 2016. 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.

City Colleges has also earned GFOA's **Award for Distinguished Budget Presentation** for its annual budget for the fiscal year beginning July 1, 2016. In order to receive this award, a government unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

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,

Joyce Carson
Vice Chancellor of Finance and Business
Enterprises / 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, 2017**

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Clarisol Duque, Secretary
Rev. Darrell Griffin, Trustee
Karen Kent, Trustee
Marisela Lawson, Trustee
Deborah H. Telman, Trustee
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ADMINISTRATIVE OFFICERS

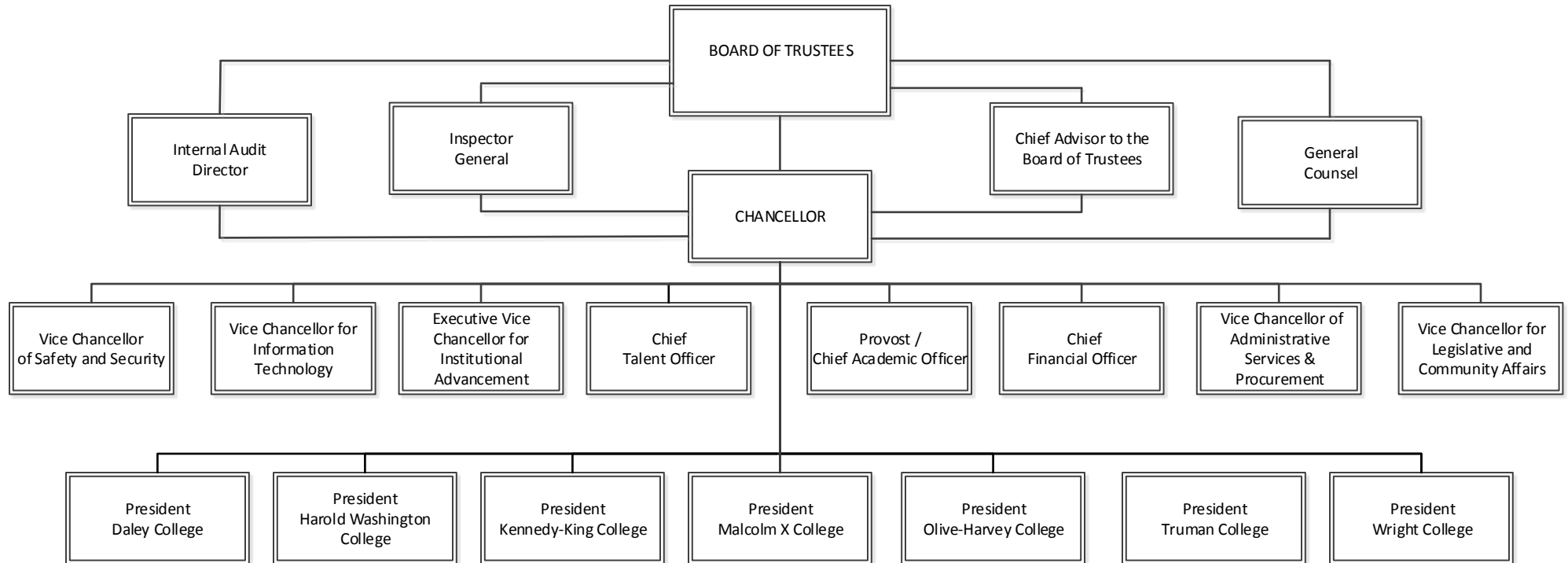
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Diane Minor, Vice Chancellor of Administrative Services and Procurement
Eugene Munin, General Counsel
Beatrice O'Donnell, Vice Chancellor, Safety and Security
Kim Ross, Chief Talent Officer
Jennifer Mason, Vice Chancellor, Legislative and Community Affairs
Dr. Eduardo Garza, Interim President, Richard J. Daley College
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Craig Lynch, Interim President, Kennedy-King College
David A. Sanders, Interim President, Malcolm X College
Felicia Davis, Interim President, Olive-Harvey College
Dr. Shawn L. Jackson, Interim President, Harry S Truman College
Dr. David Potash, President, Wilbur Wright College

REPORT ISSUED BY

Office of Finance



District-wide 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, 2016

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, 2017, 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 opinion.

Opinion

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, 2017, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

For the fiscal year ended June 30, 2017, City Colleges included the statement of financial position, statement of activities, and related notes for its component unit, City Colleges of Chicago Foundation, within the accompanying financial statements of City Colleges. These component unit financial statements and related notes were not previously included within City Colleges' financial statements in prior years because they were not considered significant or material to City Colleges' financial statements.

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, other post-employment benefits (OPEB) schedules, and State University Retirement System (SURS) schedules 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 the City Colleges' basic financial statements. The Uniform Financial Statements, as required by the Illinois Community Colleges Board, the schedule of expenditures of federal programs as 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 2017, which is unaudited, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were 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 2017, 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 2017 has 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 September 29, 2017 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
September 29, 2017

**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, 2017. 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 describe operating results, comparing revenues derived from operations such as tuition and fees with operating expenses, and non-operating results. Non-operating revenues include funding received from State apportionment, grants, and property taxes. This approach is intended to facilitate analysis of financial results of various services to students and the public.

Financial Highlights

Statement of Net Position

The total net position as of June 30, 2017 decreased by \$79.2 million to \$667.9 million was largely due to a decrease in Federal grants, a lack of sufficient State funding, and a decrease in tuition revenue. It was offset by a gain from the disposal of the WYCC broadcast license. In addition, because of the late State of Illinois approval of supplemental funding to community colleges for fiscal year 2017, City Colleges cannot recognize \$31.4 million in revenue in fiscal year 2017. The entire \$31.4 million will be recognized in fiscal year 2018.

Overview of Financial Statements

Total current assets decreased by \$21.7 million as compared to prior year, mainly due to the decrease in cash and cash equivalents. Capital assets less accumulated depreciation decreased by \$19.9 million due to depreciation of the new Malcolm X College campus building together with other asset retirements and the major software upgrade. Other non-current assets decreased by \$48.5 million due to a \$49.1 million decrease in funds held by others, long term investments, other accounts receivable. This was offset by a \$.6 million increase in restricted cash.

Total current liabilities decreased by \$22.0 million due primarily to a decrease of \$25.3 million in accounts payable, deposits held in custody for others, unearned tuition and fees revenue and other liabilities. This was offset by a \$3.3 million increase from accrued payroll, other accruals, unearned grant revenue and the current portion of non-current liabilities.

Total non-current liabilities increased by \$11 million mainly due to a \$18.4 million increase in accrued property tax refunds, other post-employment benefits and lease obligations. This was offset by a decrease of \$7.4 million in accrued compensation balances, sick leave benefits, bonds payable and the current portion of non-current liabilities. The deferred inflows of resources are the deferred property tax revenue that has been presented separately in the financial statement to conform to GASB Statement No. 65.

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

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Current assets	\$ 155.9	\$ 177.6	\$ (21.7)
Non-current assets			
Capital assets	1,310.1	1,352.2	(42.1)
Less accumulated depreciation	(358.3)	(380.5)	22.2
Other assets	<u>17.0</u>	<u>65.5</u>	<u>(48.5)</u>
Total assets	<u>1,124.7</u>	<u>1,214.8</u>	<u>(90.1)</u>
Deferred outflows of resources	<u>1.0</u>	<u>1.0</u>	<u>-</u>
Current liabilities	61.7	83.7	(22.0)
Non-current liabilities	<u>335.8</u>	<u>324.8</u>	<u>11.0</u>
Total liabilities	<u>397.5</u>	<u>408.5</u>	<u>(11.0)</u>
Deferred inflows of resources	<u>60.3</u>	<u>60.2</u>	<u>0.1</u>
Net position			
Net investment in capital assets	704.9	719.6	(14.7)
Restricted for specific purposes	0.7	2.6	(1.9)
Unrestricted	<u>(37.7)</u>	<u>24.9</u>	<u>(62.6)</u>
Total net position	<u>\$ 667.9</u>	<u>\$ 747.1</u>	<u>\$ (79.2)</u>

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

Operating	2017	2016	Change
Revenues	\$ 59.2	\$ 63.5	\$ (4.3)
Expenses	<u>(519.6)</u>	<u>(522.0)</u>	<u>2.4</u>
Operating loss	(460.4)	(458.5)	(1.9)
Non-operating			
Revenues	392.1	350.9	41.2
Expenses	<u>(11.7)</u>	<u>(5.0)</u>	<u>(6.7)</u>
Net non-operating revenues	380.4	345.9	34.5
Income (loss) before capital contributions	(80.0)	(112.6)	32.6
Capital contributions	<u>0.8</u>	<u>0.7</u>	<u>0.1</u>
Change in net position	(79.2)	(111.9)	32.7
Net position, beginning of year	<u>747.1</u>	<u>859.0</u>	<u>(111.9)</u>
Net position, end of year	<u>\$ 667.9</u>	<u>\$ 747.1</u>	<u>\$ (79.2)</u>

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

	2017	2016
Total revenue	\$ 440.4	\$ 415.1
Total expenses	<u>(519.6)</u>	<u>(527.0)</u>
Decrease in net position	<u>\$ (79.2)</u>	<u>\$ (111.9)</u>

Statement of Revenues, Expenses and Changes in Net Position

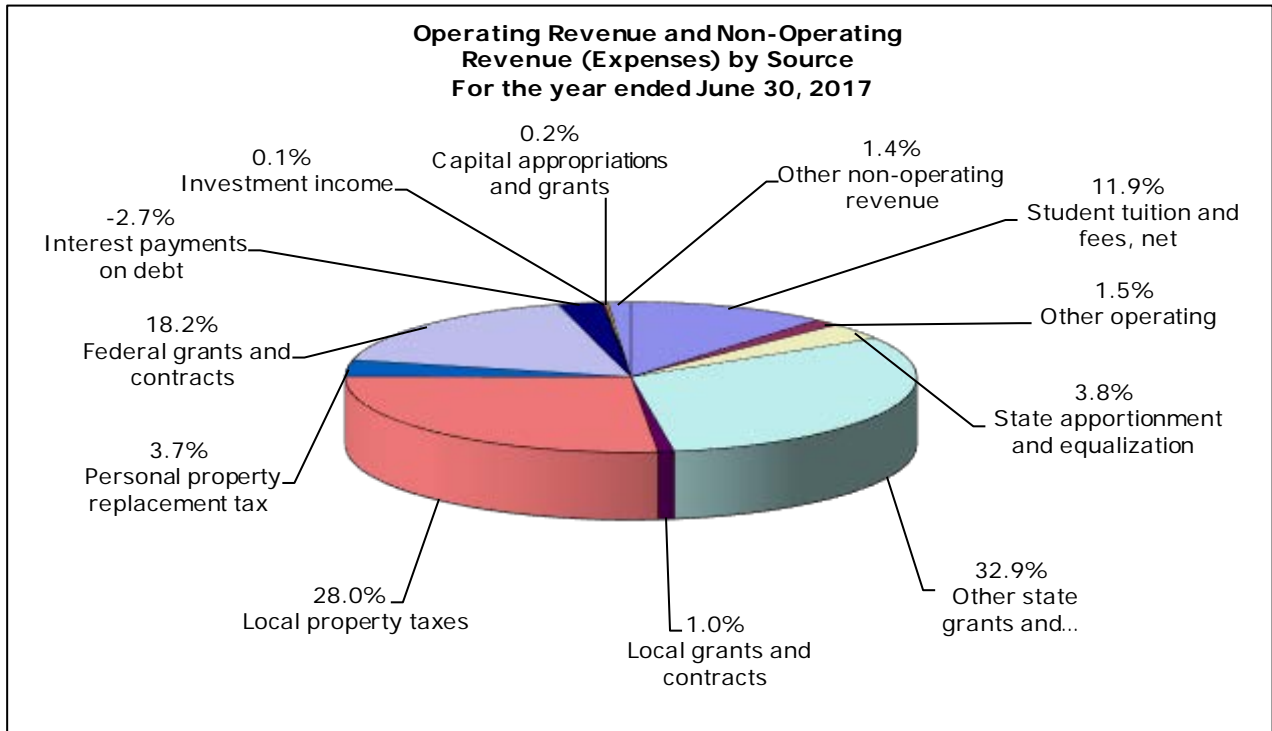
Operating revenues decreased by \$4.3 million from the previous year because of a \$3.3 million decrease in net student tuition and fees, and a \$1 million decrease in other operating revenues.

Net non-operating revenues and expenses increased \$34.5 million in fiscal year 2017 mainly due to an increase of \$48.8 million in state apportionment and equalization, other state grants and contracts, local grants and property replacement tax. The increase was offset by decreases of \$14.3 million in local property taxes, federal grants and contracts, investment income, interest payment on debts and other non-operating revenue.

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

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Operating revenues			
Student tuition and fees	\$ 99.2	\$ 105.0	\$ (5.8)
Less scholarships	(46.7)	(49.2)	2.5
Other operating	<u>6.7</u>	<u>7.7</u>	<u>(1.0)</u>
Total operating revenues	<u>59.2</u>	<u>63.5</u>	<u>(4.3)</u>
Non-operating revenues (expenses)			
State apportionment and equalization	16.7	10.6	6.1
Other state grants and contracts	144.8	113.1	31.7
Local grants and contracts	4.2	2.3	1.9
Local property taxes	123.3	125.7	(2.4)
Personal property replacement tax	16.4	11.6	4.8
Federal grants and contracts	80.1	84.3	(4.2)
Interest payments on debt	(11.7)	(5.0)	(6.7)
Investment income	0.5	1.5	(1.0)
Other non-operating revenue	<u>6.1</u>	<u>1.8</u>	<u>4.3</u>
Total non-operating revenues (expenses)	<u>380.4</u>	<u>345.9</u>	<u>34.5</u>
Capital appropriations and grants	<u>0.8</u>	<u>0.7</u>	<u>0.1</u>
Total	<u><u>\$ 440.4</u></u>	<u><u>\$ 410.1</u></u>	<u><u>\$ 30.3</u></u>

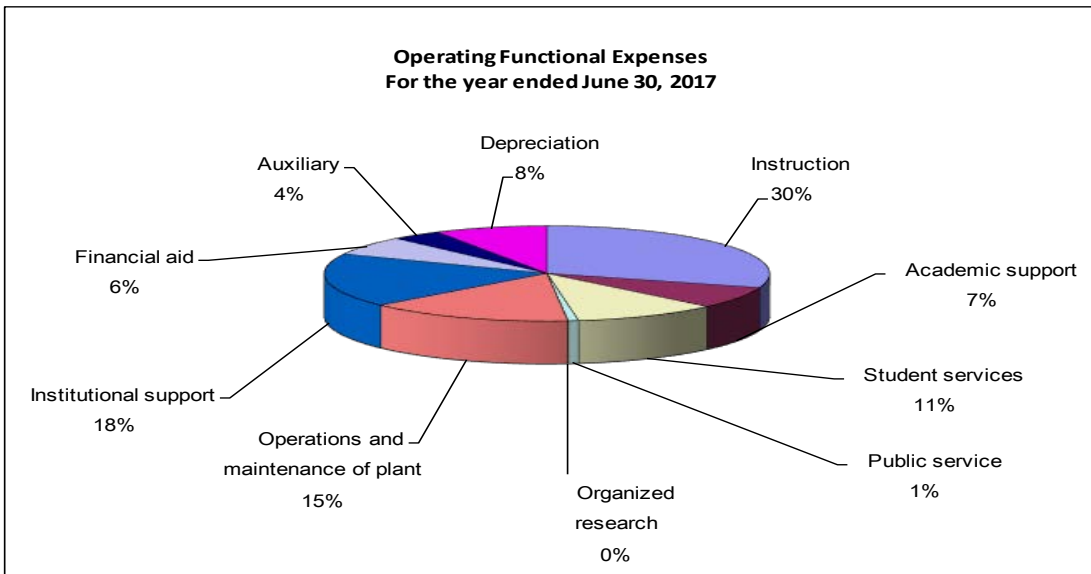
**Table 3
Operating Revenue and Non-Operating Revenues (Expenses)
(in millions of dollars)**



Total operating expenses decreased by \$2.4 million in fiscal year 2017. Instructional, Academic Support, Student Services, Operations & Maintenance of Plant, Financial Aid and Auxiliary expenses increased by \$12.5 million. Public Service, Organized Research, Institutional Support, and Depreciation decreased by \$14.9 million.

**Table 4
Operating Functional Expenses
(in millions of dollars)**

Operating expenses	2017	2016	Change
Instruction	\$ 155.1	\$ 152.2	\$ 2.9
Academic support	38.5	34.7	3.8
Student services	54.4	52.2	2.2
Public service	3.9	4.3	(0.4)
Organized research	0.1	0.3	(0.2)
Operations and maintenance of plant	77.3	74.8	2.5
Institutional support	95.1	102.5	(7.4)
Financial aid	33.5	32.7	0.8
Auxiliary	19.0	18.7	0.3
Depreciation	42.7	49.6	(6.9)
Total operating expenses	\$ 519.6	\$ 522.0	\$ (2.4)



Net Capital Assets and Non-Current Liabilities

As of June 30, 2017, City Colleges had \$1,310.1 million in capital assets and \$358.3 million in accumulated depreciation, resulting in \$951.8 million in net capital assets. 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 \$19.9 million. (See Note 4)

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

Capital Assets	<u>2017</u>	<u>2016</u>	<u>Change</u>
Land	\$ 51.4	\$ 51.4	\$ -
Buildings and improvements	1,083.4	1,097.2	(13.8)
Construction in progress	41.5	88.3	(46.8)
Equipment	63.8	52.9	10.9
Software	<u>70.0</u>	<u>62.4</u>	<u>7.6</u>
Total	1,310.1	1,352.2	(42.1)
Less accumulated depreciation	<u>(358.3)</u>	<u>(380.5)</u>	<u>22.2</u>
Net capital assets	<u><u>\$ 951.8</u></u>	<u><u>\$ 971.7</u></u>	<u><u>\$ (19.9)</u></u>

Total non-current liabilities increased by \$11.0 million to \$335.8 million. This was mainly due to a \$2.8 million increase in accrued property tax refunds, a \$5.7 million increase in other post-employment benefits and a \$9.9 million increase in lease obligations. These increases were offset by a decrease of \$1.7 million in sick leave benefits and a \$5.2 million decrease in bonds payable net of premiums and discounts. See Note 12 for more detailed information regarding long-term debt activity.

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

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Accrued compensated absences	\$ 3.0	\$ 3.0	\$ -
Accrued property tax refunds	19.1	16.3	2.8
Sick leave benefits	5.0	6.7	(1.7)
Other post-employment benefits	60.3	54.6	5.7
Bonds payable, net of premiums & discounts	245.9	251.1	(5.2)
Lease obligations	<u>9.9</u>	<u>-</u>	<u>9.9</u>
Sub-total	343.2	331.7	11.5
Less current portion	<u>(7.4)</u>	<u>(6.9)</u>	<u>(0.5)</u>
Total non-current liabilities	<u>\$ 335.8</u>	<u>\$ 324.8</u>	<u>\$ 11.0</u>

Requests for Information

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

Basic Financial Statements

City Colleges of Chicago
Community College District No. 508
Statement of Net Position
June 30, 2017

Assets

Current assets:

Cash and cash equivalents	\$ 11,126,141
Short-term investments	44,118,558
Property tax receivable, net	57,929,375
Personal property replacement tax receivable	2,326,934
Other accounts receivable, net	<u>40,409,540</u>
Total current assets	<u>155,910,548</u>

Non-current assets:

Restricted cash	11,312,556
Funds held by others - restricted	362,383
Other accounts receivable	5,283,250
Capital assets not being depreciated	92,902,978
Capital assets being depreciated, net	<u>858,935,785</u>
Total non-current assets	<u>968,796,952</u>
Total assets	<u>1,124,707,500</u>

Deferred outflows of resources

Deferred grant-related pension contributions	<u>980,280</u>
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Liabilities

Current liabilities:

Accounts payable	12,189,058
Accrued payroll	18,252,209
Other accruals	5,872,802
Deposits held in custody for others	1,033,080
Unearned tuition and fees revenue	5,656,529
Unearned grant revenue	555,595
Other liabilities	10,720,241
Current portion of non-current liabilities	<u>7,424,139</u>
Total current liabilities	<u>61,703,653</u>

Non-current liabilities:

Accrued compensated absences	2,989,269
Accrued property tax refunds	19,121,950
Sick leave benefits	5,021,558
Other post-employment benefits	60,267,654
Bonds payable, net of premiums and discounts	245,933,132
Lease obligations	9,897,038
Less current portion of non-current liabilities	<u>(7,424,139)</u>
Total non-current liabilities	<u>335,806,462</u>
Total liabilities	<u>397,510,115</u>

Deferred inflows of resources

Deferred property tax revenue	<u>60,260,718</u>
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Net position

Net investment in capital assets	704,854,741
Restricted for specific purposes:	
Audit	29,488
Liability, protection, and settlement	705,482
Unrestricted	<u>(37,672,764)</u>
Total net position	<u>\$ 667,916,947</u>

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, 2017

Revenues

Operating revenues:

Student tuition and fees:	
Resident tuition	\$ 90,887,073
Nonresident tuition	7,609,337
Fees	681,472
Less: Scholarship allowances	<u>(46,670,605)</u>
Net student tuition and fees	52,507,277
Other operating revenues	<u>6,702,496</u>
Total operating revenues	<u>59,209,773</u>

Expenses

Operating expenses:

Instructional salaries	83,858,803
Non-instructional salaries	123,024,189
Fringe benefits	176,176,135
Supplies	14,732,670
Professional development	742,743
Utilities	8,090,810
Contractual services	26,683,165
Depreciation	42,741,190
Financial aid, exclusive of scholarship allowances	33,531,205
Other expenses	<u>10,045,675</u>

Total operating expenses 519,626,585

Operating loss (460,416,812)

Non-operating revenues (expenses):

State apportionment and equalization	16,737,354
Other state grants and contracts	144,823,351
Local grants and contracts	4,186,138
Local property taxes	123,263,682
Personal property replacement tax	16,422,533
Federal grants and contracts	80,082,538
Investment income	503,916
Interest payments on debt	(11,688,580)
Other non-operating revenue	<u>6,075,845</u>

Total non-operating revenues (expenses) 380,406,777

Income (loss) before capital appropriations and grants	(80,010,035)
Capital appropriations and grants	<u>801,851</u>

Change in net position (79,208,184)

Net position, beginning of year 747,125,131

Net position, end of year \$ 667,916,947

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, 2017

Cash flows from operating activities	
Tuition and fees	\$ 40,710,787
Payments to suppliers	(127,393,037)
Payments to employees	(206,265,700)
Payments to students	(33,531,205)
Other operating receipts	6,702,496
Net cash used in operating activities	<u>(319,776,659)</u>
Cash flows from noncapital financing activities	
Local property taxes	125,897,769
State apportionment, grants and contracts	27,596,616
Personal property replacement tax	16,496,316
Grants and contracts	94,707,527
Net cash provided by noncapital financing activities	<u>264,698,228</u>
Cash flows from capital and related financing activities	
Purchases of capital assets	(2,174,327)
Payment received on note receivable	6,035,776
Principal and interest paid on debt	(19,655,936)
Net cash used in capital and related financing activities	<u>(15,794,487)</u>
Cash flows from investing activities	
Proceeds from sales and maturities of investments	63,469,652
Purchases of investments	(9,551,277)
Interest received on investments	762,901
Net cash provided by investing activities	<u>54,681,276</u>
Net decrease in cash and cash equivalents	(16,191,642)
Cash and cash equivalents at beginning of year	38,630,339
Cash and cash equivalents at end of year	<u>\$ 22,438,697</u>
Cash and cash equivalents	\$ 11,126,141
Restricted cash	11,312,556
	<u>\$ 22,438,697</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, 2017

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

Operating loss	\$ (460,416,812)
Reconciling adjustments:	
Depreciation	42,741,190
State payment for retirement obligation	133,964,089
Increase in allowance for uncollectible receivables	(323,465)
Changes in assets and liabilities:	
Receivables	(9,982,429)
Prepaid items and other assets	237,418
Accounts payable	(27,577,600)
Accrued payroll	2,363,865
Other accruals	(1,471,576)
Deposits held in custody for others	(26,917)
Unearned tuition and fees revenue	(847,984)
Other liabilities	(2,322,472)
Accrued compensated absences	(76,428)
Sick leave benefits	(1,706,438)
Other post-employment benefits	5,668,900
Net cash used for operating activities	<u><u>\$ (319,776,659)</u></u>

Non-cash transactions

Increase in fair value of investments	\$ 472,032
State of Illinois contributed capital assets	801,851
Capital assets in accounts payable	5,530,904
Amortization of premiums and discounts on bonds payable	991,524

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, 2017

Assets	
Cash and cash equivalents	\$ 2,298,203
Investments	<u>8,081,438</u>
Total assets	<u><u>\$ 10,379,641</u></u>
Liabilities and Net Assets	
Liabilities: Accounts payable	<u>\$ 92,444</u>
Net Assets	
Unrestricted	814,165
Temporarily restricted	7,514,540
Permanently restricted	<u>1,958,492</u>
Total net assets	<u>10,287,197</u>
Total liabilities and net assets	<u><u>\$ 10,379,641</u></u>

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, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue:				
Contributions	\$ -	\$ 943,504	\$ 135,907	\$ 1,079,411
Investment income	386,861	489,945	-	876,806
Contributed services	338,185	-	-	338,185
Net assets released from restriction and other changes in restrictions	1,615,889	(1,615,889)	-	-
Total income	<u>2,340,935</u>	<u>(182,440)</u>	<u>135,907</u>	<u>2,294,402</u>
Expenses				
Program services	1,689,706	-	-	1,689,706
Fundraising	22,279	-	-	22,279
Management and general	260,529	-	-	260,529
Total expenses	<u>1,972,514</u>	<u>-</u>	<u>-</u>	<u>1,972,514</u>
Change in net assets	368,421	(182,440)	135,907	321,888
Net Assets — Beginning of year	445,744	7,696,980	1,822,585	9,965,309
Net Assets — End of year	<u>\$ 814,165</u>	<u>\$ 7,514,540</u>	<u>\$ 1,958,492</u>	<u>\$10,287,197</u>

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, 2017

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 the City Colleges.

City Colleges of Chicago 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, 2017

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, 2017

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 2017, \$10.9 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 2016 tax year and collected in 2017 are recorded as revenue in fiscal year 2017. The remaining revenue related to the 2016 tax year extension is deferred and will be recorded as revenue in fiscal year 2018. Based upon collection histories, City Colleges recorded property taxes at 96.5% of the 2016 extended levy.

City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2017

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
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Notes to Basic Financial Statements
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(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 the City Colleges that is applicable to future reporting periods, and should be reported as having a similar impact on net position as assets. For the 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*. See Note 7 for further discussion of the City College's deferred outflows of resources.

M. Pensions

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 SURS. **(See Note 7)**

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.

City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2017

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

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.

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.

S. Net Position

City Colleges' net position is classified as follows:

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

City Colleges of Chicago
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Notes to Basic Financial Statements
June 30, 2017

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

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, 2017, 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:

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.

City Colleges of Chicago
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Notes to Basic Financial Statements
June 30, 2017

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

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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension (Employer)*, will be effective for City Colleges beginning with its year ending June 30, 2018. This Statement outlines reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This Standard will impact the financial statements and note disclosures.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, will be effective for the District beginning with its year ending June 30, 2018. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, will be effective for City Colleges' beginning with its year ending June 30, 2019. This Statement addresses accounting and financial reporting for certain asset retirement obligations. It establishes criteria for determining the timing and pattern of recognition of liability and a corresponding deferred outflow of resources for asset retirement obligations.

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. 85, *Omnibus 2017*, will be effective for City Colleges' beginning with its year ending June 30, 2018. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits.

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Notes to Basic Financial Statements
June 30, 2017

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

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, will be effective for City Colleges' beginning with its year ending June 30, 2018. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. It also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

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.

Management has not yet completed its evaluation of the impact of the provisions of the standards on its financial statements, however, GASB Statement No. 75, GASB Statement No. 85, and GASB Statement No. 87 will likely impact 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.

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.

City Colleges of Chicago
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Notes to Basic Financial Statements
June 30, 2017

2. DEPOSITS AND INVESTMENTS *(Continued)*

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, 2017, City Colleges had deposits of over \$44.5 million and was not exposed to custodial credit risk on these deposits.

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 federal agency bonds and notes in the amount of \$654,410 were exposed to custodial credit risk as of June 30, 2017.

City Colleges of Chicago
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Notes to Basic Financial Statements
June 30, 2017

2. DEPOSITS AND INVESTMENTS (Continued)

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. The College's 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.

Credit Risk – Credit risk is the risk that the College will not recover its investments due to the ability of the counterparty to fulfill its obligation. Illinois statutes authorize the 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 U.S. Treasury Securities, Federal Agency Bond/Notes and Federal Agency Discount Notes are rated AA+ by Standard and Poor's and the Commercial Paper is rated A-1 by Standard and Poor's.

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, 30ILCS 235. The Illinois Funds is rated AAAM by Standard and Poor's.

City Colleges of Chicago
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Notes to Basic Financial Statements
June 30, 2017

2. DEPOSITS AND INVESTMENTS *(Continued)*

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, 30ILCS5235. The Illinois Trust is rated AAAM by Standard & Poor's.

The carrying amount of investments at June 30, 2017 is shown below:

<u>Investment Type</u>	<u>June 30, 2017</u>	<u>Investment Maturities (in years)</u>	
	<u>Carrying Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>
U.S. Treasury Bond / Note	\$ 7,955,375	\$ 7,955,375	\$ -
Federal Agency Bond / Note	654,410	654,410	-
Illinois Portfolio, IIIT Class	35,469,438	35,469,438	-
Illinois Funds	39,335	39,335	-
Total investments	<u>\$ 44,118,558</u>	<u>\$ 44,118,558</u>	<u>\$ -</u>

City Colleges of Chicago adopted GASB Statement No. 72, Fair Value Measurement and Application in fiscal year 2016. 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 of Chicago 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
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Notes to Basic Financial Statements
June 30, 2017

2. DEPOSITS AND INVESTMENTS (Continued)

The carrying amount of investments and fair value hierarchy at June 30, 2017 is shown below:

Investments Measured at Fair Value	6/30/2017	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	\$ 7,955,375	\$ 7,955,375	\$ -	\$ -
Federal Agency Bond / Note	654,410	-	654,410	-
Total investments at fair value	8,609,785	7,955,375	654,410	-
Investments Measured at Net Asset Value (based on amortized cost)				
Illinois Portfolio, IIIT Class	35,469,438			
Illinois Funds	39,335			
Total investments at Net Asset Value	35,508,773			
Total investments	\$44,118,558			

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.

3. OTHER ACCOUNTS RECEIVABLE

City Colleges' other accounts receivable consists of the following:

	<u>2017</u>
Student	\$ 17,910,792
Grants	8,071,031
State of Illinois	556,536
City of Chicago - TIF	6,106,491
Sale of WYCC	15,959,957
Other	4,371,603
Gross other accounts receivable	52,976,410
Less: Allowance for uncollectibles	(7,283,620)
Other accounts receivable, net	45,692,790
Less: Non-current portion of City of Chicago - TIF	(5,283,250)
Current portion of other receivable, net	\$ 40,409,540

City Colleges of Chicago
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Notes to Basic Financial Statements
June 30, 2017

4. CAPITAL ASSETS

	<u>July 1, 2016</u>	<u>Additions and Transfers In</u>	<u>Retirements and Transfers Out</u>	<u>June 30, 2017</u>
Capital assets not being depreciated:				
Land	\$ 51,376,464	\$ -	\$ -	\$ 51,376,464
Construction in progress	88,290,037	27,484,234	(74,247,757)	41,526,514
Subtotal	<u>139,666,501</u>	<u>27,484,234</u>	<u>(74,247,757)</u>	<u>92,902,978</u>
Capital assets being depreciated:				
Equipment	52,985,078	10,815,422	-	63,800,500
Software	62,395,481	7,571,335	-	69,966,816
Buildings and improvements	<u>1,097,180,326</u>	<u>52,862,680</u>	<u>(66,623,737)</u>	<u>1,083,419,269</u>
Subtotal	<u>1,212,560,885</u>	<u>71,249,437</u>	<u>(66,623,737)</u>	<u>1,217,186,585</u>
Total capital assets	1,352,227,386	98,733,671	(140,871,494)	1,310,089,563
Accumulated depreciation:				
Equipment	21,600,010	7,548,201	-	29,148,211
Software	30,679,669	8,308,791	-	38,988,460
Buildings and improvements	<u>328,233,281</u>	<u>26,884,198</u>	<u>(65,003,350)</u>	<u>290,114,129</u>
Total accumulated depreciation	<u>380,512,960</u>	<u>42,741,190</u>	<u>(65,003,350)</u>	<u>358,250,800</u>
Capital assets, net	<u>\$ 971,714,426</u>	<u>\$ 55,992,481</u>	<u>\$ (75,868,144)</u>	<u>\$ 951,838,763</u>

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.

**City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2017**

6. OTHER ACCRUALS AND OTHER LIABILITIES

City Colleges' other accruals and other liabilities consist of the following as of June 30, 2017:

	2017
Other accruals	
Accrued for services	\$ 4,737,690
Accrued interest	1,050,891
Other accruals	84,221
Total other accruals	\$ 5,872,802
 Other liabilities	
Self insurance	\$ 4,625,255
Unclaimed property	2,960,325
Other	3,134,661
Total other liabilities	\$ 10,720,241

7. EMPLOYEE RETIREMENT PENSION PLAN

Plan Description – City Colleges contributes to the State Universities Retirement System 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 Section 5/15, Chapter 40 of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by 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 begin 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 six months after their date of hire to make an irrevocable election. A summary of the benefit provisions as of June 30, 2016, can be found in the System's comprehensive annual financial report (CAFR) notes to the financial statements.

City Colleges of Chicago
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Notes to Basic Financial Statements
June 30, 2017

7. EMPLOYEE RETIREMENT PENSION PLAN *(Continued)*

Contributions - The State of Illinois is primarily responsible for funding the System 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 2016 and 2017, respectively, was 12.69% and 12.53% of employee payroll. The normal cost is equal to the value of 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. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

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).

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.

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

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

Employer Proportionate Share of Net Pension Liability - The proportionate share of the State's net pension liability associated with City Colleges is \$1,355,491,236, or 5.2204%, as of the measurement date. The amount of the proportionate share of the net pension liability to be recognized for City Colleges as of the measurement date is \$0 due to the special funding situation described above. The net pension liability and total pension liability as of June 30, 2016 was determined based on the June 30, 2015 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 2016 as compared to the total actual reported pension contributions of all employees.

Employer Proportionate Share of Pension Expense - The employer proportionate share of collective pension expense is recognized as on-behalf payments for both the contributions made by the State and the matching expense in the financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported pension contributions made to SURS during fiscal year 2016. As a result, City Colleges recognized on-behalf revenue and pension expense of \$133,964,089 for the fiscal year ended June 30, 2017.

Deferral of Fiscal Year 2017 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 \$980,280 in federal, trust or grant contributions for the fiscal year ended June 30, 2017. These contributions were made subsequent to the pension liability measurement date of June 30, 2016, and are recognized as deferred outflows of resources as of June 30, 2017.

Assumptions and Other Inputs

Actuarial Assumptions - The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period June 30, 2011 – 2014. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.75 to 15.00 percent, including inflation
Investment rate of return	7.25 percent beginning with the actuarial valuation as of June 30, 2014

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

Mortality rates were based on the RP2014 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, 2016, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
U.S. Equity	23%	6.08%
Private Equity	6%	8.73%
Non-U.S. Equity	19%	6.95%
Global Equity	8%	6.78%
Fixed Income	19%	1.17%
Treasury-Inflation Protected Securities	4%	1.41%
Emerging Market Debt	3%	4.44%
Real Estate Investment Trust (REITS)	4%	5.75%
Direct Real Estate	6%	4.62%
Commodities	2%	4.23%
Hedged Strategies	5%	4.00%
Opportunity Fund	<u>1%</u>	<u>6.54%</u>
Total	100%	5.09%
Inflation		<u>2.75%</u>
Expected Arithmetic Return		7.84%

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7. EMPLOYEE RETIREMENT PENSION PLAN *(Continued)*

Discount Rate - A single discount rate of 7.010% 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 7.250% and a municipal bond rate of 2.85% (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 2073. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2073, 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.

8. CHANGES IN NON-CURRENT LIABILITIES

Changes in non-current liabilities for the year ended June 30, 2017 are as follows:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions/ Adjustments</u>	<u>June 30, 2017</u>	<u>Amounts due within one year</u>
Accrued compensated absences	\$ 3,065,697	\$ 5,592,833	\$ (5,669,261)	\$ 2,989,269	\$ 1,424,915
Accrued property tax refund	16,277,328	4,943,100	(2,098,478)	19,121,950	-
Sick leave benefits	6,727,996		(1,706,438)	5,021,558	984,019
Other post-retirement benefits	54,598,754	11,714,503	(6,045,603)	60,267,654	-
Bonds payable	245,995,000	-	(4,165,000)	241,830,000	4,335,000
Bonds premiums and discounts	5,094,656	-	(991,524)	4,103,132	-
Lease obligations	-	9,897,038	-	9,897,038	680,205
	<u>\$ 331,759,431</u>	<u>\$ 32,147,474</u>	<u>\$ (20,676,304)</u>	<u>\$ 343,230,601</u>	<u>\$ 7,424,139</u>

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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, 2017, City Colleges recorded a liability of \$2,989,269 for compensated absences, and estimated that \$1,424,915 of these liabilities is current and due within one year. (See Note 8)

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 2017 and 2.5% thereafter, (2) future payments discounted by a 3.87% interest factor in 2017 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, 2017, City Colleges accrued \$3,565,344 for the estimated present value of these future retiree benefits for current employees and \$1,456,214 in benefits payable to retired employees for a total of \$5,021,558. (See Note 8)

11. OTHER POST-EMPLOYMENT BENEFITS

Plan Description: In addition to providing the pension benefits described in Note 7, 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. 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.

**City Colleges of Chicago
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11. OTHER POST-EMPLOYMENT BENEFITS (Continued)

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.

Membership: As of June 30, 2017, 2016 and 2015, membership consisted of:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Retirees currently receiving benefits	917	951	1,279
Active employees	1,834	2,390	2,274
TOTAL	<u>2,751</u>	<u>3,341</u>	<u>3,553</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 2017. The actuarial valuation is used to determine the total actuarial liability and annual required contribution for the post-retirement medical and life insurance benefits provided for purposes of GASB Statement No. 45. For the fiscal year ended June 30, 2017, City Colleges contributed \$6,045,603.

Annual OPEB costs and the net OPEB obligation are based on the calculations and parameters prescribed in GASB Statement No. 45. A valuation date of July 1, 2017 and the Projected Unit Credit actuarial cost method were used. Using a closed amortization period, the annual required contribution is calculated as the normal cost plus a 30-year amortization of the unfunded actuarial liability as a level-dollar amount. The assumptions also include data regarding demographic and mortality rates, an inflation rate of 2% per year, an interest rate assumption of 3.87% per year, and a health care cost trend rate assumption that starts at 7.5% in 2014 and gradually declines to 4.0% by the year 2022. 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 2017 included premium rates, payroll, data, variation of health care costs, census data regarding participants and age factors in each plan.

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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 2017, 2016, and 2015.

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	\$ 11,714,503	\$ 6,045,603	51.6%	\$ 60,267,654
June 30, 2016	14,665,441	2,480,807	16.9%	54,598,754
June 30, 2015	11,992,523	9,282,215	77.4%	42,414,120

	<u>2017</u>
Annual Required Contribution	\$ 12,593,544
Interest on Net OPEB Obligation	2,112,972
Adjustment to Annual Required Contribution	<u>(2,992,013)</u>
Annual OPEB Cost	11,714,503
Contributions Made	<u>(6,045,603)</u>
Increase in Net OPEB Obligation	5,668,900
Net OPEB Obligation Beginning of Year	<u>54,598,754</u>
Net OPEB Obligation End of Year	<u><u>\$ 60,267,654</u></u>

**City Colleges of Chicago
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11. OTHER POST-EMPLOYMENT BENEFITS (Continued)

The actuarially determined funded status of the plan as of June 30 is as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarial Value of Assets	\$ -	\$ -	\$ -
Actuarial Liability	123,660,822	143,642,679	120,853,689
Unfunded Actuarial Liability	123,660,822	143,642,679	120,853,689
Funded Ratio (actuarial value of assets/AAL)	0%	0%	0%
Covered Payroll (active plan members)	125,139,898	148,691,885	146,164,608
UAAL as a Percentage of Active Member Payroll	98.8%	96.6%	82.7%

12. LONG-TERM DEBT

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.

City Colleges has pledged revenues to repay its bond issue. The pledges will remain until the bond is retired. The amount of pledges remaining as of June 30, 2107 is as follows:

<u>Debt Issue</u>	<u>Pledged Revenue Source</u>	<u>Pledge Remaining</u>	<u>Commitment End Date</u>	<u>Percentage of Revenue Pledged</u>
2013	Tuition, fees, and state grants	\$451,168,475	2044	7.88%

<u>Debt Issue</u>	<u>Pledged Revenue Source</u>	<u>Pledge Revenue</u>	<u>Principal and Interest Retired</u>
2013	Tuition, fees, and state grants	\$214,067,982	\$ 16,858,988

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12. LONG-TERM DEBT *(Continued)*

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 of Chicago municipal bonds. There are several rating agencies that assign ratings to municipal debt, including debt issued by City Colleges of Chicago. Two of these agencies down-graded City Colleges of Chicago debt rating from the previous year. As of August 4, 2017, City Colleges of Chicago current ratings are A+ (previously AA-) and BBB (previously A+) by Fitch Ratings and S&P Global Ratings, respectively.

Following is the future debt service requirements for the Bonds:

<u>Fiscal Year</u>	<u>Principal Payment</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 4,335,000	\$ 12,502,313	\$ 16,837,313
2019	4,550,000	12,280,187	16,830,187
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 - 2027	30,565,000	53,365,642	83,930,642
2028 - 2032	39,380,000	44,305,687	83,685,687
2033 - 2037	50,810,000	32,577,313	83,387,313
2038 - 2042	65,740,000	17,243,275	82,983,275
2043 - 2044	31,395,000	1,669,369	33,064,369
Total	<u>\$ 241,830,000</u>	<u>\$ 209,338,475</u>	<u>\$ 451,168,475</u>

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.

City Colleges of Chicago
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13. RISK MANAGEMENT *(Continued)*

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 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 \$200,000.

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 \$1,010,500 as of June 30, 2017.

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.

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 \$2,238,334 as of June 30, 2017. 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.

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13. RISK MANAGEMENT *(Continued)*

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 \$1,376,421 as of June 30, 2017 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, 2016</u>	<u>Incurred Claims</u>	<u>Payment on Claims</u>	<u>June 30, 2017</u>
General liability	\$ 876,700	\$ 167,900	\$ (34,100)	\$ 1,010,500
Workers' compensation	2,365,047	522,007	(648,720)	2,238,334
Health insurance	<u>1,200,865</u>	<u>32,403,086</u>	<u>(32,227,530)</u>	<u>1,376,421</u>
	<u>\$ 4,442,612</u>	<u>\$ 33,092,993</u>	<u>\$ (32,910,350)</u>	<u>\$ 4,625,255</u>

	<u>June 30, 2015</u>	<u>Incurred Claims</u>	<u>Payment on Claims</u>	<u>June 30, 2016</u>
General liability	\$ 1,018,389	\$ -	\$ (141,689)	\$ 876,700
Workers' compensation	2,629,086	450,807	(714,846)	2,365,047
Health insurance	<u>1,029,406</u>	<u>31,774,981</u>	<u>(31,603,522)</u>	<u>1,200,865</u>
	<u>\$ 4,676,881</u>	<u>\$ 32,225,788</u>	<u>\$ (32,460,057)</u>	<u>\$ 4,442,612</u>

14. TAX ABATEMENT

GASB Statement No. 77, *Tax Abatement Disclosures* ("GASB 77"), 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.

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14. TAX ABATEMENT (Continued)

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.

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 earn at least \$25 billion in annual world-wide revenues, satisfaction of the MBE/WBE requirements, compliance with the resident hiring and prevailing wage requirements, employment of a minimum of 500 full time employees in Chicago, and leasing and occupying not less than 125,000 rentable square feet in Chicago, among other requirements.

For fiscal year 2017, City Colleges reimbursed \$49,418 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:

- 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 form the date of completion of major rehabilitation.

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15. DISCRETELY PRESENTED COMPONENT UNIT

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 2017, City Colleges estimated its portion of annual abatement of property taxes to various taxpayers under the development incentive programs approximates \$1.7 million.

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.

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.

Cash and Cash Equivalents - As of June 30, 2017, 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 unrestricted net assets, unless such income or loss is temporarily or permanently restricted by explicit donor stipulations or by law.

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15. DISCRETELY PRESENTED COMPONENT UNIT (*Continued*)

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 unrestricted contributions and expenses in the statement of activities.

Expenses - Expenses are recognized in the period they are incurred and have been summarized on a functional basis in the statement of activities.

Net Assets - Classification of Net Assets - In accordance with Accounting Standards Codification (“ASC”) 958, resources are classified into three classifications of net assets according to externally (donor) imposed restrictions.

Unrestricted - Net assets are expendable for any purpose in performing the primary objectives of the organization. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted.

Temporarily Restricted - Net assets whose use is limited by donor-imposed restrictions that either expire with the passage of time, can be removed by fulfillment of the stipulated purpose for which the donation was restricted, or appropriation by the Board. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted - Net assets donated with stipulations that they be invested to provide a permanent source of income; such restrictions can neither expire with the passage of time nor be removed by fulfillment of a stipulated purpose.

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.

City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2017

15. DISCRETELY PRESENTED COMPONENT UNIT *(Continued)*

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, 2017.

The Foundation files Forms 990 in the U.S. federal jurisdiction and the State of Illinois. With few exceptions, the Foundation is no longer subject to examination by the Internal Revenue Service for fiscal years ended before June 30, 2012.

Subsequent Events - The Foundation has evaluated all subsequent events through September 29, 2017, which is the date the financial statements were available to be issued.

New accounting pronouncements – In May 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*. The amendments remove the requirement to categorize within the fair value hierarchy those investments for which fair value is measured using the net asset value per share practical expedient. The amendments in this update will be effective as of July 1, 2017, for the Foundation. The adoption will not have a material effect on the financial statements.

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 customers. The updated standard will replace most existing revenue recognition guidance in the 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 as of July 1, 2019, 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.

City Colleges of Chicago
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Notes to Basic Financial Statements
June 30, 2017

C. Investments

In August, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this update include significant changes to the financial reporting model for Not-for-Profit organizations. Key elements in this update include reducing net asset classification from three to two categories, expanded disclosures about the nature and amount of any donor restrictions, expanded disclosures on any board designations of net assets, and other additional disclosures. The amendments in this update will be effective as of July 1, 2018 for the Foundation, and will likely have a material effect on the presentation of the 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.

The components of net investment return for the year ended June 30, 2017 are as follows:

	<u>2017</u>
Interest and dividends	\$164,129
Net realized gains	185,744
Net unrealized gains	<u>526,933</u>
Total	<u><u>\$876,806</u></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:

City Colleges of Chicago
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Notes to Basic Financial Statements
June 30, 2017

15. DISCRETELY PRESENTED COMPONENT UNIT *(Continued)*

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.

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, 2017, 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, 2017, 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 2 of the fair value hierarchy.

Assets measured at fair value on a recurring basis as of June 30, 2017 are as follows:

	<u>2017</u>
Mutual Funds:	
Fixed income funds	\$ 2,082,123
Equity funds	<u>5,979,898</u>
Total	<u><u>\$ 8,062,021</u></u>

**City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2017**

15. DISCRETELY PRESENTED COMPONENT UNIT *(Continued)*

E. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2017 are restricted to the following purposes:

	<u>2017</u>
Scholarships	\$5,485,624
Goldman Sachs 10,000 Small Businesses Initiative	1,524,682
Project Grants	463,496
Miscellaneous	<u>\$40,738</u>
Total temporarily restricted net assets	<u><u>\$7,514,540</u></u>

Temporarily restricted net assets were released from restrictions as follows for the year ended June 30, 2017:

	<u>2017</u>
Scholarships	\$506,349
Goldman Sachs 10,000 Small Businesses Initiative	1,070,534
Project Grants	37,005
Miscellaneous	<u>2,001</u>
Total temporarily restricted net assets	<u><u>\$1,615,889</u></u>

F. Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2017 are restricted to investment in perpetuity, the income from which is expendable to support:

	<u>2017</u>
Scholarships	\$1,958,087
Miscellaneous	<u>405</u>
Total permanently restricted net assets	<u><u>\$1,958,492</u></u>

City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2017

15. DISCRETELY PRESENTED COMPONENT UNIT *(Continued)*

G. Endowment Net Assets

The Foundation has donor-restricted endowment net assets that consist of 14 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.

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

**City Colleges of Chicago
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Notes to Basic Financial Statements
June 30, 2017**

15. DISCRETELY PRESENTED COMPONENT UNIT *(Continued)*

Changes in endowment net assets for the year ended June 30, 2017, are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of year	\$1,283,747	\$1,822,585	\$3,106,332
Investment return:			
Investment income	91,755	-	91,755
Net gain (realized and unrealized)	398,190	-	398,190
Total investment return	<u>489,945</u>	<u>-</u>	<u>489,945</u>
Contributions	-	135,907	135,907
Appropriation of endowment assets for expenditures	<u>(174,867)</u>	<u>-</u>	<u>(174,867)</u>
Endowment net assets - end of year	<u>\$1,598,825</u>	<u>\$1,958,492</u>	<u>\$3,557,317</u>

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, 2017.

H. 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 \$338,185. These amounts have been included as contributed services and related expenses in the statement of activities.

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, 2017, City Colleges had \$3.2 million in commitments for its capital plan, all of which are being funded by City Colleges.

City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2017

17. DISPOSAL OF OPERATIONS

On April 13, 2017, City Colleges disposed its Federal Communications Commission (“FCC”) broadcast license in the 600 MHz spectrum that is used to broadcast the signal for the WYCC TV 20 television station through an incentive auction conducted by the FCC. WYCC TV 20 will be off air on October 26, 2017. As a result of the auction, City Colleges recognized a gain of \$6.06 million that is reported as “other non-operating revenue”. City Colleges’ fiscal year 2017 expense related to its WYCC operation totaled approximately \$7.3 million. Fiscal year 2017 revenue associated with its WYCC operation totaled approximately \$10.8 million.

18. SUBSEQUENT EVENTS

On July 6, 2017, the State of Illinois enacted Senate Bill 6 legislation into law that provides appropriations in supplemental funding to community colleges for fiscal year 2017. Since this legislation was enacted into law subsequent to the end of fiscal year 2017, according to GASB 33, the appropriations cannot be recognized in fiscal year 2017. The amount of the fiscal year 2017 appropriations to City Colleges is \$31.4 million and this amount will be recognized in fiscal year 2018.

On August 3, 2017, the Board of Trustees of Community College District No. 508 (the Board) authorized the issuance of general obligation bonds in one or more series and in the maximum aggregated principal amount of \$80,000,000 for the purposes of financing the current capital improvement for repairs and rehabilitation of existing buildings and structures, restarting and continuation of construction of a new Transportation Distribution and Logistics Center at Olive-Harvey College and construction of a new Engineering and Advanced Manufacturing Center at Richard J. Daley College.

Required Supplementary Information

**City Colleges of Chicago
Community College District No. 508
Required Supplementary Information
June 30, 2017**

Other Post -Employment Benefit Plan

Analysis of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Annual Covered Payroll (b-a)/c
July 1, 2017	\$ -	\$ 123,660,822	\$ 123,660,822	0%	\$ 125,139,898	98.8%
2016	-	143,642,679	143,642,679	0%	148,691,885	96.6%
2015	-	120,853,689	120,853,689	0%	146,164,608	82.7%
2014	-	115,158,411	115,158,411	0%	128,106,608	89.9%
2013	-	112,458,352	112,458,352	0%	107,485,980	104.6%
2012	-	119,275,116	119,275,116	0%	110,092,137	108.3%
2011	-	124,498,937	124,498,937	0%	99,595,638	125.0%
2010	-	117,079,887	117,079,887	0%	102,896,841	113.8%
2009	-	121,654,154	121,654,154	0%	101,030,184	120.4%
2008	-	113,011,808	113,011,808	0%	95,665,186	118.1%

Employer Contributions

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2017	\$ 12,593,544	48.0%
2016	15,390,834	16.1%
2015	12,538,366	74.0%
2014	11,559,712	59.1%
2013	11,874,427	57.0%
2012	11,992,485	62.4%
2011	11,362,668	58.3%
2010	11,552,729	54.4%
2009	10,557,002	58.5%
2008	10,087,473	64.4%

**City Colleges of Chicago
Community College District No. 508
Required Supplementary Information
June 30, 2017**

Employer Retirement Pension Plan	FY 2014	FY 2015	FY 2016
(a) Proportion Percentage of the Collective Net Pension Liability	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	<u>\$ 1,087,536,479</u>	<u>\$ 1,218,726,483</u>	<u>\$ 1,355,491,236</u>
Total (b) + (c)	<u>\$ 1,087,536,479</u>	<u>\$ 1,218,726,483</u>	<u>\$ 1,355,491,236</u>
Employer Covered-Employee Payroll	\$ 209,114,348	\$ 210,959,550	\$ 212,512,956
Proportion of Collective Net Pension Liability associated with Employer as a Percentage of Covered-Employee Payroll	520.07%	577.71%	670.38%
SURS Plan Net Position as a Percentage of Total Pension Liability	44.39%	42.37%	39.57%
Federal, Trust, Grant and Other contribution	\$ 787,225	\$ 812,143	\$ 1,100,852
Contribution in Relation to Required Contribution	<u>787,225</u>	<u>812,143</u>	<u>1,100,852</u>
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Employer Covered-Employee Payroll	\$ 209,114,348	\$ 210,959,550	\$ 212,512,956
Contributions as a Percentage of Covered-Employee Payroll	0.38%	0.38%	0.52%

*City Colleges implemented GASB No. 68 in fiscal year 2016. 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 was no benefit changes recognized in the total pension liability as of June 30, 2016.

City Colleges of Chicago
Community College District No. 508
Required Supplementary Information
June 30, 2017

Notes to Required Supplementary Information (Continued)

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, 2010 to June 30, 2014 was performed in February 2015, resulting in the adoption of new assumptions as of June 30, 2015.

- Mortality rates: Change from the RP 2000 Mortality table projected to 2017, sex distinct, to the RP-2014 mortality tables with projected generational mortality improvement. Change to a separate mortality assumption for disabled participants.
- Salary increase: Change assumption to service-based rates, ranging from 3.75 percent to 15.00 percent based on years of service, with underlying wage inflation of 3.75 percent.
- Normal retirement rates: Change to retirement rates at ages younger than 60, age 66, and ages 70-79 to reflect observed experiences.
- Early retirement rates: Change to a slight increase to the rates at ages 55 and 56.
- Turnover rates: Change to produce lower expected turnover for members with less than 10 years of service and higher turnover for members with more than 10 years of service than the currently assumed rates.
- Disability rates: Decrease rates and also have separate rates for males and females to reflect observed experience.
- Dependent assumption: Maintain the current assumption on marital status that varies by age and sex and the assumption that males are three years older than their spouses.

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 the college's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within 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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Net Position:										
Net investment in capital assets	\$ 569,734,877	\$ 570,962,411	\$ 593,174,965	\$ 593,020,416	\$ 600,335,077	\$ 621,139,731	\$ 658,505,276	\$ 717,255,258	\$ 719,559,997	\$ 704,854,741
Restricted for specific purposes										
Capital Projects	28,768,926	56,156,946	44,507,719	92,978,002	97,683,367	-	-	-	-	-
Audit	-	-	-	-	-	64,118	194,892	165,898	36,209	29,488
Liability, protection, and settlement	-	-	-	-	-	6,007,472	7,187,039	6,580,766	2,632,672	705,482
PBC operations and maintenance	-	-	-	-	-	607,045	607,045	-	-	-
Other	72,738,397	72,753,668	69,361,867	71,830,566	70,154,208	-	-	-	-	-
Unrestricted	<u>71,794,664</u>	<u>67,104,370</u>	<u>86,874,142</u>	<u>66,367,440</u>	<u>92,820,212</u>	<u>254,548,655</u>	<u>221,854,399</u>	<u>135,002,378</u>	<u>24,896,253</u>	<u>(37,672,764)</u>
Total Net Position	<u>\$ 743,036,864</u>	<u>\$ 766,977,395</u>	<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>

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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Operating revenues:										
Student tuition and fees (net of scholarship allowances)	\$ 37,779,085	\$ 46,719,262	\$ 48,044,246	\$ 46,100,054	\$ 44,216,800	\$ 45,524,856	\$ 43,551,469	\$ 41,738,106	\$ 55,841,074	\$ 52,507,277
Other operating revenues	6,997,724	7,773,577	7,442,333	8,370,707	7,530,445	10,407,332	9,806,723	7,240,451	7,680,657	6,702,496
Total operating revenues	<u>44,776,809</u>	<u>54,492,839</u>	<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>
Operating expenses:										
Instructional staff	81,587,686	88,799,795	90,477,097	88,565,180	88,192,744	97,927,822	100,033,039	95,951,938	90,918,944	83,858,803
Non-instructional staff	94,272,264	92,884,417	95,556,737	93,023,672	101,665,123	103,702,031	110,941,259	118,063,554	123,980,168	123,024,189
Fringe benefits	48,646,332	52,008,207	64,479,515	67,970,166	78,556,221	116,384,988	101,050,332	115,749,425	150,741,188	176,176,135
Supplies	17,756,862	13,262,646	14,646,462	13,885,552	15,409,438	22,703,765	20,216,270	22,552,882	20,032,747	14,732,670
Professional development	2,294,480	2,053,242	1,826,668	1,325,058	1,484,245	1,272,691	1,487,147	1,244,344	1,304,104	742,743
Equipment not capitalized	25,457,028	3,846,842	4,838,391	5,765,922	7,169,078	-	-	-	-	-
Utilities	12,565,805	11,405,723	10,299,268	9,834,789	9,833,894	9,041,755	8,422,751	8,503,632	7,889,555	8,090,810
Contractual services	45,368,250	37,549,206	42,380,663	46,303,596	37,456,245	39,843,034	39,678,006	37,471,238	29,714,332	26,683,165
Depreciation	27,231,445	21,336,035	18,367,180	22,245,912	19,844,225	19,605,043	20,603,084	40,362,884	49,604,285	42,741,190
Financial aid (net of scholarship allowances)	32,612,287	46,833,746	57,192,354	73,006,767	88,128,031	62,302,469	54,757,208	54,781,226	32,657,219	33,531,205
Other expenses	2,203,370	2,222,996	4,301,200	13,379,760	1,873,076	4,572,743	3,208,895	9,048,160	15,151,528	10,045,675
Total operating expenses	<u>389,995,809</u>	<u>372,202,855</u>	<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>
Operating loss	<u>(345,219,000)</u>	<u>(317,710,016)</u>	<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>
Non-operating revenues (expenses):										
State apportionment and equalization	39,808,436	37,759,550	38,637,438	48,683,543	48,683,543	44,243,857	44,091,624	40,944,584	10,653,563	16,737,354
Other state grants and contracts	59,444,571	64,191,417	72,578,870	75,378,306	87,343,845	101,432,160	103,024,737	113,886,048	113,032,192	144,823,351
Local grants and contracts	4,073,193	4,706,664	5,646,914	5,273,784	5,241,086	5,573,604	5,042,722	5,073,046	2,263,905	4,186,138
Local property taxes	113,234,703	121,020,792	127,316,069	123,516,103	121,811,625	120,202,490	118,738,148	119,389,151	125,659,171	123,263,682
Property taxes for lease obligations	13,912,993	-	-	-	-	-	-	-	-	-
Personal property replacement tax	15,525,950	13,581,642	11,416,700	13,924,035	12,319,744	14,076,439	13,548,322	14,564,695	11,637,706	16,422,533
Federal grants and contracts	64,170,398	78,525,778	110,203,448	140,186,492	156,278,485	131,057,829	121,249,812	109,992,620	84,341,753	80,082,538
Litigation settlement	-	-	656,745	-	-	-	-	-	-	-
Investment income	11,293,733	5,829,685	2,028,369	1,589,648	1,557,008	579,765	1,633,125	1,229,614	1,461,132	503,916
Building lease and interest payments on debt	(2,016,881)	-	-	-	-	-	-	-	(4,961,335)	(11,688,580)
Other non-operating revenue	-	-	-	-	-	-	573,157	2,175,119	1,846,475	6,075,845
Non-operating revenues, net	<u>319,447,096</u>	<u>325,615,528</u>	<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>
Income (loss) before capital appropriations and grants	(25,771,904)	7,905,512	19,605,597	27,716,298	35,370,261	(4,258,009)	861,848	(47,495,849)	(112,537,777)	(80,010,035)
Capital appropriations and grants	53,576,141	16,035,019	7,335,701	2,561,433	1,426,179	25,632,166	5,119,782	17,326,560	658,608	801,851
Change in net position	<u>\$ 27,804,237</u>	<u>\$ 23,940,531</u>	<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>

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
2007	\$ 43,685,644,783	\$ 22,387,633,179	\$ 7,454,940,830	\$ 77,095,720	\$ 73,605,314,512	\$ 73,611,156,177	0.159	\$220,833,468,531	33.33%
2008	48,377,972,238	24,468,644,597	7,993,155,293	84,112,105	80,923,884,233	80,929,580,524	0.156	242,788,741,572	33.33%
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%

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 assed 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									
		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>City Colleges of Chicago</u>											
Audit Fund	\$ 0.005	\$ -	\$ 0.002	\$ -	\$ 0.001	\$ 0.001	\$ 0.001	\$ 0.001	\$ 0.001	\$ 0.001	\$ 0.001
Tort Liability	N/A	0.009	0.007	0.004	0.007	0.010	0.008	0.009	0.005	0.001	0.009
Education Fund	0.175	0.109	0.104	0.104	0.100	0.109	0.131	0.149	0.149	0.125	0.124
Operations and Maintenance Fund	0.050	0.041	0.043	0.042	0.043	0.045	0.050	0.040	0.038	0.049	0.035
PBC Rental	N/A	-	-	-	-	-	-	-	-	-	-
Total City Colleges of Chicago Rate		<u>\$ 0.159</u>	<u>\$ 0.156</u>	<u>\$ 0.150</u>	<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>Overlapping Rates</u>											
Chicago Board of Education		\$ 2.583	\$ 2.472	2.366	2.581	2.875	3.422	3.671	3.660	3.455	3.726
School Finance Authority		0.091	-	-	-	-	-	-	-	-	-
City of Chicago		1.044	1.147	1.098	1.132	1.229	1.425	1.496	1.473	1.806	1.880
Chicago Park District		0.355	0.323	0.309	0.319	0.346	0.395	0.420	0.415	0.382	0.368
Metropolitan Water Reclamation District		0.263	0.252	0.261	0.274	0.320	0.370	0.417	0.430	0.426	0.406
Cook County		0.446	0.415	0.394	0.423	0.462	0.531	0.560	0.568	0.552	0.533
Cook County Forest Preserve		0.053	0.051	0.049	0.051	0.058	0.063	0.069	0.069	0.069	0.063
South Cook County Mosquito Abatement		0.006	0.009	0.009	0.010	0.012	0.014	0.016	0.017	0.017	0.017
Total Overlapping Rate		<u>\$ 4.841</u>	<u>\$ 4.669</u>	<u>\$ 4.486</u>	<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>
Total Rate		<u>\$ 5.000</u>	<u>\$ 4.825</u>	<u>\$ 4.636</u>	<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>Tax Extensions (\$ thousands)</u>											
Audit Fund		\$ -	\$ 1,600	\$ -	\$ 650	\$ 650	\$ 650	\$ 584	\$ 384	\$ 384	\$ 684
Tort Liability		6,574	5,399	2,865	5,736	7,736	4,361	5,584	2,985	985	6,984
Education Fund		80,486	84,245	87,682	81,669	81,669	85,144	92,760	96,559	88,610	91,677
Operations and Maintenance Fund		29,972	34,997	35,694	35,186	33,186	33,186	24,912	24,912	34,911	25,612
PBC Rental		-	-	-	-	-	-	-	-	-	-
		<u>\$ 117,032</u>	<u>\$ 126,241</u>	<u>\$ 126,241</u>	<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>

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**

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation
Willis Tower (formerly Sears Tower)	\$ 406,464	1	0.55%	\$ 514,662	1	0.70%
AON Building	252,408	2	0.34%	374,456	2	0.51%
HCSC Blue Cross A Pini	250,676	3	0.34%	-	-	-
Water Tower Place	226,358	4	0.31%	231,069	6	0.31%
One Prudential Plaza	212,135	5	0.29%	293,604	4	0.40%
300 Lasalle LLC	205,994	6	0.28%	-	-	-
AT&T Corporate Center 1 (Franklin Ctr.)	204,322	7	0.28%	297,653	3	0.40%
Citadel Center (Mark Davids)	196,745	8	0.27%	208,906	9	0.28%
Three First National Plaza	191,736	9	0.26%	205,913	10	0.28%
Hart 353 N. Clark	159,626	10	0.22%	-	-	-
Chase Tower	-	-	0.00%	250,261	5	0.34%
Citigroup Center	-	-	0.00%	216,217	7	0.29%
Leo Burnett Building 131 S. Dearborn	-	-	0.00%	211,813	8	0.29%
	<u>\$ 2,306,464</u>		<u>3.12%</u>	<u>\$ 2,804,554</u>		<u>3.80%</u>

Source: Cook County Assessor's Office – 2016 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
2007	2008	\$ 117,032,450	\$ 65,674,332	56.12%	\$ 47,602,208	\$ 113,276,540	96.79%
2008	2009	126,241,259	56,373,682	44.66%	65,995,942	122,369,624	96.93%
2009	2010	126,817,540	64,591,707	50.93%	56,983,091	121,574,798	95.87%
2010	2011	123,890,844	64,730,979	52.25%	54,891,164	119,622,143	96.55%
2011	2012	123,886,630	63,562,811	51.31%	56,005,524	119,568,335	96.51%
2012	2013	123,907,268	62,712,317	50.61%	58,355,621	121,067,938	97.71%
2013	2014	124,038,168	63,503,739	51.20%	58,136,730	121,640,469	98.07%
2014	2015	125,207,190	63,827,769	50.98%	59,621,270	123,449,039	98.60%
2015	2016	124,890,892	64,993,572	52.04%	59,481,832	124,475,404	99.67%
2016	2017	124,957,885	64,816,536	51.87%	-	64,816,536	51.87%

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)
2008	21,165	47,609	65,668	\$ 72.00	\$ 189.95	\$ 309.76	\$ -	1,050,801	\$75,276,720	\$(37,497,635)	\$ 37,779,085
2009	23,218	50,500	70,438	72.00	258.99	306.89	-	1,136,523	85,837,178	(39,117,916)	46,719,262
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

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
2008	\$ -	\$ -	\$ -	-	-
2009	-	-	-	-	-
2010	-	-	-	-	-
2011	-	-	-	-	-
2012	-	-	-	-	-
2013	-	-	-	-	-
2014	257,406,782	-	257,406,782	0.14%	94.67
2015	256,211,924	-	256,211,924	0.13%	94.25
2016	251,089,656	-	251,089,656	0.12%	92.53
2017	241,830,000	-	241,830,000	0.11%	89.40

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

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

Table I

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

	As of June 30, 2017		
	Net Direct Long- Term Debt (1)	Estimated Percentage Applicable (2)	Share of Overlapping Debt
Direct Debt			
City Colleges of Chicago	\$ 241,830	100.00%	\$ 241,830
Estimated General Obligation Overlapping Debt			
City of Chicago General Obligation Bonds	\$ 8,943,914	100.00%	\$ 8,943,914
Chicago Board of Education	6,778,084	100.00%	6,778,084
Chicago Park District	863,580	100.00%	863,580
Metropolitan Water Reclamation District of Greater Chicago	2,926,998	54.46%	1,594,043
Cook County	3,213,142	51.98%	1,670,191
Cook County Forest Preserve District	159,440	53.47%	<u>85,253</u>
Total Estimated Overlapping Long-Term Debt			<u>19,935,064</u>
Direct and Estimated Overlapping Long-Term Debt			<u>\$ 20,176,894</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 2015 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
2008	2,697,359 *	\$ 127,250,608 *	\$ 47,176	7.00%
2009	2,697,006 *	116,750,693 *	43,289	11.10%
2010	2,695,598 ^	117,700,591 *	43,664	11.20%
2011	2,705,404 *	122,641,374 *	45,332	10.90%
2012	2,714,120 *	129,930,353 *	47,872	10.00%
2013	2,718,887 *	133,608,826 *	49,141	10.10%
2014	2,718,530 *	142,396,601 *	52,380	7.80%
2015	2,713,596 *	148,471,692 *	54,714	6.60%
2016	2,704,958 *	-----Data Not Available-----		6.50%
2017	-----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) 2008 - 2015 Data from the Bureau of Economic Analysis (BEA). These rates are for Cook County. 2016 - 2017 data is not available.
 (C) Illinois Workforce Info Center Website, prior information has been updated to reflect the most current data available.

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

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

Employer	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
U.S. Government	1	42,663	1.58%	1	42,887	1.58%	1	45,673	1.68%
Chicago Public Schools	2	35,862	1.33%	2	37,406	1.37%	2	38,933	1.43%
City of Chicago	3	30,754	1.14%	3	30,276	1.11%	3	30,345	1.11%
Cook County	4	20,716	0.77%	4	21,795	0.80%	4	21,622	0.79%
Advocate Health Care	5	18,930	0.70%	5	18,308	0.67%	5	18,556	0.68%
University of Chicago	6	16,374	0.61%	6	16,197	0.60%	6	16,025	0.59%
Northwestern Memorial Hospital	7	15,747	0.58%	7	15,317	0.56%	9	14,550	0.53%
JP Morgan Chase	8	15,229	0.56%	9	14,158	0.52%	7	15,015	0.55%
United Continental Holdings Inc	9	15,157	0.56%	10	14,000	0.51%	10	14,000	0.51%
State of Illinois	10	13,524	0.50%	8	15,136	0.56%	8	14,925	0.55%
		<u>224,956</u>	<u>8.32%</u>		<u>225,480</u>	<u>8.28%</u>		<u>229,644</u>	<u>8.42%</u>

Employer	Fiscal Year 2014			Fiscal Year 2013			Fiscal Year 2012		
	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%
Chicago Public Schools	2	39,094	1.44%	2	40,145	1.48%	2	39,667	1.47%
City of Chicago	3	30,340	1.12%	3	30,197	1.11%	3	31,307	1.16%
Cook County	4	21,482	0.79%	4	21,057	0.77%	4	21,785	0.80%
Advocate Health Care	5	18,512	0.68%	5	16,710	0.61%	5	18,485	0.68%
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%
JP Morgan Chase	6	16,045	0.59%	7	15,103	0.56%	-	-	-
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%
Walgreen Co.	-	-	-	9	14,528	0.53%	9	14,688	0.54%
Provena Health/Resurrection Health	-	-	-	-	-	-	8	14,806	0.55%
		<u>233,516</u>	<u>8.58%</u>		<u>234,313</u>	<u>8.61%</u>		<u>241,305</u>	<u>8.91%</u>

Employer	Fiscal Year 2011			Fiscal Year 2010			Fiscal Year 2009		
	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	49,573	1.83%	1	77,000	2.86%	1	78,000	2.73%
Chicago Public Schools	2	40,883	1.51%	2	43,740	1.62%	2	43,910	1.54%
City of Chicago	3	35,237	1.30%	3	36,242	1.34%	3	35,570	1.25%
Cook County	5	23,083	0.85%	5	23,416	0.87%	5	22,142	0.78%
Advocate Health Care	7	14,873	0.55%	7	14,784	0.55%	7	15,660	0.55%
State of Illinois	4	25,700	0.95%	4	26,000	0.96%	6	18,124	0.64%
JP Morgan Chase	8	13,639	0.50%	9	13,142	0.49%	-	-	-
University of Chicago	-	-	-	-	-	-	8	14,287	0.50%
Walgreen Co.	9	13,122	0.48%	8	13,281	0.49%	9	14,254	0.50%
AT&T Inc.	-	-	-	10	13,000	0.48%	10	14,000	0.49%
Abbott Laboratories	10	13,000	0.48%	-	-	-	-	-	-
Walmart Stores, Inc.	6	21,329	0.79%	6	19,990	0.74%	4	23,453	0.82%
		<u>250,439</u>	<u>9.24%</u>		<u>280,595</u>	<u>10.40%</u>		<u>279,400</u>	<u>9.80%</u>

Source: Crain's Chicago's Business, Largest Employers, published January 19, 2017

Note: Beginning with the fiscal year 2009, 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**

Unrestricted Funds

Functional Job Type	Full-time FTE			Part-time FTE			Total FTE		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Faculty	644	627	619	1,153	1,156	859	1,797	1,783	1,478
Professional/Technical Staff	563	592	558	140	68	66	703	660	624
Administrators	418	424	415	1	2	1	419	426	416
Clerical	349	354	316	6	10	19	355	364	335
Front-Line Direct Support (Custodial/Maintenance/Security)	259	269	264	398	373	291	657	642	555
Academic Support/Direct Student-Facing Personnel	158	161	168	359	322	341	517	483	509
Student Workers	2	1		9	20	27	11	21	27
Totals	2,393	2,428	2,340	2,066	1,951	1,604	4,459	4,379	3,944

Data Source: FY18 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		
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
2009	1,136,523.0	408,681.0	41,510.0	77,907.0	48,517.0	122,788.0	437,120.0
2008	1,050,801.0	375,014.0	42,368.0	75,633.0	43,777.0	105,781.0	408,228.0

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Land	\$ 48,988,547	\$ 49,094,047	\$ 49,094,047	\$ 49,959,334	\$ 49,959,334	\$ 50,588,046	\$ 53,616,391	\$ 55,421,960	\$ 51,376,464	\$ 51,376,464
Construction in progress	18,421,821	28,955,476	43,035,306	51,832,430	58,677,994	80,178,270	103,111,151	269,626,926	88,290,037	41,526,514
Equipment	17,574,611	17,919,630	16,548,010	15,901,476	16,930,530	17,064,376	17,525,902	20,378,093	52,985,078	63,800,500
Buildings and improvements	642,987,012	654,292,589	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
Software	28,734,268	29,008,086	29,342,571	29,342,571	30,035,011	30,035,011	30,035,011	30,852,286	62,395,481	69,966,816
Total Capital Assets	756,706,259	779,269,828	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
Less: Accumulated Depreciation	(186,971,382)	(208,307,417)	(225,326,563)	(246,743,974)	(266,588,199)	(281,982,383)	(299,962,533)	(336,310,200)	(380,512,960)	(358,250,800)
Net Capital Assets	<u>\$569,734,877</u>	<u>\$570,962,411</u>	<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>
Capital Lease & Bond Obligations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$250,000,000	\$ 250,000,000	\$ 245,995,000	\$ 241,830,000

**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>	
	<u>Most Recent Accreditation</u>	<u>Next Review</u>
Accreditation by North Central Association of Colleges and Schools		
Daley	2011-12	2021-22
Harold Washington	2008-09	2018-19
Kennedy-King	2015-16	2025-26
Malcolm X	2007-08	2017-18
Olive-Harvey	2010-11	2020-21
Truman	2009-10	2019-20
Wright	2012-13	2019-20
Current gross square footage		4,228,755
Size of district		228.5 square miles
Counties served		Cook and DuPage
Population of district		2,704,958
Number of faculty		1,478
Number of professional / technical staff		624
Number of administrators		416
Number of clerical staff		335
Number of custodial / maintenance staff		555
Number of academic support staff		509
Number of student/workstudy staff		27
Degrees and certificates awarded (fiscal year 2017)		8,071

**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
2008	\$297,698,600	\$55,892,006
2009	\$287,664,558	\$53,244,610
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*

Source: Illinois Community College Board

**Amounts do not 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, 2017**

	<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	\$ 55,384	\$ 10,323,956	\$ 30,001,335	\$ 37,754,705	\$ 19,227,383	\$ 5,313,118	\$ 9,171,188	\$ 27,037,293	\$ 138,884,362
All Other Local Revenue	313,533	41,298	421,970	245,424	117,801	465,849	47,422	-	1,653,297
ICCB Grants	3,938,343	5,079,879	1,702,481	2,898,996	1,235,595	4,293,674	4,868,433	-	24,017,401
All Other State Revenue	419,048	497,096	405,626	740,302	482,301	430,630	604,212	-	3,579,215
Federal Revenue	13,858,027	15,862,247	5,134,409	8,860,988	4,221,056	15,218,308	16,927,504	-	80,082,539
Student Tuition and Fees	16,304,727	20,847,804	7,129,585	11,941,280	5,028,353	17,669,299	20,256,833	-	99,177,882
All Other Revenue	45,343	1,045,867	3,316,218	360,374	1,076,946	1,762,702	805,370	9,992,761	18,405,581
Total Revenue before Capital Appropriations	34,934,405	53,698,147	48,111,624	62,802,069	31,389,435	45,153,580	52,680,962	37,030,054	365,800,277
Capital Appropriations	-	-	-	-	801,851	-	-	-	801,851
Total Revenue	<u>\$ 34,934,405</u>	<u>\$ 53,698,147</u>	<u>\$ 48,111,624</u>	<u>\$ 62,802,069</u>	<u>\$ 32,191,286</u>	<u>\$ 45,153,580</u>	<u>\$ 52,680,962</u>	<u>\$ 37,030,054</u>	<u>\$ 366,602,129</u>
Expenditures by program									
Instruction	\$ 10,168,452	\$ 17,359,179	\$ 12,993,810	\$ 17,725,391	\$ 9,061,071	\$ 15,680,772	\$ 17,494,710	\$ -	\$ 100,483,385
Academic Support	1,935,731	3,196,368	3,092,822	5,032,401	2,348,307	3,018,976	3,408,359	3,349,057	25,382,021
Student Services	4,140,612	6,273,554	3,758,716	5,129,399	3,707,609	6,207,518	5,760,477	1,547,590	36,525,475
Public Service/Continuing Education	249,481	173,850	365,945	441,872	-	222,380	309,131	929,031	2,691,690
Organized Research	-	-	-	-	-	96,829	1,252	-	98,081
Auxiliary Services	828,871	678,755	2,558,765	801,440	510,274	513,936	238,619	6,649,441	12,780,101
Operations and Maintenance	8,165,426	5,677,564	13,638,183	17,336,623	8,485,737	8,972,000	9,271,383	31,775,393	103,322,309
Institutional Support	2,804,837	2,417,754	2,834,892	3,691,582	2,325,606	2,205,401	2,667,709	62,635,625	81,583,406
Scholarships, Grants, Waivers	6,640,995	17,921,123	8,868,491	12,643,361	4,950,831	8,235,768	13,529,322	10,153,954	82,943,845
Total Expenditures	<u>\$ 34,934,405</u>	<u>\$ 53,698,147</u>	<u>\$ 48,111,624</u>	<u>\$ 62,802,069</u>	<u>\$ 31,389,435</u>	<u>\$ 45,153,580</u>	<u>\$ 52,680,962</u>	<u>\$ 117,040,091</u>	<u>\$ 445,810,313</u>

Excludes SURS contribution of \$133,964,089.

Statement of Purpose: The City Colleges of Chicago Revenues and Expenditures by College for the year ended June 30, 2017, 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, 2017

	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	GASB 34/35 Adjustment **	Total
Fund Balance: July 1, 2016	\$(38,141,585)	\$ (3,085,634)	\$ 14,811,127	\$ (6,256,620)	\$(10,269,005)	\$ (1,258,903)	\$ 67,013,532	\$ 36,209	\$ 2,632,672	\$ 721,643,338	\$ 747,125,131
Revenues:											
Local Tax Revenue	83,398,177	28,947,715	-	23,049,058	-	-	-	512,335	3,778,929	-	139,686,214
All Other Local Revenue	-	-	801,851	-	-	851,446	-	-	-	-	1,653,297
ICCB Grants	24,017,401	-	-	-	-	-	-	-	-	-	24,017,401
All Other State Revenue	2,314	-	374,554	-	-	3,202,347	-	-	-	-	3,579,215
Federal Revenue	402,859	-	-	-	-	79,679,680	-	-	-	-	80,082,539
Student Tuition and Fees	98,522,610	-	-	-	655,272	-	-	-	-	-	99,177,882
All Other Revenue	<u>1,807,782</u>	<u>1,154,477</u>	<u>12,764</u>	<u>52,767</u>	<u>12,057,359</u>	<u>3,320,432</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,405,581</u>
Total Revenues	<u>208,151,143</u>	<u>30,102,192</u>	<u>1,189,169</u>	<u>23,101,825</u>	<u>12,712,631</u>	<u>87,053,905</u>	<u>-</u>	<u>512,335</u>	<u>3,778,929</u>	<u>-</u>	<u>366,602,129</u>
Expenses											
Instruction	91,830,501	-	-	-	2,278,920	6,373,964	-	-	-	-	100,483,385
Academic Support	18,761,175	-	-	-	87,727	6,533,119	-	-	-	-	25,382,021
Student Services	33,808,402	-	-	-	11,655	2,705,418	-	-	-	-	36,525,475
Public Service/Continuing Education	288	-	-	-	1,433,042	1,258,360	-	-	-	-	2,691,690
Organized Research	-	-	-	-	-	98,081	-	-	-	-	98,081
Auxiliary Services	7,705,024	-	-	-	4,040,568	1,034,509	-	-	-	-	12,780,101
Operations and Maintenance	12,458,784	28,127,754	21,888,671	16,845,105	-	-	-	-	1,470	24,000,525	103,322,309
Institutional Support	74,405,073	(8,921)	9,859,361	100	(18,711)	404,183	-	519,056	5,704,651	(9,281,386)	81,583,406
Scholarships, Grants, Waivers	<u>11,774,978</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,168,867</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,943,845</u>
Total Expenses	<u>250,744,225</u>	<u>28,118,833</u>	<u>31,748,032</u>	<u>16,845,205</u>	<u>7,833,201</u>	<u>89,576,501</u>	<u>-</u>	<u>519,056</u>	<u>5,706,121</u>	<u>14,719,139</u>	<u>445,810,313</u>
Net Transfers	-	-	-	-	-	-	-	-	-	-	-
Fund Balance: June 30, 2017	<u>\$(80,734,667)</u>	<u>\$(1,102,275)</u>	<u>\$(15,747,736)</u>	<u>\$ -</u>	<u>\$(5,389,575)</u>	<u>\$(3,781,499)</u>	<u>\$ 67,013,532</u>	<u>\$ 29,488</u>	<u>\$ 705,480</u>	<u>\$ 706,924,199</u>	<u>\$ 667,916,947</u>

* Excludes SURS contribution \$133,964,089

** 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, 2017**

	Capital Assets / Long-Term Debt July 1, 2016	Additions	Deletions and Transfers	Capital Assets / Long-Term Debt June 30, 2017
Fixed Assets				
Land	\$ 51,376,464	\$ -	\$ -	\$ 51,376,464
Construction in progress	88,290,037	27,484,234	(74,247,757)	41,526,514
Buildings and improvements	1,097,180,326	52,862,680	(66,623,737)	1,083,419,269
Equipment	52,985,078	10,815,422	-	63,800,500
Software	62,395,481	7,571,335	-	69,966,816
Accumulated depreciation	(380,512,960)	(42,741,190)	65,003,350	(358,250,800)
Net Fixed Assets	<u>\$ 971,714,426</u>	<u>\$ 55,992,481</u>	<u>\$ (75,868,144)</u>	<u>\$ 951,838,763</u>
Fixed Debt				
Bonds payable	\$ 245,995,000	\$ -	\$ (4,165,000)	\$ 241,830,000
Total Fixed Debt	<u>\$ 245,995,000</u>	<u>\$ -</u>	<u>\$ (4,165,000)</u>	<u>\$ 241,830,000</u>

City Colleges of Chicago
Community College District No. 508
Operating Funds Revenues and Expenditures**
Uniform Financial Statement #3
Fiscal Year Ended June 30, 2017

OPERATING REVENUES BY SOURCE	Education Fund	Operations and Maintenance Fund	Total Operating Funds
Local Government Revenue:			
Local Taxes	\$ 83,398,177	\$ 28,947,715	\$ 112,345,892
TOTAL LOCAL GOVERNMENT	<u>83,398,177</u>	<u>28,947,715</u>	<u>112,345,892</u>
State Government:			
ICCB Base Operating Grant	24,017,401	-	24,017,401
Other (Include other ICCB grants not listed above)	2,314	-	2,314
TOTAL STATE GOVERNMENT	<u>24,019,715</u>	<u>-</u>	<u>24,019,715</u>
Federal Government:			
Dept. of Education	402,859	-	402,859
TOTAL FEDERAL GOVERNMENT	<u>402,859</u>	<u>-</u>	<u>402,859</u>
Student Tuition and Fees			
Tuition	98,496,410	-	98,496,410
Fees	26,200	-	26,200
TOTAL TUITION AND FEES	<u>98,522,610</u>	<u>-</u>	<u>98,522,610</u>
Other Sources			
Sales and Service Fees	403,542	(29,840)	373,702
Facilities Revenue	-	1,184,317	1,184,317
Investment Revenue	451,149	-	451,149
Other	953,091	-	953,091
TOTAL OTHER REVENUE	<u>1,807,782</u>	<u>1,154,477</u>	<u>2,962,259</u>
TOTAL REVENUE	<u>\$ 208,151,143</u>	<u>\$ 30,102,192</u>	<u>\$ 238,253,335</u>
Less: Non-Operating Items *			
Tuition Chargeback Revenue	(47,620)	-	(47,620)
ADJUSTED REVENUE	<u>\$ 208,103,523</u>	<u>\$ 30,102,192</u>	<u>\$ 238,205,715</u>
OPERATING EXPENDITURES			
BY PROGRAM			
Instruction	\$ 91,830,501	\$ -	\$ 91,830,501
Academic Support	18,761,175	-	18,761,175
Student Services	33,808,402	-	33,808,402
Public Service/Continuing Education	288	-	288
Auxiliary Services	7,705,024	-	7,705,024
Operations and Maintenance	12,458,784	28,127,754	40,586,538
Institutional Support	74,405,073	(8,921)	74,396,152
Scholarships, Grants, Waivers	11,774,978	-	11,774,978
TOTAL EXPENDITURES	<u>250,744,225</u>	<u>28,118,833</u>	<u>278,863,058</u>
Less Non-Operating Items*			
Tuition Chargeback	(225,549)	-	(225,549)
ADJUSTED EXPENDITURES	<u>\$ 250,518,676</u>	<u>\$ 28,118,833</u>	<u>\$ 278,637,509</u>
BY OBJECT			
Salaries	\$ 172,918,718	\$ 15,238,707	\$ 188,157,425
Employee Benefits	32,658,321	2,650,448	35,308,769
Contractual Services	10,028,623	1,764,969	11,793,592
General Materials and Supplies	10,706,416	859,095	11,565,511
Professional Development	428,119	750	428,869
Fixed Charges	1,096,841	788,417	1,885,258
Utilities	1,243,408	6,825,368	8,068,776
Capital Outlay	57,346	-	57,346
Other	21,606,433	(8,921)	21,597,512
TOTAL EXPENDITURES	<u>\$ 250,744,225</u>	<u>\$ 28,118,833</u>	<u>\$ 278,863,058</u>
Less Non-Operating Items*			
Tuition Chargeback	(225,549)	-	(225,549)
ADJUSTED EXPENDITURES	<u>\$ 250,518,676</u>	<u>\$ 28,118,833</u>	<u>\$ 278,637,509</u>

* Enter as negative.

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

**City Colleges of Chicago
Community College District No. 508
Restricted Purposes Fund Revenues and Expenditures*
Uniform Financial Statement #4
Fiscal Year Ended June 30, 2017**

REVENUE BY SOURCE:

TOTAL LOCAL GOVERNMENT	\$ 851,446
State Government	
Other	<u>3,202,347</u>
TOTAL STATE GOVERNMENT	<u>3,202,347</u>
Federal Government	
Dept. of Education	66,306,448
Other	<u>13,373,232</u>
TOTAL FEDERAL GOVERNMENT	<u>79,679,680</u>
Other Sources	
Other	<u>3,320,432</u>
TOTAL OTHER SOURCES	<u>3,320,432</u>
TOTAL RESTRICTED PURPOSES FUND REVENUES	<u><u>\$ 87,053,905</u></u>

EXPENDITURES BY PROGRAM

Instruction	\$ 6,373,964
Academic Support	6,533,119
Student Services	2,705,418
Public Service/Continuing Education	1,258,360
Organized Research	98,081
Auxiliary Services	1,034,509
Institutional Support	404,183
Scholarships, Grants and Waivers	71,168,867

TOTAL RESTRICTED PURPOSES FUND EXPENDITURES \$ 89,576,501

EXPENDITURES BY OBJECT

Salaries	\$ 13,528,923
Employee Benefits	2,161,914
Contractual Services	1,722,531
General Materials and Supplies	2,150,806
Professional Development	302,535
Capital Outlay	177,039
Other	159,045
Scholarships, Grants, Waivers	69,373,708

TOTAL RESTRICTED PURPOSES FUND EXPENDITURES \$ 89,576,501

* Excludes SURS contribution of \$133,964,089.

City Colleges of Chicago
Community College District No. 508
Current Funds * Expenditures by Activity**
Uniform Financial Statement #5
Fiscal Year Ended June 30, 2017

INSTRUCTION	
Instructional Programs	\$ 100,483,385
Total Instruction	<u>100,483,385</u>
ACADEMIC SUPPORT	
Library Center	3,101,057
Instructional Materials Center	324,177
Educational Media Services	142,370
Academic Computing Support	1,406,658
Academic Administration and Planning	13,790,001
Other	6,617,758
Total Academic Support	<u>25,382,021</u>
STUDENT SERVICES SUPPORT	
Admissions and Records	6,155,815
Counseling and Career Services	12,385,802
Financial Aid Administration	3,822,050
Other	14,161,808
Total Student Services Support	<u>36,525,475</u>
PUBLIC SERVICE/CONTINUING EDUCATION	
Community Education	170,363
Customized Training (Instructional)	447,124
Community Services	403,153
Other	1,671,050
Total Public Service/Continuing Education	<u>2,691,690</u>
ORGANIZED RESEARCH	<u>98,081</u>
AUXILIARY SERVICES	<u>12,780,101</u>
OPERATIONS AND MAINTENANCE OF PLANT	
Maintenance	10,442,193
Custodial Services	7,217,619
Grounds	23,703
Campus Security	10,789,626
Utilities	6,826,308
Administration	3,330,765
Other	1,957,794
Total Operations and Maintenance of Plant	<u>40,588,008</u>
INSTITUTIONAL SUPPORT	
Executive Management	7,623,163
Fiscal Operations	14,828,304
Community Relations	3,157,414
Administrative Support Services	44,280,635
Board of Trustees	381,146
General Institutional	13,961,312
Institutional Research	1,519,687
Administrative Data Processing	8,399,275
Other	(13,145,605)
Total Institutional Support	<u>81,005,331</u>
SCHOLARSHIPS, STUDENTS GRANTS, & WAIVERS	<u>82,943,845</u>
TOTAL CURRENT FUNDS EXPENDITURES	<u>\$ 382,497,937</u>

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

** Excludes SURS Contribution of \$133,964,089.

**City Colleges of Chicago
ILLINOIS COMMUNITY COLLEGE DISTRICT NO. 508**

CERTIFICATE OF CHARGEBACK REIMBURSEMENT FOR FISCAL YEAR 2018

All fiscal year 2017 non-capital audited operating expenditures for the past year from the following funds:

Education Fund	\$ 250,744,225
Operations and Maintenance Fund	28,118,833
Bond and Interest Fund	16,845,205
Restricted Purposes Fund	89,576,501
Audit Fund	519,056
Liability, Protection and Settlement Fund	<u>5,706,121</u>
Total noncapital expenditures	\$ 391,509,941
 Depreciation on capital outlay expenditures (equipment, buildings, and fixed equipment paid) from sources other than state and federal funds	 <u>\$ 26,312,819</u>
 Total costs included	 <u>\$ 417,822,760</u>
 Total certified semester credit hours for FY 2017	 904,038.0
 Per capita cost	 \$ 462.17
 All FY 2017 state and federal operating grants for noncapital expenditures, except ICCB grants	 \$ 83,841,753
 FY 2017 state and federal grants per semester credit hour	 \$ 92.74
 District's average ICCB grant rate (excluding equalization grants) for FY 2017	 \$ 47.08
 District's student tuition and fee rate per semester credit hour for FY 2017	 <u>\$ 104.28</u>
 Chargeback reimbursement per semester credit hour	 <u>\$ 218.08</u>

Approved: 
Joyce Carson, Vice Chancellor of Finance and Business Enterprises / CFO

9/29/2017
Date

Approved: 
Juan Salgado, Chancellor

9/29/2017
Date

**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 accompany 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, 2017. 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 on the Schedule based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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. The nature, timing, and extent of the procedures selected depend on our judgement, including as assessment of the risks of material misstatement of the Schedule, referred to above, whether due to fraud or error. We believe that the evidence we obtained in 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 83 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.

RSM US LLP

Chicago, Illinois
September 29, 2017

**City Colleges of Chicago
Schedule of Enrollment Data and
Other Bases On Which Claims are Filed
Year ended June 30, 2017**

**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	49,367.0	-	208,422.0	-	197,615.0	-	455,404.0	-
Business Occupational	2,626.0	-	15,656.0	-	15,339.0	-	33,621.0	-
Technical Occupational	7,320.5	78.0	25,728.0	228.5	22,405.5	603.0	55,454.0	909.5
Health Occupational	2,830.0	-	11,662.0	-	11,463.0	-	25,955.0	-
Remedial/Developmental	3,497.0	-	36,068.0	-	20,360.0	-	59,925.0	-
Adult Basic/Secondary Education	<u>65,768.0</u>	<u>3,421.0</u>	<u>94,904.5</u>	<u>8,561.0</u>	<u>86,322.5</u>	<u>13,792.5</u>	<u>246,995.0</u>	<u>25,774.5</u>
Total	<u>131,408.5</u>	<u>3,499.0</u>	<u>392,440.5</u>	<u>8,789.5</u>	<u>353,505.0</u>	<u>14,395.5</u>	<u>877,354.0</u>	<u>26,684.0</u>

Reconciliation of Total Semester Credit Hours for the Year Ended June 30, 2017

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	455,404.0	455,404.0	-	-	-	-
Business Occupational	33,621.0	33,621.0	-	-	-	-
Technical Occupational	55,454.0	55,454.0	-	909.5	909.5	-
Health Occupational	25,955.0	25,955.0	-	-	-	-
Remedial/Developmental	59,925.0	59,925.0	-	-	-	-
Adult Basic/Secondary Education	<u>246,995.0</u>	<u>246,995.0</u>	<u>-</u>	<u>25,774.5</u>	<u>25,774.5</u>	<u>-</u>
Total	<u>877,354.0</u>	<u>877,354.0</u>	<u>-</u>	<u>26,684.0</u>	<u>26,684.0</u>	<u>-</u>

Summary of Certified Dual Credit and Dual Enrollment Hours

	<u>Dual Credit</u>	<u>Dual Enrollment</u>
Reimbursable Semester Credit Hours (All Terms)	17,902.0	10,364.0

City Colleges of Chicago
Schedule of Enrollment Data and
Other Bases On Which Claims are Filed (Continued)
Year ended June 30, 2017

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	846,068.5		
Restricted in-district resident hours	<u>25,463.5</u>		
Semester credit hours (all terms)	871,532.0	1,120.7	872,652.7

District prior-year equalized assessed evaluation \$ 73,984,605,433

	<u>Total Credit Hours</u>	<u>Total Credit Hours Certified by ICCB</u>	<u>Difference</u>
In-district resident	871,532.0	871,532.0	-
Out-of-district (chargeback/contractual agreement)	<u>1,120.7</u>	<u>1,120.7</u>	-
Total	<u>872,652.7</u>	<u>872,652.7</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>
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
2008	80,929,580,524
2007	73,611,156,177

State Grant Compliance Section

Independent Auditor's Report on Audits of the Grant Program Financial Statements

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 and the Career and Technical Education - Program Improvement Grant Program (the Grant Programs) of City Colleges of Chicago, Community District No. 508 (City Colleges), as of and for the year ended June 30, 2017, 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and guidelines 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 financial position of the Early School Leavers Grant Program and the Career and Technical Education - Program Improvement Grant Program as of June 30, 2017, and the respective changes in financial position 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, 2017, 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 opinion is 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 September 29, 2017, 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 College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in the effectiveness of City Colleges' accordance with *Government Auditing Standards* in considering City Colleges' internal control over financial reporting and compliance.

RSM US LLP

Chicago, Illinois
September 29, 2017

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Grant Program Financial Statements Performed In Accordance With *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 and the Career and Technical Education - Program Improvement 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, 2017, and the related notes to the financial statements—grant programs, and have issued our report thereon dated September 29, 2017. The grant program 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, 2017, 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 program 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' grant program 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
September 29, 2017

Grant Program Financial Statements

**City Colleges of Chicago
Community College District No. 508
Early School Leavers Grant Program
Balance Sheet
June 30, 2017**

Assets	
Cash	\$ 34,833
Total Assets	<u>\$ 34,833</u>
 Liabilities and Fund Balance	
Accounts payable	\$ 733
Due to City Colleges of Chicago	34,100
Total liabilities	<u>34,833</u>
 Total Fund Balance	 <u>-</u>
Total Liabilities and Fund Balance	<u>\$ 34,833</u>

**Statement of Revenues, Expenditures
and Changes in Fund Balance
Year ended June 30, 2017**

Revenue	
State sources	<u>\$ 41,611</u>
 Expenditures	
Salaries	\$ 30,075
Employee benefits	3,838
Materials and supplies	2,537
Student support services	3,014
Travel and professional development	1,960
Purchased services	187
Total expenditures	<u>\$ 41,611</u>
 Excess of Revenue Over Expenditures	
Fund Balance - July 1, 2015	<u>\$ -</u>
Fund Balance - June 30, 2017	<u>\$ -</u>

See accompanying notes to grant program financial statements.

**City Colleges of Chicago
Community College District No. 508
Career and Technical Education - Program Improvement
Balance Sheet
As of June 30, 2017**

Assets	
Cash	<u>\$ 102,267</u>
Liabilities and Fund Balance	
Accounts payable	\$ 101,847
Due to City Colleges of Chicago	420
Total liabilities	<u>102,267</u>
Total Fund Balance	-
Total Liabilities and Fund Balance	<u>\$ 102,267</u>

**Statement of Revenues, Expenditures
and Changes in Fund Balance
Year ended June 30, 2017**

Revenue	
State sources	<u>\$ 172,672</u>
Expenditures	
Salaries	\$ 420
Instructional equipment	78,716
Materials and supplies	93,236
Staff development	<u>300</u>
Conference and meeting expenses	-
Total Expenditures	<u>\$ 172,672</u>
Excess of Revenue Over Expenditures	
Fund Balance - July 1, 2016	<u>\$ -</u>
Fund Balance - June 30, 2017	<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, 2017

1. PROGRAM DESCRIPTIONS

City Colleges of Chicago is responsible for administering the programs listed below 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. 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.

B. Career and Technical Education – Program Improvement Grant

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Reporting

These 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 all eligibility requirements are met. Expenditures are allowable if they comply with “Policy Guidelines for Restricted Grant Expenditures and Reporting” set forth in the ICCB Fiscal Management Manual.

The grant funds shall be expended or obligated by 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 Early School Leavers program was fully expended within the grant period.

City Colleges of Chicago
Community College District No. 508
Notes to Grant Program Financial Statements
June 30, 2017

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

These grant program financial statements cover only the Early School Leavers and the Career and Technical Education 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 Early School Leavers program are pooled with City Colleges. At June 30, 2017, the grant programs were not exposed to custodial credit risk on these deposits.

C. 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.

D. 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, 2017, and the related notes to the financial statements and have issued our report thereon dated September 29, 2017.

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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001, that we consider to be a significant deficiency.

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.

City Colleges' response to the significant deficiency identified in our audit is described in the accompanying corrective action plan. City Colleges' response was not subjected to our auditing procedures and, accordingly, we express no opinion on the response.

RSM US LLP

Chicago, Illinois
September 29, 2017

**Report On Compliance For Each Major Federal Program and Report On Internal Control
Over Compliance 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 Each 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 each of City Colleges' major federal programs for the year ended June 30, 2017. City Colleges' major federal programs are 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 each of City Colleges' major federal programs 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 for each major federal program. However, our audit does not provide a legal determination of City Colleges' compliance.

Opinion on Each 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 each of its major federal programs for the year ended June 30, 2017.

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 2017-002, 2017-003, 2017-004, and 2017-005. Our opinion on each 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 them.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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, material weaknesses may exist that have not been identified.

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.

RSM US LLP

Chicago, Illinois
September 29, 2017

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2017**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Project or Pass-Through Grantor's Number	Total Expenditures	Pass - Through To Subrecipients
U.S. Department of Education -				
Student Financial Assistance Cluster:				
Federal Pell Grant Program	84.063	P063P111341	\$ 64,660,361	\$ -
Federal Work-Study Program	84.033	P033A111123	1,321,949	-
Federal Supplemental Educational Opportunity Grants Program	84.007	P007A111123	1,694,295	-
Total Student Financial Assistance			<u>67,676,605</u>	<u>-</u>
Federal Direct Student Loans				
Kennedy King College	84.268	P268K156807	2,173,454	-
Olive Harvey College	84.268	P268K156999	1,174,314	-
Harold Washington College	84.268	P268K156870	1,826,430	-
Truman College	84.268	P268K156996	1,458,813	-
Makolm X College	84.268	P268K156907	2,507,079	-
Wright College	84.268	P268K156997	827,820	-
Daley College	<u>84.268</u>	P268K156878	280,034	-
Total Federal Direct Student Loans			<u>10,247,944</u>	<u>-</u>
Total Student Financial Assistance Cluster:			<u>77,924,549</u>	<u>-</u>
TRIO Cluster:				
TRIO - Student Support Services				
Student Support Services Program	84.042A	P042A151046	27,663	-
Student Support Services Program	84.042A	P042A151046-16	178,653	-
Student Support Services Program	84.042A	P042A150138	27,311	-
Student Support Services Program	<u>84.042A</u>	P042A150138-16	192,177	-
Subtotal 84.042A			<u>425,804</u>	<u>-</u>
TRIO - Talent Search Program:				
Talent Search Grant	84.044A	P044A110877-15	83,722	-
Talent Search Grant	84.044A	PO44A160427	11,726	-
Talent Search Grant	84.044A	P044A110382-15	119,631	-
Talent Search Grant	<u>84.044A</u>	PO44A160557	174,899	-
Subtotal 84.044A			<u>389,978</u>	<u>-</u>
TRIO - Upward Bound Program:				
Upward Bound Grant	84.047A	P047A121219-15	28,098	-
TRIO - Educational Opportunity Centers				
Educational Opportunity Centers Program	84.066A	P066A110111-15	39,742	-
Educational Opportunity Centers Program	<u>84.066A</u>	PO66A160284	190,927	-
Subtotal 84.066A			<u>230,669</u>	<u>-</u>
Total TRIO Cluster			<u>1,074,549</u>	<u>-</u>

Continued

City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Project or Pass-Through Grantor's Number</u>	<u>Total Expenditures</u>	<u>Pass - Through To Subrecipients</u>
U.S. Department of Education - (Continued)				
Adult Education - Basic Grants to States				
Passed through the Illinois Community College Board				
Adult Education Grant - Basic	84.002A	F5080117	\$ 1,572,500	\$ -
Adult Education Grant - Civic	<u>84.002A</u>	F5080117	<u>204,310</u>	<u>-</u>
Subtotal	84.002A		<u>1,776,810</u>	<u>-</u>
Higher Education Institutional Aid				
Predominantly Black Institutions Program - Formula Grant	84.031P	P031P110013-15	272,540	-
Predominantly Black Institutions Program - Formula Grant	84.031P	P031P110014-15	45,481	-
Predominantly Black Institutions Program - Formula Grant	<u>84.031P</u>	P031P110015-15	<u>200,096</u>	<u>-</u>
Subtotal	84.031P		<u>518,117</u>	<u>-</u>
Higher Education Institutional Aid				
Wright Start: Increasing Hispanic Student Success in the First Year of College	84.031S	P031S120098-15	129,817	-
Wright Start: Increasing Hispanic Student Success in the First Year of College	84.031S	P031S120098-16	610,683	-
			<u>740,500</u>	<u>-</u>
Higher Education Institutional Aid				
Truman College Critical Reading and Science Centers	84.031S	P031S150026	71,742	-
Truman College Critical Reading and Science Centers	<u>84.031S</u>	P031S150026-16	<u>496,644</u>	<u>-</u>
			<u>568,386</u>	<u>-</u>
Subtotal	84.031		<u>1,827,003</u>	
Career and Technical Education - Basic Grants to States				
Passed through the Illinois Community College Board				
Perkins III Grant	84.048	CTE50817	2,798,007	-
Career and Technical Education				
Implementation Communities				
Pathway to Results Year 2	84.048	PTR50816	18,109	-
Career and Technical Education				
Passed through Illinois Community College Board				
Dual Credit Enhancement	84.048	DCE-50817	18,460	-
Career and Technical Education				
Passed through Illinois Community College Board				
Career Pathways Enhancement	<u>84.048</u>	CPE-50817	<u>5,000</u>	<u>-</u>
Subtotal	84.048		<u>2,839,576</u>	

Continued

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2017**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Project or Pass-Through Grantor's Number	Total Expenditures	Pass - Through To Subrecipients
U.S. Department of Education - (Continued)				
Strengthening Minority-Serving Institutions				
Learning Communities for STEM	84.382A	P382A110046-14	\$ 92,340	\$ -
Strengthening Minority-Serving Institutions				
Olive Harvey College	84.382A	P382A150033	238,913	-
Olive Harvey College	84.382A	P382A150033-16	430,364	-
			<u>669,277</u>	<u>-</u>
Strengthening Minority-Serving Institutions				
Pipeline to Careers in Healthcare	84.382A	P382A150024	132,162	-
Pipeline to Careers in Healthcare	<u>84.382A</u>	P382A150024-16	421,337	-
			<u>553,499</u>	<u>-</u>
	Subtotal 84.382A		<u>1,315,116</u>	
Total Expenditures - U.S. Department of Education			<u>86,757,603</u>	<u>-</u>
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	33362-1	289,366	-
Head Start Program	93.600	33362-2	557,238	-
Head Start Support Services Program	93.600	33576-1	94,244	-
Head Start Support Services Program	93.600	33576-2	101,720	-
Early Head Start Support Services - Child Care Partnership	93.600	37613-2	216,173	-
Early Childhood Support Services	<u>93.600</u>	52755-1	7,223	-
	Subtotal 93.600		<u>1,265,964</u>	<u>-</u>
Child Care				
Passed through the City of Chicago Department of Family and Support Services:				
Child Care Services Program	93.596	28412-4	51,176	-
Oral Health Workforce Activities				
Passed through Illinois Department of Public Health				
Illinois Oral Health Workforce	93.236	73489109E	8,522	-
Total Expenditures - U.S. Department of Health and Human Services			<u>\$ 1,325,662</u>	<u>\$ -</u>

Continued

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2017**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Project or Pass-Through Grantor's Number	Total Expenditures	Pass - Through To Subrecipients
U.S. Department of Agriculture -				
Passed through the Illinois State Board of Education				
Child and Adult Care Food Program	10.558	15016508051	\$ 25,750	\$ -
Child and Adult Care Food Program	<u>10.558</u>	15016508051	<u>131,776</u>	<u>-</u>
Subtotal	10.558		<u>157,526</u>	<u>-</u>
Total Expenditures - U.S. Department of Agriculture			<u>157,526</u>	<u>-</u>
National Science Foundation -				
Research and Development Cluster				
Education and Human Resources				
Passed through National Center for Science and Civic Engagement				
Science Education for New Civic Engagement and				
Responsibilities (SENCER)	47.076	DUE-1224488	<u>2,100</u>	<u>-</u>
Education and Human Resources				
STEM Scholars Program	47.076	DUE-1259809	<u>215,418</u>	<u>-</u>
Education and Human Resources				
Advanced Technological Education Program	<u>47.076</u>	DUE-1550438	<u>174,512</u>	<u>-</u>
Total Expenditures - National Science Foundation			<u>392,030</u>	<u>-</u>
Research and Development -				
Office of Naval Research -				
Midwest Association for Science and Services (Critical Mass)	12.300	N00014-13-1-0881	301,620.00	301,620.00
Midwest Association for Science and Services (Critical Mass)	<u>12.300</u>	N00014-16-1-3077	<u>119,521</u>	<u>119,521</u>
Total Expenditures - Research and Development Cluster			<u>421,141</u>	<u>421,141</u>
Other Federal Agencies				
U.S. Department of Transportation				
Federal Highway Administration				
Highway Planning and Construction				
Passed through the Illinois Community College Board				
Highway Construction Careers Training Program	20.205	S-HCCTP-508	<u>293,340</u>	<u>-</u>
National Aeronautics and Space Administration				
Passed through University of Illinois Urbana-Champaign				
Passed through Illinois Institute of Technology				
Engaging community college students in STEM through				
high altitude ballooning	43.008	NNX14AR13A	<u>143,021</u>	<u>-</u>
Total Expenditures - Other Federal Agencies			<u>436,361</u>	<u>-</u>
Total All Programs			<u>\$ 89,490,323</u>	<u>\$ 421,141</u>

City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2017

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, 2017.

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 College's 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, 2017, is primarily based on a federally negotiated higher education rate agreement of 50.5%.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2017**

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, 2017, are summarized as follows:

Guaranteed Loan Programs:	
Subsidized	\$ 5,787,830
Unsubsidized	4,319,526
Parent Plus	<u>140,588</u>
Total Federal Student Loan Programs	<u><u>\$ 10,247,944</u></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, 2017.

Note 4. Other Noncash Assistance

City Colleges did not receive federal noncash assistance during the fiscal year ended June 30, 2017.

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, 2017.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2017**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

Material weaknesses identified?	<u> </u> Yes	<u> X </u> No
Significant deficiencies identified?	<u> X </u> Yes	<u> </u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major programs:

Material weaknesses identified?	<u> </u> Yes	<u> X </u> No
Significant deficiencies?	<u> </u> Yes	<u> X </u> None Reported

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? X Yes No

Identification of major programs

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.063, 84.033, 84.007, 84.268	Student Financial Assistance Cluster
84.042A, 84.044A, 84.047A, 84.066A	TRIO Cluster

Dollar threshold used to distinguish between types A and type B programs: \$2,684,710

Auditee qualified as low-risk auditee? X Yes No

City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

II. FINANCIAL STATEMENT FINDINGS

Finding 2017-001: Accounts Payable

Criteria

City Colleges' financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, expenditures are generally recorded when a liability is incurred. At the end of the fiscal year, City Colleges' records an accounts payable liability for any goods received or services performed before the end of the year which were subsequently paid after year-end.

Condition and Context

We noted the following issues in accounts payable:

- 1) During subsequent disbursement testing, we found that City Colleges improperly excluded an invoice for approximately \$131,000 relating to fiscal year 2017 benefits that were paid subsequent to year-end. Management posted an adjusting entry of approximately \$131,000 to include this in accounts payable at year-end.
- 2) The accounts payable subledger was higher than the liability on the trial balance. Management determined a system error occurred relating to the posting of payments and invoices to the accounts payable subledger. In these situations, certain invoices were paid and the accounts payable subledger was incorrectly reduced and the related expense accounts were not properly charged. This caused the accounts payable liability on the trial balance to be too low and the related expense accounts understated. Management posted an entry of approximately \$517,000 to increase accounts payable and increase the related expense accounts.
- 3) Management also determined that the accounts payable subledger incorrectly included approximately \$58,000 of invoices which had previously been deleted. Management posted an entry to reduce accounts payable for these items.

The total effect of these adjustments was an increase to accounts payable of approximately \$590,000.

Cause and Effect

City Colleges does not have adequate internal controls and procedures in place to ensure all unrecorded liabilities have been accounted for at year-end, or that the accounts payable subledger is reconciled to the trial balance.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2017**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)tion*

Recommendation

We recommend City Colleges develop detail reports that reconcile the accounts payable subledger to the general ledger at the end of every month. If any differences exist, they should be investigated and resolved promptly.

Views of responsible officials

We agree with this finding. See corrective action plan.

III. FEDERAL AWARD FINDINGS

There were no internal control significant deficiencies or material weaknesses over the federal awards identified for fiscal year 2017. The compliance findings identified are as follows:

Finding 2017-002: Enrollment Reporting

Federal Program Title – U.S Department of Education
Federal Pell Grant Program: 84.063
Federal Direct Student Loans: 84.268
Federal Award Year 2016-2017

Condition

Two students tested withdrew from City Colleges for which status changes were not recorded to the National Student Loan Data System (NSLDS).

Criteria

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.

Questioned Costs

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

Cause

The financial aid office does not have an effective system in place to ensure all official student status changes are reported to the lender in a timely manner.

Prevalence

Two out of forty students testing selections.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2017**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Effect:

Noncompliance with federal regulations could result in the loss of future federal financial aid funding. In addition, not reporting enrollment changes within the required timeframe can impact the specified student's loan deferment and repayment.

Recommendation

We recommend that City Colleges implement procedures to ensure the financial aid office is promptly notified of any student status changes, so the information may be reported to the lender in a timely manner. City Colleges should implement a review process to ensure all status changes are addressed by the financial aid office.

Views of responsible officials

We agree with this finding. See corrective action plan.

Finding 2017-003 – Use of Federal Work Study Funds

Federal Program Title – U.S Department of Education
84.033 Federal Work Study
Federal Award Year 2016-2017

Condition

During review of the Federal Work Study (FWS) program, we identified the following:

- a.) At five of the seven campuses, the College did not employ a student in a reading tutor or family literacy project; and,
- b.) City Colleges did not 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 at one campus.

City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Criteria

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:

- 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.

Questioned Costs

- a.) There were no questioned costs with respect to part A of this finding.
- b.) There were questioned costs of \$980 with respect to part B of this finding.

Cause

City Colleges' employees did not have adequate training on the requirements for the use of FWS program funds and they could not find students to meet the requirements.

Prevalence

- a.) This finding was prevalent at five out of seven campuses.
- b.) This finding was prevalent at one out of seven campuses

Effect

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

Recommendation

To meet the requirements of the FWS program, we recommend that City Colleges train employees over FWS program requirements and hire personnel to fill community service and reading tutor positions.

Views of responsible officials

We agree with this finding. See corrective action plan.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2017**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Finding 2017-004 – Earmarking Requirement

Federal Program Title – U.S Department of Education
TRIO Student Support Services Program: 84.042A
TRIO Talent Search Grant: 84.044A
Federal Award Year 2016-2017

Condition

During review of the TRIO Student Support Services (SSS) and Talent Search (TS) programs, we identified the following:

- a.) Only twenty five percent of disabled participants served were also low-income in a SSS program;
- b.) For the TS program, City Colleges only served 51 participants even though the Secretary of Education had identified 500 participants within this federal register.
- c.) Only 63% of participants served in a TS program were low-income and potential first-generation college students.

Criteria

The Code of Federal Regulations requires City Colleges to meet certain earmarking requirements while participating in the Student Support Services (SSS) and Talent Search (TS) TRIO programs. In meeting those requirements, City Colleges must abide by the following:

- a.) For a SSS program, not less than one-third of the individuals with disabilities served must also be low-income individuals (34 CFR sections 646.7 and 646.11);
- b.) For a TS program, City Colleges is to serve at least the number of participants that the Secretary identifies in the Federal Register notice inviting applications for a competition (43 CFR 643.32(b)); and,
- c.) For a TS program, at least two-thirds of the individuals served by a TS project must be low-income individuals who are potential first-generation college students (34 CFR sections 643.11 and 643.7)

Questioned Costs

There were no questioned costs related to the earmarking requirement.

Cause

City Colleges was unable to find participants meeting the requirements noted above.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2017**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Prevalence

- a.) Prevalent for low-income disabled participants in a SSS program.
- b.) Prevalent for the applications for competition in a TS program.
- c.) Prevalent for low-income potential first-generation college students in a TS program.

Effect

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

Recommendation

We recommend that City Colleges serve additional participants that have met the TRIO cluster programs' earmarking requirements and to train employees on TRIO compliance program requirements.

Views of responsible officials

We agree with this finding. See attached corrective action plan.

Finding 2017-005 – Reporting Requirement

Federal Program Title – U.S. Department of Education
Trio Talent Search Grant Program: 84.044A
Federal Award Year 2015-2016

Condition

During review of the Talent Search Program, we determined City Colleges did not sign the annual performance report that was submitted to the Department of Education.

Criteria

The Code of Federal Regulations requires City Colleges to meet certain reporting requirements while participating in the Talent Search (TS) TRIO programs. In meeting those requirements, City Colleges must submit an annual performance report to the Department of Education for each year of the project period (OMB No. 1840-0826).

Questioned Costs

There were no questioned costs related to the reporting requirement.

Cause

City Colleges does not have an effective system in place to ensure all performance reports have been adequately reviewed and signed prior to submission.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2017**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Prevalence

This finding was prevalent for one out of the six annual performance reports that were tested.

Effect

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

Recommendation

To ensure reporting requirements are met, we recommend designing and implementing controls that require supervisory review and sign off prior to submission to the Department of Education.

Views of responsible officials

We agree with this finding. See attached corrective action plan.

RSM US LLP
1 S. Wacker Drive, Suite 800
Chicago Illinois 60606

CORRECTIVE ACTION PLANS

Finding 2017-001: Accounts Payable: We noted the following issues in accounts payable:

- 1) During subsequent disbursement testing, we found that City Colleges improperly excluded an invoice for approximately \$131,000 relating to fiscal year 2017 benefits that were paid subsequent to year-end. Management posted an adjusting entry of approximately \$131,000 to include this in accounts payable at year-end.
- 2) The accounts payable subledger was higher than the liability on the trial balance. Management determined a system error occurred relating to the posting of payments and invoices to the accounts payable subledger. In these situations, certain invoices were paid and the accounts payable subledger was incorrectly reduced and the related expense accounts were not properly charged. This caused the accounts payable liability on the trial balance to be too low and the related expense accounts understated. Management posted an entry of approximately \$517,000 to increase accounts payable and increase the related expense accounts.
- 3) Management also determined that the accounts payable subledger incorrectly included approximately \$58,000 of invoices which had previously been deleted. Management posted an entry to reduce accounts payable for these items.

The total effect of these adjustments was an increase to accounts payable of approximately \$590,000.

Corrective Action Taken or Planned

Finance will work with the Office of Information Technology to develop reports to identify exceptions, non-posting entries, and to reconcile the accounts payable subledger to the general ledger. In addition, Finance will retrain the Accounts Payable staff on year end posting and closing procedures to ensure transactions are posted in the correct fiscal year.

Contact person: Controller
Anticipated completion date: October 2017

CORRECTIVE ACTION PLANS *(Continued)*

Finding 2017-002: Enrollment Reporting: During review of the Student Financial Aid Cluster program, we identified the following:

- a.) Two students tested withdrew from City Colleges for which status changes were not recorded to the National Student Loan Data System (NSLDS).
- b.) 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.

Corrective Action Taken or Planned

Campus Solutions 9 is not currently set up to capture these students and report the enrollment status, but we have requested a modification to ensure that they are captured in the future. Until the modification is implemented, we will modify our R2T4 process to update the enrollment when the student's R2T4 calculation is performed.

Contact Person: Senior Associate Vice Chancellor, Strategy and Academic Governance
Anticipated completion date: Fall 2018

Finding 2017-003: Use of Federal Work Study Funds: During review of the Federal Work Study (FWS) program, we identified the following:

- a.) At five of the seven campuses, the College did not employ a student in a reading tutor or family literacy project; and,
- b.) City Colleges did not 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 at one campus.

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:

CORRECTIVE ACTION PLANS *(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.

Corrective Action Taken or Planned

(a and b) Financial Aid Directors and the District Director of Financial Aid for City Colleges of Chicago have made it a priority to ensure more community service positions and at least one reading tutor for each campus. We have recently made off-site agreements for all 7 campuses with: Maps Corps, Boys & Girls Clubs of Chicago, Chicago Historical Society, Chicago Run, and Girls Inc. of Chicago.

Wilbur Wright College is also working on agreements with Onward Neighborhood House and Schurz High School.

The new off-site arrangements with other community organizations will ensure that FWS funds are used for community service in excess of the required 7% and that off-site reading tutor or family literacy positions will be available. Campuses are all also working with their tutoring centers to create reading tutor FWS positions on campus.

Contact Person: Associate Vice Chancellor Student Financials
Anticipated completion date: Completed

Finding 2017-004: Earmarking Requirement: During review of the TRIO Student Support Services (SSS) and Talent Search (TS) programs, we identified the following:

- a.) Only twenty five percent of disabled participants served were also low-income at an SSS program;
- b.) The Secretary in the Federal Register invited applications for competition of 500 but City Colleges only served 51 participants for a TS program; and,
- c.) Only 63% of participants served in a TS program were low-income and potential first-generation college students.

CORRECTIVE ACTION PLANS *(Continued)*

The Code of Federal Regulations requires City Colleges to meet certain earmarking requirements while participating in the Student Support Services (SSS) and Talent Search (TS) TRIO programs. In meeting those requirements, City Colleges must abide by the following:

- a.) For a SSS program, not less than one-third of the individuals with disabilities served must also be low-income individuals (34 CFR sections 646.7 and 646.11);
- b.) For a TS program, City Colleges is to serve at least the number of participants that the Secretary identifies in the Federal Register notice inviting applications for a competition (43 CFR 643.32(b)); and,
- c.) For a TS program, at least two-thirds of the individuals served by a TS project must be low-income individuals who are potential first-generation college students (34 CFR sections 643.11 and 643.7)

Corrective Action Taken or Planned

- a.) In relation to the SSS program, City Colleges will take the following actions in an effort to correct the finding:
 - 1. Closer monitoring of participant eligibility and acceptance into the 160 student limit of the TRIO-SSS program.
 - 2. Monitoring will be recorded through Student Access database system specifically tailored to TRIO programs.
 - 3. Denying services to students who do not meet the necessary 1/3 low-income and disabled threshold.

Contact person: Malcolm X College, Director of TRIO Student Support Services Program

Anticipated completion date: Completed

(b & c) Malcolm X College made the decision to discontinue the Talent Search Program. We communicated our decision to the DOE on February 9, 2017. No corrective action plan is needed.

Contact person: Malcolm X College, Dean of Student Services

Anticipated completion date: Completed

CORRECTIVE ACTION PLANS *(Continued)*

Finding 2017-005: Reporting Requirement: During review of the Talent Search Program, we determined City Colleges did not sign the annual performance report that was submitted to the Department of Education.

Corrective Action Taken or Planned

The TRIO Talent Search program at Kennedy-King College has developed a revised system for submission of the Annual Performance Report (APR) to the Department of Education. The Director of the TRIO program in conjunction with other TRIO staff will complete a comprehensive APR that is to be submitted to the Dean of Student Services at least three weeks prior to the required submission date. The Dean will review the APR within one week and if no further edits/corrections are needed, the Dean will sign the APR and submit to the President of the college for his review. Once the President has reviewed the APR and is satisfied with its contents, the President will sign the APR and return to the Dean of Student Services. With the Dean and President's signature on the APR, the Director of TRIO will also sign the APR and submit to the Department of Education on or before the submission deadline. The Director will not under any circumstances submit the APR without the appropriate signatures from the Dean and the President or their designee.

Contact person: Associate Dean of Student Services
Anticipated completion date: November 25, 2017

Please contact us if you would like additional copies of the Comprehensive Annual Financial Report for the year ended June 30, 2017: <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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