

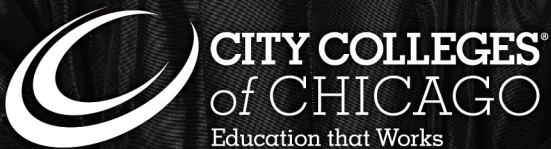
# CITY COLLEGES OF CHICAGO

## Fiscal Year Ended June 30, 2016 Comprehensive Annual Financial Report

Rahm Emanuel  
Mayor, City of Chicago

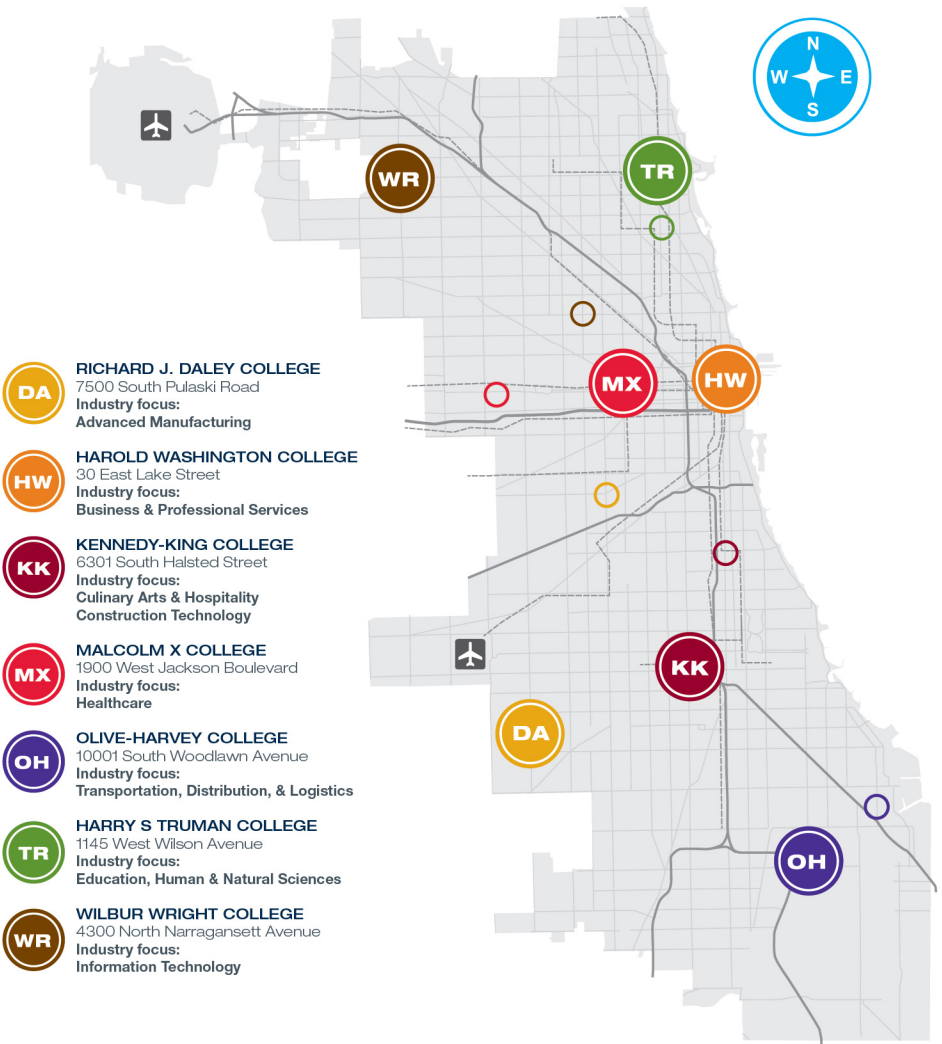
Cheryl L. Hyman  
Chancellor

Charles R. Middleton, Ph.D  
Chair, Board of Trustees of Community College  
District No. 508



Richard J. Daley | Kennedy-King | Malcolm X | Olive-Harvey | Harry S Truman | Harold Washington | Wilbur Wright

# CITY COLLEGES OF CHICAGO



## Satellite Locations

**○ Lakeview Learning Center**  
3310 North Clark Street

**○ West Side Learning Center**  
4624 West Madison Street

**○ Dawson Technical Institute**  
3901 South State Street

**○ Humboldt Park Vocational Education Center**  
1645 North California Avenue

**○ Arturo Velasquez Institute**  
2800 South Western Avenue

**○ South Chicago Learning Center**  
3055 East 92 Street



## **COMMUNITY COLLEGE DISTRICT NO. 508**

Chicago, Illinois

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# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the fiscal year ended June 30, 2016

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

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Charles R. Middleton Ph.D., Chair  
Cheryl L. Hyman, Chancellor

# Board of Trustees of Community College District No. 508

County of Cook and  
State of Illinois

Rahm Emanuel  
Mayor, City of Chicago, Illinois

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Gary E. Gardner, Vice Chair

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District Office  
226 West Jackson  
Boulevard  
Chicago, Illinois  
60606  
(312) 553-2500  
[www.ccc.edu](http://www.ccc.edu)



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**Rasmus Lynnerup**,  
Executive Vice Chancellor and Chief Strategy  
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Procurement

**Eugene Munin**,  
General Counsel

**Beatrice O'Donnell**,  
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Vice Chancellor, Human Resources and Staff  
Development

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President, Richard J. Daley College

**Dr. Margaret A. Martyn**,  
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**Arshele Stevens**,  
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**David A. Sanders**,  
Interim President, Malcolm X College

**Angelia Millender**,  
President, Olive-Harvey College

**Dr. Reagan Romali**,  
President, Truman College

**Dr. David Potash**,  
President, Wright College

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October 14, 2016

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 ended June 30, 2016. This report shows City Colleges' commitment to providing each one of our students a quality, affordable education while using taxpayer dollars efficiently and effectively, in the face of the ongoing challenge of declining state funding.

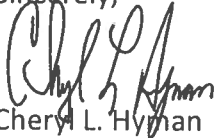
City Colleges ended FY2016 with nearly \$750 million in assets, 13 percent less than the prior year, driven largely by a loss in state and federal funding (\$75 million), the completion of a major capital project, and a reduction in capital appropriations and grants (\$16 million). Despite these conditions, City Colleges continues to make student outcome gains, with the preliminary FY16 graduation rate expected to be on pace with last year. Under Reinvention, City Colleges has more than doubled the IPEDS graduation rate from 7% to 17%, with the highest number of degrees awarded annually in City Colleges' history.

City Colleges continues to invest in our College to Careers effort to prepare students to succeed in the fastest-growing industries in our region. More than 3,000 students have found a job or internship in one of the College to Career fields. To ensure our facilities match the quality of our programs, which are being updated based on employer and university feedback, in 2016, we opened the Malcolm X College and School of Health Sciences as a center for excellence in healthcare programs. We also announced that planning is underway on a \$75 million advanced manufacturing center at Richard J. Daley College, and we continue to work with the State of Illinois to complete Olive-Harvey College's \$45 million Transportation, Distribution, and Logistics (TDL) Center, which has experienced a delay due to the state budget impasse.

Reflecting our commitment to provide students with access to a quality, affordable education, Mayor Emanuel and I launched the Chicago Star Scholarship, providing qualifying CPS high school students up to three years free tuition and books at City Colleges. In its first year, more than 1,000 students received the Chicago Star Scholarship. A group of fifteen four-year colleges and universities have committed to providing scholarships to Chicago Star Scholars to pursue four-year degrees following their graduation from City Colleges.

City Colleges can attribute its success to the hard work of our faculty, staff, and students. Their dedication, along with the strategic operational decisions exhibited by this document, ensure City Colleges remains the most affordable quality post-secondary education option for Chicago residents.

Sincerely,

A handwritten signature in black ink, appearing to read "Cheryl L. Hyman". The signature is stylized and cursive.

Cheryl L. Hyman

Chancellor

City Colleges of Chicago

**City Colleges of Chicago  
Community College District No. 508  
Comprehensive Annual Financial Report  
Fiscal year ended June 30, 2016**

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# **Introductory Section**



## **Transmittal Letter**

October 14, 2016

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, 2016. 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. City Colleges has no component units that are included for presentation in the financial statements.

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 2,720,546.

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

The number of degrees and certificates awarded in fiscal year 2015 topped 11,000, which is 50 percent higher than when Reinvention began. The number of degrees awarded was 4,944, the highest on record in the history of City Colleges. 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 this will need to be accomplished while enhancing and maintaining efficient and effective operations that are not only customer focused but also fiscally responsible.

## **CHALLENGES PRESENTED BY THE STATE FISCAL CRISIS**

The fiscal year 2017 budget is 10.0% lower than the first Reinvention budget in fiscal year 2011, and so City Colleges must continue to do more with less as Reinvention moves forward. The most pronounced cuts came in administrative functions that, while they do not impact students directly, have strong repercussions on our ability to maintain the same level of institutional effectiveness and enhanced delivery of higher student outcomes.

Overall, education funds spent on institutional support (administrative overhead) is down 27% in this budget, while core-mission spent on instruction, academic support and student services is down only 7%. This continues to reflect the strategic shift of resources toward academics under Reinvention. Even with this year's modest slowdown in core-mission allocation, education fund expenditures on instruction and student support and services remain \$3 million dollars above the pre-Reinvention budget in fiscal year 2010. In comparison, the fiscal year 2017 education fund expenditures for administrative overhead are nearly \$19 million (30%) below what they were in the fiscal year 2010 budget.

With this continued emphasis on students and academic success, this budget is designed to continue to build on the dramatic inroads made under Reinvention that have led to, among other achievements, increases of 142% in the graduation rate and 125% in degrees awarded.

Yet, cumulative State cuts are taking a heavy toll on the organization. After being cut \$30 million in State funding from fiscal year 2011 through fiscal year 2015, City Colleges lost another \$40 million in Illinois Community College Board (ICCB) funding in fiscal year 2016 alone. In addition, City Colleges' students had to forego \$7 million in State MAP grants, which led to approximately 5,000 being prevented from enrolling in the fall of 2015, denying these Chicagoans crucial academic opportunities and leading to additional revenue decreases for City Colleges.

While City Colleges did not have to resort to layoffs in fiscal year 2016 and while the budget does not contemplate layoffs for fiscal year 2017, the State budget crisis forced a drastic slowdown in filling positions that became vacant. This will inevitably hinder institutional effectiveness, even as faculty and student-facing positions continue to be filled. Overall, the fiscal year 2017 budget allocation for salaries and benefits are down 11% (nearly \$30 million) compared to the fiscal year 2016 budget. Cuts outside of personnel are even deeper: Non-personnel funds made up 59% of the fiscal year 2016 budget, versus 51% in fiscal year 2017.

Another fiscal threat looms over the fiscal year 2017 budget: The State of Illinois will fail to meet basic funding obligations for a second straight year. In fiscal year 2016, City Colleges was told to expect \$59.9 million in direct funding from the Illinois Community College Board, yet has received only \$14.4 million (overall, forecasted ICCB funding was \$61.2 million, but \$1.3 million was a federal pass-through). The fiscal year 2017 budget forecasts \$55.8 million in direct ICCB funding, down nearly 7% from the fiscal year 2016 expected level and consistent with various proposals floated this spring in the Illinois General Assembly.

Should the State fail to allocate more than a fraction of expected funds in fiscal year 2017, City Colleges will once again be forced to navigate this lack of adequate funding through a variety of additional austerity measures and allocation of reserve funds. While the commitment remains that under no scenario will City Colleges resort to layoffs in fiscal year 2017, a repeat of the fiscal year 2016 situation in fiscal year 2017 would have catastrophic consequences as key operations and systems would be rolled back to bare-bone levels. Should the fiscal crisis continue through 2017, City Colleges would end the year in a very challenging financial position and would be staring at draconian cutbacks for fiscal year 2018.

A continued defunding of community colleges in Illinois would jeopardize the progress in student outcomes made under Reinvention. These are not mere budgets and financial projections that hang in the balance, but the ability to improve lifelong economic prospects for a generation or more.

## **ECONOMIC CONDITION AND OUTLOOK**

The **Federal Reserve Bank of Chicago** reports the economy is forecasted to grow at a solid pace in 2016 and at a somewhat faster pace in 2017: The growth rate of real GDP is predicted to be 1.8% in 2016 and 2.2% in 2017. In part, 2016's annual economic performance is being held down by the weak performance of the economy in the first quarter. The quarterly forecast (over the period 2016:Q2–2017:Q4) shows the annualized rate of real GDP growth averaging 2.1% for the rest of this year and then ticking up to average 2.2% for 2017. The unemployment rate is predicted to edge lower through the end of 2017: It is expected to fall to 4.9% by the fourth quarter of 2016 and then ease to 4.8% by the final quarter of 2017. Inflation, as measured by the CPI, is projected to increase from a very low 0.4% in 2015 to 1.2% in 2016 and then rise further to 2.1% in 2017. Real personal consumption expenditures are forecasted to expand at solid rates of 2.5% this year and 2.4% in 2017. Light vehicle sales are expected to remain at 17.3 million units this year and then edge down to 17.2 million units next year. The pace of real business fixed investment is predicted to be quite slow at 0.4% in 2016, but then improve to 3.3% in 2017. Because of the challenges posed by the stronger dollar, industrial production is forecasted to grow at a rate of just 0.2% this year; it is predicted to grow at a rate of 1.7% (still well below its long-term growth rate) next year. The housing sector is predicted to continue to improve over the forecast horizon. Real residential investment is anticipated to expand at a rate of 8.5% in 2016 and at a rate of 6.0% in 2017. Housing starts are expected to increase to 1.17 million units in 2016 and 1.25 million units in 2017. The long-term interest rate (ten-year Treasury rate) is forecasted to increase 6 basis points in 2016, to 2.25%, and 44 basis points in 2017, to 2.69%. The short-term interest rate (one-year Treasury rate) is expected to increase 51 basis points this year, to 0.97%, and 71 basis points next year, to 1.68%. The trade-weighted U.S. dollar is predicted to strengthen by 2.4% this year and 3.0% in 2017. The trade deficit (net exports of goods and services) is projected to increase this year and next. (The Federal Reserve Bank of Chicago, 2016)



**World Business Chicago** reports the Chicago (city) economy has expanded by an estimated 11,317 jobs, a 0.9 percent year-over-year improvement since June 2016. This growth is mostly attributed to the leisure & hospitality (+4,018), professional & business services (+3,779) and retail (+1,913) sectors. In June, an estimated 303,665 people in the 14-county Chicago metropolitan statistical area (MSA) were unemployed out of a labor force of approximately 5.054 million, resulting in a preliminary unemployment rate of 6.0%. Between June 2015 and June 2016, the Chicago MSA gained an estimated 89,325 employed residents, increasing total regional employment to approximately 4.750 million (not seasonally adjusted). Unemployment rates were lower in June than a year earlier in 285 of 387 U.S. metros, 75 metros saw a year-over-year increase, and 27 experienced no change. The seasonally adjusted ratio of unemployed persons per job opening – an indication of labor market activity and competitiveness – was at 1.3 candidates per job opening in the Midwest in June. The ratio is unchanged from the previous month and slightly lower than June 2015 (1.4). The U.S. ratio was 1.4 in June, which is slightly higher than a month ago (1.3) and down from 1.6 a year ago. The Midwest reported 1.18 million new hires in June 2016, a 3.4% percent increase year-over-year. Nationally, hiring activity decreased by -0.3% percent in the same time period. Chicago's labor force expanded (+28,679) from 1,381,997 in June 2015 to 1,410,676 in June 2016, suggesting that more residents are actively looking for work. The number of employed Chicago (city) residents increased by 25,914 compared to the year prior, from 1,288,942 in June 2015 to an estimated 1,314,856 in June 2016. Unemployed Chicago (city) residents increased by 2,765 compared to the year prior from 93,055 in June 2015 to an estimated 95,820 in June 2016. (World Business Chicago, 2016)

**Chicago Fed National Activity Index (CFNAI)** rose to +0.16 in June from -0.56 in May. Three of the four broad categories of indicators that make up the index increased from May, and two of the four categories made positive contributions to the index in June. The index's three-month moving average, CFNAI-MA3, increased to -0.12 in June from -0.39 in May. June's CFNAI-MA3 suggests that growth in national economic activity was slightly below its historical trend. The economic growth reflected in this level of the CFNAI-MA3 suggests subdued inflationary pressure from economic activity over the coming year. Employment-related indicators contributed +0.06 to the CFNAI in June, up from -0.14 in May. Nonfarm payrolls rose by 287,000 in June after increasing by only 11,000 in the previous month. However, the civilian unemployment rate rose to 4.9 percent in June from 4.7 percent in May. The contribution of the personal consumption and housing category to the CFNAI was steady at -0.08 in June. The contribution from production-related indicators to the CFNAI rose to +0.18 in June from -0.29 in May. Total industrial production rose by 0.6 percent in June after falling by 0.3 percent in May, and manufacturing production increased by 0.4 percent in June after a 0.3 percent reduction in the previous month. The sales, orders, and inventories category made a neutral contribution to the CFNAI in June, up slightly from -0.04 in May. (Federal Reserve Bank of Chicago, 2016)

Chicago remains a thriving center of tourism and conventions. The City hosts various festivals which attract millions of visitors – Taste of Chicago, Chicago Blues Festival, Air and Water Show, etc. In addition, it is home to some of the world's best museums, renowned architecture, vibrant theatre district, restaurants and shopping destinations which contribute to the local economy.

The change in enrollment levels at City Colleges is partly dependent on the current economic conditions in the Chicago metropolitan region.

City Colleges continues to face significant challenges while it strives to achieve its mission:

- **Health Care:** Annual health care costs are rising at 7% based on an aging workforce and new coverage to be provided to part-time employees per federal legislation. Employee personal coverage elections under the plans have been modified so employees can elect the appropriate coverage to address their family needs and the employee and retiree contribution share of health cost has increased offsetting 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.
- **State of Illinois:** The structural imbalance of the State’s budget remains one of the most difficult challenges facing City Colleges. The continued uncertainty of appropriated funding and timing of actual cash payments have serious negative consequences for sound long-term financial planning. See table below.

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

<u>Fiscal Year</u>	<u>State Funding to All State Community Colleges</u>
2007	\$302,035,040
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

*Source: Illinois Community College Board*

On July 1, 2013, City Colleges entered into the five-year, \$555.0 million capital planning process. During fiscal year 2016, City Colleges budgeted capital investments of \$155.4 million; \$85.1 million in new facilities construction and \$70.3 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 2017 capital budget, the total five year capital investment has been reduced to \$495.6 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.

## **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 2015 topped 11,000, which is 50 percent higher than when Reinvention began. The number of degrees awarded was 4,944, the highest on record in the history of City Colleges.
- The federal IPEDS graduation rate has more than doubled from 7% to 17% percent 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 171% 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 150 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.
- In its first year, more than 1,000 students received the Chicago Star Scholarship. STAR student retention is currently at 94%, and enrollment grew 25% in the spring semester. 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 to include 15 Chicago-area partner colleges and universities. Fiscal year 2017 Star Scholar enrollment is forecasted to follow that same pattern with a projected 2,615 enrollees over the fiscal year 2017 fall and spring semesters.

We also recognize that City Colleges requires strong operational practices to deliver on our commitment to students and taxpayers alike and those practices are indicated by the achievements below:

- City Colleges ended fiscal year 2016 with total net position of \$747.1 million.
- City Colleges has saved \$70 million since the launch of Reinvention through increased efficiencies and the elimination of redundancies, which has been reinvested back into the classroom.
- City Colleges made strong progress against the five-year capital plan launched in fiscal year 2014, which includes investments in system-wide academic and student-facing technology enhancements (i.e., smart classrooms, science classrooms, libraries, labs, and student support centers).
- City Colleges opened the new Malcolm X College and School of Health Sciences in January 2016. Designed with input from health care employers, the new campus reflects the latest tools in healthcare education including a virtual hospital, and will prepare students to succeed in the health care field.

## **COST CONTAINMENT STRATEGIES**

**City Sister-Agency Health Coalition (Coalition):** City Colleges anticipates approximately \$300,000 in saving annually for each year of a three-year prescription drug agreement with CVS Caremark January 1, 2015 – December 31, 2017 due to its participation in the Coalition.

**Employee Health Benefits Review:** Health care industry surveys estimate medical costs rising at approximately 7% and prescription drug costs at 11% over fiscal year 2017. Benefits costs are forecasted to increase approximately by \$4 million or 10% in fiscal year 2017. Additionally, City Colleges self-funded medical plan's prescription drug formulary has been updated by CVS Caremark in 2016 to improve the monitoring of specialty and compound drug usage in order to control these costs.

**Cooperative Purchasing Agreements:** City Colleges has access to purchasing contracts negotiated by the Chicago Public Schools, the City of Chicago, the Chicago Park District, and the State of Illinois Central Management Services, and makes many purchases through the Illinois Community College System Procurement Consortium, Educational and Institutional Cooperative Purchasing, National IPA, US Communities Government Purchasing Alliance and National Joint Powers Alliance to leverage savings through volume purchasing. The ongoing practice of joining other agencies is expected to be expanded further in fiscal year 2017.

**Employee Expense Reimbursement:** During fiscal year 2016 employee reimbursements were automated to reduce manual paper work and processing time.

**Automated Time and Attendance System:** City Colleges is transitioning from a manual timekeeping system to an automated Time and Attendance system that will increase employee tracking and reporting efficiencies, while accurately capturing hours worked.

**Annual Energy Rebates:** City Colleges participated in ComEd's Voluntary Curtailment Program for a seventh consecutive year. Since fiscal year 2009, participation checks are in excess of \$1,300,000 with approximately \$300,000 received last year. The curtailment test date for program participants occurred in June 2016, and determined City Colleges' level of participation and compensation.

**Energy Savings Performance Contract Program:** Contracts implemented in 2004 and 2005 utilizing an external vendor continue to provide City Colleges with annual savings and cost avoidance opportunities. Since the base year of 2003, City Colleges has managed to reduce its electrical usage by 18 million kWh and natural gas usage by 190,000 therms even though its square footage has increased. This represents approximately one-third of our electric usage and one-tenth of our natural gas usage.

**Utility Rates:** City Colleges negotiated a three-year agreement with the electric service provider, through 2016, that specifies its rates will be \$0.085 for the commodity. City Colleges also locked-in its natural gas rates for fiscal year 2016 at a historically low fixed rate for supply of \$0.393 per therm.

**Fuel through City Depots:** City Colleges continues to purchase fuel for its fleet of vehicles from City of Chicago fuel depots, saving approximately one-third of the retail price.

**Internet Service Provider:** City Colleges continues to utilize the State's contract for an internet service provider which has negotiated rates at 65% savings from fiscal year 2013. Estimated annual savings are approximately \$180,000.

**Telephone System:** City Colleges replaced the current telephone system in fiscal year 2015 by utilizing Voice over Internet Protocol (VoIP) technology by eliminating voice mail boxes and associated call trees. Additional savings will be based on the reduction of Centrex phone lines across the District. Savings in fiscal year 2016 was over \$1 million.

**Enterprise Resource Planning (ERP) Software:** Because City Colleges was able to negotiate a 5-year agreement with Oracle for PeopleSoft licenses, the 1st year pricing was kept stable from the previous agreement, which generated a \$94,500 savings.

## **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.

<b><u>GASB Net Position Category</u></b>	<b><u>ICCB FUND</u></b>
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 2015 collectible in fiscal year 2016 was \$70,924,421,349. Estimated assessed value of taxable property for tax year 2014 collectible in fiscal year 2015 was \$64,879,908,794. City Colleges' average collection rate over the past five years has been over 97%.

**Debt Administration:** Long-term and current debt at June 30, 2016 totaled \$245,995,000 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 2016 totaled \$1.5 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, 2015. 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, 2015. 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, 2016**

**BOARD OF TRUSTEES**

Charles R. Middleton Ph.D., Chair  
Gary E. Gardner, Vice Chair  
Clarisol Duque, Secretary  
Isaac S. Goldman, Trustee  
Rev. Darrell Griffin, Trustee  
Karen Kent, Trustee  
Marisela Lawson, Trustee  
Student Trustee  
Tracey Fleming, Chief Advisor to the Board of Trustees  
Roberto H. Concepcion, Executive Director, Internal Auditing  
John Gasiorowski, Inspector General

**ADMINISTRATIVE OFFICERS**

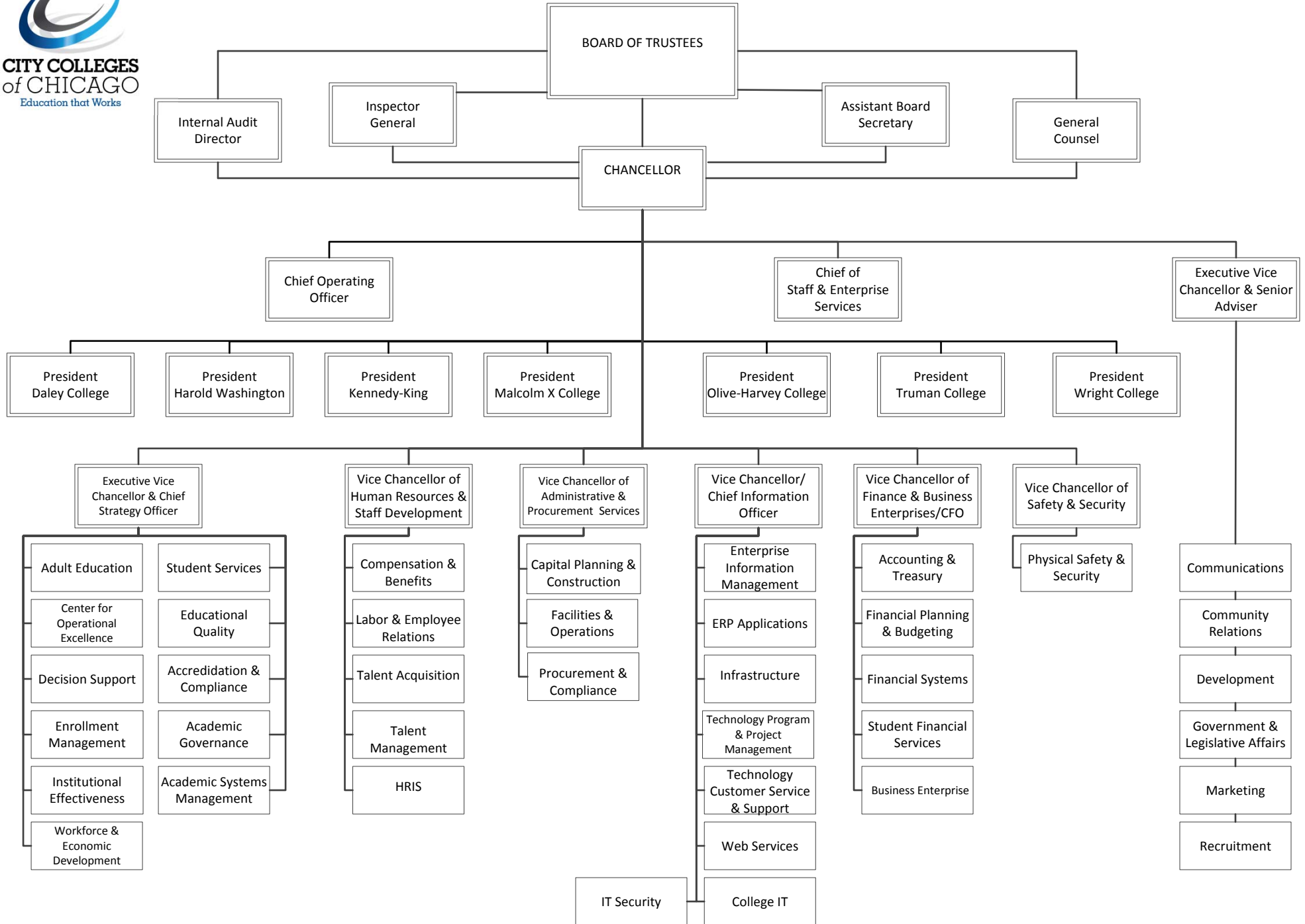
Cheryl L. Hyman, Chancellor  
James T. Frankenbach, Chief Operating Officer  
Craig Lynch, Chief of Staff / Acting Chief Information Officer  
Laurent Pernot, Executive Vice Chancellor and Senior Adviser  
Rasmus Lynnerup, Executive Vice Chancellor and Chief Strategy Officer  
Joyce Carson, Vice Chancellor of Finance and Business Enterprises / Chief Financial Officer  
Diane Minor, Vice Chancellor, Administrative Services and Procurement  
Eugene Munin, General Counsel  
Beatrice O'Donnell, Vice Chancellor, Safety and Security  
Stephanie Tomino, Vice Chancellor, Human Resources and Staff Development  
Dr. Jose Aybar, President, Richard J. Daley College  
Dr. Margaret A. Martyn, President, Harold Washington College  
Arshele Stevens, President, Kennedy-King College  
David A. Sanders, Interim President, Malcolm X College  
Angelia Millender, President, Olive-Harvey College  
Dr. Reagan Romali, 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, 2015**

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 City Colleges of Chicago, Community College District No. 508 (City Colleges) as of and for the year ended June 30, 2016, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of City Colleges of Chicago, Community College District No. 508, as of June 30, 2016, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as the 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 an opinion on the financial statements that collectively comprise City Colleges' basic financial statements. The Uniform Financial Statements, as required by the Illinois Community Colleges Board, 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 2016, which is unaudited, 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 2016, 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 2016 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City Colleges' internal control over financial reporting and compliance.

*RSM US LLP*

Chicago, Illinois  
October 14, 2016

**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, 2016. 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, 2016 decreased by \$111.9 million to \$747.1 million was largely due to a significant decrease in Federal and State Grants as well as an increase in depreciation expense resulting from the new Malcolm X Campus that was placed in service in 2016.

**Overview of Financial Statements**

Total current assets decreased by \$44.9 million as compared to prior year, mainly due to the decrease in short-term investments. Capital assets less accumulated depreciation increased by \$107.5 million due to capital investments made in the new Malcolm X College campus building and the new Transportation, Distribution and Logistics Center at Olive-Harvey College, and other capital projects. Other non-current assets decreased by \$168.6 million due to a \$110.8 million decrease of restricted cash, a \$57.4 million decrease in long-term investments, and a \$0.8 million decrease in other receivables offset by a \$0.4 million increase in funds held by others.

Total current liabilities decreased by \$0.7 million due primarily to a decrease of \$9.8 million from accounts payable, deposits held in custody for others, unearned grant revenue and current portion of non-current liabilities offset by \$9.1 million increase from accrued payroll, other accruals, unearned tuition and revenue, and other liabilities.

Total non-current liabilities increased by \$6.8 million mainly due to a \$1.4 million increase in accrued property tax refunds and a \$12.2 million increase in other post-retirement benefits. This was offset by a decrease of \$6.8 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>2016</u>	<u>2015</u>	<u>Change</u>
Current assets	\$ 177.6	\$ 222.5	\$ (44.9)
Non-current assets			
Capital assets	1,352.2	1,200.5	151.7
Less accumulated depreciation	(380.5)	(336.3)	(44.2)
Other assets	<u>65.5</u>	<u>234.1</u>	<u>(168.6)</u>
Total assets	<u>1,214.8</u>	<u>1,320.8</u>	<u>(106.0)</u>
Deferred outflows of resources	<u>1.0</u>	<u>0.8</u>	<u>0.2</u>
Current liabilities	83.7	84.4	(0.7)
Non-current liabilities	<u>324.8</u>	<u>318.0</u>	<u>6.8</u>
Total liabilities	<u>408.5</u>	<u>402.4</u>	<u>6.1</u>
Deferred inflows of resources	<u>60.2</u>	<u>60.2</u>	<u>-</u>
Net position			
Net investment in capital assets	719.6	717.3	2.3
Restricted for specific purposes	2.6	6.7	(4.1)
Unrestricted	<u>24.9</u>	<u>135.0</u>	<u>(110.1)</u>
Total net position	<u>\$ 747.1</u>	<u>\$ 859.0</u>	<u>\$ (111.9)</u>

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

<b>Operating</b>	<u>2016</u>	<u>2015</u>	<u>Change</u>
Revenues	\$ 63.5	\$ 49.0	\$ 14.5
Expenses	<u>(522.0)</u>	<u>(503.7)</u>	<u>(18.3)</u>
Operating loss	(458.5)	(454.7)	(3.8)
<b>Non-operating</b>			
Revenues	350.9	407.2	(56.3)
Expenses	<u>(5.0)</u>	<u>-</u>	<u>(5.0)</u>
Net non-operating revenues	345.9	407.2	(61.3)
Income (loss) before capital contributions	(112.6)	(47.5)	(65.1)
Capital contributions	<u>0.7</u>	<u>17.3</u>	<u>(16.6)</u>
Change in net position	(111.9)	(30.2)	(81.7)
Net position, beginning of year	<u>859.0</u>	<u>889.2</u>	<u>(30.2)</u>
Net position, end of year	<u>\$ 747.1</u>	<u>\$ 859.0</u>	<u>\$ (111.9)</u>

**Statement of Revenues, Expenses and Changes in Net Position**

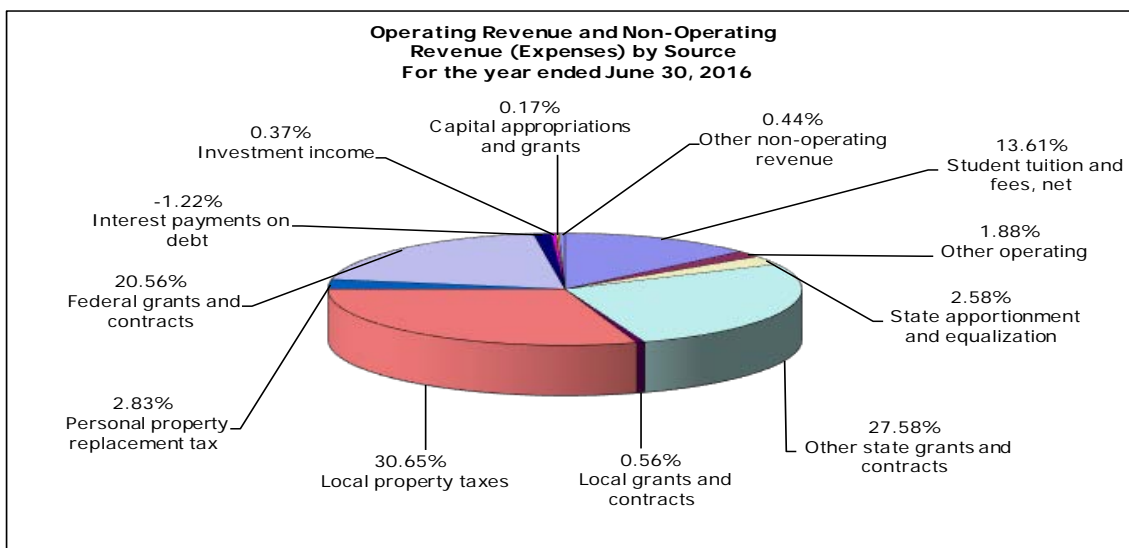
Operating revenues increased by \$14.5 million from the previous year because of the \$14.1 million increase in net student tuition and fees, and a \$0.5 million increase in other operating revenues.

Non-operating revenues and expenses decreased \$61.3 million in fiscal year 2016 mainly due to a decrease of \$30.3 million in State Apportionment, \$0.8 million in Other State Grants and Contracts, \$2.7 million in Local grants, \$25.7 million in Federal Grants and Contracts, \$5.0 in Interest payments on debt and \$3.4 million in Property Replacement Tax and Other Non-Operating revenue. The decrease was offset by increases of \$6.3 million in Local Property Taxes and \$0.3 million in investment income.

Capital contributions decreased by \$16.6 million due to less capital funding received from outside sources in fiscal year 2016 for the ongoing capital projects at Olive-Harvey for the TDL Center.

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

	<u>2016</u>	<u>2015</u>	<u>Change</u>
<b>Operating revenues</b>			
Student tuition and fees	\$ 105.0	\$ 99.6	\$ 5.4
Less scholarships	(49.2)	(57.8)	8.6
Other operating	<u>7.7</u>	<u>7.2</u>	<u>0.5</u>
Total operating revenues	<u>63.5</u>	<u>49.0</u>	<u>14.5</u>
<b>Non-operating revenues (expenses)</b>			
State apportionment and equalization	10.6	40.9	(30.3)
Other state grants and contracts	113.1	113.9	(0.8)
Local grants and contracts	2.3	5.0	(2.7)
Local property taxes	125.7	119.4	6.3
Personal property replacement tax	11.6	14.6	(3.0)
Federal grants and contracts	84.3	110.0	(25.7)
Interest payments on debt	(5.0)	-	(5.0)
Investment income	1.5	1.2	0.3
Other non-operating revenue	<u>1.8</u>	<u>2.2</u>	<u>(0.4)</u>
Total non-operating revenues (expenses)	<u>345.9</u>	<u>407.2</u>	<u>(61.3)</u>
Capital appropriations and grants	<u>0.7</u>	<u>17.3</u>	<u>(16.6)</u>
Total	<u>\$ 410.1</u>	<u>\$ 473.5</u>	<u>\$ (63.4)</u>



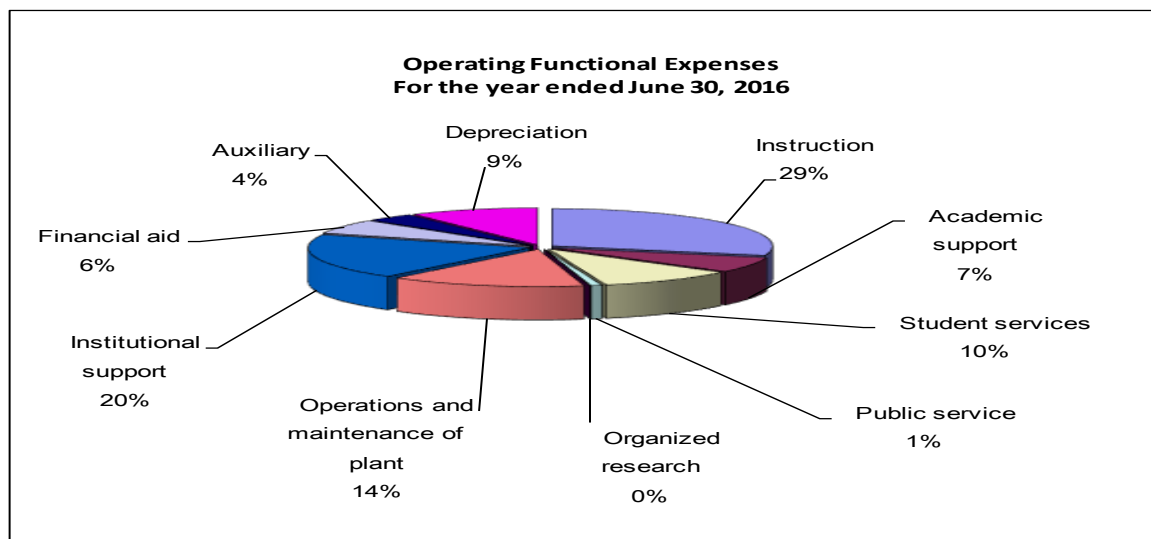


**Community College District No. 508  
Management’s Discussion and Analysis**

Total operating expenses increased by \$18.3 million in fiscal year 2016. Instructional expenses decreased \$4.2 million, Financial Aid decreased by \$22.1 and Auxiliary decreased by \$1.5 million offset by an increase in Academic Support of \$5.5 million, Student Services \$3.1 million, Public Service \$2.4 million, Organized Research \$0.2 million, Operations and Maintenance of Plant \$7.9 million and Institutional Support of \$17.8 million. Depreciation increased \$9.2 million due to additional capital assets put in service during 2016.

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

<b>Operating expenses</b>	<b>2016</b>	<b>2015</b>	<b>Change</b>
Instruction	\$ 152.2	\$ 156.4	\$ (4.2)
Academic support	34.7	29.2	5.5
Student services	52.2	49.1	3.1
Public service	4.3	1.9	2.4
Organized research	0.3	0.1	0.2
Operations and maintenance of plant	74.8	66.9	7.9
Institutional support	102.5	84.7	17.8
Financial aid	32.7	54.8	(22.1)
Auxiliary	18.7	20.2	(1.5)
Depreciation	49.6	40.4	9.2
<b>Total operating expenses</b>	<b>\$ 522.0</b>	<b>\$ 503.7</b>	<b>\$ 18.3</b>



**Net Capital Assets and Non-Current Liabilities**

As of June 30, 2016, City Colleges had \$1.352 billion in capital assets and \$380.5 million in accumulated depreciation, resulting in \$971.7 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 increase in City Colleges' net capital assets for the current fiscal year is \$107.5 million. (See Note 4)

Major capital asset events during fiscal year 2016 included a net increase of \$273 million in buildings and improvements and a net decrease of \$181.3 million in construction in progress attributable to Truman's Student Services Center and Parking Garage, a new Malcolm X College campus housing the Allied Health Academy, a new Transportation, Distribution and Logistics Center at Olive-Harvey College, a new district-wide emergency system, software upgrades, replacing and upgrading outdated infrastructure in various campuses, and the continued renovation of the District Office building.

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

Capital Assets	<u>2016</u>	<u>2015</u>	<u>Change</u>
Land	\$ 51.4	\$ 55.4	\$ (4.0)
Buildings and improvements	1,097.2	824.2	273.0
Construction in progress	88.3	269.6	(181.3)
Equipment	52.9	20.4	32.5
Software	62.4	30.9	31.5
Total	<u>1,352.2</u>	<u>1,200.5</u>	<u>151.7</u>
Less accumulated depreciation	<u>(380.5)</u>	<u>(336.3)</u>	<u>(44.2)</u>
Net capital assets	<u>\$ 971.7</u>	<u>\$ 864.2</u>	<u>\$ 107.5</u>

Total non-current liabilities increased by \$6.8 million to \$324.8 million. This was mainly due to a \$1.4 million increase in accrued property tax refunds from tax objections and a \$12.2 million increase in post-employment benefit liability because of the change in discount rate from 4.5% to 3.61%. These increases were offset by a decrease of \$2.2 million in sick leave benefit liability because of a decrease in the number of eligible employees, a \$5.1 million decrease in bonds payable (net of premiums and discounts) due to the amortization of bond premiums and discounts and \$0.1 million decrease in accrued absences due to increased use by employees of accrued time during the year. See Note 13 for more detailed information regarding long-term debt activity.

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

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Accrued compensated absences	\$ 3.0	\$ 3.1	\$ (0.1)
Accrued property tax refunds	16.3	14.9	1.4
Sick leave benefits	6.7	8.9	(2.2)
Other post-employment benefits	54.6	42.4	12.2
Bonds payable, net of premiums & discounts	<u>251.1</u>	<u>256.2</u>	<u>(5.1)</u>
Sub-total	331.7	325.5	6.2
Less current portion	<u>(6.9)</u>	<u>(7.5)</u>	<u>0.6</u>
Total non-current liabilities	<u>\$ 324.8</u>	<u>\$ 318.0</u>	<u>\$ 6.8</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, 11<sup>th</sup> 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, 2016**

**Assets**

Current assets:

Cash and cash equivalents	\$ 27,900,976
Short-term investments	49,977,101
Property tax receivable, net	57,686,532
Personal property replacement tax receivable	2,400,717
Other accounts receivable, net	<u>39,602,679</u>
Total current assets	<u>177,568,005</u>

Non-current assets:

Restricted cash	10,729,363
Funds held by others - restricted	627,427
Long-term investments	48,059,832
Other accounts receivable	6,106,490
Capital assets not being depreciated	139,666,500
Capital assets being depreciated, net	<u>832,047,926</u>
Total non-current assets	<u>1,037,237,538</u>
Total assets	<u>1,214,805,543</u>

**Deferred outflows of resources**

Deferred grant-related pension contributions	<u>1,018,568</u>
--	------------------

**Liabilities**

Current liabilities:

Accounts payable	34,235,754
Accrued payroll	15,888,344
Other accruals	5,693,803
Deposits held in custody for others	1,059,997
Unearned tuition and fees revenue	6,504,513
Unearned grant revenue	286,015
Other liabilities	13,042,713
Current portion of non-current liabilities	<u>6,928,403</u>
Total current liabilities	<u>83,639,542</u>

Non-current liabilities:

Accrued compensated absences	3,065,697
Accrued property tax refunds	16,277,328
Sick leave benefits	6,727,996
Other post-employment benefits	54,598,754
Bonds payable, net of premiums and discounts	251,089,656
Less current portion of non-current liabilities	<u>(6,928,403)</u>
Total non-current liabilities	<u>324,831,028</u>
Total liabilities	<u>408,470,570</u>

**Deferred inflows of resources**

Deferred property tax revenue	<u>60,228,410</u>
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**Net position**

Net investment in capital assets	719,559,997
Restricted for specific purposes:	
Audit	36,209
Liability, protection, and settlement	2,632,672
Unrestricted	<u>24,896,253</u>
Total net position	<u>\$ 747,125,131</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, 2016**

<b>Revenues</b>	
Operating revenues:	
Student tuition and fees:	
Resident tuition	\$ 95,135,130
Nonresident tuition	9,692,873
Fees	177,154
Less: Scholarship allowances	<u>(49,164,083)</u>
Net student tuition and fees	55,841,074
Other operating revenues	<u>7,680,657</u>
Total operating revenues	<u>63,521,731</u>
<b>Expenses</b>	
Operating expenses:	
Instructional salaries	90,918,944
Non-instructional salaries	123,980,168
Fringe benefits	150,741,188
Supplies	20,032,747
Professional development	1,304,104
Utilities	7,889,555
Contractual services	29,714,332
Depreciation	49,604,285
Financial aid, exclusive of scholarship allowances	32,657,219
Other expenses	<u>15,151,528</u>
Total operating expenses	<u>521,994,070</u>
Operating loss	<u>(458,472,339)</u>
Non-operating revenues (expenses):	
State apportionment and equalization	10,653,563
Other state grants and contracts	113,032,192
Local grants and contracts	2,263,905
Local property taxes	125,659,171
Personal property replacement tax	11,637,706
Federal grants and contracts	84,341,753
Investment income	1,461,132
Interest payments on debt	(4,961,335)
Other non-operating revenue	<u>1,846,475</u>
Total non-operating revenues (expenses)	<u>345,934,562</u>
Income before capital appropriations and grants	(112,537,777)
Capital appropriations and grants	<u>658,608</u>
Change in net position	(111,879,169)
Net position, beginning of year	<u>859,004,300</u>
<b>Net position, end of year</b>	<u><u>\$ 747,125,131</u></u>

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

**City Colleges of Chicago  
Community College District No. 508  
Statement of Cash Flows  
Fiscal Year Ended June 30, 2016**

<b>Cash flows from operating activities</b>	
Tuition and fees	\$ 56,147,438
Payments to suppliers	(138,627,899)
Payments to employees	(215,135,181)
Payments to students	(32,657,219)
Other operating receipts	7,680,657
Net cash used in operating activities	<u>(322,592,204)</u>
<b>Cash flows from noncapital financing activities</b>	
Local property taxes	128,137,623
State apportionment, grants and contracts	21,361,321
Personal property replacement tax	11,627,848
Grants and contracts	78,698,956
Net cash provided by noncapital financing activities	<u>239,825,748</u>
<b>Cash flows from capital and related financing activities</b>	
Purchases of capital assets	(117,357,983)
Payment received on note receivable	1,808,357
Principal and Interest paid on debt	(22,954,340)
Net cash used in capital and related financing activities	<u>(138,503,966)</u>
<b>Cash flows from investing activities</b>	
Proceeds from sales and maturities of investments	282,941,184
Purchases of investments	(185,040,535)
Interest received on investments	1,601,709
Net cash provided by investing activities	<u>99,502,358</u>
Net decrease in cash and cash equivalents	(121,768,064)
Cash and cash equivalents at beginning of year	160,398,403
Cash and cash equivalents at end of year	<u>\$ 38,630,339</u>
Cash and cash equivalents	\$ 27,900,976
Restricted cash	10,729,363
	<u>\$ 38,630,339</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, 2016**

<b>Reconciliation of operating loss to net cash used in operating activities</b>	
Operating loss	\$ (458,472,339)
Reconciling adjustments:	
Depreciation	49,604,285
State payment for retirement obligation	102,324,434
Increase in allowance for uncollectible receivables	4,918,933
Changes in assets and liabilities:	
Receivables	(5,355,773)
Prepaid items and other assets	(313,280)
Accounts payable	(30,000,753)
Accrued payroll	2,412,521
Other accruals	(1,728,305)
Deposits held in custody for others	(168,701)
Unearned tuition and fees revenue	1,239,064
Other liabilities	2,936,458
Accrued compensated absences	(43,623)
Sick leave benefits	(2,129,759)
Other post-employment benefits	12,184,634
Net cash used for operating activities	<u>\$ (322,592,204)</u>
<b>Non-cash Transactions</b>	
Increase in fair value of investments	\$ 1,548,103
State of Illinois contributed capital assets	658,608
Capital assets in accounts payable	(22,037,755)
Amortization of premiums and discounts on bonds payable	1,117,269

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, 2016**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The accompanying basic financial statements include all entities for which the Board of Trustees of City Colleges has financial accountability. In defining the financial reporting entity, City Colleges has considered whether there are any potential component units, and has concluded that there are none.

City Colleges of Chicago Foundation is affiliated with City Colleges and is not reflected in the basic financial statements as a component unit of City Colleges. The City Colleges of Chicago Foundation resources are equivalent to 1.33% of City Colleges' net position and, therefore, deemed not significant.

**B. Basis of Accounting**

For financial reporting purposes, City Colleges is considered a special-purpose government engaged only in business-type activities. Accordingly, City Colleges' 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.

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.

**City Colleges of Chicago**  
**Community College District No. 508**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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

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.

**E. Receivables**

Accounts receivable consist of property taxes, personal property replacement taxes, 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 2016, \$4.4 million of student receivables were written off.

**City Colleges of Chicago**  
**Community College District No. 508**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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

**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 2015 tax year and collected in 2016 are recorded as revenue in fiscal year 2016. The remaining revenue related to the 2015 tax year extension is deferred and will be recorded as revenue in fiscal year 2017. Based upon collection histories, City Colleges recorded property taxes at 96.5% of the 2015 extended levy.

**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.

**City Colleges of Chicago**  
**Community College District No. 508**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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

**I. Prepaid Items and Other Assets**

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

**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 fair value at the date of donation.

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.

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.

**City Colleges of Chicago**  
**Community College District No. 508**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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

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

**Capitalized Interest** – City Colleges has issued unlimited tax general obligation bonds to construct, acquire, equip and renovate campuses and administrative buildings. A portion of the interest cost incurred on this borrowing, net of interest earnings on bond proceeds, can be capitalized and has been included as part of the historical cost of the assets. The capitalization period ended in January 2016 when the new Malcolm X College was substantially completed. For fiscal year 2016, the portion of the interest incurred on the bonds up to the end of the capitalization period was \$6,845,336 and the amount capitalized was \$6,765,434 (net of \$79,902 in interest earnings).

**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 8 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 8)

**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, 2016**

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**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**  
**Community College District No. 508**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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**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, 2016, 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**  
**Community College District No. 508**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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**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. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, will be effective for City College's beginning with its year ending June 30, 2017. This statement will establish rules on reporting OPEB plans that administer benefits on behalf of governmental entities.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (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. 77, *Tax Abatement Disclosures*, will be effective for City Colleges' beginning with its year ending June 30, 2017. This statement requires state and local governments, for the first time, to disclose information about tax abatement agreements. It requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues

GASB Statement No. 78, *Pensions Provided through certain Multiple-Employer Defined Benefit Pension Plans*; will be effective for City Colleges' beginning with its year ending June 30, 2017. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

**City Colleges of Chicago**  
**Community College District No. 508**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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

GASB Statement No. 80, *Blending Requirements for Certain Component Units*; will be effective for the District beginning with its year ending June 30, 2017. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

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. 82, *Pension Issues*; an amendment of GASB Statement No. 67, No. 68 and No. 73 will be effective for the District beginning with its year ending June 30, 2017. The objective of this Statement is to address issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Management has not yet completed its evaluation of the impact of the provisions of the standards on its financial statements; however, the impact of GASB Statement No. 74 and GASB Statement No. 75 will likely be material to City Colleges.

**2. DEPOSITS AND INVESTMENTS**

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

**City Colleges of Chicago**  
**Community College District No. 508**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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

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

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

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

**Deposits**

***Custodial credit risk*** – with regards to deposits with financial institutions, custodial credit risk is the risk that in the event of bank failure, City Colleges' deposits may not be returned. City Colleges' investment policy requires that investments made in excess of any applicable deposit insurance be secured by a corporate surety bond written by a surety company authorized to do business in the State of Illinois that is rated at least AA by Standard and Poor's or Aa3 by Moody's, or by an undertaking from the depository supported by a pledge of securities having a market value that is at all times equal to or greater than the uninsured amount on deposit. At June 30, 2016, City Colleges had cash and cash equivalents of over \$48.1 million and was not exposed to custodial credit risk on these deposits.

**City Colleges of Chicago**  
**Community College District No. 508**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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

**Investments**

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

***Custodial credit risk*** – as it relates to investments, custodial credit risk is the risk that in the event of the failure of the counterparty to the investment, City Colleges will not be able to recover the value of its investments held by an outside party. All City Colleges' investment counterparties are limited to banks or trust companies authorized to do business in the State of Illinois that are member banks of the Federal Reserve System, and only to registered primary reporting dealers who are registered as broker-dealers with the Securities and Exchange Commission as required by City Colleges' investment policy. The District's investments in federal agency bonds, notes and commercial paper in the amount of \$33,085,714 were subject to custodial credit risk as of June 30, 2016.

***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. At June 30, 2016, City Colleges had the following investments that exceeded 5% of the investment portfolio: Federal Home Loan Bank of \$17,296,051, Fannie Mae Mortgage Association of \$57,078,095, and Federal Home Loan Mortgage Corporation of \$6,367,913.

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.

**City Colleges of Chicago**  
**Community College District No. 508**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

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

**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 amortized cost (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 fair value of City Colleges’ investment in the funds is the same as the value of the pool shares. The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. 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.

The carrying amount of investments at June 30, 2016 is shown below:

<b>Investment Type</b>	<b>June 30, 2016</b>	<b>Investment Maturities (in years)</b>	
	<b>Fair Value</b>	<b>Less Than 1</b>	<b>1 - 5</b>
U.S. Treasury Bond / Note	\$ 57,887,064	\$ 18,065,139	\$ 39,821,925
Federal Agency Bond / Note	27,712,412	19,474,505	8,237,907
Commercial Paper	5,373,302	5,373,302	-
Total investments	<u>90,972,778</u>	<u>42,912,946</u>	<u>48,059,832</u>
Illinois Trust CD Program	7,059,139	7,059,139	-
Illinois Funds (Money Market)	5,016	5,016	-
Total investments	<u>\$ 98,036,933</u>	<u>\$ 49,977,101</u>	<u>\$ 48,059,832</u>

**City Colleges of Chicago**  
**Community College District No. 508**  
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**2. DEPOSITS AND INVESTMENTS** *(Continued)*

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

The carrying amount of investments and fair value hierarchy at June 30, 2016 is shown below:

	6/30/2016	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)
<b>Investments Measured at Fair Value</b>				
<b>Debt Securities</b>				
U.S. Treasury Securities	\$57,887,064	\$ 57,887,064	\$ -	\$ -
Federal Agency Bond / Note	23,663,963	-	23,663,963	-
Federal Agency Discount Note	4,048,449	-	4,048,449	-
Commercial Paper	5,373,302	-	5,373,302	-
Total investments at fair value	90,972,778	57,887,064	33,085,714	-
<b>Investments Not Measured at Fair Value</b>				
Illinois Trust CD Program	7,059,139			
Illinois Funds (Money Market)	5,016			
Total investments not measured at fair value	7,064,155			
Total investments	\$98,036,933			



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

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:

Student	\$ 23,260,820
Grants	18,240,302
State of Illinois	559,360
City of Chicago - TIF	6,889,660
Other	<u>4,388,330</u>
Gross other accounts receivable	53,338,472
Less: Allowance for uncollectibles	<u>(7,607,085)</u>
Other accounts receivable, net	45,731,387
Less: Non-current portion of City of Chicago - TIF	<u>(6,106,490)</u>
Current portion of other receivable, net	<u><u>\$ 39,624,897</u></u>

**4. CAPITAL ASSETS**

	<u>July 1, 2015</u>	<u>Additions and Transfers In</u>	<u>Retirements and Transfers Out</u>	<u>June 30, 2016</u>
Capital assets not being depreciated:				
Land	\$ 55,421,960	\$ -	\$ (4,045,496)	\$ 51,376,464
Construction in progress	269,626,926	163,815,634	(345,152,523)	88,290,037
Subtotal	<u>325,048,886</u>	<u>163,815,634</u>	<u>(349,198,019)</u>	<u>139,666,501</u>
Capital assets being depreciated:				
Equipment	20,378,093	32,606,985	-	52,985,078
Software	30,852,286	31,543,195	-	62,395,481
Buildings and improvements	824,248,668	280,068,761	(7,137,103)	1,097,180,326
Subtotal	<u>875,479,047</u>	<u>344,218,941</u>	<u>(7,137,103)</u>	<u>1,212,560,885</u>
Total capital assets	1,200,527,933	508,034,575	(356,335,122)	1,352,227,386
Accumulated depreciation:				
Equipment	15,316,346	6,283,664	-	21,600,010
Software	30,050,024	629,645	-	30,679,669
Buildings and improvements	290,943,830	42,690,977	(5,401,526)	328,233,281
Total accumulated depreciation	<u>336,310,200</u>	<u>49,604,286</u>	<u>(5,401,526)</u>	<u>380,512,960</u>
Capital assets, net	<u><u>\$ 864,217,733</u></u>	<u><u>\$ 458,430,289</u></u>	<u><u>\$ (350,933,596)</u></u>	<u><u>\$ 971,714,426</u></u>

**City Colleges of Chicago**  
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**4. CAPITAL ASSETS** *(Continued)*

In fiscal year 2016, the District has disposed of the old Malcolm X campus and put the new Malcolm X campus in service.

**5. NET POSITION**

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

**6. OPERATING LEASES**

City Colleges leases equipment and office space under various operating lease agreements that will expire at various dates in the future. Certain leases for office space contain renewal provisions. WYCC-TV20 is a public broadcasting television station wholly owned and operated by City Colleges and is included within City Colleges' financial statements. The lease expires September 30, 2029, and allows for the continued and uninterrupted transmission of the broadcast services of WYCC-TV20.

Operating lease expense was \$2,089,239 for the year ended June 30, 2016.

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

2017	\$	812,477
2018		680,205
2019		700,611
2020		721,630
2021		743,278
2022 - 2026		4,064,551
2027 - 2030		2,986,762
		<u>\$ 10,709,514</u>

**City Colleges of Chicago  
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**7. OTHER ACCRUALS AND OTHER LIABILITIES**

City Colleges' other accruals and other liabilities consist of the following as of June 30, 2016:

	<b>2016</b>
<b>Other accruals</b>	
Accrued for services	\$ 4,478,741
Accrued interest	1,064,774
Other accruals	150,288
Total other accruals	\$ 5,693,803
 <b>Other liabilities</b>	
Self insurance	\$ 4,442,612
Unclaimed property	3,262,176
Other	5,337,925
Total other liabilities	\$ 13,042,713

**8. EMPLOYEE RETIREMENT PENSION PLAN**

**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, 2015, can be found in the System's comprehensive annual financial report (CAFR) notes to the financial statements.

**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 2015 and 2016 respectively was 11.71% and 12.69% 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.

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

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

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

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

***Employer Proportionate Share of Net Pension Liability*** - The proportionate share of the State’s net pension liability associated with City Colleges is \$1,218,726,483, or 5.1301%, 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, 2015 was determined based on the June 30, 2014 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 2015 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 2015. As a result, City Colleges recognized on-behalf revenue and pension expense of \$102,324,434 for the fiscal year ended June 30, 2016.

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

*Deferral of Fiscal Year 2016 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 \$1,018,568 in federal, trust or grant contributions for the fiscal year ended June 30, 2016. These contributions were made subsequent to the pension liability measurement date of June 30, 2015, and are recognized as deferred outflows of resources as of June 30, 2016.

**Assumptions and Other Inputs**

*Actuarial Assumptions* - The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period June 30, 2010 – 2014. The total pension liability in the June 30, 2015 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 12.00 percent, including inflation
Investment rate of return	7.25 percent beginning with the actuarial valuation as of June 30, 2014

Mortality rates were based on the RP2000 Combined Mortality Table, projected with Scale AA to 2017 sex-distinct, with rates multiplied by 0.80 for males and 0.85 for females.

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, 2015, these best estimates are summarized in the following table:

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
U.S. Equity	23%	5.77%
Private Equity	6%	9.23%
Non-U.S. Equity	19%	6.69%
Global Equity	8%	6.51%
Fixed Income	19%	1.12%
Treasury-Inflation Protected Securities	4%	1.22%
Emerging Market Debt	3%	4.61%
Real Estate Investment Trust (REITS)	4%	5.85%
Direct Real Estate	6%	4.37%
Commodities	2%	4.06%
Hedged Strategies	5%	3.99%
Opportunity Fund	<u>1%</u>	<u>6.80%</u>
<b>Total</b>	100%	5.02%
<b>Inflation</b>		<u>3.00%</u>
<b>Expected Arithmetic Return</b>		<b>8.02%</b>

**Discount Rate** - A single discount rate of 7.120% 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 3.80% (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 2072. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2072, 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](http://www.SURS.org).

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

Changes in non-current liabilities for the year ended June 30, 2016 are as follows:

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions/ Adjustments</u>	<u>June 30, 2016</u>	<u>Amounts due within one year</u>
Accrued compensated absences	\$ 3,109,320	\$ 5,260,297	\$ (5,303,920)	\$ 3,065,697	\$ 1,061,219
Accrued property tax refund	14,939,675	6,678,243	(5,340,590)	16,277,328	-
Sick leave benefits	8,857,755	-	(2,129,759)	6,727,996	1,702,184
Other post-retirement benefits	42,414,120	14,665,441	(2,480,807)	54,598,754	-
Bonds payable	250,000,000	-	(4,005,000)	245,995,000	4,165,000
Bonds premiums and discounts	6,211,924	-	(1,117,268)	5,094,656	-
	<u>\$ 325,532,794</u>	<u>\$ 26,603,981</u>	<u>\$ (20,377,344)</u>	<u>\$ 331,759,431</u>	<u>\$ 6,928,403</u>

**10. 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 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, 2016, City Colleges recorded a liability of \$3,065,697 for compensated absences, and estimated that \$1,061,219 of these liabilities is current and due within one year. (See Note 9)

**11. 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 employees and certain union-represented employees who have served continuously for 10 years or more and are eligible for an annuity under the State University Retirement System (SURS), generally at age 55. 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 3.6%, for fiscal year 2017 and 2.5% thereafter, (2) future payments discounted by a 3.61% interest factor in 2016 and (3) estimated rates of retention as adopted from the *Actuary's Pension Handbook* adjusted for mortality in accordance with published mortality tables.

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**11. SICK LEAVE BENEFITS** *(Continued)*

During fiscal year 2012, the Board amended the unused and accrued sick time policy. Effective July 1, 2012, upon retirement, administrative employees hired before January 1, 2012, are eligible to receive payment for his or her accumulated sick days pursuant to the Board's early retirement program but that payment shall be limited to either the amount of sick leave accumulated through July 1, 2012, or the amount of sick leave the employee has at the time of retirement, whichever is less. Employees hired after January 1, 2012, may accrue a maximum of 200 days but will not be eligible for payment of any unused accrued sick time. Any sick days remaining in their bank may be used for service credit in accordance with the rules of the SURS. Union represented employees hired before June 7, 2012, may accrue unlimited sick leave, but the payout is capped at the amount accrued as of July 1, 2014. For those hired after June 7, 2012, they can accrue up to 200 sick days, but no payments will be made upon retirement.

During fiscal year 2014, The Chicago Teachers Union Local 1600 approved a new contract. The union contract states that after July 1, 2014 there will be no cash payout for sick leave upon retirement.

At June 30, 2016, City Colleges accrued \$3,892,178 for the estimated present value of these future retiree benefits for current employees and \$2,835,818 in benefits payable to retired employees for a total of \$6,727,996. (See Note 9)

**12. OTHER POST-EMPLOYMENT BENEFITS**

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

***Benefits Provided:*** City Colleges pays approximately 85% of the medical and life insurance premiums for most retirees and spouses. For other retirees, City Colleges pays a portion of the medical premium. To be eligible for benefits, an employee must qualify for retirement under SURS. It is expected that all full-time active employees who retire directly from City Colleges and meet the eligibility criteria will participate.



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

**Membership:** As of June 30, 2016, 2015 and 2014, membership consisted of:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Retirees currently receiving benefits	951	1,279	1,386
Active employees	<u>2,390</u>	<u>2,274</u>	<u>1,976</u>
<b>TOTAL</b>	<u><u>3,341</u></u>	<u><u>3,553</u></u>	<u><u>3,362</u></u>
 Participating Employers	 <u>1</u>	 <u>1</u>	 <u>1</u>

**Funding Policy:** Currently, City Colleges provides subsidized coverage for the medical, dental and vision insurance for a period of 10 years from the employee's retirement date. Retired employees are covered for life insurance for a period of six to ten years, with City Colleges paying the cost of the coverage. During the ten-year subsidy period, City Colleges pays approximately 85% of the cost of the premiums and retirees pay approximately 15% of the cost of the medical, dental and vision coverage. City Colleges' contribution is estimated and is based on premiums, retiree contributions and retirees participating in the plan in 2016. 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, 2016, City Colleges contributed \$2,480,807.

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, 2016 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 3.61% 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 2016 included premium rates, payroll, data, variation of health care costs, census data regarding participants and age factors in each plan.

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**12. 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 advance-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 2016, 2015, and 2014.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
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
June 30, 2014	11,072,215	6,828,202	61.7%	39,703,812

	<b><u>2016</u></b>
Annual Required Contribution	\$ 15,390,834
Interest on Net OPEB Obligation	1,531,150
Adjustment to Annual Required Contribution	<u>(2,256,543)</u>
Annual OPEB Cost	14,665,441
Contributions Made	<u>(2,480,807)</u>
Increase in Net OPEB Obligation	12,184,634
Net OPEB Obligation Beginning of Year	<u>42,414,120</u>
<b>Net OPEB Obligation End of Year</b>	<b><u>\$ 54,598,754</u></b>

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarial Value of Assets	\$ -	\$ -	\$ -
Actuarial Liability	143,642,679	120,853,689	115,158,411
Unfunded Actuarial Liability	143,642,679	120,853,689	115,158,411
Funded Ratio (actuarial value of assets/AAL)	0%	0%	0%
Covered Payroll (active plan members)	148,691,885	146,164,608	128,106,608
UAAL as a Percentage of Active Member Payroll	96.6%	82.7%	89.9%

**13. 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.

Following is the future debt service requirements for the Bonds:

<u>Fiscal Year</u>	<u>Principal Payment</u>	<u>Interest</u>	<u>Total</u>
2017	4,165,000	12,693,988	16,858,988
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 - 2026	29,095,000	54,881,561	83,976,561
2027 - 2031	37,415,000	46,321,556	83,736,556
2032 - 2036	48,280,000	35,173,972	83,453,972
2037 - 2041	62,440,000	20,630,491	83,070,491
2042 - 2044	45,925,000	3,699,019	49,624,019
Total	<u>\$ 245,995,000</u>	<u>\$ 222,032,463</u>	<u>\$ 468,027,463</u>

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**14. 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 district's Insurance Broker, Insurance Carriers and Third Party Claims Administrator.

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

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

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

The District procures an Educators Legal Liability Policy (ELL) to cover a broad range of non-bodily injury or non-property damage liability claims made against the District, administrators, employees and staff. 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 \$876,700 as of June 30, 2016.

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 \$2,365,047 as of June 30, 2016. 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.

**City Colleges of Chicago  
Community College District No. 508  
Notes to Basic Financial Statements  
June 30, 2016**

**14. 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 \$1,200,865 as of June 30, 2016 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 7)

**Summary of Changes in Self-Insurance**

	<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>

	<u>June 30, 2014</u>	<u>Incurred Claims</u>	<u>Payment on Claims</u>	<u>June 30, 2015</u>
General liability	\$ 566,720	\$ 491,268	\$ (39,599)	\$ 1,018,389
Workers' compensation	2,806,200	648,709	(825,823)	2,629,086
Health insurance	<u>2,386,914</u>	<u>26,976,730</u>	<u>(28,334,238)</u>	<u>1,029,406</u>
	<u>\$ 5,759,834</u>	<u>\$ 28,116,707</u>	<u>\$ (29,199,660)</u>	<u>\$ 4,676,881</u>

**15. 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, 2016, City Colleges had \$47.1 million in commitments for its capital plan, all of which are being funded by City Colleges.

# **Required Supplementary Information**



**City Colleges of Chicago  
Community College District No. 508  
Required Supplementary Information  
June 30, 2016**

**Other Post -Employment Benefit Plan**

**Analysis of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Annual Covered Payroll
July 1,	(a)	(b)	(b) - (a)	(a)/(b)	(c)	(b-a)/c
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%
2007	-	108,953,481	108,953,481	0%	92,958,918	117.2%

**Employer Contributions**

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
June 30		
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%
2007	12,851,308	64.4%

Information is presented for as many years as is available. City Colleges implemented GASB Statement No. 45 in fiscal year 2006.



**City Colleges of Chicago  
Community College District No. 508  
Required Supplementary Information  
June 30, 2016**

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

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

**Notes to Required Supplementary Information**

***Changes of benefit term:*** There was no benefit changes recognized in the total pension liability as of June 30, 2015.

***Changes of assumption:*** In accordance with Illinois compiled statutes, an actuarial review is to be performed at least once every five 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. There are no changes of assumptions that affect measurement of the total collective pension liability since the prior measurement date.

**City Colleges of Chicago**  
**Community College District No. 508**  
**Required Supplementary Information**  
**June 30, 2016**

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**Notes to Required Supplementary Information** *(Continued)*

- Mortality rates: Change from the RP 2000 Mortality table projected to 2017, sex distinct, to the 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 have separate rates for males and females to reflect observed experience.
- Dependent assumption: Main the current assumption on marital status that varies by age and sex and the assumption that males are three years older than their spouses.

***Covered payroll:*** The definition of covered payroll has been redefined in in GASB Statement Number 82, *An Amendment of GASB Number 67, Number 68, and Number 73*. Below is the definition from GASB Statement number 82.

GASB 82 Covered Payroll. All elements included in compensation paid to active employees on which contributions to a pension plan are based. For example, if pension contributions are calculated on base pay including overtime, covered payroll includes overtime compensation.

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



# Statistical Section

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

## **Financial Trends**

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

## **Revenue Capacity**

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

## **Debt Capacity**

These schedules present information to help the reader assess City Colleges' current levels of outstanding debt and 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**

	<b>Fiscal Year Ended June 30</b>									
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Net Position:</b>										
Net investment in capital assets	\$ 492,006,098	\$ 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
Restricted for specific purposes										
Capital Projects	53,039,227	28,768,926	56,156,946	44,507,719	92,978,002	97,683,367	-	-	-	-
Lease Obligations	23,795,853	-	-	-	-	-	-	-	-	-
Audit	-	-	-	-	-	-	64,118	194,892	165,898	36,209
Liability, protection, and settlement	-	-	-	-	-	-	6,007,472	7,187,039	6,580,766	2,632,672
PBC operations and maintenance	-	-	-	-	-	-	607,045	607,045	-	-
Other	69,032,703	72,738,397	72,753,668	69,361,867	71,830,566	70,154,208	-	-	-	-
Unrestricted	77,358,746	71,794,664	67,104,370	86,874,142	66,367,440	92,820,212	254,548,655	221,854,399	135,002,378	24,896,253
<b>Total Net Position</b>	<b>\$ 715,232,627</b>	<b>\$ 743,036,864</b>	<b>\$ 766,977,395</b>	<b>\$ 793,918,693</b>	<b>\$ 824,196,424</b>	<b>\$ 860,992,864</b>	<b>\$ 882,367,021</b>	<b>\$ 888,348,651</b>	<b>\$ 859,004,300</b>	<b>\$ 747,125,131</b>

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>2007</u>	<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>
<b>Operating revenues:</b>										
Student tuition and fees (net of scholarship allowances)	\$ 35,352,547	\$ 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
Other operating revenues	7,130,296	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
Total operating revenues	<u>42,482,843</u>	<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>
<b>Operating expenses:</b>										
Instructional staff	79,978,494	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
Non-instructional staff	85,211,555	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
Fringe benefits	38,573,600	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
Supplies	18,458,080	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
Professional development	2,285,888	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
Equipment not capitalized	2,775,642	25,457,028	3,846,842	4,838,391	5,765,922	7,169,078	-	-	-	-
Utilities	10,558,453	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
Contractual services	36,639,498	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
Depreciation	20,667,118	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
Financial aid (net of scholarship allowances)	26,031,017	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
Other expenses	4,255,320	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
Total operating expenses	<u>325,434,665</u>	<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>
Operating loss	<u>(282,951,822)</u>	<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>
<b>Non-operating revenues (expenses):</b>										
State apportionment and equalization	41,498,443	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
Other state grants and contracts	54,901,471	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
Local grants and contracts	4,900,467	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
Local property taxes	107,099,097	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
Property taxes for lease obligations	30,099,651	13,912,993	-	-	-	-	-	-	-	-
Personal property replacement tax	14,518,747	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
Federal grants and contracts	57,549,889	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
Litigation settlement	-	-	-	656,745	-	-	-	-	-	-
Investment income	13,311,136	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
Building lease and interest payments on debt	(6,873,136)	(2,016,881)	-	-	-	-	-	-	-	(4,961,335)
Other non-operating revenue	-	-	-	-	-	-	-	573,157	2,175,119	1,846,475
Non-operating revenues, net	<u>317,005,765</u>	<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>
Income (loss) before capital appropriations and grants	34,053,943	(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)
Capital appropriations and grants	125,425,216	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
Change in net position	<u>\$ 159,479,159</u>	<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>

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**

<b>Tax Year Levy</b>	<b>Class 2 Residential Property</b>	<b>Class 5 Commercial Property</b>	<b>Class 5 Industrial Property</b>	<b>Other Railroad Property</b>	<b>Total Equalized Assessed Valuation (1)</b>	<b>Total Equalized Assessed Valuation (2)</b>	<b>Total Direct Tax Rate</b>	<b>Total Estimated Fair Value (3)</b>	<b>Assessed Value as a Percentage of Estimated Fair Value</b>
2006	39,513,066,849	22,593,682,265	7,297,814,078	68,665,828	69,473,229,020	69,479,300,657	0.205	208,437,901,971	33.33%
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%

**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									
		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b><u>City Colleges of Chicago</u></b>											
Audit Fund	\$ 0.001	\$ 0.002	\$ -	\$ 0.002	\$ -	\$ 0.001	\$ 0.001	\$ 0.001	\$ 0.001	\$ 0.001	\$ 0.001
Tort Liability	0.001	0.005	0.009	0.007	0.004	0.007	0.010	0.008	0.009	0.005	0.001
Education Fund	0.125	0.116	0.109	0.104	0.104	0.100	0.109	0.131	0.149	0.149	0.125
Operations and Maintenance Fund	0.049	0.039	0.041	0.043	0.042	0.043	0.045	0.050	0.040	0.038	0.049
PBC Rental	N/A	0.043	-	-	-	-	-	-	-	-	-
Total City Colleges of Chicago Rate		<u>\$ 0.205</u>	<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>
<b><u>Overlapping Rates</u></b>											
Chicago Board of Education		\$ 2.697	\$ 2.583	\$ 2.472	2.366	2.581	2.875	3.422	3.671	3.660	3.455
School Finance Authority		0.118	0.091	-	-	-	-	-	-	-	-
City of Chicago		1.062	1.044	1.147	1.098	1.132	1.229	1.425	1.496	1.473	1.806
Chicago Park District		0.379	0.355	0.323	0.309	0.319	0.346	0.395	0.420	0.415	0.382
Metropolitan Water Reclamation District		0.284	0.263	0.252	0.261	0.274	0.320	0.370	0.417	0.430	0.426
Cook County		0.500	0.446	0.415	0.394	0.423	0.462	0.531	0.560	0.568	0.552
Cook County Forest Preserve		0.057	0.053	0.051	0.049	0.051	0.058	0.063	0.069	0.069	0.069
South Cook County Mosquito Abatement		0.007	0.006	0.009	0.009	0.010	0.012	0.014	0.016	0.017	0.017
Total Overlapping Rate		<u>\$ 5.104</u>	<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>
Total Rate		<u>\$ 5.309</u>	<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>
<b><u>Tax Extensions (\$ thousands)</u></b>											
Audit Fund		\$ 1,567	\$ -	\$ 1,600	\$ -	\$ 650	\$ 650	\$ 650	\$ 584	\$ 384	\$ 384
Tort Liability		3,092	6,574	5,399	2,865	5,736	7,736	4,361	5,584	2,985	985
Education Fund		81,466	80,486	84,245	87,682	81,669	81,669	85,144	92,760	96,559	88,610
Operations and Maintenance Fund		26,799	29,972	34,997	35,694	35,186	33,186	33,186	24,912	24,912	34,911
PBC Rental		29,496	-	-	-	-	-	-	-	-	-
		<u>\$ 142,420</u>	<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>

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	2015			2007		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation
Willis Tower (formerly Sears Tower)	\$ 386,932	1	0.55%	\$ 514,662	1	0.70%
AON Building	239,092	2	0.34%	374,456	2	0.51%
HCSC Blue Cross A Pini	238,631	3	0.34%	-	-	-
Water Tower Place	215,481	4	0.30%	231,069	6	0.31%
300 Lasalle LLC	196,095	5	0.28%	-	-	-
AT&T Corporate Center 1 (Franklin Ctr.)	194,504	6	0.27%	297,653	3	0.40%
Chase Tower	193,365	7	0.27%	250,261	5	0.34%
Citadel Center (Mark Davids)	187,291	8	0.26%	208,906	9	0.28%
One Prudential Plaza	186,795	9	0.26%	293,604	4	0.40%
Three First National Plaza	182,523	10	0.26%	205,913	10	0.28%
Citigroup Center	-		0.00%	216,217	7	0.29%
Leo Burnett Building	-		0.00%	211,813	8	0.29%
	<u>\$ 2,220,709</u>		<u>3.13%</u>	<u>\$ 2,804,554</u>		<u>3.80%</u>

**Source:** Cook County Assessor's Office – 2015 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**

<b>Levy Year</b>	<b>Fiscal Year of Extension</b>	<b>Tax Levied</b>	<b>Collected within the Fiscal Year of Extension (A)</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date (B)</b>	
			<b>Amount</b>	<b>Percentage of Tax Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2006	2007	142,420,119	64,542,937	45.32%	72,277,442	136,820,379	96.07%
2007	2008	117,032,450	65,674,332	56.12%	47,612,033	113,286,365	96.80%
2008	2009	126,241,259	56,373,682	44.66%	66,034,908	122,408,590	96.96%
2009	2010	126,817,540	64,591,707	50.93%	57,100,556	121,692,263	95.96%
2010	2011	123,890,844	64,730,979	52.25%	55,195,196	119,926,175	96.80%
2011	2012	123,886,630	63,562,811	51.31%	56,347,945	119,910,756	96.79%
2012	2013	123,907,268	62,712,317	50.61%	57,565,204	120,277,522	97.07%
2013	2014	124,038,168	63,503,739	51.20%	61,249,840	124,753,579	100.58%
2014	2015	125,207,190	63,827,769	50.98%	59,503,575	123,331,344	98.50%
2015	2016	124,890,892	64,993,572	52.04%	-	64,993,572	52.04%

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 <i>(Unaudited)</i>											
Fiscal Year	FTE Credit Courses	Headcount Credit Courses	Headcount Noncredit Courses	Tuition & Fees per Semester Hr	Tuition & Fees per Semester Hr	Tuition & Fees per Semester Hr	Visa Students Fees per Semester Hr	Semester Credit Hrs Generated	Tuition & Fees Revenue	Scholarships and Allowances	Tuition & Fees Revenue (Net)
2007	20,647	47,031	63,675	72.00	180.83	291.61	-	1,064,630	69,513,402	(34,160,855)	35,352,547
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	26,425	57,383	42,888	133.36	353.16	359.73	624.68	983,907	105,005,157	(49,164,083)	55,841,074

**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**

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<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Capital Leases</b>	<b>Total Outstanding Debt</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Per Capita</b>
2007	-	31,695,000	31,695,000	0.01%	11.65
2008	-	-	-	-	-
2009	-	-	-	-	-
2010	-	-	-	-	-
2011	-	-	-	-	-
2012	-	-	-	-	-
2013	-	-	-	-	-
2014	257,406,782	-	257,406,782	0.14%	94.56
2015	256,211,924	-	256,211,924	0.13%	94.08
2016	251,089,656	-	251,089,656	0.12%	92.29

**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)**

	<b>Net Direct Long- Term Debt (1)</b>	<b>As of June 30, 2016 Estimated Percentage Applicable (2)</b>	<b>Share of Overlapping Debt</b>
<b>Direct Debt</b>			
City Colleges of Chicago	\$ 251,090	100.00%	\$ 251,090
<b>Estimated General Obligation Overlapping Debt</b>			
City of Chicago General Obligation Bonds	\$ 9,041,892	100.00%	\$ 9,041,892
Chicago Board of Education	6,152,448	100.00%	6,152,448
Chicago Park District	840,460	100.00%	840,460
Metropolitan Water Reclamation District of Greater Chicago	2,655,365	51.62%	1,370,699
Cook County	3,362,052	50.63%	1,702,207
Cook County Forest Preserve District	168,620	50.63%	<u>85,372</u>
Total Estimated Overlapping Long-Term Debt			<u>\$ 19,193,078</u>
Direct and Estimated Overlapping Long-Term Debt			<u>\$ 19,444,168</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**

<b>Fiscal Year</b>	<b>(A) Population</b>	<b>Personal Income <i>(in thousands)</i></b>	<b>(B) Per Capita Personal Income</b>	<b>(C) Unemployment Rate</b>
2007	2,703,991 *	125,562,526 *	46,436	5.60%
2008	2,697,359 *	126,899,952 *	47,046	7.00%
2009	2,697,006 *	120,890,597 *	44,824	10.90%
2010	2,695,598 ^	121,876,072 *	45,213	10.50%
2011	2,705,909 *	128,211,380 *	47,382	10.40%
2012	2,715,521 *	135,053,721 *	49,734	10.10%
2013	2,722,236 *	135,248,851 *	49,683	10.50%
2014	2,723,436 *	139,657,798 *	51,280	7.80%
2015	2,720,546 *	-----Data Not Available-----		6.40%
2016	-----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) 2007 - 2014 Data from the Bureau of Economic Analysis (BEA). These rates are for Cook County. 2015 - 2016 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 Eight Fiscal Years**

Employer	Fiscal Year 2016			Fiscal Year 2015			Fiscal Year 2014			Fiscal Year 2013		
	Rank	City of Chicago Number of Employees	% of City of Chicago Area Employment	Rank	City of Chicago Number of Employees	% of City of Chicago Area Employment	Rank	City of Chicago Number of Employees	% of City of Chicago Area Employment	Rank	City of Chicago Number of Employees	% of City of Chicago Area Employment
U.S. Government	1	42,887	1.58%	1	45,673	1.68%	1	49,860	1.83%	1	52,144	1.92%
Chicago Public Schools	2	37,406	1.37%	2	38,933	1.43%	2	39,094	1.44%	2	40,145	1.48%
City of Chicago	3	30,276	1.11%	3	30,345	1.11%	3	30,340	1.12%	3	30,197	1.11%
Cook County	4	21,795	0.80%	4	21,622	0.79%	4	21,482	0.79%	4	21,057	0.77%
Advocate Health Care	5	18,308	0.67%	5	18,556	0.68%	5	18,512	0.68%	5	16,710	0.61%
University of Chicago	6	16,197	0.60%	6	16,025	0.59%	7	15,452	0.57%	8	15,029	0.55%
Northwestern Memorial Hospital	7	15,317	0.56%	9	14,550	0.53%	-	-	-	-	-	-
State of Illinois	8	15,136	0.56%	8	14,925	0.55%	8	14,731	0.54%	6	15,400	0.57%
JP Morgan Chase	9	14,158	0.52%	7	15,015	0.55%	6	16,045	0.59%	7	15,103	0.56%
United Continental Holdings Inc	10	14,000	0.51%	10	14,000	0.51%	9	14,000	0.51%	-	-	-
AT&T Inc.	-	-	-	-	-	-	10	14,000	0.51%	10	14,000	0.51%
Walgreen Co.	-	-	-	-	-	-	-	-	-	9	14,528	0.53%
		<u>225,480</u>	<u>8.28%</u>		<u>229,644</u>	<u>8.42%</u>		<u>233,516</u>	<u>8.58%</u>		<u>234,313</u>	<u>8.61%</u>

Employer	Fiscal Year 2012			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	Rank	City of Chicago Number of Employees	% of City of Chicago Area Employment
U.S. Government	1	55,183	2.04%	1	49,573	1.83%	1	77,000	2.86%	1	78,000	2.73%
Chicago Public Schools	2	39,667	1.47%	2	40,883	1.51%	2	43,740	1.62%	2	43,910	1.54%
City of Chicago	3	31,307	1.16%	3	35,237	1.30%	3	36,242	1.34%	3	35,570	1.25%
Cook County	4	21,785	0.80%	5	23,083	0.85%	5	23,416	0.87%	5	22,142	0.78%
Advocate Health Care	5	18,485	0.68%	7	14,873	0.55%	7	14,784	0.55%	7	15,660	0.55%
State of Illinois	6	15,800	0.58%	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	10	14,584	0.54%	-	-	-	-	-	-	8	14,287	0.50%
Walgreen Co.	9	14,688	0.54%	9	13,122	0.48%	8	13,281	0.49%	9	14,254	0.50%
AT&T Inc.	7	15,000	0.55%	-	-	-	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%
Provena Health/Resurrection Health	8	14,806	0.55%									
		<u>241,305</u>	<u>8.91%</u>		<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 18, 2016

**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 Two Fiscal Years**

**Unrestricted Funds**

Functional Job Type	Full-time FTE		Part-time FTE		Total FTE	
	2015	2016	2015	2016	2015	2016
Faculty	644	627	1153	1156	1797	1783
Professional/Technical Staff	563	592	140	68	703	660
Administrators	418	424	1	2	419	426
Clerical	349	354	6	10	355	364
Front-Line Direct Support (Custodial/Maintenance/Security)	259	269	398	373	657	642
Academic Support/Direct Student-Facing Personnel	158	161	359	322	517	483
Student Workers	2	1	9	20	11	21
<b>Totals</b>	<b>2,393</b>	<b>2,428</b>	<b>2,066</b>	<b>1,951</b>	<b>4,459</b>	<b>4,379</b>

Data Source: FY17 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**

<b>Fiscal Year</b>	<b>Total</b>	<b>Baccalaureate</b>	<b>Occupational</b>			<b>Remedial Development</b>	<b>Adult Basic Secondary Education</b>
			<b>Business</b>	<b>Technical</b>	<b>Health</b>		
2016	983,907	489,438	36,204	59,246	32,959	72,423	293,638
2015	1,098,558	536,289	44,735	68,863	36,549	107,093	305,029
2014	1,184,165	536,233	51,231	79,220	45,666	123,339	348,476
2013	1,209,973	532,810	53,069	71,637	47,413	132,728	372,316
2012	1,190,902	518,328	55,799	69,998	51,460	139,422	355,895
2011	1,207,136	505,897	54,590	72,682	51,648	136,247	386,072
2010	1,260,579	476,794	47,756	82,551	54,920	144,347	454,211
2009	1,136,523	408,681	41,510	77,907	48,517	122,788	437,120
2008	1,050,801	375,014	42,368	75,633	43,777	105,781	408,228
2007	1,064,630	364,616	42,264	68,539	49,603	107,499	432,109

**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**

<b>Capital Asset Type</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Land	\$ 19,574,040	\$ 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
Construction in progress	182,702,679	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
Equipment	9,909,704	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
Buildings and improvements	488,896,308	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
Software	<u>28,694,279</u>	<u>28,734,268</u>	<u>29,008,086</u>	<u>29,342,571</u>	<u>29,342,571</u>	<u>30,035,011</u>	<u>30,035,011</u>	<u>30,035,011</u>	<u>30,852,286</u>	<u>62,395,481</u>
Total Capital Assets	729,777,010	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
Less: Accumulated Depreciation	<u>(206,074,196)</u>	<u>(186,971,382)</u>	<u>(208,307,417)</u>	<u>(225,326,563)</u>	<u>(246,743,974)</u>	<u>(266,588,199)</u>	<u>(281,982,383)</u>	<u>(299,962,533)</u>	<u>(336,310,200)</u>	<u>(380,512,960)</u>
Net Capital Assets	<u>\$523,702,814</u>	<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>
Capital Lease & Bond Obligations	<u>\$ 31,695,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$250,000,000</u>	<u>\$ 250,000,000</u>	<u>\$ 245,995,000</u>

**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><b>Founded</b></i>	<i><b>1911</b></i>	
Accreditation by North Central Association of Colleges and Schools	<u><b>Most Recent Accreditation</b></u>	<u><b>Next Review</b></u>
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		2,720,546
Number of faculty		1,783
Number of professional / technical staff		660
Number of administrators		426
Number of clerical staff		364
Number of custodial / maintenance staff		642
Number of academic support staff		483
Number of student/workstudy staff		21
Degrees and certificates awarded (fiscal year 2016)		10,067

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

**Table P**

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

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<b>Fiscal Year</b>	<b>State Funding to All State Community Colleges</b>	<b>ICCB Funding to the District</b>
2007	\$302,035,040	\$58,595,337
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

*Source: Illinois Community College Board*

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

**Table Q  
Operating Information  
Revenues and Expenditures by Campus (Unaudited)  
Fiscal Year Ended June 30, 2016**

	<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>
<b>Revenues:</b>									
Local Tax Revenue	15,565,940	3,716,310	25,099,602	47,869,898	13,696,679	21,948,649	15,566,664	(8,634,838)	\$ 134,828,904
All Other Local Revenue	19,495	-	-	-	-	3,215	168	921,799	944,677
ICCB Grants	3,305,433	1,942,786	1,698,705	1,991,004	1,679,512	4,052,535	3,058,097	-	17,728,072
All Other State Revenue	289,719	900,617	515,824	696,097	213,350	354,739	588,025	74,878	3,633,249
Federal Revenue	8,393,170	22,519,759	10,693,040	13,055,445	6,451,367	8,767,253	14,461,719	-	84,341,753
Student Tuition and Fees	10,277,844	28,814,319	11,645,374	13,535,292	5,960,687	13,081,082	21,690,558	-	105,005,156
All Other Revenue	<u>326,386</u>	<u>1,126,928</u>	<u>3,707,863</u>	<u>532,937</u>	<u>1,712,282</u>	<u>2,135,146</u>	<u>769,179</u>	<u>4,668,421</u>	<u>14,979,142</u>
Total Revenue before Capital Appropriations	38,177,987	59,020,719	53,360,408	77,680,673	29,713,877	50,342,619	56,134,410	(2,969,740)	361,460,953
Capital Appropriations	-	-	-	-	658,608	-	-	-	658,608
Total Revenue	<u>\$ 38,177,987</u>	<u>\$ 59,020,719</u>	<u>\$ 53,360,408</u>	<u>\$ 77,680,673</u>	<u>\$ 30,372,485</u>	<u>\$ 50,342,619</u>	<u>\$ 56,134,410</u>	<u>\$ (2,969,740)</u>	<u>\$ 362,119,561</u>
<b>Expenditures by program</b>									
Instruction	10,590,025	18,072,472	15,326,046	13,052,408	9,941,307	20,096,133	19,716,469	1,995,098	\$ 108,789,958
Academic Support	2,072,823	3,464,439	3,380,448	4,425,048	2,707,755	2,848,326	3,282,947	3,302,521	25,484,306
Student Services	4,229,466	6,712,588	4,198,090	5,469,843	3,813,355	6,309,953	6,026,222	1,943,834	38,703,350
Public Service/Continuing Education	510,634	154,630	360,603	569,618	3,434	202,196	355,632	1,078,949	3,235,695
Organized Research	-	95,261	-	-	-	79,201	3,568	1,100	179,130
Auxiliary Services	545,504	775,184	2,010,956	859,922	404,766	368,910	140,510	9,233,642	14,339,393
Operations and Maintenance	8,919,601	5,725,412	14,763,947	38,246,546	4,488,633	9,319,096	10,012,104	20,012,936	111,488,274
Institutional Support	3,532,336	3,216,484	3,110,590	3,711,943	2,620,736	2,642,692	2,972,255	66,501,647	88,308,683
Scholarships, Grants, Waivers	<u>7,777,598</u>	<u>20,804,249</u>	<u>10,209,728</u>	<u>11,345,345</u>	<u>5,733,891</u>	<u>8,476,112</u>	<u>13,624,703</u>	<u>5,498,315</u>	<u>83,469,941</u>
Total Expenditures	<u>\$ 38,177,987</u>	<u>\$ 59,020,719</u>	<u>\$ 53,360,408</u>	<u>\$ 77,680,673</u>	<u>\$ 29,713,877</u>	<u>\$ 50,342,619</u>	<u>\$ 56,134,410</u>	<u>\$ 109,568,042</u>	<u>\$ 473,998,730</u>

Excludes SURS contribution of \$102,324,434

Statement of Purpose: The City Colleges of Chicago Revenues and Expenditures by College for the year ended June 30, 2016, 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, 2016

	Education Fund	Operations and Maintenance Fund	Operations and Maintenance Fund (Restricted)	Bond and Interest Fund	Auxiliary Enterprises Fund	Restricted Purposes Fund *	Working Cash Fund	Audit Fund	Liability, Protection Settlement Fund	Building Bonds Proceeds Fund	GASB 34/35 Adjustment **	Total
Fund Balance: July 1, 2015	\$ 6,378,804	\$ (2,495,899)	\$ 55,420,573	\$ 5,231	\$ (7,027,057)	\$ (352,225)	\$ 67,013,532	\$ 165,899	\$ 6,580,766	\$ 125,562,054	\$ 607,752,622	859,004,300
<b>Revenues:</b>												
Local Tax Revenue	91,884,599	29,049,093	-	11,637,706	-	-	-	368,410	1,888,896	-	-	134,828,704
All Other Local Revenue	-	-	658,608	-	-	944,677	-	-	-	-	-	1,603,285
ICCB Grants	14,370,863	-	-	-	-	3,357,209	-	-	-	-	-	17,728,072
All Other State Revenue	-	-	-	-	12,282	3,620,967	-	-	-	-	-	3,633,249
Federal Revenue	481,488	-	-	-	-	83,860,265	-	-	-	-	-	84,341,753
Student Tuition and Fees	105,004,181	-	-	-	975	-	-	-	-	-	-	105,005,156
All Other Revenue	3,381,339	1,210,466	-	27,704	6,454,540	3,800,155	-	-	-	105,138	-	14,979,342
Total Revenues	215,122,470	30,259,559	658,608	11,665,410	6,467,797	95,583,273	-	368,410	1,888,896	105,138	-	362,119,561
<b>Expenses</b>												
Instruction	98,684,921	-	-	-	2,784,102	7,320,935	-	-	-	-	-	108,789,958
Academic Support	18,808,459	-	-	-	149,887	6,719,590	-	-	-	-	(193,630)	25,484,306
Student Services	36,089,009	-	-	-	-	2,614,341	-	-	-	-	-	38,703,350
Public Service/Continuing Education	416,748	-	-	-	1,483,421	1,335,526	-	-	-	-	-	3,235,695
Organized Research	1,100	-	-	-	-	178,030	-	-	-	-	-	179,130
Auxiliary Services	7,757,626	-	-	-	5,424,781	1,156,986	-	-	-	-	-	14,339,393
Operations and Maintenance	13,252,651	30,864,319	18,442,022	17,927,161	-	-	-	-	-	120,897,729	(89,895,608)	111,488,274
Institutional Support	77,947,135	(15,025)	22,826,032	100	(132,808)	380,174	-	498,100	5,836,990	4,769,463	(23,801,478)	88,308,683
Scholarships, Grants, Waivers	6,685,210	-	-	-	362	76,784,369	-	-	-	-	-	83,469,941
Total Expenses	259,642,859	30,849,294	41,268,054	17,927,261	9,709,745	96,489,951	-	498,100	5,836,990	125,667,192	(113,890,716)	473,998,730
Net Transfers	-	-	-	-	-	-	-	-	-	-	-	-
Fund Balance: June 30, 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

\* Excludes SURS contribution \$102,324,434

\*\* 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, 2016**

	<u>Capital Assets / Long-Term Debt July 1, 2015</u>	<u>Additions</u>	<u>Deletions and Transfers</u>	<u>Capital Assets / Long-Term Debt June 30, 2016</u>
<b>Fixed Assets</b>				
Land	\$ 55,421,960	\$ -	\$ (4,045,496)	\$ 51,376,464
Construction in progress	269,626,926	163,815,634	(345,152,523)	88,290,037
Buildings and improvements	824,248,668	280,068,761	(7,137,103)	1,097,180,326
Equipment	20,378,093	32,606,985	-	52,985,078
Software	30,852,286	31,543,195	-	62,395,481
Accumulated depreciation	(336,310,200)	(49,604,286)	5,401,526	(380,512,960)
<b>Net Fixed Assets</b>	<u>\$ 864,217,733</u>	<u>\$ 458,430,289</u>	<u>\$ (350,933,596)</u>	<u>\$ 971,714,426</u>
<b>Fixed Debt</b>				
Bonds payable	\$ 245,995,000	\$ -	\$ -	\$ 245,995,000
<b>Total Fixed Debt</b>	<u>\$ 245,995,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 245,995,000</u>

**City Colleges of Chicago**  
**Community College District No. 508**  
**Operating\*\* Funds Revenues and Expenditures**  
**Uniform Financial Statement #3**  
**Fiscal Year Ended June 30, 2016**

<b>OPERATING REVENUES BY SOURCE</b>	<b>Education Fund</b>	<b>Operations and Maintenance Fund</b>	<b>Total Operating Funds</b>
Local Government Revenue:			
Local Taxes	\$ 91,884,599	\$ 29,049,093	\$ 120,933,692
<b>TOTAL LOCAL GOVERNMENT</b>	<u>91,884,599</u>	<u>29,049,093</u>	<u>120,933,692</u>
State Government:			
ICCB Base Operating Grant	10,653,563	-	10,653,563
Other ICCB Grants	3,717,300	-	3,717,300
<b>TOTAL STATE GOVERNMENT</b>	<u>14,370,863</u>	<u>-</u>	<u>14,370,863</u>
Federal Government:			
Dept. of Education	481,488	-	481,488
<b>TOTAL FEDERAL GOVERNMENT</b>	<u>481,488</u>	<u>-</u>	<u>481,488</u>
Student Tuition and Fees			
Tuition	104,736,920	-	104,736,920
Fees	267,261	-	267,261
<b>TOTAL TUITION AND FEES</b>	<u>105,004,181</u>	<u>-</u>	<u>105,004,181</u>
Other Sources			
Sales and Service Fees	550,391	51,066	601,457
Facilities Revenue	384	1,154,772	1,155,156
Investment Revenue	1,328,290	1,372	1,329,662
Other	1,502,274	3,256	1,505,530
<b>TOTAL OTHER REVENUE</b>	<u>3,381,339</u>	<u>1,210,466</u>	<u>4,591,805</u>
<b>TOTAL REVENUE</b>	<u>\$ 215,122,470</u>	<u>\$ 30,259,559</u>	<u>\$ 245,382,029</u>
Less: Non-Operating Items *			
Tuition Chargeback Revenue	(35,702)	-	(35,702)
<b>ADJUSTED REVENUE</b>	<u>\$ 215,086,768</u>	<u>\$ 30,259,559</u>	<u>\$ 245,346,327</u>
<b>OPERATING EXPENDITURES</b>			
<b>BY PROGRAM</b>			
Instruction	\$ 98,684,921	\$ -	\$ 98,684,921
Academic Support	18,808,459	-	18,808,459
Student Services	36,089,009	-	36,089,009
Public Service/Continuing Education	416,748	-	416,748
Organized Research	1,100	-	1,100
Auxiliary Services	7,757,626	-	7,757,626
Operations and Maintenance	13,252,651	30,864,319	44,116,970
Institutional Support	77,947,135	(15,025)	77,932,110
Scholarships, Grants, Waivers	6,685,210	-	6,685,210
<b>TOTAL EXPENDITURES</b>	<u>259,642,859</u>	<u>30,849,294</u>	<u>290,492,153</u>
Less Non-Operating Items*			
Tuition Chargeback	(238,709)	-	(238,709)
<b>ADJUSTED EXPENDITURES</b>	<u>\$ 259,404,150</u>	<u>\$ 30,849,294</u>	<u>\$ 290,253,444</u>
<b>BY OBJECT</b>			
Salaries	\$ 178,958,908	\$ 15,764,705	\$ 194,723,613
Employee Benefits	38,415,662	2,720,330	41,135,992
Contractual Services	10,642,438	3,429,639	14,072,077
General Materials and Supplies	12,324,267	1,052,514	13,376,781
Professional Development	965,566	(1,424)	964,142
Fixed Charges	1,277,895	810,029	2,087,924
Utilities	795,202	7,088,526	7,883,728
Other	9,752,197	(15,025)	9,737,172
Student Grants & Scholarships**	6,510,724	-	6,510,724
<b>TOTAL EXPENDITURES</b>	<u>\$ 259,642,859</u>	<u>\$ 30,849,294</u>	<u>\$ 290,492,153</u>
Less Non-Operating Items*			
Tuition Chargeback	(238,709)	-	(238,709)
<b>ADJUSTED EXPENDITURES</b>	<u>\$ 259,404,150</u>	<u>\$ 30,849,294</u>	<u>\$ 290,253,444</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, 2016**

**REVENUE BY SOURCE:**

TOTAL LOCAL GOVERNMENT	\$ 944,677
State Government	
ICCB - Adult Education	3,357,209
Other	<u>3,620,967</u>
TOTAL STATE GOVERNMENT	<u>6,978,176</u>
Federal Government	
Dept. of Education	74,643,644
Other	<u>9,216,621</u>
TOTAL FEDERAL GOVERNMENT	<u>83,860,265</u>
Other Sources	
Other	<u>3,800,155</u>
TOTAL OTHER SOURCES	<u>3,800,155</u>
TOTAL RESTRICTED PURPOSES FUND REVENUES	<u><u>\$ 95,583,273</u></u>

**EXPENDITURES BY PROGRAM**

Instruction	\$ 7,320,935
Academic Support	6,719,590
Student Services	2,614,341
Public Service/Continuing Education	1,335,526
Organized Research	178,030
Auxiliary Services	1,156,986
Institutional Support	380,174
Scholarships, Grants and Waivers	76,784,369

TOTAL RESTRICTED PURPOSES FUND EXPENDITURES	<u><u>\$ 96,489,951</u></u>
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**EXPENDITURES BY OBJECT**

Salaries	\$ 14,534,952
Employee Benefits	2,348,854
Contractual Services	1,626,025
General Materials and Supplies	2,311,997
Professional Development	317,082
Utilities	200
Other	397,305
Scholarships, Grants, Waivers	74,953,536

TOTAL RESTRICTED PURPOSES FUND EXPENDITURES	<u><u>\$ 96,489,951</u></u>
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\* Excludes SURS contribution of \$102,324,434.

**City Colleges of Chicago  
Community College District No. 508  
Current Funds \* Expenditures\*\* by Activity  
Uniform Financial Statement #5  
Fiscal Year Ended June 30, 2016**

INSTRUCTION	
Instructional Programs	\$ 108,789,958
Total Instruction	<u>108,789,958</u>
ACADEMIC SUPPORT	
Library Center	2,599,793
Instructional Materials Center	310,696
Educational Media Services	4,690
Academic Computing Support	1,764,265
Academic Administration and Planning	14,410,832
Other	<u>6,394,030</u>
Total Academic Support	<u>25,484,306</u>
STUDENT SERVICES SUPPORT	
Admissions and Records	6,285,531
Counseling and Career Services	12,529,260
Financial Aid Administration	3,933,277
Other	<u>15,955,282</u>
Total Student Services Support	<u>38,703,350</u>
PUBLIC SERVICE/CONTINUING EDUCATION	
Community Education	616,293
Customized Training (Instructional)	273,606
Community Services	384,233
Other	<u>1,961,563</u>
Total Public Service/Continuing Education	<u>3,235,695</u>
ORGANIZED RESEARCH	<u>179,130</u>
AUXILIARY SERVICES	<u>14,339,393</u>
OPERATIONS AND MAINTENANCE OF PLANT	
Maintenance	11,926,640
Custodial Services	7,670,226
Grounds	21,478
Campus Security	10,632,393
Utilities	7,085,522
Administration	3,818,017
Other	<u>2,962,694</u>
Total Operations and Maintenance of Plant	<u>44,116,970</u>
INSTITUTIONAL SUPPORT	
Executive Management	8,018,732
Fiscal Operations	11,893,596
Community Relations	4,067,655
Administrative Support Services	52,567,146
Board of Trustees	215,898
General Institutional	11,252,899
Institutional Research	1,673,150
Administrative Data Processing	8,310,482
Other	<u>(13,484,992)</u>
Total Institutional Support	<u>84,514,566</u>
SCHOLARSHIPS, STUDENTS GRANTS, & WAIVERS	<u>83,469,941</u>
TOTAL CURRENT FUNDS EXPENDITURES	<u>\$ 402,833,309</u>

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

\*\* Excludes SURS Contribution of \$102,324,434.

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

**Certification of Chargeback Reimbursement for Fiscal Year 2017 *(Unaudited)***

Note: The fiscal year 2017 Certificate of Chargeback Reimbursement Form was unable to be completed by the October 15, 2016, audit due date because line 17 of the form (the fiscal year 2016 average grant rate based on fiscal year 2017 ICCB grants) was unavailable since the State of Illinois budget had not yet been approved by the General Assembly and the Governor of the State of Illinois. This form will be issued at a later date once all information is available to complete the fiscal year 2017 Chargeback Reimbursement Form.



RSM US LLP

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

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

We have examined the accompanying Schedule of Enrollment Data and Other Bases Upon Which Claims are Filed (the Schedule) of City Colleges of Chicago, Community District No. 508 (City Colleges) for the year ended June 30, 2016. City Colleges' management is responsible for the Schedule. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the guidelines of the Illinois Community College Board's *Fiscal Management Manual* and, accordingly, included examining, on a test basis, evidence supporting the Schedule and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

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

*RSM US LLP*

Chicago, Illinois  
October 14, 2016

**City Colleges of Chicago  
Schedule of Enrollment Data and  
Other Bases On Which Claims are Filed  
Year ended June 30, 2016**

**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	53,574.0	-	217,699.0	-	218,165.0	-	489,438.0	-
Business Occupational	2,828.0	-	17,287.0	-	16,089.0	-	36,204.0	-
Technical Occupational	9,362.0	-	26,453.0	-	23,390.5	40.0	59,205.5	40.0
Health Occupational	4,783.5	-	15,448.0	-	12,727.0	-	32,958.5	-
Remedial/Developmental	4,337.0	-	40,790.0	-	27,296.0	-	72,423.0	-
Adult Basic/Secondary Education	69,701.0	1,313.0	92,596.0	15,997.0	94,771.0	19,260.0	257,068.0	36,570.0
<b>Total</b>	<b>144,585.5</b>	<b>1,313.0</b>	<b>410,273.0</b>	<b>15,997.0</b>	<b>392,438.5</b>	<b>19,300.0</b>	<b>947,297.0</b>	<b>36,610.0</b>

**Reconciliation of Total Semester Credit Hours for the Year Ended June 30, 2016**

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	489,438.0	489,438.0	-	-	-	-
Business Occupational	36,204.0	36,204.0	-	-	-	-
Technical Occupational	59,205.5	59,205.5	-	40.0	40.0	-
Health Occupational	32,958.5	32,958.5	-	-	-	-
Remedial/Developmental	72,423.0	72,423.0	-	-	-	-
Adult Basic/Secondary Education	257,068.0	257,068.0	-	36,570.0	36,570.0	-
<b>Total</b>	<b>947,297.0</b>	<b>947,297.0</b>	<b>-</b>	<b>36,610.0</b>	<b>36,610.0</b>	<b>-</b>

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

	<u>Dual Credit</u>	<u>Dual Enrollment</u>
Reimbursable Semester Credit Hours (All Terms)	15,572.0	7,947.0

**City Colleges of Chicago**  
**Schedule of Enrollment Data and**  
**Other Bases On Which Claims are Filed (Continued)**  
**Year ended June 30, 2016**

**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	914,159.0		
Restricted in-district resident hours	<u>34,851.0</u>		
Semester credit hours (all terms)	949,010.0	1,234.5	950,244.5

District prior-year equalized assessed evaluation \$ 70,924,421,349

	<u>Total Credit Hours</u>	<u>Total Credit Hours Certified by ICCB</u>	<u>Difference</u>
In-district resident	949,010.0	949,010.0	-
Out-of-district (chargeback/contractual agreement)	<u>1,234.5</u>	<u>1,234.5</u>	-
Total	<u>950,244.5</u>	<u>950,244.5</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>
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
2006	69,479,300,657

# **State Grant Compliance Section**



## **Independent Auditor's Report on 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 State Adult Education and Family Literacy Grant Program and Early School Leavers 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, 2016, and the related notes to the financial statements – grant programs, which collectively comprise City Colleges' grant program 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 program 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 the 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 respective financial position of the State Adult Education and Family Literacy Grant Program and Early School Leavers Grant Program as of June 30, 2016, 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 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, 2016, 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 Matters**

Our audit was conducted for the purpose of forming opinions on the grant program financial statements of City Colleges. The ICCB Compliance Statement on page 78 is presented for purposes of additional analysis and is not a required part of the grant program financial statements.

The ICCB Compliance Statement on page 78 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the grant program financial statements. Such information has been subjected to the auditing procedures applied in the audits of the grant program financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the grant program financial statements or to the grant program financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the ICCB Compliance Statement on page 78 is fairly stated, in all material respects, in relation to the grant program financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City Colleges' internal control over financial reporting and compliance.

*RSM US LLP*

Chicago, Illinois  
October 14, 2016

**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 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, the financial statements of the State Adult Education and Family Literacy Grant Program and Early School Leavers 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, 2016, and the related notes to the financial statements – grant programs, and have issued our report thereon dated October 14, 2016. 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, 2016, 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 program 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of grant program 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 City Colleges' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City Colleges' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*RSM US LLP*

Chicago, Illinois  
October 14, 2016

# **Grant Program Financial Statements**





**City Colleges of Chicago  
Community College District No. 508  
State Adult Education and Family Literacy Grant Program  
Combined Balance Sheet  
June 30, 2016**

	<u>State Basic</u>	<u>State Performance</u>	<u>Total</u>
<b>Assets</b>			
Accounts Receivable	\$ 2,520,454	\$ 836,755	\$ 3,357,209
Total assets	<u>2,520,454</u>	<u>836,755</u>	<u>3,357,209</u>
<b>Liabilities and Fund Balance</b>			
Accounts payable	1,280	5,169	6,449
Accrued payroll	12,519	17,220	29,739
Due to City Colleges of Chicago	<u>2,506,655</u>	<u>814,366</u>	<u>3,321,021</u>
Total Liabilities	<u>2,520,454</u>	<u>836,755</u>	<u>3,357,209</u>
<b>Fund balance</b>	-	-	-
Total Liabilities and Fund Balance	<u>\$ 2,520,454</u>	<u>\$ 836,755</u>	<u>\$ 3,357,209</u>

**Combined Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Year ended June 30, 2016**

	<u>State Basic</u>	<u>State Performance</u>	<u>Total</u>
<b>Revenue</b>			
State Sources	\$ 2,520,454	\$ 836,755	\$ 3,357,209
<b>Expenditures By Program</b>			
Instruction	1,722,942	257,141	1,980,083
Social Work Services	162,266	82,927	245,193
Guidance Services	164,215	80,785	245,000
Assessment and Testing	123,406	78,026	201,432
Student Transportation Services	-	39,999	39,999
Subtotal Instructional and Student Services	<u>2,172,829</u>	<u>538,878</u>	<u>2,711,707</u>
<b>Program Support</b>			
Improvement of Instructional Services	-	116,736	116,736
General Administration	258,967	86,328	345,295
Data and Information Services	<u>88,658</u>	<u>94,813</u>	<u>183,471</u>
Subtotal Program Support	<u>347,625</u>	<u>297,877</u>	<u>645,502</u>
Total Expenditures	<u>2,520,454</u>	<u>836,755</u>	<u>3,357,209</u>
<b>Excess of Revenue Over Expenditures</b>			
Fund Balance - July 1, 2015	-	-	-
Fund Balance - June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to grant program financial statements.

**City Colleges of Chicago**  
**Community College District No. 508**  
**ICCB Compliance Statement for the**  
**Adult Education and Family Literacy Grant Program**  
**Expenditure Amounts and Percentages for ICCB Grant Funds Only**  
**Year Ended June 30, 2016**

	<u>Expenditure Amount</u>	<u>Allowed Expenditure Percentage</u>	<u>Actual Expenditure Percentage</u>
<b>State Basic</b>			
Instruction	\$ 1,722,942	Minimum 45%	68%
General Administration	\$ 258,967	Maximum 9%	10%

See accompanying notes to grant program financial statements.

**City Colleges of Chicago  
Community College District No. 508  
Early School Leavers Grant Program  
Balance Sheet  
June 30, 2016**

<b>Assets</b>	
Accounts Receivable	<u>\$ 80,000</u>
<b>Liabilities and Fund Balance</b>	
Accounts payable	\$ 1,516
Accrued payroll	449
Due to City Colleges of Chicago	<u>78,035</u>
Total liabilities	80,000
 Total Fund Balance	 <u>-</u>
Total Liabilities and Fund Balance	<u>\$ 80,000</u>

**Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Year ended June 30, 2016**

<b>Revenue</b>	
State sources	<u>\$ 80,000</u>
<b>Expenditures</b>	
Salaries	\$ 62,071
Employee benefits	10,533
Materials and supplies	1,516
Student support services	5,000
Travel and professional development	506
Purchased services	<u>374</u>
Total expenditures	<u>\$ 80,000</u>
<b>Excess of Revenue Over Expenditures</b>	
Fund Balance - July 1, 2015	<u>-</u>
Fund Balance - June 30, 2016	<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, 2016**

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**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. Adult Education and Family Literacy Grants**

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

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

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

**B. Early School Leavers Grant**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Reporting**

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

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

**City Colleges of Chicago**  
**Community College District No. 508**  
**Notes to Grant Program Financial Statements**  
**June 30, 2016**

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

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

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

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

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

**C. Accounts Receivable**

A receivable is recorded for the funds to be received from the ICCB at June 30, 2016 for reimbursement of the allowable expenditures incurred during the fiscal year.

**D. Due to City Colleges of Chicago**

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

**E. Capital Assets**

Acquisitions of capital assets, if any, are reported as capital assets in the College's financial statements. There are no capital assets purchased with grant funds during fiscal year ended June 30, 2016.

**F. 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 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 City Colleges of Chicago, Community College District No. 508 (City Colleges) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise City Colleges' basic financial statements, and have issued our report thereon dated October 14, 2016.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*RSM US LLP*

Chicago, Illinois  
October 14, 2016

**Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance; and Report on Schedule of  
Expenditures of Federal Awards Required by the Uniform Guidance**

**Independent Auditor's Report**

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

**Report on Compliance for 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, 2016. 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, 2016.

### **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.

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

We have audited the financial statements of City Colleges as of and for the year ended June 30, 2016, and have issued our report thereon dated October 14, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*RSM US LLP*

Chicago, Illinois  
October 14, 2016

**City Colleges of Chicago**  
**Community College District No. 508**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2016**

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	\$ 69,934,634	\$ -
Federal Work-Study Program	84.033	P033A111123	1,396,281	-
Federal Supplemental Educational Opportunity Grants Program	84.007	P007A111123	1,687,767	-
Total Student Financial Assistance			<u>73,018,682</u>	<u>-</u>
Federal Direct Student Loans				
Kennedy King College	84.268	P268K156807	3,865,694	-
Olive Harvey College	84.268	P268K156999	2,047,189	-
Harold Washington College	84.268	P268K156870	3,173,134	-
Truman College	84.268	P268K156996	2,280,342	-
Malcolm X College	84.268	P268K156907	2,953,190	-
Wright College	84.268	P268K156997	1,174,430	-
Daley College	84.268	P268K156878	768,988	-
Total Federal Direct Student Loans			<u>16,262,967</u>	<u>-</u>
Total Student Financial Assistance Cluster:			<u>89,281,649</u>	<u>-</u>
TRIO Cluster:				
TRIO - Student Support Services				
Student Support Services Program	84.042A	P042A100449-14	39,307	-
Student Support Services Program	84.042A	P042A151046	138,925	-
Student Support Services Program	84.042A	P042A100110-14	69,385	-
Student Support Services Program	84.042A	P042A150138	169,120	-
			<u>416,736</u>	<u>-</u>
TRIO - Talent Search Program:				
Talent Search Grant	84.044A	P044A110877-14	8,521	-
Talent Search Grant	84.044A	P044A110877-15	185,087	-
Talent Search Grant	84.044A	P044A110382-14	26,025	-
Talent Search Grant	84.044A	P044A110382-15	252,715	-
			<u>472,347</u>	<u>-</u>
TRIO - Upward Bound Program:				
Upward Bound Grant	84.047A	P047A121219-14	31,017	-
Upward Bound Grant	84.047A	P047A121219-15	150,857	-
			<u>181,874</u>	<u>-</u>
TRIO - Educational Opportunity Centers				
Educational Opportunity Centers Program	84.066A	P066A110111-14	22,385	-
Educational Opportunity Centers Program	84.066A	P066A110111-15	213,102	-
			<u>235,487</u>	<u>-</u>
Total TRIO Cluster			<u>1,306,444</u>	<u>-</u>

**City Colleges of Chicago**  
**Community College District No. 508**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2016**

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)				
Adult Education - Basic Grants to States				
Passed through the Illinois Community College Board				
Adult Education Grant - Basic	84.002A	50800	\$ 1,908,341	\$ -
Adult Education Grant - Civic	84.002A	50800	183,410	-
			<u>2,091,751</u>	<u>-</u>
Adult Education - Basic Grants to States				
Passed through the Illinois Community College Board				
AO/Integrated Career and Academic Prep System (ICAPS) Grant	84.002A	16 AEL ICAPS 508	5,000	-
Higher Education Institutional Aid				
Predominantly Black Institutions Program - Formula Grant	84.031P	P031P110013-14	24,953	-
Predominantly Black Institutions Program - Formula Grant	84.031P	P031P110013-15	175,169	-
Predominantly Black Institutions Program - Formula Grant	84.031P	P031P110014-14	60,963	-
Predominantly Black Institutions Program - Formula Grant	84.031P	P031P110014-15	187,824	-
Predominantly Black Institutions Program - Formula Grant	84.031P	P031P110015-14	34,355	-
Predominantly Black Institutions Program - Formula Grant	84.031P	P031P110015-15	171,245	-
			<u>654,508</u>	<u>-</u>
Higher Education Institutional Aid				
Wright Start: Increasing Hispanic Student Success in the First Year of College	84.031S	P031S120098-15	557,314	-
Wright Start: Increasing Hispanic Student Success in the First Year of College	84.031S	P031S120098-14	120,826	-
			<u>678,140</u>	<u>-</u>
Higher Education Institutional Aid				
Truman College Critical Reading and Science Centers	84.031S	P031S150026	233,555	-
Career and Technical Education - Basic Grants to States				
Passed through the Illinois Community College Board				
Perkins III Grant	84.048	CTE50816	3,104,145	-
Career and Technical Education				
Implementation Communities				
Pathway to Results Year 2	84.048	PTR50816	1,891	-
Career and Technical Education				
Passed through Illinois Community College Board				
AO/Integrated Career and Academic Prep System (ICAPS) Grant	84.048	16 CTE ICAPS 508	5,000	-
Minority Science Improvement	84.120A	P120A120077-14	80,131	-
Strengthening Minority-Serving Institutions				
Project GEMS	84.382A	P382A110034-14	157,272	-
Strengthening Minority-Serving Institutions				
Learning Communities for STEM	84.382A	P382A110046-14	116,882	-
Learning Communities for STEM	84.382A	P382A110046-15	389,915	-
			<u>506,797</u>	<u>-</u>
Strengthening Minority-Serving Institutions				
Olive Harvey College	84.382A	P382A150033	117,061	-



**City Colleges of Chicago  
Community College District No. 508  
Schedule of Expenditures of Federal Awards  
June 30, 2016**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Federal Project or Pass-Through Grantor's Number</b>	<b>Total Expenditures</b>	<b>Pass - Through To Subrecipients</b>
Strengthening Minority-Serving Institutions Pipeline to Careers in Healthcare	84.382A	P382A150024	\$ 76,401	\$ -
Race to the Top - Early Learning Challenge Passed through Illinois Community College Board Passed through Saint Xavier University Early Childhood Educator Preparation Program Initiative	84.412A	Not Applicable	5,643	-
<b>Total Expenditures - U.S. Department of Education</b>			<b>\$ 98,305,388</b>	<b>\$ -</b>
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	28838-2	\$ 358,637	\$ -
Head Start Program	93.600	33362-1	536,988	-
Head Start Support Services Program	93.600	29794-2	187,278	-
Head Start Support Services Program	93.600	33576-1	132,767	-
Early Childhood Support Services	93.600	37613	79,023	-
			<u>1,294,693</u>	<u>-</u>
Child Care Passed through the City of Chicago Department of Family and Support Services: Child Care Services Program	93.596	28412-3	148,586	-
Biomedical Research Passed through University of Illinois UIC Behavioral and Biomedical Sciences Bridges to Baccalaureate Program	93.859	5R26GM107692	4,428	-
<b>Total Expenditures - U.S. Department of Health and Human Services</b>			<b>\$ 1,447,707</b>	<b>\$ -</b>
U.S. Department of Agriculture - Passed through the Illinois State Board of Education Child and Adult Care Food Program	10.558	15016508051	\$ 26,878	\$ -
Child and Adult Care Food Program	10.558	15016508051	115,781	-
			<u>142,659</u>	<u>-</u>
<b>Total Expenditures - U.S. Department of Agriculture</b>			<b>\$ 142,659</b>	<b>\$ -</b>
U.S. Department of Labor - Trade Adjustment Assistance Community College and Career Training Grants Passed through Cincinnati State Technical and Community College Health Professionals Pathways Consortium (H2P)	17.282	TC-22486-11-60-A-39	\$ 84,515	\$ -
Passed through William Rainey Harper College Illinois Network for Advanced Manufacturing (INAM)	17.245	TC-23795-12-60-A-17	19,955	-
<b>Total Expenditures - U.S. Department of Labor</b>			<b>\$ 104,470</b>	<b>\$ -</b>

**City Colleges of Chicago  
Community College District No. 508  
Schedule of Expenditures of Federal Awards  
June 30, 2016**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Federal Project or Pass-Through Grantor's Number</b>	<b>Total Expenditures</b>	<b>Pass - Through To Subrecipients</b>
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	\$ 900	\$ -
Education and Human Resources				
STEM Scholars Program	47.076	DUE-1259809	161,655	-
Education and Human Resources				
Advanced Technological Education Program	47.076	DUE-1550438	171,316	-
<b>Total Expenditures - National Science Foundation</b>			<b>\$ 333,872</b>	<b>\$ -</b>
Office of Naval Research -				
Midwest Association for Science and Services (Critical Mass)	12.300	N00014-13-1-0881	\$ 357,816	\$ 357,816
<b>Total Expenditures - Research and Development Cluster</b>			<b>\$ 691,688</b>	<b>\$ 357,816</b>
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	16 HCCTP 508	\$ 202,398	\$ -
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	246,037	-
<b>Total Expenditures - Other Federal Agencies</b>			<b>\$ 448,435</b>	<b>\$ -</b>
<b>Total All Programs</b>			<b>\$ 1,011,403,346</b>	<b>\$ 357,816</b>

**City Colleges of Chicago**  
**Community College District No. 508**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2016**

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**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, 2016.

**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, as applicable, either the cost principles in OMB Circular A-21, *Cost Principles for Educational Institutions* or 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, 2016, is based on a federally negotiated higher education rate agreement.

**City Colleges of Chicago  
Community College District No. 508  
Schedule of Expenditures of Federal Awards  
June 30, 2016**

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

**Note 3. Federal 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, 2016, are summarized as follows:

Guaranteed Loan Programs:	
Subsidized	\$ 11,911,608
Unsubsidized	4,226,871
Parent Plus	<u>124,488</u>
Total federal student loan programs	<u><u>\$ 16,262,967</u></u>

The value of the loans issued for the Federal Student Loan Program is based on disbursed 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, 2016.

**Note 4. Other Noncash Assistance**

City Colleges did not receive federal noncash assistance during the fiscal year ended June 30, 2016.

**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, 2016.

**City Colleges of Chicago  
Community College District No. 508  
Schedule of Expenditures of Federal Awards  
June 30, 2016**

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

**Federal Awards**

Internal control over major programs:

Material weaknesses identified?	_____ Yes	_____ <u>X</u> No
Significant deficiencies?	_____ 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 200.51(a)? \_\_\_\_\_ Yes \_\_\_\_\_ X No

**Identification of major programs:**

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.063, 84.033, 84.038, 84.007, 84.268	Student Financial Assistance Cluster
84.002A	Adult Education-Basic Grants to States

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

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, 2016**

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

**II. FINANCIAL STATEMENT FINDINGS**

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

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

There were no findings required to be reported in accordance with the Uniform Guidance.

**SUMMARY SCHEDULE OF PRIOR YEARS' AUDIT FINDINGS**

**Finding 2015-001: Noncompliance with Federal Perkins Loan Program**

**Federal Program Title** - Federal Perkins Loan Program – CFDA 84.038

**Federal Agency** - U.S. Department of Education

**Condition**

The District did not maintain a Federal Perkins Loan Program fund in a separate interest-bearing bank account.

Additionally, the District did not maintain documentation to support that it complied with the due care and diligence requirements of the Department of Education regarding the collection of loans.

The District has not received any new Federal Perkins Loan capital contributions or made any new Federal Perkins Loans in the past 15 or more years. Total outstanding loan balance as of June 30, 2015 is \$817,673, which includes accrued interest.

**Corrective Action Plan**

City Colleges of Chicago implemented the auditor's recommendation. CCC liquidated its Federal Perkins Loan portfolio.

**Current Status**

Corrective action plan is complete.

**City Colleges of Chicago  
Community College District No. 508  
Schedule of Expenditures of Federal Awards  
June 30, 2016**

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**SUMMARY SCHEDULE OF PRIOR YEARS' AUDIT FINDINGS** *(Continued)*

**Finding 2015-002: Noncompliance with Reporting Requirements**

**Federal Program Title** - Highway Planning and Construction – CFDA 20.205

**Federal Agency** - U.S. Department of Transportation

**Condition**

The District did not prepare or submit the quarterly progress reports during fiscal year 2015.

**Corrective Action Plan**

Staff that oversee the HCCTP grant has established internal controls to ensure all reporting requirements are met and will report submissions to the District Office. New coordinator has met with the ICCB staff for training on all report requirements.

**Current Status**

No errors identified in 2016. Corrective action plan is complete.

**Finding 2015-003: Allowable Activities and Allowable Costs/Cost Principles**

**Federal Program Title** - Adult Education - Basic Grants to States (84.002)

**Federal Agency** - U.S. Department of Education

**Condition**

As part of our compliance review over expenditures, we selected a sample of employees charged to the program to ascertain they were allowable per program requirements and appropriately supported in accordance with OMB Circular A-21.

For 5 of the 34 payroll transactions selected for testing, we noted the salary distribution was in excess of the allowable amount evidence in the time and effort certifications for the period.

**Corrective Action Plan**

The Office of Finance will develop a reconciliation process to ensure that by the end-of-the-year close, total annual payroll charges accurately reflect the time and effort as certified by each employee.

**Current Status**

No errors identified in 2016. Corrective action plan is complete.





Please contact us if you would like additional copies of the Comprehensive Annual Financial Report for the year ended June 30, 2016: <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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