



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

CITY COLLEGES OF CHICAGO

Fiscal Year Ended June 30, 2018

Comprehensive Annual Financial Report

Rahm Emanuel
Mayor, City of Chicago

Juan Salgado
Chancellor

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



CITY COLLEGES[®]
of CHICAGO



COMMUNITY COLLEGE DISTRICT NO. 508

Chicago, Illinois

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2018

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

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

Board of Trustees of Community College District No. 508

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District Office
3901 S. State Street
2nd Floor
Chicago, Illinois 60609
(312) 553-2500
www.ccc.edu

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Dr. Mark Potter,
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Maribel Rodriguez,
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Vice Chancellor, Institutional Advancement

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Interim President, Richard J. Daley College

Dr. Ignacio Lopez,
President, Harold Washington College

Dr. Gregory Thomas,
President, Kennedy-King College

David A. Sanders,
President, Malcolm X College

Kimberly Hollingsworth,
Interim President, Olive-Harvey College

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

Dr. David Potash,
President, Wright College

October 15, 2018

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

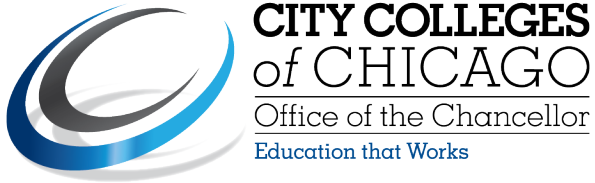
The following document reflects the Comprehensive Annual Financial Report (CAFR) of the City Colleges of Chicago for the fiscal year ending June 30, 2018. As reflected in this report, in FY2018, City Colleges directed its resources to provide a quality, affordable post-secondary education for more than 80,000 students, and served as a transformational educational and economic force in Chicago.

City Colleges ended FY2018 with \$577.3M in assets, 2.5% less than the prior year, driven largely by a decrease in federal grants, a reduction in tuition revenue, and the adjustment of the district office building to fair market value for sale.

With the passing of the state budget crisis, City Colleges was able to stabilize its cash position to \$125M, which allows us to focus on our key priorities, including:

- Providing students from every community with pathways to upward mobility, preparing them for four-year college transfer and careers
- Strengthening the relationship with the Chicago public schools to make it the strongest of any community college – K-12 partnership in the country
- Offering our students the supports to ensure they are successful, including the Star Scholarship for qualified CPS high school students
- Building upon our students' successful outcomes, including a record high graduation rate, and expanding our measures of student success
- Working towards the goal of providing a work-based learning opportunity for half of all City Colleges students who complete a certificate, degree or boot camp program
- Reversing the trend of declining or flat enrollment
- Preparing students to compete for and secure jobs in fast-growing fields through hands-on training, state-of-the-art facilities, curriculums informed by industry partners, and related capital investments, including Daley College's Manufacturing Technology & Engineering Center (MTEC) and the Olive-Harvey College Transportation, Distribution and Logistics Center (TDL), both of which will open to students in 2019
- Creating mutually beneficial partnerships across the city that build our students' and our communities' assets
- Taking the next steps towards financial stability

Bolstered by strategic investments and thoughtful financial decision-making, City Colleges can and will realize its full potential as a community college system that contributes to an inclusive Chicago economy.



Juan Salgado
Chancellor

I welcome your engagement with City Colleges as we connect people from across our communities with meaningful career opportunities and pathways to further education.

Sincerely,

A handwritten signature in black ink that reads 'Juan Salgado'. The signature is fluid and cursive, with the first name 'Juan' and last name 'Salgado' clearly distinguishable.

Juan Salgado
Chancellor, City Colleges of Chicago

**City Colleges of Chicago
Community College District No. 508
Comprehensive Annual Financial Report
Fiscal year ended June 30, 2018**

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Introductory Section



Transmittal Letter

October 15, 2018

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, 2018. It has been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as set forth by the Governmental Accounting Standards Board (GASB).

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

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

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

PROFILE OF CITY COLLEGES OF CHICAGO

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

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

The District currently occupies a land area of approximately 228.5 square miles, and serves an estimated population of 2,716,450.

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 2018 totaled 7,987. The number of degrees awarded was 4,424 and the number of certificates was 3,563. The vision for City Colleges is to transform the District into a world-class institution that not only prepares students to move into higher education, but also ensures that they have the skills necessary for employment. All of this will need to be accomplished while enhancing and maintaining efficient and effective operations that are not only customer focused but also fiscally responsible.

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

STRATEGIC GOALS AND STRATEGIES

OUR STRATEGIC GOALS

City Colleges is in the last year of its five-year plan, which established the following academic goals:

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

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

Goal 3: Drastically improve outcomes for students requiring remediation.

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

FINANCIAL CHALLENGES

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

State of Illinois: Unlike the past few years, we are fortunate to head into fiscal year 2019 with a state budget in place. This is an important demonstration of the state's commitment to community colleges as a means of offering residents quality, affordable and accessible post-secondary education essential to success in today's economy. Likewise, it is a vital and imperative source of financial stability as our institution continues to work to recover from the effects of the state budget impasse.

Health Care: Annual health care costs are projected to increase by 4%. Employee healthcare plans are reviewed and modified annually to ensure employees have appropriate coverage available to address their family needs at an affordable cost. Employee and retiree contributions toward their healthcare cost have increased slightly to offset a portion of the increase in total cost.

Collective Bargaining Agreements: City Colleges of Chicago has several pending contract negotiations, the outcome of which could place additional strain on resources.

Effective Operations: Efforts are underway to aggressively manage bad student debt, boost retention, and actively manage staff hiring and turnover.

Supplemental Fiscal Year 2017 Funding For Community Colleges

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

ECONOMIC CONDITION AND OUTLOOK

The **Federal Reserve Bank of Chicago** 2017 annual report shows a very productive year. The primary task of monetary policy is to help achieve maximum sustainable employment and keep inflation near 2 percent in a symmetric fashion. Growth was solid, with real gross domestic product (GDP) rising 2.5 percent for the year, and the current 4.1 percent unemployment rate is lower than full employment in our national economy. Inflation, which has been too low for several years, is making progress back towards expectations; however, there is still work to do before it is in balance, running modestly above or modestly below 2 percent, which is needed before achieving our symmetric inflation objective (Federal Reserve Bank of Chicago, 2018). The Chicago Fed Survey of Business Conditions (CFSBC) Activity Index moved down to +7 from +20, suggesting that growth in economic activity remained at a moderate pace in late May and June. The CFSBC Manufacturing Activity Index declined to +4 from +43, and the CFSBC Nonmanufacturing Activity Index edged down to +8 from +10 (Federal Reserve Bank of Chicago, 2018).

World Business Chicago reports that the City of Chicago's unemployment rate decreased from 5.9% in July 2017 to 4.5% in July 2018. The Chicago metro unemployment rate also decreased from 5.1% in July 2017 to 4.1% in July 2018. Illinois business bankruptcies decreased by 1.7% year-over-year (YOY) in the second quarter of 2018. Unemployment claims in Cook County decreased by 9.1% YOY in June 2018. The Chicago Business Barometer increased by 8.0% YOY in August 2018.

Chicago Fed National Activity Index (CFNAI) led by slower growth in production-related indicators declined to +0.13 in July from +0.48 in June. Three of the four broad categories of indicators that make up the index decreased from June, but three of the four categories made positive contributions to the index in July. The index's three-month moving average, CFNAI-MA3, moved down to +0.05 in July from +0.20 in June. The CFNAI Diffusion Index, which is also a three-month moving average, decreased to +0.08 in July from +0.19 in June. Thirty-six of the 85 individual indicators made positive contributions to the CFNAI in July, while 49 made negative contributions. Thirty-four indicators improved from June to July, while 51 indicators deteriorated. Of the indicators that improved, 13 made negative contributions. The contribution from production-related indicators to the CFNAI declined to +0.05 in July from +0.45 in June. Total industrial production edged up 0.1 percent in July after rising 1.0 percent in June. Employment-related indicators contributed +0.12 to the CFNAI in July, up from +0.03 in June. The contribution of the personal consumption and housing category to the CFNAI ticked down to -0.07 in July from -0.06 in June. Consumption indicators deteriorated, on balance, pushing down the category's overall contribution. However, housing indicators improved slightly. The CFNAI was constructed using data available as of August 23, 2018.

The fiscal year 2019 unrestricted and enterprise operating budget of \$306.7 million reflects an increase of 2.1% from the prior fiscal year, and enables us to make investments in key program areas, including:

- Support for education quality, completion, and retention efforts that continue to yield strong student outcomes.
- Support for scholarships, including the Star Scholarship, and early college dual enrollment and dual credit programs, recognizing the importance of introducing students to college early and eliminating every barrier to our students’ success.
- Continued investments in student support from career and transfer centers to wellness centers to advisors and athletics.
- Improved talent development and information technology systems that will serve to modernize our operations and build the capacity of our employees, and
- Programming to complement the forthcoming opening of the Richard J. Daley College Engineering and Advanced Manufacturing Center and Olive-Harvey College Transportation, Logistics and Distribution Center, which will both help prepare students for careers in fast-growing fields.

Community College State Funding

Fiscal Year	State Funding to All State Community Colleges
2009	\$ 287,664,558
2010	308,471,029
2011	295,401,900
2012	295,521,900
2013	282,421,700
2014	284,916,500
2015	278,773,899
2016	74,142,300
2017	114,525,000
2018	409,595,700 *

Source: Illinois Community College Board

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

ACHIEVEMENTS

- The planned sale of 226 West Jackson allows City Colleges to reduce costs of a fixed asset, build sustainability, and reinvest in communities. All City Colleges staff have been located on a campus in the city's neighborhoods or immediately adjacent to one, contributing to the vitality of campuses and neighborhoods.
- A new and growing institutional advancement infrastructure, with a reorganized Foundation, is bringing new resources to students, faculty and staff, and will host our first major fundraising event in November.
- The graduation rate continues to increase as we improve the student experience combined with the success of the STAR Scholarship program.
- By strengthening community relationships and encouraging the colleges to focus on both access and success, City Colleges expects its first positive enrollment growth since 2010 in fiscal year 2019. In fall 2017, Harold Washington, Wright, and Malcolm X Colleges were three of only eight community colleges statewide to see enrollment increases.

CAPITAL IMPROVEMENT PLAN

On July 1, 2018, fiscal year 2019 will commence and with it, City Colleges of Chicago will enter into its next five-year, \$236.9 million Capital Plan consisting of key new facility additions, strategic programmatic improvements and necessary deferred maintenance. For fiscal year 2019, City Colleges budgeted capital investments of \$30.2 million with an additional capital commitment of \$15.6 million for the construction and operational efforts for the new Engineering and Advanced Manufacturing Center at Richard J. Daley College, \$17.8 million in new facilities construction (including Daley EAMC) and \$12.4 million in academic enhancements and all remaining categories of capital improvements to existing infrastructure and information technology. Additionally as a result of updating the capital planning process for the fiscal year 2019 capital budget, the total five year capital investment has been reduced to \$236.9 million due primarily to savings achieved due to efficiencies gained through energy performance savings from projects executed in previous capital plans and fiscal pressures from the continued uncertainty of State of Illinois funding.

FINANCIAL INFORMATION

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

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

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

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

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

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

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

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

Property Tax: Estimated assessed value of taxable property for tax year 2017 collectible in fiscal year 2018 was \$76,722,182,440. Estimated assessed value of taxable property for tax year 2016 collectible in fiscal year 2017 was \$73,984,605,433. City Colleges' average collection rate over the past five years has been over 97%.

Debt Administration: Long-term and current debt at June 30, 2018 totaled \$315,560,000 due to City Colleges' issuance of bonds Series 2013 in October 2013 and Series 2017 in December 2017.

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

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

City Colleges invests funds in various securities listed as permitted investments in the Board-approved Investment Policy. This policy is reviewed on an annual basis and any modifications require Board approval. The securities include, but are not limited to, money market funds, U.S. Treasury bonds, bills, notes and certificates of deposit. Investment income for fiscal year 2018 totaled \$2.1 million.

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

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

OTHER INFORMATION

Independent Audit: State statutes require an annual audit by independent certified public accountants. The City Colleges of Chicago Board of Trustees selected the audit firm of RSM US LLP as its independent certified public accountants for fiscal year 2018. 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, 2017. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

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

Respectfully submitted,

Maribel Rodriguez
Chief Financial Officer

Daryl J. Okrzesik
Associate Vice Chancellor, Treasurer

**CITY COLLEGES OF CHICAGO
COMMUNITY COLLEGE DISTRICT NO. 508
PRINCIPAL OFFICIALS
Year Ended June 30, 2018**

BOARD OF TRUSTEES

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

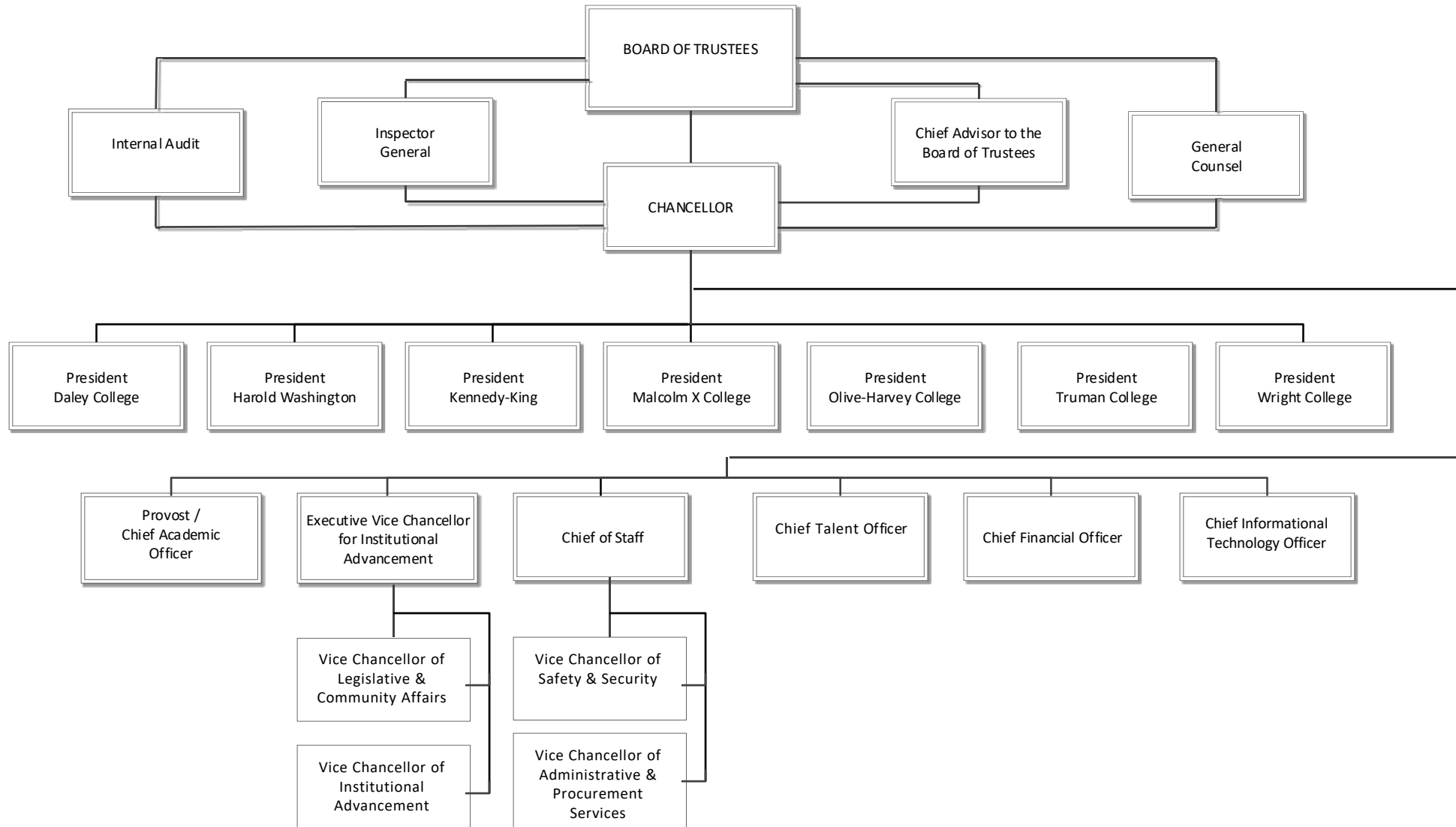
ADMINISTRATIVE OFFICERS

Juan Salgado, Chancellor
Eric B. Lugo, Executive Vice Chancellor, Institutional Advancement
Jeffrey Donoghue, Chief of Staff
Dr. Mark Potter, Provost & Chief Academic Officer
Maribel Rodriguez, Chief Financial Officer
Diane Minor, Vice Chancellor, Administrative and Procurement Services
Karla Mitchell Gowen, General Counsel
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Dr. Jennifer Mason, Vice Chancellor, Legislative and Community Affairs
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Kimberly Hollingsworth, Interim President, Olive-Harvey College
Dr. Shawn L. Jackson, President, Harry S. Truman College
Dr. David Potash, President, Wilbur Wright College

REPORT ISSUED BY

Office of Finance

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, 2017

Christopher P. Morrill

Executive Director/CEO

Financial Section



RSM US LLP

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of City Colleges of Chicago, Community College District No. 508 (City Colleges) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City Colleges' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of City Colleges of Chicago, Community College District No. 508, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2018, City Colleges implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which required a restatement of opening net position. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

The Uniform Financial Statements, except for the Certification of Chargeback Reimbursement for Fiscal Year 2018, which is unaudited, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Uniform Financial Statements, except for the Certification of Chargeback Reimbursement for Fiscal Year 2018, and the Schedule of Expenditures of Federal Awards, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections and the Certification of Chargeback Reimbursement for Fiscal Year 2018 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 15, 2018 on our consideration of City Colleges' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City Colleges' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City Colleges' internal control over financial reporting and compliance.

RSM US LLP

Chicago, Illinois
October 15, 2018

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



Community College District No. 508 Management's Discussion and Analysis

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, 2018. This discussion and analysis focuses on current activities, currently known facts and related changes. The management of City Colleges encourages readers to consider the information being presented herein in conjunction with the transmittal letter that precedes this section and the basic financial statements and accompanying notes (which immediately follow this section) to enhance their understanding of City Colleges' financial performance. All amounts, unless otherwise indicated, are expressed in millions of dollars. Certain comparative information between the current and prior year is required to be presented in the Management's Discussion and Analysis (the "MD&A"). Responsibility for the completeness and fairness of the information presented here rests with City Colleges.

Using This Annual Report

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

Financial Highlights

In December 2017, City Colleges issued \$78 million in Unlimited Tax General Obligation Bonds (Series 2017) for funding all or part of the Capital Plan.

Statement of Net Position

With the restatement of the beginning position, the total net position as of June 30, 2018 decreased by \$15.1 million to \$577.3 million. This was largely due to a decrease in federal grants, a decrease in tuition revenue, and the adjustment of the district building to fair market value for the anticipated sale. In addition, because of the late approval of supplemental funding from the State of Illinois to community colleges for fiscal year 2017, City Colleges recognized \$31.4 million in revenue in fiscal year 2018. During fiscal year 2018, City Colleges also recognized a \$5.7 million gain on the disposal and sale of fixed assets.

Overview of Financial Statements

Total current assets increased by \$56.9 million as compared to prior year, mainly due to the increase in cash and cash equivalents, short term investments and prepaid assets. Capital assets less accumulated depreciation decreased by \$33.9 million due to depreciation of the new Malcolm X College campus building together with other asset retirements. Other non-current assets increased by \$64.6 million due to a \$65.5 million increase in restricted cash. This was offset by a \$1.1 million decrease in restricted funds held by others and other accounts receivable.

Total current liabilities increased by \$27.4 million primarily due to an increase of \$27.5 million in accounts payable, payroll, other accruals and unearned grant revenue. This was offset by a \$.1 million decrease in deposits held for others, unearned tuition and fees revenue and the current portion of non-current liabilities.

Total non-current liabilities increased by \$49.1 million. This was due to an \$80.1 million increase in bonds payable which was offset by a decrease of \$31.0 million due to implementation of GASB 75 and the restatement of fiscal year 2017 net position and other post-employment benefits and in accrued compensation balances, accrued property tax refunds, sick leave benefits, and lease obligations. The deferred inflows of resources are the deferred property tax revenue that has been presented separately in the financial statements to conform to GASB Statement No. 65.

Community College District No. 508
Management's Discussion and Analysis

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

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Current assets	\$ 212.8	\$ 155.9	\$ 56.9
Non-current assets			
Capital assets	1,337.6	1,310.1	27.5
Less accumulated depreciation	(419.7)	(358.3)	(61.4)
Other assets	<u>81.6</u>	<u>17.0</u>	<u>64.6</u>
Total assets	<u>1,212.3</u>	<u>1,124.7</u>	<u>87.6</u>
Deferred outflows of resources	<u>0.7</u>	<u>1.0</u>	<u>(0.3)</u>
Current liabilities	89.1	61.7	27.4
Non-current liabilities	<u>460.4</u>	<u>411.3</u>	<u>49.1</u>
Total liabilities	<u>549.5</u>	<u>473.0</u>	<u>76.5</u>
Deferred inflows of resources	<u>86.2</u>	<u>60.3</u>	<u>25.9</u>
Net position			
Net investment in capital assets	653.9	704.9	(51.0)
Restricted for specific purposes	2.0	0.7	1.3
Unrestricted	<u>(78.6)</u>	<u>(113.2)</u>	<u>34.6</u>
Total net position	<u>\$ 577.3</u>	<u>\$ 592.4</u> *	<u>\$ (15.1)</u>

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

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

Operating	<u>2018</u>	<u>2017</u>	<u>Change</u>
Revenues	\$ 49.7	\$ 59.2	\$ (9.5)
Expenses	<u>(504.8)</u>	<u>(519.6)</u>	<u>14.8</u>
Operating loss	(455.1)	(460.4)	5.3
Non-operating			
Revenues	450.2	392.1	58.1
Expenses	<u>(12.1)</u>	<u>(11.7)</u>	<u>(0.4)</u>
Net non-operating revenues	438.1	380.4	57.7
Income (loss) before capital contribution	(17.0)	(80.0)	63.0
Capital contributions	<u>1.9</u>	<u>0.8</u>	<u>1.1</u>
Change in net position	(15.1)	(79.2)	64.1
Net position, beginning of year	<u>592.4</u> *	<u>671.6</u>	<u>(79.2)</u>
Net position, end of year	<u><u>\$ 577.3</u></u>	<u><u>\$ 592.4</u></u> *	<u><u>\$ (15.1)</u></u>

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

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

	<u>2018</u>	<u>2017</u>
Total revenue	\$ 489.7	\$ 440.4
Total expenses	<u>(504.8)</u>	<u>(519.6)</u>
Decrease in net position	<u><u>\$ (15.1)</u></u>	<u><u>\$ (79.2)</u></u>

Statement of Revenues, Expenses and Changes in Net Position

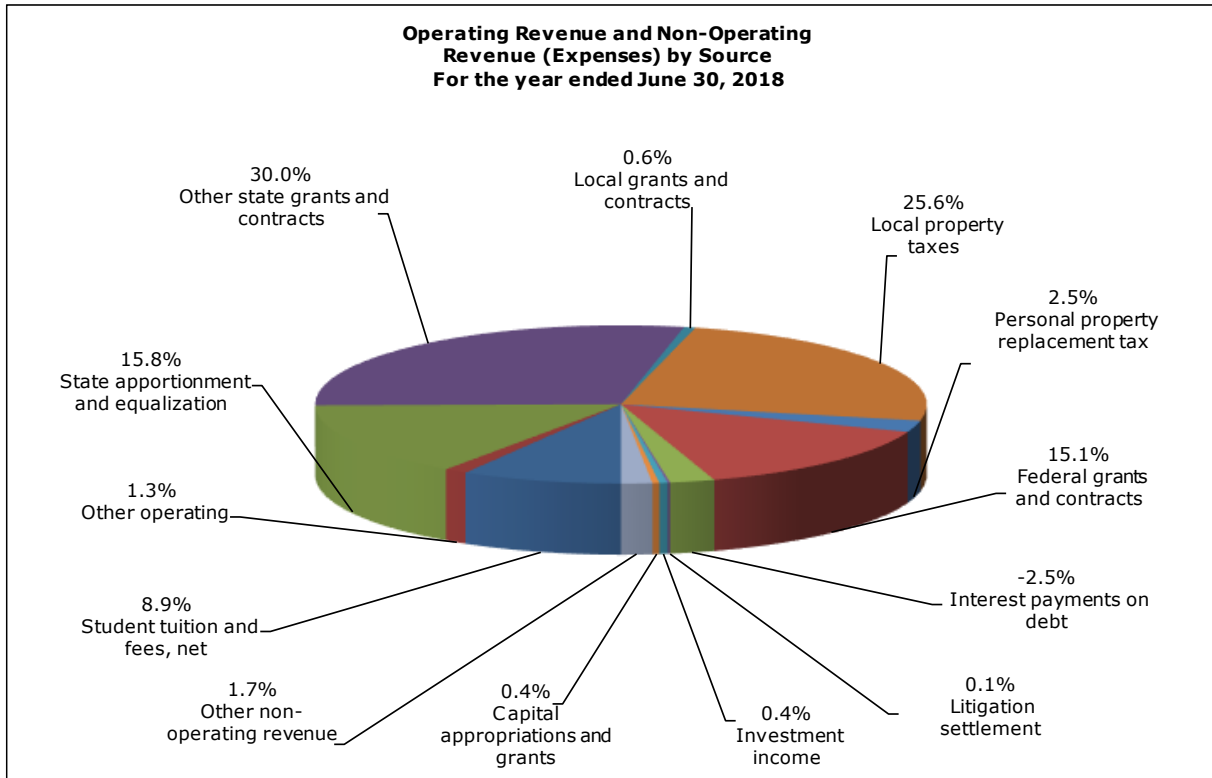
Operating revenues decreased by \$9.5 million from the previous year because of decreases in net student tuition and fees, scholarships and other operating revenues.

Net non-operating revenues and expenses increased \$57.7 million in fiscal year 2018 mainly due to increases of \$69.6 million in state apportionment and equalization, other state grants and contracts, local property taxes, litigation settlement, investment income and other non-operating revenue. The increase was offset by decreases of \$11.9 million in local grants and contracts, personal property replacement taxes, federal grants and contracts and interest payments.

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

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Operating revenues			
Student tuition and fees	\$ 94.8	\$ 99.2	\$ (4.4)
Less scholarships	(51.3)	(46.7)	(4.6)
Other operating	<u>6.2</u>	<u>6.7</u>	<u>(0.5)</u>
Total operating revenues	<u>49.7</u>	<u>59.2</u>	<u>(9.5)</u>
Non-operating revenues (expenses)			
State apportionment and equalization	77.6	16.7	60.9
Other state grants and contracts	146.7	144.8	1.9
Local grants and contracts	3.1	4.2	(1.1)
Local property taxes	125.4	123.3	2.1
Personal property replacement tax	12.1	16.4	(4.3)
Federal grants and contracts	74.0	80.1	(6.1)
Interest payments on debt	(12.1)	(11.7)	(0.4)
Litigation settlement	0.7	-	0.7
Investment income	2.2	0.5	1.7
Other non-operating revenues	<u>8.4</u>	<u>6.1</u>	<u>2.3</u>
Total non-operating revenues (expenses)	<u>438.1</u>	<u>380.4</u>	<u>57.7</u>
Capital appropriations and grants	<u>1.9</u>	<u>0.8</u>	<u>1.1</u>
Total	<u>\$ 489.7</u>	<u>\$ 440.4</u>	<u>\$ 49.3</u>

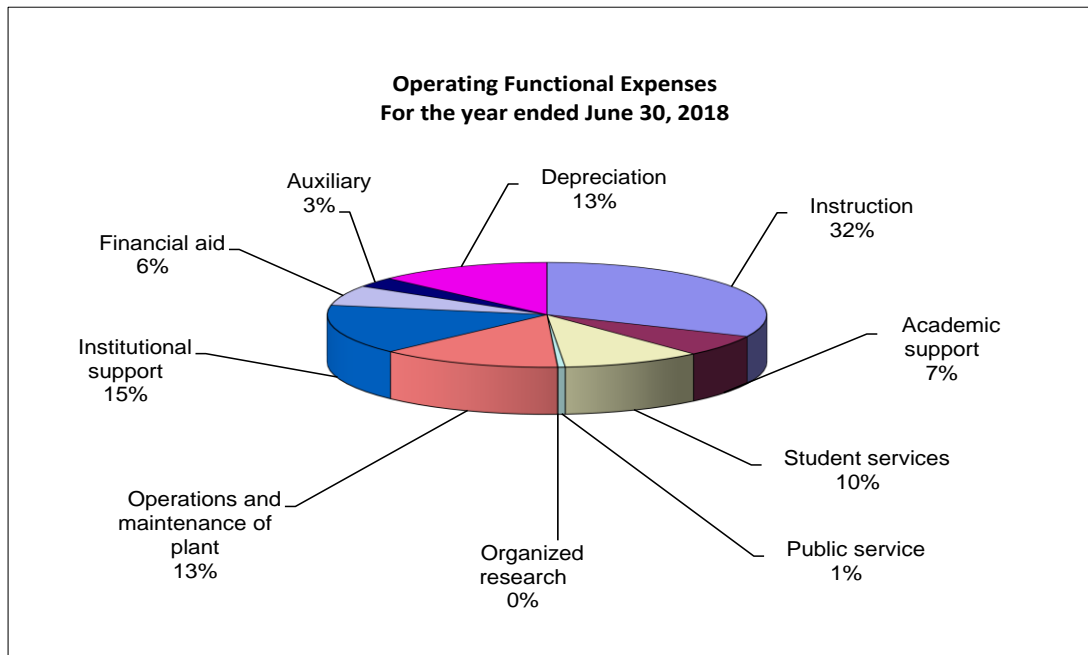
**Table 3
Operating Revenues and Non-Operating Revenues (Expenses)
(in millions of dollars)**



Total operating expenses decreased by \$14.8 million in fiscal year 2018. This was mainly due to decreases in Academic support, Student services, Public service, Operations and maintenance of plant, Institutional support, Financial aid and Auxiliary. The decreases were offset by an increase of \$27.6 million in Instruction and Depreciation.

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

Operating expenses	2018	2017	Change
Instruction	\$ 160.7	\$ 155.1	\$ 5.6
Academic support	33.2	38.5	(5.3)
Student services	51.8	54.4	(2.6)
Public service	2.7	3.9	(1.2)
Organized research	0.1	0.1	-
Operations and maintenance of plant	67.4	77.3	(9.9)
Institutional support	77.3	95.1	(17.8)
Financial aid	31.4	33.5	(2.1)
Auxiliary	15.5	19.0	(3.5)
Depreciation	64.7	42.7	22.0
Total operating expenses	\$ 504.8	\$ 519.6	\$ (14.8)



Net Capital Assets and Non-Current Liabilities

As of June 30, 2018, City Colleges had \$1,337.6 million in capital assets and \$419.6 million in accumulated depreciation, resulting in \$918.0 million in net capital assets. This investment in net capital assets includes land, buildings and improvements, construction in progress, equipment, vehicles and software. The total decrease in City Colleges' net capital assets for the current fiscal year is \$33.8 million. (See Note 4)

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

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Capital assets			
Land	\$ 51.4	\$ 51.4	\$ -
Buildings and improvements	1,091.3	1,083.4	7.9
Construction in progress	58.3	41.5	16.8
Equipment	64.0	63.8	0.2
Software	<u>72.6</u>	<u>70.0</u>	<u>2.6</u>
Total	1,337.6	1,310.1	27.5
Less accumulated depreciation	<u>(419.6)</u>	<u>(358.3)</u>	<u>(61.3)</u>
Net capital assets	<u>\$ 918.0</u>	<u>\$ 951.8</u>	<u>\$ (33.8)</u>

Total non-current liabilities increased by \$49.1 million to \$460.4 million. This was mainly due to an \$80.1 million increase in bonds payable, net of premiums and discounts. This increase was offset by decreases of \$30.6 million in accrued compensated absences, accrued property tax refunds, sick leave benefits, and lease obligations. See Note 12 for more detailed information regarding long-term debt activity.

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

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Accrued compensated absences	\$ 2.5	\$ 3.0	\$ (0.5)
Accrued property tax refunds	18.9	19.1	(0.2)
Sick leave benefits	3.9	5.0	(1.1)
Other post-employment benefits	107.7	135.8 *	(28.1)
Bonds payable, net of premiums & discounts	326.0	245.9	80.1
Lease obligations	<u>9.2</u>	<u>9.9</u>	<u>(0.7)</u>
Sub-total	468.2	418.7	49.5
Less current portion	<u>(7.8)</u>	<u>(7.4)</u>	<u>(0.4)</u>
Total non-current liabilities	<u>\$ 460.4</u>	<u>\$ 411.3</u>	<u>\$ 49.1</u>

*Other post-employment benefits for 2017 includes adjustment for GASB 75 implementation.

Requests for Information

This financial report is designed to provide a general overview of City Colleges' finances. Questions concerning the report or requests for additional information should be addressed to the Chief Financial Officer, City Colleges of Chicago, 2nd Floor, 3901 S. State Street, Chicago, IL 60609.

Basic Financial Statements

**City Colleges of Chicago
Community College District No. 508
Statement of Net Position
June 30, 2018**

Assets

Current assets:

Cash and cash equivalents	\$ 14,037,019
Short-term investments	110,869,914
Property tax receivable, net	57,464,347
Personal property replacement tax receivable	2,065,536
Other accounts receivable, net	<u>28,366,105</u>

Total current assets 212,802,921

Non-current assets:

Restricted cash	76,864,650
Funds held by others - restricted	156,819
Other accounts receivable	4,417,892
Capital assets not being depreciated	109,635,841
Capital assets being depreciated, net	<u>808,340,476</u>

Total non-current assets 999,415,678

Total assets 1,212,218,599

Deferred outflows of resources

Deferred grant-related pension contributions	<u>750,068</u>
--	----------------

Liabilities

Current liabilities:

Accounts payable	22,439,114
Accrued payroll	21,635,693
Other accruals	11,863,168
Deposits held in custody for others	956,315
Unearned tuition and fees revenue	5,629,810
Unearned grant revenue	4,881,963
Other liabilities	13,830,345
Current portion of non-current liabilities	<u>7,845,274</u>

Total current liabilities 89,081,682

Non-current liabilities:

Accrued compensated absences	2,530,256
Accrued property tax refunds	18,897,810
Sick leave benefits	3,883,738
Other post-employment benefits	107,718,928
Bonds payable, net of premiums and discounts	325,987,163
Lease obligations	9,216,833
Less current portion of non-current liabilities	<u>(7,845,274)</u>

Total non-current liabilities 460,389,454

Total liabilities 549,471,136

Deferred inflows of resources

OPEB Deferred inflow	25,626,422
Deferred property tax revenue	<u>60,579,452</u>

Total deferred inflows of resources 86,205,874

Net position

Net investment in capital assets 653,939,196

Restricted for specific purposes:

Audit	156,235
Bond and interest	1,851,574

Unrestricted (78,655,342)

Total net position \$ 577,291,663

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, 2018

Revenues

Operating revenues:	
Student tuition and fees:	
Resident tuition	\$ 87,631,128
Nonresident tuition	6,204,304
Fees	936,718
Less: Scholarship allowances	<u>(51,261,909)</u>
Net student tuition and fees	43,510,241
Other operating revenues	<u>6,177,539</u>
Total operating revenues	<u>49,687,780</u>

Expenses

Operating expenses:	
Instructional salaries	89,214,382
Non-instructional salaries	104,875,488
Fringe benefits	159,033,078
Supplies	12,561,866
Professional development	933,234
Utilities	7,994,976
Contractual services	21,276,138
Depreciation	64,736,965
Financial aid, exclusive of scholarship allowances	31,441,226
Other expenses	<u>12,689,108</u>
Total operating expenses	<u>504,756,461</u>
Operating loss	<u>(455,068,681)</u>

Non-operating revenues (expenses):

State apportionment and equalization	77,554,415
Other state grants and contracts	146,689,797
Local grants and contracts	3,088,038
Local property taxes	125,366,633
Personal property replacement tax	12,122,670
Federal grants and contracts	74,028,272
Litigation settlement	730,338
Investment income	2,170,929
Interest payments on debt	(12,117,213)
Other non-operating revenue	<u>8,438,747</u>
Total non-operating revenues (expenses)	<u>438,072,626</u>
Loss before capital appropriations and grants	(16,996,055)
Capital appropriations and grants	<u>1,918,132</u>
Change in net position	(15,077,923)
Net position, beginning of year (as restated)	<u>592,369,586</u>
Net position, end of year	<u>\$ 577,291,663</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, 2018**

Cash flows from operating activities	
Tuition and fees	\$ 56,009,065
Payments to suppliers	(112,790,127)
Payments to employees	(192,599,704)
Payments to students	(31,441,226)
Other operating receipts	6,907,877
Net cash used in operating activities	<u>(273,914,115)</u>
Cash flows from noncapital financing activities	
Local property taxes	151,552,677
State apportionment, grants and contracts	100,350,518
Personal property replacement tax	12,384,068
Grants and contracts	82,204,504
Net cash provided by noncapital financing activities	<u>346,491,767</u>
Cash flows from capital and related financing activities	
Purchases of capital assets	(3,557,558)
Payment received on note receivable	8,396,628
Interest paid on debt	(18,676,004)
Net bond proceeds	74,416,922
Net cash provided by capital and related financing activities	<u>60,579,988</u>
Cash flows from investing activities	
Proceeds from sales and maturities of investments	39,616,633
Purchases of investments	(106,367,989)
Interest received on investments	2,056,688
Net cash used in investing activities	<u>(64,694,668)</u>
Net increase in cash and cash equivalents	68,462,972
Cash and cash equivalents at beginning of year	22,438,697
Cash and cash equivalents at end of year	<u>\$ 90,901,669</u>
Cash and cash equivalents	\$ 14,037,019
Restricted cash	76,864,650
	<u>\$ 90,901,669</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, 2018

Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (455,068,681)
Reconciling adjustments:	
Depreciation	64,736,965
State payment for retirement obligation	123,893,694
Increase in allowance for uncollectible receivables	1,898,749
Changes in assets and liabilities:	
Receivables	11,878,724
Prepaid items and other assets	(1,038,376)
Accounts payable	1,426,829
Accrued payroll	3,383,484
Other accruals	1,610,664
Deposits held in custody for others	(76,765)
Unearned tuition and fees revenue	(26,719)
Other liabilities	3,110,104
Accrued compensated absences	(459,013)
Sick leave benefits	(1,137,820)
Other post-employment benefits	(28,096,087)
Lease obligations	(680,205)
Litigation settlement	730,338
Net cash used in operating activities	<u>\$ (273,914,115)</u>
Non-cash transactions	
Increase in fair value of investments	\$ 196,480
State of Illinois contributed capital assets	1,918,132
Capital assets in accounts payable	8,823,227
Amortization of premiums and discounts on bonds payable	(6,324,031)

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

Component Unit - City Colleges of Chicago Foundation
Statement of Financial Position
As of June 30, 2018

Assets	
Cash and cash equivalents	\$ 2,166,892
Investments	8,854,891
Pledges receivable, net	<u>101,139</u>
Total assets	<u><u>\$ 11,122,922</u></u>
 Liabilities and Net Assets	
Liabilities: Accounts payable	<u>\$ 785,497</u>
 Net Assets	
Unrestricted	1,115,672
Temporarily restricted	7,261,371
Permanently restricted	<u>1,960,382</u>
Total net assets	<u>10,337,425</u>
Total liabilities and net assets	<u><u>\$ 11,122,922</u></u>

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

Component Unit - City Colleges of Chicago Foundation
Statement of Activities
For the year ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Contributions	\$ 420	\$ 1,393,412	\$ 1,890	\$ 1,395,722
Investment income	329,364	445,204	-	774,568
Contributed services	319,947	-	-	319,947
Net assets released from restriction and other changes in restrictions	2,091,785	(2,091,785)	-	-
Total income	<u>2,741,516</u>	<u>(253,169)</u>	<u>1,890</u>	<u>2,490,237</u>
Expenses				
Program services	2,160,086	-	-	2,160,086
Fundraising	13,427	-	-	13,427
Management and general	266,496	-	-	266,496
Total expenses	<u>2,440,009</u>	<u>-</u>	<u>-</u>	<u>2,440,009</u>
Change in net assets	301,507	(253,169)	1,890	50,228
Net assets — Beginning of year	814,165	7,514,540	1,958,492	10,287,197
Net assets — End of year	<u>\$ 1,115,672</u>	<u>\$ 7,261,371</u>	<u>\$ 1,960,382</u>	<u>\$10,337,425</u>

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

Notes to Basic Financial Statements

City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

B. Basis of Accounting

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

City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2018

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

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

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

C. Cash and Cash Equivalents

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

D. Investments

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

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

City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2018

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

E. Receivables

Accounts receivable consist of property taxes, personal property replacement taxes, and tuition and fee charges to students and facilities rentals provided to third parties. Accounts receivable also include amounts due from the federal government, as well as state and local governments, in connection with reimbursement of allowable expenditures made pursuant to City Colleges' grants and contract agreements. Receivables are recorded net of estimated uncollectible amounts. During fiscal year 2018, \$10.2 million of student receivables were written off.

F. Allowance for Uncollectible Receivables

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

G. Property Taxes

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

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

In accordance with City Colleges' Board resolution, 50% of property taxes extended for the 2017 tax year and collected in 2018 are recorded as revenue in fiscal year 2018. The remaining revenue related to the 2017 tax year extension is deferred and will be recorded as revenue in fiscal year 2019. Based upon collection histories, City Colleges recorded property taxes at 96.5% of the 2017 extended levy.

City Colleges of Chicago
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Notes to Basic Financial Statements
June 30, 2018

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

H. Personal Property Replacement Tax Revenue

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

I. Prepaid Items and Other Assets

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

J. Restricted Cash

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

K. Capital Assets

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

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

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

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

City Colleges of Chicago
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Notes to Basic Financial Statements
June 30, 2018

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

Renovation to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

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

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

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

L. Deferred Outflows of Resources

Deferred outflows are defined under GASB Statement No. 63 as a consumption of net assets by City Colleges that is applicable to future reporting periods, and should be reported as having a similar impact on net position as assets. For City Colleges, pension payments related to federal grants and made subsequent to the pension liability measurement date are considered to be deferred outflows in accordance with GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date – An Amendment of GASB Statement No. 68*. See Note 7 for further discussion of City Colleges deferred outflows of resources.

M. Pensions and Other Postemployment Benefits

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

City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2018

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

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

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

N. Other Liabilities

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

O. Non-Current Liabilities

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

P. Premiums, Discounts, and Issuance Costs

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

Q. Accrued Property Tax Refunds

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

**City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2018**

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

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 has been restated as of July 1, 2017. The restatement is a result of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures for postemployment healthcare benefits and life insurance that are provided to retirees and their spouses through the City Colleges' OPEB program. See Note 11 for additional information about the plan. The impact of implementing this Statement resulted in a restatement of the beginning net position to adjust for the OPEB liability. Accounting changes adopted to conform to provisions of GASB Statement No. 75 were applied retroactively by restating the beginning net position as follows:

Net Position, June 30, 2017	\$ 667,916,947
Net OPEB liability (GASB 75)	<u>(75,547,361)</u>
Net Position as restated, June 30, 2017	<u><u>\$ 592,369,586</u></u>

It was not practical to restate the net position as of June 30, 2016 as actuarial information was not available.

City Colleges' net position is classified as follows:

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

City Colleges of Chicago
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Notes to Basic Financial Statements
June 30, 2018

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

S. Net Position *(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, 2018, City Colleges had a portion of its net position restricted for audit and tort liability and bonds and interest.

Unrestricted - Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of City Colleges and may be used at the discretion of the governing board to meet current expenses for any purpose.

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

T. Classification of Revenues and Expenses

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

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

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

U. Tuition and Fees

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

City Colleges of Chicago
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Notes to Basic Financial Statements
June 30, 2018

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. 83, *Certain Asset Retirement Obligations*, will be effective for City Colleges beginning with its year ending June 30, 2019. This Statement addresses accounting and financial reporting for certain asset retirement obligations. It establishes criteria for determining the timing and pattern of recognition of liability and a corresponding deferred outflow of resources for asset retirement obligations.

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

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

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, will be effective for City Colleges beginning with its year ending June 30, 2019. This Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

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

City Colleges of Chicago
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Notes to Basic Financial Statements
June 30, 2018

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

W. Pending Accounting Standards *(continued)*

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

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

2. DEPOSITS AND INVESTMENTS

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

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

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

City Colleges of Chicago
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Notes to Basic Financial Statements
June 30, 2018

2. DEPOSITS AND INVESTMENTS *(Continued)*

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

Deposits

Custodial credit risk – with regards to deposits with financial institutions, custodial credit risk is the risk that in the event of bank failure, City Colleges’ deposits may not be returned. City Colleges’ investment policy requires that investments made in excess of any applicable deposit insurance be secured by a corporate surety bond written by a surety company authorized to do business in the State of Illinois that is rated at least AA by Standard and Poor’s or Aa3 by Moody’s, or by an undertaking from the depository supported by a pledge of securities having a market value that is at all times equal to or greater than the uninsured amount on deposit. At June 30, 2018, City Colleges had deposits of over \$14.0 million and was not exposed to custodial credit risk on these deposits.

Investments

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

Custodial credit risk – as it relates to investments, custodial credit risk is the risk that in the event of the failure of the counterparty to the investment, City Colleges will not be able to recover the value of its investments held by an outside party. All City Colleges’ investment counterparties are limited to banks or trust companies authorized to do business in the State of Illinois that are member banks of the Federal Reserve System, and only to registered primary reporting dealers who are registered as broker-dealers with the Securities and Exchange Commission as required by City Colleges’ investment policy. The District’s investments in U.S. Treasury bonds and notes in the amount of \$27,384,424 were exposed to custodial credit risk as of June 30, 2018.

City Colleges of Chicago
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Notes to Basic Financial Statements
June 30, 2018

2. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

Credit Risk – Credit risk is the risk that City Colleges will not recover its investments due to the ability of the counterparty to fulfill its obligation. Illinois statutes authorize City College to invest in obligations of the U.S. Treasury and U.S. Agencies, interest-bearing savings accounts, interest-bearing time deposits, money market mutual funds registered under the Investment Company Act of 1940 (limited to U.S. Government obligations), shares issued by savings and loan associations (provided the investments are insured by the Federal Savings and Loan Insurance Corporation (FSLIC), short-term discount obligations issued by the Federal National Mortgage Association, share accounts of certain credit unions, investments in the Illinois School District Liquid Asset Fund, and certain repurchase agreements. The U.S. Treasury Securities, are rated AA+ by Standard and Poor's and the Commercial Paper is rated A-1 by Standard and Poor's.

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

City Colleges of Chicago
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Notes to Basic Financial Statements
June 30, 2018

2. DEPOSITS AND INVESTMENTS *(Continued)*

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

The carrying amount of investments at June 30, 2018 is shown below:

<u>Investment Type</u>	<u>June 30, 2018</u>	<u>Investment Maturities (in years)</u>	
	<u>Carrying Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>
U.S. Treasury Bond / Note	\$ 27,384,424	\$ 27,384,424	\$ -
Commercial Paper	36,402,445	36,402,445	-
Illinois Portfolio, IIIT Class	42,562,086	42,562,086	-
Illinois Funds	4,520,959	4,520,959	-
Total investments	<u>\$ 110,869,914</u>	<u>\$ 110,869,914</u>	<u>\$ -</u>

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

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

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

**City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2018**

2. DEPOSITS AND INVESTMENTS (Continued)

The carrying amount of investments and fair value hierarchy at June 30, 2018 is as follows:

Investments Measured at Fair Value	June 30, 2018	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
U.S. Treasury Bond/Note	\$ 27,384,424	\$ 27,384,424	\$ -	\$ -
Commercial Paper	36,402,445	-	36,402,445	-
Total investments at fair value	\$ 63,786,869	\$ 27,384,424	\$ 36,402,445	\$ -
Investments Measured at Net Asset Value (based on amortized cost)				
Illinois Portfolio, IIIT Class	42,562,086			
Illinois Funds	4,520,959			
Total investments at Net Asset Value	47,083,045			
Total investments	\$110,869,914			

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 consist of the following:

	2018
Student	\$ 21,038,532
Grants	7,309,205
State of Illinois	2,643,741
City of Chicago - TIF	5,283,250
Other	5,691,638
Gross other accounts receivable	41,966,366
Less: Allowance for uncollectibles	(9,182,369)
Other accounts receivable, net	32,783,997
Less: Non-current portion of City of Chicago - TIF	(4,417,892)
Current portion of other receivable, net	\$ 28,366,105

City Colleges of Chicago
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Notes to Basic Financial Statements
June 30, 2018

4. CAPITAL ASSETS

	<u>July 1, 2017</u>	<u>Additions and Transfers In</u>	<u>Retirements and Transfers Out</u>	<u>June 30, 2018</u>
Capital assets not being depreciated:				
Land	\$ 51,376,464	\$ -	\$ -	\$ 51,376,464
Construction in progress	41,526,514	32,010,618	(15,277,755)	58,259,377
Subtotal	<u>92,902,978</u>	<u>32,010,618</u>	<u>(15,277,755)</u>	<u>109,635,841</u>
Capital assets being depreciated:				
Equipment	63,800,500	283,812	(25,639)	64,058,673
Software	69,966,816	2,621,838	-	72,588,654
Buildings and improvements	1,083,419,269	12,322,312	(4,376,045)	1,091,365,536
Subtotal	<u>1,217,186,585</u>	<u>15,227,962</u>	<u>(4,401,684)</u>	<u>1,228,012,863</u>
Total capital assets	1,310,089,563	47,238,580	(19,679,439)	1,337,648,704
Accumulated depreciation:				
Equipment	29,148,211	8,505,005	(20,511)	37,632,705
Software	38,988,460	10,200,574	-	49,189,034
Buildings and improvements	290,114,129	46,031,387	(3,294,868)	332,850,648
Total accumulated depreciation	<u>358,250,800</u>	<u>64,736,966</u>	<u>(3,315,379)</u>	<u>419,672,387</u>
Capital assets, net	<u>\$ 951,838,763</u>	<u>\$ (17,498,386)</u>	<u>\$ (16,364,060)</u>	<u>\$ 917,976,317</u>

5. NET POSITION

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

**City Colleges of Chicago
Community College District No. 508
Notes to Basic Financial Statements
June 30, 2018**

6. OTHER ACCRUALS AND OTHER LIABILITIES

City Colleges' other accruals and other liabilities consist of the following as of June 30, 2018:

	2018
Other accruals	
Accrued for services	\$ 7,837,620
Accrued interest	1,357,303
French Pastry School	1,785,370
Other accruals	882,875
Total other accruals	\$ 11,863,168
 Other liabilities	
Self insurance	\$ 6,049,936
Unclaimed property	2,916,712
ICCB	2,721,998
City of Chicago	1,047,172
Other	1,094,527
Total other liabilities	\$ 13,830,345

7. EMPLOYEE RETIREMENT PENSION PLAN

Plan Description – City Colleges contributes to the State Universities Retirement System (SURS) of Illinois, a cost-sharing multiple-employer defined benefit plan with a special funding situation whereby the State of Illinois (the State) makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941, to provide retirement annuities and other benefits for staff members and employees of state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the state's financial reports as a pension trust fund. SURS is governed by Chapter 40, Act 5, Article 15 of the Illinois Compiled Statutes. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.SURS.org.

City Colleges of Chicago
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Notes to Basic Financial Statements
June 30, 2018

7. EMPLOYEE RETIREMENT PENSION PLAN *(Continued)*

Benefits Provided - A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who began participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed 6 months after their date of hire to make an irrevocable election. A summary of the benefit provisions as of June 30, 2017 can be found in the SURS comprehensive annual financial report (CAFR) notes to the financial statements.

Contributions - The State of Illinois is primarily responsible for funding 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 2017 and 2018, respectively, was 12.53% and 12.46% of employee payroll. The normal cost is equal to the value of the current year’s pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

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

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

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7. EMPLOYEE RETIREMENT PENSION PLAN (Continued)

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

Employer Proportionate Share of Net Pension Liability - The proportionate share of the State's net pension liability associated with City Colleges is \$1,308,352,868, or 5.1346%, 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, 2017 was determined based on the June 30, 2016 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 2017 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 2017. As a result, City Colleges recognized on-behalf revenue and pension expense of \$123,893,694 for the fiscal year ended June 30, 2018.

Deferral of Fiscal Year 2017 Pension Expense - Deferred outflows of resources are the consumption of net position by the system that is applicable to future reporting periods. City Colleges paid \$750,068 in federal, trust or grant contributions for the fiscal year ended June 30, 2018. These contributions were made subsequent to the pension liability measurement date of June 30, 2017, and are recognized as deferred outflows of resources as of June 30, 2018.

Assumptions and Other Inputs

Actuarial Assumptions - The actuarial assumptions used in the June 30, 2017 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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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7. EMPLOYEE RETIREMENT PENSION PLAN (Continued)

Mortality rates were based on the RP2014 Combined Mortality Table, projected generational mortality and a separate mortality assumption for disabled participants.

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

For each major asset class that is included in the pension plans target asset allocation as of June 30, 2017, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
U.S. Equity	23%	6.08%
Private Equity	6%	8.73%
Non-U.S. Equity	19%	7.34%
Global Equity	8%	6.85%
Fixed Income	19%	1.38%
Treasury-Inflation Protected Securities	4%	1.17%
Emerging Market Debt	3%	4.14%
Real Estate Investment Trust (REITS)	4%	5.75%
Direct Real Estate	6%	4.62%
Commodities	2%	4.23%
Hedged Strategies	5%	3.95%
Opportunity Fund	<u>1%</u>	<u>6.71%</u>
Total	100%	5.20%
Inflation		<u>2.75%</u>
Expected Arithmetic Return		7.95%

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7. EMPLOYEE RETIREMENT PENSION PLAN *(Continued)*

Discount Rate - A single discount rate of 7.09% 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 7.25% and a municipal bond rate of 3.56% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under the System's funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2073. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2073, and the municipal bond rate was applied to all benefit payments after that date.

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

8. CHANGES IN NON-CURRENT LIABILITIES

Changes in non-current liabilities for the year ended June 30, 2018 are as follows:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions/ Adjustments</u>	<u>June 30, 2018</u>	<u>Amounts due within one year</u>
Accrued compensated absences	\$ 2,989,269	\$ 4,412,757	\$ (4,871,770)	\$ 2,530,256	\$ 2,064,569
Accrued property tax refund	19,121,950	3,666,943	(3,891,083)	18,897,810	-
Sick leave benefits	5,021,558		(1,137,820)	3,883,738	530,094
Other post-retirement benefits	60,267,654	86,419,731	(38,968,457)	107,718,928	-
Bonds payable	241,830,000	78,065,000	(4,335,000)	315,560,000	4,550,000
Bonds premiums and discounts	4,103,132	7,330,175	(1,006,144)	10,427,163	-
Lease obligations	9,897,038	-	(680,205)	9,216,833	700,611
	<u>\$ 343,230,601</u>	<u>\$ 179,894,606</u>	<u>\$ (54,890,479)</u>	<u>\$ 468,234,728</u>	<u>\$ 7,845,274</u>

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9. ACCRUED COMPENSATED ABSENCES

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

At June 30, 2018, City Colleges recorded a liability of \$2,530,256 for compensated absences, and estimated that \$2,064,569 of these liabilities is current and due within one year. (See Note 8)

10. SICK LEAVE BENEFITS

Upon the retirement, permanent disability, or death of a full-time eligible employee, it is the policy of City Colleges to pay over a three to five year period an amount equal to a percentage of the individual's accumulated unused sick days in the form of a termination benefit. Eligible employees include administrative and non-bargained-for employees, if hired prior to January 1, 2012 and certain union-represented employees pursuant to their respective collective bargaining agreements, who have served continuously for 10 years or more and are eligible for an annuity under the State Universities Retirement System (SURS), generally at age 55. The method of calculating the estimated present value of an eligible employee's termination benefit liability uses the following assumptions: (1) estimated average annual salary increments of 2.5%, for fiscal year 2018 and 2.5% thereafter, (2) future payments discounted by a 3.90% interest factor in 2018 and (3) estimated rates of retention as adopted from the *Actuary's Pension Handbook* adjusted for mortality in accordance with published mortality tables.

At June 30, 2018, City Colleges accrued \$2,990,326 for the estimated present value of these future retiree benefits for current employees and \$893,412 in benefits payable to retired employees for a total of \$3,883,738. (See Note 8)

11. OTHER POST-EMPLOYMENT BENEFITS

Plan Description: In addition to providing the pension benefits described in Note 8, City Colleges provides other post-employment health care benefits (OPEB) and life insurance to retirees and their spouses. The benefits, benefit levels, employee contributions and employer contributions are governed by City Colleges and can be amended by City Colleges through its personnel manual and union contracts. 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.

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11. OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

Membership: As of June 30, 2018, 2017 and 2016, membership consisted of:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Retirees currently receiving benefits	468	917	951
Active employees	<u>1,678</u>	<u>1,834</u>	<u>2,390</u>
TOTAL	<u><u>2,146</u></u>	<u><u>2,751</u></u>	<u><u>3,341</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 2018. The actuarial valuation is used to determine the total actuarial accrued liability and the annual OPEB expense for the post-retirement medical and life insurance benefits provided for purposes of GASB Statement No. 75. For the fiscal year ended June 30, 2018, City Colleges contributed \$4,968,062.

Annual OPEB costs and the net OPEB obligation are based on the calculations and parameters prescribed in GASB Statement No. 75. A valuation date of June 30, 2018 and the Entry Age Normal actuarial cost method were used. The Actuarially Determined Contribution (ADC) expense includes interest charge on the Unfunded Actuarial Liability and the gains and losses are amortized over the “Average Service to Retirement” of 4.13 years. The amortization of gains, losses, and actuarial assumption changes are referred to as “deferred inflows and outflows”. The assumptions also include data regarding demographic and mortality rates, an inflation rate of 2% per year, salary rate increase of 2.5%, an interest rate assumption of 3.90% per year, and a health care cost trend rate assumption that starts at 7.5% in 2014-2015 and gradually declines to 4.0% by the year 2022 and thereafter. This valuation also considers projections and estimates of future retiree health care benefits based on actuarial standards issued by the Actuarial Standards Board. In performing the actuarial valuation of the OPEB

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

programs, the actuarial assumptions for fiscal year 2018 included premium rates, payroll data, variation of health care costs, census data regarding participants and age factors in each plan.

Mortality rates were based on the RP-2014 Total Dataset Headcount-weighted mortality base table from 2006 table projected to 2018 with MP-2017, a generational scale.

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

The actuarial value of assets was not determined as City Colleges has not fully advanced-funded its obligation. Based upon the above valuations, City Colleges' annual OPEB costs and net OPEB obligation shown in the tables on the following page disclose the actuarial calculations of the OPEB plan and its actuarial accrued funded status for fiscal years 2018.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance as of June 30, 2017	\$ 135,815,015
Changes for the Year:	
Service Cost	5,227,410
Interest	5,458,342
Change in Benefit Terms	-
Difference between Expected and Actual Experience	(12,995,395)
Change of Assumptions	(20,818,383)
Benefit Payments	(4,968,061)
Net Changes:	(28,096,087)
Balance as of June 30, 2018	\$ 107,718,928

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2018, City Colleges recognized OPEB expense of \$2,498,396. At June 30, 2018 City Colleges reported deferred outflows and inflows of resources related to OPEB from the following sources.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (9,848,810)
Changes of Assumptions	-	(15,777,612)
Total	\$ -	\$ (25,626,422)

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

Year ended June 30	
2019	\$ (8,187,356)
2020	(8,187,356)
2021	(8,187,356)
2022	(1,064,354)
Thereafter	0

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

The following chart presents the net OPEB liability of the plan as of June 30, 2018, calculated using the discount rate of 3.90% for a 20 year General Obligation bond, as well as what the net OPEB liability would have been if calculated using a discount rate that is 1 percentage point lower (2.90%) or 1 percentage point higher (4.90%) than the current discount rate.

	1% Decrease (2.90%)	Discount rate (3.90%)	1% Increase (4.90%)
Net OPEB liability	\$ 116,817,411	\$ 107,718,928	\$ 99,738,423

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

The following chart presents the net OPEB liability of the plan as of June 30, 2018, calculated using the health care cost trend rate of 5.50%, as well as what the net OPEB liability would have been if calculated using a health care cost trend rate that is 1 percentage point lower (4.50%) or 1 percentage point higher (6.50%) than the current health care cost trend rate.

	1% Decrease (4.50%)	Health care cost trend rate (5.50%)	1% Increase (6.50%)
Net OPEB liability	\$ 99,255,209	\$ 107,718,928	\$ 117,374,093

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12. LONG-TERM DEBT

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

Following is the future debt service requirements for the Bonds:

<u>Fiscal Year</u>	<u>Principal Payment</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 4,550,000	\$ 12,280,188	\$ 16,830,188
2020	4,775,000	12,047,063	16,822,063
2021	5,015,000	11,802,313	16,817,313
2022	5,265,000	11,545,313	16,810,313
2023	5,530,000	11,275,438	16,805,438
2024- 2028	32,125,000	51,756,696	83,881,696
2029 - 2033	41,450,000	42,183,901	83,633,901
2034 - 2038	53,475,000	29,835,641	83,310,641
2039 - 2043	69,210,000	13,686,991	82,896,991
2044	16,100,000	422,625	16,522,625
Total	<u>\$ 237,495,000</u>	<u>\$ 196,836,169</u>	<u>\$ 434,331,169</u>

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12. LONG-TERM DEBT *(Continued)*

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

Following is the future debt service requirements for the Bonds:

<u>Fiscal Year</u>	<u>Principal Payment</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 3,893,700	\$ 3,893,700
2020	-	3,893,700	3,893,700
2021	-	3,893,700	3,893,700
2022	-	3,893,700	3,893,700
2023	-	3,893,700	3,893,700
2024- 2028	610,000	19,395,500	20,005,500
2029 - 2033	765,000	19,224,875	19,989,875
2034 - 2038	955,000	19,032,450	19,987,450
2039 - 2043	1,185,000	18,791,375	19,976,375
2044 - 2048	74,550,000	11,374,750	85,924,750
Total	<u>\$ 78,065,000</u>	<u>\$ 107,287,450</u>	<u>\$ 185,352,450</u>

City Colleges of Chicago
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Notes to Basic Financial Statements
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12. LONG-TERM DEBT *(Continued)*

City Colleges has pledged revenues to repay its bond issue. The pledges will remain until the bonds are retired. The amount of pledges remaining as of June 30, 2018 is as follows:

<u>Debt Issue</u>	<u>Pledged Revenue Source</u>	<u>Pledge Remaining</u>	<u>Commitment End Date</u>
Series 2013	Tuition, fees, and state grants	\$ 434,331,169	2044
Series 2017	Tuition, fees, and state grants	185,352,450	2048
Total		<u>\$ 619,683,619</u>	

<u>Debt Issue</u>	<u>Pledged Revenue Source</u>	<u>Pledge Revenue</u>	<u>Principal and Interest Retired</u>	<u>Percentage of Revenue Pledged</u>
Series 2013	Tuition, fees, and state grants	\$ 267,754,453	\$ 16,837,313	6.29%
Series 2017	Tuition, fees, and state grants	267,754,453	1,838,692	0.69%

Investors who purchase municipal bonds use debt ratings as an indicator of financial stability of an organization and consequently the safety and security of the debt sold by that organization. In general, higher credit ratings often result in lower borrowing costs via reduced interest rates paid on municipal bonds. A strong rating also promotes a wider market and more buyers of City Colleges' municipal bonds. There are several rating agencies that assign ratings to municipal debt, including debt issued by City Colleges. Two of these agencies down-graded City Colleges debt rating from the previous year. As of August 4, 2018, City Colleges' current ratings are A+ (previously AA-) and BBB (previously A+) by Fitch Ratings and S&P Global Ratings, respectively.

13. RISK MANAGEMENT

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

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13. RISK MANAGEMENT *(Continued)*

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

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

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

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

City Colleges follows the practice of recognizing the expenses for general liability claims in the year such settlements become probable and estimable. City Colleges has accrued funds for estimated future claims of \$2,196,275 as of June 30, 2018.

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 \$2,072,671 as of June 30, 2018. City Colleges' management believes that there are no material lawsuits or claims covered by the workers' compensation self-insurance program that have not been adequately covered.

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13. RISK MANAGEMENT (Continued)

C. Health Insurance

City Colleges self-insures for a portion of its health costs for eligible employees. Future claims are estimated based on historical charges and lag periods. City Colleges has accrued estimated medical expenses of \$1,780,990 as of June 30, 2018 that have been incurred, but not claimed.

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

Summary of Changes in Self-Insurance

	<u>June 30, 2017</u>	<u>Incurred Claims</u>	<u>Payment on Claims</u>	<u>June 30, 2018</u>
General liability	\$ 1,010,500	\$ 1,773,201	\$ (587,426)	\$ 2,196,275
Workers' compensation	2,238,334	709,252	(874,915)	2,072,671
Health insurance	<u>1,376,421</u>	<u>32,379,420</u>	<u>(31,974,851)</u>	<u>1,780,990</u>
	<u>\$ 4,625,255</u>	<u>\$ 34,861,873</u>	<u>\$ (33,437,192)</u>	<u>\$ 6,049,936</u>

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

14. TAX ABATEMENT

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

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14. TAX ABATEMENT (Continued)

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

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

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

For fiscal year 2018, City Colleges reimbursed \$53,677 to Boeing for the General Real Estate Taxes paid by Boeing in accordance with the agreement. City Colleges is entitled to terminate the agreement or recover certain payments if Boeing defaults on its commitments.

Tax Abatement Agreements Entered Into By Other Government – Cook County

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

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

City Colleges of Chicago
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14. TAX ABATEMENT *(Continued)*

Without the incentive, the property tax would be assessed at 25% of its market value. This incentive constitutes a substantial reduction in the level of assessment and results in significant tax savings for eligible applicants. For fiscal year 2018, City Colleges estimated its portion of annual abatement of property taxes to various taxpayers under the development incentive programs approximates \$4.1 million.

15. DISCRETELY PRESENTED COMPONENT UNIT

A. Operations

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

B. Significant Accounting Policies

Management Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – As of June 30, 2018, cash and cash equivalents include highly liquid investments with maturities of three months or less at the date of purchase, and are stated at cost, which approximates fair value. The Foundation maintains its cash in commercial bank deposit accounts, which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash and cash equivalents.

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15. DISCRETELY PRESENTED COMPONENT UNIT *(Continued)*

B. Significant Accounting Policies *(continued)*

Investments - The Foundation's investment policy permits the Foundation's board of directors to oversee the investment of Foundation assets through the use of an internally appointed investment committee and external investment managers and custodians. The policy reflects the objectives and constraints associated with investing the Foundation's assets. Investments are measured at fair value in the statement of financial position. Net investment return (including realized and unrealized gains and losses on investments, interest, and dividends) is reported as an increase or decrease in unrestricted net assets, unless such income or loss is temporarily or permanently restricted by explicit donor stipulations or by law.

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

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

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

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

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

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

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

B. Significant Accounting Policies *(continued)*

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

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

The accounting standard on *Accounting for Uncertainty in Income Taxes* addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Foundation and the various positions related to the potential sources of unrelated business income tax. There were no unrecognized tax benefits identified or recorded as liabilities during the year ended June 30, 2018.

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

C. New Accounting Pronouncements

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

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15. DISCRETELY PRESENTED COMPONENT UNIT *(Continued)*

C. New Accounting Pronouncements *(Continued)*

In August, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this update include significant changes to the financial reporting model for Not-for-Profit organizations. Key elements in this update include reducing net asset classification from three to two categories, expanded disclosures about the nature and amount of any donor restrictions, expanded disclosures on any board designations of net assets, and other additional disclosures. The amendments in this update will be effective for the year ending June 30, 2019 for the Foundation, and will likely have a material effect on the presentation of the financial statements.

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

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

Subsequent Events - The Foundation has evaluated all subsequent events through October 15, 2018, which is the date the financial statements were available to be issued.

**City Colleges of Chicago
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Notes to Basic Financial Statements
June 30, 2018**

15. DISCRETELY PRESENTED COMPONENT UNIT *(Continued)*

D. Investments

The components of net investment return for the year ended June 30, 2018 are as follows:

	2018
Interest and dividends	\$ 185,708
Net realized gains	289,946
Net unrealized gains	298,914
Total	\$ 774,568

E. Fair Value of Investments

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

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

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

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

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

For the year ended June 30, 2018, the application of valuation techniques applied to similar assets and liabilities has been consistent. The Foundation's investments are the only assets or liabilities that are measured at fair value on a recurring basis.

The Foundation assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer. For the year ended June 30, 2018, there were no such transfers.

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

E. Fair Value of Investments *(continued)*

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

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

Assets measured at fair value on a recurring basis as of June 30, 2018 are as follows:

Mutual Funds:	2018
Fixed income funds	\$ 2,304,802
Equity funds	6,523,978
Total	<u>\$ 8,828,780</u>

F. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2018 are restricted to the following purposes:

	2018
Scholarships	\$ 6,164,475
Goldman Sachs 10,000 Small Businesses Initiative	276,363
Project Grants	650,809
Miscellaneous	169,724
Total temporarily restricted net assets	<u>\$ 7,261,371</u>

Temporarily restricted net assets were released from restrictions as follows for the year ended June 30, 2018:

	2018
Scholarships	\$ 781,877
Goldman Sachs 10,000 Small Businesses Initiative	1,293,319
Project Grants	16,389
Miscellaneous	200
Total temporarily restricted net assets	<u>\$ 2,091,785</u>

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

G. Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2018 are restricted to investment in perpetuity, the income from which is expendable to support:

		2018
Scholarships	\$	1,959,977
Miscellaneous		405
Total permanently restricted net assets	\$	1,960,382

H. Endowment Net Assets

The Foundation has donor-restricted endowment net assets that consist of 14 individual funds established for a variety of donor-restricted purposes. Net assets associated with permanently restricted funds are classified and reported based on the existence of donor-imposed restrictions.

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

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

**City Colleges of Chicago
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Notes to Basic Financial Statements
June 30, 2018**

15. DISCRETELY PRESENTED COMPONENT UNIT *(Continued)*

H. Endowment Net Assets *(continued)*

Changes in endowment net assets for the year ended June 30, 2018, are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of year	\$ 1,598,825	\$ 1,958,492	\$ 3,557,317
Investment return:			
Investment income	114,216	-	114,216
Net gain (realized and unrealized)	330,988	-	330,988
Total investment return	<u>445,204</u>	<u>-</u>	<u>445,204</u>
Contributions	-	1,890	1,890
Appropriation of endowment assets for expenditures	<u>(156,902)</u>	<u>-</u>	<u>(156,902)</u>
Endowment net assets - end of year	<u>\$ 1,887,127</u>	<u>\$ 1,960,382</u>	<u>\$ 3,847,509</u>

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor permanently restricted funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2018.

I. Related Party Transactions

The Foundation receives donated accounting services and other operating support from City Colleges. The Foundation estimates the fair value of these services to be \$319,947. These amounts have been included as contributed services and related expenses in the statement of activities.

16. COMMITMENTS AND CONTINGENCIES

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

As of June 30, 2018, City Colleges had \$18.7 million in commitments for its capital plan, all of which are being funded by City Colleges.

City Colleges of Chicago
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Notes to Basic Financial Statements
June 30, 2018

17. SUBSEQUENT EVENTS

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

Required Supplementary Information

**City Colleges of Chicago
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Required Supplementary Information
June 30, 2018**

Other Post -Employment Benefit Plan

Schedule of Changes in Net OPEB Liability and Related Ratios

	June 30, 2018
Total OPEB Liability	
Service Cost	\$ 5,227,410
Interest	5,458,342
Change in Benefit Terms	-
Difference between Expected and Actual Experience	(12,995,395)
Change of Assumptions	(20,818,383)
Benefit Payments	(4,968,061)
Net Change in Total OPEB Liability	\$ (28,096,087)
Total OPEB Liability - Beginning	\$ 135,815,015
Total OPEB Liability - Ending	\$ 107,718,928
Covered - Employee Payroll	\$ 115,957,481
Net OPEB Liability as a Percentage of Covered - Employee Payroll	92.90%
Actuarially Determined Contribution	\$ 2,498,396
Contributions in Relation to the Actuarially Determined Contribution	\$ 4,968,061
Contributions as a Percentage of Covered Employee Payroll	4.28%

Note to Required Supplementary Information

Change of Assumptions. Changes of assumptions and other inputs reflect that the discount rate was changed to 3.90% from 3.87% to comply with GASB Statement No. 75. Changes in assumptions also reflect the changes in mortality rate, turnover rate and retirement rate.

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

**City Colleges of Chicago
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Required Supplementary Information
June 30, 2018**

Employer Retirement Pension Plan

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

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

Notes to Required Supplementary Information

Changes of benefit term: There were no benefit changes recognized in the total pension liability as of June 30, 2017.

**City Colleges of Chicago
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Required Supplementary Information
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Notes to Required Supplementary Information (Continued)

Changes of assumption: In accordance with Illinois compiled statutes, an actuarial review is to be performed at least once every three years to determine the reasonableness of actuarial assumptions regarding the retirement, disability, mortality, turnover, interest and salary of the members and benefit recipients of SURS. An experience review for the years June 30, 2010 to June 30, 2014 was performed in February 2015, resulting in the adoption of new assumptions as of June 30, 2015.

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

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

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

Statistical Section

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in City Colleges' financial reports relates to the services the college provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Net Position:										
Net investment in capital assets	\$ 570,962,411	\$ 593,174,965	\$ 593,020,416	\$ 600,335,077	\$ 621,139,731	\$ 658,505,276	\$ 717,255,258	\$ 719,559,997	\$ 704,854,741	\$ 653,939,196
Restricted for specific purposes										
Capital Projects	56,156,946	44,507,719	92,978,002	97,683,367	-	-	-	-	-	-
Audit	-	-	-	-	64,118	194,892	165,898	36,209	29,488	156,235
Liability, protection, and settlement	-	-	-	-	6,007,472	7,187,039	6,580,766	2,632,672	705,482	-
PBC operations and maintenance	-	-	-	-	607,045	607,045	-	-	-	-
Bonds and interest	-	-	-	-	-	-	-	-	-	1,851,574
Other	72,753,668	69,361,867	71,830,566	70,154,208	-	-	-	-	-	-
Unrestricted	<u>67,104,370</u>	<u>86,874,142</u>	<u>66,367,440</u>	<u>92,820,212</u>	<u>254,548,655</u>	<u>221,854,399</u>	<u>135,002,378</u>	<u>24,896,253</u>	<u>(37,672,764)</u>	<u>(78,655,342)</u>
Total Net Position	<u>\$ 766,977,395</u>	<u>\$ 793,918,693</u>	<u>\$ 824,196,424</u>	<u>\$ 860,992,864</u>	<u>\$ 882,367,021</u>	<u>\$ 888,348,651</u>	<u>\$ 859,004,300</u>	<u>\$ 747,125,131</u>	<u>\$ 667,916,947</u>	<u>\$ 577,291,663</u>

Source: City Colleges of Chicago Comprehensive Annual Financial Reports

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

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

Table B

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Operating revenues:										
Student tuition and fees (net of scholarship allowances)	\$ 46,719,262	\$ 48,044,246	\$ 46,100,054	\$ 44,216,800	\$ 45,524,856	\$ 43,551,469	\$ 41,738,106	\$ 55,841,074	\$ 52,507,277	\$ 43,510,241
Other operating revenues	7,773,577	7,442,333	8,370,707	7,530,445	10,407,332	9,806,723	7,240,451	7,680,657	6,702,496	6,177,539
Total operating revenues	<u>54,492,839</u>	<u>55,486,579</u>	<u>54,470,761</u>	<u>51,747,245</u>	<u>55,932,188</u>	<u>53,358,192</u>	<u>48,978,557</u>	<u>63,521,731</u>	<u>59,209,773</u>	<u>49,687,780</u>
Operating expenses:										
Instructional staff	88,799,795	90,477,097	88,565,180	88,192,744	97,927,822	100,033,039	95,951,938	90,918,944	83,858,803	89,214,382
Non-instructional staff	92,884,417	95,556,737	93,023,672	101,665,123	103,702,031	110,941,259	118,063,554	123,980,168	123,024,189	104,875,488
Fringe benefits	52,008,207	64,479,515	67,970,166	78,556,221	116,384,988	101,050,332	115,749,425	150,741,188	176,176,135	159,033,078
Supplies	13,262,646	14,646,462	13,885,552	15,409,438	22,703,765	20,216,270	22,552,882	20,032,747	14,732,670	12,561,866
Professional development	2,053,242	1,826,668	1,325,058	1,484,245	1,272,691	1,487,147	1,244,344	1,304,104	742,743	933,234
Equipment not capitalized	3,846,842	4,838,391	5,765,922	7,169,078	-	-	-	-	-	-
Utilities	11,405,723	10,299,268	9,834,789	9,833,894	9,041,755	8,422,751	8,503,632	7,889,555	8,090,810	7,994,976
Contractual services	37,549,206	42,380,663	46,303,596	37,456,245	39,843,034	39,678,006	37,471,238	29,714,332	26,683,165	21,276,138
Depreciation	21,336,035	18,367,180	22,245,912	19,844,225	19,605,043	20,603,084	40,362,884	49,604,285	42,741,190	64,736,965
Financial aid (net of scholarship allowances)	46,833,746	57,192,354	73,006,767	88,128,031	62,302,469	54,757,208	54,781,226	32,657,219	33,531,205	31,441,226
Other expenses	2,222,996	4,301,200	13,379,760	1,873,076	4,572,743	3,208,895	9,048,160	15,151,528	10,045,675	12,689,108
Total operating expenses	<u>372,202,855</u>	<u>404,365,535</u>	<u>435,306,374</u>	<u>449,612,320</u>	<u>477,356,341</u>	<u>460,397,991</u>	<u>503,729,283</u>	<u>521,994,070</u>	<u>519,626,585</u>	<u>504,756,461</u>
Operating loss	<u>(317,710,016)</u>	<u>(348,878,956)</u>	<u>(380,835,613)</u>	<u>(397,865,075)</u>	<u>(421,424,153)</u>	<u>(407,039,799)</u>	<u>(454,750,726)</u>	<u>(458,472,339)</u>	<u>(460,416,812)</u>	<u>(455,068,681)</u>
Non-operating revenues (expenses):										
State apportionment and equalization	37,759,550	38,637,438	48,683,543	48,683,543	44,243,857	44,091,624	40,944,584	10,653,563	16,737,354	77,554,415
Other state grants and contracts	64,191,417	72,578,870	75,378,306	87,343,845	101,432,160	103,024,737	113,886,048	113,032,192	144,823,351	146,689,797
Local grants and contracts	4,706,664	5,646,914	5,273,784	5,241,086	5,573,604	5,042,722	5,073,046	2,263,905	4,186,138	3,088,038
Local property taxes	121,020,792	127,316,069	123,516,103	121,811,625	120,202,490	118,738,148	119,389,151	125,659,171	123,263,682	125,366,633
Property taxes for lease obligations	-	-	-	-	-	-	-	-	-	-
Personal property replacement tax	13,581,642	11,416,700	13,924,035	12,319,744	14,076,439	13,548,322	14,564,695	11,637,706	16,422,533	12,122,670
Federal grants and contracts	78,525,778	110,203,448	140,186,492	156,278,485	131,057,829	121,249,812	109,992,620	84,341,753	80,082,538	74,028,272
Litigation settlement	-	656,745	-	-	-	-	-	-	-	730,338
Investment income	5,829,685	2,028,369	1,589,648	1,557,008	579,765	1,633,125	1,229,614	1,461,132	503,916	2,170,929
Building lease and interest payments on debt	-	-	-	-	-	-	-	(4,961,335)	(11,688,580)	(12,117,213)
Other non-operating revenue	-	-	-	-	-	573,157	2,175,119	1,846,475	6,075,845	8,438,747
Non-operating revenues, net	<u>325,615,528</u>	<u>368,484,553</u>	<u>408,551,911</u>	<u>433,235,336</u>	<u>417,166,144</u>	<u>407,901,647</u>	<u>407,254,877</u>	<u>345,934,562</u>	<u>380,406,777</u>	<u>438,072,626</u>
Income (loss) before capital appropriations and grants	7,905,512	19,605,597	27,716,298	35,370,261	(4,258,009)	861,848	(47,495,849)	(112,537,777)	(80,010,035)	(16,996,055)
Capital appropriations and grants	16,035,019	7,335,701	2,561,433	1,426,179	25,632,166	5,119,782	17,326,560	658,608	801,851	1,918,132
Change in net position	<u>\$ 23,940,531</u>	<u>\$ 26,941,298</u>	<u>\$ 30,277,731</u>	<u>\$ 36,796,440</u>	<u>\$ 21,374,157</u>	<u>\$ 5,981,630</u>	<u>\$ (30,169,289)</u>	<u>\$ (111,879,169)</u>	<u>\$ (79,208,184)</u>	<u>\$ (15,077,923)</u>

Source: City Colleges of Chicago Comprehensive Annual Financial Reports

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

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

Tax Year Levy	Class 2 Residential Property	Class 5 Commercial Property	Class 5 Industrial Property	Other Railroad Property	Total Equalized Assessed Valuation (1)	Total Equalized Assessed Valuation (2)	Total Direct Tax Rate	Total Estimated Fair Value (3)	Assessed Value as a Percentage of Estimated Fair Value
2008	\$ 48,377,972,238	\$24,468,644,597	\$ 7,993,155,293	\$84,112,105	\$ 80,923,884,233	\$ 80,929,580,524	0.156	\$242,788,741,572	33.33%
2009	52,169,503,706	24,491,319,005	7,785,890,009	98,313,889	84,545,026,609	84,550,505,262	0.150	253,651,515,786	33.33%
2010	51,831,630,468	22,565,050,951	7,530,442,082	119,792,938	82,046,916,439	82,052,222,695	0.151	246,156,668,085	33.33%
2011	47,818,408,543	19,929,694,759	7,209,360,847	125,341,819	75,082,805,968	75,087,804,739	0.165	225,263,414,217	33.33%
2012	39,247,090,939	19,340,669,493	6,496,120,614	130,470,559	65,214,351,605	65,221,057,665	0.189	195,663,172,995	33.33%
2013	37,165,845,442	18,664,711,059	6,359,267,977	140,913,053	62,330,737,531	62,337,066,955	0.199	187,011,200,865	33.33%
2014	39,639,728,826	23,151,162,620	1,946,233,867	137,040,420	64,874,165,733	64,879,908,794	0.193	194,639,726,382	33.33%
2015	43,871,767,527	24,955,908,048	1,943,080,901	148,390,582	70,919,147,058	70,924,421,349	0.177	212,773,264,047	33.33%
2016	45,774,355,574	26,093,545,448	1,964,171,087	148,006,500	73,980,078,609	73,984,605,433	0.169	221,953,816,299	33.33%
2017	47,154,589,038	27,405,102,153	2,002,796,882	156,007,870	76,718,495,943	76,722,182,440	0.164	230,166,547,320	33.33%

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

Sources: Cook County Clerks' Offices

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

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

Table D

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

Taxing Bodies <i>(per \$100 of assessed valuation)</i>	Legal Limit	Tax Levy Year									
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>City Colleges of Chicago</u>											
Audit Fund	\$ 0.005	\$ 0.002	\$ -	\$ 0.001	\$ 0.001	\$ 0.001	\$ 0.001	\$ 0.001	\$ 0.001	\$ 0.001	\$ 0.001
Tort Liability	N/A	0.007	0.004	0.007	0.010	0.008	0.009	0.005	0.001	0.009	0.009
Education Fund	0.175	0.104	0.104	0.100	0.109	0.131	0.149	0.149	0.125	0.124	0.120
Operations and Maintenance Fund	0.050	0.043	0.042	0.043	0.045	0.050	0.040	0.038	0.049	0.035	0.033
PBC Rental	N/A	-	-	-	-	-	-	-	-	-	-
Total City Colleges of Chicago Rate		<u>\$ 0.156</u>	<u>\$ 0.150</u>	<u>\$ 0.151</u>	<u>\$ 0.165</u>	<u>\$ 0.189</u>	<u>\$ 0.199</u>	<u>\$ 0.193</u>	<u>\$ 0.177</u>	<u>\$ 0.169</u>	<u>\$ 0.164</u>
<u>Overlapping Rates</u>											
Chicago Board of Education		\$ 2.472	2.366	2.581	2.875	3.422	3.671	3.660	3.455	3.726	3.890
School Finance Authority		-	-	-	-	-	-	-	-	-	-
City of Chicago		1.147	1.098	1.132	1.229	1.425	1.496	1.473	1.806	1.880	1.894
Chicago Park District		0.323	0.309	0.319	0.346	0.395	0.420	0.415	0.382	0.368	0.358
Metropolitan Water Reclamation District		0.252	0.261	0.274	0.320	0.370	0.417	0.430	0.426	0.406	0.402
Cook County		0.415	0.394	0.423	0.462	0.531	0.560	0.568	0.552	0.533	0.496
Cook County Forest Preserve		0.051	0.049	0.051	0.058	0.063	0.069	0.069	0.069	0.063	0.062
South Cook County Mosquito Abatement		0.009	0.009	0.010	0.012	0.014	0.016	0.017	0.017	0.017	0.016
Total Overlapping Rate		<u>\$ 4.669</u>	<u>\$ 4.486</u>	<u>\$ 4.790</u>	<u>\$ 5.302</u>	<u>\$ 6.220</u>	<u>\$ 6.649</u>	<u>\$ 6.632</u>	<u>\$ 6.707</u>	<u>\$ 6.993</u>	<u>\$ 7.118</u>
Total Rate		<u>\$ 4.825</u>	<u>\$ 4.636</u>	<u>\$ 4.941</u>	<u>\$ 5.467</u>	<u>\$ 6.409</u>	<u>\$ 6.848</u>	<u>\$ 6.825</u>	<u>\$ 6.884</u>	<u>\$ 7.162</u>	<u>\$ 7.282</u>
<u>Tax Extensions (\$ thousands)</u>											
Audit Fund		\$ 1,600	\$ -	\$ 650	\$ 650	\$ 650	\$ 584	\$ 384	\$ 384	\$ 684	\$ 684
Tort Liability		5,399	2,865	5,736	7,736	4,361	5,584	2,985	985	6,984	6,984
Education Fund		84,245	87,682	81,669	81,669	85,144	92,760	96,559	88,610	91,677	92,338
Operations and Maintenance Fund		34,997	35,694	35,186	33,186	33,186	24,912	24,912	34,911	25,612	25,612
PBC Rental		-	-	-	-	-	-	-	-	-	-
		<u>\$ 126,241</u>	<u>\$ 126,241</u>	<u>\$ 123,241</u>	<u>\$ 123,241</u>	<u>\$ 123,341</u>	<u>\$ 123,841</u>	<u>\$ 124,840</u>	<u>\$ 124,890</u>	<u>\$ 124,957</u>	<u>\$ 125,619</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	2017			2008		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation
Willis Tower	\$ 429,591	1	0.56%	\$ 540,074	1	0.67%
HSBC Blue Cross A pini	264,940	2	0.35%	-	-	
Aon Building	263,985	3	0.34%	392,192	2	0.48%
One Prudential Plaza	248,867	4	0.32%	307,510	3	0.38%
Water Tower Place	239,238	5	0.31%	242,014	6	0.30%
300 LaSalle LLC	217,715	6	0.28%	-	-	
AT&T Corporate Center 1 (Franklin Ctr.)	215,948	7	0.28%	294,569	4	0.36%
Three First National Plaza	202,646	8	0.26%	215,666	10	0.27%
Citadel Center (Mark Davids)	184,853	9	0.24%	-	-	
Hart 353 N Clark LLC	168,709	10	0.22%	-	-	
Chase Tower	-		0.00%	262,114	5	0.32%
Citigroup Center	-		0.00%	226,458	7	0.28%
Leo Burnett Building	-		0.00%	221,846	8	0.27%
131 S. Dearborn				218,722	9	0.27%
	<u>\$ 2,436,491</u>		<u>3.18%</u>	<u>\$ 2,921,165</u>		<u>3.61%</u>

Source: Cook County Assessor's Office – 2017 is latest data available.
Cook County Clerk's Office
Taxable assessed value in thousands of dollars

Note:

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

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

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

Levy Year	Fiscal Year of Extension	Tax Levied	Collected within the Fiscal Year of Extension (A)		Collections in Subsequent Years	Total Collections to Date (B)	
			Amount	Percentage of Tax Levy		Amount	Percentage of Levy
2008	2009	\$ 126,241,259	\$ 56,373,682	44.66%	\$ 65,980,327	\$ 122,354,009	96.92%
2009	2010	126,817,540	64,591,707	50.93%	56,875,257	121,466,964	95.78%
2010	2011	123,890,844	64,730,979	52.25%	54,746,357	119,477,336	96.44%
2011	2012	123,886,630	63,562,811	51.31%	55,803,789	119,366,600	96.35%
2012	2013	123,907,268	62,712,317	50.61%	57,841,789	120,554,106	97.29%
2013	2014	124,038,168	63,503,739	51.20%	57,450,767	120,954,506	97.51%
2014	2015	125,207,190	63,827,769	50.98%	58,766,622	122,594,391	97.91%
2015	2016	124,890,892	64,993,572	52.04%	59,028,459	124,022,031	99.30%
2016	2017	124,957,885	64,816,536	51.87%	59,174,556	123,991,092	99.23%
2017	2018	125,618,817	65,921,912	52.48%	-	65,921,912	52.48%

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

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

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

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

Table G

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

Fiscal Year	FTE Credit Courses	Headcount Credit Courses	Headcount Noncredit Courses	In-District Tuition & Fees per Semester Hr	Out-of-District Tuition & Fees per Semester Hr	Out of State Tuition & Fees per Semester Hr	VI - F-1 Visa Students Fees per Semester Hr	Total Semester Credit Hrs Generated	Tuition & Fees Revenue	Less: Scholarships and Allowances	Tuition & Fees Revenue (Net)
2009	23,218	50,500	70,438	\$ 72.00	\$ 258.99	\$ 306.89	\$ -	1,136,523	\$ 85,837,178	\$ (39,117,916)	\$ 46,719,262
2010	27,347	57,423	70,094	79.00	259.15	301.55	-	1,260,579	104,761,982	(56,717,736)	48,044,246
2011	29,194	60,514	58,935	87.00	171.56	228.35	-	1,207,136	114,587,331	(68,487,277)	46,100,054
2012	29,602	61,756	55,009	89.00	173.56	230.35	-	1,190,902	115,477,680	(71,260,880)	44,216,800
2013	31,044	62,391	51,864	89.00	185.38	236.59	-	1,209,973	111,907,384	(66,382,528)	45,524,856
2014	30,692	62,100	47,258	89.00	202.01	249.71	-	1,184,165	110,456,613	(66,905,144)	43,551,469
2015	28,917	60,250	40,050	89.00	200.17	246.42	-	1,098,558	99,573,913	(57,835,807)	41,738,106
2016	26,410	57,372	39,017	133.36	353.16	359.73	624.68	983,907	105,005,157	(49,164,083)	55,841,074
2017	24,200	51,772	34,559	133.36	353.16	359.73	624.68	904,038	99,177,882	(46,670,605)	52,507,277
2018	29,985	50,436	32,958	133.36	353.16	359.73	624.68	821,349	94,772,150	(51,261,909)	43,510,241

Source: City Colleges of Chicago Comprehensive Annual Financial Reports

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

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

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

Fiscal Year	General Obligation Bonds	Capital Leases	Total Outstanding Debt	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2009	\$ -	\$ -	\$ -	\$ -	\$ -
2010	-	-	-	-	-
2011	-	-	-	-	-
2012	-	-	-	-	-
2013	-	-	-	-	-
2014	257,406,782	-	257,406,782	0.14%	94.48
2015	256,211,924	-	256,211,924	0.13%	93.97
2016	251,089,656	-	251,089,656	0.12%	92.14
2017	245,933,132	-	245,933,132	0.11%	90.41
2018	325,987,163	-	325,987,163	0.14%	120.00

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

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

Table I

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

	As of June 30, 2018		
	Net Direct Long-Term Debt (1)	Estimated Percentage Applicable (2)	Estimated Share of Overlapping Debt
Direct Debt			
City Colleges of Chicago	\$ 325,987	100.00%	\$ 325,987
Estimated General Obligation Overlapping Debt			
City of Chicago General Obligation Bonds	\$ 9,609,625 *	100.00%	\$ 9,609,625
Chicago Board of Education	8,179,138	100.00%	8,179,138
Chicago Park District	821,000	100.00%	821,000
Metropolitan Water Reclamation District of Greater Chicago	2,697,667	52.59%	1,418,703
Cook County	3,092,047	51.59%	1,595,187
Cook County Forest Preserve District	150,960	51.59%	<u>77,880</u>
Total Estimated Overlapping Long-Term Debt			<u>21,701,532</u>
Direct and Estimated Overlapping Long-Term Debt			<u>\$ 22,027,519</u>

(1) Table I includes the governmental entities that operate as separate, independent units of government and have the authority to issue bonds and levy taxes on real property within the City of Chicago. The net direct long-term debt amount provided by each entity is comprised solely of the tax-levy supported obligations. Table I does not include non-property tax levy backed debt issued by the listed entities.

(2) City of Chicago CAFR

* The balance outstanding at December 31, 2017 listed above for each bond series excluded amounts payable January 1, 2018, if applicable.

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

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

Fiscal Year	(A) Population	Personal Income <i>(in thousands)</i>	(B) Per Capita Personal Income	(C) Unemployment Rate
2009	2,697,006 *	\$ 116,750,693 *	\$ 43,289	11.10%
2010	2,695,598 ^	117,695,200 *	43,662	11.20%
2011	2,706,670 *	122,723,124 *	45,341	10.80%
2012	2,717,989 *	130,183,519 *	47,897	10.00%
2013	2,724,482 *	134,047,239 *	49,201	10.00%
2014	2,726,533 *	144,157,253 *	52,872	7.80%
2015	2,725,154 *	151,262,398 *	55,506	6.60%
2016	2,720,275 *	154,155,264 *	56,669	6.40%
2017	2,716,450 *	-----Data Not Available-----		5.50%
2018	-----Data Not Available -----			

Sources: (A) US Census Bureau (USCB). The census is conducted decennially at the start of each decade. *Estimated. ^Official Census Count
(B) 2008 - 2016 Data from the Bureau of Economic Analysis (BEA). These rates are for Cook County. 2017 data is not available.
(C) Illinois Workforce Info Center Website

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

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

Employer	Fiscal Year 2018			Fiscal Year 2017			Fiscal Year 2016			Fiscal Year 2015			Fiscal Year 2014		
	Rank	City of Chicago Number of Chicago Area Employees	% of City of Employment	Rank	City of Chicago Number of Chicago Area Employees	% of City of Employment	Rank	City of Chicago Number of Chicago Area Employees	% of City of Employment	Rank	City of Chicago Number of Chicago Area Employees	% of City of Employment	Rank	City of Chicago Number of Chicago Area Employees	% of City of Employment
U.S. Government	1	41,500	1.53%	1	42,663	1.58%	1	42,887	1.58%	1	45,673	1.68%	1	49,860	1.83%
Chicago Public Schools	2	35,447	1.30%	2	35,862	1.33%	2	37,406	1.37%	2	38,933	1.43%	2	39,094	1.44%
City of Chicago	3	31,161	1.15%	3	30,754	1.14%	3	30,276	1.11%	3	30,345	1.11%	3	30,340	1.12%
Cook County	4	21,316	0.78%	4	20,716	0.77%	4	21,795	0.80%	4	21,622	0.79%	4	21,482	0.79%
Advocate Health Care	5	19,049	0.70%	5	18,930	0.70%	5	18,308	0.67%	5	18,556	0.68%	5	18,512	0.68%
Northwestern Memorial Hospital	6	16,667	0.61%	7	15,747	0.58%	7	15,317	0.56%	9	14,550	0.53%	-	-	-
University of Chicago	7	16,583	0.61%	6	16,374	0.61%	6	16,197	0.60%	6	16,025	0.59%	7	15,452	0.57%
JP Morgan Chase	8	15,701	0.58%	8	15,229	0.56%	9	14,158	0.52%	7	15,015	0.55%	6	16,045	0.59%
State of Illinois	9	14,690	0.54%	10	13,524	0.50%	8	15,136	0.56%	8	14,925	0.55%	8	14,731	0.54%
Amazon.Com Inc.	10	13,240	0.49%	-	-	-	-	-	-	-	-	-	-	-	-
United Continental Holdings Inc	-	-	0.00%	9	15,157	0.56%	10	14,000	0.51%	10	14,000	0.51%	9	14,000	0.51%
AT&T Inc.	-	-	-	-	-	-	-	-	-	-	-	-	10	14,000	0.51%
		<u>225,354</u>	<u>8.30%</u>		<u>233,516</u>	<u>8.58%</u>		<u>225,480</u>	<u>8.28%</u>		<u>229,644</u>	<u>8.43%</u>		<u>233,516</u>	<u>8.58%</u>

Employer	Fiscal Year 2013			Fiscal Year 2012			Fiscal Year 2011			Fiscal Year 2010			Fiscal Year 2009		
	Rank	City of Chicago Number of Chicago Area Employees	% of City of Employment	Rank	City of Chicago Number of Chicago Area Employees	% of City of Employment	Rank	City of Chicago Number of Chicago Area Employees	% of City of Employment	Rank	City of Chicago Number of Chicago Area Employees	% of City of Employment	Rank	City of Chicago Number of Chicago Area Employees	% of City of Employment
U.S. Government	1	52,144	1.92%	1	55,183	2.04%	1	49,573	1.83%	1	77,000	2.86%	1	78,000	2.73%
Chicago Public Schools	2	40,145	1.48%	2	39,667	1.47%	2	40,883	1.51%	2	43,740	1.62%	2	43,910	1.54%
City of Chicago	3	30,197	1.11%	3	31,307	1.16%	3	35,237	1.30%	3	36,242	1.34%	3	35,570	1.25%
Cook County	4	21,057	0.77%	4	21,785	0.80%	5	23,083	0.85%	5	23,416	0.87%	5	22,142	0.78%
Advocate Health Care	5	16,710	0.61%	5	18,485	0.68%	7	14,873	0.55%	7	14,784	0.55%	7	15,660	0.55%
State of Illinois	6	15,400	0.57%	6	15,800	0.58%	4	25,700	0.95%	4	26,000	0.96%	6	18,124	0.64%
JP Morgan Chase	7	15,103	0.56%	-	-	-	8	13,639	0.50%	9	13,142	0.49%	-	-	-
University of Chicago	8	15,029	0.55%	10	14,584	0.54%	-	-	-	-	-	-	8	14,287	0.50%
Walgreen Co.	9	14,528	0.53%	9	14,688	0.54%	9	13,122	0.48%	8	13,281	0.49%	9	14,254	0.50%
AT&T Inc.	10	14,000	0.51%	7	15,000	0.55%	-	-	-	10	13,000	0.48%	10	14,000	0.49%
Provena Health/Resurrection Hea	-	-	-	8	14,806	0.55%	-	-	-	-	-	-	-	-	-
Walmart Stores, Inc.	-	-	-	-	-	-	6	21,329	0.79%	6	19,990	0.74%	4	23,453	0.82%
Abbott Laboratories	-	-	-	-	-	-	10	13,000	0.48%	-	-	-	-	-	-
		<u>234,313</u>	<u>8.61%</u>		<u>241,305</u>	<u>8.91%</u>		<u>250,439</u>	<u>9.24%</u>		<u>280,595</u>	<u>10.40%</u>		<u>279,400</u>	<u>9.80%</u>

Source: Crain's Chicago's Business, Largest Employers, published January 15, 2018.
Note: Beginning with the fiscal year 2009, City Colleges of Chicago will accumulate data to arrive at data for the current year and the nine years prior.

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

Table L

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

Functional Job Type	Full-time FTE			Part-time FTE			Total FTE		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
Faculty	627	619	575	1,156	859	643	1,783	1,478	1,218
Professional/Technical Staff	592	558	394	68	66	46	660	624	440
Administrators	424	415	310	2	1	-	426	416	310
Clerical	354	316	213	10	19	11	364	335	224
Front-Line Direct Support (Custodial/Maintenance/Security)	269	264	241	373	291	179	642	555	420
Academic Support/Direct Student-Facing Personnel	161	168	308	322	341	358	483	509	666
Student Workers	1	-	-	20	27	16	21	27	16
Totals	2,428	2,340	2,041	1,951	1,604	1,253	4,379	3,944	3,294

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

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

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

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

Table M

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

Fiscal Year	Total	Baccalaureate	Occupational			Remedial Development	Adult Basic Secondary Education
			Business	Technical	Health		
2018	821,349.0	447,130.0	33,480.0	38,827.5	28,755.0	51,423.0	221,733.5
2017	904,038.0	455,404.0	33,621.0	56,363.5	25,955.0	59,925.0	272,769.5
2016	983,907.0	489,438.0	36,204.0	59,245.5	32,958.5	72,423.0	293,638.0
2015	1,098,557.5	536,289.0	44,735.0	68,863.0	36,548.5	107,093.0	305,029.0
2014	1,184,165.0	536,233.0	51,231.0	79,220.0	45,666.0	123,339.0	348,476.0
2013	1,209,972.5	532,810.0	53,069.0	71,636.5	47,413.0	132,728.0	372,316.0
2012	1,190,901.5	518,328.0	55,799.0	69,998.0	51,460.0	139,422.0	355,894.5
2011	1,207,136.0	505,897.0	54,590.0	72,682.0	51,648.0	136,247.0	386,072.0
2010	1,260,579.0	476,794.0	47,756.0	82,551.0	54,920.0	144,347.0	454,211.0
2009	1,136,523.0	408,681.0	41,510.0	77,907.0	48,517.0	122,788.0	437,120.0

Data Source: College records

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

Table N

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

Capital Asset Type	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Land	\$ 49,094,047	\$ 49,094,047	\$ 49,959,334	\$ 49,959,334	\$ 50,588,046	\$ 53,616,391	\$ 55,421,960	\$ 51,376,464	\$ 51,376,464	\$ 51,376,464
Construction in progress	28,955,476	43,035,306	51,832,430	58,677,994	80,178,270	103,111,151	269,626,926	88,290,037	41,526,514	58,259,377
Equipment	17,919,630	16,548,010	15,901,476	16,930,530	17,064,376	17,525,902	20,378,093	52,985,078	63,800,500	64,058,673
Buildings and improvements	654,292,589	680,481,594	692,728,579	711,320,407	725,256,411	786,947,003	824,248,668	1,097,180,326	1,083,419,269	1,091,365,536
Software	<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>	<u>69,966,816</u>	<u>72,588,654</u>
Total Capital Assets	779,269,828	818,501,528	839,764,390	866,923,276	903,122,114	991,235,458	1,200,527,933	1,352,227,386	1,310,089,563	1,337,648,704
Less: Accumulated Depreciation	<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>	<u>(358,250,800)</u>	<u>(419,672,387)</u>
Net Capital Assets	<u>\$570,962,411</u>	<u>\$593,174,965</u>	<u>\$593,020,416</u>	<u>\$600,335,077</u>	<u>\$621,139,731</u>	<u>\$691,272,925</u>	<u>\$ 864,217,733</u>	<u>\$ 971,714,426</u>	<u>\$ 951,838,763</u>	<u>\$ 917,976,317</u>
Bond Obligations	<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>	<u>\$ 241,830,000</u>	<u>\$ 315,560,000</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>Founded</i>	<i>1911</i>	
	<u>Most Recent Accreditation</u>	<u>Next Review</u>
Accreditation by North Central Association of Colleges and Schools		
Daley	2011-12	2021-22
Harold Washington	2008-09	2018-19
Kennedy-King	2015-16	2025-26
Malcolm X	2017-18	2027-28
Olive-Harvey	2010-11	2020-21
Truman	2009-10	2019-20
Wright	2012-13	2019-20
Current gross square footage		4,228,755
Size of district		228.5 square miles
Counties served		Cook and DuPage
Population of district		2,716,450
Number of faculty		1,218
Number of professional / technical staff		440
Number of administrators		310
Number of clerical staff		224
Number of custodial / maintenance staff		420
Number of academic support staff		666
Number of student/workstudy staff		16
Degrees and certificates awarded (fiscal year 2018)		7,987

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

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

Fiscal Year	State Funding to All State Community Colleges		ICCB Funding to the District
2009	\$	287,664,558	\$ 53,244,610
2010		308,471,029	57,321,939
2011		295,401,900	64,548,437
2012		295,521,900	64,549,023
2013		282,421,700	58,314,908
2014		284,916,500	58,700,515
2015		278,773,899	55,231,784
2016		74,142,300	14,370,863
2017		114,525,000	22,463,354
2018		409,595,700 *	80,276,413 *

Source: Illinois Community College Board

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

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

Table Q

**Operating Information
Revenues and Expenditures by Campus (Unaudited)
Fiscal Year Ended June 30, 2018**

	<u>Daley</u>	<u>Harold Washington</u>	<u>Kennedy-King</u>	<u>Malcolm X</u>	<u>Olive-Harvey</u>	<u>Truman</u>	<u>Wright</u>	<u>District Office</u>	<u>Total</u>
Revenues:									
Local Tax Revenue	\$ 2,064,892	\$ 1,030,876	\$ 18,226,223	\$ 20,737,630	\$ 9,075,290	\$ 1,359,623	\$ 570,908	\$ 84,423,861	\$ 137,489,303
All Other Local Revenue	15,679	16,277	11,048	14,687	10,060	13,549	58,188	-	139,488
ICCB Grants	12,231,413	19,605,095	5,970,432	11,358,395	4,607,419	15,024,940	18,164,154	-	86,961,848
All Other State Revenue	19,309,127	30,949,592	9,425,226	17,930,936	7,273,504	23,719,129	28,674,850	-	137,282,364
Federal Revenue	6,373,469	17,524,166	8,629,519	13,698,908	5,336,287	8,678,235	13,787,687	-	74,028,271
Student Tuition and Fees	10,997,621	21,752,623	7,030,928	12,672,467	5,121,813	16,755,688	20,441,010	-	94,772,150
All Other Revenue	164,815	700,601	2,761,068	572,191	958,141	935,628	1,596,943	13,046,403	20,735,790
Total Revenue before Capital Appropriations	<u>51,157,016</u>	<u>91,579,230</u>	<u>52,054,444</u>	<u>76,985,214</u>	<u>32,382,514</u>	<u>66,486,792</u>	<u>83,293,740</u>	<u>97,470,264</u>	<u>551,409,214</u>
Capital Appropriations	-	-	-	-	1,918,132	-	-	-	1,918,132
Total Revenue	<u>\$ 51,157,016</u>	<u>\$ 91,579,230</u>	<u>\$ 52,054,444</u>	<u>\$ 76,985,214</u>	<u>\$ 34,300,646</u>	<u>\$ 66,486,792</u>	<u>\$ 83,293,740</u>	<u>\$ 97,470,264</u>	<u>\$ 553,327,346</u>
Expenditures by program									
Instruction	\$ 16,303,466	\$ 27,464,639	\$ 17,841,567	\$ 26,333,820	\$ 12,774,518	\$ 23,791,478	\$ 27,223,363	\$ 8,961,855	\$ 160,694,706
Academic Support	2,790,516	4,601,178	4,388,868	6,958,535	2,848,015	4,184,923	4,763,437	2,676,833	33,212,305
Student Services	5,843,550	8,850,438	5,104,748	7,850,535	4,871,150	8,829,779	8,318,911	2,120,900	51,790,011
Public Service/Continuing Education	495,958	26,027	587,414	497,622	-	314,753	468,020	290,687	2,680,481
Organized Research	-	-	-	-	-	13,460	14,493	-	27,953
Auxiliary Services	1,074,192	1,029,383	3,501,884	1,485,793	802,146	945,230	357,766	6,280,972	15,477,366
Operations and Maintenance	14,463,785	25,924,303	8,740,321	14,885,012	2,571,306	17,583,706	24,349,770	23,595,093	132,113,296
Institutional Support	3,758,491	3,740,949	3,917,327	5,100,828	3,366,077	3,105,654	3,457,866	62,521,015	88,968,207
Scholarships, Grants, Waivers	6,427,058	19,942,313	7,972,315	13,873,069	5,149,302	7,717,809	14,340,114	8,018,964	83,440,944
Total Expenditures	<u>\$ 51,157,016</u>	<u>\$ 91,579,230</u>	<u>\$ 52,054,444</u>	<u>\$ 76,985,214</u>	<u>\$ 32,382,514</u>	<u>\$ 66,486,792</u>	<u>\$ 83,293,740</u>	<u>\$ 114,466,319</u>	<u>\$ 568,405,269</u>

Statement of Purpose: The City Colleges of Chicago Revenues and Expenditures by College for the year ended June 30, 2018, 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, 2018

	Education Fund	Operations and Maintenance Fund	Operations and Maintenance Fund (Restricted)	Bond and Interest Fund	Auxiliary Enterprises Fund	Restricted Purposes Fund *	Working Cash Fund	Audit Fund	Liability, Protection Settlement Fund	Building Bonds Proceeds Fund	GASB 34/35 Adjustment **	Total
Fund Balance: June 30, 2017*	<u>\$(156,282,028)</u>	<u>\$(1,102,275)</u>	<u>\$(15,747,736)</u>	<u>\$ -</u>	<u>\$(5,389,575)</u>	<u>\$(3,781,499)</u>	<u>\$ 67,013,532</u>	<u>\$ 29,488</u>	<u>\$ 705,480</u>	<u>\$ -</u>	<u>\$ 706,924,199</u>	<u>\$ 592,369,586</u>
Revenues:												
Local Tax Revenue	88,652,544	24,561,869	-	16,888,332	-	-	-	657,829	6,728,729	-	-	137,489,303
All Other Local Revenue	-	-	1,918,132	-	-	139,488	-	-	-	-	-	2,057,620
ICCB Grants	80,891,857	-	-	-	-	6,069,991	-	-	-	-	-	86,961,848
All Other State Revenue	-	-	-	-	-	137,282,364	-	-	-	-	-	137,282,364
Federal Revenue	343,034	-	-	-	-	73,685,237	-	-	-	-	-	74,028,271
Student Tuition and Fees	93,788,219	-	-	-	983,931	-	-	-	-	-	-	94,772,150
All Other Revenue	<u>2,845,345</u>	<u>1,419,913</u>	<u>8,150,646</u>	<u>160,217</u>	<u>4,699,905</u>	<u>2,947,942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,912,126</u>	<u>(85,400,304)</u>	<u>20,735,790</u>
Total Revenues	<u>266,520,999</u>	<u>25,981,782</u>	<u>10,068,778</u>	<u>17,048,549</u>	<u>5,683,836</u>	<u>220,125,022</u>	<u>-</u>	<u>657,829</u>	<u>6,728,729</u>	<u>85,912,126</u>	<u>(85,400,304)</u>	<u>553,327,346</u>
Expenses												
Instruction	95,365,234	-	-	-	2,052,693	63,276,779	-	-	-	-	-	160,694,706
Academic Support	16,532,707	-	-	-	97,545	16,582,053	-	-	-	-	-	33,212,305
Student Services	32,251,624	-	-	-	15,000	19,523,387	-	-	-	-	-	51,790,011
Public Service/Continuing Education	3,773	-	-	-	1,089,979	1,586,729	-	-	-	-	-	2,680,481
Organized Research	-	-	-	-	-	27,953	-	-	-	-	-	27,953
Auxiliary Services	4,573,289	-	-	-	5,337,013	5,567,064	-	-	-	-	-	15,477,366
Operations and Maintenance	10,421,327	25,760,291	9,635,516	18,982,417	-	15,023,563	-	-	70,592	24,681,717	27,537,873	132,113,296
Institutional Support	61,385,441	7,296	1,215,675	100	7,834	19,007,233	-	531,082	7,737,137	-	(923,591)	88,968,207
Scholarships, Grants, Waivers	<u>9,597,707</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,843,237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,440,944</u>
Total Expenses	<u>230,131,102</u>	<u>25,767,587</u>	<u>10,851,191</u>	<u>18,982,517</u>	<u>8,600,064</u>	<u>214,437,998</u>	<u>-</u>	<u>531,082</u>	<u>7,807,729</u>	<u>24,681,717</u>	<u>26,614,282</u>	<u>568,405,269</u>
Net Transfers	<u>(653,468)</u>	<u>-</u>	<u>-</u>	<u>3,785,542</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>373,520</u>	<u>(3,505,594)</u>	<u>-</u>	<u>-</u>
Fund Balance: June 30, 2018	<u>\$(120,545,599)</u>	<u>\$(888,080)</u>	<u>\$(16,530,149)</u>	<u>\$ 1,851,574</u>	<u>\$(8,305,803)</u>	<u>\$ 1,905,525</u>	<u>\$ 67,013,532</u>	<u>\$ 156,235</u>	<u>\$ -</u>	<u>\$ 57,724,815</u>	<u>\$ 594,909,613</u>	<u>\$ 577,291,663</u>

* The beginning balance of the Education fund has been restated due to the implementation of GASB 75.
** 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, 2018**

	Capital Assets July 1, 2017	Additions	Deletions and Transfers	Capital Assets June 30, 2018
Fixed Assets				
Land	\$ 51,376,464	\$ -	\$ -	\$ 51,376,464
Construction in progress	41,526,514	32,010,618	(15,277,755)	58,259,377
Buildings and improvements	1,083,419,269	12,322,312	(4,376,045)	1,091,365,536
Equipment	63,800,500	283,812	(25,639)	64,058,673
Software	69,966,816	2,621,838	-	72,588,654
Accumulated depreciation	(358,250,800)	(64,736,966)	3,315,379	(419,672,387)
Net Fixed Assets	<u>\$ 951,838,763</u>	<u>\$ (17,498,386)</u>	<u>\$ (16,364,060)</u>	<u>\$ 917,976,317</u>

	Long-Term Debt July 1, 2017	Additions	Deletions and Transfers	Long-Term Debt June 30, 2018
Fixed Debt				
Bonds payable	\$ 241,830,000	\$ 78,065,000	\$ (4,335,000)	\$ 315,560,000
Total Fixed Debt	<u>\$ 241,830,000</u>	<u>\$ 78,065,000</u>	<u>\$ (4,335,000)</u>	<u>\$ 315,560,000</u>

City Colleges of Chicago
Community College District No. 508
Operating** Funds Revenues and Expenditures
Uniform Financial Statement #3
Fiscal Year Ended June 30, 2018

OPERATING REVENUES BY SOURCE	Education Fund	Operations and Maintenance Fund	Total Operating Funds
Local Government Revenue:			
Local Taxes	\$ 88,652,544	\$ 24,561,869	\$ 113,214,413
Chargeback Revenue	5,671	-	5,671
TOTAL LOCAL GOVERNMENT	<u>88,658,215</u>	<u>24,561,869</u>	<u>113,220,084</u>
State Government:			
ICCB Base Operating Grant	80,891,857	-	80,891,857
TOTAL STATE GOVERNMENT	<u>80,891,857</u>	<u>-</u>	<u>80,891,857</u>
Federal Government:			
Dept. of Education	343,034	-	343,034
TOTAL FEDERAL GOVERNMENT	<u>343,034</u>	<u>-</u>	<u>343,034</u>
Student Tuition and Fees			
Tuition	93,788,219	-	93,788,219
TOTAL TUITION AND FEES	<u>93,788,219</u>	<u>-</u>	<u>93,788,219</u>
Other Sources			
Sales and Service Fees	659,504	360	659,864
Facilities Revenue	-	1,404,210	1,404,210
Investment Revenue	1,440,581	202	1,440,783
Other	739,589	15,141	754,730
TOTAL OTHER REVENUE	<u>2,839,674</u>	<u>1,419,913</u>	<u>4,259,587</u>
TOTAL REVENUE	<u>\$ 266,520,999</u>	<u>\$ 25,981,782</u>	<u>\$ 292,502,781</u>
Less: Non-Operating Items *			
Tuition Chargeback Revenue	(5,671)	-	(5,671)
ADJUSTED REVENUE	<u>\$ 266,515,328</u>	<u>\$ 25,981,782</u>	<u>\$ 292,497,110</u>
OPERATING EXPENDITURES BY PROGRAM			
Instruction	\$ 95,365,234	\$ -	\$ 95,365,234
Academic Support	16,532,707	-	16,532,707
Student Services	32,251,624	-	32,251,624
Public Service/Continuing Education	3,773	-	3,773
Auxiliary Services	4,573,289	-	4,573,289
Operations and Maintenance	10,421,327	25,760,291	36,181,618
Institutional Support	61,385,441	7,296	61,392,737
Scholarships, Grants, Waivers	9,597,707	-	9,597,707
TOTAL EXPENDITURES	<u>230,131,102</u>	<u>25,767,587</u>	<u>255,898,689</u>
Less Non-Operating Items*			
Tuition Chargeback	(5,936)	-	(5,936)
ADJUSTED EXPENDITURES	<u>\$ 230,125,166</u>	<u>\$ 25,767,587</u>	<u>\$ 255,892,753</u>
OPERATING EXPENDITURES BY OBJECT			
Salaries	\$ 162,942,949	\$ 14,296,613	\$ 177,239,562
Employee Benefits	25,442,673	2,334,666	27,777,339
Contractual Services	9,864,626	1,378,079	11,242,705
General Materials and Supplies	9,048,401	692,324	9,740,725
Professional Development	583,420	0	583,420
Fixed Charges	510,446	118,770	629,216
Utilities	1,054,540	6,939,839	7,994,379
Other	11,092,276	7,296	11,099,572
Student Grants & Scholarships**	9,591,771	-	9,591,771
TOTAL EXPENDITURES	<u>\$ 230,131,102</u>	<u>\$ 25,767,587</u>	<u>\$ 255,898,689</u>
Less Non-Operating Items*			
Tuition Chargeback	(5,936)	-	(5,936)
ADJUSTED EXPENDITURES	<u>\$ 230,125,166</u>	<u>\$ 25,767,587</u>	<u>\$ 255,892,753</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, 2018**

REVENUE BY SOURCE:

TOTAL LOCAL GOVERNMENT	\$ 139,488
State Government	
ICCB - Adult Education	6,069,991
SURS - On Behalf	123,893,694
Other	13,388,670
TOTAL STATE GOVERNMENT	<u>143,352,355</u>
Federal Government	
Dept. of Education	64,036,996
Other	9,648,241
TOTAL FEDERAL GOVERNMENT	<u>73,685,237</u>
Other Sources	
Other	2,947,942
TOTAL OTHER SOURCES	<u>2,947,942</u>
TOTAL RESTRICTED PURPOSES FUND REVENUES	<u><u>\$ 220,125,022</u></u>
EXPENDITURES BY PROGRAM	
Instruction	\$ 63,276,779
Academic Support	16,582,053
Student Services	19,523,387
Public Service/Continuing Education	1,586,729
Organized Research	27,953
Auxiliary Services	5,567,064
Operations and Maintenance	15,023,563
Institutional Support	19,007,233
Scholarships, Grants and Waivers	73,843,237
TOTAL RESTRICTED PURPOSES FUND EXPENDITURES	<u><u>\$ 214,437,998</u></u>
EXPENDITURES BY OBJECT	
Salaries	\$ 12,304,486
Employee Benefits	126,101,460
Contractual Services	1,200,637
General Materials and Supplies	1,927,008
Professional Development	337,801
Fixed Charges	3,000
Utilities	597
Capital Outlay	99,646
Other	94,646
Scholarships, Grants, Waivers	72,368,717
TOTAL RESTRICTED PURPOSES FUND EXPENDITURES	<u><u>\$ 214,437,998</u></u>

City Colleges of Chicago
 Community College District No. 508
 Current Funds * Expenditures by Activity
 Uniform Financial Statement #5
 Fiscal Year Ended June 30, 2018

INSTRUCTION	
Instructional Programs	\$ 160,694,706
Total Instruction	<u>160,694,706</u>
ACADEMIC SUPPORT	
Library Center	4,662,979
Instructional Materials Center	428,475
Educational Media Services	12,184
Academic Computing Support	1,890,052
Academic Administration and Planning	16,793,777
Other	9,424,838
Total Academic Support	<u>33,212,305</u>
STUDENT SERVICES SUPPORT	
Admissions and Records	9,404,531
Counseling and Career Services	17,247,367
Financial Aid Administration	5,641,739
Other	19,496,374
Total Student Services Support	<u>51,790,011</u>
PUBLIC SERVICE/CONTINUING EDUCATION	
Community Education	323,988
Customized Training (Instructional)	266,350
Community Services	530,411
Other	1,559,732
Total Public Service/Continuing Education	<u>2,680,481</u>
ORGANIZED RESEARCH	<u>27,953</u>
AUXILIARY SERVICES	<u>15,477,366</u>
OPERATIONS AND MAINTENANCE OF PLANT	
Maintenance	14,298,407
Custodial Services	10,869,380
Grounds	64,329
Campus Security	14,123,042
Utilities	6,939,946
Administration	4,151,398
Other	829,271
Total Operations and Maintenance of Plant	<u>51,275,773</u>
INSTITUTIONAL SUPPORT	
Executive Management	10,189,355
Fiscal Operations	14,423,740
Community Relations	3,560,659
Administrative Support Services	42,079,815
Board of Trustees	264,238
General Institutional	12,572,893
Institutional Research	1,572,067
Administrative Data Processing	11,628,883
Other	(7,615,627)
Total Institutional Support	<u>88,676,023</u>
SCHOLARSHIPS, STUDENTS GRANTS, & WAIVERS	<u>83,440,944</u>
TOTAL CURRENT FUNDS EXPENDITURES	<u>\$ 487,275,562</u>

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

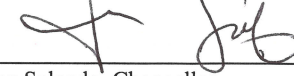
City Colleges of Chicago
ILLINOIS COMMUNITY COLLEGE DISTRICT NO. 508

CERTIFICATE OF CHARGEBACK REIMBURSEMENT FOR FISCAL YEAR 2019

All fiscal year 2018 non-capital audited operating expenditures for the past year from the following funds:

Education Fund	\$ 230,131,102
Operations and Maintenance Fund	25,767,587
Bond and Interest Fund	18,982,517
Restricted Purposes Fund	90,544,304
Audit Fund	531,082
Liability, Protection and Settlement Fund	<u>7,807,729</u>
Total noncapital expenditures	\$ 373,764,321
 Depreciation on capital outlay expenditures (equipment, buildings, and fixed equipment paid) from sources other than state and federal funds	 <u>\$ 26,839,075</u>
 Total costs included	 <u>\$ 400,603,396</u>
 Total certified semester credit hours for FY 2018	 821,349.0
 Per capita cost	 \$ 487.74
 All FY 2018 state and federal operating grants for noncapital expenditures, except ICCB grants	 \$ 87,416,941
 FY 2018 state and federal grants per semester credit hour	 \$ 106.43
 District's average ICCB grant rate (excluding equalization grants) for FY 2018	 \$ 49.37
 District's student tuition and fee rate per semester credit hour for FY 2018	 <u>\$ 109.78</u>
 Chargeback reimbursement per semester credit hour	 <u>\$ 222.16</u>

Approved:  10/15/18
Maribel Rodriguez, Chief Financial Officer Date

Approved:  10/15/18
Juan Salgado, Chancellor Date

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

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

We have examined the 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, 2018. City Colleges' management is responsible for preparing the Schedule in accordance with the guidelines of the Illinois Community College Board's *Fiscal Management Manual*. Our responsibility is to express an opinion on the Schedule based on our examination.

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

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

The supplementary information on page 85 discusses City Colleges' residency policy and provides a summary of assessed valuations and is the responsibility of City Colleges' management. This information has not been subjected to the examination procedures applied in the examination of the Schedule and, accordingly, we do not express an opinion or provide any assurance on it.

RSM US LLP

Chicago, Illinois
October 15, 2018

**City Colleges of Chicago
Schedule of Enrollment Data and
Other Bases On Which Claims are Filed
Year ended June 30, 2018**

**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	46,969.0	-	205,792.0	-	194,369.0	-	447,130.0	-
Business Occupational	2,771.0	-	16,200.0	-	14,509.0	-	33,480.0	-
Technical Occupational	4,141.0	31.0	17,706.5	65.5	16,828.5	55.0	38,676.0	151.5
Health Occupational	3,177.0	-	12,547.0	-	13,031.0	-	28,755.0	-
Remedial/Developmental	2,213.0	-	31,750.0	-	17,460.0	-	51,423.0	-
Adult Basic/Secondary Education	48,566.5	3,904.0	76,486.0	8,097.5	71,665.5	13,014.0	196,718.0	25,015.5
Total	107,837.5	3,935.0	360,481.5	8,163.0	327,863.0	13,069.0	796,182.0	25,167.0

Reconciliation of Total Semester Credit Hours for the Year Ended June 30, 2018

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	447,130.0	447,130.0	-	-	-	-
Business Occupational	33,480.0	33,480.0	-	-	-	-
Technical Occupational	38,676.0	38,676.0	-	151.5	151.5	-
Health Occupational	28,755.0	28,755.0	-	-	-	-
Remedial/Developmental	51,423.0	51,423.0	-	-	-	-
Adult Basic/Secondary Education	196,718.0	196,718.0	-	25,015.5	25,015.5	-
Total	796,182.0	796,182.0	-	25,167.0	25,167.0	-

Summary of Certified Dual Credit and Dual Enrollment Hours

	<u>Dual Credit</u>	<u>Dual Enrollment</u>
Reimbursable Semester Credit Hours (All Terms)	20,253.0	6,074.0

City Colleges of Chicago
Schedule of Enrollment Data and
Other Bases On Which Claims are Filed *(Continued)*
Year ended June 30, 2018

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	774,523.0		
Restricted in-district resident hours	<u>23,716.0</u>		
Semester credit hours (all terms)	798,239.0	1,369.0	799,608.0

District prior-year equalized assessed evaluation \$ 76,722,182,440

	<u>Total Credit Hours</u>	<u>Total Credit Hours Certified by ICCB</u>	<u>Difference</u>
In-district resident	798,239.0	798,239.0	-
Out-of-district (chargeback/contractual agreement)	<u>1,369.0</u>	<u>1,369.0</u>	-
Total	<u><u>799,608.0</u></u>	<u><u>799,608.0</u></u>	<u>-</u>

Schedule 9

Student Residency Verification Process

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

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

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

Non-resident tuition and fees will be charged to:

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

Summary of Assessed Valuations

<u>Tax Levy Year</u>	<u>Equalized Assessed Valuation</u>
2017	\$76,722,182,440
2016	73,984,605,433
2015	70,924,421,349
2014	64,879,908,794
2013	62,337,066,955
2012	65,221,057,665
2011	75,087,804,739
2010	82,052,222,695
2009	84,550,505,262
2008	80,929,580,524

State Grant Compliance Section

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Early School Leavers Grant Program, the Career and Technical Education – Program Improvement Grant Program and the Adult Education and Literacy 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, 2018, and the related notes to the financial statements – grant programs, which collectively comprise City Colleges' grant programs financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Early School Leavers Grant Program, the Career and Technical Education - Program Improvement Grant Program and the Adult Education and Literacy Grant Program as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The grant programs financial statements present only the Grant Programs referred to above and do not purport to, and do not, present the financial position of City Colleges as of June 30, 2018, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2018, on our consideration of City Colleges' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City Colleges' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City Colleges' internal control over financial reporting and compliance.

RSM US LLP

Chicago, Illinois
October 15, 2018

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Early School Leavers Grant Program and the Career and Technical Education – Program Improvement Grant Program (the Grant Programs) of City Colleges of Chicago, Community College District No. 508 (City Colleges) as of and for the year ended June 30, 2018, and the related notes to the financial statements – grant programs, and have issued our report thereon dated October 15, 2018. The grant programs financial statements present only the Grant Programs referred to above and do not purport to, and do not, present the financial position of City Colleges as of June 30, 2018, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the grant programs financial statements, we considered City Colleges' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the grant programs financial statements, but not for the purpose of expressing an opinion on the effectiveness of City Colleges' internal control. Accordingly, we do not express an opinion on the effectiveness 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 programs financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

RSM US LLP

Chicago, Illinois
October 15, 2018

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, 2018**

	<u>State Basic</u>	<u>State Performance</u>	<u>Total</u>
Assets			
Accounts Receivable	\$ 2,075,425	\$ 1,085,936	\$ 3,161,361
Total assets	<u>2,075,425</u>	<u>1,085,936</u>	<u>3,161,361</u>
Liabilities and Fund Balance			
Accounts payable	21,527	16,810	38,337
Accrued payroll	13,622	2,892	16,514
Due to City Colleges of Chicago	<u>2,040,276</u>	<u>1,066,234</u>	<u>3,106,510</u>
Total Liabilities	<u>2,075,425</u>	<u>1,085,936</u>	<u>3,161,361</u>
Fund balance	-	-	-
Total Liabilities and Fund Balance	<u>\$ 2,075,425</u>	<u>\$ 1,085,936</u>	<u>\$ 3,161,361</u>

**Combined Statement of Revenues, Expenditures
and Changes in Fund Balance
Year ended June 30, 2018**

	<u>State Basic</u>	<u>State Performance</u>	<u>Total</u>
Revenue			
State Sources	\$ 4,053,915	\$ 2,016,076	\$ 6,069,991
Expenditures By Program			
Instruction	1,383,248	356,212	1,739,460
Social Work Services	26,029	85,967	111,996
Guidance Services	241,280	116,104	357,384
Assessment and Testing	177,006	121,269	298,275
Student Transportation Services	-	33,280	33,280
Subtotal Instructional and Student Services	<u>1,827,563</u>	<u>712,832</u>	<u>2,540,395</u>
Program Support			
Improvement of Instructional Services	-	104,960	104,960
General Administration	146,098	148,684	294,782
Data and Information Services	<u>101,764</u>	<u>119,460</u>	<u>221,224</u>
Subtotal Program Support	<u>247,862</u>	<u>373,104</u>	<u>620,966</u>
Total Expenditures	<u>2,075,425</u>	<u>1,085,936</u>	<u>3,161,361</u>
Excess of Revenue Over Expenditures	1,978,490	930,140	2,908,630
Fund Balance - July 1, 2017	<u>(1,978,490)</u>	<u>(930,140)</u>	<u>(2,908,630)</u>
Fund Balance - June 30, 2018	<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, 2018

	<u>Expenditure Amount</u>	<u>Allowed Expenditure Percentage</u>	<u>Actual Expenditure Percentage</u>
State Basic			
Instruction	\$ 1,383,248	Minimum 45%	67%
General Administration	\$ 146,098	Maximum 9%	7%

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, 2018**

Assets	
Cash	\$ 53,989
Total Assets	<u>\$ 53,989</u>
 Liabilities and Fund Balance	
Deferred revenue	\$ 53,989
Total liabilities	<u>\$ 53,989</u>
 Total Fund Balance	 <u>-</u>
Total Liabilities and Fund Balance	<u>\$ 53,989</u>

**Statement of Revenues, Expenditures
and Changes in Fund Balance
Year ended June 30, 2018**

Revenue	
State sources	<u>\$ 26,011</u>
 Expenditures	
Salaries	\$ 19,633
Employee benefits	3,659
Travel and professional development	2,639
Purchased services	80
Total expenditures	<u>\$ 26,011</u>
 Excess of Revenue Over Expenditures	
Fund Balance - July 1, 2017	<u>\$ -</u>
Fund Balance - June 30, 2018	<u>\$ -</u>

See accompanying notes to grant program financial statements.

**City Colleges of Chicago
Community College District No. 508
Career and Technical Education - Program Improvement
Balance Sheet
As of June 30, 2018**

Assets	
Cash	<u>\$ 69,710</u>
 Liabilities and Fund Balance	
Accounts payable	<u>\$ 69,710</u>
Total liabilities	<u>\$ 69,710</u>
Total Fund Balance	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 69,710</u>

**Statement of Revenues, Expenditures
and Changes in Fund Balance
Year ended June 30, 2018**

Revenue	
State sources	<u>\$ 148,889</u>
 Expenditures	
Salaries	\$ 2,817
Instructional equipment	128,571
Materials and supplies	14,633
Contractual services	2,768
Staff development	<u>100</u>
Total Expenditures	<u>\$ 148,889</u>
 Excess of Revenue Over Expenditures	
Fund Balance - July 1, 2017	<u>\$ -</u>
Fund Balance - June 30, 2018	<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, 2018

1. PROGRAM DESCRIPTIONS

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

A. Adult Education and Family Literacy Grants

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

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

The ICCB provides funding for Adult Education and Family Literacy from State and Federal sources in fiscal year 2018. State funds include two categories: (1) State Basic and (2) State Performance. Federal funds included one category in fiscal year 2018, (1) Federal Basic. Funding is allocated through a competitive process. The funding source determines the applicable statutory regulations, policies, and guidelines, including allowable costs.

B. Early School Leavers Grant

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

C. Career and Technical Education – Program Improvement Grant

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

City Colleges of Chicago
Community College District No. 508
Notes to Grant Program Financial Statements
June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Reporting

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

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

The grant funds shall be expended or obligated 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 were fully expended within the grant period. Funds will be returned for the Career and Technical Education Improvement Grant program. The Early School Leavers grant performance period was extended to December 31, 2018. Full expenditure of this grant is anticipated.

These grant program financial statements cover only the State Adult Education and Family Literacy, the Early School Leavers and the Career and Technical Education programs. They are not intended to, and do not present the financial position or results of operations of City Colleges of Chicago in its entirety.

B. Cash held by City Colleges of Chicago

To facilitate sound management, substantially all grant program cash for the State Adult Education and Family Literacy, the Early School Leavers program and the Career and Technical Education 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, 2018 for reimbursement of the allowable expenditures incurred during the fiscal year.

City Colleges of Chicago
Community College District No. 508
Notes to Grant Program Financial Statements
June 30, 2018

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

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. Uses of Estimates

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

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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of City Colleges of Chicago, Community College District No. 508 (City Colleges), as of and for the year ended June 30, 2018, and the related notes to the financial statements and have issued our report thereon dated October 15, 2018. Our report includes an emphasis of a matter paragraph relative to the adoption of the reporting and disclosure requirements of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which required a restatement to opening net position. Our opinion is not modified with respect to this matter.

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 15, 2018



RSM US LLP

Report On Compliance For Each Major Federal Program and Report On Internal Control Over Compliance Required By The Uniform Guidance

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited City Colleges of Chicago, Community College District No. 508's (City Colleges) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City Colleges' major federal programs for the year ended June 30, 2018. 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, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002, 2018-003, and 2018-004. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

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

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

RSM US LLP

Chicago, Illinois
October 15, 2018

City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Federal Project Grantor's Number	Total Expenditures	Pass - Through To Subrecipients
U.S. Department of Education -					
Student Financial Assistance Cluster:					
Federal Pell Grant Program	84.063				
Kennedy King College			P063P176807	\$ 6,370,252	\$ -
Olive Harvey College			P063P176999	4,168,693	-
Harold Washington College			P063P176870	15,698,007	-
Truman College			P063P176996	6,205,201	-
Malcolm X College			P063P176907	11,342,686	-
Wright College			P063P176997	11,947,781	-
Daley College			P063P176878	5,038,947	-
Total Federal Pell Grant				<u>60,771,567</u>	<u>-</u>
Federal Work-Study Program	84.033				
Kennedy King College			P033A171193	203,170	-
Olive Harvey College			P033A171249	74,709	-
Harold Washington College			P033A171193	326,199	-
Truman College			P033A171100	267,912	-
Malcolm X College			P033A171212	152,005	-
Wright College			P033A171316	258,122	-
Daley College			P033A171287	64,813	-
Total Federal Work-Study Program				<u>1,346,930</u>	<u>-</u>
Federal Supplemental Educational Opportunity Grants Program	84.007				
Kennedy King College			P007A171193	221,113	-
Olive Harvey College			P007A171249	146,034	-
Harold Washington College			P007A171207	455,018	-
Truman College			P007A171100	230,921	-
Malcolm X College			P007A171212	279,578	-
Wright College			P007A171316	335,732	-
Daley College			P007A171287	210,037	-
Total Federal Supplemental Educational Opportunity Grants				<u>1,878,433</u>	<u>-</u>
Federal Direct Student Loans					
Kennedy King College	84.268		P268K186807	1,310,053	-
Olive Harvey College	84.268		P268K186999	1,004,162	-
Harold Washington College	84.268		P268K186870	1,338,395	-
Truman College	84.268		P268K186996	1,074,978	-
Malcolm X College	84.268		P268K186907	2,092,304	-
Wright College	84.268		P268K186997	672,661	-
Daley College	84.268		P268K186878	182,635	-
Total Federal Direct Student Loans				<u>7,675,188</u>	<u>-</u>
Total Student Financial Assistance Cluster:				<u>71,672,118</u>	<u>-</u>

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2018**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Federal Project Grantor's Number	Total Expenditures	Pass - Through To Subrecipients
TRIO Cluster:					
TRIO - Student Support Services					
Student Support Services Program	84.042A		P042A151046-16	26,057	-
Student Support Services Program	84.042A		P042A151046-17	220,132	-
Student Support Services Program	84.042A		P042A150138-16	15,259	-
Student Support Services Program	84.042A		P042A150138-17	208,320	-
	Subtotal 84.042A			<u>469,768</u>	<u>-</u>
TRIO - Talent Search Program:					
Talent Search Grant	84.044A		PO44A160557	39,912	-
Talent Search Grant	84.044A		PO44A160557-17	311,388	-
	Subtotal 84.044A			<u>351,300</u>	<u>-</u>
TRIO - Educational Opportunity Centers					
Educational Opportunity Centers Program	84.066A		PO66A160284	29,906	-
Educational Opportunity Centers Program	84.066A		PO66A160284-17	212,495	-
	Subtotal 84.066A			<u>242,401</u>	<u>-</u>
Total TRIO Cluster				<u>1,063,469</u>	<u>-</u>
Adult Education - Basic Grants to States					
Passed through the Illinois Community College Board					
Adult Education Grant - Basic	84.002A	F5080118	F5080118	1,592,665	-
	Total 84.002A			<u>1,592,665</u>	<u>-</u>
Higher Education Institutional Aid					
Wright Start: Increasing Hispanic Student Success in the First Year of College	84.031S		P031S120098-16	98,478	-
Wright Start: Increasing Hispanic Student Success in the First Year of College	84.031S		P031S120098-16	233,863	-
	Subtotal 84.031S			<u>332,341</u>	<u>-</u>
Higher Education Institutional Aid					
Truman College Critical Reading and Science Centers	84.031S		P031S150026-16	77,394	-
Truman College Critical Reading and Science Centers	84.031S		P031S150026-17	479,624	-
	Subtotal 84.031S			<u>557,018</u>	<u>-</u>
Total 84.031S				<u>889,359</u>	<u>-</u>
Career and Technical Education - Basic Grants to States					
Passed through the Illinois Community College Board					
Perkins III Grant	84.048	CTE50818	CTE50818	2,482,327	-

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2018**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Federal Project Grantor's Number	Total Expenditures	Pass - Through To Subrecipients
Career and Technical Education					
Passed through the Illinois Community College Board					
Perkins Leadership Improvement Grant	84.048	CTE-IG-50818	CTE-IG-50818	4,663	-
	Total 84.048			<u>2,486,990</u>	<u>-</u>
Strengthening Minority-Serving Institutions					
Olive Harvey College	84.382A		P382A150033-16	117,743	-
Olive Harvey College	84.382A		P382A150033-17	387,271	-
	Subtotal 84.382A			<u>505,014</u>	<u>-</u>
Strengthening Minority-Serving Institutions					
Pipeline to Careers in Healthcare	84.382A		P382A150024-16	143,152	-
Pipeline to Careers in Healthcare	84.382A		P382A150024-17	468,796	-
	Subtotal 84.382A			<u>611,948</u>	<u>-</u>
	Total 84.382A			<u>1,116,962</u>	<u>-</u>
Total Expenditures - U.S. Department of Education				<u>78,821,563</u>	<u>-</u>
U.S. Department of Health and Human Services -					
Head Start					
Passed through the City of Chicago Department of Family and Support Services:					
Head Start Program	93.600	33362-2		277,292	-
Head Start Program	93.600	33362-3		488,459	-
Head Start Support Services Program	93.600	33576-2		129,762	-
Head Start Support Services Program	93.600	33576-3		130,728	-
Early Head Start Support Services - Child Care Partnership	93.600	37613-3		102,614	-
Early Childhood Support Services	93.600	52755-1		16,575	-
Early Head Start Grant	93.600	52755-2		17,867	-
	Total 93.600			<u>1,163,297</u>	<u>-</u>
Child Care					
Passed through the City of Chicago Department of Family and Support Services:					
Child Care Services Program	93.596	28412-5		16,757	-
Oral Health					
Passed through Illinois Department of Public Health:					
Oral Health Workforce Grant	93.236	83489101F		5,478	-
Oral Health Workforce Grant	93.236	83489101F		15,182	-
	Total 93.236			<u>20,660</u>	<u>-</u>
Total Expenditures - U.S. Department of Health and Human Services				<u>1,200,714</u>	<u>-</u>

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2018**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Federal Project Grantor's Number	Total Expenditures	Pass - Through To Subrecipients
U.S. Department of Agriculture -					
Passed through the Illinois State Board of Education					
Child and Adult Care Food Program	10.558	15016508051		17,852	-
Child and Adult Care Food Program	<u>10.558</u>	15016508051		133,763	-
	Total			<u>151,615</u>	-
Total Expenditures - U.S. Department of Agriculture				<u>151,615</u>	-
National Science Foundation -					
Education and Human Resources					
Advanced Technological Education Program			DUE-1550438	6,148	-
Total Expenditures - National Science Foundation				<u>6,148</u>	-
Office of Naval Research -					
Midwest Association for Science and Services (Critical Mass)	12.300		N00014-16-1-3077	279,303	-
Total Expenditures - Research and Development Cluster				<u>279,303</u>	-
Highway Planning and Construction					
Passed through the Illinois Community College Board					
Highway Construction Careers Training Program	20.205		S-HCCTP-508	290,611	-
National Endowment for the Humanities					
NEH Humanities Grant	45.162		AC-258931-18	23,823	-
Passed through University of Illinois Urbana-Champaign					
Passed through Illinois Institute of Technology					
high altitude ballooning	43.008		NNX14AR13A	12,120	-
Total Expenditures - Other Federal Agencies				<u>326,554</u>	-
Total All Programs				<u>\$ 80,785,897</u>	<u>\$ -</u>

See Notes to the Schedule of Expenditures of Federal Awards.

City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2018

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, 2018.

Note 2. Summary of Significant Accounting Policies

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

Cost allocation: City Colleges has a plan for allocation of common and indirect costs related to grant programs in accordance with the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The indirect cost rate used to allocate amounts to grant programs during the fiscal year ended June 30, 2018, is primarily based on a federally negotiated higher education rate agreement of 50.5%. Because the College negotiated an indirect cost rate it cannot elect to use the 10% de minimus rate.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2018**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

Note 3. Student Loan Programs

Loans made under the Federal Direct Student Loan program issued to eligible students of City Colleges during the fiscal year ended June 30, 2018, are summarized as follows:

Guaranteed Loan Programs:	
Subsidized	\$ 4,000,797
Unsubsidized	3,631,565
Parent Plus	42,826
Total Federal Student Loan Programs	<u>\$ 7,675,188</u>

The loan programs include subsidized and unsubsidized Stafford Loans and Parent PLUS Loans. The value of loans issued for the Federal Student Loan Program is based on disbursement amounts. The loan amounts issued during the year are disclosed on the schedule. City Colleges is responsible only for the performance of certain administrative duties with respect to the federally guaranteed student loan programs and, accordingly, balances and transactions relating to these loan programs are not included in City Colleges' basic financial statements. Therefore, it is not practicable to determine the balance of loans outstanding to students and former students of City Colleges at June 30, 2018.

Note 4. Other Noncash Assistance

City Colleges did not receive federal noncash assistance during the fiscal year ended June 30, 2018.

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, 2018.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2018**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?

 X Yes No

Identification of major programs:

CFDA Numbers

84.063, 84.033, 84.007, 87.268
84.048

Names of Federal Programs or Cluster

Student Financial Assistance Cluster
Career and Technical Education

Dollar threshold used to distinguish between type A and type B programs

\$2,423,070

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, 2018**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Section II. FINANCIAL STATEMENT FINDINGS

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

Section III. FEDERAL AWARD FINDINGS

There were no internal control significant deficiencies or material weaknesses over the federal awards identified for fiscal year 2018. The compliance findings identified are as follows:

Finding 2018-001 – Eligibility

Repeat Finding: No

Federal Program Title – U.S. Department of Education
Federal Pell Grant Program: 84.063
Federal Work-Study Program 84.033
Federal Supplemental Education Opportunity Grants Program 84.007
Federal Direct Student Loans: 84.268
Federal Award Year 2017-2018

Condition

The College was unable to provide verification documents for one student whose Institutional Student Information Record (ISIR) was selected for verification testing.

Criteria

34 CFR Section 668.57 states that if an applicant is selected to verify any of the specified criteria, the College must obtain specified documentation based on the verification flag type on the Institutional Student Information Record (ISIR).

Questioned Costs

\$1,680

Cause

City Colleges does not retain student verification documents electronically and the College was unable to locate the physical verification documents submitted by the student.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2018**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Section III. FEDERAL AWARD FINDINGS (CONTINUED)

Prevalence

Isolated. One out of forty student testing selections.

Effect

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

Recommendation

We recommend City Colleges implement procedures to ensure that all verification completion documents are retained subsequent to award disbursement.

Views of responsible officials

We agree with this finding. See corrective action plan.

Finding 2018-002 – Use of Federal Work Study Funds

Repeat Finding: Yes, partial.

Federal Program Title – U.S. Department of Education
Federal Work-Study Program 84.033
Federal Award Year 2017-2018

Condition

During review of the Federal Work Study (FWS) program, we noted that at one of the seven campuses, the College did not employ a student in a reading tutor or family literacy project.

Criteria

34 CFR section 675.18 states that City Colleges must use at least seven percent of the sum of its initial and supplemental FWS allocations for an award year to compensate students employed in community service activities. In meeting this requirement, the College must include at least one of the following:

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

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2018**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Section III. FEDERAL AWARD FINDINGS (CONTINUED)

Questioned Costs

There were no questioned costs with respect to this finding.

Cause

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

Prevalence

Isolated. This finding was prevalent at one out of seven campuses.

Effect

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

Recommendation

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

Views of responsible officials

We agree with this finding. See corrective action plan.

Finding 2018-003 – Enrollment Reporting

Repeat Finding: Yes

Federal Program Title – U.S. Department of Education

Federal Pell Grant Program: 84.063

Federal Work-Study Program 84.033

Federal Supplemental Education Opportunity Grants Program 84.007

Federal Direct Student Loans: 84.268

Federal Award Year 2017-2018

Condition

Three students out of forty tested withdrew from City Colleges for which status changes were not properly reported to the National Student Loan Data System (NSLDS).

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2018**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Section III. FEDERAL AWARD FINDINGS (CONTINUED)

Criteria

CFR section 685.309(b)(2) requires City Colleges to notify the lender within 30 days if City Colleges discovers that a student who received a loan either did not enroll or was not enrolled on at least a half-time basis. For official student status changes, City Colleges has 60 days to notify the lender if the next scheduled roster date is within 60 days of the date of determination.

Questioned Costs

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

Cause

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

Prevalence

Isolated. Three out of forty student testing selections.

Effect

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

Recommendation

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

Views of responsible officials

We agree with this finding. See corrective action plan.

Finding 2018-004 – Reporting

Repeat Finding: No

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2018**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Section III. FEDERAL AWARD FINDINGS (CONTINUED)

Federal Program Title – U.S. Department of Education, Passed Through the Illinois
Community College Board
Career and Technical Education: 84.048
Federal Award Year: 2017 - 2018

Condition

City Colleges did not submit quarterly performance reports to the Illinois Community College Board (ICCB) in a timely manner.

Criteria

There are two grants associated with the Career and Technical Education: Perkins III Grant and Perkins Leadership Grant. Both grants require quarterly performance submissions to the Illinois Community College Board (ICCB).

Questioned Costs

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

Cause

City Colleges does not have an effective system in place to ensure that all performance reports have been submitted prior to published deadlines.

Prevalence

Systemic. The Perkins Leadership Grant was only applicable for two out of the four quarters of fiscal year 2018, City Colleges did not submit either quarterly report prior to the reporting deadline.

Effect

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

Recommendation

To ensure reporting requirements are met, we recommend designing and implementing controls to ensure quarterly reports are reviewed and submitted in a timely manner.

Views of responsible officials

We agree with this finding. See corrective action plan.



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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018**

Identifying Number: 2017-001 Accounts Payable

Audit Finding: City Colleges did not have adequate internal controls and procedures in place during fiscal year 2017 to ensure all unrecorded liabilities had been accounted for at year-end, or that the accounts payable subledger was reconciled to the trial balance.

Status: Corrected

Corrective Action Taken: The Finance department worked with the Office of Information and Technology to develop reports to identify exceptions, non-posting entries, and to reconcile the accounts payable subledger to the general ledger. Additionally, provided additional training to accounts payable staff on year-end posting and closing procedures to ensure transactions were recorded in the correct fiscal year.

Identifying Number: 2017-002 Enrollment Reporting

Audit Finding: During review of the Student Financial Aid Cluster, two students tested withdrew from City Colleges for which status changes were not reported to the National Student Loan Data System.

Status: Uncorrected, Repeat in fiscal year 2018. See finding 2018-003.

Identifying Number: 2017-003 Use of Federal Work Study Funds

Audit Finding: During review of the Federal Work Study Program (FWS), the following was identified:

- a) City Colleges did not employ a student in a reading tutor or family literacy project at five of seven campuses; and
- b) City Colleges did not use at least seven percent of the sum of its initial and supplemental FWS allocations for an award year to compensate students employed in community service activities at one campus.



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018 (continued)**

Status: Partially corrected, See finding 2018-002.

Corrective Action Taken: Partial repeat in fiscal year 2018. City Colleges did not employ a student in a reading tutor or family literacy project at one of seven campuses. See finding 2018-002. Off-site arrangements with other community organizations ensured that FWS funds were used for community service in excess of the required seven percent.

Identifying Number: 2017-004 Earmarking Requirement

Audit Finding: During review of the TRIO Student Support Services (SSS) and Talent Search (TS) program, the following was identified:

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

Status: Corrected

Corrective Action Taken: In relation to the SSS program, City Colleges increased monitoring of participant eligibility. In relation to the TS program, City Colleges discontinued the program.

Identifying Number: 2017-005 Reporting Requirement

Audit Finding: During review of the Talent Search Program, it was noted that City Colleges did not sign the annual performance report that was submitted to the Department of Education.

Status: Corrected

Corrective Action Taken: The TRIO Talent Search Program at Kennedy-King College developed a revised system for submission of the Annual Performance Report to the Department of Education.



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

CORRECTIVE ACTION PLANS

Finding 2018-001 – Eligibility: The College was unable to provide verification documents for one student whose Institutional Student Information Record (ISIR) was selected for verification testing. 34 CFR Section 668.57 states that if an applicant is selected to verify any of the specified criteria, the College must obtain specified documentation based on the verification flag type on the ISIR.

Corrective Action Taken or Planned

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

Contact person: Robert Covey-Robbins
Anticipated completion date: 12/03/2018

Finding 2018-002 – Use of Federal Work Study Funds: During review of the Federal Work Study (FWS) program, we noted that at one of the seven campuses, the College did not employ a student in a reading tutor or family literacy project. 34 CFR section 675.18 states that City Colleges must use at least seven percent of the sum of its initial and supplemental FWS allocations for an award year to compensate students employed in community service activities. In meeting this requirement, the College must include at least one of the following:

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



CORRECTIVE ACTION PLANS *(Continued)*

Corrective Action Taken or Planned

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

Contact person: Robert Covey-Robbins

Anticipated completion date: Minimum corrective action has already been met. Additional efforts will continue to ensure that the campus does not rely on just one student to meet the requirement.

Finding 2018-003 – Enrollment Reporting: Three students out of forty tested withdrew from City Colleges for which status changes were not properly reported to the National Student Loan Data System (NSLDS). CFR section 685.309(b)(2) requires City Colleges to notify the lender within 30 days if City Colleges discovers that a student who received a loan either did not enroll or was not enrolled on at least a half-time basis. For official student status changes, City Colleges has 60 days to notify the lender if the next scheduled roster date is within 60 days of the date of determination.

Corrective Action Taken or Planned

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

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



CORRECTIVE ACTION PLANS *(Continued)*

Contact person: Robert Covey-Robbins

Anticipated completion date: 7/01/2019 (Interim process in place immediately)

Finding 2018-004 – Reporting: City Colleges did not submit quarterly performance reports to the Illinois Community College Board (ICCB) in a timely manner for the Perkins Leadership Grant. The Perkins Leadership Grant requires quarterly financial and performance reports and midterm and final report.

Corrective Action Taken or Planned

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

Contact person: Paul Thompson III, Executive Director Apprenticeship and Workforce Solutions

Anticipated completion date: 10/1/18

Please contact us if you would like additional copies of the Comprehensive Annual Financial Report for the year ended June 30, 2018: <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>.

Office of Finance
3901 S. State Street, 2nd Fl.
Chicago, IL 60609
(312) 553-2500 Phone
(312) 553-2596 Fax

